Canada Lands Company
Société immobilière du Canada

# 2020/21 TO 2024/25

# CORPORATE PLAN SUMMARY & OPERATING BUDGETS

# Contents

# 1. Executive Summary

**Financial forecasts developed by the Company for this corporate plan were made in the fall of 2019 and will be materially impacted by either the lost revenues and additional costs resulting from actions taken in compliance with municipal, provincial and federal measures, or actions that the Company finds necessary to take in response to the COVID-19 pandemic.**

Canada Lands Company Limited ("CLCL" or "Company") is the Government of Canada's strategic real estate disposal agent and attractions manager. The Company's role is to create vibrant communities in an innovative and sustainable manner and provide memorable guest experiences.

As CLCL marks its 25th year of successful operations, the Company envisions many opportunities in its real estate development and attractions divisions as it continues to meet government objectives, and Canadian municipalities' aspirations.

CLCL's agile operations, returns on investments, as well as its core philosophies of innovation, sustainability and strong financial and non-financial performance will enable the Company to continue to deliver results for Canadians.

The Company's attractions include Canada's National Tower ("CN Tower") and Downsview Park ("Downsview Park") in Toronto, the Old Port of Montréal ("Old Port"), and the Montréal Science Centre ("Montréal Science Centre") in Montréal.

CLCL's overarching objectives over the plan period (plan period: 1 April 2020 to 31 March 2025) include the following:

- assist the Government of Canada to deliver on its key policy objectives and its mandate;
- continue to deliver quality of life, economic development opportunities and benefits to Canadians and municipalities,
- invest in some of Canada's most important tourism attractions through sound management and operations; and
- continue its relationship with Indigenous partners.

CLCL continues to be a major Canadian real estate development and world-class attractions operator. Over the plan period the Company projects continued strong financial performance. CLCL continues to be financially responsible and operates with efficiency.

The Company projects over the plan period to:

- generate $1.7 billion in revenue from its Real Estate and Attractions divisions;
- earn almost $400 million in income before taxes;
- contribute over $880 million amount back to its shareholder, including $500 million in dividends; and
- invest more than $500 million in local economies through capital spending on its real estate development and attractions assets.

CLCL is confident that it will meet or exceed its objectives through sound financial management, inclusive business and human resources practices, and risk mitigation strategies while capitalizing on opportunities in its two business divisions.

# 2. Overview

## 2.1 ABOUT CANADA LANDS COMPANY LIMITED

### Mandate

The mandate of CLCL, an agent federal Crown corporation is to ensure the commercially oriented, orderly disposition of surplus strategic real properties, optimizing financial and community value, and the holding of certain properties. It accomplishes this by purchasing strategic surplus properties from federal departments and agencies at fair market value, then improving, managing or selling them in order to produce the optimal benefit for CLCL's shareholder, the Government of Canada, and local communities.

### Mission

Our mission is to ensure the innovative and commercially sound reintegration of former Government of Canada properties into communities, as well as holding and managing certain real estate-based attractions while providing best value to Canadians.

### Vision

Our vision is to be the Government of Canada's principal real estate disposal and development corporation dedicated to the development of great Canadian communities and a premier manager of select attractions through a commitment to engagement, sustainability, superior advisory services, integrity, diversity and the highest standard of ethical behaviour.

### CLCL Corporate Structure

- CLCL has three subsidiaries:
  - CLC (operates across Canada);
  - PDP (operates in Toronto); and
  - OPMC (operates in Montréal).
- CLCL has two operating divisions:
  - Real Estate; and
  - Attractions.
- The Real Estate division is comprised of four regions:
  - British Columbia ("BC")/Ontario
  - West;
  - National Capital Region ("NCR")/Atlantic; and
  - Québec.
- The Attractions division is comprised of:
  - Old Port;
  - Montréal Science Centre;
  - Downsview Park; and
  - CN Tower.

CLCL's head office and the CN Tower are located in Toronto. The West region offices are located in Calgary and Edmonton. The BC/Ontario region offices are located in Vancouver and Toronto (at head office and PDP). The NCR/Atlantic region offices are located in Ottawa and Halifax. The Québec real estate group and OPMC office are located in Montréal.

## 2.2 PUBLIC POLICY ROLE

As an arm's length commercial, self-sustaining Crown corporation, oversight is provided by a Board of Directors comprised of seven independent directors and a Chair appointed by the shareholder. The Board is responsible to recommend the corporate plan and annual report and approve the Company's strategic plan and financial statements. For more information about CLCL's activities and operations please refer to the Company's 2018/19 annual report or its website at clc.ca.

## 2.3 MAIN ACTIVITIES AND PRINCIPAL PROGRAMS

### Real estate development

CLCL is one of the country's foremost developers. Through its real estate subsidiary, Canada Lands Company CLC Limited ("CLC") transforms former Government of Canada properties and reintegrates them into local communities.

### Interim uses

CLC seeks to use its properties on an interim basis prior to the redevelopment process, ensuring where possible that certain properties remain active in the short term.

### Affordable housing

CLC seeks to commit 10% of the planned residential units to affordable housing. Working with local municipalities and relevant stakeholders and partners, in some instances, the Company surpasses this target. CLC is a partner in the Federal Lands Initiative ("FLI"), and part of the National Housing Strategy, led by the Canada Mortgage and Housing Corporation. Since CLCL's inception in 1995, the Company has facilitated the provision of more than 1,900 affordable housing units on its projects across the country.

### Communities amenities

The Company invests in the creation of parks, pedestrian and cycling trails and recreational amenities incorporating sustainability features and pleasing landscapes which often exceed municipal requirements.

### Attractions

CLCL holds, invests in and manages world-renowned attractions such as the CN Tower and Downsview Park in Toronto, Old Port and the Montréal Science Centre in Montréal.

## Entertainment

CLCL's Montréal Science Centre is home to many traveling exhibitions as well as seven permanent displays which, together, have garnered numerous awards. Further to the exhibits, the Montréal Science Centre is home to a seven-storey IMAX®TELUS theatre through which offers the latest advancements in digital technology to deliver a visually stunning learning experience like no other.

## Recreation

Downsview Park offers a variety of recreational, educational and sports activities. Its Hangar Sport and Events Centre, 45,000 square metres in size, comprises several indoor and outdoor playing fields, as well as soccer leagues and facility rentals for tens of thousands of users per year. The site is also home to a four-pad arena that offers ice rink time to leagues and individuals throughout the community.

## Financial Condition

CLCL's financial management focuses on the activities around planning, procuring and controlling the Company's financial resources with the objective of making optimal financial decisions for CLCL. CLCL's financial strategy is to operate with strong fiscal responsibility through its various business divisions across the country to optimize, not maximize, cash flow and profit for re-investment and return to the Company's stakeholders, in both the short-term and long-term. The Company balances both its financial and non-financial returns, which may not yield the maximum financial return, but rather aims to maximize the overall contribution to its stakeholders. CLCL generates an annual profit and requires no parliamentary appropriations, while funding the operating deficit and capital requirements of the Old Port of Montréal Corporation Inc., Science Centre and Downsview Park. CLCL manages its external debt levels as part of its financial strategy, using credit facilities where appropriate and prudent, while continuing to work to repay the external debt that was inherited in November 2012 as part of the operational amalgamation with Parc Downsview Park Inc. CLCL's retained earning policy and rationale for dividend level are included in Appendix 9.3.

# 3. Operating Environment

## 3.1 EXTERNAL ENVIRONMENT

**Financial forecasts developed by the Company for this corporate plan were made in the fall of 2019 and will be materially impacted by either the lost revenues and additional costs resulting from actions taken in compliance with municipal, provincial and federal measures, or actions that the Company finds necessary to take in response to the COVID-19 pandemic.**

### General Macroeconomic Climate

The Company's business sectors, real estate and attractions, are affected by general economic conditions, which include economic activity and economic uncertainty, employment rates and foreign exchange rates.

Canada's real gross domestic product ("GDP") growth is expected to be slow in 2019 at 1.3%, however expected to increase in 2020 and 2021 to 1.9% and 2%, respectively[1]. In the same report, the Bank of Canada ("BoC") expects the Consumer Price Index ("CPI") to fluctuate narrowly around 2% over the short-term, specifically forecasting an increase of 1.8% in 2019 and 1.9% in 2020.

There are a number of significant risks and opportunities that could impact the Canadian economy going forward. An upside opportunity exists with the stronger GDP growth in the United States which could benefit Canadian investment and exports. Significant downside risks include tighter global financial conditions, which could lead to higher interest rates, and; weaker growth and the trade conflicts in China, which could depress global demand and commodity prices negatively affecting Canadian investment and trade. Stronger consumption and rising household debt in Canada, could provide upside opportunity or downside risk. A stronger consumer confidence and increased labour growth could lead to stronger consumption driving economic growth higher, but conversely increasing household debt.

According to a number of forecasts, Canada's unemployment rate is expected to increase slightly over the remainder of 2019 from its current 5.7% to around 5.9% by the end of 2019. Most forecasts have the rate increasing further in 2020 to 6% and increase steadily in the future years by 0.1% per year, projecting a rate of 6.5% in 2024.

Interest rates in Canada have been stable over the past twelve months, which followed an 18-month period where the BoC had raised its benchmark interest rate from 0.5% to 1.75%. Most predictions are that BoC will decrease its interest rate by 25 basis points before the end of 2019 and keep the rate at 1.50% for 2020. There is mixed sentiment about 2021 and which direction the BoC's rate will move. Regardless of which direction the forecasters prediction, there seems to be a consistent feeling that any changes to the rate will be subtle, not dramatic. As interest rates rise, the cost of mortgages rises as well. Higher interest rates impact the amount of disposable income households have for discretionary spending on items such as entertainment, meals, and attractions.

### Real Estate

Real estate is generally subject to risk given its nature, with each property being subject to risks depending on its specific nature and location. Certain expenditures, including property taxes,

1 As per the most recently published Bank of Canada Monetary Policy Report – July 2019

maintenance costs, insurance costs, and related charges, must be made regardless of the economic conditions surrounding the property, but the timing of other significant expenditures is discretionary and CLCL closely ties these to the projected sales program.

In the latest published version[1] of its quarterly housing market assessment ("HMA") by Canada Mortgage and Housing Company ("CMHC") in the fall of 2019, CMHC continues to indicate a moderate degree of vulnerability for housing at the national level. That being said, CMHC noted that the imbalance between housing prices and housing market fundamentals has narrowed, indicating that housing prices have continued to adjust downward, allowing incomes to catch up.

CMHC notes that regional disparities continue to remain. The Toronto, Hamilton and Victoria housing markets continue to have an overall high degree of vulnerability rating with overheating, price acceleration and overvaluation continuing to be significant risks. However, recent activity does indicate that these three markets are showing signs of easing.

