

Mary C. Arnold

Fellow, Institute of Chartered Accountants

President of Richford Holdings Ltd. of Alberta. Director of EPCOR Utilities, Alberta Credit Union Deposit Guarantee Corporation and Industrial Alliance Ltd. Governor of Royal Bank Mutual Funds. Member of CICA Accounting Standards Oversight Council.

Investment and audit (chair) committees.

Helen Sinclair

Financial executive

Founding CEO of BankWorks Trading Inc. Former president of Canadian Bankers Association and senior vice-president of Scotiabank. Director of TD Bank Financial Group, McCain Capital Corporation and Davis + Henderson Income Fund.

Investment, governance and human resources and compensation committees.

Gail Cook-Bennett

Economist

Previous academic positions at University of Toronto and senior executive positions at Bennecon Ltd. and C.D. Howe Institute, Montreal. Director of Manulife Financial Corporation, Petro-Canada and Emera Inc.

Investment (chair) and governance committees.

Peter K. Hendrick

Chartered Accountant, Chartered Financial Analyst

Former executive vice-president of investments and CIO at Mackenzie Financial Corporation and vice-president and director of CIBC Wood Gundy Securities Inc. (CIBC World Markets). Former lecturer at Harvard University.

Investment and audit committees.

Jacob Levi

Actuary

Partner in Eckler Partners, actuarial consultants. External actuary to public sector pension plans and Workers' Compensation Board of British Columbia. Former chairman of the workers' compensation committee of the Canadian Institute of Actuaries.

Investment, audit and human resources and compensation committees.

Ronald E. Smith

Fellow, Institute of Chartered Accountants

Retired senior vice-president and CFO of Emera Inc. Former CFO of Aliant Telecom Inc., director of Bangor Hydro Electric Company and CrossOff Inc. Chair of the board of governors of Acadia University.

Investment and audit committees.

Helen M. Meyer

Financial executive

President of Meyer Corporate Valuations Ltd. Served in senior positions with Merrill Lynch Canada, Morgan Bank of Canada and Dominion Securities Limited. Former commissioner with Ontario Securities Commission.

Investment, audit and human resources and compensation committees.

David Walker

Business executive

President of West-Can Consultants Ltd. Former professor at the University of Winnipeg, Member of Parliament for Winnipeg North-Centre and parliamentary secretary to the Minister of Finance. Chief federal representative for consultations on the Canada Pension Plan.

Investment, human resources and compensation and governance committees.

Dale G. Parker

Corporate director

Former CEO of the British Columbia Financial Institutions Commission, Bank of British Columbia and Workers' Compensation Board of British Columbia. Director of Talisman Energy, Industrial Alliance Pacific Insurance and Financial Services and Growth Works Ltd.

Investment and governance (chair) committees.

William "Philip" MacDougall

Fellow, Institute of Chartered Accountants

President of MacDougall Consulting. Served as deputy minister in several departments in P.E.I. including Finance, Industry and Commerce, Health and Social Services and was a member of the Deputy Ministers Committee on the CPP.

Investment and governance committees.

Germaine Gibara

Chartered Financial Analyst

President and CEO of Avvio Management Inc. Served in senior positions with Caisse de dépôt et placement du Québec, TAL Global Asset Management Inc. and Alcan Aluminum Ltd. Director of Sun Life Financial, Cogeco Cable Inc. and Agrium Inc.

Investment and governance committees.

M. Joseph Regan

Bank executive (retired)

Former senior executive vice-president of Royal Bank of Canada. Former chair of Pension Commission of Ontario, former director of the Canada Pension Plan Advisory Board and Ontario Pension Board. Director of the Bank of Tokyo – Mitsubishi (Canada).

Investment and human resources and compensation (chair) committees.

KNOWLEDGEABLE, EXPERIENCED OVERSIGHT// The CPP Investment Board is governed by a board of 12 directors including a chairperson. Our legislation requires us to have sufficient directors representing the various regions of Canada, with expertise in investment, business, economics and financial management.



Canada Pension Plan Investment Board Regulations require that the annual report disclose the governance practices of the board of directors. More extensive governance information is posted at www.cppib.ca.

DUTIES, OBJECTIVE AND MANDATE OF THE BOARD OF DIRECTORS.

The board is responsible for the stewardship of the CPP Investment Board, including oversight of management.

As fiduciaries, the directors are required to act honestly and in good faith in the best interests of Canada Pension Plan contributors and beneficiaries. They must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Directors must use their specialist knowledge in carrying out their duties and are subject to higher standards of care in areas that relate to their expertise.

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

COMPOSITION, MANDATES AND ACTIVITIES OF BOARD COMMITTEES.

The board has four committees – investment, audit, governance and human resources and compensation. The investment committee consists of the full board. Membership of the other committees is shown on page 40.

