CPP INVESTMENT BOARD




ANNUAL REPORT **2011**

CORPORATE PROFILE

The Canada Pension Plan Investment Board (CPPIB) is a professional investment management organization that invests the assets of the Canada Pension Plan (CPP) not required to pay current benefits. CPPIB was created by an Act of Parliament in December 1997 as part of the successful CPP reforms. Our mandate is to help sustain the pensions of 17 million CPP contributors and beneficiaries by maximizing returns without undue risk of loss. In other words, we seek to increase the long-term value of the CPP Fund to help meet the pension promise made to Canadians.

Every three years, the Chief Actuary of Canada projects the CPP's financial health over the next 75 years. The latest report, released in late 2010, dated as at December 31, 2009, said the plan, as it now exists, is sustainable over the full projection period. The report also projected that contributions will exceed benefits paid until 2021. So, for 10 more years, the CPP Fund will grow significantly as we reinvest investment income. Growth beyond 2021 will slow somewhat as a small portion of investment income is used to help pay pensions.

CPPIB invests in public equities, private equities, real estate, inflation-linked bonds, infrastructure and fixed income instruments. Our long-time horizon, distinct investment approach, available capital and specialized investment expertise allow us to capitalize on significant long-term investment opportunities. Approximately $71.7 billion is invested in Canada through a broadly diversified portfolio, while the rest is invested globally so that income from foreign assets flows back to Canada to help pay future pensions.

CPPIB is headquartered in Toronto with offices in London and Hong Kong. Our reputation as a global investor enables us to attract leading professionals from around the world. Over the past five years we have added a significant number of skilled employees to help manage our rapid growth and execute our active management strategy. We continue to seek those who share our Guiding Principles of Integrity, Partnership and High Performance, fit well into our culture and are committed to a long-term employment relationship.

CPPIB was established as a Crown corporation, with a mandate from the federal and provincial governments that oversee the CPP. We are accountable to Parliament and to the federal and provincial finance ministers who serve as the CPP's stewards. However, CPPIB is governed and managed independently of the CPP and at arm's length from governments. We function as an investment management organization operating in the private sector. The funds that we invest belong to current and future CPP beneficiaries, not governments. This plus several key attributes distinguish us from the sovereign wealth funds created by governments in other jurisdictions. These key attributes include an arm's length governance model, independent board and investment-only mandate.

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."* This annual report, together with our website and release of quarterly investment results, helps meet this commitment.

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

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ON THE COVER (FROM LEFT TO RIGHT)
Westfield Stratford City, London, United Kingdom; Highway 407 ETR, Greater Toronto Area, Ontario, Canada; Croydon Tower, Arqiva, London, United Kingdom; McGraw-Hill Building, New York, New York, U.S.A.

FINANCIAL HIGHLIGHTS

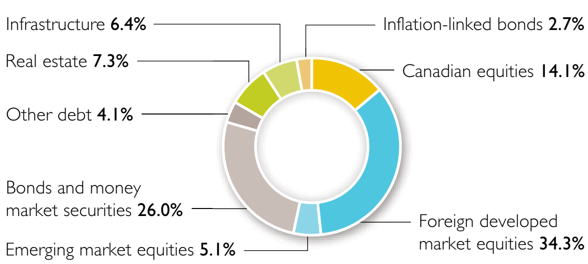
AS AT MARCH 31 ($ BILLIONS)	2011	2010
TOTAL CPP FUND	**148.2**	127.6
TOTAL CPP FUND INCREASE	**20.6**	22.1
INVESTMENT INCOME (NET OF OPERATING EXPENSES)	**15.2**	16.0
CPP NET CONTRIBUTIONS	**5.4**	6.1

11.9% FISCAL 2011 RATE OF RETURN

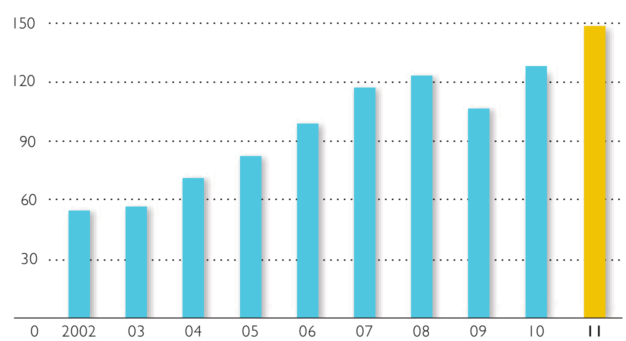
3.3% FIVE-YEAR ANNUALIZED RATE OF RETURN

5.9% 10-YEAR ANNUALIZED RATE OF RETURN

CPP FUND ASSET MIX
AS AT MARCH 31, 2011



CPP FUND $148.2 BILLION
AS AT MARCH 31 ($ BILLIONS)



$148.2 BILLION TOTAL CPP FUND

$20.6 BILLION TOTAL CPP FUND INCREASE

CHAIR'S REPORT

ROBERT M. ASTLEY
CHAIR

Fiscal 2011 was a year of solid accomplishment for the CPP Investment Board (CPPIB). Investment performance was strong, and CPPIB's capabilities as a robust global investment firm with leading people, technology and systems were significantly enhanced.

The CPP Fund grew by $20.6 billion in fiscal 2011 to an all-time high of $148.2 billion at March 31, 2011, bolstered by a 11.9% rate of return. We achieved these gains by sticking to our long-term strategy during and following the global financial crisis of late 2008 and 2009. Moreover, our investment programs delivered value-added returns of 2.07% in fiscal 2011. This means that our strategy generated $2.7 billion more investment income than the Fund would have delivered if it were managed passively, as reflected by the CPP Reference Portfolio, which serves as the CPP Fund's performance benchmark.

However, long-term investment performance is more important than any single year's performance, which will vary greatly. In that regard, the annualized rate of return over 10 years was 5.9% and cumulative dollar value-added since adopting our active management strategy in 2006 stands at $1.7 billion. Over this five-year period, our cumulative costs to operate CPPIB were $1.0 billion.

In this context, we were pleased the Chief Actuary of Canada's triennial report in late 2010, dated as at December 31, 2009, once again reaffirmed the long-term sustainability of the Canada Pension Plan (CPP). In particular, the Chief Actuary estimated the CPP Fund will reach $275 billion by 2020, approximately $465 billion by 2030, and will be sustainable for the full 75-year period covered by his report.

This growth is a very good challenge to have, and we have focused in the last number of years on building a strong foundation for long-term success. The investment and organizational strategy that we reviewed and ultimately reaffirmed during the financial crisis is working. Our governance model holds firm. Our in-house capabilities are deeper and more extensive than ever before. And our investment teams, under the skillful leadership of CEO David Denison, continue to play to our advantages to acquire attractive assets that will benefit the CPP Fund over the long term. Moreover, the singular nature of the CPPIB's mandate and the relative certainty of the CPP Fund's cash flows enable us to plan for the future with confidence, clarity and conviction.

MANAGING RISK AND SUSTAINABLE GROWTH

In his accompanying letter, David Denison speaks to some of the various initiatives management has underway to help achieve our goal to effectively manage the growth of the CPP Fund. From the board's perspective, our focus is to ensure that the CPPIB continues to have the right strategies, processes and culture to achieve its mandate of maximizing investment returns without undue risk of loss. By doing so, we can fulfill the CPPIB's mission to help sustain the CPP for the benefit of 17 million Canadians.

An important part of that role is the ongoing oversight of the organization's investment and enterprise risk management policies and practices. The board sets the policies, parameters and risk appetite within which our investment teams work to maximize investment returns. Having set the initial parameters, the board then also reviews specific strategies and transactions, as warranted, by their size or nature.

In this regard, fiscal 2011 once again saw the CPPIB complete a number of large and complex transactions that we believe will deliver significant value to the Fund over time. As described in more detail in David Denison's letter and the accompanying Management's Discussion and Analysis, which begins on page 16, this included participating for the second year in a row in the largest global private equity transaction with the acquisition of Tomkins plc, acquiring a large stake in 407 Express Toll Route, an outstanding infrastructure asset right in our backyard, and securing prime real estate properties in Manhattan, London, Australia and elsewhere.

But when talking about the transactions the CPPIB has executed, it bears mentioning that the organization applies rigorous investment criteria to each investment and routinely passes on more opportunities than we pursue. This disciplined approach has guided the CPPIB even – and especially – during what has been an opportune time to be acquiring private market investments.

A second key area of focus for the board in fiscal 2011 was to work closely with management to continue building the CPPIB's organizational strength to keep pace with the CPP Fund's growth and effectively deal with the challenges of managing a growing organization. Chief among the priorities in this regard is an ongoing program to establish succession plans and deepen our management talent and capabilities across the organization. This focus on talent development will enable the CPPIB to sustain its investment processes, discipline and culture as the Fund grows, and as the organization pursues new opportunities in the world's fastest-growing economies in Asia and Latin America, in particular.

The third major area of board attention was the CPPIB's long-term strategic plan. In our annual strategy review, we made it a priority to deepen the organization's capabilities, further diversify the investment portfolio and manage the challenge of scalability and complexity as the Fund continues to grow. This is the topic of an ongoing dialogue with management as we examine a number of multi-faceted issues and management begins implementing programs to address them. The board reviewed and ratified CPPIB's business plan which incorporates specific measures for fiscal 2012. This year's plan includes initiatives to refine and enhance our investment programs, build scale in emerging markets, develop and ensure continuity of leadership and talent, and invest in new technologies.

GOVERNANCE

One of the guiding principles of the CPPIB's governance model is its ability to operate at arm's length from governments, while remaining accountable to the federal and provincial finance ministers who serve as stewards of the CPP.

With a strong degree of public accountability, we are ever mindful that we work on behalf of 17 million Canadians, the contributors and beneficiaries of the CPP. Last year, we met directly with Canadians at our biennial public meetings. David Denison and I crossed the country to discuss the Fund and answer questions from the public via webcast and in public meetings in Vancouver, Edmonton, Regina, Winnipeg, Burlington, Fredericton, Halifax, Charlottetown and St. John's. Canadians were reassured to hear that the CPPIB's governance model, which balances independence and accountability, remains strong, and that they will be able to count on the CPP when they retire. Indeed, we wish more of our compatriots understood that the CPP is sustainable and that this sustainability is both a fundamental advantage for Canada, and an enduring source of retirement security for millions of Canadians.

At the CPPIB, we talk a lot about the strength of our governance model. This strength was recognized again this year when the CPP was held up at the G8 and G20 meetings as the international gold standard on national pension plan governance. Almost since the inception of the CPPIB, other national plans and governments have watched to see if the Canadian model would work and whether its stewards would live up to its ideals. These observers have not been disappointed. Indeed, we continue to receive delegations from around the world who want to learn more about the Canadian approach.

The strength and clarity of our governance model is a significant advantage for the CPPIB, but there is more to good governance than a wisely-designed structure. Equally important is the quality of the dialogue that takes place within the boardroom itself. This is not something that can be mandated. It has to be developed through trust, openness and a commitment to serving the long-term best interests of the organization and its stakeholders. The CPPIB is fortunate and proud to have a hard-working, diligent and knowledgeable board of directors that is passionate about the CPPIB's mission and embraces its duties.

Also in fiscal 2011, the CPPIB welcomed the appointment of Dr. Heather Munroe-Blum to the board of directors. Dr. Munroe-Blum is the Principal and Vice-Chancellor of McGill University and brings to the board extensive academic, financial and international experience. Dr. Munroe-Blum fills the director position, which was left vacant following the sad passing of Ms. Germaine Gibara in 2010.

EXECUTIVE COMPENSATION

The board of directors believes management compensation should align pay to performance and the achievement of the organization's long-term strategic objectives. To achieve this goal, we have tied a significant portion of incentive pay for senior officers to the Fund's value-added performance over the most recent rolling four-year period. This means that fiscal 2011 incentive pay for our senior officers is calculated based on the Fund's performance in fiscal 2008, 2009, 2010 and 2011. In this and many other ways, our approach to management compensation meets and in many cases exceeds global best practices, including those set forth by the G20 Financial Stability Board.

We believe that our approach to executive compensation is appropriate and well-aligned to our mission, mandate and the long-term interests of CPP contributors and beneficiaries. Every year we draw on the expertise of experts in the field to ensure that we are fully apprised of best practice and current thinking. In this regard, we anticipate that our compensation framework will continue to evolve over time to keep pace with the organization's growth and global standards. A detailed discussion of our Compensation Discussion and Analysis is found on page 70.

OUTLOOK

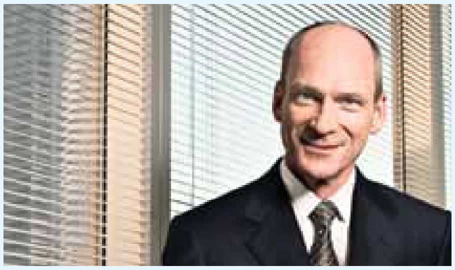
The CPP Fund posted investment income of $15.5 billion in fiscal 2011, but that tells only part of the story. Time is a key factor for understanding the CPPIB's investment strategy, performance and accountability framework. We disclose our results quarterly and annually for accountability purposes, but we pursue an investment strategy designed to generate value over the course of decades and generations, not quarters or years. To track how we're doing, we measure and report the value our investment strategies add over the return of our benchmark, the CPP Reference Portfolio, for rolling four-year periods.

More fundamentally, we believe the Fund will deliver significant gains and achieve its investment objectives over time. The Fund's active investing strategy was implemented just five years ago. Since then, we have seen the collapse and rise of global equity markets, and a period of extraordinary opportunity in private markets for real estate, infrastructure and private equity assets. We believe the Fund is capitalizing on this period of opportunity and remains well-positioned for the future.

In closing, and on behalf of my fellow directors, I would like to commend management for its outstanding leadership and acknowledge all CPPIB employees for their valuable contributions to the success of the CPPIB and the sustainability of the Canada Pension Plan.

ROBERT M. ASTLEY
CHAIR

PRESIDENT'S MESSAGE



DAVID F. DENISON
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

There are two reasons why I am very pleased with the CPP Investment Board's performance for fiscal 2011. First, the strong investment performance of the CPP Fund. Second, the progress made on our two key priorities for the year: executing our long-term global investment strategy and building our organizational capabilities and strength.

PERFORMANCE AND SUSTAINABILITY

On the investment performance front, the CPP Fund ended fiscal 2011 with assets at a record level of $148.2 billion representing a $20.6 billion increase over the previous year end. The increase was comprised of $5.4 billion in excess contributions to the CPP and $15.2 billion of investment gains net of expenses and the 12-month investment return was 11.9%. This overall investment return reflects strong underlying performance across all asset categories and geographies.

By design, this annual report concentrates on results for the 12 months ended March 31, 2011. However, our primary focus as an organization is on the long-term performance of the CPP Fund. This focus is aligned with the multi-generational nature of the CPP itself. The CPP Fund earned annualized returns of 3.3% and 5.9% for the five- and 10-year periods ended March 31, 2011. These results were significantly impacted by the negative return for fiscal 2009 during the global financial crisis. Despite this, our longer-term investment performance is now consistent with the 4.0% after-inflation return currently used by the Chief Actuary of Canada in confirming the sustainability of the Canada Pension Plan in his latest valuation released in late 2010, dated as at December 31, 2009. We clearly cannot guarantee that the CPP Fund will earn a return of 4.0% after inflation in the future. But through extensive modeling we have designed an asset mix that is well-positioned to achieve this even with conservative assumptions for long-term market and economic performance.

Fiscal 2011 marks the fifth year since we commenced our active management strategy on April 1, 2006. Since that time we have been able to measure the returns of the CPP Fund versus its key benchmark, the CPP Reference Portfolio. For fiscal 2011, the CPP Fund's actual return of 11.9% exceeded that of our key benchmark, the CPP Reference Portfolio, by 2.07%. As with the performance of the CPP Fund itself, our goal is to achieve value-added returns over longer periods of time on a cumulative basis. We now have value-added returns of 1.80% and -0.69% for the five-year period since the inception of our active management strategy and the past four-year period respectively. Many of our investment programs, such as real estate and infrastructure, are very long term in nature so we are pleased that we are now accumulating longer-term results that we believe reflect the benefits of our active management strategy. The CPP Fund's performance this year is discussed in greater detail on page 34 of this report.

EXECUTING OUR LONG-TERM GLOBAL INVESTMENT STRATEGY

As we implemented our active management strategy over the past five years, we began building internal capabilities for investment areas in which we have comparative advantages. These advantages include our very long investment horizon, the relative certainty of both our asset base and the amount and timing of future cash inflows to the CPP Fund, and the large scale of our investment portfolio. We also forged relationships with external managers who have proven skills and capabilities that complement those we create internally.

A key strategy goal for the past five years was to increase the proportion of the CPP Fund's holdings in private market investments. In particular, private equity, real estate, infrastructure and private debt. Our comparative advantages are especially valuable in these areas. Achieving scale in private market investing is challenging. Success requires experienced and skillful teams able to originate and complete what are often very complex transactions. Over the past five years we have increased our private asset holdings from $7.8 billion to $46.8 billion, and from 8.8% to 31.6% of total Fund assets. This is a testament to the many talented and dedicated professionals we now have within the CPP Investment Board.

We made some notable additions to our private market holdings during fiscal 2011.

- Partnering alongside Onex Corporation, we completed the largest private equity transaction during calendar 2010: the acquisition of Tomkins plc. This was the second consecutive year that we were involved in the largest global private equity transaction. The Canadian Venture Capital Association cited our acquisition of Tomkins as the 2010 Deal of the Year and the Private Equity International media group named us Direct/Co-Investor of the Year.
- On the real estate front, after patiently monitoring the Manhattan office market over a period of years until we saw valuations that met our return thresholds, we successfully acquired interests in two prime office buildings located at 1221 Avenue of the Americas and 600 Lexington Avenue. CPPIB's total investment was $700 million, with a combined value of $1.6 billion. Our real estate team was also active in England and Australia. In London, we acquired a 25% interest for $468 million in Westfield Stratford City, a new 1.9 million square foot retail and entertainment development next to the 2012 Olympics site. In Australia, we purchased a 42.5% stake for $604 million alongside a global consortium to acquire the ING Industrial Fund, a portfolio of prime industrial properties.
- We also completed our largest infrastructure investment to date in fiscal 2011 by completing two concurrent transactions involving the acquisition of a 40% interest in the 407 Express Toll Route outside Toronto as well as an interest in a toll road in Sydney, Australia. Our total initial investment amounted to $4.1 billion, a portion of which we then syndicated to a group of other institutional investors for a total combined interest of approximately 29%. The completion of two such complex transactions demonstrated the strong capabilities developed within our infrastructure investments team, and *Infrastructure Investor* magazine named us Global Institutional Investor in Infrastructure for 2010.
- Our Private Debt group has now grown to 22 professionals in less than three years. Last year, we established a team in our London office and have made great strides in expanding the European reach of the program. Since its inception less than three years ago, our Private Debt Group has completed 41 transactions totaling $4.4 billion.

Having internal teams focused on private market investing not only plays to our comparative advantages, we also believe it to be a very cost effective approach for the CPP Fund. As an example, we estimate that it would cost between $200 million and $250 million per year to have an infrastructure portfolio comparable in size and composition to our own managed externally, compared to the total costs of approximately $24 million we incurred in fiscal 2011 to manage this internally.

Since the start of our active strategy, we have also diligently increased the scalability of our public market investing programs. There are now six distinct investment units within our public markets area, all executing active programs that capitalize on our comparative advantages. Two indicators of growing scalability are: we increased the number of fundamental research analysts in our Global Corporate Securities unit from six to 26 over the last two years and the notional size of our long/short investment program has grown to $17.4 billion from $4.3 billion.

BUILDING ORGANIZATIONAL CAPABILITIES AND STRENGTH

The Chief Actuary of Canada estimates that the CPP Fund will reach $275 billion by 2020. This represents a source of strength and stability for the CPP's 17 million contributors and beneficiaries. It also presents a unique set of challenges for CPPIB as we plan for the future. However, this is not unfamiliar territory. To date, we have managed the rapid growth of the CPP Fund from 1997's $36.5 billion held entirely in government bonds to the current $148.2 billion broadly diversified and actively managed global portfolio. Our goal has been to build an organization that will endure for generations, that can invest successfully in global markets, and meet not just today's challenges but be positioned to manage the Fund as it doubles in size over the next decade.

We continually remind ourselves that our most important decisions we make within the CPP Investment Board are with respect to people. This year, we welcomed 90 new colleagues across the organization. Of these, 50 are investment professionals and 40 are in core services areas such as treasury, risk, operations, technology, finance and human resources. The majority are in Toronto, with 14 and seven in our London and Hong Kong offices respectively.

We continued to develop our organizational structure to accommodate the growth and increasing complexity of our activities. At the start of the year, Mark Wiseman was appointed Executive Vice-President, Investments. Through his oversight of all global investment operations we have achieved better coordination and integration while preserving the clarity of our investment structure. We asked Don Raymond to take on the role of Chief Investment Strategist last year and he has brought a stronger investment and portfolio construction orientation to our Portfolio Design and Investment Research department, now renamed Total Portfolio Management. And, we created a number of new leadership positions across the organization to ensure that we maintain an appropriate span of reporting and focus as the company grows in size and complexity.

Building human capital is equally important in building organizational capabilities which is why we continue to focus on the ongoing work we do to ingrain our culture based upon our Guiding Principles of Integrity, Partnership and High Performance and to develop our people. This year we significantly increased the time and attention devoted to talent assessment, development and succession planning. These efforts are critical to our long-term success and remain a priority for fiscal 2012.

We also made very good progress in improving operational capabilities which represent another important aspect of organizational scalability. In planning for this decade's doubling of the CPP Fund, we know we have to build very strong operational, technology and data management infrastructure. The aim is to handle much greater volume and diversity of activities without requiring a proportionate increase in staff and other resources. To achieve this, we need very well-designed and integrated processes for research, transactions, risk management, valuation, analysis and operational requirements across the organization. This is no simple task. In fiscal 2011, we made great strides in capitalizing on the new portfolio recordkeeping and performance measurement systems we implemented April 1, 2010. We also greatly improved our management of the vast quantities of data that are essential to our investment, research and risk management activities. While I could cite numerous other areas of progress in fiscal 2011, I would also say that there is still much for us to do in order to achieve the kind of operational scalability that is our goal and this will remain an area of focus for fiscal 2012.

OUTLOOK

Looking ahead to fiscal 2012 and beyond, we continue to believe that CPP Investment Board's strategy is sound and will enable us to create long-term value for the CPP Fund that we manage.

Successful execution of our strategy requires us to be increasingly global in our orientation. So, a key priority for us in fiscal 2012 will be to further expand the staffing and breadth of activities in London and Hong Kong. We will also assess other geographic locations where it may be important for us to establish a presence with a view to potentially opening additional offices in fiscal 2013.

Our key corporate objectives for fiscal 2012 are:

- Executing our investment programs strategies – continue to focus across all investment departments to refine and expand our investment programs and capabilities;
- Balancing scalability and complexity – focus on creating sustainable and scalable processes across the organization to effectively manage the growth of the CPP Fund;
- Building scale in emerging markets – strengthen our investment footprint in key emerging markets with a focus on Asia and Latin America; and
- Development and continuity of leadership and talent – introducing programs that focus on developing management talent and capabilities.

I would like to take this opportunity to recognize the efforts of all my colleagues at the CPP Investment Board. This is an exceptionally talented and dedicated group who really do strive each day to fulfill our important mission of managing the retirement assets of 17 million Canadians that have been entrusted to us. I would also like to thank the board of directors for their critical role in overseeing and guiding the activities of our management team.

In closing, I would like to especially recognize and thank Ian Dale, who retired as Senior Vice-President, Communications and Stakeholder Relations on March 31, 2011. Ian was an integral part of the CPP Investment Board for over eight years. He has been a great partner for me and the rest of our senior leadership team. We are all grateful for his many contributions to the organization over the years and wish him well in his retirement.

DAVID F. DENISON
PRESIDENT AND CHIEF EXECUTIVE OFFICER

KEY HIGHLIGHTS FOR FISCAL 2011

OBJECTIVES

EXECUTING ON OUR INVESTMENT PROGRAM STRATEGIES

Leverage the ability of experienced and skillful team to capitalize on significant global investment opportunities to diversify the CPP Fund and generate attractive returns over the long term.

COMPLETING OUR GOAL TO INTERNALIZE RESPONSIBILITY FOR INVESTMENT OPERATIONS, PORTFOLIO ACCOUNTING AND PERFORMANCE MEASUREMENT

Complete the implementation of new technology system that allows us to internally manage and monitor our critical portfolio accounting, performance and analytics technologies.

BUILDING UPON OUR TECHNOLOGY AND OPERATIONS PLATFORMS

Execute on a multi-year plan to build operational strength through robust technology and operations platforms that meet the future needs of the CPP Fund's increasing size and complexity.

INCREASING OUR FOCUS ON DEVELOPING AND MANAGING TALENT

Continue to strengthen our leadership team through internal appointments and the hiring of key staff across the organization.

HIGHLIGHTS

- Acquired significant interest in 407 Express Toll Route, through the Intoll and Cintra Infraestructuras acquisitions, totalling equity investment of $4.1 billion. This represented CPPIB's largest direct investment in a private asset.
- Completed $5.0 billion acquisition of Tomkins plc, alongside Onex Corp, which was the largest global private equity transaction in calendar 2010.
- Acquired significant interests in two Manhattan office towers representing gross investment of $700 million. This was CPPIB's first real estate investment in New York City.
- Completed acquisition of ING Industrial Fund as part of global consortium. CPPIB's gross investment totalled $604 million for a significant portfolio of industrial properties in Australia and Europe.
- Committed $468 million to acquire 25% interest in Westfield Stratford City, a prime retail and entertainment centre under development adjacent to the 2012 London Olympics site.
- Invested $250 million in Calgary-based Laricina Energy, a Calgary-based company focused on opportunities in the oil sands areas of western Canada.
- Expanded Private Debt team to 22 professionals since inception three years ago. Since then, this team has completed 41 transactions totalling $4.4 billion.

- The new system enables us to design and implement standardized and automated core processes that can meet the Fund's unique needs today and is scalable to meet future needs as the Fund grows in size and complexity.
- Analysis of the Fund's performance is now enhanced with more detailed attribution and better matching of risks and returns across the various investment strategies and improved investment process support.

- Focused on balancing scalability and complexity across the organization, to efficiently grow our investment programs while ensuring that today's decisions remain beneficial over the long term.
- We are systematically eliminating manual solutions and processes, replacing them with robust end-to-end systems, including improvements to our data-management processes.

- We continued to deepen our management talent and capabilities at all levels in order to effectively manage the growth of the Fund and our expanded investment programs.
- We concluded fiscal 2011 with 656 employees, an increase of 90 employees compared to last year.
- We remain focused on an ongoing program devoted to talent assessment, development and succession planning across the organization.

SUSTAINABILITY AND ACCOUNTABILITY

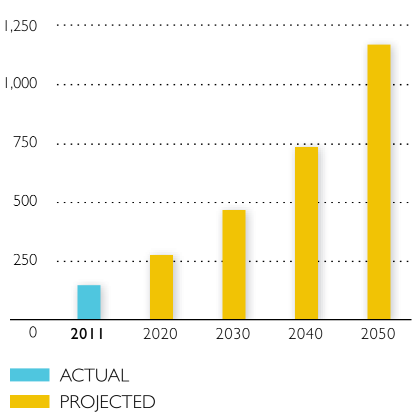
The CPP Investment Board (CPPIB) invests the assets of the Canada Pension Plan (CPP) not required to pay current benefits. CPPIB was created by an Act of Parliament in December 1997 as part of the successful CPP reforms. Our mandate is to help sustain the pensions of over 17 million CPP contributors and beneficiaries through disciplined global investment of CPP assets. We are accountable to the 10 federal and provincial finance ministers who act as the stewards of the CPP. The Chief Actuary of Canada's latest valuation of the CPP, released in late 2010, dated as at December 31, 2009, states that the plan, as it exists now, is sustainable through the report's 75-year projection period. The report indicates that CPP contributions are expected to exceed annual benefits paid until 2021. This provides a 10-year period before any of the CPP Fund's investment income will be used to help pay pensions.

75+ YEARS
DURATION OF CPP SUSTAINABILITY

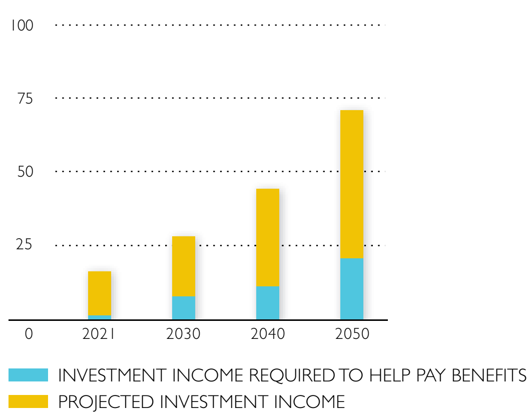
10 YEARS
BEFORE INVESTMENT INCOME NEEDED TO HELP PAY PENSIONS

17 MILLION
NUMBER OF CANADIANS WHO PARTICIPATE IN THE CPP

PROJECTED ASSETS OF THE CPP FUND
AS AT DECEMBER 31 ($ BILLIONS)



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



The Chief Actuary of Canada has projected that CPP contributions will exceed annual benefits paid until 2021, providing 10 more years in which excess CPP contributions will be available for investment. CPPIB's sole focus is investing the assets of the CPP and we have built an organization to handle the tremendous growth of the Fund as it increases in the next decade. Starting in 2021, the CPP is expected to begin using a small portion of CPPIB investment earnings to supplement the contributions that constitute the primary means of funding benefits.

INVESTMENT EXPERTISE

Attracting, developing and deploying top talent is a key priority. Our reputation as a global investor enables us to attract leading professionals from around the world. Over the past five years, we have added a significant number of skilled employees to help manage rapid asset growth and execute our active management strategy. We continue to seek those who share our Guiding Principles of Integrity, Partnership and High Performance, fit well into our culture and are committed to the CPP investment challenge through a long-term employment relationship.

407 EXPRESS TOLL ROUTE

TEAM MEMBERS
(FROM LEFT TO RIGHT)
Jason MacNeill, Bruce Hogg, Liliana Molina, Andrew Hay, Andrew Alley

407 ETR, Greater Toronto Area, Ontario, Canada

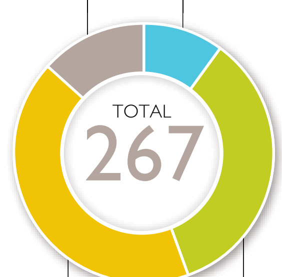
We completed our largest infrastructure investment to date involving the acquisition of 40% of the 407 Express Toll Route (ETR) through two concurrent transactions: the $3.2 billion acquisition of Intoll Group, and the acquisition of an additional 10% stake from Cintra Infraestructuras S.A. for $894 million. Our initial investment totals $4.1 billion, a portion of which we have syndicated to a group of Canadian institutional investors to now hold a total combined interest of approximately 29%. The completion of these acquisitions demonstrates the depth and expertise of our infrastructure team.

$17 BILLION IN INVESTMENTS IN PRIVATE ASSETS IN FISCAL 2011

$690 BILLION FISCAL 2011 TRADING VOLUME IN PUBLIC MARKETS

EMPLOYEES BY OFFICE

INVESTMENT PROFESSIONALS BY DEPARTMENT

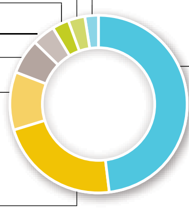


A LONG-TERM GLOBAL INVESTOR

As a long-term investor, the CPP Investment Board focuses on delivering superior risk-adjusted returns over the span of decades and generations. Two factors enable us to take a longer view in our investment approach. First, the CPP itself and the governance model of CPPIB are firmly embedded in long-term legislation that is more difficult to change than the Constitution. The CPP's financing, as evaluated by the Chief Actuary of Canada, is predicated on a projection over 75 years. Second, we can anticipate inflows to the Fund over the next 10 years with a reasonably high degree of confidence. As a result, we can purchase assets that are out of reach or not appropriate for the majority of market participants with shorter horizons, and we do not suffer the same liquidity constraints as many other investors.

GLOBAL DIVERSIFICATION BY REGION

AS AT MARCH 31, 2011



$71.7 BILLION CANADIAN ASSETS

$76.6 BILLION FOREIGN ASSETS

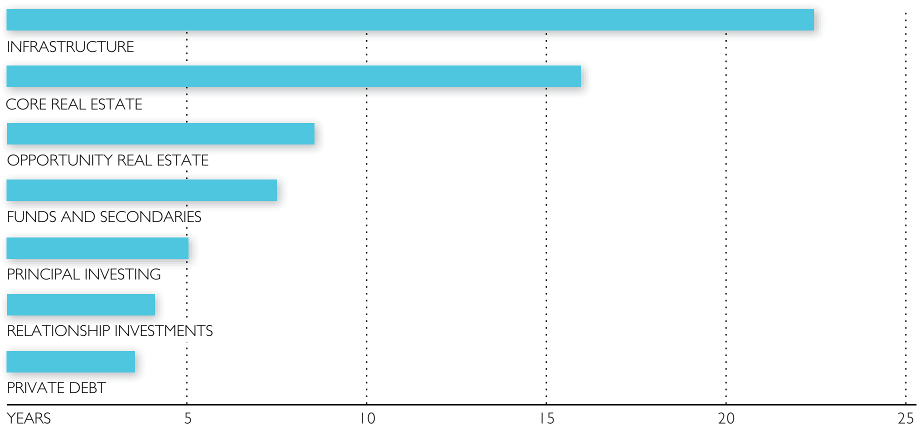
WESTFIELD STRATFORD CITY

Westfield Stratford City, London, United Kingdom

TEAM MEMBERS
(FROM LEFT TO RIGHT)
Wenzel Hoberg, Sarah Slater, Richard Kolb, Mark Accardi

This year, we expanded our global retail portfolio which included the acquisition of a 25% interest in Westfield Stratford City for an equity investment of $468 million. Westfield Stratford City is a 1.9 million-square-foot prime shopping and entertainment centre located next to the 2012 London Olympics site in East London. Westfield Group is a key investment partner with CPPIB.

CPPIB AVERAGE HOLD PERIODS BY ASSET TYPE



OUR COMPARATIVE ADVANTAGES

LONG-TERM VIEW

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

CERTAINTY OF ASSETS

The CPP will collect excess contributions until 2021, providing incoming cash for new investments and allowing us to build and adjust our portfolio with discipline.

SIZE AND SCALE

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

GOODMAN TRUST AUSTRALIA INDUSTRIAL PORTFOLIO

Rosehill Industrial Estate, New South Wales, Australia

TEAM MEMBERS
(FROM LEFT TO RIGHT)
Cindy Lee, Gilles Chow, Rebecca Lam, Jimmy Phua

Australia is a key market for CPPIB and we continued to make significant investments there including a $604 million investment alongside a global consortium to acquire ING Industrial Fund which includes a portfolio of prime industrial properties in Australia and Europe. As a long-term investor, we believe this portfolio of industrial assets is well-aligned with our real estate investment strategy. The transaction was completed alongside a consortium of global investors, several with whom we already have existing relationships.

SENIOR MANAGEMENT TEAM

LEFT TO RIGHT

IAN M.C. DALE
Senior Vice-President, Communications and Stakeholder Relations (retired March 31, 2011)

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

NICHOLAS ZELENCZUK
Senior Vice-President and Chief Financial Officer

DAVID F. DENISON
President and Chief Executive Officer

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

GRAEME M. EADIE
Senior Vice-President, Real Estate Investments

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

MARK D. WISEMAN
Executive Vice-President, Investments

ANDRÉ BOURBONNAIS
Senior Vice-President, Private Investments

SAYLOR MILLITZ-LEE
Senior Vice-President, Human Resources

FINANCIAL REVIEW

This annual report contains forward-looking statements reflecting management's objectives, outlook and expectations as at May 12, 2011. 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, 2011. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Canada Pension Plan (CPP) is a cornerstone of retirement security for millions of Canadians. Acclaimed globally, it is also a successful example of a national pension system. At $148.2 billion, the CPP Fund is the largest single-purpose pool of capital in Canada, and one of the fastest-growing funds of its kind in the world. The management and staff of the CPP Investment Board are dedicated to seeking the investment returns that will help keep the CPP sustainable for generations. Operating at arm's length from governments, we have the capabilities to successfully execute a wide variety of value-adding strategies, and the resources to capture the special opportunities in large, complex investment transactions. Our goal: to create long-term benefits for Canadians.

