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Economic Development Canada

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Canada

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Investment Canada Act

2021-2022

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

Dear Minister:

I am pleased to present you with the Annual Report on the administration of the *Investment Canada Act* for fiscal year 2021-22. This includes information about net benefit reviews other than those for cultural sector investments (which are the responsibility of the Minister of Canadian Heritage) and national security reviews, as well as the changes in policy related to the Act. The Act continues to be an important part of the government's framework to facilitate beneficial foreign investment that contributes to innovation, economic growth and job creation in Canada.

Our approach to the administration of the Act prioritizes transparency and regulatory predictability, and so this year's Annual Report includes not only statistical information but more detailed information on how the Act works. As a result, you will see new information on the net benefit and national security provisions, including additional explanation on the three stages of the national security review process, and filing requirements.

After a significant decrease in the number of total filings last year (associated with COVID-19 economic impacts), fiscal year 2021-22 saw 1,255 filings representing a new all-time high in total number of filings. This is consistent with the overall recovery of the Canadian economy in 2021-22. Not only did the number of filings increase 51.9% over last year, when there were lower investment flows globally, they actually increased 21.6% over two years prior, which was the previous high-water mark for number of filings. Moreover, fiscal year 2021-22 represents a return to the upward trend of increasing filings over time, consistent with investment flows and increased awareness of the ICA regulatory function.

During 2021-22, eight applications for review were approved as being of likely net benefit to Canada. The remaining 1,247 ICA filings were certified notifications; this includes 278 notifications in respect of new businesses established in Canada by non-Canadians.

As always, these filings, as well as additional investments not subject to a filing requirement, were reviewed for potential national security injury. Fiscal year 2021-22 saw a continuation of the trend of more, and longer, extended national security reviews. Of the 24 investments subject to extended reviews, 12 were permitted to be implemented, seven were withdrawn by the investor, and one review is ongoing. We continue to encourage investors to consult investment review division officials and submit filings prior to implementation, particularly where investment proposals include national security risk factors.

We are in an unprecedented period of national security scrutiny of foreign investment, globally, spurred in part by the COVID-19 pandemic, increasing attention to security implications of climate change, disruptions to global supply chains for critical goods and services, and evolving geopolitical considerations. This includes the economic consequences of Russia's war in Ukraine. The government continues to closely monitor the regulatory and risk environment of foreign investment, and to adapt our approach to the administration of Act where required. The Policy Statement on Foreign Investment Review and the Ukraine Crisis published on March 8, 2022 and the recently launched voluntary filing mechanism are two such examples.

I look forward to continuing to support you in the administration of the Act.

Yours sincerely,

Francis Bilodeau
Director of Investments

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Fiscal Year 2021-22 in Numbers¹

Foreign investments and trade encourage innovation and help businesses to grow, creating well-paying jobs and enabling economic growth that benefits all Canadians. The *Investment Canada Act* supports beneficial foreign investments in Canada.

A look at activity under the Act shows two trends: fiscal year 2021-22 marks a return to an increasing number of filings following a decline at the beginning of the pandemic (see Figure 1); and the number of extended national security reviews continues to climb (see Figure 2).

Figure 1. Applications and Notifications, Value and Number

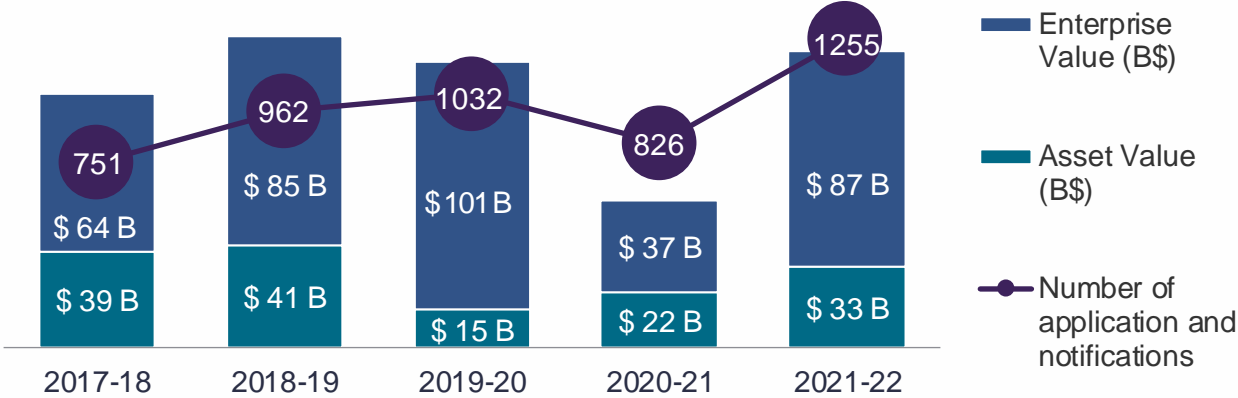
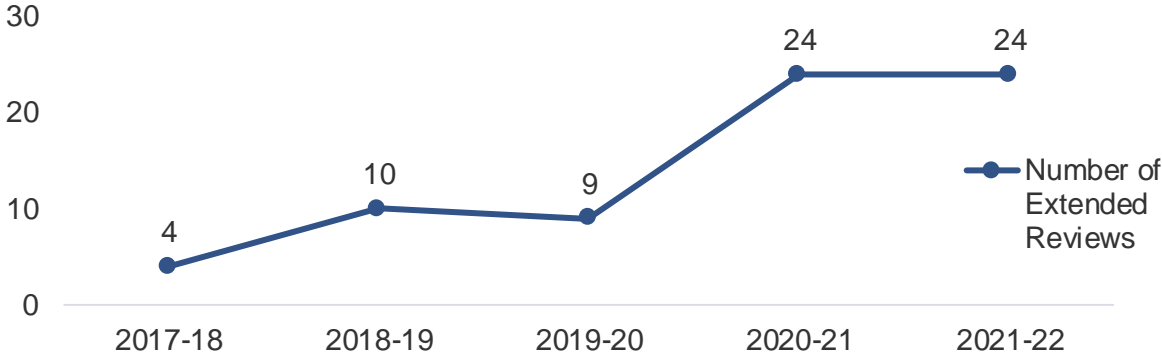


Figure 2. Number of Extended National Security Reviews*



*The number of extended national security reviews is calculated by counting the number of notices issued under section 25.2 plus the number of 25.3 Governor in Council orders made where no notice under section 25.2 was previously issued. For example, in fiscal year 20-21, there were 23 notices under section 25.2 reported, but 24 extended reviews, including one 25.3 Governor in Council order that was not preceded by a 25.2 notice.

¹ This report is for the fiscal year starting April 1, 2021 and ending March 31, 2022 (2021 -2022), and provides information on the administration of the Act related to applications and notifications (except Canadian cultural businesses) and the national security review provisions.

1. Introduction

Foreign investment is important for economic success. Foreign direct investment (FDI) supports new technologies, employment, high paying jobs, and access to markets. The *Investment Canada Act* (ICA or “the Act”) is part of the framework to help ensure Canada is able to attract needed, positive foreign investment. The ICA provides for the review of significant foreign investments for their likely net benefit to Canada. It also provides authority to review investments that could be injurious to Canada’s national security. The Act applies to a broad range of investments; however, only significant acquisitions of control of Canadian businesses by foreign investors are reviewed for their likely net benefit.

