

# CANADA INFRASTRUCTURE BANK

2019-20 ANNUAL REPORT



INVESTING IN CANADA'S FUTURE



# ABOUT US

The Canada Infrastructure Bank (CIB) is a Crown corporation wholly owned by the Government of Canada. We increase new infrastructure in Canada by attracting and co-investing with private sector and institutional investors in new, revenue-generating infrastructure projects that are in the public interest. Our priority areas are public transit, trade and transportation, green infrastructure and broadband.

We have three inter-connected roles as a centre of expertise for innovation in infrastructure. We advise public sponsors on revenue-generating projects and innovative investment options; we invest in and seek to attract additional private and institutional capital to such projects; and we develop and share infrastructure knowledge and research.

In 2019-20, the CIB participated in new projects, expanded our work with public sponsors, private and institutional investors, other stakeholders and thought leaders, and increased our internal capabilities by adding professionals, policies and systems.



# 2019 – 2020 HIGHLIGHTS

172

New infrastructure projects assessed in 2019-20



10

Participation in 10 projects since inception, either in advisory or investment capacity

Participation in projects in all four of our priority sectors

4



Green Infrastructure



Public Transit



Trade & Transport



Broadband

120



Engaged with more than 120 public sector sponsor organizations

80



Attended 80 speaking opportunities and events

## Official Languages

45%

bilingual

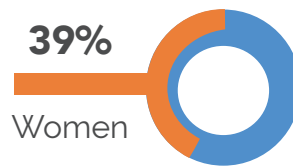


Implemented Action Plan on Official Languages, with **45% bilingual employees**

## Gender Diversity

39%

Women



49 full-time employees, **of whom 39% are women**

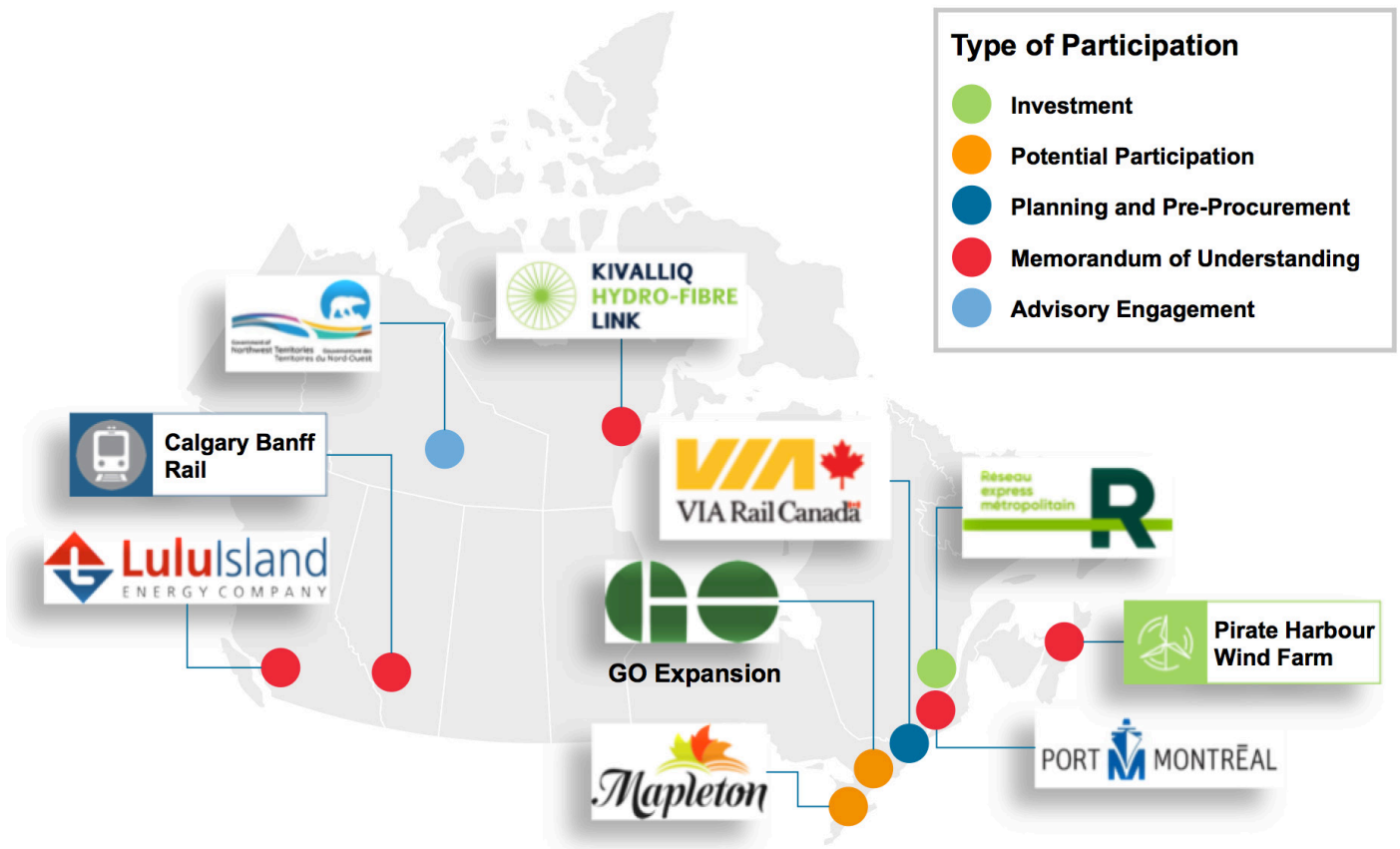
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# PARTICIPATION IN PROJECTS TO DATE