The Vancouver housing market's degree of vulnerability decreased to moderate from high in fall 2019 due to lower homes prices in certain resale segments. Vancouver joins Edmonton, Calgary, Saskatoon, Regina and Winnipeg with moderate vulnerability, primarily related to concerns of overbuilding.

The housing markets in Ottawa, Montréal, Québec City, Halifax, Moncton and St. John's are considered to have low vulnerability, although CMHC did identify concerns in Montréal and Moncton about overheating in the market, and in St. John's concerns over overbuilding.

As noted above, mortgage rates are expected to remain relatively low for the foreseeable future.

In its latest Housing Market Outlook[2], CMHC has projected the range of housing starts to be from 193,700 to 204,500 in 2019 and from 189,300 to 201,300 in 2020. These projects are slightly lower than the past two years, but more consistent with the trend over the past decade.

Overall, the outlook for the Canadian housing sector is one of variability across the country, and there are significant risks and uncertainties, particularly in certain local markets such as Toronto and Vancouver, where the Company currently has real estate holdings.

## Attractions

The CN Tower's and OPMC's operations have been directly linked to the performance of the tourism sector in Toronto and Montréal, respectively. The number of visitors to the CN Tower is also related to both the seasons and daily weather conditions.

Visitors from outside of the local market comprise a significant portion of CN Tower visitors. A significant number of visitors to Old Port and the CN Tower travel from the United States ("US"). In Destination Canada's ("DC") July 2019 Snapshot, it was reported that year-to-date overnight arrivals of visitors to Canada from DC's ten markets increased 3.5% from the prior year, with US being up 2.8% and the other nine markets being up 6%. Historically, US travellers travel less in election years, which is expected to be the case in 2020.

Foreign exchange rates may impact the number of international tourists that Canada, local markets and the Company's attractions can draw. The largest international market for the CN Tower and Old Port continues to be the United States. The exchange rate continues to hover around US$1.00 = $1.33. Analysts are mixed on whether they expect the Canadian dollar to strengthen or weaken against the US dollar in the next twelve months, but most are predicting that the foreign exchange rate will remain

1 CMHC Housing Market Assessment – Canada. Date released: Third Quarter 2019.

2 CMHC Housing Market Outlook – Canada. Date released: Fall 2018.

largely consistent during the time. Overall, a devalued Canadian dollar against other currencies, particularly the US dollar, does impact CN Tower revenues favourably due to stronger consumer buying power for US travellers. A devalued Canadian dollar may also discourage local visitors from travelling abroad, opting for "staycations" instead. Conversely, a strong Canadian dollar is likely to have the opposite impact on the CN Tower results.

Old Port draws more than 80% of its customers from its local market. To continue to draw visitors, Old Port, including the Montréal Science Centre, needs to continue to invest in its current attractions and exhibits, and partner with various organizations, while developing new exhibits and attractions, to refresh its offerings to visitors. In the local market, competition is expected to increase with the reopening of the Biodome and a new downtown public skating rink.

For the non-local market, the Québec market seems strong. In the DC July 2019 Snapshot, it was reported that year-over-year overnight arrivals to Québec had increased 6.9%, primarily driven by US non-automobile visitor volumes and residents from other countries.

The impact of trade agreements, specifically the Canada-United States-Mexico is difficult to determine, but the Company does not expect the impact to be significant on its operations.

# 4. Priorities

## 4.1 MAIN OBJECTIVES AND ACTIVITIES FOR THE PLAN PERIOD

In 2020 the Company is celebrating 25 years of operations and progressive growth, profitability and value to Canadians. For more details about the Company's activities and performance, please refer to its 2018/19 Annual Report and its Corporate Social Responsibility Report on its website at clc.ca.

For more information on priorities please refer to Appendix 3.

### 4.1.1 OBJECTIVES AND ACTIVITIES

The Company's key objectives for the plan period will facilitate CLCL's continued success in its business divisions, while enabling it to manage risks and uncertainties.

1) Continue CLCL's program of reintegrating former Government of Canada properties into productive use for the benefit of Canadian communities. The critical outcomes will be new sources of economic activities in municipalities, such as construction work, community amenities, greenspaces, and housing, both market and affordable where residents can live, work and play.

2) Continue its partnerships with Indigenous peoples, including through an existing joint venture with three First Nations to develop lands in the Vancouver area, including, the Musqueam Indian Band, Squamish and Tsleil-Waututh Nations, in Winnipeg with the Treaty One First Nations, in Ottawa with the Algonquins of Ontario and in Halifax with the Millbrook First Nation. The critical outcomes of these partnerships include the reintegration of important sites back into productive use, participation of Indigenous communities in the redevelopment of these sites by way of economic opportunities for commemmoration and capacity-building. CLCL will achieve these outcomes by completing its planning and development processes in each community.

3) Continue to work with Public Services and Procurement Canada on its accommodation collaboration projects in the National Capital Region and Toronto. The critical outcomes include elevating the potential of these sites and their uses, while also assisting the Government in its rationalization efforts, and creating new communities that include employment uses, greenspaces, amenities and new housing. The objective will be achieved by working with the private sector to implement the municipally approved plan created by the Company.

4) Expand the services CLCL provides the Government of Canada. The outcome of this initiative will be more efficiencies and innovations brought to the Government using CLCL's expertise in real property and attractions management. These outcomes will be achieved through establishing close collaborative relationships with departmental real property officials, using current projects as proof of concept for future work, and identifying new projects that could be realized.

5) Increase Attractions' value; enhance the integrity and safety of these assets. The critical outcome will be the delivery of outstanding and innovative guest experiences. The objective will be achieved through maximizing operational efficiencies as well as community, financial and non-financial contributions.

# 4.2 OVERVIEW OF RISKS

The Company faces both financial and non-financial strategic risks that, if not managed effectively, could significantly and materially impact the Company.

The Company's financial results are affected by the performance of its operations and various external factors influencing the specific sectors including the ongoing COVID-19 pandemic, specific sectors and geographic locations in which it operates, as well as macroeconomic factors such as economic growth, inflation, interest rates, foreign exchange, regulatory requirements and initiatives, and litigation and claims that arise in the normal course of business.

The financial risks include:

- **Market Dynamics – Real Estate/Attractions** includes the risk of impacts due to factors relating to macroeconomic conditions that affect the financial viability of its projects.
- **Real Estate Acquisitions** is defined as the risk of uncertainty regarding the flow or speed of property acquisitions from the federal government or failure to secure additional surplus properties from custodians in a timely manner.
- **Product Offerings (Attractions)** includes the risk of failing to meet customer expectations related to environment, service, support, and experience to enable long term customer loyalty and failure to bring on new products and services to respond to opportunities in the marketplace.
- **Product Offerings (Real Estate)** includes the risk of failing to bring on new products and services to respond to opportunities in the marketplace and do not sell.

The Company also faces non-financial risks that, if not managed effectively, could significantly impact the Company's ability to operate. These challenges include the ongoing COVID-19 pandemic, hazard and physical security, cyber-security, talent management, communication and reputation. These risks include:

- **Hazard and Security** includes threat of business disruption due to natural events and disasters or major diseases as well as due to activists' actions, terrorist activities or other malicious acts.
- **Governance** includes the inability to realize a clear vision and direction for the Corporation.
- **Talent Management** includes the risk that employees or management will not adopt corporate changes that are implemented through acquisition, re-alignment of business objectives, restructuring, etc.
- **Communications:** includes the inability to anticipate and manage shifts in the information stakeholders want and the way in which they want it communicated to them; and ineffective ongoing, transparent communications with the public in order to create goodwill.

The efficient and effective management of the non-financial and financial risks equally are critical to the success of the Company in the short-term and longer term.

## Risk Management

The Company uses a practical approach to the management of risk. The objective of the Company's risk management approach is not to eliminate risk but rather to identify, quantify, monitor and mitigate risk to optimize the balance between risk and the best possible benefit to the Company, its shareholder and its local communities.

The Board of Directors has overall responsibility for risk governance and oversees management in identifying the key risks the Company faces, and in implementing appropriate risk assessment processes to manage these risks. Management is accountable for identifying and assessing key risks and defining controls and actions to mitigate risks, while continuing to focus on the operational objectives of the Company.

The Company updates its enterprise risk assessment regularly to review, prioritize and mitigate against the key risks identified. The assessment includes reviewing risk reports, internal audit reports, and industry information, and interviewing senior management across the Company.

The Company's internal audit function assists in evaluating the design and operating effectiveness of internal controls and risk management. Through the annual internal audit plan, the risks and controls identified are considered and incorporated for review.

## 4.3 EXPECTED RESULTS AND PERFORMANCE INDICATOR OVERVIEW

CLCL has 25 years of success generating almost $1 billion in financial contributions to its shareholder since inception. Over the plan period, the Company will continue its trajectory of financial growth and profitability through a number of opportunities and activities.

CLCL uses benchmarks and comparators to measure itself against the markets in which it operates, such as market studies, internal audits, and financial management dashboards to continually monitor its operations all overseen by its Board of Directors.

Strategies and outcomes will continue to align with CLCL's mandate and business objectives.

| Outcome | Measure |
|---|---|
| Local developments and infrastructure projects are supported in collaboration with municipalities and other local stakeholders | Dollars invested and municipal approvals obtained |
| Local communities are engaged throughout planning and development processes | Number of projects with engagement programs |
| Opportunities to partner with Indigenous communities throughout planning and development processes (where invited to participate) | Number of projects |
| Disposal of federal real property is managed effectively and efficiently, and strong financial and non-financial results are delivered | Revenues earned |
| Development projects are environmentally sustainable and aligned with industry best-practices | Number of active developments that meet or exceed environmental management standards |
| High-quality offerings are provided to Canadians and international tourists at the CN Tower and the Old Port of Montréal/ Montréal Science Centre | TripAdvisor rating and number of new programs and exhibits |

In 2019/20, the Company achieved or advanced many of its key initiatives including investments in its real estate projects in Edmonton, Calgary and Ottawa, and strong revenues as described in Section 5. The Company also completed key consultations programs in Ottawa and Halifax. The Attractions division also realized key goals including delivering a new permanent exhibit at the Montréal Science Centre and a renewed retail experience for visitors at the CN Tower.

# 5. Financial Overview

## 5.1 EXPECTED RESULTS FOR 2019/20 AND PLAN PERIOD 2020/21 TO 2024/2025

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CLCL is a self-financing agent Crown corporation. CLCL's financial management focuses on the activities around planning, procuring, and controlling the Company's financial resources with the objective of making optimal financial decisions for CLCL.

