



Annual Report

Investment Canada Act

2019-20

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Message from the Director of Investments to the Minister of Innovation, Science and Economic Development

Dear Minister:

It is my pleasure to present to you the Annual Report on the administration of the *Investment Canada Act* (the Act) for fiscal year 2019-20. The Act plays a vital role in Canada's efforts to attract foreign investment that contributes to innovation, economic growth and the creation of well-paying jobs in Canada.

For a second straight year, a new, all-time high of investment filings under the Act was reached. A total of 1,032 applications for review and notifications were certified, representing a seven percent increase over last year's total. The increase in investment filing activity under the Act is at least partially the result of continued outreach and transparency efforts to educate investors, Canadian businesses and others of the importance of the Act's review processes to investment planning. Additionally, the continued attention being paid to foreign investment review policies at the international level increases awareness. This trend of increasing awareness of the importance of foreign investment review frameworks has only increased in the year since, as a result of the economic impact of the COVID-19 pandemic.

During fiscal year 2019-20, nine applications for review were submitted and all were approved. Net benefit reviews are intended to encourage foreign investment while ensuring that such investment is of likely net benefit to Canada. The remaining 1,023 investment filings were notifications, including 255 filed in respect of new businesses established in Canada by non-Canadians.

All of the 1,032 investment filings, as well as additional investments not subject to a notification requirement, were reviewed by Canada's national security and intelligence agencies. Seven of those investments resulted in s. 25.3 Orders for review, of which one required no further action under the ICA, three were withdrawn by the investor and three resulted in a 25.4 order to divest of the Canadian business.

While not strictly within the timelines of this report, the importance and time sensitive nature of two COVID-19-related policy developments warrant mention. The *Policy Statement on Foreign Investment Review and COVID-19*, published in April 2020, provides greater transparency regarding how the Act will be applied during this unprecedented period. In July 2020, certain national security timelines were temporarily extended through legislation to ensure sufficient time to permit investments to be properly scrutinized for potential harm to Canada's national security. In addition, in March 2021, as enduring policy guidance, the *Guidelines on the National Security Review of Investments* were updated, including to note the types of sensitive technology and data that are factors considered in making assessments as part of national security reviews under the Act.

I look forward to continuing to support the administration of the Act in a manner that encourages investment, economic growth and employment opportunities in Canada while ensuring that Canada's national security is protected.

Yours sincerely,

Simon Kennedy, Director of Investments

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Introduction

The *Investment Canada Act* (the Act) is a key element of Canada's framework for the review of foreign investments. Its stated purpose is "to provide for the review of significant investments in Canada by non-Canadians in a manner that encourages investment, economic growth and employment opportunities in Canada and to provide for the review of investments in Canada by non-Canadians that could be injurious to national security." The Act applies broadly across the economy, and the Minister of Innovation, Science and Industry (the Minister) is responsible for administering the Act except with respect to cultural businesses, which are administered by the Minister of Canadian Heritage.

Pursuant to the Act, a non-Canadian who makes an investment to establish a new Canadian business, who acquires control of an existing Canadian business valued below certain monetary thresholds (the net benefit review thresholds) or who indirectly acquires control of a Canadian business, is required to file a notification containing prescribed information with Innovation, Science and Economic Development Canada (ISED). A non-Canadian who makes an investment to acquire control of an existing Canadian business valued above the relevant net benefit review threshold is required to file an application for review containing prescribed information with ISED and obtain the approval of the Minister. Additionally, all investments by non-Canadians in Canada, regardless of value or level of control, are subject to Part IV.1 of the Act, which contains the provisions relating to national security.

The Director of Investments is required to submit a report for each fiscal year on the administration of the Act, which is to be made available to the public. Pursuant to that requirement, this is the Annual Report for fiscal year 2019-20 for investments administered by the Minister.

Net Benefit

Applications for Review

A net benefit review is conducted in relation to an investment by a non-Canadian to acquire control of an existing Canadian business valued at or above the relevant net benefit review threshold. The non-Canadian is required to file an application for review. The application contains prescribed information and the non-Canadian is required to provide such other information necessary for the proper conduct of the review. The non-Canadian may also offer undertakings, which are legally-enforceable commitments, to support their application.

The review assesses the proposed investment against factors set out at section 20 of the Act:

1. the investment's effect on the level and nature of economic activity in Canada, including employment, resource processing, and the utilization of parts, components and services;
2. the degree and significance of participation by Canadians in the Canadian business;
3. the investment's effect on productivity, industrial efficiency, technological development, and product innovation and variety;
4. the investment's effect on competition;
5. its compatibility with industrial, economic and cultural policies; and
6. its contribution to Canada's ability to compete in world markets.

KEY 2020 NET BENEFIT REVIEW THRESHOLDS

Private Sector, WTO Investors:
\$1.075 billion

Private Sector, Trade Agreement Investors:
\$1.613 billion

State-Owned, WTO Investors:
\$428 million

These six factors provide predictability for investors while maintaining flexibility for the Minister to ensure the investment's overall economic benefit to Canada. The Minister may only approve an investment where he is satisfied that, in light of these factors, the investment is likely to be of net benefit to Canada.

Notifications

Where an investment is in respect of a newly established Canadian business, an existing Canadian business valued below the relevant net benefit review threshold, or an indirect investment by an investor from a WTO country, the non-Canadian is required to file a notification containing prescribed information but the investment is not subject to a net benefit review.

Administrative Documents

To provide greater clarity and transparency, the Minister has issued Guidelines, Interpretation Notes and other administrative documents to assist investors in understanding the Act and how it is applied in specific circumstances. For example, there are guidelines on the net benefit assessment of investments by state-owned enterprises that state the Minister will take into account the investor's commercial orientation and corporate governance, among other considerations. These administrative documents are available on the Investment Canada Act website: <https://www.ic.gc.ca/eic/site/ica-lic.nsf/eng/home>.

National Security

Part IV.1 of the Act provides the Government with the authority to review investments in Canada by non-Canadians for their potential injury to Canada's national security. This Part applies to a broader set of investments than the net benefit provisions. All investments, including greenfield and investments of less than control of a Canadian business, are subject to national security review. There is no financial threshold that must be surpassed before a review is conducted.

The Minister is responsible for the administration of the national security process, with the review itself a multi-step process led by Canada's national security agencies. Based on a recommendation from the Minister, following consultation of the Minister of Public Safety, the Governor-in-Council (GiC) has the authority to take any measure necessary with respect to an investment that it considers advisable.

This can include:

- directing an investor not to implement an investment;
- authorizing an investment on condition that the investor give certain written undertakings or on terms and conditions that the GiC considers necessary in the circumstances; or,
- requiring the investor to divest control of its investment.