ASSET MIX[1]

AS AT MARCH 31 ($ BILLIONS)	**2011**	2010
ASSET CLASS		
CANADIAN EQUITIES		
Public	**$ 19.6**	$ 17.5
Private	**1.4**	1.0
	21.0	18.5
FOREIGN DEVELOPED MARKET EQUITIES		
Public	**30.5**	31.6
Private	**20.3**	14.6
	50.8	46.2
EMERGING MARKET EQUITIES		
Public	**6.6**	6.0
Private	**1.0**	0.5
	7.6	6.5
FIXED INCOME		
Non-marketable bonds	**21.8**	22.7
Money markets and debt financing[2]	**0.9**	0.4
Marketable bonds	**14.3**	9.3
Other debt	**6.1**	3.5
	43.1	35.9
FOREIGN SOVEREIGN BONDS	**1.5**	3.4
INFLATION-SENSITIVE ASSETS		
Real estate	**10.9**	7.0
Infrastructure	**9.5**	5.8
Inflation-linked bonds	**3.9**	4.4
	24.3	17.2
INVESTMENT PORTFOLIO[3]	$ 148.3	$ 127.7

1 Asset classes in bold, upper-case letters have an explicit CPP Reference Portfolio allocation.

2 Includes absolute return strategies.

3 Excludes non-investment assets such as premises and equipment and non-investment liabilities.

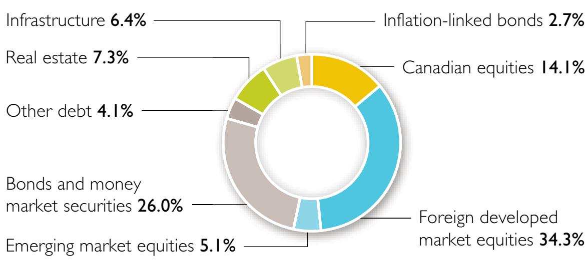
$5.4 BILLION NET CONTRIBUTIONS

$15.2 BILLION INVESTMENT INCOME (NET OF OPERATING EXPENSES)

$20.6 BILLION TOTAL FUND INCREASE

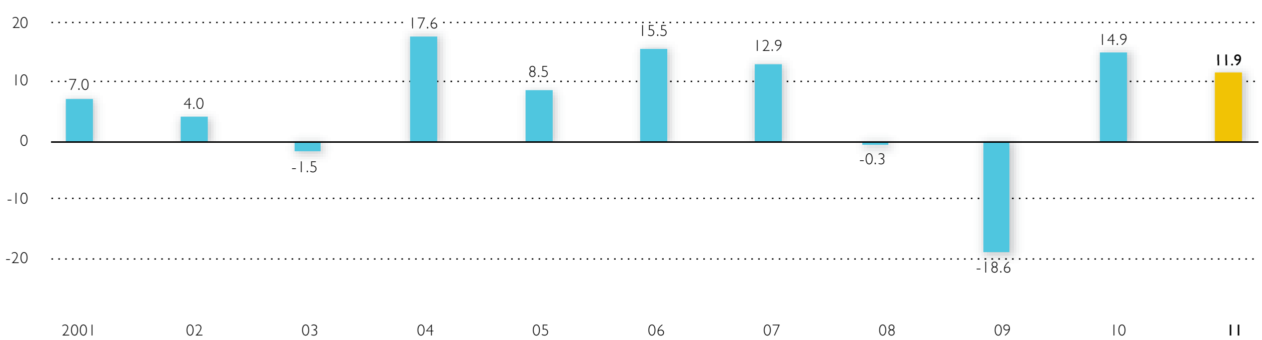
CPP FUND ASSET MIX

AS AT MARCH 31, 2011



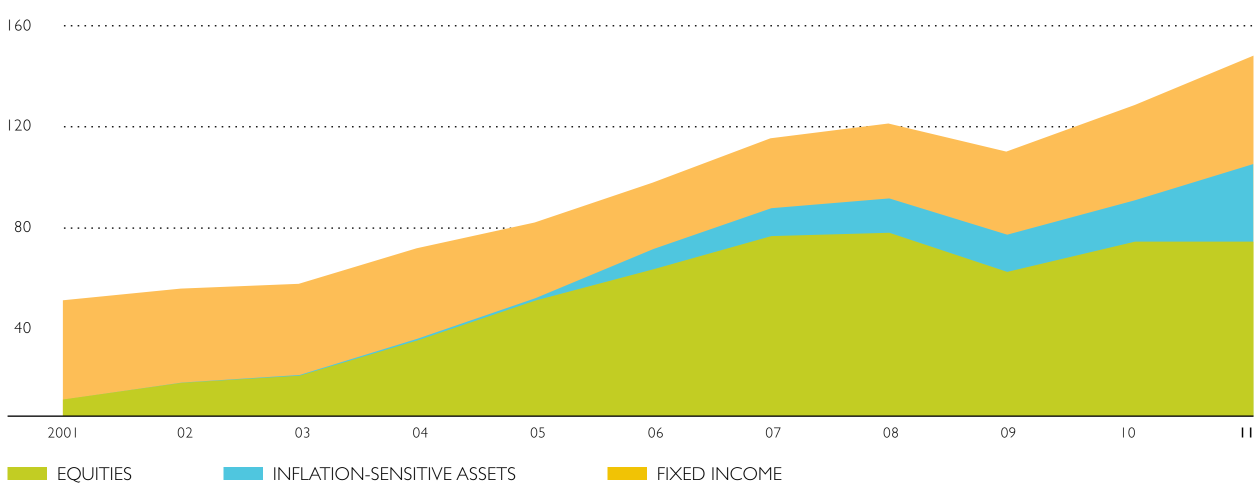
RATE OF RETURN

FOR THE YEAR ENDED MARCH 31 (%)



INVESTMENT PORTFOLIO

FOR THE YEAR ENDED MARCH 31 ($ BILLIONS)



MANAGEMENT'S DISCUSSION AND ANALYSIS

All generations – young and old alike – deserve to have confidence that the CPP can be sustained and will be there for them when they need it.

Consultation paper for 1996–97 CPP reforms

Canada's population is both growing and maturing. Having sufficient income in retirement is an increasing concern for Canadians. The Canada Pension Plan (CPP) is the foundation of retirement security for more than 17 million contributors and beneficiaries.

Benefits paid by the CPP can be sustained by only two sources: future contributions by Canadians and investment returns of the CPP Fund. The Canada Pension Plan Investment Board (CPPIB) is responsible for investing the CPP Fund's assets. These assets belong not to government but to the CPP's contributors and beneficiaries. We invest on their behalf. The following Management's Discussion and Analysis explains our mission, describes our investment strategy and results, and looks ahead to the future.

OUR MISSION

CPPIB was carefully established to be a professional, independent organization with a singular objective – to generate the investment returns needed to help keep CPP sustainable over many generations. Before our formation in 1997, the CPP Fund held only non-marketable federal, provincial and territorial bonds. At that time, they were valued at $36.5 billion. The CPP stewards' intent in establishing CPPIB was to harness the power of capital markets by creating a diversified portfolio like those of other large pension plans. But unlike those plans, national pension systems are not meant to fully fund all accrued benefits. Ultimately, under the CPP's funding strategy, the Fund is expected to cover 20–25% of the projected value of accrued benefits for current contributors and beneficiaries. The remaining 75–80% will be covered by future contributions from those employees and their employers.

Our governing legislation is the *Canada Pension Plan Investment Board Act* (the Act). The Act sets no geographic, economic development or specific investment requirements. It simply directs us to invest "…with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the factors that may affect the funding of the Canada Pension Plan." How, then, do we balance maximizing return with avoiding undue risk of loss? Our mission is to constantly develop, execute and enhance the investment strategy that we believe will have the greatest impact to support the long-term sustainability of the CPP.

What does sustainability mean? We define it as:

- Providing the lifetime, inflation-indexed CPP benefits that are intended; and
- A stable level of earnings-related contributions paid by employees and employers.

Every three years, the Chief Actuary of Canada reviews the level of contributions required for CPP sustainability over the next 75 years. The most recent review was conducted as at December 31, 2009. He concluded that, despite the difficult economic and investment environment, the CPP can maintain its currently legislated contribution rate. This rate is set at 9.9% of covered earnings and is split equally between employees and employers. The review took into account that the ratio of pensioners to workers will rise as baby boomers retire. This and many other assumptions necessarily underlie the review's conclusion. For us, the key assumption is that the CPP Fund's annual investment return, net of expenses, will average four percentage points above the rate of inflation. This 4.0% "real" return is an average over the review's 75-year horizon. While investment returns are important, we should note that economic and demographic factors such as real earnings growth, fertility and longevity will have as much or greater impact in determining the future contribution rates required.

History and expert opinion indicate that the returns required for CPP sustainability, all else being equal, can be achieved only by taking a measured degree of investment risk through exposure to equities and other assets with variable returns. Recent experience has shown that short-term returns can fluctuate widely from year to year. Long-term returns also fluctuate, though the averaging of "up" and "down" years narrows the range of the annualized returns. Our challenge as disciplined investment professionals is to balance the prospects for gains against their uncertainty, and to select the investment strategies and opportunities that we believe will help sustain the CPP over the long term.

INDEPENDENT DECISION-MAKING

Canadians have repeatedly made clear that they are willing to pay what is needed to safeguard the CPP, but are wary of their pension fund being subject to political interference or control. During the 1996–97 CPP reforms, the federal and provincial finance ministers responded with carefully written legislation. This legislation stipulates that the CPP Fund cannot be used for any purpose other than paying CPP benefits and administering the CPP Fund. Under legislation, CPPIB operates at arm's length from governments. We deploy capital solely on investment considerations, and are able to fully compete with the world's top investment managers. To maintain the public's trust, our independence in decision-making is balanced with public accountability. We maintain a high degree of transparency. This includes disclosing more information more often than any other public pension fund in Canada.

How reliable is the arm's length safeguard? CPP members can take comfort that the 1996–97 reforms made our governing legislation more difficult to change than the Canadian Constitution. Amendments require agreement by the federal government plus two-thirds of the provinces representing two-thirds of the population. Constitutional change requires consent from two-thirds of the provinces representing half of the population.

The CPP Fund is not a sovereign wealth fund. A sovereign wealth fund is a government-owned pool that may be deployed for economic development or for government's strategic objectives. Unlike these funds, CPP assets belong only to the plan members. These assets are strictly segregated from government revenues and national accounts. CPPIB is well protected by our governing legislation from political intervention, and our governance system is recognized as a best practice for national pension funds.

OUR COMPARATIVE ADVANTAGES

CPPIB seeks to earn investment value for Canadians by maximizing the benefits of three major structural advantages and three operational advantages that we have developed.

THE STRUCTURAL ADVANTAGES

- The CPP has an exceptionally long horizon, as a national social program. CPPIB can evaluate investment decisions over a much longer time frame than most other investors. While we cannot allow this advantage to render us complacent, we can exercise the patience required to act as a true long-term investor.

- There is a high degree of certainty and stability to the Fund's asset base. The Fund is not subject to redemption requests, nor is there currently any need to liquidate investments for benefit payments. The Chief Actuary's latest report projects that CPP contributions will exceed benefit payments until 2021. This highly predictable source of funds allows us to make new investments whenever we identify good opportunities.

- The CPP Fund has the advantage of scale. We can invest in private markets and proprietary public market strategies around the world that are expected to offer greater returns over time. We can also undertake large individual transactions where few others can compete, while still maintaining a high degree of diversification. Scale also makes it economic for us to develop superior investment technology and operational capabilities.

p Scale does have disadvantages, too. Some attractive opportunities must be rejected as too small to make an appreciable contribution to overall returns. Some strategies may have limited capacity to have a meaningful impact. And our public market trading activities could be large enough to adversely affect prices unless we tread carefully.

THE DEVELOPED ADVANTAGES

- We have built a world-class investment team with expertise that is both broad and deep. High-calibre professionals from around the globe are attracted not only by our size and growth but also by our distinctive corporate culture. This culture is deeply rooted in ethical conduct, teamwork and high performance standards. While the financial crisis has forced many financial organizations to downsize, we have been able to focus on the long term and add exceptional talent.
- We benefit from partnering with top-tier external investment specialists. Scale and internal capabilities have enabled us to go beyond the typical manager-client relationship. In many cases, our relationships are more akin to alliances. These specialists offer access to many opportunities, as well as in-depth analysis and experience. We are uniquely equipped to act as both a highly knowledgeable investor and a reliable, disciplined partner.
- Our Total Portfolio Approach, described more fully on page 26, enables us to manage our targeted risk exposures in a way that is both more flexible and more precise than traditional asset class-based approaches. The contributions of each investment and strategy to the total portfolio are continuously assessed so that action can be taken to minimize unintended risks that do not carry commensurate expected returns.

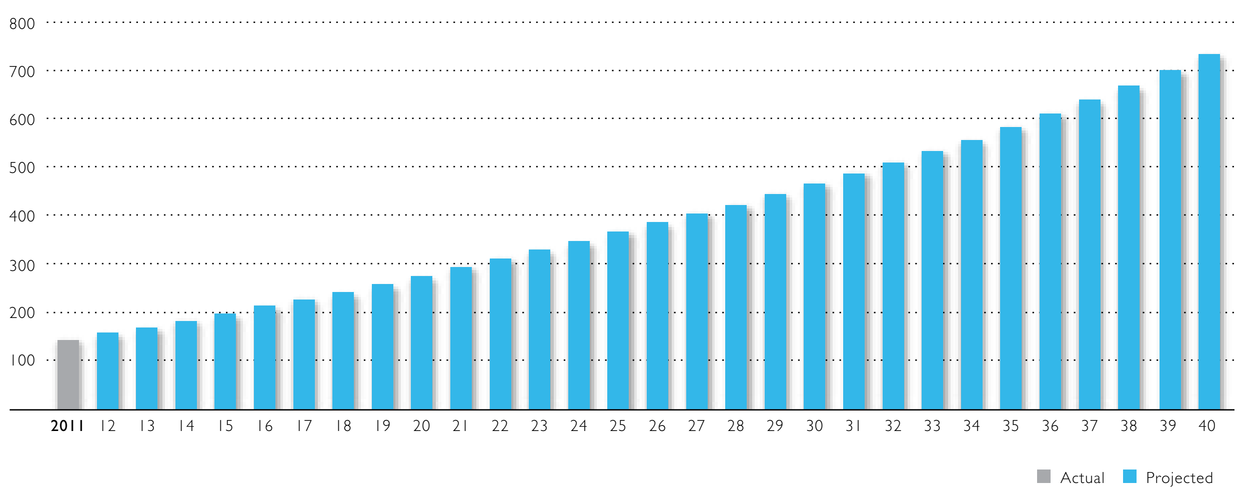
Taken together, these powerful advantages provide us with greater scope and a different perspective than many other investors, and allow us to invest accordingly. We are not forced to seek the short-term returns that many other market participants must achieve due to their business imperatives or funding requirements. While we can adapt to short-horizon market dynamics, we are not driven by them.

OUR INVESTMENT STRATEGY

As noted, the Chief Actuary of Canada has projected that CPP contributions will exceed annual benefits paid until 2021. This provides 10 more years in which cash inflows will contribute to our growth. Starting in 2021, the CPP is expected to begin using a portion of investment earnings to supplement the contributions that form the primary means of funding benefits. Cash flows of the Fund, as projected under the Chief Actuary's demographic, economic and capital markets assumptions, are shown below.

PROJECTED ASSETS OF THE CPP FUND

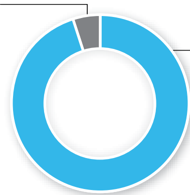
AS AT DECEMBER 31 ($ BILLIONS)

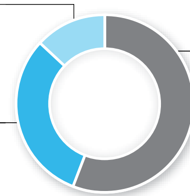


CPPIB's sole focus is investing the assets of the CPP. The Chief Actuary of Canada has projected that the CPP Fund will grow to approximately $275 billion by the end of 2020, about twice its present size. We have built, and will maintain, a fully professional investment organization capable of handling this tremendous growth.

When CPPIB began receiving cash flows from the CPP in 1999, the existing portfolio was entirely in non-marketable government bonds. According to the consensus of experts, government bonds alone are not likely to produce sufficient future returns needed to help sustain the CPP over the long term. As a result, net cash flow was first invested in public equities. Under a regulation that has since been repealed, the portion in Canadian equities was managed in line with the market index. The portion in foreign equities was also managed to match a market index of all other developed equity markets. We began to diversify into private equity in 2001, into real estate in 2003, and into infrastructure in 2004. In 2003, we also internalized responsibility for managing the passive index-based equity portfolios.

HISTORICAL INVESTMENT PORTFOLIO COMPARISON





In fiscal 2007, CPPIB launched a new active investment strategy. This approach capitalizes on our comparative advantages to achieve returns above those available from passive investing in the public markets. If we generate significant added value over a long period, and actuarial projections turn out as anticipated, the finance ministers who act as CPP stewards will have an additional margin of safety, or be able to reduce contribution rates or increase benefits. For example, on current actuarial assumptions, if we deliver long-term additional average annual returns of 50 basis points (0.50%) after all costs, the current 9.9% contribution rate could be reduced to 9.65%. This would save employees and employers nearly $1 billion a year at current earnings levels.

Three principal elements constitute our overall investment strategy:

1. **The CPP Reference Portfolio**: This represents a low-cost, low-complexity portfolio of public market investments. It can reasonably be expected to generate the long-term returns needed to help sustain the CPP at the current contribution rate.
2. **Value-adding Active Strategies**: This is the range of public and private market strategies we employ to add value, after all costs, over the CPP Reference Portfolio returns.
3. **Our Total Portfolio Approach**: This method of constructing the portfolio ensures that the planned risk exposures for the total portfolio are maintained as individual investments enter, leave, or change in value.

The decision to pursue active investing is not taken lightly. Many investors seek above-market returns, but relatively few consistently achieve them. Management must continually assure the board of directors that we can employ our comparative advantages with discipline and diligence. We must also show that it is reasonable to expect sufficient additional returns over long periods of time to justify the added cost and complexity. Active investing requires much greater internal expertise and systems capability. Accordingly, management must present credible plans for building the highly skilled and motivated team required to succeed in competitive investment markets, and for maximizing the long-term gains from our structural and developed advantages.

The CPP Investment Board now invests globally across a wide range of asset classes using active and passive strategies. On page 36, we report overall Fund performance and value-added returns – the degree to which our returns exceed those available from passive investing, as measured by the CPP Reference Portfolio. Value-added returns determine the performance-based component of CPPIB's compensation system.

THE CPP REFERENCE PORTFOLIO

The CPP Reference Portfolio is a viable alternative investment strategy for the Fund. With reasonable long-term expectations, it is believed to be capable of providing the returns anticipated by the Chief Actuary for CPP sustainability. As a simple, low-cost, readily investable alternative, it forms the basic yardstick for evaluating our active strategy. Two primary considerations drive the design of the CPP Reference Portfolio:

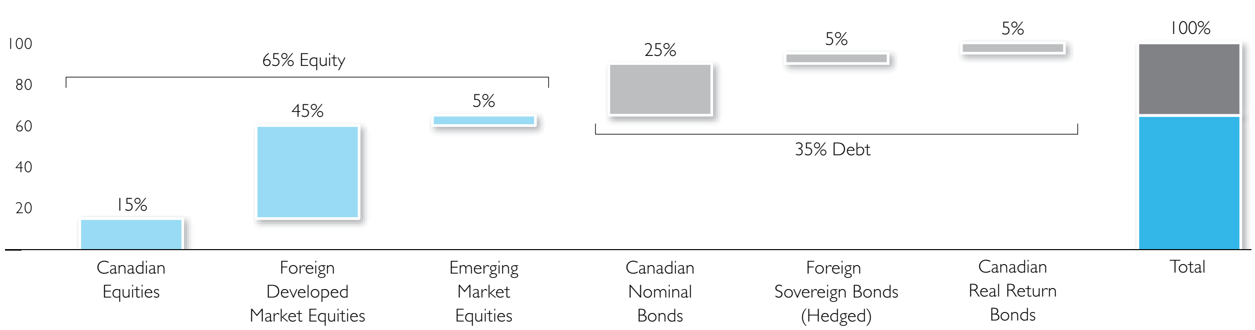
1. It recognizes the perceived risk tolerance of the CPP stewards by incorporating no more risk than needed to generate the returns that are required to help sustain the plan.
2. It takes into account the factors affecting the CPP's net liabilities – future benefits less contributions.

To be a simple, low-cost alternative, the CPP Reference Portfolio is comprised only of primary public market asset classes. These classes are represented by broad indices that can be readily replicated with minimal expense. The allocation covers much of the global public markets, but is limited where necessary to ensure sufficient liquidity for CPPIB to trade without significant market impact.

In fiscal 2012, we will review the CPP Reference Portfolio in light of the results of the latest triennial CPP Actuarial Report. For this purpose, we have developed state-of-the-art techniques to model the range and likelihood of future outcomes for CPP contributions, benefits payments and investment returns. Our model is consistent with the demographic assumptions of the Chief Actuary, and provides a year-by-year projection of the CPP's financial condition over 75 years, with triennial actuarial assessments. It has been formally reviewed and endorsed by leading external experts. Under any given scenario, based on a set of input assumptions for inflation, capital markets returns, earnings growth and other factors, the model provides the optimal portfolio mix of eligible asset classes. This is the portfolio expected to minimize the risk of reduced benefits or higher contributions required to sustain the CPP. The model gives greater weight to nearer-term potential adjustments, and develops the portfolio as an evolving strategy that reflects the increasing maturity of the CPP.

The future can be very different from even the best of forecasts. So we rigorously review the results from the model under a wide range of scenarios. Management recommends to our board of directors the CPP Reference Portfolio that we believe will meet the sustainability objective most consistently across a variety of economic and market circumstances.

CPP REFERENCE PORTFOLIO
AS AT MARCH 31, 2011



ASSET CLASS	BENCHMARK	2011 Return	2010 Return
Canadian equities	S&P Canada Broad Market Index	**20.7%**	44.0%
Foreign developed market equities	S&P Developed ex-Canada LargeMidCap Index[1]	**9.2%**	23.9%
Emerging market equities	S&P Emerging LargeMidCap Equity Index[1]	**12.2%**	44.8%
Canadian nominal bonds	Custom-blended benchmark of actual CPP bonds and DEX All Government Bond Index	**4.6%**	4.3%
Foreign sovereign bonds (hedged)[2]	Citigroup World Government G7 Bond Index[2]	**3.2%**	2.0%
Canadian real return bonds	DEX Real Return Canada Bond Index	**10.3%**	9.5%
Total CPP Reference Portfolio		**9.8%**	20.8%

[1] Net of tax, unhedged.

[2] Hedged to Canadian dollars.

The 65% weighting in equities reflects CPPIB's ability to accept risk and seek commensurately higher returns over the long term. Global developed markets dominate the equity component because they have the largest share of global stock market capitalization and represent the most diverse range of economic and corporate activity. The weight for emerging markets will be carefully considered in our upcoming review, given the increasing share of global economic activity they represent.

Canadian nominal bonds are the largest element of the 35% weighting to debt, providing more stable asset values and high-quality cash flows. They include a substantial component of "legacy" federal, provincial and territorial bonds inherited or rolled over from the 1997 transition. Again, the size of the Canadian market is a limiting factor, and so G7 sovereign government bonds were added as an asset class. A relatively small component in Canadian real return bonds completes the asset mix. Our research indicates that the earnings-related nature of CPP's future contributions – the main source of funding – sufficiently protects CPP's inflation-indexed benefits against inflation risk. This greatly mitigates the investment portfolio's need for inflation-linked bonds.

The CPP Reference Portfolio provides the foundation for our investment strategy, and accounts for the dominant component of risk in the total portfolio. It forms a clear benchmark against which total portfolio returns must be compared. Further, the constituents of the CPP Reference Portfolio and their weights form the actual holdings in the Fund – except to the extent that they are sold to finance the purchase of other investments in our active programs. CPP Reference Portfolio components thus fulfill another accountability function. The foregone returns, when assets are sold to fund other purchases, represent the opportunity cost against which we evaluate returns from the active investments that replaced them.

CURRENCY HEDGING

Foreign bonds (or equivalent debt exposures arising from other investments) are the only portfolio element that is hedged to Canadian dollars to neutralize changes in foreign currency values. This allows foreign bonds to serve as a reasonable substitute for Canadian bonds. It also significantly reduces the volatility of this component of the portfolio.

Most developed, and many developing, countries have adopted an open regime for their currencies. Exchange rates may move significantly in the short term with supply and demand, although central banks may intervene to stabilize excessive movements. Many pension funds use partial or full hedging programs to protect their assets from adverse currency moves. Hedging, however, comes at a financial cost. Also, cash must be tied up or generated quickly to meet obligations on the hedging contracts when the Canadian dollar depreciates.

For the currency basket associated with developed market equities, we see little reason to believe that there will be a sustained long-term trend to net returns from exchange rate movements. Accordingly, we do not hedge this exposure. Even if a country has substantially higher or lower inflation than others, its interest rates will reflect this and offset the change in currency exchange rates that will tend to follow under long-term "purchasing power parity." Further, the impact of currencies on the volatility of returns from foreign equities is minimal. By far, the largest component of that volatility is the local equity market returns themselves.

As for emerging markets, the cost of hedging many currencies back to the Canadian dollar is prohibitively high. Also, if these countries have a significant long-term advantage in improving productivity and economic growth, their currencies will tend to strengthen over time vis-à-vis developed countries. Hedging would forfeit this gain to the Fund.

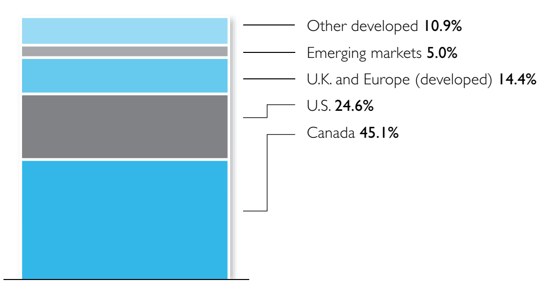
Finally, the Canadian dollar has become highly linked to the price of oil and, to a lesser extent, other commodities. In principle, diversifying currency exposure away from a dominant but uncertain driver is prudent. A weakening Canadian dollar, associated with declining demand for our resources, would, all else being equal, tend to be associated with lower Canadian economic growth. At such times, contributions to the CPP Fund would be reduced more than benefit liabilities. From an asset/liability perspective, it would then be preferable not to hedge large elements of our portfolio to the Canadian dollar.

Thus, we see no compelling argument to undertake the cost of hedging equity-related currency exposures back to the Canadian dollar. This position will be re-analyzed in our fiscal 2012 review of the CPP Reference Portfolio. If no change is made, we accept that in years of large currency moves, our total fund performance may be materially affected relative to other funds – in either direction. But this is expected to even out over time while saving on hedging costs.

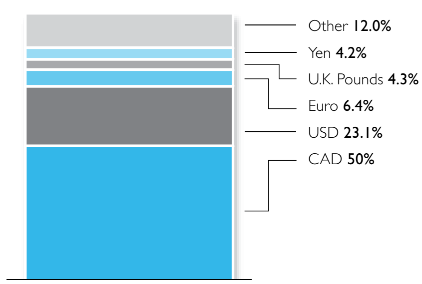
We do believe that skilled active managers can add value by taking currency views into account. Accordingly, within specified risk limits, we exploit this skill through a number of internally and externally managed active investment programs. These programs are designed to earn returns by successfully anticipating short- and medium-term behaviour of the international currency markets.

The weightings of the six CPP Reference Portfolio asset classes, along with our currency hedging policy, would result in the targeted geographic and currency exposures shown below, as at March 31, 2011.

GEOGRAPHIC MARKET AND CURRENCY EXPOSURES



Geographic market exposures



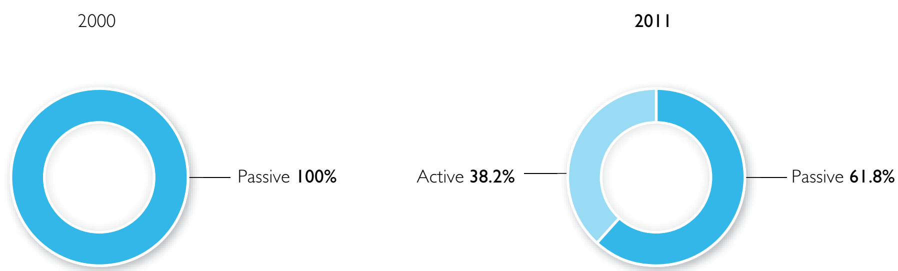
Currency exposures

GENERATING VALUE-ADDED RETURNS

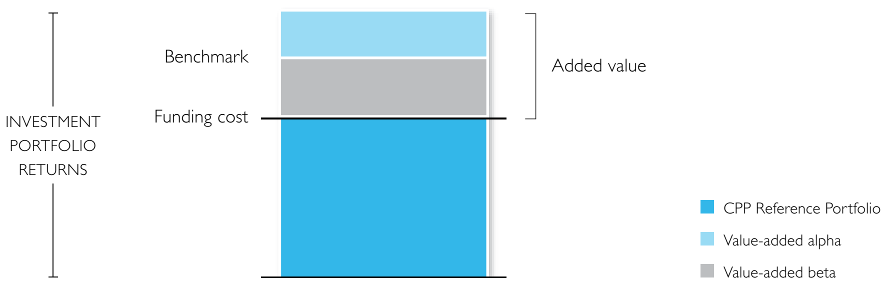
The second principal element of our investment strategy, and the one on which we focus most in our day-to-day work, is to broaden diversification beyond the CPP Reference Portfolio, and add to return generation through a wide range of active investment programs. In doing so, we recognize that diversification and active management must meet the test of efficient scalability as the Fund continues to grow. In particular, certain active programs that might otherwise be attractive are inherently less scalable and more complex than others.

Active programs must be funded by the sale of CPP Reference Portfolio holdings or be self-funding (e.g. market-neutral strategies). The evolution of the resulting mix of passive and active management is shown below.

ACTIVE VERSUS PASSIVE ASSETS



ILLUSTRATIVE EXAMPLE OF ALPHA AND BETA VALUE-ADDED RETURNS



We seek to add value in several ways:

- **Alpha:** We strive to capture the additional returns, beyond relevant market-based benchmarks, that can be generated through superior investment management skill. Ideally, alpha can be earned whether markets are rising or falling. Such "pure" alpha is extremely valuable, as it does not add to systematic risks in the portfolio nor materially to total risk. We deploy four skill sets:

  1. Successfully harvest the special opportunities available to large, sophisticated investors. Investing in private markets clearly requires this skill.
  2. Purchase individual securities that outperform those that are used to finance them. The activities of our Global Corporate Securities group, and of a number of external market-neutral specialist managers that we have engaged, typify this skill set. The specific choices of individual private equity and debt transactions, and of individual real estate properties, are also major areas reliant on this skill.
  3. Employ structured trading and arbitrage techniques to capture specific risk premiums – most notably for liquidity, where we have a major competitive advantage – without adding to market risks. Our Global Capital Markets group has these skills.
  4. Shift systematic risk exposures to successfully anticipate relative price movements among currencies and other asset classes. Our internal Global Tactical Asset Allocation group and certain external managers utilize this skill set.

- **Better Beta:** We invest significantly in asset classes not included in the CPP Reference Portfolio. Systematic return sources such as real estate and infrastructure are expected, over long periods of time, to offer meaningful additional returns and diversification of active risk.

Capitalizing on our size, skills and access to world-class partners, we have made major investments in private markets to seek both alpha and better beta. The growth of our private investing programs is shown below.

GROWTH OF PRIVATE INVESTING PROGRAMS

ASSET TYPE ($ BILLIONS)	March 31, 2005	March 31, 2009	March 31, 2010	**March 31, 2011**
Private equity	2.9	14.1	16.1	**22.7**
Private real estate	0.4	6.7	7.0	**10.9**
Infrastructure	0.2	4.6	5.8	**9.5**
Private debt	–	–	0.9	**3.1**
Private real estate debt	–	–	0.3	**0.6**
TOTAL	3.5	25.4	30.1	**46.8**

While often lagging the performance of their public counterparts in the short run, we believe these private market investments will add materially to Fund returns over the long run.

Active management has been growing in importance as we build our team, enhance our skills and work with our expert partners. The best measures of this growth are the contributions that alpha and better beta make to the total Fund's active risk – the risk arising as a result of deviating from the CPP Reference Portfolio. This is shown below:

GROWTH OF TOTAL ACTIVE RISK

	Growth of Total Active Risk			
	Better Beta Strategies		Alpha Strategies	
AS AT:	Active Risk (VaR bps[1])	% Contributed to Total Active Risk	Active Risk (VaR bps[1])	% Contributed to Total Active Risk
March 31, 2010	26	21%	98	79%
March 31, 2011	31	16%	161	84%

[1] Value at Risk, or "VaR", is our primary measure of risk and is described under Risk/Return Accountability Framework on page 29.

KEEPING COSTS LOW

We are extremely conscious of minimizing costs in all of our active management programs. Frequently, our scale and internal capabilities allow us to successfully undertake strategies similar to those of external investment management firms, but at a fraction of the cost. For example, we estimate that external management costs for an infrastructure portfolio the size of ours would be at least 10 times as great as our all-in internal costs. We know that every dollar saved is not only equivalent to one dollar of additional income to the Fund, but also much more reliable than one dollar of possible, but uncertain, return from an active program. This raises the bar that our active programs must clear. Overall costs, at 24 basis points on the average Fund size in fiscal 2011, are among the lowest in comparative surveys of comparable large funds.

TOTAL PORTFOLIO APPROACH

In seeking added value through active investing, we have developed an investment approach that is quite different from that of many other investors. Its fundamental purpose is to ensure, as much as possible, that we minimize any unintended exposures and risks. The CPP Reference Portfolio essentially represents a set of exposures and risks that we are comfortable with as a starting point. Then, when we decide to extend our investments beyond the CPP Reference Portfolio we deliberately accept the consequences of that program or specific investment – but we also want to avoid creating any other unnecessary risks or exposures.

CPP REFERENCE PORTFOLIO	ECONOMIC EXPOSURES	
Canadian Equities Foreign Developed Market Equities Emerging Market Equities	All passive public equity exposure **plus** private equity **plus** underlying equity exposures inherent in real estate, infrastructure, credit and private debt	65% Equity
Canadian Nominal Bonds Canadian Real Return Bonds Foreign Sovereign Bonds	All passive fixed income exposure **plus** underlying debt exposures inherent in real estate, infrastructure and private debt	35% Debt

Using the example of making a new private equity investment in a U.S. technology company, if possible, we would prefer to fund this by proportionately selling publicly-traded U.S. technology stocks from the CPP Reference Portfolio. This sell/buy transaction would preserve the overall country, currency and sector mixes in the total portfolio. Further, as the prices of all portfolio investments change over time, we rebalance our public holdings regularly to maintain these intended overall exposures.

Most other investors classify investments simply by asset class labels; for example, real estate or infrastructure. These labels are used to target specific asset class weights in the total portfolio. We believe this traditional approach tends to create pressure, possibly at inopportune times, to buy or dispose of illiquid investments in order to stay close to allocation targets. More fundamentally, it conceals the highly diverse nature of investments within each asset class, and does not explicitly recognize their common risk attributes. Accordingly, we strive to look through asset class labels to deconstruct each investment into its economic exposures – that is, its sensitivities to:

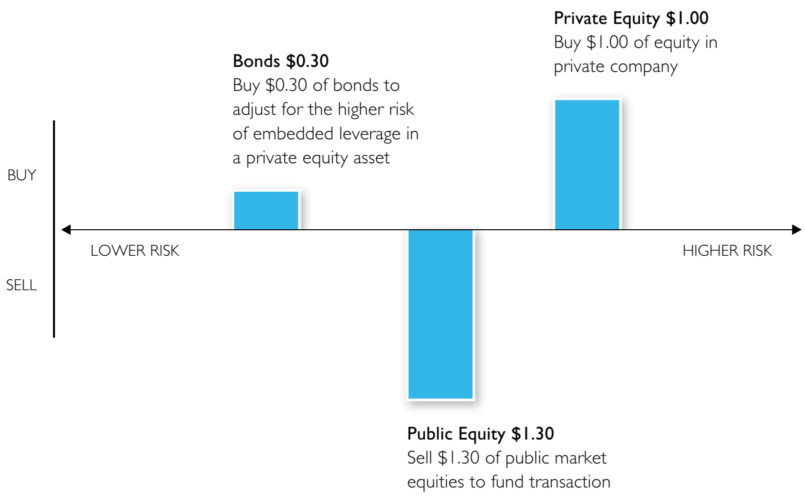
- Equity markets;
- Government bond yields;
- Currency exchange rates;
- Country and regional influences;
- Commercial sector influences;
- Credit market conditions;
- Leverage; and
- Liquidity.

In so doing, the diversity of our portfolio holdings can be aggregated into the effective economic exposures relative to the CPP Reference Portfolio. Knowing these, we can manage the total portfolio to avoid unintended exposures that might not be clearly visible using conventional asset class labels. In particular, this has enabled us to avoid unrecognized equity-like risk from creeping into the portfolio through virtually all private asset classes – not just private equity.

EXAMPLES OF THE TOTAL PORTFOLIO APPROACH AT WORK

We provide two examples to illustrate how we use the Total Portfolio Approach. The following private equity example shows how we adjust for the typically higher leverage (debt level) of private equity investments versus comparable public companies. The real estate/infrastructure example shows how we analyze the equity/debt split and therefore recognize the underlying economic exposures inherent in these investments.

EXAMPLE: FUNDING A PRIVATE EQUITY TRANSACTION USING THE TOTAL PORTFOLIO APPROACH



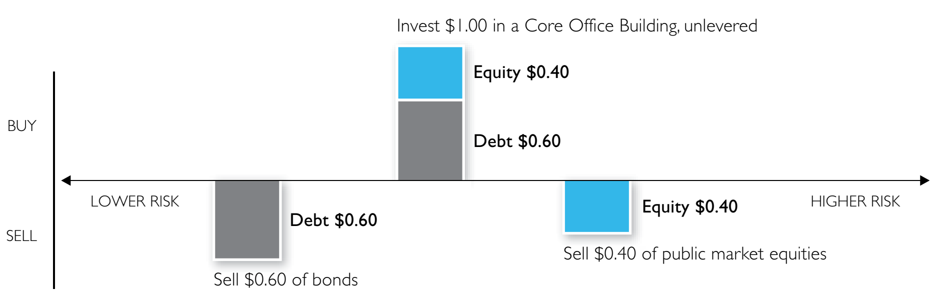
To maintain total portfolio risk/return balance, we take two actions:

- Match the sector and geographic regions of the public equities that are sold in order to purchase the private equity that is bought; and
- Fund a $1.00 private equity purchase by typically selling $1.30 of public equity and buying $0.30 of bonds. The resulting higher bond content in the total portfolio approximately offsets the higher leverage inherent in the private equity versus public companies.

