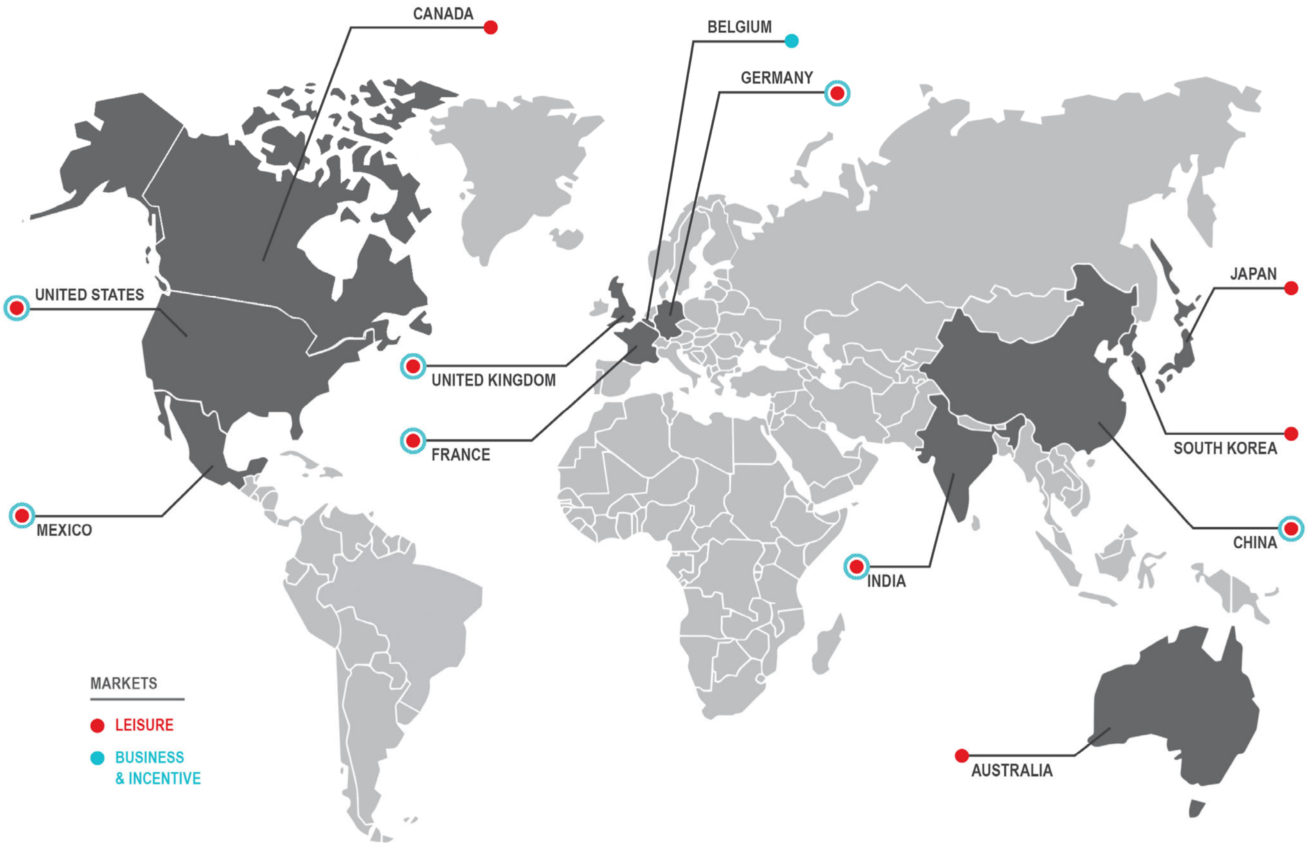
Drumheller, Alberta ©Travel Alberta

DESTINATION CANADA

2020–2024 Corporate Plan Summary

Approved by Destination Canada's Board of Directors
November 2019

Canada



In 2018, our marketing efforts attracted 1.39 million additional visitors to Canada who spent over $1.76 billion in Canada from coast to coast to coast. This boost to the visitor economy generated over $220 million in federal tax revenue and supported over 13,000 tourism related jobs in Canada.

Additional information on our 2018 performance can be found in our 2018 Annual Report.

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EXECUTIVE SUMMARY

Canada is a world-class tourism destination. The sector has experienced a remarkable boom in recent years, with the country welcoming record numbers of visitors. As an economic driver, it outpaces more traditional industries and is the nation's largest service export valued at over $22 billion. As an economic driver, tourism creates jobs and has the power to positively transform communities big and small.

While the sector has been growing, Canada is still a ways away from reaching its full potential. Most visits occur in the summer months and gravitate towards the major centres. This challenge of seasonal and concentrated demand has led to compression – in other words, constrained capacity in many regions across Canada at certain times of the year. As a result, much of the country is left unexplored and open to welcoming visitors during non-peak times.

Industry and federal stakeholders understand that much can be done to not only sustain the sector but to help it grow. Increasing Canada's long-term competitiveness entails a commitment to quality and differentiation and the Government of Canada's recently-launched ***CREATING MIDDLE CLASS JOBS:*** *A Federal Tourism Growth Strategy* is designed to do just that. It focusses on building tourism in Canada's communities and addresses ways to help unlock tourism investment. By creating the right conditions, Canada will be able to diversify its tourism products and draw private sector investment to build needed accommodations and attractions that entice visitation year-round and to all regions.

As Canada's national tourism marketer, we will support this strategy by helping to diversify travel across the country and expand travel beyond peak seasons through innovative marketing. We will continue to work with our Team Canada partners to deepen consumer analytics, explore more sophisticated means of marketing measurement, and enhance how we reach and appeal to prospective travellers.

We are committed to improving Canada's international competitiveness so that it can reach new heights over the long-term. With a vision to drive the visitor economy, we will help to generate economic benefits to more people in more places.

OVERVIEW

Mandate

We are a federal Crown corporation owned by the Government of Canada, reporting to the Minister of Economic Development and Official Languages. Established under the *Canadian Tourism Commission Act* in 2001, our legislative 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 to the governments of Canada, the provinces and the territories.

Who we are

Destination Canada markets Canada internationally. Our **mission** is to unite and empower Canada's tourism leaders through compelling research, strategy and storytelling to drive the visitor economy.

We use data-driven marketing strategies to stimulate international demand and tourism export revenue for Canada in 10 international countries: Australia, China, France, Germany, India, Japan, Mexico, South Korea, the UK and the USA. In 2020, we will also target Canada as a domestic market.

Our campaigns are targeted to reflect individual market conditions and traveller interests. In collaboration with our tourism industry partners, we promote Canada internationally as a premier four-season tourism and business events destination.

We are a leader in industry knowledge and provide intelligence, tools, and insights to our partners, equipping them to optimize their business and maximize their reach.

Our **vision** is that together, we create the next era of travel, inspiring those with glowing hearts to fall in love with Canada.

OPERATING ENVIRONMENT

External

Global Tourism

Tourism is one of the fastest growing sectors in the world and a valuable contributor to the world economy. In 2018, international tourism accounted for 29% of the world's services exports, contributing an average of almost $5 billion USD a day to the world economy[1]. Growth in overnight visitation of 6% outpaced predictions of 4-5%[2]. A total of 1.4 billion people crossed international borders for travel, a milestone reached two years ahead of forecasts made by leading experts[3].

As a driver of commerce and socio-economic progress, revenue from tourism is a primary source of income for many developing countries. For industrialized nations, tourism's reach and economic impact is significant, extending beyond the sector itself to act as a powerful generator of employment, investment, sustainability and innovation in other economic sectors.

While tourism has been performing well over the last several years, growth is expected to return to more modest levels. Predictions are that the global economic slowdown, the looming uncertainty of Brexit and escalating trade and political tensions will keep investors and travellers cautious.

Tourism in Canada

As an economic driver and Canada's largest service export, international tourism generates over $22 billion and almost one-fifth of all service export revenues[4]. It often outpaces more traditional industries such as agriculture and fishing and has a footprint that can be felt in nearly every community and region from coast to coast to coast.

