CPP INVESTMENT BOARD

2009
Report on Responsible Investing

REPORTING PERIOD: JULY 1, 2008 – JUNE 30, 2009

Corporate Profile

The *Canada Pension Plan Investment Board* is a professional investment management organization that invests the assets of the Canada Pension Plan (CPP) not required to pay current benefits. Created by an Act of Parliament in December 1997 as part of the successful CPP reforms, the organization's mandate is to help sustain the pensions of 17 million CPP contributors and beneficiaries by maximizing returns without undue risk of loss.

According to the latest report by the Chief Actuary of Canada, released in 2007, the CPP, as constituted, is sustainable throughout the report's 75-year projection period. The report indicates that CPP contributions are expected to exceed annual benefits paid until 2020, providing an 11-year period before a portion of the investment income from the CPP Investment Board is needed to help pay pensions. As a result, the CPP Fund will grow significantly between now and 2020. Beyond 2020 it will continue to grow, but at a slower rate, as a small portion of the investment income will be needed to help pay pensions. By increasing the long-term value of funds available to the CPP, the CPP Investment Board will help the plan to keep its pension promise to Canadians.

In order to continue diversifying the portfolio of CPP assets, the CPP Investment Board invests in public equities, private equities, real estate, inflation-linked bonds, infrastructure and fixed income instruments. Approximately $48.0 billion is invested in Canada through a broadly diversified portfolio, while the rest is invested globally so that income from foreign investments flows back to Canada to help pay future pensions.

The CPP Investment Board is a Crown corporation that was specifically designed by the federal and provincial finance ministers to operate at arm's length from governments in the private-sector world of financial markets but with significant public accountability.

The organization is accountable to Parliament and to the federal and provincial finance ministers who serve as the stewards of the CPP. Several key attributes, including an arm's length governance model, independent board and investment-only mandate, distinguish the CPP Investment Board from the large pools of government assets under government direction generally identified as "sovereign".

Headquartered in Toronto, with offices in London and Hong Kong, the CPP Investment Board is governed and managed independently of the CPP.

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

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A Message from the President

Since our last Report on Responsible Investing, the CPP Investment Board, like all other investment organizations, contended with a sustained global financial crisis as credit markets seized, the global economy contracted and major equity markets suffered one of their most severe sell-offs in history. In the face of these difficult conditions, the CPP Investment Board continued to expand our Responsible Investing program as we have in each previous year since its adoption in 2005.

Indeed, the financial crisis in our view illustrates the importance of good governance and serves to affirm our commitment to identifying and analyzing the investment-related risks and opportunities associated with environmental, social and governance (ESG) factors. This commitment is also consistent with our long-term investment horizon.

The CPP Investment Board invests in more than 2,900 public companies around the world, including more than 600 Canadian companies. As a long-term investor and owner, we believe that responsible behaviour by these companies with respect to ESG factors can generally have a positive influence on corporate financial performance. For this reason, as outlined in our *Policy on Responsible Investing*, we consider ESG factors from a risk-return point of view and encourage companies to adopt policies and practices that enhance long-term corporate financial performance.

In our public holdings, we express our views by engaging with companies, both directly and in collaboration with other investors, voting our proxies and supporting and using research that seeks to integrate ESG factors into sound financial analysis. Since our last report, we expanded our engagement activity into the emerging market equity component of our portfolio, which was added in March 2009.

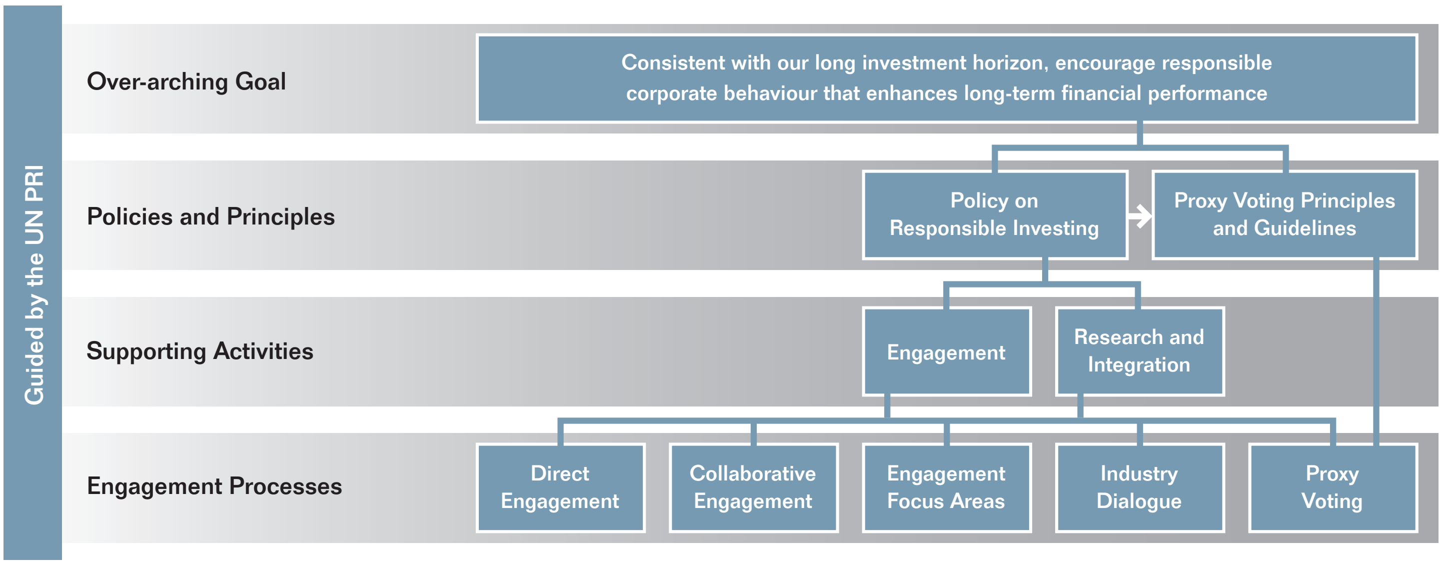
In keeping with our commitment to disclose our responsible investing activities, this report provides a detailed review of our activities and achievements. I also encourage you to consult our *Policy on Responsible Investing*, which is available on our website at www.cppib.ca.