The investment committee reviews and recommends our Investment Statement to the board for approval and reviews, approves and monitors the CPP Investment Board's investment program. It also reviews portfolio risk tolerance and approves the engagement of external investment managers and new or large mandates and custodians.

The audit committee oversees financial reporting, the external and internal audit, information systems and internal control policies and practices. It also oversees aspects of the employee pension plans and advises the board in connection with any statutorily mandated special examinations. Responsibility for enterprise-wide risk management is shared with the board and other committees. It regularly meets with both external and internal auditors without management present.

The human resources and compensation committee administers a performance evaluation process for the chief executive officer, reviews and recommends the compensation philosophy, reviews organizational structure and ensures succession planning. It also oversees employee benefits and human resource policies, aspects of the employee pension plans and directors' compensation.

The governance committee monitors application of the code of conduct and conflict of interest procedures, recommends governance initiatives, makes recommendations to the board to improve the board's effectiveness, reviews criteria for new directors, establishes and recommends a performance evaluation process for the chief executive officer and assumes other duties at the board's request.

DECISIONS REQUIRING PRIOR BOARD APPROVAL.

Management's discretion in making operational and investment decisions is established in board-approved policies. The board considers recommendations made by management to board committees. In particular, board approval is required for the strategic direction for the organization and the annual business plan and budget. Annual and incentive-based compensation, as well as officer appointments, require board approval.

PROCEDURES FOR THE ASSESSMENT OF BOARD PERFORMANCE.

Soon after its inception in October 1998, the board established an annual process for evaluating its own performance and that of its committees. The assessments are conducted through confidential questionnaires that are summarized by an independent consultant. The summaries are reviewed by the full board and help to focus the directors on their fiduciary duties in representing the best interests of CPP contributors and beneficiaries. The board also conducts a confidential annual peer review to assist each director in identifying self-development initiatives and to provide the external nominating committee with guidance when it considers individual reappointments.

BOARD EXPECTATIONS OF MANAGEMENT.

Management is expected to comply with the *Canada Pension Plan Investment Board Act* and Regulations as well as all policies approved by the board, the most notable of which is the *Code of Conduct and Conflict of Interest Procedures for Officers and Employees*. Management develops, with involvement from the board, the strategic direction of the organization in response to its growing asset management responsibilities and the outlook for capital markets. The strategic response incorporates risk-management policies and controls as well as monitoring and reporting mechanisms.

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

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

TOTAL COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS.

The total compensation of directors is summarized in Note 7a to the Consolidated Financial Statements. A study prepared by a private compensation consulting firm in March 2004 included data with respect to TSX companies and selected public sector organizations.

The total compensation of the five mostly highly paid officers of the corporation is detailed in Note 7b to the Consolidated Financial Statements. Officer compensation is partially incentive-based and is reviewed annually by the board.

Incentive compensation is awarded based on the achievement of a combination of corporate, investment and personal objectives. A specified portion of each officer's annual award is deferred and paid three years hence. The deferred amounts are adjusted each year by the CPP Investment Board's portfolio return. An independent compensation consulting firm advises the human resources and compensation committee on officer compensation.

RESULTS OF SPECIAL AUDIT OR SPECIAL EXAMINATION.

At least once every six years, as required under Section 47 of the *Canada Pension Plan Investment Board Act*, the Minister of Finance routinely orders a special examination of the CPP Investment Board's financial and management control and information systems and management practices. The latest such examination covered a three-month period beginning in January 2004 and was carried out, as legally required, by the CPP Investment Board's auditors, Deloitte & Touche LLP. Its purpose is to provide reasonable assurance that the assets of the CPP Investment Board are safeguarded and controlled, that the board is managed economically and efficiently and that its operations are carried out effectively. In their report to the federal and provincial ministers of finance, Deloitte & Touche gave the CPP Investment Board the best possible rating, stating that it found no significant deficiencies in our systems and practices. The complete report can be found on our website, www.cppib.ca.

CONFLICT OF INTEREST PROCEDURES.

Conflicts of interest were anticipated in the CPP Investment Board's legislation as a result of the federal and provincial governments' desire to recruit directors with financial and investment expertise and to engage employees with financial expertise. The code of conduct has been established to manage and, where possible, eliminate such conflicts. The procedures under the legislation and the code of conduct are designed to ensure that directors and employees do not profit or otherwise benefit from a transaction by or with the CPP Investment Board. Stringent disclosure of any personal or business interests that might lead to a real, potential or perceived conflict is required. The process for identifying, reporting and discussing such conflicts culminates with the board's governance committee recommending a resolution to the full board.

CODE OF CONDUCT.