Highlights from Fiscal Year 2019-20

- There were no significant policy developments during fiscal year 2019-20, however, time sensitive changes occurred shortly after:
 - The *Policy Statement on Foreign Investment Review and COVID-19* was issued in April 2020, stating that investments in Canadian businesses related to public health or in the supply of critical goods and services, as well as investments by state-owned enterprises, would be subject to enhanced scrutiny.
 - Certain timelines for national security reviews were temporarily extended pursuant to a Ministerial Order issued under the *Time Limits and Other Periods Act (COVID-19)*. Pursuant to the legislation, these extensions expired on December 31, 2020.
- In total, 1,032 investment filings (applications for review and notifications) were certified:
 - This included nine applications for review, all of which were approved. Of these, seven investments had a total Enterprise Value of \$50.20 billion, with the remaining two calculated using Asset Value. The value of these two transactions measured in that way is not made public due to confidentiality provisions of the Act.
 - The remaining 1,023 filings were notifications, with a total Enterprise Value of \$50.33 billion and a total Asset Value of \$15.22 billion.
 - Of the notifications, 255 were with respect to the establishment of a new Canadian business.
- All 1,032 investment filings, as well as additional investments in Canada by non-Canadians, were reviewed by Canada's national security and intelligence agencies for their potential to harm Canada's national security.
 - A total of 10 investments received a section 25.2 notice under the national security provisions of the Act;
 - Three of the 10 investments later received a notice of no further action;
 - Seven of the 10 resulted in a section 25.3 order of review, of which one required no further action; three were withdrawn by the non-Canadian; and three resulted in a final section 25.4 order to divest.

Policy Developments

As a result of Brexit, the United Kingdom (UK) and the European Union (EU) Withdrawal Agreement established a transition period during which the UK continued to be part of international treaties that the EU has with third countries, such as the *Canada-European Union Comprehensive Economic and Trade Agreement (CETA)*. Private investors whose country of ultimate control is the UK, therefore, continued to benefit from the trade agreement review threshold under the Act for the transition period until December 31, 2020. Subsequently, as a result of the coming into force of the *Canada-United Kingdom Trade Continuity Agreement (Canada-UK TCA)* on April 1, 2021, UK private sector investors again are able to benefit from the trade agreement net benefit review threshold.

The *Canada-United States-Mexico Agreement (CUSMA)* came into force July 1, 2020. CUSMA outcomes preserve key elements of our trade and investment relationship. Private investors whose country of ultimate control is the United States or Mexico will, as under the *North American Free Trade Agreement (NAFTA)*, benefit from the trade agreement review threshold under the Act.

Net Benefit Activity under the Investment Canada Act

The following section provides information on the scope, scale, origin and destination of investments over the last fiscal year that were subject to the filing requirements in the Act.

Note on valuation: The value of an investment is calculated in one of these two ways, depending on the nature of the investment:

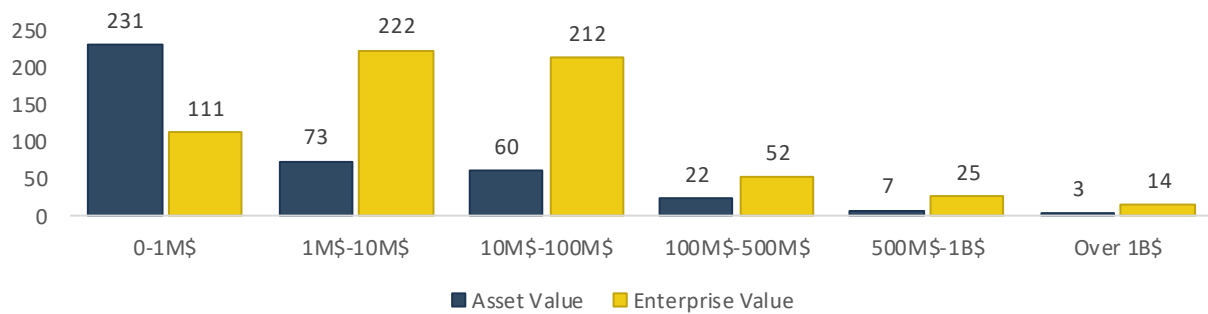
- For direct investments by private sector investors from WTO member countries, the **“Enterprise Value”** of the Canadian business takes into account market value, debt and cash.
- **“Asset Value”**, which is the book value of the Canadian business, is used when an investor is establishing a new business, is a state-owned enterprise or a non-WTO member country, or the investment is indirect.

Total Investments

In fiscal year 2019-20, of the total 1,032 notifications certified or applications for review approved under the Act, 636 (or 61.6%) were calculated by Enterprise Value and 396 (or 38.4%) were calculated by Asset Value.

As in previous years, the vast majority of investments measured by Asset Value were valued below \$100 million. Investments measured by Enterprise Value fell into a broader range although over 68% fell between \$1 million and \$100 million. Figure 1 shows the breakdown of investments across a range of Asset Values and Enterprise Values.

Figure 1. Total investments by value

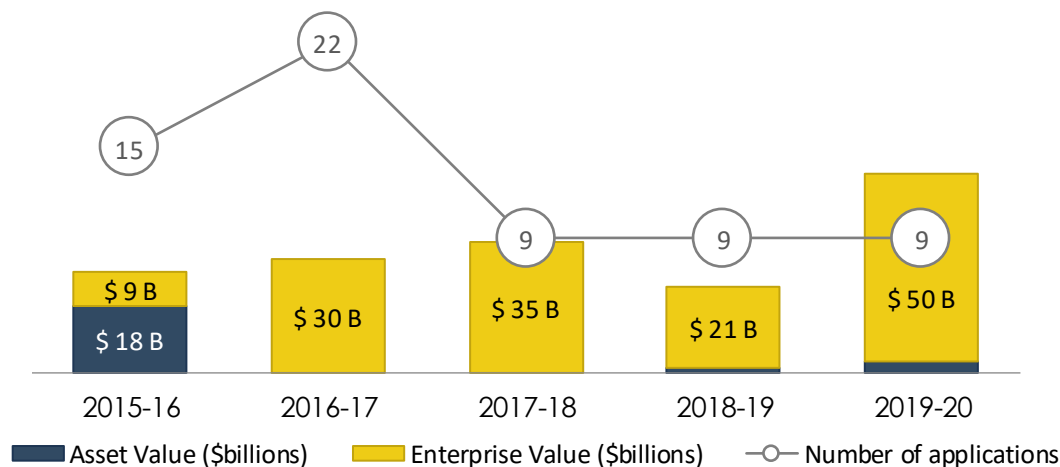


Note: Categories include the highest bound, and exclude the lowest (e.g., investments worth exactly \$1M are counted in the "0-1M\$" category).

Applications for Review

The number of approved applications for review remained consistent with the two past years at nine investments. For 2019-20, seven were measured by Enterprise Value, totaling \$50.2 billion, which significantly exceeded last year's total of \$21.48 billion and is the highest total value of investments since Enterprise Value was introduced in 2015. Two investments were measured by Asset Value. In order to maintain confidentiality required by the Act, this report will not provide the values of those investments.

