Canada Development Investment Corporation
La corporation de développement des investissements du Canada

CANADA DEVELOPMENT INVESTMENT CORPORATION

2022 to 2026

CORPORATE PLAN AMENDMENT SUMMARY

and

2022 CAPITAL BUDGET AMENDMENT SUMMARY

April 2022

CDEV CORPORATE PLAN AMENDMENT SUMMARY
TABLE OF CONTENTS

1.0 EXECUTIVE SUMMARY AND PURPOSE OF AMENDMENT

The approval of the 2022 CDEV Corporate Plan included an expectation that TMC would then seek Third-Party Financing from commercial banks supported by a government guarantee, for which TMC will pay a fee to the government.

It is through this amendment that CDEV is requesting the appropriate authorities to allow TMC to enter into the Third-Party Financing that will finance the construction costs to complete the TMEP by 2023.

2.0 MANDATE AND BUSINESS OVERVIEW

Canada TMP Finance Ltd.

TMP Finance is the owner and up until now has been the financing entity for TMC. Once TMC attains the required financing to complete TMEP, TMP Finance will have continuing equity investments and loans invested in TMC.

Trans Mountain Corporation

See Appendix B for more details of TMC's new financing structure using Third-Party Financing.

The Government of Canada has stated its intention of pursuing Indigenous economic participation in Trans Mountain, and has indicated that it intends on announcing its plans in this regard later in 2022. TMC will work with the Government of Canada to support engagement with the Indigenous groups along the pipeline and marine shipping route, in order to reach an agreement on Indigenous economic participation in Trans Mountain.

3.0 CORPORATE GOVERNANCE AND OPERATING ENVIRONMENT

No change is proposed for this section of the 2022 Plan.

The Government of Canada is expected to issue a proclamation declaring the Government Corporations Operation Act ("GCOA") to no longer to apply to TMC, with the consequence of TMC no longer being a statutory Crown agent. This proclamation will not change the corporate governance structure of CDEV or TMC.

4.0 CORPORATE PERFORMANCE

The corporate performance of CDEV remains substantially unchanged from that submitted in the 2022 Corporate Plan. However, we note that in the financial schedules provide herein, we have provided for 2021 the actual results rather than a forecast.

5.0 CDEV - OBJECTIVES AND STRATEGIES FOR THE PERIOD 2022 TO 2026

Our main objectives are to manage the interests the Government assigns to us in a commercial manner. These are the main areas of focus for 2022 and beyond that have changed as a result of this Plan Amendment:

- Maintain readiness to divest TMC or support the access of alternative sources of financing for TMEP, taking into account the optimal timing for divestiture relative to project risks. Also, to advise on alternate ways for Indigenous groups to share in the economic participation of Trans Mountain This will include continued retention of financial advisors to provide financial structuring and strategic advice and working closely with government officials and TMC.
- TMP Finance will no longer provide financing to TMC. The existing debt and equity investment into TMC as at February 18, 2022 will remain in place. TMP Finance will continue to provide the Canada Energy Regulator (CER) line of credit facility to TMC to satisfy regulatory requirements which will be backed up by a similar facility from EDC acting as agent for the Canada Account.

5.1 Trans Mountain Corporation

Financing Alternatives

The Government has asked CDEV to have TMC identify alternative sources of capital to finance further construction costs. CDEV intends to have TMC seek financing from public or private debt markets (e.g., bank loans, commercial paper, banker’s acceptances, bond market issuances) to cover, at a minimum, the balance of remaining TMEP construction costs. The Government would be required to provide guarantees, administered by EDC on the Canada Account.

CDEV is working closely with Finance Canada to identify alternative sources of capital to finance further construction costs and refinance the existing debt owed to EDC.

TMEP Cost Estimate

The cost estimate for TMEP as approved in the 2022 Corporate Plan is as follows:

$ Billion	**Approved 2022 Plan (February 2022)**
Project Construction Costs	$16.8
Contingencies	$1.3
Project Costs including Contingencies	$18.1
Financing (debt and equity)	$3.3
Total Installed Cost	**$21.4**
Mechanical Completion	Q4 2023
In-service date (revenue generating)	End 2023

The total estimated cost of the TMEP has not changed since the approval of the corporate plan in February. However, TMC has reprofiled some spending from 2023 to 2022 including the additional $500 million in costs incurred due to the flooding in BC in 2021.

5.2 Canada TMP Finance Ltd.

TMC will use Third-Party Financing to repay TMP Finance, and TMP Finance will repay to EDC any post February 18, 2022 draws and related interest owed. Once this has been repaid, TMP Finance will no longer fund TMC cash requirements.

5.8 Borrowing Plan

CDEV is requesting approval to borrow from third parties other than Her Majesty in right of Canada through a mix of credit facilities, bank loans and instruments including commercial paper, bankers' acceptances, bonds, notes and debentures on a term or revolving basis on a short and long-term basis. These borrowings will be guaranteed by the Canada Account administered by EDC.

Negotiations are currently being held to complete a Third-Party Financing with a syndicate of the large Canadian financial institutions. After Third-Party Financing has been attained, the EDC Construction Facility will be closed to new cash draws. All Interest charged by EDC will be added to the Construction Facility loan balance and no longer cash paid. All EDC loan interest will be due upon final repayment of the EDC facilities including deferred interest.

6.0 FINANCIAL SECTION

6.1 Financial Overview for 2021

See the Appendix A-1 for the pro-forma financial projections which include the 2021 actual figures (December year-end) (On the following Schedules, numbers may not add due to rounding):

Schedule 1 - Consolidated Statements of Financial Position
Schedule 2 - Consolidated Statements of Cash Flows
Schedule 3 - Consolidated Statements of Changes in Shareholder’s Equity
Schedule 4 - Consolidated Statements of Comprehensive Income

6.2 Assumptions for the Plan Period (those revised in this Amendment)

This Corporate Plan Amendment is based on the following revised assumptions:

Canada TMP Finance Ltd.

1) The loans negotiated with EDC continue to have an interest rate of 4.7% per annum and have commitment fees of 0.065% for undrawn amounts although availability of the EDC construction facility will be capped once Third-Party Financing is attained by TMC and no commitment fee will be charged by EDC. Loans receivable from TMC (55% of funding) earn interest at 5.0% and the remaining equity contributions are interest free. The commitment fee on the CER facility is 0.30%.
2) Pending the closing of the availability under the EDC Construction facility, after the noted repayments, TMP Finance will have the option to accrue but not pay any interest costs to EDC. Any future interest costs will be compounded and paid upon facility repayment.
3) If surplus cash is raised by TMC beyond its capital and operating requirements, and repaid to TMP Finance, it is expected that TMP Finance will repay EDC a like amount.

TMC

4) TMC's operating assumptions remain materially unchanged from the approved 2022 Plan. The capital expenditure assumptions have been altered to reflect a shifting of expenditures from 2023 to 2022. The financial projections assume that any surplus cash raised by TMC or earned after TMEP in service may be used to repay its third-party debt or debt to TMP Finance or Equity advances from TMP Finance.
5) The actual interest rate charged to TMC for its Third-Party Financing will be based on market conditions.
6) A Guarantee Fee is expected to be charged by EDC to TMC against any loans or debt instruments guaranteed by the government. The Guarantee Fee is expected to be accrued but not paid until the guarantee is cancelled or the guaranteed debt is repaid.

6.4 Capital Budget

Summary of Capital Expenditures

$ million	**2022**	**2023**	**2024**	**2025**	**2026**
TMC – TMEP original	*4,953*	*2,047*	*0*	*0*	*0*
TMC – TMEP flood impact (Feb 2022)	*300*	*200*			
	5,253	*2,247*			
TMC – TMEP Revised	5,771	1,888			
TMC - Capitalized Interest	650	845	0	0	0
TMC – maintenance	95	52	41	43	44
CHHC	37	27	26	27	30
CDEV Office and ancillary leases	1	0	0	0	0
CEEFC (not consolidated)	0	0	0	0	0
Total (CDEV consolidated with CEEFC)	**6,554**	**2,812**	**67**	**70**	**74**

Note: Total actual TMEP capital expenditures in 2021 were $167 million lower than projected in the 2022 original plan.

6.5 Operating Budget

No change from original approved corporate plan other that a change in the interest expenses and guarantee fee paid by TMC.

APPENDIX A – CDEV CONSOLIDATED PRO-FORMA FINANCIAL STATEMENTS 2022 – 2026

Schedule 1 - Proforma Consolidated Statements of Financial Position

$ millions (Dec 31)

