FOR GLOWING HEARTS

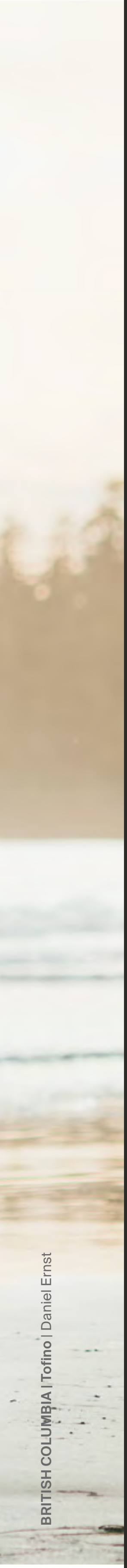
2019 Annual Report

DESTINATION CANADA

Canada

THIS IS CANADA

For Glowing Hearts
Canada is more than a place on the map.
It's a beacon to the world.
An invitation not just to explore, but to connect.
It's a calling to discover the marvels of what's here.
And the potential that's within each one of us.
Canada is a destination for those with open minds
and intrepid spirits.
For the brave.
For the bold.
For the curious.
This is Canada. For Glowing Hearts.


BRITISH COLUMBIA | Tofino | Daniel Ernst

2019 Performance Highlights

PRIOR TO THE ONSET OF THE COVID-19 PANDEMIC

1.68 million

additional visitors

28% above target

spending over

$2.27 billion

32% above target

support for over

16,000 jobs

$308 million

in federal tax revenue

93% investment

in marketing & sales

3% above target

THIS IS OUR STORY

BRITISH COLUMBIA | Rocky Mountains | Destination Canada

CONTENTS

MESSAGE

Message from the Chair and the Interim President and CEO

COVID-19 has had a disproportionate impact on Canada's tourism sector.

It was hit first, hit the hardest and will be the last to recover. While 2019 was the best year for Canadian tourism on record, we know that 2020 will be vastly different and that recovery will take years.

Tourism plays a valuable role as a job creator, an attraction for international investment, and a contributor to the livelihoods of Canadians across the country. Many of these Canadians are struggling with hard times during this pandemic, making our job as Canada's tourism marketer that much more vital. The role we play is critical to the survival of many tourism businesses across the country, particularly smaller enterprises that rely on lucrative tourist dollars for their livelihoods.

While we look back on 2019 with pride, we know that there is a lot of work ahead. Our Team Canada approach will be crucial in 2020 and beyond, and our marketing efforts will need to shift dramatically as we tackle recovery. But we are hopeful – the visitor economy has proven resilient and we know that people will be ready to travel again – when the time is right and safe. And Canada will be ready.

We would like to extend a heartfelt 'thank you' to our hard-working and talented team, both within and outside Destination Canada, who contributed to Canada's success in 2019 and whose skills and leadership will be pivotal in the months and years ahead as we navigate to reach the other side of the pandemic.

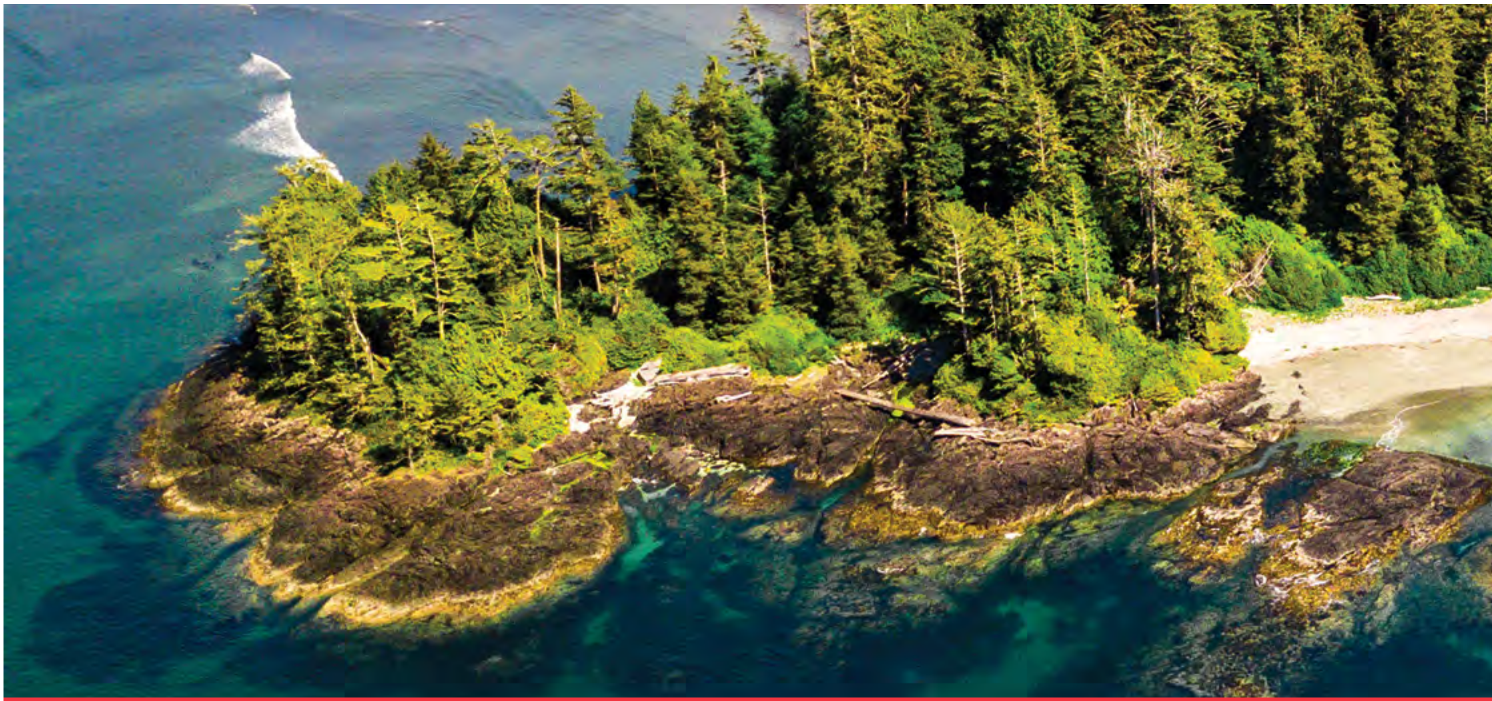
We also thank former President and CEO, David F. Goldstein, who was instrumental in rallying our tourism partners behind a common goal supported with aligned marketing strategies and investments. David's leadership over the last five years has helped to position Canada as a first-choice destination.

Let us move forward with renewed energy and optimism for 2020 as we continue to inspire those with glowing hearts to fall in love with Canada.

Ben Cowan-Dewar
Chair, Board of Directors

David Robinson
Interim President and CEO

(left) **ALBERTA | Banff National Park |** Banff Lake Louise Tourism/Noel Hendrickson, (right) **NOVA SCOTIA | Cape Breton Island |** Nova Scotia Tourism/Scott Munn



ABOUT US

Vision

Together, we create the next era of travel, inspiring those with glowing hearts to fall in love with Canada.

Mission

We unite and empower Canada's tourism leaders through compelling research, strategy and storytelling to drive the visitor economy.

(left) **BRITISH COLUMBIA | Tofino** | West Coast Aquatic Safaris, (right) **ALBERTA | Banff National Park** | Paddy Pallin

Mandate

Our legislative mandate is to promote the interests of the tourism industry and to market Canada as a desirable tourist destination. Specifically, we have a mandate to:

- sustain a vibrant and profitable Canadian tourism industry;
- market Canada as a desirable tourist destination;
- support a cooperative relationship between the private sector and the governments of Canada, the provinces and the territories with respect to Canadian tourism; and
- provide information about Canadian tourism to the private sector and to the governments of Canada, the provinces and the territories.

Role

As Canada's national tourism marketer, Destination Canada is a catalyst to inspire global travellers to choose Canada.

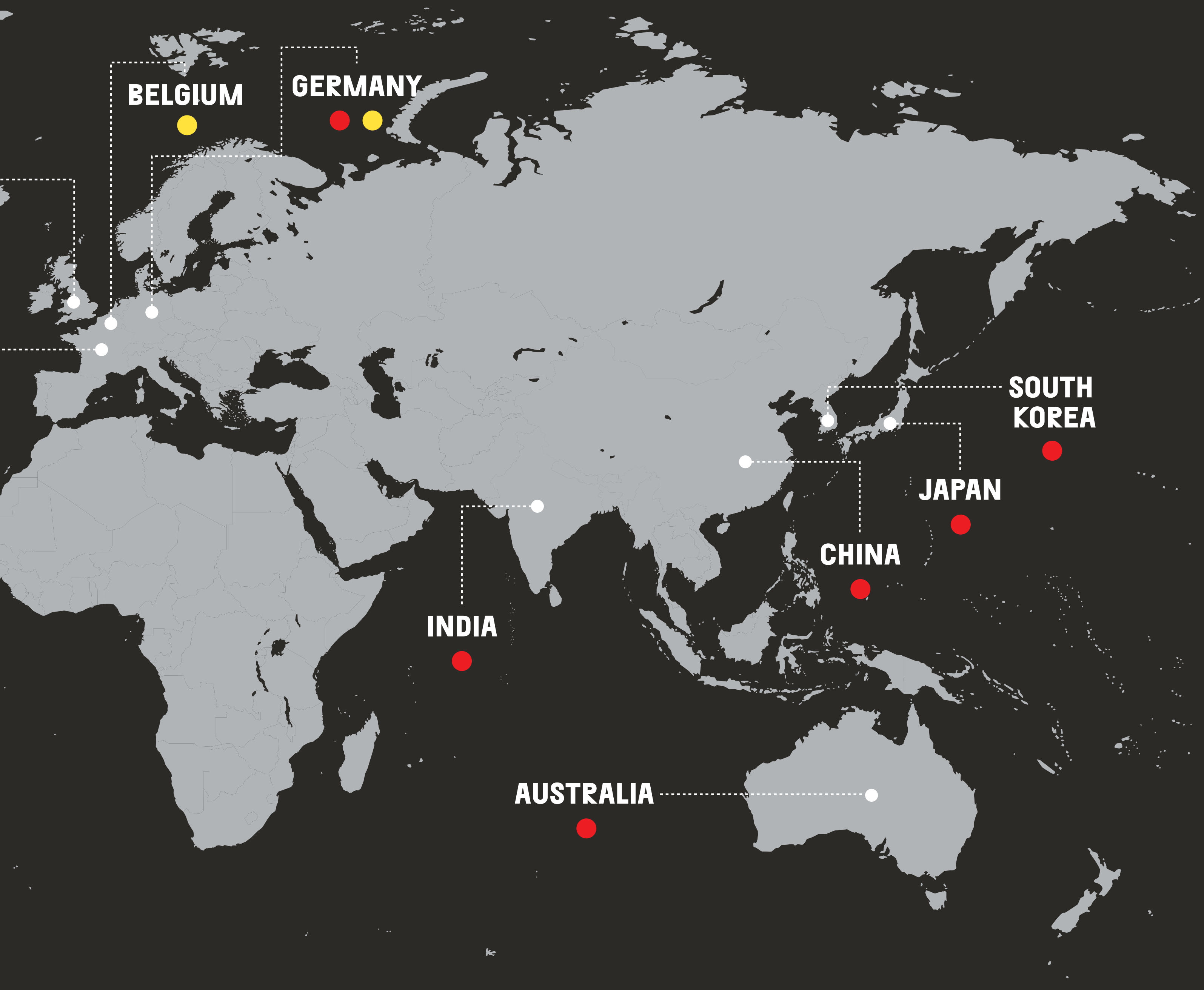
We stimulate economic diversity and opportunity by driving increased tourism export revenue as part of the federal government's priority to strengthen Canada's global competitiveness in the leisure and business travel sectors.

We work with partners in provincial and territorial governments and stakeholders in the tourism industry to help Canada's tourism businesses reach international markets. Leveraging our co-investors' alignment in analytics, marketing, communications and trade tactics in key global markets, we develop innovative strategies to support the long-term prosperity of the thousands of small- and medium-sized businesses who, in turn, create employment opportunities across Canada.

Around the World

LEGEND

- Leisure Market
- Business & Incentive Market
- Global Economic Incentive


BELGIUM
GERMANY
SOUTH KOREA
JAPAN
CHINA
INDIA
AUSTRALIA

(left) **BRITISH COLUMBIA** | **Whistler** | Tourism Whistler/Steve Rogers; (right) **PRINCE EDWARD ISLAND** | **Mount Stewart** | Tourism PEI/Stephen DesRoches

Funding Sources

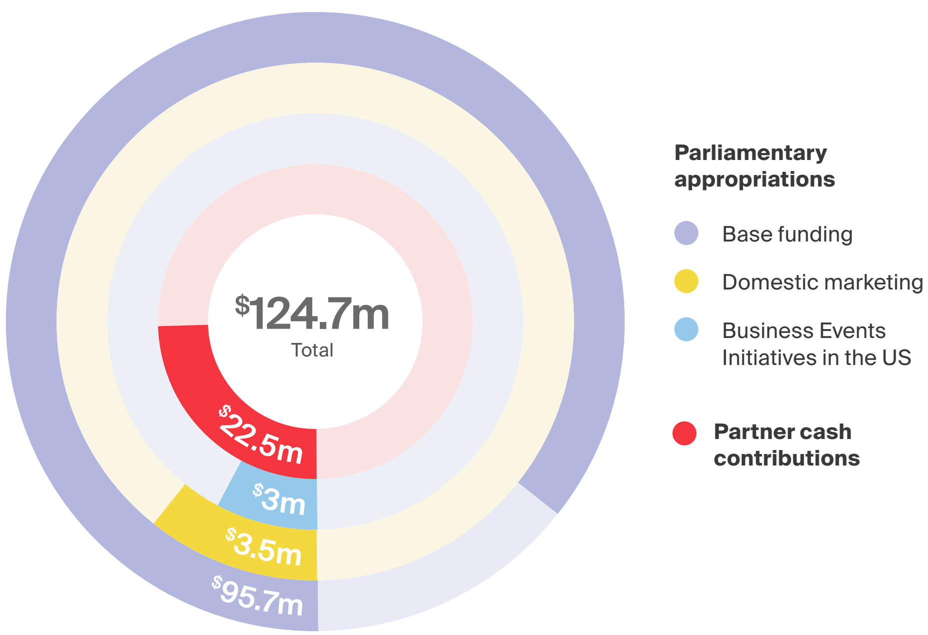
We are financed primarily through parliamentary appropriations and operate on a calendar fiscal year.

Through our co-investment strategy, we create partnerships with the public and private sectors to leverage our core appropriations and extend our global marketing reach.

As of April 2018, our base appropriations were stabilized at $95.7 million annually, making 2019 the first calendar year reflecting this new base funding level.

In 2019, we received parliamentary appropriations totalling $102.2 million as shown. This includes one-time funding of $5 million for a domestic campaign in 2019-2020 which was allocated as part of the Government of Canada's tourism growth strategy. Of this, $3.5 million was applied to 2019, with the remainder allocated for 2020.

Parliamentary appropriations were supplemented with cash contributions by partners of $22.5 million, bringing our total budget for 2019 to $124.7 million.



CORPORATE CONTEXT

Global Landscape

Since the global economic crisis of 2009, international tourism has experienced ten straight years of sustained growth[1].

2019 marked another year of strong growth in outbound visitation, although slower than the tourism sector has seen in recent years. World overnight arrivals grew by 4% to reach 1.5 billion, according to early reports from the United Nations World Tourism Organization (UNWTO). While slower demand was felt in many advanced economies and particularly in Europe (+4%), the Middle East (+8%) and Asia and the Pacific (+5%) reported above average growth for the year. The Americas in contrast experienced below average growth at +2%.

