Annual Report

2020-2021

Ontario Infrastructure and Lands Corporation

Infrastructure Ontario

TABLE OF CONTENTS

LAND ACKNOWLEDGEMENT

Infrastructure Ontario acknowledges that we work and reside on the traditional territory of many nations. Our head office, located in Toronto, is covered by Treaty 13 and sits on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation and the traditional territory of the Anishnaabeg, the Chippewa, the Haudenosaunee, and the Wendat peoples.

We acknowledge that our office in Guelph sits on the traditional territory of the Attawandaron (Neutral Nation) and is covered by Treaty 3.

We acknowledge that our office in Kingston sits on the traditional territory of the Huron-Wendat and Haudenosaunee (Iroquois) peoples; this territory is covered under the Upper Canada Treaties.

We acknowledge that our Ottawa office sits on the unceded territory of the Algonquin Anishnaabeg peoples.

We acknowledge that our Sudbury office is in the Robinson-Huron Treaty area that is the traditional territory of the Anishnaabeg peoples.

Lastly, we acknowledge that our office in Thunder Bay sits on the traditional territory of Fort William First Nation (Anishnaabeg), signatory to the Robinson Superior Treaty of 1850 (Treaty 60).

We also recognize that the lands on which we live and work are home to the Métis, Inuit, and other Indigenous peoples, whose contributions have shaped and strengthened our communities, our province, our country, and Turtle Island as a whole.

MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS

It is my pleasure to present the Annual Report of Infrastructure Ontario (IO) for the 2020-21 fiscal year. Throughout the year, IO demonstrated remarkable success in managing and modernizing Ontario's public assets amidst the unprecedented challenges of the COVID-19 pandemic.

IO has played a pivotal role in the government's pandemic response, demonstrating its adaptability and creativity in working with ministries and partners to deliver additional hospital capacity and support the gradual re-opening of government workplaces.

Over the course of the year, IO affirmed the government's commitment to public infrastructure, issuing quarterly market updates totaling an estimated $60 billion in projects in procurement and pre-procurement. The agency demonstrated its capacity to evolve and improve upon its public-private partnerships (P3) model, responding to market conditions and industry feedback to achieve the best possible bids for key provincial infrastructure investments.

IO continued to advance government priorities by strategically managing the government real estate portfolio and other publicly owned assets, and furnishing its commercial expertise to complete large commercial transactions. And, in a year of economic uncertainty, IO's lending program provided support to dozens of public-sector entities undertaking infrastructure projects across the province.

The agency's accomplishments during the past year would not have been possible without the work of IO's many partners who moved projects forward during a difficult time, while taking the necessary steps to protect the health and safety of their workers. IO is proud to maintain a healthy and productive dialogue with the industry as it moves forward on such a broad portfolio of projects.

On behalf of my fellow Board members, I wish to express my gratitude to Christopher Voutsinas and Patrick Sheils who concluded their terms as Chair and Vice Chair during the past year. Throughout their tenure, they exemplified the sound governance that underlies IO's reputation and record of success.

I also would like to express my appreciation to Ehren Cory for his leadership of IO as President and CEO for the past three years. Under Ehren's guidance, the agency implemented new project models, significantly streamlined the Province's real estate portfolio, surpassed the $10-billion milestone in loans advanced to public sector entities, and advised the government on broader priorities such as affordable housing and long-term care.

In closing, I wish to commend IO's senior management and staff for the professionalism and dedication they exhibited during the past year. The agency's accomplishments are due in full measure to their commitment and perseverance in the face of extraordinary circumstances.

I and my fellow directors look forward to IO offering exemplary service to the government during the coming year.

David Lindsay
Chair, Board of Directors

MESSAGE FROM THE PRESIDENT AND CEO

The past year represented a dramatic period of evolution, resilience, and agility for Infrastructure Ontario.

Evolution

IO's mandate has continued to evolve and expand as it undertakes increasingly complex projects. To reflect this change, the agency developed a more ambitious vision statement: "a world class agency – creating a connected, modern, and competitive Ontario." To deliver on this vision, the agency has set out a series of goals and strategic initiatives in its business plan that will guide the agency's choices, investments, and actions.

In 2020-21, IO created significant value for the provincial government by delivering commercial solutions, executing transactions, and managing assets for the government while effectively navigating the impact of the COVID-19 pandemic.

Resilience

At the onset of the COVID-19 pandemic, IO worked diligently to maintain and accelerate progress on critical health projects then underway, while initiating the procurement of emergency health facilities that by year's end would help to ease demand on the health care system.

IO also addressed urgent needs in Ontario's long-term care system by developing new contracting approaches to accelerate the procurement of long-term care facilities. Four such facilities will be delivered by 2022, four to five times faster than traditional procurement and construction. The agency also supported HVAC and cooling upgrades as part of the provincial commitment to have cooling systems installed in all of Ontario's long-term care homes.

IO responded to numerous other challenges posed by the pandemic as the agency responsible for the government's general real estate portfolio. IO and its service providers implemented measures throughout the building portfolio to support the ongoing delivery of essential front-line services and permit safe interaction between the public and public servants.

Agility

As IO responded to the demands imposed by the pandemic, its planning and procurement of major infrastructure projects continued unabated. IO moved forward on critical transit projects, most notably launching the procurement of the Ontario Line subway and commencing initial work on the Scarborough Subway Extension and the Eglinton Crosstown West Extension. In partnership with Metrolinx, IO worked to finalize the contract models for the balance of the subways program and established a framework with the City of Toronto for the development of transit-oriented communities, which will integrate transit and community development to create vibrant, higher density, mixed-use communities.

The agency also moved forward with a strategy to refine its contracting methodologies and budgeting solutions to deliver projects and programs across a broader spectrum of delivery models and asset types. IO plans to upgrade essential financial and project management systems to leverage the agency's capabilities, resources, and insights.

I am pleased to highlight some additional achievements during the past year.

Executing transactions

The past year saw eight public-private partnership (P3) projects achieve substantial completion, one project reached financial close, and six projects enter procurement. Since its establishment, IO has brought to market 135 such projects.

Managing assets

IO continued to modernize and enhance the provincial real estate portfolio while reducing the size of its holdings. Most notably, work proceeded on the redevelopment of the Ontario Public Service's largest office complex, Macdonald Block, and on upgrades and enhancements to the neighbouring Whitney Block. Additionally, more than $739 million was committed towards operation and maintenance of the government portfolio and $291 million to capital repairs and leasehold improvements.

Developing commercial solutions

IO provided strategic advice to ministries and government agencies through the year, outlining how the creation of strategic private-sector partnerships could help deliver public services more efficiently. In partnership with the Ministry of Long-Term Care, IO launched the province's Long-Term Care Development Program to address over-capacity issues, offering surplus government lands identified for disposition for the construction of long-term care facilities.

IO's lending program provided affordable, long-term financing to public sector clients to assist them in renewing their infrastructure and revitalizing their communities. IO approved 72 new loans worth approximately $640 million, supporting 190 projects valued at $1.12 billion. This includes three loans for municipal long-term care projects, totaling $182 million in approved financing for the redevelopment of 564 long-term care beds. The total value of loans approved since the program's establishment is over $11.4 billion.

All of these projects represent significant employment and economic opportunity for the province and for the communities in which these investments are being made.

Over the course of the past year, IO also undertook to confront racism and issues of discrimination — and to promote greater equity, diversity, and inclusion — within its workplace and worksites. An Anti-Racism Working Group comprised of staff volunteers identified key areas where there are opportunities for improvement. IO's Executive Team and Board of Directors has committed to acting upon recommendations identified in the Working Group's report to create meaningful changes at IO and throughout all sectors relevant to our work.

The past year has demonstrated the remarkable ability of IO's staff to adapt to unforeseen circumstances and deliver exceptional results. IO could not have achieved the past year's performance without their professionalism and I thank them for their dedication.

IO looks forward to applying its expertise to benefit the government and people of Ontario, whatever new challenges lie ahead of us.

Michael Lindsay
President and Chief Executive Officer

VISION, MISSION AND VALUES

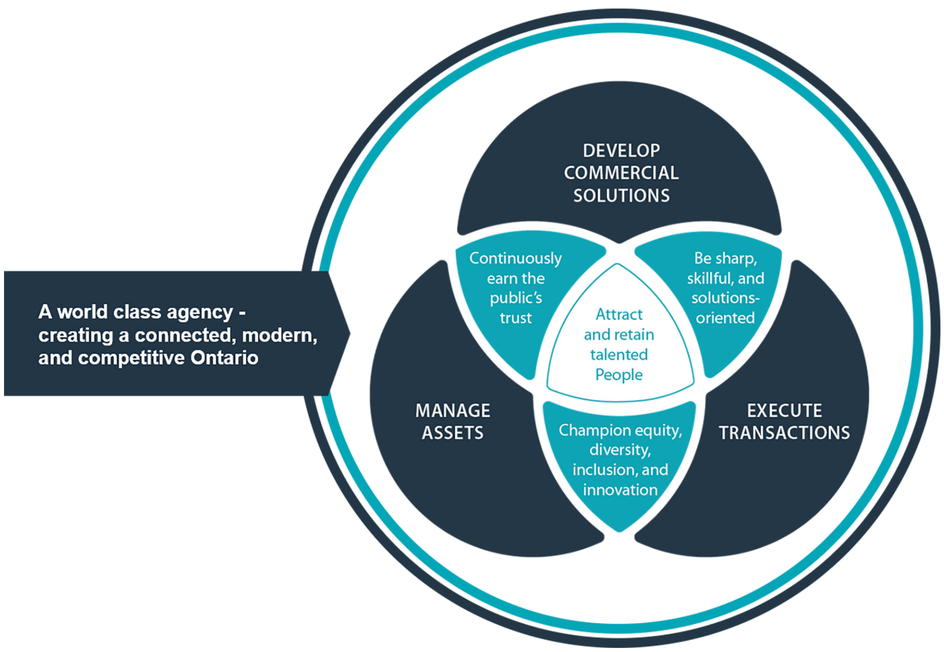
Infrastructure Ontario (IO / agency) is a Crown agency of the Government of Ontario that partners with both the public and private sectors to create a more connected, modern, and competitive infrastructure landscape in the province.

The agency is uniquely positioned to align public sector policy and private sector delivery and innovation. IO upholds the government's commitment to renew public infrastructure assets and modernize services and does so in partnership with the private sector. By acting as this bridge between public sector priorities and private sector execution, IO aims to achieve better outcomes for the Province, including lower costs, faster delivery of new assets and services, and higher quality and higher performing assets.

VISION

IO'S VISION IS TO BE "A WORLD CLASS AGENCY - CREATING A CONNECTED, MODERN, AND COMPETITIVE ONTARIO."

Figure 1: IO's Vision, Mission and Values



MISSION

IO's mission builds on its ambitious vision, defining "what we do." Specifically, our mission outlines IO's value proposition to deliver and execute solutions in support of the government's top priorities. There are three interconnected components to our mission:

Develop commercial solutions: Push IO's "upstream" involvement in solution design across an expanded client base and asset classes.

Execute transactions: Develop new and novel forms of public-private partnerships across new delivery classes and sectors.

Manage assets: Expand our role in the management of government assets to all Provincial ministries, agencies, and broader public sector entities to maximize opportunities for asset optimization and development.

VISION, MISSION AND VALUES

◢ VALUES

IO's values support the vision and mission to define "how we do it". These values are embedded across the organization and upheld to the highest standards in the agency's interactions with clients and the market. This core set of values that guides IO includes:

- Continuously earn the public's trust
- Be sharp, skillful, and solutions-oriented
- Champion equity, diversity, inclusion, and innovation
- Attract and retain talented people

Using the vision, mission and values as the building blocks, IO has developed a Strategic Plan that aligns its strategic direction around the agency's value proposition to the Province, enabling it to leverage capacity across groups, and meet client needs and government priorities. The strategic plan provides the agency with a three-year roadmap to invest in its people, streamline the way it works with its partners, and ultimately grow its impact in a meaningful and structured way.

This Annual Report will describe IO's enterprise governance, and corporate structure and detail the agency's 2020-21 operating performance against its four strategic goals. It will also outline key risks and financial results over the fiscal year.

GOVERNANCE

IO applies a high standard of corporate governance to ensure accountability and operational efficiency. IO is governed by a Board of Directors and Chief Executive Officer appointed by the Lieutenant Governor in Council.

The agency is accountable to the Ontario Legislature through the Minister of Infrastructure and reports to the Minister through the Chair of the Board. A Memorandum of Understanding between IO and the minister clarifies and delineates IO's roles and responsibilities, as well as the accountability framework between the ministry and the agency.

The business plan and annual report submitted to the Minister are prepared in accordance with applicable legislation and the government's Agencies and Appointments Directive. Decision-making thresholds of IO's management committees and individual staff members are governed by a Delegation of Authority, which is approved by the Board of Directors.

The Code of Conduct is one of IO's internal governing documents designed to provide guidance, principles, and standards for expected ethical behaviour. It applies to the Board of Directors, executive and senior management, and all employees. As a condition of employment, IO employees must annually confirm their commitment to comply with the code.

IO is mindful of its obligations to exercise due diligence, ensure accountability, provide transparency, and demonstrate results so as to provide real value to the Province in its endeavours.