- › City of Richmond Lulu Island Energy Co. Project (BC)
- › Taltson Hydroelectricity Expansion Project (NWT)
- › Calgary-Banff Rail Project (AB)
- › Kivalliq Hydro-Fibre Link (NU)
- › Township of Mapleton Water / Wastewater Project (ON)
- › GO Expansion Project (ON)
- › VIA Rail's High Frequency Rail Project (QC/ON)
- › Montreal Port Contrecoeur Expansion Project (QC)
- › Réseau express métropolitain (QC)
- › Pirate Harbour Wind Farm (NS)

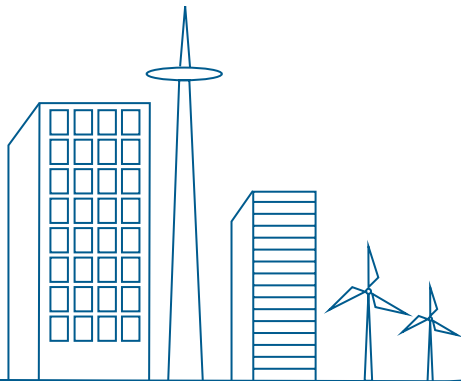


# 01

Message from Leaders



# LEADERSHIP LETTER



## A New Era for Infrastructure Investment

**Constructive infrastructure investments are a proven way of improving productivity and making us more competitive. The CIB intends to play a leadership role in new infrastructure that has a positive impact on the Canadian economy. The CIB can enable Canada's transition to the low carbon economy and strengthen economic growth in all parts of the country.**

Investments in infrastructure projects are an essential success factor in restarting Canada's economy, creating jobs and building long-term prosperity. Infrastructure is a long-term commitment, and the CIB continues to take short-term action that will deliver long-term results that benefit Canada.

For example, broadband infrastructure is more important than ever, and the CIB continues to focus on opportunities for large scale impact investments that deliver new connectivity to underserved communities. Connectivity for households and businesses is essential to access public services and participate in the modern economy, let alone have quality of life in rural and remote communities.

The transition to the low-carbon economy, including medium and long term greenhouse gas reductions, is fundamental to Canada's leadership on climate change. Infrastructure is a building block for a carbon-neutral Canada. With this goal in mind, the CIB is collaborating with governments at all levels to facilitate interprovincial transmission or interties, clean power generation and storage and other forms of clean power.

More broadly, the CIB's green infrastructure priority sector is a way to mobilize private capital into environmentally sustainable infrastructure. Whether water and wastewater, the expansion and efficiency of energy systems, sustainability of transit within cities, transportation between regions, the CIB has a role to play in infrastructure sustainability.

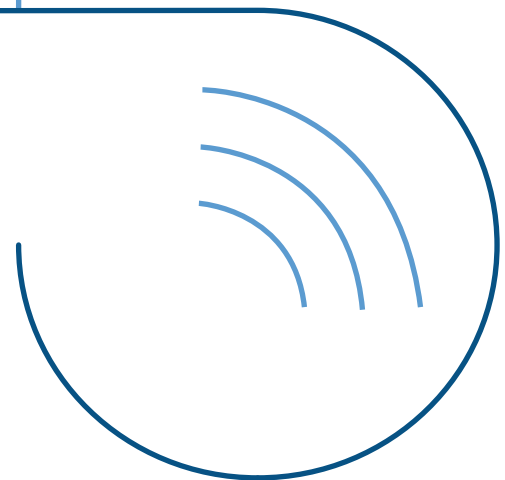
Thinking differently about infrastructure renewal is critical at this time. Expanded partnerships with the private sector have an important role to play.



