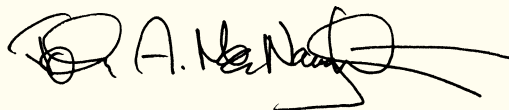


The financial statements of the Canada Pension Plan Investment Board (the "CPP Investment Board") have been prepared by management and approved by the Board of Directors. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the contents of the financial statements and the financial information contained within the annual report.

The CPP Investment Board maintains records and develops and maintains systems of internal control and supporting procedures to provide reasonable assurance that the CPP Investment Board's assets are safeguarded and controlled and that transactions are in accordance with the *Canada Pension Plan Investment Board Act*, the accompanying regulations, the by-laws, and the Statement of Investment Policies, Standards and Procedures.

The Audit Committee assists the Board of Directors in discharging its responsibility to approve the annual financial statements. The Committee meets regularly with both management and the external auditors to discuss the scope and findings of audits and other work that the external auditors may be requested to perform from time to time, to review financial information, and to discuss the adequacy of internal controls. The Committee reviews and approves the annual financial statements and recommends them to the Board of Directors for approval.

The CPP Investment Board's external auditors, Deloitte & Touche LLP, have conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to express an opinion in their Auditors' Report. The external auditors have full and unrestricted access to management and the Audit Committee to discuss any findings related to the integrity of the CPP Investment Board's financial reporting and the adequacy of internal control systems.



JOHN A. MACNAUGHTON
PRESIDENT AND CHIEF EXECUTIVE OFFICER

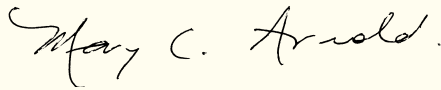


JANE NYMAN
VICE PRESIDENT – FINANCE AND OPERATIONS

INVESTMENT CERTIFICATE

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

The investments of the Canada Pension Plan Investment Board (the "CPP Investment Board"), held during the year ended March 31, 2000, were in accordance with the *Canada Pension Plan Investment Board Act* and the CPP Investment Board's Statement of Investment Policies, Standards and Procedures.



MARY C. ARNOLD

CHAIR OF THE AUDIT COMMITTEE

ON BEHALF OF THE BOARD OF DIRECTORS, JUNE 1, 2000

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS


We have audited the balance sheet and the statement of investment portfolio of the Canada Pension Plan Investment Board (the "CPP Investment Board") as at March 31, 2000 and the statements of income and accumulated net income from operations and of changes in net assets for the year then ended. These financial statements are the responsibility of the CPP Investment Board's 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 financial position of the CPP Investment Board and the investments held as at March 31, 2000 and the results of its operations and of changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

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

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

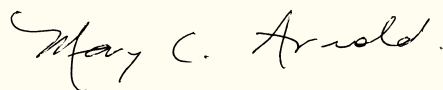


CHARTERED ACCOUNTANTS

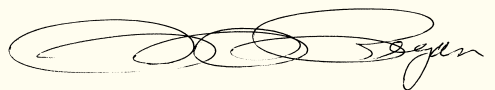
TORONTO, ONTARIO, MAY 19, 2000

March 31, 2000	2000	1999
ASSETS		
Investments (Note 2)		
Canadian equities	\$ 1,954,371,638	\$ 9,982,904
Non-Canadian equities	438,389,478	2,160,746
TOTAL INVESTMENTS	2,392,761,116	12,143,650
Cash and short-term investments	1,022,244	5,745,442
Other assets (Note 3)	1,079,581	68,392
TOTAL ASSETS	2,394,862,941	17,957,484
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	3,070,132	864,835
Due to Canada Pension Plan (Note 5)	—	4,948,187
TOTAL LIABILITIES	3,070,132	5,813,022
NET ASSETS	\$ 2,391,792,809	\$ 12,144,462
NET ASSETS, REPRESENTED BY		
Share capital (Note 6)	\$ 100	\$ 100
Accumulated net income from operations	460,337,709	202,362
Canada Pension Plan transfers (Note 7)	1,931,455,000	11,942,000
NET ASSETS	\$ 2,391,792,809	\$ 12,144,462