Major shifts in the tourism sector affected growth in 2019, including the collapse of Thomas Cook and several European low-cost carriers. Compounding this result is the looming uncertainty over Brexit, geopolitical and trade tensions, and the slowdown in the global economy.

1 –
UNWTO World Tourism Barometer, UNWTO, January 2020

IT'S A BEACON TO THE WORLD

(left) **ONTARIO | Toronto** | Destination Canada, (right) **ONTARIO | Toronto** | Destination Canada

Tourism in Canada

Globally, tourism has been booming for the last several years, benefitting Canada in terms of increased arrivals and revenues.

The Canadian travel and tourism industry has proven itself to be a strong and consistent engine of economic growth and job creation, and the industry continued to break records in 2019 by welcoming a record 22.1 million international arrivals[2].

Despite a 10% decline in Chinese visitors by air due to the softening Chinese economy and the weakening of the Chinese Yuan against the US dollar[3], Canada attained strong results thanks to increased air capacity, currency advantages and a surge in arrivals from North America and parts of Europe[4]. In particular, visits from Mexican travellers grew by over 20%, fueled by double-digit growth in travellers arriving by air. Changes in visa requirements in 2016 have continued to spur demand for travel to Canada, prompting increased air service between the two countries. In addition, the per trip yield of Mexican visitors has increased significantly over the last few years. Since 2016, we have seen more than a 40% jump in the value of tourism spending by Mexican travellers to Canada[5].

Based on Canada's top 10 source markets for international visitation, direct air capacity to Canada grew by 2% to the highest level ever, representing an additional 900,000 seats on inbound flights[6]. 2019 also marked the fifth straight year of growth in US travel to Canada at 3.8%[7].

2 – Statistics Canada Frontier Counts, December 2019.

3 – Statistics Canada Frontier Counts, December 2019 and Destination Canada analysis, December 2019

4 – UNWTO World Tourism Barometer, UNWTO, January 2020.

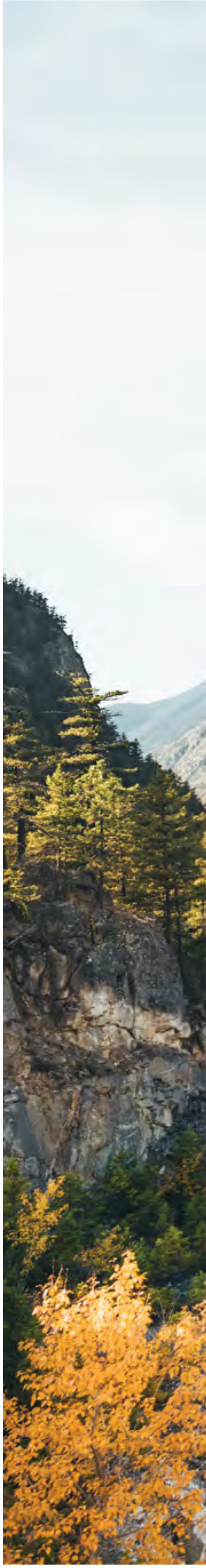
5 – Statistics Canada International Travel Survey, 2015-2017.

6 – SRS Analyser, IATA, data extracted February 27, 2020.

7 – *Ibid.*

TRAVEL SHOULD CHANGE YOU

(left) **NEWFOUNDLAND AND LABRADOR | Change Islands** | Newfoundland and Labrador Tourism/Barrett and MacKay, (right) **NEWFOUNDLAND AND LABRADOR | Bay Bulls** | Destination Canada



Canada's Federal Tourism Growth Strategy

In our 2018 Annual Report we highlighted our partnership with the department of Innovation, Science and Economic Development to conduct a third-party assessment of the global competitiveness of Canada's tourism sector.

The study examined Canada's strengths and opportunities for enhancing international competitiveness and also provided recommendations on how to position the industry for long-term success.

This report and its underlying research have helped shape the federal government's *CREATING MIDDLE CLASS JOBS: A Federal Tourism Growth Strategy launched in 2019.* This strategy offers an innovative approach to government-industry collaboration and addresses ways to draw private sector investment to build needed accommodations and attractions that entice visitation year-round and to all regions.

As part of this strategy, $5 million was earmarked for us to undertake a domestic marketing campaign in 2019-2020 to encourage Canadians to discover more of their own country, help grow tourism in rural areas and cultivate a generation of ambassadors to greet visitors from around the world.

In addition, the strategy established tourism investment groups co-led by us and regional development agencies to enable the development of impactful tourism projects, including large-scale destination projects. This is a long-term initiative to help unlock tourism investment into the sector. Foundational work by us, the regional development agencies and other members of the federal family over the last year has led to the establishment of terms of reference governing this consortium. In addition, roles and responsibilities of member parties have been identified, including contributions relating to the provision of research information, tourism policy guidance, creative assets, regional secretariat support, destination planning and commercial financing.

CANADA IS MORE THAN A PLACE ON A MAP

(left) **BRITISH COLUMBIA | Seton Lake** | Daniel Ernst, (right) **NEW BRUNSWICK | Grand Manan** | Max Coquard

MANAGEMENT DISCUSSION AND ANALYSIS

Strategic Performance

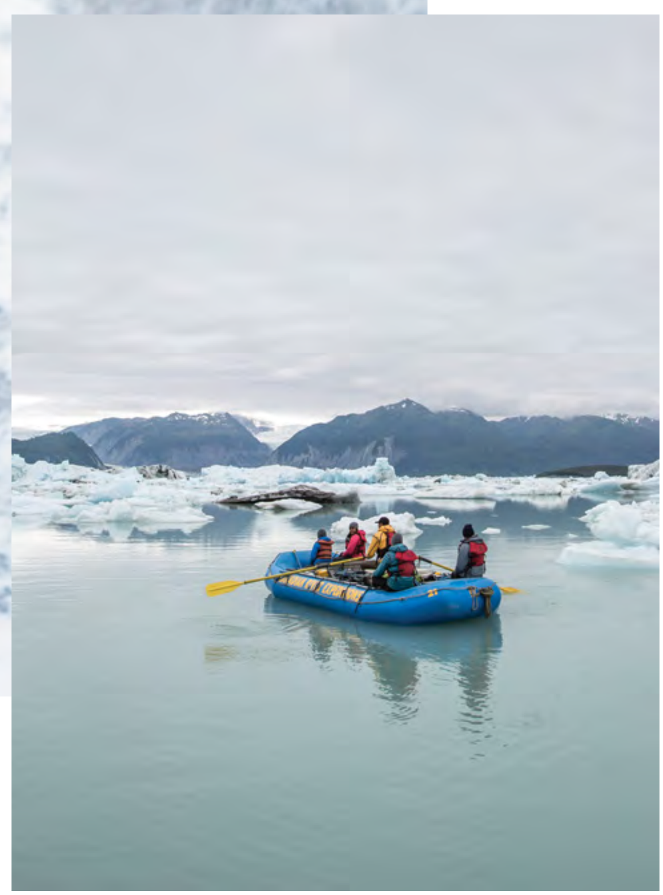
GOAL

Increase arrivals of international visitors to Canada and increase tourism export revenue

	TARGET	RESULT
Attributable arrivals	1,308,000	1,677,993
Attributable tourism export revenue	$1.72b	$2.27b

Rapid global tourism growth in recent years has led to capacity constraints in the areas of accommodation, local transport and attractions during peak seasons, particularly in major Canadian cities. While we've continued to drive demand for Canada among high-yield international travellers, we have expanded our focus to diversify this travel to include shoulder seasons and travel beyond iconic locations.

To measure the effectiveness of our regional, seasonal and high-yield strategy, we employ various methods for attributing our performance in the areas of consumer-direct marketing and business-to-business sales. Our international marketing efforts also include a variety of media relations activities to tell an evocative and compelling story that makes Canada a top-of-mind destination.



(left) **MANITOBA | Churchill** | Destination Canada, **(right) ALASKA | Alsek Lake** | Noel Hendrickson

THE WORLD NEEDS MORE CANADA

CONSUMER DIRECT

We use a variety of evaluation methods to assess the impact of our consumer-direct marketing efforts in our international markets. A third-party marketing attribution model cost-effectively estimates attributable arrivals from our leisure markets based on historical data, current performance metrics and external factors. This model was developed using the data we have been collecting on attribution since 2007 and has been vetted by independent advisors and experts. This model is used in all our leisure markets except the US.

In the US, we used a mix of methodologies to determine attributable arrivals. Using location data tracking technology, we are able to use a third party to correlate exposure to our content against visitation patterns in Canada. This is supplemented with third party surveys to understand the lift in travel due to our content marketing and paid media tactics in the US.

In 2019, our consumer direct marketing efforts attracted nearly 1.1 million travellers to Canada, resulting in visitor spending of $1.45 billion.

right) **NEW BRUNSWICK | Miscou Island** | Tourism New Brunswick

BUSINESS-TO-BUSINESS

TRAVEL TRADE

In addition to advertising directly to consumers, we reach out to consumers indirectly through promotional activities with the travel trade, including airlines, travel agencies and tour operators. We assess actual sales resulting from our marketing partnerships with the trade in our leisure markets. In 2019, these promotional partnerships generated over 75,000 bookings to Canada, equating to $187 million in visitor spending from our leisure markets.

BUSINESS EVENTS

We also track the bookings of meetings, conventions and incentive travel as a result of our efforts. By aligning with Canada's global trade drivers and pinpointing the key economic sectors where the country holds a competitive advantage, our Business Events team positions Canada as a safe, dynamic and smart choice for international conferences and incentive travel programs. In 2019 and in collaboration with our partners, our team secured international business event bookings valued at over $630 million and representing over 520,000 planned delegates.

Collectively, all three channels generated over 1.67 million incremental arrivals, nearly $2.27 billion in tourism revenue, over $308 million in federal tax revenue[8], and support for over 16,000 tourism related jobs[9] in Canada.

MEDIA RELATIONS

2019 was another strong year for earned media. Our strategic, focused approach generated over 35 billion impressions across print, broadcast and online channels across our ten international leisure markets.

Complementing our own outreach, we continued to support Canadian tourism industry partners in hosting media visits across the country to generate first-hand, compelling content.

GoMedia, our signature media show, experienced another successful year. The annual event connects top international and domestic media with Canadian tourism businesses to pitch and develop story ideas. This powerful forum, featuring dynamic networking events and familiarization tours across Canada, is globally regarded as the pre-eminent event ahead of other international media marketplaces.

Held in Ottawa, Ontario in 2019, the sold out show included nearly 300 delegates from media and industry. The event resulted in over 230 stories in 2019 alone – coverage that is instrumental for generating exposure for Canada's tourism businesses in top international markets. The event's success is attributed to the efforts of many tourism partners, in particular destination host Ottawa Tourism who facilitated media to have their own authentically Canadian experiences and truly get to know the diversity of Canada.

8 — Calculated using data from Statistics Canada, Government Revenue Attributable to Tourism, 2018.

9 — Calculated using data from Statistics Canada, National Tourism Indicators, 3rd Quarter, 2019.

OBJECTIVE 1

Increase demand for Canada with innovative marketing

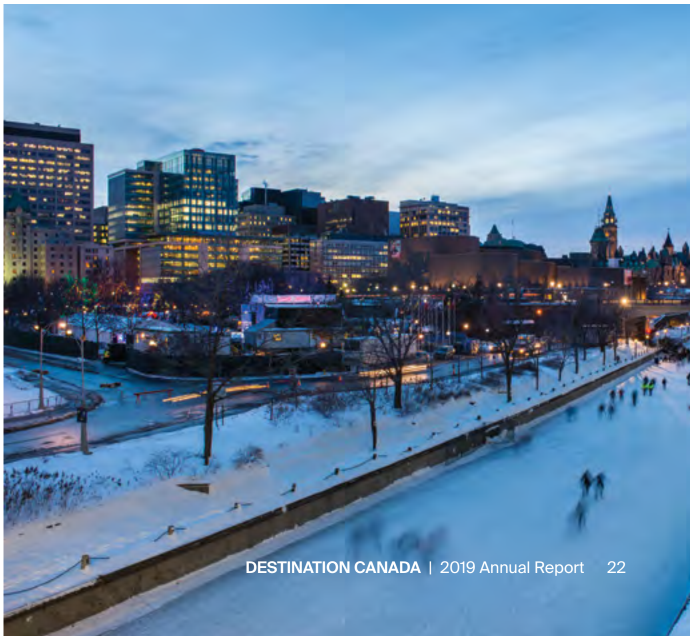
	TARGET	RESULT
Active Consideration	8.2%	6.8%
Leads to Partners*	4.4m	2.78m

** The number of potential customers we pass on to our marketing partners to convert into actual visitation. We have identified these potential travellers as having an interest in Canada and looking for destination-specific information which can be found on partner sites.*

For us, innovative marketing is marketing that helps grow the visitor economy. Given the multitude of ways that travellers can consume content and purchase travel, it is essential that we choose the most relevant channels to engage our target travellers and business events decision-makers. Bold and inspiring content not only distinguishes us from our competitors, but it compels our target travellers and business events decision makers to move from inspiration to consideration, and ultimately, to choose Canada.

Our active consideration measure tracks long-haul travellers in our markets who are considering visiting Canada in the next two years. It acts as a proxy for our ability to make Canada top-of-mind for travellers who are deciding where to take a vacation. While our result of 6.8% fell below our target of 8.2%, it represents nearly a one percent improvement over our 2018 result of 5.9%. This improvement is driven in large part by increases in consideration by Americans (2.3%) and Mexicans (3.9%) to visit Canada. As the US market accounts for over half of the overall score, consideration among American travellers significantly impacts this result. In addition, actual visitation from both markets also grew, particularly from Mexico which experienced outbound growth to Canada by over 20% in 2019[10].

Our role is to create interest and demand for Canada, and over the years, we have adjusted our approach to focus primarily on creating and distributing content that informs and inspires travellers about Canada. This approach enables our partners to remarket to engaged consumers with their own targeted ads, positively impacting the level of consumer engagement and ultimately driving bookings. However, in 2019, due to safety and security reasons attributed to local protests, we strategically delayed various consumer direct, travel trade and media activities in China, resulting in limited to no trackable leads in the first quarter of the year.



10 –
Statistics Canada Frontier Counts, December 2019.

(left) **ONTARIO | Ottawa** | Ottawa Tourism, (right) **QUÉBEC | Québec City** | Destination Canada

NORTH AMERICANA

Our US marketing team was faced with the challenge of testing a new medium to evoke emotion while answering the question: how well do Americans and Canadians really understand each other?

The answer was North Americana, our first-ever English-language podcast aimed at US travellers. The six-part series featured Canadian award-winning writer and broadcaster Liz Beatty, along with American subject matter experts and journalists. Together, they examined the surprising stories that connect Americans and Canadians.

From Summer of Love refugees in a remote British Columbia town, to American Revolution Black Loyalists in Nova Scotia and the real people who inspired a Tony-nominated Broadway play set in Gander, Newfoundland on 9/11 – North Americana was a cross-border conversation. The series dug into undiscovered bonds between Americans and Canadians while deconstructing clichés in communities across Canada and the US.

One of the first national tourism organizations to use podcasts, we were able to distribute emotional content and engage with our target audiences in an innovative, cost-effective and highly engaging way. Testing podcasts as a new storytelling platform yielded insight into future content creation, and proved an effective and entertaining medium for reaching prospective travellers.

Performance Results
400+ listens
71% episode completion rate
Average listen time of 26 minutes

SPREADING THE LOVE ACROSS CANADA

Increasing Canada's long-term competitiveness is the vision of the Government of Canada's strategy articulated in *CREATING MIDDLE CLASS JOBS: A Federal Tourism Growth Strategy*. As part of this plan, $5 million was earmarked for us to undertake a domestic marketing campaign to encourage Canadians to discover more of their own country, help grow tourism in rural areas and cultivate a generation of ambassadors to greet visitors from around the world.