Real estate and infrastructure entail elements of both equity- and debt-like returns and risk characteristics. So, we:

- Conduct both quantitative and qualitative analyses of each investment, and assign it to a risk category – low, core/medium or high; and
- Fund new purchases by selling a mix of passive fixed income and equity holdings designed to match the risk category. In the case of mortgaged real estate, returns on our net investment are levered and are correspondingly riskier. Accordingly, we maintain the total portfolio risk by raising the portion of the funding from equity sales, and correspondingly lower the debt portion. For infrastructure, the degree of leverage anticipated in the investment will directly influence the choice of risk category.

EXAMPLE: FUNDING A REAL ESTATE TRANSACTION USING THE TOTAL PORTFOLIO APPROACH



In summary, the Total Portfolio Approach demands that we characterize each investment or strategy in terms of its risk attributes, not just by its asset class label. These attributes determine the corresponding funding mix from CPP Reference Portfolio assets. And they determine the return "hurdle" on that mix that a new investment is expected to exceed if it is to add value to the portfolio. Further, for every major proposed transaction, we first quantify its expected impact on the active risk of the portfolio, and make the decision whether to proceed in that light. Finally, we monitor our key evolving risk exposures daily, and rebalance the total portfolio to within tolerance ranges of the intended targets at least monthly. In our view, the Total Portfolio Approach is a relatively simple concept that leads to better portfolio management. However, it requires complementary technology, detailed risk measurement, and coordinated decision-making across the entire organization.

RISK/RETURN ACCOUNTABILITY FRAMEWORK

The Risk/Return Accountability Framework is built on two cornerstones: the CPP Reference Portfolio and the Total Fund Active Risk Limit. This framework is detailed in the *Statement of Investment Objectives, Policies, Return Expectations and Risk Management* that is available on our website.

For this purpose, active risk is measured as one-year Value at Risk (VaR) at the 90th percentile. This means the amount of potential loss, relative to the CPP Reference Portfolio, that is expected to be exceeded one year in 10, on average. Each year, the board of directors approves an active risk limit for the total portfolio. This caps how far management can deviate from the CPP Reference Portfolio to seek additional returns. Management's Investment Planning Committee (IPC) evaluates each investment department's annual business plan and expected net new investments for the fiscal year. The IPC then approves active risk budgets, within the total fund limit, for each investment department. Directors are then able to evaluate management's actual use of risk relative to the business plans.

Under the Total Portfolio Approach, each active program has an associated standard funding mix of passive investments, or the cost of any cash required in the case of pure alpha strategies. Also, the IPC establishes an explicit performance benchmark index (or blend of indices) for each active program. The results achieved by the investing group are measured against this benchmark. With these foundations, we assign accountabilities for both risk undertaken and reward achieved as follows:

Investment Planning Committee

- The IPC is accountable for decisions to extend portfolio investments into both better beta and alpha areas, and for the assignment and approval of investment mandates.
- Its measure of success is the long-term value-added from all active programs relative to their opportunity cost. Opportunity cost is the return that would have been achieved by remaining invested in the CPP Reference Portfolio components used to fund each active program.
- Its measures of risk are the total active risk that the actual portfolio has exhibited relative to the CPP Reference Portfolio, and the difference in risk between the total portfolio and the CPP Reference Portfolio.

Investment Departments/Groups

- Each is accountable for the execution of active portfolio management programs within its mandate.
- The measure of success is the value-added, after all costs, relative to the benchmarks assigned by the IPC.
- The measure of risk is the active risk of actual asset returns relative to benchmark returns.

The measurement of risk is continually evolving as better models are developed. In particular, risk quantification, which used to focus on market risk (the potential downside of capital markets), now includes credit risk too. Credit risk estimates the potential losses (also using a VaR measure) if entities default on obligations made to us through loans or as counterparties under derivatives or other contracts.

We backtest risk measurement methodologies each quarter. This compares the actual range and frequency of outcomes against those predicted by our risk models. Further, we conduct stress tests to estimate the potential impacts on the Fund of major adverse events or environments. Recurrences similar to the equity crash of 1987, the debt crisis of 1997–98, and the liquidity crunch of 2008 are examples of events that are simulated.

We are pleased that, in November 2010, Standard & Poor's reaffirmed for CPPIB its highest credit rating, AAA. S&P stated that CPPIB benefits from a strong risk management framework that contributes to an excellent understanding of the risks underlying its investing and operating activities.

For more information on our Enterprise Risk Management framework, see page 61.

BENCHMARKING UNDER THE TOTAL PORTFOLIO APPROACH

Public accountability demands that we compare our investment results not only against the very long-term expectations of returns needed to help sustain the CPP, but also against relevant benchmarks that represent feasible investment alternatives. In certain areas, where investable indices are not available or representative, the results of comparable investors can provide a standard. Benchmarking is critical to CPPIB and our board of directors in that it serves to:

- Assess the effectiveness of the active programs, based on the rewards achieved relative to the risks taken, and help decide which strategies should be emphasized or curtailed; and
- Provide a fair basis for determining employees' incentive compensation related to value-added.

However, caution and realism are needed in interpreting investment performance results, whether positive or negative. The length of time, the circumstances during that period, and the limited extent to which the past may be indicative of the future are all limiting factors in drawing conclusions.

Total Fund Benchmark

Our primary objective is for the CPP Fund to outperform, after all costs, the returns that could have been achieved by investing passively, according to the CPP Reference Portfolio and its public market benchmark indices. This performance measure directly affects, in varying degrees, the incentive compensation for all CPPIB staff.

Department/Group Benchmarks and Value-Added Targets

Benchmarks are established by the IPC for reporting purposes. When used for incentive compensation purposes, they must also be approved by the Human Resources and Compensation Committee (HRCC) of the board of directors along with value-added targets. Adoption of benchmarks and targets must be independent of the investing group. This is assured by the following principles and processes:

- The Total Portfolio Management department, formerly called the Portfolio Design and Investment Research department, operating independently of the investment departments, researches and identifies a benchmark that is most representative of each active program.
- The target for value-added performance balances:
  - The degree of risk inherent in the program. Additional compensation should not be achievable simply by taking on more risk;
  - The return that might reasonably be expected for that risk; and
  - The range of skill-based results exhibited by external managers in the same field.
- Target value-added is assigned an incentive compensation multiplier of one. An additional range of over-performance and underperformance multipliers relative to the target is also developed for each active program.
- External investment costs and internal operating costs are deducted from actual returns before attributing any value-added.

- All benchmarks and ranges used for incentive compensation purposes are reviewed and approved by the HRCC.
- Methods and results for actual returns are examined by CPPIB's external auditors, Deloitte & Touche LLP, who subsequently issue a report to the HRCC; and
- Actual incentive payments are based on four-year rolling averages of these multipliers. This horizon is the norm for organizations similar to CPPIB. It encourages a focus on longer-term rather than single-year results, and is consistent with industry best practices.

A review by an independent advisor has confirmed our processes clearly meet or exceed the standards stated in the G20 Principles on Compensation in Financial Services.

Specific benchmarks for individual investing groups are described below.

Public Market Investments: Most active mandates in the department are intended to generate pure alpha, independent of market movements. Thus, active risk targets, in dollar terms, are first established for the degree of active risk expected to be employed. We then target an absolute dollar amount of value-added over the risk-free returns on any cash required to finance or maintain the investment. We do this by assigning a competitive ratio of value-added per unit of active risk.

Private Equity: The starting point is the public market equivalent return. This is the return that would have been achieved had the same cash flows been invested in public market equities of the relevant region or sector. However, private markets typically have greater leverage and therefore risks. To compensate for this, we require the achievement of an incremental return. In addition, to realize the incentive compensation target, value-added must meet or exceed the historical performance of above-median external managers.

Infrastructure: The return on the funding mix forms the benchmark. However, for incentive compensation purposes, the target return required on the equity portion is scaled in the same manner as for private equity.

Private Debt: In effect, the value-added target is to outperform long-term historical default experience for bonds or loans of equivalent credit quality. Higher or lower incentive multipliers result if the realized return of the specific investment category is equivalent to that of a significantly higher or lower credit quality.

Real Estate: Surveys of property-level performance, maintained by the Investment Property Databank (IPD) for a variety of countries, represent well-recognized standards for comparable private real estate investments by institutions. Index returns in the relevant surveys are therefore used as benchmarks for the regional and sector (where available) components of our real estate program. These benchmarks are adjusted for certain expenses not included in the IPD returns, notably land transfer and other taxes, and acquisition costs.

Private Real Estate Debt: The return on publicly-traded corporate bonds of comparable credit quality and term to maturity forms the benchmark. The value-added target reflects the historical experience, after investment expenses, of major lenders in this field.

Overall, our Total Portfolio Approach to both funding and benchmarking results in many more investment-specific benchmarks than are typically used by other investment organizations. We believe that better alignment of our benchmarks with the risk characteristics of our active programs, and clear accountability for value-added contributions, outweigh the additional complexity.

PERFORMANCE

The CPP Fund delivered strong investment performance in fiscal 2011 ending the year at an all-time high of $148.2 billion. This was driven in large part by strong performances by both global public equity and fixed income markets. In fiscal 2011, our value-added returns outperformed the CPP Reference Portfolio by 2.07% or $2.7 billion as our private assets are accumulating longer-term results that we believe reflect the benefits of our active management strategy.

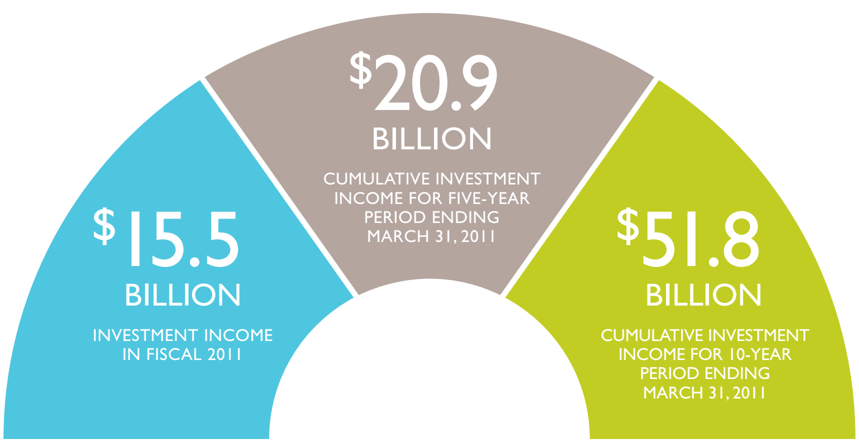
GLOBAL TACTICAL ASSET ALLOCATION (GTAA)

TEAM MEMBERS
(FROM LEFT TO RIGHT)
Alain Bergeron, Jonathan Briggs, Michael Biafore, Derek Walker, Alistair McGiven

This 14-member team adds value by identifying macro opportunities between and across fixed income, currency, commodity, volatility and equity markets. The team has grown both in size and experience, now including seasoned portfolio managers and researchers that have worked at internationally renowned firms such as BGI/BlackRock, Citadel, Deutsche Bank, UBS Global Asset Management, and Bank of England. GTAA plans to continue expanding its team into fiscal 2012.

$148.2 BILLION TOTAL FUND

$20.6 BILLION TOTAL FUND INCREASE



TOTAL FUND RETURNS

11.9%
FISCAL 2011 RATE OF RETURN

3.3%
FIVE-YEAR ANNUALIZED RATE OF RETURN

5.9%
TEN-YEAR ANNUALIZED RATE OF RETURN

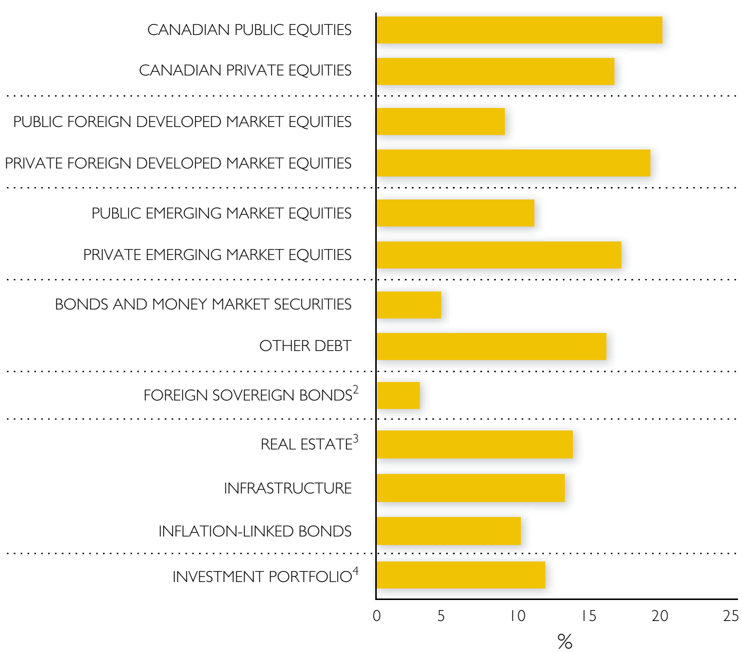
VALUE-ADDED RETURNS

2.07%
VALUE-ADDED ONE YEAR

-0.69%
VALUE-ADDED FOUR YEARS

1.80%
VALUE-ADDED OVER FIVE YEARS SINCE THE INCEPTION OF CPPIB'S ACTIVE MANAGEMENT STRATEGY

CPP FUND ASSET CLASS RETURNS[1]
(AS AT MARCH 31, 2011)



[1] Investment results by asset class are reported on an unhedged Canadian dollar basis as any currency hedging takes place at the total CPP Fund level (except foreign sovereign bonds). Results are calculated on a time-weighted basis. Commencing in fiscal 2007, the rate of return reflects the performance of the investment portfolio which excludes the Cash for Benefits portfolio.

[2] Returns for foreign sovereign bonds include the impact of currency hedging.

[3] Real estate returns were previously separated into private and public.

[4] Total return in fiscal 2011 includes a $72 million loss from currency hedging activities and a $525 million gain from absolute return strategies, which are not attributed to an asset class. Previously, returns generated by internally-managed absolute return strategies were included in both public equities and bonds.

FINANCIAL PERFORMANCE

During fiscal 2011, we continued to diversify the portfolio by expanding our global investment programs and increasing investments in private asset classes.

ASSET MIX

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

INVESTMENT PORTFOLIO

AS AT MARCH 31, 2011

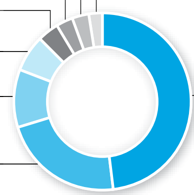
	Asset Mix		Exposure Mix	
ASSET CLASS[1]	($ billions)	(%)	($ billions)	(%)
CANADIAN EQUITIES	**21.0**	**14.1%**	**22.5**	**15.2%**
Public	19.6	13.2%		
Private	1.4	0.9%		
FOREIGN DEVELOPED MARKET EQUITIES	**50.8**	**34.3%**	**67.2**	**45.3%**
Public	30.5	20.6%		
Private	20.3	13.7%		
EMERGING MARKET EQUITIES	**7.6**	**5.1%**	**7.7**	**5.2%**
Public	6.6	4.4%		
Private	1.0	0.7%		
FIXED INCOME	**43.1**	**29.1%**	**36.7**	**24.8%**
Non-marketable bonds	21.8	14.7%		
Money markets and debt financing	0.9	0.7%		
Marketable bonds	14.3	9.6%		
Other debt	6.1	4.1%		
FOREIGN SOVEREIGN BONDS	**1.5**	**1.0%**	**6.9**	**4.6%**
INFLATION-SENSITIVE ASSETS	**24.3**	**16.4%**	**7.3**	**4.9%**
Real estate	10.9	7.3%		
Infrastructure	9.5	6.4%		
Inflation-linked bonds	3.9	2.7%		
INVESTMENT PORTFOLIO[2]	**148.3**	**100.0%**	**148.3**	**100.0%**

1 Asset classes in bold, upper-case letters have an explicit CPP Reference Portfolio allocation.

2 Excludes non-investment assets such as premises and equipment and non-investment liabilities.

This chart shows the global diversification of the CPP Fund. At the end of fiscal 2011, Canadian assets represented 48.3% of the investment portfolio and totalled $71.7 billion. Foreign assets represented 51.7% of the portfolio and totalled $76.6 billion.

GLOBAL DIVERSIFICATION PIE CHART
AS AT MARCH 31, 2011



CPP FUND RETURNS[1]

ASSET CLASS	**Fiscal 2011**	Fiscal 2010
Canadian public equities	**20.3%**	43.7%
Canadian private equities	**16.9%**	13.1%
Public foreign developed market equities	**9.1%**	24.7%
Private foreign developed market equities	**19.4%**	-9.4%
Public emerging market equities	**11.2%**	45.9%
Private emerging market equities	**17.1%**	-4.3%
Bonds and money market securities	**4.7%**	6.1%
Other debt	**16.3%**	63.0%
Foreign sovereign bonds[2]	**3.0%**	2.1%
Real estate[3]	**13.9%**	-10.1%
Infrastructure	**13.3%**	-6.5%
Inflation-linked bonds	**10.2%**	11.3%
Investment Porfolio[4]	**11.9%**	14.9%

1 Investment results by asset class are reported on an unhedged Canadian dollar basis as any currency hedging takes place at the total CPP Fund level (except foreign sovereign bonds). Results are calculated on a time-weighted basis. Commencing in fiscal 2007, the rate of return reflects the performance of the investment portfolio which excludes the Cash for Benefits portfolio.

2 Returns for foreign sovereign bonds include the impact of currency hedging.

3 Real estate returns were previously separated into private and public.

4 Total return in fiscal 2011 includes a $72 million loss from currency hedging activities and a $525 million gain from absolute return strategies, which are not attributed to an asset class. Previously, returns generated by internally-managed absolute return strategies were included in both public equities and bonds.

	Fiscal 2011		Fiscal 2010	
	%	**$ billions**	%	$ billions
TOTAL FUND RETURNS[1]				
1-year return	**11.9**	**15.5**	14.9	16.2
5-year annualized return	**3.3**	**20.9**[4]	4.0	18.5[4]
10-year annualized return	**5.9**	**51.8**[4]	5.5	39.3[4]
VALUE-ADDED RETURNS[2]				
1-year value-added	**207 bps**	**2.7**	-587 bps	-6.3
Cumulative 4-year value-added	**-69 bps**	**-0.7**	-34 bps	-1.1
Since Inception of the CPP Reference Portfolio (5 years)[3]	**180 bps**	**1.7**	-34 bps	-1.1

1 Commencing in fiscal 2007, the rate of return reflects the performance of the CPP Fund which excludes the short-term cash required to pay current benefits.

2 Relative to CPP Reference Portfolio introduced April 1, 2006.

3 Cumulative value-added return is shown as the difference between actual and benchmark cumulative returns since April 1, 2006.

4 Cumulative for period.

TOTAL FUND PERFORMANCE

The CPP Fund ended its fiscal year on March 31, 2011, with net assets of $148.2 billion, an increase of $20.6 billion from the prior year end. This increase reflected $15.5 billion in investment income, $0.3 billion in operating costs and $5.4 billion in CPP net contributions.

The portfolio returned 11.9% for fiscal 2011 compared with 14.9% for fiscal 2010. In the past two years the Fund has earned investment income of $31.7 billion. This exceeds the losses incurred during the past two fiscal years including the 2008–09 global financial crisis by $8.1 billion. These returns result from strong performances by both global equity and fixed income markets during fiscal 2011.

Fiscal 2011 was a solid year in terms of absolute performance for the Fund. Some stock markets suffered declines in the first quarter, but then reversed course and in most cases ended the year with gains. The lone exception was the Nikkei 225 index which finished down 4.9% for the fiscal year. The Nikkei dropped precipitously in March as a result of the catastrophic earthquake and tsunami suffered by Japan. Fixed income markets showed a steady increase over the year. All major financial markets, other than Japan, showed gains for the year ended March 31, 2011. Public market investments were lifted by the continued recovery in equities. Private investment returns were also strong. Appraised values of private assets showed gains, but it will take additional time to catch up to public market returns, particularly after the significant rally experienced in global public equity markets over the past two years.

This year's total fund return was also impacted by the Canadian dollar's gain in value relative to the U.S. dollar, off-set by declines versus other major currencies. This reduced our performance by $1.4 billion when returns on our large foreign exposure were converted to Canadian dollars. This compares to a loss of $10.1 billion for the Fund last year, and a gain of $6.8 billion the year before when the Canadian dollar weakened.

As noted in the Currency Hedging section on page 23, there may well be sharp movements in currency values in any 12-month period. The last three years demonstrate this. However, historical data and our own economic research indicate that currency movements in developed markets tend to balance out over longer periods of time, so the costs of hedging equity-related foreign currency exposures to Canadian dollars are not justified for the CPP Fund given its very long horizon. The target foreign currency exposure for the Fund is equal to the equity-related foreign currency exposure in the CPP Reference Portfolio (see page 22).

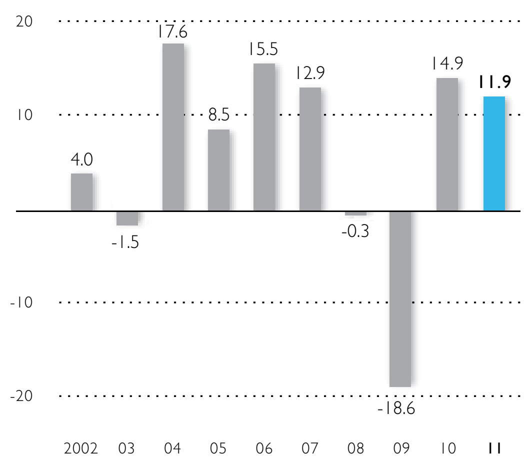
Consistent with our long investment horizon, we also report on longer-term results. For the five-year period ending March 31, 2011, the CPP Fund generated an annualized rate of return of 3.3% or $20.9 billion of investment income. For the 10-year period, the Fund had an annualized rate of return of 5.9% or $51.8 billion of investment income.

These returns were below the estimated 6.2% nominal rate, or annualized 4.2% real rate of return, required to sustain the CPP at its current contribution rate, as estimated by the Chief Actuary of Canada in his 23rd Actuarial Report. In November 2010, the 25th Actuarial Report reaffirmed that the CPP remains sustainable throughout the 75-year horizon of his triennial report. The Chief Actuary also adjusted the estimated asset returns required to sustain the CPP at its current contribution rate to a prospective 6.0% nominal rate, or 4.0% real rate of return.

The CPP Fund's five- and 10-year results should be viewed in the context of the performance of major global financial markets over the same period. The sharp equity markets decline that began in late calendar 2008 and continued into 2009 had a significant impact and continues to weigh down the five- and 10-year returns. However, the recovery that began in 2010 continued into 2011, and most equity markets, excluding the Nikkei, have recovered over 85% of their pre-crisis value. We remain confident that, with the Fund's current portfolio construction, we will be able to deliver the average 4.0% real return over longer periods of time.

RATE OF RETURN

FOR THE YEAR ENDED MARCH 31 (%)



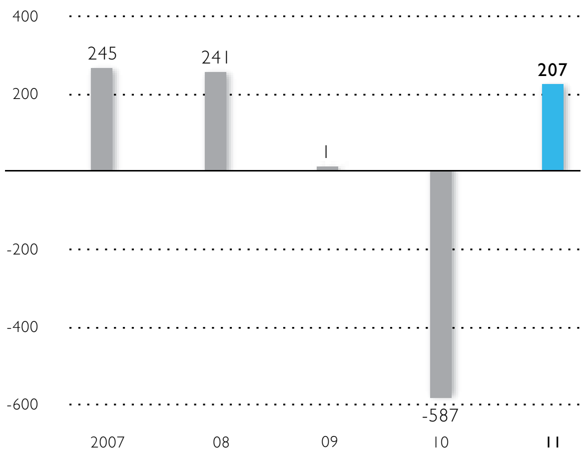
PERFORMANCE AGAINST BENCHMARKS

The solid 2011 performance of our investment portfolio exceeded our total Fund benchmark by 2.07% or $2.7 billion as private market asset valuations began to catch up with their public market benchmarks and continued strong returns from our active public market programs.

The following chart shows, in basis points, CPPIB's value-added returns in each of the five years since inception of the active management strategy and the adoption of the CPP Reference Portfolio in April 2006.

CPPIB VALUE-ADDED RETURNS

FOR THE YEAR ENDED MARCH 31 (BPS)



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

Although we have added value in three of the past four years, the negative value-added for fiscal 2010 was significant and continues to impact the rolling measurement, resulting in a cumulative -0.69% for the four years. We believe however that significant value-added embedded within our private market holdings will continue to materialize in the years ahead.

Given our long-term view, we also track cumulative value-added returns since the April 1, 2006 inception of the CPP Reference Portfolio. Cumulative value-added over the past five years totals 1.80%, or $1.7 billion. Over this same period of time, our cumulative costs to operate CPPIB were $1.0 billion. Many of our investment programs, such as real estate and infrastructure, are very long-term in nature and we are now accumulating longer-term results that we believe reflect the benefits of our active management strategy.

CASH FOR BENEFITS PORTFOLIO

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

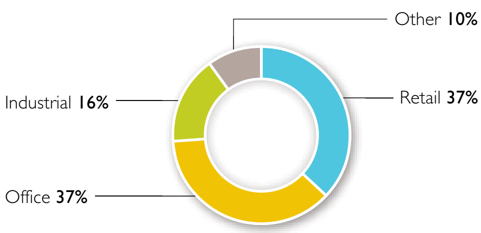
A secondary objective is to match or exceed the benchmark return of the DEX Capital Markets 91-day T-bill Index. The portfolio earned 0.6% or $9.8 million for fiscal 2011 versus 0.7% for the index. Over the course of the year, this short-term portfolio had average balances of approximately $1.2 billion.

GLOBAL INVESTMENTS

The ability to capitalize on a number of significant investment opportunities was a defining theme for CPPIB this year. Our long investment horizon, distinct investment approach, available capital and specialized investment expertise allowed us to capitalize on significant investment opportunities that we believe will benefit the Fund for the long term.

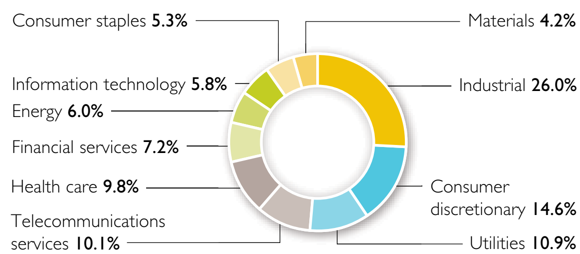
REAL ESTATE INVESTMENTS BY SECTOR

AS AT MARCH 31, 2011



PRIVATE INVESTMENTS BY SECTOR

AS AT MARCH 31, 2011

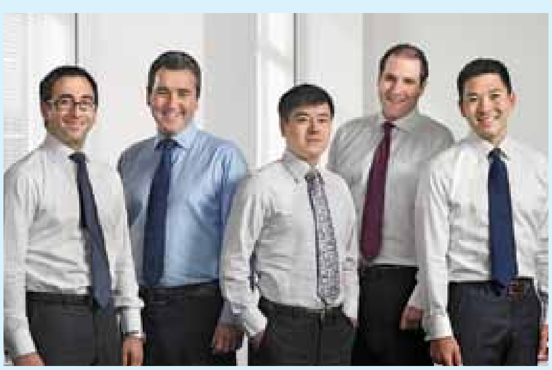


133 INVESTMENT PARTNERS

50 TOTAL NUMBER OF GLOBAL TRANSACTIONS IN FISCAL 2011

31 TOTAL NUMBER OF COUNTRIES IN WHICH WE HAVE PRIVATE HOLDINGS

TOMKINS plc



TEAM MEMBERS
(FROM LEFT TO RIGHT)
Sam Blaichman, Tony Morgan, Yiyi Yang, David Lubek, Scott Nishi

Tomkins

One of this year's highlights was the completion in September 2010 of the acquisition of Tomkins plc. CPPIB acquired a 50% interest in Tomkins for $1.1 billion alongside Onex Corporation. This marks the second consecutive year that CPPIB has participated in the largest global private equity acquisition. Tomkins is an industrial holding company with businesses serving the general industrial, automotive and construction markets around the globe.

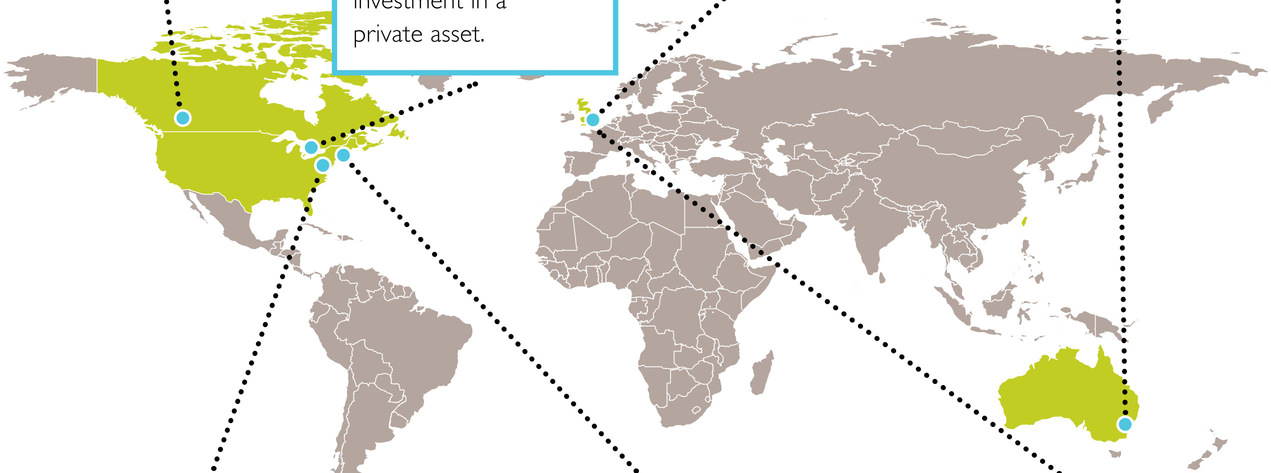
KEY TRANSACTIONS IN FISCAL 2011

LARICINA ENERGY – CALGARY
$250 million

407 EXPRESS TOLL ROUTE – TORONTO
(through Intoll and Cintra acquisitions)
$4.1 billion
CPPIB's largest direct investment in a private asset.

WESTFIELD STRATFORD CITY – LONDON
$468 million

GOODMAN TRUST AUSTRALIA INDUSTRIAL PORTFOLIO – AUSTRALIA
$604 million



WASHINGTON D.C. OFFICE TOWERS – WASHINGTON D.C.
$88 million
CPPIB's first real estate investment in Washington D.C.

MANHATTAN OFFICE TOWERS – NEW YORK CITY
$700 million
CPPIB's first real estate investment in New York City.

TOMKINS plc – U.K.
$1.1 billion
Largest global private equity transaction in calendar 2010.

EXAMPLES OF ASSETS IN INVESTMENT PORTFOLIO





1 Goodman Australia Development Fund, Kmart distribution centre, Melbourne, Australia
2 Warner Building, Washington, D.C., U.S.A.
3 Royal Bank Plaza, Toronto, Ontario, Canada
4 600 Lexington Avenue, New York, New York, U.S.A.
5 AWAS
A global leader in commercial aircraft leasing.

INVESTMENT DEPARTMENT REVIEW

This section details the performance of our investment departments, and highlights notable investment activities during fiscal 2011.

Our focus for the year has been on further expanding our global investment programs and continuing to strengthen our investment teams and processes. Both activities are critical in enabling CPPIB to maximize the benefit of its comparative advantages in order to achieve our long-term mandate.

Increasing the depth of our capabilities is evident from a net addition of 50 staff in the three investment departments (Public Market Investments, Private Investments and Real Estate Investments) and the Total Portfolio Management department, formerly called the Portfolio Design and Investment Research department. These include several key appointments of skilled professionals from both Canada and abroad, who have brought considerable experience and expertise to our organization.

At the beginning of fiscal 2011, we realigned the senior management of our investment departments. Mark Wiseman was appointed to the newly-created position of Executive Vice-President, Investments to oversee our three global investment departments. Don Raymond was appointed Senior Vice-President and Chief Investment Strategist to leverage the use of the Total Portfolio Approach. Both of these appointments have further strengthened the collaboration and integration of investment programs across the organization. André Bourbonnais was appointed Senior Vice-President, Private Investments, taking over this responsibility from Mark Wiseman.

Access to the best global opportunities requires a significant presence in the regions in which we invest. This is particularly important in private markets, where relationships and strong partnerships are critical to success. Our European and Asian offices, in London and Hong Kong, opened in 2008. They are increasingly active and represent important channels for CPPIB in their respective marketplaces. London's staff complement grew from 21 to 26 this year, while Hong Kong's grew from 11 to 15. We are committed to further expansion outside of Canada.

We are equally committed to ongoing improvement of our processes. Each investment team continuously and rigorously researches, evaluates and enhances its strategies. The information systems required to support our investment departments have been solidified and expanded through the successful deployment of new in-house portfolio accounting, performance measurement and analytics capabilities introduced on April 1, 2010. Risk measurement was also refined in several areas during fiscal 2011.

Sound judgment is as important for investment success as strong analytics. As a well-capitalized global investor, we are presented with numerous investment opportunities. But, with a fundamental commitment to disciplined judgment, we turn down more than 90% because they do not meet our criteria for value-added returns. In our view, deciding not to invest counts for as much as deciding to invest. Every decision to invest is governed by our responsibility to CPP members.

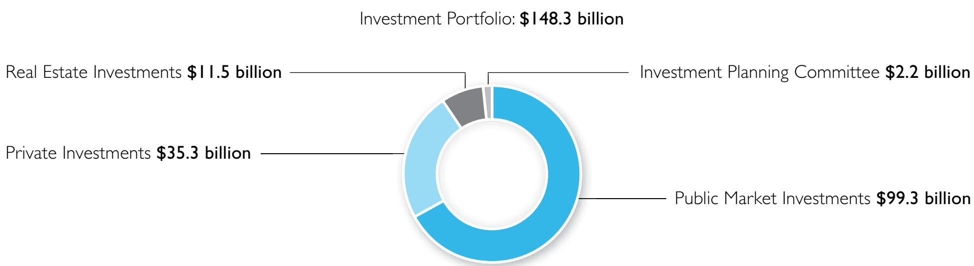
This year's investing included 19 transactions of over $200 million each. Of particular note is the completion of two concurrent transactions involving the acquisition of a 40% interest in the 407 Express Toll Route (ETR) outside Toronto as well as an interest in a toll road in Sydney, Australia. We subsequently syndicated a portion of this investment for a total combined interest of approximately 29%. We also participated in the largest private equity transactions of calendar 2010 through our $1.1 billion investment in the privatization of Tomkins plc, a leading British manufacturer of engineering components for the global market. This interest was also successfully syndicated, and our ownership position is now 43% of the equity of the company.

Managing the total portfolio requires disciplined attention to risk exposures that change daily with the markets. In order to rebalance the portfolio to its intended risk-exposure targets, we maintain a large margin of liquidity in the form of unencumbered publicly-traded assets. For example, in the first quarter of fiscal 2011, global equities underperformed Canadian bonds by nearly 12%. These are our two largest asset classes. Disciplined rebalancing, by selling bonds and purchasing equities, ensured that the Fund was positioned as intended for the next two quarters when equities outperformed bonds by over 13%. This liquidity, utilized through the Total Portfolio Approach described on page 26, also allows us to take advantage of major investment opportunities as they occur.

INVESTMENT ACTIVITIES BY DEPARTMENT

INVESTMENT BY DEPARTMENT

AS AT MARCH 31, 2011 ($)



[1] At the end of fiscal 2011, these assets were valued at $99.3 billion, of which $7.6 billion represented the active public market programs.

Our investment activity is conducted within the Investment Policy approved by our board of directors and published on our website as the *Statement of Investment Objectives, Policies, Return Expectations and Risk Management*. The board also sets an active risk limit on how far management may deviate from the CPP Reference Portfolio in pursuing value-added returns. This is discussed in the Risk/Return Accountability Framework section on page 29.