Figure 2. Number of applications for review and related Enterprise Value and Asset Value.¹



Regarding length of reviews, the Act provides an initial 45-day review period, extendible by the Minister for another 30 days and, with consent of the investor, any further period necessary.

¹ As noted above, for 2018-19 and 2019-20, this report excluded the value of investments in each year that were measured by Asset Value, in order to protect the confidentiality of that information given the low numbers of investments.

In 2019-20, reviews required an average of 87 days from certification to approval. However, this average was negatively affected by one review that was extended with consent of the investor for a significantly longer period than usual. If this outlier is excluded, the average number of days to complete the reviews was 73 days. This compares to 72 days in 2018-19. The median review period in 2019-20 was 76 days, in contrast to 64 days in 2018-19.

Notifications

In 2019-2020, a total of 1,023 notifications were certified, an increase of seven percent over 2018-19. Of these, 629 were measured by Enterprise Value, with a total value of \$50.33 billion and an average value of \$80.01 million. The remaining 394 notifications were measured by Asset Value, with a total value of \$15.22 billion and an average value of \$38.64 million (Figure 3).

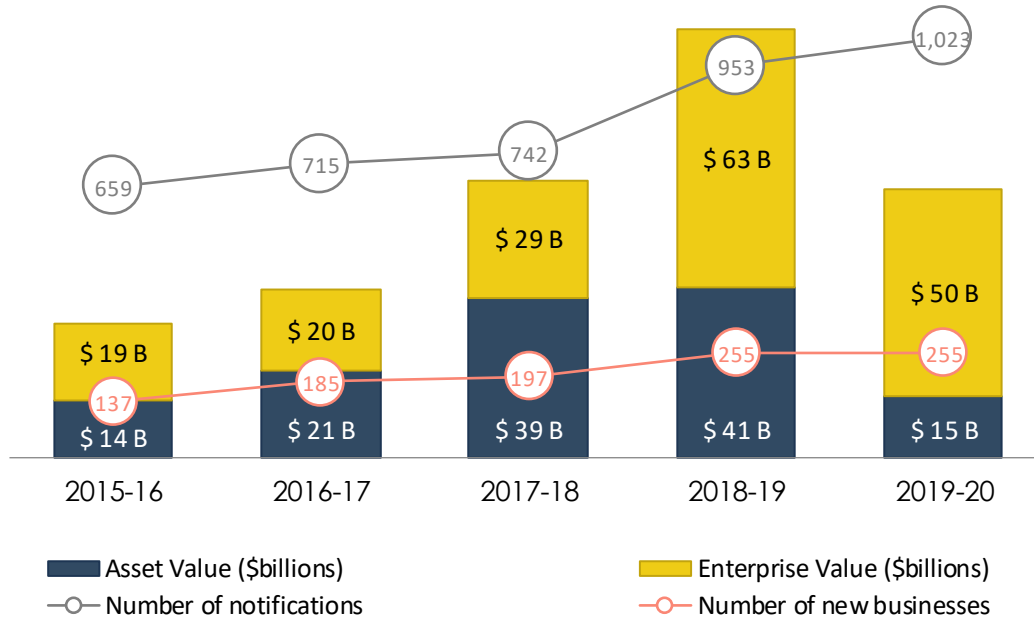
This compares to activity in 2018-19 where 953 notifications were certified, with investments measured by Enterprise Value amounting to \$63.25 billion and those measured by Asset Value totaling \$41.24 billion. Therefore, while the total number of notifications increased in 2019-20, the average value of investments measured by Enterprise Value and Asset value both fell from 2018-19 to 2019-20 (34.09 percent for Enterprise Value and 59.53 percent for Asset Value).

The five largest Enterprise Value notifications accounted for only 17.1 percent of all such notifications, which is a significant reduction from the prior year, where the five largest Enterprise Value notifications accounted for 54 percent of the total value. Equally, the five largest Asset Value notifications accounted for 14.6 percent of the total value in 2019-20 whereas in 2018-19, it was 70 percent. This suggests that the reduction in overall value in both Enterprise Value notifications and Asset Value notifications is the result of a handful of very large investments in 2018-19.

Consistent with past years, notifications relating to the acquisition of control of an existing Canadian business were significantly higher than the establishment of new Canadian businesses (75 percent to 25 percent).

Indirect transactions, where a Canadian business is acquired as part of a larger global transaction, are not subject to an application for review but only a notification requirement. These investments are measured by Asset Value.

Figure 3. Number of notifications and related Enterprise Value and Asset Value



Investment by Sector

Under the Act, investments are characterized by five broad sectors, which are based on the North American Industry Classification System (NAICS) codes: Business and Services Industries; Manufacturing; Resources; Wholesale and Retail Trades; and, Other Services. Investments in the Business and Services Industries and Other Services sectors were most common, followed by Manufacturing.

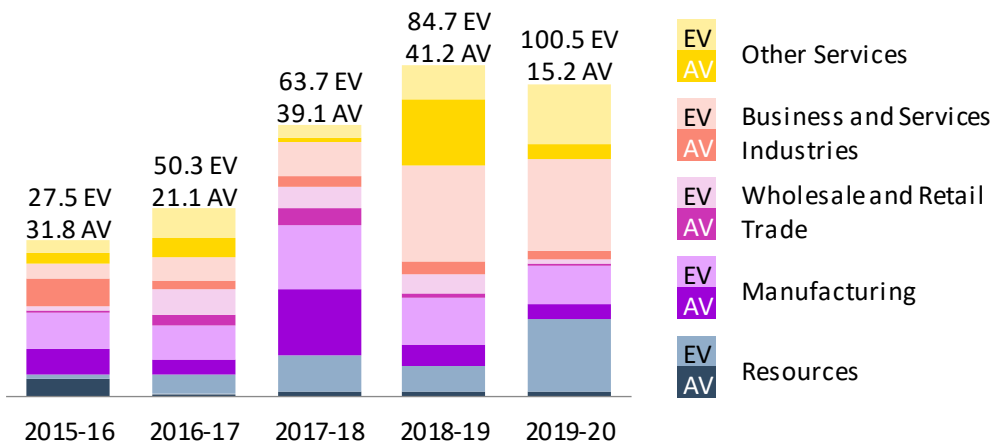
- In the **Business and Services Industries** sector, the number of investments outpaced the previous year by more than 100 investments, but both the total Asset Value and Enterprise Value fell. In 2018-19, there were 353 investments with Asset Value of \$5.001 billion and Enterprise Value of \$36.831 billion.
- With respect to **Other Services**, there were nearly 50 fewer investments and the Asset Value fell from \$24.921 billion in 2018-19 to just \$6.067 billion in 2019-20.
- The number of **Manufacturing** investments and values remained relatively consistent year over year.
- The **Wholesale and Retail Trades** saw a consistent number of investments and Asset Value, while the Enterprise Value fell from \$6.686 billion in 2018-19 to \$1.95 billion in 2019-20.
- In the **Resource** sector, the Enterprise Value increased significantly, from \$10.052 billion in 2018-19 to \$27.1 billion in 2019-20.

