



ATOMIC ENERGY OF CANADA LIMITED
CORPORATE PLAN SUMMARY
2015-16 TO 2019-20

Table of Contents

Mandate	1
Corporate Profile	3
Operating Environment	5
Objectives and Plans	9
Annex A – Consolidated Financial Statements	17
Annex B – 2015–16 Operating Budget	22
Annex C – Capital Budget for 2015–16	24
Annex D – Corporate Governance	25
Annex E – Implementation of the Directive On Travel, Hospitality, Conference and Event Expenditures	30
Annex F – AECL'S Radioactive Waste Management Responsibilities and Associated Programs	31

Note: AECL's Corporate Plan is approved by the Governor in Council, as per the requirements of the *Financial Administration Act*. This summary of the Corporate Plan informs Parliamentarians and Canadians of AECL's strategic direction and objectives for the planning period and provides financial plans as well as operating and capital budgets. Commercially detrimental information is excluded from this summary pursuant to section 153(1) of the *Financial Administration Act*.

It should be noted that, given the restructuring, AECL is presenting its 2015-16 Corporate Plan outside of the normal planning cycle. As a result, the plan was developed and approved by the Board of Directors partway through the 2015-16 fiscal year and as such may speak to events which have already occurred.

Mandate

AECL is a federal Crown corporation with the mandate to enable nuclear science and technology and fulfill Canada's radioactive waste and decommissioning responsibilities. This work is undertaken at eight main sites across Canada, with headquarters in Chalk River, Ontario, which is home to Canada's largest research and development complex. Through its nuclear science and technology activities, AECL enables work with benefits and applications in the areas of health, safety, security, energy, non-proliferation, environmental protection and emergency response. The Chalk River Laboratories boast multiple highly-specialized and unique laboratories, testing facilities and a research reactor, all of which are used to leverage nuclear science and technology for peaceful purposes.



AECL is also responsible for addressing Canada's radioactive waste and decommissioning responsibilities. These responsibilities stem from decades of nuclear research and development activities at the Chalk River Laboratories, the Whiteshell site in Manitoba, as well as other satellite sites in Ontario and Quebec. AECL is responsible for the proper and safe clean-up, remediation and long-term management of the radioactive waste at its sites. On behalf of the Government of Canada, AECL also oversees similar work at sites where the Government has assumed responsibility of historic, low-level radioactive waste, such as in Port Hope and Port Granby, in Ontario.

All of AECL's nuclear sites are regulated by the Canadian Nuclear Safety Commission, Canada's independent regulator. AECL reports to Parliament through the Minister of Natural Resources.

Starting in 2009, the Government undertook a restructuring of AECL with a view of reducing risks and costs to Canadian taxpayers while leveraging AECL's capabilities for the benefit of Canadians and industry. The restructuring was done in two phases, the first of which was completed in 2011 with the sale of the assets of AECL's CANDU Reactor Division to Candu Energy Inc., a wholly-owned subsidiary of SNC-Lavalin. The second phase is focussing on the nuclear laboratories, with the objective of implementing a Government-owned, Contractor-operated model.

As part of this second phase, the Government launched a procurement process to select a private-sector contractor to take responsibility for the management and operations of the laboratories. The objective is to bring private-sector rigour and efficiency while leveraging the significant expertise and facilities at the laboratories.

In preparation for the transfer of operations to the private-sector, AECL created Canadian Nuclear Laboratories Ltd. (CNL) as its wholly-owned subsidiary. On November 4, 2014, AECL transferred to CNL virtually all of its employees as well as the necessary contracts, permits and licences (with the approval of licencing and regulatory organizations) for CNL to be fully operational. Through an interim service agreement, CNL operates AECL's sites, facilities and assets. CNL employs over 3,500 employees at AECL's sites across Canada, with most employees located at the Chalk River Laboratories.

Once the procurement process is finalized and the restructuring complete, expected in the Summer of 2015, the shares of CNL will be transferred to the selected private-sector contractor and CNL will become a private-sector organization. As of that point, AECL will deliver its mandate through a long-term, contractual arrangement with the private-sector contractor for the management and operation of CNL under the Government-owned, Contractor-operated model.

Under this model, AECL will work to monitor and incentivize the performance of CNL to meet Government objectives. AECL will continue to be responsible for the management of retained liabilities related to AECL's CANDU Reactor Division (discontinued commercial operations).

AECL's objective will then be to leverage the Government-owned, Contractor-operated model to deliver on its mandate. In the meantime, it has begun overseeing the activities of CNL in an 'as-if' model to pave the way for the transfer of CNL's shares to the selected private-sector contractor and to prepare for this upcoming contractual relationship. The relationship between AECL and CNL as its wholly-owned subsidiary is framed by two agreements, an Interim Services Agreement, which sets out CNL's requirement to operate as per the terms of the soon-to-be Government-owned, Contractor-operated agreements, and an Intellectual Property Licence Agreement, which sets out the scope and terms for CNL's use of AECL's Intellectual Property. This agreement will continue to be effective following CNL share transfer.

As a small Crown corporation with a new role, AECL focusses its efforts and oversees CNL's activities in two main areas:

1. Decommissioning and Waste Management

The objective is to safely and efficiently reduce the Government of Canada's radioactive waste liabilities, including associated risks to health, safety, security and the environment. The focus is on enabling Canadian Nuclear Laboratories to significantly advance infrastructure decommissioning, site remediation and waste management for Canada. In 2015-16, these activities will transition from being funded and overseen by Natural Resources Canada (through the Nuclear Legacy Liabilities Program, the Port Hope Area Initiative and the Low-level Radioactive Waste Management Office), to being under the direct responsibility of AECL through funding provided by Parliamentary Appropriations.

2. Nuclear Laboratories

The objective is to enable the effective implementation of the Government-owned, Contractor-operated model and thereby enable CNL to manage and operate AECL's sites efficiently and effectively. This allows CNL to provide expertise, products and services, and science and technology capabilities in support of: (i) Canada's federal roles, responsibilities and priorities; (ii) commercial services for third parties; and, (iii) capital projects and other corporate activities at the nuclear laboratories. Work in this activity includes renewal and modernization of the Chalk River site to enhance CNL's ability to provide safe and world-class science and technology and other services for Canada.

Corporate Profile

A Brief History of AECL

AECL has been leading nuclear science and technology for over six decades, and traces its origins back to the inception of nuclear reactors. Since then, the organization has been at the forefront of scientific achievements for Canada, including the design and development of the CANDU reactor technology. Its installations at the Chalk River Laboratories, in Ontario, have led to numerous and important scientific achievement and its employees have been recognized the world around – including two Nobel Prize winners – for their contribution to science.

Over the years, AECL has played an important role in supporting public policy and in delivering programs for the Government of Canada. This includes the production of medical isotopes the remediation of contaminated sites in the municipalities of Port Hope and Clarington in Ontario, the decommissioning of its own sites and facilities, as well as the provision of nuclear science and technology in the areas of energy, non-proliferation, emergency preparedness, counter-terrorism, health, and security. AECL's unique facilities have made it an attractive research destination for scientists across Canada and the world, leading to home-grown innovation and the development and retention of highly-qualified nuclear workers and scientists.

The Restructuring of AECL

While AECL has been at the forefront of scientific research for the past 60 years, in 2008, the nuclear industry in Canada was facing a number of challenges and uncertainties, as was AECL. In this context, the Government undertook a review of AECL, which found that the corporation as structured then was not well positioned to succeed in the changing global market.

As a result, AECL was restructured to put in place the conditions for the nuclear industry to succeed. This was done in two phases. The first phase focussed on AECL's CANDU Reactor Division, which was sold to Candu Energy Inc. (a wholly-owned subsidiary of SNC-Lavalin), in 2011. This eliminated go-forward commercial risks for Canada while setting the stage for the CANDU technology to succeed. Indeed today, Candu Energy Inc. is an important part of the nuclear sector in Canada and is pursuing opportunities internationally.

The second phase of the restructuring focussed on the remaining division at AECL, its Nuclear Laboratories Division. This included investing in the capabilities of the laboratories in order to fulfill the Government's radioactive waste and decommissioning responsibilities and to provide nuclear science and technology support to meet core federal responsibilities. As well, the laboratories were encouraged to further leverage their assets and capabilities to provide services to third-party users on a commercial basis. Natural Resources Canada, as the federal department advising the Minister on AECL, leads the restructuring.

Over the last two years, AECL has been collaborating with Natural Resources Canada to implement the Government-owned, Contractor-operated model. Efforts were focussed on two main fronts: preparing the organization for the new model, and undertaking a procurement process to select a qualified private-sector contractor. To prepare for the new model, AECL incorporated and operationalized CNL. In November 2014, virtually all AECL employees were transferred to CNL and CNL became the operator of the nuclear laboratories under agreements with AECL. AECL began to re-build itself as a small, expert-based organization that would manage the contract with the successful private-sector contractor.

The procurement process to select the private-sector contractor is being led by Public Works and Government Services Canada and Natural Resources Canada. The preferred bidder to manage and operate CNL is expected to be selected by June 2015.

Once AECL and the contractor finalize administrative details related to the contract, the shares of CNL will be transferred from AECL to the contractor, and CNL will become a private-sector organization. This is expected to come into effect in summer 2015.