In field since October 2019 and running through March 2020, the campaign is designed to increase Canadian travel to non-compressed areas, particularly during winter and spring. With a target to generate 260,000 incremental trips within Canada, the program will connect with Canadians to inspire pride and engage with our refreshed brand, Canada. For Glowing Hearts.

Working with various tourism and publishing partners, the campaign includes a six-part digital video series with BellMedia which features bite-sized, three-minute episodes following a dynamic collective of high-profile Canadians on their travels across the country. Viewers are offered an authentic, first-hand look at incredible Canadian destinations, experiences, and the local ambassadors who bring each destination to life.

The program also integrates digital features in WestJet's in-flight entertainment and online publications, curated local music and a 13-part podcast entitled Canada's Calling through a partnership with streaming service Spotify, outreach through online publications, and digital content rolled out through our own Canada-facing websites and social media channels.

Results of this campaign will be reported on in our 2020 Annual Report.

AUSTRALIA'S MORNING TELEVISION SHOW REPORTS LIVE FROM CANADA

Highlighting authentic and exciting Canadian experiences to far-away travellers can be a challenge, but our team in Australia came up with a creative solution using the power of broadcast. Together with partners in Canada and in Australia, the team brought Stevie Jacobs, Australia's popular weather presenter from local breakfast television program, The Today Show, to report live from some of Canada's most intriguing locations.

During the six live segments that ran daily for five days in the summer of 2019, Stevie and his weather crew captured the hearts of their viewing audiences by bringing them along their personal explorations of the natural beauty and rich cultural heritage of Newfoundland & Labrador and Niagara Falls. As the crew moved to a different location each day, viewers were introduced to a new region and to unique experiences in eastern and Atlantic Canada. Audiences also saw the ease, diversity and flexibility of travelling in Canada, particularly beyond iconic locations.

The broadcasts had an estimated reach of four million, helping to create demand for travel product in eastern and Atlantic Canada. Integration of social media, local Newfoundland & Labrador broadcast and print extended the reach and awareness of this successful program. Our tour operator partner contributing to this campaign also reported heightened interest in tours in Canada, particular for this region.

(left) **ONTARIO | Niagara Falls** | Destination Canada, (right) **ONTARIO | Niagara Falls** | Destination Canada

HOW TO CANADA

While technology continues to evolve, video remains a powerful medium that is versatile, engaging and sharable. Digital video was a major component of our consumer-direct marketing activity in the UK in 2019. Together with seven co-investing partners, we developed a seven-episode digital video series to get travellers to dream of their trip to Canada.

Showcasing Canada through the eyes of three intrepid Brits – a snowboarder, a writer/director and an artist/entrepreneur – these adventurous explorers set out to learn 'How to Canada'. Though hailing from different backgrounds, they shared a common desire for inspiration, yearning to learn and finding new career beginnings. They journeyed Canada from east to west in the best way possible, acquiring new skills and becoming transformed by their experiences along the way.

The series generated very positive results and strong learnings to take forward. Based on our 75% completion rate benchmark, the campaign generated over 9.6 million video views, demonstrating engagement and ultimately driving interest and consideration to visit Canada.

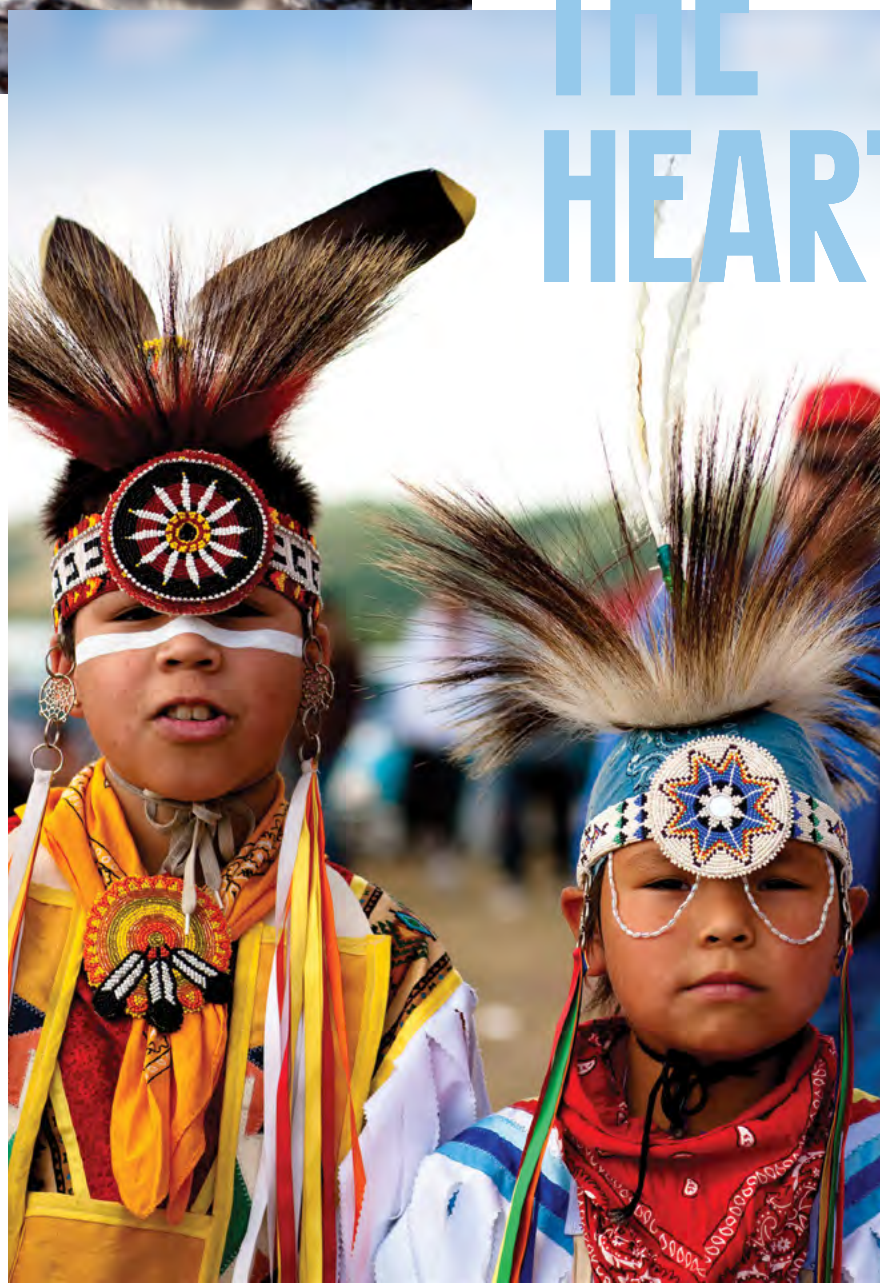
VACATIONS OF THE BRAVE

Vacations of the Brave was a content series highlighting brave Americans travelling to Canada for rewarding experiences that challenged them culturally, emotionally and physically. The series was our first-ever content partnership with on-demand streaming service, Amazon Prime, and ran from late 2018 until mid-2019.

While audiences responded positively to the trailers, viewership of the episodes were far less than anticipated and the series overall failed to convert viewers into actual visitation. With learnings mid-way through the series, we took the decision to cut the last two episodes and pivot quickly to an alternate platform. We repurposed the content for YouTube, adding in short-form video content as a pre-cursor to the full-length episodes. Video openings were reframed for added punch and to capture audience attention from the start. The change in distribution platforms along with other production adjustments resulted in tremendous viewership we hadn't previously seen for this series.

Our experience with Vacations of the Brave taught us that competition from popular content is fierce and penetration of streaming platforms is still growing. It gave us insight into which distribution platforms are the most effective to attain scale and optimize engagement, and that for maximum impact a cross-channel approach is best. We have since applied our learnings from the series into our overall strategic plans and other marketing activities.

SPEAK FROM THE HEART



(left) **NUNAVUT | Hudson Bay** | Destination Canada, (right) **SASKATCHEWAN | Standing Buffalo First Nation Powwow** | Tourism Saskatchewan. Greg Huszar Photography

OBJECTIVE 2

Advance the commercial competitiveness of the tourism sector

	TARGET	RESULT
Partner co-investment ratio	1:1	0.7:1
Percentage of partners who indicate Destination Canada activities advance their business objectives	85%	85%

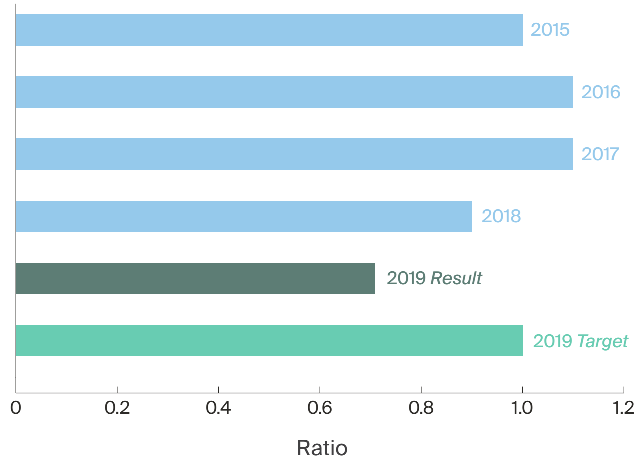
Strategic partnerships shape how we work with our industry to drive collective success. Our marketing campaigns and trade programs are anchored in solid public partnerships and private sector co-investments across all our marketing channels and markets.

Partnerships are integral to what we do and by bringing together the right partners and aligning industry efforts, we help Canadian tourism businesses extend their reach and better compete globally.

PARTNER CO-INVESTMENT

We consider the level of partnership co-investment to be an indicator of the value and relevancy of our programs and campaigns to our co-investors. The partner co-investment ratio calculates the ratio of partner contributions (including cash, in-kind and third party contributions) to every dollar of our government funding.

In 2019, we set a target ratio of 1:1. In that year, we exceeded our cash revenue sub-target, yet missed our overall target for partner co-investment with a ratio of 0.7:1. This was the result of higher parliamentary appropriations and lower in-kind and third party partner co-investments. Going forward, many of our NorthStar 22 partners have experienced budget cuts taking effect in 2020, resulting in less available co-investments for Destination Canada-led campaigns. In order to address this challenge, we will continue to align marketing investments with current partners, as well as work to identify new partnership opportunities.



(left) ALBERTA | Jasper National Park | Parks Canada / ...an Bray, (right) ALBERTA | Jasper National Park | Julian Apse

10X

A prevailing challenge for Canada's tourism industry has been the inability to compete globally on sheer scale alone. In our 2017 Annual Report, we described NorthStar 22, our multi-year, sustainable strategy with 27 partners from across Canada's tourism industry. This historic agreement forged a path to sustainable success by aligning Team Canada's marketing strategies and investments in key priority markets.

The strategy behind NorthStar 22 is to purposefully increase Canada's share of the global travel market by coming together as a unified Team Canada. While NorthStar 22 takes a strategic view to improve Canada's long-term competitiveness, a subset of this group began asking how Team Canada could work better together, at a working level, to give the country an advantage against richer nations with more resources.

The answer was 10X: a working group of Canadian tourism marketers dedicated to helping the industry better compete globally by being smarter and more integrated.

Uniting 11 organizations under a shared purpose, 10X challenges the status quo to foster tighter collaboration across Team Canada. It is a fundamental re-think of what collaboration could look like across civic, regional, provincial and national tourism organizations in Canada.

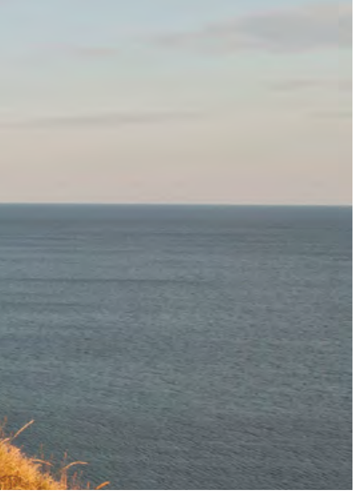
The group has been consciously working towards tackling the challenges of achieving better results, operating more efficiently, realizing cost savings, creating greater awareness of Canada, and discovering better insights into what drives visitation. Since forming in 2016, the group focused initial energies on the coordination and distribution of content and attained significant results:

- Developed a process for national alignment of content in international markets through syndication of partner editorial content.
- Launched a platform for the management of user-generated content, containing over a half million assets and used by 115 organizations.
- In partnership with Google, the production of a portal for all industry members to access and learn from.

With learnings from the first few years, the group in 2019 turned attention to creating a common partnership structure across the industry. The first ever National Joint Business Plan with 10X members and Google was struck to develop an innovative digital marketing strategy, execute pilots for learning and raise the capabilities of the industry. Furthermore, the plan gives all partner organizations an extra boost in the form of access to the technology and brain trust of Google.

10X also initiated a pilot project in 2019 to measure the impact of our collective marketing efforts through an improved process for data sharing and analysis. This work to assess marketing attribution will continue into 2020.

The ambitious mindset of the 10X group has proven invaluable. Beyond the reduced duplication of efforts and increased efficiencies, cohesion across the industry has been tightened. Canada's tourism leaders have been united under a common partnership structure that is aligned with a shared purpose to yield greater impact for Canada's visitor economy.



PRINCE EDWARD ISLAND | Cape Tryon | Tourism PEI/Paul Baglole

2 Goals + 5 Focus Areas = 10X

Goals

- Our stakeholders value our work
- We know more about our target audiences

5 focus areas

- Content – Understand what content our target audiences value
- Measurement – Measure the impact of our marketing efforts through an improved process for data sharing and analysis
- Insights – Deliver on-trend consumer insights to inform our strategies
- Capabilities – Increase data-driven digital and strategic marketing capabilities for industry partners
- Innovation – Position Canadian tourism to win today and tomorrow

PARTNER RESEARCH PROGRAMS

We produce regular data, market intelligence and industry analysis to help businesses market to international travellers and grow Canada's tourism industry.

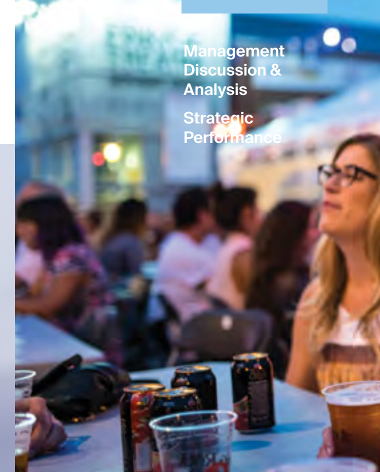
In addition to the public information provided at no cost, we offer the following research products and tools to regional and city-level marketing organizations promoting tourism as co-investment opportunities:

Global Tourism Watch. This annual survey to over 27,000 travellers across our leisure markets provides insights on travellers' intentions, perceptions, motivations and barriers pertaining to travel. This product also tracks Canada's brand performance and perceptions against competitors. In 2019, we introduced analysis on the Canadian market so that co-investors can understand the strengths of their particular region and brand in the domestic market. In-depth reporting from the Global Tourism Watch is complemented with access to user-friendly data manipulation tools.

Explorer Quotient 2.0 offers a common language and approach to segmentation, providing insight on our best traveller. It provides a common platform for us and our industry partners to identify, triage and target segments of consumers based on who is most likely to travel to Canada. In 2019, we integrated nine databases from Environics Analytics on Canada and the US, providing partners with access to more data to improve industry alignment and the ability to better identify and reach target segments.

The **Visitor Intelligence Platform** uses detailed payment data to uncover spending patterns of visitors in specific regions across Canada. In our 2018 Annual Report, we explained that the value of this tool is in being able to identify which products and experiences resonate with travellers. This platform was a commitment under the NorthStar 22 alliance for better market intelligence and helps to inform strategic business and investment decisions.