Several oversight committees monitor financial and operational performance, risk management, and accountability as illustrated in the following chart:

Figure 2: IO's Board and Management Committee Structure

Board of Directors

Governance and Compensation Committee

Recommends Board/committee composition; promotes corporate governance principles; reviews/recommends staff compensation/succession plans; oversees corporation pension and benefits plans

Infrastructure and Commercial Projects Committee

Recommends to the Board the approval of proposed Infrastructure Projects valued at >$50M and Commercial Projects, including transaction advisory services offered by IO

Credit and Real Estate Committee

Monitors IO's credit profile and lending function; reviews and oversees adherence to lending/treasury policies; monitors all of the real estate activities, including review of high density, mixed-use development transactions connected to transit stations

Audit Committee

Oversees IO's Enterprise Risk Management (ERM), financial reporting and audit process, and financial reporting of the General Real Estate Portfolio

CEO & Executive Team

Real Estate Management Committee

Oversees asset management, strategic asset planning, realty transactions, and land development that impact the General Real Estate Portfolio; also all real estate traditional projects and P3 operations and early works

Project Delivery Steering Committee

Oversees all delivery and operations related to P3 and large traditional projects

Credit Review Committee

Develops/oversees credit risk and treasury policy; monitors all lending functions of the organization

IT Project Prioritization Committee

Oversees IT projects across the enterprise

Pension Management Committee

Manages corporation pension plans, reporting to the Governance and Compensation Committee

OUR CORPORATE STRUCTURE

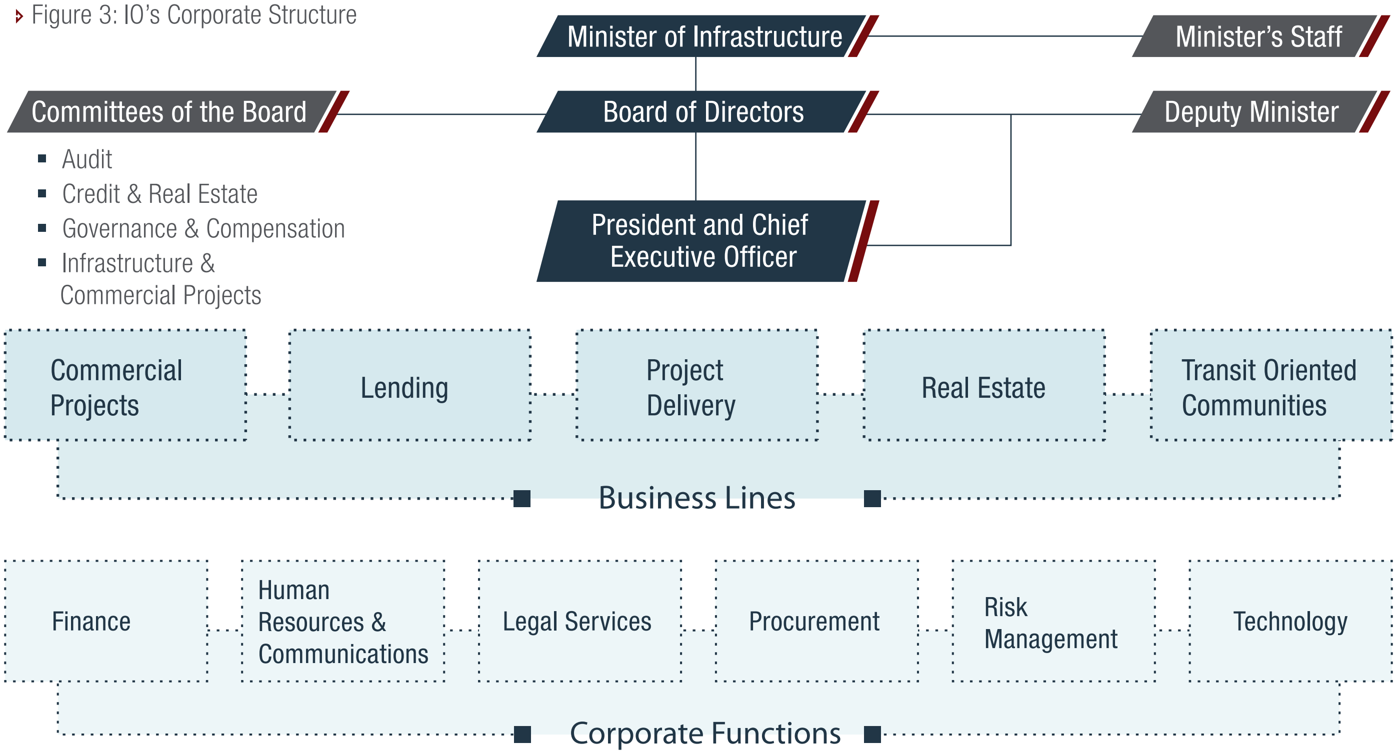


Figure 3: IO's Corporate Structure

BOARD OF DIRECTORS

IO's independent, professional Board of Directors is responsible for the agency's oversight and strategic direction. The board approves corporate objectives, ensures good governance, monitors financial performance, approves the business plan and financial statements, and ensures that risks are identified and managed.

As of March 31, 2021, IO's Board of Directors is made up of eight experienced and well-informed external members, plus the CEO. The directors have a wide breadth of expertise and private sector knowledge, as well as business, industry, financial, and other relevant experience to carry out their fiduciary duties and uphold the interests of IO.

The remuneration provided to each director (other than the Chair, the CEO, or any public servant appointed by a director) is the sum of $5,000 per year and $500 per day for each day engaged in IO business. The remuneration provided to the Chair is the sum of $10,000 per year and $500 per day for each day of service.

Director	Period of Service	Annual Remuneration*
Lynn A. Kennedy	January 31, 2019 – January 31, 2022	$21,500
Gadi Mayman	January 24, 2020 – January 24, 2022	N/A **
John McDonald	June 26, 2019 – June 26, 2022	$23,000
Jane Pepino	April 11, 2018 – April 11, 2021	$15,500
Clark Savolaine	March 28, 2019 – March 28, 2022	$15,500
David Shiner	November 21, 2018 – November 21, 2021	$18,000
Annesley Wallace	December 5, 2018 – December 5, 2021	$19,500
Jeff Wesley	March 21, 2019 – March 21, 2022	$22,500

* *Remuneration paid to the Board members in a fiscal year which may be different from the remuneration accrued in a fiscal year*

** *No remuneration paid in capacity as Board member*

OUR CORPORATE STRUCTURE

The following board members tenure ended during the year:

Director	Period of Service	Annual Remuneration*
Christopher Voutsinas, Chair	January 31, 2019 – March 18, 2021	$98,000
Patrick Sheils, Vice Chair	January 31, 2019 – March 18, 2021	$70,750

* *Remuneration paid to the Board members in a fiscal year which may be different from the remuneration accrued in a fiscal year*

The President and CEO also serves on Infrastructure Ontario's Board of Directors:

President and CEO	Period of Service	Annual Remuneration
Michael Lindsay	November 1, 2020 to present	N/A **
Ehren Cory	February 2, 2017 – October 31, 2020	N/A **

*** No remuneration paid in capacity as Board member*

2020-21 OPERATING PERFORMANCE

IO has five lines of business delivering results to public sector clients.

Commercial Projects leverages private sector partnerships and investments for revenue generation, liability/cost reduction and efficiency in government services and investments. The business line provides advice and negotiation support to the government and public sector partners regarding commercial transactions, including major land developments.

Lending administers IO's infrastructure loan program, with over $6 billion in current loans outstanding. This program provides Ontario municipalities and eligible public sector and not-for-profit organizations with access to affordable loans to build and renew public infrastructure.

Project Delivery manages large, complex public infrastructure projects using a variety of contracting models, including and most notably the P3 approach to procurement and delivery, which leverages private sector financing and expertise to improve the quality in building public infrastructure with the objective of delivering projects on schedule and on budget. The value of the current P3 Project pipeline is valued at more than $60 billion.

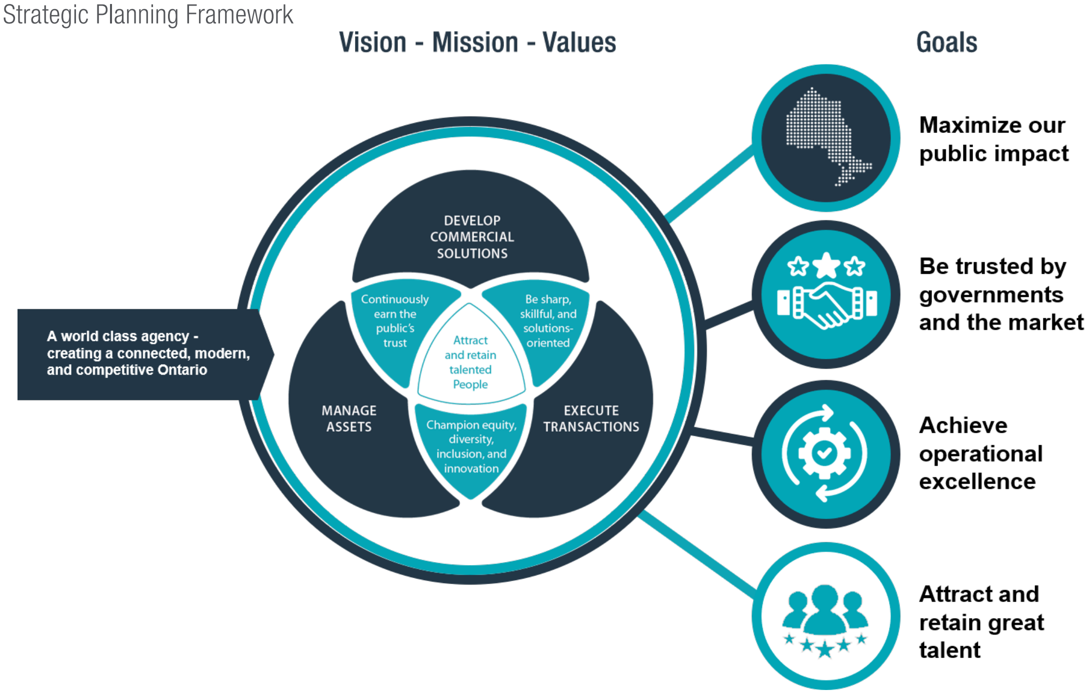
Real Estate provides comprehensive property management services for government owned and leased properties, which includes providing end to end real estate accommodation options to client ministries to ensure safe and secure operations through asset management, capital planning and project management solutions. It also provides strategic asset planning services to the Ministry of Government and Consumer Services (MGCS) to maximize the value of government assets through portfolio planning and rationalization. We currently manage in excess of 42 million square feet of space on behalf of the Province.

Transit Oriented Communities (TOC) delivers higher density, mixed-use development that is connected, next to, or within a short walk of transit stations, and will catalyze new transit-centric communities. The TOC program, through IO's existing mandate, is charged with the redevelopment of transit station and construction lands across all four of the priority subway projects with the aim of creating value for the Province that can be redeployed to offset transit infrastructure costs or fund other government priorities. It is worth noting that IO is also beginning to explore development opportunities beyond sites within close proximity to transit.

IO's business lines are supported by professional staff in finance, treasury, human resources, communications, legal services, procurement, transaction finance, risk management, and information technology.

IO's four strategic goals are the drivers for the agency to achieve its vision of "a world class agency – creating a connected, modern, and competitive Ontario".

Figure 4: IO's Strategic Planning Framework



2020-21 OPERATING PERFORMANCE

In 2020-21, IO created significant value for the Province by executing on our mission of delivering commercial solutions, executing transactions, and managing assets for government while effectively navigating the impact of the COVID-19 pandemic.

Summarized below is IO's corporate performance for each of the agency's four corporate goals, outlining both notable achievements and areas of improvement and opportunity.

1. **Maximize our public impact** through the delivery of new assets, the proactive management of existing assets, and by identifying opportunities to optimize commercial assets and services.

   This goal measures IO's ability to deliver timely projects within expected budgets and identify and generate value for its clients.

   Notable achievements include:

   - Achieved key project and program milestones for a variety of client projects, while proactively managing COVID-19's impact on current and future projects.
   - Developed and advanced a COVID-19 response plan that outlined key areas of focus to support Ontario in managing the crisis, mitigating economic and societal impacts, stimulating recovery, and strengthening our resilience. For example, IO's responsiveness enabled the rapid re-opening of the Ministry of Attorney General courts in June 2020. Efforts included the installation of plexiglass barriers, new HVAC practices and social distancing methods that allowed the courts to begin re-opening on an extremely ambitious schedule.
   - Continued to support municipal infrastructure investment through our lending program and engaged with the Ministry of Infrastructure and the Ministry of Long-Term Care to solve for systematic challenges in financing loans to support non-municipal long-term care facilities.
   - Advanced opportunities to derive value from the real estate portfolio by clarifying accountabilities and working with Ministry of Government and Consumer Services on the centralization of the government's office portfolio. The agency is on pace to exceed its three-year divestment plan surplus target of $145 million by 2021-22 with $135 million surplus generated to date.
   - Developed and implemented the Gradual Reopening of the Workplace advisory framework for the Ontario Public Service.
   - Successfully executed progressive design build contracts on behalf of the Ministry of the Solicitor General for two rapid deployment facilities in Thunder Bay and Kenora.
   - Continued to record on-time and on-budget project completion results consistent with previous years. As at March 31, 2021, of the 74 projects that reached substantial completion since the inception of IO's P3 program, 95% were completed on-budget and 81% completed within three months of the substantial completion date established at financial close.

2. **Be trusted by governments and the market** to deliver a breadth of work across a defined set of asset classes and public sector owners.

   This measure echoes IO's commitment to strengthening relationships with all stakeholders and industry partners.