Table 1. Investments by Sector and Total Value

	Number of investments	Value of Investments (\$M)	
		Asset Value	Enterprise Value
Resources	54	\$1,220	\$27,099
Manufacturing	193	\$5,864	\$14,160
Wholesale and Retail Trades	125	\$984	\$1,950
Business and Services Industries	457	\$1,090	\$34,825
Other Services	203	\$6,067	\$22,489

Note: Because there were only two applications for review calculated in asset value in 2019-20, to preserve commercial confidentiality, the specific amount of those assets has not been included above.

Figure 4. Enterprise Value and Asset value by Sector (notifications and applications for review)

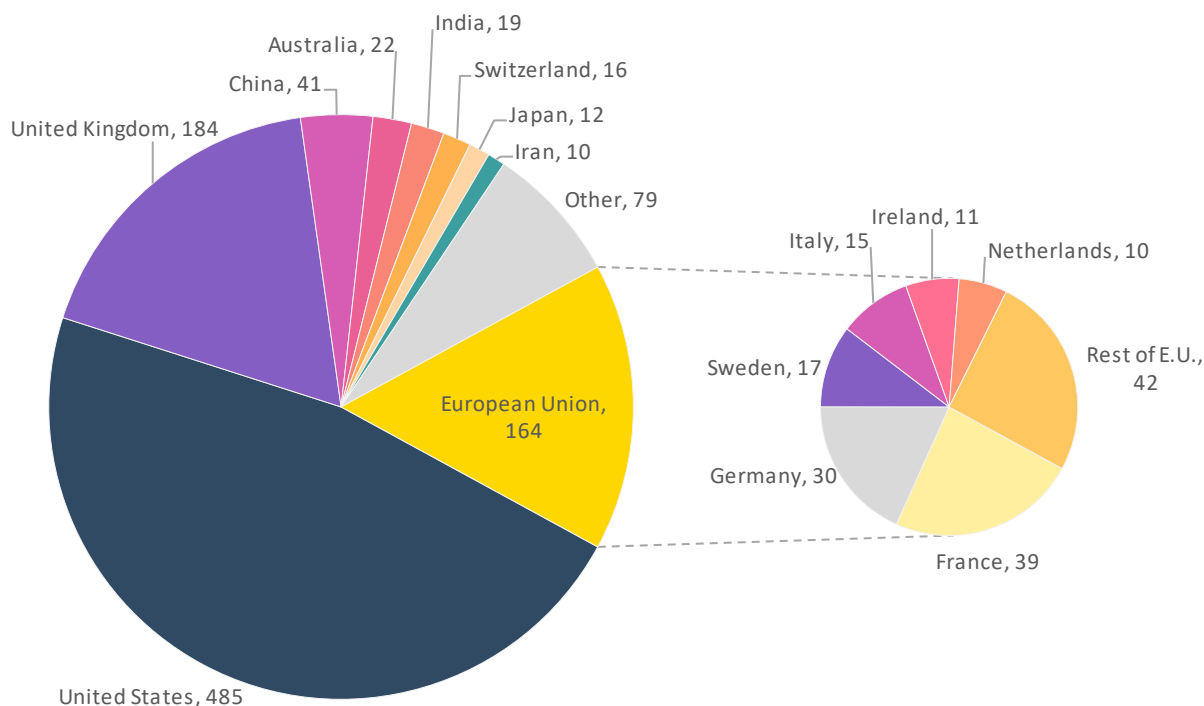


Note: Because there was one application for review calculated in asset value in 2018-19 and two applications for review calculated in asset value in 2019-20, to preserve commercial confidentiality, the specific amount of those assets has not been included above.

Investment by Country or Region of Origin

Pursuant to the Act, investors are required to identify the jurisdiction of their ultimate controller.² In 2019-20, as in previous years, the most common countries of origin are the United States of America, the United Kingdom³ and the European Union. These three jurisdictions accounted for 80.7 percent of all notifications and applications for review (833 of 1,032) and 90.4 percent of the total Enterprise Value.

Figure 5. Investments by country or region of origin.



² An investor's ultimate controller refers to the beneficial owner of voting interests sufficient to control an entity. In the event an entity is widely held, it is generally considered to be controlled by its board of directors or similar body. Where the ultimate controller is not clearly linked to a single jurisdiction (e.g., a board of directors from multiple countries), for the purposes of the Act, the investor is assigned to the jurisdiction with which it has the closest connection.

³ For the first time, investments from the United Kingdom are broken out from the European Union. Had the United Kingdom been reported independently in previous years, however, it still would have ranked as one of the most common jurisdictions.

Table 2: Top Investors

	Number of investments	Value of Investments (\$M)	
		<i>Asset Value</i>	<i>Enterprise Value</i>
United States	485	\$8,213	\$59,775
United Kingdom	184	\$3,063	\$7,488
European Union	164	\$1,417	\$23,573
China	41	\$1,469	\$48
Australia	22	\$156	\$1,243

Of the Top Investors, the United States accounted for 47 percent of all investments and 59.5 percent of Enterprise Value. The number of investments by United Kingdom investors more than doubled from 2018-19.

Collectively, the European Union remained one of the largest regional sources of in-bound investment. A breakdown of European Union investment is at Table 3 below.

Table 3: Top E.U. Investors

	Number of investments	Value of Investments (\$M)	
		<i>Asset Value</i>	<i>Enterprise Value</i>
European Union	164	\$1,417	\$23,573
France	39	\$333	\$2,356
Germany	30	\$520	\$6,556
Sweden	17	\$25	\$229
Italy	15	\$7	\$346
Ireland	11	\$3	\$12,972