Canada's tourism industry has benefited tremendously from the boom in global tourism over the last several years. The robust growth in world demand for travel coupled with increased aviation capacity, currency advantages, improved visa access and increased federal marketing investments led to 2018 being the best year for Canadian tourism on record. International arrivals broke the 21 million mark for the first time ever[5].

At the same time, revenue from international tourism has been growing, albeit at an increasing pace. As shown in the graph on the opposite page, since 2016, the rate of growth of international spending has been exceeding that of international visitation, demonstrating that Canada has been successful in attracting the high-yield traveller.

[1] UNWTO World Tourism Barometer, UNWTO, May 2019.

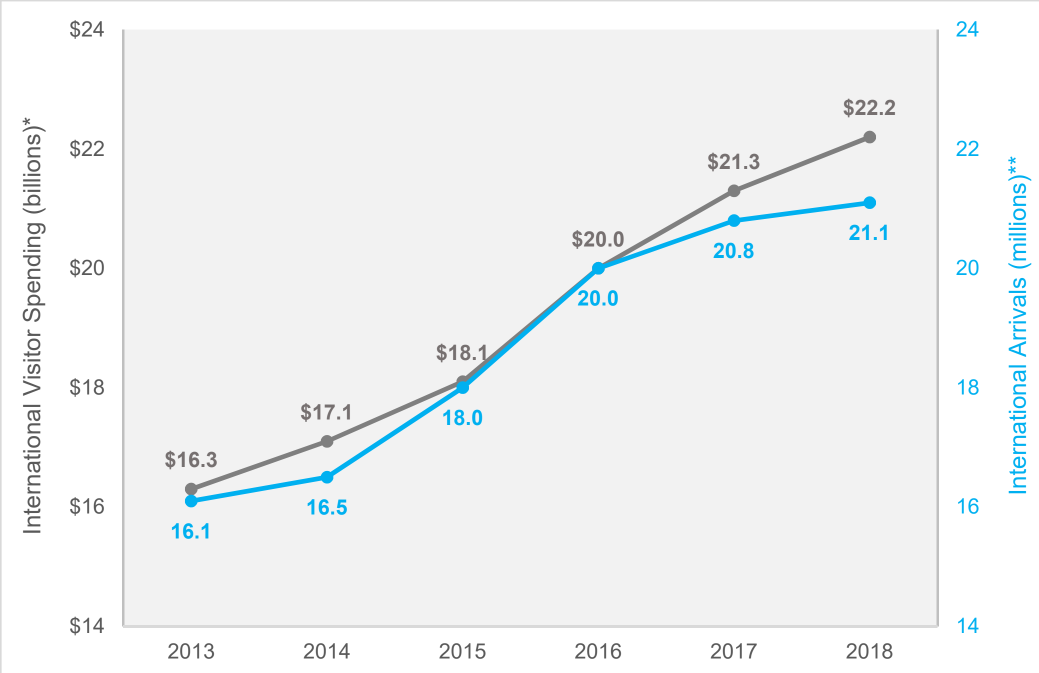
[2] UNWTO World Tourism Barometer, UNWTO, January 2018.

[3] *Ibid*.

[4] **CREATING MIDDLE CLASS JOBS**: A Federal Tourism Growth Strategy, Government with Canada, 2019.

[5] Tourism Highlights, Destination Canada, December 2018.

Canada's Tourism Performance



* Statistics Canada, National Tourism Indicators
** Statistics Canada, Frontier Counts

While Canada continues to resonate as a destination of choice among international travellers, the rapid rise of global tourism over the years has created capacity constraints in the areas of accommodations, local transport and attractions, particularly during peak seasons and in major cities. In 2018, we commissioned a report that assessed how Canada could enhance international competitiveness and concluded that under the right conditions, Canada's tourism sector could outpace global growth through 2030[6]. Recommendations from the study influenced Canada's federal strategy on tourism, released in May 2019. ***CREATING MIDDLE CLASS JOBS: A*** *Federal Tourism Growth Strategy* offers an innovative approach to government-industry collaboration, provides new funding for product development and proposes a new way of investing in tourism designed to address structural barriers and help unlock investment.

What an average traveller spends on a trip in Canada

Canadian traveller

$329

American traveller

$686

Other international traveller

$1,480

* Statistics Canada, 2018 Visitors Travel Survey

[6] Unlocking the Potential of Canada's Visitor Economy, McKinsey & Company, December 2018.

Internal

Interim President & CEO

With the resignation of the President & CEO of Destination Canada, our Board of Directors appointed the Senior Vice President, Finance and Risk Management and Chief Financial Officer to assume the role of Interim President & CEO effective November 2, 2019 for a 90-day period. During this time, management will continue to work with the Government of Canada to fill this vacancy in a permanent capacity.

Workforce

As of November 1, 2019, we have a staff complement of 112 full-time equivalent employees around the world. We are headquartered in Vancouver with in-market offices in London, Beijing and Tokyo serving as regional hubs. In addition, we have a small satellite office in Ottawa focused on working with the federal family on tourism-related issues and national tourism associations headquartered in Ottawa.

Roughly half of our workforce is unionized. The collective agreement covering this group was renewed in 2017 for five years, providing labour and budget stability. From a future financial liability standpoint, we have transferred future Canadian employees' defined benefit pension risk to the private sector. This has greatly mitigated our financial exposure to future pension liabilities and this authority was approved in our 2018-2022 Corporate Plan.

Refreshed Brand

Our target 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 new taglines – *For Glowing Hearts* in English *and Le 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.

Elements of the new brand have already been featured in our international programming and will continue to be used to inspire our content across our marketing.

CANADA

Business Capabilities and Processes

Advances in technology require us to be agile in our planning, pivot our business and market plans and adjust how we measure success.

As technology affects the marketing and tourism landscapes, we seek to improve our capabilities in understanding consumer insights, measuring campaign performance and advancing our digital marketing capabilities. Operationally, we regularly seek to better protect ourselves against digital security breaches and threats of cybersecurity.

Funding Level

As a federal Crown corporation, we are funded by both public and private means. After receiving a series of one-time funds for specific marketing initiatives, our federal appropriations have now stabilized at $95.7 million annually, allowing for improved multi-year planning.

Internal Audits

Our annual risk-based, internal audit plan is integrated with our 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.

Over the course of 2020-2021, the following audits and reviews are planned to take place:

Audit of Regional Management Practices
Our previous risk assessment identified that our foreign operations have the potential to introduce risks related to compliance with Canadian policies, directives, regulations and legislation. The objective of this audit is to assess the management practices and internal controls in place to mitigate the risks of non-compliance in our foreign operations.

Review of Content Production
With increased use of actors and other marketing personalities, along with greater ownership of content and assets, there is a risk of not properly managing the associated legalities (i.e. copyrights, usage rights and terms). This review will perform a risk assessment and ensure that we have appropriate controls in place to manage this risk.

Audit of Vendor Management
We increasingly rely on third-party services providers which could result in critical business process failures if they are not able to fulfil their contractual obligations. This audit will focus on vendor selection, how to determine their assigned roles and responsibilities, vendor performance monitoring and risk assessment.

STRATEGIC PLAN

Objective 1: Increase demand for Canada with innovative marketing

Expanding Seasonality and Geographic Dispersion

Canada's tourism sector has been facing a challenge of compression for several years. As noted in ***CREATING MIDDLE CLASS JOBS:*** *A Federal Tourism Growth Strategy*, the vast majority of travellers visit Canada's three largest provinces and tend to concentrate on their major cities, leaving much of the country largely untapped. In addition, travel to Canada is also highly seasonal, with the majority of visits taking place in the summer months. This concentration of demand or "compression" has led to constrained capacity and high prices for accommodations and attractions.