AECL's New Role and Governance Structure

AECL's role will be focussed primarily on oversight; it will be a 'smart buyer' responsible for administering and overseeing the Government-owned, Contractor-operated arrangement, driving the performance of CNL to provide better value for Canadians. The Government-owned, Contractor-operated model is expected to allow AECL to significantly advance its mandate at the laboratories by incenting the contractor to deliver on identified priorities. AECL will have multiple levers to exercise its oversight function, incent performance, and act in the case of poor performance.

The success of the Government-owned, Contractor-operated model will rest on the ability of AECL to oversee the contract and to play an appropriate challenge function in order to drive performance and achieve value for money. As a result, AECL is being purpose-built to be a small organization (less than 50 employees) with the expertise required to oversee the contract and the activities of CNL from a technical, project management and contractual perspective. As such, AECL has retained the services of international experts who bring significant experience in the management of similar arrangements, both from a government and a contractor perspective.

Similarly, AECL's Board of Directors has been focussing its efforts on the organization's upcoming new oversight function, with a view to providing strategic direction and oversight for the Crown corporation's new role. Directors of the Board are ultimately responsible to AECL's shareholder, the Minister of Natural Resources, and have a duty to comply with the requirements of the *Financial Administration Act*.

As part of this transition, AECL and the Board have reviewed their obligations and responsibilities to ensure that they continue to be fully compliant with the requirements of the *Financial Administration Act*, while adjusting their role to reflect the new oversight function. For example, with a significantly reduced workforce, the Board reviewed the delegation of authorities with a view to re-setting thresholds at a level commensurate with the workforce and its responsibilities. Roles and responsibilities were reviewed to clarify accountabilities and approval levels, both within management and between management and the Board of Directors.

Overall, and as further described in Annex D, AECL's Board and associated committee structured remained unchanged, although charters were reviewed to adjust accountabilities to reflect AECL's new role.

Operating Environment

Assessment of Results

Year of Transition

This is the first Corporate Plan Summary for AECL as a restructured corporation. Previous Corporate Plans have set out objectives and performance measures related to AECL's previous role in managing and operating the nuclear laboratories, including its role in delivering on the Nuclear Legacy Liabilities Program, the Port Hope Area Initiative and the Low-Level Radioactive Waste Management Office (all programs funded and overseen by Natural Resources Canada). As such, this section has historically assessed and reported on the results of that work.

With the operationalization of CNL and the upcoming implementation of the new Government-owned, Contractor-operated model, AECL has taken on a new oversight role and is no longer the operator of its nuclear laboratories. This represents a shift in its operating context as well as business environment: different challenges, opportunities and risks, as well as new benchmarks. There is also a corresponding shift in objectives and plans for the corporation.

The focus of this Corporate Plan is thus on AECL's new role under the Government-owned, Contractor-operated model, including a discussion of associated challenges, opportunities and risks. Further, given that 2015-16 is a year of transition for AECL, this Corporate Plan will serve to set the corporation's objectives going forward, including some early performance measures.

That said, several accomplishments made during the 2014-15 fiscal year should be noted. These reflect AECL's commitments under the Corporate Plan of the same year¹, whereby AECL was directly responsible for the operation of its nuclear laboratories. However, efforts were made to prepare the organization for the upcoming implementation of the Government-owned, Contractor-operated model, both from a governance and organizational perspective, as well as starting the transformation to ensure a smooth transition. For example:

- Establishing CNL as a wholly owned subsidiary of AECL, which required the planning, execution and implementation of a comprehensive, company-wide project carried out by internal services organizations across AECL. With the transfer of staff and regulatory licences to CNL now complete, a major milestone has been reached in the Government's restructuring of AECL.
- Continuing to grow its presence as a major supplier of nuclear products and services for customers around the world, as evidenced by the addition of 17 new customers, and strengthening the existing customer base (e.g. 99% of the deliverables to the CANDU Owners Group were fulfilled while earning revenue of over \$23 million). Overall, close to \$125 million were leveraged through collaborations, including work with 37 different Canadian academic institutes. AECL also conducted its first 'Voice of the Customer' survey with its

¹ The 2014-15 Corporate Plan presented AECL's activities as per its Program Alignment Architecture, which is not being used in this 2015-16 Corporate Plan. Going forward, AECL will be presenting its activities in its Corporate Plan and associated reports as per its main business focus: 1) Decommissioning and waste management, and 2) Nuclear Laboratories.

customer base, with a view of focussing on client satisfaction to spur commercial growth. This helped AECL to strengthen its relationships with existing customers and identify opportunities for improvement in its products and services, as it continues its transition towards customer-centric operations.

- Demonstrating its expertise and capabilities in support of core federal government responsibilities, for example by coordinating Canada's response as part of an international nuclear forensics exercise and completing a three-year research project for the Organisation for Economic Co-operation and Development and the Nuclear Energy Agency that studied post-accident iodine behaviour, contributing to worldwide efforts to improve safety analysis and inform mitigation and response measures for severe accidents such as Fukushima. AECL also continued to fulfil Canada's commitments to the Generation IV International Forum, an international program to establish the feasibility and capabilities of next-generation nuclear energy systems.
- Advancing the decommissioning and waste management program by delivering on its commitments under the Nuclear Legacy Liabilities Program, as evidenced by completing 94% of the milestones, thereby reducing environmental risk and liability for the lands and facilities under AECL's care.
- Continuing to execute an ambitious capital program, with \$81 million invested in the revitalization of infrastructure at the Chalk River Laboratories. Construction activities began on AECL's brand new laboratory complex, Building 350, which will offer employees and partners a state-of-the-art, inter-disciplinary facility to conduct cutting-edge nuclear research. AECL also completed construction of its new world-class Hydrogen Laboratory, reached a final agreement to supply natural gas to its site, and completed major improvements to increase the reliability of Class IV power.
- Throughout all this, the nuclear laboratories continued to fulfil regulatory commitments and operated in a culture of continuous improvement, working to enhance and strengthen its health, safety, security and environmental programs and practices. This included upgrading training for emergency personnel and participating in the largest nuclear emergency exercise ever conducted in Canada to evaluate emergency practices and process.

Operating Considerations

International Trends

The Government-owned, Contractor-operated model has been in place for the management of nuclear laboratories in the United States for several decades. More recently, the United Kingdom has moved to this model in order to bring about change in the management culture of its sites and advance its decommissioning mission. In fact the model used in Canada closely resembles that of the United Kingdom, with adjustments to reflect the Canadian context.

While there have been successes and challenges with this model, it has endured throughout many decades and has proven effective at reducing overall costs, increasing efficiencies and transforming organizational cultures to effect change. AECL's own Government-owned, Contractor-operated model has been structured so as to build from best practices and lessons learned from other jurisdictions.

Importantly, the Government-owned, Contractor-operated model is expected to allow AECL to significantly advance its radioactive waste and decommissioning mission, a focus which is now a common trend amongst nuclear nations. Indeed emphasis is being placed on promptly addressing decommissioning objectives and identifying long term disposal solutions sooner, in order to reduce risks. This is particularly relevant for old facilities

and sites where the costs and risks of maintaining the status quo (e.g. the upkeep on old, contaminated buildings) are greater than those of decommissioning, decontaminating and demolishing facilities, with radioactive waste properly treated and stored in long-term waste management facilities, or disposal facilities.

Furthermore, AECL also expects the model to allow for a renewal of the Nuclear Laboratories' infrastructure, with a view of leveraging existing capabilities and expertise to build a world-class, unique and nimble science complex which will be able to meet the needs of the federal Government while growing third-party revenues.

AECL's New Operating Environment

AECL's role under the Government-owned, Contractor-operated model will be significantly different than the role it previously had. Indeed the organization is moving from being directly responsible for all of the activities at its sites and directing the work to advance its missions, to achieving its missions through a contractual arrangement with a private-sector contractor. AECL's role will be to oversee the contract and the performance of CNL, and to leverage the expertise and capabilities of CNL, including the new leadership brought to CNL by the selected private-sector contractor, to achieve priorities, as based on performance-based incentives.

To achieve this, the main contract will be set up so that the contractor stands to earn fee (i.e. profit) only to the extent that it achieves cost and schedule metrics as well as performance objectives and outcomes. AECL and the contractor will agree on these targets and measures on an annual basis, allowing AECL to focus attention where needed and to adapt its incentive strategy based on changes in context or performance. A different incentive structure will be set up for the delivery of two, very distinct projects: the closure of both the Whiteshell Laboratories and the Nuclear Power Demonstration Reactor in Manitoba and Ontario, respectively. For these projects, AECL will oversee a 'target-cost' contract, whereby the contractor stands to earn a set fee (i.e. profits) to the extent that it delivers these projects on time and on budget, or more fee for cost underruns (and conversely less fee in the event of cost overruns).

The implementation of the Government-owned, Contractor-operated model should also confirm stable, long-term funding for AECL and thus activities undertaken by CNL for AECL. This will represent an important change from previous years, where AECL received funding from multiple sources. As discussed further in the Objectives and Plans as well as in the Financial Statements sections, AECL's funding levels are now aligned with its mandate and will enable it to successfully implement the Government's priorities through the Government-owned, Contractor-operated model.

Furthermore, the organization is poised to leverage the expertise and competencies of its new personnel, which uniquely brings together the necessary knowledge of the Government-owned, Contractor-operated model, the contract with the private-sector contractor, expectations of Government and CNL's activities and operations. Together, the new staff complement is poised to set the proper framework for the new model to be successful.

