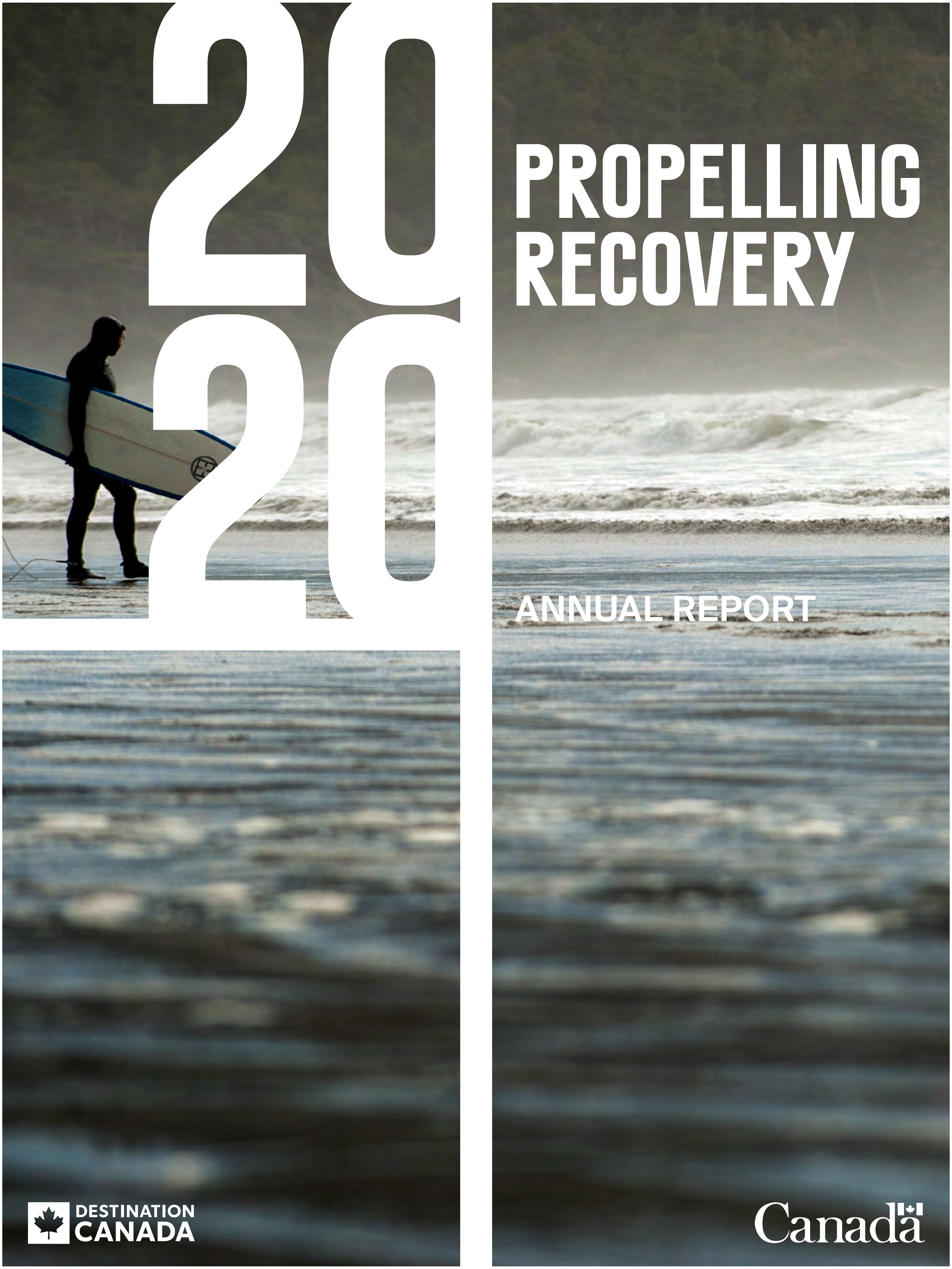
2020

PROPELLING RECOVERY

ANNUAL REPORT



DESTINATION CANADA

Canada

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IMPRINT

Photos

Brian Caissie – Cox Bay, Tofino, British Columbia (Cover); Noel Hendrickson – Banff, Lake Louise Tourism (4/5); Chris Amat – Pursuit Banff Jasper Collection (10/11); Destination Canada (8/9, 12/13, 14, 17, 18/19, 20, 21, 22, 23, 25, 26l, 27r, 31); Discover Halifax (16); Keith Tanner, Tourism London Ontario (17l, 27l); Caroline Perron (17r); Riley Smith Photo – Oddfellows Barbershop (26r), Dilly Dally Cafe (27r); Via Ferrata / Mt Norquay (32); Dave Daley, Travel Manitoba – Wapusk Adventures (35); Ryan Bray, Jasper National Park, Parks Canada (37); Calgary Tower, Tourism Calgary (39); Golden Tourism (73); Chris Amat – Central Library, Tourism Calgary (76 top); LoveYYC by Mikaela MacKenzie – Peace Bridge, Tourism Calgary (76 bottom); Reuben Krabbe (78/79)

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OUR ASPIRATION IS TO ENHANCE THE QUALITY OF LIFE OF CANADIANS

AND ENRICH THE LIVES OF VISITORS.

Message from the President & CEO

MESSAGE

This year, the entire world was impacted by the health, economic and social effects caused by the COVID-19 pandemic. While industries everywhere have endured loss, travel and tourism continues to be among the most affected sectors.

Tourism was hit first, hit the hardest and will feel the pain the longest.

In Canada, tourism has been a dominant industry, contributing $105 billion to the national economy in 2019. For long it has employed one in 10 Canadians, but since the onset of the pandemic, tourism workers have been disproportionately affected. Over 440,000 jobs have been lost from the industry alone — many of which are at risk of never coming back.

In addition to the devastating loss of so many industry jobs, the quality of life of Canadians everywhere has been impacted. Despite initial signs of recovery, tourism businesses continued facing significant financial stress, leading to many businesses having to close their doors, some permanently, throughout the year. This resulted in a decline of 9% in active businesses from January to November 2020 — the greatest decline of all business sectors.

Tourism builds personal connections, supports the social and economic wellbeing of our communities, facilitates improvements to infrastructure and transportation systems, and expands direct foreign investment. Tourism is a powerful engine that creates a ripple effect of economic, socio-cultural and environmental benefits in communities big and small, all across our nation.

As lockdowns around the world and here at home took hold, we knew we had to act fast to support an industry on the brink of collapse. We took immediate action to respond to the information needs of our industry and government with an expanse of timely, reliable data.

MESSAGE

Knowing that recovery would begin at a hyper-local level, our messaging in the domestic market focused on inspiring Canadians with ideas for travelling in their own backyard, restoring confidence so they could understand how to travel while keeping with health and well-being protocols, and reminding them of the value that tourism brings to our communities.

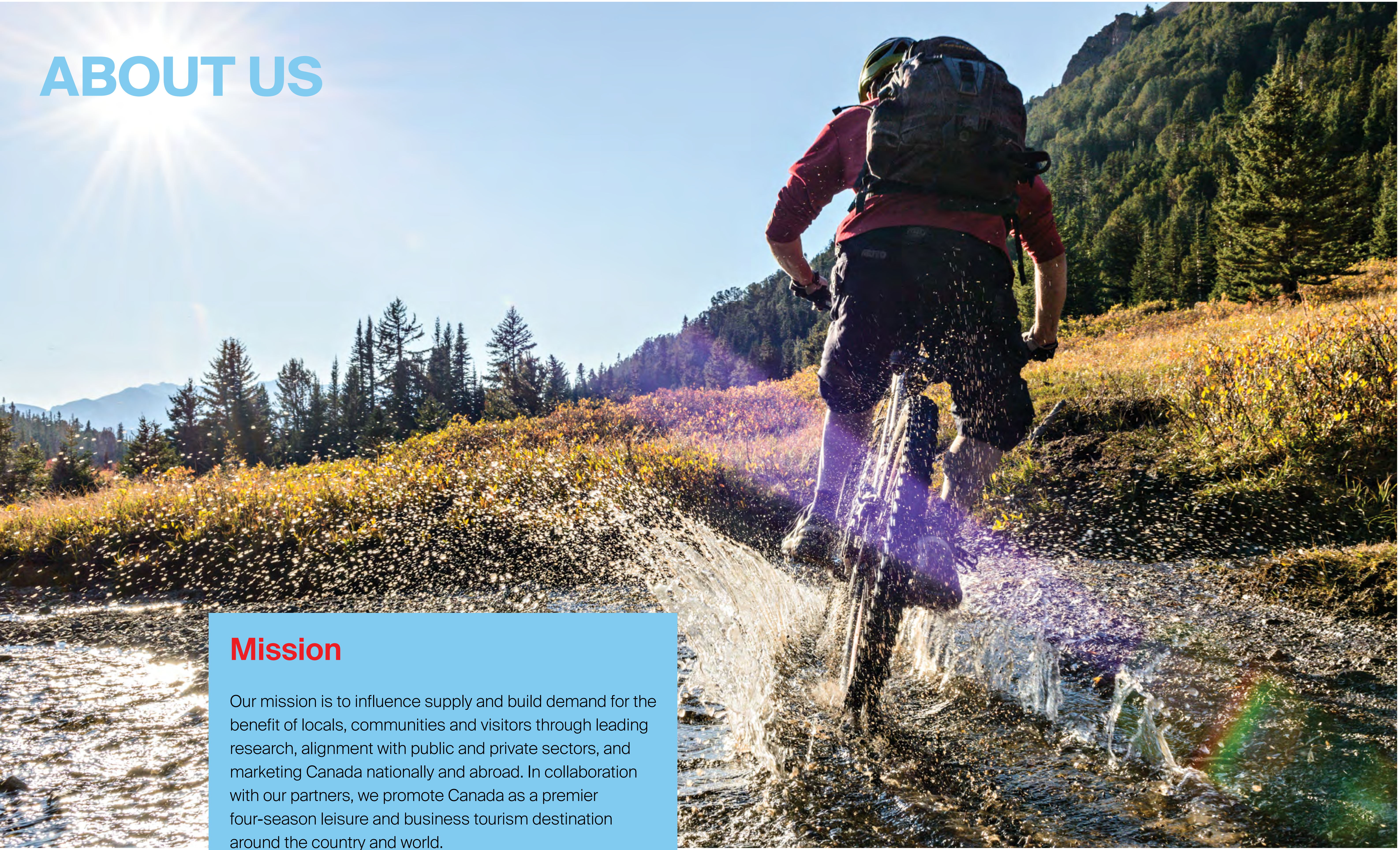
At a time of such shock for our industry, extending the buying power of our Canadian partners was crucial. That's why we provided $31.4 million in matched funding to provinces, territories and the Indigenous Tourism Association of Canada to support their own domestic marketing recovery efforts. This marketing was carried out at the local and community levels and reflected the varying health restrictions of their respective regions. Although International travel was brought to a virtual standstill, maintaining our key account relationships in our global markets was paramount to ensure that Canada remains top-of-mind once travel restrictions ease.