   Notable achievements include:

   - Received new, emerging, and expanding responsibilities under IO's existing mandates to support government, for example the Ministry of Health and Long-Term Care rapid builds modernization, and land development. This enabled the agency to develop and launch innovative transaction models to accelerate the build of Long-Term Care (LTC) supply and support local municipalities to leverage provincial planning levers to lead developers to essentially develop mixed use communities inclusive of LTC.
   - Continued pursuit of capital delivery model selection and budgeting reforms, including changes in delivery model selection tools and budgeting methodology, to enable greater array of models to be used to solve for a more varied set of government objectives and to shape the role of capital delivery across the province.
   - Led an initiative with the Ministry of Infrastructure to assess the feasibility of electric utility-enabled broadband models to lower the cost of bringing broadband service to rural and remote communities.
   - Adapted approaches to contracting on the subways program, which have resulted in a much more robust competitive response.

- Successfully managed acceleration of the TOC program including reaching the negotiation phase on advanced tunnel projects such as Scarborough and Eglinton.
- Secured a mandate to support the Ministry of the Solicitor General with 911 service delivery transformation.

3. **Achieve operational excellence** by ensuring our processes are sustainable, transparent, continuously improved, and consistent with the highest standards of professionalism.

   This measure will focus on IO's financial and resource efficiency as well as progress and results against enterprise-level initiatives.

   Notable achievements include:

   - Operated within budget despite an expanded volume of work.
   - Transitioned entire workforce to virtual environment with no impact to business continuity, shining a spotlight on the outstanding work of our people, business lines and value to government, and showcasing IO's ability to stretch and adapt during the pandemic.
   - Refined our business planning and risk management processes to enhance decision making and support the delivery of our risk and strategic roadmaps.
   - Advanced efforts to build organizational IT capability through a defined strategy and draft roadmap, beginning with implementing new project governance and prioritization frameworks.
   - Successfully completed an integrated, organization-wide disaster recovery test of new cloud infrastructure, demonstrating resilience and ability to recover.

4. **Attract and retain great talent** through the articulation and delivery of an employee value proposition grounded in empowerment, development, teamwork, diversity, inclusion and impact.

   This measure reflects on the effectiveness of IO's coaching and development programs, the level of diversity, inclusion and safety in the work environment and the degree to which innovation is encouraged and rewarded.

   Notable achievements include:

   - Renewed our focus on values around equity, diversity and inclusion, leading to the implementation of key initiatives such as the hiring of a Head of Equity, Diversity and Inclusion and the updating of our procurement policy to establish discrimination-free practices.
   - Received positive employee feedback with 100% of new hires indicating they would recommend IO as a place to work.
   - Completed a seamless transition to virtual recruitment and onboarding.
   - Feedback via an employee survey acknowledged health and wellness supports.

COVID-19 RESPONSE

In March 2020, IO quickly mobilized resources to respond to the COVID-19 pandemic. While the pandemic has had a long-lasting impact on employees, operations, government, and the public-at-large, IO's response to the crisis highlighted the work of IO's people, diverse capabilities, and value to government through our ability to be agile and innovative.

The response plan included three areas of support to help manage during and ultimately recover from the COVID-19 crisis:

1. **Manage during the crisis**
   - Supported government in the rapid shutdown of non-essential locations while ensuring that critical spaces were adapted and remained open and safe (e.g., Service Ontario, courts, correctional facilities) and worked with private sector tenants on addressing rent relief measures.
   - Accelerated go-live dates for hospital projects scheduled for completion in 2020, built COVID-19 health facilities to create surge capacity, and developed and launched innovative transaction models to accelerate the build of LTC supply.
2. **Mitigate immediate economic and societal impacts**
   - Proactively managed the impact of COVID-19 on projects in construction, while complying with Ontario's COVID-19 health guidelines and implementing protocols on new project agreements.

2020-21 OPERATING PERFORMANCE

- Communicated a comprehensive capital projects pipeline including 41 public-private-partnerships (P3) projects valued at more than $60 billion, which is an important affirmation of the Government of Ontario's historic commitment to P3s and public infrastructure, particularly amid managing the unprecedented challenge posed by the pandemic.
- Leveraged the lending program to offer flexible repayment options to entities faced with liquidity issues and to stimulate spending during recovery, supporting municipalities as they offered local tax relief, affordable and social housing corporations that offered relief to renters impacted by layoffs, and health organizations impacted by the pandemic.

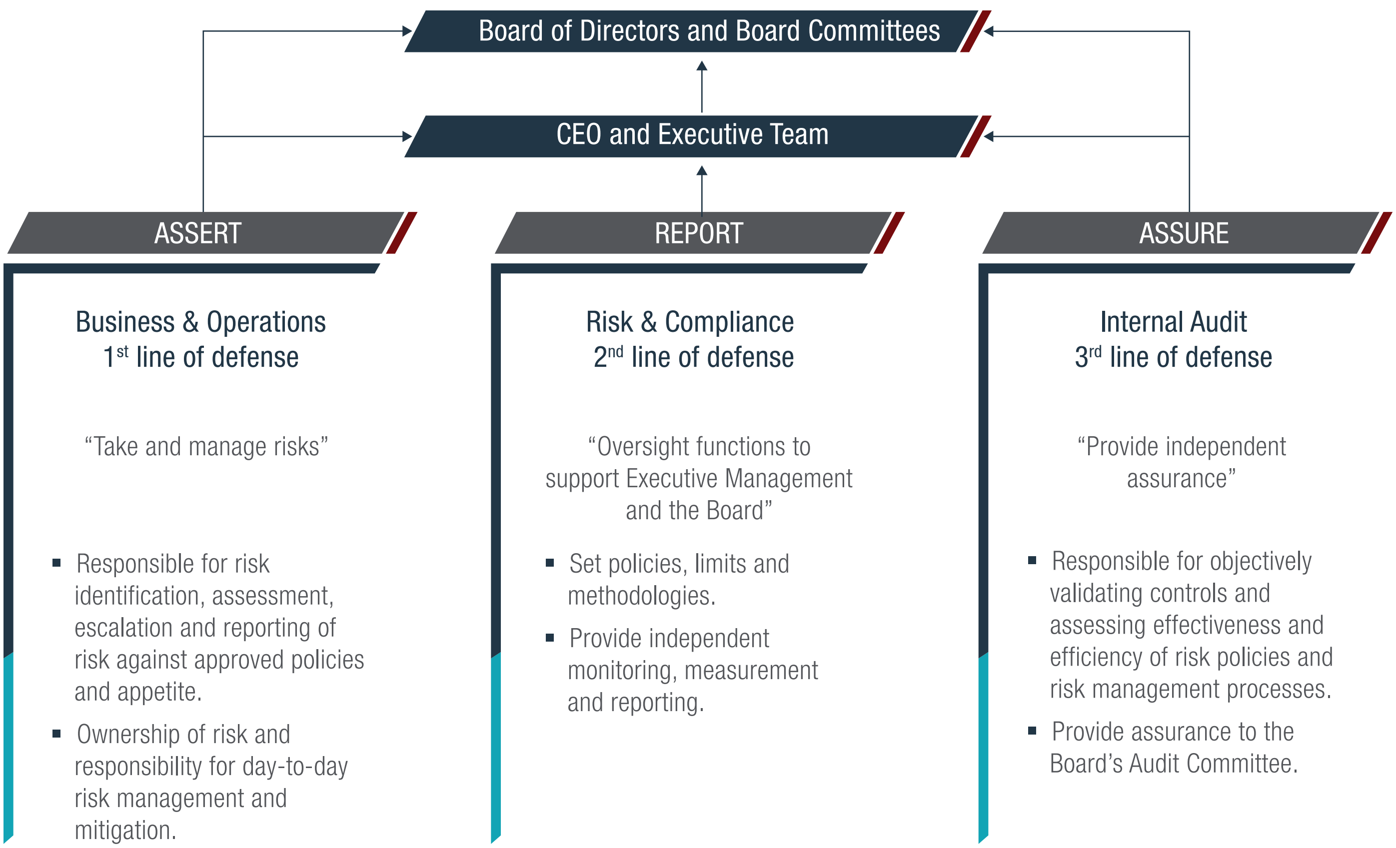
3. **Stimulate recovery and strengthen our resiliency**
    - Engaged in major cross-cutting business transformations with ministry partners to modernize how critical government services are delivered:
        - Established a digital identity program in partnership with the Ontario Digital Service at the Treasury Board Secretariat.
        - Undertook health insurance modernization, and contract renewal strategies in partnership with the Ministry of Health and Long-Term Care.

ENTERPRISE RISK MANAGEMENT

IO has an Enterprise Risk Management (ERM) framework that helps guide the organization's risk management activities. It establishes a governance structure that encourages a risk-aware culture where risk management is an integral part of IO's strategic and operational decision-making processes. It helps ensure risks and opportunities facing IO are identified, and facilitates the understanding, discussion, evaluation, and management of risks at all levels of the organization.

IO continues to mature its ERM framework in line with leading practices and in compliance with the new government ERM Directive. The agency's enterprise risk register was updated during the year, with emphasis placed upon emerging risks and improvements to risk management reporting. As part of IO's ERM maturity plan, IO is developing formal risk appetite statements and risk tolerance levels to inform strategic decision-making and planning processes, and to further embed risk awareness and alignment across the organization.

IO utilizes a "three lines of defense" model to clarify and delineate roles and responsibilities across the different risk management activities, as outlined below:



ERM POLICY

The ERM policy outlines a framework for risk management, including an overall approach to identifying, assessing, and managing organizational risk. The policy describes the key elements of the ERM program including the governance structure, reporting, and monitoring requirements, and the roles and responsibilities of key stakeholders.

Risks are categorized as follows:

- **Strategic risks** generally pertain to IO's mandate and business environment risks.
- **Reputational risks** pertain to risks that can impact the IO brand, image or reputation as the result of the actions of the agency: indirectly due to the actions of an employee or employees; or tangentially through the actions of others, such as partners or suppliers.

ENTERPRISE RISK MANAGEMENT

- **Operational risks** include risks associated with people, process, technology, security, compliance, and mandate execution, which can affect IO's ability to achieve its corporate objectives.
- **Financial risks** pertain to risks that can impact IO's cash position and financial results and reporting.

IO maintains a robust and integrated internal control framework and policy suite to mitigate risks. Controls are supported by an active management team ensuring IO's processes are efficient and effective. Mitigations are assessed as part of a cyclical process to determine whether the residual risk levels are tolerable, whether new mitigation/treatment plans are needed, and whether the existing plans are effective. IO's mitigation plans are subject to regular independent reviews and audits by IO's Risk Management and Internal Audit teams, as well as the Ontario Internal Audit Division and the Office of the Auditor General of Ontario.

KEY RISKS

As part of IO's risk management framework, key enterprise risks are monitored and reported on an ongoing basis to the Board of Directors and the Ministry of Infrastructure.

Risk	Mitigation Actions
Strategic	
Rapid Mandate Expansion Potential increases to IO's mandate and scope of operations, resulting in a rapid expansion of the portfolio, resource base, and operations.	• IO has a rigorous framework for hiring staff and developing resources to match any changes in mandate/scope of work. • IO is governed and supported by Letters of Direction from the Ministry of Infrastructure and Ministry of Government and Consumer Services. • IO has strong relationships across government, providing line of sight to possible mandate changes. • IO employs a six-quarter rolling forecast process to provide visibility on project volumes and resource requirements.
Declining Market Participation and Decreased Capacity Market participation has been affected by construction industry consolidation, growing project complexity, and an evolving tolerance for risk transfer; combined with a decreased capacity on the part of market participants, there exists a risk of higher bid prices, costs of services, and schedule delays.	• Scheduled communications of project pipeline information and facilitating market soundings with vendors and associations on upcoming projects. • Perform ongoing reviews of risk transfer in IO contracts to ensure efficient risk allocation is achieved. • Continue to assess procurement and contracting approaches to maximize competitiveness, with support from a third-party jurisdictional review.
Alignment of Objectives, Roles, and Responsibilities Objectives, roles, and responsibilities related to project management and governance between IO and its key partners and stakeholders may be misaligned, resulting in underperforming projects.	• IO has in place robust governance documents and processes to maintain clarity on project mandates with partners. • Continue to evolve delivery model decision making through an iterative process of interaction with government decision makers and seek clarity where potential objectives compete.
Business Transformation Changes The volume of simultaneous transformational changes may negatively impact IO's delivery results, culture, and people.	• IO develops detailed implementation plans for all enterprise initiatives and incorporates an integrated view of all initiatives to continuously monitor progress and risks.

ENTERPRISE RISK MANAGEMENT

Risk	Mitigation Actions
Reputational	
Claims and Litigation Increases in the frequency and magnitude of claims against IO and its projects may adversely impact the resources of both IO and the government and could impact IO's reputation.	▸ A specialized claims department within IO's legal team has been developed to manage claims centrally, train project staff on claims management processes, and standardize processes for future claims.

Performance
 	
Government expectations are not met due to the inability to appropriately manage performance as a result of project delays, cost overruns, service delivery lapses, or loan-related issues.
	▸ IO continues to monitor key stages of transactions with communication to government stakeholders through regular senior management and executive committees to oversee transactions from procurement to implementation.
	▸ Ongoing monitoring assessment of cost escalation trends in the market and early involvement in budget planning to ensure trends are reflected in project budgets.
	▸ Continue to evolve procedures in delivery model selection and the project approval process to require:
	  ▸ certain quality standards of third-party cost estimation due diligence for core scope of each project;
	  ▸ budget development commensurate with actual retained risk, based on rigorous quantitative risk analysis.