CLCL's financial strategy is to operate with strong fiscal responsibility through its various business divisions across the country to optimize, not maximize, cash flow and profit for re-investment and return to the Company's stakeholders, in both the short-term and long-term.

CLCL generates an annual profit and requires no parliamentary appropriations, while funding the operating deficit and capital requirements of OPMC. CLCL manages its external debt levels as part of its financial strategy, using credit facilities where appropriate and prudent, while continuing to work to repay the external debt that was inherited in November 2012 as part of the operational amalgamation with PDP. CLCL's retained earning policy and rationale for dividend level are included in Section 9.3.

The Company's financial plan, which includes its financial results and financial position, over the plan period are included in Appendix 4, Section 9.4. All the sections of this corporate plan should be read in conjunction with the Company's financial plan to obtain a full, comprehensive understanding of the assumptions, risks, uncertainties and context.

The financial plan reflects the Company's best estimate of the expected results over the plan period. With any financial plan spanning five years, particularly a plan that projects real estate sales in numerous markets across Canada, there is naturally a significant degree of uncertainty. The Company mitigates its financial plan risks by practicing sound fiscal management using a variety of different techniques.

**Below is a summary of the expected results for 2019/20 and the plan period 2020/21 to 2024/25. Further details are included in Section 9.1.2.**

### Revenue

The Company projected $490 million in revenue in 2019/20 and $1.7 billion in revenue generation over the plan period. The Company's projected revenues fluctuate year over year, primarily as a result of its real estate sales. Real estate development and sales have a significantly longer life cycle than the Company's Attractions operating division. Real estate sales are dependent upon many factors, including obtaining municipal approvals, which will drive the timing of when products can be brought to market.

While real estate sales vary significantly year to year, the Attractions operating division's financial performance is more consistent. Attraction revenues in 2019/20 were projected to be $136.9 million and are expected to grow to $154.6 million in 2024/25. This represents an average annual growth of 2.2% or $3 million.

## Profitability

Net income before tax was forecasted for 2019/20 to be $240 million. Over the plan period, the Company projects $394 million in net profit. The consolidated annual profit will vary significantly as a result of the fluctuations in the real estate sales as mentioned above. The operating profit margin[1] will average 37% during the plan period. It will vary year over year during the plan period primarily due to the particular real estate projects being sold.

## General and Administrative ("G&A") costs

G&A costs include both indirect operational costs for its attractions and corporate overhead costs. The total G&A costs for 2019/20 were projected to be $38.6 million or 7.9% of total revenues.

Over the plan period, the G&A costs are projected to be $206.3 million or 12.1% of total revenues. During the plan period, the G&A costs are forecasted to increase 1.6% per year. The increase is driven primarily by increases in personnel costs. Corporate overheads over the plan period will represent approximately 45% of the total G&A costs, or 5.5% of total revenues.

## Capital investment

Capital investment for the Company includes expenditures on real estate, which include land development costs and its investments in longer-term hold properties, and investment in its attractions.

In 2019/20, the Company projected $113.5 million in total capital expenditures. Over the plan period, the Company forecasts to invest $502.4 million, of which $414.4 million will be in real estate and $88 million in its attractions. Appendix 4, schedule 9.4.3 provides further detail on the Company's capital budget. The amount of investment annually will vary depending on the stage of development for the Company's projects. The Company is very focused on ensuring that investment, particularly real estate development investment, is made at the appropriate time and closely aligned with the sales strategy and timing for a project.

## Borrowings

The Company's borrowings, which include cash borrowing and letters of credit, are projected to be $66.7 million and well within the $200 million of credit facilities available.

During the plan period, the average annual borrowings will be $93.9 million, peaking in 2024/25 at $111.5 million. The increase during the plan period is primarily due to increased real estate development expenditures with the financial returns expected to be realized in the years beyond the plan.

## Capital management

The Company's capital management and retained earnings policy is included in Appendix 4, section 9.3.

The Company projects its dividend payments based on the forecasted cash on hand and the cash requirements of the Company in subsequent years. The Company is projecting $500 million in dividends over the plan period, an average of $100 million annually. Dividends are expected to continue to be declared annually at the discretion of the Company's Board of Directors. Actual dividend payments could vary materially from those projected based on the financial performance of the Company.

The Company projects an average return on equity of 24% during the plan period while still showing prudent and responsible fiscal management by maintaining an average debt to equity ratio of 63% and sufficient cash balances to fund capital investment and operations.

1 Operating profit margin = (total net income before taxes, interest and other expenses, impairment, pre-acquisition costs and write-offs and general and administration costs)/total revenue.

# 6. Appendix 1: Corporate governance structure

CLCL is comprised of a Governor-in-Council appointed Chair, Board of Directors and one employee who is the President and Chief Executive Officer ("CEO"). The President and CEO of CLCL is also the President and CEO and a board member of CLC, PDP and OPMC.

CLCL was incorporated under the *Canada Business Corporations Act* and is listed in Schedule III, Part 1 of the *Financial Administration Act*.

CLCL carries out its core real estate development mandate through its subsidiary, CLC. Its mandate was issued by the Government of Canada upon CLCL's reactivation in 1995 "to ensure the commercially oriented, orderly disposition of selected surplus real properties with best value to the Canadian taxpayer and the holding of certain properties." A 2001 Treasury Board review re-confirmed this mandate.

The mandate also stipulates that other strategic considerations of the Government of Canada be taken into account as required, including "the views of affected communities and other levels of government, and heritage and environmental issues."

CLCL's subsidiaries provide innovative solutions to complex real estate challenges, tourism leadership in its management of the CN Tower, the Montréal Science Centre and Old Port, and Downsview Park, and create value and legacy for all of its stakeholders. In doing so, it makes significant contributions to the federal government and communities across Canada.

The strategies within this corporate plan have been developed and will continually be evaluated by the subsidiary corporations. They are borne of a singular focus to incrementally and continually advance the Company's mandate, utilizing innovative tools and strategic direction in its multiple lines of business to provide both community and financial benefits to its shareholder and Canadians.

CLCL operates in the competitive and sometimes volatile real estate and tourism markets. As such, it is directly impacted by the unpredictability of those industries and various macro-economic trends. Despite uncertainty regarding the global economy and Canadian real estate market, the Company has returned almost $632 million in dividends and property acquisition payments to the fiscal framework since its inception in 1995.

## CLCL Boards of Directors

CLCL, CLC, OPMC and PDP each has its own Board of Directors that holds regular meetings. The membership for each Board is the same with the exception of the President and CEO of CLCL and the subsidiaries, who sits on the Board of CLC, PDP and OPMC but not of CLCL. The Directors of the parent company and subsidiary Boards (with the exception of the President and CEO) are independent of the business.

CLCL's Directors, the Chair, and the President and CEO are appointed by the Governor-in-Council upon the recommendation of the Minister of PSPC. CLCL's Board is committed to continually reviewing its policies and practices to ensure that these are consistent with current best practices and reflect the needs of the Company.

The Boards of Directors for CLC, OPMC and PDP are appointed by CLCL's Board and oversee the operations as carried out by the subsidiaries. The Boards of CLC, OPMC and PDP each have Governance, Human Resources, Audit and Risk, Real Estate and Attractions Committees. Throughout the course of Board deliberations, CLC's management team provides briefings on operational issues and reports for the Board's analysis and discussion. This enables effective oversight by the Boards of its operations and allows risks to be managed appropriately.

**Jocelyne Houle, Chair**
Ms. Houle has had a long career in the public sector. Additionally, she has been owner of Houle Jewellers in Buckingham since 1981. She is active in her community and involved with several organizations.

**Victoria Bradbury**
Ms. Bradbury is a Fellow Chartered Accountant of England & Wales, a Chartered Professional Accountant in Canada, a Certified Management Consultant and a member of the Institute of Corporate Directors.

**John W. Campbell**
Mr. Campbell is the principal of Renovo Advisory Services Ltd., Vice Chair of Artscape and on the Board of Directors of the Canadian Urban Institute.

**Margaret MacDonald**
Ms. MacDonald is a former Deputy Minister with the Province of Nova Scotia, holding positions as the Deputy Minister of Finance and Treasury Board, Labour and Workforce Development, Immigration and Intergovernmental Affairs.

**Kaye Melliship**
Ms. Melliship has been involved in housing policy, governance, operations and land use planning for more than 30 years. She is currently Executive Director of Greater Victoria Housing Society and President of Ready to Rent BC.

**Daniel Shindleman**
Mr. Shindleman is managing director at Bridgemer, an alternative asset manager and advisor, focused on real estate, infrastructure and agriculture. He has been involved in public-private partnerships since 1992.

**Toni Varone**
Mr. Varone is president of Varone Group Inc. He has served the community in numerous capacities and continues to serve as an active member of The Villa Charities Foundation Board.

## CANADA LANDS COMPANY LIMITED - BOARD OF DIRECTORS

| Name | Role | OIC Date | Term | Expiry Date | Home Province |
|---|---|---|---|---|---|
| Jocelyne Houle | Chair | 10/04/14 (as director)<br>06/06/18 (reappointed)<br>19/06/19 (appointed as Chair) | 4 years<br>2 years (reappointment)<br>2 years (as Chair) | 18/06/21 | Québec |
| Victoria Bradbury | Director | 22/06/18 | 2 years | 21/06/20 | Alberta |
| John Campbell | Director | 06/06/18 | 2 years | 05/06/20 | Ontario |
| Margaret MacDonald | Director | 19/06/19 | 4 years | 18/06/23 | Nova Scotia |
| Kaye Melliship | Director | 06/06/18 | 4 years | 05/06/22 | British Columbia |
| Toni Varone | Director | 06/06/18 | 4 years | 05/06/22 | Ontario |
| Daniel Shindleman | Director | 06/06/18 | 4 years | 05/06/22 | Manitoba |

## BOARD ATTENDANCE FOR THE YEAR ENDED 31 MARCH 2019

| Board Member | Board & Committee Meetings | Board & Committee Conference Calls |
|---|---|---|
| Jocelyne Houle | 4/4 | 5/5 |
| Victoria Bradbury | 4/4 | 4/4 |
| John Campbell | 4/4 | 4/4 |
| Kaye Melliship | 3/4 | 4/4 |
| Daniel Shindleman | 4/4 | 4/4 |
| Toni Varone | 4/4 | 4/4 |
| Vacant | N/A | N/A |

## CANADA LANDS COMPANY LIMITED – PRESIDENT AND CEO

| Name | Role | OIC Date | Term | Expiry Date | Home Province |
|---|---|---|---|---|---|
| John McBain | President & CEO | 30/01/2014 effective 03/03/2014<br>18 months (Renewal) 01/11/2018 Effective 03/03/2019 | 5 years | 02/09/2020 | Ontario |

## Board Committees and their Roles

All of the Board's committees are comprised of no fewer than three directors, none of whom are neither officers nor employees of CLCL or any of its affiliates (with the exception of the President and CEO, where applicable). Although the Board may delegate various duties to its committees, each committee remains under the direction of the Board and each committee's ultimate responsibility is to report to the Board and, where necessary, to seek its approval.