David F. Denison
President and Chief Executive Officer
CPP Investment Board

Approach to Responsible Investing

As illustrated in the diagram below, our approach to responsible investing is guided by an over-arching goal, directed by policies and principles, and executed through our supporting activities and engagement processes.

CPP INVESTMENT BOARD'S APPROACH TO RESPONSIBLE INVESTING



Policies and Principles

Our *Policy on Responsible Investing* articulates our approach to responsible investing and describes the main activities and processes we use to pursue our goals and objectives.

Our *Proxy Voting Principles and Guidelines* set out how the CPP Investment Board is likely to vote on issues put to shareholders and communicates our views on other important issues that boards deal with in the normal course of business.

Engagement

Consistent with our long investment horizon, we encourage corporate conduct that enhances long-term financial performance through a policy of engaging with companies. Given our belief that constraints decrease returns and/or increase risk over time, we do not screen stocks.

Engagement involves dialogue with senior executives and board members of companies in which we invest as well as with regulators, industry associations and other stakeholders. Engagement can be direct or collaborative with other investors in order to combine resources and expertise.

We believe that engagement enables shareholders to effect positive change aimed at enhancing long-term financial performance and therefore assists us in fulfilling our mandate of maximizing investment returns without undue risk of loss. We currently focus our engagement activities in three areas: climate change, extractive industries (oil & gas and mining) and executive compensation.

One of the main objectives of our engagement efforts is to encourage greater levels of disclosure and transparency by companies in which we invest. We believe disclosure is the key that allows investors to better understand, evaluate and assess potential risk and return, including the potential impact of ESG factors on a company's performance. Beyond disclosure, we also encourage companies to adopt best practices in the management of ESG issues that can impact long-term financial performance.

Proxy Voting

One of the most effective mechanisms we have at our disposal in the engagement process is proxy voting. As owners in public companies we have the right to vote on proposals brought before shareholders at annual and special meetings. Proxy voting allows us to engage with all public companies in our portfolio on matters concerning their long-term financial performance.

Research and Integration

We actively encourage investment dealers and other research providers to produce enhanced research and analysis on ESG factors. This information will assist us in integrating these factors, where relevant, into our investment process.

Management of Our Responsible Investing Activities

We have developed a team of professionals with experience in ESG matters. This team helps guide our responsible investing activities and implement our *Policy on Responsible Investing*. Senior management of the CPP Investment Board, including the President and CEO, plays an active role in the oversight of our responsible investing activities.

Reporting

In keeping with our commitment to transparency, the CPP Investment Board publishes this report annually, describing our responsible investing activities and the results we have achieved. The reporting period runs from July 1 to June 30, allowing us to report on our voting activity at the completion of each proxy season. In addition, our *Policy on Responsible Investing* and all individual proxy votes are posted on our website.

Examples of ESG factors include:

- Greenhouse gas emissions
- Human rights risks
- Executive compensation practices
- Election of directors

United Nations' *Principles for Responsible Investment* (UN PRI)

In early 2005, then Secretary-General of the United Nations, Kofi Annan, invited the CPP Investment Board along with a small group of the world's largest institutional investors to address the issue of responsible investing from a global and fiduciary perspective. In collaboration with experts from the investment industry, intergovernmental and governmental organizations, civil society organizations and academia, we helped formulate the United Nations' *Principles for Responsible Investment* (UN PRI). The UN PRI provides a best-practice framework for investors to integrate consideration of ESG factors into investment decision-making and ownership practices.