	2020 Actual	2021 Plan	2021 Actual	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Assets								
Currents assets:								
Cash and cash equivalents	311.7	465.2	330.5	487.7	630.7	49.0	74.2	167.1
Restricted cash	-	2.5		5.0	5.0	5.0	5.0	5.0
Trade and other receivables	114.2	66.1	105.5	53.3	42.8	190.7	196.6	201.4
Other current assets	26.8	21.5	26.0	5.1	(15.1)	(13.9)	(15.8)	(16.2)
	452.7	555.3	462.1	551.1	663.3	230.7	259.9	357.4
Non current assets:								
Property, plant and equipment (note 1)	9,169.8	13,335.1	14,639.6	21,174.0	23,930.0	23,696.1	23,085.3	22,476.5
Goodwill	1,015.9	1,015.8	1,015.9	1,015.9	1,015.9	1,015.9	1,015.9	1,015.9
Investments held for future obligations	172.6	178.6	146.5	186.6	187.5	191.9	199.8	205.6
Restricted cash	84.2	70.8	81.3	78.3	78.3	78.3	78.3	78.3
Other assets	382.1	213.9	292.9	341.5	234.2	199.0	163.8	128.7
	10,918.5	14,915.6	16,272.5	22,907.6	25,572.4	25,334.7	24,724.2	24,114.2
	11,371	**15,471**	**16,735**	**23,459**	**26,236**	**25,565**	**24,984**	**24,472**
Liabilities and Shareholder's Equity								
Current liabilities								
Trade and other payables	557.9	731.2	907.5	888.8	418.7	59.0	62.1	63.6
Income tax payable	-	(4.3)	1.3	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)
Other current liabilities	211.5	67.0	159.0	166.4	343.2	79.4	77.3	77.2
	769.4	794.0	1,067.8	1,053.8	760.5	137.0	138.0	139.4
Non-current liabilities								
Total loans payable to affiliates	9,055.0	13,213.0	14,246.0	15,725.1	16,066.3	16,066.3	15,466.3	14,866.3
Loans payable to third parties				5,125.0	7,745.0	7,745.0	7,745.0	7,745.0
Deferred income taxes	514.6	498.8	540.6	537.3	462.0	530.9	615.6	722.9
Provision for decommissioning obligation	621.2	632.8	596.6	639.5	649.8	660.3	671.1	682.1
Provision for site restoration	4.7	3.3	4.2	3.1	2.2	0.0	-	-
Defined benefit obligation	100.7	88.6	75.4	75.3	75.2	75.1	75.0	74.6
Other non-current liabilities (note 1)	128.1	133.4	128.1	135.9	147.6	171.0	196.0	220.7
	10,424.3	14,569.9	15,590.9	22,241.2	25,148.0	25,248.6	24,769.0	24,311.7
Shareholder's equity								
Share capital	-		-	-	-	-	-	-
Contributed surplus	603.3	603.3	603.3	603.3	603.3	603.3	603.3	603.3
Net Profits Interest reserve	11.8	1.5	19.5	19.5	19.5	19.5	19.5	19.5
Accumulated deficit	(414.4)	(487.2)	(549.7)	(462.0)	(298.5)	(445.8)	(548.8)	(605.4)
Accumulated other comprehensive income	(23.2)	(10.6)	2.9	2.9	2.9	2.9	2.9	3.3
	177.6	107.0	75.9	163.6	327.1	179.8	76.8	20.6
	11,371	**15,471**	**16,735**	**23,459**	**26,236**	**25,565**	**24,984**	**24,472**

Note 1 - Right to use assets are included in PP& E; lease liabilities are included in other non-current liabilities

Schedule 2 - Proforma Consolidated Statements of Cashflow

$ millions (Dec 31)

	2020 Actual	2021 Plan	2021 Actual	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Cash provided by (used in):								
Operating activities:								
Net income (loss)	**(58.4)**	**(45.2)**	**(41.4)**	**122.7**	**212.5**	**(92.3)**	**(46.0)**	**13.4**
Adjustments for:								
Depletion and depreciation	153.9	157.5	140.1	134.8	138.2	695.7	698.1	702.3
Loss on derecognition	8.6	21.7	(0.3)	-	-	-	-	-
Income tax expense	24.2	(0.9)	48.5	15.1	16.3	22.3	23.3	29.4
Interest income	(8.3)	8.9	(7.2)	(0.9)	(0.8)	(0.8)	(0.9)	(0.9)
Unwind of discount on provisions	7.8	(0.1)	11.0	10.2	10.4	10.7	11.0	11.2
Net change in defined benefits	2.3	-	4.9	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Lease interest expense	1.8	-	1.7	-	-	-	-	-
Unrealized foreign exchange gain (loss)	-	(1.9)	-	-	-	-	-	-
Change in provision	(0.3)	(6.0)	0.2	(1.4)	(1.2)	(1.0)	(2.2)	(2.2)
PIK Interest				140.8	167.8			
Deferred income taxes	-	-		(3.3)	(75.4)	68.9	84.7	107.3
Payment of lease liabilities	(4.0)	-	(1.7)	-	-	-	-	-
Interest received	8.3	1.2	7.2	1.1	1.0	1.0	1.0	1.1
Provisions settled	(4.1)	-	(0.9)	(1.7)	(5.1)	(3.1)	(5.1)	(3.8)
Income taxes paid	(12.8)	(21.7)	(29.3)	(14.3)	(16.3)	(22.3)	(23.3)	(29.4)
	118.9	113.5	132.7	402.9	447.2	679.1	740.5	828.4
Change in non-cash working capital	(85.3)	70.3	(50.5)	91.4	(128.1)	(710.6)	60.0	60.1
	33.7	**183.8**	**82.2**	**494.3**	**319.2**	**(31.5)**	**800.5**	**888.4**
Financing activities:								
Proceeds from loan issuance	3,000.0	4,213.0	5,191.0	2,745.0	-	-	-	-
Proceeds from 3rd party loan issuance				5,125.0	2,620.0			
NPI Received	104.6	110.0	220.8	83.0	98.5	124.0	124.1	148.7
Repayment of debt	-	-	-	(1,595.0)	-	-	(600.0)	(600.0)
Payment of lease liabilities	(23.2)	(3.8)	(58.9)	(3.6)	(3.7)	(3.7)	(3.7)	(3.7)
Dividends paid	(123.6)	(152.0)	(346.2)	(118.0)	(147.5)	(179.0)	(181.1)	(218.7)
	2,957.8	**4,167.2**	**5,006.7**	**6,236.4**	**2,567.3**	**(58.7)**	**(660.7)**	**(673.7)**
Investing activities:								
Withdrawal from CRF	-	5.0	3.0	-	5.0	-	-	-
Purchase of property, plant and equipment	(3,212.0)	(4,214.7)	(5,088.8)	(6,551.0)	(2,727.5)	(417.5)	(38.8)	(44.2)
Other changes	(52.6)	(27.1)	(18.9)	(22.6)	(20.9)	(74.0)	(75.8)	(77.6)
Change in non-cash working capital	-	0.1	-	0.0	0.0	0.0	0.0	0.0
	(3,264.6)	**(4,236.7)**	**(5,104.7)**	**(6,573.5)**	**(2,743.5)**	**(491.5)**	**(114.6)**	**(121.7)**
Effects of FX translation on cash	(2.3)	-	0.7					
Increase (decrease) in cash & cash equivalents	(275.4)	114.3	(15.0)	157.1	143.0	(581.8)	25.2	92.9
Cash and cash equivalents, beginning of year	587.1	350.9	345.6	330.5	487.7	630.7	49.0	74.2
Cash and cash equivalents, end of year	**311.7**	**465.2**	**330.5**	**487.7**	**630.7**	**49.0**	**74.2**	**167.1**

Schedule 3 - Proforma Consolidated Statements of Changes in Shareholder's Equity

$ millions (Dec 31)

	2020 Actual	2021 Plan	2021 Actual	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Share Capital								
Balance, beginning and end of year	-		-	-	-	-	-	-
Contributed Surplus								
Balance, beginning and end of year	603.3	603.3	603.3	603.3	603.3	603.3	603.3	603.3
NPI Reserve								
Balance, beginning of year	(34.2)	1.5	11.8	19.5	19.5	19.5	19.5	19.5
Provision	(4.0)	-	(5.2)	-	-	-	-	-
Payments to owners	-	-	-	-	-	-	-	-
NPI receipts	104.6	110.0	220.8	83.0	98.5	124.0	124.1	148.7
Dividends paid	(54.6)	(110.0)	(208.0)	(83.0)	(98.5)	(124.0)	(124.1)	(148.7)
Balance, end of year	11.8	1.5	19.5	19.5	19.5	19.5	19.5	19.5
Accumulated deficit								
Balance, beginning of year	(287.0)	(400.0)	(414.4)	(549.7)	(462.0)	(298.5)	(445.8)	(548.8)
Net income (loss)	(58.4)	(45.2)	(41.4)	122.7	212.5	(92.3)	(46.0)	13.4
Dividends paid	(69.0)	(42.0)	(94.0)	(35.0)	(49.0)	(55.0)	(57.0)	(70.0)
Balance, end of year	(414.3)	(487.2)	(549.7)	(462.0)	(298.5)	(445.8)	(548.8)	(605.4)
Accumulated other comprehensive income								
Balance, beginning of year	(10.6)	(10.6)	(23.2)	2.9	2.9	2.9	2.9	2.9
Other comprehensive income	(12.6)	-	26.0	-	-	-	-	0.4
Balance, end of year	(23.2)	(10.6)	2.9	2.9	2.9	2.9	2.9	3.3
Total shareholder's equity	**177.6**	**107.0**	**75.9**	**163.6**	**327.1**	**179.8**	**76.8**	**20.6**

Schedule 4 - Proforma Consolidated Statements of Comprehensive Income

$ millions (Dec 31)