## Governance Committee

The main objective of the Governance Committee is to optimize the effectiveness of the Board in directing and managing the business and affairs of the Company. The committee is also responsible for the orientation of new directors, as well as for their ongoing training and education.

## Human Resources Committee

The Human Resources Committee is mandated to review, report and, when appropriate, provide recommendations to the Board regarding human resources concerns of the Company.

## Audit and Risk Committee

The Audit and Risk Committee advises the Board on the soundness of the financial management of the Company, and assists the Board in overseeing internal control systems, financial reporting, risk management and the internal and external audit processes.

## Real Estate Committee

The Real Estate Committee receives reports and reviews, planned expenditures and requests for authorities from management pertinent to the Company's real estate acquisitions, development and sales activities. The Committee also provides advice, oversight, and strategic direction with respect to the Company's real estate division.

## Attractions Committee

The Attractions Committee receives reports and reviews planned expenditures and requests for authorities from management pertinent to the Company's attractions businesses. The Committee also provides advice, oversight, and strategic direction with respect to the Company's attractions division.

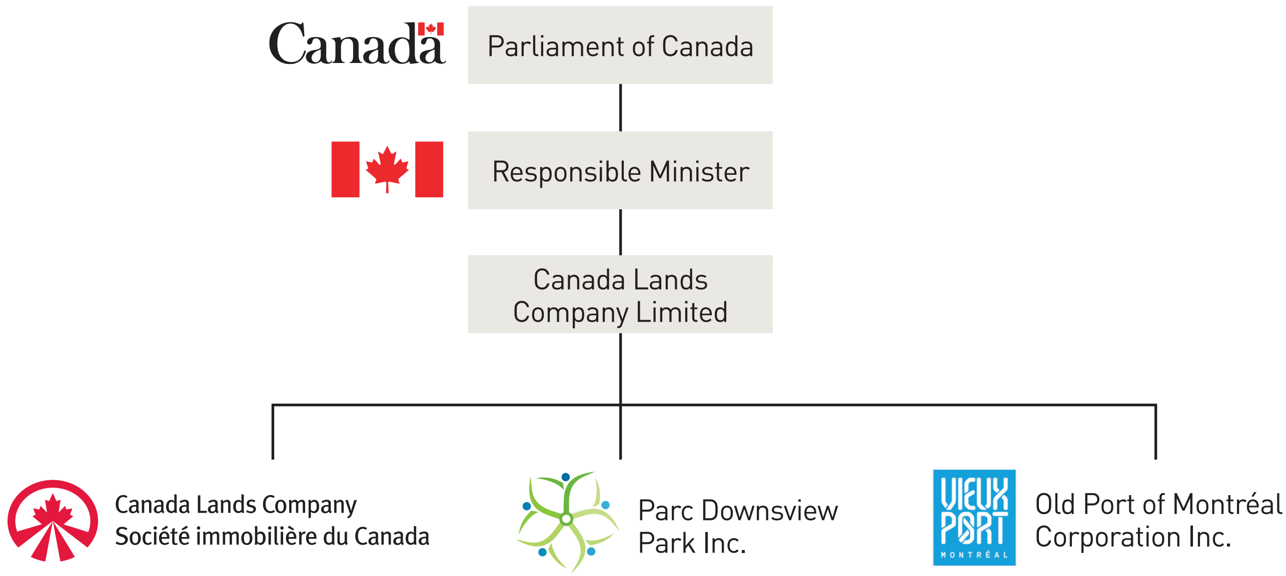
## Management Agreements

To ensure the appropriate management structure for its subsidiaries, and on the advice of its legal counsel, CLC has two management agreements in place, one with PDP and one with OPMC. They provide CLC full authority and control to manage the day-to-day operations of these organizations.

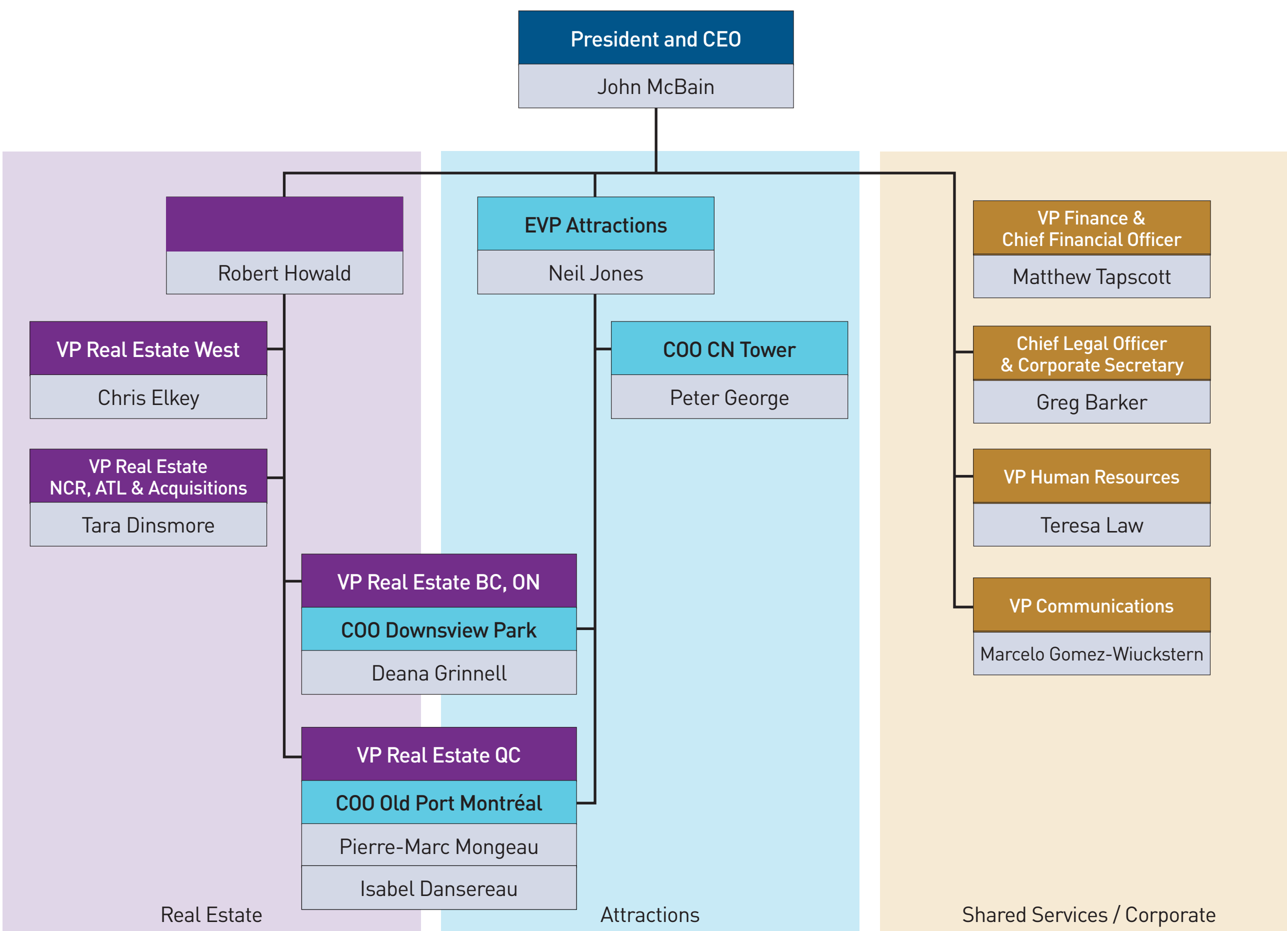
## Annual Public Meetings

As a Crown corporation, and in line with best practices and the *Financial Administration Act*, CLCL provides an annual forum through which the public can offer feedback and engage in a dialogue with CLCL's Board of Directors and management on matters directly relating to its business. The next public meeting will be held in Fall of 2020.

## FIGURE 1: CLCL CORPORATE STRUCTURE AND SUBSIDIARIES




## FIGURE 2: CLCL SENIOR MANAGEMENT STRUCTURE



The senior management team consists of a president and CEO and executives as listed in Figure 2. This group is responsible for all business operations and results, setting corporate priorities, and developing and implementing the company's corporate and strategic plans, consistent with CLCL's mandate and Board of Directors' oversight.

The current President and CEO's term ends in September 2020. A recruitment process, managed by the Privy Council, is currently underway. CLCL's Board and management will take appropriate action should there be a vacancy in the position to mitigate any potential risks, as well as ensure that a robust onboarding and transition plan is developed and executed.

# 7. Appendix 2: Results and Commitment

I, John McBain, as President and Chief Executive Officer of Canada Lands Company Limited, am accountable to the Board of Directors of Canada Lands Company Limited for the implementation of the results described in this corporate plan.

I verify that this commitment is supported by the balanced use of all available and relevant performance measurement and evaluation information.

Original signed by:

**JOHN McBAIN**
**President and Chief Executive Officer**
**Canada Lands Company Limited**

November 27, 2019[1]

1 Financial forecasts developed by the Company for this corporate plan were made in the fall of 2019 and will be materially impacted by either the lost revenues and additional costs resulting from actions taken in compliance with municipal, provincial and federal measures, or actions that the Company finds necessary to take in response to the COVID-19 pandemic.

# 8. Appendix 3: Chief Financial Officer Attestation

In my capacity as Chief Financial Officer of CLCL, accountable to the Board of Directors of CLCL through the President and Chief Executive Officer, I have reviewed the Corporate Plan and budgets and the supporting information that I considered necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

1. The nature and extent of the financial and related information is reasonably described, and assumptions having a significant bearing on the associated financial requirements have been identified and are supported.
2 Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to changes in key assumptions, and the related risk-mitigation strategies have been disclosed.
3. Financial resource requirements have been disclosed and are consistent with the stated assumptions, and options to contain costs have been considered.
4. Funding has been identified and is sufficient to address the financial requirements for the expected duration of the Corporate Plan.
5. The Corporate Plan and budgets are compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place.
6. Key financial controls are in place to support the implementation of proposed activities and ongoing operation of CLCL and its wholly owned subsidiaries.

In my opinion, the financial information contained in this Corporate Plan and budgets are sufficient overall to support decision making.