INVESTMENT PLANNING COMMITTEE

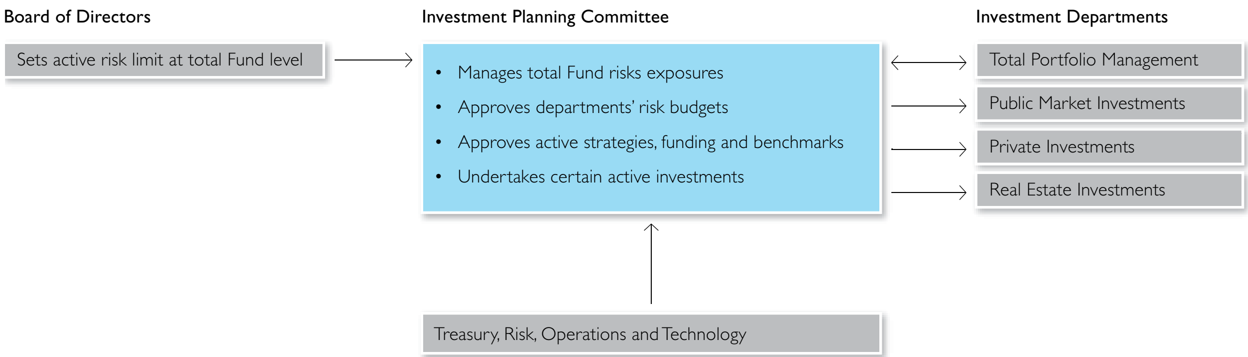
Management's Investment Planning Committee (IPC) oversees investment management of the total portfolio, complying with the Investment Policy and the active risk limit. Our investment departments operate within a framework established by the IPC. The IPC is chaired by the Senior Vice-President and Chief Investment Strategist, who also heads the Total Portfolio Management department. Other IPC members are the President and Chief Executive Officer; the Executive Vice-President, Investments; the department heads of Public Market Investments, Private Investments and Real Estate Investments; the Chief Operations Officer and the Chief Financial Officer.

The IPC:

- Oversees the management of the passive components of the portfolio against market indices;
- Manages the Fund's primary risk exposures such as market risk, credit risk, foreign currency and liquidity;
- Annually establishes an active risk budget for the total portfolio, within the limit set by the board. The IPC also approves target risk budgets for each of the investment departments that are consistent with their business plans;
- Approves active management strategies and their benchmarks, funding and active risk expectations. These strategies are categorized as "better beta" and "alpha." Better beta strategies extend investments into asset classes not included in the CPP Reference Portfolio, for example, real estate and infrastructure. Alpha strategies are executed by each of the investment departments to add value beyond their systematic beta exposures; and
- Undertakes certain active investments for which the IPC itself is accountable rather than any one investment department.

ROLE OF IPC

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



The table below shows the value-added contributions, relative to the CPP Reference Portfolio, that are attributable to the IPC.

VALUE-ADDED CONTRIBUTIONS OF IPC

INVESTMENT PLANNING COMMITTEE	**Fiscal 2011 $ billions**	Fiscal 2010 $ billions
BETTER BETA DECISIONS	**-0.1**	-3.5
DIRECT INVESTMENTS		
Active Investments	**0.4**	1.4
Passive Investments[1]	**0.2**	N/A
COMBINED IPC DECISIONS		
1-year contribution to total portfolio value-added	**0.4**	-2.1
4-year contribution to total portfolio value-added	**-1.8**	-1.3
5-year contribution to total portfolio value-added	**-0.8**[2]	N/A

[1] Included in Public Market Investments prior to fiscal year 2011.

[2] Since inception of the CPP Reference Portfolio on April 1, 2006.

The IPC manages three strategies initiated during the global financial crisis, with investments acquired at what we believe were significant discounts to their expected value. The largest is a portfolio of leveraged buyout loans managed by two leading external managers with specialist expertise. The other two are a portfolio of distressed mortgage funds, also externally managed, and an internal strategy of selling long-horizon equity index volatility. These longer-term strategic investments experienced losses during the turmoil of 2008–09, but, with adequate liquidity, we were not forced to sell them into weak markets. Collectively they are now showing material gains.

In fiscal 2010, CPPIB issued approximately $1.3 billion in commercial paper to further ensure flexibility in funding major investments. These issues have been well received in the market and carry top credit ratings from Standard & Poor's, Moody's and DBRS. Issuance size remained at approximately $1.3 billion throughout fiscal 2011.

One of the IPC's roles is to manage the Fund's overall currency exposures to the strategic weights within the CPP Reference Portfolio. This is more effective than managing currency within each investment department. The following sections show actual returns for each department both before and after currency impact. However, we have adjusted benchmark returns to ensure comparability in Canadian dollar terms. Our currency hedging policy is discussed on page 23.

TOTAL PORTFOLIO MANAGEMENT

The Total Portfolio Management (TPM) department is the operating arm of the IPC, and is responsible for the top-down component of the Total Portfolio Approach. The department continues to transition from providing advice to managing the total portfolio through the efficient allocation of systematic risks (including better beta, liquidity and credit) as well as providing a coordination role regarding the active risks generated by the investment departments.

Expanding from 35 to 41 staff during fiscal 2011, the department added a Portfolio Management group headed by a senior external hire. This group develops the exposure rebalancing and funding decisions that are increasingly important as the Fund grows and adds to its active programs. Further, TPM has commenced a two-year project to review all benchmarks and risk-related value-added targets to better align all investment activities with the total Fund objective of outperforming the CPP Reference Portfolio.

In fiscal 2012, TPM will also undertake a formal review of the CPP Reference Portfolio – the low-cost, low-complexity strategic alternative for the Fund. This review follows the release in late 2010 of the Chief Actuary of Canada's 25th Actuarial Report, dated as at December 31, 2009, on the Canada Pension Plan. The review will recommend to the board of directors the benchmark portfolio that, within certain constraints, has the greatest likelihood of helping to sustain the CPP under a wide range of conditions. As noted on page 22, this forms the yardstick against which CPPIB's active management is measured.

PUBLIC MARKET INVESTMENTS

The Public Market Investments (PMI) department invests in publicly-traded assets and related derivatives based upon these asset classes. Investments in public markets are a significant component of the CPP Fund. At the end of fiscal 2011, these assets were valued at $99.3 billion, of which $7.6 billion represented the active public market programs. The portfolio is managed through a combination of passive and active programs by six investment groups: Global Capital Markets, Global Corporate Securities, Global Tactical Asset Allocation, Relationship Investments, External Portfolio Management and the recently formed Short Horizon Alpha group. The department's mandate has two aspects:

- Management of our passive exposures in all CPP Reference Portfolio asset classes on behalf of the IPC, and execution of public market transactions on behalf of other programs; and
- Management of a diverse array of active strategies primarily designed to capture "alpha" – the additional returns from successful active management beyond the market returns for systematic risks.

The passive exposures are managed efficiently at very low cost by the Global Capital Markets group. Their objective is to minimize the return difference between the passive portfolio and its benchmark market indices. For fiscal 2011, this difference was contained to 0.1%. The group also employs the Fund's inventory of securities to earn additional low-risk returns.

PMI's active investment programs generated value-added returns in fiscal 2011 of approximately $0.8 billion. The chart below provides more detail. Returns are reported in dollar amounts as many of the activities are conducted on a market-neutral or long/short basis for which there is no generally accepted underlying asset base for measuring returns in percentage terms.

	Fiscal 2011	Fiscal 2010
PUBLIC MARKET INVESTMENTS – ACTIVE	**$ billions**	$ billions
1-year return in Canadian dollars	**1.1**	1.3
1-year benchmark return in Canadian dollars[1]	**0.2**	0.8
1-year contribution to investment portfolio value-added	**0.8**	0.5
4-year contribution to investment portfolio value-added	**1.4**	0.7
5-year contribution to investment portfolio value-added	**1.5**[2]	N/A

1 Return on assets-weighted blend of custom public market indices relevant to each strategy.

2 Since inception of the CPP Reference Portfolio on April 1, 2006.

FISCAL 2011 ACTIVITIES

PMI is engaged in a multi-year process of steadily extending the scope and depth of its capabilities to increase its contribution to overall Fund performance. Progress toward this objective depends on a number of factors, most importantly the internal and external capacity to scale existing proven programs and develop new active strategies that will make a meaningful contribution. This year, PMI continued to strengthen internal capabilities by adding 19 colleagues to close the year with a complement of 125. Several new strategies were added, as cited below.

During fiscal 2011, PMI undertook a strategic review of the scalability and complexity of current and prospective active programs. As a result, the department's responsibilities were realigned in December. The mandate of Global Capital Markets (GCM) was revised to concentrate its activities on the most efficient management of the passive portfolio, and the provision of the best possible execution services to other investment groups/departments. A new investment group, named Short Horizon Alpha (SHA), was created. Similar to other PMI groups, SHA will leverage our comparative advantages, notably size and liquidity, focusing exclusively on scalable active strategies with a horizon of less than six months. Some of SHA's strategies were previously carried out by GCM.

GLOBAL CAPITAL MARKETS

GCM and the SHA group undertook a variety of active strategies, related to credit spreads, equity offerings, volatility trading and securities financing transactions. The group also achieved major reductions in trading costs for the Global Corporate Securities and Global Tactical Asset Allocation groups.

Under its new mandate, GCM will focus exclusively on passive portfolio management, trade execution and liquidity management, including securities finance. Its responsibilities include the investment of cash inflows and the rebalancing required to maintain the targeted risk profile of the total portfolio. CPPIB's passive portfolios comprise approximately 3,000 public companies and a wide variety of Canadian and other government bonds. Derivatives are also employed to gain market exposures and liquidity. Derivative exposures are managed on a daily basis through a rigorous risk-based framework and controls.

In fiscal 2012, GCM will further refine management of the passive portfolio while actively pursuing capabilities to estimate and reduce transaction costs. This is important work as the value of investment insights can otherwise be entirely lost in the cost of their execution.

GLOBAL CORPORATE SECURITIES

Global Corporate Securities (GCS) seeks to add value through active bottom-up selection of corporate stocks and bonds, either directly or via derivatives when appropriate. Portfolio construction balances long securities positions with appropriate short positions, optimally structuring the portfolio to minimize overall market risk. CPPIB's structural advantage as a long-horizon investor differentiates us from many long/short managers by allowing us to avoid excessive trading in pursuit of short-term gains.

Our investment process blends fundamental research on specific companies with a strong quantitative discipline to identify securities that are perceived to be significantly over- or under-priced. As markets evolve, our quantitative analyses are continuously re-examined to test and enhance their efficiency, and to identify emerging factors that may prove to be predictive of security prices.

Building our capabilities in fundamental company research has been a focus for fiscal 2011. Experienced investment professionals now head each industry sector with coverage of individual companies significantly broadened. Considerable progress has also been made in leveraging expertise that exists in other areas of CPPIB through "virtual" sector teams that share the knowledge of colleagues across all investment departments.

GLOBAL TACTICAL ASSET ALLOCATION

Global Tactical Asset Allocation (GTAA) seeks to add value by identifying macro opportunities that arise between and across fixed income, currency, commodity, volatility and equity markets. The process is based on an innovative integration of two well-known approaches: fundamental macro and quantitative research. The GTAA group designs predictive models using macroeconomic and market factors, blending fundamental research with a strong element of experienced judgment in the choice and structure of these models. Signals from the models contribute to our evolving views on asset classes, which are then translated into active long and short positions in a variety of strategies. The GTAA group currently manages five investment programs: developed market currency selection, emerging market currency selection, country equity and bond market selection, and tactical allocation among several asset classes such as equities, bonds, commodities and cash. Similar to other PMI groups, GTAA activities differ from those of other investment managers due to the strategic advantage of CPPIB's long-term investment horizon. GTAA's primary research focus is on longer-horizon views, while shorter-horizon insights allow the group to better manage the timing of changes in positions.

A particular achievement this past year was the implementation of daily rebalancing using multi-period optimization. By using this technique, GTAA can identify the best path to translate its views into active positions, make a better assessment of the temporal urgency to place its trades, reduce its transaction costs and achieve greater flexibility to adjust positions under changing market conditions, all of which ultimately leads to higher scalability of alpha generation.

GTAA continues to build its capabilities. This year three senior investment professionals joined us from highly-regarded global organizations. The group currently assesses daily the expected risk and returns of over 50 markets through the analysis of over 6,000 data series and qualitative assessment of long-term macroeconomic fundamentals. This commitment of resources allowed a tripling of the reward-seeking risk exposures in the GTAA portfolio this year. Plans for fiscal 2012 include the addition of a commodity selection program and continued research to enhance models to predict market returns and build efficient portfolios.

RELATIONSHIP INVESTMENTS

Relationship Investments (RI) considers significant direct minority investments in public companies, providing strategic capital to generate meaningful longer-term outperformance relative to the companies' peers. Our investments help companies make acquisitions, fund organic growth, recapitalize their balance sheets, or transition ownership blocks. This proposition appeals to mid- and smaller-sized companies that value a patient and supportive strategic investor.

RI closed its first investment in fiscal 2010 – a $350 million commitment to Progress Energy Resources Corp. In fiscal 2011, we invested an additional $34 million to support an equity issuance to fund further gas exploration and development. CPPIB's Vice-President and Head of Relationship Investments serves on the company's board of directors. Such nominations, in keeping with the scale of investment, facilitate better dialogue with our investee companies and enable CPPIB to add more value.

In fiscal 2011, we reached out to more than 100 other candidate companies and presented terms and performed full due diligence on five companies. It takes a major commitment of time and discovery for both CPPIB and a company to conclude that the company's objectives and potential fully align with our partnership and investing criteria. In times of buoyant equity markets, or readily available debt financing, companies may prefer more conventional means of raising capital.

The RI team has grown to 11 professionals, enabling the group to achieve another milestone – the expansion of its outreach to companies listed in the U.S. This will actively continue in fiscal 2012, both directly with company management and through intermediaries such as investment banks and law firms. RI will also prepare for expansion into select Asian markets toward the end of the year.

EXTERNAL PORTFOLIO MANAGEMENT

External Portfolio Management (EPM) maintains a Completion Portfolio of externally-managed active strategies that complement those undertaken internally. These strategies offer attractive, sustainable value-added returns with low correlation to those from internal strategies. They must also be sufficiently scalable for CPPIB's future growth.

EPM differs from a traditional fund-of-funds program in that its objective is to create a highly-focused portfolio that, by design, may not be fully diversified through all investment strategies. Also, there is no intention to aggressively shift emphasis and assets between strategies and our manager partners. In fiscal 2011, EPM grew from 12 to 17 members, organized into four teams:

- Corporate Securities focuses on fundamental equity and credit;
- Quantitative Strategies focuses on systematic equity, fixed income and volatility;
- Macro Strategies focuses on currencies, commodities and similar instruments; and
- Portfolio Strategies addresses overall portfolio construction and management.

Since inception in fiscal 2004, EPM has grown to manage $7.3 billion. This year EPM extended the manager roster from 21 to 23, while at the same time increasing its return-seeking active risk exposures by 50%. New strategies include market-neutral stock selection in emerging markets, a global strategy for investing in distressed or undervalued credits, and a convertibles arbitrage strategy.

POLICY ON RESPONSIBLE INVESTING

In addition to its other activities, the PMI department implements our *Policy on Responsible Investing*. CPPIB believes that responsible corporate behaviour with respect to environmental, social and governance (ESG) factors can generally enhance long-term financial performance. This is the cornerstone of our *Policy on Responsible Investing*, which has three components. First, we engage with companies in our portfolio through proxy voting, communicating directly with management and boards, and working with investor coalitions. Second, we encourage research into the long-term materiality of ESG factors. Finally, we consider ESG factors in our investment due diligence and monitoring. We look at these factors only as they affect risk and potential returns.

We believe that engagement with corporate management is an effective strategy for large institutional investors with a long investment horizon. Engagement activities are detailed in the annual *Report on Responsible Investing* that is available on our website. Every year we review our entire portfolio to identify companies and issues for engagement. Currently, our focus is on executive compensation, climate change, extractive industries (oil and gas, and mining) and water.

We continue to enhance the integration of ESG factors into our investment processes. The Responsible Investing team is now part of the fundamental research group within GCS. This facilitates analysis and incorporation of ESG factors in our public market investment process. Applicable ESG factors are also evaluated by our Private Investments and Real Estate Investments departments through their due diligence processes, and monitored over the life of the investments.

Our approach to Responsible Investing is consistent with the United Nations' *Principles for Responsible Investment* (UN PRI). We helped formulate these principles and were one of the original signatories in 2006. Today, UN PRI signatories represent US$25 trillion in institutional investor assets.

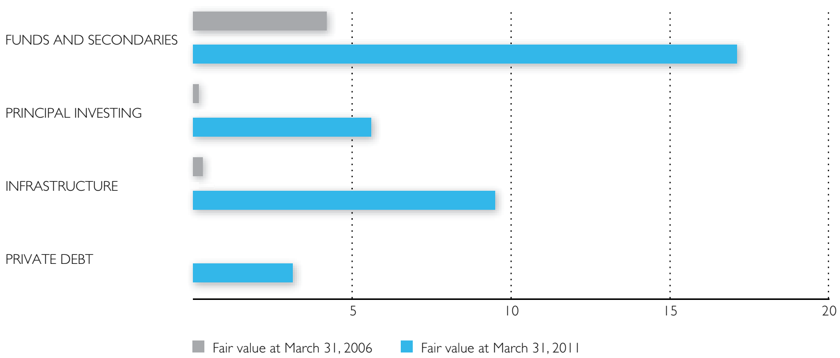
PRIVATE INVESTMENTS

The Private Investments (PI) department invests in private equity, infrastructure, and private debt. These large markets are well-suited for patient, expert investors, harvesting return premiums for illiquidity and for meeting the individual financing needs of the entities to which capital is provided. Further, enhanced information, governance involvement and unique insights carry the potential for significant alpha from superior investment selection.

Our private investment assets grew from $22.8 billion at the end of fiscal 2010 to $35.3 billion at the end of fiscal 2011. This growth includes investments funded at $14 billion, plus revaluations of existing investments, less realizations as private investments were sold or brought to the public market. Over the past five years, private investments have grown substantially in importance to the total portfolio, and have also become more widely diversified by location and type.

SIZE OF PRIVATE INVESTMENTS BY DEPARTMENT

($ BILLIONS)



The table below summarizes returns in absolute terms on an unhedged, time-weighted basis. It also shows value-added relative to asset-weighted benchmark indices.

	Fiscal 2011		Fiscal 2010	
PRIVATE INVESTMENTS	%	$ billions	%	$ billions
1-year return excluding foreign currency impact	**23.6**	**5.5**	9.3	2.2
1-year return in Canadian dollars	**16.6**	**4.6**	-7.6	-1.4
1-year benchmark return in Canadian dollars	**11.5**	**3.3**	19.9	3.7
1-year contribution to total investment portfolio value-added[1]	**–**	**1.3**	–	-5.1
4-year contribution to investment portfolio value added[1]	**–**	**0.0**	–	-0.3
5-year contribution to investment portfolio value-added[1]	**–**	**1.0**[2]	–	N/A

[1] Foreign currency fluctuations have no impact on departmental value-added. See page 23 for more details.

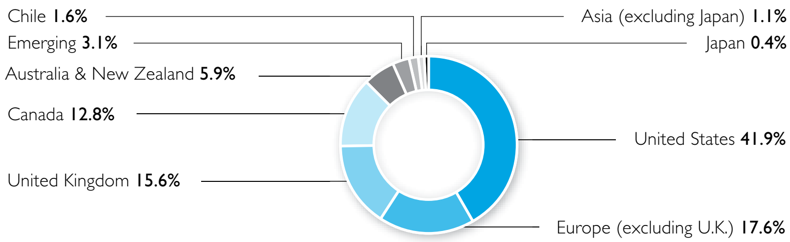
[2] Since inception of the CPP Reference Portfolio on April 1, 2006.

FISCAL 2011 ACTIVITIES

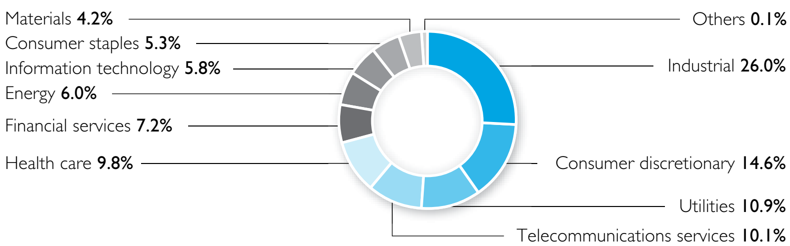
After a pullback in the first quarter of fiscal 2011, most public equity and corporate debt markets continued their upward trend as the fear of a double-dip U.S. recession receded. Renewed economic activity and increased availability of financing at attractive terms made for many more buyout and lending opportunities in fiscal 2011 than in the year before. However, pricing became progressively less favourable as large investors returned to the private markets. This was exacerbated by the presence of strategic buyers with significant cash reserves, and by a fairly robust IPO market in the U.S. While adhering to our disciplined selection process, we were able to make fiscal 2011 investments of $14 billion, up from $7 billion last year. The balance represented draws on commitments from prior years. We continue to examine new areas for private investment, and, this year, established a program and team to invest in intellectual property. The initial focus is on seasoned royalty cash flows arising from pharmaceuticals. The team made its first investment in January 2011.

Private Investments staff increased by 16 to 108 at year end, in line with our development plans. Particular growth occurred in the Private Debt team, both in Toronto and London. Its present complement of 22 professionals now manages investments of $3.1 billion, built entirely over the past two fiscal years.

PRIVATE INVESTMENTS – GEOGRAPHIC DIVERSIFICATION
AS AT MARCH 31, 2011



PRIVATE INVESTMENTS BY SECTOR
AS AT MARCH 31, 2011



Private Investments is organized into four specialized teams: Funds and Secondaries, Principal Investing, Infrastructure and Private Debt.

FUNDS AND SECONDARIES

Funds and Secondaries (F&S) is the original and largest segment of our private investing activities. This group identifies and commits capital to top-tier managers of private equity funds around the world. F&S also invests actively in "secondaries" – buying limited partnership interests from other institutions on a privately negotiated basis. Further, benefiting from its strong partner relationships, F&S ensures that direct investing opportunities are presented to other PI groups.

The F&S group actively represents CPPIB in the Institutional Limited Partners Association, seeking to improve private investment industry practices for the benefit of investors. Areas of particular focus are alignment of interests, transparency of information, and governance within a partnership.

The volume of new private equity offerings in calendar 2010 was the lowest in six years, but fundraising activity by private equity firms began to pick up in the second half of the year. We prepared to consider new commitments by carefully evaluating the persistence of success in individual managers' strategies. We expect a busy fiscal 2012, with an emphasis on developed mid-market buyouts and emerging markets.

F&S currently has relationships with 79 fund managers, covering 148 fund investments. Given our scale, fund investments are primarily in large and mid-market buyouts rather than early stage or venture capital. The group's portfolio increased to $17 billion in 148 funds at fiscal year-end 2011, up from $12.1 billion in 143 funds last year. In addition, we have accumulated commitments of up to $12 billion for further investment if called for by fund managers.

We continued to broaden our geographic and sector reach this year. Significant fund commitments included:

- US$100 million (C$97.3 million) to Baring Asia Private Equity Fund V. We are engaging with Baring for the first time to access their extensive pan-Asia presence and long experience in the region;
- €200 million (C$276.1 million) to Lion Capital Fund III, a fund focused on investing in mid-sized consumer businesses primarily in Europe;
- US$239 million (C$232.5 million) to EnCap Energy Capital Fund VIII, investing growth capital with established management teams in oil and gas exploration and production in North America; and
- US$250 million (C$243.2 million) to KSL Capital Partners III, for investment in consumer discretionary and leisure businesses in the U.S.

The secondaries market saw much greater activity in fiscal 2011, and our portfolio grew from $1.5 billion to $3.0 billion. Fund valuations retraced to levels at which a number of large institutions were prepared to reallocate their exposures by offering interests for sale. We believe the time is opportune for selective secondary purchases, as underlying portfolio companies have taken the steps needed to prosper as economies recover. Although pricing has increased, downside risk has been greatly reduced and portfolios of seasoned companies can be acquired without the high burden of front-end fund costs.

Two major secondaries investments were made this year:

- A US$904 million (C$927 million) purchase of four fund interests from an institutional investor. We have an existing relationship with all four fund managers. This is a good example of CPPIB's appeal as a buyer to a large fund looking to free up assets through a sale to a single party with minimum execution risk; and
- A US$302 million (C$306 million) purchase of three fund interests from an international fund of funds, as they sought to generate liquidity in their portfolios.

PRINCIPAL INVESTING

This group makes direct investments of significant size in private companies. Fiscal 2011 was another active year as we continued to capitalize on CPPIB's scale, reliability and long horizon. All are clear comparative advantages in this field. Competition for opportunities increased, however, as private equity funds returned to the market to relieve the pressure of large, uninvested amounts of capital raised in earlier years. We are highly selective in our approach, preferring to build through our many good relationships and avoid auction-style bids.

At year end, we held 37 direct investments valued at $5.6 billion, compared with 37 investments valued at $4.0 billion one year earlier. New investments in fiscal 2011 totalled $1.3 billion and included:

- **Tomkins plc** – For the second consecutive year, CPPIB participated in one of the largest private equity transactions of the year. The total value was US$5.0 billion (C$5.1 billion). Tomkins is an industrial holding company that operates a number of businesses serving the general industrial, automotive and construction markets around the globe. CPPIB provided US$1.1 billion for 50% of the US$2.2 billion equity investment. Onex Corporation and its Onex Partners III fund invested an equal amount. We subsequently reduced our investment to US$0.9 billion by syndicating 7% of our interest.
- **Laricina Energy Ltd.** – Our extractive industries team was formed in fiscal 2010. Assisted by insights from the interdepartmental sector team, the group elected to independently purchase a 17% equity interest in Laricina through a private placement. Laricina is actively developing a diverse portfolio of *in situ* oil sands assets in Western Canada using both conventional and innovative technologies.
- **AWAS** – Since 2006, CPPIB has been a minority investor in AWAS, one of the largest aircraft leasing companies in the world. This year we committed an incremental US$466 million (C$454 million) to help grow the business at an attractive point of the aviation cycle, significantly increasing our minority ownership stake to 25%.

In fiscal 2012, we will continue seeking larger positions in major transactions to ensure our close involvement in due diligence, negotiation of terms, and ongoing management of the asset. We also intend to broaden diversification of direct investments into Asia, but the long-term attractiveness of regions and countries will always be balanced against our disciplines and criteria for specific investments.

INFRASTRUCTURE

The Infrastructure group directs CPPIB's largest single investments. We seek well-established infrastructure assets that have low-risk revenue sources and well-controlled cost structures, and that operate in reliable regulatory environments. The objective is to harvest stable and growing income streams over very long investment horizons. The portfolio includes water utilities, gas and electricity transmission and distribution systems, toll roads, and communications infrastructure. In the five years since inception, the group's portfolio, including two small fund investments, has grown to $9.5 billion in 14 investments up from $5.8 billion at the end of fiscal 2010.

This year, the group completed its first direct Canadian private investments:

- The A$3.4 billion (C$3.2 billion) acquisition of Australia's Intoll Group, which included a 30% stake in Ontario's 407 Express Toll Route (ETR) together with a 25% stake in Sydney's Westlink M7; and
- The acquisition of an additional 10% stake in the 407 ETR from Cintra Infraestructuras S.A. for $894 million.

Both 407 ETR and Westlink M7 provide congestion relief in traffic corridors. Both roads have limited free alternatives. Due to their strategic locations, they are linked to long-term urban growth in principal cities. 407 ETR is a fully-electronic toll road with a remaining 87-year concession, expansion capacity and flexibility in setting tolls. Westlink M7 is located in the area of Sydney with the highest residential and commercial growth. The concession agreement expires in 2037. We judged these to be attractive assets long ago, but delayed investing until pricing and governance terms were attractive. These transactions also demonstrated our ability to concurrently complete two complex transactions that required deep infrastructure expertise. CPPIB has syndicated a portion of its stake in 407 ETR acquired through the Intoll investment, providing participation to other Canadian institutions that otherwise might not be able to do so because of scale. CPPIB's total combined interest in 407 ETR is now approximately 29%.

PRIVATE DEBT

This group is engaged in debt financing across the capital structure, including term loans, private high-yield bonds, mezzanine and other solutions for corporations. The primary areas of focus are North America and Europe, though this fiscal year marked our first investment in Asia.

With a deeper team, we were able to close 27 new investments and funded approximately $3.4 billion. In a robust credit environment, several of our early investments were refinanced. Additionally, we exited investments where the market provided opportunities to realize our return targets. Together with revaluations of existing holdings, assets closed the year at $3.1 billion, up from $0.9 billion at the previous fiscal year-end.

Notable transactions included:

- The group's first bridge financing transaction – US$200 million (C$203 million) to CF Industries. CF is one of the world's largest manufacturers and distributors of fertilizer products. The financing was repaid in mid-2010 and followed by a US$45 million high-yield note investment; and
- The group's first fund investment in Asia – US$170 million (C$172 million) commitment to Farallon Asia Special Situations. Farallon provides sophisticated and experienced management in Asian emerging markets, focused on growing local enterprises and special situations.

Other significant debt financings included $126 million to Whistler-Blackcomb and US$100 million (C$101.8 million) to Summit Material.

This year, the group began investing in royalty streams arising from intellectual property. This is being executed by a new team, which includes staff with experience at a pharma royalties fund and a leading technology company. Royalties from well-established pharmaceutical products are our initial focus. The team has completed its first investment – the US$40 million (C$39.7 million) acquisition of royalty rights for Pfizer's blockbuster drug Lyrica, a treatment used to control seizures and to treat nerve pain and fibromyalgia.

In fiscal 2012, we will continue to build and diversify the Private Debt portfolio. Our experienced investment team now has 22 professionals in Toronto and London. While the financing market has recovered from the global credit crisis and is again strong, our solid reputation as a reliable and sophisticated source of financing ensures continued access to sufficient opportunities meeting our criteria.

REAL ESTATE INVESTMENTS

The mandate of the Real Estate Investments (REI) department is to build and manage a portfolio of high-quality properties that are expected to deliver stable returns and retain their relative value across multiple business cycles. Working with strong partners who have the deep, local expertise necessary for success, we act as an investor and portfolio manager – not as a real estate developer or operator. Following our original major investments in Canada, the department has invested significantly in the U.S., Europe, Australia and, more recently, in selected developing countries: Mexico, Brazil, Turkey and China. Net of mortgages on the properties, portfolio equity value has grown substantially, from $7.3 billion at the end of fiscal 2010 to a current $11.5 billion. This growth resulted from net new investments of $3.0 billion plus significantly positive revaluations of existing properties.

Also, the Private Real Estate Debt program established at the end of fiscal 2010 has, to date, added investments of $0.3 billion in first mortgages on prime commercial assets in the U.S.

The table below summarizes returns in absolute terms on an unhedged time-weighted basis. It also shows value-added relative to asset-weighted benchmark indices.

	Fiscal 2011		Fiscal 2010	
REAL ESTATE INVESTMENTS	**%**	**$ billions**	%	$ billions
1-year return excluding foreign currency impact	**14.4**	**1.3**	-4.1	-0.3
1-year return in Canadian dollars	**13.6**	**1.3**	-11.9	-0.9
1-year benchmark return in Canadian dollars	**13.1**	**1.1**	-17.6	-1.3
1-year contribution to total investment portfolio value-added[1]	**–**	**0.1**	–	0.4
4-year contribution to investment portfolio value-added[1]	**–**	**-0.3**	–	-0.2
5-year contribution to investment portfolio value-added	**–**	**0.0**[2]	–	N/A

1 Foreign currency fluctuations have no impact on departmental value-added (see page 23).

2 Since inception of the CPP Reference Portfolio on April 1, 2006.

The results reflect improving values of real estate properties as they recover from the major impacts of the global financial crisis and subsequent recession. The strongest recovery has been in higher quality, stable income assets with cash yields that compare favourably to fixed income alternatives. The extent of revaluation varies significantly among countries, but we feel current valuations overall still do not reflect the intrinsic values we can realize over time.

The program is meeting its objective of generating steady cash income for the CPP Fund – $0.5 billion in fiscal 2011 – due to stable occupancy rates for core assets occupied by high-quality tenants with long-term leases.

FISCAL 2011 ACTIVITIES

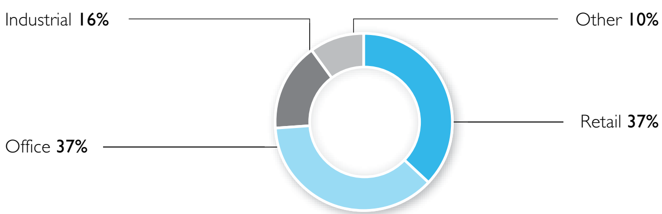
Fiscal 2011 was an exceptionally active year for REI, with $3.3 billion in new investments. This consisted of $2.2 billion in acquisitions and $1.1 billion for commitments made in prior years.

Generally, transaction volumes have improved from very low levels in calendar 2009. Several of the investments we completed this year stemmed indirectly from difficult conditions, as financial entities revised their longer-term business strategies or sought to strengthen their capital positions. Slow but steady economic growth appears to be taking place in most major developed economies while developing markets recovered very quickly. This has improved the outlook for space demand while the new supply pipeline remains at historic lows in most markets. Combined, these fundamentals support the resilience of current income and a more positive outlook for price expectations. Pricing increased throughout this year, which we feel will increase transaction volumes but create more challenging economics.

The assets managed by REI are increasingly diversified, both geographically and by sector, as shown below.

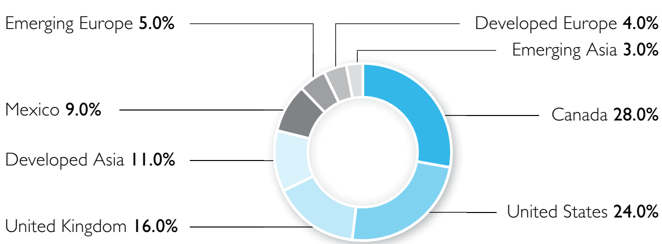
REAL ESTATE INVESTMENTS BY SECTOR DIVERSIFICATION

AS AT MARCH 31, 2011



REAL ESTATE INVESTMENTS – GLOBAL DIVERSIFICATION

AS AT MARCH 31, 2011



We are primarily focused on the world's most transparent markets: North America, Western Europe and Australia. However, selected emerging markets are expected to be an increasing component of the portfolio due to their long-term growth prospects and need for modern real estate development. Investing in these markets requires particular discipline and selectivity, as some areas can become excessively built or over-priced in the general exuberance. The expertise of local partners is even more critical than for developed markets.

For its equity investments, REI is organized in two groups: Americas and International. Each also makes emerging markets investments in its respective area.

With the substantial growth of our real estate portfolio, staffing increased from 34 people to 41, strengthening the London and Hong Kong offices. In Toronto, the Americas group was re-organized into sector specialty teams recognizing the similarities of real estate sectors across Canada and the U.S. The International teams are smaller and more generalist in approach, but will specialize by country as they grow. In fiscal 2012, the growing size and complexity of the portfolio will require increased attention to the ongoing asset and portfolio management aspects of our operation. We incorporate these activities into the regional and sector teams, providing continuity to the investment process and maximizing the synergies available through their respective markets knowledge and shared relationships.

AMERICAS

We significantly expanded our U.S. presence after several years of caution. Key investments included:

- Interests in four prime office properties in New York City, comprising a gross investment of US$668 million (C$700 million) to acquire a 45% interest in 1221 Avenue of the Americas and 600 Lexington Avenue in midtown Manhattan. The combined value of both properties is US$1.45 billion (C$1.6 billion). We also acquired a 32% interest in a joint venture to acquire 655 Fifth Avenue and 100 Broadway;
- Equity investments of US$121 million (C$118 million) in three top-tier office properties in Washington D.C. to acquire a 45% interest in 1299 Pennsylvania Avenue (the Warner Building) and 1101 17th Street NW, alongside with Vornado Realty Trust and a 45% stake in 1255 23rd Street alongside with Carr Properties and MetLife Real Estate Investments;
- Funding an interest in seven grocery-anchored centres across the U.S. for US$120 million (C$116 million) in a joint venture with Kimco; and
- Despite limited opportunities in the Canadian market, we were able to purchase interests in eight Canadian shopping centres for C$233 million. This included the acquisition of Hillside Centre in Victoria, B.C.

INTERNATIONAL

We significantly expanded our European investments through acquisitions of:

- A 25% interest in London's Westfield Stratford Shopping Centre for £300 million (C$468 million). This is a 1.9 million square foot retail and entertainment centre being developed adjacent to the 2012 London Olympic site, with closing expected in fiscal 2012;
- A 70% interest in 10 Gresham Street, a prime London office building, for £123 million (C$191 million); and
- An 80% interest in Hürth Park, a German shopping centre, for €51 million (C$70 million).

We made two major investments in Australia:

- A 42% interest in a portfolio of nine regional shopping centres for A$345 million (C$377 million); and
- An A$600 million (C$604 million) acquisition of a 42% interest in the privatization of the ING Industrial Fund.

We also moved forward on two emerging markets initiatives:

- We increased by C$200 million our commitment to the development of major mixed-use projects in China through the Raffles branded program led by CapitaLand Ltd. This brought our total commitment to C$350 million. The program now contemplates seven projects; and
- We approved projects in Brazil with Cyrela Brazil Realty SA for approximately C$200 million. These are new developments, so only a limited amount has actually been invested to date.

PRIVATE REAL ESTATE DEBT

The U.S. first mortgage market provided a compelling investment opportunity in the early part of calendar 2010. Partnering with TIAA-CREF and Cornerstone, we deployed over $600 million at very attractive credit spreads ($300 million at the close of fiscal 2010 and a further $300 million this year). As lender confidence gradually re-emerged, the profit margins available in first mortgage yields declined and we have scaled back new investing activity until conditions improve. However, we are investigating a mezzanine debt program in the U.S. and U.K. as a natural extension of the real estate debt platform. This segment holds appeal, as we can leverage the knowledge, expertise and relationships from our real estate equity program.