This report has been prepared in compliance with section 38.1 of the ICA, which requires the Director of Investments to submit a report on the administration of the Act to the Minister for each fiscal year and which requires the Minister to make the report available to the public.

This report is set out in four sections. The first provides a general overview of the ICA, such as filing and other information requirements, a description of the net benefit and national security review functions and an summary of monitoring and mitigation under the Act. The second section provides a summary of key policy developments. The third section provides a summary of investment activity under the Act, such as the number and value of applications and notifications, and a breakdown by the investor’s country of origin, sector, and target province or territory. The fourth section is a summary of national security activity under the Act, including statistics such as the number of extended reviews and key characteristics of those investments in fiscal year 2021-22.

2. Overview of the Act

Filing Requirements

If you are a non-Canadian, you must file a notification each and every time you commence a new business activity in Canada and each time you acquire control of an existing Canadian business where the transaction is valued below the net benefit review threshold.

An application for net benefit review (application) is required where a non-Canadian directly acquires control of a Canadian business that is valued above the applicable threshold. By filing an application, the investor initiates the statutory timelines of the net benefit review process. Where a proposed investment is subject to net benefit review, the investment may not be implemented without the approval of the Minister responsible for the Act. See Figure 3 for net benefit review thresholds.

Figure 3. 2022 Net Benefit Review Thresholds

Private Sector WTO Investors:
\$1.141 billion in enterprise value

State-Owned WTO Investors:
\$454 million in asset value

Private Sector Trade Agreement Investors:
\$1.711 billion in enterprise value

A notification is required where the Canadian business is valued below the applicable threshold, or where control is being indirectly acquired. A notification must also be filed where the non-Canadian is establishing a new Canadian business.

Pursuant to the Act and its associated Regulations, investments are valued either by “Enterprise Value,” which takes into account the Canadian business’ market value, debt and cash, and is used for direct investments by private sector investors from a World Trade Organization (WTO) member countries; or “Asset Value,” which is calculated based on the Canadian business’ book value where the investor is a state-owned enterprise (SOE) or is from a non-WTO member country. Additionally, the establishment of a new Canadian business and indirect investments, in which a Canadian business is acquired as part of a larger global transaction, are also measured by Asset Value (see Figure 4).

Figure 4. Asset Value and Enterprise Value Overview of Calculations

Asset Value (AV)

The AV is a calculation based on the value of the assets according to the Canadian business' financial statements (book value).

In general:

- AV of the Canadian business = aggregate value of the assets as shown in the audited financial statement of the entity(ies) at the end of the last completed fiscal year before proposed acquisition

For specific details consult section 3.1 of the *Investment Canada Regulations*.

Enterprise Value (EV)

The EV is a calculation that takes into account market value, debt and cash.

In general:

- EV of a Canadian business that is publicly traded = market capitalization of the Canadian entity + total liabilities, excluding its ordinary course liabilities – its cash and cash equivalents
- EV of a Canadian business that is not publicly traded = total acquisition value + total liabilities, excluding its ordinary course liabilities – its cash and cash equivalents
- EV of a Canadian business acquired through an asset acquisition = total acquisition value of the entity's assets + its assumed liabilities – its cash and cash equivalents

For specific details consult sections 3.3, 3.4 and 3.5 of the *Investment Canada Regulations*.

Since August 2, 2022, a non-Canadian with an investment proposal that does not require an application or a notification but which is nonetheless subject to the Act—see paragraph 25.1(c) of the ICA—may file a voluntary notification.

With respect to the national security review process, while the review itself begins the moment the Minister becomes aware of a transaction, an application, notification or voluntary notification will trigger the first period of the statutory deadlines, which is 45 days from the date a filing certified. Where it is optional for the non-Canadian to file a notification and where no such filing is received, this period is five years from the date of implementation of the investment

Investors are also strongly encouraged to file a notification, mandatory or voluntary, at least 45 days prior to the planned implementation of an investment, and at least 75 days prior to commercial closing where an application of net benefit review is required, especially wherever an investment may involve the factors outlined in the *Guidelines on the National Security Review of Investments*.² Application and notification forms are available on the ICA website.³

Net Benefit Reviews

The Minister is responsible for administering the Act except with respect to net benefit reviews of cultural businesses, which are administered by the Minister of Canadian Heritage. The net benefit review requires the proposed investment to be considered in light of the factors set out in 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.

These six factors provide predictability for investors while maintaining flexibility for the Minister to ensure the overall economic benefit to Canada of investments. The Minister may only approve an investment when satisfied that, in light of these factors, it is likely to be of net benefit to Canada. In coming to a conclusion, the Minister may consider all of the information available, including the application for review, plans and undertakings, additional information provided by the parties or relevant third-parties in the course of the review, and results of consultations with provincial and territorial governments.

To provide additional 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 SOEs. They state that the Minister will take into account the investor's commercial orientation and corporate governance, among other considerations. SOEs may look to demonstrate their strong commitment to transparent and commercial operations through offering legally-binding undertakings, such as:

- to make operating decisions based on commercial and market principles, without giving priority or preference to the investor or its affiliates;

² <https://www.ic.gc.ca/eic/site/ica-lic.nsf/eng/lk81190.html>, March 24, 2021.

³ https://www.ic.gc.ca/eic/site/ica-lic.nsf/eng/h_lk00010.html, accessed August 11, 2022.

- to provide regular audited financial and other reports; and
- to maintain director(s) on the board of the Canadian Business who are independent of the investor.

Periodically, the Minister will issue policy statements that provide greater transparency and guidance on how the ICA will be applied, although each investment will be examined on its own merits. For example, in 2012, a *Policy Statement on Investments in the Oil Sands* stated that the acquisition of control of a Canadian oil sands business by an SOE would be found to be of net benefit only on an exceptional basis.⁴ Most recently, in March 2022, the Minister issued a policy statement that investments by a direct or indirect Russian investor would be considered of net benefit to Canada on an exceptional basis only, as a consequence of Russia's aggression against Ukraine.

Guidelines, Interpretation Notes, Ministerial statements and other administrative documents are available on the ICA website.⁵

National Security Reviews

The Minister is responsible for the administration of the national security process under Part IV.1 of the Act, with the review itself a multi-step process led by Canada's national security agencies. Based on a recommendation from the Minister, following consultation with the Minister of Public Safety (PS), the Governor in Council (GIC) has the authority to take any measure necessary with respect to an investment to protect national security. 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 under the circumstances; or,
- requiring the investor to divest control of its investment.

The *Guidelines on National Security Review of Investments*, updated in March 2021, provide transparency and clarity for investors and Canadians on how the government conducts these reviews. These guidelines provide an illustrative list of factors that the government takes into account in assessing the national security injury potential of an investment. The list of factors includes the potential of the investment to enable access to sensitive personal data, the potential effects of the investment on the transfer of sensitive technology or know how, the potential impact of the investment on critical minerals and critical mineral supply chains, and involvement by state-owned or state-influenced investors.

Policy statements can address national security as well as net benefit reviews. For example, the March 2022 policy statement regarding Russian investment stated that should it be determined that an investment, regardless of its value, has ties, direct or indirect, to an individual or entity associated with, controlled by or subject to influence by the Russian state, this will support a finding by the Minister that there are reasonable grounds to believe that the investment could be injurious to Canada's national security.