To help address the challenge of geographic compression, we will focus efforts to increase visitation in non-compressed areas while maintaining visitation in compressed regions. Working with our partners, we will better understand the availability of products and experiences outside frequently-visited urban centres. We will build them into our content marketing to encourage travellers to visit more places across the country.

To help increase visitation during non-peak travel periods, a balance of year-round offerings is essential. While summer remains a major draw, winter is appreciated for its unique activities and experiences. We will focus on better understanding what products and experiences are available during shoulder seasons and integrate them into our content marketing so that travellers have compelling reasons to visit at any time of the year.

Increasing Yield

The ideal travellers are high-value ones – those who spend more and stay longer. Those more likely to visit further afield, choose a luxury experience or add on a leisure component to business travel are high-yield travellers that we will target. We will focus on maximizing visitor spend by identifying and influencing those travellers with a propensity to spend more when travelling and work with the industry to ensure that the right products are available and marketed appropriately.

A key aspect of increasing availability in the sector will be our domestic campaign. As identified in ***CREATING MIDDLE CLASS JOBS:*** *A Federal Tourism Growth Strategy*, over the 2019-2020 year, we will conduct a domestic campaign to encourage 260,000 Canadians to visit areas outside the major destinations. Encouraging Canadians to discover more of their own country will help to grow tourism in less-constrained and rural regions. In parallel, this will help to increase capacity for major destinations to accommodate higher-yield international travellers during exceptionally busy periods.

An integrated and results-focused approach

Impacting a traveller's decision to visit Canada requires a multi-channel approach. We have long been active in four channels – marketing directly to the consumer, working directly with the travel trade to sell to the consumer, engaging in media relations and public relations activities, and pursuing event planners and decision-makers to choose Canada as a meetings and business events destination. While a multi-channel approach is key to connecting with and converting potential leisure and business travellers, in 2020 we will fully integrate all four channels.

In addition, we will shift resource allocation from a channel-first approach to one that is objectives-based in each of our target markets. With a focus on the result sought in each market, such a shift will enable us to maximize our marketing and sales impact to drive incremental visitation and tourism spending.

Key Risks

Our ability to increase demand for Canada can be adversely affected by global events or changes in the political climate, either within Canada or in our target markets. In addition, there is always a risk that our marketing activities may be not produce the desired results. To mitigate these risks, we maintain a presence in many diverse markets, continue to improve our strategic marketing capabilities, and work with our partners to advance our collective strength.

On the horizon

Podcasts. The growth in podcasts over the last decade has been explosive. Listeners have the ability to listen to what they want, when they want it. Beginning in the fall of 2019, we will launch a pilot podcast series targeting the American listener. Six episodes will follow an American journalist alongside a Canadian journalist as they travel to six destinations in Canada to uncover unique aspect of our people and culture.

Bleisure travel. Business travellers have been increasingly adding leisure time to their trips. To capitalize on this growing trend, in the fall of 2019 we will launch our first ever bleisure-specific video focusing on the wealth of experiences that can be enjoyed when extending a business trip for the weekend.

Traditional media. From the resiliency of print media to the golden age of television, traditional media is back and is still a vital component in a brand story. Recently and together with our partners, we brought a local Australian morning show to broadcast live from scenic spots in Newfoundland and Labrador. Being able to get up close and personal with icebergs showcased to Aussies places that are a little more remote and off-the-beaten-path. We will continue to employ traditional media to tell our story to vast audiences in exciting ways.

Objective 2: Advance the commercial competitiveness of the tourism sector

Collaboration to Innovate

Our mission is to unite and empower Canada's tourism leaders to drive the visitor economy. We strive to equip the tourism industry with the platforms to collaborate and the insights they need to make the best decisions for their business. We are also focused on continually improving our processes to better serve our industry and partners.

Many Canadian tourism entrepreneurs, particularly small- and medium-sized businesses, rely on the trade shows and media events that we host or participate in to reach important international markets. Our international reach connects them with travel agents, tour operators and media from around the world that can help them generate export success.

In addition, we regularly bring together the expertise of our industry through marketing task forces where thought leaders work collectively to address challenges and obtain value that could not be attained by working alone. Together with our provincial and municipal partners, we have collaborated with Google to strengthen the sector's digital and strategic marketing capabilities. Using Google's innovative technology, we will better understand travellers' reactions to our content and use that information to shape future marketing activities. We will improve how we analyze and share data and better measure the impact of our marketing efforts. A collaboration of this nature and on a national scale has the potential to generate economic tourism opportunities across Canada and make Canada a global digital leader in the tourism space.

Collaboration to Increase Destination Investment

The federal tourism strategy ***CREATING MIDDLE CLASS JOBS:** A Federal Tourism Growth Strategy* recognizes the need for substantial investments to build new attractions and accommodations, and the services to support them. To this end, the strategy proposes a new way of investing in tourism designed to address structural barriers and help unlock investment. The strategy offers a collaborative public-private sector model for tourism investment and seeks to establish tourism investment groups in every region of Canada, co-led by regional development agencies and Destination Canada. The investment groups are to enable the development of impactful tourism projects, including large-scale destination projects. We will look to align the broader federal family, provincial, territorial and destination tourism bodies, and the private sector around a coordinated strategy for this initiative.

Key Risks

Advancing commercial competitiveness can be impacted by our ability to accurately measure the results of our marketing efforts. To ensure that we continue to make a significant impact on the tourism sector, we will continue to improve how we measure ourselves and keep working with partners to standardize measurement approaches.

Objective 3: Increase corporate efficiency and effectiveness

Over the years, we've focused on controlling corporate costs and creating efficiencies across our corporate processes.

As part of the collective agreement established two years ago, an at-risk pay component of compensation was introduced for unionized roles. In keeping with our compensation philosophy to drive and reward results-based performance, we will expand this component to all staff in 2020.

We are committed to providing access to technology and tools that are current, effective, and position us to be responsive to the ever-changing needs of our business. We will upgrade our suite of business applications to Office 365 which will allow employees to work from anywhere at any time, improve collaboration capabilities with colleagues and reduce the complexity of the server infrastructure. To further streamline operational processes and improve the use of technology, we will continue to maximize usage of our SAP enterprise application. In addition, we will explore an expense management system to improve workflows and reduce manual processes.

In the spirit of continual improvement, our Global Marketing team is aiming to reduce the time it takes content to reach our audiences. They are also collaborating with partners and agencies to identify and prioritize what competencies we must excel at to achieve our objectives.

Key Risks

Being an effective organization is predicated on a strong and talented workforce, and not being able to effectively compete for skilled and talented staff can impact recruitment, retention and employee engagement. To mitigate against this risk, we will continue to focus on training and job enrichment opportunities and modernize our staffing approaches.

Operating in several countries in multiple currencies makes us susceptible to currency fluctuations. To mitigate against the risk of reduced purchasing power, we aim to transact in Canadian dollars whenever possible and our investments are spread across a diversified set of markets.