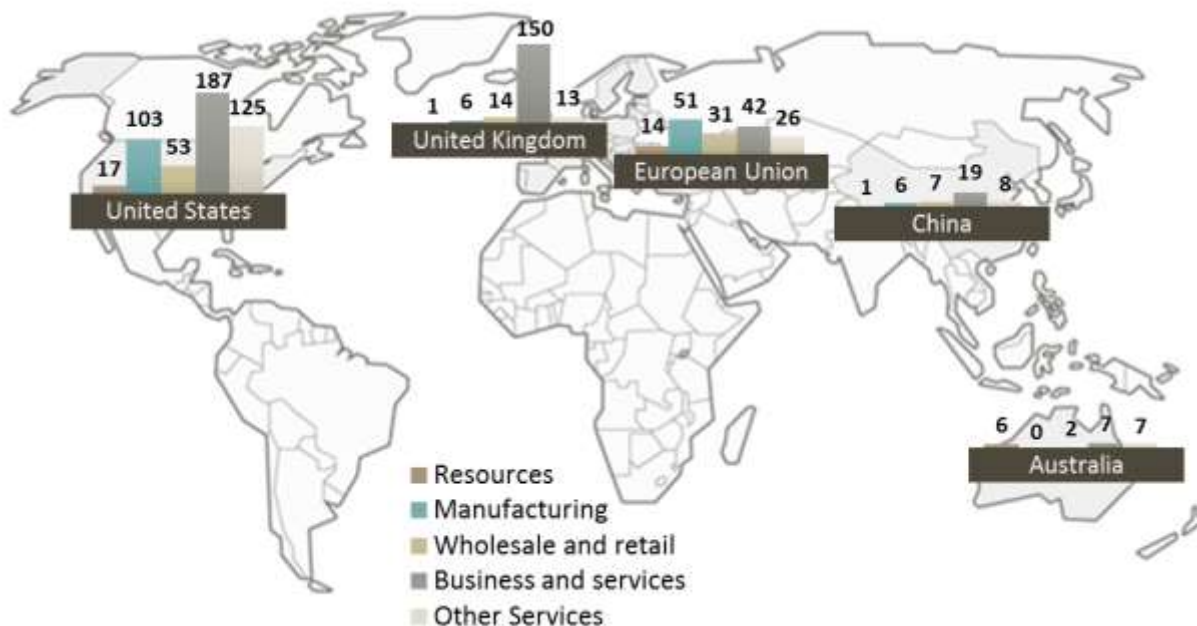
Sectoral Investment by Top Source Countries or Regions

For the top five source countries or regions of origin for investment, representing 896 investments or 86.8 percent of all investments in 2019-20, the ranking of sectors of investment were: Business and Services Industries at 45.2 percent; Other Services (20.0 percent); Manufacturing (18.5 percent); Wholesale and Retail Trades (11.9 percent); and, Resources (4.4 percent).

- **United States:** As in past years, investments from the United States were focused on the Business and Services Industries sector with 187 investments (38.6 percent), Other Services sectors with 125 investments (25.8 percent), and, Manufacturing with 103 investments (21.2 percent).
- **United Kingdom:** The vast majority of its investments were focused in the Business and Services Industries, with 150 of 184 total investments (81.5 percent).

- **European Union:** Unlike other jurisdictions, investments from the European Union were somewhat more evenly distributed among the five sectors: Manufacturing – 51 investments (31.1 percent); Business Services Industries - 42 investments (25.6 percent); Wholesale and Retail Trades – 31 investments (18.9 percent); Other Services – 26 investments (15.9 percent); and, Resources – 14 investments (8.5 percent).
- **China:** Nearly half of the investments from China occurred in the Business and Services Industries with 19 of 41 investments (46.3 percent), while Other Services, Wholesale and Retail Trades and Manufacturing together saw about 51.2 percent of China's total investments.
- **Australia:** Investments were nearly equally distributed among Resources, Business and Services Industries and Other Services.

Figure 6. Investment by Top Country or Region of Origin and Sector



Among other frequent jurisdictions, Indian investors primarily invested in the Business and Services Industries while Swiss and Japanese investors favoured Manufacturing.

Investment by Province and Territory

Under the Act, the primary destination of investments is tracked based on province or territory. In 2019-20, the most common destinations were Ontario (459 investments), British Columbia (189), Quebec (164), and Alberta (117). In terms of total value, Ontario and British Columbia were still ahead of other provinces but Alberta surpassed Quebec despite having fewer total investments.

Figure 7. Destination by number of Investments

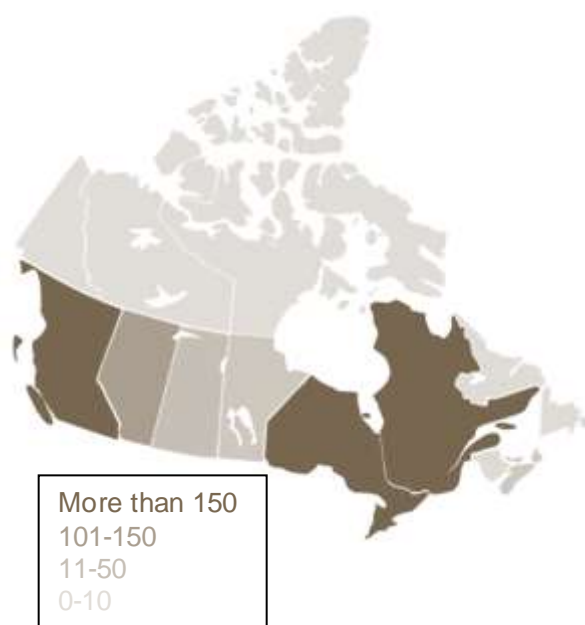
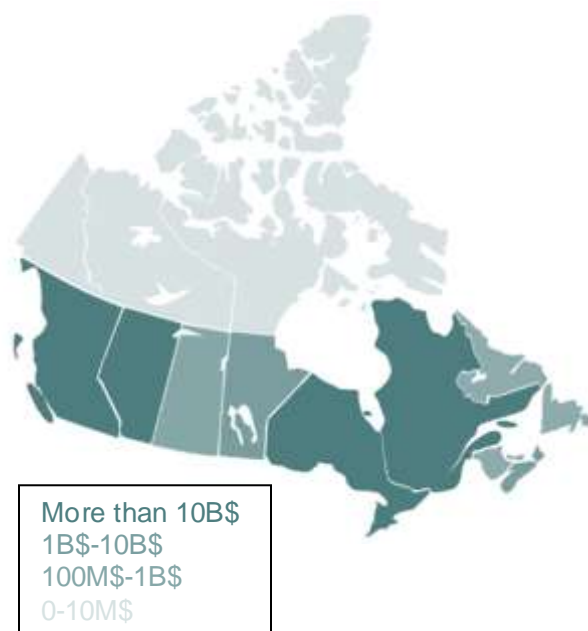


Figure 8. Destination by value of Investments



National Security Activity

The following section provides information on the administration of Part IV.1, the national security provisions of the Act. This section also includes information on characteristics of investments that have required intervention under the ICA, and on mitigation conditions.

All 1,032 certified notifications and applications for net benefit review submitted in fiscal year 2019-20, as well as other investments which were not subject to filing requirements, were reviewed under the multi-step national security process set out in the Act. Details of specific cases are not included in this Report, in accordance with the confidentiality and privileged information requirements of the Act, and national security considerations.

Prospective investors contemplating investments in Canada, and Canadian businesses, may find this information particularly helpful as they plan their investment strategies. In addition to the COVID-19 Policy Statement issued in April 2020, the updated *Guidelines on the National Security Review of Investments* (NS Guidelines) can offer useful information, including setting out a non-exhaustive list of factors that the Government may consider when assessing whether an investment poses a national security risk.

It is recommended that international investors, Canadian businesses, and their advisors contact the Investment Review Division to discuss proposed investments and, where applicable, are

strongly encouraged to file a notification at least 45 days prior to planned implementation, whenever such investments may involve the factors outlined in these documents.

