

## **CMLC's Report to Audit Committee**

2020 was a year that was defined by the challenges and the changes wrought by the COVID-19 crisis. As its ripple effects reverberated through our community, our resilience as an organization was put swiftly and continually to the test. And, as we have always done in the face of unforeseen obstacles, after calmly and thoughtfully taking stock of our projects and the risks we now had to consider, CMLC rose confidently to these new challenges.

This new reality called for adaptations in every facet of our business. With a few modifications for evolving public health protocols, we forged ahead with our four major projects in east Victoria Park: the BMO Centre expansion, the Event Centre, the Arts Commons Transformation and the extension of 17th Avenue SE across the LRT tracks into Stampede Park.

Proceeding with these projects responsibly—adapting to the impacts of COVID-19 along the way—will be an important part of Calgary's long-term economic recovery.

With the built-in flexibility and innovation needed to navigate complexities both within and well beyond our control, CMLC moves forward with full confidence in our ability to continue creating excellent places and outstanding value for all Calgarians.

In response to the financial impact of COVID-19 on revenues we reassessed and forecasted the Community Revitalization Levy (CRL) to ensure that we would still meet our long-term obligations. This work helped us reaffirm that despite the impact of COVID-19 the anticipated CRL would be sufficient to meet our current and future obligations.

### **Governance**

CMLC's Board of Directors continues to provide strong, committed leadership to the company, and a subcommittee of the Board provides specific governance leadership. To further assist with governance, additional subcommittees focus on Human Resources & Compensation, Finance & Audit, and Environment, Health & Safety. CMLC has staggered terms of appointment for the Board of Directors to ensure that there is continuity of Board of Directors and an appropriate balance of experience and fresh eyes.

The Board's Governance Committee has developed criteria, including a skills matrix, for future Board candidates to ensure that we attract qualified and committed Calgarians. This recruitment process has produced a high-functioning Board, which is diverse and open to a wide variety of perspectives.

At an operational level, CMLC's management continues to update corporate policies and our employee and Board of Directors' manuals as necessary. CMLC will continue to operate in a transparent, timely, efficient manner and in the best interests of our shareholder, the City of Calgary.

In 2020, we undertook a search for two new Directors. CMLC welcomed these two new members to the CMLC Board early in 2021.

The Board Terms of Reference are reviewed annually. There were no significant changes to the Committee Charter or Terms of Reference in 2020. Board composition is also reviewed on an annual basis to ensure oversight is provided to CMLC.

## **Audit Committee Composition**

### ***Shannon Doram***

*Audit Committee Chair*

*Environment, Health & Safety Committee Member*

Shannon Doram joined the CMLC Board of Directors in 2019. She is currently the President and CEO of YMCA Calgary, working with more than 3,000 staff and volunteers to optimize the operation of 1 million square feet of infrastructure. Shannon recently led the organization through a two-year transformation, doubling in size to service the well-being of Calgarians. To achieve YMCA's goals of healthy and vibrant communities, Shannon works with a diverse array of partners, including government, public and private organizations, sponsors, and donors. Driven by a passion for community-building and mobilizing leadership, she is actively involved in leading numerous leadership and YMCA initiatives across Canada, the US and internationally. Shannon holds a BSc from the University of Calgary (Kinesiology) and MSc from the U of A's School of Public Health.

### ***Adam Pekarsky***

*Audit Committee Member*

*Compensation & Human Resources Committee Member*

Adam Pekarsky is the Founding Partner of Pekarsky & Co., an award-winning, Calgary-based, independently owned and operated executive search firm. Adam has been recruiting executives, advising boards and offering thought leadership in western Canada for nearly 20 years. Prior to founding Pekarsky & Co. in 2009, Adam was a Client Partner in the Calgary office of Korn/Ferry International, where he was a member of the firm's Global Industrial Market's Energy Sector, as well as the firm's Legal Center of Expertise. Adam holds an LL.B. from the University of Alberta and a bachelor's degree in political science from Tufts University in Boston. Adam previously served five years on Tourism Calgary's Board of Directors, and presently sits on the YMCA Calgary Board of Directors, where he chaired the Strategy Committee, sits on the Governance Committee and leads the Camp Chief Hector Endowment Committee. Adam is also a sessional instructor at the University of Calgary Faculty of Law.

### ***Kent Brown***

*Audit Committee Member*

Kent Brown joined the CMLC Board in 2021. Born and raised in Calgary, Kent is a Canadian entrepreneur who has focused on the climate tech sector for the past 20 years. Founder and CEO of BluEarth Renewables, Kent and his team built a successful \$1.2 billion renewable energy platform before it sold in 2015. He is also the former CEO of Canadian Hydro Developers which was the largest Canadian renewable energy company when it sold in 2009. With a passion for advising on climate technology and the impacts of climate change, Kent is an active mentor at the Creative Destruction Lab and was appointed by the Government of Alberta's Climate Change Advisory Panel in 2015 to co-lead and co-facilitate Electricity Stakeholder Technical Engagement sessions which lead to the Climate Leadership Plan. He also co-created The Catherine Bell & Kent Brown Awakened Company Award at the Smith School of Business at Queen's University.