I want to thank the talented team at Destination Canada for their tremendous work over the year, and to our Board of Directors for their dedicated leadership at a time when it was needed most.

The pandemic's blow to tourism has affected the quality of life of each and every person, across the country. The 2020 year wasn't an easy one, and we still have a long road to recovery. It will require building up consumer confidence to travel again when restrictions allow, and reminding residents of the value of tourism to our communities when we are ready to welcome and host visitors again. But we are a strong industry and we've weathered many storms. Now, as we move through recovery from the worst crisis to affect our industry in nearly a quarter of a century, the resilience, strength and compassion of Canadians everywhere will help us thrive once again. Together, let's rebuild to be a more competitive sector — one that can be an even more powerful 'force for good' for people and communities across our nation.

Marsha Walden
President & CEO

ABOUT US



Mission

Our mission is to influence supply and build demand for the benefit of locals, communities and visitors through leading research, alignment with public and private sectors, and marketing Canada nationally and abroad. In collaboration with our partners, we promote Canada as a premier four-season leisure and business tourism destination around the country and world.

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.

Who we are

Destination Canada's approach focuses on markets where Canada's tourism brand leads and yields the highest return on investment.

We promote Canada as a premier four-season leisure tourism destination around the country and world in Australia, Canada, China, France, Germany, Japan, Mexico, United Kingdom and the United States. In addition, our Business Events team leverages in-depth global market analysis to target international clusters aligned with Canada's priority economic sectors.

We believe that Canada's diversity, its greatest asset, is also what touches travellers' hearts most deeply. To that end, we are committed to inclusive leadership within our workforce, workplace, and interactions with partners and travellers alike.

Funding sources

We are financed primarily through parliamentary appropriations and operate on a calendar fiscal year. In 2020, we received a parliamentary appropriation of $95.7 million.

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. Due to the severe impact of COVID-19 on our partners' budgets, partner revenues were $3.1 million, bringing our total parliamentary appropriation and partner revenues for 2020 to $98.8 million.

CONTEXT

Global landscape

The 2020 year has been marked as the worst year in tourism history.

With grounded flights, closed hotels and travel restrictions in place across the globe, the travel and tourism sector is, by far, the most affected sector.

According to the United National World Tourism Organization (UNWTO), there were one billion fewer international arrivals in 2020, representing a 74% drop from 2019 levels[1]. The COVID-19 pandemic is the most severe global health, social and economic crisis in modern day history, creating an unprecedented fall in demand due to widespread travel restrictions.

The collapse in world travel represents an estimated loss of $1.3 trillion USD in export revenues — more than 11 times the loss recorded during the 2008 global financial crisis. This shock to the sector has further put at least 100 million direct jobs in tourism at risk, many of which are in small- and medium sized enterprises[2].

Prospects for a rebound to 2019 levels could take several years and is likely not expected before 2023. However, as rollouts of the vaccine continue, experts predict a gradual return of consumer confidence in travel. They anticipate that demand will centre on open-air and nature-based tourism activities and that travelling domestically will be a primary focus[3].

1 — UNWTO World Tourism Barometer, UNWTO, Update January 2021.

2 — Ibid

3 — Ibid

Tourism in Canada

CONTEXT
Tourism in Canada

Similar to countless nations around the world, the pandemic has had the greatest impact on Canada's tourism sector. The state of the visitor economy is facing an unprecedented crisis and is more dire than the impacts following 9/11, the SARS outbreak and the 2008 global financial crisis combined.

Despite initial glimmers of hope and recovery, losses to Canada's tourism sector in 2020 are the worst on record, alongside business closures and rising unemployment. Ninety-nine percent of all tourism enterprises are small- and medium-sized and many lacked the resources to sustain themselves through a lengthy disruption.

There is a similar parallel in regards to labour. Unemployment rates in the tourism sector remained high at the end of 2020 and have surged past the national unemployment rate

Alongside declines in tourism revenue, the pandemic has brought business events to a halt. Canada had been experiencing remarkable growth in this area over the last decade, creating economic prosperity for many Canadian destinations. Connecting ideas and people from around the world, business events are economic catalysts for many cities, and springboards for innovation and investment in key sectors across Canada. However, restrictions on border access, group gatherings and activities in most jurisdictions have resulted in unimaginable challenges for this industry. Almost all events for 2020 since the pandemic began — nearly 3,500 — were cancelled, in addition to some planned future events as far as 2024[4].

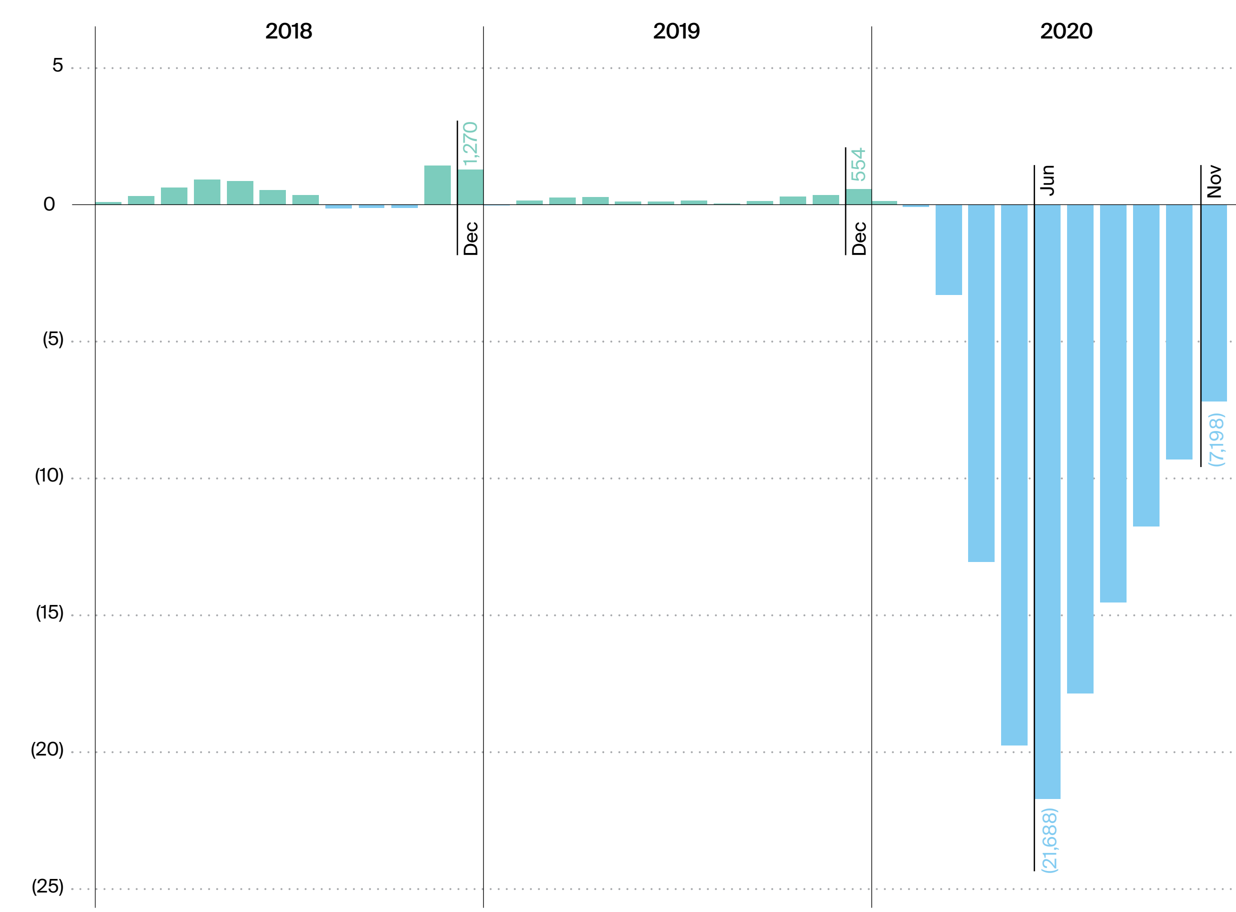
CONTEXT
Tourism in Canada

These cancellations have hurt the accommodations industry, particularly in Canada's major cities. Montreal, Toronto and Vancouver have been hit the hardest and recorded the lowest occupancy rates of any region in Canada. Revenue for downtown hotels in these city centres have fallen an estimated 79% in the last year, amounting to a total loss of $2.3 billion.