	2020 Actual	2021 Plan	2021 Actual	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Revenue:								
Transportation revenue	374.8	398.2	380.0	551.4	591.4	2,193.3	2,264.1	2,322.5
Net crude oil revenue	120.6	129.7	165.7	127.3	134.8	144.3	162.5	186.6
Lease revenue	63.6	63.5	63.6	65.5	64.0	54.4	54.1	53.7
Other revenue	8.7	3.1	7.5	3.6	3.2	3.1	2.7	2.9
	567.7	594.5	616.8	747.8	793.4	2,395.0	2,483.4	2,565.7
Expenses:								
Depletion and depreciation	153.9	157.5	140.1	134.8	138.2	695.7	698.1	702.3
Pipeline operating expenses	162.7	130.0	173.9	154.9	158.1	339.0	368.1	373.4
Crude oil operating, transportation, marketing	23.2	26.1	23.9	26.6	25.5	27.8	27.1	28.5
Salaries and benefits	77.9	77.8	86.3	88.8	92.3	113.8	118.3	122.9
Professional fees	7.0	5.2	10.7	11.0	11.4	7.7	8.0	8.2
Loss on derecognition	8.6	-	(0.3)	-	-	-	-	-
Other expenses	3.8	8.8	6.2	46.3	47.3	89.6	91.8	98.1
	437.0	405.4	440.7	462.3	472.9	1,273.6	1,311.2	1,333.4
Finance expenses:								
Interest expense	165.3	175.4	165.2	142.5	158.2	1,113.4	1,100.8	1,072.6
Interest income	(8.3)	(2.0)	(7.2)	(1.6)	(1.5)	(1.5)	(1.6)	(1.6)
Unwind of discounts	7.8	8.9	11.0	10.2	10.4	10.7	11.0	11.3
	164.9	182.3	168.9	151.1	167.2	1,122.6	1,110.2	1,082.3
Net income (loss) before income taxes	**(34.1)**	**6.8**	**7.1**	**134.5**	**153.4**	**(1.1)**	**62.0**	**150.1**
Income taxes:								
Current	14.7	58.1	31.1	15.1	16.3	22.3	23.3	29.4
Deferred	9.5	(6.0)	17.4	(3.3)	(75.4)	68.9	84.7	107.3
	24.2	52.1	48.5	11.7	(59.1)	91.2	108.0	136.6
Net income (loss)	**(58.4)**	**(45.3)**	**(41.4)**	**122.7**	**212.5**	**(92.3)**	**(46.0)**	**13.4**
Other comprehensive income (loss):								
Currency translation adjustment	(6.3)	-	(0.4)	-	-	-	-	-
Remeasurement of defined benefit obligations	(6.3)	-	26.4					
Total other comprehensive income	**(12.6)**	**-**	**26.0**	**-**	**-**	**-**	**-**	**-**
			-					
Comprehensive income (loss)	**(71.0)**	**(45.3)**	**(15.3)**	**122.7**	**212.5**	**(92.3)**	**(46.0)**	**13.4**

APPENDIX B

TRANS MOUNTAIN CORPORATION

A wholly owned subsidiary of

Canada Development Investment Corporation

2022 to 2026 CORPORATE PLAN SUMMARY AMENDMENT

Contents

Summary of Amendment

Trans Mountain Corporation's 2022 Corporate Plan (the "2022 Plan") was approved by the Board of Directors on September 27, 2021. Since that time, external events have occurred that require amendment and inclusion in the 2022 Plan. These external events include:

- An announcement by the Government of Canada on February 18, 2022, to transition funding of Trans Mountain Expansion Project ("TMEP") to the private sector ("Third Party Financing");
- Unprecedented flooding in November and December of 2021 in British Columbia that significantly impacted planned TMEP execution activities, schedule and cost (this development was considered and its impact reflected in CDEV's 2022-2026 Corporate Plan, but not similarly addressed in TMC's plan);
- Reaffirmation by the Government of Canada of its intention to pursue Indigenous participation in TMC.

Existing authority conveyed through the approved 2022 Plan is not sufficient to implement Third Party Financing, as articulated by the government on February 18, 2022, or advance Indigenous participation in TMC, consistent with the government's policy intention. As a result, the 2022 Plan requires amendment of the following areas contained therein:

- Borrowing authority and use of Third Party Financing
- Capital expenditure authority
- Operating budget authority
- Authorization to support the government's engagement with the Indigenous groups along the pipeline and marine shipping route in order to reach an agreement on Indigenous economic participation

Borrowing Authority and Use of Third Party Financing

TMC has amended its 2022 Plan to implement Third Party Financing. This amendment is seeking approval for TMC to borrow through a mix of bank loans and instruments including commercial paper, bankers' acceptances bonds, notes and debentures on a term or revolving basis.

Third Party Financing by TMC may take different forms, including but not limited to bank loan, credit facilities, bank term loans, commercial paper, bankers acceptance, bond issuances, notes, debentures and/or associated hedging transactions, that have different lengths (tenor) and terms, and denominated in Canadian or US dollars, all of which may change (be refinanced) by TMC over time as TMEP gets close to completion. Decisions by TMC in this regard will be informed by factors such as speed of financing completion, interest costs, impact on a future divestiture, and the size of the Third Party Financing and ability of the market to provide that size of financing to TMC. Given the risk that remains to complete TMEP, government guarantees of the Third Party Financing will be required, although the scope and terms of those guarantees may change from time to time to align with the Third Party Financing. Government loan guarantees are expected to be administered on behalf of the Government of Canada by Export Development Canada (EDC) on the Canada Account.

Financial Statements and Corporate Plan

The underlying assumptions supporting the financial data presented in this Amended Corporate Plan are largely consistent with those presented in TMC and CDEV's prior 2022 Corporate Plan other than for the items listed in this 2022 Plan Amendment. TMC's operating assumptions remain materially unchanged from the approved 2022 Plan. The capital expenditure assumptions have been altered to reflect a shifting of expenditures from 2023 to 2022, and borrowing after February 18, 2022, is assumed to be from Third Party sources. The financial projections assume that any surplus cash raised by TMC or earned after TMEP in service may be used to repay its third-party debt or debt to TMP Finance or Equity advances from TMP Finance.

Capital Expenditure Authority

As a result of the BC flooding events in late 2021, significant damage occurred to the rights of way, access points, roads, as well as materials and equipment stockpiled for TMEP. Late Fall, early Winter work windows were lost due to the flooding, and related road and bridge destruction.

In addition, given risks to schedule caused by the BC flooding event, and other ongoing productivity challenges caused by COVID, other external factors, and TMC's execution standards, spending has been accelerated out of 2023 into 2022 to support achievement of the planned Q4-2023 in-service date for TMEP. This capital acceleration does not change the $21.4B capital cost of TMEP.

As a result of these changes, 2022 Capital Spending authority increases from $6.1 B to $6.9B, for TMEP and TMC base operations inclusive of Allowance for Funds Used During Construction ("AFUDC").

Non-Agent Crown Status

The amendments proposed in this amended Corporate Plan assume the Government of Canada takes the necessary actions required such that TMC ceases to be a statutory Crown agent under the Government Corporations Operation Act.

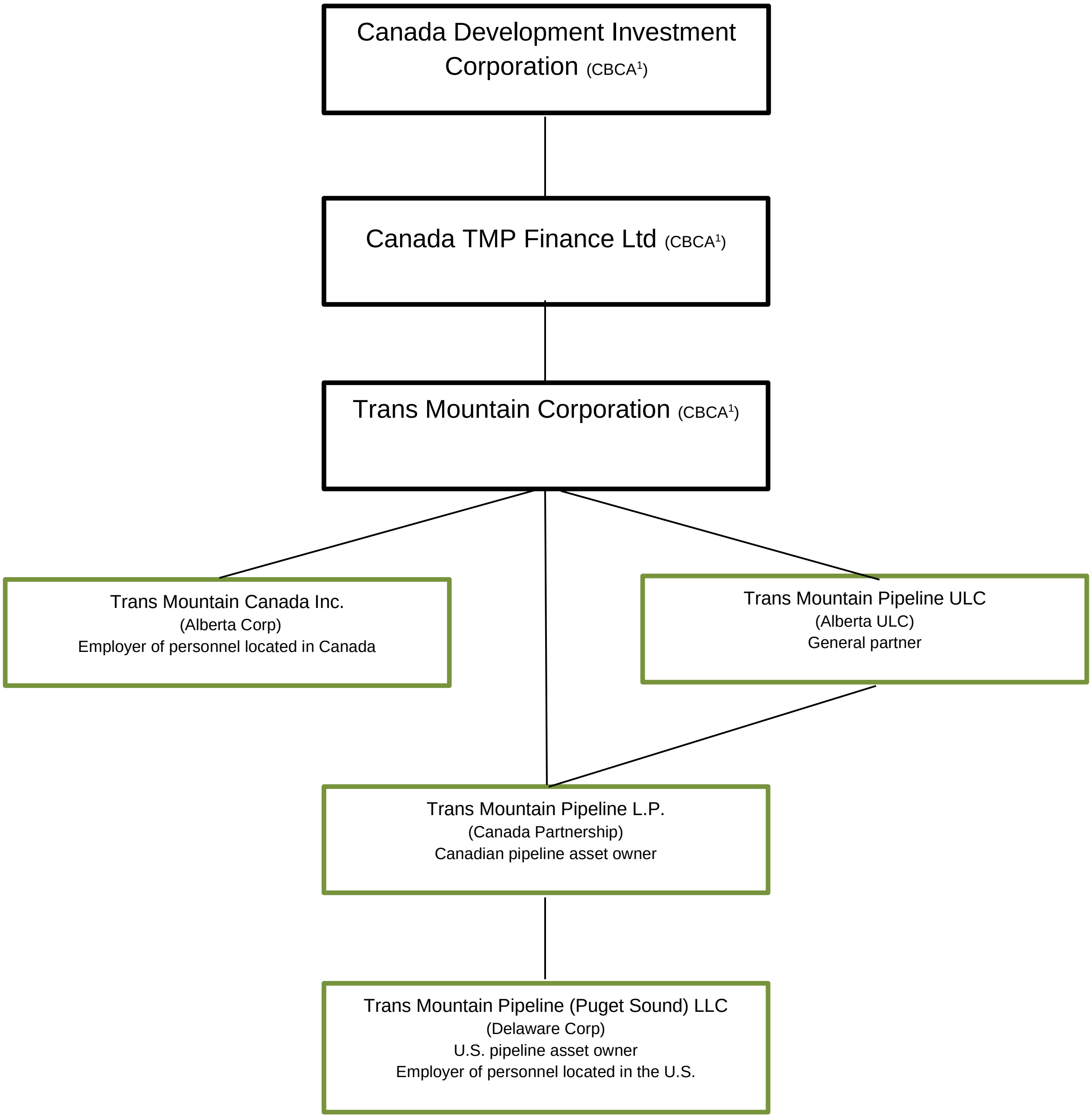
Ownership of TMC

The GOC has stated its intention of pursuing Indigenous economic participation in Trans Mountain, and has indicated that it intends on announcing its plans in this regard later in 2022. TMC will work with the GOC to support engagement with the Indigenous groups along the pipeline and marine shipping route, in order to reach an agreement on Indigenous economic participation in Trans Mountain. Subject to further discussions with the Minister of Finance, and officials from Finance Canada and CDEV, this could include activities such as: hosting workshops, providing participant funding to Indigenous groups or their representatives, managing a multilateral negotiating table, and other activities deemed necessary to reach a mutually acceptable agreement.

