

DESTINATION CANADA

2022 – 2026 Corporate Plan Summary

ACCELERATING
RECOVERY, BUILDING
RESILIENCE

At Destination Canada, we work to fulfill the potential of the tourism industry to generate wealth and wellbeing for all of Canada and enrich the lives of our guests. We believe that Canada's beautiful diversity – in our land and our people – is our greatest asset and is what captures our guests' hearts.

Our mission is to influence domestic tourism supply and build global traveller demand for the benefit of residents, communities and visitors through leading research, strategic destination development with public and private sector partners, and marketing Canada nationally and abroad to attract leisure travelers and business events delegates.

We aspire to build a premier four-season tourism industry that is regenerative in nature – supporting economic prosperity, socio-cultural vibrancy, and environmental thriving throughout Canada.

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EXECUTIVE SUMMARY

For nearly the past two years, Canada's tourism sector has been in a state of crisis. It has been disproportionately impacted by COVID-19 and will be the last sector to recover. At the depth of this crisis, almost all of our industry came to a complete standstill. Travel came to a stunning halt, and more than half-a-million jobs were lost virtually overnight. Today, the industry is still down by 350,000 jobs. The impacts of COVID have been devastating, but there are now early signs of recovery.

There is high demand from domestic travellers, and international travellers can now visit Canada under certain conditions. The Government of Canada recognizes that tourism's recovery is paramount to the country's economic and social recovery, and has been actively supporting the sector throughout the pandemic through measures such as the Canada Emergency Wage Subsidy, Canada Emergency Rent Subsidy and Tourism Relief Fund. Furthermore, Budget 2021 earmarked \$100 million in additional funding for our organization's work.

The pandemic has resulted in enormous challenges that have shaped our reality, including labour shortages, gaps in transportation access, degradation in the supply chain, changing consumer preferences and a sluggish return of business travel. At the same time, the last few years have sparked enormous social change in North America, and the urgency of addressing climate change is undeniable. Beyond tourism's valuable role as a job creator and an attraction for international investment, tourism has an opportunity to be a champion for diversity, equity and inclusion, and a contributor to the livelihoods of Canadians in every corner of the country.

These challenges and events have allowed us at Destination Canada to rethink and reimagine how we can invoke new ways to strengthen the visitor economy. Our new role in destination development will lay the groundwork for success to elevate Canada's competitiveness in the mid- to long-term and cultivate the fertile conditions for destinations to truly thrive. Refocusing our sales and marketing on high value travellers in key markets of opportunity for Leisure and Business Events will ensure Canada attracts the visitors we want. Our work in air service development will support the remobilization of air travel and reintroduce key international air routes and connectivity. Our investments in a robust data strategy will equip our organization and our industry with better insights – fueling more competitive marketing and more strategic economic development. And by conducting our business in a way that breaks down barriers and builds unity, we hope we can contribute to fostering reconciliation with Indigenous peoples.

We know that recovery will be uneven and may take years for some parts of our industry. Our strategy lays out our path for supporting industry recovery, creating economic prosperity, socio-cultural vibrancy, and environmental thriving, while strengthening Canadian identity at home and abroad. Through our work, we will contribute to a tourism industry that generates wealth and wellbeing for all of Canada and enriches the lives of our guests.

ABOUT US

Mandate

Destination Canada is a federal Crown corporation owned by the Government of Canada, reporting to the Minister of Tourism and Associate Minister of Finance. Established under the *Canadian Tourism Commission Act* in 2001, our legislative mandate is to:

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

Corporate Profile

Destination Canada is headquartered in Vancouver. Along with in-market offices in London, Beijing and Tokyo that serve as regional hubs, we drive marketing in ten key geographic leisure source markets: Australia, Canada, China, France, Germany, Japan, Mexico, South Korea, the United Kingdom (UK) and the United States (US). In addition, we have a small satellite office in Ottawa focused on working with the federal family on tourism-related issues and national tourism associations headquartered in Ottawa. As of January 1, 2022, we have a workforce of 131 people.

Our parliamentary appropriations for the 2022 calendar year will be \$156.2 million. Budget 2021 announced a recovery plan for jobs, growth and resilience, and included \$100 million over three years to Destination Canada for marketing campaigns to help Canadians and other visitors discover and explore the country.

OPERATING ENVIRONMENT

One billion fewer visitors, or 73% less people, travelled the globe in 2020 than the previous year¹. Coming off the worst year on record for a decline in global tourism, many had anticipated a promising return to mass travel in 2021. Despite small glimmers of hope due to wider availability of vaccines and a gradual easing of travel restrictions around the world, global travel figures saw only modest improvements in July and August². International travel is still substantially below pre-pandemic levels and the UNWTO is forecasting a loss of more than \$4 trillion for the global travel industry for 2020 and 2021. The slow restart is a crushing blow to an industry that has been battered by the coronavirus for almost two years.

Like much of the world, Canada was a victim of the devastating effects of the coronavirus. National borders were closed to non-essential travellers, and within the country, some provinces and territories also imposed similar travel restrictions. With greater vaccine take-up in Canada and throughout the world, in Summer 2021, the federal government eased border restrictions to fully vaccinated travellers for non-essential travel – a welcomed and critical step for the recovery of Canadian tourism and business events sectors.

Global experts had been looking to 2022 as a likely year of rebound, particularly as pent-up demand was expected to be unleashed in the latter half of the year³. However, at the beginning of 2022, Russian forces began invading Ukraine which has added pressure to existing economic uncertainties. Consumer confidence in travel has been shaken by the unrest, and the supply-side of the industry is grappling with further disruptions to air access and the supply-chain. Although Russian and Ukrainian residents make up less than one percent of inbound overnight arrivals to Canada, the fallout from activities in the region will be far reaching and could hamper global recovery of tourism. As the conflict evolves, we will monitor the situation closely and continue to assess its impacts on Canada's tourism industry.

Trends

With more than 20 months of the COVID-19 pandemic behind us, some of the potential long-term effects are becoming clearer while others are still emerging. Developing a collective understanding of these changes in the tourism industry and in consumer behaviours, as well as their potential implications, is key to the industry's recovery. This new analysis of trends was developed by an independent, third party to help us at Destination Canada, and the wider tourism industry, adjust strategic areas of focus, mitigate risk, and maximize market opportunities, helping our sector emerge stronger and more resilient.

While the full analysis of macro, industry and market trends can be found on our corporate website in a report entitled *Tourism's Big Shift: Key Trends Shaping the Future of Canada's Tourism Industry*, below is a summary of the key trends impacting Destination Canada's strategy for 2022-2026.

¹ UNWTO World Tourism Barometer, July 2021.

² UNWTO World Tourism Barometer, September 2021.

³ *Ibid*

COVID-19 Uncertainty

COVID-19 has provided a perfect storm of uncertainty for consumers and business operators, ranging from differing entry rules at national borders, travel-related refund policies, and ever-changing infection rates and health restrictions. The focus for industry and governments around the world will be on practical tools to limit virus spread and reduce outbreaks through digitization of health information, coordination of border openings and controls, and ensuring destination readiness through strong health and safety protocols.

It is anticipated that vaccine passports will become the norm in most global destinations and will be key to reopening travel in international markets. A surge in travel within and between countries with manageable and moderate COVID-19 caseloads and high vaccination rates is expected in the short-term as people gain more confidence to travel again both domestically and internationally.

Research indicates travellers will gravitate towards destinations perceived to be clean, healthy and safe. Canada's high vaccination levels, combined with many destinations offering unique nature-based experiences, may provide a compelling competitive edge in this new operating environment.

Economic Change

The economic impact of COVID-19 has been enormous on the tourism sector. At the same time, household savings in many developed countries, including Canada and the US, are at record highs due to COVID-related mobility restrictions that curtailed spending.

As more people are vaccinated, travel spending in North America has accelerated across income tiers since the beginning of 2021. At the same time, travel costs are rising. The interplay of income, savings and prices with cost barriers and access constraints will determine overall travel demand in future.

Accelerated Digitization

The pandemic greatly accelerated consumer demand for digital services. Agile businesses have responded at a scale and rate never seen, leapfrogging years of development and the usual implementation timelines. Some experts have suggested that companies have accelerated the digitization of their customer and supply-chain interactions by three to four years. Moreover, consumer adoption of digital services has generated vast volumes of data, making it possible for businesses to map consumer behaviours and make better, more timely decisions around pricing, marketing, product development and much more.

As part of this digital transformation, tourism organizations have an opportunity to reimagine their roles in providing digital services as well as data infrastructure, intelligence and capabilities. Data will give destinations a greater understanding of their visitors and allow them to see trends, make predictions and enhance experience. Similarly, tourism businesses must quickly adapt to the new digital expectations of consumers.

Reduced Transportation Access and Connectivity

The availability of transportation – both ground and air – will be limited in the short- and medium-term, posing barriers to connecting travellers with their destinations. The fundamental change of airline economics globally will impact the competitiveness of Canadian aviation and overall air access. Reduced frequency of routes within Canada and particularly to and from key international destinations will have a prolonged impact on recovery prospects. This lack of air access is linked to reduced global connectivity for international carriers due to decreased or changing demand, labour shortages and delayed aircraft orders and is not expected to return for years.

Access to ground transportation is increasingly limited across the country. Currently, it is inconsistent and expensive, creating challenges to the movement of travellers once in-destination. Together, reduced air access and limited ground transportation will directly impact both the cost and ease of travel from one destination to the next.

Labour and Skills Shortage

Recruiting, training and retaining staff across all tourism sectors was a perennial challenge prior to COVID-19. This situation was even more acute in areas requiring specialized skills, in resorts and highly seasonal destinations, and in front-line positions that required unique language and cultural capabilities. With dim prospects for employment in tourism during the pandemic, many workers have moved on to other industries resulting in a severe skills shortage and significant loss of intellectual capital in management ranks.

Going forward, diminished workforce capacity and lack of training will be major challenges to industry recovery. Supporting innovation in workforce development and support services is critical as the industry (e.g., food and beverage, lodging, transportation, recreation, etc.) is faced with severe capacity shortages. Retraining and upskilling existing workers and attracting new and previous members of the workforce are challenges for all industries in the tourism sector and at all hierarchy levels.

Higher Costs

In a market with high demand and constrained supply, prices for airlines, hotel stays, food, and car rentals have increased over the latter half of 2021. This is part of a larger inflation trend in the general economy amid supply chain issues and an uneven economic reopening. For international travellers, regulations for border entry around the world are making it more costly to travel, including to Canada. In particular, these costs impact short-term travels such as a weekend ski holiday or shopping trip.

Reduced Business Travel and Events

While leisure travel is clearly leading the way to short-term recovery, corporate travel faces a slower return. Digital adopters able to maintain high levels of effectiveness while working remotely may never return to their pre-pandemic levels of corporate travel. In addition, hybrid meetings are here to stay based on the widespread adoption of video conferencing during the pandemic. Moreover, increased pressure on corporations to reduce their carbon footprints is causing corporate travel needs to be re-evaluated. According to Deloitte⁴, US corporate travel will likely recover only to around 80 percent of pre-pandemic levels by 2024.