⁴ <https://www.ic.gc.ca/eic/site/ica-lic.nsf/eng/lk81147.html>, accessed August 11, 2022.

⁵ <https://www.ic.gc.ca/eic/site/ica-lic.nsf/eng/home>, accessed August 10, 2022.

Monitoring and Enforcement

The investment environment is regularly monitored through open source and other information sources. When required, the government will reach out to discuss filing obligations with investors or to seek additional information regarding the applicability of the Act to a proposal.

Some investors are subject to an on-going reporting requirement (such as regarding compliance with undertakings following a net benefit review, or pursuant to an Order in Council following a national security review). An investigation into compliance may result where there is an undertaking or condition that is not being complied with, or where it is not clear if there is compliance

The Act specifies enforcement procedures when the Minister believes that an investor has not complied with its obligations under the Act: if an investor fails to comply with a demand letter under section 39, an application may be made on the Minister's behalf to a superior court under section 40 of the Act.

The court may order any measure as the circumstances require, including directing divestiture, compliance with undertakings, payment of a penalty of \$10,000 for each day of contravention, revocation of voting rights and disposition of voting interests.

3. Policy Developments in 2021-23

The government is continuously monitoring the investment environment, global conditions, and other foreign investment review regimes, to ensure Canada's foreign investment review regime is efficient, provides the needed authorities to allow beneficial investments, and is calibrated to market competitors and security allies. Additionally, as part of his mandate letter, the Minister has been asked to look at using the ICA to protect and develop critical minerals and to review and modernize the ICA to strengthen the national security review process and better identify and mitigate economic security threats from foreign investment. The government has and will continue to refine the foreign investment review system accordingly.

In the last fiscal year, the government introduced a voluntary filing mechanism and published a policy statement responding to the crisis in Ukraine.

Regulatory Changes

The government introduced a new voluntary filing mechanism to allow an investor making non-control or minority investments to gain regulatory certainty prior to implementing the investment. The voluntary notification starts the statutory timeline, similar to mandatory notifications and applications. Where an investor does not make a voluntary filing, the initial national security review period was extended to five years (up from 45 days) from the date that an investment is implemented. These regulatory changes also allow for greater visibility into these investments for the security intelligence agencies that support the ICA national security review process. The regulatory amendments came into force on August 2, 2022.

Parliamentary Study

On March 29, 2022, the Standing Committee on Industry and Technology (INDU) issued a report, *The Neo Lithium Acquisition: Canada's National Security Review Process in Action*, to the House of Commons.⁶ The Government Response was tabled on June 22, 2022, and provides details on the national security review process and notes the need to strike a balance between maintaining Canada's reputation as an attractive place to invest while also mitigating harms to Canada's national security and long term national interests.⁷

Policy Statements

As noted elsewhere, the Minister issued one new policy statement on March 8, 2022, on foreign investment review and the Ukraine crisis. The statement advises foreign investors and Canadian industry that investments by Russian investors will be found to be of net benefit to Canada under the only on an exceptional basis. Further, investments controlled by or subject to influence by the Russian state will also support a determination by the Minister that there are reasonable grounds to believe such an investment could harm Canada's national security.

4. Investment Activity in 2021-22

This past fiscal year saw the continuation of two trends: an increasing numbers of filings as the economy recovers from the onset of the COVID-19 pandemic, and a decrease in the number of net benefit reviews as percent of total filings (trends regarding national security will be discussed in the following section).

Total Investments

In fiscal year 2021-22, 1,247 notifications were certified and eight applications for review were approved under the Act, for a combined 1,255 applications and notifications (filings). This figure represents an increase of 51.9% over the previous fiscal year, when there were 826 filings. In fiscal year 2020-21, however, global investments were down coincident with the COVID-19 pandemic. 2021-22 filings increased 21.6% over two years ago, more than making up the previous year's shortfall.

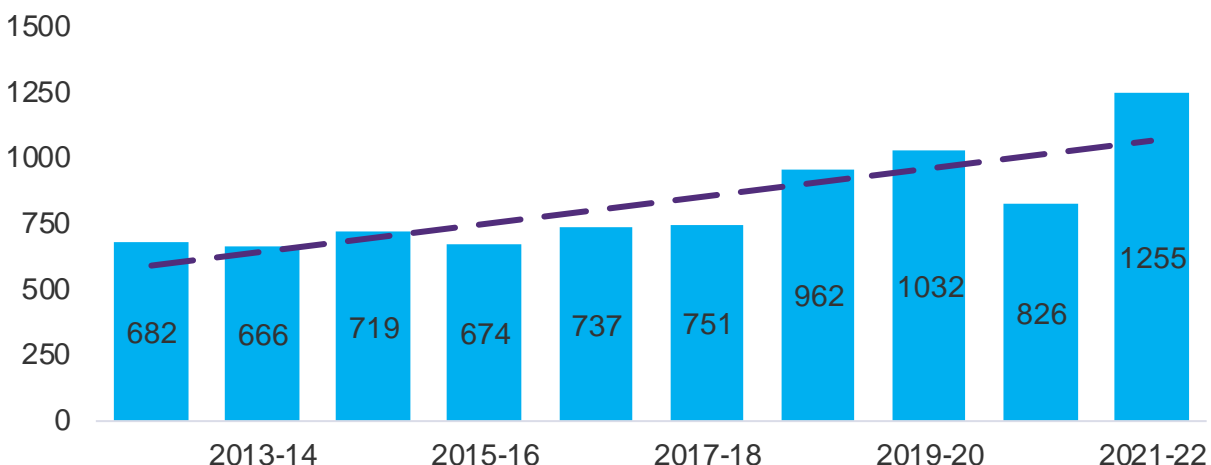
The ICA rebound in filings is echoed by world investment flows. The 2022 World Investment Report also reports a rebound in global flows of foreign direct investment recovered to pre-pandemic levels last year, reaching \$1.6 trillion.⁸ The COVID-19 downturn in ICA investment filings notwithstanding, the trend of increasing investment filings overall in the last several years is noticeable in Figure 6.

⁶ Report of the Standing Committee on Industry and Technology, "The Neo Lithium Acquisition: Canada's National Security Review Process in Action," March 2022.

⁷ Government Response to the Third Report of the Standing Committee on Industry, Science and Technology, accessed August 11, 2022.

⁸ <https://unctad.org/webflyer/world-investment-report-2022>, accessed August 11, 2022.

