

**DEFINED CONTRIBUTION PENSION PLAN
COMMENTS FROM THE ADVISORY COMMITTEE CHAIR
DECEMBER 31, 2013**

FINANCIAL STATEMENTS

Attached are the annual audited financial statements of the Canadian Blood Services Defined Contribution Pension Plan (the "Plan"). The audit opinion issued by the external auditors, KPMG LLP, is included in the financial statements.

While members receive quarterly communications regarding their individual investment account through the administrator, Morneau Shepell, the financial statements present the results of the Plan as a whole. The Pension Benefits Act requires the employer to file these statements annually with the Financial Services Commission of Ontario. Audited financial statements are available for review on the Plan's website by year, starting in 2005.

The Plan introduced three Life Cycle Portfolios in March 2014. Life Cycle Portfolios provide an alternative investment option to members and offers an approach to members who do not want to continually monitor their investments and/or who may not be comfortable in changing their investment mixes or funds. Life cycle portfolio is based on selected risk tolerance (conservative, moderate or aggressive) holds both, equity and fixed income funds and is automatically adjusted to become more conservative as your retirement date approaches. Having a high proportion of investments in equities the further away you are from retirement allows you to maximize the potential growth of your savings. Gradually reducing equity exposure as you approach retirement allows you to better protect your capital. More information can be found at <https://cbs.hroffice.com>.

GOVERNANCE

The Plan is administered by Canadian Blood Services. An Advisory Committee (the "Committee") assists Canadian Blood Services by monitoring investment performance and plan administration, and by making recommendations for any changes in the fund managers involved in the investment of the funds. The Committee consists of six representatives appointed by Canadian Blood Services. These representatives include individuals nominated by the unions that represent employees who participate in the Plan. The number of union representatives is in proportion to the number of Plan members represented by the unions, to a maximum of three representatives.

The Committee normally meets twice a year, in the spring and fall and from time to time by teleconference to respond to any pressing issues.

At each meeting, the Committee reviews investment performance against benchmarks established in the Statement of Investment Policies & Procedures.

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GOVERNANCE (CONTINUED)

The role of the Committee includes:

- Determining the investment policy of the pension fund;
- Recommending the selection, appointment and replacement of investment managers;
- Monitoring investment performance; and
- Monitoring plan administration.

The Committee has an investment consultant (Mercer) to assist them in establishing an investment policy, and selecting and monitoring investment managers.

MEMBERSHIP

Membership decreased 2.5% in 2013.

	2013	2012	% change
# members, active	1,014	1,055	(3.9%)
# members, inactive	255	246	3.7%
	1,269	1,301	(2.5%)

NET ASSETS AVAILABLE FOR BENEFITS

Net assets available for benefits increased by 16.4% from \$132,845,299 in 2012 to \$154,695,433 in 2013. This increase in net assets available for benefits was due to investment income of \$23,535,220 and contributions of \$7,910,234, offset by \$8,747,392 in payments and recognition of obligations due to members, who have left Canadian Blood Services, and \$873,157 in administration fees.

CONTRIBUTIONS

Contributions to the Plan decreased by 2.1% from \$8,079,286 in 2012 to \$7,910,234 in 2013. The decrease in contributions was a result of the 2.5% decrease in the membership.

INVESTMENT INCOME

Investment income was \$23,535,220 compared to \$10,577,583 in 2012. This represents a return for the Plan of 17.4% in 2013 (2012 - 8.6%). Investment returns vary for each individual fund within the Plan and each member's rate of return is dependent on their asset allocation. Specific return rates by fund are available on the Plan website under Fund Information.

