CBC Pension Plan

Annual Report 2002

CBC Radio-Canada

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PROFILE

The Canadian Broadcasting Corporation Pension Plan (the Plan) was established by the Canadian Broadcasting Corporation (CBC) effective September 1, 1961, pursuant to the Broadcasting Act. The Plan is primarily a contributory defined benefit pension plan covering substantially all employees of the CBC. The Plan also incorporates an additional contributory component at no cost to the Plan which provides employees the flexibility to improve the provisions determining the calculation of their benefit through tax-deductible contributions. The Plan is federally regulated and is governed by the provisions of the Pension Benefits Standards Act (the "Act"), and the Regulations thereof.

The assets of the Plan are administered by the CBC Pension Board of Trustees by virtue of the Trust Deed between the CBC and the Trustees.

The primary purpose of the Plan is to provide defined benefits for its members in accordance with the Trust Deed and other documents from time to time describing the Plan.

The CBC Pension Board of Trustees, directly or through agents retained by it, is responsible for investing the Fund and in doing so, identifies and pursues investment opportunities in accordance with the Act, the regulations and the Fund's Statement of Investment Policy and Procedures.

The investment objective of the Fund over the long term (e.g. 10 year period) is consistently to achieve time weighted average annual rates of return which exceed the increases in the consumer price index by a minimum of 3.75%. The Fund Manager's objective is to generate returns after deductions for management fees and administrative costs related to the investment activity that equal the annual average increase in a benchmark portfolio plus 0.5%, on a four-year moving average basis. The benchmark return is calculated by combining the return of the asset class benchmark indices in the proportions in which they are represented in the Fund's asset mix.

The long-term asset mix of the Fund is: 55% equities, 34% fixed income and 11% strategic which includes property and private placements.

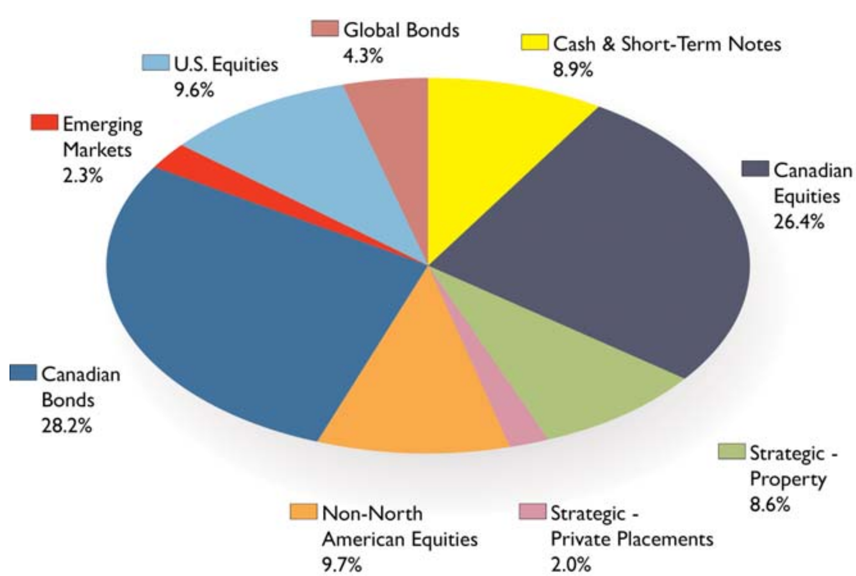
Overview of the Year's Financial Operations

The Fund's net assets available for benefits decreased $346.1 million (9.5%) from $3,653.5 million at December 31, 2001 to $3,307.4 million at December 31, 2002. The decrease is primarily attributed to a change in fair value of investments totalling $333.4 due to the ongoing downturn in world financial markets.

Over the year, the funding excess, which is the actuarial value of net assets available for benefits less the accrued pension benefits, decreased by $416.8 million from $659.6 million in 2001 to $242.8 million at the end of 2002.

For the year ending December 31, 2002, the one year rate of return was -5.50% as compared to -5.53% for the benchmark return, and 3.90% over a four year period as compared to 3.16% for the benchmark. For the ten year period ending on the same date, the time weighted compound annual rate of return for the Fund was 8.5%. The consumer price index increase at the equivalent of a compound annual rate of 1.8% during the same ten year period.

Asset Mix at Fair Value
as at December 31, 2002



TRUSTEES REPORT

FINANCIAL HEALTH OF THE PLAN

The year 2002 did not provide any relief from the financial market downturn. The threat of war in Iraq, terrorism and corporate governance issues all contributed to the ongoing and expanding worldwide market malaise. These factors no doubt contributed to the negative returns experienced by all the major financial markets. The CBC Pension Fund was not immune from negative returns. As the decline of the markets unfolded, the Trustees instituted a process to monitor the downturn's impact on the Fund's financial position. In the latter part of the year, the Plan's actuaries provided monthly reports which estimated the impacts on the Fund's surplus. Through good stewardship and defensive strategies, the Fund was able to meet its benchmark return for the year. More importantly, it exceeded the four year benchmark return by more than 0.7% thereby achieving the Fund Manager's objective.

A triennial actuarial valuation was performed as at December 31st, 2002. Substantial effort was dedicated by the Trustees in reviewing the assumptions and methodology to be used in this important process. As is mandatory, the actuary performs two valuations, one of which determines the surplus/deficit on a going concern basis, which is used for financial reporting purposes. Results of this valuation indicate that the Plan had a surplus of $242.8 million as compared to $659.6 million at the end of 2001. The decrease was due to the market downturn. The impact was minimized somewhat by the Plan sponsor's policy to amortize the actuarially determined surplus over a 10 year period. The other valuation is on a solvency basis, which simulates a plan wind up. This exercise, as required by the Pension Benefits Standards Act, is also used for reporting purposes to the Office of the Superintendent of Insurance (OSFI). Results of this valuation indicate that the Plan had a surplus of $156.1 million as compared to $784.4 million at the end of 2001. OSFI regulations require the Plan sponsor to use the lower of the surpluses in order to determine the required contribution amounts.

Many pension plans, which had major surpluses, now find that these have diminished; in many instances major deficits have materialized causing increased funding requirements. The current surplus in the CBC Pension Plan provides a reassuring level of comfort and security to the Plan, its beneficiaries and its sponsor.

ASSET MIX

Early in 2002, the Board of Trustees initiated a major asset liability study which originally was to take place in the latter part of the year. The acceleration of the process was in direct response to the market corrections subsequent to September 11th, 2001. The objective of the study was to determine the most suitable long term asset mix which would offset the Plan's liabilities taking into account the downturn in financial markets. Some changes were recommended to the long term asset mix which could reduce the Fund's level of risk and help maintain the Fund's sound financial position.

GOVERNANCE

The Board of Trustees and management of the Fund have a fiduciary responsibility to ensure due diligence and care to safeguard the assets of the Fund. Consistent with this responsibility, in 2002, the Board approved proxy voting guidelines and principles to be used by management when exercising voting rights attached to shares owned by the Fund.

In 2002, the Trustees approved a proposed amendment to the Trust Deed to remove the Trustees' responsibility of making recommendations to the CBC at the time of a triennial actuarial valuation. It is the responsibility of the sponsor to provide for the funding of the Plan and the sponsor's right to amend the Plan, therefore the proposed amendment clarified the ambiguity surrounding this area of responsibility.

Consistent with the Board's good governance practices, ongoing education sessions were held to enhance its knowledge on subjects ranging from proxy voting to surplus at risk. Further, the results of the annual performance assessment of the Board as a group concluded that Trustees rated the performance of the Board favourably.

RETIRING TRUSTEE

The Board of Trustees wishes to express its appreciation to Thomas Wilson who served on the Board for approximately six years, five of which as Chair.

On behalf of CBC Pension Board of Trustees

Clarence LeBreton

Managing Director/CEO Report

In 2002, the equity markets once again experienced very heavy losses. In Canada, the S&P/TSX index was down -12.5 %; in the US, the S&P 500 index was down -22.9 %; and, in the balance of the world's developed markets, the EAFE index was down -16.7 %. On the positive side, the Canadian bond market was up 8.7 %.

There are many reasons for the decline in the equity markets including a slowdown in some of the world's main economies, investors' non-confidence caused by corporate scandals at Enron, Worldcom, etc. and the continuing adjustment to very high stock prices that built up in the late 1990's.

It is not surprising that in this environment the Fund also demonstrated negative performance. The return for the year was -5.50%, essentially equal to the benchmark return of -5.53%. Net assets declined from $ 3,653.5 million to $3,307.4 million and the surplus declined from $659.6 million to $ 242.8 million.

Some comfort can be found within these negatives. On a relative basis, the Fund's average performance over a four year timeframe (the most common measurement period in the investment industry) was excellent with a return of 3.90 % compared to the benchmark of 3.16 %, representing a value added of 74 basis points. This is the best result the Fund has had since the comparison to a benchmark commenced.

A further level of comfort comes from the fact that a surplus still exists. Many if not most other Canadian pension plans are now in a deficit position, which may initiate supplementary contributions to the plans. Comparatively, the CBC Pension Plan is in better financial condition due in part to beneficial fund management and the CBC's prudent policy to amortize surpluses over a ten-year period. This practice, which was recommended by the Trustees and adopted by the CBC in 1997, contributes to minimizing the effects of market volatility on the Plan.

Activity Highlights

- As a result of the Asset/Liability study carried out in the first half of the year, a number of changes were implemented, particularly to reduce the foreign equity exposure. Additional changes will also be made in 2003.
- A number of portfolio changes were undertaken including a new external Non North American equity mandate and the replacement of the external manager for Canadian Small Capitalization equities.
- The actuarial valuation commenced in the fall of 2002. Trustees were provided an education session and also reviewed the key assumptions.
- Following notification by the CBC that it would not continue to provide pension benefit administration services, a formal process was initiated to look at other options. This process will continue in 2003.

Overall, while short-term returns have been negative, the CBC Pension Plan remains in relatively good financial condition.

I would like to thank the staff for their efforts through these difficult financial markets and their support as changes are initiated to address the Plan's challenges.

Stephen Cotsman
Managing Director/CEO

Pension Plan Governance

Overview

Pension plan governance means the process and structure adapted by the Board of Trustees in order to direct and manage the business and affairs of the CBC Pension Plan with the objective of optimizing the Plan's performance while ensuring that the Plan is financially able to discharge its responsibilities. The process and structure define the division of responsibilities and establish the mechanisms for achieving accountability among the Board of Trustees, pension plan management and the plan members. The direction and management of the Plan should take into account the impact on other stakeholders such as the CBC and its Board of Directors. The practice of good governance allows the Trustees to fulfill their fiduciary obligations since effective pension plan governance is crucial to delivering the pension promise.

By virtue of the Trust Deed between the CBC and the Trustees, the CBC Pension Board of Trustees is responsible for the administration of the Plan including the management of the fund's assets and the payment of benefits promised to plan members and their survivors. In discharging the fiduciary responsibilities, the Trustees must exercise the care, diligence and skill in the administration and investment of the pension fund that a person of ordinary prudence would exercise in dealing with the property of another. The fiduciary duties oblige Trustees to invest assets in a prudent manner taking into account all factors that may affect the funding and solvency of the Plan and the ability of the Plan to meet its financial obligations. The CBC Pension Board of Trustees has a Statement of Investment Policy and Procedures defining investment policies, principles and eligible investments which are appropriate to the needs and objectives of the Plan and the Fund.

Through it's ongoing commitment to good governance practices, the Board of Trustees has developed a Governance Framework to ensure that the Plan is managed effectively, prudently and in compliance with all legal requirements. This framework, which has evolved over time, is based primarily on principles and self assessment guidelines best suited for the Plan as issued in 1999 by a Joint Task Force on Pension Plan Governance.

The essential principles required to achieve effective governance of a pension plan are:

1. Pension plans should have a clear mission.

2. Pension plans have a primary fiduciary duty to plan beneficiaries.

3. Responsibilities/accountabilities should be allocated clearly in order to identify stakeholders, allocate responsibilities and define roles.

4. Performance for pension administration, funding status and investments against pre-defined goals, should be measured and reported to the appropriate stakeholders.

5. The pension plan administrator should be qualified and knowledgeable.

6. A governance self-assessment practice is maintained whereby the governance process is reviewed and modified over time to ensure its effectiveness with reporting to appropriate stakeholders.

A CBC Pension Plan Responsibility Chart, which clearly defines the responsibilities and accountabilities of the participants in the governance, management and operations of the Plan, is appended to the By-Laws of the CBC Pension Board of Trustees.

In 2002, the Trustees, with the assistance of external consultants, performed a Governance review and self examination of their role as Trustees as a group. Overall, Trustees rated the performance of the Board during the past year favourably. The exercise allowed the Trustees to identify and act upon some areas for enhancement in the governance process.

Board of Trustees Composition

The Trust Deed identifies that the Board of Trustees is comprised of seven individuals. Two Trustees are designated senior officers of the Corporation to include the Senior Vice President, Human Resources and Organization, and the Vice President & Chief Financial Officer. The five remaining Trustees must be appointed by the CBC Board of Directors of which two must hold office as Directors or be officers of the Corporation employed full time by the Corporation, and three are general appointments. Currently, the five appointed Trustees include two members of the CBC Board of Directors, and the three general appointments include two employees, as recommended by members of a committee for staff benefits, and the third is a retired member who is recommended by the Board of Directors of the National Pensioners Association.

Board of Trustees Committee

The Board of Trustees functions as a single general committee which addresses all subject matters, including benefits, investments and audit, as part of the operating agenda for the Trustees at their meetings.

Independence of the Board

The Board of Trustees is required to act independently not as representatives of any interest, whether CBC, active employees or pensioners. The Board of Trustees administers the pension plan and pension fund as a trustee for the employer, the members of the pension plan, former members, and any other persons entitled to pension benefits or refunds under the plan. The Board of Trustees meets with outside advisers on any issue which may require clarification or independent opinion in order to assist the Board in discharging it's responsibilities. The Board appoints and meets with external auditors to review their findings. The auditor's report is submitted to the Corporation in conjunction with the financial statements within 90 days following the close of each fiscal year of the Fund.