Without support from federal programs, the pandemic's impact on jobs could have been much worse. Early on into the pandemic, the Government of Canada took significant and decisive action to broadly support Canadians and businesses facing hardship as a result of the outbreak. Their broad federal economic response plan has provided immediate relief and financial aid to Canadians adversely affected. In particular, as of

TOURISM BUSINESS (CLOSURES)/OPENINGS, 2018 – 2020 (in thousands)

Source: Statistics Canada. Table 33-10-0270-01 Experimental estimates for business openings and closures for Canada, provinces and territories, census metropolitan areas, seasonally adjusted

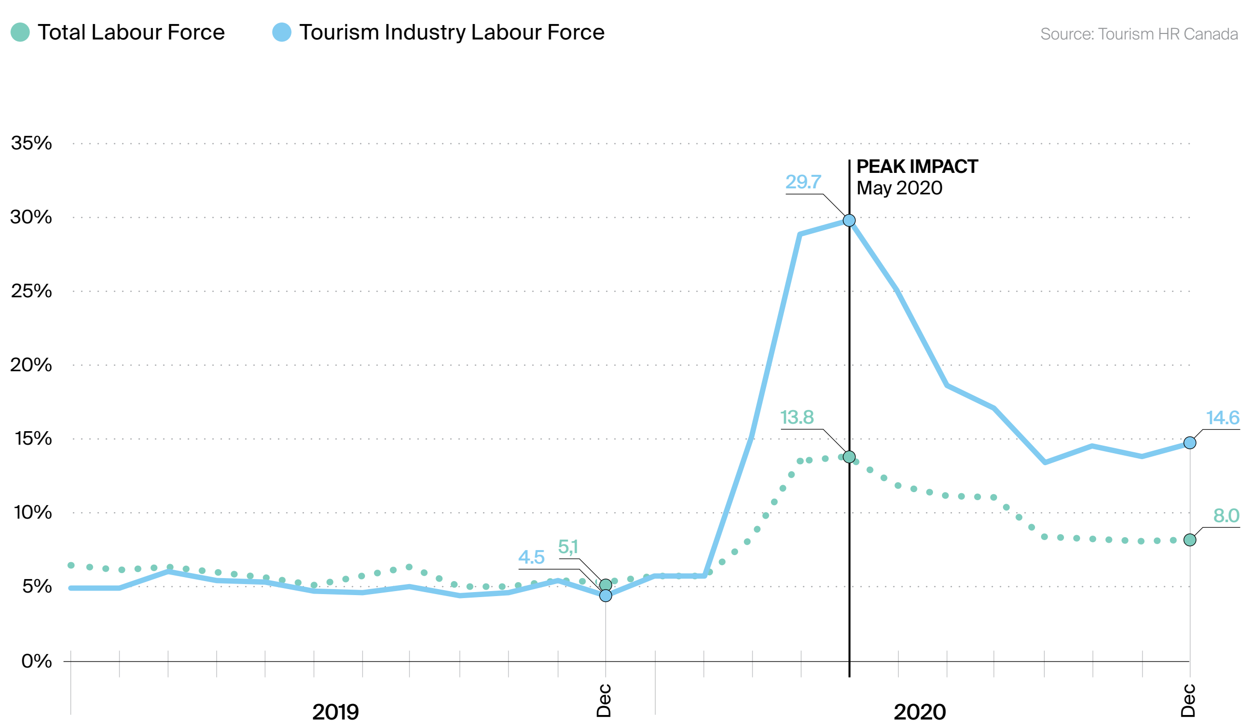


4 — Destination Canada. Based on January 2021 data from 34 Canadian urban destination marketing organizations and convention centres.

November 2020, approximately $9.7 billion has flowed to businesses in the tourism and hospitality sectors through various financial assistance programs, including through the Canadian Emergency Wage Subsidy, and the Regional Relief and Recovery Fund which has provided $202 million in support to nearly 3,000 tourism-related businesses.

CONTEXT
Tourism in Canada

CANADIAN UNEMPLOYMENT RATES



CONTEXT
Prospects
for recovery

Prospects for recovery

Tourism has been disproportionally impacted by COVID-19, and we know that the severity of losses within the tourism sector will take years to rebuild. It took 10 years to recover after 9/11. The crisis is far from over and prospects of a rebound in 2021 have worsened[5].

Prior to the COVID-19 pandemic, Canada had been experiencing five consecutive years of growth. Now, recovery to 2019 levels is estimated to take until 2025, under a scenario where borders re-open in October 2021[6].

However, we also know that the majority of Canadians are eager to get back out and explore. They will feel most comfortable travelling close to home and will begin in their own backyards. This domestic tourism is what will be needed to stimulate the visitor economy and bring strength back to thousands of businesses. Canadians can play a critical role in bolstering the tourism economy, creating jobs and supporting local businesses by keeping their tourism dollars in Canada.

5 — UNWTO World Tourism Barometer, UNWTO, Update January 2021.

6 — Destination Canada Research

Strategic performance

In mid-March 2020, the COVID-19 pandemic brought all travel around the world to a near standstill. The high degree of uncertainty associated with the pandemic meant that we had to rapidly pivot operations, adapt our strategies to understand the impacts of COVID-19 at home and in our markets, and put a plan into action to support domestic recovery.

Our response and recovery plan altered all aspects of our business, rendering our previous measures and targets obsolete. As noted in the table below, performance data for all but two measures could not be acquired.

2020 PERFORMANCE METRICS (IDENTIFIED PRE-PANDEMIC)

MEASURE	TARGET	RESULT
Attributable tourism export revenue	$1.85 billion	Not assessed. *With a halt on global travel, and accordingly, our own pause on international programming, assessing our impacts on international travel to Canada was unwarranted.*
Attributable arrivals	1,408,000	
Unaided consideration*	7.2%	
Partner co-investment ratio	1:1	0.2:1. *The shutdown of non-essential travel significantly reduced partners' budgets, greatly diminishing the capital pool available to co-invest.*
% of partners who indicate Destination Canada activities advance their business objectives	85%	Not assessed. *Given the pandemic's impact to almost all planned activities with partners, assessing the value of these activities was no longer valid.*
Marketing and sales ratio**	90%	90% *While the pandemic significantly altered all aspects of our business, we were able to still deploy the majority of our resources to programming efforts.*

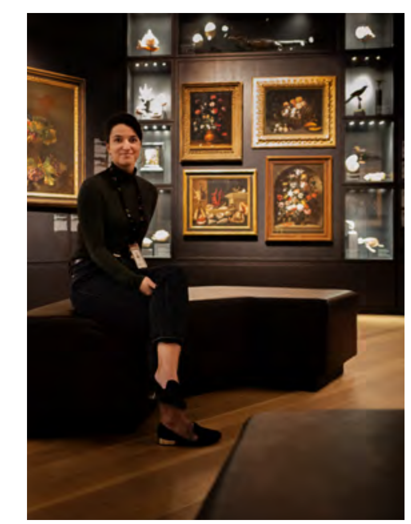
* Percentage of long-haul travellers in our markets who name Canada as one of the top three destinations they are likely to visit in the next two years.
** Percentage of marketing and sales expenditures over total expenditures.

MANAGEMENT DISCUSSION AND ANALYSIS
Strategic performance

The pandemic and new public health guidelines necessitated course correction to strategic priorities emphasizing market performance and corporate leadership. With support from the Government of Canada and approval from our Board of Directors, we revised our focus for the remainder of 2020 to the following areas:

- Domestic marketing and recovery efforts
- Leadership and outreach
- Employee support
- Operations, workforce and fiscal management

This pivot was deemed appropriate given the impacts the pandemic was having on the industry and our own internal operations. We accordingly reworked our activities and criteria for measuring success, and the following revised areas of focus are an accurate reflection of our strategic performance in 2020 in light of the needed programming and operational shifts.



DOMESTIC MARKETING AND RECOVERY EFFORTS

Destination Canada has never had to change how we fundamentally operate as quickly and as profoundly as we did in 2020.

We responded to the impacts of the global pandemic by reinventing our business model. We put an immediate pause on all international marketing activities and events, and within three months pivoted from marketing Canada to the world to supporting the domestic market

We moved forward with a national strategy to support the recovery of Canada's communities. Under a new partnership with 13 provincial and territorial marketing organizations and the Indigenous Tourism Association of Canada, we distributed a $31.4 million national investment previously earmarked for international marketing efforts. With their own matched funds, partners used this investment to support the recovery of communities and deliver locally led marketing programs encouraging Canadians to discover their own backyard. Local execution reflected the different realities and timing of health restrictions in each region, and funds flowed down to the cities and resorts where they would have the most impact.

Building the foundations for re-entry

Even though in-person media events were put on hold, that didn't stop us from pitching stories of inspiration to our key international media to keep Canada top of mind.

We introduced a monthly global story package full of helpful and inspiring stories tied to global trends and Canada's mosaic of glowing hearts from every corner of the country. With the help of award-winning freelance writer, global travel expert and editor-at-large for National Geographic Norie Quintos, these stories position Canada apart from our competitors. From quirky Canadians to global leadership in sustainability, iconic attractions to off the beaten path experiences, these publish-ready stories highlight our people and our pride of place, and remind everyone that now, more than ever, the world needs Nice.

In 2020, these story packages helped to generate over 80 pieces of coverage on Canada globally and are building the foundations for a re-entry into our international markets when the time is right.

The GoMedia Roadshow

The pandemic put a stop to most of our earned media efforts, including our annual signature GoMedia event scheduled to take place in Victoria, B.C. in late summer. While navigating new health and safety restrictions around in-person events had its challenges, it also inspired us to explore new and innovative ways to work with media and generate positive coverage for tourism in Canada.

With confidence and support from partners Destination British Columbia, Destination Greater Victoria, Tourism Whistler, Tourism Vancouver and Tourism Kelowna, we pivoted the format of our signature event to the GoMedia Roadshow, a new program designed to showcase leadership and innovation in centres of excellence across Business Events priority economic sectors.

Stepping outside the traditional format of a media familiarization tour, the Roadshow brought a small group of key account journalists from travel, business and news media outlets on an intimate, immersive experience. Attendees were connected with inspiring storytellers ranging from community leaders and academics, to entrepreneurs and farmers.

In accordance with public health guidelines, the Roadshow hosted six local journalists and introduced them to the unique characteristics of four locations in BC:

- Victoria and its connection to the ocean and expertise in advanced marine technology and innovation;
- Whistler and its unique mountain culture, passionate community and collaborative partnerships;
- Vancouver and its green initiatives and global leadership in clean technology; and
- Kelowna and its rich biodiversity and advancements in agribusiness including innovative growing practices, products and technologies.

The robust itinerary of the Roadshow was executed safely and smoothly and provided journalists with a deeper understanding of the distinct DNA of all four communities. Media praised the volume and variety of new, compelling story ideas presented throughout the four days, and the tour has already generated positive coverage with potentially more stories to come.

The GoMedia Roadshow proved a successful way to bridge leisure travel and business events messaging in a cohesive way, and offered a new and compelling storytelling approach to showcases the far reaching benefits that tourism has on the quality of life for Canadians.

Internally, we developed a domestic program under the name CanadaNice We developed a brand toolkit for our partners and on Canada Day, launched our national campaign featuring Peter Mansbridge as an advocate for domestic travel in English and Simon Durivage in French. We followed this initial work with a Rick Mercer "rant" in English and Gregory Charles sharing his perspective in French on the importance of travel in Canada, now more than ever.