Operational	
Manage Business Disruption The magnitude of changes in the external environment or reliance on partners (e.g., public health crises and economic slowdown) may adversely impact IO's operations and thereby its ability to execute and deliver client services due to ineffective preparedness.	▸ IO has in place a Business Continuity Plan (BCP) and emergency response measure protocols that are periodically reviewed and updated to ensure they meet the needs of possible future events. ▸ IO also ensures that its service providers have in place a BCP in respect of its management of public assets.
Financial	
Interest Rate Impacts and Loan Portfolio Management Declining interest rates may offset the benefits of interest rate swap agreements associated with unhedged loans and previously issued debt, which are intended to reduce exposure to interest rate fluctuations and market volatility. Decreased revenue among IO's lending clients due to the recent pandemic may adversely affect the performance of IO's loan portfolio.	▸ IO measures its interest rate risk regularly and closely monitors the results of interest rate change scenarios against prescribed limits. ▸ Ongoing monitoring, individual loan reviews at regular intervals, and frequent communication with borrower's help ensure IO's lending program continues to support infrastructure growth across the province.

Financial Results

FOR THE YEAR ENDED MARCH 31, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

Infrastructure Ontario (IO) is a Crown corporation reporting to the Minister of Infrastructure (Minister) and is classified as a board-governed agency. IO is governed by a Board of Directors pursuant to a memorandum of understanding with the Minister that sets out IO's accountability framework.

IO has five lines of business delivering results to public sector clients.

Project Delivery manages large, complex public infrastructure projects primarily through the Public-Private Partnership (P3) model, where partnerships with the private sector that leverage financing capacity and expertise result in building high quality public infrastructure, delivered on schedule and on budget.

Real Estate provides comprehensive property management services for government owned and leased properties, which includes providing end to end real estate accommodation options to client ministries to ensure safe and secure operations through asset management, capital planning and project management solutions. It also provides strategic asset planning services to the Ministry of Government and Consumer Services (MGCS), to maximize the value of government assets through portfolio planning and rationalization.

Lending administers IO's infrastructure loan program, which provides Ontario municipalities and eligible public sector and not-for-profit organizations with access to affordable loans to build and renew public infrastructure.

Transit Oriented Communities (TOC) delivers higher density, mixed-use development that is connected, next to, or within a short walk of transit stations, and will catalyze new transit-centric communities. The TOC program is charged with the redevelopment of transit station and construction lands across all four of the priority subway projects with the aim of creating value for the province that can be redeployed to offset transit infrastructure costs or fund other priorities of Government.

Commercial Projects leverages private sector partnerships and investments for revenue generation, liability/cost reduction and efficiency in government services and investments. The business line provides advice and negotiation support to the government and public sector partners regarding commercial transactions, including major land developments.

IO's business lines are supported by professional staff in finance, human resources, legal services, procurement, communications, transaction finance, treasury, information technology and risk management.

This Management's Discussion and Analysis (MD&A) is intended to provide an overview of IO's financial activities for the year ended March 31, 2021 and should be read in conjunction with the financial statements for the year ended March 31, 2021 and related notes.

IO earned a surplus of $24.0 million for the year, $9.4 million higher than budget due to the recognition of revenues that were previously deferred, partially offset by the reduction of project receivable balances, and lower corporate general and administration expense. The adjustments to revenues and project receivable balances were related to completed and cancelled projects.

OPERATING RESULTS

The MD&A discusses revenue and expenses for the five lines of business (refer to Note 19 of the financial statements) compared to budget, in accordance with how performance is measured.

PROJECT DELIVERY

Project Delivery provides professional services for P3 and other large infrastructure projects under either fixed price or cost recovery-based contracts. For fixed price contracts prior to reaching financial close, revenue is recognized when an arrangement is in place, costs are incurred, and collectibility is reasonably assured. After financial close, revenue is recognized using the percentage of completion method. Percentage of completion is calculated based on a ratio of costs incurred to total estimated costs. At final completion, any remaining margin on the fixed price contract is recognized. For cost recovery-based contracts, revenue for project delivery, and project transaction and recoverable costs, is recognized when an arrangement is in place, costs are incurred, and collectibility is reasonably assured.

Year-ended March 31, 2021 vs. Budget

Project Delivery reported a surplus of $8.9 million for the year, $8.6 million higher than budget due to the recognition of $10.9 million of revenues that were previously deferred, partially offset by the $3.2 million reduction of project receivable balances. These adjustments were related to completed and cancelled projects.

Revenues

- Project delivery fees were $61.9 million for the year, $8.4 million higher than budget due to $10.9 million recognition of revenues that were previously deferred, related to completed and cancelled fixed fee projects, partially offset by a $2.0 million lower recovery of expenses due to lower salary and corporate general and administration expenses as explained below.
- Project transaction and recoverable revenue was $72.9 million for the year, $17.2 million below budget. Lower revenues reflect the recovery of lower project transaction costs as explained below, with no net impact to surplus.

Expenses

- Salary and benefit expenses were $39.1 million for the year, $0.2 million below budget primarily due to lower average headcount.
- General and administration expenses were $13.8 million for the year, consistent with budget but included a favourable variance of $2.0 million related to corporate expenses including information technology and consulting offset by a $1.9 million reduction of project receivable balances on completed and cancelled projects.
- Project transaction and recoverable costs were $72.9 million for the year, $17.2 million below budget due to the lower use of contingencies. Project transaction costs are costs related to external advisors that are incurred to support the procurement of the construction consortium for P3 projects. Other recoverable costs are comprised of external advisor costs incurred to support a project and the development of an asset; these costs can vary depending on the nature and stage of the project. Neither transaction nor other recoverable costs are paid to Project Co. The budget utilized a conservative approach to forecast advisor costs for projects in the early stages of development and included contingencies for unknown advisor requirements.

Year-ended March 31, 2021 vs. March 31, 2020

Project Delivery reported a surplus of $8.9 million for the year, an increase of $7.2 million compared to the prior year due to the recognition of revenues that were previously deferred, partially offset by the reduction of project receivable balances. These adjustments were related to completed and cancelled projects.

Revenues

- Project delivery fees were $61.9 million for the year, $17.9 million higher than the prior year. The increase in revenue was primarily due to program growth, including growth in the subway and transit portfolios, and the recognition of revenues that were previously deferred.
- Project transaction and recoverable revenue was $72.9 million for the year, $23.2 million higher than the prior year. Higher revenues reflect the recovery of higher project transaction costs as explained below, with no net impact to surplus.

Expenses

- Salary and benefit expenses were $39.1 million for the year, $8.4 million higher than the prior year due to increases in headcount to support program growth.
- General and administration expenses were $13.8 million for the year, $2.4 million higher than the prior year primarily due to higher costs for the buildout of the program controls and management function within the Project Management Office and the reduction of project receivable balances on completed and cancelled projects.

- Project transaction and recoverable costs were $72.9 million for the year, $23.2 million higher than the prior year primarily due to growth in the subways and transit portfolios.

REAL ESTATE

Real Estate revenues are comprised of management fees, project transaction and recoverable revenue and other income. Management fees are earned to recover IO's costs to provide asset management services, facility management oversight and other realty services, including real estate options analysis, leasehold asset management planning (LAMP) services, and management of the hydro corridor program to both the General Real Estate Portfolio (GREP) and corporate realty clients. IO recovers external costs incurred to provide these other realty services to corporate realty clients through project transaction and recoverable revenue.

Year-ended March 31, 2021 vs. Budget

Real Estate reported a surplus of $nil for the year, $0.4 million higher than budget due to lower expenses partially offset by lower GREP facility management fees and lower corporate realty revenues.

Revenues

- Management fees were $54.2 million for the year, $2.4 million below budget, due to lower GREP management fees as a result of lower costs, and lower revenue from corporate realty programs including P3 Operations, primarily due to the impacts of fixed fee contracts and LAMP due to project delays.
- Project transaction and recoverable revenue was $37.9 million for the year, $30.9 million higher than budget. Project transaction and recoverable revenue relates to third party project advisor costs. The higher revenues reflect the recovery of higher expenses as explained below, with no net impact to surplus.
- Other income was $0.3 million for the year, $0.2 million below budget and consists of lease commission rebates from CB Richard Ellis (CBRE) reflecting 50% of the net brokerage commission earned executing third party lease agreements at IO's direction to accommodate government tenants. The lower than budgeted commissions were due to the cancellation or deferrals of several transactions.

Expenses

- Salary and benefit expenses were $37.9 million for the year, consistent with the budget.
- General and administration expenses were $7.3 million for the year, $3.0 million below budget due to lower corporate expenses including IT, consulting, and office administration.
- Project transaction and recoverable costs were $37.9 million for the year, $30.9 million higher than budget due to program growth including $17.9 million for external advisors required for new projects initiated this year to increase capacity at two hospitals in support of the Province's response to the pandemic.
- Sub-contracting fees are paid to CBRE to provide operational facility management services to GREP. Sub-contracting fees were $9.4 million for the year, consistent with the budget.

Year-ended March 31, 2021 vs. March 31, 2020

Real Estate reported a surplus of $nil for the year, $0.6 million higher than the prior year.

Revenues

- Management fees were $54.2 million for the year, $1.5 million below the prior year primarily due to lower facility management fees for GREP as a result of lower costs.
- Other income was $0.3 million for the year, $0.7 million below the prior year due to lower lease commission rebates.
- Project transaction and recoverable revenue was $37.9 million for the year, $31.5 million higher than the prior year. The higher revenues reflect the recovery of higher expenses as explained below, with no net impact to surplus.

Expenses

- Salary and benefit expenses were $37.9 million for the year, $0.8 million higher than the prior year due to an increase in headcount to support corporate realty program growth.
- General and administration expenses were $7.3 million for the year, $2.8 million below the prior year. The favourable variance is primarily due to lower consulting and corporate expenses including IT and office administration.
- Sub-contracting fees paid to CBRE were $9.4 million for the year, $0.8 million below the prior year due to a lower level of work related to occupancy planning.
- Project transaction and recoverable costs were $37.9 million for the year, $31.5 million higher than the prior year primarily due to program growth including $17.9 million for external advisors required for new projects initiated this year to increase capacity at two hospitals in support of the Province's response to the pandemic.

LENDING

Year-ended March 31, 2021 vs. Budget

Lending reported a surplus of $16.4 million for the year, $1.8 million above budget.

Net interest margin (NIM) for the year was $22.2 million, $1.2 million above budget, primarily due to refinancing of debt at lower interest rates and lower costs related to the loan deferral program.

($ millions)		Actual	Budget	Variance
Interest revenue	$	225.4	227.8	(2.4)
Interest expense		(203.2)	(206.8)	3.6
NIM	$	22.2	21.0	1.2

Other income for the year was $0.7 million, $0.1 million above budget mainly due to a partial recovery of the loss on a loan written off in 2016-17.

Expenses

- Salary and benefit expenses were $4.9 million for the year, $0.1 million above budget due to slightly higher headcount.
- General and administration expenses were $1.7 million for the year, $0.6 million below budget due to lower corporate costs including IT and consulting.

Year-ended March 31, 2021 vs. March 31, 2020

Lending reported a surplus of $16.4 million for the year, $6.0 million higher than the prior year primarily due to the impact of an $8.1 million general loan valuation allowance booked in the prior year. There was no loan valuation allowance required in the current year. NIM was $22.2 million, $0.7 million lower than the prior year primarily due to the repayment of higher yielding loans and lower average cash balances versus prior year.

($ millions)		March 31, 2021	March 31, 2020	Variance
Interest revenue	$	225.4	241.0	(15.6)
Interest expense		(203.2)	(218.1)	14.9
NIM	$	22.2	22.9	(0.7)

Other income for the year was $0.7 million, $1.5 million lower than the prior year in which IO received loan breakage fees of $1.4 million from the restructuring of two loans.

Expenses

- Salary and benefit expenses were $4.9 million for the year, $0.3 million higher than the prior year due to slightly higher headcount.
- General and administration expenses were $1.7 million for the year, $0.3 million lower than the prior year due to lower corporate costs.
- Loan valuation allowance expense was $nil in the current year but $8.1 million for the prior year. The loan valuation in the prior year was based on management's assessment of the increased credit risk resulting from the economic impact of the COVID-19 pandemic on the ability of some borrowers to generate revenues and/or donations. Management did not assess any incremental credit risk to the portfolio in the current year.

TRANSIT ORIENTED COMMUNITIES (TOC)

TOC provides professional services on a cost recovery basis. Revenues for project delivery fees, and project transaction and recoverable costs, are recorded when an arrangement is in place, costs are incurred, and collectibility is reasonably assured.

Year-ended March 31, 2021 vs. Budget

TOC reported a surplus of $0.1 million for the year, $0.1 million higher than budget due to lower expenses.

Revenues

- Project delivery fees were $4.1 million for the year, $0.4 million below budget. The lower revenues reflect the recovery of lower costs with no material impact to surplus.
- Project transaction and recoverable revenue was $1.1 million for the year, $11.3 million below budget. Project transaction and recoverable revenue relates to third party advisor costs. Lower revenues reflect the recovery of lower expenses as explained below, with no net impact to surplus.

Expenses

- Salary and benefit expenses were $3.4 million for the year, $0.3 million below budget primarily due to lower average headcount.
- General and administration expenses were $0.7 million for the year, $0.2 million below budget due to lower corporate costs.
- Project transaction and recoverable costs were $1.1 million for the year, $11.3 million below budget due to project delays related to obtaining Treasury Board approvals, finalizing technical decisions regarding surrounding station lands and locations, and delays in discussions with municipalities; some of these may have been triggered by the pandemic.

Year-ended March 31, 2021 vs. March 31, 2020

TOC reported a surplus of $0.1 million for the year, $0.2 million below the prior year.

Revenues

- Project delivery fees were $4.1 million for the year, $1.7 million higher than the prior year due to program growth.
- Project transaction and recoverable revenue was $1.1 million for the year, $1.1 million below the prior year. Lower revenues reflect the recovery of lower expenses as explained below, with no net impact to surplus.

Expenses

- Salary and benefit expenses were $3.4 million for the year, $1.6 million higher than the prior year due to increases in headcount to support program growth.
- General and administration expenses were $0.7 million for the year, $0.3 million higher than the prior year due to higher corporate costs including consulting.