The Board also appoints actuaries in order to obtain an actuarial report on the financial condition of the Plan. A copy of the report, which must be prepared at least once every three years, is to be submitted to the Corporation within sixty days following receipt of same. The Corporation is responsible for the decisions with regards to surplus utilization or the funding of deficits as well as the level of contributions.

Effectiveness of the Board

In the oversight role Trustees should have the qualities necessary to oversee a complex financial business therefore prudence requires that a Trustee should have an understanding of financial markets, risk management and actuarial principles.

The Board of Trustees has a formal orientation program for new and existing Trustees to assist them in executing their fiduciary and governance duties. The program includes sessions on legal responsibilities, governance concepts and practices, investment management and finance, and, actuarial concepts and approaches. The education sessions and material are provided by external experts and staff specialists.

The Board of Trustees also has a continuing education program which includes a full day meeting as well as dedicated time at regular meetings. Topics are varied and timely in order to enhance the Trustees knowledge base required to properly discharge their fiduciary duties.

The Board of Trustees has Terms of Reference which clearly identify its role on an overall basis as well as its role related to investment, pension administration, audit and actuarial activities. The Board of Trustees has also issued to the CBC Board of Directors guidelines for the selection of Trustees which identify the attributes of a Trustee. These guidelines are intended to be used for the selection and appointment of Trustees as well as a review of the qualifications and effectiveness of Trustees on a continuing basis.

The CBC Pension Plan has in place standards of business conduct to govern the activities of Trustees and other individuals in discharging their duties to the Plan. The Code of Conduct Policy which includes conflict of interest, personal trading, confidentiality, business conduct, and gifts and other benefits, is supplemented by the CBC Pension Fund Code of Ethics and, Standards of Professional Conduct and Employee Personal Investment Guidelines which applies to designated investment professional employees of the organization only.

In 2002, the Board of Trustees met 6 times. Under the By-Laws of the Board of Trustees, the Trustees must meet a minimum of 4 times per year.

Role of Management

The Board of Trustees has defined management responsibilities for planning, operating and reporting activities of the Plan.

These responsibilities, which include the investment management of the fund, administration of the benefits associated to the Plan, human resources, communications, operations and control, have been delegated to the Managing Director/CEO, who reports to the Board of Trustees.

Subject to Board approval, management develops and implements all relevant policies including those in the areas of investment, communications, integrity and control, organization and compensation, and operations and administration. Subject to these policies, management develops and implements the investment program and develops and monitors service quality standards for the plan members.

Throughout the process, management ensures that the Plan is administered in compliance with the policies and ensures that all regulatory requirements are met.

Management Performance

The CBC Pension Fund Statement of Investment Policy and Procedures defines the investment policies, principles, and eligible investments which are appropriate to meet the objectives of the Plan. It takes into account all factors that may affect the funding and solvency of the Plan and its ability to meet its financial obligations. Operationally, it defines the long-term asset mix targets and the permitted ranges around those targets.

Reviewed annually, the Statement of Investment Policy and Procedures identifies that over the long term (e.g. 10-year period), the investment objective of the Fund is to consistently achieve time weighted average annual rates of return which exceed the increases in the consumer price index by a minimum of 3.75%. In addition, the policy identifies performance benchmarks for the individual asset classes and the total Fund. A competitive compensation policy for the investment professionals is directly related to the performance benchmarks in the Investment Policy. The remuneration therein provides a progressive base salary and a bonus program which is dependent on the over-achievement of the performance benchmarks over a four year period. The guidelines for management of the pension benefit administration are contained in a policy entitled Pension Benefit Administration Standards. These performance standards ensure that payment of post employment benefits out of the Pension Fund are executed following efficient practices and processes to respond to client needs in a timely manner.

Management has provided assurance to the Trustees that the Plan was administered in compliance with applicable policies and that all regulatory requirements were met in 2002.

Communications

The Board of Trustees is accountable and must provide disclosure on the Plan's activities to the CBC as Plan sponsor, as well as to both the active and members who have retired or their survivors.

The Board of Trustees disclosure and reporting practices include the distribution of a CBC Pension Plan Annual Report Highlights document to all members. Further, the main CBC Pension Plan Annual Report is available to all members as the formal communication on the activities of the Plan for the year. The main report includes a Governance section and a Management Discussion and Analysis section, both of which are integral parts of the Plan's continuous disclosure practice.

Other communications issued during the year include the personalized employee benefit statement, which is a legal requirement, various communication bulletins which are distributed to members who have retired or their survivors, and miscellaneous announcements which are reported on the direct deposit notices.

Active members or members who have retired are invited to communicate in writing, by fax, or on the internet. The addresses are provided on the last page of the annual report.

Governance Self-Assessment

Governance self-assessment leads to improved plan governance practices which in turn contributes to improved investment performance, efficient use of Plan personnel and reliable assurance to members that the Plan is able to pay current and future benefits.

There is an annual review of the Managing Director/CEO's objectives and performance. The Trustee's, with the assistance of external consultants, also perform a Governance review and self examination of their role as Trustees.

Management Discussion and Analysis

The Management Discussion and Analysis section of the annual report elaborates on the information contained in the audited financial statements. This section, which is prepared by management and reviewed by the Board of Trustees, assists the readers in gaining an appreciation of the Plan's financial position and performance over the past year as well as some brief insight on the year to come. The reader is cautioned that there is a degree of uncertainty in forward looking information pertaining to economics and investments in general.

Plan Objective

The Plan is required to provide defined benefits for its members in accordance with the Trust Deed and other documents from time to time describing the Plan. The Plan's assets are managed within a moderate level of risk to provide a rate of return sufficient to offset liabilities and attempt to avoid increases in contribution rates.

The investment policy is expressed in a document entitled CBC Pension Fund Statement of Investment Policy and Procedures. This policy is reviewed and approved annually by the Board of Trustees as required by the Office of the Superintendent of Financial Institutions.

Investment Constraints

In accordance with the Pension Benefits Standards Act, (the "Act") the Trustees and management must exercise the care, diligence and skills in the administration and investment of the pension fund that a person of ordinary prudence would exercise in dealing with the property of another. The assets must be invested in a prudent manner taking into account all factors that may affect the funding and solvency of the Plan.

Under other sections of regulations to the Act, the Fund cannot directly or indirectly lend or invest moneys equal to or more than 10% of the total book value of the assets in any one investment. Further, except as permitted in subsection 11(2) of the regulations, the Fund cannot own more than 30% of the voting shares of any one corporation.

Permitted investments and restrictions thereon which are appropriate to the needs and objectives of the Plan and the Fund are identified in the Statement of Investment Policy and Procedures.

Investment Objective

The investment objective of the Fund over the long term (e.g. 10 year period) is to consistently achieve time weighted average annual rates of return which exceed the increases in the consumer price index by a minimum of 3.75%. Over the past four years the rate of return averaged 3.9%, and over the past 10 years 8.5%. After allowing for inflation during these periods, the real rate of return was 1.3% and 6.7% respectively.

The Fund Manager's objective is to generate net returns that equal the annual average increase in a benchmark portfolio plus 50 basis points (0.5%) on a four year moving average basis. The benchmark return is calculated by combining the return of the asset class benchmark indices in the proportion in which they are represented in the Fund's asset mix. For the year ended 2002, the net return of -5.53% exceeded the benchmark portfolio by 3 basis points. On a four year moving average the net return of 3.90% exceeded the benchmark by 74 basis points.

Asset Mix

For 2002, the long term asset mix of the Fund, as defined in the Statement of Investment Policy and Procedures, was 55% equities, 34% fixed income and 11% strategic which includes property and private placements. The objective of the long term asset mix, which was determined through a major study undertaken in 2002 by the Fund's actuaries, is to ensure that the Fund's assets will offset the obligations for accrued pension benefits. There are lower and upper limits to the percentages which allow management the ability to take advantage of market directions and therefore enhance the performance of the Fund. As at December 31, 2002, the asset mix at fair value was 48.0% equities, 41.4% fixed income and 10.6% strategic. In 2003, the initial targeted long term asset mix of the Fund remains unchanged from the year 2002.

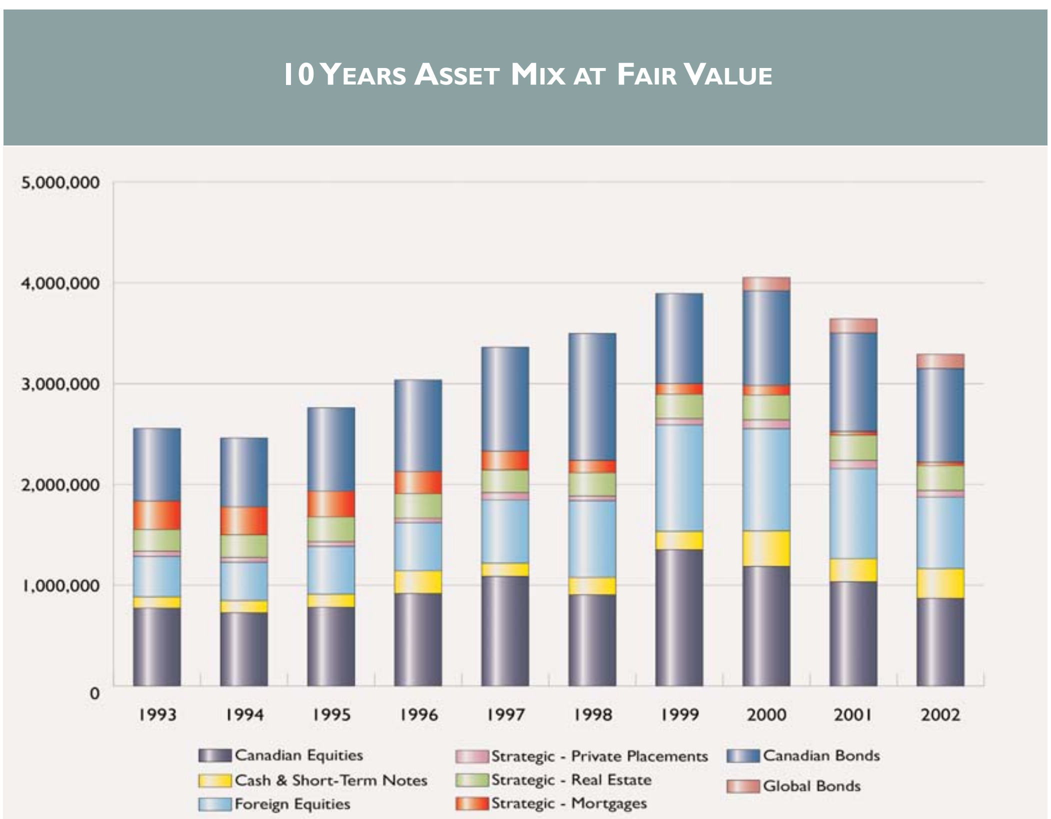
Investment Management Approach

The Fund is actively managed by a relatively small group consisting of the Managing Director/CEO, the Treasurer, five internal portfolio managers and seven external investment managers. The Managing Director/CEO provides the general direction on asset mix objectives which is in response to current market conditions and economic forecasts. Internally the portfolio managers and the Treasurer are responsible for the individual buy or sell decisions within their respective portfolios as are the external managers within their mandates. The internal professionals, with the aid of four portfolio assistants, do their research in house by using a network of investment brokers, industry publications, company site visits etc.

It is anticipated that investment decisions will add extra value to the Fund. In 2002 pension payments were 7.7 times greater than contributions. In 2000, employee contributions were permanently reduced by 17.2% and the employer contributions were reduced by 100% until December 31, 2002. The Plan continues to rely on investment income to pay current and future pension benefits.

Risk Management

The Statement of Investment Policy and Procedures defines the investment policies, principles and eligible investments which are appropriate to the needs and objectives of the Plan including the long term asset mix, which identifies the target percentage of asset categories to be held by the fund. Each type of asset has different levels of risks associated to it (i.e. equities are higher risk than government bonds, etc.). The asset model utilized by the Fund is considered moderate in risk, however, it is deemed to be the most appropriate in addressing future liabilities of the Plan. There are a number of risks associated to the Plan and these are identified in Note 3 to the Financial Statements.



Asset/Liability Matching

The Corporation guarantees pensions and other benefits payable under the terms of the CBC Pension Plan with the exception of the flexible pension provisions in Part III of the Plan. An asset/liability study was undertaken by the Plan's actuary in 2002. The process included a review of the risk/reward associated with the then existing long-term asset mix policy, analysis of the risk/reward profile that would result from alternative asset mix policies, and consideration to the impact of various economic environments on both the assets and liabilities. The study concluded that the Plan was in a good financial position. It was recommended that the long-term asset mix be revised to 55% equities, 34% fixed income and 11% strategic as opposed to the previous mix of 58%, 31% and 11% respectively. Changes to the asset mix and diversification of manager mandates within the asset categories will be implemented in 2003 and 2004.

The difference in the long term performance between investment funds is primarily determined by risk differences in the asset mix. Therefore, diversification across various asset classes is an important management tool used in reducing volatility and risk.

The Fund's objective is to select eligible investments that produce acceptable rates of return to meet the future obligations of the Plan. If the Fund's investment portfolio was risk free, the rates of return would be low and stable and would require higher contributions in the future. If the Fund's investment portfolio was aggressive, the rates of return would be potentially higher but the results would be more volatile due to higher risk; however, the contributions may be lower if high returns are earned or the contributions could be much higher if there was a major long term correction in the market.

Interest Rate Volatility

The Plan's liabilities are sensitive to changes in the long term rates on asset return, salary escalation and inflation. Note 3c(i) indicates that if our assumed long term rate of return, which is used in actuarial valuations, were to decrease from the existing 6.75% to 5.75% the pension liabilities would increase by approximately $430.0 million. This increase in liabilities relates directly to the long term effect of lower earnings. Declining rates of return over a prolonged period could cause an increase to contribution rates in order to meet the Plan's liabilities.