Original signed by:

**MATTHEW TAPSCOTT**
**Vice President, Finance & Chief Financial Officer**
**Canada Lands Company Limited**

November 27, 2019[1]

1 Financial forecasts developed by the Company for this corporate plan were made in the fall of 2019 and will be materially impacted by either the lost revenues and additional costs resulting from actions taken in compliance with municipal, provincial and federal measures, or actions that the Company finds necessary to take in response to the COVID-19 pandemic.

# 9. Appendix 4: Financial Results including Operating and Capital Budgets

**Financial forecasts developed by the Company for this corporate plan were made in the fall of 2019 and will be materially impacted by either the lost revenues and additional costs resulting from actions taken in compliance with municipal, provincial and federal measures, or actions that the Company finds necessary to take in response to the COVID-19 pandemic.**

The Company's operating and capital budgets, represented through the accompanying CLCL financial statements in section 9.4 of this appendix, provide the revenues, expense, profit, cash flows and capital investments the Company projects making during the plan period.

The table in 9.1.1 summarizes the forecasted results of the key performance indicators for 2019/20 against budget, as well as showing the financial highlights over the plan period.

## 9.1 OPERATING AND CAPITAL BUDGET HIGHLIGHTS

### 9.1.1 KEY FINANCIAL INFORMATION

| | *For the year ended 31 March* | | |
|---|---|---|---|
| *(in millions of dollars, except profit margin)* | 2020 Forecast | 2020 Budget[1] | For the Plan Period[2] |
| Total revenue | $492.6 | $290.4 | $1,700.4 |
| Total operating profit[3] | $291.5 | $89.7 | $629.7 |
| Total operating profit margin[3] | 59.2% | 30.9% | 37.0% |
| Total net income before tax | $181.7 | $43.4 | $393.9 |
| Acquisitions | $9.4 | $42.3 | $113.6 |
| Investment | $113.5 | $127.7 | $502.4 |
| Cash provided by operating activities | $155.0 | ($64.8) | $334.6 |
| Total credit availability | $133.3 | $116.6 | $88.5 |
| Dividends to the Government of Canada | $30.0 | $30.0 | $500.0 |
| Upfront payments[4] | $6.8 | $16.8 | $52.9 |
| Total assets | $1,065.3 | $1,202.4 | $991.9 |

1 Budget figures represent amounts included in the CLCL Corporate Plan 2019/20 to 2023/24.
2 Total credit availability and Total assets amounts shown are the projected 31 March 2025 balances.
3 Operating profit = total net income before taxes, interest and other expenses, impairment, pre-acquisition costs and write-offs and general and administration costs.
4 Upfront payments are the payments that the Company makes to the property custodians at the time of acquisition.

## 9.1.2 OVERVIEW OF BUDGET

### Revenue

The Company generates revenue primarily from its Real Estate and Attractions operating divisions, with a smaller amount coming through its Corporate operations.

The chart below helps to understand how the operating divisions align with the financial reporting.

#### CHART 1

| | Operating Divisions | | |
|---|---|---|---|
| **Financial Reporting lines** | **Real Estate** | **Attractions** | **Corporate** |
| Real estate sales and development | X | | |
| Attraction, food, beverage and other hospitality | | X | |
| Rental operations | X | X | |
| Interest and other | | | X |

The Company forecasted that it would generate close to $500 million in revenue in 2019/20 which was approximately $200 million higher than the 2019/20 budget. The primary drivers for favourability against budget are two large real estate sales for unique properties that significantly exceeded the Company's expectations. See section 9.4.4 for the details on sales.

The Company expects to generate consolidated revenue in the plan period of $1,700 million, or an average of $340 million per year. Revenues are not consistent year over year. The primary driver for the large fluctuations in annual consolidated revenue during the plan period is the timing of real estate development and sales. The Company's attraction businesses are not projected to have significant annual variances in revenue over the plan period.

Principal sources of revenue for the plan period are shown in Chart 2 on a consolidated basis and in Chart 3 on an annual basis.

**CHART 2** *(in millions)*

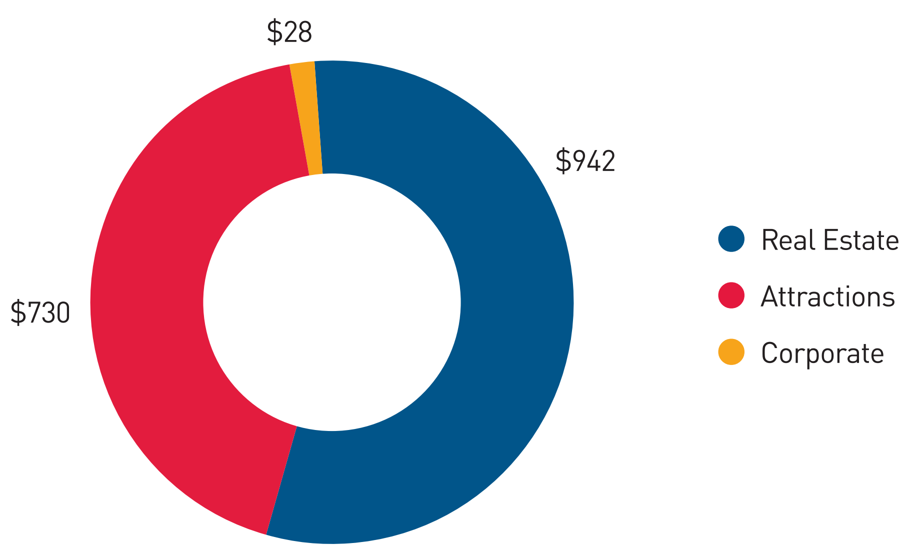
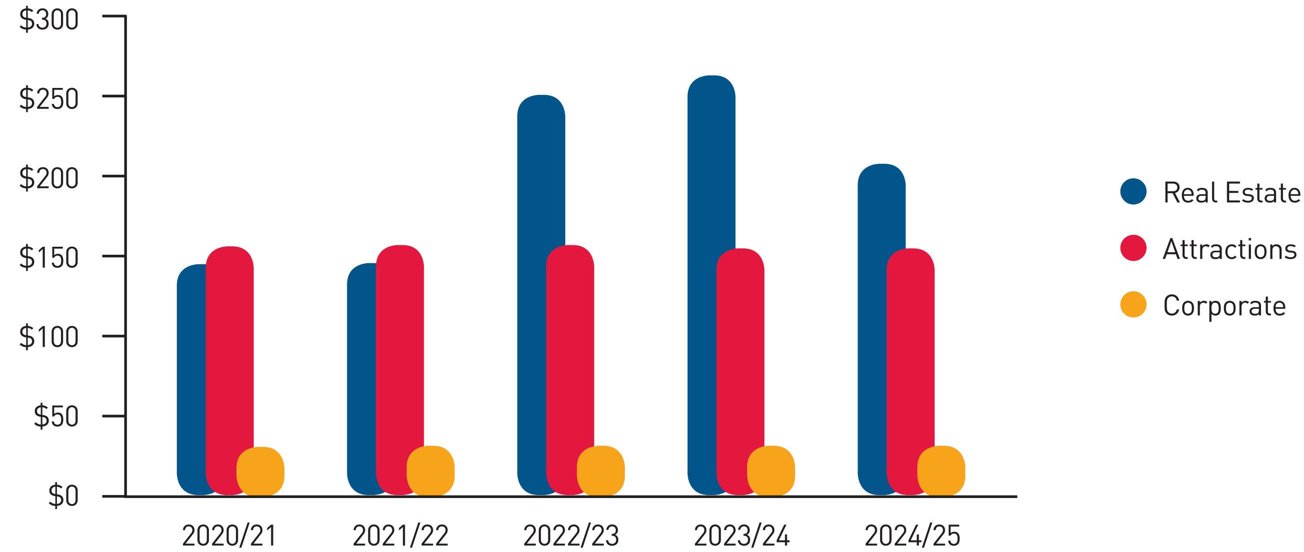


**CHART 3** *(in millions)*




## Profitability

Consolidated net income before tax (NIBT) for the plan period is $393 million, an average of $79 million per year. Similar to revenue, profitability fluctuates annually and is driven principally by real estate sales activity.

Principal sources of NIBT for the plan period are shown in Chart 4 on a consolidated basis and in Chart 5 on an annual basis.