Risks and Opportunities

With a new role comes new challenges and opportunities. AECL has put in place an approach to identify risks and mitigation strategies. The main risks identified in implementing its mandate and delivering on its new role are presented below.

Contractual Risks

The Government-owned, Contractor-operated model represents a new structure that relies on the expertise brought about by the selected private-sector contractor as well as proper oversight by AECL to garner value for money for Canada. As the contract is implemented, CNL and AECL will seek to develop a relationship with CNL that

is based both on contractual requirements as well as other formal and informal collaboration and communication processes. The success of the model will rely, in part, on the strength of the relationship established, as well as the proper level of oversight placed on CNL. AECL will have to find the right balance between placing sufficient oversight so that it has a line of sight into activities and can play a proper challenge function, but not too onerous oversight such that unnecessary administrative requirements and processes result. Indeed AECL's role will be to direct the 'what', not the 'how'.

To mitigate this risk, protocols and management processes are being established in an effort to ensure proper information is being shared at all levels and to facilitate collaboration, including a Contractor Assurance System (a system that allows the contractor to manage performance consistent with contractual requirements) and a standard-based Earned Valued Management System (a system to manage projects and track performance) to be developed by the contractor that will be available to AECL. Using these systems and with the relationship set out in the contracts and agreements, AECL will be able to focus its attention on engaging CNL on broad strategic issues which are of high value to Canada, rather than focussing on processes and frequent transactions that add lesser value. It should be noted though that AECL will retain broad audit rights should it require additional information from CNL.

Internal Risks

AECL's operations and success, including the provision of effective contractual oversight, depends in large part on the organization's ability to hire and retain a small number of highly qualified and specialized employees. While AECL is on track to have in place a full staff complement by summer 2015, attracting or retaining replacements to fill future vacant position may be challenging. In particular, AECL has had to recruit international experts in order to have the right knowledge and competencies in place to help it implement the Government-owned, Contractor-operated model.

The retention of these international experts, along with the on-the-job training of other staff, will be critical to enable the organization to continue to sustain operations and with the appropriate staffing complement. This will be achieved through succession planning and cross training/mentoring in order to 'groom' the next generation of Canadian experts in the Government-owned, Contractor-operated model, and to avoid any gaps in critical positions. Furthermore, AECL's compensation structure will be reviewed annually with a view to preserving AECL as an attractive and competitive employer for its qualified personnel.

Similarly, as AECL takes on its new role, it is bound to adjust its organizational structure, and associated resource needs, to adapt to its new reality. While care was taken to design the organization in the most efficient manner possible, building on international best practices, the Government-owned, Contractor-operated model remains unique in Canada and to AECL. As it gets underway, AECL may have to adjust its resourcing needs to focus efforts where needed and deliver on its obligations and mandate.

To that effect, AECL has built in flexibility to be able to periodically and strategically augment its resource capabilities and skills by engaging specialized resources on an as-needed basis.

CNL Project Risks

AECL has identified several high-priority projects and is closely tracking CNL's progress in advancing the work. In all cases where AECL has identified higher-risk projects, closer collaboration with CNL and oversight of projects is being applied. This includes ensuring that plans appropriately reflect the identified priorities and necessary actions, engaging with other stakeholders, as required, monitoring performance and ensuring that the incentive plan is aligned with the priority and risk areas.

Objectives and Plans

As the restructuring is nearing completion, AECL will be focussed on putting in place all of the necessary protocols and processes to facilitate it seamlessly moving into its new role to oversee the contract with the private-sector contractor. This includes overseeing the 'transition-in' period at CNL, which is a 3-6 month period after the transfer of CNL shares from AECL to the contractor and during which CNL will be doing its due diligence and preparing plans to reflect the priorities of AECL.

At the same time, AECL will be looking to the future and has identified medium to long-term priorities which will allow it to advance its mandate and fully leverage the Government-owned, Contractor-operated model to bring value for money to the work of CNL. As such, the objectives and plans presented in this section have been grouped into two distinct categories: short-term objectives and plans (1 year), and longer-term objectives and plans (2-5 years).

Overall funding requirements for the 2015-16 to 2019-20 period are provided in the table below, and further broken-down by priority areas as detailed in this section. These funding requirements represent AECL's planned budget for the planning period.

Total AECL Federal Funding Requirements for the Planning Period (Excluding Discontinued Operations) - Cash

Net of Revenue

(\$ millions)	Actual 2013-14	Budget 2014-15	Plan					5-year Total
			2015-16	2016-17	2017-18	2018-19	2019-20	
Funding Requirements								
Decommissioning and Waste Management	216	233	230	413	520	581	600	2,343
Nuclear Laboratories	327	357	422	470	475	418	388	2,173
Total Funding Requirements AECL	543	591	652	883	995	999	988	4,516
Funded through Heavy Water								
Proceeds	42	48	47	41	29	9	-	126
Adjusted Overhead Allocation	44	(42)	-	-	-	-	-	-
Net Federal Funding Requirements AECL	545	501	605	843	966	990	988	4,391

Note: Minor differences due to rounding.

FY13/14 and 14/15 funding numbers were retroactively adjusted to reflect a new costing methodology; as a result there is a required adjustment.

The Year Ahead: Objectives and Plans for 2015-16

As mentioned, 2015-16 will be a year of transition for AECL. Work will be undertaken on several fronts to prepare for, and transition to the Government-owned, Contractor-operated model, all the while continuing safe operations at CNL.

Priority 1 for 2015-16: Getting to Share Transfer and Completing the Restructuring

During the first months of 2015-16, AECL will continue to support the Government and Natural Resources Canada as it completes the restructuring. This includes continuing to build AECL from the ground up to enable it to fulfill its new role by recruiting the necessary experts, putting in place the needed infrastructure (e.g. offices, information technology systems, etc.), and developing tools and processes to pave the way for the new Government-owned, Contractor-operated model.

Once the Government announces the selection of the preferred bidder to manage and operate CNL, AECL will enter into a 'contract finalization stage', whereby administrative details of the contract will be finalized and the contractor will prepare itself to take over the management and operation of CNL. During this period, AECL will facilitate access to CNL sites and personnel, and work to ensure that new personnel have the necessary security clearances to occupy their new roles.

Measure of success: achieving the transfer of the shares of CNL to the selected private-sector contractor within established timelines (during or before fall 2015).

Priority 2 for 2015-16: Transition-in

When the shares of CNL are transferred from AECL to the selected private-sector contractor, CNL will become a private-sector organization. Its new owner will proceed to appoint a new Board of Directors as well as key individuals in senior management positions at CNL. Once a new management team is in place, CNL will be working to transform the organization and realize AECL's priorities. The new management team will be going through a period called 'transition-in' during which they will both undertake due diligence as well as start the preparation of new plans to advance the work in nuclear science and technology as well as decommissioning and waste management.

The objective of the transition-in period is to allow sufficient time (3-6 months) for CNL's new management team to understand the sites, assess risks and opportunities, and prepare adequate monitoring and reporting systems as well as plans as per the contractual requirements. These include for example the development of an earned value management system as well as a contractor assurance system that will allow CNL to track its activities and assist AECL in performing proper oversight. CNL will also prepare an inventory of all of the sites, facilities and assets to assess their conditions and to inform any plans going forward. AECL's role during the transition-in period will be to oversee and work with CNL to meet all of its transition-in deliverables.

Measure of success: CNL will deliver all of the transition-in deliverables, as set out in the contract. This objective will be achieved when AECL accepts or otherwise receives the deliverables, as specified in the contract.

Priority 3 for 2015-16: Establishing the Right Oversight Model and Interface

As mentioned in the risk section, the success of the Government-owned, Contractor-operated model hinges on both the capabilities of the private-sector contractor to effect change and drive performance, but also on AECL's ability to apply the right amount of oversight that will allow it to monitor performance while not hindering efficiency.

AECL will work to put in place protocols and management processes to foster the sharing of proper information at all levels and to facilitate collaboration. During 2015-16, AECL will also closely oversee high-risk projects.

Measure of success: CNL will have presented a description of its proposed contractor assurance system. CNL and AECL will meet their contractual obligations on time.

Priority 4 for 2015-16: Drive Improvement at CNL Before and After the Restructuring

In addition to activities directly associated with supporting restructuring and transitioning to the Government-owned, Contractor-operated model, AECL will use its oversight position (both when CNL is its wholly-owned subsidiary and once the private-sector has responsibility for the operations), to drive results in specific targeted areas. In particular, AECL will look to the private-sector contractor to address these priorities; however the timing of the implementation of the Government-owned, Contractor-operated model, along with the initial focus on the transition-in may delay the achievement of these priorities into 2016-17.

Specifically, the following objectives were set for 2015-16:

1. Enable improved CNL safety culture.

Measure of success: CNL demonstrates a renewed focus on safety and some new industry best practices are implemented. Trends in key safety metrics (lost time injuries, environmental incidents, contamination incidents) are improving against previous years.

2. Engender momentum for the Decommissioning and Waste Management programs by demonstrating progress on facility decommissioning and/or waste shipment.

Measure of success: CNL's decommissioning activities for 2015-16, as specified in its Annual Program of Work and Budget, are delivered.

3. Begin aligning CNL science and technology activities with the Federal Nuclear Science and Technology Workplan.

Measure of success: CNL contributes to the development of the Federal Nuclear Science and Technology Workplan.

Looking to the Future: Objectives and Plans for the Next 2-5 Years (2016-17 to 2019-20)

AECL's longer term objectives are anchored around its missions and the objectives of the restructuring.