We integrated additional data sources from Statistics Canada into the Visitor Intelligence Platform in 2019, providing for the first time official tourism spend intelligence based on six spend categories, across 22 regions in Canada, by quarter. In early 2020, we took this platform one step further by adding the capability to refine analysis by month and by detailed partner region.



(left) **ONTARIO | Toronto** | Hiroaki Fukuda, (right) **ALBERTA | Edmonton** | Edmonton Tourism

CANADA'S BRAND EVOLUTION

Travellers today want more than an experience – they want to be transformed. Recognizing this shift, in 2019 we evolved our consumer brand to speak to the heart and passion of travel. The brand evolution was driven by the belief that travel should change a person and will leave a lasting mark on one's heart.

The job of our destination brand is to inspire and build preference amongst our target travellers so that their decision to visit Canada is an easy one. Our brand journey was shaped by the results of our extensive market research and testing of creative concepts among travellers in our key international markets. The lead concept was viewed as being the strongest at positively influencing perceptions of Canada and for increasing visitation.

The new taglines – *Canada. For Glowing Hearts* in English and *Canada. Le cœur grand ouvert* in French are supported by a distinctive heart-shaped logo designed to create a strong emotional connection with travellers and in turn inspire even more travellers to visit Canada.

Further, at Destination Canada we believe it's our job to craft a well-defined national story arc that our industry can embrace so that we're all pointing our arrows in the same direction. Our industry partners have been supportive of this brand evolution and we have rolled out the new brand across our domestic and international programming.

In a competitive global marketplace, we are helping to strengthen Canada's international brand and are moving the country from more than a destination on a map to an invitation to connect with Canadians, the land and the local culture.

AFFINITY BRAND PARTNERSHIP

Leveraging popular entertainment brands and influencers to co-create inspirational content was a key feature of our activity in South Korea in 2019.

As we were looking to creatively increase consideration for Canadian winter destinations, consumer giant LG was seeking an innovative launch for their LG G8 ThinQ smartphone in the South Korea marketplace. This spurred a non-traditional partnership among LG Mobile, Banff & Lake Louise Tourism, VIA Rail Canada and Destination Canada.

Our team invited an influencer couple – an award-winning super model in South Korea and her partner who's a film director – to vacation in the Canadian Rockies with a mission to film their entire experience using only LG's just launched smartphone.

The video highlighted the beauty of Banff and Lake Louise through the sharp lens of LG's new smartphone and was a great way for us to feature an exciting destination to an international audience during the off-season. It created big buzz in the digital world, garnering over 1.2 million views across combined digital and social channels and surpassing our target of 1 million views. In addition, the partnership generated the development of a new winter itinerary incorporating the Rockies and VIA Rail transport.

(left) **ONTARIO | Toronto** | Destination Canada, (right) **ONTARIO | Toronto** | Destination Canada

REDEFINING BUSINESS EVENTS' SECTOR STRATEGY

Conferences are catalysts for thriving economies. While we have long capitalized on Canada's vast and natural beauty, our business events team has been refocusing the conversation to spotlight Canada's chief economic drivers and the intellectual capital organizers want to leverage for their business events.

We are positioning Canada as thought leaders in specific advanced industries to engage meeting and event organizers active in those industries. Rather than selling a city based solely on its infrastructure, access and capacity, we are working with our partners on the ground to promote our most significant clusters in innovation sectors to differentiate Canada in the global meetings marketplace.

Our national sector expertise strategy aligns with a number of Canada's key international trade priorities: Aerospace, Agribusiness, Clean Tech, Advanced Manufacturing, Life Sciences, Technology and Natural Resources. In parallel, our Team Canada approach allows us to collaborate with federal, provincial and municipal government agencies, foreign affairs bodies, destination marketing partners and local economic development agencies to connect decision makers with Canadian centres of excellence across a variety of industries. While our overarching goal remains the same – to grow Canada's share of international business events – we are now providing a platform to deliver access to knowledge that today's senior business event organizers, destination procurement executives, and C-suite leaders are seeking. This shift in our strategy means that we can expand our reach beyond our traditional sales channels and tap into senior level executives like never before. It means that Canada's mid-size cities are able to compete for business event opportunities that were previously out of reach. And it means that attracting more sector-based conferences and events will serve as a pipeline for accelerating job growth, attracting outside talent and investment, and developing increasing levels of local expertise.

AI Summit Comes to Canada

London-based InspiredMinds, which launched the original World Summit AI in Amsterdam in 2017, was looking to create a sister event in North America. While Canada wasn't originally on their shortlist, that all changed when they were introduced to our Business Events team during London Tech Week in 2018.

We began by profiling the strength of the artificial intelligence (AI) cluster in Canada to highlight why Canada should be considered and then connected InspiredMinds with various destination partners, including Business Events Montréal, to further prove that Canada had a wealth of relevant industry and academic expertise. In the past few years, Montréal has become a global hub for research and excellence in AI. The city boasts a strong academic base and has attracted major digital players such as Google, Microsoft, IBM, Samsung, and Facebook, all of which have set up AI research labs in the city. Business Events Montréal was then instrumental in galvanizing the local AI community to present Canada's AI ecosystem to InspiredMinds' C-suite leaders.

Many players were involved to uncover the bid opportunity for Canada, including the Canadian High Commission in the UK, Destination Canada and the destination city. The collaboration, in particular, between Business Events Montréal and renowned leaders and academics from the local AI community was the key factor in InspiredMinds' decision to select Montréal as the location for their World Summit AI Americas. The prestigious conference, confirmed for 2019, 2020, 2021 and possibly 2022, is expected to attract 6,000 participants by year four and will amount to 32,500 room nights in Montréal hotels during this period. Beyond the immediate tourism benefits, the summit has the potential for long-term economic benefits for Canada's AI sector.

From initial inspiration to closing the deal, winning the World Summit AI Americas was a collaborative effort from the start.

TRADESHOWS AND MEDIA EVENTS

Tradeshows and media platforms allow businesses in the tourism community to sell their products and experiences by connecting with travel agents, tour operators and media from international markets. Through events we led or participated in 2019, both at home and abroad, we generated superior media coverage and expanded market reach for thousands of Canada's tourism businesses.

The feedback from our industry participants is a leading indicator of the commercial relevancy of our programs. Through post event surveys, we assess our effectiveness at helping our partners advance their business objectives. For all our shows in 2019, our collective result is 85% and is a strong indicator of the value and relevancy of our programs to the industry.

Travel Classics West

Travel Classics West is one of the industry's most well-known and acclaimed networking conferences for tourism and travel media. It provides an outstanding opportunity to engage and continue building relationships with hard-to-access media, and has the potential to generate superb international media coverage for Canada's tourism businesses.

The 2019 event brought over 40 award-winning journalists and freelancers together with 18 editors from key travel and news publications. In partnership with Destination British Columbia, Tourism Whistler and the Indigenous Tourism Association of Canada, the event provided a unique platform to showcase Indigenous culture through music, dance, food, drink, art and traditions, providing a source of further inspiration for earned media stories.

The media event was brought to life with performances by talented Indigenous artists from across Canada and an Indigenous inspired menu curated with contributions by one of the only female Indigenous pastry chefs in Canada.

The event gives way to publication ideas for targeted media by inspiring them with glowing hearts stories that they can share with their valued audiences back home.

(left) **ONTARIO | Toronto** | Destination Canada, (right) **BRITISH COLUMBIA | Victoria** | Brett Ryan

Rendez-vous Canada

Rendez-vous Canada provides a unique platform to launch new tourism products, share market insights, network, and increase the range of tourism experiences that the industry offers.

This year, our hosts Destination Ontario and Tourism Toronto exceeded all expectations as they welcomed over 580 international buyers from 30 countries and highlighted the true spirit and energy of Toronto, Ontario and Canada. This is a strong indicator that global interest is higher than ever before.

All provinces and territories were represented, proof that tourism really is from coast to coast to coast. Five-hundred seventy-one tourism organizations promoted Canadian products and services at the 2019 event, positively leading to hundreds of millions of dollars in tourism sales for our industry and injecting approximately $3.6 million into Toronto's economy.

Rendez-vous Canada continues to break records. More than 1,900 delegates were in attendance and over 31,000 face-to-face business appointments were held over the four-day event, the most in Rendez-vous Canada's 43-year history. Additionally, the Indigenous Tourism Association of Canada brought together 33 indigenous tourism businesses under the indigenous pavilion, another record for the annual marketplace.

OBJECTIVE 3

Increase corporate efficiency and effectiveness

	TARGET	RESULT
Marketing and sales ratio*	90%	93%

* Percentage of total expenditures, inclusive of partner cash contributions, invested in marketing and sales activities.

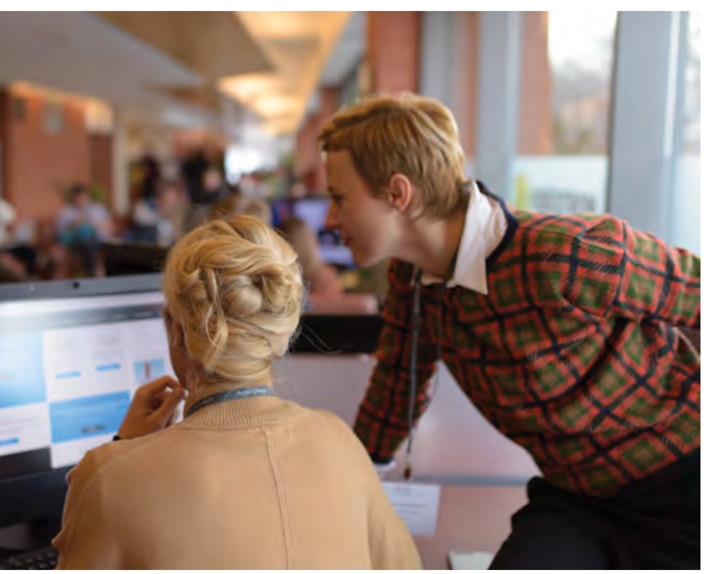
Properly supporting our business of tourism marketing means employing careful spending and being able to respond to the ever-changing needs of our business. While we continue to invest the vast majority of our budget into marketing and sales activities, exceeding our target of 90%, we continue to increase productivity by extracting greater efficiencies from our existing systems and by investing in new technologies.

(left) **ALBERTA** | Banff National Park | Banff Norquay, (right) **QUEBEC** | Quebec City | Destination Canada

LEVERAGING TECHNOLOGIES

Over 2019 we focused heavily on improving the functionality of our enterprise procurement system and related processes. We've streamlined approvals and simplified documentation requirements, reducing the time it takes to complete competitive processes. We've enhanced the quality of system data which has improved forecast capabilities and removed duplication of contract administration to eliminate redundancy in key process steps.

To facilitate better inter-company communication, at the end of 2019 we upgraded our suite of business applications to Office 365. This has improved collaboration capabilities with colleagues and reduced the complexity of the server infrastructure. We also began exploring cost-effective options for consolidating to a global telecommunication platform. To further reduce manual processes and enhance operational activities, as part of our digital transformation, we have begun exploring the implementation of an integrated expense management application.



PEOPLE AND CULTURE

In 2019 we reviewed and updated our classification system and practice of managing employee performance. We integrated our multiple job classification systems into a single, standardized, gender neutral system, enabling us to enhance our ability to attract and retain talent and provide greater alignment across employee groups. It also allowed us to align compensation for unionized roles with the labour market and facilitated the introduction of at-risk pay for all staff.

We also unveiled an automated performance management system to replace our traditional, paper-based appraisal practice. Web-based and easy-to-use, the new software offers a more streamlined and efficient performance review process for managers and employees alike.

Beyond the operational enhancements to increase workplace productivity, we also invested in the mental health and well-being of our staff. We hosted several activities to promote well-being and create awareness aimed at reducing the stigma around mental health. By incorporating mental health activities in the workplace, we are ensuring that staff are aware of the resources available for their psychological health and safety, and that they have access to these tools to thrive professionally and personally.

Management Controls

RISK MANAGEMENT

We follow a robust enterprise risk management framework.

This is guided by a formal risk review process with select staff, our Board of Directors and the expert advice of an independent third party. We use the risk assessment in the development of our five-year strategic plan, risk mitigation strategy and internal audit plan.

The following risk assessment was updated in mid-2019. To effectively manage each strategic risk impacting our organizational objectives, we undertook the risk mitigation activities noted below that are associated with each risk.

Non-financial Residual Risks

High risk · Medium risk · Low risk

KEY RISKS FOR OBJECTIVE 1 Increase demand for Canada with innovative marketing

2019 (Medium risk)
2018 (Medium risk)

Global Economic and Geo-Political

There is a risk that the global economy and the economies of the markets where we invest could experience a significant slowdown in growth, changes in the political landscape, an impact from climate change, or changes in security which would impact international travel to Canada.

Mitigation activities: We maintained a balanced investment approach across our portfolio of markets and maintained flexibility in our budgeting processes to allow reallocations, if necessary. Together with our NorthStar 22 partners, we put together risk mitigation, communications and other actions plans to address emerging situations quickly, effectively and collaboratively.

2019 (Medium risk)
2018 (Medium risk)

Marketing Effectiveness

There is a risk that we are not effective at promoting Canada as a premier tourism destination.

Mitigation activities: We used our marketing task forces and advisory committees to address challenges as a collective and strengthen our digital and strategic marketing capabilities. We improved access to, and analysis of, quality data for us and our strategic partners. In addition, we evolved our brand to create a strong emotional connection with travellers and inspire greater visitation to Canada.

MANITOBA | Churchill | Destination Canada

KEY RISK FOR OBJECTIVE 2 Advance the commercial competitiveness of the tourism sector

● 2019 ● 2018

Performance Measurement

There is a risk that we will be unable to measure the impact, effectiveness and attributable results of our marketing efforts, including the use of new marketing communications technologies in a manner that is meaningful to our stakeholders.

Mitigation activities: In addition to using the latest technology to measure the results of our marketing efforts, we continued working with our partners to improve performance measurement approaches. We initiated a pilot project with select partners to measure the impact of our collective marketing efforts through an improved process for data sharing and analysis.

KEY RISK FOR OBJECTIVE 3 Increase corporate efficiency and effectiveness

● 2019 ● 2018

Change and Talent Management

There is a risk that our dynamic and changing needs for skills and talent to support our business will negatively affect the recruitment of key talent, employee engagement and succession planning, impacting our organization's efficiency and effectiveness. These market dynamics may impact our ability to recruit, maintain employee engagement and ultimately retain staff due to the competition in the marketplace for these skills, which are new and in demand.

Mitigation activities: We continued our efforts in job enrichment opportunities and training and development, resulting in numerous internal career opportunities. We benchmarked all of our compensation globally to ensure we remain competitive in the marketplace and are able to acquire key skills and talents.

Financial Residual Risks

● High risk ● Medium risk ● Low risk

KEY RISK FOR OBJECTIVE 3 Increase corporate efficiency and effectiveness

● 2019 ● 2018

Currency

There is a risk that the impact of a lower valuation of the Canadian dollar and the resulting decreased purchasing power will result in diminished reach and reduced impact of our marketing efforts in highly competitive international marketplaces.

Mitigation activities: We employed a balanced portfolio approach where investments are spread across a diversified set of leisure and business markets to balance risk and maximize return. In addition, we made concerted efforts with vendors to transact in Canadian dollars whenever possible and streamlined our process with our global marketing agencies.

INTERNAL AUDIT

While our external audit is performed by the Office of the Auditor General of Canada (OAG), we have a robust internal audit function. Our annual internal audit plan is risk-based and integrated with the enterprise risk assessment to ensure that we focus efforts on mitigating risks carrying the highest likelihood and impact. We engage an external firm to carry out this function and the internal auditor is independent of management and reports directly to the Audit and Pension Committee of the Board of Directors.