**CHART 4** *(in millions)*

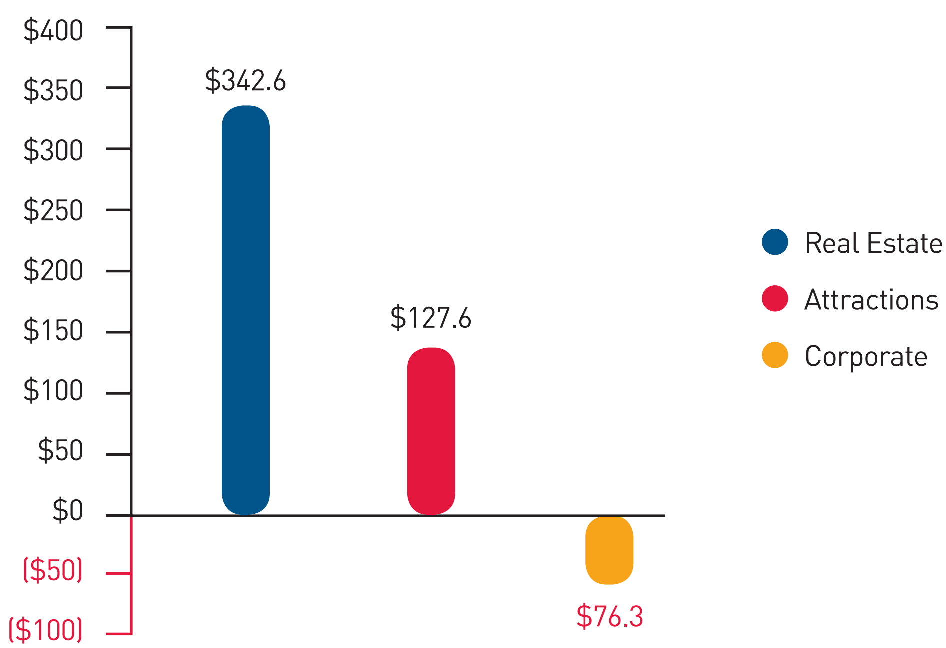
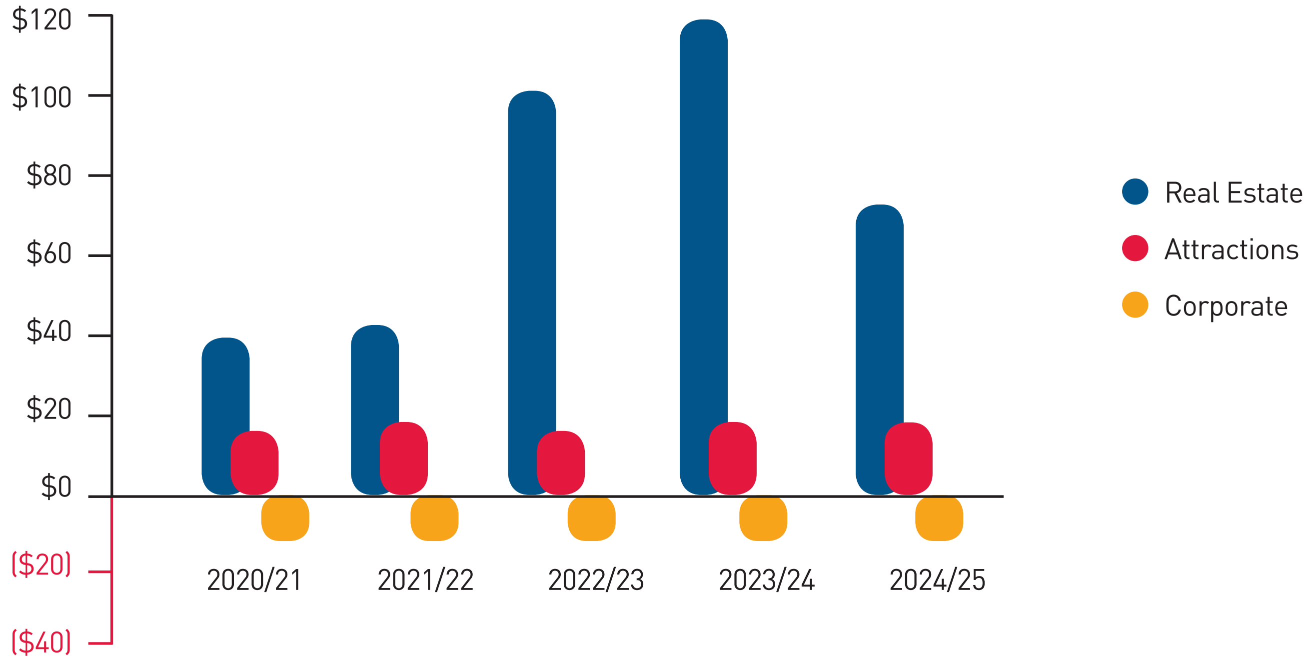


**CHART 5** *(in millions)*




As a result of the aforementioned favourable revenues for 2019/20, the Company forecasts NIBT of $180.4 million which is higher than budget by close to $140 million.

Over the plan period, the Company projects to generate $629.7 million in operating profit, or an average of over $125 million per year.

During that same time, the operating profit margin will be 37% of total revenues. Annually during the plan period, the operating margin will vary depending primarily on the real estate sales and product mix but is expected to be no lower than 32% in any given year.

## General and administrative costs

The Company incurs general and administrative costs to support the operations of the business. These G&A costs are primarily indirect costs incurred within attractions and the general corporate costs. G&A costs within the real estate operating division are generally considered direct costs of the projects and capitalized as a cost of development.

The table below provides a summary of the G&A costs incurred during the plan period by type, the ratio of operating G&A costs as compared to corporate G&A costs, and the percentage of G&A cost as compared to consolidated revenues.

**TABLE 1: GENERAL AND ADMINISTRATIVE COSTS SUMMARY**

| *For the year ended 31 March (in millions, except percentages)* | 2020 Forecast | 2021 Plan | 2022 Plan | 2023 Plan | 2024 Plan | 2025 Plan | Plan Period Total |
|---|---|---|---|---|---|---|---|
| Operating G&A costs | $21.6 | $21.1 | $22.9 | $22.5 | $22.9 | $23.0 | $112.4 |
| Corporate G&A costs | $17.0 | $18.2 | $18.4 | $18.8 | $19.1 | $19.4 | $93.9 |
| **Total G&A costs** | **$38.6** | **$39.3** | **$41.3** | **$41.3** | **$42.0** | **$42.4** | **$206.3** |
| Corporate G&A as % of total G&A | 44.0% | 46.3% | 44.6% | 45.5% | 45.5% | 45.8% | 45.5% |
| Total G&A as a % of total revenue | 7.9% | 14.1% | 14.8% | 10.8% | 10.5% | 11.8% | 12.1% |
| **Corporate G&A as a % of total revenue** | **3.5%** | **6.5%** | **6.6%** | **4.9%** | **4.8%** | **5.4%** | **5.5%** |

The Company projected total G&A costs for 2019/20 to be $38.6 million, which was slightly higher than the $34.1 million that was budgeted. The primary driver for the increase was incrementally high costs to support the additional revenues generated by the Company.

Over the plan period, total G&A costs are expected to be $206.3 million. Indirect operating G&A costs are expected to be 55% of the total G&A costs, or $112.4 million, with the remainder being corporate G&A costs.

During the plan period, total G&A costs as a percentage of total revenue are projected to be 12.1%. In 2020/21, that percentage is expected to be 14.1% and is projected to decrease by 16% by 2024/25.

## Capital investment

The Company continues to make capital investments in its real estate properties and its attractions. The Company makes these investments prudently with a focus on both financial and non-financial returns on investment.

As previously mentioned, the capital investment will vary year by year depending on the stage of real estate development for the Company's properties.

In 2019/20, the Company projected $113.5 million in capital investment, which was slightly lower than the budgeted $127.7 million. The primary driver for the lower capital investment was due to the timing of receiving planning approvals in real estate.

For the plan period, the Company projects to invest $502 million in capital, with $414 million in real estate and $88 million in attractions. See section 9.4.5 for the details by year and by type.

### Liquidity

CLCL will continue to be self-sustaining and provide significant financial and non-financial contributions to the government.

The Company will continue to exercise prudent cash management processes and active monitoring of capital investment and performance. The Company forecasts to continue to have sufficient cash on hand to meet all its operational and cash requirements. The only exception the Company forecasts is the use of borrowings against credit facilities, primarily in the nature of letters of credit, where it is more fiscally practical to leverage its credit facilities.

During the plan period, the Company is projecting payments of close to $900 million to its shareholder. See section 9.2 "Summary of Net Benefits to the Government of Canada 2020/21 to 2024/25".

## 9.1.3 OVERVIEW OF KEY ASSUMPTIONS, SENSITIVITIES AND UNCERTAINTIES

**Financial forecasts developed by the Company for this corporate plan were made in the fall of 2019 and will be materially impacted by either the lost revenues and additional costs resulting from actions taken in compliance with municipal, provincial and federal measures, or actions that the Company finds necessary to take in response to the COVID-19 pandemic.**

CLCL builds its corporate plan from the bottom up starting at the individual real estate project and attraction level.

Given the nature of real estate, assumption can vary significantly year to year based on planning approvals, market conditions, and disposal strategy. The rigorous and comprehensive process that the Company undertakes to generate the operating and capital budgets is consistent with prior years. These budgets are approved by management and the Board of Directors.

The Company has included the key assumptions, sensitivities and uncertainties below.[1]

## 9.1.4 KEY ASSUMPTIONS

### Macroeconomic

Macroeconomic conditions in Canada will remain consistent with the current climate and borrowing rates will not significantly increase (see section 3.1 "External Environment").

### Real estate

- Market assumptions: The corporate plan and budgets assume demand within its real estate markets to remain relatively stable and consistent with their current market conditions through the plan period. The corporate plan does not attempt to predict significant gains or losses in market conditions in any of the areas that the Company owns property;
- Real estate acquisition assumptions: During the plan period, it is forecasted that sales of close to $50 million and NIBT of $10 million be made for properties not yet owned by the Company but expected to be acquired; and
- Downsview Area Secondary Plan ("DASP") assumption: The Company has assumed that the current approved DASP, that includes the Downsview Lands, would remain despite the fact that Bombardier, an adjacent land owner, sold its 370 acres (150 hectares) to the Public Sector Pension Investment Board ("PSPIB") and it is expected that a new DASP process will be initiated.

## Attractions

- Tourism levels, specifically in Montréal and Toronto, will remain consistent with the current levels and that the foreign exchange rates will remain stable, particularly between Canada and the US; and
- No significant costs have been included relating to the revitalization of the OPMC and Pointe-du-Moulin through the public consultation and master planning exercise to date. The outcome, what funding is required, and who is going to provide it, may impact OPMC's ability to implement the plan.

## Liquidity

- Promissory note and profit-sharing payment timing: approximately $500 million[1] are due to former property custodians in the form of promissory note repayments and profit-sharing liabilities for sold properties at 31 March 2019. Approximately $250 million[2] of those cash obligations were current and due on demand. The former custodians have the right to defer the settlement of these obligations. Given the magnitude of the liabilities, deferrals by custodians could have a significant impact on the Company's cash flow projections, ending cash balances and ending liabilities position. The Company assumed that over $250 million[3] in repayments would be made in 2019/20.

## Other

- General and administrative costs have been assumed to increase 2% per year during the plan period consistent with the CPI increases that the BoC July 2019 MPR projected;
- The labour markets that the Company operates in, particularly in Toronto and Montréal where the significant attractions operations are, will be balanced and will allow the Company to hire competent, qualified individuals at prevailing market rates.

# 9.1.5 SENSITIVITIES AND UNCERTAINTIES

## Real Estate

- Currie, Calgary and Village at Griesbach, Edmonton: In the challenging economic climate of Alberta, the Company is projecting significant real estate sales and profit during the plan period from these projects. For every $10 million in sales variation against the projections, NIBT will be change by $3 million;
- Wateridge Village/Village des Riverains, Ottawa: The Ottawa real estate market is currently considered stable however the Company does have a significant amount of sales during the plan period. For every $10 million in sales variation against the projections, NIBT will be change by $3 million;
- As mentioned previously, it is expected that a new DASP process will be initiated. The length and timing of the process is difficult to determine, but it is not unreasonable to expect it to take up to five years. PDP is excited to participate in the new secondary plan process. A new, integrated plan across the Downsview area should create a better, more optimal land use for the community and the municipality. As a result, PDP has assumed that development planning approvals for the Chesswood, Sheppard and Allen neighbourhoods will be delayed from previous corporate plans, resulting in certain development block sales in those neighbourhoods being delayed outside the plan period;

1 As represented on the CLCL consolidated statement of financial position, there were $184.0 million of current notes payable, $237.2 million of non-current notes payable, and included in Accounts payable and other accrued liabilities are approximately $78 million in profit sharing liabilities to former property custodians for sold properties.