REAL ESTATE HOLDINGS AS AT MARCH 31, 2011

PROPERTY	City	Province/State	Country	Total Gross Leasing Area (sq. ft.)	Ownership Interest (%)
AMERICAS PROPERTIES					
OFFICE PROPERTIES					
Altius Centre	Calgary	AB	Canada	306,000	50
Canterra Tower	Calgary	AB	Canada	817,000	50
Bell Tower	Edmonton	AB	Canada	507,000	50
Edmonton City Centre (Office)	Edmonton	AB	Canada	998,000	50
Guinness Tower	Vancouver	BC	Canada	269,000	50
Marine Building	Vancouver	BC	Canada	174,000	50
Oceanic Plaza	Vancouver	BC	Canada	351,000	50
Constitution Square	Ottawa	ON	Canada	1,054,000	50
Jean Edmonds Towers	Ottawa	ON	Canada	553,000	50
Place de Ville I	Ottawa	ON	Canada	581,000	50
Place de Ville II	Ottawa	ON	Canada	630,000	50
First Canadian Place	Toronto	ON	Canada	2,680,000	25
One Financial Place	Toronto	ON	Canada	657,000	50
2 Queen Street E.	Toronto	ON	Canada	464,000	50
Royal Bank Plaza	Toronto	ON	Canada	1,478,000	50
Waterpark Place	Toronto	ON	Canada	801,000	50
Yonge/Richmond Centre	Toronto	ON	Canada	299,000	50
Tour KPMG	Montreal	PQ	Canada	493,000	50
410 Building	Denver	CO	USA	419,000	39
Civic Center Plaza	Denver	CO	USA	586,000	39
Dominion Plaza	Denver	CO	USA	589,000	39
Tabor Center	Denver	CO	USA	707,000	39
US Bank Tower	Denver	CO	USA	520,000	39
Warner Building	Washington	DC	USA	643,000	45
1101 17th Street NW	Washington	DC	USA	216,000	45
1255 23rd St.	Washington	DC	USA	341,000	45
Alhambra	Coral Gables	FL	USA	323,000	49
Datran Center	Kendall	FL	USA	471,000	49
1221 Avenue of the Americas	New York	NY	USA	2,520,000	45
100 Broadway Avenue	New York	NY	USA	395,000	33
655 Fifth Ave	New York	NY	USA	49,000	33
600 Lexington Avenue	New York	NY	USA	304,000	45
Shenandoah Building	McLean	VA	USA	197,000	49
TOTAL OFFICE				**21,392,000**	
RETAIL PROPERTIES					
Beacon Hill	Calgary	AB	Canada	528,000	50
Edmonton City Centre (Retail)	Edmonton	AB	Canada	814,000	50
RioCan Meadows	Edmonton	AB	Canada	211,000	50
Pine Centre Mall	Prince George	BC	Canada	483,000	100
Grandview Corners	Surrey	BC	Canada	530,000	50
Hillside Centre	Victoria	BC	Canada	431,000	100
Burloak	Burlington	ON	Canada	455,000	50
Centre Mall	Hamilton	ON	Canada	381,000	80
Century Centre	London	ON	Canada	98,000	100
White Oaks Mall	London	ON	Canada	691,000	100
Eastgate Square	Stoney Creek	ON	Canada	541,000	100
New Sudbury Centre	Sudbury	ON	Canada	539,000	100
Intercity Shopping Centre	Thunder Bay	ON	Canada	460,000	100
Promenades Cathédrale	Montreal	PQ	Canada	137,000	50
Les Galeries de la Capitale	Quebec City	PQ	Canada	1,451,000	90
Carrefour de l'Estrie	Sherbrooke	PQ	Canada	1,147,000	90
Rancho San Diego	El Cajon	CA	USA	98,000	45
Hasley Canyon Village	Los Angeles	CA	USA	70,000	40
Del Mar Town Centre	San Diego	CA	USA	273,000	49
Morena	San Diego	CA	USA	411,000	45
Blossom Valley	San Jose	CA	USA	93,000	40
Redhawk Town Center	Temecula	CA	USA	345,000	45
Oakwood Plaza North	Hollywood	FL	USA	694,000	45
Oakwood Plaza South	Hollywood	FL	USA	177,000	45
Willa Springs Shopping Center	Orlando	FL	USA	90,000	40
Dunwoody Hall	Atlanta	GA	USA	90,000	40
Maynard Crossing	Raleigh	NC	USA	123,000	40
Richland Marketplace	Quakertown	PA	USA	400,000	45
Bethany Park Place	Dallas	TX	USA	99,000	40
Shiloh Springs	Dallas	TX	USA	110,000	40
Alden Bridge Village	Houston	TX	USA	139,000	40
Pentagon Centre	Pentagon City	VA	USA	337,000	45
TOTAL RETAIL				**12,446,000**	
TOTAL AMERICAS				**33,838,000**	
INTERNATIONAL PROPERTIES					
CFSGAM Property Retail Partnership	Perth, Sydney, Brisbane, Adelaide		Australia	4,729,300	39
Goodman Trust Australia – Industrial Portfolio	Various		Australia/Europe	21,737,000	42
Fengxian Distribution Centre	Shanghai		China	520,000	80
Fengxian International Logistic Park	Shanghai		China	1,440,000	80
Kangqiao Distribution Centre	Shanghai		China	588,000	80
Taopu Industrial Estate	Shanghai		China	488,000	80
Le Bleriot Office Building	Suresnes		France	232,000	94
Hurth Park	Cologne		Germany	651,000	80
Amulfpark MK II/Metris	Munich		Germany	368,100	43
Parkstadt Schwabing – MK 10	Munich		Germany	151,400	43
Parkstadt Schwabing – MK 12	Munich		Germany	284,500	43
Forum Ankara	Ankara		Turkey	869,000	26
Forum Aydin	Aydin		Turkey	316,000	26
Forum Camlik	Denizli		Turkey	345,000	26
Forum Istanbul	Istanbul		Turkey	1,851,000	26
Forum Kapadokya	Kapadokya		Turkey	258,000	26
Bexleyheath Shopping Centre	Bexleyheath		UK	210,000	93
Borehamwood Retail Shopping Park	Borehamwood		UK	550,000	93
Whitefriars Quarter Shopping Centre	Canterbury		UK	600,000	50
Silverburn Shopping Centre	Glasgow		UK	1,000,000	50
55 Bishopsgate	London		UK	193,000	80
1 Bunhill Row	London		UK	264,000	80
10 Gresham Street	London		UK	260,000	70
Michael House	London		UK	17,000	80
Eagles Meadow Shopping Centre	Wrexham		UK	400,000	93
TOTAL INTERNATIONAL				**32,789,000**	
TOTAL PORTFOLIO				**66,627,000**	

PARTNERING WITH EXTERNAL MANAGERS

Longstanding partnerships with top-tier external managers have been instrumental in supplementing the activities of all three investment departments – and continue to be an important part of our strategy execution. We do direct investing through internal capabilities in those areas where we have a comparative advantage. We rely on select external managers to complement those capabilities in areas where they have skill and expertise. The ideal partner has access to investment opportunities and regional or sector expertise that we cannot, or choose not to, develop.

While many institutional investors are relatively passive providers of capital to their external partners, we try to structure our relationships as mutually beneficial alliances. At year end, we had a total of 133 investment partners – 10 new partners since last year. Our partners are listed below:

PRIVATE EQUITY

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

INFRASTRUCTURE

Macquarie Bank Limited

PRIVATE DEBT

Farallon Capital Management

PUBLIC MARKET INVESTMENTS

AQR Capital Management LLC
Arrowstreet Capital
BlackRock, Inc.
BlueGold Capital Management LLP
Brevan Howard Asset Management LLP
Bridgewater Associates Inc.
Capital Fund Management
Cevian Capital Limited
Connor Clark & Lunn Investment Management Ltd.
Credit Suisse Asset Management LLC
Elliott International Capital Advisors Inc.
ESL Partners L.P.
Fortress Investment Group
Knight Vinke Asset Management
Louis Dreyfus Investment Group
Pacific Investment Management Company
Pershing Square Capital Management L.P.
Relational Investors LLC
Treesdale Partners LLC
Two Sigma Investments LLC
Universa Investments L.P.
ValueAct Capital
Wolverine Asset Management LLC

REAL ESTATE INVESTMENTS

AvalonBay Communities, Inc.
Brookfield Properties Corporation
Callahan Capital Partners
CapitaLand Group
Carr Properties
Colonial First State Global Asset Management
Cornerstone Real Estate Advisors
Cyrela Commercial Properties
DEXUS Wholesale Property Limited
Donahue Schriber Realty Group
Douglas Emmett, Inc.
Goodman Group
Hammerson
Hawkeye Partners
Henderson Global Investors
ING Real Estate Investment Management Limited
Kimco Realty Corporation
LaSalle Investment Management
Liquid Realty Partners
Macquarie Global Property Advisors
Meadow Partners
Morgan Stanley Real Estate
Multi Corporation
Osmington Inc.
Oxford Properties Group
ProLogis
RioCan Real Estate Investment Trust
Schroder Property Investment Management
SL Green Realty Corp.
The Blackstone Group
The Rockefeller Group
The Westfield Group
TIAA-CREF Asset Management
USAA Real Estate Company
Vornado Realty Trust

OPERATIONAL HIGHLIGHTS

INTERNAL CAPABILITIES

We have set out to build an organization that will endure for decades and generations. Unlike many other organizations, we have relative certainty that we will continue to grow. Our success depends heavily on having the right organizational structure in place and our ability to attract, engage and retain talented leaders, investment professionals and core services professionals.

This past year, we continued to deepen our capabilities at all levels in order to manage the growth of the Fund and our expanded investment programs. At the beginning of fiscal 2011, we created the role of Executive Vice-President, Investments, to oversee the three investment departments in order to ensure that we are integrating investment processes and capabilities. This role has helped to strengthen the governance and oversight of our investment programs. This year, we also undertook an extensive review of our investment strategy. This effort focused on scalability and complexity to identify areas that must be developed to ensure the success of the Fund as it grows to $275 billion by 2020. As noted previously, the review led to the creation of a new active management group in the Public Market Investments department. Named "Short Horizon Alpha," this group oversees the scalable active management programs, while the Global Capital Markets team focuses exclusively on passive portfolio management and public market execution. We also added bench strength to our investment departments, notably our Private Debt team as this investment area expanded.

As well, the mandate of the Portfolio Design and Investment Research group (now Total Portfolio Management) was refocused by appointing a Senior Vice-President and Chief Investment Strategist whose emphasis is on managing portfolio risk over the long term.

Core Services teams focus on the development and implementation of an operating model and principles to drive efficiencies, reduce complexity and ensure scalability. The strategy is to optimally align people, processes and systems. We continued to leverage our newly insourced portfolio record-keeping, accounting and performance-measurement system. This system significantly improves our ability to support and grow the active investment programs. It also enhances our analytical and risk management capabilities.

We concluded fiscal 2011 with 656 employees, an increase of 90 employees or 16% compared to fiscal 2010. Investment teams expanded by 50 people. The remaining 40 hires were in our Treasury, Risk, Operations and Technology (TROT) department and Finance areas. At year end, we had 615 people in our Toronto office, 26 in London and 15 in Hong Kong. As the Fund and organization continue to grow, the degree of staff specialization and the overall complexity of our activities also continue to grow. Specialization may, for example, include increased delineation in the investment strategies, separation of transaction origination roles from those in asset management roles, and more specific Core Services skill sets. Over time, as we continue to focus on the globalization of the organization, we will look at opening satellite offices in key markets where we need a presence to support investment activities in our three main offices in London, Hong Kong and Toronto.

We refined and enhanced our talent management and succession planning in order to develop top and emerging talent. This included identifying critical roles and the internal and external pipelines to fill them in the future. At all times, we balanced the choice of insourcing versus outsourcing, and forged deep relationships with external partners.

One of CPPIB's comparative advantages is our culture – which is centred on our Guiding Principles of Integrity, Partnership and High Performance. Being risk-aware is another important element of our culture. Integral to our risk-aware culture is our strong understanding that our job is to take a certain degree of risk, but importantly, all of our investment decisions are informed by a rigorous analysis of risk.

Maintaining CPPIB's culture becomes increasingly challenging as the organization grows and our geographic footprint expands. These challenges include the speed of growth, the need to communicate over many time zones and great distances, and the need to overlay CPPIB's unique values and methods on those that new employees bring from former employers and home areas.

We reinforce our guiding principles during hiring, onboarding and in everyday interactions. Head office and foreign assignments are used to preserve and export our high-performance culture. We encourage collaboration across teams to build scalable end-to-end solutions with only the intentional complexity required to support our strategic initiatives. We are deliberate in defining and shaping our culture.

Employee engagement levels are high, and we continue to help managers develop the leadership skills used to mentor and coach employees, thereby leveraging the potential of the entire organization.

INSTITUTIONALIZING CAPABILITIES

We made significant progress this year in advancing our technology and operational capabilities. This focus remains a multi-year undertaking.

CPPIB believes that sophisticated technology and operational capabilities are needed to fully capitalize on our structural advantages of a very long investment horizon, certainty of assets, and large portfolio size. There are two focus areas: scalability and sustainability. We aim to be able to efficiently scale our investment programs while ensuring that today's decisions remain beneficial over the long term.

At the start of fiscal 2011, we switched from outsourced portfolio accounting and performance measurement to an internal system that was implemented as a major initiative during fiscal 2010. The new system enables us to design and implement standardized and automated core processes that can meet the Fund's unique needs today and also in the future as it grows in size and complexity. This year we began to leverage this strong operational foundation. Analysis of the Fund's performance was enhanced with more detailed attribution and better matching of risks and returns across the various investment strategies. We have also improved investment process support. For example, actively managed portfolios can now be rebalanced more often. This improves trade execution by reducing market impact and transaction costs.

To promote scalability and sustainability, we are systematically eliminating manual solutions and processes and replacing them with robust end-to-end systems. We are making conscious trade-offs in our systems and process development to ensure durability versus just speed of execution.

We also focused this year on improving our data management processes. This work will actually span multiple years which will allow us to seamlessly move data from acquisition through cleansing and then into any application across the organization so that it can be used for research, investment analysis and business operations. During the year, we kicked off the first project to build a centrally managed data store to house the Fund's core investment data.

Looking to the future, we are shifting from a technology focus to a business process focus, managing initiatives that cross organizational boundaries. This approach is designed to optimize capabilities across CPPIB rather than within functional departments.

OPERATING COSTS

There are three categories of costs in managing the CPP Fund:

- External management fees;
- Transaction costs; and
- Operating expenses.

External Management Fees: We partner with external asset managers in areas that complement our internal programs. Whenever possible, we structure fee arrangements with these managers to be highly performance-based. This ensures their interests are aligned with ours and the fees paid are proportional to the benefits derived for the Fund. During the year, external management fees totalled $500 million compared to $466 million in fiscal 2010. We follow the customary practice of reporting investment returns net of these fees paid.

Transaction Costs: There are often one-time transaction costs associated with the acquisition of private market assets, especially infrastructure, real estate and private equity. These costs can include investment banking advisory fees in public company bid situations, due diligence consulting fees, taxes incurred on the transfer of real estate ownership, and a variety of other non-recurring expenses. In any given year, they will vary according to the number, size and complexity of our private market investing activities. In public markets, we pay commissions when trading securities. These costs vary depending on the volumes and markets in which we trade. For fiscal 2011, total transaction costs were $173 million compared to $148 million in the prior year, as new investment activity increased substantially. These too are netted against reported investment returns.

Operating Expenses: This category covers all other costs incurred to manage the Fund. Operating expenses were $328 million this year compared to $236 million in fiscal 2010. Expressed another way, total operating expenses were 24.0 basis points or 24.0 cents for every $100 of invested assets compared to 19.8 cents for the prior year.

The increase in operating costs largely reflects the organization's growth, as we continue to build capabilities in support of executing our strategies. We have been making significant investments in technologies, systems and growth in our internal complement of both investment and core services teams.

We continue to believe that building internal investment capabilities in areas where CPPIB has comparative advantages makes compelling sense from a cost perspective. A case in point is infrastructure investing where we have developed internal capabilities. We conservatively estimate that external management costs for a $10 billion portfolio would amount to between $200 million and $250 million per year. By contrast, our fully costed internal program – including all allocations and incentive compensation – amounts to approximately $24 million.

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

ENTERPRISE RISK MANAGEMENT

CPPIB's investment activities and business transactions expose us to a broad range of risks. The board of directors is responsible for ensuring that management has identified the principal ones and established appropriate plans to address them. Our Enterprise Risk Management (ERM) framework is the basis for managing the principal categories of risk.

ERM is an interactive and disciplined process. We apply it to each risk category in order to identify, assess, and determine appropriate mitigation. The ERM framework also calls for monitoring to provide a comprehensive understanding of the risks we must manage.

The risks inherent in our business are grouped into five principal categories:

Strategic Risk: This is the risk that CPPIB or one of its business units will make inappropriate strategic choices or be unable to implement selected strategies. Management conducts an annual review of our strategy and comparative advantages. This provides direction for our annual business plan. The strategy review and the business plan are approved by the board of directors, and management reports to them quarterly on progress against plan.

Investment Risk: This is the risk of loss inherent in pursuing investment objectives. It includes market, credit, counterparty and liquidity risks. Managing investment risk is a firm-wide, collaborative effort. We have rigorous investment decision-making protocols and independent measurement based on established benchmarks and practices. An active risk limit, approved annually by the board of directors, governs our ability to take additional risk to earn value-added returns. As well, investment program compensation benchmarks are adjusted for the degree of risk taken so there is no incentive to add undue risk.

Legislative and Regulatory Risk: This is the risk of loss due to non-compliance with laws, regulations and mandatory industry practices. Our Legal and Finance groups maintain oversight to ensure full compliance. There is a rigorous compliance framework in place and input is regularly sought from external counsel to ensure it reflects changes in laws and regulations.

Operational Risk: This is the risk of loss from inadequate or failed internal processes, people and systems. We manage operational risk through internal controls supporting an Operational Risk Management framework. These controls are subject to internal audit reviews and extensive analysis as part of the CEO/CFO certification of internal control over financial reporting. There are also rigorous protocols for implementing new technologies, and continuity plans for potential business interruptions.

Reputation Risk: This is the risk of loss of credibility or image due to internal or external factors. Reputation risk is often related to the risks cited above. CPPIB has established a culture based on strong ethics, which guide our decisions and activities. There is 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.

We believe that a strong risk-aware culture underpins a successful ERM framework, and our ERM practices evolve with the growth of, and changes in, our organization.

LOOKING AHEAD

ECONOMIC AND FINANCIAL MARKET OUTLOOK

The economic expansion of the past one-and-a-half years is entering a new phase, with growth in the developed economies becoming more broadly based and less reliant on government support. However, one enduring legacy of the global recession of 2008–09 is the considerable amount of spare capacity that still exists in these regions. This has tempered underlying inflation, allowing central banks to maintain an accommodative monetary policy. This increasingly broad-based, non-inflationary growth has been beneficial for equities, lifting developed market benchmarks back to levels that prevailed prior to the collapse of Lehman Brothers in September 2008. The improvement in the economic backdrop is also evident in the prices of other risky assets. Non-energy commodity prices have soared to fresh highs, while spreads on high-yield corporate bonds have contracted significantly.

The U.S. economic expansion has proven somewhat uneven over the past year. Consumer spending and business investment have remained solid, and the depreciation in the U.S. dollar is also providing a lift to exports. On the other hand, the housing market remains in the doldrums, credit growth has been slow to turn around and state and local governments are consolidating. With employment starting to pick up, private demand should continue to drive the expansion forward, although the considerable amount of spare capacity that still exists should keep the Federal Reserve on hold this year. In Canada, domestic demand has remained strong and, while the housing market has slowed, job creation has been solid. There is less spare capacity in Canada than in the United States, but inflation remains well within policymakers' target range. Consequently, short-term interest rates are expected to rise at only a gradual pace.

Elsewhere in the developed world, there are some noteworthy discrepancies in economic performance. A two-track recovery is underway in Europe, with strong growth in Germany partly offset by weakness in several smaller peripheral countries and the United Kingdom. This has proven a challenge for policymakers, who fear that rising commodity prices will lift inflation expectations in the faster-growing economies, yet need to be mindful that tightening policy prematurely could jeopardize austerity programs in the countries with the most challenging debt dynamics. Indeed, questions regarding the debt sustainability of countries including Greece, Ireland, Portugal and Spain have undermined confidence in the financial markets, resulting in periodic equity market declines and flights to safety into U.S., German and Japanese government bonds. Japan's economy contracted in the final quarter of 2010 and will likely suffer a near-term hit due to production disruptions following the earthquake and tsunami that devastated northeastern Japan in March 2011.

Emerging markets led the global economy out of the recession, and continue to generate high rates of growth. Asia (excluding Japan) and Latin America have outperformed, with Chinese real GDP surging 10% and Brazil growing by close to 8% in calendar 2010. Emerging markets will continue to outperform in calendar 2011, though growth should decelerate. There is considerably less spare capacity in these regions than in the developed world, but interest rates were left at accommodative levels even as output gaps closed, in order to offset upward pressure on emerging market currencies. Consequently, inflation has accelerated, which has prompted policymakers to begin raising short-term interest rates.

Equity markets should continue to perform well over the medium term. Despite stellar returns in developed market indexes between mid-2010 and early 2011, valuations do not appear overstretched. An economic backdrop featuring more broadly based, non-inflationary growth and low interest rates is also favourable. Non-financial corporations are in good health; balance sheets are strong; and companies have exploited the low interest rate environment to secure long-term financing on favourable terms. Meanwhile, strong growth in emerging markets should be favourable for equities in these regions and also those sectors in developed markets with international exposure. The prospect of a further increase in interest rates may temper gains compared with earlier in the recovery, at least until it becomes evident that inflation is not out of control. The outlook for developed market government fixed income returns is less favourable given the current low level of short-term rates and expectations for a strengthening economy. Long-term yields remain below equilibrium levels and should move higher as the recovery gains traction and investors anticipate rising short-term interest rates. Buoyant commodity prices and a supportive economic backdrop in Canada are expected to keep the Canadian dollar trading above parity against the greenback over the next several quarters.

The transition from a narrowly based recovery in the developed world to a more virtuous, self-sustaining growth cycle is cause for optimism, particularly following the worst economic downturn since the Great Depression. However, the outlook is not without risks. On the downside, the U.S. housing market remains a cloud on the horizon, and the renewed slump in home prices will need to be monitored for its potential impact on bank balance sheets and general credit conditions. The Eurozone sovereign debt situation remains unresolved, jeopardizing the core European banks that are among the peripheral countries' largest creditors. The near-term output loss in Japan should ultimately be recovered as reconstruction efforts proceed, but the fact that this is a nuclear as well as a humanitarian crisis injects additional uncertainty. The rise in commodity prices through early calendar 2011 raised concerns that inflation expectations could drift higher, increasing the risk of a premature tightening of monetary policy in vulnerable regions. In emerging markets, an environment of strong growth, limited spare capacity and rising inflation presents difficult trade-offs to policymakers, raising the likelihood of policy errors and a potential hard landing. On the upside, U.S. economic growth could prove much stronger than expected over the next couple of years, as businesses that had relied on productivity growth to meet rising demand begin to hire more aggressively. This would have mixed implications for equity markets, as the consequences for growth would need to be counterbalanced against the likelihood of higher interest rates.

FISCAL 2012 CORPORATE OBJECTIVES

The principal corporate objectives for fiscal 2012 are:

- Executing our investment programs strategies – continue to focus across all investment departments to refine and expand our investment programs and capabilities;
- Balancing scalability and complexity – focus on creating sustainable and scalable processes across the organization to effectively manage the growth of the CPP Fund;
- Building scale in emerging markets – strengthen our investment footprint in key emerging markets with a focus on Asia and Latin America; and
- Development and continuity of leadership and talent – introducing programs that focus on developing management talent and capabilities.

ORGANIZATIONAL ACCOUNTABILITY

CEO/CFO CERTIFICATION

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

The CPP Investment Board is not required by law or regulation to perform this annual evaluation. We do so voluntarily as part of our commitment to strong corporate governance and accountability.

CEO/CFO certification makes it clear that the CEO and CFO are responsible for establishing and maintaining internal control over financial reporting to provide reasonable assurance that it is reliable and conforms with Canadian generally accepted accounting principles. They are also responsible for the design of disclosure controls and procedures to provide reasonable assurance that all material information is gathered and reported to management on a timely basis.

On April 1, 2010, CPPIB implemented a portfolio accounting and performance-measurement system and has brought in-house all investment accounting and operations previously outsourced to State Street Trust. As a result, a number of access, application and process controls have changed, which has materially changed our internal control over financial reporting from last year. We believe that these changes have improved the overall control environment within CPPIB.

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

ACCOUNTING POLICIES AND CRITICAL ESTIMATES

Financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP). This requires management to adopt accounting policies and make certain assumptions and estimates that affect the reported amounts of assets, liabilities, income and expenses. The significant accounting policies adopted by us are described in note 1 to the Consolidated Financial Statements.

Management's most critical accounting estimates are in the valuation of investments 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 in an active market, such as publicly-listed stocks.

In cases where quoted market prices are not available, such as for our private equity, infrastructure, private real estate and over-the-counter derivatives holdings, fair value is determined by valuation techniques that make maximum use of inputs observed from markets. These valuation techniques include using recent market transactions, discounted cash flow analysis, pricing models and other accepted industry valuation methods. Management engages independent third-party appraisers to assist in the review or preparation of investment valuations. The non-marketable government bonds within the CPP Fund are valued by discounting cash flows based upon current market yields of instruments with similar characteristics and then adjusting for their non-marketability and rollover provisions. Regardless of the technique used, judgment is required to determine the estimated fair value of these non-listed investments.

FUTURE ACCOUNTING POLICY CHANGE

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that Canadian GAAP for publicly accountable enterprises will be replaced with International Financial Reporting Standards (IFRS) effective for our interim and annual periods starting April 1, 2011. In September 2010, the AcSB granted Canadian investment companies an optional one-year deferral from the requirement to adopt IFRS. In January 2011, the AcSB extended this deferral by an additional year.

The two-year deferral provides the International Accounting Standards Board (IASB) time to complete an impact assessment of providing investment companies an exemption from the requirement to consolidate investments in controlled entities. If the exemption becomes part of IFRS, CPPIB will continue to measure and report all of its investments at fair value. Management believes that reporting all investments at fair value is most relevant and appropriate as it best communicates the net assets available to pay benefits under the Canada Pension Plan. CPPIB intends to implement IFRS on April 1, 2013.

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

ACCOUNTABILITY AND DISCLOSURE

ACCOUNTABILITY

CPPIB is accountable to the stewards of the Canada Pension Plan. The stewards are the federal finance minister and the finance ministers of the participating provinces. We report to Parliament through the federal finance minister, who tables our annual report in the House of Commons. Quarterly financial statements are filed with the federal and provincial finance ministers and made public. Further, our Chair and CEO take questions and comments from individual Canadians and stakeholder groups at biennial public meetings in the provinces that participate in the CPP. Nine such meetings were held during calendar 2010.

An external accounting firm audits our financial statements every year. We furnish information to the Office of the Chief Actuary of Canada to facilitate its triennial evaluation of the CPP. We also provide requested information to the federal and provincial finance ministers for their periodic reviews of the CPP. Every six years, we undergo an external Special Examination of our records, systems and practices, as required for all Crown corporations. Additionally, the federal minister of finance can require a special audit at any time. A Special Examination was completed last year with a favourable opinion.

All public reports issued by CPPIB are subject to review and approval by the Audit Committee of our board of directors, which then recommends their approval to the full board. This includes the financial statements and annual report.

The CPP Investment Board exceeds both legislated requirements and industry norms in maintaining high standards of conduct and business practice. This is part of our commitment to ethical conduct. Our comprehensive governance and accountability framework includes measures designed to preserve the public trust. One is the code of conduct for directors and employees. Among other things, this code – which can be read on our website – obligates everyone to act as whistle-blowers if they become aware of any suspected breach. This reporting can be done confidentially to an external conduct review advisor who is not part of management or the board of directors. The Honourable Frank Iacobucci was appointed to this position in fiscal 2006. He is a former justice of the Supreme Court of Canada, former member of the Ontario Securities Commission and author of five major books on business law. Mr. Iacobucci submits a report and meets in person with the board at least once a year to discuss his activities.

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

Our Disclosure Policy – from which this quotation was taken – goes well beyond legislated requirements. CPPIB discloses more information, more often, than any other pension fund in Canada. This includes the quarterly release of investment results and this annual report which contains extensive disclosure on the Fund's performance.

Our website contains comprehensive information about how we operate. This information includes a comprehensive list of investment holdings as well as a list of investment partners with links to their websites. Our website also offers access to our governing legislation and regulations, our by-laws, governance manual and policies. The policies include the investment statement that guides 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.

REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

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

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

The committee members for fiscal 2011 were:

Pierre Choquette, chair (effective May 14, 2010)	Elaine McKinnon (left May 13, 2010)
Ronald E. Smith, chair (ceased as chair May 13, 2010)	Heather Munroe-Blum (joined February 9, 2011)
Douglas W. Mahaffy	D. Murray Wallace

The role of the chair smoothly transitioned from Mr. Ronald E. Smith to Mr. Pierre Choquette in early fiscal 2010 well in advance of the end of Mr. Smith's term as a director in October 2011.

Although the Terms of Reference state that up to one-third of the members may be sitting CEOs, none are currently CEOs of public companies.

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

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

The HRCC has designed CPPIB's compensation framework to have strong linkages to the organization's mission and strategy.

With respect to its mission, the committee is mindful that there is an element of public trust involved in managing the retirement assets of 17 million Canadians. The CPPIB is also a relatively young organization but one that is meant to endure for a very long time. A large element of management's focus in the near term is on attracting talent, growing the organization, establishing scalable investment programs and processes, putting in place enabling technology, operations and risk management capabilities, and establishing a strong culture with uncompromising standards of integrity. Accordingly, the HRCC wants the compensation framework to take into account this important dimension of management's responsibility and performance. Given the public trust dimension, the committee also needs to assess not just what gets accomplished, but also how it is accomplished. The committee believes that the best way to achieve this is to have a meaningful component of management's compensation tied to annual objectives that emanate from the annual business plan approved by the board. For this component of the compensation system, the committee retains full discretion to reward performance within a range of zero to two times target levels. This full discretion allows the committee to not just assess and reward results but also the manner in which they were achieved.

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

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

i) Choice of Benchmarks

The HRCC approves all benchmarks used within the compensation framework. There is an extensive description of compensation benchmarks in the "Benchmarking Under the Total Portfolio Approach" section of the Management's Discussion and Analysis component of this annual report. In approving compensation benchmarks, the HRCC is particularly focused on ensuring that each benchmark is relevant to the activities within the corresponding investment program, and that the benchmarks also take into account the level of risk taken. In the case of infrastructure, for example, the higher the leverage that management uses in acquiring an asset, the greater its risk profile and therefore our benchmark return expectations. The committee wants to ensure that the compensation system does not reward management for simply taking on more risk.

ii) Calibration of Results

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

The committee has adopted the policy that each investment program should first recover its costs before any value-added performance is attributed. This aligns the interests of management and the CPP Fund beneficiaries by ensuring that management is only incented to incur costs if they are convinced that they will be more than offset by incremental returns. The committee assigns a compensation multiplier of one to a target level of value-added returns after costs that, in our judgment, represents a good level of performance. Beyond that target level, the committee approves a distribution of returns that can range from multipliers of five to negative three – that is plus or minus four around the target of one. The HRCC believes it is prudent to limit the impact of any one investment department or any single year's results so that it cannot have an undue influence on compensation amounts. Consequently, multipliers are capped on the upside at five and have a downside floor of negative three. These caps also allow the HRCC to establish maximum levels of potential compensation within bounds that it considers appropriate.

iii) Time Frame

The HRCC wants the period over which value-added investment returns are measured to correspond to the long-horizon focus of CPPIB's strategy and the multi-generational nature of the Canada Pension Plan itself. Consequently, investment performance is measured annually, averaged over rolling four-year periods. Then this four-year result is incorporated within the compensation system. Four-year periods are also used by a number of organizations similar to the CPPIB. While this is shorter than the actual duration of many of CPPIB's investment programs, the committee thinks this is a reasonable length of time for accountability and compensation purposes. Importantly, no investment performance compensation is based upon any single year's result.

Having made these three decisions, the investment performance component of CPPIB's compensation framework is then based solely upon actual and benchmark returns with no further input from the HRCC required. The committee fully expects there will be positive and negative value-added results in any given year, and this is precisely what has occurred over the last four years. To date, the investment performance component has operated within the parameters anticipated by the committee. That said, the HRCC reviews these key elements of benchmarks, calibration and time frame on a regular basis and will make any changes it considers appropriate.

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

The HRCC has engaged Hugessen Consulting Inc. (Hugessen) to provide independent advice, information and guidance. Hugessen cannot provide any services to management without the committee's prior approval. Fees paid to Hugessen for its services to the committee were $198,000 and $260,000 in fiscal 2011 and fiscal 2010, respectively, and no additional services were provided to management.

KEY ACTIVITIES FOR FISCAL 2011

The HRCC held four meetings during fiscal 2011. Although not a committee member, the Chair of the board of directors attended all meetings. The CEO and the Senior Vice-President, Human Resources, also attended portions of the meetings at the committee's request. A list of the HRCC's activities is included as Table 1 of this report.

In addition to those activities, the committee adopted specific objectives designed to highlight areas of focus in fiscal 2011 and continuing into fiscal 2012. The objectives and progress relative to the objectives follow:

- In conjunction with the Chair and CEO, ensure comprehensive succession plans are in place for the CEO and key senior management roles, and that a sound process is in place for timely decisions and execution of these plans.

  The committee reviewed the succession planning process undertaken by management with respect to key roles across the organization and was satisfied with the progress management has made. The HRCC also reviewed with the entire board succession plans for the CEO and the officers.

- Working with management and the committee's external compensation advisor, undertake a broad review of compensation benchmarks relating to total direct compensation and the incentive compensation benchmarks.

  The committee reviewed the comparator groups and relative competitive positioning for the purpose of setting total direct compensation targets, as well as the principles used in determining the incentive compensation benchmarks. Modest changes to the compensation framework have been approved for implementation in fiscal 2012. Any additional changes to incentive compensation benchmarks and related value-added targets will be reviewed during fiscal 2012 for implementation in fiscal 2013.

- Continue the committee's efforts to ensure that the board is comfortable with CPPIB's approach to executive compensation.

  The committee kept the board apprised of executive compensation matters during fiscal 2011, including the committee assessment of each officer's performance against objectives established for the year as well as other qualitative factors and the awards specific to the level of performance achieved.

In conclusion, the HRCC is satisfied that the compensation framework for CPPIB is appropriate, that the investment performance compensation results for fiscal 2011 are consistent with the design and intent of the system, and that our decisions with respect to the individual performance components of compensation reflect our assessment of management's performance relative to pre-established objectives for fiscal 2011.

PIERRE CHOQUETTE

CHAIR, HUMAN RESOURCES AND COMPENSATION COMMITTEE

TABLE 1: ACTIVITIES OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

AGENDA ITEMS	May 2010	August 2010	November 2010	February 2011
Review, approve and recommend for board approval salary increases and incentive compensation payouts for officers and employees	•			
Review and recommend the CEO's performance objectives and performance evaluation process for board approval	•			•
Review and approve various incentive compensation benchmarks for the investment departments for fiscal 2011 and fiscal 2012	•		•	•
Recommend for board approval updates to the incentive compensation clawback policy	•			
Review severance arrangements for the CEO and officers	•			
Review and recommend for board approval modifications to salary ranges and incentive compensation targets for employees				•
Review executive compensation trends as provided by the HRCC's external compensation advisor	•		•	
Review officers' compensation, including requesting and reviewing a report from the HRCC's external compensation advisor on the compensation of officers relative to other large Canadian pension funds and investment management companies	•		•	
Oversee the disclosure of directors' and officers' compensation and the compensation framework in the Annual Report	•			
Review and approve HRCC Terms of Reference and performance against Terms of Reference			•	
Review the performance of the external compensation advisor			•	
Review the annual report of the Pension Committee and pension plan documents			•	•
Review non-material changes to employee benefit plans and Human Resources policies				•
Review succession planning and talent management programs		•	•	•

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Discussion and Analysis starts by summarizing the foundational principles of our Management Compensation Framework. We then discuss the elements of our compensation program. Following this, we report on our fiscal 2011 performance results and remuneration of the named executive officers and directors.

PRINCIPLES OF OUR MANAGEMENT COMPENSATION FRAMEWORK

Our Management Compensation Framework rests on three key principles:

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

Our compensation program is a key factor in attracting the talent and investment experience we need to manage a global active portfolio of $148.2 billion. In our search for employees, we compete with the largest investment managers, securities dealers and banks, not only in Canada but around the world. As one of the largest funds of its type globally, we require people with significant experience in investment management, investment research, portfolio design, risk management, investment operations and other skills. A competitive compensation package is essential to attract and retain this talent.

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

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

- Value-added performance is averaged over rolling four-year periods to determine incentive compensation payments. This four-year measurement period for investment performance is consistent with our longer-term investment strategy and represents a reasonable payout period;
- Investment returns are compared against external benchmarks that are considered most relevant to each investment program in order to determine value-added performance. For the overall CPP Fund, this benchmark is the CPP Reference Portfolio, as noted on page 22 (see page 30 for a description of the benchmarks used);
- The long-term component of incentive compensation is also modified by the CPP Fund's cumulative four-year return to ensure that incentive compensation is aligned with the absolute return performance of the CPP Fund in addition to its returns relative to benchmarks;
- Investment returns take into account all of our operating costs and external manager fees;
- Annual value-added performance calculations are subject to maximum caps, positive and negative, to ensure that no single-year result has undue impact and that maximum achievement levels are appropriate;
- The only element of compensation shorter than four years, by design, is a discretionary component tied to the achievement of annual individual objectives; and
- The majority of total pay is incentive-based.