Video and newspaper campaigns conveyed how to travel safely, establishing confidence in Canadians to explore their region. Another 20+ videos with local creators celebrating what makes their communities so special were developed and shared.

The campaigns were well received and obtained high engagement rates. In fact, Rick Mercer's video was number two on the YouTube Ads Leaderboard for the top ads in Canada in 2020. The Ads Leaderboard showcases the most creative ads that Canadians choose to watch.

We recognized early on the importance of being nimble and that recovery may not be linear, so our domestic program was designed with agility and adaptation in mind. When the second wave of COVID-19 hit in the fall, we responded by respecting provincial health authority guidance and retreated from local markets, starting with Quebec, Ontario and Manitoba.

Looking back at the domestic program, we were able to support our industry, create new content cost-effectively and at a remarkable pace, and reach almost 20 million Canadians directly with our campaigns. We were able to inspire in them a desire to explore more of our country, helping to bolster local tourism demand and support businesses across the country.

Continuing to positively influence the confidence of Canadians to travel safely, when the time is right, and to convey the power that hosting visitors has on all Canadians' quality of life will be paramount for the industry's recovery and long-term resilience.

PERFORMANCE RESULTS: DOMESTIC RECOVERY MARKETING

DESIRED RESULT	MEASURE	TARGET	RESULT
We reach* more of our domestic travellers	Reach of Canadian audience in July – December 2020	7.4 million	19.9 million
Domestic travellers find experiences they want and can do	Domestic campaign link click through rate	1.1%	4.64%

* Number of people who saw our content

LEADERSHIP AND OUTREACH

MANAGEMENT DISCUSSION AND ANALYSIS
Strategic performance

Research & analytics

In response to COVID-19, we moved to quickly support the information needs of our industry with timely, reliable data.

Prior to the virus being declared a global pandemic in mid-March, we had already been tracking the impact that the virus was having on travel around the world. In the early days of the outbreak, we quickly assessed the effects of the collapse in Asian air arrivals and began forecasting losses to businesses and jobs. We were able to model various scenarios, depending on impact severity, and share our preliminary analyses with senior government officials to support informed policymaking.

We established a framework and analytical approach to understand the impact of COVID-19 in each of our markets. We have been closely monitoring traveller sentiments around the globe and signals from consumer and industry behaviour to understand when, where and at what pace travel and tourism would resume.

We began by providing the data that stakeholders needed most to make decisions. We have been acutely analyzing the health of the Canadian tourism sector – mapping impact and forecasting demand. We have been assessing whether communities are ready and feel safe to welcome tourists back, and we are continually monitoring recovery signals to understand when the time will be right to fully relaunch marketing activities.

While we have regularly provided intelligence, insights and tools to our partners to help support their businesses, the early impacts of the pandemic led us to quickly expand our base of research intelligence to respond to the urgent information needs of the industry-at-large – all available at no cost. We have also continued to respond to the rapidly expanding need for data and forecasts to support government policy-making.

Analyzing data and sharing reliable information about the unfolding crisis and its impact on travel will continue to be a cornerstone of our work.

Business Events

The last year has been one of the hardest to endure for Canada's business events industry. We knew early on that how we responded to the pandemic would have a lasting impact on the future of business events in Canada in a post-COVID-19 world. It was important to set the tone and provide leadership to an industry grappling with cancelled events, job losses and closed businesses. Our ability and agility to react, respond and quickly pivot allowed us to address the urgent and changing needs of our industry.

We spent much of 2020 focusing on three areas: expanding our research and business development; developing a global sector roadmap to guide recovery; and resuming marketing to keep Canada top of mind for when business events are ready for return. This approach has continued into 2021 and will allow us and our partners to stay abreast of the changes within our industry, create resiliency and welcome back business events stronger than ever.

Business intelligence

We invested in data gathering and analysis to provide a clear picture of the effects that COVID-19 was having on the business events industry. Data collected from industry partners from across the country formed the basis of our regular analyses of restart signals. This level of intelligence was essential in providing a comprehensive picture of the evolving state of the industry. Having a deep understanding of the marketplace, including the economic impact of lost business, events and group visitors, was critical in shaping our strategies and guiding our collective response. In addition, we developed a central place where pan-Canada gathering restrictions and planner resources could be easily accessed by partners, businesses and clients. This information further helped our industry colleagues navigate the new landscape and inform their decision-making.

Our research with key decision-makers and influencers helped us to understand the factors and emerging trends shaping the return of business events travel. Outreach to Canadian industry partners about the state

MANAGEMENT DISCUSSION AND ANALYSIS
Strategic performance

of their businesses gave us valuable insight into their concerns and needed support. We were then able to respond quickly with the tools and resources they required to target resilient sectors and be able to rise above the competition post-pandemic.

Our insights into the future of business events in Canada included considerations for future planning, how to create trust in travel for delegates, and the mechanisms needed to support the return of events. This depth of business intelligence was, and will continue to be, critical in order to anticipate when and how business may return and has proven valuable to our industry colleagues to provide a forward look at recovery and restart.

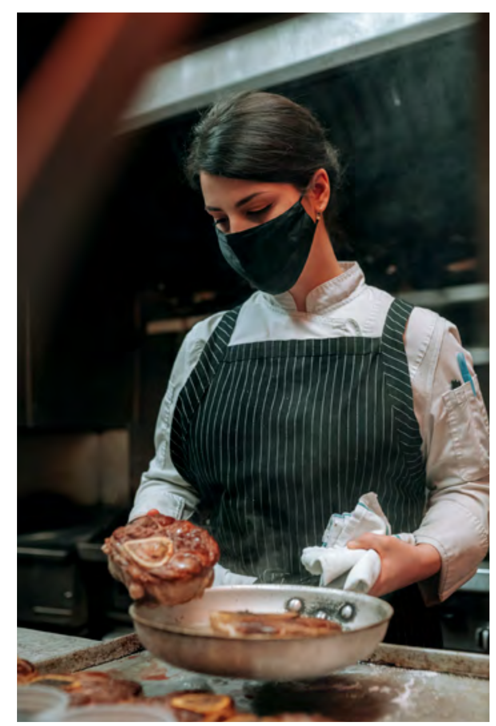
Global sector roadmap

The suite of business intelligence projects conducted in 2020 included a global sector roadmap to provide guidance in the road to recovery. The roadmap is based on six leading economic sectors in which Canada has centres of excellence and that give the country a competitive advantage.

Each roadmap consists of tools to guide our business development team and Canadian partners by concentrating on the most resilient sectors and sub-sectors. The in-depth intelligence provides focus to business development activities by identifying which sectors, markets and accounts to prioritize.

The intelligence compiled in the roadmap is extensive and rich. It is based on those priority economic sectors that we believe will not only survive the pandemic, but will thrive post- pandemic and have the potential for long-term resiliency. Events within those sectors will be among the first to bounce back and will help jump-start economic recovery.

This global roadmap of sector clusters will strengthen the industry's ability to weather future storms and aid the re-build of a strong business events industry across the country.



Keeping Canada top of mind

Although our marketing campaigns were paused throughout much of 2020, we resumed storytelling in our key markets in September to share stories of resilience, pride and innovation.

We know that powerful connections can be made when people come together to meet, engage and collaborate. Therefore, during the pre-recovery phase, it was important to showcase the business events that were able to take place safely in Canada, while adhering to public health guidelines. Additionally, informing decision-makers of the options available to incorporate new types of digital and hybrid technologies in their meetings and conferences was important to build confidence in meeting safely and to keep Canada top of mind for the future. Furthermore, softly engaging with clients to reintroduce brand messaging was particularly valuable to partners to help keep their brands and messaging alive at a time when it was difficult to so on their own.

PERFORMANCE RESULTS: LEADERSHIP AND OUTREACH

DESIRED RESULT	MEASURE	TARGET	RESULT
Canadian tourism organizations value Destination Canada	# of research downloads by small- and medium-sized enterprises and partners from April – December 2020	38,070	44,000
	# of unique page visits to corporate website in March – December 2020	315,000	443,000
	# of travel trade webinar views in Canada and in Destination Canada's international markets	9,000	21,000
	Satisfaction rating of NorthStar CEOs and CMOs on Destination Canada's 2020 activities	Average of 3 on 5-point scale	Average of 4.6+ 91% of respondents selected 4 or 5

INTERNAL OPERATIONS

In the lead up to the pandemic, we had been regularly monitoring the state and scale of the crisis both globally and domestically, and were readying ourselves internally to continue business operations in the event of a full-scale shutdown. An internal task force was formed with a mandate to ensure business continuity, ensure technological readiness, deploy emergency staff communications and consider the needed staff support resources.

Employee support

Safeguarding the health of our staff necessitated the eventual shutdown of our offices around the world, and our workforce had the tools and technology to continue business operations remotely with virtually no down time. Additional technologies and associated training were provided to assist with working remotely and business processes were revised to accommodate the new environment. Connection points with staff went up significantly; new tools were introduced to keep staff frequently informed, connected and engaged, including a regular employee newsletter and monthly organization-wide town halls. We emphasized employee wellbeing, launching various channels and activities to promote mental health and social connection with colleagues in a virtual environment. We also provided assistance to managers to effectively cope with the challenges of virtually managing teams in a prolonged teleworking environment.

PERFORMANCE RESULTS: EMPLOYEE SUPPORT

DESIRED RESULT	MEASURE	TARGET	RESULT
Staff feel valued, connected and protected	Employee support index	90	93.2
Staff are committed to Destination Canada and willing to apply discretionary effort in their work	Employee engagement	64%	72%

Operations, workforce and fiscal management

While the speed and scale of an operational pivot was remarkable, the significant shift from international marketing activities to the domestic market entailed a critical look at our human and financial resources. We enacted urgent and pragmatic changes to conserve capital and divert resources to higher-priority areas of our strategy. Marketing individuals were temporarily redeployed to high-demand areas of the business, such as research and industry relations, in new and expanded ways. Although redeployment was a viable option for many roles, 11 positions had to be eliminated throughout the organization.

We scaled back many program and operational contracts, including with our General Sales Agents in our overseas markets. We made the difficult but needed decision to reduce activities in many of our markets. Changes in our international areas of focus were further impacted by diminished partner budgets that were triggered by the pandemic and which have reduced the collective spending power of the industry. We will, however, continue to track ongoing recovery of all markets and regularly assess their post-pandemic potential.