Corporate Profile

Trans Mountain Corporation (“TMC”) was created as a subsidiary of Canada TMP Finance Ltd (“TMP Finance”). TMP Finance is a subsidiary of Canada Development Investment Corporation (“CDEV”). On August 31, 2018, in accordance with the Share and Unit Purchase Agreement between the Government of Canada and Kinder Morgan, TMC purchased four entities: Trans Mountain Pipeline Limited Partnership (“TMP LP”) and its wholly owned subsidiary Trans Mountain Pipeline (Puget Sound) LLC (“Puget”), Trans Mountain Pipeline ULC (“TMP ULC”), and Trans Mountain Canada Inc. (“TMCI”). Together these four entities are “Trans Mountain”. These entities own and manage the Trans Mountain Pipeline System. As part of the purchase of Trans Mountain, TMC also acquired certain rights, designs and construction contracts related to the expansion of the system known as the Trans Mountain Expansion Project (“TMEP”).

The diagram below illustrates the TMC corporate structure.



1. Canada Business Corporations Act

Business Strategy

Mandate: Trans Mountain Corporation's current mandate is to operate the Trans Mountain Pipeline System and to complete the current pipeline expansion project in a timely and commercially viable manner.

TMC does not have a direct public policy role, other than to operate in compliance with applicable laws, rules and regulations and to ensure the business is managed in a commercial manner in accordance with environmental standards and expectations. TMC will complete the TMEP in alignment with the Government's energy policy and priority to provide international market access for Canadian petroleum producers.

In fulfilling its mandate, TMC is committed to:

- Operating our assets safely to protect the public, our employees and the environment.
- Operating our assets in compliance with all applicable legal requirements.
- Employing sustainable business practices.
- Conducting our business ethically, honestly, responsibly and with integrity.
- Cooperating with the communities we operate in and building and sustaining productive relationships based on mutual respect and trust.
- Providing a respectful and rewarding work environment for our employees and contractors.
- To advance economic reconciliation with Canada's Indigenous People by working with Indigenous communities to manage impacts of our business on traditional territories and provide economic opportunities.

Mission: To safely and responsibly provide transportation services connecting Canadian petroleum energy supplies to market.

Vision: Bringing Canadian energy to the world.

Core Business Strategy: Key components of our strategy support our ability to be competitive, responsible, and innovative, while we safely transport Canadian energy to world markets.

Our current business strategy emphasizes developing and expanding our existing pipeline system while remaining focused on the safe, reliable, effective, and efficient operation of our current assets. We focus on the following in our business strategy:

1. <u>Maximize value of our assets</u>
   We maintain safe, reliable operations, ensuring asset integrity, while minimizing environmental impacts. We see strong utilization of our existing assets and opportunities for further growth as our pipeline will remain a vital service for our shippers. Our ability to reach global markets from our Westridge Marine Terminal will expand opportunities for our shippers.

2. Operational excellence and reliability
   We focus on operational and financial discipline while fostering a work environment that promotes learning and innovation. We are committed to operating our assets in a compliant, safe, environmentally responsible, sustainable and efficient manner.

3. Expanding our core asset platforms
   We expect to grow our pipeline through an ongoing focus on optimization, productivity and efficiency across our business including revenue optimization through commercially attractive tolling arrangements, improvements in scheduling logistics at our terminals and throughput enhancement measures.

4. Safe project execution
   Safe project execution is integral to our performance and to strategic positioning of our business long-term. We are committed to executing our projects while maintaining the highest standards for safety, quality, and environmental and regulatory compliance.

5. Maximize our competitive strengths

   Safety, environmental integrity, Indigenous relationships, competitive toll, operational excellence, effective stakeholder relations, and our environmental, social, and governance principles are differentiating strengths we will enhance to deliver shareholder value.

TMC's long-term value proposition is based on our ability to deliver predictable cash flows and a consistent stream of dividends year-over-year through investment in, and efficient operation of, our pipeline system. TMC plays a key role in safely connecting Western Canadian energy with people in North America and around the world through our Westridge Marine Terminal. When TMEP commences service, our expanded assets are supported by long-term contracts which provide resilient cash flows in any economic cycle.

In addition to resiliency, managing environmental, social and governance matters responsibly is part of our past, present and integral part of our future. As a responsible company, we strive to balance economic, social and environmental impacts of our activities while connecting Western Canadian energy with people in Canada and around the world. As society looks for ways to meet the world's energy demand, Canada will continue to play a leading role and we will continue to contribute to the future of responsible Canadian energy by unlocking access to world markets, creating value through the energy transition, and creating jobs and prosperity for Canadians.

We will continue to capitalize on our pipeline infrastructure and focus on low carbon emission opportunities that will continue to contribute to Canada's commitment under the Paris Agreement to meet net-zero emissions by 2050. In 2021 we progressed several of our strategic priorities including installation of contiguous fibre optic cable along our pipeline route, entering into an Asset Purchase Agreement with Synergraze Inc., and pursuing other opportunities to purchase greenhouse gas offset credits; and TMC is pursuing other opportunities to support GHG reduction activities, Indigenous Peoples and private enterprise along our pipeline system

Market Analysis

Trans Mountain operates Canada's only pipeline transporting crude oil and refined products to the West Coast delivering approximately 300,000 barrels of petroleum products each day from Alberta to refineries in British Columbia, and Washington state in the United States of America (US). Furthermore, the Trans Mountain Pipeline System is the only pipeline in North America that carries both refined product together with light and heavy crude oil in batches for different shippers. The Trans Mountain Pipeline System has access to global markets through its Westridge Marine Terminal facility in the Port Metro Vancouver which is capable of accommodating ships up to Aframax-size taking Western Canadian petroleum products to offshore markets such as the Pacific Rim where demand is expected to rise.

Global crude oil and liquids demand was significantly impacted by the COVID-19 pandemic and competition for market share by the OPEC+ (Organization of Petroleum Exporting Countries) producers. The inventory surplus that built up in 2020 is being worked off and global oil stocks were forecast to return to pre-pandemic levels in 2021. Global oil demand is unlikely to reach its pre-COVID trajectory, however longer-term drivers of growth will continue to push up oil demand. By 2026, global oil consumption is projected to reach 104.1 million bpd and will primarily come from emerging and developing economies with Asia's oil demand continuing to rise strongly.[1]

A recovery will be supported by crude oil supply management efforts, primarily by OPEC, and global demand growth primarily driven by emerging economies in regions outside the Organization for Economic Cooperation and Development, primarily India and China. In North America, demand growth for transportation fuels is expected to moderate due to market based adoption of energy efficiency technologies, increasing sales of electric vehicles, and government policies.

The COVID-induced demand shock and shifting momentum towards investment in clean energy are projected to slow the expansion of the world's oil production capacity through 2026 with upstream investment expected to rise marginally in 2021.[2] However, in the absence of stronger policy action, global oil production would need to rise 10.2 mb/d by 2026 to meet the expected rebound in demand.[3]

Global attention is increasingly focused on countries and companies reaching the goals of the Paris Agreement and turning net-zero emissions by 2050 goal into reality. This transition is highly dependent on the pace of innovation in new and emerging technologies, government policies, the extent to which individuals are able or willing to change behaviour, the availability of and access to sustainable energy, and the extent and effectiveness of international collaboration. Pipelines will continue to play a key role in the transportation and distribution of energy and investment will be needed to link production of low emissions liquids with consumption centres. Global geopolitical developments can introduce significant volatility to any forecast of crude oil supply, demand and related commodity pricing.

[1] International Energy Agency (2021), Oil 2021: Analysis and forecast to 2026.
[2] International Energy Agency (2021), Oil 2021: Analysis and forecast to 2026.
[3] International Energy Agency (2021), Oil 2021: Analysis and forecast to 2026.

Canadian energy use will recover through 2022 but is projected to decrease by 12% in 2030 and by an additional 35% by 2050.[4] The largest declines are in the industrial and transportation sectors due to factors such as improved energy efficiency, gradual electrification of the transportation sector, technology advancements, and various policies such as carbon pricing. At the same time, renewables and nuclear energy will grow by 31% by 2050 becoming a larger share of the energy mix. The decrease in refined petroleum product use will be gradual due to energy efficiency improvements and an increase in the use of renewable fuels and electricity.

Canadian crude oil production will increase through 2039 by 20% (to just over 5.8 MMb/d) and decrease by 8% from 2040 through 2050 (to 5.3 MMb/d) but will still make up over 60% of Canada's fuel mix in 2050.[5] In the near term, Canadian pipeline export capacity is expected to remain fully utilized, resulting in continued apportionment on our pipeline and incremental production utilizing non-pipeline transportation services (e.g. rail and trucks) until such time as sufficient pipeline capacity is made available. Over the longer term, major crude oil pipeline projects currently under construction, including the TMEP, will be able to accommodate future growth through 2050.

Over the long-term, TMC expects that reductions in Canadian domestic petroleum demand will increase the need for export of Canadian crude oil to global markets. Historically the US has been the primary customer for oil exports from Canada. As the US transitions its own economy, demands of the US are likely to decline and this will result in greater demand for export to non-US markets through either the Trans Mountain Pipeline System or competing pipelines with access to the US Gulf Coast ports. Asian markets are expected to be a key destination in the future for Canadian crude oil. Export via our Westridge facility is expected to be the lowest cost option for Canadian producers to access the markets of the Pacific Rim.