The supplemental information provided in this report furthers transparency and provides prospective investors and Canadian businesses with pertinent information to allow them to plan their investment proposals.

The National Security Review Process

All investments by non-Canadians into Canada are subject to the national security review process under the Part IV.1 national security provisions. This includes investments where no application for net benefit review or notification is required, such as the acquisition of less than control of a Canadian entity.

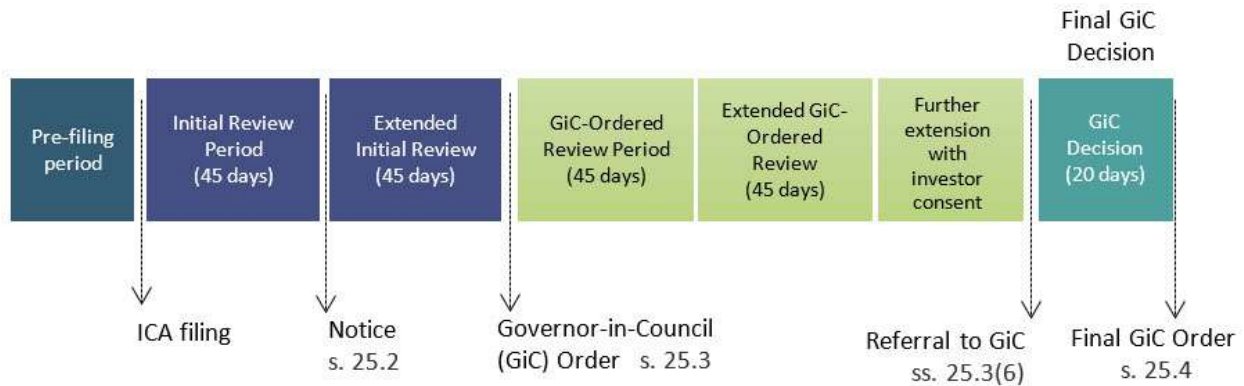
The initial period of review begins as soon as the Minister becomes aware of the investment. During the initial period of review and throughout the review process, security agencies and the other relevant prescribed investigative bodies, including ISED and Public Safety, assess information and intelligence related to the Canadian asset being acquired or business being established, the terms of the investment and the foreign investor. They may consult with Canada's allies in order to determine whether the investment could cause injury to national security. The Minister may also require the investor or the Canadian business or entity to provide any information considered necessary for purposes of the review of the investment.

At any time before the end of the initial 45-day review period, one of two actions may occur to allow for further review:

- The Minister may send the non-Canadian a notice under section 25.2 that an order for review of the investment may be made by the GiC under section 25.3 of the Act. A notice under section 25.2 may be issued if there are reasonable grounds to believe the investment could be injurious to national security. The effect of the notice is to prohibit implementation of the investment if it has not yet been implemented, and triggers an additional 45 day period for review, by the end of which either a notice of no further action is issued under paragraph 25.2(4)(a) or an order is issued by the GiC under section 25.3.
- The GiC may issue an order under section 25.3 on the recommendation of the Minister, if, after consultation with the Minister of Public Safety, the Minister considers the investment could be injurious to national security. The effect of the order is to prohibit implementation of the investment if it has not yet been implemented. It triggers an up to 90 day (or longer with the investor's consent) period for review, by the end of which either a notice of no further action is issued under paragraph 25.3(6)(b) or an order containing measures to protect national security may be issued by the GiC under section 25.4.

A section 25.3 order is required to have been made by the GiC before an order can be imposed on the investment under section 25.4. This section 25.4 order can block the investment, order divestiture, or impose conditions on the investment to protect national security. However, a section 25.3 order is not required for the security and intelligence agencies and other prescribed investigative bodies to review the investment. The legal authorities under the Act to investigate are the same throughout each period of the multi-step review process.

Figure 9. National Security Review Timelines



Notes: The initial period of review may begin during the pre-filing period but the statutory clock begins with a certified filing (or implementation, where a filing is not required). Time periods are prescribed in the [National Security Review of Investments Regulations](#) and reflect maximum time periods.

Statistical Information on National Security Review in 2019-20

During fiscal year 2019-20, there were ten notices issued under section 25.2 of the Act. With respect to three of those ten, no further action was taken under the ICA. For the remaining seven investments, a section 25.3 order was issued to continue the review, of which three reviews resulted in the GiC issuing final orders requiring the investor to divest itself of its investment, three cases where the investment was withdrawn, and one case where it was determined that no further action was warranted.

The average length of review for the seven investments subject to a section 25.3 order was 217 days from the date of certification to conclusion.

Table 4: Notices and Orders issued under Part IV.1 Over the Last Five Years

	25.2 Notice of potentials. 25.3 Order for review	Para. 25.2(4)(a) Notice of no further action under ICA	Withdrawal following s.25.2 Notice	s.25.3 Order for review	Para.25.3(6)(b) Notice of no further action under ICA	Withdrawal after s.25.3 Order for review issued	s.25.4 Final Order
2019-20	10	3	0	7	1	3	3 Divest
2018-19	9	2	0	7	3	2	2 Divest
2017-18	4	1	1	2	0	1	1 Block
2016-17	4	2	0	5*	0	0	3 Divest 2 Conditions Imposed
2015-16	0	0	0	0	0	0	0
5 Year TOTAL	27	8	1	21*	4	6	8 Divest 1 Block 2 Conditions Imposed

* One review is subsequent to a court order.

Note: The fiscal year runs April 1 to March 31. Actions following the issuance of a 25.2 notice may have been taken in a subsequent fiscal year but were further to a 25.2 notice made in the fiscal year of reporting. For example, for fiscal year April 1, 2018 to March 31, 2019, nine 25.2 notices of potential s.25.3 order for review were made. The resulting actions may have been in the 2018-19 or 2019-20 fiscal year. Where a 25.2 notice was not issued prior to a s.25.3 order, all actions related to the case are ascribed to the fiscal year in which the s.25.3 order was issued. As a result of this method of reporting, one investment that had been previously reported under 2015-16 is now accounted for in 2014-15.

Characteristics of Investments that have been subject to Section 25.3 Orders for Review

Under Part IV.1 of the Act, proposed or implemented investments are assessed based on the facts and context related to the particular transaction under review. In assessing investments under the national security provisions of the Act, and as articulated in the *Guidelines on the National Security Review of Investments*, the terms of the investment, the nature of the asset or business activities involved, and the parties, including the potential for third-party influence, are considered.

Determinations made by the Minister or GiC under Part IV.1 are made on a case-by-case basis. The information provided below on the characteristics of investments that have been subject to orders under section 25.3 of the Act, from fiscal years 2015-16 to 2019–20, should be read in that context.