Decommissioning and Waste Management

Priority for 2016-17 and Beyond: Fulfill Canada's Radioactive Waste and Decommissioning Responsibilities

AECL carries an important radioactive waste and decommissioning liability, which is the result of decades of nuclear activities at its sites. This liability represents the estimated costs of cleaning-up existing waste areas as well as safely demolishing contaminated buildings and facilities. AECL's objective is to address hazards in order to reduce risks and costs for Canada.

AECL is also responsible for fulfilling Canada's responsibilities with respect to historic waste at sites where the original owner no longer exists or cannot be held liable. This includes the clean-up and safe disposal of historic radioactive waste in the municipalities of Port Hope and Clarington, in Ontario.

For the period up to the implementation of the Government-owned, Contractor-operated model, funding to address AECL legacy waste as well as Canada's historic waste will be provided through the Nuclear Legacy Liabilities Program, the Port Hope Area Initiative and the Low-level Radioactive Waste Management Office, led by Natural Resources Canada. Once the contractor is in place, AECL will receive Parliamentary appropriations directly to fund these activities.

CNL will deliver this work on behalf of AECL, first as AECL's wholly-owned subsidiary and subsequently as a private-sector organization (once the Government-owned, Contractor-operated model is in place). At that point, CNL will be bringing to bear the experience and expertise of the selected private-sector contractor as well as its parent companies to reduce hazards in a safe, timely and cost effective manner. The objective will be to optimize work and increase efficiencies and effectiveness, including taking action to address risks sooner and advancing the commissioning of waste disposal facilities in order to reduce the long-term costs of maintenance and surveillance.

AECL will oversee the work of CNL, set long term priorities, accept CNL's plans and deliver value for money for Canadians in order to safely and efficiently reduce the Government of Canada's liabilities, including associated risks to health, safety, security and the environment. Areas of focus for AECL will include the transformation of CNL's decommissioning and waste management organization, with a focus on delivering projects on time and on budget, the safe packaging of hazardous, radiological and legacy waste into approved waste containers, and the storage of containers in engineered facilities for long term disposal and surveillance. AECL will also look to CNL to train and, as appropriate, reskill, personnel to enable the retention of critical knowledge and capabilities, which will enable future decommissioning and environmental restoration projects in Canada.

Work will be focussed along five project areas:

1. *General Decommissioning and Waste Management*: Captures all waste and decommissioning activities to address AECL's legacy waste at its Chalk River Laboratories, including funding received through Natural Resources Canada's Nuclear Legacy Liabilities Program. Once the Government-owned, Contractor-operated model is in place, AECL will receive direct funding to address its responsibilities, and the Nuclear Legacy Liabilities Program will cease to exist.

2. *Port Hope Area Initiative*: Encompasses all activities associated with the initiative to clean up historic low-level radioactive waste situated in the municipalities of Port Hope and Clarington, Ontario. Funding will be provided by Natural Resources Canada up to the implementation of the Government-owned, Contractor-operated model, after which point AECL will be directly responsible for delivering on the Government's commitments with respect to the Port Hope Area Initiative and will receive direct funding to do so. The work in this regard will be performed by CNL pursuant to the Government-owned, Contractor-operated model.
3. *Low-level Radioactive Waste Management Office*: Includes all activities to address and manage historic low-level waste at sites in Canada for which the Government has assumed responsibility (excluding the Port Hope Area Initiative). As per the Port Hope Area Initiative above, funding will be provided by Natural Resources Canada up to the implementation of the Government-owned, Contractor-operated model, after which point AECL will be directly responsible for delivering on the Government's commitments with respect to the Low-level Radioactive Waste Management Office and will receive direct funding to do so.
4. *Closure of the Nuclear Power Demonstration Reactor site*: Captures the activities to decommission the Nuclear Power Demonstration facility located in Rolphton, Ontario. Funding for these activities will be provided by Natural Resources Canada's Nuclear Legacy Liabilities Program. Once the Government-owned, Contractor-operated model is in place, AECL will receive direct funding to address its responsibilities, and the Nuclear Legacy Liabilities Program will cease to exist. All activities related to the decommissioning of the Nuclear Power Demonstration reactor will then be delivered under a target-cost contractual arrangement with CNL.
5. *Closure of the Whiteshell Laboratories*: Includes all activities to decommission and close the Whiteshell Laboratories site located in Pinawa, Manitoba. Funding for these activities will be provided by Natural Resources Canada's Nuclear Legacy Liabilities Program. Once the Government-owned, Contractor-operated model is in place, AECL will receive direct funding to address its responsibilities, and the Nuclear Legacy Liabilities Program will cease to exist. All activities related to the decommissioning of the Whiteshell Laboratories will then be delivered under a target-cost contractual arrangement with CNL.

Furthermore, CNL will continue to provide services to third parties for the handling, storage and disposal of radioactive waste, for example waste from hospitals and universities. These activities are delivered on a full cost-recovery basis and do not require government funding.

Measure of success: AECL will measure its success during this planning period through the advancement of the decommissioning and waste management program, including demonstrable changes such as:

1. Construction of a Radioactive Waste Management Facility at its Chalk River site will have begun.
2. The long-term radioactive waste management facility for the Port Granby Project (part of the Port Hope Area Initiative) will be operational, including having materials placed in the facility.
3. Construction of the long term radioactive waste management facility for the Port Hope Project (part of the Port Hope Area Initiative) will have begun.
4. The operational and environmental risk profile for the Chalk River Laboratories will be reduced.
5. New plans for the decommissioning of the Nuclear Power Demonstration reactor and the Whiteshell Laboratories will have been approved by the regulator.
6. The shipment to the United States of special nuclear materials (e.g. highly-enriched uranium) will have been completed.

Decommissioning and Waste Management Five-Year Projection of Funding Requirements - Cash

(\$ millions)	Actual 2013-14	Budget 2014-15	Plan					5-year Total
			2015-16	2016-17	2017-18	2018-19	2019-20	
Decommissioning and Waste Management								
Total Decommissioning and Waste Management	219	235	231	416	521	582	601	2,350
Revenue	2	2	1	2	1	1	1	6
Federal Funding Requirement	216	233	230	413	520	581	600	2,343

Note minor differences due to rounding.

FY13/14 and FY14/15 has been restated to reflect a full cost presentation by Mission.

Nuclear Laboratories**Priority for 2016-17 and Beyond: Grow CNL's Science and Technology Stature**

The objective is to provide nuclear science and technology in order to sustain and develop Canada's capabilities in a cost-effective manner. CNL will focus activities under two streams: 1) delivering the Federal Nuclear Science and Technology Workplan, and, 2) providing technical services and research and development products for third parties on a commercial basis. CNL will also operate the National Research Universal reactor until March 31, 2018, as announced by the Government in February 2015.

Federal Nuclear Science and Technology Work Plan

AECL will oversee the delivery of the Federal Nuclear Science and Technology Work Plan in order to support the Government's priorities and core responsibilities in areas such as nuclear safety, security, non-proliferation, counter-terrorism, energy, health, environmental protection, and emergency response. AECL will work with federal departments and agencies to develop a program of work that meets broad federal needs and priorities while ensuring value for money for Canada.

Focus will be placed on five research themes and activities: (1) supporting the development of biological applications and understanding the implications of radiation on living things, (2) enhancing national and global security by supporting non-proliferation and counter-terrorism, (3) nuclear preparedness and emergency response, (4) supporting safe, secure and responsible use and development of nuclear technologies, and (5) supporting environmental stewardship and radioactive waste management.

Science and technology for commercial purposes

CNL will continue to provide commercial services to third parties. Once the Government-owned, Contractor-operated model is in place, CNL will be expected to grow commercial margin in order to both build nuclear science and technology stature and to reduce overall site and overhead costs for Government as these will be shared across a broader base of users.

Clients include Canadian and international private industry, academia, and non-federal public institutions and organizations. Commercial science and technology is undertaken at least on a full cost recovery basis and as such does not require government funding.

National Research Universal Reactor

CNL will continue to safely operate the National Research Universal reactor until March 2018. This includes performing research activities as well as producing medical and industrial isotopes. The routine production of the key medical isotope molybdenum-99m (Mo-99) will cease in October 2016, consistent with the Government's medical isotope strategy. However, as announced in February 2015, the reactor will retain the capacity to produce Mo-99 until March 2018, to be used only in the unexpected circumstance where worldwide production is not sufficient to meet demand. After March 2018, the reactor will be put in a safe shutdown state.

Measure of success:

Federal roles and responsibilities with respect to nuclear science & technology continue to be served and expectations for delivery of projects are exceeded.

The commercial science & technology business line has leveraged CNL's capabilities to meet the needs of industry (nuclear and beyond) and has consequently improved commercial margin.

The National Research Universal reactor will be safely managed through the transition from full operation to a safe shut down. The reactor workforce has transitioned to new opportunities through the 'retain, retrain and redeploy' program.

Priority for 2016-17 and Beyond: Transform the Operations of CNL

The objective is to leverage the expertise brought about by the private-sector contractor to transform CNL's operations to increase efficiencies at the site and increase value for money. This includes reviewing existing processes and procedures to ensure safety, efficiency and effectiveness in day-to-day operations. AECL will be looking to CNL's new management to right-size the organization to ensure that resources are properly allocated, with resource retrained and redeployed to priority areas.