Other Affiliations: VEERUM (Board Chair), Canary Biofuels (Board Chair)

## **Strategic Planning**

CMLC's Board and staff are committed to bringing ongoing value to our shareholder and, ultimately, to the citizens of Calgary. In 2020, CMLC continued to use our four 'strategic pillars' to focus our city-building efforts:

1. Maximizing impact
2. Relationship management
3. Community-building innovation
4. Excellence in project execution

At the end of 2020, one year in, we assessed our performance and progress in each of these areas. In so doing, we also factored in the overall global events of the past year. We remain confident that our work remains on track and continues to deliver value and relevance.

Below are the initiatives we aim to commence delivery on in 2021.

### **Within the Rivers District**

To deliver a public infrastructure and placemaking program to attract private investment, to stimulate CRL generation, and to create a sustainable tax base for the City of Calgary as our shareholder.

#### East Village Infrastructure Upgrades & Maintenance

#### 9th Avenue SE Parkade & Innovation Centre

#### Land Strategy and Activations

#### East Victoria Master Plan

- Victoria Park Infrastructure Upgrades
- East Victoria Park Land Strategy
- 17th Avenue SE Extension + Stampede Trail
- 9th Avenue SE Bridge

#### Project Management

#### Corporate Programming

- Corporate communications
  - Safety and Vitality
  - Community Placemaking & Programming
  - Marketing Communications

### **Strategy outside the Rivers District**

To create value (ROI) for CMLC and City of Calgary as our shareholder by strategically selecting real estate development opportunities that not only support the organization's vision and mandate but also best utilize our core competencies.

The development of the David D. Oughton (DDO) School Site is a priority. We will seek the most effective way of delivering on this project through collaboration with the private industry.

## **Financial and Performance Reporting**

### **Financial Highlights**

- Positive impact within the Rivers District through investment in Community Projects: BMO Expansion, 9<sup>th</sup> Avenue Parkade, 17<sup>th</sup> Avenue Extension, Stampede Crossing Station, East Village Place Renovations, East Village Place Maintenance, Rivers District Master Plan: Victoria Park
- Continued maintenance of completed Infrastructure assets saving the City on additional maintenance costs.
- Clean auditor's opinion on financial statements.
- Financial statements of CMLC are consolidated into the City financial statements
- No regulatory or market changes impacted CMLC's business approach in 2020

### **Sustainability & Accessibility**

CMLC is reviewing our corporate accessibility and sustainability (A&S) practices to improve visibility, accountability and transparency in these areas. In the past year, we have worked toward establishing a more formal integration of A&S into our corporate culture and projects through the following efforts:

- liaising with similar organizations to understand how they have integrated these concepts into their corporate philosophy and operations.
- engaging with our partners to better understand industry best practices and evolving standards.
- organizing facilitated, in-house staff development sessions.

Our goal with these pursuits is to better understand how A&S considerations play into partner selection and our day-to-day operations, and how we can continue supporting and collaborating with our partners while maintaining high A&S standards. CMLC is committed to continuing to enhance the accessibility and sustainability of our organization and our community. We take the following measures to ensure project designs meet or exceed industry best practices for A&S at the procurement and review stages.

- We ensure consistency and compliance through the City's Sustainable Building Policy, which guides design and construction decisions on City-funded projects.
- We ensure our consultants meet the mandatory Alberta Building Code (ABC) requirements for accessibility and further require our project teams to include a dedicated accessibility consultant as part of the integrated project team.
- The City's Advisory Committee on Accessibility reviews and provides feedback on all project designs, with their standards exceeding the mandatory ABC requirements.

- We review designs through independent, third-party accessibility programs to ensure we remain leaders in this practice.

CMLC is committed to making our communities, our projects and our workplace as accessible and sustainable as possible. This is an ongoing process, and we will continue to strive for the highest standards in A&S

### Diversity, Equity & Inclusion

As a community member and community champion, CMLC is committed to improving diversity and inclusion (D&I) within and outside of our organization. To underscore this commitment, we are embarking on a process to incorporate D&I principles into all we do. Toward the end of 2020, we invited all CMLC team members into a series of open conversations so we could begin to understand how we can be more responsive to and reflective of the community we live and work in. Increasing our diversity awareness and our organization's inclusiveness can have far-reaching benefits to our culture, our work and our relationships with stakeholders. Through 2021, we will take the following actions to advance our D&I practices.

1. Establish our D&I baseline and goals—seek company-wide input to identify where are we, what we want to achieve, and how will we get there.
2. Explore and learn—grow our collective understanding of D&I terminology, D&I leading practices and evolution, and the impact of unconscious bias.
3. Develop specific and achievable goals, both internal and external—strike a working group, commit to outcomes, and map our plan for getting there.
4. Execute and measure—integrate the working group's findings into our business strategy, building accountability to ensure an iterative and ongoing process.