Adoption of the UN PRI has been steadily gaining momentum. Since its launch in April 2006, the number of signatories has increased tenfold to over 500 signatories representing US $18 trillion in assets under management.

As a UN PRI signatory, the CPP Investment Board commits to its six principles, which serve as a guide for our activities and reporting related to responsible investing. The following provides examples of some of the ways in which we implement each of the principles.

1 INCORPORATE ESG ISSUES INTO INVESTMENT ANALYSIS AND DECISION-MAKING PROCESSES.

The CPP Investment Board actively seeks enhanced research and analysis, including allocating trading commissions, to encourage investment research that better integrates long-term, material ESG factors.

2 BE ACTIVE OWNERS AND INCORPORATE ESG ISSUES INTO OWNERSHIP POLICIES AND PRACTICES.

We implement our *Proxy Voting Principles and Guidelines* and vote our proxies for our public equity holdings. We also meet directly with companies regarding performance and disclosure on ESG issues.

3 SEEK APPROPRIATE DISCLOSURE ON ESG ISSUES BY THE ENTITIES IN WHICH THEY INVEST.

We support a range of initiatives to encourage improved transparency from companies on ESG issues such as climate change risk and executive compensation. This also includes providing input to regulators and industry associations.

4 PROMOTE ACCEPTANCE AND IMPLEMENTATION OF THE UN PRI WITHIN THE INVESTMENT INDUSTRY.

We regularly communicate publicly about the CPP Investment Board's Responsible Investing program. For example, we participated in a panel regarding responsible investing practices in Canada at the 2009 spring conference of the Pension Investment Association of Canada (PIAC).

5 WORK TOGETHER TO ENHANCE THE EFFECTIVENESS OF THE UN PRI PROCESS.

We participated in international collaborative engagement initiatives facilitated through the UN PRI Engagement Clearinghouse.

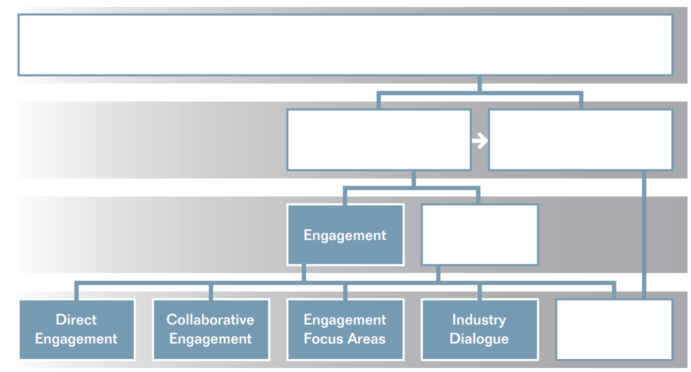
6 REPORT ON ACTIVITIES RELATED TO, AND PROGRESS TOWARDS, IMPLEMENTING THE UN PRI.

We produce an annual report on our responsible investing activities, including a summary of our proxy voting activities. In addition, on our website we disclose how we voted following every public company shareholders' meeting.

Engagement

Direct Engagement

As a large institutional investor with a long investment horizon, the CPP Investment Board uses engagement with public companies to encourage improved disclosure and management of material long-term ESG issues. As illustrated on the right, we analyze our public equity portfolio annually to identify potential engagement opportunities for the upcoming year. Among other considerations, we select companies for engagement based on the relative size of our holdings and the specific ESG risks they face. Most of the companies we select are Canadian; however, we have increasingly been selecting international companies where we identify potentially significant ESG risks.