For hotels, convention centres, meeting spaces, restaurants, retailers with airport locations, consulting companies and service providers that cater to travelling business professionals, a decline of this magnitude demands new thinking and new tools to support smarter location strategies.

Domestic Travel

In the context of growing uncertainties overseas and restrictions on international travel, Canadians have been taking more trips within their own provinces and territories. While there's much pent-up demand for travel, there's also a significant portion of the population that's not entirely comfortable straying far from home, creating opportunities for drive destinations and the creation of road trip itineraries for travellers willing to explore more deeply within their national borders. These travellers are potential

⁴ [Return to a world transformed. How the pandemic is reshaping corporate travel](#), 2021, Deloitte Insights.

long-term loyalists and ambassadors and could be enticed to places within Canada that visitors from afar wouldn't consider. All of Canada is "local" and renewed sentiments of pride in Canada could fuel enthusiastic domestic travel in the short-term.

Responsible Travel

The pandemic has enhanced the desire to connect in meaningful ways with people and places – to nurture local economies, meet the locals, tread lightly and leave a place better than it was. Awareness of a traveller's impact – on urban and wilderness environments and on resident populations – has led to reflection on the part of both destinations and those who enjoy them. Visitors are being made more aware and responsible for their impact, and destinations are creating more symbiotic engagement between the host community and the type of visitors it seeks to attract.

Alignment with Communities

A locals-first approach is shifting destination development and tourism marketing toward more sustainable goals, filtered through a lens of resident wealth and wellbeing. Tourism development must reflect an improved quality of life by creating economic prosperity, developing sociocultural vibrancy and growing environmental thrivability while also enriching the lives of visitors. This will require new definitions of success and new ways to measure them. A more holistic view of tourism is emerging that reflects tourism's potential to generate wealth and wellbeing that is rooted in place and community.

Indigenous Connection

Indigenous experiences are of growing interest to Canadian and international travellers, which helps create sustainable employment for Indigenous communities while enriching travellers' experiences through the sharing of culture, history and tradition. With over a third of visitors interested in Indigenous tourism experiences, there is an opportunity to build stronger connections with Indigenous peoples, their communities and cultures.

Wild for Wilderness

For many travellers, the freedom of wild and wide-open spaces has been the perfect antidote to confinement, driving visitation to national parks and other nature-based destinations, even in traditional off-seasons. Many travellers and nature-explorers seek physically challenging adventures and retailers and other outfitters have created trips tailored to their customers' tastes and experience. Others are looking for a more passive way to engage with the natural world, seeking easy day trips or trails they can visit with children. Canada is understood to be a place closely connected to the wild and can authentically tout the benefits of contact with nature.

Affluent Travel Boom

The affluent travel boom is one of the clearest signs of a spending surge by the wealthy that is likely to tilt the balance of recovery. High-income earners did not lose their jobs during the pandemic, and the savings rate among this demographic is 10-20% higher now than before the pandemic. Affluent travellers are eager to spend their money on leisure trips, leading to an early rebound of this segment. At the same time, the widespread increase in savings is driving demand for legendary experiences in many demographics.

Internal

Destination Canada is headquartered in Vancouver. Along with in-market offices in London, Beijing and Tokyo that serve as regional hubs, we drive marketing in ten key geographic leisure source markets: Australia, Canada, China, France, Germany, Japan, Mexico, South Korea, the UK and the US. In addition, we have a small satellite office in Ottawa focused on working with the federal family on tourism-related issues and national tourism associations headquartered in Ottawa.

As of January 1, 2022, we have a workforce of 131 people, of which 121 are located in Canada and 10 are located internationally. Budget 2021 included incremental funding of \$100 million over three years to Destination Canada for marketing campaigns to help Canadians and other visitors discover and explore the country. As a result of this funding, planned staffing increases include 17 additional full-time staff, for a total of 148, to primarily support increased marketing and program activities. A small allocation is planned for corporate services.

STRATEGIC PLAN

Aspirational Goal

Our aspiration is to fulfill the potential of Canada's tourism industry to generate wealth and wellbeing for all of Canada and enrich the lives of our guests.

Tourism plays a vital role in Canada, not just for people employed in the industry, but for all Canadians. For nearly the last two years, Canada's tourism industry has been devastated by the impacts of the global pandemic. Our strategy is rooted in short-term industry recovery, while setting the stage for long-term industry transformation.

We work to build an industry that is more resilient, more valuable to local communities, more respected for the value and jobs it brings to Canada, and more prosperous than ever before. Whether it's increased access to transportation, park and trail development or the establishment of arts and sports centres, tourism provides services and amenities that would be greatly diminished or unviable without the support of visitors. Hosting global visitors and travelling to other destinations also helps define our identity as Canadians, instilling pride in our communities and creating connections with people around the world. When done right, tourism results in net economic, socio-cultural and environmental benefits for all Canadians.

At the foundation of our strategy is an understanding that the tourism economy is a complex ecosystem and, as such, it must be stewarded holistically. Aspiring to create a regenerative tourism industry will enhance both the destination and the visitor experience, going beyond sustainable tourism to contribute to the regeneration of communities, cultures, heritage, places and landscapes. Regenerative travel imagines travellers as people who leave good in their wake, enabling local economies, valuing conservation, and going beyond superficial engagement with local culture.

Areas of Focus

As mentioned, the tourism industry is a complex ecosystem made up of multiple players. While building a recovered and resilient tourism industry takes the will and power of many, we at Destination Canada have identified three areas of focus that speak to our role within this broader ecosystem to support this effort: marketing, enabling destination development, and analytics and insights. The activities noted within these areas of focus take into consideration the trends identified in the previous section and support the needed shifts in our strategy to foster industry recovery and resilience.

Marketing

Leisure: Domestic

The vast majority of tourism visits and spending in Canada is derived from Canadians themselves. As a nation, we are avid travelers, but we tend to spend roughly twice as much time and money travelling abroad than at home. With more and more countries re-opening their borders to Canadians, short-term industry recovery is highly dependent on Canadians feeling inspired to travel within Canada.

Our ongoing role in domestic leisure marketing, aligned with our Canadian partners, is to encourage visitation across provinces and territories. Our national marketing program will showcase partner product to stimulate long-haul travel and city stays. The diversity of experiences awaiting Canadian travellers will highlight where to go in Canada and will drive consumers to travel booking sites and platforms. The additional funding provided through Budget 2021 will amplify and where applicable, extend the timeframe of these marketing activities.

Leisure: International

A key facet of our work in the leisure segment is to focus on high value audiences. International travellers, in particular, spend more and stay longer than domestic travellers, making them crucial to our industry's long-term resilience and contributing valuable export revenues to our Canadian economy. An ideal guest in Canada supports the economy while respecting the people and places they visit. They embrace culture and engage with locals to celebrate what Canada has to share. The success of regenerative tourism is dependent on these high value guests who make travel decisions based on the experience, rather than price.

We anticipate that the US market will lead recovery. Americans historically account for two-thirds of all of Canada's international overnight visitors, and we must make them eager to rediscover their neighbour to the north. In addition to the US, we market to high value travellers in eight key countries: Australia, China, France, Germany, Japan, Mexico, South Korea, and the United Kingdom. Marketing activities planned for international target markets include consumer direct marketing, social media, media relations and public relations, key travel trade accounts, and partnerships with global travel industry players. We will also lead the execution of key industry events such as trade shows and national sales missions.

High Value Guests

More than just high yield travellers, high value guests stay longer, come often, spend more and leave destinations better than they found them – whether they are domestic or international, leisure or business. These are guests who appreciate local culture and contribute to the host community's economy. They visit and interact with places and people, respectfully. They make travel choices based on the value of the experience and shared principles, not cost. And finally, these are guests who enthusiastically share their stories about Canada with the world.

NorthStar Partnership

There is a consensus among our provincial, territorial and destination marketing partners that driving Canada's long-term competitiveness requires a joint "Team Canada" effort. For the last several years, Destination Canada and our partners from across Canada's tourism industry have been working under a coordinated and unified approach to align marketing strategies and investments in key priority markets. The strategy behind this "NorthStar" partnership is an approach to drive Canada's long-term competitiveness and purposefully increase Canada's share of the global travel market. This partnership effectively aligns key stakeholders and budgets around common priorities, and does so in a manner that enables partners to work together and in sync under one umbrella while securing better value for all.

Pre-COVID-19, NorthStar forged a path to long-term success that was predicated on capitalizing the momentum of increasing global arrivals and revenue that Canada was experiencing at the time. Under the current environment of a prevailing global pandemic that has left Canada's tourism industry devastated, the need for such a collaborative and aligned partnership has never been stronger. Coming together as a unified Team Canada is pivotal in recapturing lost demand, helping to accelerate desperately needed economic recovery and stimulate long-term economic growth across the country.

Incremental funding from Budget 2021 will allow us to scale up these marketing activities in the US and in our other international markets. Internationally, additional funding will further support our efforts to instill confidence in tour operators to continue investing in selling Canadian product.

Air Service Marketing

As we develop new partnerships to attract high value guests, a tighter integration with airlines will also be a focus of our strategy. The global pandemic led to significant declines in air traffic to Canada, primarily from the US. Lack of air service from key international markets is a critical constraint to recovery and restarting tourism is predicated on restarting air service. As such, we will have an expanded role in supporting air service development to rebuild high volume and high value routes from key international markets in collaboration with major airports and provincial, territorial and destination marketing partners.

This coordinated strategy will align our collective marketing investments to encourage airlines to commit to new or renewed routes into Canada from lucrative leisure and business events markets. Planned activities include supporting carriers with marketing dollars to safeguard existing routes and seat capacity and to develop new routes into Canada. Joint consumer marketing promotions and media activities such as print and digital advertising will target existing travellers and airline loyalty members for the purposes of driving visitation into Canada as a destination of choice. In addition, the creation of a route prioritization tool will help partners and airlines assess viable opportunities for route development.

Business Events

Meetings, incentives, conferences and exhibitions provide a valuable stream of commercial revenue. Business events create immediate and long-term economic benefits – delegates tend to make return visits, often with their families, which supports jobs, taxation revenue and long-term growth. But other legacy impacts can be felt on a larger scale and long after a conference has taken place. In-person business events are where ideas and solutions are shared, where partnerships are forged and where sectoral innovation can happen. They are catalysts for trade and investment. These 'beyond tourism' benefits are long-lasting and far-reaching to host communities across Canada.

To better understand these legacy impacts, we will be undertaking a multi-year study of recent and upcoming international business events. This study is expected to lay the groundwork, with an established methodology, for reliably measuring the benefits of business events, beyond tourism.

As we pivot out of pandemic mode and focus on recovery and growth, we will work with our tourism partners, government agencies and private industry to attract conventions, conferences, corporate meetings and incentive travel that are aligned with the Government of Canada's six priority economic growth sectors: technology, life sciences, finance and insurance, natural resources, agribusiness and advanced manufacturing. Having matched these sectors to over twenty Canadian centres of excellence, we will work alongside our city colleagues to garner the attention of C-suite decision makers and influential leaders to identify valuable hosting opportunities for our partners across Canada. Incremental funding through Budget 2021 will further boost our ability to partner with the largest municipal destination marketing organizations on strategies to attract major business events and conferences to Canada's cities and to provide increased presence for Canada at key tradeshows and events.