## **Enterprise Risk Management**

CMLC's Enterprise Risk Management (ERM) program gives the organization a systematic approach to managing risk. The ERM program is embedded in CMLC's business activities to support effective project management and gives the Board, the senior management team and the rest of the organization useful risk information to support strategic decision-making. The ERM program gives us a clearly defined risk governance structure with roles and responsibilities and alignment between strategic objectives and organizational risks. Prior to 2020, CMLC reviewed and updated our ERM program an annual basis. In 2020, we decided to shift to biannual reviews of the ERM program, starting in 2021.

- CMLC developed its Enterprise Risk Management (ERM) framework in 2016. The ERM program was approved by the CMLC Board of Directors.
- CMLC has an Enterprise Risk Management Policy (Policy) that defines the Policy objectives, risk management roles and responsibilities and Policy ownership.

Principal Financial risks faced by CMLC include:

- Financial Investment Risk: Loss of ability to attract investment.
- CRL Risk: Risk of lower than expected CRL revenue.

Principal Operational risks faced by CMLC include:

- Economy Resilience Risk: Risk that economy impacts ability to meet current plans.
  - Project Risk: Financial loss due to failure to implement strategic projects, within proposed time and budget estimates.
  - Growth Risk: Loss of ability to react quickly, inability to maintain high level of quality, innovation and credibility.
  - Stakeholder and Partner Relationship Risk: Risks resulting from development partnerships and loss of control over delivery of projects.
- THE CMLC Enterprise Risk Management Function (ERMF) comprises the VP Finance and Corporate Services, VP Marketing & Communications and VP Design & Construction. The ERMF oversees the implementation and ongoing execution of risk management processes within their areas of responsibility, and report on CMLC consolidated enterprise-wide risks and risk management status to the Board on at least an annual basis.
  - The Board determines the appropriate level of risk that the Board is willing to accept in the conduct of CMLC business activities. The Enterprise Risk Management Function (ERMF) assists the Board in carrying out this oversight role. The CMCL ERMF reports periodically (minimum annually) to the Audit Committee on its risk assessment activities.
  - CMLC's principal risks are documented in an ERM risk register. The risk register captures the risk event, risk cause, current mitigations and a risk assessment based on likelihood of occurrence and impact to CMLC. Where additional risk mitigation activities are identified, these are captured and assigned a risk owner.
  - CMLC reports principal risks to the board audit committee on an annual basis. Reporting includes principal risks; risk causes and impact to CMLC should they occur.
  - Board reporting includes a heat map that illustrates how the likelihood of occurrence and impact of principal risks changes year over year.
  - Information technology risk is mitigated by outsourcing IT to a consultant with an experienced team.

- Cybersecurity & financial risk is mitigated through certificates on Senior Management Team signatures and spending authorization processes.
- Cybersecurity insurance in place to transfer risk to a third party.
- The board audit committee evaluates highest priority risks on a bi-annual basis.
- Safety risk is assessed through an independent third-party site audit on all CMLC developer sites to ensure they are complying with the Health and Safety standards.
- Project risk is monitored internally through regular variance (financial) analysis. Project risk is mitigated through Force Majeure contract clauses to hold the developer accountable for project delays.

## **Talent and Culture**

In 2020, CMLC had no significant changes to our executive leadership.

Through CMLC's Human Resources & Compensation Committee Terms of Reference we ensure diversity is promoted throughout the organization. Employees have access to our Corporate Intranet site and Human Resource Representative for any concerns. We also have a Whistleblower policy to ensure employees feel safe should they need to report any unethical occurrences.

We offer the challenge of constantly improving our employees' capabilities in a pleasant, dynamic and friendly work environment. VP, Finance and Corporate Services is notified when there is an intention to hire, and it is also communicated to the President & CEO. Compensation range and benefits are determined prior to posting of new positions on the company's website and/or using a search company.

Typically, at least two interviews will be conducted with potential candidates. Reference checks will be performed before a candidate is offered a position. All employees will be given a three months' probation period for the employee and CMLC to determine whether there is a good fit.

We offer employees on-the-job coaching and annual performance feedback. We are currently in the process of enhancing our feedback mechanism so that feedback is provided on a more frequent basis. We goal is to do quarterly check-ins with our employees on work progress and reaching performance goals.

We offer full time employees training and development to enhance their knowledge and skills, with the goal to assist employees with their career growth.

## **Succession Planning**

Succession planning is essential to ensure that CMLC has the suitable talent with the appropriate skills, knowledge and abilities are in place, or being developed. Mitigate risk when leadership departs and as organization moves towards its strategic future and establish a talent management process to promotes and clarify career progression

**Succession plan beyond the CEO:** Keep succession as a constant leadership agenda item – consider key positions, including areas beyond CEO, that are critical to ensure that the organization’s ability to function will not be crippled in an emergency

**Manage vulnerabilities:** Establish a common understanding of where unique skills exist and whether they can be replaced. Determine whether internal successors are ready now and how to prepare them

**Responsiveness:** Ensure that supporting procedures and instructions are in place to deal with such a situation quickly

**Develop leadership capability:** Continue to develop a pool of successors that can be used to meet changing needs with a mix of stretch assignments and leadership development to build capacity

In 2020 we developed an emergency succession plan in response to the COVID-19.