Table 5: Country of Origin and Sector of Investments Subject to Section 25.3 Orders Over the Last Five Years

Origin*	Industry Sector (NAICS or SIC)**	Outcome following Section 25.3 Order
2019-20		
China	4179 (NAICS) - Other machinery, equipment and supplies merchant wholesalers	Divestiture
France	4881 (NAICS) - Support activities for air transportation	Divestiture
United Kingdom	5223 (NAICS) - Activities related to credit intermediation	Withdrawal
Belarus	5415 (NAICS) - Computer systems design and related services	No further action under the ICA
China	5415 (NAICS) - Computer systems design and related services	Withdrawal
China	5417 (NAICS) - Scientific research and development services	Divestiture
Luxembourg	56 (NAICS) - Administrative and support, waste management and remediation services	Withdrawal
2018-19		
Singapore	3325 (NAICS) - Hardware manufacturing	Withdrawal
China	3333 (NAICS) - Commercial and service industry machinery manufacturing	Withdrawal
Switzerland	3336 (NAICS) - Engine, turbine and power transmission equipment manufacturing	Divestiture
Switzerland	3339 (NAICS) - Other general-purpose machinery manufacturing	No further action under the ICA
China	4541 (NAICS) - Electronic shopping and mail-order houses	No further action under the ICA
China	4851 (NAICS) - Urban transit systems	Divestiture
China	5223 (NAICS) - Activities related to credit intermediation	No further action under the ICA
2017-18		
China	2379 (NAICS) - Other heavy and civil engineering construction	Block
China	3254 (NAICS) - Pharmaceutical and medicine manufacturing	Withdrawal
2016-17		
China	3351 (SIC) - Manufacturing Industries - Telecommunication Equipment Industry	Conditions Imposed
China	3359 (NAICS) - Other electrical equipment and component manufacturing	Conditions Imposed
China	3366 (NAICS) - Ship and boat building	Divestiture
Cyprus	4821 (NAICS) - Rail transportation	Divestiture
China	5179 (NAICS) - Other telecommunications	Divestiture
2015-16		
Nil		

* The Origin column provides the Country of Origin of the Ultimate Controller of the Investor, as indicated by the Investor in the filings required by the Investment Canada Regulations.

** Investors are required to provide a NAICS code indicating the industry sector of the investment. Prior to 2015-16, the Standard Industrial Classification system was used. In this table, references are to either the 1980 Standard Industrial Classification - Establishments (SIC-E) or the 2012 version of NAICS, as indicated.

Note: The fiscal year runs April 1 to March 31. The s.25.3 order for review and subsequent s. 25.4 order or outcome is ascribed to the fiscal year in which the s.25.2 notice was issued. If no such notice was issued, the action is ascribed to the fiscal year in which the s.25.3 order for review was made. As such, one case that had been previously reported under 2015-16 is now accounted for in 2014-15.

Administrative Practices

Increased transparency in the administration of Part IV.1 has allowed for more regulatory certainty for Canadian businesses and investors, and for a maturing in practice in the external advisory community as well. In recent years, two important practices have become increasingly common. First, regarding investments requiring filing, pre-implementation filings have continued apace with the previous year. Second, Canadian businesses, investors and their advisors are voluntarily engaging with the Investment Review Division in advance of less-than-control investments when the prospective investment may present factors set out in the *Guidelines on the National Security Review of Investments*. Advance filings allow the Investment Review Division to assess and advise on the likelihood that further review or intervention may be required and to consider the potential for structural changes to a transaction to mitigate potential national security risks.

In other cases, where the Minister has become aware of less-than-control investments through environmental scanning or public information sources, further information has been required from the parties under section 25.2. Engagement on these fronts has allowed the Investment Review Division to assess and advise on the likelihood that further review or intervention may be required.

Ultimately, while guidance and statistics about prior investment reviews can be illustrative for Canadian businesses and prospective investors, every case turns on the specific facts of the particular investment. This serves to reinforce the importance of contacting the Investment Review Division in advance of implementing an investment that may feature factors relevant to national security considerations.

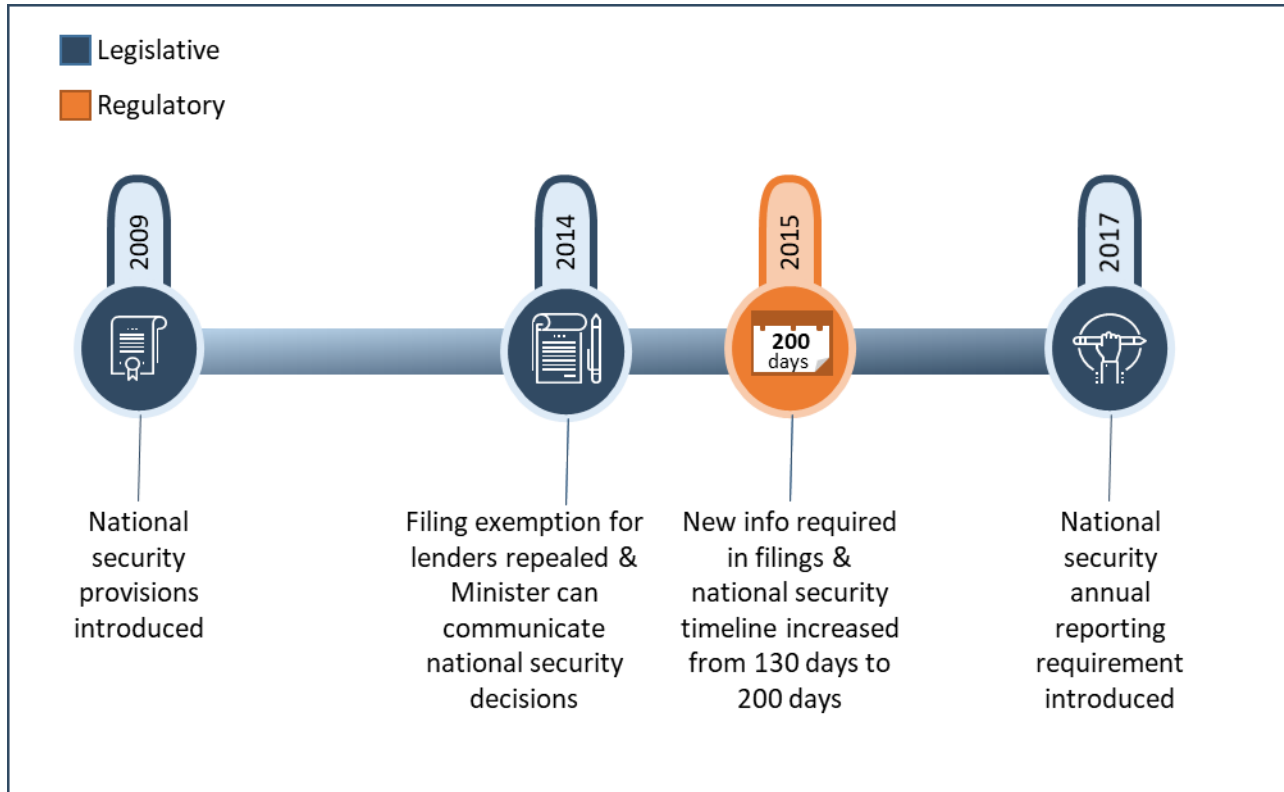
10 Year Reflection on Introduction of National Security Provisions

In February 2009, the Act was amended to include a new part, *Part IV.1 Investments Injurious to National Security*. In addition to the legislative amendments, the *National Security Review of Investments Regulations* under the Act were registered and came into force on September 17, 2009.