On behalf of the Board of Directors:



MARY C. ARNOLD
CHAIR OF THE AUDIT COMMITTEE



M. JOSEPH REGAN
DIRECTOR, MEMBER OF
THE AUDIT COMMITTEE

Year Ended March 31, 2000	Year ended March 31, 2000	Six Months ended March 31, 1999
INVESTMENT ACTIVITIES		
Investment income (Note 8)	\$ 463,785,627	\$ 203,209
Investment expenses (Note 9)	(482,312)	(847)
	463,303,315	202,362
ADMINISTRATIVE ACTIVITIES (Note 10)		
Operating expenses	1,309,769	362,742
Salaries and benefits	1,003,036	256,930
Professional and consulting fees	855,163	455,993
	3,167,968	1,075,665
RECOVERY OF START-UP EXPENDITURES (Note 5)	—	(1,075,665)
NET INCOME FROM OPERATIONS	460,135,347	202,362
ACCUMULATED NET INCOME FROM OPERATIONS,		
BEGINNING OF PERIOD	202,362	—
ACCUMULATED NET INCOME FROM OPERATIONS, END OF PERIOD	\$ 460,337,709	\$ 202,362

Year Ended March 31, 2000	Year ended March 31, 2000	Six Months ended March 31, 1999
NET ASSETS, BEGINNING OF PERIOD	\$ 12,144,462	\$ —
CHANGES IN NET ASSETS		
Canada Pension Plan transfers (Note 7)	1,919,513,000	11,942,000
Net income from operations	460,135,347	202,362
Share capital paid	—	100
INCREASE IN NET ASSETS FOR THE PERIOD	2,379,648,347	12,144,462
NET ASSETS, END OF PERIOD	\$ 2,391,792,809	\$ 12,144,462

March 31, 2000	Fair Value of Investments	
	2000	1999
CANADIAN EQUITIES		
(Managed by TD Quantitative Capital)		
Emerald Canadian Equity Funds	\$ 1,736,380,032	\$ 9,982,904
(Cost – \$1,492,621,010; 1999 – \$9,799,173)		
Canadian Equity Account – physical securities which when combined with the Emerald Canadian Equity Funds substantially replicate the composition of the Toronto Stock Exchange 300 Composite Index (Cost – \$140,407,927; 1999 – nil)	217,991,606	—
TOTAL CANADIAN EQUITIES	1,954,371,638	9,982,904
NON-CANADIAN EQUITIES		
(Managed by Barclays Global Investors)		
Barclays Global Investors Canada Limited		
US Equity Index Fund (Canada)	219,956,228	1,042,157
(Cost – \$202,208,758; 1999 – \$1,045,396)		
EAFE Equity Index Fund B	218,433,250	1,091,235
(Cost – \$197,976,469; 1999 – \$1,097,687)		
Barclays Global Investors Canada Limited	—	27,354
Unhedged Synthetic EAFE Equity Index (Cost – nil; 1999 – \$25,984) (collectively invested to substantially replicate the composition of the Morgan Stanley Capital International World Index ex-Canada)		
TOTAL NON-CANADIAN EQUITIES	438,389,478	2,160,746
TOTAL EQUITIES	\$ 2,392,761,116	\$ 12,143,650
% OF PORTFOLIO AT COST		
Canadian Equities	80.3%	81.9%
Non-Canadian Equities	19.7%	18.1%
	100.0%	100.0%

ORGANIZATION

The Canada Pension Plan Investment Board (the “CPP Investment Board”) was formed pursuant to the *Canada Pension Plan Investment Board Act* (the “Act”). The CPP Investment Board is responsible for managing amounts that are transferred to it under Section 111 of the *Canada Pension Plan* in the best interests of the beneficiaries and contributors under that Act. The amounts are to be invested with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the factors that may affect the funding of the Canada Pension Plan (the “CPP”) and the ability of the CPP to meet its financial obligations.