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

GLOBAL POLICIES ON EXECUTIVE COMPENSATION

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

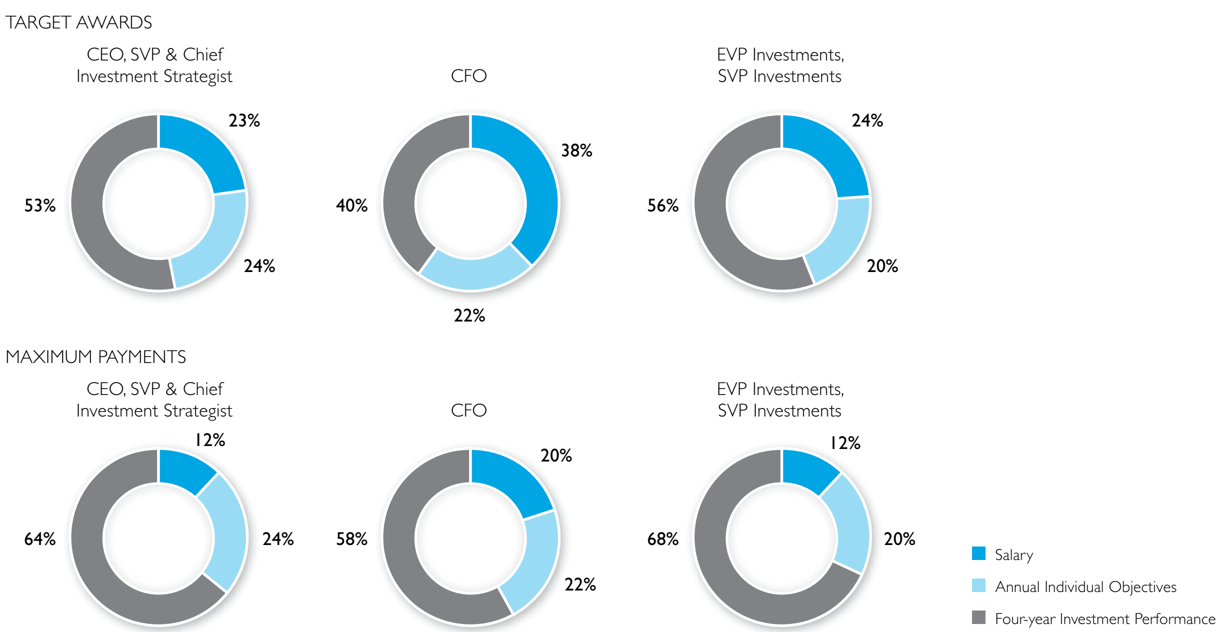
KEY ELEMENTS OF OUR COMPENSATION FRAMEWORK

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

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

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

MIX OF TOTAL DIRECT COMPENSATION FOR FISCAL 2011



MARKET POSITIONING

The competitiveness of our compensation framework is assessed relative to a peer group consisting of organizations with investment management professionals and other talent similar to that employed by the CPPIB, taking into consideration criteria such as assets under management, functional scope and complexity. These organizations include other major Canadian pension funds, public investment management firms and other financial services firms for relevant positions. The independent compensation surveys that we use include the Mercer Canadian Investment Management Survey of pension funds and public investment management organizations with assets under management in excess of $20 billion, the Towers Watson Investment Management Compensation Survey, and the McLagan Investment Management Survey.

As part of the fiscal 2011 officers' compensation review undertaken by Hugessen, the HRCC reviewed publicly disclosed information gathered from the following public pension funds: Ontario Teachers' Pension Plan, OMERS, Caisse de dépôt et placement du Québec, British Columbia Investment Management Corporation and Public Sector Pension Investment Board as well as investment management companies, and data from the Mercer and Towers Watson surveys referenced above.

COMPENSATION ELEMENTS

BASE SALARY

Base salaries are paid to employees for fulfilling their core job responsibilities. Salaries reflect skill level, ability and performance. We use annual compensation surveys from consulting firms such as Mercer, Towers Watson and McLagan to ensure we remain competitive with peer organizations. Salaries are reviewed annually at the end of each fiscal year; any increase in officers' salaries requires board approval.

SHORT-TERM INCENTIVE PLAN (STIP)

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

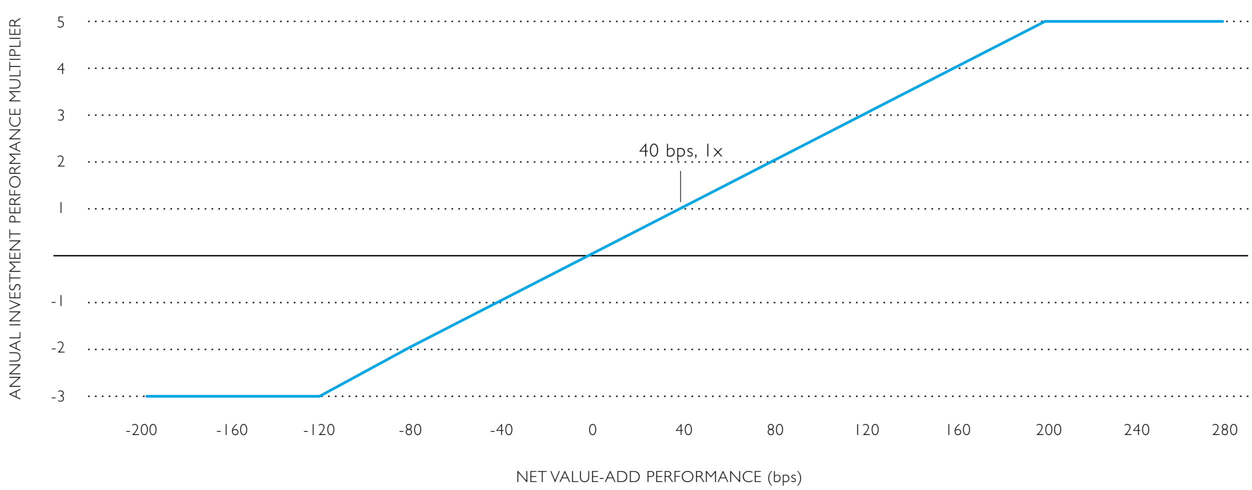
Annual Individual Objective Target ($)	×	Individual Performance Multiplier (0 to 2)	+	Four-year Investment Component Target ($)	×	Four-year Investment Performance Multiplier (0 to 2)	=	STIP Payout ($)

- **Annual individual performance:** This is measured by the employee's overall performance, including achievement of personal objectives set at the start of the fiscal year. The individual performance multiplier ranges from zero to two.
- **Four-year investment performance:** This factor reflects the value-added performance of the CPP Fund over the four-year period ending in the fiscal year. For investment professionals, it also reflects department and asset class performance relative to specified benchmarks. Table 1, on page 74, shows the weighting of the CPP Fund and department performance under STIP for named executive officers (NEOs). Inclusion of CPP Fund performance for all employees is designed to encourage and reinforce the partnering necessary for the success of our Total Portfolio Approach.
- CPP Fund, investment department and asset class performance are measured net of operating expenses and external manager fees. The net CPP Fund return is compared to that of the CPP Reference Portfolio. The return we generate relative to this benchmark is our value-added performance. Similarly, net investment department and asset class returns are compared to appropriate market-based benchmarks approved by the HRCC. The compensation benchmarks are described on pages 30 and 31 of Management's Discussion and Analysis.

- The annual investment performance multiplier is determined by plotting actual value-added performance on the respective compensation curve. For example, as shown in the following graph, if the net CPP Fund return exceeds the CPP Reference Portfolio return by 40 basis points in any given year, the CPP Fund investment performance multiplier is one.
- The maximum positive and negative annual multipliers are symmetrical around a target of one, with a maximum positive multiplier in any year being five (one plus four) and the maximum negative multiplier being minus three (one minus four). These annual multipliers are then averaged over each four-year period, with the maximum four-year STIP investment performance multiplier capped at two and the minimum value at zero.

CPP FUND COMPENSATION CURVE

FOR FISCAL 2011



DEFERRED SHORT-TERM INCENTIVE PLAN (DSTIP)

We offer employees the option to defer some, or all, of their STIP payout for up to two years. Any deferred amounts are notionally invested either entirely in the CPP Fund, or in the CPP Fund and up to a maximum of 50% in the CPP Fund's Private Investments portfolio as determined by the employee. The deferred amounts thus increase or decrease in value over the two-year deferral period which provides another way to align employee interests with fund performance.

LONG-TERM INCENTIVE PLAN (LTIP)

The Long-Term Incentive Plan supports our overall goal of contributing to the long-term strength of the Canada Pension Plan. The intent is to encourage and reward value-added investment performance over the next four years at the CPP Fund level and, in the case of investment professionals, at department and asset class levels too. These awards also have a retention element as they vest and pay out at the end of the four-year performance period. So, a grant made on April 1, 2011, will vest on March 31, 2015, and be paid out shortly thereafter.

The majority of our investment professionals and senior-level core services professionals receive LTIP awards. The CEO may also approve an LTIP award with three-year vesting to attract new hires and facilitate their transition into the regular LTIP program.

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

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

- **Four-year investment performance:** This multiplier is determined in the same way as the STIP four-year investment performance multiplier described previously, with the exception that the maximum possible multiplier is three. Table 1 shows the weighting of the CPP Fund and department performance under LTIP for NEOs.
- **CPP Fund four-year compounded rate of return:** This amount increases or decreases the LTIP award by the CPP Fund's four-year compounded rate of return.

TABLE 1: INVESTMENT PERFORMANCE WEIGHTING UNDER STIP AND LTIP

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

RESTRICTED FUND UNITS (RFUS)

The Restricted Fund Unit plan was introduced in fiscal 2008 as a component of compensation for senior investment professionals. RFUs are a notional investment whose value fluctuates in accordance with CPP Fund performance over a three-year period. One-third of the award vests and is paid each year over this period. The RFUs served to moderate the volatility of overall pay while maintaining a direct link to CPP Fund performance.

During fiscal 2010, the HRCC and Board decided to eliminate RFUs and adjust the two performance components of the Short-Term Incentive Plan to strengthen the link between long-term, value-added investment performance and incentive compensation. Consequently, RFU awards are no longer granted. In the case of officers, all unvested regular RFU awards were rescinded in fiscal 2010 and replaced with higher individual and four-year investment components of STIP. The impact of these changes was essentially neutral at target levels of compensation, but they had the effect of making overall compensation more dependent on individual performance and value-added investment results.

Unvested RFUs held by other senior investment professionals continue to vest and will be paid out at the end of fiscal 2012. Their STIP target award increases as their RFUs are phased out.

The only exception to this phase out is that RFUs with two-year vesting will continue to be awarded, with the CEO's approval, for certain new hires in order to address transitioning issues.

CLAWBACK AND FORFEITURE PROVISION

The board of directors has the authority to interpret, amend and terminate the compensation plans at its discretion. In addition, the board has adopted a clawback and forfeiture policy that specifically addresses the following situations:

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

PENSION

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

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

Pension benefits are modest relative to those provided by other organizations in the large public pension fund and investment management industry.

BENEFITS AND OTHER COMPENSATION

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

RESULTS: PERFORMANCE OUTCOMES AND COMPENSATION DECISIONS

As described earlier, incentive compensation is based on performance against predetermined individual annual objectives and investment performance relative to market-based benchmarks. This section describes the fiscal 2011 performance measures and results upon which named executive officer compensation is based.

ANNUAL NON-FINANCIAL OBJECTIVES

Management establishes non-financial organizational goals in each fiscal year's business plan which is approved by the board of directors. Annual individual objectives for officers and employees are then aligned with these organizational objectives. Progress against organizational objectives is reviewed with the board on a quarterly basis throughout the year and at year end.

TABLE 2: STATUS OF FISCAL 2011 NON-FINANCIAL ORGANIZATIONAL GOALS

GOALS	Status at Year End
Complete our goal to internalize responsibility for investment operations, portfolio accounting and performance measurement	Achieved
Build upon our technology and operations platforms	Achieved
Execute our investment program strategies	Achieved
Increase our focus on developing and managing talent	Achieved

INVESTMENT PERFORMANCE

Incentive compensation payouts for fiscal 2011 reflect CPP Fund performance over the four fiscal years that began April 1, 2007, and ended March 31, 2011.

Value-added performance over the CPP Reference Portfolio benchmark was positive in two of these years (fiscal 2008 and fiscal 2011), essentially flat relative to the benchmark for fiscal 2009 and negative in fiscal 2010, resulting in a cumulative value-added performance of -69 basis points over the four-year period ending March 31, 2011. While incentive compensation is based on CPP Fund performance over a four-year period, we measure investment performance over the longer term. Over the past five years, since the adoption of the CPP Reference Portfolio, the cumulative value-added performance is 180 basis points or $1.7 billion.

TABLE 3: CPP FUND PERFORMANCE, FISCAL 2008 TO 2011 AND CUMULATIVE RESULTS

			Value-added Range (bps)					
	Reference Portfolio Return	CPP Fund Return	Threshold[1]	Target[2]	Maximum[3]	Actual Value-added (bps)[4]	Actual Value-added ($ billions)	Annual Investment Performance Multiplier
Fiscal 2011	9.8%	11.9%	24.0	40.0	200.0	207.0	2.7	4.56
Fiscal 2010	20.8%	14.9%	19.8	40.0	200.0	-587.0	-6.3	-3.00
Fiscal 2009	-18.6%	-18.6%	16.2	40.0	200.0	1.0	0.0	-0.38
Fiscal 2008	-2.7%	-0.3%	13.7	40.0	200.0	241.0	2.9	5.00
Cumulative	N/A	4.3%	N/A	N/A	N/A	-69.0	-0.7	

[1] The threshold represents CPPIB's actual operating expenses; this is the value-added return that the CPP Fund must generate above the CPP Reference Portfolio before a positive annual investment performance multiplier is assigned for incentive compensation purposes in respect of the CPP Fund performance.

[2] Represents the value-added return that the CPP Fund must generate above the threshold for a 1.0 annual investment performance multiplier to be assigned.

[3] Represents the value-added return that the CPP Fund must generate above the threshold for a 5.0 annual investment performance multiplier to be assigned.

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

Investment performance at the department and asset class level relative to their specific benchmarks is discussed in detail on pages 42 to 55 of the Management's Discussion and Analysis and summarized below.

TABLE 4: INVESTMENT DEPARTMENT PERFORMANCE, FISCAL 2008 TO 2011

	Department		
FISCAL YEAR	Public Market Investments	Private Investments	Real Estate Investments
2011	Exceeded target	Exceeded target	Exceeded target
2010	Exceeded target	Did not meet target	Exceeded target
2009	Did not meet target	Exceeded target	Did not meet target
2008	Did not fully meet target	Significantly exceeded target	Exceeded target

Investment performance over the past four years resulted in STIP investment performance multipliers of 1.55 for the CEO and from 1.55 to 2 for the other NEOs. For the fiscal 2008 LTIP grant, which vests and pays out at the end of fiscal 2011, the LTIP investment performance multiplier for the CEO was 1.55, and 1.55 to 2.66 for the other NEOs. The CPP Fund's four-year compounded rate of return was 4.3%, which is an annualized return of 1.1% over four years.

COMPENSATION OF THE CEO

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

Mr. Denison's personal objectives for fiscal 2011 included:

- Successful completion of the key objectives outlined in the annual business plan approved by the board;
- Undertaking a strategy review focused on the inter-related topics of scalability and complexity;
- Gaining operating leverage across our core services areas;
- Successful completion of the biennial public meetings;
- Continuing to personally champion and foster the organization's culture defined by its Guiding Principles of Integrity, Partnership and High Performance; and
- Advancing the cross-organization succession planning for critical roles within CPPIB with a particular emphasis on officer positions.

All of these key goals were achieved. In evaluating the CEO's overall performance, the board considered that, under Mr. Denison's outstanding leadership, the CPP Fund increased by $20.6 billion to finish fiscal 2011 at $148.2 billion and the organization has capitalized on investment opportunities that position the CPP Fund well for the future. In addition to realizing these investment opportunities and successfully executing a broad range of investment transactions in fiscal 2011, management also significantly enhanced CPPIB's capabilities as a robust global investment firm with leading people, technology and systems.

For these reasons, the board of directors awarded an STIP annual individual objective payout of $750,000 for Mr. Denison for fiscal 2011. The STIP investment component payout reflects the performance of the CPP Fund relative to the CPP Reference Portfolio for the four-year period ending March 31, 2011, as described above. The board has increased Mr. Denison's base salary from $500,000 to $515,000 for fiscal 2012.

COMPENSATION OF THE OTHER NAMED EXECUTIVE OFFICERS

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

As detailed in the Summary Compensation table that follows, total remuneration for the named executive officers is $11,555,820, up 10% from $10,489,183 last year. This year's strong value-added investment performance had a positive impact on the investment components of compensation; however, fiscal 2010's negative value-added results will continue to dampen short- and long-term incentive compensation through fiscal 2013.

MANAGEMENT COMPENSATION

SUMMARY COMPENSATION

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

TABLE 5: SUMMARY COMPENSATION[1]

			Incentive Plan Compensation ($)						
				Four-year Investment Performance					
NAME AND POSITION	Year	Salary ($)	STIP Annual Individual Objectives[2] ($)	STIP Investment Component[2] ($)	LTIP[3] ($)	RFU[4] ($)	Pension Value ($)[5]	All Other Compensation ($)[6]	Total Compensation ($)
David F. Denison	2011	500,000	750,000	966,100	766,100	–	59,937	9,854	3,051,991
President and CEO	2010	490,000	612,400[7]	1,013,800[7]	801,200	–	59,382	9,785	2,986,567
	2009	490,000	–	735,000	1,236,145	389,877	59,023	9,571	2,919,616
Nicholas Zelenczuk	2011	308,250	241,700[7]	114,300[7]	–	308,600	34,065	7,838	1,014,753
SVP and CFO[8]	2010	300,000	184,800[7]	119,200[7]	–	275,900	28,390	8,099	916,389
	2009	60,000	100,000	–	–	–	3,600	1,823	165,423
Mark D. Wiseman	2011	385,000	654,500[7]	1,078,000[7]	973,100	–	44,094	8,198	3,142,892
EVP Investments	2010	335,000	446,300[7]	980,000[7]	1,021,700	–	38,279	7,739	2,829,018
	2009	335,000	–	735,000	1,110,429	266,686	38,141	7,574	2,492,830
Donald M. Raymond	2011	345,000	482,900[7]	736,200[7]	578,800	–	39,012	8,362	2,190,274
SVP and Chief	2010	335,000	341,700[7]	595,600[7]	414,300	–	38,279	8,696	1,733,575
Investment Strategist	2009	335,000	–	541,695	488,192	266,686	38,141	8,192	1,677,906
Graeme M. Eadie	2011	325,000	400,600	808,200	578,000	–	36,272	7,838	2,155,910
SVP Real Estate	2010	310,000	316,200	788,800	566,200	–	34,874	7,560	2,023,634
Investments	2009	310,000	–	435,356	395,502	246,381	34,766	7,203	1,429,208

1 All amounts shown in the Summary Compensation table reflect compensation paid to the NEO in, or in respect of, the current fiscal year only. Amounts shown under the Long-Term Incentive Plan (LTIP) and Restricted Fund Units (RFU), therefore, do not depict grant date values. Incentive compensation is paid in cash in the year following the year in which it is earned; amounts shown above were paid or credited to the NEOs in early fiscal 2012 in respect of fiscal 2011.

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

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

4 RFU: Restricted Fund Units are a notional investment in the Fund that fluctuate in value according to Fund performance; awards are set as a percentage of salary at the outset of each year, and typically vest and are paid out in cash at a rate of ⅓ per year. In fiscal 2010, RFUs previously awarded to the NEOs were rescinded and replaced with higher STIP individual objectives and investment component targets as described on page 74.

5 CPPIB makes contributions to the defined contribution pension plan and notional contributions to the supplementary pension plan. Under the registered pension plan, employees contribute 3% of annual eligible earnings and the CPPIB contributes 6% to the maximum allowed under the *Income Tax Act (Canada)*. Eligible earnings include salary plus annual STIP to a maximum of 50% of salary. Under the supplementary pension plan, which is unfunded, employees earn credits equal to 9% of their eligible earnings in excess of the maximum eligible earnings under the registered pension plan. The contributions under both plans are outlined in Table 7: Pension Plan Contributions. The total unfunded liability for the NEOs as at March 31, 2011 is $715,601 (2010 – $537,044).

6 Benefits include life insurance, disability benefits, health and dental benefits, and fitness reimbursement. Perquisites include paid parking.

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

8 Mr. Zelenczuk joined the CPPIB on January 15, 2009. Mr. Zelenczuk's RFU payment is the second of two Supplemental RFU payments as per his employment agreement.

LONG-TERM INCENTIVE AWARDS AND ESTIMATED FUTURE PAYOUTS

LTIP awards are granted at the start of a fiscal year and paid out at the end of the four-year vesting period. Table 6 shows the LTIP and estimated future payouts for each named executive officer. The future value of the awards granted but not yet vested are estimated as at March 31, 2011, based on:

- Actual performance multipliers for fiscal 2009, 2010 and 2011, and pro-forma multipliers of one for future years; and
- Actual CPP Fund rates of return for fiscal 2009, 2010 and 2011, and no assumed growth in future years.

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

NAME	Year of Grant	Type of Award	Award (Target Value)[1] ($)	Maximum Value[2] ($)	Estimated Future Payouts at the End of Fiscal Years: 2012 ($)	2013 ($)	2014 ($)	Total ($)
David F. Denison	2011	LTIP	500,000	1,500,000	–	–	1,057,600	1,057,600
President and CEO	2010	LTIP	490,000	1,470,000	–	561,200	–	561,200
	2009	LTIP	490,000	1,470,000	279,800	–	–	279,800
Nicholas Zelenczuk	2011	LTIP	246,600	739,800	–	–	521,600	521,600
SVP and CFO	2010	LTIP	240,000	720,000	–	274,900	–	274,900
	2009	LTIP	240,000	720,000	137,100	–	–	137,100
Mark D. Wiseman	2011	LTIP	385,000	1,155,000	–	–	814,300	814,300
EVP Investments	2010	LTIP	350,000	1,050,000	–	400,900	–	400,900
	2009	LTIP	350,000	1,050,000	609,600	–	–	609,600
Donald M. Raymond	2011	LTIP	345,000	1,035,000	–	–	729,700	729,700
SVP and Chief	2010	LTIP	335,000	1,005,000	–	673,900	–	673,900
Investment Strategist	2009	LTIP	335,000	1,005,000	443,700	–	–	443,700
Graeme M. Eadie	2011	LTIP	325,000	975,000	–	–	712,200	712,200
SVP Real Estate	2010	LTIP	310,000	930,000	–	736,000	–	736,000
Investments	2009	LTIP	310,000	930,000	365,800	–	–	365,800

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

2 For LTIP, represents the maximum value payable at the end of the four-year vesting period, excluding the CPP Fund's compound rate of return over the four-year vesting period. See the LTIP section for details.

PENSION PLANS

As described earlier, all employees participate in the regular and supplementary defined contribution pension plans. The table below shows the contributions and investment earnings for the NEOs under both plans. The total unfunded liability for the NEOs as at March 31, 2011, is $715,601 (2010 – $537,044).

TABLE 7: PENSION PLAN CONTRIBUTIONS

			Compensatory			
NAME	Plan Type	Accumulated Value at Start of Year ($)	Employer Contributions ($)	Investment Earnings ($)	Non-compensatory ($)[1]	Accumulated Value at End of Year ($)
David F. Denison	Registered	117,182	15,105	–	22,458	154,745
President and CEO	Supplementary	213,148	44,832	25,322	–	283,302
Nicholas Zelenczuk	Registered	32,436	15,081	–	13,000	60,517
SVP and CFO	Supplementary	13,165	18,984	671	–	32,820
Mark D. Wiseman	Registered	97,420	15,659	–	19,625	132,704
EVP Investments	Supplementary	87,856	28,435	8,844	–	125,135
Donald M. Raymond	Registered	172,145	15,105	–	33,249	220,499
SVP and Chief Investment Strategist	Supplementary	139,686	23,907	6,180	–	169,773
Graeme M. Eadie	Registered	102,676	15,174	–	22,473	140,323
SVP Real Estate Investments	Supplementary	83,189	21,098	284	–	104,571

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

TERMINATION AND RETIREMENT ARRANGEMENTS

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

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

On retirement, employees are due a prorated STIP payment based on the time worked during the fiscal year. This is paid on the regular annual payment date. Retirees also receive LTIP payouts prorated for the time worked during the performance period as long as they worked a minimum of 12 months of the four-year performance period; these are paid shortly after the regular vesting dates. All benefits are discontinued as of the effective retirement date.

Table 8 shows the payments that would be made, as of March 31, 2011, to the named executive officers on retirement or termination without cause.

TABLE 8: POTENTIAL TERMINATION AND RETIREMENT PAYMENTS[1]

NAME	Completed Years of Service	Severance ($)[2]	Retirement ($)[3]
David F. Denison President and CEO	6	2,437,500	754,900
Nicholas Zelenczuk SVP and CFO	2	647,325	370,600
Mark D. Wiseman EVP Investments	5	1,772,604	N/A
Donald M. Raymond SVP and Chief Investment Strategist	9	1,681,875	N/A
Graeme M. Eadie SVP Real Estate Investments	5	1,496,354	820,300

[1] Excludes incentive compensation payouts for the current year which are included in Table 5: Summary Compensation.

[2] Excludes the value of insured benefits, such as health, dental and life insurance, continued during the severance period.

[3] Amounts included for those individuals who are retirement eligible. Eligible retirement payments are for LTIP, subject to the following criteria:
- Individual is at least 55 years of age, consistent with the early retirement provisions of the registered pension plan;
- Individual employed during a minimum of 12 months of the performance period;
- Performance measured at end of the performance period;
- Payout is prorated based on length of service within performance period; and
- Payment is made at the end of the performance period.

DIRECTORS' COMPENSATION

The Governance Committee of the board is responsible for determining directors' compensation. Directors' compensation consists of an annual retainer, meeting fees and travel time allowances.

Directors' compensation is reviewed at least every two years and changes, if any, are recommended to the board. As outlined in last year's Compensation Discussion and Analysis, the last review was conducted in fiscal 2010 and modest changes were adopted for fiscal 2011; these changes are included in the fee schedule outlined in Table 9.

The Chair receives $120,000 in annual compensation but does not receive annual or committee chair retainer fees, or per meeting fees, unless the fees relate to the biennial public meetings.

TABLE 9: DIRECTOR COMPENSATION

	Fee ($)
Annual Retainers	
Director	25,000
Committee chair, additional retainer	7,500
Board Meeting	1,500
Committee Meeting	
Investment Committee	1,500
Other Committees	1,250
Meeting by Teleconference	750
Travel Time Allowance (based on distance travelled)	250 to 1,000
Biennial Public Meeting	
Director, chair of public meeting	2,000
Director, attendance	1,000
Non-meeting day travel	1,000

BOARD ATTENDANCE

There were six regularly scheduled board and Investment Committee meetings in fiscal 2011. The Investment Committee is composed of the full board. The table below shows the number of meetings each director attended in fiscal 2011 relative to the number of meetings he or she could have attended.

TABLE 10: BOARD ATTENDANCE

DIRECTOR	Board Meeting	Investment Committee[1]	Audit Committee[2]	Governance Committee[3]	Human Resources and Compensation Committee (HRCC)[4]
Robert M. Astley, Chair	6/6	11/11	–	5/5	–
Ian A. Bourne, Chair of Audit Committee[5]	6/6	10/11	5/5	4/4	–
Robert L. Brooks	6/6	10/11	5/5	–	–
Pierre Choquette, Chair of HRCC[6]	6/6	11/11	–	5/5	4/4
Michael Goldberg[5]	6/6	10/11	5/5	4/4	–
Peter K. Hendrick	6/6	11/11	5/5	–	–
Nancy Hopkins, Chair of Governance Committee	6/6	11/11	–	5/5	–
Douglas W. Mahaffy	6/6	10/11	–	–	4/4
Elaine McKinnon[7]	5/6	10/11	4/4	–	1/1
Heather Munroe-Blum[8]	1/1	1/1		–	
Ronald E. Smith[9]	6/6	11/11	–	–	4/4
D. Murray Wallace[10]	6/6	10/11	1/1	–	4/4

[1] Six in-person meetings and five teleconference meetings.

[2] Four in-person meetings and one teleconference meeting.

[3] Four in-person meetings and one teleconference meeting.

[4] Four in-person meetings.

[5] Became Governance Committee member effective May 14, 2010.

[6] Became HRCC chair effective May 14, 2010.

[7] Ceased to be HRCC member effective May 13, 2010; became Audit Committee member effective May 14, 2010.

[8] Joined the board December 22, 2010; became HRCC member effective February 9, 2011.

[9] Ceased to be HRCC chair effective May 13, 2010.

[10] Ceased to be Audit Committee member effective May 13, 2010.

During fiscal 2011, an ad hoc Quebec director candidate interview committee was formed. Membership of the committee consisted of Mr. Astley, Mr. Bourne and Ms. Hopkins. The committee's purpose is to interview potential candidates for a director from Quebec and recommend at least two Quebec candidates to the joint federal-provincial nominating committee.

DIRECTOR COMPENSATION

Based on the attendance and fee schedules, individual compensation for each of the directors for fiscal 2011 was as follows:

TABLE 11: DIRECTOR COMPENSATION

DIRECTOR	Annual Retainer ($)	Board and Committee Meeting Fees ($)	Public Meeting Fees ($)	Travel Fees ($)	Total Remuneration ($)
Robert M. Astley, Chair[1]	120,000	–	19,000	–	139,000
Ian A. Bourne, Chair of Audit Committee[2]	32,500	33,750		7,000	73,250
Robert L. Brooks	25,000	26,750		–	51,750
Pierre Choquette, Chair of HRCC[3]	31,613	32,500		6,000	70,113
Michael Goldberg[2]	25,000	31,250	1,000	6,000	63,250
Peter K. Hendrick	25,000	27,500	1,000	–	53,500
Nancy Hopkins, Chair of Governance Committee[4]	32,500	30,000	1,000	7,000	70,500
Douglas W. Mahaffy	25,000	26,000		–	51,000
Elaine McKinnon[5]	25,000	24,500		2,500	52,000
Heather Munroe-Blum[6]	6,922	3,000	–	250	10,172
Ronald E. Smith[7]	25,887	26,750		3,000	55,637
D. Murray Wallace[8]	25,000	27,250		–	52,250
Total	399,422	289,250	22,000	31,750	742,422

1 Public meeting fees including chairing nine biennial public meetings and 1 non-meeting travel day.

2 Became Governance Committee member effective May 14, 2010; meeting fees include attendance at two ad hoc Quebec director candidate interview committee meetings.

3 Became HRCC chair effective May 14, 2010.

4 Meeting fees include attendance at two ad hoc Quebec director candidate interview committee meetings.

5 Ceased to be HRCC member effective May 13, 2010; became Audit Committee member effective May 14, 2010.

6 Joined the board December 22, 2010; became HRCC member effective February 9, 2011.

7 Ceased to be HRCC chair effective May 13, 2010.

8 Ceased to be Audit Committee member effective May 13, 2010.

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 over financial reporting and disclosure controls and procedures are tested for both design and operational effectiveness as part of our CEO/CFO certification process as described on page 63 of Management's Discussion and Analysis in the 2011 annual report.

The internal control framework includes a strong corporate governance structure, an enterprise risk management framework that identifies, monitors and reports on key risks facing the organization, code of conduct and conflict of interest procedures, and other policies, management authorities and procedures that guide decision-making. The controls also include the establishment of an organization structure that provides a well-defined division of responsibilities and accountability, the selection and training of qualified staff, and the communication of policies, management authorities and procedures throughout the organization. The systems of internal control are further supported by a compliance management system to monitor the CPP Investment Board's compliance with legislation, policies, management authorities and procedures and by internal and external auditors who review and evaluate internal controls in accordance with their respective annual audit plans approved by the Audit Committee.

The Audit Committee assists the board of directors in discharging its responsibility to approve the annual 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 Consolidated 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 Auditor's 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.

DAVID F. DENISON
PRESIDENT AND CHIEF EXECUTIVE OFFICER
Toronto, Ontario
May 12, 2011

NICHOLAS ZELENCZUK
SENIOR VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER

INVESTMENT CERTIFICATE

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

The investments of the CPP Investment Board, held during the year ended March 31, 2011, were in accordance with the Act and the CPP Investment Board's investment policies, standards and procedures.

IAN A. BOURNE
CHAIR OF THE AUDIT COMMITTEE ON BEHALF OF THE BOARD OF DIRECTORS
Toronto, Ontario
May 12, 2011

INDEPENDENT AUDITOR'S REPORT

To the board of directors
Canada Pension Plan Investment Board

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying Consolidated Financial Statements of the Canada Pension Plan Investment Board (the "CPP Investment Board"), which comprise the Consolidated Balance Sheet and the Consolidated Statements of Investment Portfolio and Investment Asset Mix as at March 31, 2011, and the Consolidated Statements of Net Income and Accumulated Net Income from Operations and of Changes in Net Assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the financial position of the CPP Investment Board and the investments held as at March 31, 2011, and the results of its operations and changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles, which were applied on a basis consistent with that of the preceding year.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, in our opinion, the transactions of the CPP Investment Board 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 12, 2011

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31

($ MILLIONS)	2011	2010
ASSETS		
Investments (note 3)	**$ 152,933**	$ 130,477
Amounts receivable from pending trades	**1,085**	1,118
Premises and equipment (note 4)	**43**	21
Other assets	**15**	25
TOTAL ASSETS	**154,076**	131,641
LIABILITIES		
Investment liabilities (note 3)	**4,046**	2,519
Amounts payable from pending trades	**1,675**	1,391
Accounts payable and accrued liabilities	**159**	101
TOTAL LIABILITIES	**5,880**	4,011
NET ASSETS	**$ 148,196**	$ 127,630
NET ASSETS, REPRESENTED BY		
Share capital (note 6)	**$ –**	$ –
Accumulated net income from operations	**39,791**	24,561
Accumulated net transfers from the Canada Pension Plan (note 7)	**108,405**	103,069
NET ASSETS	**$ 148,196**	$ 127,630

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

CONSOLIDATED STATEMENT OF NET INCOME AND ACCUMULATED NET INCOME FROM OPERATIONS

FOR THE YEAR ENDED MARCH 31

($ MILLIONS)	2011	2010
NET INVESTMENT INCOME (note 8)	$ 15,558	$ 16,218
OPERATING EXPENSES		
Personnel costs	214	145
General operating expenses (note 9a)	85	73
Professional services (note 9b)	29	18
	328	236
NET INCOME FROM OPERATIONS	15,230	15,982
ACCUMULATED NET INCOME FROM OPERATIONS, BEGINNING OF YEAR	24,561	8,579
ACCUMULATED NET INCOME FROM OPERATIONS, END OF YEAR	$ 39,791	$ 24,561

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31

($ MILLIONS)	2011	2010
NET ASSETS, BEGINNING OF YEAR	$ 127,630	$ 105,501
CHANGES IN NET ASSETS		
Canada Pension Plan transfers (note 7)		
Transfers from the Canada Pension Plan	30,851	30,308
Transfers to the Canada Pension Plan	(25,515)	(24,161)
Net income from operations	15,230	15,982
INCREASE IN NET ASSETS FOR THE YEAR	20,566	22,129
NET ASSETS, END OF YEAR	$ 148,196	$ 127,630

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

CONSOLIDATED STATEMENT OF INVESTMENT PORTFOLIO

AS AT MARCH 31

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

($ MILLIONS)	2011	2010
EQUITIES (note 3a)		
Canada		
Public equities	$ 8,864	$ 8,553
Private equities	1,397	985
	10,261	9,538
Foreign developed markets		
Public equities	23,342	24,614
Private equities	20,349	14,565
	43,691	39,179
Emerging markets		
Public equities	5,776	4,895
Private equities	967	512
	6,743	5,407
TOTAL EQUITIES	60,695	54,124
FIXED INCOME (note 3b)		
Bonds	37,208	35,649
Other debt	6,008	3,526
Money market securities	17,625	14,068
TOTAL FIXED INCOME	60,841	53,243
ABSOLUTE RETURN STRATEGIES (note 3c)	4,464	2,871
INFLATION-SENSITIVE ASSETS (note 3d)		
Private real estate	12,829	7,982
Infrastructure	9,404	5,821
Inflation-linked bonds	299	904
TOTAL INFLATION-SENSITIVE ASSETS	22,532	14,707
INVESTMENT RECEIVABLES		
Securities purchased under reverse repurchase agreements (note 3e)	2,500	4,000
Accrued interest	657	594
Derivative receivables (note 3f)	1,117	760
Dividends receivable	127	178
TOTAL INVESTMENT RECEIVABLES	4,401	5,532
TOTAL INVESTMENTS	$ 152,933	$ 130,477
INVESTMENT LIABILITIES		
Debt financing liabilities (note 3g)	(1,394)	(1,303)
Debt on private real estate properties (note 3d)	(1,969)	(947)
Derivative liabilities (note 3f)	(683)	(269)
TOTAL INVESTMENT LIABILITIES	(4,046)	(2,519)
Amounts receivable from pending trades	1,085	1,118
Amounts payable from pending trades	(1,675)	(1,391)
NET INVESTMENTS	$ 148,297	$ 127,685

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

CONSOLIDATED STATEMENT OF INVESTMENT ASSET MIX

AS AT MARCH 31

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

	2011		2010	
($ MILLIONS)	**Fair Value**	**(%)**	Fair Value	(%)
EQUITIES				
Canada	**$ 20,952**	**14.1%**	$ 18,503	14.5%
Foreign developed markets	**50,798**	**34.3**	46,221	36.2
Emerging markets	**7,619**	**5.1**	6,465	5.0
	79,369	**53.5**	71,189	55.7
FIXED INCOME				
Bonds	**37,601**	**25.3**	35,418	27.7
Other debt	**6,073**	**4.1**	3,532	2.8
Money market securities[1]	**2,355**	**1.6**	1,654	1.3
Debt financing liabilities	**(1,394)**	**(0.9)**	(1,303)	(1.0)
	44,635	**30.1**	39,301	30.8
INFLATION-SENSITIVE ASSETS				
Real estate[2]	**10,860**	**7.3**	7,035	5.5
Infrastructure	**9,479**	**6.4**	5,821	4.6
Inflation-linked bonds	**3,954**	**2.7**	4,339	3.4
	24,293	**16.4**	17,195	13.5
NET INVESTMENTS	**$148,297**	**100%**	$ 127,685	100%

1 Includes absolute return strategies.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2011

CORPORATE INFORMATION

The Canada Pension Plan Investment Board (the "CPP Investment Board") was established in December 1997 pursuant to the *Canada Pension Plan Investment Board Act* (the "Act"). The CPP Investment Board is a federal Crown corporation, all of the shares of which are owned by Her Majesty the Queen in right of Canada. The CPP Investment Board is responsible for assisting the Canada Pension Plan (the "CPP") in meeting its obligations to contributors and beneficiaries under the *Canada Pension Plan*. It is responsible for managing amounts that are transferred to it under Section 108.1 of the *Canada Pension Plan* in the best interests of CPP beneficiaries and contributors. The CPP Investment Board received its first funds for investing purposes from the CPP in March 1999. The CPP Investment Board's assets are to be invested in accordance with the Act, regulations and the investment policies with a view to achieving a maximum rate of return without undue risk of loss, having regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day. The CPP Investment Board's legislated mandate, the overall benchmark that provides context for investing decisions and the investment strategy employed to support the long-term sustainability of the Canada Pension Plan are fully described in Management's Discussion and Analysis on pages 18 to 31 of the 2011 annual report.