In 2019, the internal auditor conducted the following activities:

- A risk assessment of cybersecurity. As the global cybersecurity threat rapidly evolves and becomes more complex, most organizations are performing risk assessments. This audit involved key stakeholder interviews and inspection of cybersecurity program documentation. The risk assessment found that generally the controls in place appropriately mitigate the risks related to cybersecurity based on the size and needs of our organization; however, four opportunities were identified for improving effectiveness of our cybersecurity program: incident management, awareness, threat intelligence, and policy and standards. We have implemented a vendor roster for high-impact cybersecurity incidents, updated security awareness training materials, scheduled annual testing of all staff, investigated adding international threat intelligence feed to compliment the Canadian feeds and reviewed and updated all policies for appropriateness and accuracy.
- A follow-up audit of the 2015 social media risk assessment. The audit found we made significant improvements since the 2015 risk assessment, including improving measures to monitor the use of social media, creating a social media policy in line with similar organizations and improving understanding of risks around social media. The audit identified additional recommendations for improvement, a number of which we completed by year-end, including improving cross-functional collaboration on social media, improving our social media policy and establishing standard contractual guidelines for social media influencers that we work with. Over the course of 2020, we will focus on additional improvements to enhance social media policy and practices.
- An internal audit of privacy practices. The audit assessed the processes and controls in place to manage sensitive or personal data in accordance with privacy regulations and stakeholder expectations. Overall, this audit found that we capture and store limited amounts of personal data of individuals outside the organization, and that satisfactory controls to safeguard this data are in place. The audit's only recommendation was to obtain internal control annual certification as appropriate from our third-party service providers on an annual basis. This would provide ongoing assurance as to the company's continued ability to operate as a trusted and secure host of our data or our third-party data, and management plans to implement this recommendation in 2020.

Led by the Audit and Pension Committee, we have developed action plans to address the recommendations resulting from the above risk assessment and audits in order to improve our processes and internal controls.

(left) **ONTARIO | Toronto** | Destination Canada, (right) **ONTARIO | Toronto** | Destination Canada

INTREPID SPIRITS

ALBERTA | Kananaskis Country | Travel Alberta/Anthony Redpath

Financial Overview

The financial overview presents supplemental information as context to the financial statements and notes and compares our current year to past year's performance and budget.

Our financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS).

2019 was a solid financial year for Destination Canada. The most significant financial transaction in 2019 was recording the accounting impact of the defined benefit pension transfer of liabilities through the purchase of annuities from an insurer to cover all future Canadian defined benefit pension benefits. The de-risking impact from the purchase of annuities was $8.9 million and is reflected as a separate line item in the Statement of Operations. This represents the immediate recognition of the remaining unamortized actuarial losses related to the defined benefit pension accrued benefit asset instead of being amortized over the expected average remaining service life of members of the plan.

STATEMENT OF FINANCIAL POSITION

Financial assets decreased by $14.9 million, or 29%. This was driven by a decrease in the accrued benefit asset relating to the pension de-risking transaction of $9.4 million and reduced accounts receivables because of improved collection activity.

Total liabilities decreased by $10.5 million, or 32%, from 2018. This decrease was driven primarily by lower trade accounts payable that is in line with the decrease in expenses, excluding the non-cash, one-off pension de-risking transaction.

Non-financial assets decreased by $1.0 million, or 24%, over 2018. This reflects a lower value of prepaid expenses as at year-end that primarily relate to rent and insurance.

As a result, we report an accumulated surplus of $16.7 million as at December 31, 2019. This accumulated surplus consists of the amortization of tangible capital assets, accrued benefit assets, deferred spending in marketing campaigns and lower than budgeted corporate services costs.

STATEMENT OF OPERATIONS

We report an in-year accounting deficit of $5.0 million for the year ended December 31, 2019 compared to a planned deficit of $8.2 million. The current year deficit was driven by the pension de-risking transaction as described above and was partially offset by a reduction in Marketing and Sales and Corporate services spend. Total revenues exceeded budget by $2.9 million due primarily to more partner revenues than expected as a result of higher engagement and co-investment from partners. The additional partner revenue is the result of higher cash contributions from partners as we continue to demonstrate value to the tourism industry. These revenues contribute to the total co-investment from partners which we track as a performance measure under Objective 2.

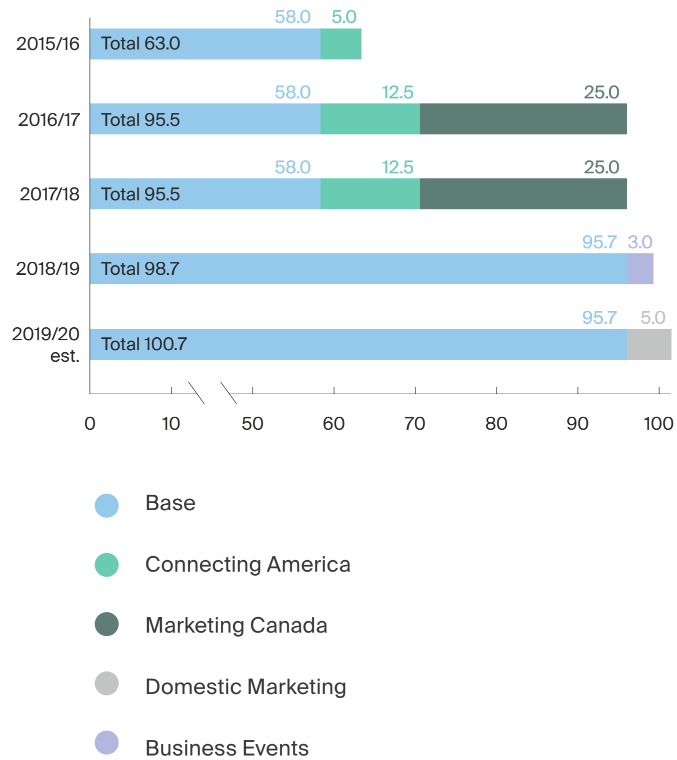
PARLIAMENTARY APPROPRIATIONS BY GOVERNMENT FISCAL YEAR

We are funded primarily by Government of Canada parliamentary appropriations. As our fiscal year-end is December 31 and the federal government year-end is March 31, we draw funding from two government fiscal years.

For the 2019/2020 government fiscal year, we received two sources of appropriations:

- $95.7 million in main estimates from our base appropriation; and
- $5 million from the 2019/2020 Federal Budget to undertake domestic marketing.

The table above shows the total funds from the Government of Canada for the past five years. Starting in 2018/19, our base appropriation was confirmed at $95.7 million per government fiscal year, allowing for greater stability and the ability to plan multiple years of sustainable programming with confidence. With this funding, we continue to seek improved operational efficiencies to deliver our mandate in a scalable, effective and adaptable way. Continue to seek improved operational efficiencies to deliver our mandate in a scalable, effective and adaptable way.



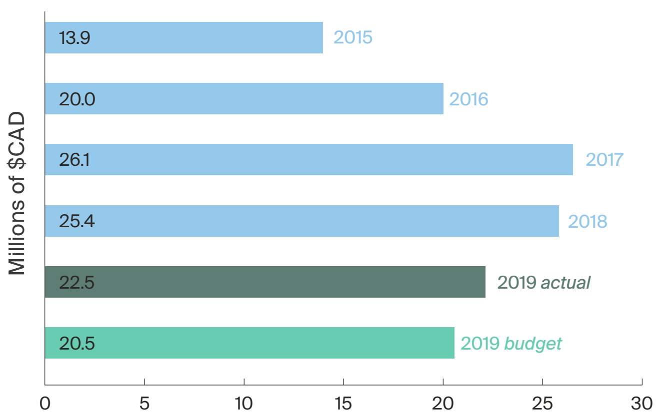
NOVA SCOTIA | Cape Breton Island | Nova Scotia Tourism/James Ingram

PARTNER CASH REVENUES

We leverage the power of appropriated funding by engaging other organizations supporting the visitor economy to co-invest in campaigns led by Destination Canada. Our partners include provincial, territorial and destination marketing organizations, media publishers, commercial partners and tourism associations.

Through these agreements, partners join us in funding initiatives, whether through cash or in-kind contributions, to market the Canada brand. Only the cash partnership contributions are recognized as revenues in our Statement of Operations as per our accounting policy in Note 2 of the financial statements.

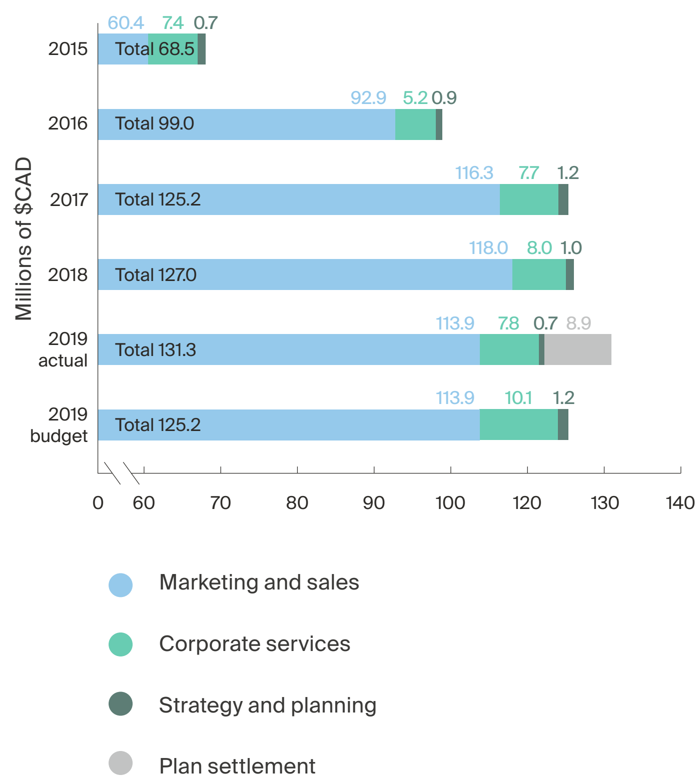
In 2019, the cash portion of these contributions represented approximately $22.5 million of partner co-investment compared to $25.4 million in 2018. As shown in the accompanying graph, our partner revenues exceeded budgeted levels by $2.0 million, or 10%.



EXPENSES

Total expenses excluding amortization increased by $4.4 million to $131.4 million in 2019, a 3% increase over last year. This increase was driven primarily by the one-time pension de-risking expense of $8.9 million as described previously and was offset by a reduction in Marketing and Sales and Corporate Services.

Our corporate services costs excluding amortization decreased by $0.2 million compared to 2018. The 2019 expenses of $7.8 million represent 6% of total expenditures, excluding amortization, instead of the 8% budgeted. We consistently spend the vast majority of our funding in marketing and sales (93%) activities and continue to leverage new corporate efficiencies.



(left) **ONTARIO** | Ottawa | Destination Canada, (right) **ONTARIO** | Toronto | Alan Brutenic

FINANCIAL STATEMENTS

Management Responsibility Statement

March 11, 2020

The management of the Canadian Tourism Commission (the "CTC") is responsible for the performance of the duties delegated to it by the Board of Directors. These include the preparation of an Annual Report together with audited financial statements. Management is responsible for preparation of these financial statements in accordance with Canadian public sector accounting standards. Other financial and operational information appearing elsewhere in the Annual Report is consistent with that contained in the financial statements.

Management is responsible for maintaining internal accounting control systems designed to provide reasonable assurance that relevant and reliable financial information is produced and that transactions comply with the relevant authorities.

Management is also responsible for maintaining financial and management control systems and practices designed to ensure the transactions are in accordance with Part X of the Financial Administration Act and regulations, the Canadian Tourism Commission Act, and by-laws of the CTC. These systems and practices are also designed to ensure that assets are safeguarded and controlled, and that the operations of the CTC are carried out effectively. In addition, the Audit and Pension Committee, appointed by the Board of Directors, oversees the internal audit activities of the CTC and performs other such functions as are assigned to it.

The CTC's external auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing his report thereon.

David Robinson

Interim President and
Chief Executive Officer

Anwar Chaudhry

Senior Vice-President,
Finance and Risk Management,
and Chief Financial Officer

The following financial statements and notes reflect our legal name, "Canadian Tourism Commission".

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Economic Development and Official Languages

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Canadian Tourism Commission (the Commission), which comprise the statement of financial position as at 31 December 2019, and the statement of operations, statement of remeasurement gains and losses, statement of change in net financial assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at 31 December 2019, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Canadian Tourism Commission coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Canadian Tourism Commission Act*, the by-laws of the Canadian Tourism Commission, and the directives issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of the Canadian Tourism Commission that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Canadian Tourism Commission's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Canadian Tourism Commission to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Lana Dar

Lana Dar, CPA, CA
Principal
for the Interim Auditor General of Canada

Vancouver, Canada
11 March 2020

IGNITING OUR PASSION

ALBERTA | Writing on Stone Provincial Park | Travel Alberta/Sabrina Hill

STATEMENT OF FINANCIAL POSITION

As at December 31, 2019
(in thousands of Canadian dollars)

	Note	Dec. 31, 2019	Dec. 31, 2018
Financial assets			
Cash and cash equivalents	3	31,641	33,624
Accounts receivable			
Partnership contributions		1,617	4,121
Government of Canada		618	2,017
Other		4	19
Accrued benefit asset	7	1,653	11,070
Portfolio investments	4	803	384
		36,336	51,235
Liabilities			
Accounts payable and accrued liabilities			
Trade		14,333	24,945
Employee compensation		1,677	1,462
Government of Canada		81	71
Accrued benefit liability	7	5,435	5,517
Deferred revenue		488	386
Deferred lease inducements		580	682
Asset retirement obligation		164	164
		22,758	33,227
Net financial assets		13,578	18,008
Non-financial assets			
Prepaid expenses and other assets		1,721	2,715
Tangible capital assets	6	1,413	1,382
		3,134	4,097
Accumulated surplus	9	16,712	22,105

Contractual Obligations, Contingencies, Contractual Rights (Notes 13, 14 and 16)
The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board of Directors,

Ben Cowan-Dewar
Director

Pat Macdonald
Director

STATEMENT OF OPERATIONS

For the year ended December 31
(in thousands of Canadian dollars)

	Note	Budget 2019	2019	2018
Revenues				
Partner revenues		20,500	22,485	25,359
Other		1,090	2,024	2,331
		21,590	24,509	27,690
Expenses	11			
Marketing and sales	10	113,693	113,905	118,003
Corporate services		10,134	7,830	7,997
Strategy and planning		1,176	749	977
Amortization of tangible capital assets		400	355	376
Plan settlement cost	7	–	8,936	–
		125,403	131,775	127,353
Net cost of operations before funding from the Government of Canada		(103,813)	(107,266)	(99,663)
Parliamentary appropriations	8	95,656	102,221	100,199
(Deficit) Surplus for the year		(8,157)	(5,045)	536
Accumulated operating surplus, beginning of year		21,951	21,951	21,415
Accumulated operating surplus, end of year		13,794	16,906	21,951

The accompanying notes form an integral part of these financial statements.