Financial Market Volatility

The Fund's total investments at December 31, 2002, were $3.292 billion at fair value. Of this total, $1.581 billion was in equities. This substantial amount exposes the Fund to domestic and foreign market volatility. Historically, equities have a negative return about once every five years. The year 2002 provided the third straight year of negative returns on domestic and major international equity markets. However, their long-term performance expectations outweighs the risks of short-term cyclical volatility. A further influence on market volatility risk is that our direct investments in foreign markets were limited in 2002 to 30% of the book value of the Fund. As at December 31, 2002, the Fund's direct foreign investments equalled 23.7% of the Fund's total assets at book value. The Fund also invests in index units which are considered Canadian content however the objective of the units is to replicate the rates of return of foreign indices. When these units are taken into account, the Fund's total foreign exposure is 27.7% of the Fund's total assets at book value. When the Fund operates within the 30% limit it means that 70% of the total Fund must be invested in domestic markets and these domestic markets account for only 3% of the total world markets. Therefore, if a major long-term correction takes place in Canada, the Fund runs the risk of a sustained decrease in relative performance, which could cause an increase in contribution rates.

In 2003, the Federal Government's foreign investment rule will remain at 30%. The Fund's foreign exposure and performance benchmarks are on an unhedged basis. Management has an ongoing examination process of its foreign investment strategies in order to determine the optimal direct and indirect exposure level.

Liquidity Risk

Liquidity risk refers to the cash available for new investments net of pension payments and operating costs. In 2002, benefit payments from the main plan and administration costs totalled $172.7 million. These expenses were partially offset by employee contributions to the main plan of $21.8 million. The cash flow requirement for the balance of benefit payments was generated through investment income of $137.9 million and proceeds on disposal of assets.

In 1997, the Board of Trustees recommended to and the CBC Board of Directors accepted that actuarially determined surpluses be amortized over a 10 year period. The December 1999 actuarial valuation determined that the Plan had a surplus of $616.2 million. Subsequently the CBC Board of Directors decided to refund a portion of the historical employee and retiree contributions, permanently reduce the employee contribution rate by 17.2% and provide the CBC with a 100% contribution rate reduction applied from January 1, 2000 to December 31, 2002. These reductions in contributions and the expansion in the number of pensioners and benefit payments increased the liquidity risk of the Fund. Management made target adjustments for cash and short term notes to address the liquidity risk and ensured that adequate cash was and continues to be available to meet the outflows associated with benefits, administration costs and management of investment portfolios.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Every time the Fund makes an investment decision it is exposed to the risk that the security issue, be it a government or a corporation, may default on payments or becomes insolvent. The Fund's Statement of Investment Policies and Procedures provides guidelines and restrictions for eligible investments taking into account credit ratings, maximum investment exposure and other controls in order to limit the impact of this risk. Note 3 c)(ii) provides more detail on this subject.

Foreign Currency and Exposure Risk

The Fund invests in non-Canadian equities, bonds and money market securities for which the fair value may fluctuate due to the economic and political environment of individual countries as well as the relative value of the Canadian dollar.

Occasionally, the Fund invests in forward currency agreements in order to reduce the foreign currency risk. With the exception of currency forwards contracts held as part of the Global Bonds portfolio, the forwards total market value in any one foreign currency never exceeds the total market value of the Fund's investments in the hedged foreign currency at the time the hedge was placed. To avoid any tax penalty, the maximum value of direct foreign investments permitted in the Fund could not exceed 30% of the book value of all the Fund's assets as defined under the Income Tax Act of Canada.

In order to increase foreign exposure, the Fund invested in unhedged index units which are considered Canadian content, however, the returns are based on the performance of the various indices related to the chosen markets. As at December 31, 2002, the fair value of the U.S. index units was $89.2 million ($90.6 million in 2001) and the EAFE index units was $18.9 million ($102.4 million in 2001).

Investment Performance

The Fund uses an external firm which specializes in providing performance measurement data for balanced portfolios.

The Fund's total rate of return in 2002 was -5.5% which was 0.2% lower than the median rate of return of -5.3% for large pension plans over $1.0 billion. Comparatively, in 2001, the Fund's total rate of return was -1.9% which was 1.3% lower than the median rate of return of -0.6%. After adjusting for the Consumer Price Index, the Fund's real rate of return for 2002 was -9.5% as compared to -2.6% in 2001.

The table on page 12 provides a comparison of the one year rates of return for the individual asset categories. Reported are the asset weights and the actual returns by asset category compared to benchmark returns. In 2002 the total Fund return exceeded the benchmark portfolio by 0.03%. In 2001 the total Fund return exceeded the benchmark portfolio by 0.5%.

Asset Categories		2002 Categories as a % of Total Assets	2002 Benchmark Return	2002 Actual Return	2001 Categories as a % of Total Assets	2001 Benchmark Return	2001 Actual Return
Cash and Short-term Investments		8.9	2.5	3.3	6.3	4.7	5.3
Bonds	- Canadian	28.2	8.7	8.5	26.8	8.1	7.8
	- Global	4.3	18.4	18.6	3.8	5.4	6.2
Canadian Equities		26.5	(12.5)	(9.4)	28.4	(8.4)	(4.7)
Foreign Equities - U.S.		9.6	(22.9)	(24.9)	11.3	(6.4)	(11.7)
Non-North American Equities		9.7	(16.7)	(19.5)	10.9	(16.5)	(16.4)
Emerging Markets		2.3	(6.9)	(8.8)	2.4	3.6	(2.2)
Strategic		10.5	5.6	3.6	10.1	4.6	3.8
Total		100.0	(5.5)	(5.5)	100.0	(2.4)	(1.9)

Asset Review

The Economic Environment

The year 2002 was marked by a slowing global economy, scandalous corporate malfeasance and rising geopolitical concerns. Combined these factors had a dampening effect on global corporate and consumer spending as well as on the equity markets.

The U.S. economy although weakening, remained the main driver of global economic growth. U.S. consumer demand for homes, cars and imports kept the global scenario from tumbling into recession. Economic growth however remained one-sided, relying mostly on the consumer. Unfortunately U.S. consumer demand was supported by rising debt levels and falling savings rates. With existing excess productive capacity and rising productivity, capital and business spending was stagnant. U.S. GDP grew 2.4% in 2002. With such lackluster growth, the U.S. Federal Reserve continued its easing policy. In an effort to improve profitability, in a highly competitive world, businesses were faced with the requirement to cut costs and lower prices. This strategy may have allowed companies to maintain market share but did not help overall profit growth. With lower profits and increasing risk aversion, stock markets tumbled.

European economies fared poorly in this environment. Without the benefit of aggressive interest rate cuts from its central bank, European consumer and business confidence languished. Retail sales in Germany, France and Italy fell. Unemployment in the region rose modestly but was plagued throughout the year by strikes and difficult negotiations. Euro-zone industrial production rose somewhat but the improvement in manufacturing and output was inconsistent. As the weakening economy unfolded, the major Euro-economies were faced with mounting deficits that breach the terms of the Stability and Growth Pact.

For another year, the Japanese government successfully avoided any real initiative to deal with the banking crisis and the weakening economy. As such, economic growth remained sub-par for the year. Consumer demand stayed weak as department store sales and overall household spending declined. Unemployment rose, ending the year, back at the all-time high of 5.5%. Early signs of economic growth via the export sector resulted in some improvement in industrial and manufacturing production. This was eventually quashed as the yen strengthened towards the end of the year. With falling exports and stagnant domestic demand, Japanese GDP grew 0.3% for the year.

Canada, and other commodity linked economies, managed to shine during this difficult year. In spite of a slowing U.S. economy, the insatiable demand for new cars kept exports at a high level. In addition, rising prices for oil, gas, gold and other commodities helped the resource sector. As manufacturing and production increased, employment expanded. In 2002 a record number of new jobs were created. Rising incomes bolstered domestic demand thereby spurring on domestic home, car and retail sales. Economic activity has been sufficiently buoyant that the Bank of Canada is expected to raise rates early in the 2003. Canadian GDP grew 3.4% in 2002.

In addition to global concerns, the economies of the emerging markets were also faced with regional issues. Latin America faced the double whammy of a slowing U.S. trading partner as well as destabilizing political change. Economic growth in this region was weak. In addition, rising investor risk aversion and devaluating currencies hurt inflows into the region. Emerging Asia on the other hand, continued its mini-boom. China has become the low cost manufacturer of choice. In addition, even as the demand for telcom and technology fell, the demand for electronic components increased benefiting exporters of these components, such as Taiwan and Korea. The domestic economies of Emerging Asia thrived in response to their increased productivity and foreign investment.

Investment Strategy

The Fund's investment policy provides the latitude to vary the weighting of the assets within an operational range around the actuarially determined long-term asset mix target. On a quarterly basis the Fund reviews its asset mix, and based on forecasted returns can increase the weighting of the asset classes that are expected to perform well and reduce the exposure to those asset classes that are forecasted to underperform.

As signs of economic strength waxed and waned over the year, the investment strategy for 2002 remained defensive. Even when economic growth seemed to be budding, there was a concern that the fundamentals for sustainable earnings and profit growth were not in place to support a rising equity market. The strategy for the year started at a neutral benchmark position and progressed to an equity underweight position with rising bond and cash overweights. Within the equity portfolios, there was greater concern for the earnings potential of U.S. companies. Accordingly, the strategy held a larger equity underweight in the U.S. and lesser underweight holdings in Canadian and EAFE (Europe, Australia and Far East) stocks.

The strategy was also impacted by a change in the asset mix policy effective July 1st which slightly reduced the Fund's long-term exposure from equity into fixed income securities. The new policy also reconfigured the Fund's individual U.S., EAFE and emerging market exposures to better align with a global benchmark. This resulted in a higher policy weighting of U.S. versus EAFE stocks and the elimination of the emerging markets as a dedicated asset class.

The overall strategy proved to be consistent with the way the global economy and financial markets unfolded. The higher level of uncertainty and volatility made for a very difficult market to time. Even though Canadian stocks were down 12.5% for the year, unsustainable rallies within some months generated positive returns. Being underweight equities during these periods had a negative impact. The higher market volatility also supported a more active management style. Accordingly portfolios that were more buy and hold had more negative performance than their active counterparts. The total return (in Canadian dollars) of the TSE 300 cap 10 index was -12.5%, -22.9% for the S&P500, -16.7% for the EAFE markets and -6.9% for the Emerging Markets, 8.7% and 2.5% for the Canadian bond and money markets respectively.

Cash and Short-Term Investments

The Fund invests its cash in quality and highly liquid money market investments. This activity contributes to maximizing returns on total available funds and accommodating the flexibility required to manage the cash demands related to the Fund's investments, the Plan's benefit payments and total administration expenses.

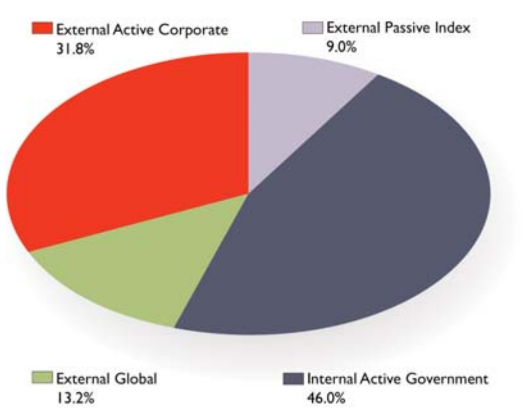
In 2002, the Bank of Canada (BOC) decreased short-term interest rates by 25 basis points in January followed by increases of 25 basis points in April, June and July. Thereafter rates remained unchanged. The average yield for Canadian 91-day Treasury Bills was 2.7% in December 2002 as compared to 2.0% in December 2001.

In 2002, the Fund had on average approximately $177.4 million or 4.3% of assets in cash and short term investments. The one year rate of return for the internally managed portfolio of the Fund was 3.30%, which was 78 basis points above the benchmark return of 2.52%. Over a four-year period the rate of return was 5.08%, which was 74 basis points over the benchmark return of 4.34%. At December 31st, 2002, cash and short-term investments represented 8.9% of the Fund's investments at fair value.

Bonds

The Canadian bond asset class consists of an internally managed government bond portfolio, an externally managed corporate bond portfolio and an externally managed index portfolio. This latter portfolio was introduced to accommodate asset mix shifts and as a complement to the other more active bond portfolios. The Fund also has a Global bond portfolio within its fixed income assets. The following chart identifies the percentage distribution of bonds by portfolio. As at December 31st, 2002, bonds totaled $1,070.8 million, which represents 32.5% of the Fund's investments at fair value.

Market Value of Bonds
as at December 31, 2002
$1,070.8 million



There were many factors affecting the bond market in 2002. As usual, the economy played a major role in determining the direction of interest rates. Perhaps surprisingly, inflation was all but forgotten, although the fear of deflation was an influence in the latter part of the year. The stock market proved to be a very significant factor influencing interest rates, particularly as issues on corporate governance were raised in the second quarter. Terrorist fears and the spectre of war with Iraq provided additional uncertainty to the markets, with the bond market used as a safe haven for nervous investors.

The year 2002 began with much trepidation. The U.S. economy had fallen into a recession in March, breaking a record-setting 10-year expansion. The tragic events of September 11th, 2001 were widely forecast to exacerbate the decline in economic growth, which would be felt worldwide, but most notably here in Canada. However, the swift action by many central banks to aggressively lower interest rates was expected to provide the impetus for a recovery late in 2002.

In fact, the stimulus from the interest rate cuts had an unexpected immediate affect. Consumers in North America responded quickly, resulting in GDP growth of 5.0% in the U.S. and 5.7% in Canada in the first quarter. The bond market, anticipating that the U.S. Fed and the Bank of Canada would soon reverse the interest cuts put in place post September 11th, sold off sharply, increasing interest rates across the yield curve. Yields reached their highest levels of the year around March 31st.