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 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

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

These 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. The CPP Investment Board qualifies as an Investment Company in accordance with Canadian Institute of Chartered Accountants Accounting Guideline 18, *Investment Companies,* and accordingly, the CPP Investment Board reports its investments at fair value. 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) VALUATION OF INVESTMENTS, INVESTMENT RECEIVABLES AND INVESTMENT LIABILITIES

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

In an active market, fair value is best evidenced by an independent quoted market price. In the absence of an active market, fair value is determined by valuation techniques that make maximum use of inputs observed from markets. These valuation techniques include using recent arm's length market transactions, if available, or current fair value of another investment that is substantially the same, discounted cash flow analysis, pricing models and other accepted industry valuation methods.

Fair value is determined as follows:

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

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

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

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

(v) Fair value for non-marketable Canadian government bonds is calculated using discounted cash flows based on current market yields of instruments with similar characteristics, adjusted for the non-marketability and rollover provisions of the bonds.

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

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

(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 includes futures, options and warrants, is based on quoted market prices. Fair value for over-the-counter derivatives, which includes swaps, options, forward contracts and warrants, is determined based on the quoted market prices of the underlying instruments where available. Otherwise, fair value is based on other accepted industry valuation methods using inputs such as equity prices and indices, broker quotations, market volatilities, currency exchange rates, current market interest rate yields, credit spreads and other market-based pricing factors. In determining fair value, consideration is also given to liquidity risk and the credit risk of the counterparty.

(xi) Debt financing liabilities are recorded at the amount originally issued, which, together with accrued interest expense, approximates fair value due to the short-term nature of these liabilities.

(C) INCOME RECOGNITION

Income from investments includes realized gains and losses from investments, changes in unrealized gains and losses on investments, dividend income, interest income and net operating income from private real estate investments. Dividend income is recognized on the ex-dividend date, which is when the CPP Investment Board's right to receive the dividend has been established. Interest income is recognized using the effective interest rate method. Distributions received from limited partnerships and funds are recognized as interest income, dividend income, realized gains and losses from investments or return of capital, as appropriate.

(D) TRANSACTION COSTS

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment. Transaction costs are expensed as incurred and recorded as a component of net investment income.

(E) INVESTMENT MANAGEMENT FEES

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

(F) SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS

Securities purchased under reverse repurchase agreements represent the purchase of securities effected with a simultaneous agreement to sell them back at a specified price at a specified future date and are accounted for as an investment receivable. These securities are not recognized as an investment of the CPP Investment Board. The fair value of securities to be resold under these reverse repurchase agreements is monitored and additional collateral is obtained when appropriate to protect against credit exposure. In the event of counterparty default, the CPP Investment Board has the right to liquidate the collateral held. Reverse repurchase agreements are carried on the Consolidated Statement of Investment Portfolio at the amounts at which the securities were initially acquired. Interest earned on reverse repurchase agreements is included in investment income (see note 8).

(G) TRANSLATION OF FOREIGN CURRENCIES

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

(H) CANADA PENSION PLAN TRANSFERS

Net amounts from the CPP are recorded as received.

(I) 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.

(J) 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

(K) FUTURE ACCOUNTING POLICY CHANGE

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be replaced with International Financial Reporting Standards ("IFRS") effective for interim and annual periods commencing April 1, 2011. In September 2010, the AcSB granted investment companies an optional one-year deferral from the requirement to adopt IFRS. In January 2011, the AcSB extended this deferral by an additional year.

The two-year deferral provides the International Accounting Standards Board ("IASB") time to complete its consolidation project, where the IASB is considering a proposal for investment companies to be exempt from the requirement to consolidate investments in controlled entities. If the exemption becomes part of IFRS, the result will be that the CPP Investment Board will continue to measure and report all of its investments at fair value. The CPP Investment Board will defer the adoption of IFRS until April 1, 2013.

The CPP Investment Board has developed an IFRS conversion plan and has identified the major differences between existing Canadian GAAP and IFRS. As IFRS continues to change, the impact these differences will have on CPP Investment Board's operations, financial position and results of operations is not yet determinable. The CPP Investment Board continues to monitor developments and changes to IFRS and is on schedule to meet the timelines established in its IFRS conversion plan.

2. FAIR VALUE MEASUREMENT

(A) The following shows investments and investment liabilities recognized at fair value, analyzed between those whose fair value is based on:

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

BASIS OF FAIR VALUE DETERMINATION

	As at March 31, 2011			
($ MILLIONS)	Level 1	Level 2	Level 3	Total
INVESTMENTS				
EQUITIES				
Canada				
Public equities	$ 8,859	$ –	$ 5	$ 8,864
Private equities	–	–	1,397	1,397
	8,859	–	1,402	10,261
Foreign developed markets				
Public equities[1]	20,840	2,001	501	23,342
Private equities	845	–	19,504	20,349
	21,685	2,001	20,005	43,691
Emerging markets				
Public equities[1]	5,614	162	–	5,776
Private equities	–	–	967	967
	5,614	162	967	6,743
TOTAL EQUITIES	36,158	2,163	22,374	60,695
FIXED INCOME				
Bonds	15,768	21,440	–	37,208
Other debt	–	1,727	4,281	6,008
Money market securities	–	17,625	–	17,625
TOTAL FIXED INCOME	15,768	40,792	4,281	60,841
ABSOLUTE RETURN STRATEGIES	–	1,686	2,778	4,464
INFLATION-SENSITIVE ASSETS				
Private real estate	–	–	12,829	12,829
Infrastructure	1,082	–	8,322	9,404
Inflation-linked bonds	299	–	–	299
TOTAL INFLATION-SENSITIVE ASSETS	1,381	–	21,151	22,532
INVESTMENT RECEIVABLES				
Securities purchased under reverse repurchase agreements	–	2,500	–	2,500
Accrued interest	–	657	–	657
Derivative receivables	170	914	33	1,117
Dividends receivable	–	127	–	127
TOTAL INVESTMENT RECEIVABLES	170	4,198	33	4,401
TOTAL INVESTMENTS	53,477	48,839	50,617	152,933
INVESTMENT LIABILITIES				
Debt financing liabilities	–	(1,394)	–	(1,394)
Debt on private real estate properties	–	(1,969)	–	(1,969)
Derivative liabilities	(35)	(648)	–	(683)
TOTAL INVESTMENT LIABILITIES	(35)	(4,011)	–	(4,046)
Amounts receivable from pending trades	–	1,085	–	1,085
Amounts payable from pending trades	–	(1,675)	–	(1,675)
NET INVESTMENTS	$ 53,442	$ 44,238	$ 50,617	$ 148,297

BASIS OF FAIR VALUE DETERMINATION

	As at March 31, 2010			
($ MILLIONS)	Level 1	Level 2	Level 3	Total
INVESTMENTS				
EQUITIES				
Canada				
Public equities	$ 8,551	$ –	$ 2	$ 8,553
Private equities	–	–	985	985
	8,551	–	987	9,538
Foreign developed markets				
Public equities[1]	22,623	1,509	482	24,614
Private equities	688	–	13,877	14,565
	23,311	1,509	14,359	39,179
Emerging markets				
Public equities[1]	4,254	641	–	4,895
Private equities	–	–	512	512
	4,254	641	512	5,407
TOTAL EQUITIES	36,116	2,150	15,858	54,124
FIXED INCOME				
Bonds	13,436	22,213	–	35,649
Other debt	–	671	2,855	3,526
Money market securities	–	14,068	–	14,068
TOTAL FIXED INCOME	13,436	36,952	2,855	53,243
ABSOLUTE RETURN STRATEGIES	–	638	2,233	2,871
INFLATION-SENSITIVE ASSETS				
Private real estate	–	–	7,982	7,982
Infrastructure	981	–	4,840	5,821
Inflation-linked bonds	904	–	–	904
TOTAL INFLATION-SENSITIVE ASSETS	1,885	–	12,822	14,707
INVESTMENT RECEIVABLES				
Securities purchased under reverse repurchase agreements	–	4,000	–	4,000
Accrued interest	–	594	–	594
Derivative receivables	161	594	5	760
Dividends receivable	–	178	–	178
TOTAL INVESTMENT RECEIVABLES	161	5,366	5	5,532
TOTAL INVESTMENTS	51,598	45,106	33,773	130,477
INVESTMENT LIABILITIES				
Debt financing liabilities	–	(1,303)	–	(1,303)
Debt on private real estate properties	–	(947)	–	(947)
Derivative liabilities	(20)	(249)	–	(269)
TOTAL INVESTMENT LIABILITIES	(20)	(2,499)	–	(2,519)
Amounts receivable from pending trades	–	1,118	–	1,118
Amounts payable from pending trades	–	(1,391)	–	(1,391)
NET INVESTMENTS	$ 51,578	$ 42,334	$ 33,773	$ 127,685

[1] Includes investments in funds.

(B) TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

During the year ended March 31, 2011, the fair value of significant transfers between Level 1 and Level 2 was $nil (2010 – $nil).

(C) LEVEL 3 RECONCILIATION

The following presents the reconciliations for investments included in Level 3 of the fair value hierarchy for the year ended March 31:

	2011							
($ MILLIONS)	Fair Value as at April 1, 2010	Gains Included in Net Investment Income[1]	Purchases	Sales[2]	Transfers into Level 3[3]	Transfers out of Level 3[4]	Fair Value as at March 31, 2011	Change in Unrealized Gains (Losses) on Investments Still Held at March 31, 2011[5]
INVESTMENTS								
EQUITIES								
Canada								
Public equities	$ 2	$ 3	$ –	$ –	$ –	$ –	$ 5	$ 3
Private equities	985	223	380	(191)	–	–	1,397	153
	987	226	380	(191)	–	–	1,402	156
Foreign developed markets								
Public equities[6]	482	19	–	–	–	–	501	19
Private equities	13,877	2,981	5,313	(2,526)	–	(141)	19,504	2,590
	14,359	3,000	5,313	(2,526)	–	(141)	20,005	2,609
Emerging markets								
Private equities	512	155	344	(44)	–	–	967	141
	512	155	344	(44)	–	–	967	141
TOTAL EQUITIES	15,858	3,381	6,037	(2,761)	–	(141)	22,374	2,906
FIXED INCOME								
Other debt	2,855	351	2,143	(1,068)	–	–	4,281	291
TOTAL FIXED INCOME	2,855	351	2,143	(1,068)	–	–	4,281	291
ABSOLUTE RETURN STRATEGIES	2,233	147	669	(271)	–	–	2,778	388
INFLATION-SENSITIVE ASSETS								
Private real estate	7,982	943	4,061	(157)	–	–	12,829	887
Infrastructure	4,840	379	4,153	(1,050)	–	–	8,322	419
TOTAL INFLATION-SENSITIVE ASSETS	12,822	1,322	8,214	(1,207)	–	–	21,151	1,306
INVESTMENT RECEIVABLES								
Derivative receivables	5	28	–	–	–	–	33	28
TOTAL INVESTMENT RECEIVABLES	5	28	–	–	–	–	33	28
TOTAL	$ 33,773	$ 5,229	$ 17,063	$ (5,307)	$ –	$ (141)	$ 50,617	$ 4,919

	2010							
($ MILLIONS)	Fair Value as at April 1, 2009	Gains (Losses) Included in Net Investment Income (Loss)[1]	Purchases	Sales[2]	Transfers into Level 3[3]	Transfers out of Level 3[4]	Fair Value as at March 31, 2010	Change in Unrealized Gains (Losses) on Investments Still Held at March 31, 2010[5]
INVESTMENTS								
EQUITIES								
Canada								
Public equities	$ 17	$ (15)	$ –	$ –	$ –	$ –	$ 2	$ (15)
Private equities	775	96	239	(125)	–	–	985	55
	792	81	239	(125)	–	–	987	40
Foreign developed markets								
Public equities[6]	360	122	–	–	–	–	482	122
Private equities	13,056	(1,187)	3,521	(867)	–	(646)	13,877	(1,368)
	13,416	(1,065)	3,521	(867)	–	(646)	14,359	(1,246)
Emerging markets								
Private equities	240	42	232	(2)	–	–	512	45
	240	42	232	(2)	–	–	512	45
TOTAL EQUITIES	14,448	(942)	3,992	(994)	–	(646)	15,858	(1,161)
FIXED INCOME								
Other debt	530	231	554	(1)	1,541	–	2,855	968
TOTAL FIXED INCOME	530	231	554	(1)	1,541	–	2,855	968
ABSOLUTE RETURN STRATEGIES	1,301	(226)	1,520	(362)	–	–	2,233	(264)
INFLATION-SENSITIVE ASSETS								
Private real estate	7,610	(1,194)	1,669	(103)	–	–	7,982	(1,194)
Infrastructure	3,709	(660)	1,849	(58)	–	–	4,840	(641)
TOTAL INFLATION-SENSITIVE ASSETS	11,319	(1,854)	3,518	(161)	–	–	12,822	(1,835)
INVESTMENT RECEIVABLES								
Derivative receivables	190	(63)	–	–	–	(122)	5	5
TOTAL INVESTMENT RECEIVABLES	190	(63)	–	–	–	(122)	5	5
TOTAL	$ 27,788	$ (2,854)	$ 9,584	$ (1,518)	$ 1,541	$ (768)	$ 33,773	$ (2,287)

1 Presented as net gain (loss) on investments (see note 8).

2 Includes return of capital.

3,4 Transfers into and out of Level 3 are assumed to occur at the end of year values.

5 Includes the entire change in fair value for the year for those investments that were transferred into Level 3 during the year, and excludes the entire change in fair value for the year for those investments that were transferred out of Level 3 during the year.

6 Consists of investments in funds.

Investments were transferred from Level 3 to Level 1 as these investments became listed on an active market for which quoted market prices were obtained.

Investments were transferred from Level 2 to Level 3 as these investments are now valued using valuation techniques using inputs based on non-observable market data.

Direct investments in private equities, infrastructure, private real estate, private debt and certain derivatives have fair values derived primarily from assumptions based on non-observable market data. The fair value of these direct investments is based on accepted industry valuation methods that may include the use of estimates made by management, appraisers or both where significant judgment is required. By using valuation methods based on reasonable alternative assumptions, different fair values could result. Management has determined that the potential impact on fair values using these reasonable alternative assumptions would not be significant.

3. INVESTMENTS AND INVESTMENT LIABILITIES

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

(A) EQUITIES

(i) Public equity investments are made directly or through funds. As at March 31, 2011, public equities include fund investments with a fair value of $2,665 million (2010 – $2,631 million).

(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 and return characteristics of equity. As at March 31, 2011, private equities include direct investments with a fair value of $5,565 million (2010 – $3,997 million).

(B) FIXED INCOME

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

The non-marketable bonds issued by the provinces prior to 1998 have rollover provisions attached to them by the Act which permit each issuer, at its option, to roll over the bonds on maturity for a further 20-year term at a rate based on capital markets borrowing rates for that province existing at the time of rollover. The non-marketable bonds are also redeemable before maturity at the option of the issuers.

In lieu of exercising its statutory rollover right described in the preceding paragraph, agreements between the CPP Investment Board and the provinces permit each province to repay the bond and concurrently cause the CPP Investment Board to purchase a replacement bond or bonds in a total principal amount not exceeding the principal amount of the maturing security for a term of not less than five years and not 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 non-marketable and marketable bonds, not including any rollover options or accrued interest, as at March 31, 2011, are as follows:

	2011						2010	
	Terms to Maturity							
($ MILLIONS)	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Average Effective Yield	Total	Average Effective Yield
NON-MARKETABLE BONDS								
Government of Canada	$ 16	$ 12	$ –	$ –	$ 28	1.7%	$ 464	0.8%
Canadian provincial government	2,103	2,445	4,024	12,840	21,412	4.6	21,749	4.5
MARKETABLE BONDS								
Government of Canada	–	3,188	844	1,283	5,315	3.2	3,602	3.4
Canadian provincial government	–	1,033	1,266	1,980	4,279	4.2	2,472	4.4
Canadian government corporations	1	2,460	827	418	3,706	3.5	3,218	3.5
Foreign government	3	721	447	324	1,495	2.6	3,157	2.6
Corporate bonds	2	422	530	19	973	4.3	987	4.6
TOTAL	$ 2,125	$ 10,281	$ 7,938	$ 16,864	$ 37,208	4.2%	$ 35,649	4.1%

(ii) Other debt consists of investments in direct private debt, distressed mortgage funds and private debt funds. The terms to maturity of the direct private debt, as at March 31, 2011, are as follows:

	2011						2010	
	Terms to Maturity							
($ MILLIONS)	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Average Effective Yield	Total	Average Effective Yield
DIRECT PRIVATE DEBT								
Leveraged loans	$ –	$ 1,260	$ 731	$ 26	$ 2,017	7.0%	$ 915	7.5%
High-yield debt	–	71	803	–	874	9.7	–	–
Secured term loan	–	136	–	–	136	7.3	–	–
TOTAL	$ –	$ 1,467	$ 1,534	$ 26	$ 3,027	7.8%	$ 915	7.5%

(C) 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 indices. The underlying securities of the funds could include, but are not limited to, equities, fixed income securities and derivatives.

(D) INFLATION-SENSITIVE ASSETS

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

Private real estate investments are held by wholly-owned subsidiaries and are managed on behalf of the CPP Investment Board by investment managers primarily through co-ownership arrangements. As at March 31, 2011, the subsidiary's share of these investments includes assets of $12,829 million (2010 – $7,982 million) and $1,969 million of secured debt (2010 – $947 million). The terms to maturity of the undiscounted principal repayments of the secured debt, as at March 31, 2011, are as follows:

	2011							2010		
	Terms to Maturity									
($ MILLIONS)	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Fair Value	Weighted Average Interest Rate	Total	Fair Value	Weighted Average Interest Rate
Debt on private real estate properties	$ 643	$ 1,204	$ 81	$ 174	$ 2,102	$ 1,969	4.2%	$ 1,090	$ 947	6.0%

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

PROPORTIONATE SHARE OF NET ASSETS
AS AT MARCH 31

($ MILLIONS)	2011	2010
Assets	$ 7,849	$ 5,259
Liabilities	(1,758)	(947)
	$ 6,091	$ 4,312

PROPORTIONATE SHARE OF NET INCOME
FOR THE YEAR ENDED MARCH 31

($ MILLIONS)	2011	2010
Revenue	$ 671	$ 584
Expenses	(412)	(364)
	$ 259	$ 220

(ii) Infrastructure investments are generally made directly, but can also occur through limited partnership arrangements that have a typical term of 10 years. As at March 31, 2011, infrastructure includes direct investments with a fair value of $7,899 million (2010 – $4,395 million).

(iii) The terms to maturity of the inflation-linked bonds, as at March 31, 2011, are as follows:

	2011						2010	
	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	$ –	$ 77	$ 65	$ 157	$ 299	1.1%	$ 904	3.4%

(E) SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS

The terms to maturity of the securities purchased under reverse repurchase agreements, as at March 31, 2011, are as follows:

	2011						2010	
	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
Securities purchased under reverse repurchase agreements	$ 2,500	$ –	$ –	$ –	$ 2,500	2.7%	$ 4,000	1.9%

(F) DERIVATIVE CONTRACTS

A derivative contract is a financial contract, the value of which is derived from the value of underlying assets, indices, interest rates, currency exchange rates or other market-based factors. Derivatives are transacted through regulated exchanges or are negotiated in over-the-counter markets.

Notional amounts of derivative contracts represent the contractual amounts to which a rate or price is applied for computing the cash flows to be exchanged. The notional amounts are used to determine the gains/losses and fair value of the contracts. They are not recorded as assets or liabilities on the Consolidated Balance Sheet. Notional amounts do not necessarily represent the amount of potential market risk or credit risk arising from a derivative contract.

The fair value of these contracts is reported as derivative receivables and derivative liabilities on the Consolidated Statement of Investment Portfolio. In the Consolidated Statement of Investment Asset Mix, the derivative contracts are allocated to the asset class to which each contract relates.

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

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

EQUITY CONTRACTS

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

Equity swaps are over-the-counter contracts in which one counterparty agrees to pay or receive from the other, cash flows based on changes in the value of an equity index, a basket of stocks, or a single stock in exchange for a return based on a fixed or floating interest rate or the return on another instrument.

Variance swaps are over-the-counter contracts where cash flows are exchanged based on the realized variance of an equity index, a basket of stocks, or a single stock compared to the fixed strike level specified in the contract.

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

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

Warrants are transacted both over-the-counter and through exchanges where the issuer gives the purchaser the right, but not the obligation, to buy a specified quantity of stock of the issuer at or before a specified future date at a predetermined price.

FOREIGN EXCHANGE CONTRACTS

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

INTEREST RATE CONTRACTS

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

Interest rate forwards are customized over-the-counter contracts negotiated between counterparties to either purchase or sell a specified amount of an interest rate sensitive financial instrument at a predetermined price and date in the future. These contracts result in a fixed future interest rate for a period of time.

Bond and inflation-linked bond swaps are over-the-counter contracts in which counterparties exchange the return on a bond, inflation-linked bond or group of such instruments for the return on a fixed or floating interest rate or the return on another instrument.

Interest rate swaps are over-the-counter contracts where counterparties exchange cash flows based on different interest rates applied to a notional amount in a single currency. A typical interest rate swap would require one counterparty to pay a fixed market interest rate in exchange for a variable market interest rate on a specified notional amount. No exchange of notional amount takes place. Cross-currency interest rate swaps involve the exchange of both interest and notional amounts in two different currencies.

CREDIT CONTRACTS

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

Written credit default swaps require the CPP Investment Board to compensate counterparties for the decline in value of an underlying financial instrument (referenced asset) as a result of the occurrence of a specified credit event such as default or bankruptcy. The maximum amount payable to these counterparties under these written credit default swaps is equal to their notional amount.

COMMODITY CONTRACTS

Commodity futures are standardized contracts transacted on an exchange to purchase or sell a specified quantity of a commodity, such as precious metals and energy related products at a predetermined price and date in the future. Futures contracts may be cash-settled or require physical delivery of the underlying commodity.

OTHER DERIVATIVE CONTRACTS

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

(ii) Derivative-related Risk

The primary risks associated with derivatives are:

MARKET RISK

Derivatives generate value, positive or negative, as the value of underlying assets, indices, interest rates, currency exchange rates, or other market-based factors change such that the previously contracted terms of the derivative transactions have become more or less favourable than what can be negotiated under current market conditions for contracts with the same terms and remaining period to expiry. The potential for derivatives to increase or decrease in value as a result of the foregoing factors is generally referred to as market risk.

The derivative-related market risk is a component of the total portfolio market risk which is managed through the Risk/Return Accountability Framework as described in note 10.

CREDIT RISK

Credit risk is the risk of a financial loss occurring as a result of the failure of a counterparty to meet its obligations to the CPP Investment Board. The maximum exposure to credit risk is represented by the positive fair value of the derivative instrument and is normally a small fraction of the contract's notional amount. Negotiated over-the-counter derivatives generally present greater credit exposure than exchange-traded contracts. Credit risk on exchange-traded contracts is limited, as these transactions are executed on regulated exchanges, each of which is associated with a well-capitalized clearing house that assumes the obligation of the writer of a contract and guarantees their performance.

The CPP Investment Board limits credit risk on over-the-counter contracts through a variety of means including dealing only with authorized counterparties which meet the minimum credit rating and limiting the maximum exposures to any individual counterparty, the use of master netting agreements and collateral as discussed in note 10.

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

	As at March 31, 2011			For the Year Ended March 31, 2011	
($ MILLIONS)	Positive Fair Value	Negative Fair Value	Net Fair Value	Average Positive Fair Value[1]	Average Negative Fair Value[1]
EQUITY CONTRACTS					
Equity futures	$ 8	$ (29)	$ (21)	$ 16	$ (24)
Equity swaps	566	(295)	271	376	(275)
Variance swaps	40	(32)	8	20	(97)
Exchange-traded purchased options	–	–	–	–	–
Over-the-counter written options	–	–	–	–	(73)
Warrants	187	–	187	197	–
TOTAL EQUITY CONTRACTS	801	(356)	445	609	(469)
FOREIGN EXCHANGE CONTRACTS					
Forwards	222	(251)	(29)	275	(277)
TOTAL FOREIGN EXCHANGE CONTRACTS	222	(251)	(29)	275	(277)
INTEREST RATE CONTRACTS					
Bond futures	7	(5)	2	7	(5)
Interest rate forwards	–	–	–	–	–
Bond swaps	–	(5)	(5)	13	(10)
Inflation-linked bond swaps	40	(2)	38	60	(12)
Interest rate swaps	14	(29)	(15)	12	(57)
Cross-currency interest rate swaps	14	–	14	12	–
TOTAL INTEREST RATE CONTRACTS	75	(41)	34	104	(84)
CREDIT CONTRACTS					
Purchased credit default swaps	17	(32)	(15)	24	(30)
Written credit default swaps	2	(2)	–	3	(4)
TOTAL CREDIT CONTRACTS	19	(34)	(15)	27	(34)
COMMODITY CONTRACTS					
Commodity futures	–	(1)	(1)	–	–
TOTAL COMMODITY CONTRACTS	–	(1)	(1)	–	–
Other derivative contracts	–	–	–	–	–
SUBTOTAL	1,117	(683)	434	1,015	(864)
Less: Cash collateral received under derivative contracts	–	–	–	(17)	–
TOTAL	$ 1,117	$ (683)	$ 434	$ 998	$ (864)

($ MILLIONS)	As at March 31, 2010 Positive Fair Value	As at March 31, 2010 Negative Fair Value	As at March 31, 2010 Net Fair Value	For the Year Ended March 31, 2010 Average Positive Fair Value[1]	For the Year Ended March 31, 2010 Average Negative Fair Value[1]
EQUITY CONTRACTS					
Equity futures	$ 1	$ (19)	$ (18)	$ 17	$ (30)
Equity swaps	340	(86)	254	455	(220)
Variance swaps	42	(23)	19	19	(67)
Exchange-traded purchased options	1	(1)	–	1	(35)
Over-the-counter written options	–	(57)	(57)	–	(44)
Warrants	164	–	164	150	–
TOTAL EQUITY CONTRACTS	548	(186)	362	642	(396)
FOREIGN EXCHANGE CONTRACTS					
Forwards	159	(56)	103	223	(162)
TOTAL FOREIGN EXCHANGE CONTRACTS	159	(56)	103	223	(162)
INTEREST RATE CONTRACTS					
Bond futures	–	–	–	1	(1)
Interest rate forwards	–	–	–	–	–
Bond swaps	2	–	2	3	(4)
Inflation-linked bond swaps	78	–	78	55	(6)
Interest rate swaps	17	(9)	8	20	(4)
Cross-currency interest rate swaps	10	–	10	2	(159)
TOTAL INTEREST RATE CONTRACTS	107	(9)	98	81	(174)
CREDIT CONTRACTS					
Purchased credit default swaps	14	(18)	(4)	8	(10)
Written credit default swaps	–	–	–	–	–
TOTAL CREDIT CONTRACTS	14	(18)	(4)	8	(10)
COMMODITY CONTRACTS					
Commodity futures	–	–	–	–	–
TOTAL COMMODITY CONTRACTS	–	–	–	–	–
Other derivative contracts	–	–	–	–	–
SUBTOTAL	828	(269)	559	954	(742)
Less: Cash collateral received under derivative contracts	(68)	–	(68)	–	–
TOTAL	$ 760	$ (269)	$ 491	$ 954	$ (742)

[1] Determined using month-end values.

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

	2011				
	Terms to Maturity				
($ MILLIONS)	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
EQUITY CONTRACTS					
Equity futures	$ 10,301	$ –	$ –	$ –	$ 10,301
Equity swaps	31,476	137	–	–	31,613
Variance swaps	–	954	4,123	–	5,077
Exchange-traded purchased options	–	–	–	–	–
Over-the-counter written options	–	–	–	–	–
Warrants	21	499	67	–	587
TOTAL EQUITY CONTRACTS	41,798	1,590	4,190	–	47,578
FOREIGN EXCHANGE CONTRACTS					
Forwards	27,766	–	–	–	27,766
TOTAL FOREIGN EXCHANGE CONTRACTS	27,766	–	–	–	27,766
INTEREST RATE CONTRACTS					
Bond futures	8,847	–	–	–	8,847
Interest rate forwards	–	–	–	–	–
Bond swaps	976	–	–	–	976
Inflation-linked bond swaps	3,696	–	–	81	3,777
Interest rate swaps	279	1,003	693	75	2,050
Cross-currency interest rate swaps	–	–	133	–	133
TOTAL INTEREST RATE CONTRACTS	13,798	1,003	826	156	15,783
CREDIT CONTRACTS					
Purchased credit default swaps	–	617	451	–	1,068
Written credit default swaps	–	126	60	–	186
TOTAL CREDIT CONTRACTS	–	743	511	–	1,254
COMMODITY CONTRACTS					
Commodity futures	108	–	–	–	108
TOTAL COMMODITY CONTRACTS	108	–	–	–	108
Other derivative contracts	19	–	–	–	19
TOTAL	$ 83,489	$ 3,336	$ 5,527	$ 156	$ 92,508

	2010				
	Terms to Maturity				
($ MILLIONS)	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
EQUITY CONTRACTS					
Equity futures	$ 5,353	$ –	$ –	$ –	$ 5,353
Equity swaps	16,706	2,413	–	–	19,119
Variance swaps	90	423	4,536	–	5,049
Exchange-traded purchased options	40		–	–	40
Over-the-counter written options	214	–	–	–	214
Warrants	33	437	19	–	489
TOTAL EQUITY CONTRACTS	22,436	3,273	4,555	–	30,264
FOREIGN EXCHANGE CONTRACTS					
Forwards	17,608	–	–	–	17,608
TOTAL FOREIGN EXCHANGE CONTRACTS	17,608	–	–	–	17,608
INTEREST RATE CONTRACTS					
Bond futures	270	–	–	–	270
Interest rate forwards	–	–	–	–	–
Bond swaps	338	–	–	–	338
Inflation-linked bond swaps	3,345	–	–	28	3,373
Interest rate swaps	–	939	407	105	1,451
Cross-currency interest rate swaps	–	–	133	–	133
TOTAL INTEREST RATE CONTRACTS	3,953	939	540	133	5,565
CREDIT CONTRACTS					
Purchased credit default swaps	–	436	348	–	784
Written credit default swaps	–	–	–	–	–
TOTAL CREDIT CONTRACTS	–	436	348	–	784
COMMODITY CONTRACTS					
Commodity futures	–	–	–	–	–
TOTAL COMMODITY CONTRACTS	–	–	–	–	–
Other derivative contracts	–	–	–	–	–
TOTAL	$ 43,997	$ 4,648	$ 5,443	$ 133	$ 54,221

(G) DEBT FINANCING LIABILITIES

The terms to maturity of the undiscounted principal repayments of the debt financing liabilities as at March 31, 2011, are as follows:

	2011						2010		
	Terms to Maturity								
($ MILLIONS)	Within 1 Month	1 to 3 Months	3 to 6 Months	Total	Fair Value	Weighted Average Interest Rate	Total	Fair Value	Weighted Average Interest Rate
Commercial paper payable	**$ 857**	**$ 478**	**$ 61**	**$ 1,396**	**$ 1,394**	**1.1%**	$ 1,303	$ 1,303	0.3%

(H) COLLATERAL

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

($ MILLIONS)	2011	2010
Fixed income securities held as collateral on reverse repurchase agreements[1]	**$ 2,561**	$ 4,088
Securities held as collateral on over-the-counter derivative transactions[1]	**135**	–
Cash held as collateral on over-the-counter derivative transactions	**–**	68
Securities pledged as collateral on guarantees (see note 12)	**(132)**	(120)
TOTAL	**$ 2,564**	$ 4,036

[1] The fair value of the collateral held that may be sold or repledged as at March 31, 2011 is $2,588 million (2010 – $3,923 million). The fair value of securities collateral sold or repledged as at March 31, 2011 is $nil (2010 – $nil).

4. PREMISES AND EQUIPMENT

	2011			2010		
($ MILLIONS)	Cost	Accumulated Amortization	Net Carrying Amount	Cost	Accumulated Amortization	Net Carrying Amount
Computer equipment and software	**$ 56.3**	**$ 27.3**	**$ 29.0**	$ 23.7	$ 15.5	$ 8.2
Leasehold improvements	**20.1**	**10.1**	**10.0**	17.6	7.8	9.8
Office furniture and equipment	**9.0**	**5.5**	**3.5**	7.9	4.6	3.3
TOTAL	**$ 85.4**	**$ 42.9**	**$ 42.5**	$ 49.2	$ 27.9	$ 21.3

5. CREDIT FACILITIES

The CPP Investment Board maintains $1.5 billion (2010 – $1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at March 31, 2011, the total amount drawn on the credit facilities is $nil (2010 – $nil).

6. 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.

7. CANADA PENSION PLAN TRANSFERS

Pursuant to Section 108.1 of the *Canada Pension Plan*, the Act and an administrative agreement between Her Majesty the Queen in right of Canada and the CPP Investment Board, amounts not required to meet specified obligations of the CPP are transferred weekly to the CPP Investment Board. The funds originate from employer and employee contributions to the CPP.

The CPP Investment Board is also responsible for providing cash management services to the CPP, including the periodic return, on at least a monthly basis, of funds required to meet CPP benefits and expenses.

The accumulated transfers from the CPP since inception are as follows:

($ MILLIONS)	2011	2010
Accumulated transfers from the Canada Pension Plan	$ 243,363	$ 212,512
Accumulated transfers to the Canada Pension Plan	(134,958)	(109,443)
ACCUMULATED NET TRANSFERS FROM THE CANADA PENSION PLAN	$ 108,405	$ 103,069

8. NET INVESTMENT INCOME

Net investment income is reported net of transaction costs and investment management fees, and is grouped by asset class based on the risk/return characteristics of the investment strategies of the underlying portfolios.