Trans Mountain may be impacted by climate change policies and decreases in oil demand resulting from refinery closures, although minimally as Trans Mountain is the only Canadian pipeline that provides Canadian crude oil producers with access to the growing and higher-priced Asia Pacific market. In addition, the TMEP includes a significant increase in the capacity of the Westridge Marine Terminal which allows Canadian energy to reach emerging markets in the Pacific Rim where demand is forecasted to rise providing greater customer options for Canadian oil producers to receive world prices for their product. Using a crude oil price forecast that is reflective of current and expected pricing relationships and emerging environmental policies that are responsive to climate change, the Trans Mountain Pipeline System is projected to be highly utilized for the foreseeable future.

[4] Canada Energy Regulator (2020), Canada's Energy Future 2020: Energy Supply and Demand Projections to 2050.
[5] Canada Energy Regulator (2020), Canada's Energy Future 2020: Energy Supply and Demand Projections to 2050.

Business Overview

The Trans Mountain Pipeline System is comprised of the Trans Mountain Pipeline being the portion of the pipeline system located in Canada, and the Puget Sound Pipeline being the portion of the pipeline system located in the United States.

Customers

The Trans Mountain Pipeline System offers both contract and uncommitted transportation services to our shippers. Currently there are five contract shippers that make up 54,000 bpd destined for offshore markets off of our Westridge Dock and the remaining capacity available is allocated to uncommitted movements to dock or pipeline connected refiners / terminals. Trans Mountain shippers, who are a mix of integrated oil companies and oil producers, refiners and marketers, nominate refined petroleum products and a variety of heavy and light crude petroleum products all originating from Edmonton to delivery points in Washington State and British Columbia. The Puget Sound Pipeline serves four connected Washington State refineries; two at Anacortes and two at Ferndale. Shippers nominate both heavy and light crude petroleum products on a monthly basis which often includes special requests for custom blending for certain customers.

Supply and Demand

COVID-19 has had a material impact on energy markets, however access to the attractive North American and global markets combined with a low toll has resulted in the Trans Mountain Pipeline System being full throughout the COVID-19 pandemic. The combination of the scale and location of our assets assists us in attracting new volumes and in growing our business over the long-term.

We continue to position ourselves to capture Western Canada production growth. Terminal connections and storage facilities encourage flows into and out of our pipeline system, which has helped us to secure long-term contracts for TMEP and should attract strong incremental spot volumes. We will also focus on leveraging our existing assets and development of projects to reach emerging growth regions such as the Pacific Rim.

Canada’s proximity to the US and Canada’s significant heavy and light crude oil production are of strategic importance to the US refining industry. Many refiners in the US process a wide variety of crude oil, including significant amounts of heavy and light crude oil. This flexibility, proximity to light and heavy crude oil supply, economies of scale and ready access to markets have positioned these refineries to be among the most profitable in the world. The US refining markets have a strong reliance on heavy and light crude oil imports, with Canada being the largest exporter of crude oil to the US Demand for heavy crude oil in the US has been resilient and is expected to remain strong for the foreseeable future.

We believe our business is well positioned to endure the impact of short-term commodity price fluctuations and supply/demand responses. Our existing operations and the TMEP expansion are supported by tolling agreements and long term contracts which are not affected by commodity prices or throughput. The cyclical nature of commodity prices may influence the pace at which our shippers expand their operations. This can impact the rate of production growth in our industry, the value of our services as contracts expire, and the timing for the demand of transportation services and/or new infrastructure. We closely monitor the market to enhance our system connectivity or expand our footprint within North America. We remain disciplined in our approach and will position our business development activities strategically to capture opportunities within our risk preferences.

Competition

Other competing carriers available to ship western Canadian liquid hydrocarbons to markets in Canada, the US and internationally represent competition to our pipeline. Competition amongst existing pipelines is based primarily on the cost of transportation, access to supply, the quality and reliability of service, contract carrier alternatives and proximity to markets.

Competition also arises from proposed pipeline expansions that provide access to markets currently served by our pipeline. Additionally, volatile crude price differentials and insufficient pipeline capacity on either our or competitors' pipelines can make transportation of crude oil by rail competitive, particularly to markets not currently served by pipelines.

We believe that our pipelines continue to provide attractive options to Western Canadian producers due to our access to global markets through the Westridge Marine Terminal, product transit times, and competitive tolls once TMEP enters service.

Trans Mountain Pipeline

TMP ULC is the general partner of TMP LP and holder of the Certificates of Public Convenience and Necessity issued for the operation of the Trans Mountain Pipeline. TMP LP owns the assets that comprise the Trans Mountain Pipeline. In operation since 1953, the Trans Mountain Pipeline (“TMPL”) is approximately 1,150 kilometers long, beginning in metro Edmonton, Alberta and terminating in Burnaby, British Columbia. Twenty-three active electrically powered pump stations and four terminals located in Edmonton, Kamloops, Sumas and Burnaby, along with the Westridge Marine Terminal, facilitate movements on the system. The system includes tanks with a total capacity of nearly 11 million barrels, mainly at Edmonton (8 million barrels) and Burnaby (1.7 million barrels). The remaining capacity is at Kamloops, Sumas, and the Westridge Marine Terminal. The 8 million barrels at Edmonton is made up of 35 tanks, 20 of which (2.9 million barrels) are currently used to serve TMPL’s pipeline transportation service, and 15 of which (5.1 million barrels) are leased to a third party. Under certain conditions, Trans Mountain has the ability to recall these tanks for use in its regulated pipeline transportation service.

The nominal 300,000 bpd capacity of the pipeline is determined based on a throughput mix of 20% heavy and 80% light commodities. Actual delivery capacity on the TMPL mainline is based on the type of commodities transported.

TMPL regularly ships multiple products, including refined petroleum, synthetic crude oil, light crude oil, and heavy crude oil, and is the only pipeline in North America that carries both refined products and crude oil together in the same line. This process, known as “batching,” means that a series of products can follow one another through the pipeline in a “batch train.” A typical batch train in the mainline is made up of a variety of materials being transported for different shippers. The transit time for a barrel between Edmonton and Burnaby is approximately 10 days.

TMPL is a common carrier pipeline that generates revenue through the collection of tolls for pipeline transportation service pursuant to a Canada Energy Regulator (CER) approved Tariff. The Tariff rates charged are adjusted annually based on the determination of an annual revenue requirement and the application of an approved toll design. The parameters for the revenue requirement are negotiated with shippers and are laid out in a negotiated toll settlement agreement which has historically been based on a cost of service approach. The term for each toll settlement agreement has varied between one year and five years with the existing 2019–2021 Incentive Toll Settlement Agreement being a three-year term.

Puget Sound Pipeline

In operation since 1954, the Puget Sound Pipeline (Puget) transports crude oil from the Canada-US border near the Sumas Terminal to Washington State refineries in Anacortes and Ferndale.

Puget is approximately 111 kilometers long, with one pump station and two tanks to facilitate movements on the pipeline system. The pipeline has total throughput capacity of approximately 240,000 bpd when transporting primarily light oil. The transit time for a barrel on Puget is approximately one day.

Puget is also a common carrier pipeline and is regulated by the Federal Energy Regulatory Commission (FERC) for financial matters, and by the United Stated Department of Transportation (USDOT) for the safety and integrity of its assets.

Trans Mountain Canada Inc.

Incorporated in 2002, TMCI employs the personnel that operate and maintain TMPL and provide certain support services and oversight to Puget. TMCI is headquartered in Calgary, Alberta.

Trans Mountain Expansion Project

The TMEP is completing a twinning of the existing pipeline between Strathcona County (near Edmonton), Alberta and Burnaby, BC. TMEP, once complete, will create a pipeline system with nominal capacity of 890,000 barrels per day, a significant increase from the 300,000 barrel per day existing capacity. The scope of TMEP includes:

- Approximately 860 km of new 36-inch pipeline, 120 km of new 42-inch pipeline, and 193 km of reactivated 24-inch pipeline, and 3 new 30-inch, 3.6 km parallel delivery lines from the Burnaby Terminal to the Westridge Marine Terminal.
- Construction of 12 new pump stations.
- Installation of 72 new mainline block valves to complement existing mainline block valves. These valves work to limit the volume of, and consequences associated with pipeline leaks or ruptures.
- Construction of 19 new tanks in Burnaby (14), Sumas (1) and Edmonton (4). Demolition of one tank in Burnaby and recall of two tanks in Edmonton from merchant service to regulated service.
- Construction of three new berths at the Westridge Marine Terminal in Burnaby, as well as a utility dock for tugs and emergency response equipment, followed by the deactivation and demolition of the existing berth. Post-expansion, it is anticipated that the Westridge Marine Terminal would be capable of serving up to 34 Aframax class vessels per month.

- Approximately 73 per cent of the route will use the existing Trans Mountain right-of-way, 16 per cent will follow other linear infrastructure such as telecommunications, electric transmission lines or highways, and 11 per cent will be new right-of-way.
- Once in service, the predominantly 24-inch "line 1" would carry refined products, synthetic crude oils, and light crude oils, with the capability for heavy crude oils, and the predominantly 36-inch "line 2" would carry heavier crude, with the capability for transporting light crude oils.

After delays related to regulatory approvals, on August 22, 2019 construction restarted on the TMEP. Construction contractors were mobilized, and construction work resumed along the route, including at the Burnaby Terminal, the Westridge Marine Terminal and in Alberta.

On February 4, 2020, the Federal Court of Appeal dismissed challenges to the Federal Government's approval of the TMEP.

On July 2, 2020, the Supreme Court of Canada dismissed all applications for leave to appeal the Federal Court of Appeal's February 4, 2020 dismissal of challenges to the Federal Government's approval of the TMEP.