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

For the year ended December 31
(in thousands of Canadian dollars)

	2019	2018
Accumulated remeasurement loss, beginning of year	154	(35)
Unrealized (loss) gain attributable to foreign exchange	(194)	154
Amounts reclassified to the statement of operations	(154)	35
Net remeasurement (loss) gain for the period	(348)	189
Accumulated remeasurement (loss) gain, end of year	(194)	154

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31
(in thousands of Canadian dollars)

	Note	Budget 2019	2019	2018
(Deficit) Surplus for the year		(8,157)	(5,045)	536
Acquisition of tangible capital assets	6	(450)	(386)	(71)
Amortization of tangible capital assets	6	400	355	376
		(50)	(31)	305
Effect of change in other non-financial assets				
Decrease (Increase) in prepaid expenses		–	994	(552)
		–	994	(552)
Net remeasurement (loss) gain		–	(348)	189
(Decrease) Increase in net financial assets		(8,207)	(4,430)	478
Net financial assets, beginning of year		18,008	18,008	17,530
Net financial assets, end of year		9,801	13,578	18,008

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31
(in thousands of Canadian dollars)

	Note	2019	2018
Operating transactions:			
Cash received from:			
Parliamentary appropriations used to fund operating and capital transactions	8	102,221	100,199
Partners		25,092	27,105
Other		1,134	1,771
Interest		778	448
		129,235	129,523
Cash paid for:			
Cash payments to suppliers		(115,202)	(104,224)
Cash payments to and on behalf of employees		(14,863)	(14,598)
Cash (used in) provided by operating transactions		(830)	10,701
Capital transactions:			
Acquisition of tangible capital assets		(386)	(71)
Cash used in capital transactions		(386)	(71)
Investing transactions:			
Acquisition of investments		(419)	(25)
Cash used in investment transactions		(419)	(25)
Net remeasurement (loss) gain for the year		(348)	189
Net (decrease) increase in cash during the year		(1,983)	10,794
Cash and cash equivalents, beginning of year		33,624	22,830
Cash and cash equivalents, end of year		31,641	33,624

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

December 31, 2019

1. AUTHORITY, OBJECTIVES AND DIRECTIVES

The Canadian Tourism Commission (the "CTC") was established on January 2, 2001 under the *Canadian Tourism Commission Act* (the "Act") and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The CTC is for all purposes an agent of her Majesty in right of Canada. As a result, all obligations of the CTC are obligations of Canada. The CTC is not subject to income taxes.

As stated in section 5 of the Act, the CTC's mandate is to:

- sustain a vibrant and profitable Canadian tourism industry;
- market Canada as a desirable tourist destination;
- support a cooperative relationship between the private sector and the governments of Canada, the provinces and the territories with respect to Canadian tourism; and
- provide information about Canadian tourism to the private sector and the governments of Canada, the provinces and the territories.

In December 2014, the CTC was issued directive PC 2014-1378 pursuant to section 89 of the *Financial Administration Act* directing the CTC to implement pension plan reforms. These reforms are to ensure that pension plans of Crown corporations provide a 50:50 current service cost-sharing ratio between employee and employer for pension contributions by December 31, 2017. The 50:50 cost-sharing ratio was fully implemented as of December 31, 2017.

In July 2015, the CTC was issued directive PC 2015-1109 pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditures policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the CTC's next corporate plan. The CTC implemented its new Travel, Hospitality, Conference, and Event Expenditures Policy on August 21, 2015 which complied with the requirements of the directive. The Treasury Board issued revised directives and guidelines in 2017. On November 29, 2018, the CTC approved an updated policy to align with the new requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian public sector accounting standards ("PSAS"). Significant accounting policies are as follows:

a) Parliamentary appropriations

The CTC is mainly financed by the Government of Canada through parliamentary appropriations. Parliamentary appropriations used to fund core operations and capital expenditures are considered unrestricted and recognized as revenues when the appropriations are authorized and any eligibility criteria are met. Parliamentary appropriations used to fund one-time activities are considered restricted. Restricted appropriations have eligibility criteria and stipulations that give rise to an obligation that meets the definition of a liability. Restricted appropriations are recognized as deferred revenue when the stipulation gives rise to a liability. Restricted appropriation revenue is recognized as the stipulation liabilities are settled.

As a result of the CTC's year-end date (December 31) being different than the Government of Canada's year-end date (March 31), the CTC is funded by portions of appropriations from two Government fiscal years. Refer to Note 8.

The CTC will have a deferred parliamentary appropriations balance at year-end when the restricted funding received for the period exceeds the restricted appropriations recognized for the related fiscal period. The CTC will have a parliamentary appropriations receivable balance when restricted appropriations recognized exceed the restricted funding received.

The CTC does not have the authority to exceed approved appropriations.

b) Partnership contributions

The CTC conducts marketing activities in partnership with a variety of Canadian and foreign organizations. Where the CTC assumes the financial risks of conducting a marketing activity, contributions received from a partnering organization are recognized in income over the effective life of the contract or when the event has taken place. Partnership contributions received for which the related marketing activity has not yet taken place are recognized as deferred revenue.

c) Other revenues

Other revenues consist of cost recoveries from co-location partners, interest revenues, capital asset sales and other miscellaneous revenues. These items are recognized as revenue in the period in which the transaction or event occurred that gives rise to the revenue.

d) Foreign currency translation

Monetary assets and monetary liabilities denominated in foreign currencies are translated into Canadian dollars at the applicable year-end exchange rate. Non-monetary assets and non-monetary liabilities denominated in foreign currencies are translated into Canadian dollars at historical exchange rates. Revenue and expense items are translated during the year at the exchange rate in effect on the date of the transaction. Amortization expenses of tangible capital assets are translated at historical rates to which the assets relate. Realized gains and losses are considered Operating Expenses and are included in the Statement of Operations as Corporate Services. Unrealized gains and losses are reported on the Statement of Remeasurement Gains and Losses and in the Statement of Change in Net Financial Assets. The CTC does not hedge against the risk of foreign currency fluctuations.

e) Cash and cash equivalents

Cash and cash equivalents include cash in bank and mutual funds. These items are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Refer to Note 3.

f) Portfolio investments

Portfolio investments are measured at amortized cost. Interest income related to these investments is calculated based on the effective interest method. Refer to Note 4.

g) Prepaid expenses

Payments made prior to the related services being rendered are recorded as a prepaid expense. Prepaid expenses are recognized as an expense as the related services are rendered. Prepaid expenses consist of program and operating expenses such as subscriptions and tradeshow expenditure.

h) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization and the amount of any write-downs or disposals. Tangible capital assets are written down when conditions indicate they no longer contribute to the ability to provide services and are accounted for as expenses in the Statement of Operations.

Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the assets as follows:

Leasehold improvements	Remaining term of lease
Office furniture	5 years
Computer hardware	3 years
Computer software	5 years

Intangible assets are not recognized in these financial statements.

i) Deferred revenue

Deferred revenue consists of contributions from partnering organizations and restricted appropriations received from the Government of Canada. When contributions are received from partnering organizations, they are recognized as deferred revenue until the event has taken place or recognized as partner revenue over the effective life of the contract. When restricted appropriations are received from the Government of Canada, they are recognized as deferred revenue until the criteria and stipulations are met that gave rise to the liability. As at December 31, 2019 and 2018, the deferred revenue balance is solely made up of deferred contributions from partnering organizations.

j) Deferred lease inducements

Deferred lease inducements consist of various office lease inducements including reimbursement of leasehold improvement costs and free rent periods. These inducements are deferred and recognized as a straight-line reduction to office lease expenses over the term of the lease.

k) Asset retirement obligation

Asset retirement obligation consists of decommissioning costs for various office leases. The CTC recognizes asset retirement obligations as a result of legal obligations to restore leased office spaces back to their original states at the end of the lease term. Asset retirement obligations are measured initially at fair value, based on management's best estimates, with the resulting amount capitalized into the carrying amount of the related asset. The capitalized asset retirement cost is amortized on a straight-line basis over the term of the lease. The amortization expense is included in corporate services in determining the net cost of operations. Refer to Note 6.

l) Employee future benefits

The CTC offers a number of funded, partly funded and unfunded defined benefit pension plans, other unfunded defined benefit plans (which include post-employment benefits, post-retirement benefits and non-vested sick leave), as well as defined contribution pension plans. The pension plans include a statutory plan, a supplemental plan and a plan to cover certain employees working outside of Canada. Other benefit plans include post-employment severance benefits and post-retirement health, dental and life insurance benefits and non-vested sick leave. The defined benefit pension plans provide benefits based on years of service and average pensionable earnings at retirement. The defined benefit component of the statutory plan and the supplemental plan has been closed effective December 30, 2017 and benefits and service of plan participants were frozen as of that date. The CTC funds certain pension plans annually based on actuarially determined amounts needed to satisfy employee future benefit entitlements under current benefit regulations. Cost of living adjustments are automatically provided for retirees in accordance with Consumer Price Index increases.

The costs and obligations of the defined benefit plans are actuarially determined using the projected benefit method prorated on service that incorporates management's best estimates of the rate of employee turnover, the average retirement age, the average cost of claims per person, future salary and benefit levels, expected return on plan assets, future medical costs, and other actuarial factors. For the purposes of calculating the expected return on plan assets, those plan assets are based on the market value of plan assets.

Past service costs arising from plan amendments are recognized in the years of which the plan amendment occurred.

The unamortized actuarial gains and losses incurred prior to the plan settlement that relate to the obligation settled are recognized in the period of settlement. This amount is included as part of the gain or loss arising on settlement. Gains and losses determined upon a plan settlement are accounted for in the Statement of Operations in the period of settlement.

Actuarial gains and losses are amortized over expected average remaining service lifetime ("EARSL") of active employees. If no active employees are remaining, actuarial gains and losses are amortized fully in the next fiscal year. For 2019, EARSL has been determined to be 5.6 years (6.6 years – 2018) for the Registered Pension Plan for Employees of the CTC ("RPP"), 0.0 years (0.0 years – 2018) for the Supplementary Retirement Plan for certain employees of the CTC ("SRP"), 15.5 years (15.4 years – 2018) for the Pension Plan for Employees of the CTC in Japan, South Korea and China ("WWP"), 21 years (21 years – 2018) for non-pension post-retirement benefits, 12 years (12 years – 2018) for severance benefits and 14 years (14 years – 2018) for sick leave benefits.

Employees working in the UK and the US participate in the Department of Foreign Affairs defined benefit pension plans administered by the Government of Canada. The assets of these plans cannot be allocated among participating employers, and as such, these plans are deemed "multi-employer" plans and accounted for as defined contribution plans. The CTC's contributions to these plans reflect the full benefit cost of the employer. These amounts vary depending upon the plan and are based on a percentage of the employee's gross earnings. Contributions may change over time depending on the experience of the plans since the CTC is required under present legislation to make adjustments for the rate of contributions to cover any actuarial deficiencies of these plans. Contributions represent the total pension obligations of the CTC for these employees and are charged to operations during the year in which the services are rendered.

m) Financial instruments

Financial assets consist of cash and cash equivalents, accounts receivable and portfolio investments, while financial liabilities consist of accounts payable and accrued liabilities. Financial assets and financial liabilities are measured at amortized cost, which approximates their fair value.

n) Measurement uncertainty

The preparation of financial statements in accordance with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense during the reporting periods. Actual results could differ significantly from those estimates. The most significant estimates involve the determination of the employee future benefits liability and related accrued benefit asset, the useful lives for amortization of tangible capital assets, the fair value of the asset retirement obligation and contingencies.

o) Related party transactions

Through common ownership, the CTC is related to all Government of Canada created departments, agencies and Crown corporations. The CTC's transactions with these entities are in the normal course of operations and are measured at the exchange amount.

Related parties also include key management personnel (KMP) having authority for planning, controlling, and directing the activities of the CTC, as well as their close family members. The CTC has defined its KMP to be members of the Board of Directors and management employees at the Senior Vice-President level and above.

p) Partnership contributions in-kind

In the normal course of business, the CTC receives in-kind contributions from its partners including the transfer of various types of goods and services to assist in the delivery of programs. The in-kind contributions from partners are not recognized in the financial statements.

q) Inter-entity transactions

Inter-entity transactions are transactions between commonly controlled entities. The CTC records inter-entity transactions at the exchange amount except the following:

- Audit services received without charge between commonly controlled entities.
- In-kind contributions received from commonly controlled entities.

The value of the audit services is considered insignificant in the context of the financial statements as a whole and inter-entity in-kind contributions are not recognized in the financial statements.

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3. CASH AND CASH EQUIVALENTS

(in thousands of Canadian dollars)	2019	2018
Cash in bank	31,518	33,103
Mutual funds	123	521
Total cash and cash equivalents	31,641	33,624

4. PORTFOLIO INVESTMENTS

The CTC holds portfolio investments consisting of Canadian provincial governmental bonds with maturity dates staggered between 2021 and 2031 and guaranteed investment certificates with maturity dates staggered between 2020 and 2024:

(in thousands of Canadian dollars)

Issuer	Maturity Date	Cost	Interest Accrued to Date	Carrying Value	Market Value	Maturity
Province of Nova Scotia Bond	02-Dec-21	60	18	78	79	82
Province of Ontario Bond	02-Dec-23	47	16	63	65	70
Province of Ontario Bond	02-Dec-25	51	18	69	73	84
Province of BC Bond	18-Dec-28	32	13	45	47	59
Province of Ontario Bond	02-Dec-31	33	15	48	51	70
Equitable Bank GIC	07-Dec-20	100	–	100	100	102
President's Choice Band GIC	06-Dec-21	100	–	100	100	104
Equitable Bank GIC	06-Dec-22	100	–	100	100	107
Effort Trust GIC	06-Dec-23	100	–	100	100	109
Bank of Nova Scotia GIC	06-Dec-24	100	–	100	100	112
		723	80	803	815	899

5. FOREIGN CURRENCY TRANSLATION

The CTC is exposed to currency risk as a significant portion of its revenues and expenses are earned or incurred, and subsequently received or paid in currencies other than Canadian dollars. Currency risk arises due to fluctuations in foreign exchange rates, which could affect the CTC's financial results. The CTC does not hedge against fluctuations in foreign exchange rates and accepts the operational and financial risks associated with any such fluctuations.

The undernoted accounts excluding Canadian-denominated balances comprise the following currencies as at December 31, 2019:

Currency *(in thousands)*	**Cash**		**Accounts receivable**		**Accounts payable and accrued liabilities**	
	Currency units	**Canadian equivalent**	**Currency units**	**Canadian equivalent**	**Currency units**	**Canadian equivalent**
Australian Dollars	114	104	76	70	60	55
Chinese Yuan	755	141	–	–	3,142	588
Euros	46	67	7	10	94	137
Great Britain Pounds	257	440	–	–	105	181
Japanese Yen	84	1	–	–	14,444	173
United States Dollars	455	595	72	93	156	203
Total Canadian equivalent		1,348		173		1,337

At December 31, 2019, if the above foreign currencies had strengthened by 10% against the Canadian dollar, with all other variables held constant, the unrealized foreign exchange gain would have increased by approximately $19,000 (increased by $111,000 – 2018). If the above foreign currencies had weakened by 10% against the Canadian dollar, with all other variables held constant, the unrealized foreign exchange gain would have decreased by approximately $19,000 (decreased by $111,000 – 2018). The amount of realized foreign exchange losses recorded under “Corporate services” on the statement of operations in 2019 is $12,000 ($77,000 – 2018).

6. TANGIBLE CAPITAL ASSETS

(in thousands of Canadian dollars)	Computer Hardware	Computer Software	Leasehold Improve-ments*	Office Furniture	2019 Total
Cost of tangible capital assets, opening	690	19	1,989	275	2,973
Acquisitions	145	–	144	97	386
Disposals	(203)	–	(10)	(20)	(233)
Cost of tangible capital assets, closing	632	19	2,123	352	3,126
Accumulated amortization, opening	560	18	805	208	1,591
Amortization expense	107	1	193	54	355
Disposals	(203)	–	(10)	(20)	(233)
Accumulated amortization, closing	464	19	988	242	1,713
Net book value	168	–	1,135	110	1,413

** Asset retirement costs are included in the cost of tangible capital assets and accumulated amortization.*

(in thousands of Canadian dollars)	Computer Hardware	Computer Software	Leasehold Improve-ments*	Office Furniture	2018 Total
Cost of tangible capital assets, opening	619	19	1,989	275	2,902
Acquisitions	71	–	–	–	71
Cost of tangible capital assets, closing	690	19	1,989	275	2,973
Accumulated amortization, opening	440	17	595	163	1,215
Amortization expense	120	1	210	45	376
Accumulated amortization, closing	560	18	805	208	1,591
Net book value	130	1	1,184	67	1,382

** Asset retirement costs are included in the cost of tangible capital assets and accumulated amortization.*

Substantially all of the CTC's tangible capital assets are located in Canada. There are no assets legally restricted for the purpose of settling asset retirement obligations.

