Canada Lands Company
Société immobilière du Canada

2023/24 TO 2027/28

CORPORATE PLAN SUMMARY & OPERATING BUDGETS

Contents

1. Executive Summary

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

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

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

CLCL's overarching objectives over the period of the plan, April 1, 2023 to March 31, 2028 (Plan Period), include the following:

- assist the Government of Canada to deliver on key policy objectives and its mandate;
- implement CLCL's 2022 Strategic Plan in its operations;
- deliver economic development opportunities and community benefits to Canadians and municipalities;
- invest in some of Canada's most important tourism attractions through sound management and operations; and
- maintain and develop new relationships with Indigenous Peoples.

CLCL is a major Canadian real estate land developer and world-class attractions operator. Over the Plan Period, the Company will effectively manage its financial performance and remain resilient and adaptable to the conditions that it will face. CLCL continues to be financially responsible and operates with efficiency.

CLCL's operations, particularly its attractions, are recovering from the effects of the global pandemic that began in March 2020. The Company's forecasted results in 2022/23 indicate a return to stronger, more stable operations and financial results. The Company predicts that its Attractions operating division will continue to grow over the Plan Period, with more visitors and guests being welcomed, while its Real Estate operating division will continue to perform well, as it historically has, despite some short-term market challenges and cost pressures.

Over the Plan Period, the Company projects to:

- generate over $2.1 billion in revenue from its Real Estate and Attractions operating divisions;
- earn more than $703 million in net income before taxes;
- contribute more than $765 million back to its shareholder, including $200 million in dividends; and
- invest close to $790 million in local economies through capital spending on its real estate development and attractions assets.

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

2. Overview

2.1 ABOUT CANADA LANDS COMPANY LIMITED

Overview

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

In 2022 the Company's Board of Directors completed a robust strategic planning process that resulted in the 2022 Strategic Plan being completed in August 2022 with important outcomes for the Company. For instance, a new mission and vision were developed that are the foundation of CLCL's decision-making. As well, the Board of Directors set a strategic course for the Company by developing certain areas of focus around its values of Financial Resilience, Environmental Sustainability and Social Impact. An implementation plan is being developed for these areas along with targets and metrics which will be discussed in future corporate plans.

Mission

Ensure the innovative and commercially sound redevelopment and reintegration of surplus Government of Canada properties into local communities while developing, retaining, and managing certain real estate assets and uniquely Canadian attractions.

Vision

Be the Government of Canada's principal real property agency responsible for reintegrating surplus properties while being dedicated to developing great Canadian communities and acting as a premier owner and manager of select uniquely Canadian attractions. In all efforts, the Company will exhibit its commitment to engagement, sustainability, superior advisory services, integrity, and the highest standard of ethical behaviour while creating value for Canadians.

Values

The Company's core values are financial resilience, environmental sustainability, and social impact.

CLCL corporate structure

- CLCL has three subsidiaries:
  - Canada Lands Company CLC Limited, a non-agent Crown corporation (CLC) (operates across Canada);
  - Parc Downsview Park Inc., an agent Crown corporation (PDP) (operates in Toronto); and
  - Old Port of Montreal Corporation Inc., an agent Crown corporation (OPMC) (operates in Montréal).
- CLCL has two operating divisions:
  - Real Estate; and
  - Attractions.
- The Real Estate division has four regions:
  - West;
  - Central;
  - National Capital Region (NCR)/Atlantic; and
  - Québec.
- The Attractions division is comprised of:
  - Old Port including MSC;
  - Downsview Park; and
  - CN Tower.

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

2.2 PUBLIC POLICY ROLE

As an arm's length commercial, self-sustaining Crown corporation, oversight is provided by a Board of Directors comprised of seven independent directors (including a Chair) appointed by the Governor in Council based on the responsible minister's recommendation. The Board is responsible for reviewing and recommending the corporate plan to its shareholder and approving the Company's strategic plan and financial statements. For more information about CLCL's activities and operations, please refer to the Company's 2021/22 annual report or its website at clc-sic.ca.

Main activities and principal programs

CLCL is one of the country's foremost developers of Canadian communities. Through its CLC and PDP subsidiaries, CLCL transforms former Government of Canada properties and reintegrates them into local communities through real estate development, leasing and sales activities.

It is also the premier owner of select Canadian attractions, including the Old Port, the MSC, the CN Tower and Downsview Park.

Interim uses

CLCL’s real estate subsidiaries seek to use properties on an interim basis prior to the redevelopment process, ensuring where possible that certain properties remain active in the short and medium term.

Affordable housing

CLCL seeks to exceed municipal requirements for affordable housing in its real estate developments. CLC is a partner in the Federal Lands Initiative (FLI) (a part of the National Housing Strategy) with Public Services and Procurement Canada, the Canada Mortgage and Housing Corporation (CMHC), and Employment and Social Development Canada. Since 1995, the Company has facilitated more than 2,000 affordable housing units on its projects across the country, with more planned in every new residential development.

Community amenities

The Company invests in the creation of parks, pedestrian and cycling trails, and cultural amenities, incorporating sustainability features while designing for accessible and pleasing landscapes.

Attractions

Through its Attractions division, the Company holds, improves and manages world-renowned attractions such as the CN Tower and Downsview Park in Toronto, and the Old Port and MSC in Montréal.

Experiences

The MSC is home to many travelling science and technology-based exhibitions as well as seven permanent displays, which together have garnered numerous awards. Further to these exhibits, the MSC is home to a seven-storey IMAX® TELUS theatre through which it offers the latest advancements in digital technology to deliver a visually stunning learning experience. Other CLCL attractions also have activities including through third-party and tenant operations.

Recreation

CLCL’s attractions offer many recreational activities. An example includes Downsview Park’s K-12 curriculum educational offerings and sports activities, all offered in a safe environment. Its Hangar Sport and Events Centre, 45,000 square metres (484,000 square feet) in size, comprises several indoor and outdoor playing fields, as well as soccer leagues and facility rentals for tens of thousands of users per year. The site is also home to a four-pad arena that offers ice rink time to leagues and individuals throughout the community.

Financial condition

CLCL's financial management focuses on the activities around planning, procuring, and controlling the Company's financial resources with the objective of making optimal financial decisions for CLCL. CLCL's financial strategy is to operate with strong fiscal responsibility through its business divisions across the country to optimize cash flow and profit for reinvestment and return to the Company's stakeholders, in both the short and long term.

The Company balances its financial and non-financial returns, which may not necessarily yield the maximum financial return, but rather aims to maximize the overall contribution to its stakeholders. Historically, CLCL has generated an annual profit, maintained sufficient cash resources and not required parliamentary appropriations, while funding the operating deficit and capital requirements of the Old Port, MSC and Downsview Park.

CLCL manages its external debt levels as part of its financial strategy, using credit facilities where appropriate and prudent. The Company continues to work to repay the external debt that was assumed in November 2012 as part of the operational amalgamation with PDP. CLCL's retained earnings policy and rationale for dividend level are included in Appendix 7.3.

3. Operating Environment

General macroeconomic risks

The Company's operating divisions are affected by general economic conditions, including economic activity and economic uncertainty, along with employment rates and foreign exchange rates.

In its latest Monetary Policy Report in July 2022 (MPR), the Bank of Canada (BoC) noted that inflation continues to be a major factor in the economy and that many are thinking that these heightened rates of inflation will be higher and last longer than previously thought. The strong demand in the Canadian economy is allowing businesses to pass along cost increases to consumers, which feeds into higher inflation. The Canadian economy has recovered from COVID-19 over the past year; however, economic growth is slowing, particularly in the housing market where, among other things, interest rates are having a significant impact.

The latest Statistics Canada release showed the yearly inflation rate in August 2022 was 7.0%, which was slightly lower than the yearly rate in July 2022 of 7.6%, but well above recent years. The BoC is predicting in its MPR that Consumer Price Index (CPI) inflation for 2022 will be 7.2%, which is 1.9% higher than the BoC's previous estimate in April for 2022. For 2023, the BoC is predicting annual CPI inflation of 4.6%, again close to 2.0% higher than their previous prediction. In 2024, the BoC predicts that CPI inflation will return within its inflation control target range of between 1.0% and 3.0%, when it is forecast to be 2.3%.

The BoC is forecasting economic growth for Canada of 3.5% in 2022, which is following economic growth of 4.5% in 2021. The BoC is predicting growth in the Canadian economy in 2023 of 1.8% and 2.4% in 2024. More recent estimates from a number of Canadian financial institutions and economists are now expecting that the economy will grow at a slower pace in 2022 than what the BoC predicted in its July MPR, with many predictions in or around 3.0%. Those same institutions and economists are forecasting modest growth in 2023 of generally between 0.2% and 1.0%. Many are predicting a recession in Canada in 2023, with some suggesting that the timing has shifted sooner and it may hit in the first quarter of 2023. It is important to note that economic growth for 2022 and 2023 may not be consistent province by province given the unique nature of each of their economies.

The Canadian unemployment rate for September 2022 decreased to 5.2% from 5.4% in August 2022. The September 2022 rate continues the trend that has persisted throughout 2022 of relatively high levels of employment in Canada, with the unemployment rate hovering between 4.9% and 5.5% since February 2022. The September 2022 rate is 1.7% lower than the rate twelve months ago in September 2021 and continues to be around historical lows. Specific to the tourism industry, Destination Canada (DC) reported in its Quarterly Tourism Snapshot for Q2 2022 (DC Q2 Snapshot) that the tourism unemployment rate fell 1.7% during the second quarter to 3.7% at the end of June 2022. In the same report, DC reported that at the end of June 2022, the active labour force in the tourism sector remains 11.1% below pre-pandemic levels, which is a sharp contrast to the overall Canadian labour force, which has expanded by 2.6% over pre-pandemic levels. Most general forecasts have the Canadian unemployment rate for the end of 2022 between 5.5% and 6.0%.

The Canadian unemployment rate is expected to rise in 2023 as the economy slows, with predictions of an average unemployment rate between 6.0% and 6.5% in 2023.

Interest rates, which remained historically low from March 2020 until March 2022, have increased substantially during 2022. The BoC began raising its target overnight rate (TOR) in March 2022. Since then, the BoC has moved the TOR from 0.25% to 3.25% primarily in its effort to curb historically high inflation rates in Canada. Many are predicting the BoC TOR will increase further in the latter part of 2022 in its continuing efforts to combat inflation to between 3.75% and 4.00%. Predictions for 2023 for the BoC TOR are generally in the range of 3.00% to 3.75%.

The current economic environment is a unique and challenging one to predict, with unemployment rates hovering around all-time lows, economic growth expected to slow after a strong and fairly rapid recovery from COVID-19, interest rates steeply rising after a prolonged period of historically low rates, and inflation rates sitting at elevated levels and expected to remain above recent historic levels for the short to medium term.

The Company mitigates general macroeconomic risks through constant assessment and monitoring of the various risk drivers and the potential impacts on the Company's performance. The Company will then take actions to mitigate the impact of the risks.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic (COVID-19 or Pandemic). For the better part of the past two and a half years, COVID-19 has caused significant economic and social disruptions to many businesses, including the Company. During 2020, 2021 and the start of 2022, governments' and public health agencies' actions, including restrictions and vaccination programs, were put in place to mitigate the impact of COVID-19. These actions resulted in the Company suspending its operations, particularly at the CN Tower, MSC, and Downsview Park, on a number of occasions and for significant durations, as well as restricting capacities while able to remain open. The last of these suspensions ended in February 2022. These actions also resulted in a number of the Company's tenants being forced to close or restrict their operations, which has impacted their finances and, in some cases, their rent performance and/or ability to meet rent obligations.