- Project transaction and recoverable costs were $1.1 million for the year, $1.1 million below the prior year due to project delays and the requirements of specific projects.

COMMERCIAL PROJECTS

Commercial Projects provides professional services on a cost recovery basis. Revenues for project delivery fees, and project transaction and recoverable costs, are recorded when an arrangement is in place, costs are incurred, and collectibility is reasonably assured.

Year-ended March 31, 2021 vs. Budget

Commercial Projects reported a deficit of $1.4 million for the year, $1.4 million below budget primarily due to a reduction of project receivable balances on completed and cancelled projects.

Revenues

- Project delivery fees were $5.9 million for the year, $0.1 million below budget.
- Project transaction and recoverable revenue was $4.9 million for the year, $2.4 million below budget. Project transaction and recoverable revenue relates to third party advisor costs. Lower revenues reflect the recovery of lower costs as explained below, with no net impact to deficit.

Expenses

- Salary and benefit expenses were $4.8 million for the year, consistent with the budget.
- General and administration expenses were $2.5 million for the year, $1.3 million higher than the budget due to a reduction of project receivable balances on completed and cancelled projects.
- Project transaction and recoverable costs were $4.9 million for the year, $2.4 million below budget due to lower requirements for advisors.

Year-ended March 31, 2021 vs. March 31, 2020

Commercial Projects reported a deficit of $1.4 million for the year, $1.4 million below the prior year.

Revenues

- Project delivery fees were $5.9 million for the year, $2.7 million higher than the prior year due to program growth.
- Project transaction and recoverable revenue was $4.9 million for the year, $1.8 million higher than the prior year due to program growth.

Expenses

- Salary and benefit expenses were $4.8 million for the year, $2.2 million higher than the prior year due to increases in headcount to support program growth.
- General and administration expenses were $2.5 million for the year, $1.8 million higher than the prior year. The unfavourable variance is primarily due to higher corporate costs, including higher professional and consulting services, and a reduction of project receivables balances on completed and cancelled projects.
- Project transaction and recoverable costs were $4.9 million for the year, $1.8 million higher than the prior year.

STATEMENT OF FINANCIAL POSITION

Cash

At March 31, 2021, the cash balance was $435.4 million, a decrease of $99.8 million from the March 31, 2020 balance of $535.2 million. This decrease is primarily due to net repayment of $50.0 million of debt primarily in legacy portfolio and an increase in accounts receivable.

Restricted Cash and Liabilities Held in Trust

At March 31, 2021, restricted cash and liabilities held in trust were $98.3 million, a decrease of $66.7 million from the March 31, 2020 balance of $165.0 million. The decrease is primarily due to the withdrawal of $142.0 million of funds held in trust for the Toronto Community Housing Corporation, offset by a $70.5 million deposit received from the Ministry of the Attorney General for the North Toronto Courthouse project.

Accounts Receivable

At March 31, 2021, accounts receivable was $98.8 million, an increase of $45.3 million from the March 31, 2020 balance of $53.5 million. Accounts receivable over 90 days was $39.1 million.

Loans Receivable and Debt – Loan Program

At March 31, 2021, loans receivable were $6,164.7 million, an increase of $112.1 million from $6,052.6 million at March 31, 2020. The increase is mainly due to $516.4 million in new loans issued and the amortization of concessionary loans of $4.0 million, offset by $408.3 million loan repayments.

During the year, IO entered into the following transactions to fund loans and repay and refinance existing debt:

- Repaid $375.0 million of Ontario Infrastructure Projects Corporation (OIPC) bonds to the Province.
- Borrowed $314.0 million on the long-term non-revolving credit facility with the Province to fund back to back loans.
- Borrowed $100.0 million on the long-term non-revolving credit facility with the Province to refinance maturing debt.
- Borrowed $19.0 million on the short-term revolving credit facility with the Province to finance construction loans and refinance maturing debt.

Loan Valuation Allowance

The loan valuation allowance is comprised of a general and a specific valuation provision.

The general valuation allowance is a provision for losses on the existing loan portfolio which are considered to be likely in the future but are not yet known and cannot be determined for any specific loan. The total general loan allowance was $26.7 million as at March 31, 2021, consistent with the balance as at March 31, 2020.

The specific valuation allowance is a provision of probable identifiable losses on existing loans. The total specific loan valuation allowance was $4.5 million as at March 31, 2021, consistent with the balance as at March 31, 2020.

Projects Receivable

At March 31, 2021, projects receivable was $74.5 million, an increase of $29.2 million compared to $45.3 million at March 31, 2020. The balance is made up of revenues earned which have not yet been invoiced to clients and includes project delivery fees and project transaction and recoverable revenues.

Accrued Liabilities

At March 31, 2021, accrued liabilities were $34.4 million, an increase of $10.1 million from the March 31, 2020 balance of $24.3 million. The balance includes $15.4 million for operating expenses including salaries/benefits, accrued vacation, and other expenses, and $19.0 million for project related advisory costs.

Derivatives

IO, being a borrower and a lender, uses derivatives to minimize the Agency’s interest rate risk exposure related to its loan receivables and debt obligations. IO is hedged through interest rate swaps in which certain of its fixed rate loans receivable and fixed rate debt portfolio are swapped into floating rate instruments. All interest rate swap agreements are with the Province.

At March 31, 2021, derivatives are recorded at fair value and presented on a net basis on the Statement of Financial Position resulting in net derivative liabilities of $26.9 million, and the Statement of Remeasurement Gains and Losses as an accumulated unrealized loss. The unrealized loss decreased by $50.5 million from the $77.4 million reported at March 31, 2020, primarily due to a reduction of the notional balances and interest rate changes in the year.

Deferred Revenue

Based on agreements with certain clients, IO invoices and recovers project costs based on periodic payment schedules. The amounts are reported as deferred revenue until the work is performed, at which time they are recognized into revenue based on IO's revenue recognition policy. At March 31, 2021, deferred revenue was $48.7 million, a decrease of $10.5 million from the March 31, 2020 balance of $59.2 million due primarily to the recognition of previously deferred revenues on completed and cancelled projects.

Capital – Loan Program and Liquidity Reserve

IO has a $400.0 million liquidity reserve funded by its capital loan program, comprised of $280.0 million subordinated 50-year loan from the Province of Ontario (Province) and a $120.0 million subordinated 20-year loan from the Ontario Clean Water Agency (refer to Note 9 of the financial statements). These funds are held in cash ($233.6 million) and investments ($166.4 million), provide credit protection to holders of senior debt such as Infrastructure Renewal Bonds, and a liquidity backstop for Infrastructure Ontario's financing needs.

Financial Statements

FOR THE YEAR ENDED MARCH 31, 2021

TABLE OF CONTENTS

Independent auditor's report

To the Directors of Ontario Infrastructure and Lands Corporation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ontario Infrastructure and Lands Corporation (the Organization) as at March 31, 2021 and the results of its operations, changes in its net debt, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited
The Organization's financial statements comprise:

- the statement of financial position as at March 31, 2021;
- the statement of operations and accumulated surplus for the year then ended;
- the statement of remeasurement gains and losses for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 24, 2021

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Ontario Infrastructure and Lands Corporation have been prepared in accordance with accounting principles for governments recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and, where applicable, the recommendations of the Accounting Standards Board of the Chartered Professional Accountants of Canada and are the responsibility of management.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors oversees management's responsibilities for financial reporting through the Audit Committee.The Audit Committee reviews the financial statements and recommends them to the Board for approval.

The financial statements have been audited by PricewaterhouseCoopers LLP. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's report outlines the scope of the Auditor's examination and opinion

On behalf of management,

Michael Lindsay
President and Chief Executive Officer

Priyal Thakrar
Chief Financial Officer and Executive Vice President, Lending and Technology

STATEMENT OF FINANCIAL POSITION

As at March 31 (in thousands of dollars)

	March 31 2021	March 31 2020
Financial assets		
Cash	$ 435,388	$ 535,186
Restricted cash (Note 2 & 18)	98,297	164,971
Accounts receivable (Note 3)	98,757	53,475
Interest receivable	43,968	44,687
Investment income receivable	1,473	1,902
Loans receivable (Note 4)	6,164,741	6,052,603
Projects receivable (Note 6)	74,504	45,342
Investments (Note 7)	168,481	169,117
	7,085,609	7,067,283
Liabilities		
Accounts payable	15,011	6,798
Accrued liabilities	34,375	24,348
Liabilities held in trust (Note 2 & 18)	98,297	164,971
Interest payable	40,137	44,038
Derivatives (Note 5)	26,860	77,390
Deferred revenue	48,654	59,234
Debt - loan program (Note 9)	6,202,619	6,144,101
Capital - loan program (Note 9)	399,681	399,681
	6,865,634	6,920,561
Net financial assets	219,975	146,722
Non-financial assets		
Prepaid expenses	1,607	-
Tangible capital assets (Note 10)	10,448	10,819
	232,030	157,541
Accumulated surplus	258,890	234,931
Accumulated remeasurement losses (Note 5)	(26,860)	(77,390)
	$ 232,030	$ 157,541

Contingencies (Note 16)

Commitments (Note 17)

The accompanying notes are an integral part of these financial statements.

Approved

Board Chair

Director, Chair Audit Committee

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31 (in thousands of dollars)

	2021 Budget	**2021**	2020
Revenues			
Interest revenue (Note 11)	$ 227,838	**$ 225,392**	$ 240,954
Project delivery fees (Note 13)	63,909	**71,880**	49,585
Management fees - GREP (Note 13)	51,181	**49,270**	51,695
Management fees - Corporate Realty (Note 13)	5,463	**4,956**	4,038
Project transaction and recoverable costs (Note 13)	116,745	**116,808**	61,434
Other income	1,181	**1,042**	3,226
	466,317	**469,348**	410,932
Expenses			
Salaries and benefits	90,428	**90,103**	76,858
General and administration (Note 12)	28,314	**25,947**	24,476
Interest expense (Note 11)	206,856	**203,176**	218,079
Project transaction and recoverable costs	116,745	**116,808**	61,434
Sub-contracting fees	9,350	**9,355**	10,174
Loan valuation allowance	-	**-**	8,124
	451,693	**445,389**	399,145
Surplus	14,624	**23,959**	11,787
Accumulated surplus, beginning of year	234,931	**234,931**	223,144
Accumulated surplus, end of year	$ 249,555	**$ 258,890**	$ 234,931

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

For the year ended March 31 (in thousands of dollars)

		2021		2020
Accumulated remeasurement losses, beginning of year	$	**(77,390)**	$	(32,915)
Realized gains - reclassified to the Statement of Operations		**32,992**		17,515
Remeasurement gains/(losses)		**17,538**		(61,990)
Net remeasurement gains/(losses) in the year		**50,530**		(44,475)
Accumulated remeasurement losses, end of year	$	**(26,860)**	$	(77,390)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended March 31 (in thousands of dollars)

		2021		2020
Surplus	$	**23,959**	$	11,787
Change in prepaid expenses		**(1,607)**		-
Acquisition of tangible capital assets		**(1,886)**		(7,629)
Amortization of tangible capital assets		**2,257**		1,759
Net remeasurement gains/(losses) in the year		**50,530**		(44,475)
Net change in net financial assets		**73,253**		(38,558)
Net financial assets at beginning of year		**146,722**		185,280
Net financial assets at end of year	$	**219,975**	$	146,722

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended March 31 (in thousands of dollars)

	2021	2020
Operating activities		
Surplus	$ 23,959	$ 11,787
Items not requiring a current cash outlay:		
Loan valuation allowance	-	8,124
Amortization of loan concession costs	(4,058)	(4,648)
Amortization of tangible capital assets	2,257	1,759
Amortization of debt issue cost	530	684
Amortization of investment bond premium	636	983
	23,324	18,689
Changes in working capital items:		
Decrease/(increase) in restricted cash	66,674	(17,723)
Increase in accounts receivable	(45,282)	(14,679)
Decrease in interest receivable	719	1,088
Decrease in investment income receivable	429	354
Increase in projects receivable	(29,162)	(15,014)
Increase in prepaid expenses	(1,607)	-
Increase/(decrease) in accounts payable	8,213	(100)
Increase/(decrease) in accrued liabilities	10,027	(1,302)
(Decrease)/increase in liabilities held in trust	(66,674)	17,723
Decrease in interest payable	(3,901)	(5,736)
(Decrease)/increase in deferred revenue	(10,580)	7,466
Cash used in operating activities	(47,820)	(9,234)
Capital activities		
Acquisition of tangible capital assets	(1,886)	(7,629)
Cash used in capital activities	(1,886)	(7,629)
Investing activities		
Issuance of loans receivable	(516,393)	(518,185)
Proceeds from loan repayments	408,313	404,761
Purchase of investments	-	(17,010)
Proceeds from maturity of investments	-	23,000
Cash cash used in investing activities	(108,080)	(107,434)
Financing activities		
Increase in short term revolving credit facility	19,000	80,000
Proceeds from debt issuances	549,514	396,226
Debt repayments	(510,526)	(257,390)
Cash provided by financing activities	57,988	218,836
Net (decrease)/increase in cash	(99,798)	94,539
Cash, beginning of year	535,186	440,647
Cash, end of year	$ 435,388	$ 535,186

The accompanying notes are an integral part of these financial statements:
Cash interest paid and received (Note 11)

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2021

◢ NATURE OF THE CORPORATION

Ontario Infrastructure and Lands Corporation (Infrastructure Ontario, Agency, Corporation) is a Crown corporation reporting to the Minister of Infrastructure (Minister) and is classified by the Government of the Province of Ontario (Province, Government) as a board-governed agency.