EXPECTED RESULTS

MEASURE	2018 RESULT	2019 TARGET	2020 TARGET	2021 TARGET	2022 TARGET	2023 TARGET	2024 TARGET
GOAL: Visitor economy provides more benefits to more people in more parts of the country							
Attributable tourism export revenue[1]	$1.76 billion	$1.72 billion	$1.85 billion	$1.94 billion	$2.03 billion	$2.13 billion	$2.24 billion
Attributable arrivals	1,392,070	1,308,000	1,408,000	1,449,000	1,491,000	1,534,000	1,578,000
Objective 1: Increase demand for Canada with innovative marketing							
Unaided consideration[2]	5.9%	8.2%	7.2%	7.9%	8.5%	9.0%	9.4%
Objective 2: Advance the commercial competitiveness of the tourism sector							
Partner co-investment ratio	0.9:1	1:1	1:1[3]	1:1[3]	1:1[3]	1:1[3]	1:1[3]
% of partners who indicate Destination Canada activities advance their business objectives	80%	85%	85%	85%	85%	85%	85%
Objective 3: Increase corporate efficiency and effectiveness							
Marketing and sales ratio[4]	93%	90%	90%	90%	90%	90%	90%

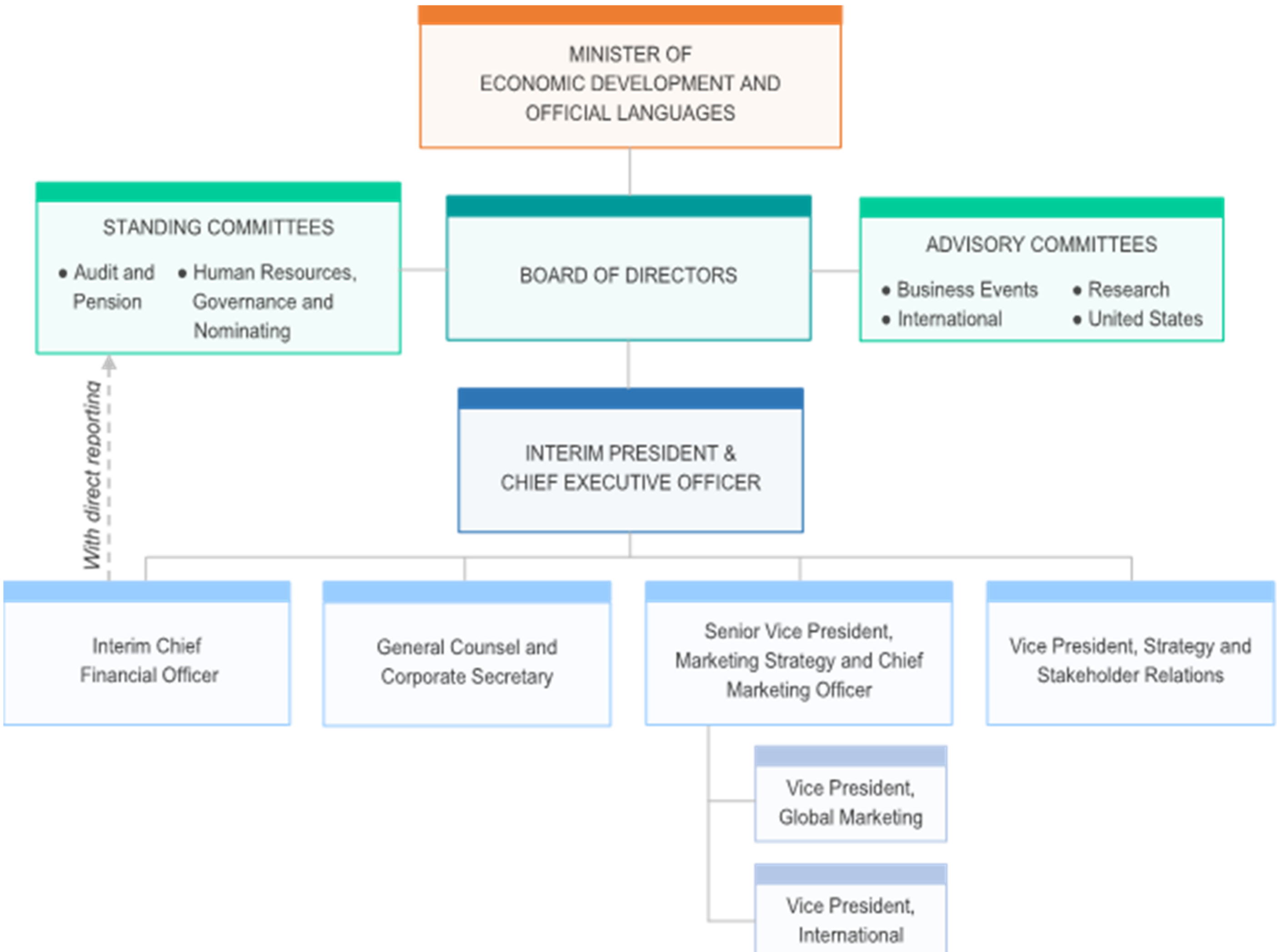
[1] Expressed in nominal dollars.

[2] Percentage of long-haul travellers in our markets who name Canada as one of the top three destinations they are likely to visit in the next two years.

[3] The constrained ability of provincial, territorial and destination marketing partners to co-invest as in previous years as a result of uncertainty in their funding levels may impact our actual results.

[4] Percentage of marketing and sales expenditures over total expenditures.

APPENDIX A: GOVERNANCE STRUCTURE



Board of Directors

The Board consists of up to 12 members who oversee the management of Destination Canada, and provide strategic guidance and effective oversight. With the support of two committees, 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. Examples of specific functions of the Board are:

- Establishing the organization’s corporate objectives
- Monitoring corporate performance and evaluating results
- Ensuring effective strategic risk management
- Providing financial oversight
- Monitoring the Chief Executive Officer’s (CEO’s) performance
- Overseeing succession planning of the CEO
- Reviewing and approving major decisions affecting the organization

The Board comprises the Chair and the President & CEO of Destination Canada which are Governor in Council appointments, and the Deputy Minister of Innovation, Science and Industy (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 management’s decisions on strategic opportunities and risks.

Membership

As at December 1, 2019

Ben Cowan-Dewar

Chairperson of the
Board of Directors
Toronto, ON

Term: February 22, 2017 – February 21, 2022

Anwar Chaudhry

Interim President & CEO,
Destination Canada
Vancouver, BC

Simon Kennedy (ex officio)

Deputy Minister, Innovation,
Science and Economic
Development
Ottawa, ON

Patti Balsillie, BA, ICD.D

Tourism, Innovation and
Northern Strategist
Whitehorse, YK

Term: April 12, 2017 – April 11, 2021

Julie Canning

Cowgirl and Operating Partner,
Banff Trail Riders
Banff, AB

Term: February 1, 2018 – January 31, 2022

Zita Cobb

Co-Founder and CEO,
Shorefast Foundation
Fogo Island, NL

Term: July 19, 2019 – July 18, 2023

Stan Cook

Former owner and President,
Stan Cook Sea Kayak
Adventures
St. John's, NL

Term: February 1, 2018 – January 31, 2022

Randy Garfield

Former President, Walt Disney
Travel
Stratford, ON

Term: April 12, 2017 – April 11, 2021

Monique Gomel

Vice-President, Global
Marketing & Communications,
Rocky Mountaineer
Vancouver, BC

Term: April 12, 2017 – April 11, 2021

Pat Macdonald, ICD.D

Co-founder & CEO, United Craft
Toronto, ON

Term: April 12, 2017 – April 11, 2020

Dragan Matovic

Chairman and CEO, Halex
Capital Inc
Niagara Falls, ON

Term: March 5, 2009 – April 11, 2020

Andrew Torriani

President, CEO and General
Manager, Ritz-Carlton Montréal
Kirkland, QC

Term: July 19, 2019 – July 18, 2023

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 & CEO and the ex officio director). Additionally, the committee reviews and advises on the President & CEO's annual objectives and our human resources policies, plans and processes, including succession, compensation and benefits plans. The committee meets approximately four times a year and has five members including the Chairperson of the Board as an ex officio member.

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. The committee meets approximately four times a year and has five members including the Chairperson of the Board as an ex officio member.

Both the above committees are mandated under the *Canadian Tourism Commission Act*.

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 the Board 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 four advisory committees: Business Events Canada Advisory Committee, International Advisory Committee, Research Advisory Committee and US Advisory Committee.

Executive Team

The President & CEO is accountable to the Board and has responsibility for 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.

The executive team also recommends to the Board sweeping changes, identifies business risks and manages the complex intellectual, capital and technical resources of Destination Canada.