However, at the time of writing, the previous restrictions imposed by governments and public health agencies have essentially been limited or suspended. That being said, the lingering impacts of the Pandemic can still be felt, particularly in the hospitality and tourism industries. International travel and tourism continue to be well below pre-Pandemic levels and their return to those levels is not expected for a few more years. The hospitality and tourism job markets were significantly impacted, more than many other industries, with employees leaving for jobs and careers in other industries. As a result, once demand returned, the supply of labour within the hospitality and tourism industry has been challenged to keep up.

The Company has taken and will continue to take actions to mitigate the effects of COVID-19, keeping in mind the interests of its employees, visitors, tenants, suppliers and other stakeholders.

The Company is continually reviewing its business plans and budgets from both an operational and financial perspective to determine the appropriate response to the pandemic. These measures may include cost containment actions, or accelerating and/or increasing investment, such as to support health and safety measures.

Despite the decline in the impact of COVID-19 on the Company's operations, and more broadly the overall economy, the potential risk of another significant wave, the return of restrictions, or other actions that could negatively impact the Company directly or indirectly remains. As a result of COVID-19, the Company faces possible significant risk and uncertainty around its:

- attractions' operations; and
- rental operations and real estate operations.

Real Estate division related risks

Real estate is generally subject to risk, given its nature, with each property being subject to risks depending on its specific nature, location and the development cycle timing. Certain significant expenditures, including property taxes, maintenance costs, insurance costs and related charges, must be made regardless of the economic conditions surrounding the property, but the timing of other significant expenditures is discretionary and can be deferred.

Housing

Consumer spending decisions, which include real estate purchases or investments, are influenced by economic uncertainty. The Canadian real estate housing market has certainly seen a slowing in 2022 after a couple of years of being very active. In its September 2022 news release, the Canadian Real Estate Association (CREA) announced that the housing market in Canada seems to have seen a "stabilization of demand/supply conditions in many markets," which may indicate the beginning of the end of the sharp decline in sales activity. Home sales activity in August 2022 in Canada was down 1% from the prior month and close to 25% from August 2021. CREA stated that the national average house price in Canada in August 2022 was down about 4% from the same time a year ago.

One of the key drivers for the sharp decline in home sales and prices is the current borrowing environment and the increase in interest rates in 2022, which may have some potential market participants holding off. In August 2022, the average national inventory on hand (ANI) was 3.5 months, which was up from 2.2 months in August 2021. The ANI has increased significantly from the all-time low of 1.7 months that was set at the beginning of 2022, which supports the fact that the housing market is trending towards a better balance. For context, the long-term ANI on hand is around five months, so the current levels are still below the long-term average.

CMHC released its latest Housing Market Outlook (HMO) in spring 2022, which provides a review of housing trends in 2021 and its outlook for 2022, 2023 and 2024.

In 2021, the national housing market saw a strong recovery from the Pandemic-induced declines in early 2020. New housing starts and home resales were very strong in 2021, while home price growth set a record for the year. These results were largely driven by the economic growth and employment levels cited above, low mortgage rates, pent-up demand, and the shift in some markets to larger dwellings to accommodate working from home. Rental demand also recovered from 2020 lows as a result of higher employment, particularly for youth, and renewed immigration. This rental demand spurred on pricing growth, which outpaced income growth, which negatively impacted the affordability of rental housing.

CMHC noted in its HMO that regional disparities continue to remain. The reasons for each housing market's vulnerability ratings, including the changes, are described in more detail below.

For 2022, CMHC expects that growth in prices, sales volumes and housing starts will moderate from the highs in 2021. The primary drivers for the continued growth is the strong economy (4.6% economic growth in 2022 predicted by the BoC), high employment levels (record low unemployment rate of 5.2% reported in April 2022) and an increase in net migration, pushing demand. Since spring of 2022, the forecasted economic growth predictions for 2022 have shifted substantially. The current projections of economic growth in 2022 of 3.5% are much lower than the 4.6% that CMHC used as an assumption in the spring. In addition, interest rates have significantly increased since then. In the CMO, CMHC alludes to interest rate increases, but does not specify what their assumptions are around the increases. Overall, the expected growth in prices, sales volumes and housing starts predicted in the spring of 2022 by CMHC is likely not exactly what has transpired in the housing market year-to-date in 2022 as a result of the changing economic conditions.

For 2023 and 2024, CMHC predicts that price growth will moderate and that sales and starts will remain above long-run averages. With price growth outpacing income growth, affordability continues to be negatively impacted. Similarly, rental affordability will decline as a result of increasing demand and low inventory levels. Supply chain constraints and higher input costs, if they continue, will also contribute to the affordability challenge. Increasing interest rates are predicted for the remainder of 2022 and 2023, which may slow housing price growth and sales activity in many areas. However, in markets like Toronto and Vancouver, the impact may be minimal, given the lack of inventory and the high demand. Similar to CMHC's predictions in spring 2022 for 2022, there have been significant changes in the economy that may materially impact CMHC's forecast for 2023 and 2024.

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

Office

At the end of September 2022, Colliers reported in its Q3 2022 National Market Snapshot (NMS) that Canada's office vacancy rate was approximately 13%, a slight increase from the office vacancy rate of 12.9% three months earlier at the end of June 2022. The NMS reported that year-over-year vacancy rates have increased less than 1%, but that average asking net rent is up more than $2 per square foot at $20.34 compared to a year earlier. Despite the slight uptick in vacancies during the quarter, which can be partially attributed to summer being a typically slower period for leasing activity and the fact that the tight labour market has increased employee leverage in pushing for remote working arrangements which has slowed "return to office" activity, Colliers suggests that there is optimism in the office sector. CBRE noted in its Canada Office Figures Q3 2022 report (COF) that they saw vacancy rates decrease during the quarter, although modestly by 0.1%. In their COF, CBRE noted that the net absorption during the period was over two million square feet, although most was tied to the delivery of pre-leased new supply. CBRE noted that the recovery of national subleasing paused and that Canadian downtown vacancies remained stable, rather than increased, for the first time since the pandemic commenced. CBRE indicated that there is uneven office market demand across the country, with suburban markets leading and downtown markets generally lagging.

Industrial

Colliers reported in the NMS that the Canadian industrial vacancy rate continues to be very low at 0.9% in September 2022, which is consistent with the vacancy rate in June 2022, and lower than the vacancy rate in September 2021 by 0.6%. In fact, in some markets there is as little as 0.1% vacancy rates. Colliers reported that prices continue to increase, with the average price per square foot for industrial space at $12.30, which is more than $1.0 higher than June 2022, and close to $3.0 higher than it was a year ago. The outlook for demand for industrial space continues to be very strong, and a lack of supply will likely put upward pressure on pricing going forward unless developers are able to keep pace with the market demand.

Oil prices can have a significant impact on the Canadian economy. Oil prices, particularly the discount on Canadian oil prices, are a major part of the Newfoundland, Saskatchewan and Alberta economies, affecting housing demand through effects on employment and household income. Benchmark oil prices, trading at around US$89 per barrel on October 13, 2022, remain a significant risk, opportunity and uncertainty for the Company. The benchmark price hit more than US$120 in June 2022, the highest price seen in the better part of the last decade, before dropping gradually to its current level. Canadian oil prices have generally moved in lockstep, with the benchmark prices hitting more than US$102 in June 2022, before also gradually declining to US$67, where they were trading on October 13, 2022. Canadian, as well as benchmark oil prices, certainly continue to show significant pricing volatility as a result of a variety of factors, as indicated by Canadian prices ranging from US$45 per barrel to US$110 per barrel within the last 10 months.

Both benchmark and Canadian oil prices have been trending downward over the past couple of months, after hitting recent highwater marks in June 2022. Not only is the price per barrel important; so too is the difference between the benchmark oil prices and Canadian oil prices, and the demand. The spread between benchmark oil prices and Canadian oil prices has remained relatively consistent over the past year at around US$13–$15 per barrel, but has started to increase over the past few months, hovering more in the US$20–$23 per barrel range. Higher oil prices are generally seen as a positive for the Alberta, Saskatchewan and Newfoundland economies; however, they have also been attributed to the high inflation rates currently being experienced.

Like many industries, the outlooks for the housing and office real estate markets are uncertain in the short term and long term.

It is difficult to predict demand for real estate. Changes in the real estate market, whether in building type and form, demand or other changes, may significantly impact the Company's Real Estate division.

The Company mitigates its real estate sector risk through constant assessment and monitoring of local market conditions. The Company may adjust the amount and/or timing of expenditures on properties or sales as a response to market conditions.

Attractions division related risks

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

As mentioned above, the efforts by governmental agencies, health agencies and others to contain COVID-19 or address its impacts had, and may continue to have, a significant impact on the tourism industry. However, recent trends and projections forecast that the impact of COVID-19 has significantly dissipated and it is not likely to have nearly as significant an impact going forward.

The Canadian government has continued to ease restrictions and reduce administrative burdens for international travellers coming to Canada. The latest development was the government's decision in late September that, effective October 1, 2022, travellers would no longer be required to provide proof of vaccination, submit public health information through the ArriveCan app or website, undergo testing, carry out COVID-19 related quarantines or isolation, or wear masks on planes and trains.

Despite the reopenings and easing of restrictions, international travel to Canada continues to be significantly impacted by COVID-19. In 2019, Destination Canada reported there were close to 32.4 million international arrivals, or approximately 2.7 million per month. In 2021, Destination Canada reported that there were 4.3 million international arrivals, or approximately 0.4 million per month, which was 87% lower than 2019. However, with the easing of restrictions in the second half of 2021, international arrivals to Canada increased. Destination Canada reported that for Q4 2021 (its latest complete international arrivals information available), the number of international travellers to Canada was 2 million, which is close to a 370% increase compared to the same period in 2020. That said, international arrivals are still well below pre-pandemic levels. For example, Destination Canada reported that Q4 2021 international arrivals were 70% less than Q4 2019. In its latest monthly infographic, Destination Canada reported overnight arrivals in July 2022 were 2.1 million, which was 39% less than July 2019 but was significantly higher than July 2021, which only had 171,000 arrivals. Statistics Canada released its September 2022 international arrivals to Canada, which they define as non-resident visitors and returning Canadians, information which shows three times as many arriving in Canada compared to September 2021, but was approximately two-thirds of the September 2019 international arrivals. The trend of international travel to Canada is expected to continue to increase. The easing of these restrictions, and the reduction in administrative barriers, will impact tourism in Canada, but how much and how quickly is uncertain and they could continue to have a material impact on the Company's attractions.

Destination Canada's latest quarterly tourism snapshot for spring 2022 indicated that momentum is picking back up and traveller demand and confidence is strengthening. Destination Canada reported that for 2021 total tourism expenditures on goods and services was approximately $58.3 billion, which was 55% of 2019 expenditures. Domestic tourism made up approximately 92% of the expenditures in 2021, whereas in 2019 domestic expenditures represented 73% of total expenditures, with international making up the remainder.

Statistics Canada reported in its September 2022 Tourism Demand in Canada report that tourism expenditures in the second quarter of 2022 were approximately 80% higher than the comparable prior period in 2021. When comparing the second quarter of 2022 against the similar quarter in 2019, tourism expenditures were approximately 20% lower in 2022. The information from Statistics Canada and Destination Canada is showing a positive trend in tourism activity and spending, which is expected to continue, particularly with the additional easing of restrictions.

Destination Canada also provided its Tourism Outlook in spring 2022, which reported that under current trends, tourism expenditures in Canada would be expected to recover to 2019 levels by early 2025. However, in the same report, Destination Canada noted that the recovery could speed up to recover by 2024 if i) conflict in the Ukraine was resolved by 2022, reducing the impact on the global economy; and ii) there is early easing of COVID-19 measures in key international markets for Canada.