The movement towards higher yields stalled due to two main factors. Initially, it was the corporate governance issues in the U.S. as several major companies (i.e. Worldcom, Tyco, etc.) admitted to some creative accounting. As investors lost confidence in earnings statements, they sold large equity positions and directed the funds to the relative safety of the bond market. Each decline in the stock market seemed to bring out even more equity sellers and consequently bond prices moved higher. At first, the bond market seemed to grudgingly move higher. By the end of the second quarter, the bond market had erased the first quarter move over most of the yield curve. However, as the stock market debacle gathered speed in July, bond yields fell to levels not seen since October of 2001. The sharp recovery in the first quarter in the U.S. had given way to further weakness, particularly in the manufacturing sector. The rally in bond prices continued into September, when the threat of war with Iraq provided further reason for investors to shun equities in favour of bonds. Cyclical lows were reached across the yield curve in the U.S. Canadian yields did not fall to the same degree as the Canadian economy failed to slow significantly and indeed created a record number of jobs in 2002. This caused the Bank of Canada some concern as the inflation rate trended about the midpoint of the Bank's target range. The Bank raised the benchmark rate by 0.75% in three stages in April, June and July.

The stock market staged another rally in October, which did spark a sharp increase in bond yields as investors unwound some defensive positions. However, bond yields tumbled again in December as the situation in Iraq appeared to be headed to war and concerns of deflation in the U.S. made headlines. In fact, the U.S. Fed lowered their benchmark rate in November by 50 basis points, citing greater uncertainty due to geopolitical risks.

By the end of the year, interest rates in Canada were at their lowest levels over most of the yield curve. Thirty year Government of Canada bond yields fell 29 basis points to 5.65%, ten year yields tumbled 57 basis points to 5.36% and 5 year yields dropped 65 basis points to 4.62%. Corporate bonds did not fare as well as they were greatly affected by weak corporate earnings and corporate governance issues. Indeed, yield spreads to Canada bonds widened significantly, and market conditions prevented many potential issuers from raising new funds.

The internal active domestic government portfolio performed fairly well in 2002. The portfolio was positioned somewhat defensively throughout the year in light of the greater uncertainty. For the year, the portfolio exceeded its benchmark return by 0.27%.

The corporate bond portfolio provides the Fund with exposure to the increasing universe of Canadian corporate bonds. The minimum credit rating for these bonds is BBB and is structured to be a high credit quality portfolio. These bonds, like all bonds benefited from the decline in interest rates. Spreads however on corporate bonds fluctuated over the year, as investors at times, shied away from credit risk and at other times, sought any kind of excess yield. During the year, the portfolio underperformed its benchmark by 0.94%.

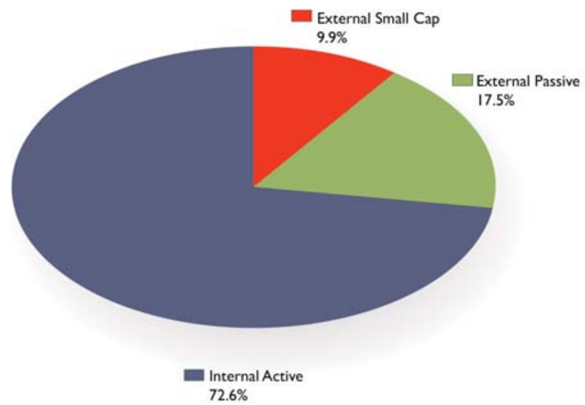
In total, the Canadian bond asset category rate of return for 2002 was 8.5%, some 20 basis points below the benchmark return of 8.7%. Over a four year period the rate of return was 5.8% which was 60 basis points lower the SLM Universe Bond Index (Government of Canada, Provincials and Corporate Bonds). At year-end, Canadian bonds represented 28.2% of the Fund's investments at fair value.

The slowing economic scenario with its declining interest rates and erratic currency movements allowed global bonds to generate strong returns in 2002. This externally managed portfolio invests in non-Canadian investment grade bonds. Besides declining interest rates, the portfolio benefited from its overweight exposure to European bonds and currencies and, from its underweighted exposure to U.S. and Japanese bonds. The portfolio maintained a high quality focus holding mostly tripe-A government bonds. In 2002, the portfolio generated returns of 18.6% versus it's benchmark 18.4%. At December 31st, 2002 global bonds represented 4.3% of the Fund's investments at fair value.

Canadian Equities

The Fund's Canadian Equities asset class has three components. An actively managed internal portfolio, an externally managed passive portfolio which replicates the rates of return of the S&P/TSE Cap 10 Index and, an active externally managed small capitalization portfolio. The following chart identifies the percentage distribution of Canadian equities by portfolio. At December 31st, 2002, Canadian equities totalled $870.1 million, which represents 26.4% of the Fund's investments at fair value.

Market Value of Canadian Equities
as at December 31, 2002
$870.1 million



The Canadian equity market remained resilient for the first part of 2002. Disappointing first quarter corporate profit reports, corporate scandals and diminishing hopes of a 2nd half economic recovery triggered a 25% sell-off in late May until mid-October. This was followed by a 16% rally off October lows as investors gained some confidence for better things to come in 2003. After losing 8.4% in 2001, the S&P/TSX Composite Index finished the year down 12.5%, resulting in the worst 2-year performance in the past 30 years.

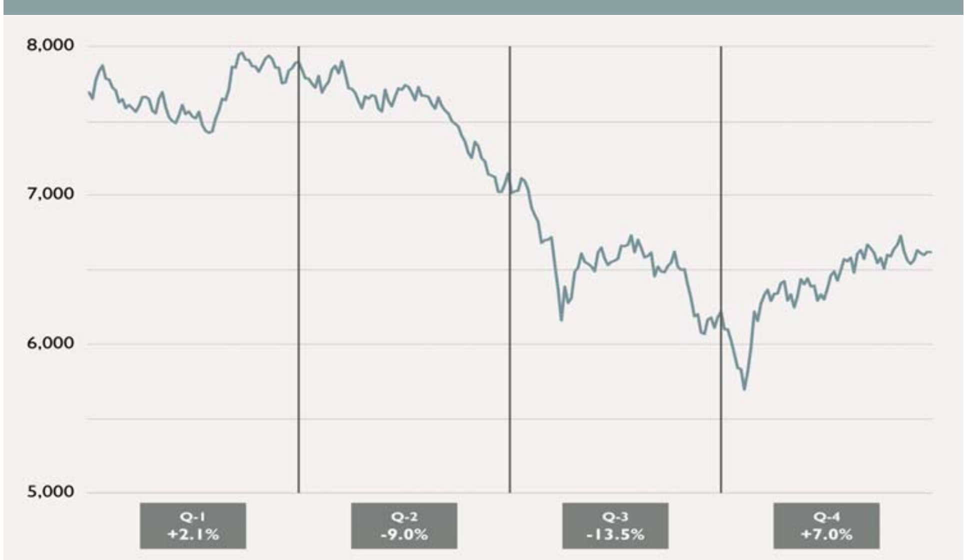
Five of the 10 sectors comprising the S&P/TSX Composite Index outperformed the index in 2002. Leading the winners were the Energy Sector with a total return of 13.7%, Materials up 7.0%, and Utilities up 6.3%. Leading the losers were the Information Technology sector down 64.8%, Health Care down 42.8% and Industrials down 30.6%.

The chart on page 17 shows the 2002 total returns of the ten sectors comprising S&P/TSX Composite Index.

Some of the major factors influencing the Canadian market in 2002 were:

- Rising geopolitical uncertainties
- A relatively strong Canadian economy, with the largest job gains in 15 years.
- Increasing signs of weakening world economies including the United States - Canada's largest trading partner.
- A weakening U.S. dollar
- The continuing collapse of Canada's largest technology stocks. Nortel Networks stock fell a staggering 78.8%, after falling 75.3% in 2001, while Celestica fell 65.6%. Together they accounted for 38% of the market's losses for the year.

S&P / TSE Composite Index - 2002



- Significantly higher energy prices resulting in positive returns for Canada's energy sector. Crude oil gained 48% on the year, closing at over $30 U.S. per barrel, while Natural Gas was up 63%.

- A surge in the price of Gold to over $348 - up 25% on the year.

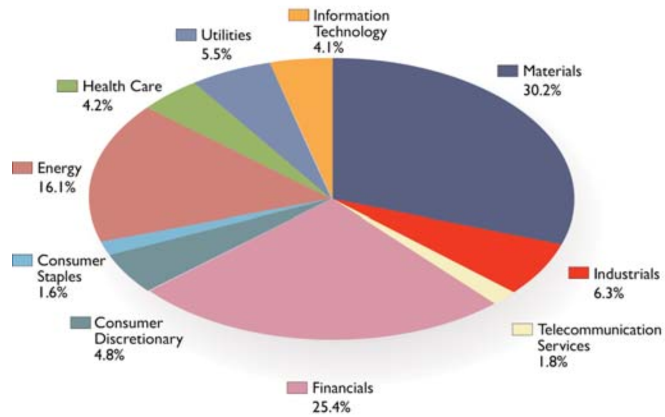
The Canadian Equity asset category rate of return for 2002 was -9.4% some 310 basis points better than the benchmark return of -12.5. Over a four year period the rate of return was 9.6% which was 370 basis points above the benchmark return of 5.9%. Once again the superior performance of the actively managed internal portfolio accounts for this asset class solid performance. The strategies and activities which contributed to the internal portfolio's performance in 2002 included:

- Overweight positions in the Energy, Materials (Golds), and Utilities sectors that all outperformed the market.

- Underweight positions in Information Technology, Telecom Services and Consumer Discretionary sectors of the market that all underperformed.

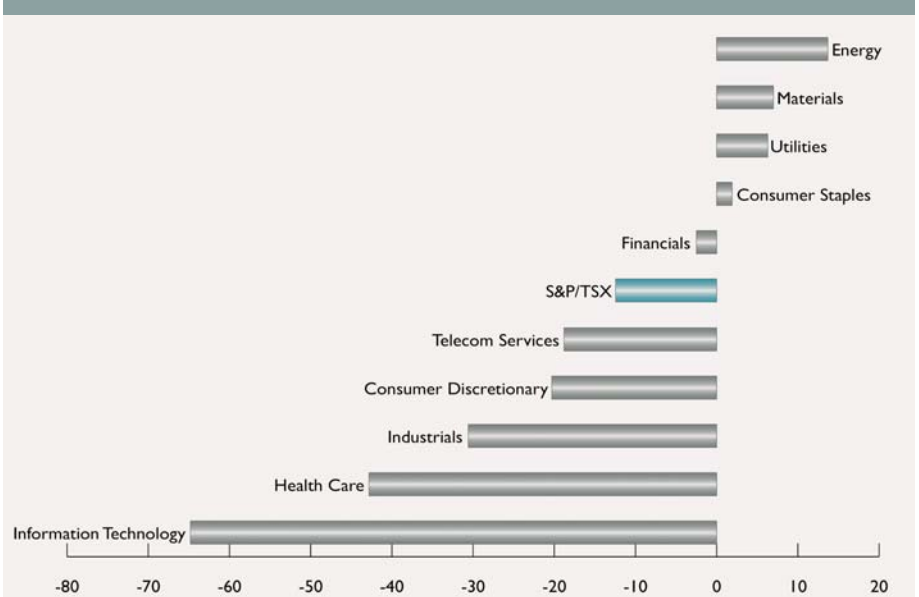
- Active management in the selection of specific securities within each sector. The portfolio outperformed in 8 of the 14 sectors of the market. Active portfolio management was important to avoid some of the big losers that severely impacted the market's return.

Actively Managed Internal Portfolio
Canadian Equities
Asset Mix (%)



For the second year in a row, the Canadian small cap market outperformed large cap stocks. This small cap index outperformance was procured through its overweight in resources including metal and minerals, oil and gas, gold and paper and forest products. During the year, this portfolio was assigned to a new external manager which impacted somewhat on the portfolio's rate of return.

S&P / TSE Sectors Total Returns - 2002
(% of return)

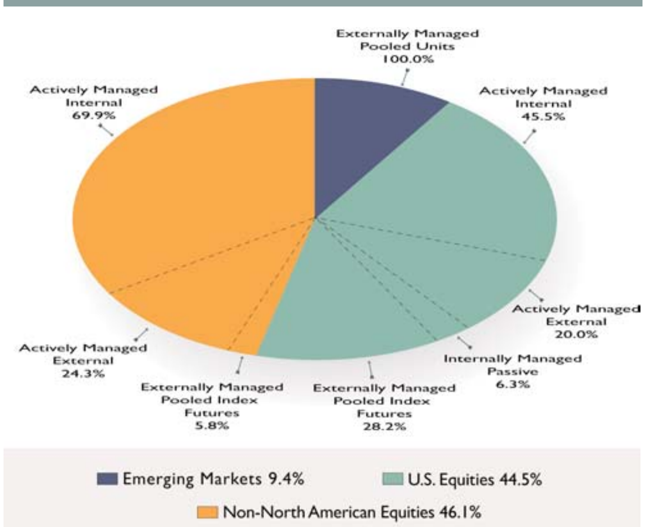


Foreign Equities

The Fund's Foreign Equities asset class is broken down into three components:

- U.S. equities which include an actively managed internal portfolio, an actively managed external S&P 500 enhanced index portfolio, externally managed pooled index funds and an internally managed passive portfolio.
- Non-North American equities which include an actively managed internal portfolio and externally managed pooled index funds.
- Emerging Markets equities which are primarily externally managed pooled units and a small portion within an actively managed internal portfolio.