7. ACCRUED BENEFIT ASSET/LIABILITY

The CTC offers a number of employee future benefit plans covering its employees in Canada and abroad. The following table summarizes these plans and the benefits they provide:

Employees Covered	Name of the Plan	Nature of the Plan	Contributors	Accounting Treatment
Canada	Registered Pension Plan for the Employees of the CTC – Defined Benefit component	Funded, Defined Benefit Plan	CTC and Plan Members	Defined Benefit Plan
	Registered Pension Plan for the Employees of the CTC – Defined Contribution component	Combination of Defined Contribution Plan and Group RRSP	CTC and Plan Members	Defined Contribution Plan
	Supplementary Retirement Plan for Certain Employees of the CTC – Defined Benefit component	Partly funded, Defined Benefit Plan	CTC and Plan Members	Defined Benefit Plan
	Supplementary Retirement Plan for Certain Employees of the CTC – Defined Contribution component	Defined Contribution Plan	CTC	Defined Contribution Plan
	Non-Pension Post-Retirement Benefit Plan for Canadian Employees	Unfunded, Defined Benefit Plan	CTC and Plan Members	Defined Benefit Plan
China, Japan and South Korea	Pension Plan for Employees of the CTC in China, Japan and South Korea	Unfunded, Defined Benefit Plan	CTC	Defined Benefit Plan
US	Qualified Pension Plan for US Citizen Employees Working in the US	Funded Multi-employer Defined Benefit Plan	CTC	Defined Contribution Plan
	Registered Pension Plan for Canadian Citizen Employees Working in the US	Funded Multi-employer Defined Benefit Plan	CTC	Defined Contribution Plan
	Non-Pension Post-Retirement Benefit Plan for Certain US Employees	Unfunded, Defined Benefit Plan	CTC and Plan Members	Defined Benefit Plan
UK	Canadian High Commission Locally Engaged Staff Pension Scheme	Funded Multi-employer Defined Benefit Plan	CTC and Plan Members	Defined Contribution Plan
Canada, China, Japan, US, UK	Severance Benefits for certain Canadian and Locally Engaged Employees	Unfunded, Defined Benefit Plan	CTC	Defined Benefit Plan
	Non-Vested Sick Leave Benefits for certain Canadian and Locally Engaged Employees	Unfunded, Defined Benefit Plan	CTC	Defined Benefit Plan

- CTC
- CTC AND PLAN MEMBERS
- DEFINED BENEFIT PLAN
- DEFINED CONTRIBUTION PLAN

Defined Contribution Plans

Canada

The CTC established a defined contribution pension plan for non-unionized employees in Canada, hired on or after August 1, 2005. On January 30, 2007, the Canadian unionized employees of the CTC agreed to participate in the defined contribution plan effective March 8, 2007. This decision impacted unionized employees hired on or after August 1, 2005.

The total cost for the CTC's defined contribution pension plans was $549,000 in 2019 ($493,000 – 2018).

In addition, the CTC provides a defined contribution supplemental plan to cover senior employees whose contributions under the defined contribution plan is impacted by the *Income Tax Act*. The benefits accrued are paid out each year and deemed immaterial for the CTC's financial statements.

US and UK

The CTC also participates in multi-employer defined benefit plans providing pension benefits to employees working in the US and in the UK. These plans, to which total cost was $228,000 in 2019 ($226,000 – 2018), are accounted for as defined contribution plans.

Defined Benefit Plans

Canada

The CTC has a number of defined benefit plans in Canada which provide post-retirement and post-employment benefits to its employees.

Effective January 2, 2004, pension arrangements include a registered pension plan as well as a supplemental arrangement which provides pension benefits in excess of statutory limits. The CTC provides pension benefits based on employees' years of service and average earnings at the time of retirement. The registered pension plan is funded by contributions from the CTC and from the members. In accordance with pension legislation, the CTC contributes amounts determined on an actuarial basis and has the ultimate responsibility for ensuring that the liabilities of the plan are adequately funded over time. The supplemental retirement plan liabilities arising on and after January 2, 2004 are funded annually on a hypothetical plan termination basis according to the valuation report prepared by the actuary.

In 2016, the CTC offered former members of the defined benefit component of the registered plan who were entitled to a deferred pension the option to transfer the value of the pension benefits out of the registered plan. There were no related settlements in 2019 or 2018. The defined benefit component of the registered plan and the supplemental agreement was closed effective December 30, 2017 and benefits for participants were frozen as of that date.

In May 2019, the CTC purchased a group annuity buy-out from a third party insurer for the defined benefit component of the Registered Pension Plan ("RPP") for a premium of $30,195,000 and transferred substantially all assets and obligations of all members of the defined benefit component of the RPP to the insurer. The insurer began making payments to the members in August 2019 and the transaction was finalized in October 2019, the date after which premium adjustments were no longer allowed. The form and amount of the benefit payments for the members did not change and are fixed, subject to an annual increase that reflects the same terms and conditions that would have applied under the RPP. The transaction resulted in a plan settlement and a plan settlement cost of $8,936,000 was recognized in the Statement of Operations in the period of settlement.

Recent proposed amendments to the *Pension Benefits Standard Act* ("PBSA") 1985 under section 17.2 permit an administrative discharge on the purchase of a life annuity in lieu of providing a pension benefit. This proposed section of the PBSA received Royal Assent on June 21, 2019 but is not yet in force. The plan settlement is a significant transaction requiring the use of judgment in applying accounting policy. Key judgments made by management include the expectation that section 17.2 will come into force in the near future and that the federal regulations, once developed, will provide a retroactive application to this transaction.

China, Japan and South Korea

The CTC has a defined benefit pension plan for certain locally engaged staff in China, Japan and South Korea. The Pension Scheme for Employees of the Government of Canada Locally Engaged Outside Canada, 1996 (known as the World Wide Plan, "WWP"), provides retirement benefits based on employees' years of service and average earnings at the time of retirement. These liabilities are funded on a pay-as-you-go basis.

In March 2012, the CTC received $1,000,000 from Treasury Board Secretariat ("TBS") relating to locally engaged staff pension benefits under the WWP for service prior to January 2, 2001. Prior to this, TBS had been reimbursing the CTC for amounts related to the past service period. The funds are held by the CTC in bonds and a money market term deposit and are recorded as portfolio investments (Note 4) and cash and cash equivalents (Note 3). The CTC continues to be responsible for the service accruing on and after January 2, 2001.

Severance and post-retirement benefits

Severance benefits are provided for certain current employees in Canada, China, Japan, the US and the UK. The cost of the benefits is fully paid by the CTC. The severance benefit plans are unfunded.

Post-retirement benefits which may include health, dental and life insurance are provided for certain retired employees in Canada and the US. The cost of these benefits is shared by the CTC and the retirees. The post-retirement benefit plans are unfunded.

Measurement date and date of actuarial valuation

The most recent actuarial valuation of the Canadian registered defined benefit pension plan for funding purposes was as at December 31, 2018 and was filed with the Office of Superintendent of Financial Institutions ("OSFI") by the due date of June 30, 2019.

The going concern financial position based on the most recent actuarial valuation showed a funding surplus of $2,365,400 (surplus of $2,525,000 – 2018). The valuation also identified an average solvency ratio of 90.2% (90.1% – 2018).

The CTC made solvency special payments of $701,000 in 2015 until it was determined in August 2015 to accelerate the future special solvency payments resulting in a payment of $3,000,000 in September 2015 and $1,000,000 in December 2015 for a total of $4,701,000 in 2015. The special payment made in 2016 was $700,000. There were no special solvency payments made between 2017 and 2019. Future special solvency payments cannot be reasonably estimated until a new funding valuation has been completed.

The CTC measures its accrued benefit obligations and the market value of plan assets of its pension plans and post-retirement non-pension benefits for accounting purposes at September 30th of each year.

CHANGE IN ACCRUED BENEFIT OBLIGATION

(in thousands of Canadian dollars)	Pension		Other Benefit Plans	
	2019	**2018**	**2019**	**2018**
Accrued benefit obligation, beginning of year	31,028	30,906	4,755	4,402
Current period benefit cost (employer portion)	24	44	58	115
Interest cost on average accrued benefit obligation	609	920	113	101
Employees' contributions	–	4	–	–
Benefits paid	(1,548)	(1,476)	(92)	(232)
Plan settlement	(30,194)	–	–	–
Actuarial loss (gain)	3,781	630	(151)	369
Accrued benefit obligation, end of year	3,700	31,028	4,683	4,755

CHANGE IN PLAN ASSETS

(in thousands of Canadian dollars)	Pension		Other Benefit Plans	
	2019	**2018**	**2019**	**2018**
Market value of plan assets, beginning of year	34,645	34,266	–	–
Actual return on plan assets net of actual investment expenses	1,224	1,406	–	–
Employer contributions	365	445	92	232
Employees' contributions	–	4	–	–
Benefits paid	(1,548)	(1,476)	(92)	(232)
Plan settlement	(30,194)	–	–	–
Market value of plan assets, end of year	4,492	34,645	–	–

RECONCILIATION OF FUNDED STATUS

Detailed Pension Plan Information *(in thousands of Canadian dollars)*	**2019**	**2018**
Defined benefit component of Pension Plan for Employees of the CTC		
Accrued benefit obligation	–	(27,451)
Plan assets	220	30,377
Surplus	220	2,926
Supplementary Retirement Plan for Certain Employees of the CTC		
Accrued benefit obligation	(2,860)	(2,873)
Plan assets	4,272	4,268
Surplus	1,412	1,395
Pension Plan for Employees of the CTC in China, Japan and South Korea		
Accrued benefit obligation	(840)	(704)
Deficit	(840)	(704)

The accrued benefit obligation and market value of assets at year-end are the following amounts in respect of plans that are unfunded:

Funded Status *(in thousands of Canadian dollars)*	**Pension**		**Other Benefit Plans**	
	2019	**2018**	**2019**	**2018**
Accrued benefit obligation	(840)	(704)	(4,683)	(4,755)
Funded status – deficit at end of year	(840)	(704)	(4,683)	(4,755)

RECONCILIATION OF FUNDED STATUS TO ACCRUED BENEFIT ASSET / (LIABILITY)

(in thousands of Canadian dollars)	**Pension**		**Other Benefit Plans**	
	2019	**2018**	**2019**	**2018**
Funded status – surplus (deficit), end of year	792	3,617	(4,683)	(4,755)
Unamortized actuarial losses (gains)	271	6,791	(162)	(100)
Accrued benefit asset (liability)	1,063	10,408	(4,845)	(4,855)

The cumulative excess of pension contributions on the Registered Pension Plan and Supplementary Retirement Plan over pension benefit cost is reported as an accrued benefit asset. The Pension Plan for Employees of the CTC in China, Japan, and South Korea, the post-retirement, post-employment benefits and sick leave are reported as an accrued benefit liability.

Accrued Benefit Asset / (Liability) *(in thousands of Canadian dollars)*	**2019**	**2018**
Registered Pension Plan for the Employees of the CTC	220	9,634
Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the CTC	1,433	1,436
Total accrued benefit asset	1,653	11,070
Pension Plan for the Employees of the CTC in China, Japan and South Korea	(590)	(662)
Non-pension Post Retirement Benefit Plan	(4,132)	(4,127)
Post Employment Severance Plan	(540)	(554)
Non-Vested Sick Leave Plan	(173)	(174)
Total accrued benefit liability	(5,435)	(5,517)
Total net accrued benefit asset	(3,782)	5,553

The weighted-average asset allocation by asset category of the CTC's defined benefit pension plans is as follows:

Asset Allocation	**2019**	**2018**
Equity securities	53%	16%
Debt securities	0%	79%
Cash	5%	0%
Receivable from Government of Canada	42%	5%
Total	100%	100%

NET BENEFIT COST RECOGNIZED IN THE PERIOD

(in thousands of Canadian dollars)	Pension		Other Benefit Plans	
	2019	**2018**	**2019**	**2018**
Current period benefit cost	24	48	58	115
Interest cost	–	–	113	101
Plan settlement cost*	8,936	–	–	–
Amortization of net actuarial loss (gain)	827	1,163	(90)	(100)
Total	9,787	1,211	81	116
Less: employee contributions	–	(4)	–	–
Retirement benefits expense	9,787	1,207	81	116
Interest cost on average accrued benefit obligation	609	920	–	–
Expected return on average pension plan assets	(686)	(1,031)	–	–
Retirement benefits interest income	(77)	(111)	–	–
Total pension expense	9,710	1,096	81	116

* *Includes $3,579,000 loss and $5,357,000 amortization of actuarial losses as a result of plan settlement.*

SIGNIFICANT ACTUARIAL ASSUMPTIONS USED ARE AS FOLLOWS (WEIGHTED AVERAGE)

	Pension		Other Benefit Plans	
	2019	2018	2019	2018
Accrued benefit obligation				
Discount rate				
• Registered Pension Plan for the Employees of the CTC	N/A	3.00%		
• Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the CTC	2.70%	2.65%		
• Pension Plan for the Employees of the CTC in China, Japan and South Korea	1.37%	2.40%		
• Non-pension post retirement			1.51%	2.43%
• Post employment severance			1.37%	2.40%
• Non-Vested Sick Leave Plan			1.37%	2.40%
Consumer price index				
• Registered Pension Plan for the Employees of the CTC	N/A	2.00%		
• Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the CTC	2.00%	2.00%		
• Pension Plan for the Employees of the CTC in China, Japan and South Korea	1.05%	0.40%		
Rate of compensation increase				
• Canadian	N/A	N/A	2.50%	2.50%
• Locally engaged	2.75%	2.75%	3.40%	3.40%
Pension expense				
Discount rate				
• Registered Pension Plan for the Employees of the CTC	3.00%	3.10%		
• Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the CTC	2.65%	2.70%		
• Pension Plan for the Employees of the CTC in China, Japan and South Korea	2.40%	1.98%		
• Non-pension post retirement			2.43%	2.40%
• Post employment severance			2.40%	1.98%
• Non-Vested Sick Leave Plan			2.40%	1.98%
Expected long-term rate of return on plan assets				
• Registered Pension Plan for the Employees of the CTC	3.00%	3.10%		
• Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the CTC	2.65%	2.70%		
Rate of compensation increase:				
• Canadian	N/A	1.50%	2.50%	2.50%
• Locally engaged	2.75%	2.75%	3.40%	3.40%

ASSUMED HEALTH CARE COST TREND RATE FOR OTHER BENEFIT PLANS

Net benefit cost	Other Benefit Plans			
	2019		2018	
	CDN	US	CDN	US
Initial health care trend rate	5.79%	7.65%	6.09%	7.88%
Ultimate health care trend rate	4.00%	4.50%	4.50%	4.50%
Year ultimate rate reached	2040	2033	2030	2033

Accrued benefit obligation	Other Benefit Plans			
	2019		2018	
	CDN	US	CDN	US
Initial health care trend rate	5.74%	7.43%	5.79%	7.65%
Ultimate health care trend rate	4.00%	4.50%	4.00%	4.50%
Year ultimate rate reached	2040	2033	2040	2033

Total cash amounts

Total cash amounts for employee future benefits, consisting of cash contributed in the normal course of business by the CTC to its funded and unfunded defined benefit pension plans, cash payments directly to beneficiaries for its unfunded other benefit plans, cash contributed to its defined contribution plans and cash contributed to its multi-employer defined benefit plan, are $1,161,000 ($1,486,000 – 2018).