Membership

As at December 1, 2019

Anwar Chaudhry

Interim President & CEO

Joanna Mukai

Interim Chief Financial Officer

Gloria Loree

Senior Vice President, Marketing Strategy and Chief Marketing Officer

Sarah Sidhu

General Counsel & Corporate Secretary

David Robinson

Vice President, Strategy & Stakeholder Relations

Maureen Riley

Vice President, International

Vacant

Vice President, Global Marketing

APPENDIX B: FINANCIAL STATEMENTS AND BUDGETS

Financial Overview

The 2020 Corporate Plan reflects the base parliamentary appropriations of $95.7 million per year and an additional $5 million one-time special funding to support growing the visitor economy through a domestic marketing campaign in the government fiscal year ending March 31, 2020. With various one-time funding for special projects over the years, our parliamentary appropriations have varied somewhat over the years. In 2018 and 2019, appropriations were held steady at $100.2 million. In 2020, we expect appropriations to be $99.2 million and return to base levels of $95.7 million beginning in 2021.

In the 2017-2021 Corporate Plan, we outlined our approach to de-risk the pension plans. With annual actuarial valuations, a pension plan audit and other regulatory and required filing fees, the defined benefit component of the Registered Pension Plan for Canadian employees is the most costly and most financially volatile plan to maintain. With improved market conditions in 2019, our criteria for exercising an annuity purchase transaction were met. This transaction will see the assets and liability associated with the defined benefit plan transferred to a third party.

Total corporate services expenses represent less than 10% of total expenses on an ongoing basis – lower than the Treasury Board condition of 15%. This allows us to allocate the majority of our parliamentary appropriations directly into marketing and sales programs.

Major Assumptions

The financial statements, operating budgets and capital budgets are based on the following assumptions:

- The purchase of annuities for the defined benefit plan occurring in 2019. The impact to the Statement of Operations is separately presented in the expenses as 'defined benefit pension de-risking impact' and the accrued benefit asset relating to this pension has significantly decreased this balance on the Statement of Financial Position;
- Our capital budgets include small but important investments in server upgrades in 2020 and 2021; and
- Salary costs are based on our new evaluation and classification system that merged unionized and non-unionized job classifications. This aligns to the existing collective agreement effective October 2017 and the salary bands for the new classification system established in 2019.

Statement of Financial Position

As at December 31, 2018 to December 31, 2024

(In thousands of Canadian dollars)	Actual Dec. 31, 2018	Estimated Dec. 31, 2019	Planned Dec. 31, 2020	Planned Dec. 31, 2021	Planned Dec. 31, 2022	Planned Dec. 31, 2023	Planned Dec. 31, 2024
Financial assets							
Cash and cash equivalents	33,624	26,490	21,844	17,736	17,216	17,208	17,154
Accounts receivable							
Partnership contributions	4,121	2,696	2,383	2,431	2,480	2,529	2,580
Government of Canada	2,017	500	500	500	500	500	500
Other	19	35	35	35	35	35	35
Portfolio investments	384	301	311	261	269	229	237
Accrued benefit asset	11,070	1,398	1,398	1,398	1,398	1,398	1,398
	51,235	31,420	26,472	22,361	21,898	21,899	21,904
Liabilities							
Accounts payable and accrued liabilities							
Trade	24,945	15,935	14,733	14,370	13,957	14,010	14,063
Employee compensation	1,462	1,462	1,462	1,462	1,462	1,462	1,462
Government of Canada	71	250	250	250	250	250	250
Deferred revenue	386	362	362	362	362	362	362
Deferred lease inducements	682	583	484	385	286	188	89
Accrued benefit liability	5,517	5,467	5,417	5,367	5,317	5,267	5,217
Asset retirement obligation	164	164	164	164	164	164	164
	33,227	24,223	22,872	22,361	21,799	21,702	21,607
Net financial assets	18,008	7,197	3,600	-	99	197	297
Non-financial assets							
Tangible capital assets	2,715	2,831	2,604	2,380	2,093	1,811	1,528
Prepaid expenses and other assets	1,382	1,382	1,079	776	776	776	776
	4,097	4,213	3,683	3,156	2,869	2,587	2,304
Accumulated surplus	22,105	11,410	7,283	3,157	2,969	2,785	2,602

Our financial position will remain relatively stable throughout the 2020-2024 planning period, with the exception of the $9.7 million decrease in the accrued benefit asset balance as a result of the completion of the annuity purchase transaction in 2019 resulting in reduced accumulated surplus.

Assets

Financial assets are expected to decrease between December 31, 2018 and December 31, 2024 due to the removal of the accrued defined benefit pension asset related to the annuity purchase transaction to transfer the liabilities of the defined benefit component of the Registered Pension Plan for Canadian Employees. The remaining balance in 2019 and future years relates to the Supplementary Retirement Plans for Certain Canadian Employees – Defined Benefit component.

Liabilities

Our overall liability is expected to decrease between December 31, 2018 and December 31, 2024. This is driven by the decrease in the accounts payable balance following the decrease in marketing and sales expenses over the same period.

Accumulated Surplus

We plan to spend all our appropriations and cash partnership contributions over the next five years, and in addition, show annual deficits. These deficits represent the amortization of tangible capital assets, actuarial losses on the pension plans and the deferred lease inducement. The sum of these expenses and revenues accounts for the entire in-year deficit and is covered by previous years' accumulated surplus. We plan to utilize some of the accumulated surplus to enhance marketing efforts in 2020 and 2021 resulting in larger deficits, in-year.

Statement of Operations

For the years ending December 31

(In thousands of Canadian dollars)	Actual 2018	Estimated 2019	Planned 2020	Planned 2021	Planned 2022	Planned 2023	Planned 2024
Revenues							
Partnership contributions	25,359	22,626	20,000	20,400	20,808	21,224	21,649
Other	2,331	1,467	1,485	1,515	1,545	1,576	1,607
	27,690	24,093	21,485	21,915	22,353	22,800	23,256
Expenses							
Marketing and sales	118,003	115,181	114,729	111,460	107,698	107,938	108,182
Corporate services	7,997	8,821	8,785	8,968	9,201	9,389	9,580
Strategy and planning	977	922	887	905	923	941	960
Amortization of tangible capital assets	376	347	366	365	377	372	372
Defined benefit de-risking impact*	-	9,672	-	-	-	-	-
	127,353	134,944	124,768	121,697	118,198	118,641	119,096
Net cost of operations before funding from the Government of Canada	(99,663)	(110,851)	(103,283)	(99,782)	(95,845)	(95,841)	(95,840)
Parliamentary appropriations	100,199	100,156	99,156	95,656	95,657	95,657	95,657
Surplus / (deficit) from operations	536	(10,695)	(4,127)	(4,126)	(188)	(184)	(183)
Accumulated surplus from operations, beginning of period	21,415	21,951	11,256	7,129	3,003	2,815	2,631
Accumulated surplus from operations, end of period	21,951	11,256	7,129	3,003	2,815	2,631	2,448
Ratio of Operating Expenses to Marketing and Sales Expenses**	**7%**	**8%**	**8%**	**8%**	**9%**	**9%**	**9%**

* One-time accounting impact of the transfer of defined benefit pension liabilities by purchasing annuities to cover all future pension benefits. The 2019 planned operating budget includes the forecasted actuarial amortization of $1.3 million.

** "Operating Expenses" include expenses for Corporate services and Strategy and planning.

Revenues

Parliamentary Appropriations

We are financed mainly by Government of Canada parliamentary appropriations which were $100.2 million in 2018. Appropriations peaked at $100.2 million in 2018 and 2019 as a result of time limited incremental funding for Connecting America and Budget 2016 – Marketing Canada as a Premier Tourist Destination. Appropriations returned to $95.7 million base funding levels in 2019 with an additional $5 million in one-time funding for a domestic marketing campaign in the 2019-2020 government fiscal year.

In 2019 we received three sources of appropriations (for a description of how we reconcile the government fiscal year with our calendar fiscal year see *Reconciliation of Parliamentary Appropriations to Government Fiscal Year*):

- Base funding of $95.7 million in 2019, confirmed throughout the remaining planning cycle. This base funding reflects the 2017 Federal Budget announcement and the Treasury Board's approved increase for negotiated salary adjustments;
- $5 million for a domestic marketing campaign; and
- $3 million in Supplementary Estimates B to increase promotion of business events and meetings and increase tourism marketing initiatives in the United States.