Although 2020 was a difficult year and the uncertainty of a return to normalcy will continue for some time, the COVID-19 pandemic has challenged us to learn quickly, adapt and develop more streamlined ways of working. The crisis has also given us the opportunity to critically re-examine the potential of our portfolio of geographic markets for the benefit of Canada's tourism industry.

PERFORMANCE RESULTS: OPERATIONS, WORKFORCE AND FISCAL MANAGEMENT

DESIRED RESULT	MEASURE	TARGET	RESULT
Destination Canada is prepared to respond quickly and safely to a transitioning work environment	Operations management index	90	92
Staff are well matched to their role and experience job conditions that support them to perform to their full potential	Employee enablement	64%	76%
Majority of Destination Canada's budget is deployed to marketing and sales activities	% of spending in marketing and sales	90%	90%

Diversity, inclusion and indigenous awareness

The social, political and economic climate in 2020 accelerated conversations around the concepts of diversity, inclusion and reconciliation around the globe and at Destination Canada.

In 2020, we established a working group and a supporting employee council made up of diverse identities and perspectives to develop a roadmap of initiatives aimed at fostering a greater understanding of diversity and inclusion, and intersectionality within our workplace, workforce and interactions with partners and travellers alike. We engaged an external consulting firm to undertake an organizational review from a justice, equity, diversity and inclusion lens, and this will work will continue in 2021 and beyond.

For many at Destination Canada, understanding and appreciating the rich history of Indigenous peoples is limited. To promote awareness and understanding of Indigenous cultures, in 2020 we offered Indigenous awareness training to all staff. This foundational training was critical to understanding the history, culture, and relationships with Indigenous Peoples and was a key step in charting a path to build informed, effective, and respectful relationships with Indigenous Peoples and communities.

Management controls

RISK MANAGEMENT

We use an integrated risk management approach that considers risks at all stages of the business cycle from the strategic planning phase to day-to-day business operations. We follow a formal risk review process including working groups of key staff, the senior management team, our Board of Directors and the expertise 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. Focus is placed on identifying and mitigating risks that could impede the delivery of our strategic plan.

The following risk assessment is the result of the latest review done in mid-2020. To effectively manage each strategic risk impacting our organizational objectives, we undertook the risk mitigation activities noted below.

Non-financial risks

High residual risk
Medium residual risk
Low residual risk

Global economic and geo-political 2020 2019

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 used research and Canada domestically and internationally. We worked closely with our provincial, territorial and city partners to ensure alignment, and that our decisions were informed by the experience and feedback from our partners. We reallocated funds as the changing conditions throughout 2020 dictated. We supported industry with research, information, tools, media assets and sales opportunities to support pathfinding and helped maintain businesses during this critical period

MANAGEMENT DISCUSSION AND ANALYSIS
Management controls

Marketing effectiveness 2020 2019

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

Mitigation activities: Collectively with our partners, and in consultation with our advisory committees, we worked to address the challenges of COVID-19 and the resulting and changing travel restrictions. We strengthened our digital and strategic marketing capabilities and increased reporting frequency to provide more specific and relevant data to our partners and the industry. We improved access to, and analysis of, quality data for our strategic partners and ourselves. In addition, we evolved our brand to create a strong emotional connection with travellers and inspire greater visitation to Canada.

Performance measurement 2020 2019

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 and explore standardized measures. We worked with select partners to measure the impact of our collective marketing efforts through an improved process for data sharing and analysis.

Change and talent management 2020 2019

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 to focus on training, job enrichment opportunities and enhanced employee communications. We continued to modernize our staffing approach and updated succession plans at the management level to ensure the seamless continuity of business when key leadership positions were vacated.

Financial risk

High residual risk
Medium residual risk
Low residual risk

Currency 2020 2019

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 were spread across a diversified set of leisure and business markets to balance risk and maximize return. In addition, we worked with our large vendors to manage the risk by setting foreign exchange rates in advance of each month to reduce the fluctuation of value in our foreign currency transactions

INTERNAL AUDIT

Our financial statements and notes are audited annually by the Office of the Auditor General of Canada. In addition, the *Financial Administration Act* requires us to conduct internal audits. 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 to our organization. We engage an external firm to carry out this function; the internal auditor is independent of management and reports directly to the Audit and Pension Committee of the Board of Directors.

In 2020, the internal auditor conducted a Content Production Audit. In 2019, we identified rights management of content as a risk in connection to these assets. The internal auditor conducted interviews with members of management from our Legal, Information Technology and Global Marketing teams, performed process walkthroughs and tested samples. The content production landscape changed as a result of COVID-19 and the audit team considered the risks and recommendations through this new lens. The audit report found that while there are controls in place to address content ownership and strategy alignment, there are opportunities for improvement in the areas of standardized documentation, ownership strategy, project approval and content usage guidance, in order to address the financial and reputational risks to the organization.

During the year we also updated our strategic risk register and diverted resources to our internal task force to address the operational impacts to the organization and other work in response to the COVID-19 pandemic. Led by the Audit and Pension Committee, we have addressed the majority of recommendations and developed action plans to address the remaining recommendations resulting from the internal audits and risk assessments from 2020 and past years in order to continuously improve our processes and internal controls.

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).

The 2020 year was a tremendously difficult one for the tourism industry due to the global impact of the COVID-19 pandemic, which significantly impacted our financial and operational plans. The pandemic has impacted every aspect of our business, most of the line items in the financial statements, and was the main driver in any significant variances compared to 2019 and the budget as outlined in our Corporate Plan.

STATEMENT OF FINANCIAL POSITION

Financial assets increased by $5.3 million, or 15%. This change was driven by a larger cash balance of $37.8 million compared to $31.6 million in 2019, which was a result of the timing of the fourth quarter drawdown of parliamentary appropriations and timing of disbursements of cash for operating expenses.

Total liabilities decreased by $10.8 million, or 48%, from 2019. This decrease was caused primarily by lower trade accounts payable, which is the result of a decrease in expenses and timing of disbursements.

Non-financial assets increased by $3.7 million, or 118%, over 2019. This reflects an increase in prepaid expenses as at year-end that primarily relate to funds that were disbursed through our domestic marketing partnership agreements to provincial, territorial and destination marketing organizations for which the programming spans two fiscal years for Destination Canada – 2020 and 2021. The cash sent to partners for programs that have not yet occurred as at December 31, 2020 are classified as prepaid expenses.

As a result, we report an accumulated surplus of $36.6 million as at December 31, 2020. The accumulated surplus has primarily arisen from marketing efforts deferred to 2021 as a result of the travel restrictions and border closures due to the pandemic. The majority of the surplus ($23.0 million) is earmarked for 2021 domestic spend for partner-led and Destination Canada-led marketing campaigns carried over from 2020. The remainder of the surplus consists of the amortization of tangible capital assets, accrued benefit assets, and lower than budgeted corporate services costs.

STATEMENT OF OPERATIONS

We report an in-year accounting surplus of $19.6 million for the year ended December 31, 2020 compared to a planned deficit of $4.1 million. The fourth quarter resurgence in the number of COVID-19 cases across the country and around the world resulted in new travel restrictions. Accordingly, we paused most marketing and sales activities which resulted in lower than planned expenses.

Total revenues were under budget by $17.0 million due primarily to lower partner revenues than expected. Partners' budgets were cut significantly in 2020 as some of their main source of revenues were greatly reduced when non-essential travel was shut down and hotel occupancy rates plunged. These revenues contribute to the total co-investment from partners.

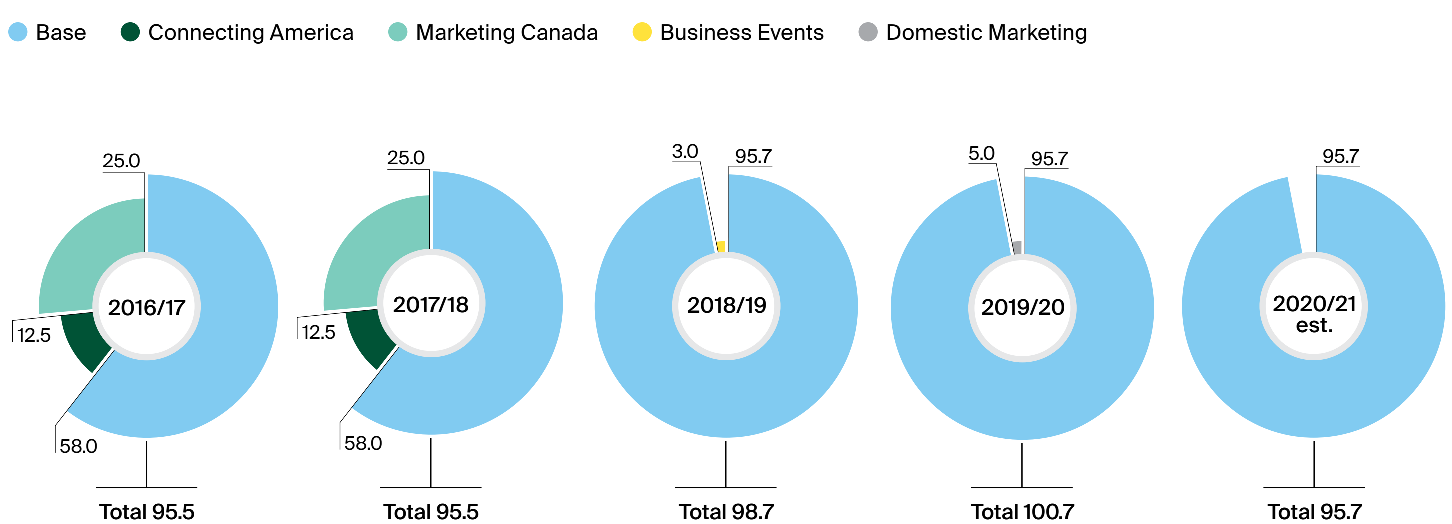
Parliamentary appropriations by government fiscal year

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 2020/2021 government fiscal year, we received our base funding of $95.7 million in main estimates.

The accompanying table shows the total funds received from the Government of Canada for the past five fiscal years. Starting in 2018/19, our base appropriations were 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.