Canada's foreign investment review regime, offering broad authorities to the government, has been relatively constant since its introduction in 1985. More specifically, the relative stability of Canada's national security review provisions is a result of the legislation being of general application across the economy, as well as being country agnostic. Most of the changes made since 2009 have focused on bringing increased transparency to allow Canadian businesses and investors to better understand how the review process operates.

The *Guidelines on the National Security Review of Investments* (originally published in 2016 and recently updated in March 2021), the *Policy Statement on Foreign Investment Review and COVID-19* (2020) and increasingly detailed Annual Reports (since 2016) on how the government has exercised its national security review powers have contributed to new accountability in the administration of the Act and predictability to Canadians and investors.

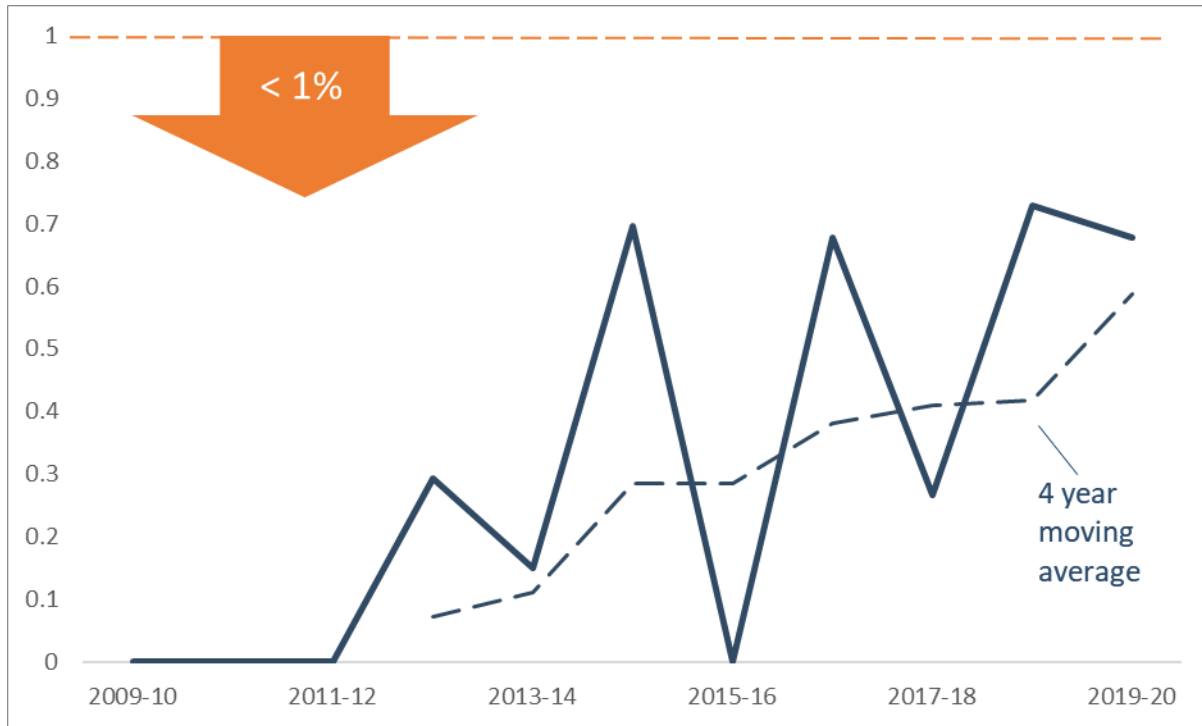
Figure 10. National Security (NS) Related Regulatory and Legislative Changes, 2009-2020



A strong, dynamic and predictable foreign investment review regime is important for the Government of Canada to ensure that foreign direct investment flows are robust and supportive of Canada's prosperity. Overall, FDI is critical to Canada's economic success, and in this context, it is important to note that very few investments from non-Canadians raise national security concerns. Since 2009, less than one percent of investment filings have been subject to an order under the ICA (see figure 10).

Nonetheless, economic based threats to Canada's national security have taken on increasing prominence in the last number of years, even before the COVID-19 pandemic. This has meant that Canada's existing broad range of authorities under the ICA is all the more important in allowing the Government to take action where necessary to protect Canada's national security.

Figure 11. Section 25.3 Orders as a Percentage of Total Filings



Note: For every year reported the number of Section 25.3 Orders is below 1%.

Conclusion

Canada remains open to foreign investment that benefits Canadians by driving innovation as well as economic and employment growth. The Government is committed to administering the Act in a transparent and predictable manner in order to encourage continued positive investment. Canada will also continue to engage at the international level to ensure that our investment review policies and practices remain world-class.

Appendix

Interpretive Notes

- All references to the 2019-20 fiscal year in data, tables, charts and explanations mean from April 1, 2019, to March 31, 2020.
- In the section titled “Activities under the *Investment Canada Act* in 2019-20”, investments are ascribed to the year corresponding to their final action: the certification date for notifications, and the date of the Minister’s decision for applications.
- Acquisitions are recorded by the Asset Value or the Enterprise Value of the Canadian business to be acquired, based on its most recent audited financial statements, not by the purchase price. The value of a new business proposal is recorded on the basis of the planned amount of investment over the first two years.
- The actual number and value of acquisitions of control and new business establishments by international investors may not be wholly reflected for reasons which include the following:
 - From time to time, two or more investors may submit applications for review to acquire the same Canadian business. In such cases, each proposal is recorded as a separate transaction.
 - In June 1999, responsibility under the Act for investments related to cultural activities listed in Schedule IV of the *Investment Canada Regulations* was transferred to Canadian Heritage. Accordingly, our statistics since that time do not include foreign investments in Canadian businesses engaged strictly in activities listed in Schedule IV.
 - A number of filings are submitted to Innovation, Science and Economic Development Canada at the proposal stage and processed promptly under the terms of the Act. However, for commercial or other reasons, investors who have submitted a notification or application may subsequently choose not to implement the investment or to implement it at a later time.

Data Comparison with Other Statistical Sources

The principal purpose of the Act is the review of investment activity by international investors. For each fiscal year, a report on the administration of the Act is produced and made available to the public.

Data collection is limited to new business proposals and acquisitions of control by foreign investors. Results only represent a portion of the value of international investment in Canada, and therefore cannot be compared with either the foreign direct investment flows or stock figures published by Statistics Canada. For example, the value of major plant expansions by established foreign investors in Canada is not captured under the Act.