DEFINED CONTRIBUTION PENSION PLAN

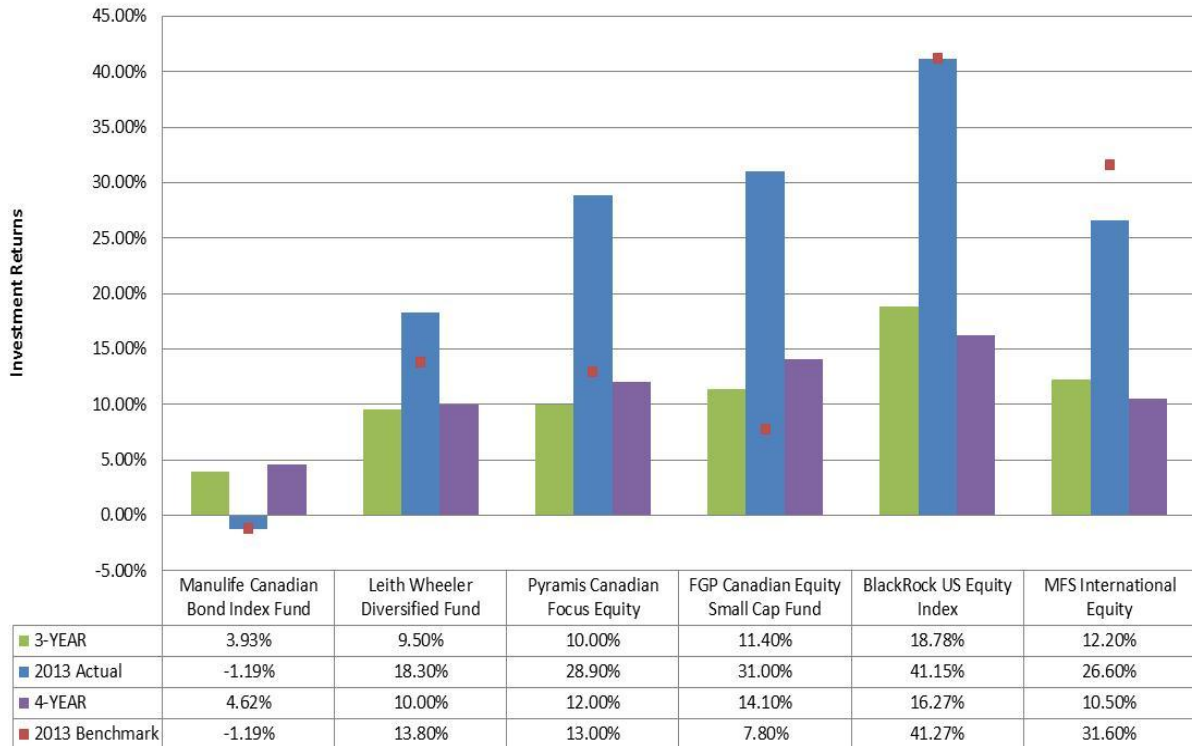
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INVESTMENT RETURNS

The above chart represents the return on the portfolio in 2013 as well as the annualized 3-year and 4-year returns. The returns are presented on gross basis.

It should be noted that past performance is not an indicator of future returns.



ASSET ALLOCATION

The asset allocation at December 31, 2013 was as follows:



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ADMINISTRATION FEES

As specified in the Plan Text, administration fees are paid by the Plan. Total administration fees increased 6.1% to \$873,157 in 2013 from \$822,832 in 2012. Administration fees include:

a) Investment management fees Increased 13.7% to \$610,573 in 2013 (2012 - \$537,047). The increase in investment management fees is a result of increase in investments by 16.3%.

b) Third party administration fees for the maintenance of individual member accounts and related reporting services totalled \$120,647 in 2013 (2012 - \$124,365). The rate for these services was unchanged at \$8.09 (including HST) per member per month.

c) Other plan expenses which are incurred for:

- investment monitoring and legal services
- project management and accounting services
- Advisory committee meeting and travel costs
- annual plan registration fees
- member communications
- audit services

Other plan expenses decreased 12.1% to \$141,937 in 2013 (2012 - \$161,420). The decrease in other plan expense is primarily due to decrease in retirement planning seminar and workbook expenses.

Although Canadian Blood Services initially pays for other plan expenses on behalf of the Plan, Canadian Blood Services recovers the outlays for these expenses via:

- a \$10 fee per member per month. The amount of the fee is set each year at the December meeting of the Committee effective January 1 of the following year. The Committee recommended that the fee for 2014 remain unchanged at \$10 per member per month. The fee will be reviewed in the upcoming fiscal year.

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MARKET ANALYSIS

The S&P/TSX Composite rose 13.0% in 2013. The Canadian equity funds offered by Canadian Blood Services are managed by Pyramis and Foyston, Gordon & Payne. Pyramis outperformed the benchmark by 15.9% and Foyston, Gordon & Payne outperformed the benchmark by 23.2% in 2013.

US equities continued to rally and the depreciation of the Canadian dollar added a further 6.3% to Canadian Dollar denominated returns. US equity returns for a variety of indices (S&P500, DJIA, Russell 1000) were all above 40% for the year as a whole. The Plan's US equity offering is managed by BlackRock. As a passively managed fund that targets the index returns, the fund achieved the benchmark with 41.2% return in 2013.

The MSCI EAFE index (in C\$) gained 31.6% in CAD terms in 2013. European equities continued their resurgence as recession memories faded further. As growth recovers, many stocks are enjoying both an earnings recovery and a re-rating as investors anticipate more good news ahead. Emerging markets once again lagged most developed markets by a fairly wide margin, however still managed to turn in a positive performance. The International equity fund managed by MFS Investment management realized an investment return of 26.6%, which was below the benchmark by 5.0%. However, the 4 year investment return objective of 10.4% was surpassed by 0.1%.