Also, together with our network of federal colleagues, we will target world renowned, large scale business events that are aligned with the Government of Canada's priority economic sectors. Adopting a whole-of-government approach when pursuing international events is often a differentiating factor of success. If hosted in Canada, these events will serve as tremendous catalysts for pandemic recovery and economic growth, particularly in hard hit downtown cores.

Destination Development

Despite almost two years of devastation to the industry caused by COVID-19, the tourism sector continues to offer strong potential for long-term growth. The market for globally competitive Canadian tourism experiences is under-developed, being concentrated in a handful of regions over just one or two seasons. To re-invest in our industry for the future, we need to identify experiences and places that our high value guests will want, in multiple seasons, in accordance with the aspirations of host communities. Strategic destination development must holistically consider a broad range of traveller and community needs – transportation, labour supply, skills training, accommodation, local attractions and activities, food and beverage amenities, local economic development policy, staff housing, waste management, parks and greenspaces, investment opportunities, travel costs, and much more.

To address these needs, we are embracing a new responsibility for strategic destination development and stewardship. We will work across Canada to develop strategies that will make our tourism destinations more globally competitive, helping tourism businesses prosper and generating wealth for communities. Our aim is to work collaboratively with other organizations – public, private, and not-for-profit – such that local cultures thrive and communities want to welcome guests from around the world. We will enable guests to feel transformed by rich experiences, rooted in community, that distinguish Canada in the world and elevate Canada's competitiveness.

Thought Leadership

Building tourism competitiveness and the long-term resiliency of Canadian communities entails a new way of working together with a complex array of stakeholders. We will share knowledge and foster peer-to-peer learning across the entire tourism ecosystem.

Strategic Alignment

To identify key areas of interest, we will work with regional and pan Canadian horizontal partners. These interest areas will serve as a pipeline for future destinations, and a gathering of such destinations will result in a cluster or corridor. These future destinations will be stewarded by place-based, community-first and environment-centered values balanced with economic prosperity. Via collaboration and corroboration of data through mapping, gaps will be identified such as infrastructure needs and master plans. These analyses will be completed to make these potential destinations attractive for values aligned investments.

Measurement and Stewardship

To assess tourism under a regenerative lens, we need new yardsticks. We should be able to measure tourism's impact on the wealth and wellbeing of Canadians beyond macroeconomic factors.

We are working with Statistics Canada to establish a framework for measuring Canadians' wealth and wellbeing attributable to tourism and supporting economic prosperity, socio-cultural vibrancy, and environmental thriving in communities. This work on new measures is undergoing a broader consultation and refinement and will guide our own activities and ensure that we are aligned with community priorities with regards to tourism.

Insights and Analytics

Data informs everything we do and our reports and recommendations are grounded in solid evidence and analysis. Increasing the competitiveness of the tourism industry is aided by our ability to harness information and unlock insights in an increasingly digital world, and Destination Canada is on this journey to become an insights-driven organization.

We've long been measuring demand-side metrics such as visitation and revenue, but we've been broadening our role in analytics to gather real-time and near-real-time business intelligence on the supply-side of tourism, too. Being able to cultivate

a responsive and regenerative tourism sector implies that we have the capabilities to quickly identify and respond to emerging trends, that we can critically assess buying habits and traveller behaviours, and that we understand how locals feel about, and benefit from, tourism in their communities.

Sharing deep insights and marketplace knowledge with tourism stakeholders requires a connected and forward-looking data platform. To that end, we are developing a national hub of tourism data. Built from hundreds of data sources, this unified data platform will allow for easy data sharing and collaboration, and provide an actionable, 360 degree view of our guests and our host communities.

Strategic Pillars

Our strategy for recovery centres on four interconnected pillars that collectively will increase Canadian tourism competitiveness and business prosperity in the short-term, engender community support for tourism in the medium-term, and build industry resiliency in the long-term.

Brand Resonance

We will strengthen Canada's global identity as an ideal place to visit and, by extension, study, work, invest, and live. Every touchpoint in a traveller's journey shapes impressions of Canada and defines our brand – pre-trip marketing, in-trip experiences, and post-trip sharing and word-of-mouth. We want travellers to feel an emotional urgency to visit Canada so that they immediately research and book trips. We want our guests to leave with an emotional connection to Canada so that they highly recommend Canada to everyone they know. Ultimately, we want Canada to be a destination brand that resonates deeply with travelers, compelling high value guests to experience Canada, now. To achieve this, we will clearly differentiate Canada by marketing our competitive strengths with target audiences in each of our key markets and we will build strategies to continuously improve Canadian destinations.

Legendary Experiences

To attract high value travellers, we need high quality guest experiences. Through our new role in destination development – and in consultation with communities, governments and private sector stakeholders – we will provide a strategic approach to increase the quality and quantity of internationally competitive travel experiences that resonate with high-value travellers.

Industry Vitality

We will continue to work collectively with our partners to increase industry global competitiveness and business profitability. We will build on our existing structures, systems and forums that have been designed to convene business and government stakeholders together. With our partners, we will identify opportunities to make Canada more competitive, more profitable and more resilient.

Social License

Tourism benefits all Canadians, but not everyone understands the importance tourism plays in their quality of life. Changing perceptions begins with earning the permission – the social license – of Canadians to welcome tourism into their communities. By attracting high value guests who support and respect what each community offers, we can begin to improve Canadians' perception of the contribution that tourism makes to the quality of life in their communities.

Corporate Agility

Future of Work

Safeguarding the health of our staff and complying with government health orders necessitated the shutdown of our offices around the world. Our workforce has been working remotely since COVID-19 was declared a global pandemic in March 2020. We ensured that our staff had the tools and technology to continue business operations remotely with virtually no down time.

The last two years of working at home has shown us, and many other employers, the benefits and downsides of remote work. Improvements to the worker experience through increased flexibility have streamlined many business processes and increased levels of productivity. However, remote work also diminishes collaborative creativity and corporate culture.

Like many organizations, the COVID-19 pandemic has forced us to rethink our approach to work. In April 2022, we moved to a hybrid working model where staff work part of the time in-office and part of the time remotely. We are following a gradual and phased approach to office re-entry, staying aligned with guidance from public health authorities. A hybrid workplace is new for Destination Canada and the first few months will be used to test, learn and adapt our model to optimize how people collaborate, get work done and deliver exceptional business results.

Third Party Risk Management

To a significant extent, we engage subcontractors to help deliver on our mandate and we have implemented procedures to improve the monitoring of the performance of these subcontracts. However, various risks may remain, such as potential business disruptions or negative impacts to business performance. Additionally, reputational damage could result from the unanticipated actions of brand partners, influencers or talent working on our behalf.

In 2022, we will conduct an audit of this area of our business. It will cover how we evaluate and manage the risks associated with using third party vendors. Specifically, the audit will assess whether there are adequate mechanisms to select and monitor third party vendors, and how various reputational risks (i.e. cyber, financial, diversity, social justice) are considered when selecting and monitoring these vendors.

Data Security Assessment

The results of a 2019 external assessment of our cybersecurity program found that, overall, we have in place appropriate controls to mitigate risks related to cybersecurity. In addition, as a regular practice, we take steps to address potential threats and related risks to the organization.

Over the last two years, and particularly in light of increased remote work, the risk landscape continues to change. Moreover, with increased digitalization and accelerated technologies, we anticipate holding more sensitive customer information than we have in the past.

The data security assessment will assess whether the security implications of recent key business changes, including the shift to working remotely and processes to secure sensitive information, are appropriately addressed. It will also follow up on the recommendations made during the 2019 assessment.

APPENDICES

APPENDIX A: MINISTERIAL MANDATE LETTER

December 16, 2021



Dear Minister Boissonnault:

Thank you for agreeing to serve Canadians as Minister of Tourism and Associate Minister of Finance.

From the beginning of this pandemic, Canadians have faced a once-in-a-century challenge. And through it all, from coast to coast to coast, people have met the moment. When it mattered most, Canadians adapted, helped one another, and stayed true to our values of compassion, courage and determination. That is what has defined our path through this pandemic so far. And that is what will pave our way forward.

During a difficult time, Canadians made a democratic choice. They entrusted us to finish the fight against COVID-19 and support the recovery of a strong middle class. At the same time, they also gave us clear direction: to take bold, concrete action to build a healthier, more resilient future. That is what Canadians have asked us to do and it is exactly what our Government is ready to deliver. We will work to build that brighter future through continued collaboration, engagement, and the use of science and evidence-based decision-making. With an unwavering focus on delivering results, we will work constructively with Parliamentarians and maintain our strong partnerships with provincial, territorial and municipal governments and Indigenous partners. This decade has had an incredibly difficult start, but this is the moment to rebuild a more resilient, inclusive and stronger country for everyone.

The science is clear. Canadians have been clear. We must not only continue taking real climate action, we must also move faster and go further. As Canadians are increasingly experiencing across the country, climate change is an existential threat. Building a cleaner, greener future will require a sustained and collaborative effort from all of us. As Minister, I expect you to seek opportunities within your portfolio to support our whole-of-government effort to reduce emissions, create clean jobs and address the climate-related challenges communities are already facing.

This year, Canadians were horrified by the discovery of unmarked graves and burial sites near former residential schools. These discoveries underscore that we must move faster on the path of reconciliation with First Nations, Inuit and Métis Peoples. We know that reconciliation cannot come without truth and our Government will continue to invest in that truth. As Ministers, each of us has a duty to further this work, both collectively and as individuals. Consequently, I am directing every Minister to implement the United Nations Declaration on the Rights of Indigenous Peoples and to work in partnership with Indigenous Peoples to advance their rights.

We must continue to address the profound systemic inequities and disparities that remain present in the core fabric of our society, including our core institutions. To this effect, it is essential that Canadians in every region of the country see themselves reflected in our Government's priorities and our work. As Minister, I expect you to include and collaborate with various communities, and actively seek out and incorporate in your work, the diverse views of Canadians. This includes women, Indigenous Peoples, Black and racialized Canadians, newcomers, faith-based communities, persons with disabilities, LGBTQ2 Canadians, and, in both official languages.

Across our work, we remain committed to ensuring that public policies are informed and developed through an intersectional lens, including applying frameworks such as Gender-based Analysis Plus (GBA Plus) and the quality of life indicators in decision-making.

Canadians continue to rely on journalists and journalism for accurate and timely news. I expect you to maintain professional and respectful relationships with journalists to ensure that Canadians are well informed and have the information they need to keep themselves and their families safe.

Throughout the course of the pandemic, Canadians and their governments have adapted to new realities. Governments must draw on lessons learned from the pandemic to further adapt and develop more agile and effective ways to serve Canadians. To this end, I expect all Ministers to evaluate ways we can update our practices to ensure our Government continues to meet the challenges of today and tomorrow.