Measure of success: CNL's operations will be more efficient, as based on its 5 and 10 years integrated plans (which will be accepted by AECL) and evidenced by:

1. The implementation of a fully integrated performance baseline (as per the American National Standard Institute's standard 748-c for earned value management systems).
2. The transformation of work effectiveness (the ratio of indirect to direct site costs).
3. Improved safety, security and environment posture, as evidenced by improved metrics for lost-time injuries and site events (safety, security or environmental).

Nuclear Laboratories Five-Year Projection of Funding Requirements – Cash

(\$ millions)	Actual 2013-14	Budget 2014-15	Plan					5-year Total
			2015-16	2016-17	2017-18	2018-19	2019-20	
Nuclear Laboratories								
Total Nuclear Laboratories	441	441	520	531	544	481	446	2,522
Revenue	115	84	98	61	69	63	58	349
Federal Funding Requirement	327	357	422	470	475	418	388	2,173

Note: Minor differences due to rounding.

The anticipated decreased revenue shown in the above table is due in part to an anticipated decline in sales of heavy water, as well as the end of the routine production of the key medical isotope molybdenum-99m from the National Research Universal (NRU) reactor in October 2016, and the permanent shutdown of the reactor in March 2018. This is expected to lead to decreased revenues starting in 2016-17 and going into 2017-18. As noted above, this is consistent with the Government's medical isotope strategy, and the reactor will retain the capacity to produce Mo-99 until March 2018, to be used only in the unexpected circumstance where worldwide production is not sufficient to meet demand.

Generally speaking, AECL anticipates that CNL, under the new management, will increase overall revenues in the area of S&T. However, in the absence of specific plans, revenue projections are based on current plans as past experience. It is expected that revenue projections will be revised in the 2016-17 Corporate Plan Summary to reflect CNL's new plans for transformation and increased commercial activities.

Other Areas of Focus

AECL will also continue to address outstanding obligations arising from its CANDU Reactor Division (discontinued commercial operations), the assets of which were sold in October 2011. This includes the commercial and legal work required to defend, assert and settle outstanding claims as delivered by the Wrap-up Office. AECL will also continue to manage its outstanding obligations related to the life extension projects through its subcontractor, Candu Energy Inc.

Annex A – Consolidated Financial Statements

This section presents AECL's financial statements, which includes payments to CNL for the period during which CNL will be AECL's wholly-owned subsidiary, as well as the subsequent period when CNL will be a private-sector organization under contract with AECL.

The financial statements reflect the implementation of a new reporting structure that is aligned with AECL's mandate as well as the contractual structure of the Government-owned, Contractor-operated model, which is expected to be implemented in the Summer of 2015.

Under the new Government-owned, Contractor-operated model, AECL will receive funding from the Government of Canada to deliver on commitments, priorities and objectives related to nuclear science and technology, decommissioning and waste management, as well as the revitalization of the Chalk River Laboratories site. CNL will manage and operate AECL's sites and deliver the necessary activities to respond to AECL priorities as per a contractual arrangement with AECL. Any revenues third-party revenues that CNL generates will accrue to AECL (as per a principal/agent relationship).

For part of the 2015-16 fiscal year, AECL will receive funding from Natural Resources Canada for the delivery of the Nuclear Legacy Liabilities Program, the Port Hope Area Initiative and the Low-level Radioactive Waste Management Program, all of which address historic and legacy radioactive waste at AECL and other Government of Canada sites. Once the Government-owned, Contractor-operated model is implemented, AECL will receive direct funding to implement all activities related to decommissioning and waste management and will assume oversight of the decommissioning mission to ensure that its decommissioning and waste management liabilities are addressed effectively. AECL will also take over the liability related to the Port Hope Area Initiative, which is currently held by Natural Resources Canada. Funding projections reflect the anticipated cost to address the historic and legacy radioactive waste liabilities over the planning period.

Other notable changes during the planning period include the shutdown of the National Research Universal reactor in March 2018 as well as the end of the routine production of the key medical isotope Mo-99 in October 2016.

It is anticipated that once the Government-owned, Contractor-operated model is in place, the private-sector contractor will review all plans and propose changes to increase efficiencies and achieve AECL objectives, including the revitalization of the Chalk River Laboratories. As such, funding profiles may change once plans are accepted by AECL. This will be reported in subsequent Corporate Plans.

Government of Canada Funding

As presented in the previous section, AECL delivers on important priorities of the Government with respect to nuclear science and technology and decommissioning and waste management. The Government is also investing in the renewal of the Chalk River Laboratories to ensure safe and reliable operations, as well as infrastructure that is necessary to sustain, develop, apply and build science and technology capabilities in a cost effective manner. Government funding includes funding for capital investments, however, that funding is deferred and recognized coincident with the amortization of the related assets.

Furthermore, the Government provides funding to AECL to address outstanding obligations arising from its CANDU Reactor Division (discontinued commercial operations).

Consolidated Statements of Comprehensive Funding/Revenue – Cash

(\$ millions)	Actual 2013-14	Budget 2014-15	Plan					5-year Total
			2015-16	2016-17	2017-18	2018-19	2019-20	
AECL								
Parliamentary Appropriations/ Funding	545	501	605	843	966	990	988	4,391
Revenue	155	131	144	104	99	73	59	478
Total AECL	700	631	749	947	1,065	1,062	1,047	4,869
Discontinued Operations								
Parliamentary Appropriations/ Statutory Funding	34	36	–	–	–	–	–	–
Total Funding/Revenue	734	667	749	947	1,065	1,062	1,047	4,869

Note: Minor differences due to rounding.

Consolidated Statements of Comprehensive Income (Loss) – Accrual

(\$ millions – accrual)		Actual	Budget	Plan					5-year Total
				2013-14	2014-15	2015-16	2016-17	2017-18	
Revenue	¹	130	141	107	68	70	64	59	367
Cost of sales	²	72	84	59	37	38	35	32	202
Gross Margin		58	57	48	30	31	29	26	165
Other funding	³	194	209	–	–	–	–	–	–
Operating expenses	⁴	310	393	13	17	17	17	17	81
Contractual expenses	⁵	–	–	312	327	332	273	241	1,485
Operating loss		(59)	(126)	(277)	(314)	(318)	(261)	(231)	(1,401)
Financial income	⁶	7	6	7	6	3	2	2	20
Financial expenses	⁷	210	220	207	199	194	188	181	968
Net loss before Parliamentary appropriations and Revaluation gain (loss) on decommissioning and waste management provision and other		(262)	(339)	(476)	(507)	(509)	(448)	(410)	(2,350)
Parliamentary appropriations	⁸	288	221	464	689	806	830	828	3,616
Net income (loss) before Revaluation gain (loss) on decommissioning and waste management provision and other		26	(118)	(11)	182	296	382	417	1,267
Revaluation gain (loss) on decommissioning and waste management provision and other	⁹	231	(2,186)	–	–	–	–	–	–
Net income (loss) from continuing operations before discontinued operations		257	(2,304)	(11)	182	296	382	417	1,267
Operating (loss) income from discontinued operations		(99)	4	(13)	(7)	(3)	–	–	(23)
(Loss) income from discontinued operations before Parliamentary appropriations		(99)	4	(13)	(7)	(3)	–	–	(23)
Parliamentary appropriations for discontinued operations		34	36	–	–	–	–	–	–
Net (loss) income from discontinued operations		(65)	40	(13)	(7)	(3)	–	–	(23)
Net income (loss)		192	(2,264)	(24)	175	293	382	417	1,244
Other employee benefit plan actuarial (loss) gain		–	(1)	–	–	–	–	–	–
Comprehensive income (loss)		192	(2,265)	(24)	175	293	382	417	1,244

¹ Revenue for the 5 year plan has been adjusted for heavy water cash proceeds (China and Bruce lease) as these sales have been recorded previously.

² Assumed Margin of 45%

³ Commencing with FY15/16, Other funding will be provided directly to AECL through Parliamentary appropriations.

⁴ These amounts represent AECL's operating expenses.

⁵ Contractual expenses include payments to CNL and contractor.

⁶ Financial income includes interest earned on investments held in trust for plan years.

⁷ Financial expenses represent the accretion expense on the decommissioning and waste management provision.

⁸ Parliamentary appropriations include funding requirements less capital.

⁹ The Revaluation gain (loss) on decommissioning and waste management provision and other represents interest rate adjustments to the provision.

Condensed Consolidated Balance Sheets – Accrual

(\$ millions)	Actual 2013-14	Budget 2014-15	Plan				
			2015-16	2016-17	2017-18	2018-19	2019-20
Assets							
Current							
Cash	82	45	30	23	20	20	20
Trade and other receivables	188	63	40	40	40	40	40
Current portion of long-term receivables	24	31	33	28	7	–	–
Inventory	26	26	7	7	7	7	7
	320	165	110	98	74	67	67
Non Current							
Long-term receivables	81	69	36	7	–	–	–
Long-term disposal of radioactive waste fund	–	–	6	7	19	31	43
Investments held in trust	44	48	50	53	56	59	62
Heavy water inventory	305	221	213	211	209	207	205
Property, plant and equipment	345	417	566	730	886	1,042	1,198
Total Assets	1,095	920	981	1,106	1,244	1,406	1,575
Liabilities							
Current							
Trade and other payables	104	118	96	90	101	111	116
Customer advances and obligations/Provisions	165	23	15	15	15	5	5
Current portion DWM provisions	215	230	231	299	285	350	372
	484	370	342	404	401	466	493
Non Current							
Decommissioning and waste management provision	7,535	9,745	9,699	9,426	9,125	8,679	8,249
Deferred capital funding	303	372	521	685	841	997	1,153
Deferred decommissioning and waste management funding	196	221	245	270	288	294	294
Employee benefits	37	29	37	34	33	32	31
Total Liabilities	8,555	10,737	10,843	10,818	10,688	10,467	10,220
Shareholder's deficit							
Share capital	15	15	15	15	15	15	15
Contributed capital	235	208	186	161	136	136	136
Deficit	(7,710)	(10,040)	(10,063)	(9,888)	(9,595)	(9,212)	(8,796)
	(7,460)	(9,817)	(9,862)	(9,712)	(9,444)	(9,061)	(8,645)
Total Liabilities & Shareholder's Deficit	1,095	920	981	1,106	1,244	1,406	1,575

Note: Minor differences due to rounding.