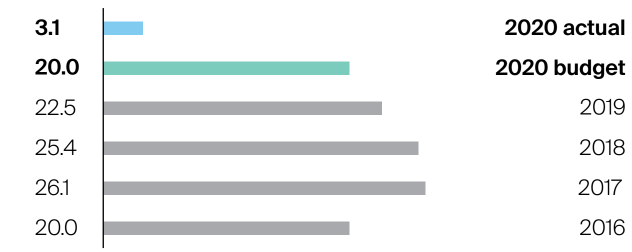
PARLIAMENTARY APPROPRIATIONS BY GOVERNMENT FISCAL YEAR (Millions of $CAD)



Partner cash revenues

We leverage the power of appropriated funding by engaging other organizations supporting the visitor economy to co-invest in campaigns that we lead. Our partners include provincial, territorial and destination marketing organizations, media publishers, commercial partners and tourism associations. Each of these organizations was severely impacted by COVID-19, with funding and other revenues declining suddenly in March 2020, and with lower activity levels throughout the rest of the year.

PARTNER CASH REVENUES (Millions of $CAD)



Through these agreements, partners join us in funding initiatives, whether through cash or in-kind contributions, to market the Canada brand. Only 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 2020, the cash portion of these contributions represented $3.1 million of partner co-investment compared to $22.5 million in 2019. As shown in the accompanying graph, our partner revenues missed the budget by $16.9 million, which is in stark contrast with the past four years' revenue levels.

Expenses

Total expenses excluding amortization decreased by $51.2 million to $80.2 million in 2020, a 39% decrease from last year. This decrease was driven by a couple of non-reoccurring pension transactions: a pension de-risking expense of $8.9 million in 2019 from the purchase of annuities relating to the defined benefit pension for Canadian employees, and a $1.5 million gain in 2020 relating to a plan curtailment and involuntary US plan closure and amendment.

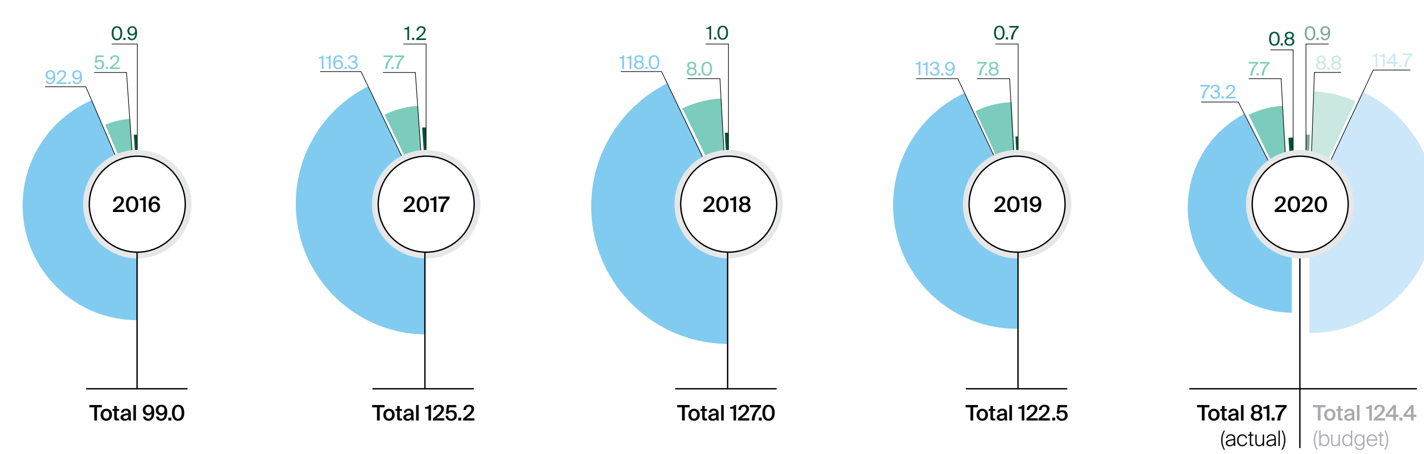
The remainder of the significant change relates to a $40.7 million decrease in marketing and sales expenses in the year as tradeshows, marketing campaigns and other programs were cancelled or put on hold because of COVID-19.

Our corporate services costs excluding amortization decreased by $0.1 million compared to 2019. The 2020 expenses of $7.7 million represent 9% of total expenditures, excluding amortization, instead of the 7% budgeted. This reflects the sharp drop in marketing and sales expenses described above rather than an increase in corporate services spending. The remainder of our budget was spent in strategy and planning (1%). We consistently spend the vast majority of our funding in marketing and sales activities and continue to leverage new corporate efficiencies in order to meet our target of 90% of spending in marketing and sales.

EXPENSES

(Excluding amortization and pension adjustments, millions of $CAD)

Marketing & Sales   Corporate Services   Strategy & Planning



FINANCIAL SUMMARY

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

Management responsibility statement

March 10, 2021

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 her report thereon.

Marsha Walden
President and Chief Executive Officer

Anwar Chaudhry
Senior Vice President, Finance and Risk Management, and Chief Financial Officer

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 2020, 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 2020, 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, CPA, CA
Principal
for the Auditor General of Canada

Vancouver, Canada
10 March 2021

Statement of financial position

As at December 31, 2020
(in thousands of Canadian dollars)

	Note	Dec. 31, 2020	Dec. 31, 2019
Financial assets			
Cash and cash equivalents	4	37,784	31,641
Accounts receivable			
Partner		1,306	1,617
Government of Canada		418	618
Other		1	4
Accrued benefit asset	8	1,450	1,653
Portfolio investments	5	713	803
		41,672	36,336
Liabilities			
Accounts payable and accrued liabilities			
Trade		3,427	14,333
Employee compensation		2,182	1,677
Government of Canada		75	81
Accrued benefit liability	8	3,749	5,435
Deferred revenue	3	1,845	488
Deferred lease inducements		482	580
Asset retirement obligation		164	164
		11,924	22,758
Net financial assets		29,748	13,578
Non-financial assets			
Prepaid expenses	3	5,697	1,721
Tangible capital assets	7	1,136	1,413
		6,833	3,134
Accumulated surplus	10	36,581	16,712

Contractual Obligations, Contingencies, Contractual Rights (Notes 3, 14, 15 and 17). The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board of Directors,

Monique Gomel
Director

Pat Macdonald
Director

Statement of operations

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

	Note	Budget 2020	2020	2019
Revenues				
Partner revenues		20,000	3,143	22,485
Other		1,485	1,361	2,024
		21,485	4,504	24,509
Expenses	12			
Marketing and sales	11	114,729	71,667	113,905
Corporate services		8,785	7,712	7,830
Strategy and planning		887	837	749
Amortization of tangible capital assets		366	330	355
Plan settlement cost	8	–	–	8,936
		124,767	80,546	131,775
Net cost of operations before funding from the Government of Canada		(103,282)	(76,042)	(107,266)
Parliamentary appropriations	9	99,156	95,666	102,221
Surplus (Deficit) for the year		(4,126)	19,624	(5,045)
Accumulated operating surplus, beginning of year		16,906	16,906	21,951
Accumulated operating surplus, end of year	10	12,780	36,530	16,906

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)

	Note	2020	2019
Accumulated remeasurement (loss) gain, beginning of year		(194)	154
Unrealized gain (loss) attributable to foreign exchange		51	(194)
Amounts reclassified to the statement of operations		194	(154)
Net remeasurement gain (loss) for the year		245	(348)
Accumulated remeasurement gain (loss), end of year	10	51	(194)

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 2020	2020	2019
Surplus (Deficit) for the year		(4,126)	19,624	(5,045)
Acquisition of tangible capital assets	7	(140)	(57)	(386)
Amortization of tangible capital assets	7	366	330	355
Net disposition of tangible capital assets	7	–	4	–
		226	277	(31)
Effect of change in other non-financial assets				
(Increase) Decrease in prepaid expenses		304	(3,976)	994
		304	(3,976)	994
Net remeasurement gain (loss)		–	245	(348)
Increase (Decrease) in net financial assets		(3,596)	16,170	(4,430)
Net financial assets, beginning of year		13,578	13,578	18,008
Net financial assets, end of year		9,982	29,748	13,578

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	2020	2019
Operating transactions:			
Cash received from:			
Parliamentary appropriations used to fund operating and capital transactions	9	95,666	102,221
Partners		4,811	25,092
Other		886	1,134
Interest		377	788
		101,740	129,235
Cash paid for:			
Cash payments to suppliers		(80,982)	(115,202)
Cash payments to and on behalf of employees		(14,893)	(14,863)
Cash provided by (used in) operating transactions		5,865	(830)
Capital transactions:			
Acquisition of tangible capital assets		(57)	(386)
Cash used in capital transactions		(57)	(386)
Investing transactions:			
Redemption (acquisition) of portfolio investments		90	(419)
Cash provided by (used in) investment transactions		90	(419)
Net remeasurement gain (loss) for the year		245	(348)
Net increase (decrease) in cash during the year		6,143	(1,983)
Cash and cash equivalents, beginning of year		31,641	33,624
Cash and cash equivalents, end of year		37,784	31,641

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

Notes to the financial statements

December 31, 2020

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 9.

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) Partner revenues

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. Partner revenues 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 4.

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 5.

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, marketing activities with provincial and territorial marketing organizations 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 revenue from partnering organizations and restricted appropriations received from the Government of Canada. When revenues 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, 2020 and 2019, the deferred revenue balance is solely made up of deferred revenue 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 7.

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 2020, EARSL has been determined to be 0.0 years (5.6 years – 2019) for the Registered Pension Plan for Employees of the CTC ("RPP"), 0.0 years (0.0 years – 2019) for the Supplementary Retirement Plan for certain employees of the CTC ("SRP"), 14 years (15.5 years – 2019) for the Pension Plan for Employees of the CTC in Japan, South Korea and China ("WWP"), 21 years (21 years – 2019) for non-pension post-retirement benefits, 14 years (12 years – 2019) for severance benefits and 14 years (14 years – 2019) for sick leave benefits.

Employees working in the UK and the US participate in the Global Affairs Canada 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. The US plan has been closed to new entrants effective December 31, 2019 and the benefits frozen at that date.

Gains and losses determined upon a plan curtailment are accounted for in the period of curtailment.

