

Minister of Finance



Ministre des Finances

Ottawa, Canada K1A 0G5

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AUG 27 2018

Mr. Stephen Swaffield
Chair
Canada Development Investment Corporation
1240 Bay Street, Suite 302
Toronto, ON M5R 2A7

Dear Mr Swaffield:

The Government of Canada is committed to making investments that create good, well-paying jobs that help strengthen and grow the middle class, help get Canada's natural resources to world markets and deliver economic benefits for all Canadians now, and for years to come. As a country, we must be able to develop our resources safely, while also respecting the rights of Indigenous peoples, protecting our environment, and safeguarding our oceans.

The Trans Mountain Expansion Project is a project that is in Canada's national interest. It will create economic benefits for all Canadians by providing Canadian oil with unprecedented access to foreign markets, diversifying our exports, ensuring a fair price for our natural resources, and employing thousands of Canadians in its construction. On May 29, 2018, the then Minister of Natural Resources Jim Carr and I announced that the Government of Canada had reached an agreement to purchase the entities holding the Trans Mountain Expansion Project and related pipeline and terminal assets (the "Trans Mountain Assets") for \$4.5 billion. The Government took this action to ensure the Expansion Project gets built and enters into operation.

When we announced the purchase agreement, we told Canadians that it represents a fair price for Canadians and that the Trans Mountain Assets are a sound investment opportunity. The Canada Development Investment Corporation (CDEV) has been charged with responsibility for the purchase, oversight and eventual sale to the private sector of the Trans Mountain Assets and will play a key role in protecting Canada's investment and Canadian taxpayers.

As a Crown corporation, CDEV is accountable to the Government and must comply with Part X of the *Financial Administration Act* and other applicable statutes. CDEV reports to Parliament through the Minister of Finance, including through the submission of an annual corporate plan,

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operating and capital budget. *Open and Accountable Government* (2015) recognizes my role, as the responsible Minister for CDEV, in providing guidance to the Board on the corporation's objects and in conveying to the Board the Government's expectations concerning the corporation's public policy objectives.

In that context, it is my pleasure to provide you with this letter of expectations for the attention of the Board, the management of CDEV and the management of relevant CDEV subsidiaries. This statement is intended to assist CDEV as it prepares for three stages: the initial transaction to acquire the entities holding the Trans Mountain Assets; ownership of the existing assets and the development of the Expansion Project; and future divestiture of the Trans Mountain Assets or entities.

Throughout these three stages it is expected that CDEV will manage the Trans Mountain Assets in a commercial manner, particularly to ensure that Canada realizes a positive financial return on its investment. It is my expectation that CDEV will establish a Board of Directors, with my consultation, to oversee the Trans Mountain subsidiary. Collectively, the Board will have a deep and varied set of professional skills and experience suitable to oversee ownership of a significant energy asset and the construction of a major infrastructure project of national importance. In making appointments to the Board, CDEV should take into consideration Canada's gender, linguistic, cultural and regional diversity.

Acquisition

In preparation for this transaction, the Minister of International Trade and I have authorized, through Ministerial Authorizations, Export Development Canada to make funds available to the CDEV through the Canada Account. In addition, the Governor in Council has passed several orders authorizing CDEV or its subsidiaries to acquire shares and/or assets of the Trans Mountain entities and also to divest those shares and/or assets in the future.

Prior to acquisition, the Government expects CDEV to ensure that its governance and oversight structure is in place, and it is fully prepared to take on ownership of the Trans Mountain entities and particularly to exercise oversight of the development of the Expansion Project. The Government expects CDEV's corporate governance practices for the Trans Mountain entities to be informed by best practices in both the public and private sectors and to prevent conflicts of interest.

Ownership

We told Canadians that the development of the Trans Mountain Expansion Project will proceed in a manner that protects the public interest. There are three primary elements of protecting the public interest during the period that CDEV owns the Trans Mountain Assets.

The first is to pursue development of the Expansion Project in a commercial manner in order to protect the value of the Government's investment. The second is to ensure full compliance with applicable laws and rules, particularly environmental protection and worker health and safety

requirements. The third is to operate in a manner consistent with Canada's commitment to advance reconciliation with Indigenous peoples, as outlined in the *Principles respecting the Government of Canada's relationship with Indigenous peoples*. This includes honouring all existing benefit agreements negotiated with Indigenous communities in relation to this project, and continuing Trans Mountain's commitment to providing employment and workforce development opportunities to Indigenous individuals and communities.

In keeping with its oversight role, CDEV should monitor the performance of the Trans Mountain Assets and transparently report plans and results as part of its annual reports to Parliament.

Divestiture

It is not the intention of the Government of Canada to be a long-term owner of the Trans Mountain Assets. The Government is of the view that, save for the exceptional non-business risks currently faced by the Expansion Project, the Trans Mountain Assets are commercial assets that should be owned and operated by a party other than the Government of Canada. At the same time, the Government is prepared to own the Trans Mountain Assets until the completion of the Expansion Project and beyond if that is necessary to protect the Government's investment.

The Government expects that CDEV will maintain readiness on an ongoing basis to divest the Trans Mountain Assets, taking into account the optimal timing for divestiture relative to project risks. CDEV should also consider ways for Indigenous groups to participate in the divestiture on commercial terms. Given the foregoing, the Government expects CDEV to ensure that the Trans Mountain Assets are in a state of readiness to be divested.

The Government has entrusted CDEV to acquire, operate, expand, and eventually divest a major national energy project. The Board of CDEV has my full confidence that you will meet the highest standard for good governance and carry out your duty of care in the best interests of Canada. I would ask that you keep me informed of progress on this critical initiative on an ongoing basis.

Sincerely,

A handwritten signature in blue ink, appearing to read 'W. Morneau', followed by a period.

The Honourable William Francis Morneau, P.C., M.P.