The success of this Parliament will require Parliamentarians, both in the House of Commons and the Senate, to work together across all parties to get big things done for Canadians. I expect you to maintain constructive relationships with your Opposition Critics and coordinate any legislation with the Leader of the Government in the House of Commons. As Minister, you are accountable to Parliament both individually, for your style of leadership and the performance of your responsibilities, and collectively, in support of our Ministry and decisions taken by Cabinet. Open and Accountable Government sets out these core principles and the standards of conduct expected of you and your office. I expect you to familiarize yourself with this document, which outlines my expectations for each member of the Ministry.

Our platform lays out an ambitious agenda. While finishing the fight against the pandemic must remain our central focus, we must continue building a strong middle class and work toward a better future where everyone has a real and fair chance at success and no one is left behind.

As Minister of Tourism, your top priority is to ensure that Canada remains a tourist destination of choice, supported by Destination Canada and working in partnership with the tourism and hospitality sectors. To this end, your immediate priority is to advance recovery measures for the tourism sector, one of the hardest hit by the COVID-19 pandemic, and to develop a national trails tourism strategy. In your capacity as Associate Minister of Finance, you will work with the Deputy Prime Minister and Minister of Finance to bolster inclusive economic recovery and growth that makes life more affordable for Canadians and to accelerate the transition to a net-zero economy. You will also work to ensure GBA Plus is further integrated into the Budget and decision-making process.

To realize these objectives, I ask that you achieve results for Canadians by delivering the following commitments.

- Coordinate and advance recovery measures to support the hard-hit tourism industry, such as the Tourism Relief Fund, to help local tourism businesses recover from the pandemic and position themselves for future growth. You will be supported in this work by Ministers responsible for Regional Development Agencies.
- Building on the success of such programs as the Canadian Experiences Fund, continue to examine ways to finance projects and support communities, both rural and urban, across Canada as they develop destinations and create and enhance tourism products, facilities and experiences.

- Develop a national trails tourism strategy that also leverages the creation of new urban parks in order to enhance local opportunities for economic development and youth employment. You will be supported in this work by the Minister of Environment and Climate Change and the Ministers responsible for Regional Development Agencies.
- Contribute to the design of the new Futures Fund for Alberta, Saskatchewan and Newfoundland and Labrador to ensure that it supports local and regional economic diversification and place-based strategies.
- Support the Minister for Women and Gender Equality and Youth in the evaluation process of GBA Plus with the goal of enhancing the framing and parameters of this analytical tool and with particular attention to the intersectional analysis of race, indigeneity, rurality, disability and sexual identity, among other characteristics.
- Advance our commitments to launch a made-in-Canada model of open banking by early 2023 and to modernize Canada's payments technology to deliver faster and lower cost options to securely and conveniently transfer funds.
- Support the Deputy Prime Minister and Minister of Finance in advancing other priority commitments within the Finance portfolio.

As Minister, you are also responsible for actively engaging with your Cabinet and Caucus colleagues. As we deliver on our platform commitments, it will be important that members of the Ministry continue to collaborate and work constructively to support rigorous and productive Cabinet decision-making. I expect you to support your colleagues in delivering their commitments, leveraging the expertise of your department and your own lived experiences.

To best achieve results for Canadians, Ministers must be rigorous and coordinated in our approach to implementation. I would therefore ask that you return to me with a proposed approach for the delivery of your mandate commitments, including priorities for early implementation. Furthermore, to ensure we are accountable for our work, I will be asking you to publicly report to me, and all Canadians, on your progress toward these commitments on a regular basis.

As we have been reminded throughout the pandemic, adapting to change is not only something government should do, it is something government must do. As you work to fulfil our commitments, I expect you to actively consider new ideas and issues as they emerge, whether through public engagement, your work with Parliamentarians or advice from the public service. I also expect you to work with your Deputy Minister to assess priorities on a continual basis as we build a better future for all Canadians. In addition to achieving results, you are responsible for overseeing the work of your department and ensuring the effective operation of your portfolio.

As you staff your office and implement outreach and recruitment strategies for federally appointed leadership positions and boards, I ask that you uphold the principles of equity, diversity and inclusion. This helps ensure that federal workplaces are dynamic and reflective of the Canadians we serve. You will also ensure your Minister's office and portfolio are reflective of our commitment to healthy and safe workplaces.

Canadians expect us to work hard, speak truthfully and be committed to advancing their interests and aspirations. When we make mistakes – as we all will – Canadians expect us to acknowledge them, and most importantly, to learn from them.

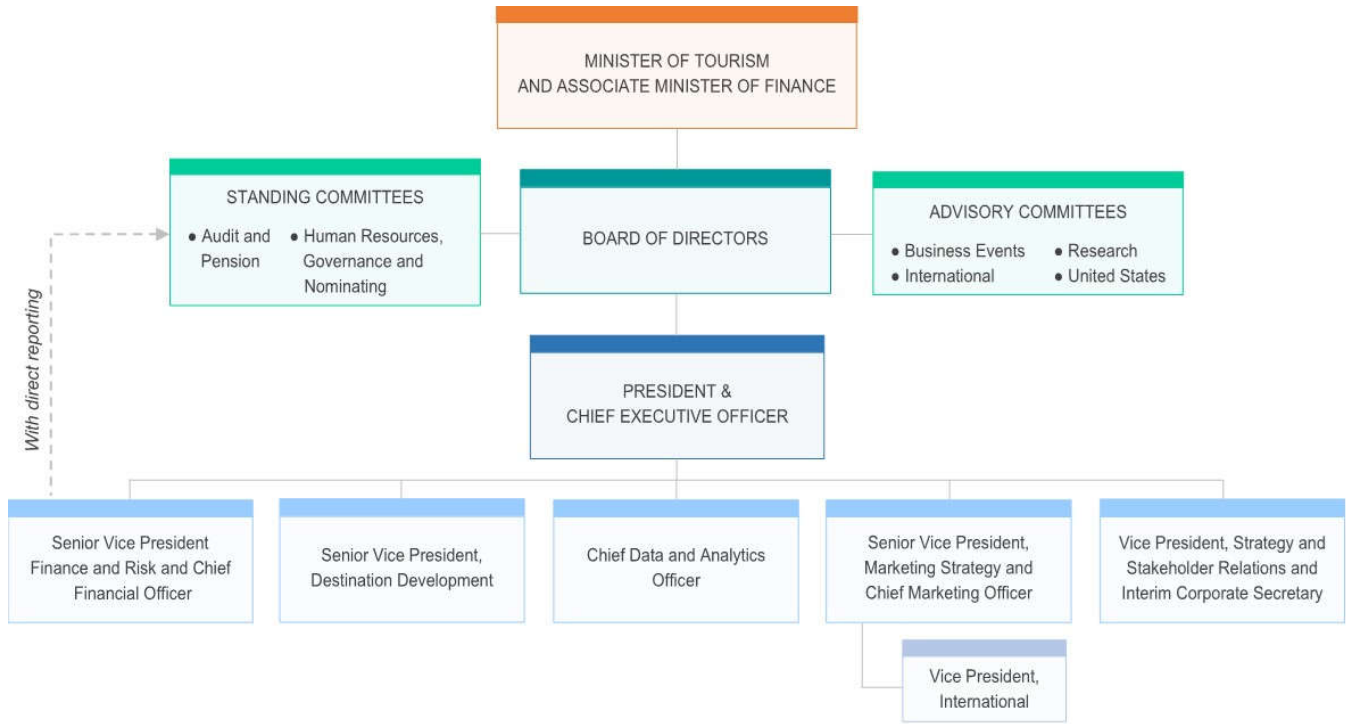
I know I can count on you to fulfill the important responsibilities entrusted in you, and to turn to me, and the Deputy Prime Minister, early and often to support you in your role as Minister.

Sincerely,



Rt. Hon. Justin Trudeau, P.C., M.P.
Prime Minister of Canada

APPENDIX B: GOVERNANCE STRUCTURE



Board of Directors

The Board consists of up to 12 members who oversee the management of Destination Canada, and provide strategic guidance and effective fiduciary oversight. With the support of two committees, the Board ensures that appropriate systems of governance, leadership and stewardship are in place while at the same time empowering management to deliver on its mandate. Examples of specific functions of the Board are:

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

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

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

Over the course of 2021, the Board met nine times and average attendance at meetings was 94%.

Membership

As at January 1, 2022



The Honourable Liza Frulla

Chairperson of the
Board of Directors
Sutton, QC

Term: August 6, 2021 – August
5, 2026



Monique Gomel

Vice Chairperson of the
Board of Directors
Vancouver, BC

Term: April 12, 2017 – April 11,
2021



Marsha Walden

President & CEO,
Destination Canada
Vancouver, BC

Term: August 24, 2020 – August
23, 2025



Simon Kennedy (ex officio)

Deputy Minister,
Innovation, Science and
Industry
Ottawa, ON



**Patti Balsillie,
BA, ICD.D**

Tourism, Innovation and
Northern Strategist
Whitehorse, YK

Term: April 12, 2017 – April 11,
2021



Julie Canning

Cowgirl and Operating Partner,
Banff Trail Riders
Banff, AB

Term: February 1, 2018 –
January 31, 2022



Zita Cobb

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

Term: July 19, 2019 – July 18,
2023



Stan Cook

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

Term: February 1, 2018 –
January 31, 2022



Randy Garfield

Former President,
Walt Disney Travel
Stratford, ON

Term: April 12, 2017 – April 11,
2021



Pat Macdonald, ICD.D

Co-founder & CEO,
United Craft, Inc.
Toronto, ON

Term: April 12, 2017 – April 11,
2020



Andrew Torriani

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

Term: July 19, 2019 – July 18,
2023

Committees of the Board

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

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.

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

Advisory Committees

From time to time, the Board creates advisory committees to advise it on how best to deliver our programs and services. The committees take their direction from the Board and report to the Board. Composed primarily of members from private sector tourism entities, these committees play an important role in linking Destination Canada to the tourism industry. We have the following four advisory committees: Business Events Canada Advisory Committee, International Advisory Committee, Research Advisory Committee and US Advisory Committee.

Executive Team

The President & CEO is accountable to the Board and has responsibility for day-to-day operations. Senior Management plays a vital role in strategic leadership, working closely with the Board to set objectives, develop strategies, implement actions and manage performance.

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

Membership

As at January 1, 2022



Marsha Walden

President & CEO



Anwar Chaudhry

Senior Vice President, Finance and Risk and Chief Financial Officer



Gracen Chungath

Senior Vice President, Destination Development



Meaghan Ferrigno

Chief Data and Analytics Officer



Gloria Loree

Senior Vice President, Marketing Strategy and Chief Marketing Officer



Maureen Riley

Vice President, International



David Robinson

Vice President, Strategy and Stakeholder Relations and Interim and Corporate Secretary

APPENDIX C: PLANNED RESULTS

The following planned results are based on total parliamentary appropriations consisting of base funding plus one-time limited funding. Incremental funding is blended with base parliamentary appropriations to work as a collective investment towards the achievement of our objectives. As such, while some targets have been identified specifically for initiatives resulting from incremental funds, performance results will be reported in aggregate.