2 As represented on the CLCL consolidated statement of financial position at 31 March 2019, there are $184 million of current notes payable and included in Accounts payable and other accrued liabilities are approximately $78 million in profit sharing liabilities to former property custodians for sold properties. These liabilities are projected to be repaid in 2019/20.

3 As represented on the CLCL consolidated statement of cash flow, the Company projects making $253.1 million in repayments in 2019/20.

## 9.2 SUMMARY OF NET BENEFITS TO THE GOVERNMENT OF CANADA 2020/21 TO 2024/25

**Financial forecasts developed by the Company for this corporate plan were made in the fall of 2019 and will be materially impacted by either the lost revenues and additional costs resulting from actions taken in compliance with municipal, provincial and federal measures, or actions that the Company finds necessary to take in response to the COVID-19 pandemic.**

The Company provides financial benefits to the Government of Canada in various ways. As illustrated in the graph and table below, the Company will contribute close to $900 million or an average of $180 million per year, over the plan period.

### TABLE 2: NET BENEFITS TO THE GOVERNMENT OF CANADA

| *$millions* | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Total |
|---|---|---|---|---|---|---|
| Acquisitions[1] | – | 22 | 6 | – | 25 | **53** |
| Promissory note repayments | 10 | 10 | 7 | 24 | 20 | **71** |
| Income taxes paid | 67 | 16 | 33 | 32 | 22 | **170** |
| Dividends to Government of Canada[2] | 100 | 50 | 150 | 100 | 100 | **500** |
| Recurring financial support to OPMC[3] | 20 | 16 | 16 | 18 | 18 | **88** |
| **Total** | **197** | **114** | **212** | **174** | **185** | **882** |

At the same time as CLCL provides the financial benefits to Canada, it will, through its CLC, PDP and OPMC subsidiaries, invest in its existing inventory and assets. These investments include tax or Payment in Lieu of Taxes payments to municipalities, spending on infrastructure (e.g. construction contracts for roads, water, sewer lines), hiring consultants and technical services firms, investment to maintain and enhance attraction assets, and value creation activities at long-term rental properties. Total investments by year, by type and for the duration of this plan are shown below:

### TABLE 3: SUMMARY OF INVESTMENTS 2020/21 TO 2024/25 BY OPERATING SEGMENT

| *$millions* | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Total |
|---|---|---|---|---|---|---|
| Real Estate | 82 | 69 | 77 | 99 | 82 | **414** |
| Attractions | 22 | 16 | 13 | 15 | 22 | **88** |
| **Total** | **109** | **85** | **90** | **114** | **104** | **502** |

1 Represents the upfront payment to the disposing department or agency, normally up to $5 million per property or portfolio.
2 Indicates cash dividends forecast to be paid to the Consolidated Revenue Fund.
3 Includes $10.3 million and $1.0 million from cash and cash equivalents on hand in 2020/21 and 2021/22, respectively.

# 9.3 CLCL DIVIDEND POLICY AND RETAINED EARNINGS EXPLAINED

In non-governmental accounting standards, including International Financial Reporting Standards (IFRS), to which CLCL is required to conform, retained earnings do not represent surplus cash or cash left over after the payment of dividends. Rather, retained earnings demonstrate what a Company did with its profits; they are the amount of profit the Company has reinvested in the business since its inception. These reinvestments are either asset purchases or liability reductions. Ultimately, most analysis of retained earnings focuses on evaluating which action would generate the highest return for the shareholder(s). In CLCL's case, the highest return is created by generating profits that enable the purchase of land from the government, capacity to increase its value and maximize profit on its sale, while achieving other less tangible goals of re-integrating the property into the community. It is also important to note in this regard that CLCL, for the most part, does not control the timing of when federal custodians clear their holdings for sale, and therefore CLCL's need to retain cash on-hand to pay for closing costs.

At CLCL, in addition to paying dividends, retained earnings have been used principally to fund the purchase of property and its subsequent development for sale. The accounting treatment in this example would be a reduction in cash and an increase in inventory. The cash retained within the business has been used to invest in inventory with the expectation of higher profit in the future and is reflected in the inventory asset on the balance sheet.

CLCL continues to fund the annual OPMC operating deficit and capital requirements of approximately $20 million per annum. Prior to operational amalgamation in November 2012, these funding shortfalls, which at the time were approximately $24 million annually, were fully subsidized by the federal government. The Company also continues to fund the operating and capital requirements of Downsview Park, 291 acres of active and passive greenspace, of approximately $2 million annually.

Dividends paid by CLCL are funded by free cash flow that is not otherwise required to purchase land from the federal government, repay promissory notes, repay profit sharing obligations, support OPMC's operating deficit and capital requirements, or invest in land to be developed for future sales and optimize financial and community benefit. The amount of free cash flow available for dividends is determined annually during preparation of the corporate plan and budgets and can change significantly in years three, four and five as note repayments, acquisitions and development plans become more specific.

The detail of CLCL's sources and uses of cash are contained in the consolidated statement of cash flows in section 9.4.3 of this plan.

# 9.4 FINANCIAL STATEMENTS AND BUDGETS

## 9.4.1 CLCL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31

| *$millions* | 2019 Actual | 2020 Budget | 2020 Forecast | 2021 Plan | 2022 Plan | 2023 Plan | 2024 Plan | 2025 Plan | Plan Period Total |
|---|---|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | | | |
| Real estate sales | 58.5 | 116.8 | 309.0 | 101.1 | 99.0 | 196.5 | 213.5 | 168.5 | 778.6 |
| Attraction, food, beverage and other hospitality | 114.8 | 113.6 | 116.0 | 118.0 | 121.1 | 125.0 | 128.7 | 132.7 | 625.5 |
| Rental operations | 46.6 | 49.0 | 50.2 | 47.2 | 47.0 | 48.8 | 46.9 | 47.1 | 237.0 |
| Gain sale of assets | 34.8 | – | – | – | – | – | – | – | – |
| Interest and other | 14.6 | 11.0 | 15.7 | 13.4 | 11.2 | 12.3 | 11.3 | 11.1 | 59.3 |
| | 269.3 | 290.4 | 490.9 | 279.7 | 278.3 | 382.6 | 400.4 | 359.4 | 1,700.4 |
| **EXPENSES** | | | | | | | | | |
| Real estate cost of sales | 45.4 | 83.3 | 85.1 | 74.6 | 71.4 | 103.6 | 109.5 | 115.8 | 474.9 |
| Attractions, food, beverage and other | 73.9 | 75.2 | 74.2 | 77.8 | 79.3 | 81.8 | 83.2 | 85.7 | 407.8 |
| Rental operating costs | 38.0 | 42.2 | 41.8 | 38.9 | 38.0 | 38.1 | 36.8 | 36.2 | 188.0 |
| General and administration | 30.5 | 34.1 | 38.6 | 39.3 | 41.3 | 41.3 | 42.0 | 42.4 | 206.3 |
| Interest and other financing costs | 5.8 | 6.0 | 5.3 | 4.9 | 3.1 | 1.4 | 1.2 | 1.0 | 11.6 |
| Impairment of capital expenditures | 1.3 | 6.2 | 5.4 | 7.9 | 1.3 | 2.9 | 3.3 | 2.5 | 17.9 |
| | 194.9 | 247.0 | 250.4 | 243.4 | 234.4 | 269.1 | 276.0 | 283.6 | 1,306.5 |
| **Income before taxes** | **74.4** | **43.4** | **240.5** | **36.3** | **43.9** | **113.5** | **124.4** | **75.8** | **393.9** |
| Income taxes | 19.4 | 10.9 | 60.1 | 9.1 | 11.0 | 28.3 | 31.1 | 19.0 | 98.5 |
| **NET INCOME** | **55.0** | **32.5** | **180.4** | **27.2** | **32.9** | **85.2** | **93.3** | **56.8** | **295.4** |

# 9.4.2 CLCL CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

| *$millions* | 2019 Actual | 2020 Budget | 2020 Forecast | 2021 Plan | 2022 Plan | 2023 Plan | 2024 Plan | 2025 Plan |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| **Non-Current** | | | | | | | | |
| Investment properties | 29.7 | 37.5 | 31.5 | 34.7 | 36.4 | 36.8 | 39.3 | 49.0 |
| Inventories | 318.1 | 360.3 | 322.6 | 329.8 | 360.4 | 345.6 | 326.3 | 354.0 |
| Property, plant & equipment | 142.5 | 150.5 | 142.7 | 143.1 | 140.2 | 132.2 | 124.5 | 116.5 |
| Trade receivables and other | 9.3 | 23.5 | 16.8 | 20.4 | 21.8 | 18.0 | 18.8 | 19.6 |
| Long term receivables | 58.2 | 58.2 | 59.9 | 61.5 | 62.7 | 58.1 | 59.0 | 59.7 |
| Deferred taxes | 99.3 | 105.6 | 104.3 | 108.5 | 113.0 | 117.8 | 118.3 | 121.9 |
| | 657.1 | 735.6 | 677.8 | 698.0 | 734.6 | 708.5 | 686.2 | 720.6 |
| **Current** | | | | | | | | |
| Inventories | 68.2 | 84.1 | 74.6 | 71.4 | 103.6 | 109.5 | 115.8 | 75.0 |
| Cash | 456.3 | 215.2 | 415.0 | 284.9 | 244.8 | 228.3 | 192.5 | 162.2 |
| Trade receivables and other | 40.4 | 28.5 | 34.7 | 31.2 | 38.3 | 36.0 | 33.6 | 33.6 |
| Current portion of long-term receivables | 0.3 | 1.9 | 0.3 | 0.2 | 0.4 | 0.5 | 0.5 | 0.5 |
| Current income tax recoverable | 20.3 | – | – | – | – | – | – | – |
| | 585.6 | 329.7 | 524.6 | 387.7 | 387.1 | 374.3 | 342.4 | 271.3 |
| | **1,242.7** | **1,065.3** | **1,202.4** | **1,085.7** | **1,121.7** | **1,082.8** | **1,028.6** | **991.9** |
| **LIABILITIES** | | | | | | | | |
| **Non-Current** | | | | | | | | |
| Notes payable | 237.2 | 260.1 | 245.7 | 241.9 | 289.5 | 283.5 | 267.7 | 259.6 |
| Provisions | 0.5 | 0.8 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Deferred taxes | 8.5 | 11.9 | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 |
| Deposits and other | 5.2 | 2.4 | 2.0 | 2.5 | 2.5 | 2.6 | 2.8 | 2.8 |
| | 251.4 | 275.2 | 256.3 | 253.0 | 300.6 | 294.7 | 279.1 | 271.0 |
| **Current** | | | | | | | | |
| Credit facilities | 15.1 | 50.1 | 37.1 | 51.4 | 56.4 | 68.4 | 37.2 | 58.0 |
| Notes payable | 184.0 | 9.3 | 10.0 | 10.2 | 7.3 | 23.8 | 19.8 | 10.0 |
| Prepaid rent and deposits | 7.9 | 4.3 | 6.2 | 6.2 | 6.4 | 6.4 | 6.2 | 6.2 |
| Deferred revenue | 6.1 | 4.6 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| Accounts payable | 113.0 | 33.7 | 18.9 | 15.9 | 15.8 | 15.6 | 15.6 | 15.7 |
| Provision for PILT being contested | 17.3 | 20.6 | 20.6 | 24.0 | 27.4 | 30.9 | 34.4 | 37.9 |
| Provisions | 9.3 | 2.8 | 2.1 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Taxes payable | – | – | 54.1 | – | – | – | – | – |
| | 352.7 | 125.4 | 157.0 | 116.2 | 121.8 | 153.6 | 121.7 | 136.3 |
| **EQUITY** | | | | | | | | |
| Contributed surplus | 185.1 | 185.1 | 185.1 | 185.1 | 185.1 | 185.1 | 185.1 | 185.1 |
| Accumulated earnings | 607.3 | 663.3 | 787.7 | 815.0 | 847.9 | 933.1 | 1026.4 | 1083.2 |
| Accumulated dividends | (153.7) | (183.7) | (183.7) | (283.7) | (333.7) | (483.7) | (583.7) | (683.7) |
| **Net Equity** | 638.6 | 664.7 | 789.0 | 716.4 | 699.3 | 634.5 | 627.8 | 584.6 |
| | **1,242.7** | **1,065.3** | **1,202.4** | **1,085.7** | **1,121.7** | **1,082.8** | **1,028.6** | **991.9** |