Market Value of Foreign Equities
as at December 31, 2002
$710.8 million



U.S. Equities

For U.S. equity investors, 2002 was a continuation of the negative markets seen in 2001 and 2000. The bursting of the NASDAQ bubble combined with a very slow and hesitant economic recovery resulted in negative returns for all major U.S. indices. A rally in October and November, based primarily on technical factors, proved to be unsustainable and markets remained very uncertain at the end of the year. In 2002 investors focused on four main concerns:

- The ongoing contraction of the manufacturing industry and the hesitant pace of economic recovery. Investors spent much of 2002 waiting for Corporate America to start spending money to expand capacity. However, as the economic recovery remained sluggish, companies were more concerned with containing costs than expanding operations. Much of the over-expansion which took place in 1998-2000 still had not been worked off and overall capacity utilization rates remained low. This lack of corporate spending made for another difficult year in the technology sector.
- Corporate scandals at Enron, Worldcom, Tyco and Adelphia, the speed of their declines and daily images of corporate executives being led off to jail, unnerved investors. Wall Street analysts appeared to be either clearly biased or simply ignorant in many of their recommendations. Government investigations into many scandals kept the issue at the forefront of investor thinking. Towards year-end, a broad settlement with a number of Wall Street firms brought some closure to the issue. A heightened emphasis on fundamental research by institutional investors may help prevent the scale of corporate scandals from occurring in the future.
- Valuations remained a concern as earnings growth was subdued and the recovery many had looked for in the second half of the year failed to materialize. Although equity markets sold off to levels not seen in several years, the coincident failure of earnings to grow kept multiples at historically high levels. As such, it was difficult to convince investors that the equity markets represented good value. Many participants adopted a wait-and-see attitude, requiring actual evidence of an earnings turnaround before going back into the market.
- The rising tension in the Middle East increasingly focused investors in 2002. By the end of the third quarter, the possibility of war in Iraq became a focal point. Investors worried that the U.S. would have to carry out the war without broad coalition support. This combined with possible retaliatory terrorist attacks caused both individuals and corporations to put off investment decisions until after the conflict was over.

Equity market returns for 2001 and 2002 were particularly negative for larger companies that rely on strong revenue growth to support their demanding multiples. As growth rates slowed and showed no signs of recovering, these stocks were rejected by investors in favor of companies with lower multiples and more conservative growth forecasts. The internally managed portfolio, with its emphasis on three high-growth industry sectors (health care, technology and financials) contained many of the stocks which were out of favor. The portfolio underperformed against its more broadly defined benchmark index for the first part of 2002. As such, in May of 2002 significant changes were made to the portfolio focus to include all major industry groups. A research assistant was added to cover a wider number of stocks. The implemented changes were successful and for the period June 1st to December 31st, the portfolio outperformed its benchmark partially offsetting the earlier underperformance.

The actively managed external S&P 500 enhanced index portfolio, which consists of approximately 350 U.S. stocks, attempts to generate slightly higher than index returns while maintaining risk statistics that are similar to that of the S&P 500 index. During 2002 the market punished companies whose earnings or corporate management did not meet expectations. Even though the stock and sector weights were tightly constrained in this portfolio, wrong calls on a few names resulted in the portfolio underperforming the benchmark.

Of the final two components of the U.S. equities, the externally managed pooled index units underperformed and the internally managed passive portfolio outperformed the S&P 500 Index.

For the year 2002, the total U.S. equities one year rate of return was -24.9% which was 200 basis points lower than the benchmark S&P 500 Index return of -22.9% in Canadian dollars. Over a four year period the rate of return was -8.5% which was 240 basis points lower than the benchmark return of -6.1%. At December 31st, 2002, the U.S. equities represented 9.6% of the Fund's investments at fair value.

Non-North American Equities

All major Non-North American markets suffered a very difficult year in 2002 and thereby generated significant negative returns. Within EAFE markets as a whole, European equities relatively underperformed their Asian counterparts, particularly in the first half of the year. In contrast to the prior three years, currency was a positive for international investors as dollar weakness became a prevailing trend in the second half of the year. The combination of a recalcitrant European Central Bank, sluggish economic growth and paralysis at the fiscal level led many investors to seek better returns in European fixed income markets. Germany and France were particularly hard hit. In both cases, their fiscal debt burdens rose close to the maximum allowable under the Maastricht Accord. As such, many market friendly reforms such as corporate tax relief and labor reform were pushed back again. The sharp rise in fuel prices hit continental Europe particularly hard, as it is quite dependent on imported oil. The FTSE index in the U.K. was able to outperform the continental countries due to its closer ties to the U.S. economy, widely perceived to be the first to recover.

Leadership groups were again hard to find in 2002. As in the U.S., defensive, lower valued sectors outperformed higher growth industries. The recession in Europe has turned out to be much longer and the recovery much weaker than was earlier expected by most investors. The rise in the value of the Euro was one bright spot for international investor's absolute returns. However, many fear that the rising currencies will harm exporters and push the recovery back even further.

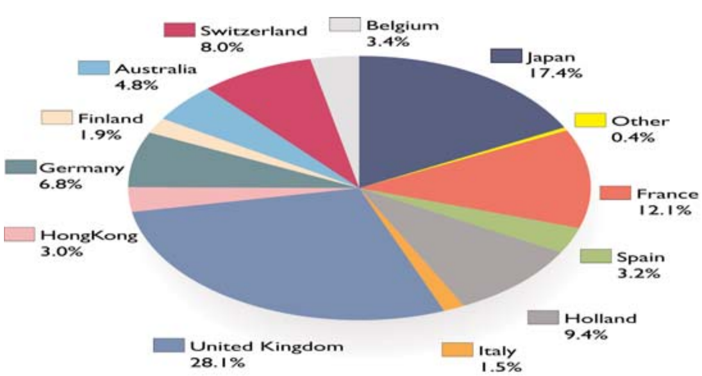
	Index Returns	CBC Returns	% of EAFE Portfolio*
U.K.	-14.3%	-21.3%	28.1%
Netherlands	-23.1%	-7.8%	9.4%
France	-20.7%	-25.1%	12.0%
Japan	-10.0%	-11.3%	17.4%

* *at year end*

The Japanese market was the best performing major market in 2002. The negative environment of equities in Europe, made international investors look on slow reforms in Japan in a more positive light. None of the basic problems apparent in Japan for the past 10 years have been addressed, including an imminent banking crisis. After a 12 year bear market, the absolute level of the Nikkei got many investors looking at Japan, particularly early in the year. For the year, however, the Nikkei fell 9.97% (Cdn $).

During the year the Fund hired a new external EAFE manager. The mandate is for a core portfolio to compliment the more growth-oriented internal portfolio. The Fund also maintains two passive portfolios, managed by another external manager to obtain both market and currency exposure to the S&P 500 and the MSCI EAFE index through the use of unleveraged derivatives. Combined the four portfolios provide diversification through market cycles and over time should reduce the volatility of relative performance versus the benchmark.

Non-North American Equities
Actively Managed Internal Portfolio
International Mix (%)



For the year 2002, the total Non-North American equities one-year rate of return was -19.5% which was 280 basis points lower than the benchmark return of the EAFE Index return in Canadian dollars. Over a four year period the rate of return was -6.3% which was 30 basis points lower the benchmark return of -6.6%. At December 31st, 2002, Non-North American equities represented 9.7% of the Fund's investments at fair value.

Emerging Markets

The Emerging Markets are the stock markets of low/middle income developing countries with annual per capital GNP of less than U.S. $9,000. Their populace represents 85% of the world's population but only 45% of world GDP. With this type of disequilibrium, the impetus to improve standards of living, accelerate economic growth and introduce market-oriented reform is anticipated to mean higher earnings and stronger stock markets. Although these markets are more volatile, they have the potential to add significant return.

In 2002 even though the global economy slowed and investors were moving away from riskier assets, the stock markets of the emerging markets generated far less negative returns than those of the developed markets. For the most part, emerging stock markets did not hold the overvaluation prices of the developed markets. In addition, some individual domestic economies were flourishing in spite of global forces. In 2002, the Fund's Emerging Market portfolio was managed by an external manager. Effective July 1st, the Fund's revised asset mix policy however eliminated the emerging markets as a dedicated asset class. In the coming years, emerging market positions will only be taken opportunistically within the Non-North American portfolio. For 2002, the emerging market portfolio generated a return in Canadian dollars of -8.8% which was 190 basis points lower than the benchmark return of -6.9%.

Strategic

There are two components to the Fund's strategic investments. Property, which includes real estate and mortgages, and private placements.

Property

Real estate assets performed reasonably well in 2002 in spite of the meltdown of the high tech sector and the weak stock market. Indeed, real estate was one of the best performing asset classes. Outwardly, there appeared to be a "disconnect" between the leasing and investment markets. Generally, vacancy levels moved higher and rents softened. However, the strong demand for real estate product combined with limited supply resulted in the market values remaining relatively unchanged.

Real estate has become one of the preferred investments for several reasons:

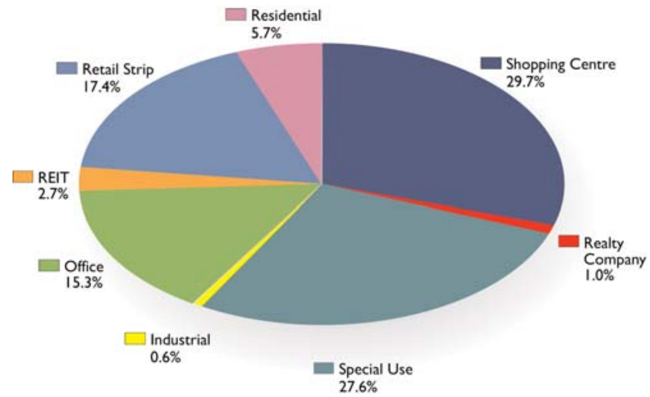
- The Canadian economic downturn was mild and economic expectations are generally positive
- There has been limited speculative development in this cycle, unlike the late 1980's
- Rental rates at or below replacement cost have limited further development
- Most real estate investors, such as pension funds and Real Estate Investment Trusts, have longer time horizons and are focussing on income rather than asset value
- Interest rates are at low levels not seen in decades
- Recent returns have outstripped equities with lower volatility

Real estate in Canada is expected to continue to perform well, however it would be vulnerable to a severe economic downturn or a large increase in interest rates.

Turning to specific real estate sectors, the industrial sector generally outperformed retail, office and multi-residential. Vacancy levels rose modestly from a low base as lease rates fell fractionally. Retail also performed well, particularly the larger regional, food-anchored malls. Overall retail vacancy rates decreased slightly as retailers enjoyed record sales, if not profits. Multi-residential properties experienced an increase in vacancy from the record low of 2001. High quality buildings are suffering as a result of the affordability of home ownership. The office sector faced a number of challenges in 2002 as a result of the tech meltdown and some new product. The Downtown office market fared better than the Suburban market, but still saw some increase in vacancies and weakness in lease rates. However, the situation is nowhere close to the distress conditions reached early last decade. Vancouver and Montreal were particularly hit as a result of new supply. The Suburban market was notably impacted by the weakness in high tech and recent increases in supply, resulting a significant increase in vacancies.

In 2002, the total Property Portfolio one-year rate of return was 10.3% versus the benchmark 7.7%. Over a four-year period the rate of return was 7.5% compared to the benchmark return of 6.3%. At December 31st, 2002, the portfolio represented 8.6% of the Fund's investments at fair value.

Property Type



Private Placements

Private Placements are primarily non-publicly traded equity and debt instruments. Special investments are anticipated to provide higher than average investment returns, over the long term, in order to compensate the Fund for their higher risk profile and lower market trading ability. They also provide insight into certain sectors where the Fund may hold public securities or access where no such public companies exist. To reduce these risks, this portfolio is invested in many small companies operating in varying stages of development, involved in various industries.

Given the difficult equity market conditions, much time was spent reviewing this portfolio. Like their public counterparts, private companies sought ways to reduce costs in order to eliminate the need for further cash injections from investors. In spite of these market conditions, there were a few sales of private companies out of the portfolio. As the economy weakened and the outlook for telcom and technology industries slowed, the Fund's exposure to these early stage companies took the brunt of the valuation write-downs. Consequently, in 2002, the portfolio generated returns of -19.2%. Over a four year period the rate of return was 3.5% which was 380 basis points lower than the benchmark return of 7.3%. As at December 31st, 2002, the portfolio represented 2.0% of the Fund's investments at fair value.

Change in Assets Available for Benefits

The Fund's net assets available for benefits decreased $346.1 million from $3,653.5 million at December 31, 2001 to $3,307.4 million at December 31, 2002.

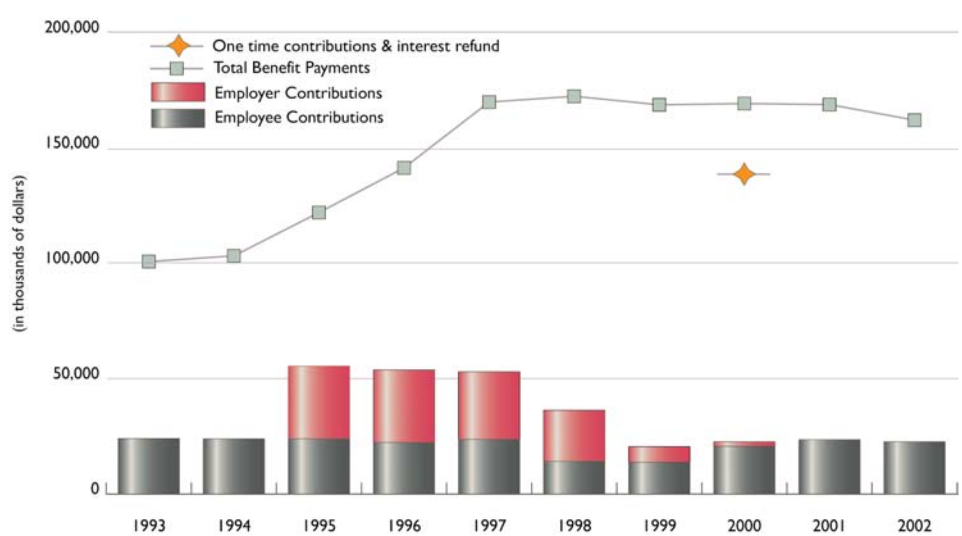
Total investment income of $137.9 million, which includes interest and dividends earned during the year as well as income from real estate properties net of operating and interest expenses, increased by $13.2 million when compared to the previous year. This increase was due primarily to the interest earned on the global bonds portfolio.