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, contingencies, partner revenues, prepaid expenses and accrued liabilities.

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.

3. COVID-19 financial impacts

The global tourism industry has been devastated by the COVID-19 pandemic and the CTC's 2020 Financial Statements reflect this reality.

Marketing and Sales Expenditures

In a response to border closures and travel restrictions, the CTC shifted its marketing programs from international to domestic travel markets. Pivoting to domestic tourism economic recovery resulted in a significant decline of $42,238,000 in marketing and sales expenditures. The total marketing and sales expenditures at December 31, 2020 was $71,667,000 ($113,905,000 — 2019).

Partner revenues

The CTC paused marketing activities at the end of March 2020 in anticipation of resuming initiatives later in the year. However, as restrictions on travel increased and borders remained closed, it became evident that the planned 2020 initiatives would not resume. The CTC amended and cancelled numerous partnership agreements which resulted in a decline in cash partner revenues. The CTC also performed $940,000 in non-cost recovered research and waived $175,000 in registration revenues. The total partner revenues at December 31, 2020 was $3,143,000 ($22,485,000 — 2019).

Deferred revenue

Some of the CTC's traditional partners had the capital pool available to invest in 2021 marketing initiatives. Rather than cancelling the partnerships, the CTC amended the agreements with these organizations and recorded deferred revenues of $1,845,000 ($488,000 — 2019).

Prepaid expenses

In 2020, the CTC committed $31,400,000 in investments with provincial and territorial marketing organizations and the Indigenous Tourism Association of Canada to support the recovery of communities. These partners are responsible for delivering locally led marketing programs between 2020 and 2021 and they assume the financial risk of conducting the marketing activities. The CTC recognizes expense evenly over the effective life of the contract. Cash payments for which the related marketing activity has not yet taken place are recognized as a prepaid expense. In 2020, $3,660,000 of the prepaid expenses were in relation to the domestic marketing program. $2,037,000 of the remaining prepaid expenses are the same type of prepaid as in the prior year ($1,721,000 — 2019).

Contractual obligations

Due to the pivot from international to domestic travel markets, the CTC has reduced the value of international marketing related contracts and retainer fees. The total contractual obligations of the CTC as at December 31, 2020 are $62,616,000 ($128,902,000 — 2019).

Future impact on operations

The CTC will continue to focus on the domestic travel market well into 2021. Partner revenues are expected to remain low in 2021 as restrictions on travel continue. The duration and future impact of the pandemic on the CTC's operations are unknown at this time. As a result, an estimate of the financial impact of COVID-19 on the CTC's future results of operations and financial position cannot be made at this time.

4. Cash and cash equivalents

(in thousands of Canadian dollars)	2020	2019
Cash in bank	37,660	31,518
Mutual funds	124	123
Total cash and cash equivalents	37,784	31,641

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5. 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 2021 and 2024:

Issuer *(in thousands of Canadian dollars)*	**Maturity Date**	**Cost**	**Interest Accrued to Date**	**Carrying Value**	**Market Value**	**Maturity**
Province of Nova Scotia Bond	02-Dec-21	60	20	80	82	82
Province of Ontario Bond	02-Dec-23	47	18	65	69	70
Province of Ontario Bond	02-Dec-25	51	21	72	80	84
Province of BC Bond	18-Dec-28	32	14	46	53	59
Province of Ontario Bond	02-Dec-31	33	17	50	58	70
President's Choice Bank 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
		623	90	713	742	797

6. 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, 2020:

Currency *(in thousands)*	**Cash**		**Accounts receivable**		**Accounts payable & accrued liabilities**	
	Currency units	**Canadian equivalent**	**Currency units**	**Canadian equivalent**	**Currency units**	**Canadian equivalent**
Australian Dollars	72	$70	–	–	42	$42
Chinese Yuan	525	$103	–	–	586	$115
Euros	88	$138	–	–	8	$12
Great Britain Pounds	135	$234	–	–	75	$130
Japanese Yen	84	$1	–	–	9,132	$113
United States Dollars	262	$334	–	–	23	$30
Total Canadian equivalent		$880		–		$442

At December 31, 2020, 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 $44,000 (increased by $19,000 — 2019). 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 $44,000 (decreased by $19,000 — 2019). The amount of realized foreign exchange losses recorded under "Corporate services" on the statement of operations in 2020 is $45,000 ($12,000 — 2019).

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7. Tangible capital assets

(in thousands of Canadian dollars)	**Computer Hardware**	**Computer Software**	**Leasehold Improvements***	**Office Furniture**	**2020 Total**
Cost of tangible capital assets, opening	632	19	2,123	352	3,126
Acquisitions	57	–	–	–	57
Disposals	(18)	(19)	(175)	(12)	(224)
Cost of tangible capital assets, closing	671	–	1,948	340	2,959
Accumulated amortization, opening	464	19	988	242	1,713
Amortization expense	92	–	196	42	330
Disposals	(18)	(19)	(171)	(12)	(220)
Accumulated amortization, closing	538	–	1,013	272	1,823
Net book value	133	–	935	68	1,136

(in thousands of Canadian dollars)	**Computer Hardware**	**Computer Software**	**Leasehold Improvements***	**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.*

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.

8. 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:

CTC ●
CTC & PLAN MEMBERS ●
DEFINED BENEFIT PLAN ●
DEFINED CONTRIBUTION PLAN ●

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 & 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 & Plan Members	● Defined Contribution Plan
	Supplementary Retirement Plan for Certain Employees of the CTC – Defined Benefit component	Partly funded, Defined Benefit Plan	● CTC & 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 & Plan Members	● Defined Benefit Plan
China, Japan & 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 & Plan Members	● Defined Benefit Plan
UK	Canadian High Commission Locally Engaged Staff Pension Scheme	Funded Multi-employer Defined Benefit Plan	● CTC & 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

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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 $610,000 in 2020 ($549,000 – 2019).

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. In 2020, the total cost was $183,000 for the UK plan and there was no cost paid in relation to the US plan ($228,000 – 2019). The plans are accounted for as defined contribution plans. The US plan has been closed to new entrants effective December 31, 2019 and the benefits were frozen at that date.

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.

Amendments proposed 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 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 5) and cash and cash equivalents (Note 4). 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 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. US employees hired prior to 2001 were eligible for post-retirement benefits. These plans are administered by Global Affairs Canada and provided by United Healthcare. 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 plans accounted for as defined benefit plans was as at September 30, 2020, with extrapolation to December 31, 2020.

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.

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CHANGE IN ACCRUED BENEFIT OBLIGATION

(in thousands of Canadian dollars)	Pension		Other Benefit Plans	
	2020	2019	2020	2019
Accrued benefit obligation, beginning of year	3,700	31,028	4,683	4,755
Current period benefit cost (employer portion)	56	24	68	58
Interest cost on average accrued benefit obligation	88	609	69	113
Benefits paid	(141)	(1,548)	(254)	(92)
Plan settlement	–	(30,194)	–	–
Plan curtailment	–	–	(1,224)	–
Plan amendment	–	–	(262)	–
Actuarial loss (gain)	(358)	3,781	369	(151)
Accrued benefit obligation, end of year	3,345	3,700	3,449	4,683

CHANGE IN PLAN ASSETS

(in thousands of Canadian dollars)	Pension		Other Benefit Plans	
	2020	2019	2020	2019
Market value of plan assets, beginning of year	4,492	34,645	–	–
Actual return on plan assets net of actual investment expenses	93	1,224	–	–
Employer contributions	(159)	365	254	92
Benefits paid	(141)	(1,548)	(254)	(92)
Plan settlement	–	(30,194)	–	–
Market value of plan assets, end of year	4,285	4,492	–	–

RECONCILIATION OF FUNDED STATUS

Detailed Pension Plan information *(in thousands of Canadian dollars)*	2020	2019
Defined benefit component of Pension Plan for Employees of the CTC		
Accrued benefit obligation	–	–
Plan assets	–	220
Surplus	–	220
Supplementary Retirement Plan for Certain Employees of the CTC		
Accrued benefit obligation	(2,397)	(2,860)
Plan assets	4,285	4,272
Surplus	1,888	1,412
Pension Plan for Employees of the CTC in China, Japan and South Korea		
Accrued benefit obligation	(947)	(840)
Deficit	(947)	(840)

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	
	2020	2019	2020	2019
Accrued benefit obligation	(947)	(840)	(3,449)	(4,683)
Funded status — deficit at end of year	(947)	(840)	(3,449)	(4,683)

RECONCILIATION OF FUNDED STATUS TO ACCRUED BENEFIT ASSET (LIABILITY)

(in thousands of Canadian dollars)	Pension		Other Benefit Plans	
	2020	2019	2020	2019
Funded status — surplus (deficit), end of year	942	792	(3,449)	(4,683)
Unamortized actuarial (gains) losses	(105)	271	314	(162)
Accrued benefit asset (liability)	837	1,063	(3,135)	(4,845)

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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)*	2020	2019
Registered Pension Plan for the Employees of the CTC	–	220
Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the CTC	1,450	1,433
Total accrued benefit asset	1,450	1,653
Pension Plan for the Employees of the CTC in China, Japan and South Korea	(613)	(590)
Non-pension Post Retirement Benefit Plan	(2,656)	(4,132)
Post Employment Severance Plan	(297)	(540)
Non-Vested Sick Leave Plan	(183)	(173)
Total accrued benefit liability	(3,749)	(5,435)
Total net accrued benefit asset	(2,299)	(3,782)

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

Asset Allocation	2020	2019
Equity securities	56%	53%
Cash	1%	5%
Receivable from Government of Canada	43%	42%
Total	100%	100%

NET BENEFIT COST RECOGNIZED IN THE PERIOD

(in thousands of Canadian dollars)	Pension		Other Benefit Plans	
	2020	**2019**	**2020**	**2019**
Current period benefit cost	56	24	68	58
Interest cost	–	–	69	113
Plan settlement cost*	–	8,936	–	–
Plan curtailment	–	–	(1,224)	–
Plan amendment	–	–	(262)	–
Amortization of net actuarial loss (gain)	39	827	(106)	(90)
Retirement benefits expense	95	9,787	(1,455)	81
Interest cost on average accrued benefit obligation	88	609	–	–
Expected return on average pension plan assets	(114)	(686)	–	–
Retirement benefits interest income	(26)	(77)	–	–
Total pension expense	69	9,710	(1,455)	81

** Includes $3,579,000 loss and $5,357,000 amortization of actuarial losses in 2019.*

SIGNIFICANT ACTUARIAL ASSUMPTIONS USED ARE AS FOLLOWS (WEIGHTED AVERAGE)

	Pension		Other Benefit Plans	
	2020	**2019**	**2020**	**2019**
Accrued benefit obligation Discount rate				
• Registered Pension Plan for the Employees of the CTC	N/A	N/A		
• Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the CTC	2.40%	2.70%		
• Pension Plan for the Employees of the CTC in China, Japan and South Korea	0.48%	1.37%		
• Non-pension post retirement			0.99%	1.51%
• Post employment severance			0.48%	1.37%
• Non-Vested Sick Leave Plan			0.48%	1.37%
Consumer price index				
• Registered Pension Plan for the Employees of the CTC	N/A	N/A		
• 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	0.79%	1.05%		
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	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%
Expected long-term rate of return on plan assets				
• 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%		
Rate of compensation increase				
• Canadian	N/A	N/A	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		Other benefit plans	
	2020		2019	
	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

Accrued benefit obligation	Other benefit plans		Other benefit plans	
	2020		2019	
	CDN	US	CDN	US
Initial health care trend rate	5.69%	7.23%	5.74%	7.43%
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 $1,336,000 ($1,161,000 — 2019).