Partner Revenues

We leverage the value of appropriated funding by partnering with other organizations on marketing campaigns to strengthen the Canada brand. For marketing campaigns that we lead, partner organizations either provide cash or in-kind contributions. Cash contributions are recognized and reported as partner revenues in the Statement of Operations.

We continue expanding partnerships with provincial and territorial marketing organizations, national, regional and local companies, destination marketers, media, non-traditional partners and tourism associations.

Preliminary estimates show a decrease in cash contributions in 2019 and 2020 as the Connecting America marketing campaign was completed in 2018. Many of our traditional partners have experienced budget declines, which will decrease the capital pool available to invest in our marketing campaigns; however, we plan to maintain a minimum of $20 million in revenues over the next five years through strategic diversification in partnerships as noted above.

Expenses

Expenses are fairly consistent with our appropriation with the exception of the one-time defined benefit plan de-risking impact as separately presented in the 2019 estimates.

Marketing and Sales

We are committed to invest a minimum of 90% of all revenues and parliamentary appropriations in marketing and sales throughout the 2020-2024 planning cycle. Shifts in annual parliamentary appropriations and changes in cash partnership contributions have a direct impact on the marketing and sales spending levels, which explains the small decrease from 2018.

Corporate Services

Over the planning period, the cost of corporate services as a percent of overall spending is expected to remain below the 15% maximum set by Treasury Board. We are committed to spend no more than 10% of our combined revenue in corporate services throughout the 2020-2024 planning cycle.

Corporate services will only increase by an inflationary amount of 2% per year going forward. Training continues to be a focus at Destination Canada as the intention is to provide opportunities for staff to learn and develop, increasing employee engagement and enablement. These investments are also required to strengthen and modernize our internal control framework and optimize operational processes for greater efficiency.

Amortization

The Statement of Operations includes amortization expense of tangible capital assets, unamortized pension plan loss and amortization of leasehold improvements.

Pension de-risking impact

As part of our pension plan de-risking strategy, we transferred future Canadian employees' defined benefit pension risk to an insurance company. The full unamortized actuarial loss will be recorded in our statements in 2019, the year of purchase. This actuarial loss, estimated at $9.7 million, will produce a temporary accounting deficit in-year. Although there will be no significant incremental cash disbursement generated by this transaction, the figures contained in the forecasted Statements of Financial Position and Operations are impacted after this transaction.

Statement of Remeasurement Gains and Losses

For the years ending December 31

(In thousands of Canadian dollars)	Actual 2018	Estimated 2019	Planned 2020	Planned 2021	Planned 2022	Planned 2023	Planned 2024
Accumulated remeasurement gains / (losses) at beginning of year	(35)	154	154	154	154	154	154
Unrealized gains / (losses) attributable to foreign exchange	154	(35)	(35)	(35)	(35)	(35)	(35)
Amounts reclassified to the statement of operations	35	35	35	35	35	35	35
Net remeasurement gain for the period	189	-	-	-	-	-	-
Accumulated remeasurement gains at end of year	154	154	154	154	154	154	154

Statement of Change in Net Financial Assets

For the years ending December 31

(In thousands of Canadian dollars)	Actual 2018	Estimated 2019	Planned 2020	Planned 2021	Planned 2022	Planned 2023	Planned 2024
Accumulated surplus / (deficit) for the period	536	(10,695)	(4,127)	(4,126)	(188)	(184)	(183)
Acquisition of tangible capital assets	(71)	(463)	(140)	(140)	(90)	(90)	(90)
Amortization of tangible capital assets	376	347	366	365	377	372	372
Net disposition of tangible capital assets	-	-	-	-	-	-	-
	305	(116)	226	225	287	282	282
Effect of change in other non-financial assets							
(Increase) / decrease in prepaid expenses	(552)	-	304	301	-	-	1
	(552)	-	304	301	-	-	1
Remeasurement gain	189	-	-	-	-	-	-
Increase / (decrease) in net financial assets	478	(10,811)	(3,597)	(3,600)	99	98	100
Net financial assets, beginning of period	17,530	18,008	7,197	3,600	-	99	197
Net financial assets, end of period	18,008	7,197	3,600	-	99	197	297

Statement of Cash Flows

For the years ending December 31

(In thousands of Canadian dollars)	Actual 2018	Estimated 2019	Planned 2020	Planned 2021	Planned 2022	Planned 2023	Planned 2024
Operating transactions							
Cash received from:							
Parliamentary appropriations used to fund operating transactions	100,199	100,156	99,156	95,656	95,657	95,657	95,657
Partnership contributions	27,105	24,027	20,313	20,352	20,759	21,175	21,598
Other revenues	1,771	920	938	968	998	1,029	1,061
Interest	448	448	448	448	448	448	448
	129,523	125,552	120,856	117,425	117,863	118,310	118,765
Cash payments:							
To suppliers	(104,224)	(117,096)	(110,000)	(105,633)	(102,003)	(101,498)	(101,449)
To and on behalf of employees	(14,598)	(15,211)	(15,350)	(15,809)	(16,282)	(16,769)	(17,270)
Cash applied to / (used in) operating transactions	10,701	(6,755)	(4,494)	(4,017)	(421)	42	45
Capital transactions							
Acquisition of tangible capital assets	(71)	(463)	(140)	(140)	(90)	(90)	(90)
Investing transactions							
(Acquisition) / Disposition of portfolio investments	(25)	83	(10)	50	(8)	40	(8)
Net remeasurement gain / (loss) for the period	189	-	-	-	-	-	-
Net increase / (decrease) in cash during the period	10,794	(7,135)	(4,644)	(4,107)	(519)	(8)	(53)
Cash and cash equivalents, beginning of period	22,830	33,624	26,490	21,844	17,736	17,216	17,208
Cash and cash equivalents, end of period	33,624	26,490	21,844	17,736	17,216	17,208	17,154

Reconciliation of Parliamentary Appropriations to Government Fiscal Year

For the years ending December 31

(In thousands of Canadian dollars)	Actual 2018	Estimated 2019	Planned 2020	Planned 2021	Planned 2022	Planned 2023	Planned 2024
Amounts provided for operating and capital expenditures							
Amounts voted: prior year							
Main estimates	95,475	95,656	95,683	95,656	95,656	95,656	95,656
Domestic campaign	-	-	5,000	-	-	-	-
Supplementary estimates B			3,000				
	95,475	95,656	103,683	95,656	95,656	95,656	95,656
Less: portion recognized in prior year	(68,488)	(73,212)	(77,712)	(73,185)	(71,742)	(71,742)	(71,742)
Amounts recognized in current year	26,987	22,444	25,971	22,471	23,914	23,914	23,914
Amounts voted: current year							
Main estimates	95,656	95,656	95,656	95,656	95,656	95,656	95,656
Domestic campaign	-	5,000	-	-	-	-	-
Supplementary estimates B	-	3,000	-	-	-	-	-
	95,656	103,656	95,656	95,656	95,656	95,656	95,656
Less: portion to be recognized in following year	(22,444)	(25,944)	(22,471)	(22,471)	(23,913)	(23,913)	(23,913)
Amounts recognized in current year	73,212	77,712	73,185	73,185	71,743	71,743	71,743
Parliamentary appropriations used for operations and capital in the year	100,199	100,156	99,156	95,656	95,657	95,657	95,657

Operating Budget

For the years ending December 31

(In thousands of Canadian dollars)	Actual 2018	Planned 2018	Variance	Estimated 2019*	Planned 2019	Variance	Planned 2020
Partnership contributions	25,359	19,000	6,359	22,626	20,500	2,126	20,000
Other revenues	2,331	1,002	1,329	1,467	1,090	377	1,485
Operating costs							
Marketing and sales	117,529	110,906	6,623	115,181	118,692	(3,511)	114,729
Strategy and planning	977	686	291	922	1,176	(254)	887
Corporate services	7,316	8,609	(1,293)	8,920	10,134	(1,214)	8,884
	125,822	120,201	5,621	125,023	130,002	(4,979)	124,500
Net cost of operations	(98,132)	(100,199)	2,067	(100,930)	(108,412)	7,482	(103,015)
Funded by:							
Parliamentary appropriations	100,199	100,199	-	100,156	100,656	(500)	99,156
Net surplus / (deficit)**	**2,067**	**-**	**2,067**	**(774)**	**(7,756)**	**6,982**	**(3,859)**

* Expenses include amounts funded by partnership contributions and are based on six months of actual data and six months of forecasted data.