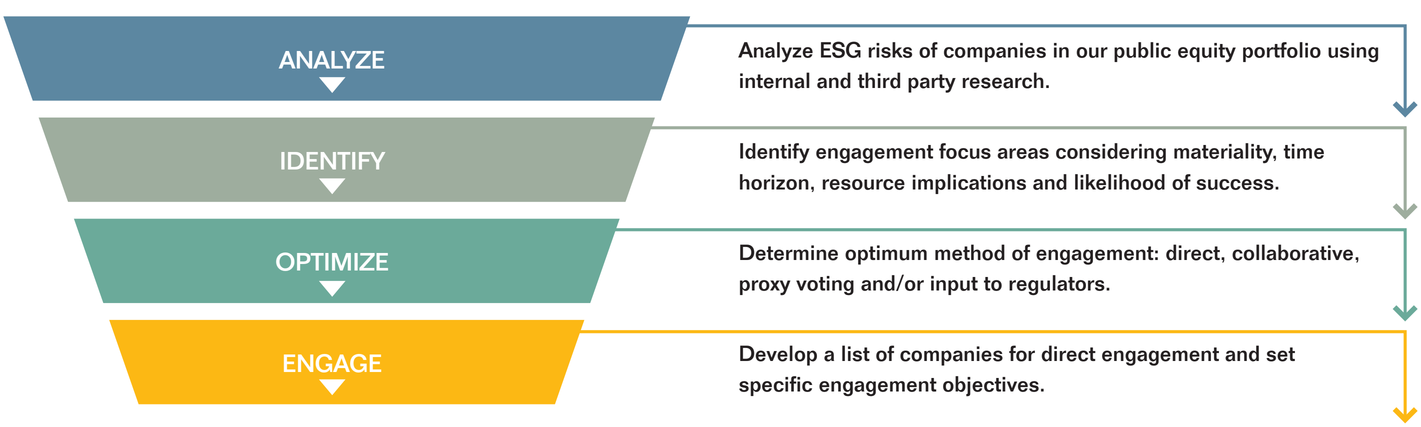


Collaborative Engagement

We participate in a number of organizations and collaborative initiatives globally to strengthen our voice in regards to responsible investing issues. We have taken a leadership role in several of these organizations, including the Canadian Coalition for Good Governance (CCGG), which represents 41 institutional investors, managing assets totalling more than $1 trillion. In June 2009, David F. Denison, President and Chief Executive Officer of the CPP Investment Board, became Chair of the Board of Directors of the CCGG. We have also taken leadership roles in the Carbon Disclosure Project (CDP), which represents 475 institutional investors managing US $55 trillion, and the UN PRI. Other collaborative efforts in which we are active include the Council of Institutional Investors (CII), the Extractive Industries Transparency Initiative (EITI), the International Corporate Governance Network (ICGN) and the Pension Investment Association of Canada (PIAC).

These coalitions have various objectives, including improving transparency and ESG standards, as well as research, education and advocacy.

HOW WE SELECT COMPANIES FOR ENGAGEMENT



Engagement Focus Areas

We currently concentrate our engagement efforts on: **climate change** and **executive compensation** – issues that affect multiple industries – and the **extractive industries** – a sector of particular importance to the Canadian economy and one in which companies typically face a range of ESG-related challenges. These focus areas represent ESG risks for many companies in our public equity portfolio over the long term.

FOCUS AREA: CLIMATE CHANGE

WHY CLIMATE CHANGE?

We focus on climate change because emerging risks related to climate change could have significant consequences for long-term shareholder value. Our engagement activities with respect to climate change focus on the Energy and Utilities sectors, which face high potential costs from tightening regulation of greenhouse gas (GHG) emissions.

WHAT ARE OUR OBJECTIVES?

- Improved disclosure of GHG emissions data.
- Corporate reporting on strategies to manage climate change risks and opportunities through annual sustainability and financial reporting.
- Improved research and analysis on the impact of tightening regulation of GHG emissions on long-term shareholder value.

WHAT ACTIONS DID WE TAKE?

- We continued engaging with several Canadian companies in the Energy and Utilities sectors, including some of the largest GHG emitters in Canada, encouraging improved disclosure of performance and management strategies.
- We played a global leadership role in the CDP, which sends out a request for disclosure of climate change management and GHG emissions to companies around the world each year. The CDP continues to expand globally, including companies in emerging markets. This year's questionnaire was sent to over 3,700 companies, including 200 in Canada. We are a member of the CDP Canada Advisory Group and helped sponsor the CDP Canada Report, which highlights best practices in disclosure by Canadian companies.
- We encouraged equity research analysts at investment dealers to improve analysis of corporate risks and opportunities related to climate change.
- We communicated our views to companies, regulators and industry associations regarding gaps in disclosure.
- We presented at the University of Toronto's Environmental Finance Workshop on Corporate Reporting: Climate Change & Related Environmental Disclosures.
- We supported several shareholder proposals requesting improved disclosure of climate change-related risks.

WHAT DID WE ACHIEVE?

- Several Canadian companies we engaged improved the quality of their reporting on climate change and sustainability issues, including providing more detail about how their strategies are being implemented and about performance on climate change and sustainability-related goals.
- Ninety-nine Canadian companies provided a response to the Carbon Disclosure Project (CDP) information request in 2009. Most large companies and major emitters in Canada are now responding to the CDP. The CDP also continues to make progress globally, with responses increasing from companies in emerging markets.
- Following our request in 2008, the Canadian Institute of Chartered Accountants (CICA) published guidelines for the inclusion of climate change-related disclosure in the Management's Discussion & Analysis (MD&A) section of companies' annual reports.

FOCUS AREA: EXTRACTIVE INDUSTRIES

WHY EXTRACTIVE INDUSTRIES?

We focus on extractive industries because oil & gas and mining companies deal with a range of environmental and social issues that need to be managed effectively for long-term shareholder value.

WHAT ARE OUR OBJECTIVES?

- Improved standards relating to operations in high-risk countries, including standards on human rights practices, local community relations and transparency of taxes and royalty payments.
- Improved disclosure of environmental performance and management strategies in annual sustainability and financial reporting.

WHAT ACTIONS DID WE TAKE?