Significant progress in the construction of the TMEP was made during 2021, despite various challenges including COVID-19 and serious safety incidents. Construction is underway across most of the pipeline route, at facilities and in the Lower Mainland with work continuing both onshore and in the water at Westridge Marine and Burnaby terminals. Construction has continued at Trans Mountain's facilities, pipelines and terminals in accordance with all health and safety protocols outlined by Health Canada as a result of COVID-19. The Company has taken significant measures to ensure the safety of employees, contractors and communities by implementing strict measures for personal protective equipment, hygiene, temperature testing, physical distancing, worker housing, transportation, training and management oversight.

Given the substantial complexity and size of this project, management has developed a Project Plan focusing on execution and which provides a series of initiatives that fall broadly into four key areas of the TMEP.

1) Execution Strategy
   Clearly communicate TMEP objectives to all members of the team and modify our tactics to support timely and cost-efficient safe construction execution.
2) Culture
   Focuses on improving the collaboration between internal groups within the TMEP organization as well as externally with our contractors.
3) Governance
   Look at the governing practices and documents that control the TMEP and updating them to reflect the current state of the project.
4) Performance Monitoring
   Expand on monitoring to include cost and risk performance as well as progress.

The economics of the TMEP remain attractive and in-line with expected rates of return allowed by Trans Mountain's regulator. Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is expected to be more than $1.7 billion in the first full year of TMEP's operation and expected to grow annually. These projections are underpinned by long-term (15 and 20 year) contractual commitments for 80% of the system's 890,000 barrels a day of capacity.

TMEP Contract Service Toll Structure

Under TMEP there is a fundamental shift in the revenue model and toll design for transportation services on the expanded pipeline system whereby the first year toll is established based on the requirements set out in the Transportation Service Agreements (TSA) with contracted shippers. The TSAs set out each shippers' commitment based on the transportation service requirements agreed to which include the monthly volume commitment, the delivery destination and the crude type (light or heavy).

TMEP Tolls

The toll is made up of two components, the fixed component and the variable component. The fixed component of the toll is the amount that a contracted shipper must pay based on their respective monthly volume commitment. The variable component of the toll is comprised of costs, such as power, that are collected from shippers based on use of the pipeline. The power costs are recovered in the variable component of the toll whereas all other operating costs are captured in the fixed component of the toll. Approximately 80% of the 890,000 barrel per day capacity has been contracted with shippers with 93% for a 20-year period. Most shippers have investment grade or near investment grade credit ratings. Shippers receive discounts when they commit to the 20-year contract period (10% toll discount) and/or larger volumes (7.5% toll discount).

The fixed toll component will be adjusted at the TMEP's in-service based on changes in certain uncapped costs (i.e., passed on to the shipper) at a rate of $0.07/$100M. The uncapped cost categories includes:

1) Land and right of way acquisition costs for spread 7 (Lower Mainland BC).
2) Acquisition of pipe material.
3) Pipeline construction of Spread 5B (mountainous terrain).
4) Pipeline construction of Spread 7 (lower mainland) including the tunnel through Burnaby mountain.
5) Indigenous accommodation costs payable up to and including the in-service date.
6) Community investment agreements.

The remaining project costs fall in the capped cost category and these costs are recovered through the base toll agreed to in 2017. The fixed component of the tolls that are set for the first year of transportation service on the expanded system are escalated annually by 2.5% over the terms of the contracts without any link to broad economic inflation measures.

As part of the commercial negotiations for the Project it was agreed that 50% of the spot revenue generated by volumes transported in excess of 85% of pipeline capacity would be shared with shippers. The shippers sharing amount will be returned to shippers as a credit to the variable component of the toll. In addition, Trans Mountain also negotiated an agreement with the Province of British Columbia that Trans Mountain will share a minimum of $0.5 billion to a maximum of $1.0 billion, depending on spot volume, over 20 years with the Province. The sharing mechanism is part of the terms of the shipper contracts and the contract with BC both of which were executed well before the acquisition of Trans Mountain by the Government of Canada.

The variable component of the toll includes flow through cost items which will be reconciled annually. The costs to be passed through in the variable toll include:

- Power costs.
- Pipeline abandonment costs.
- Shipper share of uncommitted spot revenue, if applicable.
- Indigenous accommodations cost payable after the commencement of service.
- Greenhouse gas emission – TMEP construction related offsets.
- Other costs as allowed in the contract.

Environment, Social and Governance

We published our first Environment, Social and Governance (ESG) report in July 2021 sharing our ESG performance for the last two years and describing the practices below in more detail.

Environment

We have a robust and proactive asset integrity program that includes inline inspections, integrity digs and a control centre that monitors pipeline operations 24/7. For the expanded pipeline, we are installing new technology that places a fibre optic cable along the pipe and can help pinpoint the location of a suspected leak. In case of an incident, we use the internationally recognized Incident Command System to manage our emergency response. We have emergency response plans and an inventory of emergency response equipment, covering the pipeline, pump stations and the Westridge Marine Terminal. Although the greenhouse gas emissions associated with operating a pipeline are relatively small, we will set targets to reduce and/or offset its scope one and scope two emissions by 2050. This target supports the Government of Canada's goal to reach net-zero by 2050.

For the execution of the TMEP, we use a variety of leading-edge environmental practices and technologies. We have evaluated and sought to minimize the impacts on land, water and air of construction activities, including considerations of traditional knowledge and heritage resources. Construction of TMEP will generate emissions principally from vehicle and equipment movements. As part of our regulatory approvals, we have committed to offset these construction-related emissions (see Synergraze discussion on page 7). We have started to evaluate climate-related physical and transition risks (i.e., risks related to the transition to a low carbon economy). Physical risks such as wildfires, winter storms, floods and rising sea levels are evaluated and managed in alignment with our asset integrity program. Two important transition-related risks for us are carbon tax and oil demand reduction. Carbon tax can have an indirect impact on us since it can make Canadian oil and gas production more costly while changes in oil demand can potentially have more direct impacts. However, we have several long-term "take-or-pay" contract commitments in place with our shippers, ranging from 15 to 20 years, which makes us more resilient to those impacts.

Social

In alignment with the mandate to operate in a manner consistent with Canada's commitment to advance economic reconciliation with Indigenous Peoples, we endeavour to identify areas where we can maximize opportunities for Indigenous people. We also strive to leave a positive legacy that endures beyond the Expansion Project; that Indigenous communities are in a more sustainable position than when we first engaged with them. We seek to meaningfully engage with Indigenous people and their communities, tailoring our engagement to respect each community's diverse needs, governance principles and protocols.

We have built and maintained relationships with landowners along the existing pipeline route. We value these continued interactions and know that every day the safe operation of our pipeline is dependent on these relationships. Our key objective is to treat each landowner fairly and equitably. In addition, we invest in the communities where we operate to foster economic and social wellbeing with our aim being to leave positive legacy impacts in surrounding communities.

We care about the safety and wellbeing of our people, not only for their safety, but for the safety of others in the community and for the environment. This is why we have stringent safety regulations and practices, high expectations of our contractors, and are always working to improve our safety practices.

Governance

Good corporate governance is critical to help us achieve sustained success and in creating lasting benefits for all our stakeholders.

TMC is managed by a Calgary-based team of experienced executives, led by the President and CEO, who reports to the Board of Directors. The Board of Directors is appointed by CDEV and is composed of 12 members, 11 of whom are considered independent including the Chair. The Board has broad authority for corporate governance, strategy, and nominates several committees to oversee specific specialized areas. These include the Human Resources, Compensation, Nominating and Governance Committee, which monitors and approves executive compensation; the Audit Committee, which appoints the joint external auditors and has oversight over financial reporting and accounting matters; the Environmental, Health and Safety Committee; which maintains oversight over environmental protection and health and safety matters; and the Expansion Project Oversight Committee which has oversight over the TMEP. In 2020, a special committee of the Board was established to oversee TMC's response to the COVID-19 pandemic. Matters related to the COVID-19 pandemic transitioned to the Environmental, Health and Safety Committee in September 2021.

Communication with CDEV is conducted through the Corporate Plan and Corporate Plan summary, annual and quarterly reporting, and ad hoc meetings as required. Senior management of CDEV work closely with the senior management of TMC on most strategic matters in support of the board of directors of TMC. CDEV in turn reports to Parliament through the Minister of Finance.

The current composition of TMC's Board of Directors and Executive Management team is detailed in Appendix 1.

Performance Goals and Objectives

TMC's performance goals for the next five years include:

- Maintain safe, compliant and commercially viable operation of the Trans Mountain Pipeline System.
- Complete the construction of TMEP in a safe, compliant and commercially viable manner and place the completed assets into service.
- Investigate potential optimization and expansion opportunities for the Trans Mountain Pipeline System.
- Execute a business readiness plan for the orderly transition and integration of the expansion assets into the ongoing operation of the Trans Mountain Pipeline System.
- Maintain an ethical, respectful reputation and comply with relevant requirements of a Crown Corporation.
- Establish and implement a plan to achieve net-zero scope one and scope two emissions by 2050 in alignment with Canada's commitment under the Paris Agreement.
- Advance economic reconciliation with Indigenous communities and create more opportunities with Indigenous communities.
- Operate the pipeline system during a time of change, immense activity, and assuring continuity of operations under any future ownership structure.
- Maintain a diverse, inclusive and accessible workplace.

Risks

TMC is subject to risks which could result in additional costs, impacts to operations, delays in construction execution and/or reputational damage including but not limited to:

- Changes in market conditions, commodity prices, the political environment, widespread epidemics or pandemics, and economic conditions in Canada and globally.
- Major incident that impacts the safety of the public, employees and the protection of the environment resulting from construction execution, operations or third party damage.
- Natural hazards and environmental events that have impacts on construction execution and/or operations.
- Demonstrations or protests that result in impacts to construction execution and/or operations.
- Timely receipt of permits and access to lands that results in impacts to construction execution.
- Regulatory and legal decisions and outcomes, and potential changes in laws and regulations that result in impacts to construction execution and/or ongoing operations.
- Inadequate controls for contractor oversight that result in impacts to construction execution and/or operations.
- Inadequate controls that result in violations of law, fraud or increased cost.
- Attracting and retaining a suitably skilled workforce.
- Performance and credit risk of our counterparties.
- Cyber security and/or confidentiality breach that results in impacts to operations or reputational damage.