One of the challenges that many companies in the tourism and hospitality industries are facing is the tightening labour market. The shortage of labour is putting pressure on the ability of companies to meet the market demand for their products and services, while also putting upward pressure on wages and driving wage growth.

These steps should continue to help the tourism and hospitality industry continue its recovery from COVID-19, but how much and how quickly is uncertain and it could continue to have a material impact on the Company's attractions.

Visitors from outside of the local market have historically comprised a significant portion of CN Tower visitors. Foreign exchange rates may impact the number of international tourists that Canada, local markets and the Company's attractions draw as restrictions ease and borders reopen. The United States (US)–Canadian exchange rate at October 12, 2022 was US$1.00 = $1.38, which was weaker for the Canadian dollar than the same time last year (US$1.00 = $1.25). The US–Canadian exchange rate has shifted significantly over the past few months, with the US dollar strengthening. Despite the fact that the Canadian dollar has weakened compared to the US dollar, the Canadian dollar has actually strengthened against a number of other currencies over the past year, including the euro. There seems to be a consensus from analysts that the Canadian dollar exchange rate against the US dollar will strengthen for the remainder of 2022, ending the year around US$1.00 = $1.30, and that in 2023 the exchange rate will continue to strengthen for the Canadian dollar.

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

Old Port historically draws more than 80% of its customers from its local market. MSC draws significantly from schools, which are returning to pre-Pandemic levels of travel. To continue to draw visitors, OPMC needs to continue to invest in its current attractions and exhibits at the Old Port and MSC, and partner with various organizations while developing new exhibits and attractions to refresh its offerings to visitors.

The local economy could significantly impact the financial performance of the Old Port and MSC.

The Company continues to constantly review all aspects of its attractions' operations, including its business plans, to proactively mitigate potential significant risks or to quickly and effectively react after risk events have occurred.

4. Priorities

4.1 MAIN OBJECTIVES AND ACTIVITIES FOR THE PLAN PERIOD

CLCL creates financial and non-financial value for Canada by transforming unused and underutilized Government of Canada properties. Through the Company's Real Estate and Attractions divisions, as well as its corporate support and oversight, value creation is maximized by the integration, development, and management of assets in the communities in which the Company is privileged to participate. Success means implementing the Company's values while always being financially sustainable.

For more details about the Company's activities and performance, please refer to its corporate reports available on its website at clc-sic.ca/reports-and-expenses.

Objectives and Activities

The Company's key objectives for the Plan Period will facilitate CLCL's operations in its business divisions, while enabling it to manage risks and uncertainties and continue its COVID-19 pandemic recovery.

1. Continue CLCL's program of reintegrating former Government of Canada properties into productive use for the benefit of Canadian communities. The critical outcomes will be new sources of economic activities in municipalities, such as construction work, community amenities, green spaces, and housing, both market and affordable, where residents can live, work and play.
2. Continue to build and maintain strong partnerships with Indigenous communities. This could include the Company being invited to develop a partnership by a government department undertaking consultations, or it could be the result of the Company's ongoing engagement and relationships with certain Indigenous communities and their leadership. Each arrangement is a unique partnership tailored to the context of the properties or attraction, the Indigenous communities' interests and desires and the opportunities available. Components of these arrangements with Indigenous communities have included working together on initiatives around commemoration, exhibit development, employment and training, Indigenous-led procurement, and commercial land transactions.
3. Continue to work with Public Services and Procurement Canada on formal collaboration projects in the National Capital Region and other opportunities across the country. The critical outcomes include elevating the potential of these sites and their uses, while also assisting the government in its rationalization efforts, and creating new communities that include employment uses, green spaces, amenities, and new housing. The objective will be achieved by working through CLCL's real estate development approaches and processes while ensuring the accommodation of government real estate property needs.

4. Demonstrate climate leadership and contribute to a cleaner environment by implementing strategies that will support the government, including its commitment to net-zero emissions by 2050. The Company will achieve this through its financial climate planning and reporting and the development of an Environmental, Social and Governance framework that will propel the Company's leadership in these areas.
5. Investigate areas of expansion of CLCL services and support to the Government of Canada. The outcome of this initiative will be more efficiencies and innovations brought to the government using CLCL's expertise in real property and attractions management. These outcomes will be achieved through establishing close collaborative relationships with departmental real estate property officials, using current projects as proof of concept for innovative approaches to future work, and identifying new projects that could be realized.
6. Seek opportunities to enhance the Company's attractions, as well as their environmental sustainability. The critical outcomes will be the delivery of outstanding and uniquely Canadian experiences, which will be considerate of the attractions' impacts on the environment. The objective will be achieved through maximizing operational efficiencies and implementing green initiatives.
7. Be an employer of choice by supporting and championing equity, diversity, inclusion and accessibility throughout and ensuring the Company is representative of the Canadian population. CLCL will achieve this by supporting a culture where everyone can be themselves and feel supported, and where the Company continually evolves to meet the needs of an ever-evolving workforce.

4.2 OVERVIEW OF RISKS

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

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

As local, national and international economies continue their recovery from the COVID-19 pandemic, the risk landscape that organizations, including the Company, are facing is changing significantly. Prior to the pandemic, the operating environment that the Company's Real Estate Division and Attractions Division managed in was more predictable and far less volatile. The pandemic brought increased uncertainty to the Company, and many other organizations. As economies emerge and start to operate in more predictable operating environments, some of that volatility has dissipated. However, there continues to be heightened uncertainty in a variety of areas of the economy.

The Company's financial risks, as identified in the Company's risk universe, include:

- Revenue generation and profitability (a key risk of the Company), which is defined as the failure to generate adequate revenue, cash flow and/or profits, which would limit support of business operations including capital investments and/or optimal resource allocation decision-making.
- Liquidity, which is defined as either: the Company's inability to meet short- and long-term financial obligations as they come due, which may affect its credit rating and overall reputation; or its inability to sell assets quickly without loss of value.

- Revenue and costs forecasting, which is defined as inaccurate assumptions that may result in a significant deviation from estimates. This is particularly significant in the Real Estate Division where cost inflation has been significant and the projects, and consequently their assumptions, can extend 10 or more years, depending on their nature and length.
- Lack of financing, which is defined as not adequately having sufficient funds to support and sustain operations. This is particularly significant in the Real Estate Division, where sizable investments may be required early in the development life cycle, with revenue not coming until years later, and the Company ensuring that it has sufficient financing, either internally or externally, for the duration of the project.

The Company also faces non-financial risks that, if not managed effectively, could significantly impact the Company's ability to operate. Below are some of the key risks that the Company has identified as part of its ERM framework:

- Cybersecurity, which includes internal or external attacks on the Company's information systems, which may result in a financial loss, loss/leakage of data, system disruptions and/or potential reputational damage.
- Macroeconomic uncertainty, which includes changing macroeconomic conditions that may influence real estate and/or visitor markets, as well as the market participation rate of vendors that may affect the Company's operations, revenue streams and increase overall costs.
- Physical safety, which includes the health and safety incidentals that may affect the Company's key stakeholders, including employees, contractors, tenants, and the general public.
- Climate change, which includes the failure of the Company to: (i) effectively manage and mitigate the impacts of significant changes in global temperature, precipitation, wind patterns and other measures of climate on its operations, and/or ii) meet stakeholder expectations or comply with required obligations regarding climate change disclosures/reporting.

The efficient and effective management of the non-financial and financial risks equally Is critical to the success of the Company In the short and long term.

Risk Management

The Company uses a practical approach to the management of risk. Following the successful implementation of a revamped ERM program with the support of the Company's third-party consultant, the Company developed an ERM framework (Framework) that sets the overarching guidelines on how risks shall be managed across the Company. The Framework was developed to establish sound, practical good governance and risk management principles throughout the Company, and provides an outline of the overall ERM objectives, the risk governance structure, roles and responsibilities, and the process to manage risks. Since the implementation, the Company has continued to work with its third-party consultant to mature its ERM program and maintain an effective Framework.

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

Specifically, the Framework identifies the following key objectives:

- an integrated, structured and disciplined approach to key risk identification and alignment, mitigation and management of key risks, and monitoring and reporting;
- the establishment of clear ownership and accountability for managing key risks;
- the embedding of a strong risk culture;
- enabling the Board of Directors and management to make risk-based decisions; and
- establishing appropriate risk reporting and oversight of the management of key risks.

The Board of Directors has overall responsibility to oversee that adequate systems are in place to identify, attest, manage, monitor and report on the principal risks affecting the Company's operations. The Board of Directors is not responsible for day-to-day risk management activities, but rather is required to operate in an oversight role in policy and procedure design, implementation and effectiveness, supporting risk culture, and aligning risk appetite with the Company's strategy.

Management is responsible for implementing the Framework, policies and procedures. Management's key risk management objectives are to ensure that relevant risks are properly identified, prioritized and assessed, that risks that are key to the Company's success are identified as key, that appropriate mitigation activities are in place or are planned to reduce risks to an acceptable level, instilling and maintaining a strong risk culture, and ensuring that risk monitoring and reporting are occurring.

The Company updates its enterprise risk assessment quarterly to review, prioritize and mitigate the key risks identified, and performs a comprehensive risk refresh exercise annually. The quarterly assessment and annual risk refresh include reviewing risk reports, internal audit reports and industry information, and interviewing management across the Company.

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

4.3 EXPECTED RESULTS AND PERFORMANCE INDICATOR OVERVIEW

CLCL has more than 27 years of successful operation, generating over $1.2 billion in financial contributions to its shareholder since inception. Over the Plan Period, the Company will continue its trajectory of success under difficult global economic circumstances through a number of opportunities and activities. CLCL uses benchmarks and comparators to measure itself against the markets in which it operates, such as market studies, internal audits, and financial management dashboards, to continually monitor its operations, all overseen by its Board of Directors. Strategies and outcomes will continue to align with CLCL's mandate and business objectives.

Outcome	Measure	Target Performance
Local developments and infrastructure projects are supported in collaboration with municipalities and other local stakeholders to provide new and improved roads, sewer and water management facilities and other related activities. (CLC)	Dollars invested and municipal approvals obtained	Provide funding sources to make the capital investments budgeted during the Plan Period to support the outcome. Provide sufficient resources to support obtaining approvals during the Plan Period
Local communities are engaged throughout planning and development processes to enable an open dialogue about CLCL's projects. (CLC)	Number of projects with engagement programs	Six engagement programs are anticipated in the first year of the Plan.
Opportunities to partner with Indigenous communities throughout planning and development processes (where engaged through federal custodians or directly engaged) where partnerships or other types of arrangements can be established. (CLCL)	Number of projects	Nine projects
Disposal of federal real property is managed effectively and efficiently, and strong financial and non-financial results are delivered to Canadians and the federal government. (CLC)	Revenues earned, opportunities for affordable housing, green spaces delivered, positive community engagement	Meet or exceed revenue targets during the Plan Period; Enabling affordable housing and green spacing delivery that meet or exceed municipal requirements during the Plan Period; and Hold six engagement programs during the first year of the Plan.
Development projects and attractions that are environmentally sustainable, climate-resilient and aligned with best practices through greener technologies that align with the government's goals of climate leadership. (CLCL)	Number of active developments that meet or exceed environmental management standards	All active developments at a minimum meet environmental standard.
Internal programs and initiatives that use industry best practices and support strong employee engagement, accessibility, diversity and inclusivity for a workforce that is representative of the Canadian population. (CLCL)	Establish benchmarks and goals to foster a diverse and inclusive workforce	Surveys and industry best practices providing benchmarks to enable the development of action plans.