- We continued engaging with Canadian and international oil & gas and mining companies operating in high-risk countries, including Burma, the Democratic Republic of Congo and Guatemala to encourage improved transparency and risk management strategies.
- We discussed environmental and social risks with several Canadian and international oil & gas and mining companies as part of regular meetings with senior management.
- We are a supporting investor of the Extractive Industries Transparency Initiative (EITI). The EITI is a multi-stakeholder initiative of governments, companies, investors and non-governmental organizations that supports improved governance in resource-rich countries through verification and publication of company tax and royalty payments and government revenues from oil & gas and mining companies.

- Through a collaborative engagement facilitated through the UN PRI Engagement Clearinghouse, we signed joint letters along with other global investors to over 100 global oil & gas and mining companies with operations or exploration rights in EITI candidate countries. The letters recognized current signatory companies' progress to date and encouraged non-signatory companies to join the initiative. We had follow-up meetings with several companies along with other investors.
- We supported several shareholder proposals requesting improved disclosure on community engagement and environmental practices at Canadian and international oil & gas and mining companies.

WHAT DID WE ACHIEVE?

- Several oil & gas and mining companies agreed to review or implement enhancements to reporting and management strategies on issues such as environmental risk management, local community engagement, human rights and transparency on taxes and royalty payments.
- Several mining companies are improving their practices; for example, by implementing standards that are consistent with the *Voluntary Principles on Security and Human Rights.*
- The EITI made progress this year, with more than 40 of the world's largest oil & gas and mining companies now supporting and actively participating in the EITI process and 29 candidate countries working towards implementation. In February 2009, Azerbaijan became the first country to achieve full compliance.

FOCUS AREA: EXECUTIVE COMPENSATION

WHY EXECUTIVE COMPENSATION?

We focus on executive compensation because a clear link between pay and performance is the best way to align the interests of boards of directors and management with those of shareholders, and thereby ensure that shareholder value grows over the long term.

WHAT IS OUR OBJECTIVE?

- A clear link between pay and performance along with clear and complete disclosure with respect to executive compensation in corporate reporting.

WHAT ACTIONS DID WE TAKE?

- We met with Canadian companies in the Financials and Energy sectors to provide feedback on executive compensation-related issues.
- We played a leadership role in CCGG-coordinated engagements with several large Canadian financial institutions and a Canadian-based telecommunications company to propose reasonable caps on Supplemental Executive Retirement Plans (SERPs), improved compensation disclosure and an enhanced link between pay and performance.
- We participated in collaborative engagements along with members of the CII to encourage two U.S.-based companies in the Materials and Consumer Staples sectors to improve their compensation disclosure and amend certain elements of their compensation programs to enhance the link between pay and performance.
- We enhanced our *Proxy Voting Principles and Guidelines* on executive compensation and added guidelines to state our support of clawback policies and reasonable caps on SERPs.
- We played an active role in the development of the CCGG 2009 Executive Compensation Principles, which provide guidance to boards and encourage compensation decisions aligned with long-term company and shareholder success.
- We co-sponsored a study by the Clarkson Centre for Business Ethics & Board Effectiveness (CCBE) at the University of Toronto's Rotman School of Business on executive compensation and the link between pay and performance.
- We supported shareholder proposals or voted against management proposals in cases of poor disclosure of executive compensation or a weak link between compensation and company performance.

WHAT DID WE ACHIEVE?

- Several financial institutions with which we engaged with the CCGG voluntarily included a compensation discussion and analysis in their disclosure and some improved disclosure regarding how pay is adjusted for risk.
- A financial institution with which we engaged in collaboration with the CCGG introduced a clawback policy for future equity grants in the event of fraudulent misrepresentation of financial results.
- A financial institution with which we engaged with the CCGG implemented a new compensation scheme for its investment banking division which is designed to tie pay directly to long-term performance, and introduced shareholding requirements and a clawback provision for senior leaders.
- The companies with which we engaged in collaboration with CII made some improvements in their executive compensation disclosure.
- Preliminary results from the CCBE study support engagement.

Engagement Beyond the Focus Areas

While we concentrate our engagement activities on our focus areas, we also engage with companies on other ESG issues and react to engagement opportunities as they arise.

GOVERNANCE

We ensure that key governance matters are raised in conjunction with all of our direct engagements. Companies are encouraged to review and implement, where appropriate, the guidelines set out in our *Proxy Voting Principles and Guidelines*. As an example, at a minimum, we request that directors be elected individually and that a majority voting standard is adopted for director elections.

We submitted comments, both directly and collaboratively with PIAC, the CCGG and the Ontario Bar Association, regarding the revisions to the Canadian Securities Administrators' (CSA) governance guidelines, audit committee and disclosure requirements. We also submitted comments to the TSX, both directly and collaboratively with PIAC and the CCGG, on the proposed amendments regarding shareholder approval of dilutive share issuances in connection with an acquisition.