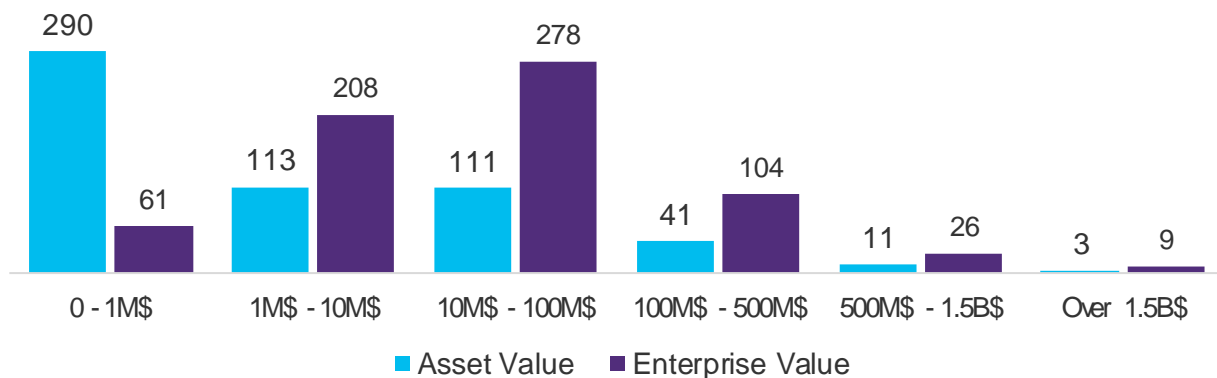
Figure 5 Total Number of Applications and Notifications and Trend Line



Of the total number of notifiable investments this year, 54.7% (686 filings) were calculated by Enterprise Value and the remaining 45.3% (569 filings) were calculated by Asset Value. These proportions are consistent with previous years. Of the investments measured by Asset Value, 48.5% (276 filings) were for the establishment of new Canadian businesses.

Investments measured by Enterprise Value ranged more broadly in value than those measured by Asset Value. Within this wider range, 70.8% of investments measured by Enterprise Value fell between \$1 million and \$100 million. Those investments measured by Asset Value were also predominantly below \$100 million in value (90.3%) with more than half – 51.0%– under \$1 million, consistent with the fact that many of these are greenfield investments creating new Canadian businesses. See Figure 7.

Figure 6. Number of Investments by Value



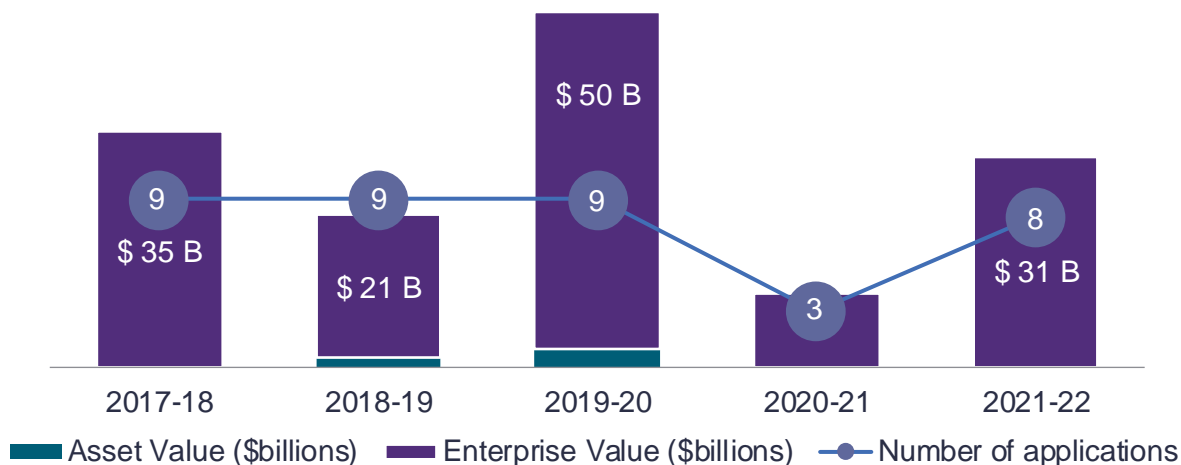
Note: Categories include the highest bound, and exclude the lowest (e.g., investments worth exactly \$1M are counted in the "0-\$1M" category).

Applications for Net Benefit Review

The 2021-22 fiscal year saw eight applications for net benefit review, compared to three in 2020-21. This increase brings the number of applications within the same range as the three years previous, which saw nine applications annually.

All eight applications for review in 2021-22 were measured by Enterprise Value totaling \$31.5 billion, which significantly exceeded last year's total of \$11.2 billion. The average value of an application for review was \$3.9 billion (see Figure 7).

Figure 7. Number of Applications for Review and Related Enterprise Value and Asset Value



Note: Because of the very low number of applications in 2018-19, 2019-20 and 2020-21, to preserve commercial confidentiality, the specific amount of those transactions have not been included above.

The Act provides an initial 45-day period for reviews, which the Minister can extend by up to another 30 days. This statutory timeframe can be further extended, with consent of the investor, for as long a duration as necessary to complete the review.

The average length of net benefit reviews has been fairly consistent in the five years prior to 2021-22, ranging between 72 and 85 days. This year, an average of 88 days was necessary from certification to decision. The median review period in 2021-22 was also 88 days, slightly higher than in previous years.

Notifications

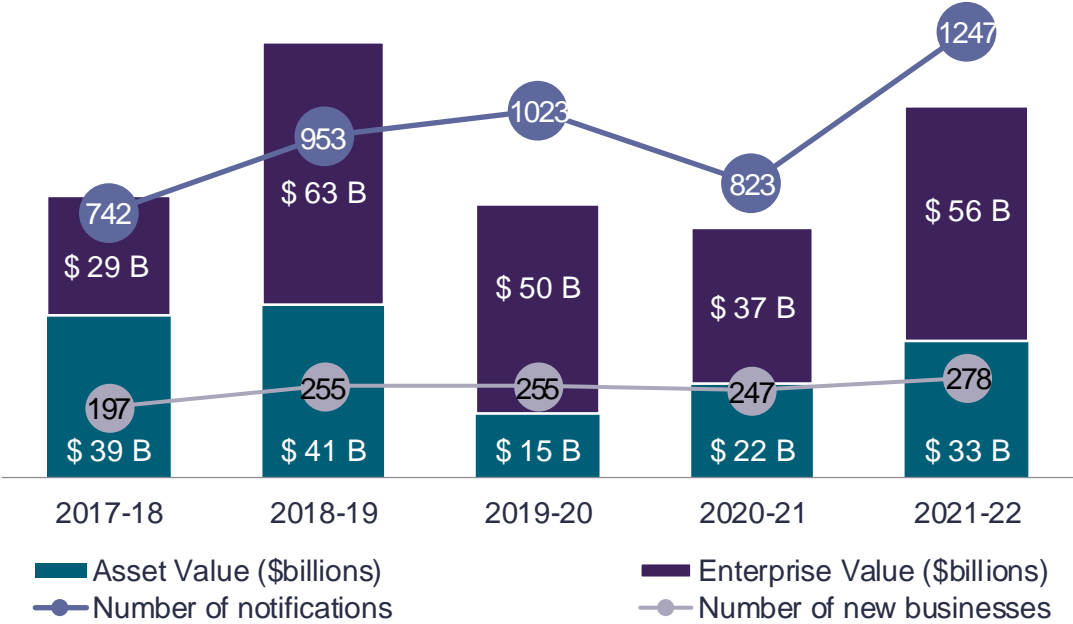
A notification is required for acquisitions of control of a Canadian business valued below the net benefit review threshold, indirect acquisitions of control and for all investments to establish a new Canadian business. This fiscal year, a record number of 1,247 notifications were certified, an increase of 51.5% compared to 2020-21. Except for the first year of the pandemic in 2020-21, the number of notifications has been steadily increasing over the past five years (see Figure 8).