Long-term receivables primarily relate to the Qinshan heavy water sale-type lease, which is payable to AECL over the lease period. AECL will, consistent with past practice, continue to utilize heavy water proceeds received throughout the plan period to fund operations and to report the proceeds as deferred decommissioning funding.

The decommissioning and waste management provision represents the future obligation to address waste management and decommissioning liabilities. The liability is expressed in terms of the net present value of future expenditures required to discharge the obligation. AECL's Decommissioning and Site Remediation provision is adjusted annually to reflect progress to date, new estimates as they become available and new waste liabilities arising from ongoing CNL operations.

Commencing in 2015-16, funding/revenues received each year related to new waste disposal liabilities will be segregated in a separate account to provide the funding required to address these disposal liabilities in the future. The year-over-year change in this account represents the increase in the net present value with the passage of time offset partially by reduction in the liability from the spending incurred each year.

The use of International Financial Reporting Standards (IFRS) requires that the liability be re-valued quarterly using the spot interest rate in effect at the quarter end. This can result in significant increases in the value of the liability but does not represent a current cash flow requirement from the Government. The above projections do not attempt to capture the impact of potential future interest rate changes will have on the reported liability.

Deferred Waste Funding is the proceeds of the long-term receivable pertaining to the heavy water lease, as noted above. Deferred capital funding is the amount of past federal funding received in the past for capital items that have yet to be amortized.

Condensed Consolidated Cash Flow Statements – Accrual

(\$ millions – accrual)	Actual 2013-14	Budget 2014-15	Plan					5-year Total
			2015-16	2016-17	2017-18	2018-19	2019-20	
Operating Activities								
Net Cash Flow Before Revenue & Funding	(577)	(584)	(610)	(793)	(905)	(902)	(887)	(4,097)
Revenue	155	131	144	104	99	73	59	478
Funding/Parliamentary Appropriations	545	501	605	843	966	990	988	4,391
Discontinued Operations Net Cash Flow Before Funding	(17)	(28)	(13)	(7)	(3)	–	–	(23)
Discontinued Operations Parliamentary Appropriations	34	36	–	–	–	–	–	–
	140	55	126	147	157	160	160	749
Investing Activities								
Acquisition of Capital Assets	(83)	(92)	(141)	(154)	(160)	(160)	(160)	(775)
	(83)	(92)	(141)	(154)	(160)	(160)	(160)	(775)
Net Cash Flow	57	(37)	(15)	(7)	(3)	–	–	(25)
Beginning Cash	25	82	45	30	23	20	20	
Ending Cash	82	45	30	23	20	20	20	

Note: Minor differences due to rounding.
Numbers are presented on a cash flow basis.

The projected positive cash flows for the Discontinued Operations – Wrap Up Office are the result of funding received to address liabilities that were recognized in previous periods.

Annex B – 2015–16 Operating Budget

Revenue and Net Income – Accrual

<i>(\$ millions)</i>	Actual 2013-14	Budget 2014-15	Plan 2015-16
Revenue	130	141	107
Cost of sales	72	84	59
Gross Margin	58	57	48
Other funding	194	209	–
Operating expenses	310	393	13
Contractual expenses	–	–	312
Operating loss	(59)	(126)	(277)
Financial income	7	6	7
Financial expenses	210	220	207
Net loss before Parliamentary appropriations and Revaluation gain (loss) on decommissioning and waste management provision and other	(262)	(339)	(476)
Parliamentary appropriations	288	221	464
Net income (loss) before Revaluation gain (loss) on decommissioning and waste management provision and other	26	(118)	(11)
Revaluation gain (loss) on decommissioning and waste management provision and other	231	(2,186)	–
Net income (loss) from continuing operations before discontinued operations	257	(2,304)	(11)
Operating (loss) income from discontinued operations	(99)	4	(13)
(Loss) income from discontinued operations before Parliamentary appropriations	(99)	4	(13)
Parliamentary appropriations for discontinued operations	34	36	–
Net (loss) income from discontinued operations	(65)	40	(13)
Net income (loss)	192	(2,264)	(24)
Other employee benefit plan actuarial (loss) gain	–	(1)	–
Comprehensive income (loss)	192	(2,265)	(24)

Note: Minor differences due to rounding.

Government of Canada Planned Funding - Operating - Cash

(\$ millions)	Actual 2013-14	Budget 2014-15	Plan					5-year Total
			2015-16	2016-17	2017-18	2018-19	2019-20	
AECL								
Decommissioning and waste management	216	233	230	413	520	581	600	2,343
Nuclear Laboratories	244	265	281	316	315	258	228	1,399
Total Government Funding AECL - Operating	460	498	511	730	835	839	828	3,742
Discontinued Operations - Wrap Up Office	34	36	-	-	-	-	-	-
Funded through Heavy Water Proceeds	42	48	47	41	29	9	-	126
Adjusted Overhead Allocation	44	(42)	-	-	-	-	-	-
Consolidated Government Funding	496	445	464	689	806	830	828	3,616

Note minor differences due to rounding.

Cash Flow – Cash

(\$ millions)	Actual 2013-14	Budget 2014-15	Plan 2015-26
Operating Activities			
Net Cash Flow Before Revenue & Funding	(577)	(584)	(610)
Revenue	155	131	144
Funding/Parliamentary Appropriations	545	501	605
Discontinued Operations Net Cash Flow Before Funding	(17)	(28)	(13)
Discontinued Operations Parliamentary Appropriations	34	36	-
	140	55	126
Investing Activities			
Acquisition of Capital Assets	(83)	(92)	(141)
	(83)	(92)	(141)
Net Cash Flow	57	(37)	(15)

Note: Minor differences due to rounding.
Numbers are presented on a cash flow basis.

Annex C – Capital Budget for 2015–16

AECL's Capital Plan is based on CNL's current Integrated Site Master Plan, which has been developed from CNL's assessment of infrastructure needs, including consideration for health, safety, security and environmental risks, current facility conditions, regulatory requirements and business needs. As per the Interim Services Agreement between AECL and CNL, as well as the contractual agreement that will be in place once the Government-owned, Contractor-operated model is implemented, CNL operates and manages AECL's sites, facilities and assets. As a result, all investments are meant to renew and revitalize the Chalk River site to address deficiencies created by reduced level in capital investment from previous years, as assessed by CNL and approved by AECL.

Once the Government-owned, Contractor-operated model is implemented, it is expected that CNL's Integrated Site Master Plan will be revised to reflect new priorities and plans, which will be approved by AECL. As such the further details will be available in future Corporate Plans.

The Capital Plan is meant to address two main areas of focus:

1. Municipal Infrastructure – Immediate investments required to renew existing and ageing municipal-like infrastructure systems and facilities at the Chalk River Site, such as potable water, storm sewer, sewage and electrical. These are necessary to respond to regulatory and health, safety, security and environmental requirements, as well as to maintain overall site operational capability.
2. Ongoing Recapitalization – Consistent with industry best practices, these investments are part of a longer-term plan to recapitalize the site and align capabilities with business needs.

Government of Canada Funding – Capital – Cash

(\$ millions)	Actual 2013-14	Budget 2014-15	Plan					5-year Total
			2015-16	2016-17	2017-18	2018-19	2019-20	
AECL								
Capital	83	92	141	154	160	160	160	775
Total Government Funding - Capital	83	92	141	154	160	160	160	775

Note: Minor differences due to rounding.

Annex D – Corporate Governance

As AECL transitions to the Government-owned, Contractor-operated model, its governance and organizational structure will transition from one of direct ownership of CNL to one of providing oversight of the contract with a private-sector contractor for the management and operation of CNL. This section further describes that transition.