The mandate of Infrastructure Ontario includes the following:

- Provide advice and services related to government property, including project management, contract management, and development;
- Provide financial management for government property controlled by the Ministry of Government and Consumer Services (MGCS) or by a Crown agency for which MGCS is responsible;
- Provide advice and services related to real property to prescribed public sector organizations;
- Provide advice and services on financial, strategic, or other matters involving the government;
- Implement or assist in the implementation of transactions involving the government;
- Provide advice and services, including project management and contract management, related to infrastructure projects in Ontario that are not Government property;
- Provide certain advice and services to non-Ontario entities when directed to do so, in writing, by the Minister;
- Provide financing for infrastructure purposes to municipalities and to other eligible public organizations.

As a Crown corporation, Infrastructure Ontario is exempt from federal and provincial income taxes under paragraph 149(1) (d) of the Income Tax Act of Canada. Infrastructure Ontario is subject to Harmonized Sales Tax (HST).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements are prepared in accordance with Canadian Public Sector Accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

Management estimates

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Key areas where management has made estimates are in the percentage of completion for the determination of revenue from project delivery fees, the loan portfolio valuation allowance and the fair value of derivatives. Actual results could differ from those and other estimates, the impact of which would be recorded in future periods.

In March 2020, the COVID-19 pandemic resulted in organizations and governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, remote working and social distancing, have caused material disruption to businesses globally and resulted in a sudden economic slowdown. In response to the pandemic, a Loan Payment Deferral Program was launched, to assist borrowers who were facing financial challenges. The program supported municipal, health care and housing borrowers to address specific financial challenges, such as liquidity or a material decline in operating revenues and enabled borrowers to prioritize and budget for immediate needs resulting from the COVID-19 crisis. All deferred amounts have been repaid as at March 31, 2021. Management has evaluated the potential impact of the pandemic on the fair value of derivatives as well as the credit risk of our borrowers, the latter impacting the development of the estimates of the portfolio loan valuation allowance and incorporated assumptions on the impact of the pandemic in these financial statements. Management has assessed that there are no material increases in interest rate or market risk as a result of the pandemic.

Financial instruments

Infrastructure Ontario's financial assets include cash, restricted cash, accounts receivable, interest receivable, investment income receivable, loans receivable, projects receivable, and investments.

Infrastructure Ontario's financial liabilities include accounts payable, accrued liabilities, liabilities held in trust, interest payable, derivatives, deferred revenue and the debt supporting the loan program.

Initial recognition and measurement

Financial instruments are classified at initial recognition as either (i) cost or amortized cost or (ii) fair value. In these financial statements, all financial instruments, other than derivatives are classified at cost or amortized cost. Derivatives are presented on a net basis as permitted by our agreement with our counterparty on the Statement of Financial Position as either financial assets or liabilities depending if the net balance is either in a receivable or liability position. Fair value is the amount of the consideration that would be agreed on in an arm's length transaction between knowledgeable willing parties, who are under no compulsion to act.

The amortized cost of the 2003-04 program loans (see Note 4) issued by Infrastructure Ontario, which were considered to have concessionary terms, was determined as the present value of the future cash flows of the loan, and discounted using Infrastructure Ontario's cost of borrowing at the time of issuance. The difference between the face value of the loan and its present value is, in substance, a grant. The grant portion is recognized as a concession cost at the date of issuance of the loan and amortized to match the underlying interest subsidy, over the term of the loan.

Transaction costs for financial instruments measured at cost or amortized cost are added to or netted against the carrying value of the financial asset or financial liability, respectively.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

i. Financial instruments at fair value

Financial instruments at fair value are remeasured at their fair value at the end of each reporting period. Any unrealized gains and losses are recognized in the Statement of Remeasurement Gains and Losses and are subsequently reclassified to the Statement of Operations upon disposal or settlement.

Infrastructure Ontario uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: valuation techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: valuation techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The fair value of financial instruments not traded in an active market is determined by appropriate valuation techniques, including forward pricing and swap models, using present value calculations. The models incorporate various inputs including forward interest rate curves.

ii. Financial instruments at cost or amortized cost

Financial instruments not measured at fair value are measured at cost or amortized cost.

For financial assets and financial liabilities measured at amortized cost, interest is recorded using the effective interest rate (EIR) method. The EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, a shorter period.

Impairment

i. Loss in value of an investment

A write-down is recognized in the Statement of Operations and Accumulated Surplus when there has been a loss in the value of the investment considered as an 'other than temporary' loss. A loss is considered 'other than temporary' when the carrying value of the investment exceeds its anticipated value for a prolonged period of time. If the anticipated value of the portfolio investment subsequently increases, the write-down to the statement of operations is not reversed.

ii. Loans receivable impairment

A loan valuation allowance is established against the loan portfolio after management's review of existing economic, industry and portfolio conditions across the different loan segments. The general valuation allowance is underpinned by a model in which risk ratings are assigned at the time of loan origination, monitored on an ongoing basis, and adjusted to reflect changes in underlying credit risk. A specific valuation allowance is also established in instances of known borrower credit deterioration on the expected non-recoverable portion of the loan receivable.

Funds held in Trust

The Agency is required to maintain trust funds for collection of property taxes and reserve funds as part of the CMHC certificate of insurance. In addition, certain borrowers set up trust funds as a requirement of the loan agreement. The Agency also maintains a project trust ledger account for funds received from various ministries for purpose of payments to project construction consortiums and contract change orders. All of these amounts held in trust are recognized as restricted cash on the statement of financial position.

The Agency also maintains several operating bank accounts which it administers of the behalf of MGCS and related to the operations of MGCS's general real estate portfolio. The Agency is the financial manager pursuant to the Ontario Infrastructure and Lands Corporation Act, 2011 and these funds are therefore not recorded in these financial statements.

Derivative financial instruments

Infrastructure Ontario uses derivative financial instruments, specifically interest rate swaps, to manage its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered and subsequently remeasured to fair value at each reporting date. Derivatives are carried as financial assets when the fair value is in a receivable position and as financial liabilities when the fair value is in a payable position.

Any unrealized gains or losses arising from changes in the fair value of derivatives are recorded in the Statement of Remeasurement Gains and Losses and are subsequently re-classified to interest income or interest expense as appropriate on the Statement of Operations and Accumulated Surplus upon disposal or settlement.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful lives of the assets beginning in the fiscal year of acquisition, with a half-year provision in the year of acquisition and a half-year in the year of disposal. The estimated useful lives of the assets are as follows:

Computer equipment	3 years
Software	5 years
Furniture, fixtures and office equipment	10 years
Leasehold improvements	10 years

Impairment of tangible capital assets

The Agency reviews the carrying value of tangible capital assets for potential impairment when there is evidence that events or changes in circumstances exist, that indicate a tangible capital asset no longer contributes to the Government's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. In these circumstances, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. No such impairment losses have been incurred to date.

Revenue recognition

Interest revenue

Interest on investments and loans receivable are recognized using the effective interest rate method.

Project delivery fees, management fees, and project transaction and recoverable costs

Project delivery fees and management fees represent the recovery of Infrastructure Ontario's staff salaries and benefits, general and administration costs, and sub-contracting fees in delivering services. Project transaction and recoverable costs include the recovery of external advisor costs and project cost contingencies.

Infrastructure Ontario provides professional services under either cost based or fixed price contracts. For cost based contracts, revenue is recorded when an arrangement is in place, costs are incurred, and collectibility is reasonably assured. For fixed price contracts before financial close, revenue is recorded when an arrangement is in place, costs are incurred, and collectibility is reasonably assured. After financial close, revenue is recorded using the percentage of completion method. Percentage of completion is calculated based on a ratio of cost incurred to total estimated costs. At final completion, any remaining margin on the fixed price contract is recognized. Losses, if any, on fixed price contracts are recognized during the period they are identified. Deferred revenue is set up when amounts billed on a project exceed the revenue recognized under both cost based and fixed price contracts.

Employee Benefits

The Agency provides a defined contribution pension plan for certain full-time employees and also contributes to the Public Service Pension Plan, a multi-employer plan established by the Province of Ontario, for pension benefits for certain full-time employees. The Agency's obligation to the Public Service Pension Plan is based on formulas set by the Ontario Pension Board.

2. RESTRICTED CASH

Restricted cash includes funds held in trust for Infrastructure Ontario's lending clients of $8.0 million (2020 - $145.4 million) and project construction consortiums of $90.3 million (2020 - $19.6 million), detailed further in Note 18.

3. ACCOUNTS RECEIVABLE

($ thousands)	2021	2020
Net trade accounts receivable	$ 85,740	$ 51,999
HST receivable	13,017	1,476
	$ 98,757	$ 53,475

4. LOANS RECEIVABLE

($ thousands)		2021	Interest %		2020	Interest %
Construction advances						
Infrastructure renewal loan program	$	318,846	0.60-1.00	$	286,085	2.29-2.68
Debentures receivable						
Concessionary loan program						
Remaining terms to maturity:						
1 to 5 years		55,410	2.36-2.95		35,694	2.28-2.95
6 to 10 years		89,122	2.38-2.87		137,696	2.36-2.87
11 to 15 years		20,496	2.54-2.73		21,658	2.57-2.73
16 to 20 years		16,487	2.52-2.80		17,935	2.52-2.80
Greater than 20 years		10,135	2.63-3.05		10,412	2.63-3.05
		191,650			223,395	
Infrastructure renewal loan program						
Remaining terms to maturity:						
1 to 5 years		384,145	1.00-5.51		314,097	1.45-5.73
6 to 10 years		810,919	1.12-5.89		812,398	1.95-5.89
11 to 15 years		902,642	1.76-5.44		912,084	2.24-5.44
16 to 20 years		1,308,609	1.94-5.91		1,090,545	2.30-5.91
Greater than 20 years		2,295,751	1.97-5.60		2,465,878	2.52-5.60
		5,702,066			5,595,002	
Total		6,212,562			6,104,482	
Deferred costs on concessionary loans						
Deferred costs, beginning of year		(20,706)			(25,354)	
Amortization of concession costs		4,058			4,648	
Deferred costs, end of year		(16,648)			(20,706)	
Loan valuation allowance		(31,173)			(31,173)	
Loans receivable	$	6,164,741		$	6,052,603	

Construction advances are loans due from municipalities, other public sector bodies and not for profit entities. The interest rate on these construction loans is based on the Ontario three month treasury bill plus a fixed spread in basis points depending on the risk categorization of the counterparty. These loans are of a shorter term than the debentures (usually less than five years), and are repaid when construction is complete.

Debentures receivable are due from municipalities, other public sector clients and not for profit entities, with loan maturity terms ranging from five to forty years since inception.

Infrastructure Ontario manages its credit risk with the current loan portfolio through various provisions in the loan agreements. The Agency has an intercept mechanism with the Province, which allows for funds owing to a borrower from the Province to be redirected to Infrastructure Ontario. Loans to non-government borrowers are subject to restrictive covenants on assets and the borrower is required to provide security and in some cases, provide loan insurance.

The loan valuation allowance is based on an assessment of existing economic, industry and portfolio conditions which may indicate that a loan is impaired or losses will be incurred. At March 31, 2021, Infrastructure Ontario has a loan valuation allowance of $31.2 million (2020 - $31.2 million).

5. DERIVATIVES

Infrastructure Ontario operates within strict risk limits to ensure exposure to interest rate risk is managed in a prudent and cost effective manner. A variety of strategies are used to manage this risk, including the use of interest rate derivatives. Infrastructure Ontario does not use derivatives for speculative purposes, and no new derivative contracts have been entered into with respect to back to back loans since it was initiated with the Province in April 2015 (Note 9).

Derivatives are financial contracts, the value of which is derived from underlying instruments. Infrastructure Ontario, which is a borrower and lender, uses derivatives to create hedges for instruments with differing maturity dates. The interest rate variability risk is managed through interest rate swaps, which are legal contracts under which Infrastructure Ontario agrees with another party to exchange cash flows based on one or more notional amounts using stipulated reference interest rates for a specified period. Interest rate swaps allow Infrastructure Ontario to more closely match its existing loans receivable and debt obligations and thereby effectively convert them into instruments with terms that minimize the Agency's interest rate risk exposure. Infrastructure Ontario has swapped certain of its fixed rate loans receivable and fixed rate debt portfolio into floating rate instruments.

The table below presents a maturity schedule of Infrastructure Ontario's derivatives, outstanding as at March 31, 2021, based on the notional amounts of the contracts. The notional amounts of interest rate swaps represent the amount to which the fixed and floating rates are applied in order to calculate the exchange of cash flows. The notional amounts are not recorded in the Statement of Financial Position. They represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows of such instruments.

	Maturity					
($ thousands)	Within 1 year	Within 2 to 5 years	Within 6 to 10 years	Within 11 to 15 years	Over 15 years	Total Notional Value
Asset swap	$ 290,643	924,688	708,964	458,576	452,388	$ 2,835,259
Liability swap	$ 73,882	670,600	-	-	852,857	$ 1,597,339

Derivatives are recorded at fair value as at March 31, 2021 resulting in net derivative liabilities of $26.9 million and accumulated unrealized losses on the Statement of Remeasurement Gains and Losses of $26.9 million (2020 – net derivative liabilities of $77.4 million on the Statement of Financial Position and accumulated unrealized losses on the Statement of Remeasurement Gains and Losses of $77.4 million). Fair values were determined using level 2 basis of valuation as defined in Note 1.

The fair values of these derivatives were determined using pricing models, with market observable inputs which take into account current market and contractual prices of the underlying instruments, as well as the time value and yield curve underlying the positions. The determination of the fair value of derivatives includes consideration of credit risk and ongoing direct costs over the life of the instruments.

As at March 31, 2021, all interest rate swap agreements are with the Province.