Total contributions of $22.7 million reflect a decease of $0.9 million when compared to the previous year's total of $23.6 million. In 2002, the number of contributors increased from 7,246 as at December 31, 2001 to 7,664 at the end of December 2002. In total, employee contributions to the main plan decreased $1.0 million of which $1.7 million related to past service costs partially offset by an increase of $0.7 million in current service. Employee contributions to the flexible pension provision of the plan, which started in July 1998, totaled $0.9 million in 2002 as compared to $0.8 million for the previous year.

Expenditures out of the Fund totalling $173.0 million reflect a decrease of $7.6 million when compared to the previous year's total of $180.6 million. Of this total decrease, $6.7 million relates to benefit payments and $3.2 million to contributions and interest refund. These decreases were partially offset by an increase of $2.4 million in administrative expenses.

This chart provides a 10 year historical comparison of contributions and benefits. Based upon the results of the actuarial valuation as at December 31, 1999, which reported that the Plan had excess funding of $616.2 million, the CBC decided that it's employer contributions for the years 2000 to 2002 would be covered by the funding excess and that normal employee contributions would be reduced by 17.2% from January 1, 2000 onwards. Figures for 1999 reflect the results of actions taken subsequent to the December 31, 1996 actuarial valuation whereby the employer and employee contribution rates had been reduced by approximately 50% for 1998 and 1999 as partial utilization of the then existing $234 million surplus. Figures for 1993 and 1994 reflect that the CBC had a 100% contribution rate reduction. This was subsequent to the 1991 actuarial valuation which determined that the Plan had $161.0 million excess funding. Various amendments improving the benefits provided by the Plan were introduced at that time.

Contributions vs Benefit Payments



Benefits

The plan paid $162.1 million in benefits during 2002, a decrease of $6.7 million when compared to the $168.8 million in 2001. Pension payments increased by $4.4 million due primarily to a 2.7% cost of living adjustment effective January 1st, 2002 and an increase of 107 in the number of pensions being paid. The plan requires an averaging method for calculating the inflation adjustment rates for pensions which is different than the year-over-year rate of inflation. Transfers of contributions and refunds decreased $1.3 million due to a decrease in the number of member separations. A reduction to benefit expense of $10.2 million was recorded in 2002 as employees who had elected to transfer their contributions as at December 31st, 2001 opted for a deferred pension which is categorized under long term liabilities to be paid in the future.

Administrative Expenses

In accordance with the Trust Deed, the total operating expenses relating to the Fund and pension benefit administration are to be paid out of the Fund.

Administrative expenses for 2002 totalled $10.9 million, an increase of $2.4 million over the previous year. The increase related primarily to professional fees, the majority of which were legal fees incurred in the fund administration.

In 2002, the total unit expenses for the Fund management, including Board of Trustees expenses, was 26.5 cents per $100 of average assets under management. If the one time legal expenses are not taken into account the cost then equates to 23.0 cents. According to a study undertaken in 2001, the comparative benchmark operating cost for a fund of our size, asset mix and nationality is 31.2 cents per $100 of average assets under management. The expenditures for the CBC Pension Fund are therefore approximately $1.6 million lower than the benchmark costs for similar funds, or $2.8 million lower if one adjusts for one time legal expenses. When the pension benefit administrative expenses are added to the total, the overall unit costs for the administration of the Plan are 31.6 cents (28.1 cents adjusted) per $100 of average assets. When expressed in basis points, operating expenses have increased in recent years due to the downturn in the financial markets. However, the unit costs incurred by the Plan continue to be amongst the lowest in the industry.

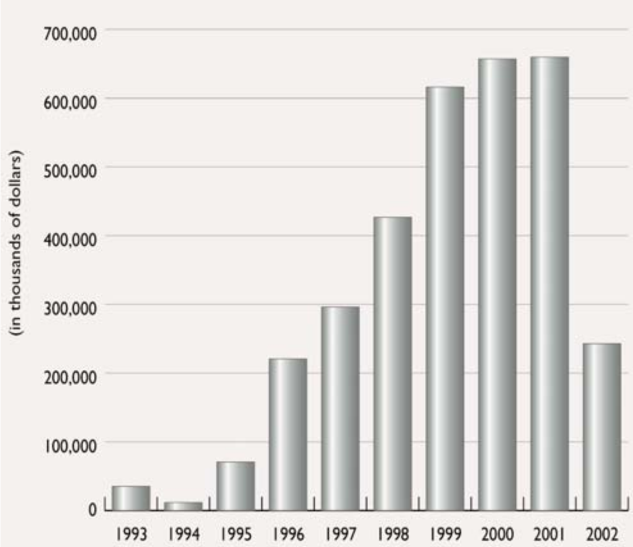
The major study of the long term asset mix undertaken in 2002 resulted with a 3% allocation decrease in equities and a corresponding increase to fixed income. While portfolio adjustments commenced in 2002, more activity will be undertaken in 2003 and beyond. In response to these activities and to enhance the Fund's risk diversification, new external asset management mandates will be awarded in 2003. Consequently, the approved budget for 2003 includes an increased allocation for external investment management fees as well as an increase for salary costs in line with the Fund's compensation policy. Minor fluctuations are anticipated in the various other expense categories reported in Note 12 in the Financial Report section.

Accrued Pension Benefits

The Fund's assets are managed to provide a rate of return sufficient to offset the liabilities and attempt to avoid increases in contribution rates. Further, higher returns contribute to the funding excess or surplus as determined through an actuarial valuation.

A formal actuarial valuation is prepared by the Plan's actuaries, a minimum of every three years, the latest of which was at December 31st, 2002. This valuation determines the accrued pension benefits and an actuarial value of net assets available for benefits. If the results of the valuation indicate that the net assets available for benefits are greater than the accrued benefits, the Plan has a funding excess or surplus. The opposite results in the Plan having a funding deficiency or deficit. The results from the valuation are used by the CBC in determining the contribution rates required to offset the future liabilities. At the end of each year in preparing our financial statements, the actuary uses the result of the formal valuation and for those years where a formal valuation is not performed, the actuary extrapolates from the results of the previous formal valuation using the projected benefit method prorated on service and management's best estimate of expected economic trends. The results from these valuations are reported in the financial statements.

Funding Excess as at December 31



As at December 31, 2002, on a going concern basis, the accrued pension benefits were $3,064.5 million, an increase of $90.7 million from the previous year's total of $2,973.8 million. Over the same period, the actuarial value of net assets available for benefits decreased $326.1 million from $3,633.5 million to $3,307.4 million. The net result was a decrease of $416.8 million to the funding excess at the end of 2002.

As required under the Pension Benefits Standards Act (PBSA) and for reporting purposes to the Office of the Superintendent of Insurance (OSFI), the Plan's actuary also values the Plan on a solvency basis. Using this method, which simulates a plan wind-up, the funding excess is $156.1 million. The Plan sponsor uses the lower of the surplus amounts in order to determine the required contribution levels.

Benefit Administration

The Board of Trustees is responsible for the administration of the Plan which includes the payment of post employment benefits out of the Pension Fund to those who have retired or resigned, and to survivors of those whose death occurred in service or after retirement. The activities associated to discharging this and other pension related responsibilities have been delegated to the Pension Benefit Administration Department (PBA).

Performance standards for the pension benefit administration area address the practices and processes required to execute, in a timely and efficient manner, the major responsibility noted above as well as other varied functions in pension related activities such as:

- calculations in connection with the purchase of previous service;
- the transfer of pension entitlements under the terms of reciprocal transfer agreements;
- coordinating the division of pension credits on marriage breakdown;
- gathering and verifying declarations by active pensioners or their power of attorney;
- determination of spousal and/or children's insurance benefits;
- processing pension benefit adjustments related to indexation, ad hoc adjustments, retroactive salary adjustments, garnishments, etc.

On July 1, 1998, the CBC Pension Plan was amended to incorporate an additional contributory component providing employees with the flexibility to improve the provisions determining the calculation of their benefit through tax-deductible contributions. This modification, which does not entail additional costs to the Plan, is commonly known as FlexPen.

The Table below indicates the increasing number of persons to whom pensions are paid from the Pension Fund, and also the number of contribution refunds and pension benefit transfers paid during the year.

During 2002, the number of contributors increased by 418, from 7,246 as at December 31, 2001 to 7,664 as at December 31, 2002.

In 2002, there was an increase of 107 in the number and minor changes in the mix of pensions being paid as reported in the following table. Also, in 1999 children's pensions were reported on an individual basis whereas in previous years minor children's pensions were attached to the survivor's pension regardless of the number of children receiving pensions. Over a five year period, the total number of pensions being paid increased 4.6% from 7,510 in 1998 to 7,852 in 2002.

In 2002, the CBC advised the Board of Trustees that it would not renew the contract for the provision of pension benefit administration services. In response to this notification, the Board of Trustees initiated a formal process requesting proposals for services from industry leaders. The process will continue in 2003. The Board of Trustees and the CBC have committed that the level of service to the stakeholders would not diminish throughout the process and beyond.

The chart on page 26 illustrates the increase in the number of pensioners over the past 10 years.

Year Ending December 31	2002	2001	2000	1999	1998
Total number of persons (or estates) to whom contribution refunds and pension benefit transfers were paid during the year	188	366	285	215	354
The number of pensions transferred to other plans (Reciprocal transfers)	5	10	13	5	9
Pension benefit credits transferred to former spouses (active employees)	9	9	9	8	11
PENSIONS BEING PAID:					
Pension being paid to ex-employees (Normal - age 65 or over)	670	691	718	734	768
To ex-employees (Early - before age 65)	5,698	5,614	5,580	5,433	5,476
To ex-employees (Disability)	23	24	28	29	33
To spouses of deceased employees and pensioners	1,360	1,309	1,265	1,218	1,171
To former spouses due to division of pension credits	45	42	38	33	24
To children of deceased employees and pensioners	56	65	68	60	38
Total pensions being paid	**7,852**	**7,745**	**7,697**	**7,507**	**7,510**

Future Issues and Trends

After three years of negative returns there continues to be significant risk to the world's financial markets, which will lead to increased volatility. These include:

- Geopolitical uncertainties (North Korea, Iraq, and ongoing terrorist threats);

- U.S. economic recovery falters. Consumers may loose confidence and reduce spending due to job losses and record high debt levels.

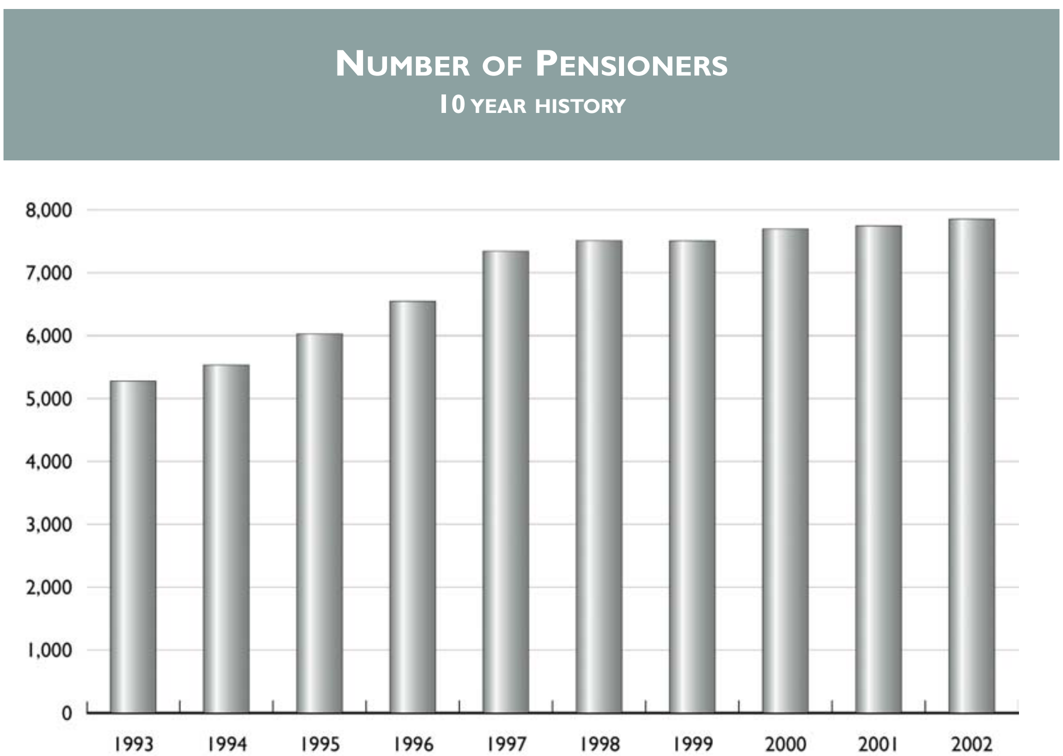
- Mounting deficits and the prospect of increased unemployment in Euro-Economies.

- Underfunded corporate pension funds will impact on prospective corporate earnings.

Management of the Fund will monitor these and various other risks through 2003.

The CBC has advised the Board of Trustees that it will no longer provide the contracted services for the pension benefit administration. A formal process was initiated by the Trustees requesting proposals from leading industry providers. In 2003, management of the Plan and the CBC will work closely to ensure that the level of the existing service to members and pensioners is not compromised throughout this process and beyond.

A detailed communications plan will be developed and implemented to inform stakeholders if any changes are made to the existing practices and procedures which may effect them.