5. Financial Overview

5.1 EXPECTED RESULTS FOR 2022/23 AND PLAN PERIOD 2023/24 TO 2027/2028

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

CLCL's financial strategy is to operate with strong fiscal responsibility through its various business divisions across the country to optimize, not maximize, cash flow and profit for reinvestment and return to the Company's stakeholders, in both the short and long term. In light of the Pandemic and the uncertainty it has created for forecasting cash flows and operating profits, particularly from the Company's Attractions operating division, CLCL has sharpened its focus on short-term cash management, while continuing to balance the short-term view versus the long-term objectives.

CLCL historically has generated an annual profit. The Company receives no parliamentary appropriations, while funding the operating deficit and capital requirements of OPMC and Downsview Park.

The Company's financial plan, which includes its financial results and financial position over the Plan Period, is included in Appendix 2, Section 7.4. All the sections of this corporate plan should be read in conjunction with the Company's financial plan to obtain a full, comprehensive understanding of the assumptions, risks, uncertainties and context.

The financial plan reflects the Company's best estimate of the expected results over the Plan Period at the time of writing. With any financial plan spanning five years, particularly a plan that projects real estate sales in numerous markets across Canada, there is naturally a significant degree of uncertainty. That "typical" or "normal" uncertainty continues to be exacerbated by the impact of the Pandemic on the Company's operations, particularly its Attractions Division. The Attractions Division, not dissimilar to many other tourism and hospitality businesses in Canada, appears to be emerging from the Pandemic and leaving behind many of the significant operating challenges that it faced over the better part of the past two years since March 2020.

The Company mitigates its financial plan risks by practising sound fiscal management using a variety of techniques.

Following is a summary of the projected results for 2022/23 and the Plan Period. Further details are included in Section 7.1.

Revenue

The Company forecasts $303.3 million in revenue in 2022/23 and projects $2.1 billion in revenue over the Plan Period. The Company's projected revenues fluctuate year over year, primarily as a result of the Company's real estate sales. Real estate development and sales have a significantly longer life cycle than the Company's Attractions operating division. Real estate sales, and their timing, are dependent upon many factors, including obtaining municipal approvals, which will drive the timing of when products can be brought to market, and as a result, when the projects can generate revenue.

Profitability

Net income before tax (NIBT) is forecasted for 2022/23 to be $51.2 million. Over the Plan Period, the Company projects $703 million in NIBT. The consolidated annual profit will vary significantly as a result of fluctuations in real estate sales, as mentioned above. The operating profit margin[1] will average 45% during the Plan Period. It will vary year over year during the Plan Period, primarily due to the particular mix of real estate assets being sold in any given year.

General and Administrative (G&A) costs

G&A costs include both indirect operational costs for attractions and real estate, and corporate overhead costs. The total G&A costs for 2022/23 are forecasted to be $36.3 million or 12.0% of total revenues. For 2022/23, G&A was increased from the amount budgeted in the 2022/23 Corporate Plan by $1.1 million (or 3.1%) as a result of higher wage increases than budgeted due to market conditions, and investments in strategic priorities and initiatives.

Over the Plan Period, the G&A costs are projected to be $203.6 million or 9.5% of total revenues. In 2023/24 wages and burden were forecast to increase 3.5% from the previous year. From 2024/25 to 2027/28, the G&A costs are forecasted to increase 2.5% per year. Corporate overheads over the Plan Period will represent approximately 48.8% of the total G&A costs, or 4.6% of total revenues.

Capital investment

Capital investment for the Company includes expenditures on real estate, which include land development costs and investment in long-term hold properties, and investment in its attractions. In 2022/23, the Company projects $133.3 million in total capital expenditures. Over the Plan Period, the Company forecasts to invest $790.2 million, of which $614.9 million will be in real estate and $175.3 million in its attractions. The amount of investment annually will vary depending on the stage of development of the Company's projects. The Company is very focused on ensuring that investment, particularly real estate development investment, is made at the appropriate time and is closely aligned with the sales strategy and timing for a project.

1 Operating profit margin = total net income before taxes, interest and other expenses, impairment, pre-acquisition costs and write-offs and general and administrative costs/total revenue – less interest and other revenues.

Borrowings

The Company's borrowings, which include cash borrowing and letters of credit, are forecasted to be $103.5 million and well within the $200 million of credit facilities available at the end of 2022/23. In the first year of the Plan Period, the Company is projecting using its cash balances to repay a portion of its outstanding cash borrowings on its credit facilities of $20 million to remain within its borrowing authority limits. In the third year of the Plan Period, the Company is forecasting the use of excess cash in CLC to repay the cash borrowings at PDP in full in 2025/26. During the Plan Period, the average annual borrowings, which are projected to be letters of credit draws only for the latter years of the Plan Period, will be $174.8 million, peaking in 2027/28 at $190.3 million.

Capital management

The Company's capital management and retained earnings policy is included in Appendix 2, Section 7.3. The Company projects its dividend payments based on the forecasted cash on hand and the cash requirements of the Company in subsequent years. The Company is projecting $200 million in dividends over the Plan Period, an average of $40 million annually, or an average return of 4.3% of equity. Dividends are expected to continue to be declared annually in support of its strategic value of financial resiliency, but any dividend declarations are at the discretion of the Company's Board of Directors. Actual dividend payments could vary materially from those projected based on the financial performance of the Company. During the Plan Period, the Company projects to generate $592.1 million in positive cash flow from operating activities. The Company projects an average return on equity of 9.5% during the Plan Period, while still showing prudent and responsible fiscal management by maintaining an average debt to equity ratio of 0.4:1.0 and sufficient cash balances to fund capital investment and operations.

6. Appendix 1: Corporate Governance Structure

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

CLCL was incorporated under the *Companies Act* on March 7, 1956, and continued under Articles of Continuance dated September 19, 1977, under the *Canada Business Corporations Act*. It is listed in Schedule III, Part 1 of the *Financial Administration Act*.

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

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

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

CLCL operates in the competitive and sometimes volatile real estate and tourism markets being impacted by the current global pandemic. As such, it is directly affected by the unpredictability of those industries and various macroeconomic trends. Despite uncertainty regarding the global economy and Canadian real estate market, the Company has returned over $1.2 billion in dividend payments, federal and provincial income taxes, and property acquisition payments to the fiscal framework since its reactivation in 1995.

CLCL Boards of Directors

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

CLCL's Directors, the Chair, and the President and CEO are appointed by the Governor in Council upon the recommendation of the Minister of Public Services and Procurement. CLCL's Board is committed to continually reviewing its policies and practices to ensure that they are consistent with current best practices and reflect the needs of the Company as a whole.

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

The compensation for the Chair and Directors is set by the Governor in Council and consists of annual retainers of $9,400 for the Chair and $4,500 for Directors, as well as a per diem rate of $375 for both the Chair and Directors.

CANADA LANDS COMPANY LIMITED – BOARD OF DIRECTORS

Name	Role	Order-in-Council Date	Term	Expiry Date	Home Province
Kaye Melliship	Chair	7/10/22	4 years	06/10/26	British Columbia
Dr. Tareq Al-Zabet	Director	25/11/22	4 years	24/11/26	Ontario
Victoria Bradbury	Director	22/06/18 21/06/21 (reappointed)	2 years 2 years (reappointment)	20/06/23	Alberta
Brenda Knights	Director	04/11/22	4 years	03/11/26	British Columbia
Margaret MacDonald	Director	19/06/19	4 years	18/06/23	Nova Scotia
Toni Varone	Director	06/06/18 06/06/22 (reappointed)	4 years 2 years (reappointment)	05/06/24	Ontario

BOARD ATTENDANCE FOR FISCAL YEAR 2021/2022

Board Member	Board & committee meetings by videoconference or in person
Jocelyne Houle	9/9
Victoria Bradbury	9/9
John Campbell	9/9
Margaret MacDonald	9/9
Kaye Melliship	9/9
Toni Varone	9/9
Daniel Shindleman	9/9

CANADA LANDS COMPANY LIMITED – PRESIDENT AND CEO

Name	Role	Order-in-Council Date	Term	Expiry Date
Robert Howald	President & CEO	08/04/21	2 years	07/04/23

Biographies

Chair, Kaye Melliship: Ms. Melliship has been involved in housing policy, governance, operations and land use planning for more than 35 years. She is on the board of the Tofino Housing Corporation and has served on many board and advisory committees.

Dr. Tareq Al-Zabet: Dr. Al-Zabet is a former Deputy Minister experienced in executive management, strategic planning and regulation, health, safety, infrastructure, environmental protection, compliance, and enforcement.

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

Brenda Knights: Ms. Knights is currently CEO of the Vancouver Native Housing Society, and she is also on the board of the Canadian Council for Aboriginal Business, Metro Vancouver Zero Emissions Innovation Center, the New Relationship Trust, Elizabeth Fry Society, and Tourism Langley.

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

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

Board Committees and their Roles

All the Boards' committees are comprised of no fewer than three directors, none of whom are officers or employees of CLCL or any of its affiliates (with the exception of the President and CEO, where applicable). Although the Board may delegate various duties to its committees, each committee remains under the direction of the Board and each committee's ultimate responsibility is to report to the Board and, where necessary, to make recommendations to the Board.

Currently, all Board members (except for the President and CEO) sit on all committees. The President and CEO sits on CLC, OPMC, and PDP committees (except for the Audit and Risk Committee).

Governance Committee

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

Human Resources Committee

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

Audit and Risk Committee

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

Real Estate Committee

The Real Estate Committee receives reports and reviews planned expenditures and requests for authorities from management pertinent to the Company's real estate acquisition, development and sales activities.

Attractions Committee

The Attractions Committee provides advisory and strategic oversight with respect to the Company's Attractions businesses.