The CPP Investment Board commenced operations October 1, 1998 and has a fiscal year end of March 31.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

These financial statements present the financial position and operations of the CPP Investment Board as a separate legal entity, and therefore include only a portion of the assets (as described in Note 2) and none of the pension liabilities of the CPP. The statements have been prepared in accordance with Canadian generally accepted accounting principles and the requirements of the Act and the accompanying Regulations.

B. VALUATION OF INVESTMENTS

Investments are recorded as of the trade date and are stated at fair value. 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.

Market prices for securities and unit values for pooled and mutual funds are used to represent fair value for the investments. Unit values reflect the quoted market prices of the underlying securities. Short-term investments are valued at cost plus accrued income which approximates fair value.

C. INCOME RECOGNITION

Investment income is recorded on the accrual basis and represents realized gains and losses on disposal or transfer of investments, unrealized gains and losses on investments held at the end of the period, dividend income, interest income, and distributions from mutual and pooled funds.

Realized gains and losses on investments sold during the period represent the difference between sale proceeds and cost, less related costs of disposition. Unrealized gains and losses represent the change in the difference between fair value and cost of investments at the beginning and end of each period.

D. TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rates of exchange on the transaction date. Investments denominated in foreign currencies and held at the period end are translated at exchange rates in effect at the period end date. The resulting realized and unrealized gains and losses are included in investment income.

E. CANADA PENSION PLAN TRANSFERS

Amounts received from the CPP are recorded on a cash basis.

F. INCOME TAXES

The CPP Investment Board is exempt from Part I tax under paragraph 149(1)(d) of the *Income Tax Act (Canada)* on the basis that all of the shares of the CPP Investment Board are owned by Her Majesty in right of Canada.

G. USE OF ESTIMATES

In preparing these financial statements, management must make certain estimates and assumptions which can affect the reported values of assets and liabilities, related income and expenses and note disclosures.

2. INVESTMENTS

The statement of investment portfolio provides detailed information on the investments held as at March 31, 2000.

A. INVESTMENT POLICY

The CPP Investment Board has prepared a Statement of Investment Policies, Standards and Procedures (the "Investment Policy") which sets out the manner in which assets shall be invested. In determining the asset mix, the CPP Investment Board must take into consideration certain assets of the CPP which are held outside of the CPP Investment Board. As at March 31, 2000, these assets totalled approximately \$30.3 billion (at cost) and consisted of government debt obligations. As a result, and in accordance with the Investment Policy, 100% of the CPP Investment Board's investments are allocated to equities with approximately 80% allocated to Canadian equities and the remainder to non-Canadian equities.

As at March 31, 2000, the Regulations under the Act require the CPP Investment Board's Canadian equities to substantially replicate the composition of one or more broad market indexes. The Toronto Stock Exchange 300 Composite Index (the "TSE 300 Index") has been selected as an appropriate market index for the Canadian equities. Under the terms of the Investment Policy, the CPP Investment Board's investments in non-Canadian equities should also substantially replicate broad market indexes. The Morgan Stanley Capital International ("MSCI") World Index ex-Canada has been selected for this purpose.

B. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are financial contracts, the value of which is derived from the value of underlying assets, interest rates or exchange rates.

As outlined in the Investment Policy, certain derivatives may be used to achieve market exposure by replicating direct investments in a relevant equity index, provided that the derivatives are not used to create leverage. The mutual and pooled funds in which the CPP Investment Board owns units are permitted to, and may from time to time, use derivatives subject to this constraint. There were no derivative contracts outstanding at March 31, 2000.

