



Report on Business  the gandalf group

C-Suite Survey Findings Executive Summary

October 1, 2012 – In this the 28th edition of the C-Suite Quarterly survey, conducted on behalf of KPMG; published and broadcast by the *Globe and Mail's Report on Business* and *BNN*, we asked executives about energy, oil and gas, the proposed bid for Nexen Inc. by CNOOC and Canada's system of Foreign Investment Review. Telephone interviews were conducted with 152 C-level executives from ROB 1000 companies between September 5th to 21st, 2012. The margin of error for this study is +/- 7.95%, 19/20.

Foreign Investment Review & Nexen Inc.

- Most executives believe government should have the ability to apply a 'net benefit' test to review major foreign acquisitions, though somewhat fewer believe the current system is ideal.
- They cite several factors that should be considered and balanced against each other when it comes to reviewing major acquisitions by foreign interests.
- Despite the fact that shareholder interests are among the most important considerations, many other issues – notably reciprocity (of foreign investment access) and concern about state-owned interests – are important.
- Oil, mineral resources, agricultural land, and water are also thought to be among our most strategic assets that require some form of protection, according to executives.
- As such, a minority of executives – 42% – believes the government should allow the acquisition of Nexen by CNOOC to proceed without conditions.
- Many want substantial conditions applied that would change the nature of the deal if not block it outright. Some of those opposed want strict labour and environmental regulatory conditions set, but many others said the deal should either be stopped outright or Canadians should retain control of the resource or that there should be reciprocal access.

- ❑ In contrast to executives in other regions, Western Canadian executives mostly support seeing the bid for Nexen proceed without conditions.
- ❑ Executives would be more supportive if the bid for Nexen was led by US interests, and **much** more supportive if led by Canadians.
- ❑ Executives are more concerned about the takeover of Nexen than they would be if their own companies were subject to a bid from either Chinese or US interests.
- ❑ There is specific concern about state-owned companies. Most agreed that takeovers led by state-owned companies should receive more scrutiny than those led by private companies.

Energy

- ❑ Just as there is some disagreement over the fate of Nexen, there are competing visions for an energy strategy.
- ❑ Almost all executives support expansion of pipeline construction to bring oil to markets, whether it is to the Pacific or the Gulf Coast or Eastern Canada.
- ❑ Executives in Ontario and Eastern Canada however are probably more likely to view these as part of an economic strategy since most of them believe more should be done to share the economic benefits from oil and gas.

Economic Outlook

- ❑ Outlook on the economy has neither improved nor worsened. The virtual consensus (unchanged for three quarters now) is that Canada will see no better than moderate growth over the next year. Likewise there has been no change in outlook for the US economy.