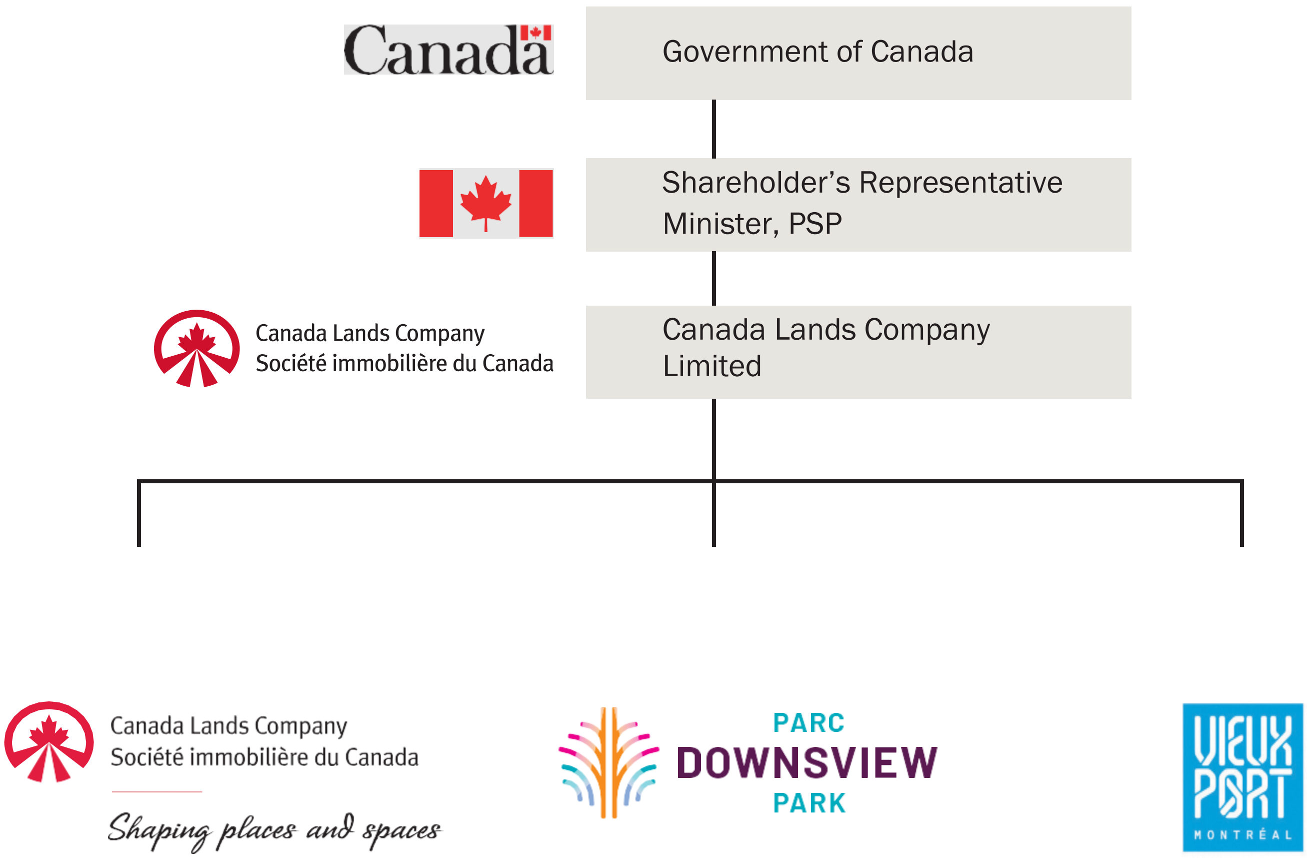
Management Agreements

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

Annual Public Meetings

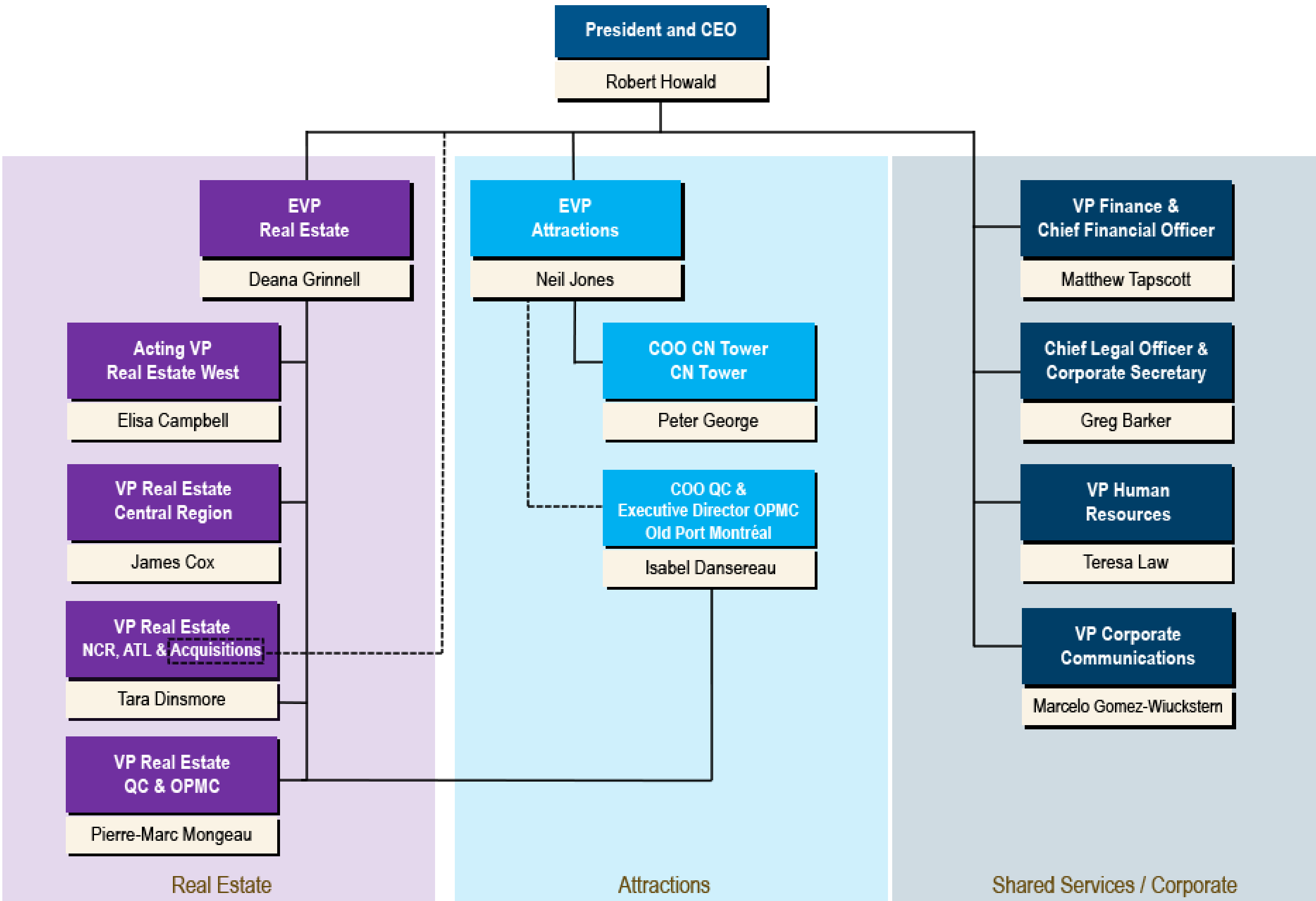
As a Crown corporation, and in line with best practices and the *Financial Administration Act*, CLCL provides an annual forum through which the public can offer feedback and engage in a dialogue with CLCL's Board of Directors and management on matters directly relating to its business. The Company's last meeting was held on November 30, 2022. No issues arose during the meeting. The next public meeting will be held in the fall of 2023.

FIGURE 1: CLCL CORPORATE STRUCTURE AND SUBSIDIARIES



CLCL, PDP and OPMC are Agent Crowns, and CLC is a non-agent Crown.

FIGURE 2: CLCL SENIOR MANAGEMENT STRUCTURE



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

The President and CEO's salary and at-risk pay are established by the Governor in Council. Senior management compensation is established based on the Company's remuneration and compensation strategies.

For 2021/22, CLCL's leadership costs for the Board of Directors and senior management, which include salary, benefits, at-risk pay, post-employment pension plan contributions, as well as retainers and per diems in the case of Directors, were $4.3 million.

7. Appendix 2: Financial Results Including Operating and Capital Budgets

The Company's operating and capital budgets, represented through the accompanying CLCL financial statements in Section 7.4 of this appendix, provide the revenues, expense, profit, cash flows and capital investments that the Company projects to make during the Plan Period.

7.1. OPERATING AND CAPITAL BUDGET HIGHLIGHTS

The table in 7.1.1 summarizes the forecasted results of the key performance indicators for 2022/23 against budget, as well as showing the financial highlights over the Plan Period.

7.1.1 KEY FINANCIAL INFORMATION

	For the year ended March 31[1]		
(in millions of dollars, except profit margin)	2023 Forecast	2023 Budget	For the Plan Period[2]
Total revenue	$303.3	$245.7	$2,146.7
Total operating profit[3]	$87.5	$52.8	$941.9
Total operating profit margin[3]	29.9%	22.1%	45.0%
Total net income before tax	$51.2	$16.3	$703.0
Acquisitions	$33.1	$10.4	$76.2
Investment	$133.3	$143.9	$790.2
Cash provided by operating activities	$49.4	$0.7	$592.1
Total credit availability	$96.5	$163.7	$9.7
Dividends to the Government of Canada	$10.0	$10.0	$200.0
Upfront payments made available[4]	$5.0	$6.7	$47.2
Total assets	$1,105.6	$990.3	$1,251.5

1 Budget figures represent amounts included in the CLCL corporate plan 2022/23 to 2026/27.

2 Total credit availability and Total assets amounts shown in the "For the Plan Period" column are the projected March 31, 2028 balances.

3 Operating profit = total net income before taxes less interest and other revenues, interest and other financing costs, impairment of capital expenditures, and general and administrative costs.

4 Upfront payments made available are the payments made available by the Company to the property custodians at the time of acquisition.

7.1.2 OVERVIEW OF BUDGET

Revenue

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

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

CHART 1

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

The Company forecasts that it will generate $303.3 million in revenue in 2022/23, which is approximately $57.6 million higher than the 2022/23 budget.

The primary drivers for favourability against budget are strong real estate land sales, particularly in three projects; and favourable results in the Company's attractions, particularly the CN Tower.

The Company expects to generate consolidated revenue in the Plan Period of $2,147 million, or an average of $429 million per year. Revenues are not consistent year over year. The primary drivers for the large fluctuations in annual consolidated revenue during the Plan Period are the timing of real estate development and sales and the gradual growth of the Company's attractions throughout the Plan Period as tourism recovers from the Pandemic.

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

CHART 2

Principal sources of revenue *(in millions)*

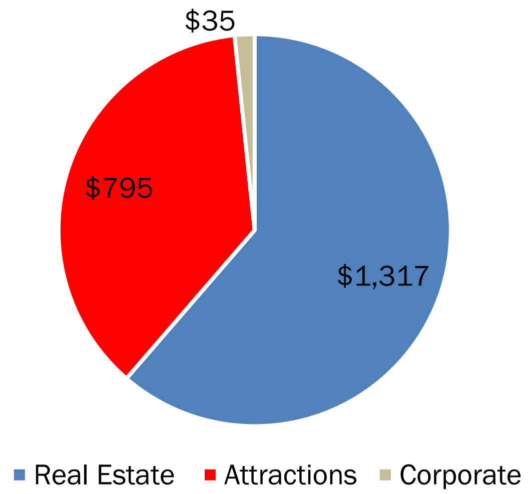


CHART 3

Principal sources of revenue *(by year)*

Profitability

Consolidated net income before tax (NIBT) for the Plan Period is $703 million, an average of $141 million per year. Similar to revenue, profitability fluctuates annually and is driven principally by real estate sales activity and the gradual growth of the Company's attractions throughout the Plan Period as tourism recovers from the Pandemic.