6. PROJECTS RECEIVABLE

Projects receivable are amounts which have been recognized as revenue either on a percentage of completion basis or when the recoverable expenses were incurred, but have not yet been invoiced. Certain projects receivable, will not be invoiced until the completion of the project. Projects receivable are due from various Provincial ministries, agencies and other public sector organizations.

7. INVESTMENTS

Investments consist of bonds carried at amortized cost. As at March 31, 2021, the interest rates on these investments ranged from 2.30% to 3.50% (2020 – 2.30% to 3.50%) with maturities from September 2023 to September 2024.

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2021

8. ONTARIO FINANCING AUTHORITY (OFA) CREDIT FACILITY

Infrastructure Ontario has a 5 year subordinated revolving credit facility of up to $100.0 million with the OFA, an agency of the Province, to provide working capital for the Public-Private Partnership (P3) program. Advances are to be repaid within 3 months of the borrowing date, unless an extension is requested. The revolving credit facility expires March 27, 2023. As at March 31, 2021 and 2020, the full balance of the facility remains undrawn.

9. DEBT AND CAPITAL – LOAN PROGRAM

All facilities are available exclusively for the lending program.

($ thousands)		2021			2020	
a) Debt - loan program			Interest %			Interest %
Senior debt						
Infrastructure Renewal Bonds	$	**300,000**	**4.70**	$	300,000	4.70
Subordinate debt						
Short-term revolving credit facility		**314,000**	**0.17-0.25**		295,000	1.81-1.90
OIPC/OILC bonds		**1,440,000**	**2.92-4.96**		1,815,000	2.92-4.96
Long-term non-revolving credit facility						
Fixed		**3,092,315**	**0.90-3.58**		2,778,327	1.24-3.58
Floating Rate Notes (FRN)		**1,060,000**	**0.57-0.89**		960,000	1.41-1.69
		6,206,315			6,148,327	
Debt issue costs		**(3,696)**			(4,226)	
	$	**6,202,619**		$	6,144,101	
b) Capital - loan program						
Province of Ontario loan	$	**279,681**	**0.11**	$	279,681	0.70
Ontario Clean Water Agency loan		**120,000**	**0.38**		120,000	1.70
	$	**399,681**		$	399,681	

All capital funding and subordinated debt is subordinate to the senior debt and rank pari passu amongst each other.

The following table illustrates the debt principal and estimated interest payments for the next five years and thereafter:

($ thousands) Fiscal year		Amount
2021-2022	$	722,425
2022-2023		988,163
2023-2024		881,236
2024-2025		423,595
2025-2026		733,862
Thereafter		4,808,398
	$	**8,557,679**

Infrastructure Renewal Bonds

On April 19, 2007, Infrastructure Ontario issued $300 million of Infrastructure Renewal Bonds. The bonds bear interest at 4.70% per annum and mature on June 1, 2037.

Short-term Revolving Credit Facility

In May 2014, Infrastructure Ontario began issuing short term notes under a short term revolving credit facility to fund its short term construction loans. The revolving credit facility with the Province is authorized to issue a maximum of $600 million for terms ranging from three months to one year, with an expiry date of May 2024. As at March 31, 2021, maturities ranged from April 2021 to June 2021, while interest on the notes ranged from 0.17% to 0.25% (2020 – 1.81% to 1.90%).

Ontario Immigrant Investor Corporation Loans

Ontario Immigrant Investor Corporation (OIIC), an agency of the Province, provided five-year subordinated loans. The loans were subordinated obligations of Infrastructure Ontario and rank behind all other existing and future senior obligations of Infrastructure Ontario. The bonds matured in July 2019.

OIPC / OILC Bonds

Infrastructure Ontario issued Ontario Infrastructure Projects Corporation (OIPC) and Ontario Infrastructure and Lands Corporation (OILC) bonds to the Province for the purpose of funding its loan program. The bonds are subordinated obligations of Infrastructure Ontario and rank behind all other existing and future senior obligations of Infrastructure Ontario.

As at March 31, 2021, interest on fixed rate bonds ranged from 2.92% to 4.96% (2020 – 2.92% to 4.96%) per annum and maturities ranged from June 2021 to June 2045. Interest is paid semi-annually on these bonds until maturity.

Long-term Non-Revolving Credit Facility

In April 2015, Infrastructure Ontario began funding long term loans on a back to back basis directly with the Province through a long term non-revolving credit facility. The new debt structures mirror the underlying loans receivable they fund and have similar terms including maturity, payment frequency and type of amortization. This funding structure creates a match between the assets and liabilities and eliminates the need to use derivatives to hedge interest rate risks. In November 2018, Infrastructure Ontario was approved to borrow an additional $4.0 billion from the Province for the purposes of funding the loan program from November 2018 to May 2022. As at March 31, 2021, $2.9 billion of the facility is available and undrawn.

As at March 31, 2021, interest with fixed rates on the back to back loans ranged from 0.90% to 3.58% (2020 – 1.24% to 3.58%) and maturities ranged from May 2021 to December 2050. The FRNs bear interest from three month CDOR plus 13 basis points to three month CDOR plus 45 basis points and the maturity of the notes ranged from June 2022 to June 2025. Interest is reset and paid quarterly until the maturity of the FRN's.

Province of Ontario Loan

The Province provided Infrastructure Ontario with a 50 year subordinated loan of approximately $280 million in exchange for a promissory note that matures on March 31, 2053. The interest on the note is reset quarterly at the Province's three month Treasury bill rate and payable quarterly. On March 31, 2021, interest on the note was reset at 0.11% (2020 – 0.70%).

Ontario Clean Water Agency Loan

The Ontario Clean Water Agency (OCWA), an agency of the Province, provided a 20 year subordinated loan of $120 million to Infrastructure Ontario secured by a promissory note due on March 1, 2023. The interest rate on the note is reset monthly at four basis points below the one month CDOR payable quarterly. On March 31, 2021, interest on the note was 0.38% (2020 – 1.70%).

Together, the Province and OCWA loans provide Infrastructure Ontario with long term subordinate funding which provides: (i) credit protection to holders of senior debt such as Infrastructure Renewal Bonds; and (ii) a liquidity backstop for Infrastructure Ontario's financing needs.

10. TANGIBLE CAPITAL ASSETS

($ thousands)	Year ended March 31, 2021				
	Computer Equipment	**Software**	**Furniture, Fixtures and Office Equipment**	**Leasehold Improvements**	**Total**
Cost					
Balance, April 1, 2020	$ 20,190	$ 6,734	$ 2,630	$ 17,624	$ 47,178
Additions	862	1,033	-	(9)	1,886
Balance, March 31, 2021	21,052	7,767	2,630	17,615	49,064
Accumulated amortization					
Balance, April 1, 2020	19,148	4,573	2,122	10,516	36,359
Additions	770	620	65	802	2,257
Balance, March 31, 2021	19,918	5,193	2,187	11,318	38,616
Net book value - March 31, 2021	**$ 1,134**	**$ 2,574**	**$ 443**	**$ 6,297**	**$ 10,448**

($ thousands)	Year ended March 31, 2020				
	Computer Equipment	Software	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Total
Cost					
Balance, April 1, 2019	$ 19,561	$ 4,700	$ 2,630	$ 12,658	$ 39,549
Additions	629	2,034	-	4,966	7,629
Balance, March 31, 2020	20,190	6,734	2,630	17,624	47,178
Accumulated amortization					
Balance, April 1, 2019	18,348	4,260	2,057	9,935	34,600
Additions	800	313	65	581	1,759
Balance, March 31, 2020	19,148	4,573	2,122	10,516	36,359
Net book value - March 31, 2020	$ 1,042	$ 2,161	$ 508	$ 7,108	$ 10,819

11. INTEREST INCOME (EXPENSE)

($ thousands)		2021		2020
Interest revenue	$	225,392	$	240,954
Interest expense		(203,176)		(218,079)
Net interest margin	$	22,216	$	22,875

The breakdown of interest expense on debt is as follows:

		2021		2020
Program funding				
Infrastructure Renewal Bonds	$	(14,100)	$	(14,177)
Short-term revolving credit facility		(1,417)		(5,570)
Ontario Immigrant Investor Corporation Loans		-		(140)
OIPC/OILC Bonds		(57,417)		(70,867)
Long-term non-revolving credit facility		(94,669)		(100,924)
		(167,603)		(191,678)
Interest rate swap costs		(32,992)		(17,515)
Debt issue cost amortization		(530)		(684)
Investment bond premium amortization		(636)		(983)
		(201,761)		(210,860)
Capital funding				
Province of Ontario loan		(810)		(4,907)
Ontario Clean Water Agency loan		(605)		(2,312)
		(1,415)		(7,219)
Total interest expense	$	(203,176)	$	(218,079)

The reconciliation of cash interest received and paid to net interest margin is as follows:

		2021		2020
Cash interest received	$	222,475	$	237,604
Cash interest paid		(205,912)		(222,147)
		16,563		15,457
Non-cash interest				
Amortization of loan concession costs (Note 4)		4,058		4,648
Other non-cash interest		1,595		2,770
Net interest margin	$	22,216	$	22,875

Other non-cash interest includes net interest accrued (revenue and expense), and the amortization of debt issue costs and bond premiums.

12. GENERAL AND ADMINISTRATION EXPENSES

($ thousands)	2021 Budget	2021	2020
Professional and consulting	$ 8,701	$ **7,544**	$ 6,584
Information technology	10,088	**7,235**	8,402
Premises	5,367	**4,948**	5,984
Office and administration	1,556	**3,886**	1,646
Communications	103	**77**	101
Amortization	2,499	**2,257**	1,759
	$ 28,314	$ **25,947**	$ 24,476

13. RELATED PARTY TRANSACTIONS

The Agency is economically dependent on the Province as a significant portion of its revenue is received from the Province for the provision of services to various Ontario Crown Agencies and Ministries, including the Ministry of Health, the Ministry of the Attorney General, MGCS, the Ministry of the Solicitor General, the Ministry of Transportation and the Ministry of Infrastructure.

Infrastructure Ontario's prime sources of revenue from the Province are:

1. Project delivery fees and project transaction and recoverable costs:
   Fees based on a percentage of project costs or on a cost recovery basis charged for services, including project and contract management, provided to various Ontario Crown Agencies and Ministries. Project transaction and recoverable costs include external advisor services and project cost contingencies.

2. Management fees:
   Fees charged for services, including property and project management, provided to MGCS's General Real Estate Portfolio (GREP) and the corporate realty portfolio.

Infrastructure Ontario has interest bearing investments (Note 7) and loans from the Province and OCWA (Note 9) and a line of credit with the OFA (Note 8).

14. FUTURE EMPLOYEE BENEFITS

The Agency provides a defined contribution pension plan for certain full-time employees. The Agency's contribution to this plan for the year ended March 31, 2021 was $4.6 million (2020 – $4.0 million).

The Agency provides pension benefits to certain of its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit plan established by the Province. The contribution to the pension plan of $0.3 million for the year ended March 31, 2021 (2020 – $0.3 million) is based on formulas set by the Ontario Pension Board and has been expensed. The cost of post-retirement, non-pension employee benefits for these employees is paid by MGCS and is not included in the financial statements.

15. RISK MANAGEMENT

The principal risks that Infrastructure Ontario is exposed to as a result of holding financial instruments are credit, market, liquidity and interest rate risks. The Credit and Real Estate Committee of the Board of Directors reviews policies for managing each of these risks, which are summarized below.

Credit risk

Credit risk is the risk of loss arising from a counterparty's inability to fulfill its financial contractual obligations to Infrastructure Ontario. The Agency is exposed to credit risk on cash accounts, investments and receivables, but primarily on loans receivable. The Agency manages credit risk through the implementation of policies and review processes.

Credit risk – loans receivable

Oversight of the credit risk of the lending program is monitored by the Credit and Real Estate Committee of the Board of Directors.

The credit risk policy ensures loan amounts are commensurate with both the borrower's ability to service debt and Infrastructure Ontario's own risk tolerance. The credit risk policy establishes principles for evaluating credit risk for each sector based on an established set of risk factors. Separate underwriting and credit functions exist to ensure an independent review and challenge through the adjudication process. Due diligence is conducted and a final scoring and recommendation for each applicant is presented to the management credit review committee and to the Board of Directors for approval, if necessary, based on Infrastructure Ontario's delegation of authority.

Infrastructure Ontario has a risk based loan review process that covers all lending sectors and provides early identification of possible changes in the credit worthiness of counterparties. The objectives of the loan review are to: assess the status of funded projects in construction; ensure payment and covenant compliance over the term of the loan; initiate timely corrective action to minimize any potential credit loss; and escalate potential loan repayment issues to the management credit review committee and the Board of Directors.

Infrastructure Ontario's maximum exposure to credit risk on loans receivable, without taking into account any collateral held or other credit enhancements, as at March 31, 2021 was $6,164.7 million.