** Actual 2018, estimated 2019 and planned 2020 columns exclude the actuarial pension adjustments, capital amortization and leasehold inducements, but include capital asset additions.

Cash partnership contributions jumped by 33% over planned levels in 2018 as a result of advancing the business planning cycle by several months and taking a global approach to partnerships. This incremental cash contribution was invested in marketing campaigns as reflected in the increased marketing and sales expenses. We anticipate a more modest 10% difference between the 2019 plan and our latest estimates which are based on six months of actual data and six months of forecasted data.

Capital Budget

For the years ending December 31

(In Canadian dollars)	Actual 2018	Planned 2018	Estimated 2019	Planned 2019	Planned 2020	Planned 2021	Planned 2022	Planned 2023	Planned 2024
Tangible capital assets									
Leasehold improvements and decommissioning	-	10,000	241,000	275,000	15,000	15,000	15,000	15,000	15,000
Office furniture	-	5,000	152,000	105,000	5,000	5,000	5,000	5,000	5,000
Computer equipment and software	71,000	90,000	70,000	70,000	120,000	120,000	70,000	70,000	70,000
	71,000	**105,000**	**463,000**	**450,000**	**140,000**	**140,000**	**90,000**	**90,000**	**90,000**

The 2019 year is estimated to be a capital investment year as we renovated a section of the headquarters office to utilize our space more efficiently. In addition, the Ottawa office moved to a new location upon expiry of the lease which resulted in leasehold improvements and purchases of office furniture. In the five-year plan through 2020-2024, capital expenditures reflect an upgrade to our servers at headquarters in 2020 and 2021 with no new additional investments planned.

Actual and Forecasted Expenditures for Travel, Hospitality and Conferences

For the years ending December 31

(In Canadian dollars)	Actual 2018	Estimated 2019	Planned 2020	Planned 2021	Planned 2022	Planned 2023	Planned 2024
Travel							
Operational activities	4,135,000	4,097,847	4,180,000	4,264,000	4,349,000	4,436,000	4,525,000
Key stakeholders	267,000	277,608	283,000	289,000	295,000	301,000	307,000
Internal governance and training	220,000	231,340	236,000	241,000	246,000	251,000	256,000
Hospitality	706,000	849,657	867,000	884,000	902,000	920,000	938,000
Conferences	99,000	79,089	81,000	83,000	85,000	87,000	89,000
	5,427,000	5,535,540	5,647,000	5,761,000	5,877,000	5,995,000	6,115,000

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

We are funded primarily 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, such as Connecting America, 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 our year-end (December 31) differs from that of the Government of Canada’s (March 31), we receive parliamentary appropriations from two government fiscal years.

We 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. We will have a parliamentary appropriations receivable balance when restricted appropriations recognized exceed the restricted funding received.

We do not have the authority to exceed approved appropriations.

b) Partnership contributions

We conduct marketing activities in partnership with a variety of Canadian and foreign organizations. When we assume the financial risks of conducting a marketing activity, contributions received from a partnering organization are recognized as income when the related marketing activity takes place. Partnership contributions received for marketing activities yet to take 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.

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. We do not hedge against the risk of foreign currency fluctuations.

e) Cash and cash equivalents

Cash and cash equivalents include cash in bank and a money market term deposit. These items are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

f) Portfolio investments

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

g) Prepaid expenses

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

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 counted 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 related marketing activity or event has taken place. 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, 2018 and 2017, 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. We recognize 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. 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.

l) Employee future benefits

Subsequent to the December 31, 2018 year-end, management committed to completing an annuity purchase transaction for the defined benefit component of the Registered Pension Plan with an insurance company. Assets were transferred to the insurance company on May 22, 2019 as reflected in the estimated 2019 Statement of Financial Position. The accrued benefit asset balance of the defined benefit component of the Registered Pension Plan will decrease by approximately $9.7 million to reflect the defined benefit pension de-risking impact. The full updated note disclosure relating to this transaction will be reflected in the audited 2019 Annual Report.

The note below has not been updated to reflect the annuity pension transaction subsequent to our 2018 Annual Report.

We offer 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), and defined contribution pension plans. 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 were closed effective December 30, 2017 and benefits and service of plan participants were frozen as of that date. We fund 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 in which the plan amendment occurred.

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 2018, EARSL has been determined to be 6.6 years (7.6 years – 2017) for the Registered Pension Plan for Employees of the CTC (RPP), 0.0 years (0.0 years – 2017) for the Supplementary Retirement Plan for certain employees of the CTC (SRP), 15.4 years (11.2 years – 2017) for the Pension Plan for Employees of the CTC in Japan, South Korea and China (WWP), 21 years (7 years – 2017) for non-pension post-retirement benefits, 12 years (13 years – 2017) for severance benefits and 14 years (13 years – 2017) 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. Our 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 we are 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 to us 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, we are related to all Government of Canada created departments, agencies and Crown corporations. Our 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 organization's activities, as well as their close family members. We have defined our KMP to be members of the Board of Directors and management employees at the Senior Vice-President level and above.

p) In-kind partnership contributions

In the normal course of business, we receive in-kind contributions from our 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. We record inter-entity transactions at the exchange amount except for the following:

- Audit services received without charge between commonly controlled entities; and
- 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.

APPENDIX C: RISK MANAGEMENT

We manage risk through formal risk review processes with staff and our Board of Directors, and by using the expert advice of independent third parties. As well, we are monitored by the Office of the Auditor General of Canada and undergo special examinations periodically as required by the *Financial Administration Act*.

By identifying strategic risks that impact our organizational objectives, we can address them proactively so that they are effectively managed.

Non-financial Risks

High residual risk | Medium residual risk | Low residual risk

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

GLOBAL ECONOMIC AND GEO-POLITICAL — **2019:** Medium **2018:** Medium

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 will continue to maintain a balanced investment approach across our portfolio of markets and ensure that country budgets are flexible to allow reallocations, if necessary. We will maintain awareness of climate change and its related impact on tourism. We will continue to offer support, tools, assets and sales opportunities to the industry to help withstand these issues, facilitate their export readiness and help grow their businesses.

MARKETING EFFECTIVENESS — **2019:** Medium **2018:** Medium

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

Mitigation activities: We will continue to use our marketing task forces to address challenges as a collective and strengthen our digital and strategic marketing capabilities. We will continue to analyze and share data and better measure the impact of our marketing efforts.

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

PERFORMANCE MEASUREMENT — **2019:** Medium **2018:** Medium

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: We will continue to utilize the latest technology to measure the results of our marketing efforts and we will continue working with our partners to standardize performance measurement approaches.

KEY RISK FOR OBJECTIVE 3: Increase corporate efficiency and effectiveness

CHANGE AND TALENT MANAGEMENT **2019:** Low **2018:** Low

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 potentially 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 will continue to focus on training, job enrichment opportunities and enhancing employee communications. We will continue to modernize our staffing approach and update succession plans at the management level to ensure the seamless continuity of business when key leadership positions are vacated.

Financial Risks

High residual risk | Medium residual risk | Low residual risk

KEY RISK FOR OBJECTIVE 3: Increase corporate efficiency and effectiveness

CURRENCY **2019:** Low **2018:** Medium

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 employ 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 make concerted efforts with vendors to transact in Canadian dollars whenever possible.