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

CHART 4

Principal sources of NIBT *(in millions)*

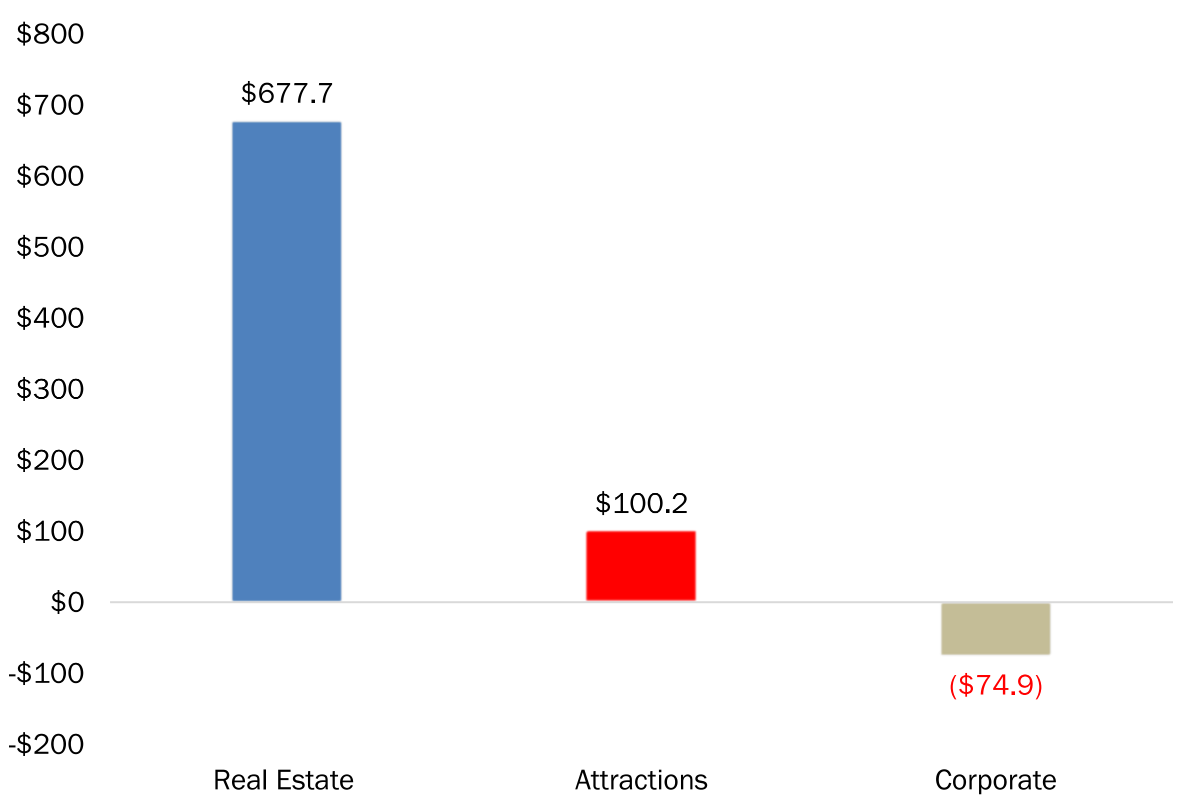


CHART 5

Principal sources of NIBT by year *(in millions)*

As a result of the aforementioned increase in revenues for 2022/23, the Company forecasts its NIBT to be $51.2 million, which is higher than the budgeted NIBT of $16.3 by $34.9 million.

Over the Plan Period, the Company projects to generate $941.9 million in operating profit, or an average of $188.4 million per year.

During that same time, the operating profit margin will be 45.0% of total revenues. During the Plan Period, the annual operating margin will vary depending primarily on the real estate sales and product mix, and the gradual recovery of the Company's Attractions operations.

General and administrative costs

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

The following table provides a summary of the G&A costs incurred during the Plan Period by type, the ratio of operating G&A costs as compared to corporate G&A costs, and the percentage of G&A costs as compared to consolidated revenues.

TABLE 1

General and administrative costs summary

For the year ended March 31 (in millions, except percentages)	2023 Forecast	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan	Plan Period Total
Operating G&A costs	$18.0	$20.0	$20.3	$21.0	$21.3	$21.8	$104.4
Corporate G&A costs	$18.3	$19.2	$19.5	$19.8	$20.2	$20.5	$99.2
Total G&A costs	$36.3	$39.2	$39.8	$40.8	$41.5	$42.3	$203.6
Corporate G&A as a % of total G&A	50.4%	49.0%	49.0%	48.6%	48.7%	48.5%	48.7%
Total G&A as a % of total revenue	12.0%	15.2%	7.7%	9.5%	8.3%	9.5%	9.5%
Corporate G&A as a % of total revenue	6.0%	7.4%	3.8%	4.6%	4.0%	4.6%	4.6%

The Company projects total G&A costs for 2022/23 to be $36.3 million, which is higher than the $35.2 million that was budgeted. The primary driver for this increase is a result of a number of corporate objectives and initiatives around strategic priorities and initiatives.

Over the Plan Period, total G&A costs are expected to be $203.6 million. Indirect operating G&A costs are expected to be 51.3% of the total G&A costs, or $104.4 million, with the remainder being corporate G&A costs.

During the Plan Period, total G&A costs as a percentage of total revenue are projected to be 9.5%. In 2023/24, that percentage is expected to be 15.2% due to lower revenue as the Company's real estate sales revenue is relatively low compared to other years during the Plan Period as a result of the development cycle timing of the Company's projections. Over the Plan Period, the G&A costs as a percentage of total revenue decreases significantly (in 2024/25 7.7%) and is typically around 9% of total revenue.

Capital investment

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

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

In 2022/23, the Company projects $133.3 million in capital investment, which is lower than the budgeted $143 million. The primary driver for the lower capital investment is the deferral of certain Real Estate capital investments until future years as a result of development approval delays and Attractions' capital investment delays on a major project due to supply chain issues.

For the Plan Period, the Company projects to invest $790.2 million in capital, with $614.9 million in Real Estate and $175.3 million in Attractions.

Liquidity

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

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

One of the key performance indicators that the Company uses to manage liquidity is adjusted net current assets ("ANCA"). ANCA is determined using current assets, adjusted to remove current inventory, which is not immediately liquid, net of its current liabilities. Below is a table summarizing the Company's ending balance of ANCA for each year of the Plan Period.

TABLE 2

Adjusted net current assets summary

As at March 31 (in $millions)	2023 Forecast	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan
Adjusted Current Assets[1]	$296.7	$218.1	$376.4	$322.6	$326.4	$364.6
Current Liabilities	$147.3	$154.5	$150.6	$102.3	$55.6	$65.9
Adjusted Net Current Assets	$149.3	$63.6	$225.9	$220.2	$270.9	$298.7

1 Adjusted Current Assets = Total Current Assets from the CLCL consolidated statement of financial position less Inventory

During the Plan Period, the Company is projecting payments of $765 million to its shareholder. See Section 7.2, "Summary of Net Benefits to the Government of Canada 2023/24 to 2027/28."

7.1.3 OVERVIEW OF KEY ASSUMPTIONS, SENSITIVITIES AND UNCERTAINTIES

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

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

Given the current environment under which the Company's attractions are operating, the significance and magnitude of the key assumptions, more than in any pre-pandemic years, have a higher degree of uncertainty, which could impact the forecasted results of the Company over the Plan Period materially.

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

7.1.4 KEY ASSUMPTIONS

COVID-19

- COVID-19 and its impacts were discussed in Section 3, "Operating Environment." If the assumptions that the Company made in developing this corporate plan differ materially from what transpires over the Plan Period, the actual results, both financial and non-financial, may differ materially from the Company's forecast.

Macroeconomic

- Macroeconomic conditions in Canada were discussed in Section 3, "Operating Environment."
- The Company has assumed that the inflationary pressures on its inputs (e.g., the costs of goods, energy costs, development construction, consultancy costs), which are currently at untraditionally high levels, will decrease over the Plan Period and return to historical levels.

Attractions

CN Tower

- Financial performance is driven principally by attendance. Attendance is forecast for 2023/24 to be approximately 87% of 2019/20 levels (the last pre-pandemic year). Over the Plan Period, the attendance is projected to increase gradually and return to 2019/20 attendance levels by 2026/27;
- A significant degree of the costs of operating and maintaining the CN Tower are fixed. As a result, fluctuations in attendance, which drive revenue, have a significant impact on both revenues and profitability;
- Tourism, including from the U.S. and other foreign markets, is a significant driver of CN Tower attendance. The Company has assumed that international travel to Canada and Toronto, which has been depressed due to the pandemic and travel restrictions, will gradually return; and
- There will be no significant operational disruptions (e.g., CN Tower closure, capacity restrictions) due to COVID-19 that would impact the performance of the CN Tower during the Plan Period.

Old Port and MSC

- A significant driver of the financial performance of the MSC is attendance, particularly from school groups. In 2022/23 to date, school groups attendance has been strong, although it is still too early to predict how strong their attendance will be in the fall of 2022. That being said, the attendance is forecast for 2023/24 to be approximately the same as the 2019/20 levels, and to gradually increase going forward;
- A significant degree of the costs of operating and maintenance of the Old Port and MSC are fixed. As a result, fluctuations in attendance or tenants, which drive revenue, have a significant impact on both revenues and profitability; and
- There will be no significant operational disruptions (e.g., MSC closure, capacity restrictions) due to COVID-19 that would impact the performance of the Old Port and MSC during the Plan Period.

Real estate

- Market assumptions: The corporate plan and budgets assume demand within its real estate markets to remain relatively stable and consistent with current market conditions through the Plan Period. The corporate plan does not attempt to predict significant gains or losses in market conditions in any of the areas where the Company owns property, particularly given the recent volatility in market conditions and the sharp increase in Canadian interest rates;
- Real estate acquisition assumptions: During the Plan Period, it is forecasted that sales of close to $72.6 million and NIBT of $16.7 million will be made for properties not yet owned by the Company but expected to be acquired; and
- Downsview Area Secondary Plan (DASP) assumption: The Company has assumed that the current approved 2011 DASP, which includes the Downsview Lands, will be amended during the Plan Period. The amendment process will be driven by the Company and Northcrest Developments (subsidiary of the Public Sector Pension Investment Board), an adjacent landowner that purchased 150 hectares (370 acres) in 2018 and is guided by the Company's appeal of the Official Plan Amendment and the settlement that resulted in a Site and Area Specific Policy. The amended DASP will reshape the vision for the combined 210 hectares (520 acres) owned by the two companies and will propose future road networks, parks and green spaces, and a range of land uses, and address the need for community facilities and services. The Company's assumption of the content of the amended DASP, including its range of land uses, has been incorporated into the corporate plan, and changes to the content of the approved plan would have significant impact on the Company's capital assumptions during the Plan Period.

Liquidity

- The Company has assumed that the credit facility maturing on March 31, 2024 will be renewed, that its capacity will remain the same, and that the borrowing costs will be comparable to market rates at the time of renewal and consistent with the current market rates.

Other

- General and administrative (G&A) costs have been assumed to increase 3.5% in 2023/24. For the remainder of the Plan Period, based on operating business unit, the Company has assumed G&A cost increases of between 2.5% and 3.5%. The amount is lower than the general Consumer Price Index (CPI) increases that the Bank of Canada (BoC) projected in its July 2022 Monetary Policy Report (MPR) projected for 2023 (4.6%), but more in line with the 2024 estimates for CPI increases (2.3%). The G&A cost estimates for future years of the corporate plan are reassessed annually; and
- The labour markets that the Company operates in, particularly in Toronto and Montréal where the significant Attractions operations are, will be balanced and will allow the Company to hire competent, qualified individuals at prevailing market rates within reasonable time frames, while retaining its current workforce.

7.1.5 SENSITIVITIES AND UNCERTAINTIES

Attractions

- As mentioned above, any significant change in the CN Tower attendance would have a considerable impact on revenue and NIBT;
- As mentioned above, any significant change in the MSC attendance would have a considerable impact on revenue and NIBT; and
- The Company is contesting Payment in Lieu of Taxes (PILT) payments for the years back to 2013 (nine years in total) based on an independent third-party review. No savings from the PILT contestation with the City of Montréal are assumed and the assessed amounts are being accrued and expensed. It is assumed that the PILT contestation will be finalized in 2023/24 for the amount provided for and that annual PILT payments for the remainder of the Plan Period will be similar to those currently being assessed. There continues to be significant uncertainty regarding the payment amount, as well as the amounts payable in future years of the Plan Period.