TMC manages these risks through a combination of policies and procedures, operational monitoring and maintenance activities, insurance and other contractual arrangements, and consultation with internal and external experts.

TMC enacted a voluntary Project-wide safety stand down effective December 18, 2020. The safety stand-down provided an opportunity for TMC to engage with its contractors, their staff and TMC's employees. TMC and its contractors resumed construction by March 2021 after completion of actions that were required by TMC to be completed and approved by TMC prior to resuming construction. TMC dedicated this time to ensure all safety management systems are in place, including COVID-19 protocols, to ensure everyone returned to work safely. TMC remains diligently focused on the safety of its workforce.

TMC maintains a corporate insurance program to ensure that potential costs arising from incidents associated with the administration and the operation of the business and physical assets are recoverable. The insurance program provides coverage for property damage, business interruption and various types of liability. The TMEP is separately insured.

The CER requires TMPL to maintain $1 billion of financial resources. TMPL complies with this requirement by maintaining general liability insurance coverage of at least CA$500 million and a CA$500 million line of credit from TMP Finance.

Financial overview

TMC prepares its financial statements in accordance with United States Generally Accepted Accounting Principles (US GAAP) and incorporates the requirements of *Accounting Standards Codification Topic 980 – Regulated Operations (*ASC 980*)*. As such, TMC recognizes certain revenues, expenses, regulatory assets and liabilities to reflect the economic effects of rate regulation. Recognition of these items may differ from that otherwise expected under US GAAP applicable to non-regulated businesses. TMC is taxable under a regulation of the *Income Tax Act*.

We note that in the CDEV Plan all financial results are converted to International Financial Reporting Standards (IFRS) which is the framework under which CDEV reports to the government. In the CDEV Plan, the TMC financial figures have been converted to IFRS.

2021 Actual

TMPL transported approximately 299,000 bpd, with approximately 189,000 bpd moving on the Puget system into Washington State. Puget movements are influenced by the prevailing heavy vs light pricing spread. Generally, the wider the spread, (i.e. the cheaper the heavy barrel), the greater pressure there is for dock capacity and the less space available for Puget light barrels.

The overall performance of the system was impacted in November and December by heavy rainfall and extreme weather conditions, which led to widespread flooding in British Columbia and Washington state. As a precaution, the mainline was shut down on November 14th, with operations safely restarting at reduced capacity on December 5th. The mainline remained at reduced capacity until January 14, 2022 when full capacity was restored. The majority of the costs related to Trans Mountain's flood response activities are anticipated to be recoverable from shippers, insurance or third parties. Impacts of the floods on the execution of the TMEP continue to be evaluated.

Total TMC income before interest, taxes, depreciation and amortization (EBITDA) $181 million was generally in line with the 2021 budget of $182 million despite the flood events experienced in the fourth quarter.

Non-TMEP capital spending for 2021 was $90 million including $24 million of flood related capital expenditures. On TMEP, 2021 spending was $5.6 billion, including AFUDC of $0.6 billion, based on construction activities at Westridge Marine Terminal, Burnaby Terminal, Edmonton Terminal, pump stations and on pipeline spreads in Alberta and BC.

2022 Annual Amended Plan

In 2022, the TMPL system is expected to move approximately 317,000 bpd, with approximately 197,000 bpd moving on the Puget system into Washington State.

Total TMC earnings before interest, taxes, depreciation and amortization (EBITDA) is expected to total approximately $180 million, approximately $1 million lower than the 2021 actual of $181 million due mainly to increases in Trans Mountain personnel costs and administration costs related to business readiness activities associated with bringing TMEP into operation.

Non-TMEP capital spending in 2022 is expected to total approximately $95 million, approximately $29 million of which is planned to address compliance items including the installation of a fibre network along the pipeline. Approximately $23 million is planned to address natural hazard mitigation and preserve system integrity. Approximately $18 million is planned for capital projects that either offer synergies with TMEP construction or are associated with business readiness activities for post TMEP in-service. Approximately $11 million is planned for IT infrastructure and applications. The remaining $14 million relates to pipeline system efficiency and reliability, growth and connectivity opportunities, and safety, security, and emergency response related projects.

On TMEP, 2022 spending of approximately $6.8 billion, including AFUDC of $1.0 billion is expected to support construction across all pipeline spreads and terminals.

2022 through 2026

The operating assumptions of TMC are steady through 2022 with few major variations expected. TMC expects the TMEP will commence commercial service by December 31, 2023 at a total cost of $21.4 billion. When TMEP is complete, transportation revenue will increase as a result of pipeline capacity increasing to 890,000 barrels/day and a new toll structure related to new Transportation Services Agreements that have been negotiated with shippers in connection with the TMEP. Trans Mountain estimates throughput of 851,500 bpd in the first full year of the expanded operations. TMC estimates EBITDA of more than $1.7 billion in the first full year of operation of the expanded pipeline system.

TMC continues to look for opportunities to leverage, optimize and expand which may include enhancements to Puget system deliverability, leveraging our pipeline system rights-of-way and communication systems, and construction related greenhouse gas offsetting efforts, however, the financial impact of these opportunities are not reflected in this corporate plan.

Appendix 2 provides the Proforma Financial Statements for the Amended 2022 – 2026 Corporate Plan.

Appendix 1: Corporate Governance

As of April 4, 2022, the composition of the TMC Board of Directors and Committees is as follows:

Board of Directors
William Downe (Chair)
Harold Calla
Brian Ferguson
Carol Anne Hilton
Patricia Koval
H. Stanley Marshall
Marie-José Nadeau
Michael Sabia
Sandra Stash
Stephen Swaffield
Elizabeth Wademan

Expansion Project Oversight Committee (EPO)
Stanley Marshall (Chair)
Brian Ferguson
Carol Anne Hilton
Sandra Stash
Stephen Swaffield

Audit Committee
Brian Ferguson (Chair)
Harold Calla
Patricia Koval
Michael Sabia

Environmental, Health and Safety (EHS)[6]
Sandra Stash (Chair)
Brian Ferguson
Stephen Swaffield

Human Resources, Compensation, Nominating and Governance (HRCNG)
Marie-José Nadeau (Chair)
Carol Anne Hilton
Patricia Koval

The Chairman of the Board, W. Downe, serves *ex-officio* as a member on each of the committees.

[6] On September 1, 2021, the Board of Directors dissolved the COVID-19 Committee with their responsibilities and related matters are assumed and discharge by the Environmental, Health and Safety Committee.

The composition of the TMC Executive Management team is as follows:

Rob Van Walleghem	President (Interim) and Chief Legal Officer
Michael Davies	Chief Operating Officer
Mark Maki	Chief Financial Officer
Corey Goulet	Executive Vice President TMEP, Execution
Amerigo Silvestri	Executive Vice President TMEP Support Services and Integration
Paul Huddleston	Vice President Engineering and Technical Services
Heather Mark	Vice President Finance
Maureen Neufeldt	Vice President People and Technology Resources
Norm Rinne	Vice President Business Development
Scott Stoness	Vice President Regulatory and Compliance
Siobhan Vinish	Vice President Public Affairs

Appendix 2: Financial Statements

Trans Mountain Corporation
Proforma Consolidated Statements of Financial Position Amended
December 31, 2022 to 2026
Cdn$ thousands

	2021 Actual	2022 Amended	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Assets						
Current Assets						
Cash and cash equivalents	115,740	252,446	224,786	150,210	160,635	261,272
Restricted cash	-	-	-	-	-	-
Accounts receivable	87,262	38,683	39,491	187,443	193,322	198,166
Other current assets	61,549	41,549	21,549	21,549	21,549	21,549
	264,551	**332,679**	**285,826**	**359,203**	**375,506**	**480,987**
Property, plant and equipment	14,562,231	21,352,893	24,227,672	23,674,950	23,121,594	22,569,338
Right-of-use asset	108,786	50,213	38,466	38,466	38,466	38,466
Regulatory assets	85,444	133,562	176,362	141,185	106,008	70,831
Goodwill	888,098	888,098	888,098	888,098	888,098	888,098
Restricted investments	96,263	111,261	126,608	153,536	181,091	209,288
Restricted cash	72,761	72,761	72,761	72,761	72,761	72,761
Deferred amounts and other assets	210,288	210,288	60,142	60,142	60,142	60,142
Total Assets	**16,288,422**	**23,151,755**	**25,875,936**	**25,388,341**	**24,843,666**	**24,389,912**
Liabilities and Equity						
Current Liabilities						
Accounts payable	887,187	878,701	411,350	51,637	54,790	56,327
Regulatory liabilities	81,818	75,237	5,262	5,262	5,262	5,262
Other current liabilities	71,893	89,405	336,445	71,445	71,445	71,445
	1,040,898	**1,043,342**	**753,058**	**128,344**	**131,497**	**133,034**
Long term debt	7,552,600	12,592,350	15,212,350	14,962,350	13,962,350	12,962,350
Deferred income taxes	729,570	883,197	976,270	1,064,697	1,168,941	1,295,745
Regulatory liabilities	100,026	115,024	130,371	157,299	184,854	213,051
Pension and post-employment benefits	74,637	74,637	74,637	74,637	74,637	74,637
Lease liability	56,207	44,460	44,460	44,460	44,460	44,460
Other deferred credits	10,240	10,240	10,240	10,240	10,240	10,240
Total Liabilities	**9,564,178**	**14,763,250**	**17,201,387**	**16,442,027**	**15,576,979**	**14,733,517**
Equity	6,724,244	8,388,505	8,674,549	8,946,313	9,266,687	9,656,395
Total Liabilities and Equity	**16,288,422**	**23,151,755**	**25,875,936**	**25,388,341**	**24,843,666**	**24,389,912**