Additionally, some targets, such as attributable tourism revenue, are reflective of expected multi-year impacts of marketing activities, even after the time-limited funding associated with the activity has elapsed.

Economic Impact			
OUTCOME	PERFORMANCE INDICATOR	TARGETS	DATA SOURCE / METHODOLOGY
Long-term: Tourism economy grows from hosting visitors	Attributable tourism revenue – Total Leisure – Domestic Leisure – US Leisure – International Business Events	\$6.8 billion by 2026, of which \$848 million is attributed to incremental funding	Internal assessment of impacts based on incremental search, travel trade activities and business events sales activities

Leisure – Domestic			
OUTCOME	PERFORMANCE INDICATOR	TARGETS	DATA SOURCE / METHODOLOGY
Short-term: Target travellers seek out Canadian destinations	Search for Canadian destinations vs. 2019 volumes relative to competition ^a	2022: 15% above competitor performance	Weekly Google indexed search volume data for interprovincial Canadian destinations among our target regions relative to competitive set; based on DC campaigns being in market
Medium-term: Tourism economic recovery is stimulated	Attributable tourism domestic revenue	2023: \$69.4 million 2024: \$84.0 million	Internal assessment of impacts based on incremental search
Long-term: Target travellers advocate for Canada as a destination	Canada's net promoter score ranking vs. international destinations among Canadians	Targets for 2025 and 2026 to be set once benchmark has been identified in 2022	Global Tourism Watch Survey

^a In addition to tourism revenue, attribution is measured through our impact on online search activity. We have conducted extensive research to understand the linkages between marketing, search engine activity and travel. This research indicates that there is a strong link between our marketing and search, and a corresponding link between search and travel. Media tactics encouraging potential travellers to think about travel has proven to lead to online searches for travel, in turn positively impacting bookings.

Leisure – US			
OUTCOME	PERFORMANCE INDICATOR	TARGETS	DATA SOURCE / METHODOLOGY
Short-term: Target travellers seek out Canadian destinations	Search for Canadian destinations vs. 2019 volumes relative to competition	2022: 15% above baseline performance ^b	Weekly Google indexed search volume data for Canadian destinations among target states vs. competitive set; based on DC campaigns being in market
Medium-term: Tourism economic recovery is stimulated	Attributable tourism revenue from US visitors	2023: \$200.3 million 2024: \$267.4 million	Internal assessment of impacts based on incremental search and travel trade activities
Long-term: Target travellers advocate for Canada as a destination	Canada's net promoter score ranking vs. international destinations among past US visitors	2025: To be ranked 5 th or better on average across priority US states 2026: To be ranked 5 th or better on average across priority US states	Global Tourism Watch Survey

^b Relative to all international destinations across priority states, on average, compared to 2019.

Leisure – International			
OUTCOME	PERFORMANCE INDICATOR	TARGETS	DATA SOURCE / METHODOLOGY
Short-term: Target travellers seek out Canadian destinations	Search for Canadian destinations vs. 2019 volumes relative to competition	2022: Outperform competitive set in three DC markets	Weekly Google indexed search volume data for Canadian destinations vs. competitive set; based on DC campaigns being in market
Medium-term: Tourism economic recovery is stimulated	Attributable tourism revenue from international visitors	2022: Benchmark year 2023: \$475.4 million 2024: \$494.0 million	Internal assessment of impacts based on incremental search and travel trade activities
Long-term: Target travellers advocate for Canada as a destination	Canada's net promoter score ranking in key markets vs. international destinations among past international visitors	2025: Top 2 in all DC markets (excluding US) 2026: Top 1 in all DC markets (excluding US)	Global Tourism Watch Survey

Business Events			
OUTCOME	PERFORMANCE INDICATOR	TARGETS	DATA SOURCE / METHODOLOGY
Short- and medium-term: Target decision makers choose Canada for their next business event	Number of booked business events for future years from international organizations ^c	2022: 625 events at year end 2023: 789 events at year end 2024: 1,003 events at year end	Destination Canada Pace Reports (monthly)
	Value of booked business events for future years from international organizations ^c	2022: value of \$1.06 billion at year end 2023: value of \$1.22 billion at year end 2024: value of \$1.42 billion at year end	
Long-term: Meeting planners advocate for Canada as destination for business events	Ranking of Canada as a business events destination	Targets to be set once methodology has been developed in 2022	

^c Pre-pandemic, leads were an early indicator of future events to be booked. Since the pandemic, the immediate focus of business events groups has been to reschedule previously booked events that were put on hold due to the pandemic and to re-confirm them for future years. At the same time, groups are actively working on new business events. Similarly, Destination Canada and Team Canada partners are working to save booked events on hold and re-confirm them for future years while also securing new business events for future. As such, the number and value of booked business events are viable measures in both the short- and the medium-terms.

Destination Development			
OUTCOME	PERFORMANCE INDICATOR	TARGET	DATA SOURCE / METHODOLOGY
Short-term: Strategic alignment with regional partners is increased	Number of shared regional strategies with demonstrated and aligned funding	2022: 2	Internal tracking
Medium-term: Public and private investment in Canada's tourism product grows	Growth in public and private sector investment in tourism product	Targets for future years to be set once methodology has been identified in 2022	
Long-term: Canadians value hosting visitors in their communities	Canadians' perception of the contribution of the visitor economy to their wealth and wellbeing	Targets for future years to be set once methodology has been identified in 2022	

Partnerships			
OUTCOME	PERFORMANCE INDICATOR	TARGET	DATA SOURCE / METHODOLOGY
Short-, medium- and long-term: Partners are aligned	Partner co-investment ratio ^d	1:1	Internal financial tracking (annually)

^d The Budget 2017 funding decision for Destination Canada stipulated that our marketing campaigns must target matched investments by our partners. The associated 1:1 partner contribution ratio target was intended to assess partner alignment with Destination Canada.

In recent years, particularly throughout the pandemic, the nature of how and with whom we partner has evolved. We and our partners have been executing on joint marketing strategies that have resulted in the sharing of valuable marketing intelligence, reduced costs and efforts, and increased economies of scale. For example, a parallel partnership with Expedia has provided valuable intelligence to us and our partners.

While the nature of our partnership has changed, the alignment of our investments and marketing activities has strengthened. However, as a result, the full contribution of partner investments is unable to be captured under the current partner contribution methodology. As we continue to implement new partnership models intended to result in greater net benefits to the Canadian tourism industry, we are also exploring new approaches to more accurately capture the full extent of partner alignment through both direct and indirect contributions. We expect to have an updated methodology identified in 2022.

APPENDIX D: FINANCIAL STATEMENTS AND BUDGETS

Financial Condition

The global tourism industry has been devastated by the COVID-19 pandemic. We have moved to rapidly pivot all aspects of our business to help mitigate the adverse impacts to our visitor economy, and build back tourism better. The 2022-2026 Corporate Plan Financial Statements and Budgets reflect this new reality and take into account our updated strategy to address the current environment. This near term strategy includes taking a data and analytics driven approach to where we invest first, as borders reopen and international and domestic travel begin again. We are investing in our research and analytics capacity with the intention of sharing information with our partners to help inform better decision-making and judicious spending. In addition, our work in destination development plans to sustain and create a premier four-season, regenerative tourism economy.

The 2021 Federal Budget announcement included \$100 million over three government fiscal years (2021-22 through 2023-24) for domestic and international marketing for Helping Visitors Discover Canada.

As noted above, this 2022-2026 Corporate Plan reflects the base parliamentary appropriations of \$96.2 million per year and the one-time \$100 million funding from Budget 2021. Appropriations were \$95.7 million in 2020, are expected to be \$110.9 million in 2021, will increase in 2022 and 2023 from the one-time funding, and will return to base levels of \$96.2 million in 2024 and future years.

Total corporate services expenses represent less than 10% of total expenses on an ongoing basis. This allows us to allocate the majority of our parliamentary appropriations directly into marketing and sales programs, strategy, analytics and destination stewardship, and COVID-19 pandemic recovery efforts.

Major Assumptions

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

- Our base parliamentary appropriations remain at \$96.2 million, while we plan to expand our strategy in the areas of data and analytics, destination development and other new initiatives.
- A one-time funding allocation of \$100 million over three government fiscal years from Budget 2021 for Helping Visitors Discover Canada will help restart the visitor economy as borders reopen and travel resumes.

Statement of Financial Position

As at December 31, 2020 to December 31, 2026

<i>(In thousands of Canadian dollars)</i>	Actual Dec. 31, 2020	Estimated Dec. 31, 2021	Planned Dec. 31, 2022	Planned Dec. 31, 2023	Planned Dec. 31, 2024	Planned Dec. 31, 2025	Planned Dec. 31, 2026
Financial assets							
Cash and cash equivalents	37,784	23,625	26,405	22,123	19,210	18,995	18,873
Accounts receivable							
Partnership contributions	1,306	239	0	0	297	594	890
Government of Canada	418	500	500	500	500	500	500
Other	1	15	15	15	15	15	15
Portfolio investments	713	574	492	356	267	225	182
Accrued benefit asset	1,450	1,450	1,450	1,450	1,450	1,450	1,450
	<u>41,672</u>	<u>26,403</u>	<u>28,862</u>	<u>24,445</u>	<u>21,739</u>	<u>21,780</u>	<u>21,911</u>
Liabilities							
Accounts payable and accrued liabilities							
Trade	3,427	15,704	17,455	13,587	10,966	11,175	11,389
Employee compensation	2,182	2,182	2,182	2,182	2,182	2,182	2,182
Government of Canada	75	75	200	200	200	200	200
Deferred revenue	1,845	1,200	700	700	700	700	700
Deferred lease inducements	482	382	283	184	85	0	0
Accrued benefit liability	3,749	3,585	3,503	3,421	3,339	3,257	3,175
Asset retirement obligation	164	164	164	164	164	164	164
	<u>11,924</u>	<u>23,292</u>	<u>24,487</u>	<u>20,439</u>	<u>17,636</u>	<u>17,678</u>	<u>17,810</u>
Net financial assets	<u>29,748</u>	<u>3,111</u>	<u>4,375</u>	<u>4,006</u>	<u>4,103</u>	<u>4,102</u>	<u>4,101</u>
Non-financial assets							
Tangible capital assets	1,136	1,026	796	509	254	220	268
Prepaid expenses and other assets	5,697	3,900	1,954	1,955	1,955	1,954	1,953
	<u>6,833</u>	<u>4,926</u>	<u>2,750</u>	<u>2,464</u>	<u>2,209</u>	<u>2,174</u>	<u>2,221</u>
Accumulated surplus	<u>36,581</u>	<u>8,037</u>	<u>7,125</u>	<u>6,470</u>	<u>6,312</u>	<u>6,276</u>	<u>6,322</u>

Our financial position will remain relatively stable throughout the 2022-2026 planning period, with the exception of a \$28.6 million decrease in the accumulated surplus from 2020 to 2021. This will be to fund our new strategic initiatives during 2021 and sustained marketing and sales activities through the COVID-19 recovery and resilience phases in 2021-2023 with the incremental \$100 million funding.