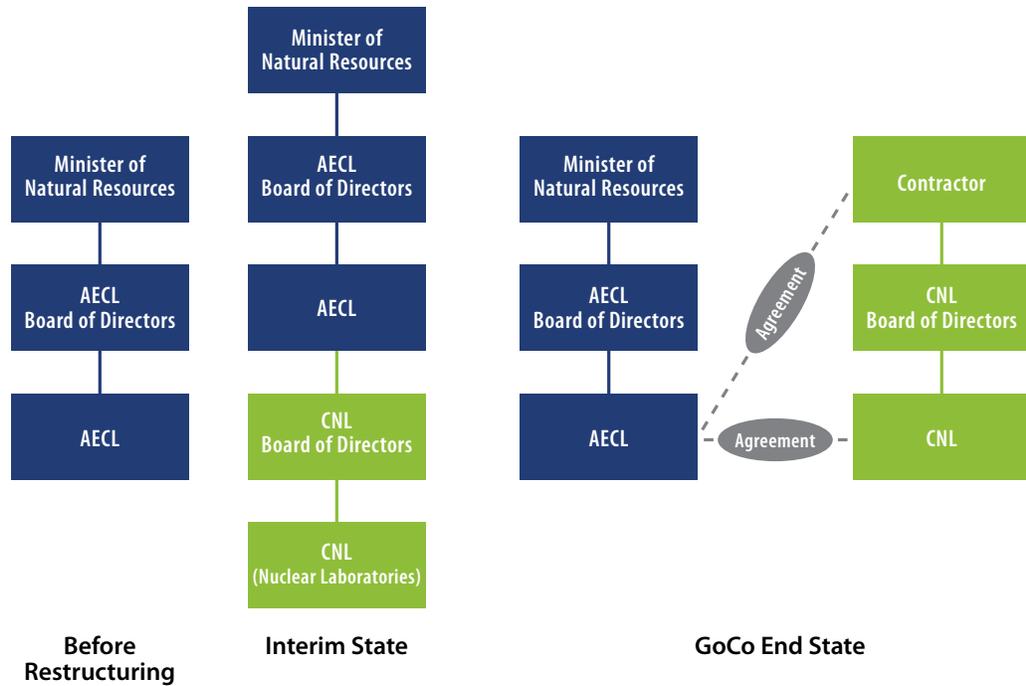
Transition to the Government-owned, Contractor-Operated Model

Once implemented, the Government-owned, Contractor-operated model will fundamentally change the governance structure of AECL, whereby AECL will assume a new role to oversee a long-term contractual arrangement with a private-sector contractor for the management and operation of CNL. AECL's mandate and priorities will be delivered by CNL, and AECL will drive performance through financial performance incentives.

To achieve this, the organization is being transitioned in phases. The first phase, completed in November 2014, consisted of creating and operationalizing CNL as a wholly-owned subsidiary of AECL. Through an internal reorganization, virtually all of AECL's employees were transferred to CNL and all of the necessary licences, permits and other authorizations were transferred to CNL, allowing it to become the operator of the nuclear laboratories. Since that time, CNL has been responsible for the operation and management of the nuclear laboratories and the employer of the workforce. AECL's role during this period is to oversee the work of CNL while it is its wholly-owned subsidiary, as well as to prepare for the implementation of the Government-owned, Contractor-operated model by building AECL from the ground-up, hiring the proper experts and putting in place policies, processes and procedures that will allow it to assume its new role.

Once a private-sector contractor is selected, the shares of CNL will be transferred to it and CNL will become a private-sector organization. AECL will then assume its new oversight role and will be responsible to ensure value for money and the achievement of its priorities through the contractual arrangement with CNL. As a private-sector organization, CNL will be responsible for delivering on its obligations as per the contractual arrangement with AECL. It is expected that the contractor will appoint a new senior management team within CNL to effect change and bring the private-sector rigour and efficiencies that were sought by government through this restructuring. This governance transition, including the interim state, is depicted in the figure below.

AECL's Executive Governance Structure and Transition to the Government-owned, Contractor-operated model



AECL's Internal Governance Structure

Board of Directors

AECL is governed by a Board of Directors which provides strategic direction and advice to the President and Chief Executive Officer. The Board, through its Chair, receives direction from the Corporation's single Shareholder, the Government of Canada, as represented by the Minister of Natural Resources. It is accountable to Parliament through the Minister of Natural Resources.

As at March 2015, the Board currently consists of five Directors who represent the Canadian business and science and technology communities, as well as the Chief Transition Officer, for a total of six members. AECL's Directors, the Chair of the Board and the President and CEO (position currently vacant) are appointed by the Government of Canada by Order-in-Council. A list of Board members as at March 2015, along with their term expiry date, is presented below.

Peter Currie

Appointed Chair of the Board, October 201

Appointed as Member of the Board, July 2008

Reappointed January 2015 – ending December 2015

Current directorships include VIXS Systems Inc., and Director of Kemptville District Hospital. Former Executive Vice-President and Chief Financial Officer of Nortel Networks Corporation; Vice-Chairman and Chief Financial Officer for the Royal Bank of Canada and Executive Vice-President and Chief Financial Officer at North American Life Assurance Company. Former member of the Board of Governors and Executive Committee of York University and of the Board of York University Development Corp. Former Board Chair of Symcor Inc. and Director of Toronto East General Hospital, C.D. Howe Institute, Affinion Group Inc., Quinte Healthcare Inc., Arise Technologies Corp. Intelius Inc., and Canadian Tire Corporation Limited. Named Canada's CFO of the Year in 2003 by PricewaterhouseCoopers, Financial Executives International Canada and The Caldwell Partners International. Holds a bachelor Degree of Economics and an MBA from York University.

Committees: Audit and Human Resources & Governance

Dr. Claude Lajeunesse

Appointed to Board, March 2005

Reappointed January 2015 – ending December 2015 (incumbent directors continue in office until their successors are appointed)

Former Chair of the Board for the Green Aviation Research & Development Network; President and CEO of the Aerospace Industries Association of Canada and the Association of Universities and Colleges of Canada; President and Vice Chancellor of Concordia University in Montreal and Ryerson University in Toronto. Past Board member of TD Insurance; Canada Science and Technology Museums Corporation Foundation; SOFINOV (Caisse de dépôt et placement du Québec) and of the Toronto East General Hospital. Holds a PhD in nuclear engineering from Rensselaer Polytechnic Institute in New York.

Committees: Human Resources & Governance (Chair)

Gregory Josey

Appointed to Board, March 2013

Reappointed January 2015 – ending December 2015 (incumbent directors continue in office until their successors are appointed)

Former Vice President, Finance, and Chief Financial Officer at McNeil Consumer Healthcare, Johnson & Johnson Inc., and Johnson & Johnson – Merck Consumer Pharmaceuticals; Officer and Director of Johnson & Johnson Inc. Canada; Chair of Johnson & Johnson Canadian CFO Council and member of the Ontario CNIB Advisory Board. Holds an H.B.B.A. from Wilfred Laurier University and is a Chartered Professional Accountant.

Committees: Audit (Chair)

Bob Hamilton

Appointed to Board December 2014 – ending December 2015 (incumbent directors continue in office until their successors are appointed)

Deputy Minister, Natural Resources Canada. Former Deputy Minister of the Environment; Former Senior Associate Secretary of the Treasury Board and Lead on the Canada-United States Regulatory Cooperation Council; Former Associate Deputy Minister of the Environment; Former Associate Secretary of the Treasury Board. Occupied senior positions at Finance Canada, including Senior Assistant Deputy Minister of the Tax Policy Branch and Assistant Deputy Minister of Financial Sector Branch. Holds a Bachelor of Arts (Economics) and Masters of Economics from the University of Western Ontario.

James Hall

Appointed to Board August 2013

Reappointed December 2014 – ending December 2015 (incumbent directors continue in office until their successors are appointed)

Vice President of Callidus Capital Corporation. President and CEO of James Hall Advisors Inc. Current governance – a director of Immunovaccine Inc. and a trustee of an OMERS Trust. Former Chairman and Chief Executive Officer of Journal Register Company, Senior Vice President & Chief Investment Officer of Working Ventures Canadian Fund Inc., and Senior Vice President of Lloyds Bank Canada. A Chartered Accountant, Mr. Hall holds an H.B.A. from the Richard Ivey School of Business at Western University.

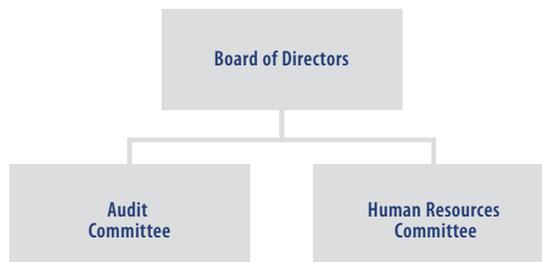
Committees: Audit and Human Resources & Governance

There are two committees that support the Board: the Audit Committee and the Human Resources and Governance Committee. The Audit Committee has a mandate to oversee the independent auditors, direct the internal audit function and assess the adequacy of AECL's business systems, practices and financial reporting, in accordance with the *Financial Administration Act*. The Audit Committee meets with management, the internal auditor and independent auditors on a regular basis to discuss significant issues and audit findings, in accordance with their mandate. The independent auditors and internal auditor have unrestricted access to the Audit Committee, with or without management's presence.

The Audit Committee ensures that the development of the Corporate Plan is in alignment with the direction provided by the Board, and reviews the Plan before it is reviewed and approved by the Board of Directors and submitted to the Minister of Natural Resources.

The Human Resources and Governance Committee oversees the areas of human resources, organizational health and safety, including nuclear safety, security, environment and corporate governance.