Trans Mountain Corporation
Proforma Consolidated Statements of Income and Comprehensive Income Amended
For the years ended December 31, 2022 to 2026
Cdn$ thousands

	2021 Actual	2022 Amended	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Revenues						
Transportation revenue	376,945	396,283	408,243	2,193,297	2,264,099	2,322,535
Lease revenue	63,619	65,537	64,017	54,363	54,071	53,733
Other revenue	2,580	2,381	1,628	1,660	1,693	1,727
	443,144	**464,201**	**473,888**	**2,249,320**	**2,319,863**	**2,377,995**
Expenses						
Pipeline operating costs	140,732	154,908	158,090	338,964	368,051	373,420
Depreciation and amortization	102,374	106,879	107,810	594,194	595,932	595,932
Salaries and benefits	79,208	84,208	87,695	109,084	113,447	117,985
Taxes, other than income taxes	33,789	37,829	38,234	73,565	75,772	78,046
Administration	8,195	7,656	8,142	15,088	15,060	19,117
	364,298	**391,480**	**399,971**	**1,130,895**	**1,168,262**	**1,184,500**
Operating income	**78,846**	**72,721**	**73,917**	**1,118,424**	**1,151,600**	**1,193,495**
Equity AFUDC	373,981	653,663	660,567	-	-	-
Interest expense, net of capitalized	(87,756)	(146,006)	(355,366)	(758,233)	(726,983)	(676,983)
Other, net	873	2,259	-	-	-	-
Foreign exchange (loss) gain	(335)	-	-	-	-	-
Tax recovery (expense)	(92,332)	(153,627)	(93,073)	(88,427)	(104,244)	(126,804)
Net income	**273,277**	**429,011**	**286,044**	**271,764**	**320,374**	**389,708**
Adjusted EBITDA	181,220	179,600	181,727	1,712,618	1,747,532	1,789,427
2022 - 2026 Corporate Plan EBITDA		180,890	575,515	1,704,741	1,753,792	1,790,651

Trans Mountain Corporation
Proforma Consolidated Statements of Cash Flow Amended
For the years ended December 31, 2022 to 2026
Cdn$ thousands

	2021 Actual	2022 Amended	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Operating activities						
Net income (loss) for the year	273,277	429,011	286,044	271,764	320,374	389,708
Items not affecting cash						
Depreciation and amortization	102,374	106,879	107,810	594,194	595,932	595,932
Equity allowance for funds used during construction	(373,981)	(653,663)	(660,567)	-	-	-
Deferred income taxes	90,674	153,627	93,073	88,427	104,244	126,804
Changes in non-cash working capital items	(78,183)	84,729	(136,651)	(710,562)	60,006	60,067
	14,161	120,582	(310,290)	243,824	1,080,556	1,172,511
Investing activities						
Capital expenditures	(4,950,351)	(6,243,878)	(2,322,022)	(41,472)	(42,576)	(43,676)
Internal use software expenditures	(1,012)	-	-	-	-	-
Purchase Restricted Investments	(10,237)	(14,998)	(15,347)	(26,927)	(27,555)	(28,198)
	(4,961,600)	(6,258,876)	(2,337,370)	(68,399)	(70,131)	(71,874)
Financing activities						
Issuance (repayment) of loans	2,725,250	5,039,750	2,620,000	(250,000)	(1,000,000)	(1,000,000)
Capital contributions	2,229,750	1,235,250	-	-	-	-
	4,955,000	6,275,000	2,620,000	(250,000)	(1,000,000)	(1,000,000)
Effects of FX translation on cash balances	749	-	-	-	-	-
Net increase (decrease) in Cash and Restricted cash	8,310	136,706	(27,660)	(74,576)	10,425	100,637
Cash and Restricted cash, beginning of period	180,191	188,501	325,207	297,547	222,971	233,396
Cash and Restricted cash, end of period	188,501	325,207	297,547	222,971	233,396	334,033
Cash, beginning of period	104,454	115,740	252,446	224,786	150,210	160,635
Restricted cash, beginning of period	75,737	72,761	72,761	72,761	72,761	72,761
Cash and Restricted cash, beginning of period	180,191	188,501	325,207	297,547	222,971	233,396
Cash, end of period	115,740	252,446	224,786	150,210	160,635	261,272
Restricted cash, end of period	72,761	72,761	72,761	72,761	72,761	72,761
Cash and Restricted cash, end of period	188,501	325,207	297,547	222,971	233,396	334,033

Appendix 3: Borrowing Plan

At present TMC has a funding agreement with Canada TMP Finance Ltd. Funding provided under this agreement is treated as 55% debt funding and 45% equity funding. Debt incurs an interest rate of 5%.

TMC borrowed $2.5 billion to finance the acquisition of Trans Mountain. For 2022 it is expected that cash generated by operations will meet operational requirements and fund the non-TMEP capital program.

TMC has amended this 2022 – 2026 Corporate Plan to implement Third Party Financing. This amendment is seeking approval for TMC to borrow through a mix of bank loans and issuance of commercial paper, bankers' acceptances, bonds, notes and debentures on a term or revolving basis.

Third Party Financing by TMC may take different forms, including but not limited to bank loan, credit facilities, bank term loans, commercial paper, bankers acceptance, bond issuances, notes, debentures and/or associated hedging transactions, that have different lengths (tenor) and terms, and denominated in Canadian or US dollars, all of which may change (be refinanced) by TMC over time as TMEP gets close to completion. Decisions by TMC in this regard will be informed by factors such as speed of financing completion, interest costs, impact on a future divestiture, and the size of the Third Party Financing and ability of the market to provide that size of financing to TMC. Given the risk that remains to complete TMEP, government guarantees of the Third Party Financing will be required, although the scope and terms of those guarantees may change from time to time to align with the Third Party Financing. Government loan guarantees are expected to be administered on behalf of the Government of Canada by Export Development Canada (EDC) on the Canada Account.

Trans Mountain Corporation
Proforma Supporting Schedules
Debt Funding Plan Amended

		2021 Actual	2022 Amended	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Funding Agreement							
Opening balance		4,220,000	9,175,000	10,325,000	-	-	-
Funding Request		4,955,000	1,150,000	-	-	-	-
Closing balance		9,175,000	10,325,000	10,325,000	-	-	-
Maximum Funding Limit (MFL)		11,200,000	11,200,000	11,200,000	-	-	-
Equity contribution	45%	2,229,750	1,235,250	-	-	-	-
Debt Funding							
Construction Facility							
Opening balance		2,321,000	5,046,250	4,961,000	4,961,000	4,711,000	3,711,000
Draw (Repayment)	55%	2,725,250	(85,250)	-	(250,000)	(1,000,000)	(1,000,000)
Closing balance		5,046,250	4,961,000	4,961,000	4,711,000	3,711,000	2,711,000
Construction Facility Limit (MFL x 55%)		6,160,000	6,160,000	6,160,000	5,910,000	4,910,000	3,910,000
Acquisition Facility							
Opening balance		2,506,350	2,506,350	2,506,350	2,506,350	2,506,350	2,506,350
Draw (repayment)		-	-	-	-	-	-
Closing balance		2,506,350	2,506,350	2,506,350	2,506,350	2,506,350	2,506,350
Bank Facility							
Opening balance		-	-	5,125,000	7,745,000	7,745,000	7,745,000
Draw (repayment)		-	5,125,000	2,620,000	-	-	-
Closing balance		-	5,125,000	7,745,000	7,745,000	7,745,000	7,745,000
Bank Facility Limit		-	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000

An undrawn $500 million facility exists to satisfy financial requirements of the CER. A commitment fee of 0.30% is paid on the facility for undrawn amounts. It is not expected that this new facility will have any draws in the normal course of business.

After the commencement of commercial service of TMEP, TMC has assumed surplus cash flow will be used to repay debt. Alternative re-financing opportunities that may expedite debt repayment and/or lower the overall cost of capital in anticipation of a change in ownership have not been considered in this Plan.

Leases

TMC has committed to leases that will continue through 2022. TMC may enter new leases in 2022 with annual payments up to approximately $21 million including $7 million for temporary workspace to receive, store and work on materials and equipment along the planned construction route; $2 million for office space and $12 million for vehicles required to support the growing workforce and camp equipment. The financial commitments of rental/lease agreements in respect of TMEP are included in the borrowing requirements for TMEP.

Year:	2022 Plan	2022 (at Dec 31) Projected	2023 (at Dec 31) Projected	2024 (at Dec 31) Projected	2025 (at Dec 31) Projected	2026 (at Dec 31) Projected	Outer Years
Right-of-use asset class: Land (Workspace, warehouse, laydown space, pumping stations)							
Space to receive, store, and work on materials and equipment along the pipeline							
Total liability ($ million)	6,747,000	3,773,000	-	-	-	-	-
Expected number of years remaining	**1.00**	**0.63**	**-**	**-**	**-**	**-**	**-**
Right-of-use asset class: Buildings (Office space etc.)							
Primarily Office space - Various Locations							
Total liability ($ million)	2,120,000	1,324,000	674,000	97,000	-	-	-
Expected number of years remaining	**4.00**	**1.90**	**1.01**	**0.14**	**-**	**-**	**-**
Right-of-use asset class: Equipment (Fleet Lease, camps, office equipment etc.)							
Various equipment including Vehicles leased in Canada and the USA, Office equipment such as printers and equipment related to pipeline construction							
Total liability ($ million)	11,739,000	9,597,000	3,074,000	2,207,000	1,340,000	473,000	-
Expected number of years remaining	**5.00**	**1.94**	**1.31**	**0.94**	**0.57**	**0.20**	**-**

Commercial Agreements

TMC has committed to commercial agreements and may enter new commercial agreements in respect of community investments for TMEP. These community investment agreements financially commit TMC to provide funds to municipal and Indigenous communities which may have payment terms greater than one year.