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RISKS ASSOCIATED WITH HOSTING

The Risk Assessment found in Appendix 12A was developed based on the best information available to CBEC at the time, using standard Project Management Risk analysis processes. We used publicly available documents pertaining to the bidding and hosting processes for the 2022 Winter Games. Those Games will be conducted under the current IOC standards, not the new reality of Agenda 2020. While the information contained in the register we developed does capture the relative ranking of pre-and post-mitigated risks, many critical elements that must be considered, which are applicable to a 2026 OPWG, are not yet available to CBEC. This Risk Assessment represents a view at a point in time that may not be representative of the current and future reality, given the recent IOC announcements.

In our May 31, 2017 submission to the City of Calgary we indicated Section 12.4 Risks Associated With Not Bidding and Section 12.5 Risks Associated With Bidding would be submitted at the same time as CBEC's final recommendations, July 24, 2017.

Since May 31, the IOC made two significant announcements:

1. In response to our initial presentation to Council on June 19, 2017, the IOC responded to our initial estimates with the following:

"We understand that Calgary's estimated budget has been modelled on the experience of Vancouver 2010, and did not benefit from the new approach of organizing the Games, which emphasizes efficiencies and sustainability in the context of a city's long-term planning as a part of the Olympic Agenda 2020 framework."

"While we have not seen the detail of Calgary's draft budget, we remain confident that by working together to refine operational planning, that opportunities exist for significant savings."

2. We were also aware that the IOC was contemplating changes to the bidding process timelines, evaluation criteria and other bidding related requirements. However, the changes announced on July 11, 2017, were more far reaching and foundational than we had expected. The IOC stated that the Candidature process was to be revised to reflect the specific nature and character of the Olympic Winter Games, and provide more

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flexibility and support to prospective hosts. Importantly, many of the details of those changes are not yet fully understood. The IOC's changes were underscored by the remarks of the President of the IOC, Thomas Bach on July 11, 2017:

"In a nutshell, the Candidature Process ... has become too expensive and too onerous for this new political reality."

"We have been asking too much, too soon of the cities."

This new process will be built on the 2024 procedure, which makes the 2026 Games the first to fully benefit from the Olympic Agenda 2020 reforms.¹

This new Candidature process is intended to provide opportunities for the IOC to be a supportive partner to National Olympic Committees and potential bidding and hosting cities. Their support in a pre-Candidature phase would be to engage in a non-committal dialogue with the working groups of the potential bidding cities. They will provide Olympic technical assistance and visits to the potential bidding cities, and will provide support in communication, brand management and community engagement.

These conversations can only clarify and enlighten our ability to mitigate risks associated with bidding for, and hosting of, the Games. Until CBEC can engage in these discussions with the IOC we may be including incorrect assumptions that could impact our assessment of hosting risks and the potential mitigations of such. Those conversations may enable us to realize cost savings and risk reductions in comparison to our current MFP requirements and operational assumptions.

For example, on June 20, 2017 the IOC responded to CBEC's initial MFP and operating cost estimates with the following:

"We understand that Calgary's estimated budget has been modelled on the experience of Vancouver 2010, and did not benefit from the new approach of organizing the Games, which emphasizes efficiencies and sustainability in the context of a city's long-term planning as a part of the Olympic Agenda 2020 framework."

¹ International Olympic Committee – "Report to the 130th Session, IOC Vice Presidents' Working Group – Candidature Process 2026, 11 July 2017, Lausanne

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Calgary Bid Exploration Committee – Feasibility Study and Conceptual Master Hosting Plan

"While we have not seen the detail of Calgary's draft budget, we remain confident that by working together to refine operational planning, that opportunities exist for significant savings."

The IOC's support in validating CBEC's process is in itself a risk mitigation tactic.

Should the bid exploration work undertaken by CBEC continue past the presentation to Calgary City Council on July 24th 2017, a future review of the risks of hosting as referenced to the new IOC criteria would be possible.

The 2026 Host City Contract is expected to be released in 2018 prior to the October IOC meetings in Buenos Aires, when the IOC will reveal the names of the cities that are invited to bid. We expect there will be significant changes in the Host City Contract as compared to those from previous Winter Games contracts. Until there is the opportunity to review the new contract and discuss it with the IOC, a reasonable assessment of the risks associated with hosting, the potential mitigations and the post mitigation risk is not possible.

Should Calgary City Council decide to continue the exploration of a potential bid for the 2026 OPWG, a report of the risks of hosting should be completed after the release of the 2026 Host City Contract.