Consistent with past years, investments measured by Asset Value were mostly related to the establishment of a new business or to an indirect acquisition of a Canadian business involved in a larger global transaction; notifications involving SOE investors or asset acquisitions represented only a very small share. In 2021-22, notified investments measured by Asset Value totalled \$32.8 billion, an increase of 45.6% over 2020-21. The average value of investments measured by Asset Value was \$57.6 million, a value comparable to the year prior (\$58.9 million).

For investments measured by Enterprise Value, the total value of notified investments was \$56.0 billion, an increase of 50.1% over the year prior. The average Enterprise Value investment also increased, reaching \$127.4 million in 2021-22, compared to \$84.5 million last year, representing a 50.8% increase.

As in previous years, the number of notifications for acquisitions of control was significantly higher (969, or 73% of overall notifications) than the number of notifications associated with the establishment of a new Canadian business (278, or 22%).

Figure 8. Number of Notifications and Related Enterprise Value and Asset Value



Investments by Sector

Applications and notifications are classified into five broad sectors based on the North American Industry Classification System (NAICS) codes. Continuing the same trend as in prior years, the number of investments was highest in the Business and Services Industries with a total of 543, or 43.3% of total filings (see Table 1). However, the value of these transactions represented a comparatively lower percentage of total values: only 20.3% of the Asset Value total, and 37.1% of the Enterprise Value total.

Although accounting for only 24.5% of the total number of investments, on a value basis, the Other Services sector accounted for a relatively higher share (40.9%) of Asset Value of total investments and a significant portion (24.1%) of total Enterprise Value (see Figure 9).

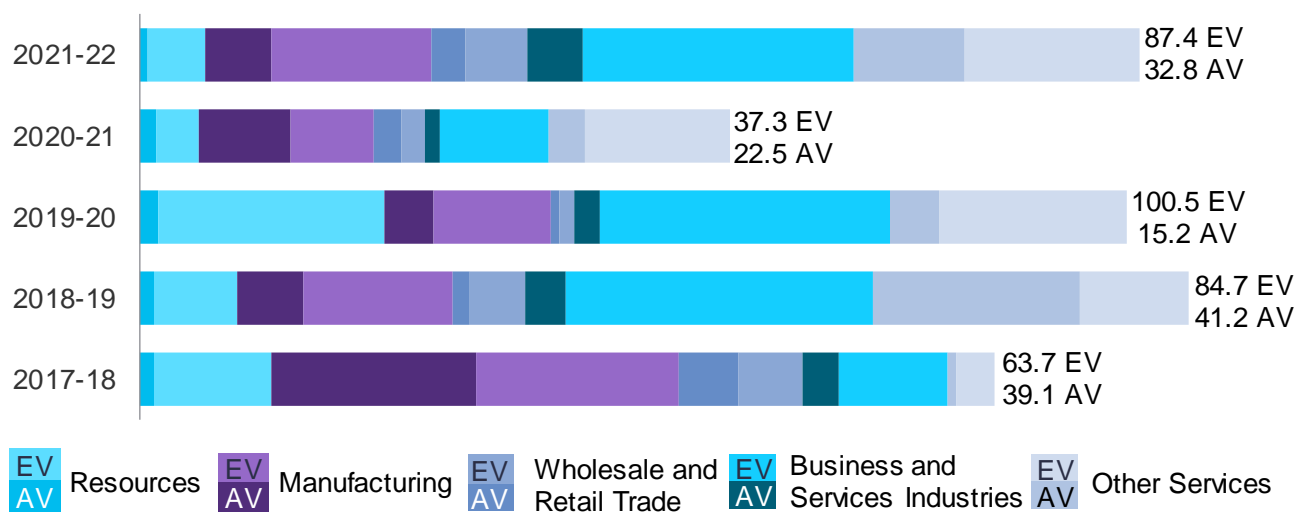
On a year over year basis, the number of applications and notifications increased in all sectors, except resources:

- **Resources (-10.8%):** includes businesses in the mining, oil and gas, agriculture, forestry, fishing and hunting industries. Although the total number of investments was up in 2021-22, Resources investments declined by 10.8% to 33, down from 37 the year prior. Total Asset and Enterprise Values for the sector was \$843 million and \$6.9 billion, respectively, very similar to the year prior.
- **Manufacturing (+49.0%):** includes businesses engaged in the transformation of materials or substances into finished or semi-finished products. The number of investments in Manufacturing sector was up by 49.0% over the year prior, to 216. Similarly, Enterprise Value significantly increased to \$19.5 billion, more than doubling from \$9.6 billion the year prior.
- **Wholesale and Retail Trades (+44.9%):** includes businesses engaged in wholesaling or retailing merchandise and rendering services incidental to the sale of merchandise. The number of investments in Wholesale and Retail Trades increased to 155, or 44.9% over the year prior. Values also increased, most notably Enterprise Value increased to \$7.5 billion in 2021-22, up from \$2.7 billion in 2020-21.
- **Business and Services Industries (+60.1%):** includes companies in service-oriented industries such as professional, scientific and technical services; education and healthcare services; arts and entertainment; accommodation and food services; and public administration. This sector saw the largest increase in the number of investments with 205, or 60.1% more than in 2020-21. Total Asset and Enterprise Values also tripled compared to last fiscal year, reaching more than \$6.6 billion and \$32.4 billion, respectively.
- **Other Services (+54.9%):** includes businesses in the utilities, construction, transportation, real estate, finance, information and cultural industries. This sector also experienced a noticeable growth in number of investments, reaching 308 in 2021-22 compared to 199 in the year prior, an increase of 54.9%. Total Enterprise Value rose significantly to \$13.4 billion from \$4.1 billion in the year prior, while total Asset Value also increased to \$21.1 billion in 2021-22 from \$9.5 billion.

Table 1. Investments by Sector and Total Value

Industry Sector	Number of investments	Asset Value of Investments (\$M)	Enterprise Value of Investments (\$M)
Resources	33	\$843	\$6,901
Manufacturing	216	\$7,935	\$19,454
Wholesale and Retail Trades	155	\$3,931	\$7,544
Business and Services Industries	543	\$6,642	\$32,433
Other Services	308	\$13,414	\$21,086

Figure 9. Investments by Enterprise Value and Asset Value by Sector



Investments by Country or Region of Origin

Pursuant to the Act, investors are required to identify the jurisdiction of their ultimate controller in their filings.⁹ In 2021-22, as in recent years, the United States, the European Union, and the United Kingdom accounted for the absolute majority of investments on a number and value basis. Collectively, the United States, European Union and United Kingdom accounted for 1,028 filings or 81.9% of the total number of filings, 77.1% of investments measured by Asset Value, and 86.8% measured by Enterprise Value (see Figure 10).

The United States was by far Canada's most significant source of investments, accounting for 58.2% of the total number of investments and representing 64.5% of total Asset Value and 71.5% of total Enterprise Value. The next nine countries together accounted for only 28.2% of all filings, 11.9% of total Asset Value and 18.2% of Enterprise Value. See Table 3. Historically, the United States is Canada's largest source of investments. Over the last five years, investments from the United States represented 54.2% of all investment filings. The value of these investments fluctuated each year, ranging from \$8.2 billion to \$36.5 billion for those measured by Asset Value and from \$27.5 billion to \$69.7 billion for those measured by Enterprise Value.