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9. 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)	2020	2019
Amounts provided for operating and capital expenditures		
Amounts voted:		
Main estimates 2019/20* (2018/19)	100,666	95,656
Supplementary estimates A	–	27
Supplementary estimates B	–	3,000
	100,666	98,683
Less: portion recognized in prior year	(76,750)	(73,212)
Amounts recognized in current year	23,916	25,471
Amounts voted:		
Main estimates 2020/21 (2019/20)*	95,666	100,666
	95,666	100,666
Less: portion to be recognized in following year	(23,916)	(23,916)
Amounts recognized in the current year	71,750	76,750
Parliamentary appropriations used for operations and capital in the year	95,666	102,221

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

10. Accumulated surplus

The accumulated surplus comprises:

(in thousands of Canadian dollars)	2020	2019
Accumulated operating surplus	36,530	16,906
Accumulated remeasurement gain (loss)	51	(194)
Accumulated surplus	36,581	16,712

11. 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 Platforms and Events, and Research. Geographical information is as follows:

(in thousands of Canadian dollars)	**2020**	**2019**
Domestic Program	28,997	–
Global Marketing	9,692	12,562
North America	8,481	35,727
Europe and India	7,085	24,803
Asia Pacific	6,173	24,387
Business Events	4,172	10,054
Research	4,100	3,809
Global Platforms and Events	2,967	2,563
	71,667	113,905

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12. Expenditures by object

The following is a summary of expenditures by object:

(in thousands of Canadian dollars)	**2020**	**2019**
Program expenses		
Consumer development	47,569	69,681
Trade development	6,959	20,918
Public and media relations	3,456	5,849
Program Research	3,795	4,582
Travel and hospitality	257	1,402
Total program expenses	62,036	102,432
Salaries and benefits	13,915	15,477
Plan settlement cost	–	8,936
Operating expenses		
Professional services	1,402	1,387
Rent	1,173	1,230
Information technology	644	718
Office	514	630
Travel and hospitality	138	539
Other	349	83
Realized foreign exchange loss (gain)	45	(12)
Total operating expenses	4,265	4,575
Expenses before amortization	80,216	131,420
Amortization	330	355
Total expenses	80,546	131,775

13. 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, 2020, the exposure to credit risk for cash and cash equivalents is $37,784,000 ($31,641,000 — 2019) (Note 4) and for portfolio investments is $713,000 ($803,000 — 2019) (Note 5).

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, 2020, the CTC held $37,493,000 in cash and cash equivalents and portfolio investments with federally regulated chartered banks and $1,002,000 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 8). 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 4 and Note 5). 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, 2020, there is no impairment allowance ($0 — 2019). The amounts past due at year-end are as follows:

ACCOUNTS RECEIVABLE *(in thousands of Canadian dollars)*

	Total	Current	1 – 30 days	31 – 60 days	61 – 90 days	91 – 120 days	> 120 days
Partner	1,306	1,284	18	4	–	–	–
Government of Canada	418	418	–	–	–	–	–
Other	1	–	–	1	–	–	–
Total	1,725	1,702	18	5	–	–	–

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 – 30 days	31 – 60 days	61 – 90 days	91 – 120 days	> 120 days
Trade	3,427	2,689	738	–	–	–	–
Employee compensation	2,182	2,182	–	–	–	–	–
Government of Canada	75	75	–	–	–	–	–
Total	5,684	4,946	738	–	–	–	–

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, 2020, the exposure to currency risk based on the year-end monetary balances denominated in a foreign currency for financial assets is $880,000 ($1,521,000 — 2019) and for financial liabilities is $442,000 ($1,337,000 — 2019) (Note 6). 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, 2020, the exposure to interest rate risk for portfolio investments was $713,000 ($803,000 — 2019).

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.

14. 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, 2020 are $62,616,000 ($128,902,000 — 2019). Also included in the contractual obligation amount are purchase orders issued for which the CTC has not yet received the goods or services.

(in thousands of Canadian dollars)	
2021	52,231
2022	6,181
2023	2,350
2024	1,299
2025	555
Total	62,616

15. 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.

16. 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 9 and Note 13.

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.

17. 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.

(in thousands of Canadian dollars)	**2021**	**2022**	**Total**
Marketing Revenue	19	–	19
Other Revenue	930	140	1,070
	949	140	1,089

18. Comparative figures

The CTC changed the presentation of the Marketing and Sales expenses to better reflect program spend. The prior year's comparatives have been restated to reflect the current year presentation. Refer to Note 11.

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.

Members with expired terms continue to serve on the Board until their replacements have been appointed.

Over the course of 2020, the Board met six times and average attendance at meetings was 94%.

MEMBERSHIP

AS AT DECEMBER 31, 2020

Ben Cowan-Dewar
Chair of the Board of Directors

Marsha Walden
President & CEO, Destination Canada

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

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

Julie Canning
Cowgirl & Operating Partner, Banff Trail Riders

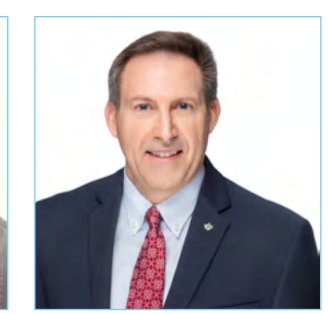
Zita Cobb
Co-founder & CEO, Shorefast Foundation

Stan Cook
Former Owner & 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, Inc.



Dragan Matovic
Chairman & CEO, Halex Capital Inc.

Andrew Torriani
President, CEO & 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.

The committee met three times in 2020 and average meeting attendance was 93%.

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.

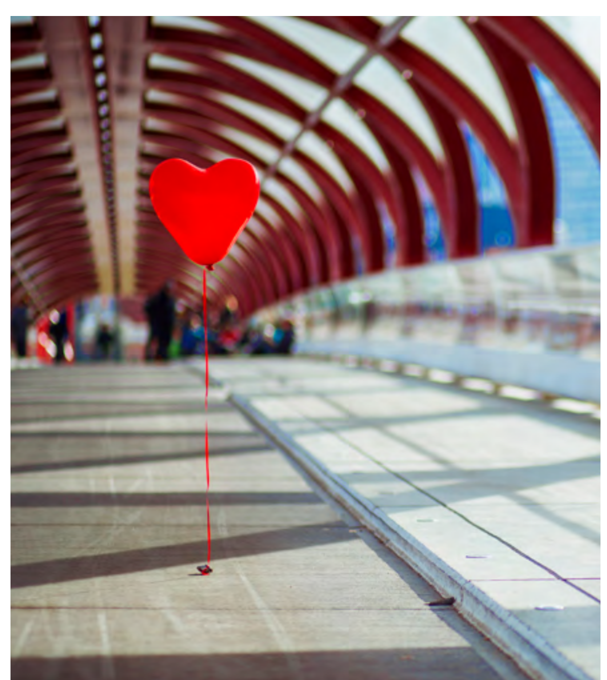
The committee met five times in 2020 and average meeting attendance was 90%.

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:

- Business Events Canada Advisory Committee
- Leisure Marketing Advisory Committee
- Research Advisory Committee



Executive team

AS AT DECEMBER 31, 2020

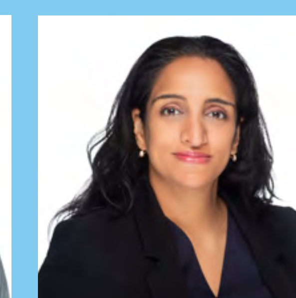
The President and CEO is accountable to the Board and has responsibility for the day-to-day operations. Senior Management plays a vital role in strategic leadership, working closely with the Board to set objectives, develop strategies, implement actions and manage performance. Senior management also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

In the summer of 2020, we welcomed Marsha Walden as the new President and CEO of Destination Canada. Ms. Walden's career spans leadership roles in strategy and organizational renewal, marketing and communications, corporate social responsibility, operations management, and business innovation. Prior to joining Destination Canada, she served as the President and CEO of Destination British Columbia since 2013.

Marsha Walden
President & CEO, Destination Canada

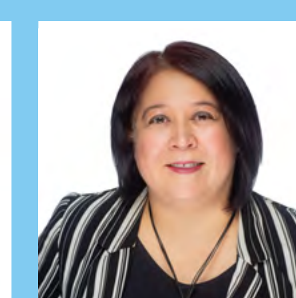
Anwar Chaudhry, CPA, CA
Senior Vice President, Finance and Risk, and Chief Financial Officer

Gloria Loree
Senior Vice President, Marketing Strategy and Chief Marketing Officer



Sarah Sidhu
General Counsel and Corporate Secretary

David Robinson
Vice President, Strategy and Stakeholder Relations



Maureen Riley
Vice President, International

PROPELLING RECOVERY

DESTINATION CANADA

DESTINATION CANADA

800 – 1045 Howe Street
Vancouver, BC
V6Z 2A9 Canada

destinationcanada.com