Assets

Financial assets are expected to decrease between December 31, 2020 and December 31, 2021 as we use up our accumulated surplus in 2021 and then stabilize over the remaining planned period.

Liabilities

Our overall liability is expected to increase between December 31, 2020 and December 31, 2022 then decrease through 2023-2026. This is driven by the changes in the accounts payable balance following the fluctuation of marketing and sales, strategy, analytics and destination stewardship programs in the same period, following the timing of the 2021 Federal Budget one-time funding.

Accumulated Surplus

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

Statement of Operations

For the years ending December 31

<i>(In thousands of Canadian dollars)</i>	Actual 2020	Estimated 2021	Planned 2022	Planned 2023	Planned 2024	Planned 2025	Planned 2026
Revenues							
Partnership contributions	3,143	1,608	-	-	2,000	4,000	6,000
Other	1,361	1,155	974	952	971	990	1,010
	4,504	2,763	974	952	2,971	4,990	7,010
Expenses							
Marketing and sales	67,567	126,507	134,812	99,863	76,844	78,694	80,542
Analytics and destination stewardship*	4,100	6,197	12,179	11,996	12,053	12,223	12,394
Corporate services and strategy*	8,549	9,136	10,681	10,792	10,045	10,144	10,084
Amortization of tangible capital assets	330	350	375	377	345	124	102
	80,546	142,191	158,046	123,028	99,289	101,186	103,123
Net cost of operations before funding from the Government of Canada	(76,042)	(139,428)	(157,072)	(122,076)	(96,318)	(96,195)	(96,113)
Parliamentary appropriations	95,666	110,900	156,160	121,420	96,160	96,160	96,160
Surplus / (deficit) from operations	19,624	(28,528)	(912)	(656)	(158)	(35)	47
Accumulated surplus from operations, beginning of period	16,906	36,530	8,002	7,090	6,434	6,276	6,241
Accumulated surplus from operations, end of period	36,530	8,002	7,090	6,434	6,276	6,241	6,288
Ratio of Operating expenses to Marketing and sales expenses**	12%	7%	7%	10%	11%	11%	11%

* Actuals for 2020 include a reallocation of Strategy, previously included in Analytics and destination stewardship, to the Corporate services and strategy line for consistency with the presentation from 2021 to 2026.

** Operating expenses include expenses for Corporate services and Strategy; Marketing and sales expenses include Research Analytics and Destination Stewardship.

Revenues

Parliamentary Appropriations

We are financed mainly by Government of Canada parliamentary appropriations which were \$95.7 million in 2020. Appropriations will increase through 2021-2023 due to one-time incremental funding for Helping Visitors Discover Canada.

In 2021 through 2023, we will receive two sources of appropriations: base appropriations and the one-time \$100 million funding. (For a description of how we reconcile the government fiscal year with our calendar fiscal year, see *Reconciliation of Parliamentary Appropriations to Government Fiscal Year*.)

- Base funding of \$96.2 million in 2021, confirmed throughout the remaining planning cycle; and
- The \$100 million in incremental funding through the 2021 Budget for Helping Visitors Discover Canada.

In 2024-2026, we will only receive our base funding.

Partnership Contributions

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

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

Our estimates show a sharp decrease in cash contributions in 2020-2026 as we anticipate the impact of the COVID-19 restrictions on travel to have lasting financial consequences for all of our partners. Even before the pandemic, several of our traditional partners had experienced budget declines which decreased the capital pool available to invest in our marketing campaigns.

Expenses

Expenses are fairly consistent with our appropriation with the exception of the use of our accumulated surplus in 2021 to continue our domestic marketing campaigns and pursue our new strategic initiatives.

Programs

We are committed to invest a minimum of 90% of all revenues and parliamentary appropriations in marketing and sales, research, analytics, and destination stewardship throughout the 2022-2026 planning cycle. Shifts in annual parliamentary appropriations and the anticipated decrease in cash partnership contributions have a direct impact on program spending levels and ratios.

Corporate Services and Strategy

Over the planning period, the cost of corporate services as a percentage of program spending is expected to remain below the 15% maximum set by Treasury Board. We are committed to spend well below this threshold in corporate services throughout the 2022-2026 planning cycle, including the years when appropriations will decrease to base levels.

Corporate services and strategy expenses are expected to increase through 2021-2023 to include the larger scope of our new strategic efforts which will expand beyond marketing and sales, and decrease and stabilize through 2024-2026. These investments are also required to strengthen and modernize our computer hardware and internal control framework, and optimize operational processes for greater efficiency. Training continues to be a focus at Destination Canada. The intention is to ensure we have an agile, high-performance workforce, to provide opportunities for staff to learn and develop as a key part of our employee value proposition, to recruit and retain talent and to increase employee engagement and enablement.

Amortization

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

Statement of Remeasurement Gains and Losses

For the years ending December 31

<i>(In thousands of Canadian dollars)</i>	Actual 2020	Estimated 2021	Planned 2022	Planned 2023	Planned 2024	Planned 2025	Planned 2026
Accumulated remeasurement gains / (losses) at beginning of year	(194)	51	35	35	35	35	35
Unrealized gains / (losses) attributable to foreign exchange	51	35	(35)	(35)	(35)	(35)	(35)
Amounts reclassified to the statement of operations	194	(51)	35	35	35	35	35
Net remeasurement gain for the period	245	(16)	-	-	-	-	-
Accumulated remeasurement gains / (losses) at end of year	51	35	35	35	35	35	35

Statement of Change in Net Financial Assets

For the years ending December 31

<i>(In thousands of Canadian dollars)</i>	Actual 2020	Estimated 2021	Planned 2022	Planned 2023	Planned 2024	Planned 2025	Planned 2026
Accumulated surplus / (deficit) for the period	19,624	(28,528)	(912)	(656)	(158)	(35)	47
Acquisition of tangible capital assets	(57)	(240)	(145)	(90)	(90)	(90)	(150)
Amortization of tangible capital assets	330	350	375	377	345	124	102
Net disposition of tangible capital assets	4	-	-	-	-	-	-
	277	110	230	287	255	34	(48)
Effect of change in other non-financial assets							
(Increase) / decrease in prepaid expenses	(3,976)	1,797	1,946	-	-	-	-
	(3,976)	1,797	1,946	-	-	-	-
Remeasurement gain	245	(16)	-	-	-	-	-
Increase / (decrease) in net financial assets	16,170	(26,637)	1,264	(369)	97	(1)	(1)
Net financial assets, beginning of period	13,578	29,748	3,111	4,375	4,006	4,103	4,102
Net financial assets, end of period	29,748	3,111	4,375	4,006	4,103	4,102	4,101

Statement of Cash Flows

For the years ending December 31

<i>(In thousands of Canadian dollars)</i>	Actual 2020	Estimated 2021	Planned 2022	Planned 2023	Planned 2024	Planned 2025	Planned 2026
Operating transactions							
Cash received from:							
Parliamentary appropriations used to fund operating transactions	95,666	110,900	156,160	121,420	96,160	96,160	96,160
Partnership contributions	4,811	2,030	(261)	-	1,703	3,703	5,703
Other revenues	886	671	483	453	464	489	586
Interest	377	385	392	400	408	416	425
	<u>101,740</u>	<u>113,987</u>	<u>156,775</u>	<u>122,274</u>	<u>98,736</u>	<u>100,770</u>	<u>102,874</u>
Cash payments:							
To suppliers	(80,982)	(111,940)	(135,407)	(108,076)	(84,687)	(83,752)	(85,480)
To and on behalf of employees	(14,893)	(16,087)	(18,525)	(18,525)	(16,961)	(17,183)	(17,409)
Cash applied to / (used in) operating transactions	<u>5,865</u>	<u>(14,040)</u>	<u>2,843</u>	<u>(4,326)</u>	<u>(2,912)</u>	<u>(165)</u>	<u>(15)</u>
Capital transactions							
Acquisition of tangible capital assets	(57)	(240)	(145)	(90)	(90)	(90)	(150)
Investing transactions							
(Acquisition) / Disposition of portfolio investments	90	139	83	135	89	42	43
Net remeasurement gain / (loss) for the period	245	(16)	-	-	-	-	-
Net increase / (decrease) in cash during the period	<u>6,143</u>	<u>(14,158)</u>	<u>2,781</u>	<u>(4,281)</u>	<u>(2,912)</u>	<u>(213)</u>	<u>(122)</u>
Cash and cash equivalents, beginning of period	<u>31,641</u>	<u>37,784</u>	<u>23,625</u>	<u>26,405</u>	<u>22,123</u>	<u>19,210</u>	<u>18,995</u>
Cash and cash equivalents, end of period	<u>37,784</u>	<u>23,625</u>	<u>26,405</u>	<u>22,123</u>	<u>19,210</u>	<u>18,995</u>	<u>18,873</u>

Reconciliation of Parliamentary Appropriations to Government Fiscal Year

For the years ending December 31

<i>(In thousands of Canadian dollars)</i>	Actual 2020	Estimated 2021	Planned 2022	Planned 2023	Planned 2024	Planned 2025	Planned 2026
Amounts provided for operating and capital expenditures							
Amounts voted: prior year							
Main estimates	100,666	95,666	96,160	96,160	96,160	96,160	96,160
2021 Federal Budget (Helping Visitors Discover Canada)	-	-	25,000	60,000	15,000	-	-
Supplementary estimates A & B	-	-	-	-	-	-	-
	100,666	95,666	121,160	156,160	111,160	96,160	96,160
Less: portion recognized in prior year	(76,750)	(71,750)	(86,984)	(121,984)	(87,244)	(72,244)	(72,244)
Amounts recognized in current year	23,916	23,916	34,176	34,176	23,916	23,916	23,916
Amounts voted: current year							
Main estimates	95,666	96,160	96,160	96,160	96,160	96,160	96,160
2021 Federal Budget (Helping Visitors Discover Canada)	-	25,000	60,000	15,000	-	-	-
	95,666	121,160	156,160	111,160	96,160	96,160	96,160
Less: portion to be recognized in following year	(23,916)	(34,176)	(34,176)	(23,916)	(23,916)	(23,916)	(23,916)
Amounts recognized in current year	71,750	86,984	121,984	87,244	72,244	72,244	72,244
Parliamentary appropriations used for operations and capital in the year	95,666	110,900	156,160	121,420	96,160	96,160	96,160

Operating Budget

For the years ending December 31

<i>(In thousands of Canadian dollars)</i>	Actual 2020	Planned 2020	Variance	Estimated 2021	Planned 2021	Variance	Planned 2022
Partnership contributions	3,143	20,000	(16,857)	1,608	509	1,099	-
Other revenues	1,361	1,485	(124)	1,155	1,100	56	974
Operating costs							
Marketing and sales	67,567	110,963	(43,396)	126,507	136,787	(10,280)	134,812
Analytics and destination stewardship	4,100	4,653	(553)	6,197	6,705	(508)	12,179
Corporate services and strategy	8,648	8,884	(236)	9,235	9,915	(680)	10,780
	<u>80,315</u>	<u>124,500</u>	<u>(44,185)</u>	<u>141,940</u>	<u>153,408</u>	<u>(11,468)</u>	<u>157,771</u>
Net cost of operations	(75,811)	(103,015)	27,204	(139,177)	(151,799)	12,623	(156,796)
Funded by:							
Parliamentary appropriations	95,666	99,156	(3,490)	110,900	117,395	(6,495)	156,160
Net surplus / (deficit)	<u>19,855</u>	<u>(3,859)</u>	<u>23,714</u>	<u>(28,277)</u>	<u>(34,404)</u>	<u>6,128</u>	<u>(636)</u>

Cash partnership contributions are estimated to drop from 2020 levels as a result of the COVID-19 pandemic, and travel restrictions that have been in place for most of 2020 and that are expected to continue in future years. This incremental decrease in cash contributions resulted in lower marketing and sales expenses and corporate services expenses compared to plan and past years. In 2021, borders reopened and we welcomed more visitors to Canada than in 2020; however, due to new waves of COVID-19 and different regulations across the country, the restart was delayed from our original plans and marketing and sales expenses are expected to fall \$10.3 million under budget.