UN GLOBAL COMPACT

In January 2009, we again participated in a collaborative initiative coordinated through the UN PRI Engagement Clearinghouse focused on companies' adherence to the disclosure requirements of the UN Global Compact. The Global Compact is a voluntary commitment made by companies with regard to the areas of human rights, labour, environment and anti-corruption. The initiative sent letters to 130 Global Compact signatories in more than 30 countries. Twenty-five companies received the group's congratulations, while 105 were asked to improve disclosure regarding their commitment to the Global Compact. Companies that do not communicate on progress will be delisted from the UN Global Compact.

In October 2008, we participated in the Seoul Initiative collaborative engagement through the UN PRI Engagement Clearinghouse to encourage companies that have not yet endorsed the Global Compact to become participants. The group sent letters to over 9,000 companies in the MSCI World, FTSE All-World and IFC Emerging Markets Indices, asking them to join the initiative. To date, 64 companies have joined the UN Global Compact as a result of the Seoul Initiative.

EMERGING MARKETS

In March 2009, we added a five per cent allocation to emerging market equities to our investment portfolio. The emerging markets allocation was part of an effort to achieve an asset mix that would perform best across a wide range of possible capital market, economic and demographic outcomes. We are now engaging emerging markets companies through the CDP, EITI and UN Global Compact-related initiatives in a manner that is consistent with the objectives of our climate change and extractive industries focus areas. In addition, we have begun directly engaging some emerging market companies involved in the extractive industries with respect to environmental and social risks, including requesting enhanced disclosure on operations in high-risk countries with significant human rights issues.

TOBACCO

We contacted companies within our portfolio that are involved with the production of tobacco products to request disclosure on how they are responding to the World Health Organization's *Framework Convention on Tobacco Control*. The objective of the Convention is to protect present and future generations from the consequences of tobacco consumption and exposure to tobacco smoke. This initiative is an important catalyst that drives increasing regulation in emerging markets.

BURMA

In keeping with the Government of Canada's sanctions on Burma through the *Special Economic Measures Act* (SEMA), we have reviewed our portfolio to ensure compliance with the regulations. Within our extractive industries focus area we also encourage companies with operations in Burma to address the investment risks related to the environmental and social issues associated with their operations.

ANTI-PERSONNEL LANDMINES AND CLUSTER MUNITIONS

Investment in companies that are not in compliance with the *Anti-Personnel Mines Convention Implementation Act* is prohibited by CPP Investment Board's *Policy on Responsible Investing*. We have engaged directly with international aerospace and defence companies and used third party research to identify companies that are ineligible for investment.

We continue to monitor the *Convention on Cluster Munitions* (Oslo Convention) and Canada's legislative response to ensure that companies with businesses not in compliance with forthcoming Canadian legislation regarding the Oslo Convention are excluded from our portfolio. On December 3, 2008, more than 100 countries, including Canada, signed the *Convention on Cluster Munitions* in Oslo, Norway. This Convention prohibits the use, development, production, stockpiling and transfer of cluster munitions. We conducted a review of our portfolio and contacted companies seeking clarification on whether their businesses comply with the Oslo Convention.

Proxy Voting

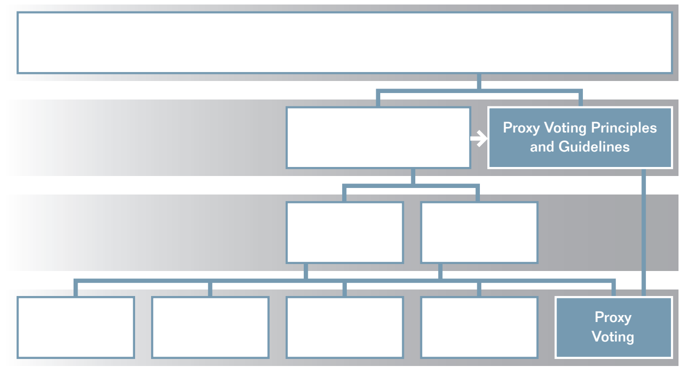
The CPP Investment Board's *Proxy Voting Principles and Guidelines* provide guidance on how we are likely to vote on issues put to shareholders. In general, we support resolutions that empower boards of directors on behalf of shareholders and that reaffirm management accountability.

We review every item on the agendas of the public companies in which we invest. We escalate proposals to an expert within our responsible investing team or more broadly within the Public Market Investments department as necessary. If novel or contentious ESG issues are identified they are escalated to senior management.

All individual proxy votes are posted on our website following company meetings (www.cppib.ca).

Annual Review of CPP Investment Board's *Proxy Voting Principles and Guidelines*

The CPP Investment Board undertakes an annual review of our *Proxy Voting Principles and Guidelines*. The process involves input from the responsible investing team and a senior management committee chaired by the President and CEO. Further review is undertaken by the governance committee of our board of directors with final review and approval by the entire board.



Voting Record

Below are highlights of our proxy voting record for the 2009 proxy voting season, with examples of our votes on a range of management and shareholder proposals.