Board of Directors and its Committee Structure

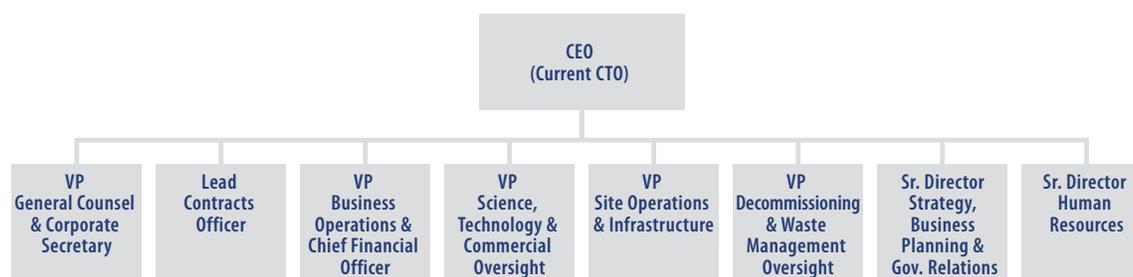


For the period of time where CNL is operating as a wholly-owned subsidiary of AECL, CNL has its own Board of Directors which has been appointed by the Board of Directors of AECL (as CNL's parent Crown corporation). To ensure consistency and alignment of strategy during this period, CNL's Board of Directors is composed of the same members as AECL's Board. Once the shares of CNL are transferred to the selected private-sector contractor, it is expected that the new owner will appoint CNL's Board of Directors.

Executive Management

To lead AECL during the transition period, a Chief Transition Officer has been appointed and is responsible for building AECL as it prepares for its new role. The Chief Transition Officer is directly accountable to the Board of Directors. All direct reports to the CEO/CTO of AECL are appointed by the Board through the Human Resources and Governance Committee on the recommendation of the Chief Transition Officer or, once a President and CEO is appointed, by him or her. Each of the CEO direct reports is accountable for specific areas of business and operations as approved by the Chief Transition Officer (and President and CEO, as appropriate) endorsed by the Board's Human Resources and Governance Committee.

AECL's Executive Management Structure



As noted in the risk section of the Corporate Plan, AECL recognizes the importance of its small, expert-based staff in ensuring the success of the organization and that of the Government-owned, Contractor-operated model. As part of this, it will be looking for the Government to appoint a President and CEO as well as a Chair and Directors of the Board to help it deliver on its new oversight role. In the meantime, AECL's Chief Transition Officer will be leading the organization through the transition and into the implementation of the Government-owned, Contractor-operated model. Similarly, the Directors of the Board will continue in office until such time as their successors are appointed.

Annex E – Implementation of the Directive On Travel, Hospitality, Conference and Event Expenditures

AECL has been working to align its travel, hospitality, conference and event expenditures policies, guidelines and practices with those of the Treasury Board Secretariat (including the Directive on Travel, Hospitality, Conference and Event Expenditure, the 'Directive') in a manner that is consistent with its legal obligations.

All of AECL's policies were reviewed and were found to be mostly already compliant with the Directive, with only minor changes required to ensure full compliance. In 2015-16, AECL will be making the necessary adjustments to bring its policies in line with the Directive. This will include an amalgamation of the travel policy for employees and that for executives. It is expected that a separate policy will remain for Board members, which will be compliant with the Directive and aligned to Treasury Board policy.

Other planned changes include the modification of approval authority levels for travel and hospitality, updates to travel forms and the alignment of travel categories. All changes will be reviewed by management and approved by the Board of Directors.

AECL will also implement the proactive disclosure of the travel expenditures of its Board members as well as its CEO/President and Vice Presidents on its website. This posting will detail the costs per trip per individual on a quarterly basis and will start at the third quarter of 2015-16. Total travel, hospitality, conference and event expenditures for the organization will be reported through an annual report which will be posted on the company's website, starting with 2015-16 expenditures.

Furthermore, as part of its annual planning process, AECL will establish planned travel and hospitality expenditures for the upcoming fiscal year. Given its reduced size and new role, 2015-16 will serve as a benchmark year to establish planned travel expenditures for following years.

Annex F – AECL'S Radioactive Waste Management Responsibilities and Associated Programs

The purpose of this annex is to provide more detail on AECL's radioactive waste management responsibilities, including information on the current programs which are under the responsibility of Natural Resources Canada, as well as a description of how these responsibilities will transition to AECL under the Government-owned, Contractor-operated model.

Other Current Decommissioning and Waste Management Programs

The objective of decommissioning and waste management programs is to safely and efficiently reduce the Government of Canada's legacy and historic waste liabilities, including associated risks to health, safety, security and the environment. Current programs to achieve this are under the responsibility of Natural Resources Canada, with work being delivered by CNL. This includes:

1. The Nuclear Legacy Liabilities Program – a program created in 2006 to address legacy radioactive waste and decommissioning liabilities at AECL sites, which are the product of more than 60 years of nuclear research and development carried out on behalf of Canada. This work addresses AECL's \$7.5B nuclear legacy liabilities at its Chalk River Laboratories site (Ontario), Whiteshell Laboratories (Manitoba), Nuclear Power Demonstration reactor (Ontario), Douglas Point reactor (Ontario) and Gentilly-1 (Québec), as based on a 70-year plan.

Key activities under the Nuclear Legacy Liabilities Program include decommissioning outdated research facilities and associated infrastructure, improving the management of legacy wastes, carrying out care and maintenance activities to maintain liabilities in a safe state at all AECL sites, and meeting the regulatory requirements of the Canadian Nuclear Safety Commission. The Nuclear Legacy Liabilities Program is also repatriating Highly Enriched Uranium material to the United States, in fulfillment of commitments made by Canada at the 2010 and 2012 Nuclear Security Summits.

2. The Port Hope Area Initiative – a program created in 2001 with the signing of a legal agreement between Canada and the host municipalities to address the federal Government's assumed responsibilities for the cleanup and safe, long-term management of historic low-level radioactive waste in the municipalities of Port Hope and Clarington, Ontario. The Port Hope Area Initiative also includes grant programs, including the Property Value Protection program, to compensate property owners if they experience certain financial losses as a direct result of the activities or planned activities of the Port Hope Area Initiative. This initiative addresses a liability of \$1.1B recorded in the Public Accounts (the liability is recorded by Natural Resources Canada) and subsequent maintenance and monitoring of the closed facilities in the long term.

The Port Hope Area Initiative has two distinct projects: the Port Hope Project and the Port Granby Project. Both projects involve the construction of a long term waste management facility and supporting infrastructure in each community and the subsequent responsibility for these facilities for the long-term. Up to the implementation of the Government-owned, Contractor-operated model, Natural Resources Canada is responsible for the Port Hope Area Initiative and provides funding to AECL for its delivery (with work being done by CNL).

3. The Low-level Radioactive Waste Management Office – was established in 1982 to carry out the federal Government’s assumed responsibilities for the management of historic, low-level radioactive waste across Canada (where the original producer can no longer be held responsible). The program includes information and policy support roles, the recovery of artefacts that contain radioactivity, environmental maintenance and custody programs aimed at providing institutional control at contaminated sites (including in the Greater Toronto Area/Malvern, Northern Transportation route in Alberta and the Northwest Territories, Fort McMurray, Alberta, and Port Hope, Ontario). Similar to the Port Hope Area Initiative, all responsibilities and accountabilities related to the Low-level Radioactive Waste Management Office are currently with Natural Resources Canada, with AECL receiving funding for its delivery.

Decommissioning and Waste Management under the Government-owned, Contractor-operated Model

Once the Government-owned, Contractor-operated model is in place, the Nuclear Legacy Liabilities Program will cease to exist. All responsibilities, authorities and funding for addressing AECL’s decommissioning and radioactive waste liabilities at its sites will be transferred to it (with funding being provided directly through Parliamentary Appropriations, as opposed to transfers from Natural Resources Canada).

Furthermore, with the implementation of the Government-owned, Contractor-operated model, all of Canada’s obligations and responsibilities for the Port Hope Area Initiative, currently with Natural Resources Canada, will be moved to AECL. Specifically, this means that as of the signing of the contract signing with the contractor, AECL will: (1) be responsible for delivering on Canada’s commitments with the municipalities, as detailed in the *2001 Legal Agreement for the Cleanup and the long-Term Safe Management of Low-Level Radioactive Waste Situate in The Town of Port Hope, The Township of Hope, and The Municipality of Clarington*; (2) become the program authority for the Port Hope Area Initiative, and be responsible for all funding and expenditures related to the Port Hope Area Initiative; (3) be responsible for the overall program planning, management and delivery, including the Port Hope Project, the Port Granby Project and the grant programs (these responsibilities will be delivered by CNL as part of the Government-owned, Contractor-operated contract); (4) represent Canada, as a party to the Legal Agreement, within the communities; (5) lead the work with the municipalities to resolve ongoing and future disputes through the established dispute resolution process set out in the Legal Agreement; (6) take over the environmental liabilities associated with the Port Hope Area Initiative projects currently on Natural Resources Canada’s books, and the associated reporting responsibilities; and, (7) take custody of the Port Hope Area Initiative-related federal assets (lands and buildings) that are currently in Natural Resources Canada’s portfolio.

Similarly, with the implementation of the Government-owned, Contractor-operated model, all of Canada’s obligations and responsibilities for the Low-level Radioactive Waste Management Office, currently with Natural Resources Canada, will be moved to AECL. AECL will thus be accountable for Canada’s responsibilities and commitments under the -level Radioactive Waste Management Office, with CNL delivering the work under oversight by AECL as per the contractual arrangement between the two organizations.

The objective of these transfers of responsibilities from Natural Resources Canada to AECL is to leverage the expertise of the private-sector under the Government-owned, Contractor-operated model to safely deliver the necessary decommissioning and waste management work in a much more effective and efficient manner. It is expected that the selected contractor will bring innovative solutions to infrastructure decommissioning, site remediation and waste management, including addressing higher-risk projects early, thereby reducing the associated liability faster in the long term (with related cost avoidance).