Operating costs for 2021 are broken down as follows:

- Marketing and sales: 93% program costs, 6% salary and 1% administrative costs (rent on foreign offices, IT (software and web platforms), professional services, office expenses and travel and hospitality)
- Analytics and destination stewardship: 71% program costs, 29% salary and less than 1% administrative costs
- Corporate services and strategy: 63% salary and 37% administrative costs (professional services, IT (software and computer equipment), rent on Canadian offices and telecommunications and insurance)

Capital Budget

For the years ending December 31

<i>(In Canadian dollars)</i>	Actual 2020	Planned 2020	Estimated 2021	Planned 2021	Planned 2022	Planned 2023	Planned 2024	Planned 2025	Planned 2026
Tangible capital assets									
Leasehold improvements and decommissioning	-	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Office furniture	-	5,000	15,000	5,000	10,000	5,000	5,000	5,000	5,000
Computer equipment and software	57,000	120,000	210,000	170,000	120,000	70,000	70,000	70,000	130,000
Total	57,000	140,000	240,000	190,000	145,000	90,000	90,000	90,000	150,000

The 2021 year is estimated to include some modest capital investments in updated computer equipment and software in order for staff to work efficiently from home. In 2022, we anticipate continuing to require investments in computer equipment and software, in addition to firewall and audio/visual upgrades to support our new hybrid working model. In the five-year plan through 2022-2026, capital expenditures reflect an upgrade to our data storage and power supply at headquarters in 2026 with no additional investments planned.

Actual and Forecasted Expenditures for Travel, Hospitality and Conferences

For the years ending December 31

<i>(In Canadian dollars)</i>	Actual 2020	Estimated 2021	Planned 2022	Planned 2023	Planned 2024	Planned 2025	Planned 2026
Travel							
Operational activities	812,382	153,448	4,467,257	4,467,257	4,378,000	4,378,000	4,378,000
Key stakeholders	18,135	109,846	190,919	190,919	187,000	187,000	187,000
Internal governance and training	48,964	54,919	202,622	202,622	199,000	199,000	199,000
Hospitality	72,311	231,000	778,875	778,875	763,000	763,000	763,000
Conferences	24,821	8,954	56,912	56,912	56,000	56,000	56,000
Total	976,613	558,167	5,696,585	5,696,585	5,583,000	5,583,000	5,583,000

Significant Accounting Policies

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

a) **Parliamentary appropriations**

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

As our year-end (December 31) differs from that of the Government of Canada’s (March 31), we receive parliamentary appropriations from two government fiscal years.

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

We do not have the authority to exceed approved appropriations.

b) **Partnership contributions**

We conduct marketing activities in partnership with a variety of Canadian and foreign organizations. When we assume the financial risks of conducting a marketing activity, contributions received from a partnering organization are recognized as income over the effective life of the contract or when the event has taken place. Partnership contributions received for marketing activities yet to take place are recognized as deferred revenue.

c) **Other revenues**

Other revenues consist of cost recoveries from co-location partners, interest revenues, capital asset sales and other miscellaneous revenues. These items are recognized as revenue in the period in which the transaction or event occurred 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 and strategy. Unrealized gains and losses are reported on the Statement of Remeasurement Gains and Losses and in the Statement of Change in Net Financial Assets. We do not hedge against the risk of foreign currency fluctuations.

e) **Cash and cash equivalents**

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

f) **Portfolio investments**

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

g) Prepaid expenses

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

h) Tangible capital assets

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

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

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

Intangible assets are not recognized in these financial statements.

i) Deferred revenue

Deferred revenue consists of contributions from partnering organizations and restricted appropriations received from the Government of Canada. When contributions are received from partnering organizations, they are recognized as deferred revenue until the related marketing activity or event has taken place. When restricted appropriations are received from the Government of Canada, they are recognized as deferred revenue until the criteria and stipulations are met that gave rise to the liability. As at December 31, 2019 and 2020, the deferred revenue balance is solely made up of deferred contributions from partnering organizations.

j) Deferred lease inducements

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

k) Asset retirement obligation

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

l) Employee future benefits

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

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

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

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 Canadian Tourism Commission ("RPP"), 0.0 years (0.0 years – 2019) for the Supplementary Retirement Plan for certain employees of the Canadian Tourism Commission ("SRP"), 14 years (15.5 years – 2019) for the Pension Plan for Employees of the Canadian Tourism Commission 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 Department of Foreign Affairs defined benefit pension plans administered by the Government of Canada. The assets of these plans cannot be allocated among participating employers, and as such, these plans are deemed "multi-employer" plans and accounted for as defined contribution plans. Our contributions to these plans reflect the full benefit cost of the employer. These amounts vary depending upon the plan and are based on a percentage of the employee's gross earnings. Contributions may change over time depending on the experience of the plans since we are required under present legislation to make adjustments for the rate of contributions to cover any actuarial deficiencies of these plans. Contributions represent the total pension obligations to us for these employees and are charged to operations during the year in which the services are rendered.

m) Financial instruments

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

n) Measurement uncertainty

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

o) Related party transactions

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

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

p) In-kind partnership contributions

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

q) Inter-entity transactions

Inter-entity transactions are transactions between commonly controlled entities. We record inter-entity transactions at the exchange amount except for the following:

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

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

APPENDIX E: RISK MANAGEMENT

Overview

Background

We manage risk through formal risk review processes with staff and our Board of Directors, and by using the expert advice and support of an independent consultant. In addition, the Office of the Auditor General of Canada annually audits our financial statements and notes, and monitors us through periodic special examinations as required by the *Financial Administration Act*. By identifying strategic risks that impact our organizational objectives, we can address them proactively so that they are effectively managed.

Our independent consultant facilitates the enterprise risk management (ERM) process for the organization. While our staff manage the identification of the risks and mitigations, our independent consultant supports by facilitating:

- Workshops with staff to identify risks and potential mitigating activities;
- Workshops with senior management to evaluate key risks (i.e. identifying the impact and likelihood of each risk); and
- Discussions with senior management on the results of the risk ranking workshop to agree on final risk rankings, mitigating actions and risk categories (strategic vs. operational).

The strategic risks are presented to the Audit and Pension Committee for review and discussion. Additional updates are made to the risks following the committee's input and recommendations.

Approach and Criteria

Our approach to evaluating risks follows leading practice ERM frameworks that allow us to follow a set of coordinated activities enabling risks to be identified and managed in a consistent, systematic, credible and timely way.

- We assess our **risk appetite** in terms of the amount and type of risk we are willing to accept in pursuit of our business objectives. Although we have not produced a statement on risk appetite, management has a moderate risk appetite when it comes to the fulfilment of our mandate.
- We determine our **risk tolerance** which reflects our risk appetite at the specific risk level. This has not been defined due to the maturity of the ERM program, the COVID-19 environment and the changing operating business model. That said, we have a low tolerance for financial operations risk given the extensive internal financial controls that we employ.
- We have developed a 5-point scale to **evaluate the impact and likelihood of our strategic risks**. The risk rating descriptions and rating criteria are provided in the following table. Consistent with best practices identified by our external consultant, we evaluate and report risks on a "residual risk" basis, i.e. after considering mitigating activities. Reporting residual risk is considered appropriate, given the level of understanding of our risks required by our internal

and external stakeholders in the development of our strategic objectives, the maturity of our ERM process, and the size of our organization. Inherent risk is considered in the development of our risk-based internal audit plan.

Risk Monitoring

The formal risk assessment process is conducted annually; however, management plans to review changes to risks and assess progress on mitigation action plans periodically throughout the year.

Risk Rating Description and Scoring Criteria

When performing our formal risk evaluation, we use the following 5-point scale (High/Medium High/Medium/Medium Low/Low) to evaluate the impact and likelihood of risks occurring on a residual basis, after taking into consideration our mitigation activities. The following risk rating descriptions and rating criteria are used:

IMPACT RATING	DESCRIPTION	LIKELIHOOD RATING	DESCRIPTION
High	The risk would have a significant negative impact with material consequences to Destination Canada (e.g. complete inability to function) and our customers, shareholder / stakeholder relations, budget and financial operations, internal operations and learning and growth.	High	There is an almost certain likelihood the risk would occur (80% or greater). There is potential for the risk to occur frequently.
Medium High	The risk would have a negative impact on Destination Canada. Consequences would limit our ability to function effectively and efficiently.	Medium High	It is somewhat likely the risk would occur (60-80%). It is possible the risk could occur more than once.
Medium	The risk would have a negative impact on Destination Canada. Consequences would impact our ability to function effectively and efficiently.	Medium	There is a possible likelihood the risk would occur (40-60%). It is unlikely the risk would occur more than once.
Medium Low	The risk would have a minimal impact on Destination Canada. Consequences would be minor or restorable.	Medium Low	There is a possible likelihood the risk would occur (20-40%). It is unlikely the risk would occur more than once.
Low	The risk would have an insignificant impact on Destination Canada.	Low	There is a rare likelihood the risk would occur (20% or less). It is very unlikely the risk would occur at all.

Risks and Risk Responses

The significant impacts of the pandemic on tourism and our own operating environment necessitated a fresh look at the top risks impacting the tourism sector and our own organization. We identified major issues in the tourism product supply chain due to permanent business closures, the reduction of airline routes, the systematic exclusion or underrepresentation of certain people and communities, and environmental impacts. The new risk framework goes beyond standard business and financial risks to categorize strategic risks under the following four lenses:

- **Economic** – This includes changes in macroeconomic conditions, such as supply chain disruptions, geo-politics and major global events, which could negatively impact business strategies, operations and investments. For Destination Canada, there is a risk that our activities do not result in increased tourism results due to aggressive competition from other countries and due to other sectors in Canada competing for the same limited pool of investment dollars and labour.
- **Environmental** – This includes monitoring impacts to climate change, reducing emissions and supply chain sustainability. For Destination Canada, there is a risk that destination activities that we promote could have a negative impact on the tourism assets that are being promoted.
- **Social** – This examines how the business manages labour relations, diversity and inclusion. For Destination Canada, there is a risk that our operations and tourism promotion activities do not consider all stakeholders and are not equitable towards all affected peoples and local communities, and/or that we do not attract a diverse workforce.
- **Governance** – This assesses leadership, internal controls and ethics to promote greater accountability and transparency. For Destination Canada, there is a risk that our corporate governance activities do not respond to the rapidly changing global business environment, leading to lower overall organizational effectiveness and efficiency.