The European Union remained the second largest regional sources of in-bound investment with 16.7% of all number of investments, or 11.9% of total Asset Value and 11.3% of total Enterprise Value. The share of investments from the European Union has remained relatively consistent over the last five years, ranging between 16.0% and 22.6% of total filings, depending on the year. Investments measured by Asset Value varied between \$1.4 billion and \$11.8 billion while investments measured by Enterprise Value totalled between \$4.9 billion and \$25.2 billion. A breakdown of European Union investment by top five sources is at Table 2.

The United Kingdom was the third largest source of investment, with 7.0% of the total number of investments, down from 11.0% last year, and below the five-year average of 9.7%. In 2021-22, the share of total Asset Value decreased to 0.7% from 3.5%, the lowest level in five years. The share of investments measured by Enterprise Value also decreased to 4.1% from 10.2% compared to the year prior. Over the last five years, investments measured by Asset Value ranged between \$233.6 million and \$3.1 billion; those measured by Enterprise Value ranged between \$760.8 million and \$7.5 billion.

China's share of the total number of investments – which includes investments from Hong Kong – decreased slightly to 4.0% in 2021-22, compared to 5.1% the year prior. Investments by Asset Value decreased to \$171 million from \$838 million the year prior, and those by Enterprise Value increased to \$1.3 billion from \$537 million. Over the last five years, the share of filings have been consistent, ranging between 3.8% and 5.1% of the total number of filings (between 34 and 50). The value of investments have fluctuated to a relatively greater extent. Investments measured by Asset Value varied from \$28.4 million to \$1.5 billion while those measured by Enterprise Value ranged from \$48.0 million to \$6.7 billion. Table 2 below presents the top ten countries of origin for investments.

⁹The ultimate controller of an investor is the beneficial owner of voting rights that permit control an entity. Widely-held entities are considered to be controlled by their board of directors or a similar body. For instances in which the ultimate controller is not clearly associated to a unique jurisdiction (such as when a board consists of directors from more than one country), the investor is associated with the jurisdiction with which it is most closely associated, for the purposes of the Act.

Figure 10. Investments by Country or Region of Origin

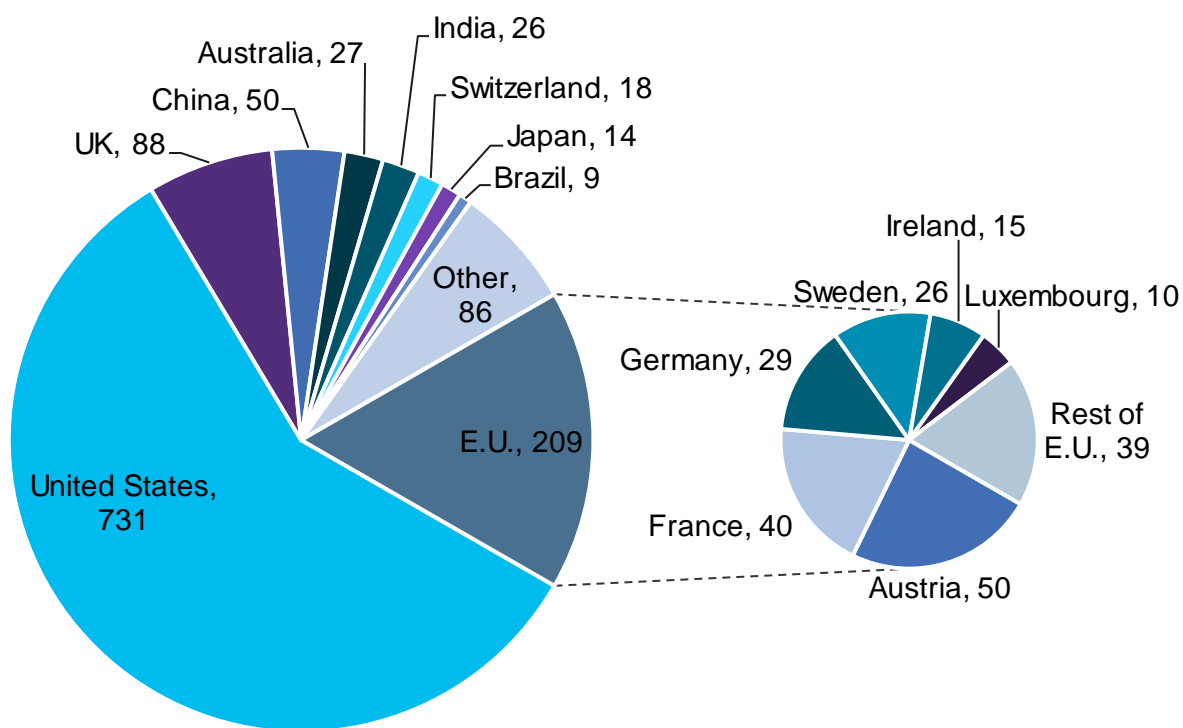


Table 2. Top 10 Investors by Country

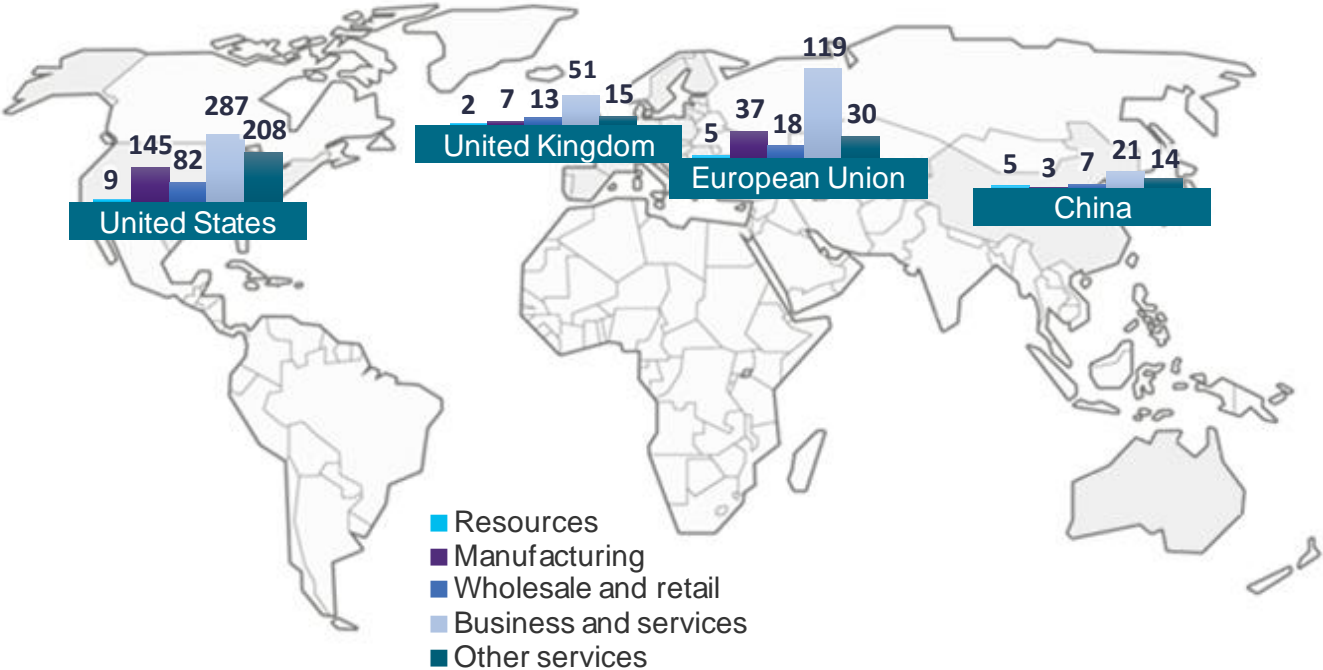
Country or region of Origin	Number of investments	Asset Value of Investments (\$M)	Enterprise Value of Investments (\$M)
United States	731	\$21,123	\$62,466
United Kingdom	88	\$234	\$3,554
China	50	\$171	\$1,295
Austria	50	\$536	\$772
France	40	\$770	\$1,807
Germany	29	\$187	\$1,145
Australia	27	\$1,190	\$6,419
Sweden	26	\$589	\$744
India	26	\$104	\$3
Switzerland	18	\$113	\$140