8. PARLIAMENTARY APPROPRIATIONS

The schedule below reconciles the amount of funding available to the CTC during the year with the amount actually used in operations:

(in thousands of Canadian dollars)	**2019**	**2018**
Amounts provided for operating and capital expenditures		
Amounts voted:		
Main estimates 2018/19 (2017/18)	95,656	95,475
Supplementary estimates A	27	–
Supplementary estimates B	3,000	–
	98,683	95,475
Less: portion recognized in prior year	(73,212)	(68,488)
Amounts recognized in current year	25,471	26,987
Amounts voted:		
Main estimates 2019/20 (2018/19)*	100,666	95,656
	100,666	95,656
Less: portion to be recognized in following year	(23,916)	(22,444)
Amounts recognized in the current year	76,750	73,212
Parliamentary appropriations used for operations and capital in the year	102,221	100,199

* *Includes one-time funding Vote 5 $5,000,000 within 2019/20 Main Estimates for Launching a Federal Strategy on Jobs and Tourism.*

9. ACCUMULATED SURPLUS

The accumulated surplus comprises:

(in thousands of Canadian dollars)	**2019**	**2018**
Accumulated operating surplus	16,906	21,951
Accumulated remeasurement (loss) gain	(194)	154
Accumulated surplus	16,712	22,105

10. MARKETING AND SALES EXPENSES

The CTC carries out its activities in a variety of countries. These countries are supported by the CTC's Corporate Marketing and Sales units, located at headquarters including Global Marketing, Global Communications and Research. Geographical information is as follows:

(in thousands of Canadian dollars)	**2019**	**2018**
Corporate Marketing	50,291	53,106
Emerging Markets (India, Mexico, Japan, South Korea and China)	26,231	28,808
Core Markets & Other (UK, France, Germany, Australia and other)	27,329	27,661
Business Events Canada	10,054	8,428
	113,905	118,003

11. EXPENDITURE BY OBJECT

The following is a summary of expenditures by object:

(in thousands of Canadian dollars)	**2019**	**2018**
Program		
Consumer development	69,681	72,090
Trade development	20,918	22,451
Public and media relations	5,849	6,896
Research	4,582	4,015
Travel and hospitality	1,402	1,289
Advertising	–	94
Total program expenses	102,432	106,835
Salaries and benefits	15,477	15,249
Plan settlement cost	8,936	–
Operating expense		
Professional services	1,387	1,168
Rent	1,230	1,207
Information technology	718	674
Office	630	589
Travel and hospitality	539	774
Other	83	404
Realized foreign exchange (gain) loss	(12)	77
Total operating expenses	4,575	4,893
Expenses before amortization	131,420	126,977
Amortization	355	376
Total expenses	131,775	127,353

12. FINANCIAL INSTRUMENTS

Credit risk

The CTC is exposed to credit risk resulting from the possibility that parties may default on their financial obligations and from concentrations of third party financial obligations that have similar economic characteristics such that they could be similarly affected by changes in economic conditions. There is no concentration of credit risk with any one customer. Financial instruments that potentially expose the CTC to credit risk consist of cash and cash equivalents, portfolio investments and accounts receivable.

At December 31, 2019, the exposure to credit risk for cash and cash equivalents is $31,641,000 ($33,624,000 – 2018) (Note 3) and for portfolio investments is $803,000 ($384,000 – 2018) (Note 4).

The CTC minimizes credit risk on cash and cash equivalents and portfolio investments by dealing only with reputable and credit worthy financial institutions. At December 31, 2019, the CTC held $30,856,000 in cash and cash equivalents and portfolio investments with federally regulated chartered banks and $1,584,000 in cash at foreign institutions. The federally regulated chartered banks and foreign institutions which the CTC holds cash and cash equivalents and portfolio investments with have the following long-term bank deposit credit and financial strength ratings:

Credit Ratings

Moody's	Aa3	A2	Aa2
Standard & Poor's	A+	A	A+

In March 2012, the CTC received $1,000,000 from Treasury Board Secretariat relating to locally engaged staff pension benefits under the WWP (Note 7). The CTC's policy is to invest these funds with well-established financial institutions in investments composed of low risk assets. Currently the CTC has invested these funds in Canadian provincial governmental bonds, guaranteed investment certificates and mutual funds (Note 3 and Note 4). All investments are monitored by management on a monthly basis.

Accounts receivable credit risk is minimized by the fact that many of the partners that work with the CTC are federally, provincially or municipally funded. The CTC measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the CTC's historical experience regarding collections. At December 31, 2019, there is no impairment allowance ($4,000 – 2018).

The amounts past due at year-end are as follows:

Accounts Receivable *(in thousands of Canadian dollars)*	**Total**	**Current**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**>120 days**
Partnership contributions	1,617	1,311	127	139	–	–	40
Government of Canada	618	618	–	–	–	–	–
Other	4	4	–	–	–	–	–
Total	2,239	1,933	127	139	–	–	40

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the credit risk.

Liquidity risk

Liquidity risk is the risk that the CTC will not be able to meet all cash outflow obligations as they come due. To mitigate this risk, the CTC monitors cash activities and expected outflows through monthly and quarterly budget and forecast analysis. In addition, investments are maintained in assets that may be converted to cash in the near term if unexpected cash outflows arise. The amounts of financial liabilities past due at year-end are as follows:

Accounts Payable *(in thousands of Canadian dollars)*	**Total**	**Current**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**>120 days**
Trade	14,333	5,530	8,663	166	–	(23)	(3)
Employee compensation	1,677	1,624	–	–	–	–	53
Government of Canada	81	81	–	–	–	–	–
Total	16,091	7,235	8,663	166	–	(23)	50

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the liquidity risk.

Currency risk

Currency risk arises due to the fact that the CTC operates in several different currencies and translates non-Canadian revenue and expenses to Canadian dollars at different points in time. The CTC does not hedge against fluctuations in foreign exchange rates and accepts the operational and financial risks associated with any such fluctuations. At December 31, 2019, the exposure to currency risk based on the year-end monetary balances denominated in a foreign currency for financial assets is $1,521,000 ($3,427,000 – 2018) and for financial liabilities is $1,337,000 ($2,297,000 – 2018) (Note 5). The impact of a 10% change in foreign exchange rates would not have a material impact on net operations.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the currency risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The CTC is exposed to this risk through its interest bearing portfolio investment balances. The CTC does not hedge against fluctuations in market interest rates and accepts the operational and financial risks associated with any such fluctuations. A variation of 1% in the interest rate would not have a material impact on the financial statements. At December 31, 2019, the exposure to interest rate risk for portfolio investments was $803,000 ($384,000 – 2018).

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the interest rate risk.

13. CONTRACTUAL OBLIGATIONS

The CTC has entered into various agreements for marketing and consulting services and leases for office premises and equipment in Canada and abroad. The total contractual obligations of the CTC as at December 31, 2019 are $128,902,000. Also included in the contractual obligation amount are purchase orders issued for which the CTC has not yet received the goods or services. The total contractual obligations have increased compared to the prior year due to a prospective change to report the CTC's total contractual obligations as at December 31, 2019 rather than the minimum obligations reported as at December 31, 2018.

(in thousands of Canadian dollars)	
2020	100,072
2021	13,652
2022	8,969
2023	3,409
2024	2,800
Total	128,902

14. CONTINGENCIES

In the normal course of business, various legal claims and lawsuits have been brought against the CTC. Where in the opinion of management, losses, which may result from the settlement of the matters, are determinable within a reasonable range and such losses are considered by management as likely to be incurred, they are charged to expenses. In the event management concludes that potential losses are indeterminable, no provision is recognized in the accounts of the CTC. There are no significant legal claims against the CTC.

15. RELATED PARTY TRANSACTIONS

The CTC enters into transactions with all Government of Canada created departments, agencies, and Crown corporations in the normal course of business. Details of these transactions are provided in Note 8 and Note 12.

There were no significant transactions with KMP and their close family members, nor were there any transactions that have occurred at a value different from which would have been arrived at if the parties were unrelated.

16. CONTRACTUAL RIGHTS

The nature of the CTC's activities can result in some multi-year contracts and agreements that result in the CTC having rights to both assets and revenue in the future. These arrangements typically relate to marketing services. Where the terms of contracts and agreements allow for reasonable estimates, the major contractual rights are summarized in the table presented below.

CONTRACTUAL RIGHTS

(in thousands of Canadian dollars)	**2020**	**2021**	**2022**	**Total**
Marketing Revenue	508	658	–	1,166
Other Revenue	1,142	1,069	180	2,391
	1,650	1,727	180	3,557

(left) **BRITISH COLUMBIA | Tofino** | Destination BC, (right) **ONTARIO | Toronto** | Destination Canada

FOR THE BRAVE. FOR THE BOLD.

GOVERNANCE

Legislative Framework

As an agent of the Crown, we are a federal Crown corporation wholly owned by the Government of Canada.

We are provided with overarching public policy priorities, broad strategic goals and expectations. The *Canadian Tourism Commission Act* and various regulations provide the legislative basis for our establishment and our activities. Through the Minister of Economic Development and Official Languages, we are accountable to Canada's Parliament through the submissions of an Annual Report, a five-year Corporate Plan and an Operating and Capital Budget annually to Parliament.

Board of Directors

Our Board of Directors consists of up to 12 members who oversee the management of the organization and provide strategic guidance and oversight.

The Board ensures that appropriate systems of governance, leadership and stewardship are in place while at the same time empowering management to deliver on its mandate.

Board membership comprises the Chair and the President and CEO of Destination Canada which are Governor-in-Council appointments, and the Deputy Minister of Innovation, Science and Economic Development Canada (ex officio). Further, up to nine additional directors, appointed by the Minister with Governor-in-Council approval, make up the remainder of the Board. Directors are appointed based on the full range of skills, experience and competencies required to add value to our decisions on strategic opportunities and risks.

At the end of 2018, there was one vacancy on the Board. In 2019, the Board welcomed two new members and saw the departure of one member, leaving no vacancies at the end of the year.

Over the course of the year, the Board met five times and average attendance at meetings was 91%.

YUKON | Kluane National Park | Kyle Mulinder

MEMBERSHIP

As at December 31, 2019

Ben Cowan-Dewar
Chair of the Board of Directors

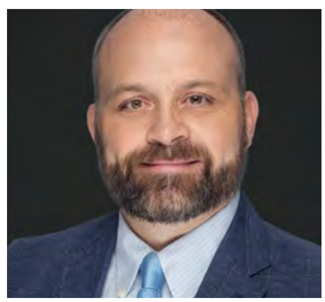
Anwar Chaudhry, CPA-CA
Interim President and CEO, Destination Canada

Simon Kennedy (ex officio)
Deputy Minister, Innovation, Science and Economic Development

Patti Balsillie, BA, ICD.D
Tourism, Innovation and Northern Strategist

Julie Canning
Cowgirl and Operating Partner, Banff Trail Riders

Zita Cobb
Co-Founder and CEO, Shorefast Foundation

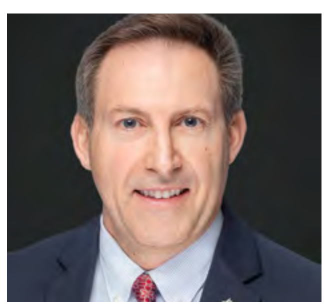


Stan Cook
Former Owner and President, Stan Cook Sea Kayak Adventures

Randy Garfield
Former President, Walt Disney Travel

Monique Gomel
Vice-President, Global Marketing & Communications, Rocky Mountaineer

Pat Macdonald, ICD.D
Co-founder & CEO, United Craft



Dragan Matovic
Chairman and CEO, Halex Capital Inc.

Andrew Torriani
President, CEO and General Manager, Ritz-Carlton Montréal

COMMITTEES OF THE BOARD

The Human Resources, Governance and Nominating Committee advises and supports directors in applying our corporate governance principles, assists in evaluating potential board candidates and develops recommendations to the Minister on board appointments (excluding the Chair, the President and CEO and the ex officio director). Additionally, the committee reviews and advises on the President and CEO's annual objectives and our human resources policies, plans and processes, including succession, compensation and benefits plans.

In addition to the duties and functions mandated by the Financial Administration Act, the Audit and Pension Committee reviews and recommends to the Board processes for identifying and managing risk, internal control systems and processes for complying with related laws and regulations. The committee also oversees the administration, investment activities and financial reporting of our pension plans.

ADVISORY COMMITTEES

From time to time, the Board creates advisory committees to advise it on how best to deliver our programs and services. The committees take their direction from, and report to, the Board. Composed primarily of members from private sector tourism entities, these committees play an important role in linking Destination Canada to the tourism industry.

We have the following three advisory committees:

- Leisure Markets Advisory Committee
- Business Events Advisory Committee
- Research Advisory Committee

(left) **ALBERTA | Kananaskis Country** | Destination Canada, (right) **BRITISH COLUMBIA | North Vancouver** | Johannes Nicht

Executive Team

The President and CEO is accountable to the Board and has responsibility for the day-to-day operations. Senior Management plays a vital role in strategic leadership, working closely with the Board to set objectives, develop strategies, implement actions and manage performance. Senior management also recommends to the Board sweeping changes, identifies business risks and manages the complex intellectual, capital and technical resources of Destination Canada.

In 2019, we saw the departure of David F. Goldstein, President and CEO of Destination Canada who joined the organization in December 2014. During Mr. Goldstein's tenure, he was instrumental in bringing the industry together under a unified approach to align marketing strategies and investments and work towards a unified goal for Canada's visitor economy.

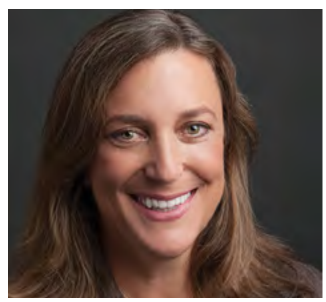
Since Mr. Goldstein's departure, Destination Canada has been working with the Government of Canada to fill this vacancy on a permanent basis. During this process, the Board has appointed executive leaders within the organization to assume this role in an interim capacity. At the time of writing in early 2020, the Board had appointed David Robinson, Vice President, Strategy and Stakeholder Relations, as the Interim President and CEO.

EXECUTIVE TEAM

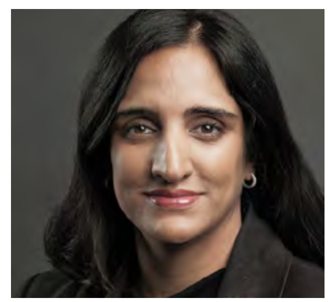
As at December 31, 2019

Anwar Chaudhry, CPA-CA
Interim President and CEO

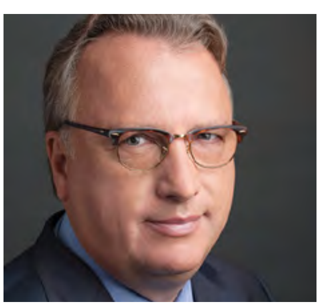
Joanna Mukai
Interim Chief Financial Officer



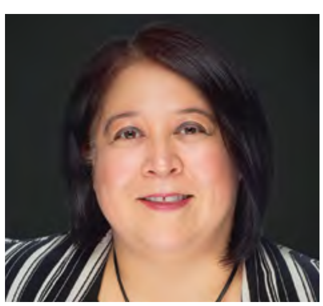
Gloria Loree
Chief Marketing Officer



Sarah Sidhu
General Counsel and Corporate Secretary



David Robinson
Vice President, Strategy and Stakeholder Relations



Maureen Riley
Vice President, International

Vacant
Vice President, Global Marketing


FOR
GLOWING
HEARTS
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