The revised strategic risks identified below are intended to better match our new reality and more closely align with our refreshed strategy. As these are new risks in a post-COVID world, there are no rating comparators for previous years.

● High residual risk
 ● Medium-high residual risk
 ● Medium residual risk
 ● Low-medium residual risk
 ● Low residual risk

ECONOMIC – PANDEMIC

2022: ●

The COVID-19 pandemic negatively affected all aspects of the tourism industry, driving many organizations out of business and having lasting negative impacts on the organizations that do survive. As the world shifts its focus to recovery, leisure travel demand is forecasted to increase. However, the reduction in tourism supply may require a longer time horizon to return to pre-pandemic levels. There is a risk that Destination Canada’s activities do not result in increased tourism results due to aggressive competition from other countries, as well as other sectors in Canada competing for the same limited pool of investment dollars and labour.

Mitigation activities: We operate in a resource constrained environment, and recognize that we compete with other sectors which may decide to invest more, based on their own economic realities. We mitigate this risk through careful financial management, through a unique ability to collaborate nationwide with our provincial, territorial and destination marketing partners, and by adopting a continuous improvement mentality which ensures that we operate as efficiently as possible with the resources that we have at our disposal. We continuously monitor the competitive environment on behalf of our stakeholders in the tourism industry and pivot quickly, where required, to ensure that Canada is equipped and able to gain its fair share of post-pandemic tourism.

ECONOMIC – RUSSIA/UKRAINE CONFLICT

2022: ●

Russia’s invasion of Ukraine is a significant geopolitical crisis that has immediate consequences both in the region and beyond. Supply- and demand-side impacts will be felt worldwide as consumer confidence retracts and reduced transport connectivity takes hold. There is a risk that safety fears could weaken demand and be a deterrent for international long-haul travel, with guests favouring locations with greater familiarity and/or in close proximity to their home.

Mitigation activities: We will follow traveller sentiment closely and adjust our market forecasts, and marketing investments, plans and content as conditions warrant. This includes working with business event partners to prepare for and/or accommodate last-minute event changes. We will also keep up to date with air route changes and cancellations, and work with domestic and major international airlines on joint marketing.

ENVIRONMENTAL

2022: ●

As transportation and development of tourism infrastructure consume natural resources and affect the local environment, there is a risk that the tourism activities we promote in turn negatively impact the tourism assets that are being promoted and diminish our social license to operate.

Mitigation activities: We are stewarding destination development based on values that are place-based, community-led and environment-centered, and that are also balanced with economic viability. This values-based approach will contribute to mitigating the unintended and negative impacts on the tourism assets we promote. As a national leader, we will raise awareness and reinforce messages to our marketing and industry partners about capacity challenges of destinations and the need for environmental sensitivity when developing their programs. We will encourage them to meet Canada’s greenhouse gas goals and to work alongside communities to instill actions that are regenerative. Further, we will promote these values to our travellers.

SOCIAL

2022: ●

Focus on social issues impacting indigenous communities and other minority groups has progressively increased in importance in recent years. The tourism sector relies on managing relationships with geographically and ethnically diverse groups all across the world. Destination Canada also relies on having a diverse workforce that enables us to optimize our own performance. There is a risk that our operations and tourism promotion activities are not considerate of all stakeholders, nor are equitable towards all affected peoples and local communities. There is also a risk that we do not optimize our performance by attracting a diverse workforce.

Mitigation activities: We are working across multiple initiatives to ensure that our activities reflect the diversity of Canada. This includes: working with our agency partners to showcase all elements of diversity in our global marketing; refining our processes in human resource recruitment, procurement and other practices; training our staff to be aware of biases; working to support Indigenous reconciliation through tourism; and following a community economic empowerment strategy. We are deploying our internal justice, equity, diversity, and inclusion strategy to ensure that we embrace diversity in our operations and reflect the communities we serve.

GOVERNANCE

2022: ●

In the current environment, stakeholder, employee, and customer expectations are constantly transforming. Economic, social and environmental conditions have shifted quickly and significantly within two years. Organizations in the tourism industry strive to represent their country and their communities on a regional and global level. There is a risk that our corporate governance activities are not responsive to the rapidly-changing global business environment, leading to lower overall organizational effectiveness and efficiency.

Mitigation activities: We have conducted an extensive environmental scan exploring the big shifts in the tourism industry and aligned our governance activities in the changing environment. This starts with engaging with a Board of Directors made up of seasoned industry and business professionals who ensure that our strategic direction is aligned with the rapidly changing conditions. We have consulted broadly with the industry to develop a strong business strategy, implemented a full policy suite to address day-to-day operations, provided more robust enterprise risk management, and introduced an internal audit function serving as the final line of defense. We measure our performance against our own targets and our stakeholders’ objectives, we are benchmarking some areas of market performance against key competitors, and we have implemented appropriate information technology controls to protect against the cyber risks of doing business in today’s environment.

APPENDIX F: COMPLIANCE WITH LEGISLATIVE AND POLICY REQUIREMENTS

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

Policy on COVID-19 Vaccination for the Core Public Administration Including the Royal Canadian Mounted Police

Since the pandemic, we have taken a proactive role to stay informed and follow the advice of local and federal public health authorities. In late 2021, the Government of Canada mandated that all public service employees, including those employed by Crown corporations, be fully vaccinated. In alignment with federal direction, we soon after implemented our own policy outlining the vaccination requirements for all our employees, officers and board directors.

We have and will continue to take public guidance into account in all our programs and operational activities, including return to work and industry events, to safeguard the health and safety of our staff and others we may come into contact with.

Pay Equity Act

In 2021, the Government of Canada implemented the *Pay Equity Act*. This act is an important part of the government's commitment to close the gender wage gap and ensure that workers receive equal pay for work of equal value.

We enthusiastically support this act and will be creating a pay equity plan that will ensure that women's work is valued and compensated fairly, now and into the future.

Official Languages Act

We prepare and submit annual reports to the Treasury Board Secretariat and Canadian Heritage on our efforts to comply with our obligations under the *Official Languages Act*. Our last report was submitted in May 2021 for the 2020-2021 government fiscal year.

To further align with the spirit of the *Official Language Act* and to foster the linguistic duality of Canada, we are taking steps to strengthen our official languages practices and ensure that all staff have a sound understanding of their official languages responsibilities.

Access to Information Act and Privacy Act

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

We prepare and submit annual reports to Parliament on the administration of both Acts. Our last reports were submitted in October 2021 for the 2020-2021 government fiscal year.

Conflict of Interest Act

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

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

Canadian Human Rights Act and Canada Labour Code

The *Canadian Human Rights Act* and the *Canada Labour Code* form the basis of our Respectful Workplace policies. These policies support our commitment to provide a positive work environment that promotes the respect and dignity of all our team members. It is important for our employees to feel safe and free from harassment, discrimination and bullying at work. In response to updates made to the *Canada Labour Code* to strengthen the existing framework for the prevention of harassment and violence, we have updated our internal policies and staff were trained on the new protocols in 2021.

Trade Agreements

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

APPENDIX G: SUPPORT FOR GOVERNMENT PRIORITIES AND DIRECTION

Finishing the Fight Against COVID-19

We support the federal government's priority to protect the health and safety of employees working in the federal sphere and the communities where they live and work. As such, we have aligned with the Government of Canada's policy to require that all our employees, officers and board directors be fully vaccinated against COVID-19.

A More Resilient Economy

Our strategy is about improving the conditions for tourism businesses and for sustainable economic prosperity. This includes providing valuable information on programs offered by stakeholders to help tourism businesses address labour needs. Additionally, the transformative power of regenerative tourism will support sustainable economic growth, entrepreneurship, community vitality, and the Canadian identity. Further, in our new role in destination development, we are laying the groundwork for success that will see Canada's tourism industry emerge stronger and more resilient post-pandemic.

An Equal Canada, For Everyone

We are proud to support the federal government's priority to create An Equal Canada, For Everyone. Below are a few initiatives in support of this priority:

- To align with the spirit of the *Official Language Act* and to foster the linguistic duality of Canada, we are taking steps to strengthen our official languages practices and ensure that all staff have a sound understanding of their official languages responsibilities.
- To execute on our mandate, we consider a variety of Gender-Based Analysis Plus (GBA+) factors in the selection of our target audiences. Travel habits and patterns are greatly influenced by such factors as geographic location, gender, sexual orientation, age, socio-economic status, education level, marital and family status, and cultural norms. These factors are taken into account when developing our marketing plans and activities. In addition, on a more operational level, we've begun updating corporate service practices to address diversity and inclusion. Procurement practices have been updated to reflect assessments of bid proponents in terms of their diversity and inclusion policies and/or statements. Furthermore, our recruitment practices have begun introducing questions to candidates on their views related to diversity and inclusion to help determine job suitability and alignment with organizational values.
- To support the recently enacted *Pay Equity Act*, we will be creating a pay equity plan that will ensure that women's work is valued and compensated fairly, now and into the future.
- To support the Government of Canada's accessibility strategy, we continue to improve our communications technologies and have recently implemented changes to improve accessibility in our online channels.

Moving Forward on Reconciliation with Indigenous Peoples

As an organization, we will continue to develop genuine relationships with, and deepen our understanding of, Indigenous communities and businesses and their unique perspectives so that, together, we can share Indigenous contributions, past and present, with Canadians and the world.

We have developed a statement to guide our future activities supporting working relationships and reconciliation with Indigenous peoples across Canada. We reviewed the Truth & Reconciliation Commission's 94 Calls to Action to identify where we can best support reconciliation. Additionally, we held several staff training sessions to increase our collective and individual knowledge of Indigenous history and current challenges.

A Stronger Canada

Against the backdrop of a shifting and changing social landscape, including recognition of injustices to Indigenous peoples in Canada, rising anti-Asian sentiment and the Black Lives Matter movement, Destination Canada continues to take actions to shift and share power, creating space for equity in painting an authentic and representative picture of Canada.

The justice, equity, diversity and inclusion (JEDI) initiative is our ongoing framework for addressing these concerns within our work and workplace. Staff are engaged at every stage of this journey and an Employee Council for JEDI was formed to ensure that there will always be a safe space for all staff to express opinions or voice concerns.

Also part of this initiative, we hired an external consultant to examine our policies, practices and culture through the JEDI lens. Staff participation rates in feedback sessions and optional follow-up workshops were high and resulted in key themes and recommendations. Destination Canada is committed to fostering a workplace where all people feel they belong and can be themselves, and where our work reflects the diversity of voices and perspectives of the audiences that we are working to reach.