2009 Proxy Season Facts

- 3,070 meetings
  - Canada – 555
  - United States – 722
  - Non-North American – 1,793
- 17,937 agenda items
- Voted against management 15 per cent

Management Proposals

Most agenda items at shareholder meetings are proposed by company management and relate to the election of directors, appointment of auditors and other issues that boards deal with in the normal course of business.

Although we generally support management recommendations, the following table highlights some types of management proposals that we regularly voted against.

Type of Management Proposal	Proposals We Voted Against	Rationale for Not Supporting Proposal
Equity compensation plan introduction or amendment	449 of 1,076 proposals (42%)	Plan did not fit within our guidelines, possibly because of high cost, excessive dilution of common stock, inclusion of non-employee directors, or overly broad amending powers granted to the board.
Shareholder rights plan adoption or amendment	53 of 94 proposals (56%)	Plan did not increase the board's ability to respond to a takeover bid in a manner that would enhance shareholder value.
Increases in authorized common stock	43 of 76 proposals (57%)	Dilutive share issuance without demonstration of a specific business need that would enhance shareholder value.
Election of a director with poor attendance	94 withheld or against	Director attended fewer than 75% of board and committee meetings without a valid reason for the absences.

Shareholder Proposals

We review proposals put forward by shareholders on a case-by-case basis and are pleased to hear from shareholders who wish to discuss their proposals.

During the 2009 proxy season, the CPP Investment Board voted on 763 shareholder proposals. Altogether, shareholder proposals comprised 4.3 per cent of all resolutions that we voted on, the other portion being proposals brought forward by management.

A number of shareholder proposals were withdrawn by their proponents following successful engagement, resulting in companies agreeing to take action in response to the proposals. Several of these proposals were related to environmental and social issues.

We support proposals that seek to improve disclosure and reduce risk to long-term profitability.

The following tables highlight examples of shareholder proposals that we considered during the 2009 proxy season.

TYPES OF SHAREHOLDER PROPOSALS WE GENERALLY SUPPORTED

Proposal Subject	Proposals We Voted For	General Reason for Supporting Shareholder Proposal	Noteworthy Proposals	Reason Some Specific Proposals Not Supported
Enhance disclosure on environmental and social risks and performance	18 of 26 proposals (69%)	Improved disclosure allows investors to better evaluate corporate strategy and performance on financially relevant, long-term environmental and social factors.	Apple Inc. Barrick Gold Corporation Berkshire Hathaway ConocoPhillips Enbridge Inc. Home Depot	We did not support proposals if the company already provides disclosure or if the proposal was overly prescriptive.
Adopt/disclose corporate responsibility standards (e.g., human rights)	16 of 31 proposals (52%)	Companies that adopt and enforce high standards of business conduct are likely to achieve better long-term financial performance.	Chevron Corporation Citigroup Freeport-McMoRan Power Corporation of Canada Reynolds American	We did not support proposals if they were overly prescriptive or duplicative of initiatives already in place.
Majority vote for the election of directors	27 of 28 proposals (96%)	Majority vote provides shareholders with the opportunity to vote against a director. If a nominee does not receive a majority of the votes cast, the nominee should not be elected as a director.	D.R. Horton, Inc. First Energy Corp. Kohl's Corp. Pulte Homes Inc. Vornado Realty Trust	Company had an acceptable majority voting policy or by-law in place.

Proposal Subject	Proposals We Voted For	General Reason for Supporting Shareholder Proposal	Noteworthy Proposals	Reason Some Specific Proposals Not Supported
Separate chairman and CEO positions	17 of 28 proposals (61%)	Different responsibilities of the two positions warrant different leaders.	Bank of America Corp. CVS Caremark Corp. Exxon Mobil Corp. Pulte Homes Inc.	Company had appointed an independent director as lead director with clearly delineated duties.
Declassify board of directors	17 of 25 proposals (68%)	Classified boards make it more difficult to replace directors, and it is not possible to replace the entire board at once. We oppose classified boards where nominees are presented as a slate.	Analog Devices Inc. Deere & Co. Pulte Homes Inc.	We support classified boards where nominees are elected individually and may be removed by a simple majority vote.
Reduce super-majority voting requirements	10 of 11 proposals (91%)	Super-majority voting requirements create inequality among shareholders and constrain minority shareholder rights.	Bristol-Myers Squibb Co. Macy's Inc. Eli Lilly Co.	Company's only super-majority voting requirement protects shareholders rather than management.
Amend articles, by-laws or charter to provide for shareholder rights to call special meetings	47 of 47 proposals (100%)	As in Canada, shareholders owning a specified percentage of shares should have the right to call special meetings of shareholders.	Bank of America Corp. CVS Caremark Corp. FirstEnergy Corp. Qwest Communications International	Not applicable.