Management's Responsibility for Financial Reporting

The financial statements and all other information presented in this annual report have been prepared by management, which is responsible for the integrity and fairness of the data presented, including amounts which by necessity are based on management's best estimates as determined through experience and judgement. The financial statements have been properly prepared within reasonable limits of materiality. The accounting policies followed in the preparation of these financial statements conform with Canadian generally accepted accounting principles.

Management of the CBC Pension Board of Trustees maintains books of account, records, financial and management control, and information systems, which are designed for the provision of reliable and accurate financial information on a timely basis. Systems of internal control are maintained to provide assurance that transactions are authorized, that assets are safeguarded, and that legislative and regulatory requirements are adhered to. These controls include a code of conduct and an organizational structure that provides a well defined division of responsibilities and accountability.

The CBC Pension Board of Trustees is responsible for overseeing management and has overall responsibility for approving the financial information included in the annual report. The Board meets with management and the external auditor to review the scope of the audit, to review their findings and to satisfy themselves that their responsibilities have been properly discharged. In addition the firm of Mercer Human Resource Consulting Limited, consulting actuaries, conducts a formal actuarial valuation of the obligations for pension benefits at least every three years as is required under the Pension Benefits Standards Act.

Deloitte & Touche LLP, the Plan's external auditor appointed by the Board, has conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and procedures as they consider necessary to express the opinion in their report to the CBC Pension Board of Trustees. The external auditors have full and unrestricted access to the Board to discuss their audit and related findings as to the integrity of the Plan's financial reporting and the adequacy of internal control systems.

S. Cotsman
Managing Director/CEO
CBC Pension Plan

Don Grant
Treasurer

February 7, 2003

ACTUARY'S OPINION

Mercer Human Resource Consulting Limited was retained by the CBC Pension Board of Trustees (the "Board") to calculate the going concern liabilities and the value of the assets of the CBC Pension Plan (the "Plan") as at December 31, 2002, for inclusion in the Plan's financial statements. As part of our work, we examined the Plan's recent experience with respect to the investment of the pension fund assets and presented our findings to the Board.

The Plan's actuarial liabilities have been calculated based on:

- membership data provided by the Canadian Broadcasting Corporation as at December 31, 2002;
- methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- assumptions about future events (for example, future rate of inflation and future rates of return on the pension fund) which have been communicated to us as the Board's best estimate of these events.

While the actuarial assumptions used to estimate liabilities for the Plan's financial statements represent the Board's best estimate of future events, and while in our opinion these assumptions are reasonable, the Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations, and will affect the financial position of the Plan, and the contributions required to fund it, at that time.

We have tested the data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purposes of the valuation. We also believe that the methods employed in the valuation and the assumptions are, in aggregate, appropriate for the purposes of the valuation. Our opinions have been given, and our valuation has been performed, in accordance with accepted actuarial practice.

Sylvain Poirier
Fellow of the Canadian Institute of Actuaries

Mercer Human Resource Consulting Limited
Ottawa, Ontario

February 7, 2003

AUDITOR'S REPORT

To the CBC Pension Board of Trustees

We have audited the statement of net assets available for benefits and accrued pension benefits and funding excess of the CBC Pension Plan as at December 31, 2002 and the statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in funding excess for the year then ended. These financial statements are the responsibility of the Board of Trustees' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and funding excess of the CBC Pension Plan as at December 31, 2002 and the changes in net assets available for benefits, accrued pension benefits and funding excess for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants

Ottawa, Ontario
February 7, 2003

CBC Pension Plan

Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Funding Excess as at December 31

		2002		2001
		(in thousands of dollars)		
NET ASSETS AVAILABLE FOR BENEFITS				
ASSETS				
Investments (Note 3)	$	3,291,570	$	3,642,305
Accrued Investment Income		14,830		19,750
Accounts Receivable (Note 5)		5,703		5,027
Employee Contributions Receivable		3,985		2,285
FlexPen Investments (Note 7)		3,776		3,486
		3,319,864		3,672,853
LIABILITIES				
Accounts Payable (Note 8)		12,507		19,375
NET ASSETS AVAILABLE FOR BENEFITS		3,307,357		3,653,478
Actuarial Asset Value Adjustment (Note 9)		-		(20,017)
ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS		3,307,357		3,633,461
ACCRUED PENSION BENEFITS (Note 9)		3,064,572		2,973,835
FUNDING EXCESS (Note 11)	$	242,785	$	659,626

Approved by the Board of Trustees

Trustee

Trustee

Approved by Management

Managing Director/CEO

Treasurer

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

CBC PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED DECEMBER 31

	2002	2001
	(in thousands of dollars)	
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	$ 3,653,478	$ 3,919,037
INCREASE IN ASSETS		
Investment Income (Note 3)	137,926	124,736
Contributions (Note 6)	22,692	23,606
TOTAL INCREASE IN ASSETS	160,618	148,342
DECREASE IN ASSETS		
Current Year Change in Fair Value of		
- Investments and currency (Note 3)	333,421	233,316
- FlexPen (Note 7)	332	10
Benefits (Note 10)	162,077	168,814
Contributions and interest refund (Note 11)	-	3,217
Administrative Expenses (Note 12)	10,909	8,544
TOTAL DECREASE IN ASSETS	506,739	413,901
DECREASE IN NET ASSETS	346,121	265,559
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 3,307,357	3,653,478

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

CBC Pension Plan

Statement of Changes in Accrued Pension Benefits
Year Ended December 31

	2002	2001
	(in thousands of dollars)	
ACCRUED PENSION BENEFITS BEGINNING OF YEAR	$ 2,973,835	$ 2,878,326
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on Accrued Pension Benefits	197,391	197,735
Benefits Earned	68,450	65,774
FlexPen (Note 7)	565	824
	266,406	264,333
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits (Note 10)	162,077	168,824
Changes in Actuarial Assumptions (Note 9)	7,989	-
Experience Gains (Note 9)	5,603	-
	175,669	168,824
NET INCREASE IN ACCRUED PENSION BENEFITS	90,737	95,509
ACCRUED PENSION BENEFITS AT END OF YEAR	$ 3,064,572	$ 2,973,835

Statement of Changes in Funding Excess
Year Ended December 31

	2002	2001
	(in thousands of dollars)	
FUNDING EXCESS BEGINNING OF YEAR	$ 659,626	$ 656,964
Decrease in Net Assets Available for Benefits	(346,121)	(265,559)
Change in Actuarial Assets Value Adjustment	20,017	363,730
(Decrease)Increase in Actuarial Value of Net Assets Available for Benefits	(326,104)	98,171
Net Increase in Accrued Pension Benefits	90,737	95,509
FUNDING EXCESS AT END OF YEAR	$ 242,785	$ 659,626

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

CBC Pension Plan

Notes to the Financial Statements
December 31, 2002

1. Description of Plan

The following description of the Canadian Broadcasting Corporation Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the text of the Plan as amended.

a) General

The Canadian Broadcasting Corporation (the Corporation) established the Plan effective September 1, 1961, pursuant to the Broadcasting Act. The Plan is primarily a contributory defined benefit pension plan covering substantially all permanent employees of the Corporation. The Plan is subject to the provisions of the Pension Benefits Standards Act (PBSA) and Regulations. The Plan's registration number with the Superintendent of Financial Institutions is 55144.

b) Benefits

The Corporation guarantees the payment of the pensions (other than the flexible pension provision), and other benefits payable under the terms of this Plan as amended. A member who is a regular employee of the Corporation will receive benefits based on the length of pensionable service and on the average of the best five consecutive years of pensionable salary in the last ten years of employment. A member who is a part-time employee of the Corporation will receive benefits based on an indexed career average salary formula. The benefits are indexed at the lesser of 2.7% or the Consumer Price Index (CPI) effective January 1 of each year.

c) Funding

The Plan is funded on the basis of actuarial valuations, which are made at least on a triennial basis. The most recent actuarial valuation of the Plan was made on December 31, 2002, with the cost certificate to be filed with Regulatory Authorities by June 30, 2003. Employees are required to contribute to the Plan a percentage of their pensionable salary, which is 4.2% of earnings up to the maximum public pension plan earnings ($39,100 in 2002) and 5.5% of earnings in excess of such maximum. The Corporation provides the balance of the funding, as required, based on actuarial valuations.

d) Income Tax Status

The Plan is a Registered Pension Trust as defined in the Income Tax Act, and consequently, is not subject to income taxes. The Plan’s registration number for income tax purposes is 202895.

2. Significant Accounting Policies

a) Presentation

These financial statements are prepared on the going concern basis and present the financial position of the Plan as a separate financial reporting entity independent of the sponsor and Plan members. The objective of these financial statements is to assist Plan members and other users in reviewing the financial position and results of operations of the Plan for the year. However, these statements do not portray the funding requirements of the Plan or the security of an individual Plan member's benefits.

b) Consolidation

The financial statements include the accounts of the CBC Pension Plan, its wholly-owned subsidiaries, which hold the Plan's interest in certain real estate and other investments, and a joint venture. The Plan's interest in the joint venture is accounted for by the proportionate consolidation method.

c) Investments

Investments are recorded as of the trade date and are stated at fair value (see note 3). Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Cost represents the original cost less write-downs, to reflect other than temporary declines in fair value.

d) Accrual of income

Interest and dividend income has been accrued to the year-end date.

e) Current year change in fair value of investments

The current year change in fair value of investments is the difference between the fair value and the cost of investments at the beginning and end of each year adjusted for realized gains and losses in the year.

f) Accrued pension benefits

Accrued pension benefits related to the defined benefit portion of the Plan are based on an actuarial valuation prepared by a firm of independent actuaries. The determined obligations constitute an extrapolation from the results of the previous formal valuation using the projected benefit method prorated on service and management's best estimate of future economic events (see note 9). Accrued benefits related to the flexible pension provisions are reported at the fair value of the investments associated with the contributions.

g) Contributions

Contributions for current service are recorded in the year in which the related payroll costs are incurred. Contributions for past service are recorded in the year received. Cash contributions related to the flexible pension provisions are recorded in the year received and payroll contributions are recorded in the year deducted.

h) Foreign currency translation and forward currency agreements

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at year-end. Income and expenses are translated at the rate of exchange prevailing at the time of the transactions. Forward currency agreements are fair valued at the reporting date. Gains and losses from translation and forward currency agreements are included in the current year change in fair value of investments.

i) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimated.

3. Investments

a) The following tables show the fair value and the cost of the investments at year-end as well as the current year change in fair value of investments and related income. Real Estate is recorded net of the Fund's proportionate share of property debt of $69.6 million at the end of 2002 ($39.0 million in 2001). Investment income includes interest and dividends earned during the year as well as income from real estate properties which is net of operating and interest expense.

2002 INVESTMENTS

(in thousands of dollars)

	Fair Value	Cost	Current year Change in Fair Value of Investments [1]	Investment Income	Total Return
Fixed Income					
Cash and Short-Term Investments	$ 294,065	$ 293,776	$ 1,398	$ 4,966	$ 6,364
Bonds - Canadian	929,382	890,699	20,805	56,137	76,942
- Global	141,456	125,000	745	23,034	23,779
	1,364,903	1,309,475	22,948	84,137	107,085
Equities					
Canadian	870,116	966,049	(142,872)	14,901	(127,971)
U.S.	316,212	367,194	(116,589)	4,091	(112,498)
Non-North American	320,080	348,380	(74,364)	6,053	(68,311)
Emerging Markets	74,539	116,132	(12,433)	2,192	(10,241)
	1,580,947	1,797,755	(346,258)	27,237	(319,021)
Strategic					
Property (Note 4)	281,472	283,666	4,208	26,275	30,483
Private Placements	64,248	65,314	(14,319)	277	(14,042)
	345,720	348,980	(10,111)	26,552	16,441
TOTAL	$3,291,570	$3,456,210	$ (333,421)	$ 137,926	$ (195,495)

[1] The current year change in Fair Value of Investments includes $202.2 million of unrealized losses and $40.6 million of net realized and unrealized gains on foreign exchange.

2001 INVESTMENTS

	Fair Value	Cost	Current year Change in Fair Value of Investments [2]	Investment Income	Total Return
			(in thousands of dollars)		
Fixed Income					
Cash and Short-Term Investments	$ 229,185	$ 228,829	$ 158	$ 9,218	$ 9,376
Bonds - Canadian	977,572	959,353	14,057	59,926	73,983
- Global	140,711	125,000	8,220	0	8,220
	1,347,468	1,313,182	22,435	69,144	91,579
Equities					
Canadian	1,033,444	1,007,399	(71,523)	16,450	(55,073)
U.S.	411,053	418,475	(60,660)	3,534	(57,126)
Non-North American	396,765	401,894	(92,133)	4,201	(87,932)
Emerging Markets	86,356	115,570	(4,737)	1,509	(3,228)
	1,927,618	1,943,338	(229,053)	25,694	(203,359)
Strategic					
Property (Note 4)	286,709	298,539	(7,614)	29,861	22,247
Private Placements	80,510	68,198	(19,084)	37	(19,047)
	367,219	366,737	(26,698)	29,898	3,200
TOTAL	$3,642,305	$3,623,257	$ (233,316)	$ 124,736	$ (108,580)

[2] The current year change in Fair Value of Investments includes $2.9 million of unrealized gains and net realized and unrealized gains of $21.0 million on foreign exchange.

b) Determination of fair values:

i) Cash and short-term investments

Cash and short-term investments, which include bank deposits, treasury bills, bankers' acceptances and short-term corporate notes, are valued at cost which approximates fair value.

ii) Equities, Bonds and Private Placements

Equities and bonds consisting primarily of listed securities are recorded at prices based on published market quotations.