## 9.4.3 CLCL CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

| *$millions* | 2019 Actual | 2020 Budget | 2020 Forecast | 2021 Plan | 2022 Plan | 2023 Plan | 2024 Plan | 2025 Plan |
|---|---|---|---|---|---|---|---|---|
| **Operating Activities** | | | | | | | | |
| Net income | 55.0 | 32.6 | 180.4 | 27.3 | 33.0 | 85.1 | 93.3 | 56.9 |
| Income taxes paid | (22.3) | (16.9) | (11.0) | (67.4) | (15.5) | (33.1) | (31.6) | (22.5) |
| Profit sharing paid | – | (78.2) | (78.2) | – | – | – | – | – |
| Depreciation | 12.8 | 13.7 | 12.8 | 15.7 | 16.9 | 18.1 | 18.1 | 19.5 |
| Cost of property sales | 45.4 | 83.3 | 85.1 | 74.6 | 71.4 | 103.6 | 109.5 | 115.8 |
| Expenditures on properties | (44.5) | (95.9) | (92.8) | (81.7) | (68.2) | (77.3) | (98.6) | (79.0) |
| Acquisitions | – | (42.3) | (9.4) | (0.5) | (68.7) | (19.4) | 0.0 | (25.0) |
| Write downs and impairments | 1.3 | 6.2 | 5.4 | 7.9 | 1.3 | 2.9 | 3.3 | 2.5 |
| Recovery of expenditures on properties | 2.2 | 2.9 | 6.7 | 4.7 | 3.2 | 4.8 | 6.5 | 1.7 |
| Recovery of expenditures on properties from joint ventures | 0.2 | – | – | – | – | 4.3 | – | – |
| Long-term receivables | (1.8) | (8.2) | (9.3) | (5.2) | (2.7) | 8.4 | (1.7) | (1.5) |
| Provision for PILT | 3.4 | 3.3 | 3.3 | 3.4 | 3.4 | 3.5 | 3.5 | 3.5 |
| Notes payable - notional interest | 6.6 | 6.8 | 6.8 | 6.4 | 8.2 | 4.3 | 4.0 | 1.9 |
| Income tax expense | 19.4 | 10.9 | 60.1 | 9.1 | 11.0 | 28.3 | 31.1 | 19.0 |
| Change in current assets / liabilities | (4.5) | 17.0 | (5.0) | (1.5) | (7.8) | (4.8) | (2.0) | (0.4) |
| **Cash Provided by (Used in) Operating Activities** | **73.2** | **(64.8)** | **155.0** | **(7.2)** | **(14.6)** | **128.7** | **135.4** | **92.3** |
| **Financing activities** | | | | | | | | |
| Change in Credit Facilities | (26.4) | 22.2 | 22.0 | 14.3 | 5.0 | 12.1 | (31.2) | 20.8 |
| Promissory notes acquired | – | 25.5 | 2.6 | – | 46.7 | 13.5 | – | – |
| Promissory note repayments | (13.5) | (170.5) | (174.9) | (10.0) | (10.2) | (7.3) | (23.8) | (19.8) |
| Dividends | (10.0) | (30.0) | (30.0) | (100.0) | (50.0) | (150.0) | (100.0) | (100.0) |
| **Cash Used in Financing Activities** | **(49.9)** | **(152.8)** | **(180.3)** | **(95.7)** | **(8.5)** | **(131.7)** | **(155.0)** | **(99.0)** |
| **Investing Activities** | | | | | | | | |
| Expenditures on investment properties | (2.4) | (5.9) | (2.2) | (3.2) | (1.6) | (0.3) | (2.0) | (9.7) |
| Expenditures on property, plant and equipment | (13.4) | (25.9) | (18.5) | (24.1) | (15.4) | (13.2) | (14.2) | (14.0) |
| **Cash Used in Investing Activities** | **(15.8)** | **(31.8)** | **(20.7)** | **(27.3)** | **(17.0)** | **(13.5)** | **(16.2)** | **(23.7)** |
| **NET INCREASE (DECREASE) IN CASH** | **7.4** | **(249.4)** | **(46.0)** | **(130.2)** | **(40.1)** | **(16.5)** | **(35.8)** | **(30.4)** |
| Cash, beginning of year | 453.5 | 464.5 | 461.0 | 415.0 | 284.9 | 244.8 | 228.3 | 192.5 |
| **CASH, END OF YEAR** | **460.9** | **215.1** | **415.0** | **284.8** | **244.8** | **228.3** | **192.5** | **162.2** |
| Loan balance, beginning of year | 41.5 | 27.9 | 15.1 | 37.1 | 51.4 | 56.4 | 68.5 | 37.2 |
| Change in loan balance | (26.4) | 22.2 | 22.0 | 14.3 | 5.0 | 12.1 | (31.2) | 20.8 |
| **Loan balance, end of year** | **15.1** | **50.1** | **37.1** | **51.4** | **56.4** | **68.5** | **37.3** | **58.0** |
| Letters of credit required | 37.1 | 33.3 | 29.6 | 27.7 | 29.2 | 41.5 | 45.9 | 53.5 |
| Total borrowings against credit facility | 52.2 | 83.4 | 66.7 | 79.1 | 85.6 | 110.0 | 83.2 | 111.5 |
| Total available | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 | 200.0 |
| **Available credit** | **147.8** | **116.6** | **133.3** | **120.9** | **114.4** | **90.0** | **116.8** | **88.5** |

# 10. Appendix 5: Government priorities and direction

CLCL creates benefits for its shareholder and Canadians above and beyond its financial contributions. Since its inception in 1995, CLCL has met a myriad of government policy objectives that have provided municipalities, provinces and Canadian taxpayers benefits that simply would not have been possible without CLCL's participation. Below are a few examples of CLCL's contributions to Canadian society:

- **Infrastructure investments to create jobs and prosperity for the middle class:** CLCL invests in local infrastructure as part of its development projects. Over the plan period, it expects to invest $414 million in real estate infrastructure. CLCL's development projects stimulate the local economy and offer employment opportunities. Results are measured through the ability to complete key investments on time and on budget.
- **Effective management of Canada's finances, resources and assets:** CLCL's value creation ensures effective and efficient reintegration of former government property back into local communities. Key financial indicators, such as property sales and dividends, are used to measure results. Over the plan period, the Company will aim to acquire $53 million in surplus property, generate over $778 million in land sales and invest over $414 million through project and capital expenditures, while returning $500 million in dividends to the government.
- **Open and transparent engagement with Canadians:** The Company actively consults local communities and stakeholders using various forums (e.g., workshops, online, open houses, advisory committees) in creating development plans, which contributes to the Government's openness and transparency objectives. A goal over the plan period is to begin and/or complete the public consultations for certain properties including Vancouver, Winnipeg, Toronto, Ottawa, and Montréal. Results are measured by timely completion of consultation activities and through the effective working relationships with municipalities.
- **Service excellence for Canadians:** CLCL operates four important Canadian attractions – the CN Tower, the Old Port, Montréal Science Centre, and Downsview Park. Over the plan period, the Company will continue to make capital improvements to these sites and improve accessibility. Key performance indicators over the plan period include revenues of $730 million and nine million visitors at these attractions. In order to continue to offer superior customer service during the busy summer months, the Company anticipates hiring over 375 seasonal employees in 2020/2021.
- **A cleaner, more sustainable environment:** CLCL contributes to Canada's environmental sustainability by including greenspaces in its projects and by ensuring all developments have innovative environmental attributes incorporated in them (100% target over plan period).

- **Affordable housing opportunities:** CLC is continuing its work with municipalities in the integration of affordable housing in its developments, including its work with the National Housing Strategy. To date CLCL has facilitated the implementation of approximately 1,900 affordable housing units and will continue to explore future integration as more projects become active. A key performance indicator is the percentage of housing in development plans dedicated to affordable housing (10% target our plan period).
- The Company is committed to promoting a **healthy workplace.** HR continues to drive programs that support the enhancement of a healthy and respectful workplace with an emphasis on mental health and wellness programs. The strategy includes training and information sessions to promote wellness and mental health in the workplace.
- The Company remains committed to **diversity, employment equity and accessibility.** The strategies for this include continuing gap analysis to understand the current state of the Company's employee base and diversity and inclusion outreach.
- Gender-Based Analysis Plus continues to be a priority for the CLCL, aligning our efforts to support the government's initiatives. The strategic approach continues to ensure all senior and human resources management receive online training and be fully versed in the application of the analytical tool used internally. Further to this, Human Resources has completed a follow up gender pay analysis for full time non-union positions across CLCL, comparing the results from the previous analysis, including unadjusted and adjusted data. The data demonstrates that there has been a positive shift in a median pay gap between males and females, of approximately 10% vs the 2018 results of 11%. This analysis will be used for recruitment strategies in 2020/21 and beyond.

Canada Lands Company
Société immobilière du Canada

**For more information:**
www.clc.ca info@clc.ca

Canada