APPENDIX D: COMPLIANCE WITH LEGISLATIVE AND POLICY REQUIREMENTS

As a Crown corporation, we are subject to various legislations, Treasury Board policies, and Governor in Council and ministerial directives. Below are examples of our efforts to comply with applicable governing instruments.

Access to Information Act and Privacy Act

We provide access to records under our control upon receiving a formal request for information, unless the records or portions thereof are exempted or excluded from disclosure as determined under the respective Act. We also maintain internal policies and procedures on the processing of such requests.

We prepare and submit annual reports to Parliament on the administration of both Acts. Our last reports were submitted in June 2019 for 2018-2019 government fiscal year.

Conflict of Interest Act

All staff, advisory committee members and board members appointed through the Governor-in-Council process are expected to act honestly, openly and ethically. We have established codes of conduct and a code of ethics that all are required to adhere to, and all are required to disclose any conflicts of interest.

In addition to these requirements, the Government of Canada requires Governor-in-Council appointees to comply with the *Conflict of Interest Act Summary of Rules for Public Office Holders* and with the pertinent sections of the *Financial Administration Act* on conflict of interest. To monitor compliance with these regulations, board members and advisory committee members are required to submit annual declarations to management affirming their compliance.

Canadian Human Rights Act

The *Canadian Human Rights Act* forms the basis of our Respectful Workplace Policy. This policy was updated in 2018 to more clearly define responsibilities, identify prohibited behaviour and cite our investigation process. Mandatory training sessions were conducted to ensure staff understood the policy and new staff are also oriented to the policy as part of their onboarding process.

Official Languages Act

We prepare and submit annual reports to the Treasury Board Secretariat and Canadian Heritage on our efforts to comply with our obligations under the *Official Languages Act*. Our last report was submitted in June 2019 for the 2018-2019 government fiscal year.

In addition to ensuring compliance with official language reporting requirements, we actively work on and monitor progress against an official languages action plan that includes the promotion of linguistic duality, helping to advance the development of official language minority communities and enhancing our services to the public.

Trade Agreements

Our contracting policy establishes the guiding principles for the procurement of goods and services at Destination Canada. Reflecting the principles of integrity, fairness and open competition, the policy takes into account our obligations under various trade agreements that apply to us as a federal Crown corporation.

APPENDIX E: SUPPORT FOR GOVERNMENT PRIORITIES AND DIRECTION

Canada's New Tourism Strategy

***CREATING MIDDLE CLASS JOBS:** A Federal Tourism Growth Strategy* offers an innovative approach to government-industry collaboration, provides new funding for product development and proposes a new way of investing in tourism designed to address structural barriers and help unlock investment. As part of this strategy, $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 addition, the strategy creates tourism investment groups comprising Destination Canada along with various federal partners to help attract private investment into the sector and enable the development of large-scale tourism projects.

Building a Strong Middle Class

Our commitment to increase Canada's long-term tourism competitiveness supports the federal priority to create jobs and broad-based prosperity for middle class Canadians. It also generates essential tax revenue which supports federal programming for those who need it most.

Partnerships with Provinces, Territories and Municipalities

We and 27 partners from across the industry have come together in a coordinated and unified fashion to purposefully improve Canada's long-term competitiveness. Under this multi-year, sustainable strategy, we're leading an aligned approach to make Team Canada more efficient and effective. Our co-investors from tourism marketing organizations at all levels and the Indigenous Tourism Association of Canada are working together under mutually agreed to and shared objectives, a coordinated marketing and sales strategy and a common measurement framework.

Strengthening the Canadian Brand

Strengthening the Canadian brand abroad for tourists has been a priority of the federal government. The objective is to raise Canada's profile of tourism products and help them stand out from the competition. Our refreshed brand, supported by the tagline *For Glowing Hearts*, is designed to create a strong emotional connection with travellers and inspire even more international travellers to visit Canada.

Indigenous Peoples

In late 2018, we renewed our relationship with Indigenous Tourism Association of Canada to ensure that Indigenous tourism businesses continue to have access to our relevant marketing programs, services and partnerships. In particular, this agreement serves to highlight Indigenous tourism experiences through our Business Events Canada marketing, connects travel trade and media to export-ready Indigenous experiences, and increases access to global research and market intelligence.

Gender-Based Analysis Plus (GBA +)

As our mandate includes the promotion of Canada abroad, we consider a variety of GBA+ factors in the selection of our target audiences. Travel habits and patterns are greatly influenced by such factors as geographic location, gender, sexual orientation, age, socio-economic status, education level, marital and family status, and cultural norms. These factors are taken into account when developing our marketing plans and activities.

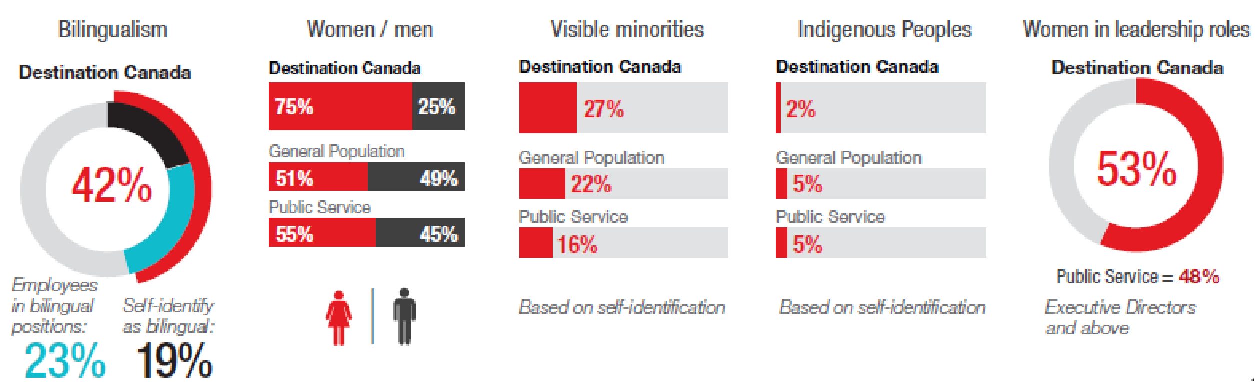
From a governance perspective, GBA+ factors are taken into account when reviewing our board composition, including gender and regional representation. This information is routinely shared with the board to inform their recommendations to the Minister for membership.

Diversity and Employment Equity

Our flagship trade event, Rendez-vous Canada, is held annually in Canada and is an opportunity for Canadian tourism businesses to connect with foreign travel buyers. We have actively increased representation of Indigenous and francophone tourism experiences at this event so that the diversity of Canada is showcased domestically and to our target international markets. In addition, many of the businesses featured in our Canadian Signature Experiences are owned or co-owned by women.

Internally, we recognize that a diversified workforce that embraces a multiplicity of viewpoints and cultures drives innovation and increases engagement. Our representation of women, visible minorities and women in leadership roles exceeds those of the public service and general population averages. While representation of Indigenous Peoples is slightly lower than the national average, this remains a priority area in our recruitment strategy.

In addition, the composition of our Board of Directors reflects the diversity of Canadians, including regional diversity and representation from the francophone community, the Indigenous community, visible minority groups and women.



Transparency and open government

As part of our ongoing commitment to transparency and good governance, we proactively disclose information on our operations and expenses on our corporate web site. This includes annual reports on the administration of our obligations under the *Access to Information Act* and of the *Privacy Act*, privacy impact assessments that we've undertaken, and quarterly travel and hospitality expenses of the Board Chair, the President & CEO and the senior management team.

Sustainable Development

Over the years, we have put in place a number of initiatives to encourage environmental consciousness including relocating our headquarters office to a smaller footprint and ensuring that our headquarters office location is transit accessible. We have equipped our headquarters facility with recycling and organic waste amenities, and greater use of digital marketing has significantly reduced our consumption of printed marketing materials. Looking ahead, we will continue to promote and facilitate environmentally sustainable choices and actions to reduce waste and consumption.