Sectoral Investments by Top Source Countries or Regions

This section provides details on sectoral investments by investor’s country or region of origin. Similar to the overall sectoral breakdown, the number of investments in the Business and Services Industries sector was the highest for Canada’s largest source of investments, with slight variability thereafter among the sources (see Figure 11). Historically, this sector has generally attracted the highest number of investments for Canada’s top sources of investments.

- United States:** As in past years, investments from the United States were focused on the Business and Services Industries sector with 287 investments (39.3%), Other Services sector with 208 investments (28.5%), and Manufacturing with 145 investments (19.8%). The Wholesale and Retail Trades sector accounted for 82 investments (11.2%) while investments in Resources were much lower with only nine investments (1.2%).
- European Union:** The Business and Services Industries sector represented the largest share of investment from EU members, with 119 out of a total 209 investments, or 56.9%. The remaining sectors, by rank, were: Manufacturing with 37 investments (17.7%); Other Services with 30 investments (14.4%); Wholesale and Retail Trades with 18 investments (8.6%). The Resources sector came last, seeing only five investments (2.4%).
- United Kingdom:** Over half of UK investments were also in the Business and Services Industries, with 51 of 88 total investments (58.0%), while Other Services (17.0%), Wholesale and Retail Trades (14.8%), Manufacturing (8.0%) and Resources (2.3%) saw significantly less investments.
- China:** Business and Services Industries was the highest-ranking sector with 21 investments out of a total of 50 investments (42.0%). This was followed by the sector for Other Services with 14 investments (28.0%), and the Wholesale and Retail Trades sector with seven (14.0%). The Resources and Manufacturing sectors each accounted for five (10.0%) and three (6.0%) investments respectively.

Figure 11. Investment by Top Country or Region of Origin and Sector



Investments by Province and Territory

Under the Act, the primary destination of investments is tracked based on province or territory. In 2021-22, Ontario was identified as the primary destination for 655 investments or 52.3%, followed by British Columbia (250 investments or 20.0%) and Quebec (172 investment or 13.7%).. In terms of total value, Ontario, British Columbia, Quebec and Alberta all saw total investments valued above \$10 billion in combined Asset Value and Enterprise Value (see Figure 12 and 13).

Figure 12. Destination by Number of Investments

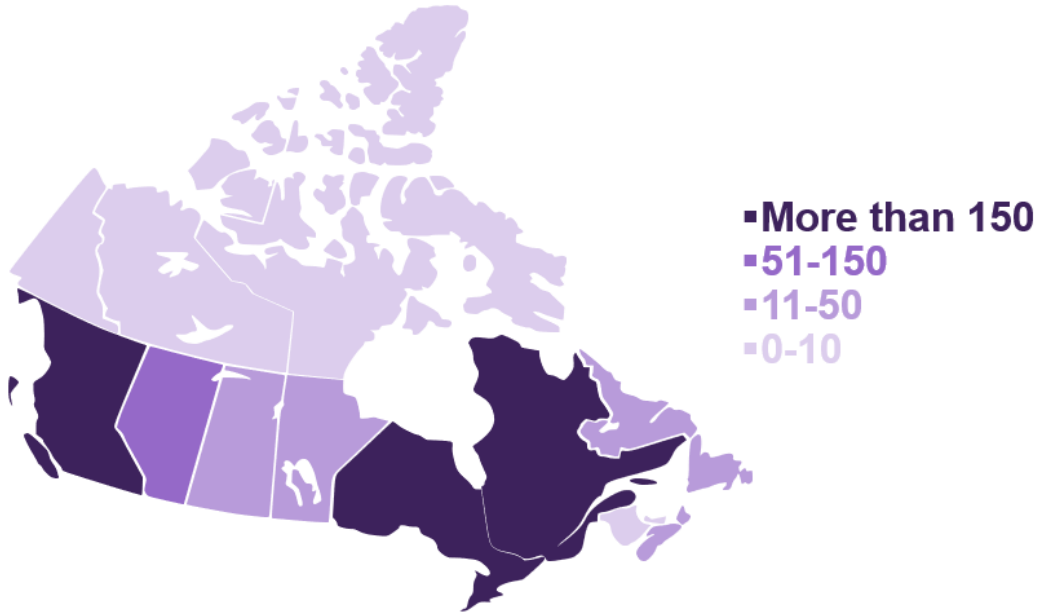


Figure 13. Destination by Value of Investments



5. National Security Reviews

This section provides information on the administration and outcomes of reviews under Part IV.1, investments injurious to national security.

Section 36 of the ICA has very strict confidentiality requirements, in order to protect the sensitivity of the commercial transactions and classified information that is relevant to these reviews. As a result, specific details of investment proposals are not included in this Report.

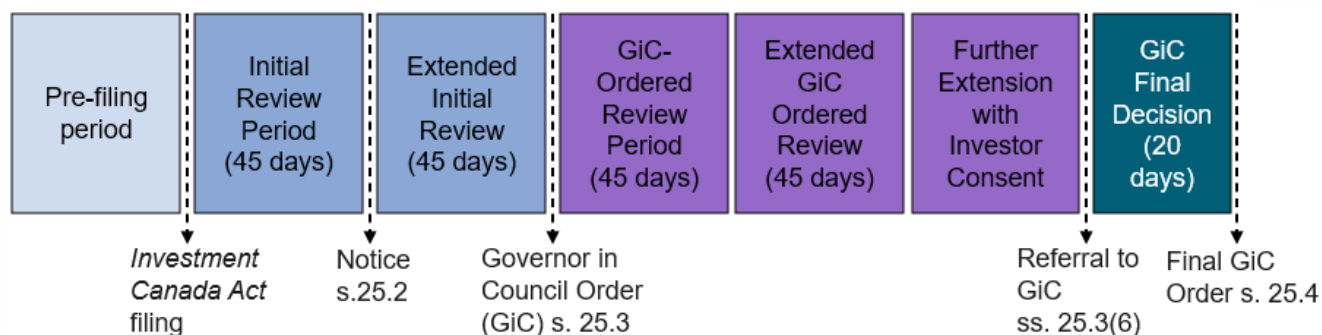
Summary of the National Security Review Process

All foreign investments, regardless of size or level of control, are subject to national security review. The Minister is responsible for administering Part IV.1 of the Act and makes a recommendation to the GIC after consultation with the Minister of PS.