Infrastructure Ontario classifies and manages its loans by tiers. Tier 1 borrowers have a tax base and/or receive provincial transfers which provide a strong source of debt repayment. Tier 2 borrowers are in sectors that are either regulated or entitled to government based revenue contracts and therefore have a stable source of debt repayment. Tier 3 borrowers are organizations dependent on self generated revenues either by market-set prices or donations and fund raising. The profile of the loans receivable at March 31, 2021 is as follows:

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2021

($ thousands)	Outstanding	Loan Valuation Allowance [2]	2021	2020
Tier 1				
Municipalities	$ 3,904,728			
City of Toronto (as guarantor)	1,040,381			
Universities	125,000			
Local service boards	158			
Social housing (with municipal guarantee)	141,697			
Affordable housing (with municipal guarantee)	1,130			
Community health & social service hubs (with municipal guarantee)	6,125			
Sports & Recreation (with municipal guarantee)	65,823			
	5,285,042	(706)	**5,284,336**	5,163,927
Tier 2				
Local distribution corporations	182,532			
Long-term care	133,116			
Affordable housing (insured by CMHC)[1]	126,241			
Affordable housing (not insured by CMHC)[1]	147,189			
Social housing	89,349			
Aboriginal health access centres	1,304			
Community health & social service hubs	18,004			
	697,735	(4,711)	**693,024**	692,087
Tier 3				
Power generators	87,276			
District energy	22,493			
Municipal corporations (other)	28,227			
Beneficial entities (arts training, etc.)	80,698			
Sports and recreation	11,091			
	229,785	(25,756)	**204,029**	217,295
Deferred costs on concessionary loans				
Deferred costs, beginning of year	(20,706)			
Amortization of concession costs	4,058			
Deferred costs, end of year	**(16,648)**	-	**(16,648)**	(20,706)
Loans receivable	$ **6,195,914**	$ (31,173)	$ **6,164,741**	$ 6,052,603

[1] CMHC is defined as Canada Mortgage and Housing Corporation.

[2] Consists of $26.7 million for general loan valuation allowance and $4.5 million for specific loan valuation allowance

Collateral – loans receivable

Infrastructure Ontario lends on the strength of the applicants' ability to service loan payments over time. The Agency does not lend on a residual asset value basis and does not factor in possession or control of an asset in the evaluation of debt service coverage. It lends on the basis of a strong assurance of permanent sources of cash flow, namely the unique position of many borrowers to generate tax revenue or receive funding from the Province. Infrastructure Ontario mitigates its credit risk from the loan portfolio through various mitigation control provisions. The Agency has an intercept mechanism with the Province which allows for funds owing to certain borrowers (including municipalities) that receive funding from the Province, to be redirected to Infrastructure Ontario. Clients that do not receive provincial funding are required to provide adequate security such as: guarantees, first ranking mortgage/charge, general security agreement, assignment of rents and leases and assignment of accounts, agreements and collateral.

Impairment – loans receivable

The loan valuation allowance is established against the loan portfolio after management's review of existing economic, industry and portfolio conditions across the different loan segments. The general valuation allowance is underpinned by a model in which risk ratings are assigned at the time of loan origination, monitored on an ongoing basis, and adjusted to reflect changes in underlying credit risk. A specific valuation allowance is also established in instances of known borrower credit deterioration on the expected non-recoverable portion of the loan receivable.

Credit risk – cash, receivable and investments

The maximum exposure to credit risk on the cash, restricted cash, receivables and investments, without taking into account any collateral held or other credit enhancements, as at March 31, 2021 was:

($ thousands)	2021	Past Due >90 days
Cash	$ 435,388	$ -
Restricted cash	98,297	-
Accounts receivable	98,757	39,065
Interest receivable	43,968	-
Investment income receivable	1,473	-
Projects receivable	74,504	-
Investments	168,481	-
	$ 920,868	$ 39,065

Market risk

Market risk is the risk that the fair value or future cash flows for a financial instrument will fluctuate due to changes in market prices. Infrastructure Ontario only invests in authorized liquid assets prescribed by the approved Treasury policies and guidelines, which can be easily liquidated.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows for a financial instrument will fluctuate because of changes in market interest rates. This could occur when the re-pricing of assets is not aligned with the re-pricing of liabilities. As a result of entering into back to back loan arrangements with the OFA, this re-pricing mismatch has been eliminated on all loans issued after April 1, 2015.

Management also manages interest rate risk through the use of interest rate swap derivatives as well as through the alignment of asset and liability risk structures and maturities.

Sensitivity to variations in interest rates

A +/- 100 basis point change in the interest rate for the year ended March 31, 2021 would have had a $2.9 million / ($6.5 million) impact on the surplus/(deficit), and a $45.1 million / ($43.6 million) impact on the accumulated remeasurement gains (losses).

Liquidity risk

Liquidity risk is the risk Infrastructure Ontario will not be able to meet its financial obligations as they come due. This risk is managed through capital funding, which is funded by long-term subordinated loans provided by the Province and the OCWA. The capital funding is partially invested in long term liquid instruments that can be converted into cash in the event of any foreseeable liquidity crisis.

Infrastructure Ontario's borrowing by-laws are approved by the Board of Directors and the Minister of Infrastructure as well as the Minister of Finance. All borrowing is made with prudent consideration of interest rate and liquidity risks and complies with the treasury policy. Infrastructure Ontario borrows directly from the Province for its long-term funding needs through the OFA.

The following illustrates the maturities of contracted obligations as at March 31, 2021:

($ thousands)	Within 1 year	2 to 5 years	Over 5 years	Total
Accounts payable	$ 15,011	$ -	$ -	$ 15,011
Accrued liabilities	34,375	-	-	34,375
Liabilities held in trust	98,297	-	-	98,297
Interest payable	40,137	-	-	40,137
Derivative liabilities	(405)	(22,414)	49,679	26,860
Debt and capital – principal and interest	722,425	3,026,856	4,808,398	8,557,679
Total financial liabilities	**$ 909,840**	**$ 3,004,442**	**$ 4,858,077**	**$ 8,772,359**

16. CONTINGENCIES

The Agency is involved in various disputes and litigation. In the opinion of management, the resolution of disputes against the Agency, will not result in a material effect on the financial position of the Agency.

17. COMMITMENTS

Minimum base rent annual payments under operating leases for the Agency's office space for the next five years and thereafter are:

($ thousands)

Fiscal year	Amount
2021-2022	$ 4,219
2022-2023	3,900
2023-2024	3,975
2024-2025	4,175
2025-2026	4,276
Thereafter	9,941
	$ 30,486

Infrastructure Ontario has $401.3 million of unadvanced loan commitments as at March 31, 2021.

18. FUNDS HELD IN TRUST

Infrastructure Ontario is required by the CMHC to collect property taxes and reserve funds as a condition of providing certain affordable housing loans. As part of the CMHC certificate of insurance, the funds need to be set up in a trust account and administered by Infrastructure Ontario. In addition, certain borrowers set up reserve funds in the trust account as a requirement of the loan agreement. As at March 31, 2021, the funds under administration were $8.0 million (2020 – $145.4 million).

Infrastructure Ontario has a process to record funds received from various ministries and payable to project construction consortiums related to project substantial completion payments, interim payments, as well as payments received for variations, furniture, fixtures and equipment. Variations are changes to scope agreed to after the initial contract has been executed – also called contract change orders. All the above payments are paid directly by the sponsoring ministries, but flow through Infrastructure Ontario. As at March 31, 2021, Infrastructure Ontario held $90.3 million (2020 – $19.6 million) in its project trust general ledger account.

Infrastructure Ontario maintains several operating bank accounts which it holds in trust and administers on behalf of MGCS. These accounts relate directly to the operations of MGCS's general real estate portfolio, for which the Agency is the financial manager pursuant to the Ontario Infrastructure and Lands Corporation Act, 2011. The funds held in trust for MGCS as at March 31, 2021 were $126.0 million (2020 – $191.1 million) and are not recorded in these financial statements.

19. SEGMENTED INFORMATION

Infrastructure Ontario's reporting structure reflects how the business is managed. Infrastructure Ontario manages its operations to enable delivery and accountability on priorities such as those set by the Minister as well as corporate objectives determined by the Board. Infrastructure Ontario also assesses and anticipates future assignments and works to align its resources accordingly. As a result, Infrastructure Ontario is able to effectively allocate its resources and responsibilities by operating divisions in order to ensure efficiency and sustainability of operations over the period of the business plan.

Infrastructure Ontario realigned the segmented information in the current year to reflect changes to how the business is managed. The table below is a summary of financial information by segment:

	For the year ended March 31, 2021					
($ thousands)	Project Delivery	Real Estate	Lending	TOC [1]	Commercial Projects	Total
Revenues						
Interest revenue	$ -	$ -	$ 225,392	$ -	$ -	$ 225,392
Project delivery fees	61,896	-	-	4,124	5,860	71,880
Management fees - GREP	-	49,270	-	-	-	49,270
Management fees - Corporate Realty	-	4,956	-	-	-	4,956
Project transaction and recoverable costs	72,937	37,919	-	1,085	4,867	116,808
Other income	-	300	742	-	-	1,042
	134,833	92,445	226,134	5,209	10,727	469,348
Expenses						
Salaries and benefits	39,130	37,893	4,875	3,363	4,842	90,103
General and administration	13,822	7,278	1,698	698	2,451	25,947
Interest expense	-	-	203,176	-	-	203,176
Project transaction and recoverable costs	72,937	37,919	-	1,085	4,867	116,808
Sub-contracting fees	-	9,355	-	-	-	9,355
	125,889	92,445	209,749	5,146	12,160	445,389
Surplus/(deficit)	**$ 8,944**	**$ -**	**$ 16,385**	**$ 63**	**$ (1,433)**	**$ 23,959**

[1] TOC is defined as Transit Oriented Communities.

($ thousands)	Project Delivery	Real Estate	Lending	TOC	Commercial Projects	Total
	For the year ended March 31, 2021 - Budget					
Revenues						
Interest revenue	$ -	$ -	$ 227,838	$ -	$ -	$ 227,838
Project delivery fees	53,447	-	-	4,486	5,976	63,909
Management fees - GREP	-	51,181	-	-	-	51,181
Management fees - Corporate Realty	-	5,463	-	-	-	5,463
Project transaction and recoverable costs	90,095	7,000	-	12,400	7,250	116,745
Other income	-	546	635	-	-	1,181
	143,542	64,190	228,473	16,886	13,226	466,317
Expenses						
Salaries and benefits	39,301	37,933	4,740	3,620	4,834	90,428
General and administration	13,766	10,280	2,260	866	1,142	28,314
Interest expense	-	-	206,856	-	-	206,856
Project transaction and recoverable costs	90,095	7,000	-	12,400	7,250	116,745
Sub-contracting fees	-	9,350	-	-	-	9,350
	143,162	64,563	213,856	16,886	13,226	451,693
Surplus/(deficit)	$ 380	$ (373)	$ 14,617	$ -	$ -	$ 14,624

($ thousands)	For the year ended March 31, 2020					
	Project Delivery	Real Estate	Lending	TOC	Commercial Projects	Total
Revenues						
Interest revenue	$ -	$ -	$ 240,954	$ -	$ -	$ 240,954
Project delivery fees	43,965	-	-	2,457	3,163	49,585
Management fees - GREP	-	51,695	-	-	-	51,695
Management fees - Corporate Realty	-	4,038	-	-	-	4,038
Project transaction and recoverable costs	49,716	6,422	-	2,191	3,105	61,434
Other income	-	999	2,227	-	-	3,226
	93,681	63,154	243,181	4,648	6,268	410,932
Expenses						
Salaries and benefits	30,776	37,113	4,571	1,803	2,595	76,858
General and administration	11,450	10,033	2,019	371	603	24,476
Interest expense	-	-	218,079	-	-	218,079
Project transaction and recoverable costs	49,716	6,422	-	2,191	3,105	61,434
Sub-contracting fees	-	10,174	-	-	-	10,174
Loan valuation allowance	-	-	8,124	-	-	8,124
	91,942	63,742	232,793	4,365	6,303	399,145
Surplus/(deficit)	$ 1,739	$ (588)	$ 10,388	$ 283	$ (35)	$ 11,787

APPENDIX

LEGISLATIVE MANDATE

Infrastructure Ontario is a Province of Ontario Crown agency, classified as a board-governed agency. Its authority is derived from the Ontario Infrastructure and Lands Corporation Act 2011 (OILC Act). The legislative authority of IO, and the agency's mandate, as defined in the OILC Act is to:

- provide advice and services on financial, strategic, or other matters involving the government;
- implement or assist in the implementation of transactions involving the government;
- provide advice and services, including project management and contract management, related to infrastructure projects in Ontario that are not government property;
- provide advice and services related to government property, including project management, contract management and development;
- provide financial management for government property held by the Ministry of Government and Consumer Services or by a Crown agency for which the Minister of Government and Consumer Services is responsible;
- provide advice and services related to real property to prescribed public sector organizations;
- provide advice and services to non-Ontario entities related to development of public infrastructure loan programs; real property; financial strategic or other matters; and the implementation of transactions;
- provide financing for infrastructure purposes to municipalities and to other eligible public organizations.

COMMUNITY INVOLVEMENT – IO GIVES BACK

IO and its employees care about the vitality of the communities in which they live and work. IO Gives Back is an employee-led committee focused on providing staff with opportunities to give back to the community, engage in physical activity and participate in social activities.

In 2020-21, IO was faced with the challenge of finding creative ways to give back to the community during an unprecedented time when help was needed the most. With tremendous support and participation from employees across all teams and regions, IO was able to raise $67,000 for United Way Greater Toronto through several virtual events such as the GetUP Challenge, employee appreciation chocolate-gram exchange, Halloween costume and pumpkin carving contests, and payroll deduction donations. Employees also led additional fundraising efforts to support the Daily Bread Food Bank, Fred Victor Centre, and Holiday Helpers.

2020-21 AWARDS

Casey House
National Urban Design Awards - Award of Excellence

East Rail Maintenance Facility
Canadian Design-Build Institute - CDBI Award of Excellence

Eglinton Crosstown LRT
Ontario Concrete Awards - Specialty Construction Methods

Forensic Services and Coroner's Complex
Building Owners and Managers Association Canada - Earth Award – Universal

New Toronto Courthouse
American Institute of Architects, Academy of Architecture for Justice, Justice Facilities Review

Infrastructure Ontario

1 Dundas Street West, Suite 2000,
Toronto Ontario M5G 1Z3
www.infrastructureontario.ca

Infrastructure Ontario