C. FOREIGN CURRENCY EXPOSURE

The CPP Investment Board is exposed to currency risk through holdings of units in pooled funds of non-Canadian equities where investment values will fluctuate due to changes in foreign exchange rates. The underlying currency exposures by geographical area as at March 31, 2000 are as follows:

Country/Region	2000		1999	
	Fair value	% of Total	Fair value	% of Total
United States	\$ 219,956,228	50%	\$ 1,042,157	48%
Europe	145,796,261	34%	802,370	37%
Far East	67,453,540	15%	282,138	13%
Australia and New Zealand	5,183,449	1%	34,081	2%
	\$ 438,389,478	100%	\$ 2,160,746	100%

In accordance with the Investment Policy, the foreign currency exposures are not hedged.

3. OTHER ASSETS

Other assets consisted of the following:

	2000	1999
Pending trades	\$ 532,723	\$ —
Dividends receivable	383,456	—
Fixed assets	141,354	67,222
Other assets	22,048	1,170
	\$ 1,079,581	\$ 68,392

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following:

	2000	1999
Pending trades	\$ 1,801,263	\$ —
Other accounts payable and accrued liabilities	1,268,869	864,835
	\$ 3,070,132	\$ 864,835

5. DUE TO CANADA PENSION PLAN

As permitted under Section 57 of the Act, during fiscal 1999 the CPP Investment Board received an allocation of \$6,000,000 from the CPP for start-up expenditures. Of this amount, a total of \$1,075,665 was utilized during the six-month period ended March 31, 1999. The excess amount of \$4,948,187 (including interest of \$23,852) was repaid to the CPP.

6. SHARE CAPITAL

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

7. CANADA PENSION PLAN TRANSFERS

There are two conditions under which transfers to the CPP Investment Board are permitted, as outlined in Section 111 of the *Canada Pension Plan*. The first relates to the approximately \$30.3 billion in government securities held by the CPP outside of the CPP Investment Board. In certain instances these securities may be rolled over at maturity, either wholly or in part, at the option of the issuer. To the extent that the funds are not required by the CPP to pay current pensions, and the existing issuer does not replace the matured securities, the proceeds are transferred to the CPP Investment Board. The second condition of transfer occurs when the Minister of Finance determines that the CPP has an excess operating balance. The excess portion is then transferred to the CPP Investment Board.

During the year, a total of \$1,919,513,000 (1999 – \$11,942,000) was transferred to the CPP Investment Board.

8. INVESTMENT INCOME

A. INVESTMENT INCOME FOR THE PERIOD

Investment income consisted of the following:

	2000	1999 ¹
Interest income	\$ 1,841,708	\$ 8,293
Dividends	3,650,408	—
Distributions of income from mutual and pooled funds	9,281,073	—
	14,773,189	8,293
Unrealized gains	359,371,542	175,410
Realized gains	89,640,896	19,506
	449,012,438	194,916
TOTAL INVESTMENT INCOME	\$ 463,785,627	\$ 203,209

¹ Investment activity commenced on March 1, 1999. As a result the investment income for 1999 reflects only one month's activity.

In implementing its market replication strategy, the CPP Investment Board utilizes index funds. In instances where a large dollar value of index fund units is to be purchased, the CPP Investment Board initially purchases individual securities that make up the index. The securities are then transferred to the index fund in exchange for units in the fund. On transfer, a gain or loss may be realized representing the difference between the market price of the securities at the time of the transfer and their original cost.

B. INVESTMENT PERFORMANCE

Investment performance and benchmark returns are as follows:

	2000		1999 ¹	
	Portfolio Returns	Benchmark Returns	Portfolio Returns	Benchmark Returns
Canadian equities	45.3%	45.5%	4.9%	4.8%
Non-Canadian equities	16.6%	16.1%	5.4%	4.4%
Total return	40.1%	39.3%	5.0%	4.7%

¹ Investment activity commenced with receipt of the first cash flow on March 1, 1999. As a result, the investment performance information reflects only one month's activity for the period ended March 31, 1999.

