



Web site: www.cppib.ca

Backgrounder: CPPIB Relationship Investments Program

Overview

The CPP Investment Board's (CPPIB) mandate is to invest the assets of the Canada Pension Plan in a way that maximizes investment returns without undue risk of loss. The goal of the CPPIB is to help ensure the future CPP benefits of 17 million Canadians. At September 30, 2009, the CPP Fund totaled \$123.8 billion.

The CPPIB's Relationship Investments group is responsible for directly engaging with public companies with a primary objective of adding incremental value to the Public Market Investments portfolio. The group seeks to make large proprietary investments that play to the CPPIB's distinctive advantages of scale, availability of cash flows and a long investment horizon. These investments are expected to be a source of long-term value for the Fund.

Relationship Investments Approach

Deployment of Strategic Capital

The Relationship Investments group aims to provide strategic capital in the range of \$100 million to \$1 billion or more to public companies where CPPIB can help support the company's future success in a number of ways, including the financing of acquisitions, the funding of organic growth, or helping to recapitalize the balance sheet.

Our direct investments will often take the form of private placements, which enables the proceeds from our investment to "go to work" in the company to generate growth and long-term value.

Collaborative Partnerships

Our goal is to act as a constructive partner and provider of capital over the long-term. With this in mind, we undertake a detailed due diligence process prior to making any investments to ensure that we have a full understanding of the company and are aligned with the issuer's strategic direction and management. Under certain circumstances CPPIB will also have governance rights, which it will exercise to further the capabilities of the board and enhance the relationship with CPPIB.

Long-term investment horizon

As with many of CPPIB's other internal investment programs, the investment horizon for Relationship Investments is long term. This approach distinguishes our Relationship Investing group from private equity investors and allows the CPP Investment Board to meaningfully engage companies on issues critical to long-term performance. These issues can include capital allocation and structure, strategy and risk management.

Our long-term investment horizon also helps provide the stability that management and boards of public companies need to focus on creating long-term shareholder value.

First Direct Investment

In February 2010, we made our first direct investment, a \$350 million equity investment, through a private placement into Progress Energy Resources, a \$2.1 billion (market cap) natural gas exploration and development company. Progress has a proven management team and superior long-term growth opportunities that we believe can benefit from the kind of strategic and patient capital our Relationship Investments group can provide. Our investment will help Progress acquire significant assets from Suncor Energy Inc. and accelerate Progress' growth trajectory, creating value for all shareholders.

The Relationship Investments Group

Our Relationship Investments group of eight professionals operates within the Public Markets Investments department and is led by Scott Lawrence, Vice-President and Head of Relationship Investments. Prior to joining the CPP Investment Board in 2005, Scott held increasingly senior positions at GE Canada and Onex Corporation. Scott was one of the original Infrastructure investment team members at CPPIB in 2005 and joined Public Markets Investments in 2009. The Relationship Investments team is accomplished and diverse with professionals formerly at Goldman Sachs, Birch Hill Equity Partners, TD Capital Mezzanine Partners and Fortress Investment Group.