In addition to reviewing all ICA filings, the government reviews other investments that are subject to the Act, which are sometimes referred to as “non-notifiable investments.” The government relies on a variety of means to identify non-notifiable investments, including referrals from security and intelligence agencies, news releases, media reports and commercial databases. In addition, as of this year, investors can also submit a voluntary filing for such transactions, triggering a 45-day period of review akin to transactions subject to a mandatory filing requirement. As noted earlier in this report, where investors do not take advantage of this new mechanism, the period of review for non-notifiable investments is five years from the date of implementation.

Regardless of how the government becomes aware of a transaction, and whether a review is triggered by a filing or not, the national security review process has three main stages, each with its own legal threshold that must be met for a review to continue to the next stage. The multi-step national security review process timelines are set out in Figure 14.

Figure 154. National Security Review Process Timeline



Note: 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.

Each review involves careful consideration by Canada's security and intelligence agencies and relevant investigative bodies, including ISED and PS (set out in Regulations¹⁰); a thorough assessment of the investment is conducted, which includes looking at information and intelligence related to:

- the Canadian asset being acquired or business being established,
- the terms of the investment, and
- the foreign investor(s) and the potential for third-party influence.

A review may include consultation with Canada's allies, as well as requiring the parties to provide any information necessary, such as the history of a transaction, the investor's existing presence in Canada, or their full corporate structure.

Additionally, reviews begin as soon as the Minister becomes aware of a transaction or a proposed investment, and the legal authorities for the review do not change at each stage – the only difference is the length of time of a review.

More information about the administration of the national security provisions of Part IV.1 of the Act, including some of the factors that are taken into account in assessing national security risk, can be found in the *Guidelines on the National Security Review of Investments*. These Guidelines were most recently updated in March 2021, which included a specific annex identifying sensitive technology areas.

Notices and Orders Issued Under Part IV.1

Most investments are subject to no further action following the initial review period. In fiscal year 2021-22, 24 investments were subject to extended review. This is the same number of investments subject to extended review in 2020-21.

With respect to those 24 investment proposals, 16 were permitted to proceed, seven were withdrawn and one review is still ongoing. The average length of review for these concluded processes was 133 days; at the time of publication of this report, one investment is still under additional review (see Table 3 for details of this year's review outcomes, and Table 4 for a historical comparison).

¹⁰ For a full list of the prescribed investigative bodies and classes of investigative bodies, see: <https://laws-lois.justice.gc.ca/eng/regulations/sor-2009-271/page-1.html#h-750876>, accessed August 11, 2022.

Table 3. Outcome of Investment Proposals Subject to Section 25.3 Orders in 2021-22

Country of Origin*	Industry Sector (NAICS)	Investment type	Outcome of Review
Russia	2122 - Metal ore mining	Acquisition of control	Withdrawal
Russia	4451 - Grocery stores	Establishment of a new business	No further action required under the ICA
Russia	4853 - Taxi and limousine service	Establishment of a new business	No further action required under the ICA
Finland	4883 - Support activities for water transportation	Acquisition of control	No further action required under the ICA
China	5182 - Data processing, hosting, and related services	Acquisition of control	Withdrawal
China	5223 - Activities related to credit intermediation	Establishment of a new business	Withdrawal
China	5231 - Securities and commodity contracts intermediation and brokerage	Acquisition of control	No further action required under the ICA
China	5415 - Computer systems design and related services	Acquisition of control	No further action required under the ICA
China	5415 - Computer systems design and related services	Acquisition of control	No further action required under the ICA
Jordan	5416 - Management, scientific and technical consulting services	Establishment of a new business	Withdrawal
Russia	5417 - Scientific research and development services	Minority investment	No further action required under the ICA
China	6116 - Other schools and instruction	Acquisition of control	Ongoing

Note: 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.

In 2021-22, the average value of an investment proposal subject to GiC-ordered review was \$22.5 million, significantly lower than the value of investments that did not reach that stage. As in previous years, the majority of these investment proposals were for the acquisition of a Canadian business.

Table 4. Actions Under Part IV.1 – 2017-18 to 2021-22

	Review continued pursuant to s.25.2	No further action following s.25.2 notice	Investor withdrew investment following s.25.2 notice	Review extended pursuant to s.25.3 Order	No further action following s.25.3 Order	Investor withdrew investment following s.25.3 Order	Final decision under s.25.4
2021-22	24	9	3	12	7	4	None (one review ongoing)
2020-21	23	12	1	11	4	4	2 Divest 1 Block
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
5 Year Total	70	27	5	39	15	14	7 Divest 2 Block 1 Ongoing

Note: The fiscal year runs April 1 to March 31. Decisions and actions associated with a review are reported according to the fiscal year in which the first action is taken (typically, a review being continued pursuant to s.25.2), even if subsequent actions are taken in the following fiscal year.

6. Conclusion

Fiscal year 2021-22 represents a return to trend in terms of the number of foreign direct investments into Canada, following the significant downturn related to the onset of the COVID-19 pandemic in 2020-21. Canada's levels of foreign direct investment continue to be robust and reflect a more global recovery from the pandemic's lower levels of investment. The number and value of transactions from our closest allies and partners in the United States, the United Kingdom and the European Union demonstrate that Canada's open-market economy remains an attractive place to invest.

An equally significant trend is the continued sharp increase in the number of extended national security reviews. This is consistent with the recognition that Canada's economic prosperity, as well as access to critical goods and services, can be a target of hostile states or actors who may seek to disrupt Canada's economic security through our open-market economy. While not all extended reviews result in an order to prevent or unwind a foreign investment, increasingly complex transactions, at a time of changing geopolitical realities and remarkable technological evolution, requires more frequent lengthy reviews.

This is evidenced by the fact that nearly 70% of these extended reviews took place in the last two years alone. We expect this trend of increased national security consideration of foreign investment to continue – ongoing geopolitical tensions arising from Russia's invasion of Ukraine, Canadian and global recovery from the COVID-19 pandemic, and increasing threats due to climate change will continue to elevate security risks, and the *Investment Canada Act* will continue to be a central aspect of Canada's economic security framework.

Appendix

Interpretive Notes

- All references to the 2021-22 fiscal year in data, tables, charts and explanations mean from April 1, 2021, to March 31, 2022.
- In the section titled "Investment Activity under the *Investment Canada Act*", 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 ISED 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 FDI 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.

Policy Statements and Guidelines Referenced in this Report

Guidelines on the National Security Review of Investments (updated March 2021)

<https://ised-isde.canada.ca/site/investment-canada-act/en/guidelines/guidelines-national-security-review-investments>

Policy Statement on Foreign Investment Review and the Ukraine Crisis (issued March 2022)

<https://ised-isde.canada.ca/site/investment-canada-act/en/policy-statement-foreign-investment-review-and-ukraine-crisis>

Statement Regarding Investment by Foreign State-Owned Enterprises (issued December 2012)

<https://ised-isde.canada.ca/site/investment-canada-act/en/guidelines/statement-regarding-investment-foreign-state-owned-enterprises>

A complete list of policies, guidelines and interpretive notes relating to the *Investment Canada Act* can be found at: <https://ised-isde.canada.ca/site/investment-canada-act/en>