The benchmark for the Canadian equities is the TSE 300 Index and for the non-Canadian equities is the MSCI World Index ex-Canada. The total return benchmark aggregates the two benchmark returns according to the weightings (80% for Canadian equities and 20% for non-Canadian equities) specified in the Investment Policy.

Returns have been calculated in accordance with the methods set forth by the Association for Investment Management and Research.

9. INVESTMENT EXPENSES

Investment expenses consisted of the following:

	2000	1999
External investment management fees	\$ 342,481	\$ 252
Custodial fees	139,831	595
	\$ 482,312	\$ 847

10. ADMINISTRATIVE ACTIVITIES

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

A. OPERATING EXPENSES

Operating expenses consisted of the following:

	2000	1999
Communication expenses	\$ 364,061	\$ —
Remuneration earned by directors	269,095	168,550
Occupancy costs	230,711	38,378
Office supplies and equipment	178,642	14,040
Travel and accommodation for directors' meetings	100,526	89,388
Other operating expenses	166,734	52,386
	\$ 1,309,769	\$ 362,742

Remuneration earned by directors includes an annual retainer for each director of \$12,000, board and committee meeting fees of \$900 per meeting, plus an additional annual retainer of \$3,000 for each committee chair. (Separate fees are not paid for investment committee meetings when they are held on the same day as board meetings.) The Chair also receives \$32,000 as additional compensation for the position of Chair of the Board of Directors but is not eligible to receive the \$3,000 retainer paid to committee chairs. Included in the above amount is \$28,495 earned by the Chair from September 7, 1999 to March 31, 2000. Prior to September 7, 1999, the Chair had been discharging the duties of the Chief Executive Officer and accordingly, the compensation for this period has been included in salaries and benefits (see (B) below). Directors of the CPP Investment Board come from various regions of the country and accordingly they incur travel and accommodation expenses in attending meetings of the board and committees. In fiscal 2000, eight board meetings and thirteen committee meetings were held.

B. SALARIES AND BENEFITS

Included in salaries and benefits is the compensation earned by the two executive officers of the CPP Investment Board since the commencement date of their employment in the fiscal year ended March 31, 2000.

Employee	Position	Salary	Annual Bonus ³	Benefits ⁴
John MacNaughton ^{1,5}	President and Chief Executive Officer	\$201,923	\$100,962	\$4,256
Jane Nyman ^{2,5}	Vice President – Finance and Operations	\$ 78,077	\$ 37,589	\$ 124

¹ Commenced employment on September 7, 1999.

² Commenced employment on September 13, 1999. Prior thereto, Ms. Nyman provided services on a contract basis.

³ Bonus amounts are based on the achievement of agreed objectives and reflect amounts payable for the current year. In addition, a long-term incentive plan is being put in place to focus on the achievement of longer term objectives.

⁴ Benefits include life insurance, club dues, and other miscellaneous non-cash remuneration.

⁵ Both Mr. MacNaughton and Ms. Nyman are eligible for pension benefits under a defined contribution arrangement which is expected to be finalized in early fiscal 2001.

Remuneration earned by the Chair, Gail Cook-Bennett, while discharging the duties of the Chief Executive Officer prior to September 7, 1999, was \$123,000 (1999 – \$135,000). She was paid a per diem rate and was not eligible to receive a bonus or benefits.

C. PROFESSIONAL AND CONSULTING FEES

Professional and consulting fees consisted of the following:

	2000	1999
Consulting fees	\$ 626,262	\$ 291,417
Legal	123,788	125,610
Professional accounting and audit fees	105,113	38,966
	\$ 855,163	\$ 455,993

Consulting fees represent amounts paid for professional advice in connection with the development of business strategy and human resource policies, the search for executive officers, and other professional advice received by the CPP Investment Board.