Private placements consisting primarily of unlisted equities and debentures are valued at prices based on management's best estimates using one of the following methods: trade prices for similar securities, discounted cash flows and appraised values.

iii) Property

Property consists of mortgages and real estate.

a) Mortgages are secured by real estate and generally represent one to five year loans made at commercial mortgage rates to individuals and corporations. These loans are generally amortized over periods ranging from ten to twenty-five years. Mortgages are valued using current mortgage market yields and include accrued interest.

b) Real estate projects when in development are valued at the lower of cost and estimated realizable value. Other real estate investments are recorded at estimated fair values and are subject to independent appraisal at least once every three years.

c) Investment risk

The Plan's performance is subject to a number of risks which are managed using a number of tools and techniques. A discussion of certain of these risks is provided below:

i) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's investments is affected by short-term changes in nominal interest rates and equity markets both domestic and foreign. Pension liabilities are exposed to the long-term assumption for the Plan's rate of return on investments as well as shorter term assumptions on inflation and salary escalation.

The Plan's primary exposure is the prospect of a decline in the long-term real rate of return which may result in higher contribution rates required to meet pension liabilities. As at December 31, 2002, a 1% reduction in the assumed real long-term rate of return would result in an increase in the pension liabilities of approximately 14%.

It should be noted that short-term fluctuations in the real rate of return would not have a significant impact on the pension liabilities.

Pension liabilities are sensitive to changes in inflation and salary escalation rates. Changes in these parameters as well as interest rates will have a different effect on the values of the assets and pension liabilities, leading to mismatch risk. Given the nature of pension benefits, such risks cannot be eliminated, but are managed through the funding and investment policy of the Plan.

In 2002, the Plan's Statement of Investment Policy and Procedures provided for a long-term target asset mix of 34% fixed income, 55% equities, and 11% strategic investments which includes property and private placements. The asset mix is determined through periodic reviews of the Plan's pension liabilities.

ii) Credit Risk

a) The risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Plan's Statement of Investment Policy and Procedures, which is reviewed annually, defines permitted investments, in accordance with the Act and provides guidelines and restrictions on acceptable investments which minimizes credit risk.

The maximum credit exposure of the Plan is represented by the fair value of the investments as presented in the Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Funding Excess.

b) Concentration of credit risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. Management does not believe that the concentrations described below are unusual when compared to other pension plans.

	2002	2001
	(% of category)	
BONDS		
Government of Canada	35.5	36.6
Provinces	12.9	17.2
Corporate	41.2	34.5
Passive Pooled Fund	10.4	11.7
	100.0	100.0

	2002	2001
	(% of category)	
CANADIAN EQUITIES		
Materials	23.6	15.0
Industrials	6.6	19.4
Telecommunication Services	1.4	0.0
Consumer Discretionary	4.4	9.1
Consumer Staples	2.0	0.0
Energy	13.0	10.5
Financials	19.8	18.4
Health Care	3.6	0.0
Information Technology	3.9	0.0
Utilities	4.2	5.9
Index Units Canadian Exposure i60	17.5	21.7
	100.0	100.0

iii) Foreign Currency and Exposure Risk

The Plan invests in non-Canadian equities, bonds and money market securities the value of which fluctuates due to changes in foreign exchange rates as well as the economic and political environments associated with the individual countries. Further, the Plan increases its foreign exposure by investing in unhedged index units which are considered Canadian content but provide returns based on foreign market performance.

The Plan may, from time to time hedge some of the exposure based on economic fundamentals.

The Plan's net foreign currency exposure in Canadian dollars after giving effect to the hedged positions as at December 31 was as follows:

	2002			2001
	Foreign Currency Exposure	Net Foreign Currency Hedge	Net Foreign Currency Exposure	Net Foreign Currency Exposure
	(in thousands of dollars)			
Cash and Short-Term Investments	$ 8,542	$ -	$ 8,542	$ 38,569
Equities and Global Bonds:				
United States	341,383	(512)	340,871	438,461
Japan	74,395	12,121	86,516	85,599
United Kingdom	94,177	2,022	96,199	77,924
Euro Countries:				
- France	61,274			
- Germany	85,027			
- Holland	24,879			
- Finland	5,359			
- Portugal	4			
- Italy	9,459			
Total Euro Countries	186,002	(19,001)	167,001	181,427
Switzerland	23,886		23,886	15,773
Australia	11,060	5,588	16,648	23,662
Belgium	7,792		7,792	9,603
HongKong	6,981		6,981	-
Spain	10,455		10,455	6,130
Sweden	4,282	(5)	4,277	(77)
Others	87,562		87,562	188,766
Total	$ 856,517	$ 213	$ 856,730	$ 1,065,837

4. Real Estate Joint Venture

Effective April 1, 2000, the Plan and Edgefund Equities Inc. merged part of their respective real estate holdings to form Pyxis Real Estate Equities, a 30%-70% joint venture. The Plan contributed real estate property to the joint venture for a total consideration of $84 million, of which $60 thousand was received in common shares of Pyxis, and the balance was received as a promissory note secured by the fair market value of all properties.

The following amounts represent the Plan's proportionate interest in Pyxis at book value before consolidation:

	2002	2001
	(in thousands of dollars)	
Assets		
Cash and Short-term Investments	2,167	3,004
Accounts Receivable	4,258	3,091
Property	28,753	29,856
Mortgage	497	-
Liabilities		
Accounts Payable	3,483	1,230
Promissory Notes	31,901	30,899
Earnings		
Investment Income	191	3,665
Administrative Expenses	(418)	339
Realized Profit(Loss) on Sale of Investments	(899)	-
Net Income(Loss)	(1,126)	3,326

5. Accounts Receivable

	2002	2001
	(in thousands of dollars)	
Property	$ 5,670	$ 4,662
Investment related	-	326
Other	33	39
	$ 5,703	$ 5,027

6. Contributions

The following are the contributions for the year:

		2002	2001
		(in thousands of dollars)	
Employee	- Current Service	$ 17,207	$ 16,508
	- Past Service	4,588	6,274
	- FlexPen (Note 7)	897	824
		$ 22,692	$ 23,606

7. Flexible Pension (FlexPen)

An amendment was made to the Plan effective January 1, 1998, to include a flexible component. Under FlexPen, members can make additional contributions to the Plan, up to limits within the Income Tax Act. Members may choose from various pooled fund investments which are administered by external managers. Contributions and accrued investment income thereon are converted into additional benefits based upon market rates at the earliest of retirement, death or termination of employment.

The liabilities of the Plan with respect to FlexPen are equal to the additional member contributions, plus investment income, plus or minus capital gains or losses thereon less refunds. This portion of the Plan benefits is funded entirely by members.

A summary of the activity for the year ending December 31 is as follows:

	2002	2001
	(in thousands of dollars)	
Investments beginning of year	$ 3,486	$ 2,898
Increases:		
Contributions	891	816
Interest	6	8
	897	824
Decreases:		
Capital Depreciation	332	10
Refunds	13	25
Purchase of Additional Pension Benefits	262	201
	607	236
Investments end of year	$ 3,776	$ 3,486

8. Accounts Payable

	2002	2001
	(in thousands of dollars)	
Investment related	$ 4,099	$ 1,775
Benefits	5,603	14,898
Other	2,805	2,702
	$ 12,507	$ 19,375

9. Accrued Pension Benefits

(a) Actuarial valuations are required at least every three years under the Pension Benefits Standards Act. The latest actuarial valuation was made at December 31, 2002, by Mercer Human Resource Consulting Limited, a firm of consulting actuaries. Amounts reported in these financial statements are based on going concern results of this valuation. The actuarial assumptions used in determining the obligations for accrued pension benefits, which reflect the Board's best estimates of expected economic trends, were as follows:

	Long term assumptions	
	2002	2001
Asset rate of return	6.75%	6.75%
Salary escalation rate(3)	4.00%	4.00%
Inflation rate	3.00%	3.00%

(3) excluding merit and promotional salary increases

Select assumptions reflecting the short-term economic environment were also used.

In 2002, there were experience gains of $5.6 million as revealed by the actuarial valuation conducted as at December 31, 2002. There were no experienced gains in 2001.

The changes in the actuarial assumptions resulted in a decrease of the Accrued Pension Benefits of $8.0 million.

The Pension Benefits Standards Act requires that the Plan be also valued on a solvency basis, which simulates a plan wind-up. As of December 31, 2002, the Plan's solvency liabilities were $3.168 million.

b) The actuarial value of net assets available for benefits has been determined at amounts that reflect long-term market trends consistent with assumptions underlying the valuation of the accrued pension benefits. The actuarial value of net assets is based on a four-year moving - average-market method, without exceeding the asset market value. Under this method the market value is the underlying basis, but fluctuations are generally averaged over a four-year period. The year over year change in the actuarial asset value adjustment is reflected in the Statement of Changes in Funding Excess.

10. Benefits

Benefits for the year ended December 31, were as follows:

	2002	2001
	(in thousands of dollars)	
Pensions	$ 167,252	$ 162,843
Refunds and Related Interest	458	169
Net Transfer of Contributions and Related Interest	4,267	5,576
FlexPen:		
- Refunds	13	25
- Purchase of Additional Pension Benefits	262	201
	172,252	168,814
Decrease		
Elective Benefit Reversal (4)	10,175	-
	$ 162,077	$ 168,814

(4) Subsequent to December 31, 2001, some employees who had elected to transfer their contributions opted for a deferred pension.

11. Funding Excess

Through an actuarial valuation as at December 31, 2002, it was determined that the Plan had a funding excess of $242.8 million on a going concern basis and a funding excess of $156.1 million on a solvency basis. The actuarial report will be submitted to the Plan sponsor as required under the Trust Deed.

Through an actuarial valuation as at December 31, 1999 it was determined that the Plan had a funding excess of $616.2 million.

The Corporation indicated that it's contribution requirements would be covered by the funding excess in 2000, 2001 and 2002. Furthermore, the Corporation earmarked a portion of the funding excess that is reserved for use by the CBC after December 31, 2002, the date of the latest actuarial valuation. An amount of $89 million was identified as at December 31, 1999.

An amendment was made to the Plan as at January 1, 2000, whereby 17.2% of member accumulated contributions and interest totalling $143.0 million were refunded in 2000 ($139.8 million) and 2001 ($3.2 million). The amendment also required that future member contributions be reduced by the same percentage. The present value of the future employee contribution reduction is estimated at $147.6 million as at December 31, 2002.

12. Administrative Expenses

In accordance with the Trust Deed, all fees, charges and other costs incurred by the Trustees in the setting up and administration of the Plan and in the setting up and management of the Fund are to be paid by the Fund. Expenses for the year ended December 31, were as follows:

	2002	2001
	(in thousands of dollars)	
Fund Administration		
Internal Investment Management		
Salaries and employment costs	$ 2,094	$ 1,825
Professional fees	1,571	367
Data processing	817	861
Custodial and banking fees	811	622
Office rent	178	191
Other	163	150
Total Internal Management	5,634	4,016
External Investment Management		
Management fees	1,871	1,564
Property management	502	425
Total External Management	2,373	1,989
	8,007	6,005
Pension Benefit Administration		
Salaries and employment costs	1,016	936
Special project - contribution refund (Note 11)	-	291
Professional fees	450	275
Office rent	29	29
Other	227	304
	1,722	1,835
Board of Trustees Expense		
Professional fees	466	149
Other	72	47
	538	196
GST	642	508
Total Administrative Expenses	$ 10,909	$ 8,544

13. Commitments and Contingencies

The Fund is contingently liable to fund cash flow deficiencies and the obligations of its co-investors, including other pension funds, on certain real estate related investments. In addition, the Fund may have to provide financing on certain real estate related investments in the event of the non-availability of financing from other sources.

14. Comparative Figures

Certain of the 2001 comparative figures have been reclassified to conform to the current year's presentation.

Supplementary Financial Information

investments greater than $15,000,000
as at december 31, 2002

Bonds - Canadian

Issuer	Coupon	Maturity Date	Fair Value (in million $)
Emerald Canadian Bond Fund Units			96.42
Government of Canada	6.000%	Sept 01,2005	79.96
Government of Canada	5.750%	Sept 01,2006	53.46
Canada Housing & Trust	5.100%	Sept 15, 2007	38.60
Province of Quebec	6.250%	Dec 01, 2010	34.71
Golden Credit Card Trust	5.700%	Aug 15, 2006	33.87
Government of Canada	10.250%	Mar 15, 2014	33.52
Export Development Corporation	5.750%	Jun 01, 2011	31.81
Government of Canada	8.000%	Jun 01, 2023	30.44
Province of Ontario	5.200%	Mar 08, 2007	21.97
Canada Housing & Trust	5.527%	Jun 15, 2016	21.15
Gloucester Credit Card Trust	5.590%	Jun 15, 2007	21.09
Government of Canada	5.750%	Jun 01, 2029	21.08
Government of Canada	4.250%	Sept 01, 2008	20.03

Bonds - Global

Issuer	Fair Value (in million $)
Baring Global Bond Fund	141.45

Real Estate Holdings

Issuer	% Participation	Fair Value (in million $)
Pyxis Real Estate Ogilvy Building	8.50%	33.12
Pensionfund Realty CN Tower	12.23%	16.38

Canadian Equities

Issuer	Fair Value (in million $)
Emerald Canadian Equity Fund	140.98
Royal Bank of Canada	40.49
Barrick Gold Corp.	31.65
Encana Corporation	26.05
Bank of Nova Scotia	25.01
Toronto Dominion Bank	22.45
Petro Canada	22.01
TransCanada PipeLines Ltd.	20.63
Bank of Montreal	19.80
Placer Dome Inc.	19.65
Manulife Financial Corp.	18.91
Sun Life Financial	17.36
Canadian Imperial Bank of Commerce	16.54
Alcan Inc.	16.21
Goldcorp Inc.	16.05
Talisman Energy Inc.	15.63

Special & Private Placements

Issuer	Fair Value (in million $)
1028484 Ontario Inc. Class A	19.70

United States Equities

Issuer	Fair Value (in million $)
Emerald U.S. Enhanced Fund	89.18
S&P 500 Depository Receipt	20.00

Non-North American Equities

Issuer	Fair Value (in million $)
Schroder Emerging Market Fund	66.96
Emerald International Fund	18.99

We welcome your comments and suggestions for this annual report
as well as other aspects of your communications program.

Please address your comments to:

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