Real Estate

- Ottawa projects: The Ottawa real estate market is currently considered stable; however, the Company does have more than $240 million in sales during the Plan Period forecasted from Ottawa-based projects;
- Montréal projects: The Company has a significant number of real estate projects in the greater Montréal area that are forecasted to generate revenue and profit during the Plan Period. The Company projects more than $215 million in sales during the Plan Period;
- Currie, Calgary and Village at Griesbach, Edmonton: The Edmonton and Calgary markets continue to remain strong, and the Company is projecting $158 million in real estate sales;
- Heather Street Lands and Jericho Lands, Vancouver: In the Plan Period, the Company projects to sell the phases of its 50% beneficial interest in the Heather Street Lands and Jericho Lands, to its First Nations partners; and
- Downsview Lands, Toronto: As mentioned, it is expected that an amended DASP is forecast. The length and timing of the process to arrive at an amended DASP is difficult to determine, but it is not unreasonable to expect it to take a couple of years. A new, integrated plan across the Downsview area will create a better, more optimal land use mix for the community and the municipality.

Corporate

The Company generates interest income from its excess cash on hand balance. If interest rates were to vary from the assumed rates by +/– 1% it would have an impact of $2 million to $3 million on the Company's profitability and cash flows. As mentioned, the Company has assumed that G&A costs in 2023/24 will increase by 3.5%. For the remainder of the Plan Period, the Company projects G&A cost aggregated increases of around 2.5% per year.

7.2. SUMMARY OF NET BENEFITS TO THE GOVERNMENT OF CANADA 2023/24 TO 2027/28

The Company provides financial benefits to the Government of Canada in various ways. As illustrated in the table below, the Company will contribute more than $765 million or an average of $153 million per year over the Plan Period.

TABLE 3

Net benefits to the Government of Canada

$millions	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Acquisitions[1]	7	10	5	20	5	47
Promissory note repayments	10	35	25	58	11	139
Income taxes paid	33	7	109	11	62	222
Dividends to Government of Canada[2]	10	30	10	60	90	200
Recurring financial support to OPMC[3,4]	25	37	40	34	21	157
Total	85	119	189	183	189	765

1 Represents the upfront payment to the disposing department or agency, normally up to $5 million per property or portfolio.

2 Indicates cash dividends forecast to be paid to the Consolidated Revenue Fund.

3 Excludes the use of $9.3 million from cash and cash equivalents on hand at the end of 2022/23 that will be used during the Plan Period and any PILT contestation settlement funds required.

4 Included in the financial support is $49.7 million related to the OPMC Master Plan. See schedule 10.4.5, “CLCL Expenditures on Real Estate Properties and Other Capital Assets” under OPMC for investment by year.

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

TABLE 4

Summary of investments 2023/24 to 2027/28 by operating division

$millions	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Real Estate	111	104	144	143	113	615
Attractions	33	33	39	43	28	175
Total	144	138	183	186	140	790

7.3. CLCL DIVIDEND POLICY AND RETAINED EARNINGS EXPLAINED

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

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

CLCL continues to fund the annual OPMC operating deficit and capital requirements of approximately $37 million per annum forecasted during the Plan Period, which includes $54 million of funding for the OPMC Master Plan. Prior to operational amalgamation in November 2012, these funding shortfalls, which at the time were approximately $24 million annually, were fully subsidized by the federal government. The Company also continues to fund the operating and capital requirements of Downsview Park, 291 acres of active and passive green space, of approximately $2 million annually.

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

The details of CLCL's sources and uses of cash are contained in the Consolidated Statement of Cash Flows in Section 7.4.3 of this plan.

7.4. FINANCIAL STATEMENTS AND BUDGETS

7.4.1. CLCL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the year ended March 31

$millions	2022 Actual	2023 Budget	2023 Forecast	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan	Plan Period Total
REVENUES									
Real estate sales	105.9	107.7	147.5	84.3	332.7	241.5	317.2	258.5	1,234.2
Attraction, food, beverage and other hospitality	35.8	87.6	100.0	116.3	127.9	133.3	139.2	139.8	656.5
Rental operations	38.3	43.7	45.3	45.8	43.8	42.0	35.8	35.6	203.0
Interest and other	5.1	6.7	10.5	11.6	10.7	10.4	10.3	10.0	53.0
	185.1	**245.7**	**303.3**	**258.0**	**515.1**	**427.2**	**502.5**	**443.9**	**2,146.7**
EXPENSES									
Real estate development costs	66.8	74.6	92.4	63.3	133.1	133.1	150.9	110.6	591.0
Attraction, food, beverage and other hospitality costs	49.5	71.8	73.0	81.8	83.4	85.4	87.8	89.9	428.3
Rental operating costs	37.8	39.8	39.9	38.2	21.2	28.7	25.1	19.3	132.5
General and administrative	30.7	35.2	36.3	39.2	39.8	40.8	41.5	42.3	203.6
Interest and other financing costs	3.4	1.5	2.6	1.4	1.1	0.9	0.6	0.4	4.4
Impairment of capital expenditures	0.5	6.5	7.9	9.0	22.6	25.2	20.0	7.0	83.8
	188.7	**229.4**	**252.1**	**232.9**	**301.2**	**314.1**	**325.9**	**269.5**	**1,443.6**
Income (Loss) before taxes	**(3.6)**	**16.3**	**51.2**	**25.1**	**213.9**	**113.1**	**176.6**	**174.4**	**703.1**
Income tax expense (recovery)	(1.7)	4.1	12.8	6.3	53.4	28.2	44.2	43.6	175.7
Net Income (Loss)	**(1.9)**	**12.2**	**38.4**	**18.8**	**160.5**	**84.9**	**132.4**	**130.8**	**527.4**

7.4.2. CLCL CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

$millions	2022 Actual	2023 Plan	2023 Forecast		2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan
ASSETS									
Non-Current									
Investment properties	29.4	36.9	31.6		33.0	33.8	35.2	50.2	65.7
Inventories	339.9	356.7	360.6		340.9	334.9	333.2	405.1	396.0
Property, plant & equipment	151.9	167.1	161.8		169.4	163.7	161.2	153.9	143.7
Trade receivables and other	13.5	12.3	14.5		6.2	6.6	2.0	1.8	1.6
Long-term receivables	59.7	63.7	60.8		61.7	50.0	33.6	24.3	20.4
Deferred taxes	110.2	113.3	116.3		122.7	128.2	135.6	138.4	140.0
	704.6	750.0	745.6		733.9	717.2	700.8	773.7	767.4
Current									
Inventories	54.0	96.8	63.3		136.7	133.1	150.9	110.6	119.4
Cash	234.6	107.2	252.3		158.4	332.9	252.1	287.4	308.1
Short-term investments	3.6	3.6	3.6		3.6	3.6	3.6	3.6	3.6
Trade receivables and other	43.3	32.6	37.6		46.5	36.9	41.1	30.7	49.8
Current portion of long-term receivables	3.2	–	3.2		3.2	3.2	3.2	3.2	3.2
Current Income Tax recoverable and other Assets	–	–	–		6.3	–	22.7	1.4	–
	338.7	240.2	360.0		354.7	509.7	473.6	436.9	484.1
	1,043.3	990.2	1,105.6		1,088.6	1,226.9	1,174.4	1,210.6	1,251.5

7.4.2. CLCL CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

As at March 31

$millions	2022 Actual	2023 Plan	2023 Forecast		2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan
LIABILITIES									
Non-Current									
Notes payable	263.6	257.3	272.4		239.3	248.4	167.0	174.7	164.7
Deferred revenue	–	5.4	–		–	–	–	–	–
Trade and other payables	–	2.5	–		–	–	–	–	–
Provisions	3.4	0.6	0.8		0.8	0.8	0.8	0.8	0.8
Deferred taxes	11.4	–	11.4		11.4	11.4	11.4	11.4	11.4
Prepaid rent, deposits and others	3.1	4.4	3.1		3.1	5.8	8.2	11.2	11.2
	281.5	270.1	287.7		254.6	266.4	187.4	198.1	188.1
Current									
Credit facilities	38.0	–	49.5		74.9	59.4	–	–	–
Notes payable	7.9	30.7	10.1		35.0	1.0	57.8	11.1	10.0
Prepaid rent, deposits and others	6.1	7.5	6.1		6.1	6.1	6.1	6.1	6.1
Deferred Revenue	7.3	2.0	7.2		7.2	7.2	7.2	7.2	7.2
Trade and other payables	31.6	24.3	31.0		31.0	31.0	31.0	31.0	31.0
Provision	25.4	–	25.4		–	–	–	–	–
Provisions	3.3	4.4	4.5		0.3	0.3	0.2	0.2	0.2
Taxes payable	–	–	13.5		–	45.6	–	–	11.4
	119.6	68.9	147.3		154.5	150.6	102.3	55.6	65.9
EQUITY									
Contributed surplus	185.1	241.2	185.1		185.1	205.1	334.9	334.9	334.9
Accumulated earnings	640.8	566.5	679.2		698.1	838.5	793.5	925.8	1,056.5
Accumulated dividends	(183.7)	(156.6)	(193.7)		(203.7)	(233.7)	(243.7)	(303.7)	(393.7)
Net Equity	642.2	651.1	670.6		679.5	809.9	884.7	957.0	997.7
	1,043.3	**990.2**	**1,105.6**		**1,088.6**	**1,226.9**	**1,174.4**	**1,210.6**	**1,251.5**

7.4.3. CLCL CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

$millions	2022 Actual	2023 Plan	2023 Forecast	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan	Plan Period Total
Operating activities									
Net Income	(2.0)	12.3	38.4	18.9	160.5	84.9	132.4	130.7	527.3
Income taxes paid	5.4	(9.1)	(5.3)	(32.6)	(6.5)	(109.1)	(11.3)	(61.7)	(221.1)
Depreciation	12.7	15.7	13.0	14.7	14.3	14.7	15.1	15.2	74.0
Cost of Property Sales	66.8	74.6	92.4	63.3	133.1	133.1	150.9	110.6	591.0
Expenditures on properties	(52.6)	(104.7)	(100.3)	(111.0)	(103.2)	(143.7)	(142.9)	(112.5)	(613.3)
Acquisitions	–	(10.4)	(33.1)	(8.2)	(19.4)	(5.0)	(38.6)	(5.0)	(76.2)
Write downs and impairments	0.5	6.5	7.9	9.0	22.6	25.2	19.9	7.0	83.7
Recovery of expenditures on properties	5.8	10.5	13.2	3.7	2.8	2.2	4.7	0.3	13.7
Recovery of expenditures on properties from joint ventures	–	–	–	–	3.6	4.7	–	7.1	15.4
Long-term receivables	(2.4)	(2.2)	(2.5)	(1.9)	15.4	20.8	(0.4)	13.4	47.1
Provision	3.2	(26.3)	–	(25.4)	–	–	–	–	(25.4)
Notes payable – notional interest	3.4	1.5	2.3	0.9	0.7	0.4	0.2	–	2.2
Income tax expense	(1.6)	4.1	12.8	6.3	53.5	28.3	44.2	43.6	175.8
Change in current assets / liabilities	1.4	(0.5)	2.0	(5.0)	2.7	(3.8)	3.2	0.8	(2.0)
Cash Provided by (Used in) Operating Activities	**40.6**	**(28.1)**	**40.8**	**(67.3)**	**280.0**	**52.5**	**177.5**	**149.4**	**592.1**
Financing activities									
Change in Credit Facilities	8.8	(45.7)	11.5	25.4	(15.5)	(59.4)	–	–	(49.5)
Promissory Notes acquired	–	3.7	28.1	1.0	9.4	–	18.6	–	29.0
Promissory Note Repayments	(153.9)	(7.0)	(19.5)	(10.1)	(35.0)	(25.0)	(57.8)	(11.1)	(139.0)
Dividends	(10.0)	(10.0)	(10.0)	(10.0)	(30.0)	(10.0)	(60.0)	(90.0)	(200.0)
Cash Used in Financing Activities	**(155.1)**	**(59.0)**	**10.1**	**6.3**	**(71.1)**	**(94.4)**	**(99.2)**	**(101.1)**	**(359.5)**
Investing Activities									
Short-term investments	(3.6)	–	–	–	–	–	–	–	–
Expenditures on investment properties	(2.5)	(6.0)	(2.2)	(1.6)	(3.2)	(1.6)	(15.2)	(15.7)	(37.3)
Expenditures on property, plant and equipment	(23.8)	(33.2)	(30.8)	(31.3)	(31.2)	(37.4)	(27.7)	(12.0)	(139.6)
Cash Used in Investing Activities	**(29.9)**	**(39.2)**	**(33.0)**	**(32.9)**	**(34.4)**	**(39.0)**	**(42.9)**	**(27.7)**	**(176.9)**
NET INCREASE (DECREASE) IN CASH	**(144.4)**	**(126.3)**	**17.7**	**(93.9)**	**174.5**	**(80.8)**	**35.3**	**20.6**	**55.7**
Cash, beginning of year	379.0	233.4	234.6	252.3	158.4	332.9	252.1	287.4	–
CASH, END OF YEAR	**234.6**	**107.2**	**252.3**	**158.4**	**332.9**	**252.1**	**287.4**	**308.1**	–