The code of conduct for directors and employees is designed to create a corporate culture of trust, honesty and integrity, and conflict of interest procedures deal with such matters as relations with suppliers, personal investments, and confidentiality of proprietary information. For example, the code establishes strict pre-clearance procedures for personal trading in securities issued by companies. It also deals with the acceptance by directors and employees of entertainment, gifts or special treatment that could create or appear to create a favoured position for contractors or suppliers.

To augment our conflict of interest policy and code of conduct, the board of directors decided in 2002 to appoint an external conduct review advisor. This person is available to discuss ethical issues with directors and employees on a confidential basis.

BOARD ATTENDANCE: FISCAL 2005.

The board held 12 meetings in fiscal 2005. The investment committee is a committee of the full board. The table below reflects the number of meetings attended by each director relative to the total meetings that director could have attended.

	Board & Investment Committee	Audit Committee	Governance Committee	HR & Compensation Committee	Ad Hoc Communications Committee	Ad Hoc CEO Search Committee
Mary C. Arnold	12/12	5/5	N/A	N/A	N/A	N/A
Gail Cook-Bennett ¹	12/12	5/5	5/5	4/4	N/A	13/13
Germaine Gibara	12/12	N/A	5/5	N/A	2/3	N/A
Gilbert Gill ²	8/8	3/3	N/A	N/A	N/A	N/A
Peter K. Hendrick ³	4/4	2/2	N/A	N/A	N/A	N/A
Jacob Levi	12/12	5/5	N/A	4/4	N/A	N/A
William "Philip" MacDougall ⁴	1/1	N/A	1/1	N/A	N/A	N/A
Helen M. Meyer	12/12	5/5	N/A	4/4	N/A	N/A
Dale G. Parker	11/12	N/A	5/5	N/A	3/3	13/13
M. Joseph Regan	12/12	N/A	N/A	4/4	N/A	13/13
Helen Sinclair	12/12	N/A	5/5	4/4	N/A	13/13
Ronald E. Smith	12/12	5/5	N/A	N/A	3/3	13/13
David Walker	12/12	N/A	5/5	4/4	3/3	13/13

¹ The chairperson is not a member of the audit or human resources and compensation committees, but attends their meetings.

² Term expired in October 2004.

³ Appointed to the board of directors in October 2004.

⁴ Appointed to the board of directors in October 2004 but did not assume seat until February 2005.

VISION.

To be respected by Canadians for delivering superior investment performance and effective stakeholder communications through an organization built on shared values, sound governance and management excellence.

MISSION.

To manage the assets entrusted to the Canada Pension Plan Investment Board in the best interests of Canada Pension Plan contributors and beneficiaries.

To invest in ways that over the long term will maximize returns without undue risk while having regard to factors that may affect the CPP's funding and its ability to meet its obligations.

To help Canadians understand what we are doing with their money through communications and stakeholder relations that exceed statutory reporting obligations.

VALUES.

ETHICAL CONDUCT. We will exemplify the highest standards of ethical conduct in all that we do. We will comply with all applicable laws and the CPP Investment Board's policies, guidelines and procedures. We will behave in accordance with the codes of conduct and standards of our professions and industry associations.

EXCELLENCE. We will strive for excellence in all of our endeavours. This will include both our performance outcomes and the processes that we use to achieve them.

ACCOUNTABILITY. Accountability is critical to achieving our mission. We will delegate clear and appropriate accountability and authority to individuals throughout the organization and ensure that it is coupled with commensurate authority. We will provide the appropriate resources and ensure the necessary support, feedback and reward in support of that delegation.

TEAMWORK. Within the context of clear individual accountability and authority, we value effective teamwork. Optimal solutions to complex issues often require the blending of individuals and groups with different skills and capabilities who can work effectively across the organization as well as within their area of accountability and authority. We focus on optimization of the whole as well as its constituent parts.

ALIGNMENT OF INTERESTS. We believe that optimal outcomes are achieved when interests are aligned. Specifically, interests are aligned when there is agreement on values, objectives, performance measurements and the basis of sharing risks and rewards. The result of alignment is that checks and balances are strengthened and the prospects of synergy and win-win outcomes are increased.

INNOVATION. We will not be satisfied with the status quo or even current "best" practices, but will continually seek to find new and innovative ways to strengthen our competitive position and improve our performance. While we will not seek innovation for its own sake, we do expect to be on the leading edge of developing and introducing new ways of adapting to an ever-changing environment.

RESPECT. We will treat people inside and outside our organization with the consideration and courtesy that we would expect to receive. This includes providing accurate, timely and comprehensible information to our stakeholders so that they can know what we are doing.

OFFICERS.

David F. Denison

President and Chief Executive Officer

John Butler

Vice-President – General Counsel and Corporate Secretary

Ian M.C. Dale

Vice-President – Communications and Stakeholder Relations

Jane Nyman

Vice-President – Finance and Operations

Donald M. Raymond

Vice-President – Public Market Investments

Valter Viola

Vice-President – Research and Risk Management

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