Net investment income, after giving effect to derivative contracts and investment receivables and liabilities, is as follows:

	2011					
($ MILLIONS)	Investment Income (Loss)[1]	Net Gain on Investments[2,3,4]	Total Investment Income (Loss)	Investment Management Fees	Transaction Costs	Net Investment Income (Loss)
EQUITIES						
Canada						
Public equities	$ 264	$ 3,151	$ 3,415	$ (8)	$ (12)	$ 3,395
Private equities	6	218	224	(11)	(2)	211
	270	3,369	3,639	(19)	(14)	3,606
Foreign developed markets						
Public equities	629	1,578	2,207	(31)	(13)	2,163
Private equities	317	3,080	3,397	(214)	(13)	3,170
	946	4,658	5,604	(245)	(26)	5,333
Emerging markets						
Public equities	132	502	634	(1)	(4)	629
Private equities	1	152	153	(28)	–	125
	133	654	787	(29)	(4)	754
	1,349	8,681	10,030	(293)	(44)	9,693
FIXED INCOME						
Bonds	1,415	145	1,560	–	–	1,560
Other debt	240	506	746	(15)	(5)	726
Money market securities[5]	145	1,004	1,149	(109)	(37)	1,003
Debt financing liabilities	(10)	–	(10)	–	–	(10)
	1,790	1,655	3,445	(124)	(42)	3,279
INFLATION-SENSITIVE ASSETS						
Private real estate	473	894	1,367	(77)	(58)	1,232
Infrastructure	378	659	1,037	(6)	(29)	1,002
Inflation-linked bonds	153	199	352	–	–	352
	1,004	1,752	2,756	(83)	(87)	2,586
TOTAL	$ 4,143	$ 12,088	$ 16,231	$ (500)	$ (173)	$ 15,558

	2010					
($ MILLIONS)	Investment Income (Loss)[1]	Net Gain (Loss) on Investments[2,3,4]	Total Investment Income (Loss)	Investment Management Fees	Transaction Costs	Net Investment Income (Loss)
EQUITIES						
Canada						
Public equities	$ 178	$ 5,707	$ 5,885	$ (1)	$ (23)	$ 5,861
Private equities	30	100	130	(17)	–	113
	208	5,807	6,015	(18)	(23)	5,974
Foreign developed markets						
Public equities	706	6,135	6,841	(37)	(49)	6,755
Private equities	178	(1,175)	(997)	(220)	(7)	(1,224)
	884	4,960	5,844	(257)	(56)	5,531
Emerging markets						
Public equities	115	1,946	2,061	(1)	(2)	2,058
Private equities	1	38	39	(27)	–	12
	116	1,984	2,100	(28)	(2)	2,070
	1,208	12,751	13,959	(303)	(81)	13,575
FIXED INCOME						
Bonds	1,320	84	1,404	–	–	1,404
Other debt	124	1,337	1,461	(13)	(1)	1,447
Money market securities[5]	108	385	493	(84)	(7)	402
Debt financing liabilities	(2)	–	(2)	–	–	(2)
	1,550	1,806	3,356	(97)	(8)	3,251
INFLATION-SENSITIVE ASSETS						
Public real estate	7	95	102	–	(1)	101
Private real estate	406	(1,141)	(735)	(60)	(27)	(822)
Infrastructure	267	(512)	(245)	(6)	(31)	(282)
Inflation-linked bonds	13	382	395	–	–	395
	693	(1,176)	(483)	(66)	(59)	(608)
TOTAL	$ 3,451	$ 13,381	$ 16,832	$ (466)	$ (148)	$ 16,218

1 Includes interest income, dividends, private real estate operating income (net of interest expense), and interest expense on the debt financing liabilities.

2 Includes realized gains and losses from investments, unrealized gains and losses on investments held at the end of the year, and other investment-related expenses.

3 Includes foreign exchange losses of $1,403 million (2010 – $10,052 million).

4 Includes net unrealized gains of $1,307 million (2010 – unrealized losses of $1,257 million) which represents the change in fair value estimated on direct investments in private equities, infrastructure, private real estate, private debt and certain derivatives, where the fair value is derived primarily from assumptions based on non-observable market data.

5 Includes absolute return strategies.

9. OPERATING EXPENSES

(A) GENERAL OPERATING EXPENSES

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

($ MILLIONS)	2011	2010
Operational business services	$ 31.0	$ 27.3
Premises	16.4	14.1
Amortization of premises and equipment	16.1	10.3
Custodial fees	12.2	14.2
Travel and accommodation	6.0	4.5
Communications	1.6	1.8
Directors' remuneration	0.7	0.7
Other	1.1	(0.2)
TOTAL	$ 85.1	$ 72.7

(B) PROFESSIONAL SERVICES

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

($ MILLIONS)	2011	2010
Consulting	$ 21.0	$ 12.5
Legal	5.7	2.8
External audit and audit-related services[1]	1.2	2.4
Tax services	0.6	0.6
TOTAL	$ 28.5	$ 18.3

[1] Includes fees paid to the external auditors of the CPP Investment Board for audit services of $1.1 million (2010 – $1.3 million), audit-related services of $0.1 million (2010 – $0.1 million), and the Special Examination carried out pursuant to the Act of $nil (2010 – $1.0 million).

10. INVESTMENT RISK MANAGEMENT

The CPP Investment Board is exposed to a variety of financial risks as a result of its investment activities. These risks include market risk, credit risk and liquidity risk. The CPP Investment Board manages and mitigates financial risks through the Risk/Return Accountability Framework that is contained within the investment policies approved by the board of directors at least once every fiscal year. This framework contains risk limits and risk management provisions that govern investment decisions and has been designed to achieve the mandate of the CPP Investment Board which is to invest its assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day.

Included within the Risk/Return Accountability Framework is an active risk limit which represents a limit on the amount of investment risk that the CPP Investment Board can take relative to the CPP Reference Portfolio. The CPP Reference Portfolio is approved by the board of directors and serves as a performance benchmark against which the CPP Investment Board's value-added activities are measured. It represents a low-cost strategic alternative to the CPP Investment Portfolio. The objective of the CPP Investment Board is to create value-added investment returns greater than the returns that would be generated by the CPP Reference Portfolio. The CPP Investment Board monitors the active risk in the CPP Investment Portfolio daily and reports active risk exposures to the board of directors on at least a quarterly basis. Financial risk management is discussed in greater detail on page 29 in the Risk/Return Accountability Framework section of Management's Discussion and Analysis in the 2011 annual report.

(i) **Market Risk:** Market risk (including currency risk, interest rate risk and equity price risk) is the risk that the fair value or future cash flows of an investment or investment liability will fluctuate because of changes in market prices and rates. As discussed previously, the CPP Investment Board manages market risk through the Risk/Return Accountability Framework. This includes investing across a wide spectrum of asset classes and investment strategies to earn a diversified risk premium at the total fund level, based on risk limits established in the investment policies. In addition, derivatives are used, where appropriate, to manage certain market risk exposures. Market risk is comprised of the following:

Currency Risk: The CPP Investment Board is exposed to currency risk through holdings of investments or investment liabilities in various currencies. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value or future cash flows of these investments and investment liabilities.

In Canadian dollars, the net underlying currency exposures, after allocating foreign currency derivatives, as at March 31 are as follows:

	2011		2010	
CURRENCY ($ MILLIONS)	Net Exposure	% of Total	Net Exposure	% of Total
United States Dollar	**$ 42,419**	**54%**	$ 35,121	55%
Euro	**12,005**	**15**	9,936	15
British Pound Sterling	**7,689**	**10**	4,430	7
Australian Dollar	**4,743**	**6**	2,345	4
Japanese Yen	**4,173**	**5**	5,365	8
Hong Kong Dollar	**1,576**	**2**	1,537	2
Swiss Franc	**834**	**1**	1,432	2
Other	**5,382**	**7**	4,292	7
TOTAL	**$ 78,821**	**100%**	$ 64,458	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 are exposed to interest rate risk.

Equity Price Risk: Equity 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.

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

Value at Risk

CPP Investment Board uses Value at Risk ("VaR") methodology to monitor market risk exposure and credit risk exposure (see note 10(ii)) in the CPP Investment Portfolio. VaR is a statistical technique that is used to estimate the potential loss in value of an investment as a result of movements in market rates and prices over a specified time period and for a specified confidence level.

VaR is valid under normal market conditions and does not specifically consider losses arising from severe market events. It also assumes that historical market data is a sound basis for estimating potential future losses. If future market conditions and interrelationships of interest rates, foreign exchange rates and market prices differ significantly from those of the past, then the actual losses could materially differ from those estimated. The

VaR measure provides an estimate of a single value in a distribution of potential losses that the CPP Investment Portfolio could experience. It is not an estimate of the worst-case scenario.

Market VaR calculated by the CPP Investment Board is estimated using a historical simulation method, evaluated at a 90% confidence level and scaled to a one-year holding period. The significant assumption used in this method is the incorporation of the most recent 10 years of weekly market returns.

Credit VaR is estimated using a Monte Carlo simulation incorporating a one-year investment horizon. Significant assumptions under this method include using the most recent two-years' market factor indices to determine ratings based correlations between defaults and downgrades of credit exposures, and using empirically derived ratings transition and default rates. In order to estimate Credit VaR, a sufficient number of scenarios are generated to simulate the low probability credit events that materially impact the value distribution.

Under the historical and Monte Carlo simulation methods for estimating VaR, it is also assumed that the public market proxies used to represent private market investment returns (e.g. those for private real estate and private equities) are reasonable for estimating their contribution to the VaR.

Market and Credit VaR are estimated at the same confidence level and are combined using an appropriate positive correlation approved by the Investment Planning Committee ("IPC") to provide an Integrated Active Risk number.

The CPP Investment Board monitors the active risk of the CPP Investment Portfolio relative to the CPP Reference Portfolio. Changes in active risk are largely independent of changes in VaR in the CPP Reference Portfolio and CPP Investment Portfolio.

As at March 31, VaR, at a 90% confidence level, indicates that one year in 10 the portfolio can be expected to lose at least the following amounts:

	2011	
($ MILLIONS)	VaR	% of CPP Investment Portfolio[1]
CPP Reference Portfolio	**$ 14,612**	**9.9%**
CPP Investment Portfolio Active Market Risk	**$ 2,835**	**1.9%**
CPP Investment Portfolio[2]	**$ 16,400**	**11.1%**
CPP Investment Portfolio Credit VaR	**$ 415**	**0.3%**
CPP Investment Portfolio Integrated Active Market and Credit VaR[3]	**$ 2,946**	**2.0%**

	2010	
($ MILLIONS)	VaR	% of CPP Investment Portfolio[1]
CPP Reference Portfolio	$ 12,998	10.2%
CPP Investment Portfolio Active Market Risk	$ 1,583	1.2%
CPP Investment Portfolio[2]	$ 13,487	10.6%
CPP Investment Portfolio Credit VaR	$ 334	0.3%
CPP Investment Portfolio Integrated Active Market and Credit VaR[3]	$ 1,682	1.3%

1 Excludes certain assets where the market risk exposure is not monitored using VaR, such as the assets of the Cash for Benefits Portfolio which is a separately managed short-term cash management program designed to facilitate monthly benefit payments by the CPP.

2 CPP Investment Portfolio VaR is less than the sum of the CPP Reference Portfolio VaR and CPP Investment Portfolio Active Market Risk due to the beneficial impact of risk diversification.

3 Market and Credit VaR are combined using an assumed positive correlation under normal market conditions.

(ii) **Credit Risk:** Credit risk is the risk of financial loss due to a counterparty failing to meet its contractual obligations, or a reduction in the value of the assets due to a decline in the credit quality of the borrower, counterparty, guarantor or the assets (collateral) supporting the credit exposure. The CPP Investment Board's most significant exposure to credit risk is its investment in debt securities and over-the-counter derivatives (as discussed in note 3f). The carrying amounts of these investments as presented in the Consolidated Statement of Investment Portfolio represent the maximum credit risk exposure at the balance sheet date.

The Credit Committee, a sub-committee of the IPC, which is chaired by the Chief Operations Officer, is accountable for ensuring that credit risks and credit exposures are identified, measured and monitored regularly, independently of the investment departments, and communicated at least monthly to the IPC and at least quarterly to the board of directors. The IPC, chaired by the Chief Investment Strategist, is accountable for monitoring and managing the total portfolio strategic risk exposures and providing strategic direction to the investment departments. The Credit Committee's primary focus is on emerging risks that may impact the credit exposures of the CPP Investment Board, including analysis of credit risks that may not be adequately captured within current credit risk models or credit exposure calculations. Such risks include correlation risk, market risk related to credit spread movements, and funding and liquidity risks from a credit point of view. Credit risk measurement and reporting are performed by professional risk managers within the Investment Risk Management group ("IRM"). IRM provides qualitative and quantitative analysis and oversight of credit risk, monitoring exposure limits, augmented by detailed analysis of single-name and sector exposures. Credit VaR is the common measure of credit risk across all investment strategies. IRM works closely with the investment departments to provide an evaluation of the credit risk created by significant transactions. Detailed reports of credit risk and counterparty exposures are provided weekly to management and at least monthly to the Credit Committee and the IPC.

The CPP Investment Board manages credit risk by setting overall credit exposure limits by credit rating category. The board of directors approves the credit exposure limits at least once every fiscal year. Counterparties are assigned a credit rating as determined by a recognized credit rating agency, where available, and/or as determined through an internal credit rating process. Where the internal credit rating is lower than the rating determined by a recognized credit rating agency, the internal credit rating will prevail. Credit exposure to any single counterparty is limited to maximum amounts as specified in the investment policies. The Credit Committee has also established single-name sub-limits within the credit exposure limits to mitigate risks arising from concentrated exposures to certain counterparties. IRM measures and monitors sub-limits and credit exposure limits daily for compliance and reports to the Credit Committee and IPC at least monthly, or more frequently as necessary.

The fair value of debt securities and over-the-counter derivatives exposed to credit risk, by credit rating category and without taking account of any collateral held or other credit enhancements as at March 31 are as follows:

	2011						
CREDIT RATING ($ MILLIONS)	Bonds[1,2]	Money Market Securities[1]	Reverse Repurchase Agreements[1,4]	Over-the-Counter Derivatives	Other[1,3]	Total	% of Total
AAA/R-1 (high)	$ 13,046	$ 12,492	$ 2,503	$ 655	$ –	$ 28,696	47%
AA/R-1 (mid)	18,763	1,332	–	196	–	20,291	34
A/R-1 (low)	5,323	2,665	–	64	–	8,052	13
BBB/R-2 (low)	552	–	–	–	258	810	1
BB/R-3	364	–	–	–	828	1,192	2
B/R-4	5	–	–	–	1,875	1,880	3
CCC	–	–	–	–	98	98	–
TOTAL	$ 38,053	$ 16,489	$ 2,503	$ 915	$ 3,059	$ 61,019	100%

	2010						
CREDIT RATING ($ MILLIONS)	Bonds[1,2]	Money Market Securities[1]	Reverse Repurchase Agreements[1,4]	Over-the-Counter Derivatives	Other[1,3]	Total	% of Total
AAA/R-1 (high)	$ 16,745	$ 11,281	$ 1,501	$ 423	$ –	$ 29,950	54%
AA/R-1 (mid)	16,379	2,052	–	211	–	18,642	33
A/R-1 (low)	3,262	–	2,502	28	–	5,792	10
BBB/R-2 (low)	500	–	–	–	–	500	1
BB/R-3	253	–	–	–	250	503	1
B/R-4	–	–	–	–	667	667	1
CCC	–	–	–	–	5	5	–
TOTAL	$ 37,139	$ 13,333	$ 4,003	$ 662	$ 922	$ 56,059	100%

1 Includes accrued interest.

2 Includes inflation-linked bonds.

3 Includes direct investments in private debt.

4 As at March 31, 2011, fixed income securities with a fair value of $2,561 million (2010 – $4,088 million) and a AAA credit rating were received as collateral which mitigates the credit risk exposure on the reverse repurchase agreements (see note 3h).

Credit risk exposure on over-the-counter derivatives is mitigated through the use of master netting arrangements and collateral. Master netting arrangements are entered into with all counterparties so that, if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. Credit support annexes are negotiated with certain counterparties and require that collateral, in the form of cash or fixed income securities, be provided to the CPP Investment Board when the positive fair value of the derivative contract exceeds certain threshold amounts. As at March 31, 2011, master netting arrangements and collateral held reduced the credit risk exposure to over-the-counter derivatives from $915 million to $326 million (2010 – $662 million to $455 million).

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

(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 investment commitments and investment liabilities as they come due. The CPP Investment Board mitigates liquidity risk through its unsecured credit facilities (see note 5) available in the amount of $1.5 billion (2010 – $1.5 billion) and the ability to readily dispose of certain investments that are traded in an active market. These include a liquid portfolio of publicly-traded equities, money market securities, marketable bonds and inflation-linked bonds.

The CPP Investment Board is also exposed to liquidity risk through its responsibility for providing cash management services to the CPP (see note 7). In order to manage liquidity risk associated with this short-term cash management program, certain assets are segregated and managed separately. Liquidity risk is also managed by investing these assets in liquid money market instruments with the primary objective of ensuring the CPP has the necessary liquidity to meet benefit payment obligations on any business day.

11. COMMITMENTS

The CPP Investment Board has entered into commitments related to the funding of investments. These commitments are generally payable on demand based on the funding needs of the investment subject to the terms and conditions of each agreement. As at March 31, 2011, the commitments total $16.3 billion (2010 – $18.0 billion).

As at March 31, 2011, the CPP Investment Board has made lease and other commitments of $37.7 million (2010 – $39.5 million) that will be paid over the next seven years.

12. GUARANTEES AND INDEMNIFICATIONS

GUARANTEES

As part of certain investment transactions, the CPP Investment Board has agreed to guarantee, as at March 31, 2011, up to $0.6 billion (2010 – $0.6 billion) to other counterparties in the event certain subsidiaries and other entities default under the terms of loan and other related agreements.

INDEMNIFICATIONS

The CPP Investment Board provides indemnifications to its officers, directors, certain others and, in certain circumstances, to various counterparties and other entities. The CPP Investment Board may be required to compensate these indemnified parties for costs incurred as a result of various contingencies such as changes in laws and regulations and litigation claims. The contingent nature of these indemnification agreements prevents the CPP Investment Board from making a reasonable estimate of the maximum potential payments the CPP Investment Board could be required to make. To date, the CPP Investment Board has not received any claims nor made any payments pursuant to such indemnifications.

BOARD OF DIRECTORS

ROBERT M. ASTLEY, CHAIR [1*,2]
Fellow, Canadian Institute of Actuaries
Waterloo, Ontario
Director since September 2006
Appointed Chair effective October 2008
Former president of Sun Life Financial Canada, former president and CEO of Clarica Life Insurance Company. Director of the Bank of Montreal and chair of its human resources 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.

IAN A. BOURNE [1,2,3*]
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. Over 35 years of experience in senior finance roles at TransAlta, General Electric and Canada Post Corporation. Chair of Ballard Power Systems Inc. Director of Canadian Oil Sands Limited, Wajax Corporation, SNC Lavalin Group, and the Canadian Public Accountability Board. 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.

ROBERT L. BROOKS [1,3]
Corporate Director
Toronto, Ontario
Director since January 2009
Former vice-chair and group treasurer of the Bank of Nova Scotia, the culmination of a 40-year career with the bank serving in a succession of senior investment banking, finance and treasury roles. Director of Dundee Wealth and Hamilton Capital Partners Inc. Former director of numerous Scotiabank subsidiaries including Scotia Discount Brokerage, Inc., Scotia Life Insurance Company, ScotiaMcLeod, Inc. and Scotia Cassels Investment Counsel Ltd. Qualifications include more than 40 years of financial industry experience as a bank executive dealing with finance, risk management, pension fund asset mix, investment strategies, treasury functions and international operations.

PIERRE CHOQUETTE [1,2,4**]
Corporate Director
Vancouver, British Columbia
Director since February 2008
Director 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.

MICHAEL GOLDBERG [1,2,3]
Economist, Ph.D.
Vancouver, British Columbia
Director since February 2008
Former Chief Academic Officer, Universitas 21 Global, an online graduate school initiated by Universitas 21, an international network of 20 research-intensive universities. 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 of Geovic Mining Corporation and Chair of the Human Resources and Compensation Committee. Former director of China Enterprises Limited, Redekop Properties Ltd., Vancouver Land Corporation, Catamaran Ferries International Inc., Imperial Parking Limited and Lend Lease Global Properties Fund, a Luxembourg-based fund investing in properties in Europe and Asia. Ph.D. (Economics) from the University of California at Berkeley. Qualifications include expertise in global real estate investments and urban infrastructure and experience on boards as a director serving on audit and compensation committees.

PETER K. HENDRICK [1,3]
Chartered Accountant, Chartered Financial Analyst
Toronto, Ontario
Director since October 2004
Former executive vice-president of investments and chief investment officer of Mackenzie Financial Corporation. Former vice-president and director of CIBC Wood Gundy Securities Inc. (now CIBC World Markets) in the Corporate Finance, Institutional Equity and Capital Markets divisions. Former lecturer at the Graduate School of Business Administration at Harvard University in the area of management and financial accounting relating to financial controls. Qualifications include experience in equities trading, due diligence reviews, securities regulation, derivatives, hedging, risk analysis and performance measurement from roles at Mackenzie Financial and CIBC World Markets, and audit experience from Ernst & Young.

NANCY HOPKINS [1,2*]
Lawyer
Saskatoon, Saskatchewan
Director since September 2008
Partner with the law firm McDougall Gauley LLP, specializing in taxation law and corporate governance. Chair of the Saskatoon Airport Authority and Chair of the University of Saskatchewan board of governors. Director of Cameco Corporation, chairing the nominating, governance & risk committee. Director of GrowthWorks Canadian Fund Ltd. and GrowthWorks Opportunity Fund Inc., chairing the audit and independent review committees. Former chair of SGI Canada, a Saskatchewan Crown corporation, and of the Saskatchewan Police Commission. Appointed Queen's Counsel in 1992. Qualifications include more than 30 years of legal experience with expertise in taxation, governance and information technology, experience in government interface and as a director in multiple stakeholder organizations.

DOUGLAS W. MAHAFFY [1,4]
Corporate Director
Toronto, Ontario
Director since October 2009
Recently retired Chairman and chief executive officer of McLean Budden Ltd., an institutional money management firm. Former managing director and head of investment banking (Ontario) of Merrill Lynch Canada Inc., and former senior vice-president, finance and chief financial officer of Hudson's Bay Company. Current director at Methanex Corporation and former director at Stelco Inc. and Woodward's Ltd. Current chairman at Drumlane Capital, a personally owned investment firm. Qualifications include more than 25 years of investment industry, general management, and mergers and acquisitions experience.

ELAINE MCKINNON [1,3]
Certified General Accountant
Quispamsis, New Brunswick
Director since January 2009
CFO and COO of Brovada Technologies, a Saint John-based software provider. Served in senior positions with xwave, a division of Bell Aliant, Aliant Inc., Prexar LLC., Bruncor Inc., and as president and CEO of Datacor Atlantic Corp. Director of Efficiency NB, a Crown corporation that promotes energy efficiency in New Brunswick. Qualifications include more than 20 years of IT and telecommunications industry experience in key leadership roles, experience in mergers and acquisitions, corporate finance and human resources, and expertise as a Certified General Accountant.

HEATHER MUNROE-BLUM [1,4]
Principal and Vice-Chancellor of McGill University
Montreal, Quebec
Director since December 2010
Former Vice-President of Research and International Relations, and Professor and Dean at the University of Toronto. Also former Assistant Professor at McMaster University and York University. Current non-executive roles include board memberships or other advisory responsibilities with the Pierre Elliott Trudeau Foundation, Yellow Media Inc., Association of American Universities, U.S. National Research Council's Committee on Research Universities, Conference of Montreal, Association of Universities and Colleges of Canada, Conférence des recteurs et des principaux des universités du Québec, Canada Foundation for Innovation, and the Science, Technology and Innovation Council of Canada. Previous non-executive roles include, among others, ones with Hydro One Inc., Four Seasons Hotels & Resorts, Nestlé Canada, Board of Trade of Metropolitan Montreal, Council of Canadian Academies, Montreal International, Universities Research Association, Alcan Inc., Medical Research Council of Canada, Sir Mortimer B. Davis Jewish General Hospital, Neurosciences Canada, the Conference Board of Canada and Visible Genetics. Qualifications include 22 years of senior management experience, concentrated in the higher education and research sectors, which includes serving as a board director on executive, human resources and compensation, governance, investment, and finance committees across the public and private sectors.

RONALD E. SMITH [1,4***]
Fellow, Institute of Chartered Accountants of Nova Scotia
Yarmouth, Nova Scotia
Director since November 2002
Former senior vice-president and CFO of Emera, Inc., a Halifax-based energy company. Former CFO of Aliant Telecom Inc. and its predecessor, Maritime Telephone & Telegraph Ltd. Member of Gammon Gold Inc. board of directors and member of the Accounting Standards Oversight Council. Former chair of the Board of Governors of Acadia University. Former partner Ernst & Young. Qualifications include extensive experience in investment, finance and compensation.

D. MURRAY WALLACE [1,4]
Fellow, Institute of Chartered Accountants of Ontario
London, Ontario
Director since April 2007
CEO of Granite Global Solutions, an insurance services company, since August 1, 2009. Chairman and CEO of Park Street Capital Corporation, a personally owned investment and corporate advisory firm. Former president of Axia NetMedia Corporation. Director of Terravest Income Fund and Critical Outcome Technologies Inc. Former director of Western Surety Ltd., Ontario Hydro, London Insurance Group, IPSCO Inc., Crown Life Insurance Co. and Queen's University School of Business (Advisory Committee), among others. Former Deputy Minister of Finance and Deputy Minister to the Premier for the Government of Saskatchewan. Qualifications include expertise as a chartered accountant, senior-level financial experience from five years as President of Avco Financial Services Canada Ltd. and eight years in executive roles with companies in the Trilon Financial Group, experience in public pension plan management and interface with government.

1 Investment Committee
2 Governance Committee
3 Audit Committee
4 Human Resources and Compensation Committee

* Indicates chair position.
** Chair effective May 14, 2010.
*** Chair of the Human Resources and Compensation Committee until May 13, 2010.

For more information on our board members please visit our website at www.cppib.ca.

GOVERNANCE PRACTICES OF THE BOARD OF DIRECTORS

This section sets out certain key governance practices of the board of directors. More extensive governance information is posted on our website.

ENSURING BEST PRACTICES

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

DUTIES, OBJECTIVES AND MANDATE OF THE BOARD OF DIRECTORS

The board is responsible for the stewardship of the CPP 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 CEO and annually review his or her performance; set compensation policies and approve senior management compensation; determine with management the organization's strategic direction; review and approve investment policies, standards and procedures; approve investment risk limits; review and approve the annual business plan and budget; appoint the external auditor; establish procedures to identify and resolve conflicts of interest; establish a code of conduct for directors and employees; assess the performance of the board itself including an annual Chair and peer review; establish disclosure and other policies; and review and approve material disclosures such as quarterly and annual financial statements and the annual report. In addition, the directors approve large investment transactions that exceed management's delegated authority and regularly review results of investment decisions. A detailed description of the activities of the board committees is found on page 123.

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 mandate. This mandate is 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 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, no such reports of interference have been made.

CPPIB's code of conduct provides that board members shall not participate in any political activity that could be incompatible with their duties, impact their ability to carry out their duties in a politically impartial fashion or cast doubt on the integrity, objectivity or impartiality of the organization.

DIRECTOR APPOINTMENT PROCESS

The director appointment 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 federal Governor in Council on the recommendation of the federal finance minister, following the minister's consultation with the finance ministers of the participating provinces and assisted by an external nominating committee with private-sector involvement. In line with Treasury Board recommendations for Crown corporations, CPPIB provides assistance in the identification of desirable director competencies and retains and manages an executive search firm to source qualified candidates for consideration.

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

As part of this director search process, the board of directors determines the key skills or areas of expertise required by the board as a whole, and conducts a formal gap analysis before determining the desirable competencies of a new director.

These are then used to set search qualifications to guide the search. Detailed biographies of the CPPIB board of directors are on pages 120 and 121 and identify each director's background and business or financial experience.

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 83.

The Investment Committee oversees the CPP Investment Board's core 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's oversight of financial reporting includes reviewing the Management's Discussion and Analysis section of the annual report, reviewing and recommending the financial content of the annual report, and monitoring the external and internal audit. This also involves appointing the internal auditor and recommending the external auditor for appointment by the board. As a related matter, the Audit Committee also reviews information systems and internal control policies and practices. The Audit Committee 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 the Investment Committee. The Audit Committee regularly meets separately with each of the external and internal auditors without management present.

The Governance Committee ensures that CPP Investment Board follows appropriate governance best practices and is involved in preparing and recommending this governance practices section of the annual report. The committee monitors application of the code of conduct and recommends amendments, ensures on an ongoing basis that the board's governance documents reflect governance best practices, makes recommendations to the board to improve the board's effectiveness, oversees the design of director orientation and ongoing director education programs, reviews criteria and qualifications for new directors, recommends compensation for the Chair and directors, and establishes, recommends and is involved in performance evaluation processes for the Chair, individual directors, board committees and the board.

The Human Resources and Compensation Committee (HRCC) administers the performance evaluation process for the CEO, reviews and recommends the compensation framework, reviews organizational structure and ensures proper succession planning. It also oversees employee benefits and human resources policies and the employee pension plans. The role of the HRCC is further outlined in the Compensation Discussion and Analysis beginning on page 66.

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

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 the advance provision to the new director of external background material and intensive interaction at the session between the new directors and management. Several directors have attended the orientation session a second time to assist in the orientation and also further solidify their knowledge of the organization.

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 featuring both external and internal experts.

In fiscal 2011, these education seminars included sessions on: the evolution of the U.S. financial regulatory system and possible global impacts; analysis of the structure of, issues arising from, and options available in respect of Canada's retirement income system; overview of the sovereign wealth funds landscape; review of private equity and relevant success factors; and review of the equity risk premium concept and its role in the design and management of investment portfolios. The Chief Actuary of Canada also presented a session on the findings of the 25th CPP Actuarial Report which was released in late 2010, dated as at December 31, 2009. The board is also supportive of director attendance at outside conferences, seminars and forums.

A COMMITMENT TO ACCOUNTABILITY

PROCEDURES FOR THE ASSESSMENT OF BOARD PERFORMANCE

Soon after its inception in October 1998, the board established an annual process for evaluating its own performance and that of its committees, the performance of the Chair, and the performance of each director. All assessments are conducted through confidential questionnaires. Summaries of the results of the board and committee evaluations are reviewed by the full board and provide a basis for action plans for improvement. The confidential annual Chair review is led by the chair of the Governance Committee who, subject to the direction of the board, provides feedback to the Chair. The feedback is also relevant to the issue of re-appointment of the Chair when his or her term expires. The confidential annual peer review is led by the Chair, and designed to assist each director in identifying self-development initiatives and assist in providing the external nominating committee with guidance when it considers individual re-appointments. After receipt of relevant questionnaire feedback, the Chair meets formally with each director as part of the board and individual director assessment process. The board continues to refine and bolster these procedures each year.

To ensure independence among directors, the board of directors also follows best practices by monitoring interlocking relationships including board and committee interlocks. We currently have one board and committee interlock whereby Pierre Choquette and Douglas Mahaffy both serve on the board of Methanex Corporation and sit together on the Human Resources and Compensation Committee.

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, which appropriately manages any conflicts of interest, and to adhere to a stringent code of conduct.

Management is charged with developing benchmarks that objectively measure the performance of the markets and asset classes in which CPP assets are invested. Once approved by the board, benchmarks assist the board in evaluating management's investment performance and structuring performance-based compensation incentives.

The implementation of the CPP Reference Portfolio in fiscal 2007 established a relevant benchmark for the CPP Fund. This has enabled management to more precisely measure total CPP Fund value-added returns, enabling the board to tailor compensation more precisely to performance. The CPP Reference Portfolio is reviewed on an ongoing basis to ensure that it continues to reflect the passive, low-cost, low-complexity portfolio that would best contribute to the achievement of the CPP Investment Board's mandate.

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

TOTAL COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The total compensation of directors, including meeting and travel fees, is provided in the Compensation Discussion and Analysis on page 84.

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 next three most highly compensated officers of the CPP Investment Board is detailed on page 79 of the annual report. Management compensation is predominantly incentive-based through calculations that link pay to performance, and is reviewed annually by the board. Incentive compensation is awarded based on the achievement of a combination of personal objectives and four-year rolling average investment performance and is composed of short- and long-term incentives. A focus on CPP Fund performance functions as a check on individual risk-taking in pursuit of value-added results.

The CPP Reference Portfolio benchmark enables the board to tailor management 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, management compensation is detailed at length in our Compensation Discussion and Analysis on page 70.

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, or have the potential 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, perceived or potential conflict of interest is required, and any involvement in relevant decision-making is prohibited should those circumstances arise. Further, directors are expected to resign from the board if they take on executive responsibilities with an organization whose objectives and mandates may be, or may reasonably be perceived to be, in conflict with the objectives and mandate 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. 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 and complete an online training module to confirm their understanding of the code and their ability to apply it in day-to-day operations.

When the board hires or conducts annual performance reviews of the CEO, it takes into consideration the individual's leadership championing and fostering of a culture of Integrity, Partnership and High Performance, as well as 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, employees and relevant third parties on a confidential basis.

TEN-YEAR REVIEW

FOR THE YEAR ENDED MARCH 31 ($ BILLIONS)	**2011**	2010	2009	2008	2007	2006	2005	2004	2003	2002
CHANGE IN NET ASSETS										
Income[1]										
Investment income	**15.5**	16.2	(23.6)	(0.3)	13.1	13.1	6.3	10.3	(1.1)	2.3
Operating expenses	**(0.3)**	(0.2)	(0.2)	(0.1)	(0.1)	–	–	–	–	–
Net contributions	**5.4**	6.1	6.6	6.5	5.6	3.6	4.5	4.6	3.1	2.6
Increase in net assets	**20.6**	22.1	(17.2)	6.1	18.6	16.7	10.8	14.9	2.0	4.9

AS AT MARCH 31 ($ BILLIONS)	**2011**	2010	2009	2008	2007	2006	2005	2004	2003	2002
INVESTMENT PORTFOLIO										
EQUITIES										
Canada	**21.0**	18.5	15.6	28.9	29.2	29.0	27.7	22.6	11.7	10.0
Foreign developed markets	**50.8**	46.2	40.4	47.5	46.1	32.7	20.9	9.3	5.4	4.1
Emerging markets	**7.6**	6.5	4.6	0.7	–	–	–	–	–	–
FIXED INCOME										
Bonds	**37.6**	35.4	28.4	30.2	29.2	27.2	28.6	30.2	31.0	32.6
Other debt	**6.1**	3.5	1.8	1.1	–	–	–	–	–	–
Money market securities[2]	**2.3**	1.7	(0.8)	–	0.4	0.6	3.1	7.7	7.2	6.8
Debt financing liabilities	**(1.4)**	(1.3)	–	–	–	–	–	–	–	–
INFLATION-SENSITIVE ASSETS										
Real estate[3]	**10.9**	7.0	6.9	6.9	5.7	4.2	0.8	0.7	0.3	0.1
Infrastructure	**9.5**	5.8	4.6	2.8	2.2	0.3	0.2	–	–	–
Inflation-linked bonds	**3.9**	4.4	4.1	4.7	3.8	4.0	–	–	–	–
INVESTMENT PORTFOLIO[4]	**148.3**	127.7	105.6	122.8	116.6	98.0	81.3	70.5	55.6	53.6
PERFORMANCE										
Rate of return (annual)[5]	**11.9%**	14.9%	-18.6%	-0.3%	12.9%	15.5%	8.5%	17.6%	-1.5%	4.0%

1 Included in the CPP Fund are certain specified CPP assets which were previously administered by the federal government and transferred to the CPP Investment Board over a period that began on May 1, 2004, and ended on April 1, 2007. Since April 1, 1999, the CPP Fund has earned $55.0 billion in investment income net of operating expenses, which is comprised of $39.8 billion from the CPP Investment Board and $15.2 billion from assets historically administered by the federal government.

2 Includes amounts receivable/payable from pending trades, dividends receivable, accrued interest and absolute return strategies.

3 Net of debt on real estate properties.

4 Excludes non-investment assets such as premises and equipment and non-investment liabilities.

5 Commencing in fiscal 2007, the rate of return reflects the performance of the investment portfolio which excludes the Cash for Benefits portfolio.

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MANAGEMENT TEAM

DAVID F. DENISON
President and Chief Executive Officer

MARK D. WISEMAN
Executive Vice-President
Investments

ANDRÉ BOURBONNAIS
Senior Vice-President
Private Investments

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

IAN M.C. DALE
Senior Vice-President
Communications and Stakeholder Relations
(retired on March 31, 2011)

GRAEME M. EADIE
Senior Vice-President
Real Estate Investments

SAYLOR MILLITZ-LEE
Senior Vice-President
Human Resources

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

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

NICHOLAS ZELENCZUK
Senior Vice-President and Chief Financial Officer

LISA BAITON
Vice-President
Stakeholder and Government Relations

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

SUSAN BELLINGHAM
Vice-President
Business Planning and Enterprise Risk Management
(joined April 11, 2011)

ALAIN BERGERON
Vice-President and Head of Global Tactical Asset Allocation (GTAA)
(effective April 1, 2011)

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

ALAIN CARRIER
Managing Director (Europe) and Head of Infrastructure

EDWIN D. CASS
Vice-President and Head of Global Corporate Securities

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

JIM FASANO
Vice-President and Head of Principal Investing

STERLING GUNN
Vice-President and Head of Quantitative Research

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

JAMES HUGHES
Vice-President
Investment Risk
(joined May 16, 2011)

MARK JENKINS
Vice-President and Head of Private Debt

MALCOLM KHAN
Vice-President
Investment Operations
(joined May 2, 2011)

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

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

JIMMY PHUA
Vice-President and Head of Real Estate Investments (Asia)
(effective April 1, 2011)

CHRIS ROPER
Vice-President and Head of Short Horizon Alpha

GEOFFREY RUBIN
Vice-President and Head of Portfolio Management

ROB SPINDLER
Vice-President and Head of Tax Services

CHERYL SWAN
Vice-President and Head of Treasury Services

JENNIFER THOMPSON
Vice-President and Head of Information Services

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

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