7.4.3. CLCL CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

For the year ended March 31

$millions	2022 Actual	2023 Plan	2023 Forecast		2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan	Plan Period Total
Loan balance, beginning of year	29.2	45.7	38.0		49.5	74.9	59.4	–	–	–
Change in loan balance	8.8	(45.7)	11.5		25.4	(15.5)	(59.4)	–	–	–
Loan balance, end of year	**38.0**	**–**	**49.5**		**74.9**	**59.4**	**–**	**–**	**–**	**–**
Letters of credit required	36.9	36.3	54.0		97.5	124.1	175.6	152.6	190.4	–
Total borrowings against credit facility	74.9	36.3	103.5		172.4	183.5	175.6	152.6	190.4	–
Total available	200.0	200.0	200.0		200.0	200.0	200.0	200.0	200.0	–
Available credit	**125.1**	**163.7**	**96.5**		**27.6**	**16.6**	**24.4**	**47.4**	**9.6**	**–**

8. Appendix 3: Government Priorities and Direction

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

- Infrastructure investments to create jobs and prosperity: CLCL invests in local infrastructure as part of its development projects. Over the Plan Period, it expects to invest $615 million in its real estate projects. CLCL's development projects stimulate the local economy and offer employment opportunities. Results are measured through the ability to complete key investments on time and on budget.
- Effective management of Canada's finances, resources and assets: CLCL's value creation ensures effective and efficient reintegration of former government property back into local communities. Key financial indicators, such as property sales and dividends, are used to measure financial results. Over the Plan Period, the Company will aim to acquire $76 million in surplus property, generate over $1,234 million in land sales and invest almost $615 million through project and capital expenditures, while returning $200 million in dividends to the government.
- Open and transparent engagement with Canadians: The Company actively consults local communities and stakeholders using various forums (e.g., workshops, virtual meetings, open houses, advisory committees) in creating development plans, which contributes to the government's openness and transparency objectives. A goal over the Plan Period is to begin, continue, and/or complete the public engagements for certain properties including Vancouver, Toronto, Ottawa and Montréal. Results are measured by timely completion of engagement activities and through effective working relationships with municipalities and local communities.
- Build and maintain strong partnerships with Indigenous communities. At this time, CLC has entered into agreements of various forms with twelve First Nations covering projects on six properties in Vancouver, Winnipeg, Ottawa and Halifax. Each arrangement is a unique partnership tailored to the context of the properties, the Indigenous communities' interests and desires and the opportunities available. Components of the agreements with the Indigenous communities have included working together on training, procurement of Indigenous businesses, and commercial land transactions
- Demonstrate climate leadership and contribute to a cleaner environment by implementing strategies that will support the government, including its commitment to net-zero emissions by 2050. The Company will achieve this through environmentally sustainable operations and related project initiatives, and report on the Company's climate-related financial risks through the adoption of the Task Force on Climate-Related Financial Disclosures and the completion of its Environmental, Social and Governance framework.

- Affordable housing opportunities: CLC is continuing its work with municipalities in the integration of affordable housing in its developments, including its work with the National Housing Strategy. To date, CLCL has facilitated the implementation of approximately 2,000 affordable housing units and continues to explore integration as more projects become active. A key performance indicator is the number of parcels or projects the Company can contribute to the strategy, subject to CMHC processes and the municipalities in which CLC operates.
- Commitment to promoting a healthy workplace: The Company continues to drive programs that support the enhancement of a healthy, equitable and respectful workplace, with an emphasis on mental health and wellness programs. The strategy includes training and information sessions to promote wellness and mental health in the workplace.
- Commitment to transparent procurement: CLCL will continue to provide robust procurement opportunities on CLCL projects and promote inclusive participation, including contracting with Indigenous-led businesses.
- Commitment to diversity and inclusion: CLCL is committed to equity, diversity, inclusion and accessibility through the creation of a variety of steering committees, resource and advisory groups, fostering inclusion of a broad range of voices and views in governance and decision-making. Each business unit supports employee-led committees, focus group discussions, multi-year plans, and training programs, with emphasis on understanding and removing biases, anti-racism, anti-harassment, and code of conduct.
- The Company will continue to support the government's *Accessible Canada Act* and accessibility commitments through its internal inclusion policies and practices and its multi-year plan, and by including accessibility considerations in the design and development of its real estate projects and attractions programming.

9. Appendix 4: Climate Leadership

For the past 27 years, CLCL has been a champion of sustainable development and environmental stewardship, contributing to a cleaner and more sustainable environment in municipalities where it conducts business.

To support Canada's international and national sustainability goals, the Government of Canada established the *Greening Government Strategy* that outlines a series of commitments and targets to ensure Canada remains a leader in climate change resilience. In it, the government encourages Crown corporations with significant real property, fleet and procurement to adopt its measures or an equivalent set of commitments relevant to its business.

The Company has begun aligning its tracking and reporting mechanisms with those outlined in the strategy and will continue to do so as it aims for net-zero emissions by 2050, among other important targets. Many initiatives have been undertaken in recent years. Following is a series of current and planned initiatives and outcomes demonstrating CLCL's current trajectory.

Task Force on Climate-Related Financial Disclosures

The Company is adopting the Task Force on Climate-Related Financial Disclosures (TCFD) framework as an element of its corporate reporting and planning. This is in alignment with the Federal Budget 2021 requirement. In addition, the Company is working toward a cleaner and more sustainable environment by adopting the Greening Government Strategy, including planning for establishing greenhouse gases (GHG) emission targets.

The TCFD recommendations cover governance of climate-related matters; strategy toward climate-related risks and opportunities; management of climate-related risks; and monitoring of related metrics and targets. Most of the Company's climate-related efforts to date have been through its Enterprise Risk Management (ERM) process. The Company is in the process of establishing a formalized approach to TCFD implementation, as part of our wider Environmental, Social and Governance (ESG) Program development described below.

Governance

The Board of Directors has overall responsibility to oversee the risk management program, including climate-related risks; the identification of the key risks to the Company; ensuring that adequate systems are in place to identify, attest, manage, monitor, and report on key climate-related risks affecting the Company's operations; and that policies and procedures are designed, implemented, and operating effectively.

Management's key risk management activities that apply to climate risk management are to ensure that relevant risks are properly identified, prioritized and assessed. Those risks that are key to the success of the Company are identified as key, appropriate mitigation activities are in place or are planned to reduce risks to an acceptable level, instilling and maintaining a strong risk culture, and ensuring that risk monitoring and reporting is occurring.

Strategy

In 2021, climate change was identified as a key risk as part of the Company's annual ERM key risk refresh. To advance the climate-related strategy process, the Company plans to conduct a qualitative climate scenario analysis in calendar year 2023. This will help assess and evaluate climate-related risks and opportunities and potential impacts to the Company under multiple possible future states, including a 2°C or lower scenario.

Risk Management

As part of the Company's ongoing ERM, climate change was prioritized as a new stand-alone key risk in the Company's risk universe in 2021. This recognizes the potential failure of the Company to effectively manage and mitigate the impacts brought by rising stakeholder and disclosure expectations and changes in global temperatures, precipitation, and wind patterns and other impacts of climate change on the Company's operations. Given its potential impact and significant implications on the Company in both the short term and long term, the Company recognized it as a prioritized key risk.

Metrics and Targets

In 2022, the Company began the process of preparing a Company-wide GHG emissions inventory. This is a first step toward understanding its current state and its GHG emission footprint. The Company will focus on its Scope 1 and 2 emissions and consider the guidance of the Greening Government Strategy on Scope 3 emissions when it reaches the later stage of setting its climate ambitions and establishing its GHG emission reduction targets.

Environmental, Social and Governance (ESG) Program

In March 2022, the Company commenced a procurement process to identify a third-party partner to assess and develop its ESG program, which included adoption and implementation of the recommendations from the TCFD. In June 2022, the Company completed that procurement process and has begun its multi-year engagement with its partner. The engagement of this partner, and the scope of work that they will perform over the engagement, fits well with the Company's 2022 Strategic Plan, which identifies many ESG elements within its Environmental Sustainability and Social Impact values, as well as within its strategic priorities of Real Estate – Transforming Surplus and Underutilized Properties and Being a Workplace of Choice.

The timing of the Company's new Strategic Plan and the ESG initiative provides a tremendous opportunity for real-time, practical integration as the Company identifies initiatives to accomplish its values and priorities.

Property and Workplaces

The Attractions Division has integrated many sustainability initiatives into its day-to-day operations. As a result, the CN Tower has had an 85% reduction in greenhouse gas emissions since 2006. The Old Port has reduced carbon emissions by 66% since 2005. The CN Tower and the Old Port continue to roll out and lead new programs to reduce their environmental footprint.

The MSC and the Downsview Park education teams offer programming for youth and adults focused on sustainability and environmentalism. Teams have also introduced electric vehicle charging stations and plant hundreds of trees per year at Downsview Park, divert food waste from 360 Restaurant at the CN Tower, and buy locally to reduce transportation emissions.

An action plan on greening initiatives has been completed for the MSC and Old Port. Targets have been established following a rigorous, science-based methodology, which includes an inventory of industry best practices, an evaluation of the current material and operational reality, and consultations with stakeholders. The actions focus on three main elements: reduction of greenhouse gases and optimization of energy, waste management, and water and biodiversity. As well, the Old Port developed a framework for responsible and sustainable procurement, which has enabled it to reduce its waste by 50%.

Climate-resilience Services and Operations

For many years, CLCL's real estate operations have been at the forefront of sustainable development. The Company was an early adopter of the LEED-ND (Leadership in Energy and Environmental Design for Neighbourhood Development) program, as evidenced by the liveable and sustainable communities created by CLC across Canada. The Company demonstrates its leadership by targeting its developments to exceed municipal environmental management requirements, and provide community amenities, and includes three or more LEED-ND metrics or third-party equivalency in every project. The Company continues to explore and integrate best practices in low-carbon energy strategies, stormwater management, and biodiversity management.

Procurement and Goods and Services

CLCL is currently studying best practices and conducting pilot projects on green and local procurement to determine how CLCL's processes can include environmental requirements in products and services. Certain new procurement practices have begun, and more will be implemented in 2023/24 and beyond. The Company will report on its activities in future corporate plans.

Mobility and Fleets

The Old Port and Downsview Park offer visitors electric vehicle charging stations on site.

Canada Lands Company
Société immobilière du Canada

[redacted]

For more information:
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Canada