TYPES OF SHAREHOLDER PROPOSALS WE GENERALLY DID NOT SUPPORT

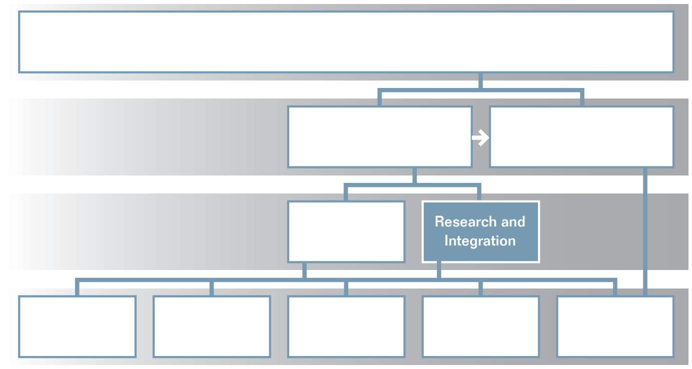
Proposal Subject	Reason for Not Supporting Proposal
Minimum executive stock retention and holding periods	While we typically support minimum share ownership requirements, these proposals were brought to companies that already had executive share ownership guidelines and they were overly prescriptive.
Deceptive proposals	These proposals appear to be progressive but actually deter company efforts to address climate change and other ESG risks and opportunities. These proposals are often overly prescriptive and could impose significant costs relative to potential benefits.
Proposals to reincorporate in another state	The benefits of these proposals are outweighed by the cost and adverse impact that they could have on a company's operations as governance improvements may be made without reincorporation.

Research and Integration

The CPP Investment Board integrates ESG factors, where relevant, into investment decisions across all asset classes of our portfolio.

For public equities, the CPP Investment Board's responsible investing team regularly participates in meetings with our research analysts and portfolio managers to discuss ESG risks and opportunities as they relate to overall corporate performance.

In our private market and real estate investments, ESG factors are evaluated, where applicable, in the due diligence process and monitored over the life of the investments.



Supporting Research

We believe that investment analysis should incorporate ESG factors to the extent that they affect long-term risk and return. Better analysis enables us to target engagement efforts towards issues and companies that are more likely to enhance the long-term performance of our portfolio. As such, in collaboration with other investors and through direct dialogue with investment dealers, we actively seek and encourage third party research that incorporates long-term, material ESG factors.

We acknowledge that integrating ESG factors into the investment process is an approach that remains in the developmental stage. Data on ESG factors is less available and less consistent than research on traditional financial metrics. There is a need for additional research on how ESG factors can affect corporate performance over time and to explore the link between certain ESG factors and financial returns.

From 2006 to 2008, the CPP Investment Board played an active role in the Enhanced Analytics Initiative (EAI), an international collaboration between asset owners and asset managers aimed at encouraging investment research that incorporates ESG factors. In late 2008, the EAI merged with the UN PRI to create the Enhanced Research Portal. The PRI Enhanced Research Portal aims to broaden the work of the EAI, making it easier for investors to identify available ESG research.

Going Forward

Despite the investment challenges in fiscal 2009 related to the global financial crisis, we made significant headway in using engagement, including proxy voting, to improve disclosure and corporate management of ESG factors within our portfolio.

We recognize that implementing a responsible investing strategy is an evolutionary process and there is still a great deal more that can be accomplished. Accordingly, over the past year we continued to expand our responsible investing efforts and expanded our engagement activity.

The UN PRI will continue to guide our responsible investing activities and we will intensify our efforts to fulfill its six principles. In addition, we will continue to revisit and revise our *Policy on Responsible Investing* and our *Proxy Voting Principles and Guidelines*.

We will also continue to dedicate resources and to participate in collaborative activities that support improved research into the materiality of ESG issues. As research improves and as disclosure by companies improves, so too will our ability to focus our engagement efforts and integrate ESG considerations into our investment practices.

Finally, we will continue to take a leadership role, through participation in industry groups and in collaboration with other investors, in promoting our understanding of the impact ESG factors can have on long-term corporate financial performance. In particular, we will continue to promote the UN PRI as a strong international framework for implementing responsible investing practices.

For More Information

For more information on the collaborative initiatives in which the CPP Investment Board participates, please visit the individual website for each initiative.

- Canadian Coalition for Good Governance
  www.ccgg.ca
- Carbon Disclosure Project
  www.cdproject.net
- Council of Institutional Investors
  www.cii.org
- Extractive Industries Transparency Initiative
  www.eitransparency.org
- International Corporate Governance Network
  www.icgn.org
- Pension Investment Association of Canada
  www.piacweb.org
- United Nations' *Principles for Responsible Investment*
  www.unpri.org

For information on the latest developments in responsible investing at the CPP Investment Board, please visit the Responsible Investing section of our website (www.cppib.ca).

The CPP Investment Board welcomes public feedback. Please e-mail your comments to Communications and Stakeholder Relations at csr@cppib.ca.