Top 25 Canadian equity holdings as at March 31, 2000

Security name	Fair value (\$'000)	Shares ('000)	Security name	Fair value (\$'000)	Shares ('000)
Nortel Networks Corporation	380,839	2,091	Canadian Pacific Limited	24,207	747
BCE Inc.	266,796	1,474	Ballard Power Systems Inc.	22,177	200
The Seagram Company Ltd.	64,655	751	Barrick Gold Corporation	20,488	911
The Toronto-Dominion Bank	54,652	1,423	Canadian National Railway Company	17,724	463
Royal Bank of Canada	47,558	699	Research in Motion Limited	17,467	115
Bombardier Inc., Class "B" SV	42,871	1,176	The Thomson Corporation	17,441	383
Canadian Imperial Bank of Commerce	38,078	919	Shaw Communications Inc., Class "B"	15,930	408
The Bank of Nova Scotia	32,885	1,132	Suncor Energy Inc.	15,906	253
Bank of Montreal	31,217	612	Petro-Canada	15,011	622
Celestica Inc.	28,477	373	Newbridge Networks Corporation	14,781	321
JDS Uniphase Canada Ltd.	26,621	154	Alberta Energy Company Ltd.	14,071	322
Alcan Aluminium Limited	24,273	500	Talisman Energy Inc.	13,100	317
			BCT.Telus Communications Inc.	12,817	298

Top 15 foreign equity holdings as at March 31, 2000

(\$ CAD equivalent)

Security name	Country	Fair value (\$'000)	Shares ('000)
Microsoft Corporation	US	9,546	62
Cisco Systems Inc.	US	9,131	81
General Electric Company	US	8,789	39
Intel Corporation	US	7,608	40
Vodafone Group PLC	United Kingdom	7,337	909
Nokia Oyj	Finland	5,517	18
Deutsche Telekom AG	Germany	5,291	45
Exxon Mobil Corporation	US	4,638	41
Nippon Telegraph & Telephone Corporation	Japan	4,344	1
Wal-Mart Stores Inc.	US	4,266	53
Toyota Motor Corp.	Japan	4,228	56
BP Amoco PLC	United Kingdom	3,874	292
France Telecom SA	France	3,828	15
Oracle Corporation	US	3,807	34
International Business Machines Corporation	US	3,671	21

Canadian and foreign equity holdings include shares held directly and through mutual and pooled funds which collectively replicate the TSE 300 Index and the MSCI World Index ex-Canada.

BOARD OF DIRECTORS
AND COMMITTEES

CHAIR, BOARD OF
DIRECTORS

GAIL COOK-BENNETT

BOARD OF DIRECTORS AND
INVESTMENT COMMITTEE

GAIL COOK-BENNETT (CHAIR)

MARY ARNOLD

SUSAN CARNELL

JACOB LEVI

RICHARD McALONEY

HELEN MEYER

PIERRE MICHAUD

DALE PARKER

JOSEPH REGAN

RICHARD THOMSON

DAVID WALKER

AUDIT COMMITTEE

MARY ARNOLD (CHAIR)

JACOB LEVI

HELEN MEYER

JOSEPH REGAN

GOVERNANCE COMMITTEE

DALE PARKER (CHAIR)

SUSAN CARNELL

GAIL COOK-BENNETT

JACOB LEVI

RICHARD McALONEY

HUMAN RESOURCES AND
COMPENSATION COMMITTEE

RICHARD THOMSON (CHAIR)

GAIL COOK-BENNETT

HELEN MEYER

PIERRE MICHAUD

DAVID WALKER

OFFICERS

PRESIDENT AND
CHIEF EXECUTIVE
OFFICER

JOHN A. MACNAUGHTON

VICE PRESIDENT-
FINANCE AND OPERATIONS

JANE NYMAN

CANADA PENSION PLAN
INVESTMENT BOARD

SUITE 1800

181 UNIVERSITY AVENUE

TORONTO M5H 3M7

TEL: 416-868-4075

FAX: 416-868-4083

WEB SITE: [WWW.CPPIB.CA](http://www.cppiib.ca)

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