## Leadership

During the year ended March 31, 2020, the CIB announced participation -- as advisors or investors -- in nine transformational new infrastructure projects. Including the REM project announced in 2018-19 our portfolio includes in 10 projects across our four priority sectors, in various regions, in urban areas, in a small rural community, and in the north. Using our infrastructure and investment expertise, we assessed 172 potential projects during the year. Throughout the year we increased work with provincial, territorial, municipal and Indigenous organizations to develop project opportunities for investment with the private sector.

As 2019-20 drew to a close, leadership changes took place at the board and executive levels. The CIB said farewell to the inaugural board Chair, Janice Fukakusa, and welcomed Michael Sabia as new Chair in April 2020. The first Chief Executive Officer, Pierre Lavallée, also departed. The CIB board of directors thanks Ms. Fukakusa and Mr. Lavallée for their dedication and service, and recognizes the ongoing commitment by the CIB team to continue to focus on the CIB's mission.



In the 2019-20 fiscal year, management calibrated organizational resources to business needs to ensure efficient and effective operations. The CIB's operating expenses of \$24.6 million were well below approved budget, predominantly due to lower than planned hiring and related costs, and lower than planned consulting expenses. CIB implemented its business continuity plan to maintain its full operations during the pandemic crisis.

Following the dramatic impact of the coronavirus pandemic on all sectors of Canada's economy, building new infrastructure can spur recovery, improve resilience and support long-term sustainable growth. The CIB is taking an innovative approach towards infrastructure investment that can shape Canada's economy and substantially increase investment in Canada. By crowding-in private capital into opportunities with provinces, territories, municipalities and indigenous communities, the CIB can help to close the investment gaps in infrastructure and build a stronger Canadian economy.



Michael Sabia

Chair, Board of Directors



Annie Ropar

Chief Financial Officer & Chief Administrative Officer

# 02

Management's Discussion  
and Analysis

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the management's discussion and analysis (MD&A) is to provide a narrative explanation, through the eyes of management, of how the CIB performed in the fiscal year ended March 31, 2020, its financial condition at year-end, and its future prospects. The MD&A is intended to complement and supplement the information provided in the financial statements.

## Our Business

The *Canada Infrastructure Bank Act* (the "CIB Act") sets out our purpose as follows:

*The purpose of the Bank is to invest, and seek to attract investment from private sector investors and institutional investors, in infrastructure projects in Canada or partly in Canada that will generate revenue and that will be in the public interest by, for example, supporting conditions that foster economic growth or by contributing to the sustainability of infrastructure in Canada.*

Parliament has authorized \$35 billion over 11 years (to fiscal year-end 2027-28) and given us the ability to participate in complex infrastructure deals in new and innovative ways.

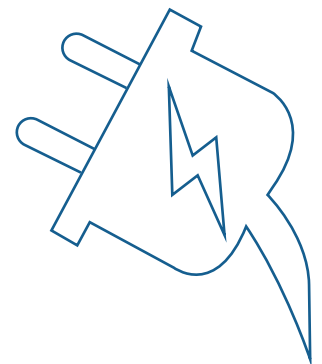
We are authorized to perform the following functions:

- › Act as a centre of expertise;
- › Provide advice to all levels of governments;
- › Structure proposals and negotiate agreements;
- › Invest in infrastructure projects;
- › Receive unsolicited proposals;
- › Collect and disseminate data; and
- › Foster evidence-based decision making.

## Priorities

The CIB has been ambitious in pursuing results and outcomes consistent with priorities outlined by our shareholder, the government of Canada. These results are described fully in this annual report and include:

- › participation in advisory engagements, memoranda of understanding, funding for federal project planning and pre-procurement activities;
- › a diversified portfolio of project opportunities across three of four priority sectors, in urban, rural and northern regions, of differing sizes;
- › pan-Canadian engagement of public-sector project sponsors; and
- › partnership opportunities to build awareness about the CIB.



## Strategy

Our 2019-20 strategic objectives were:

1. building organizational capacity;
2. championing and promoting new models for funding and planning projects;
3. making strategic investments and using innovative tools for public infrastructure.

We made meaningful progress on all of these during the year ended March 31, 2020.

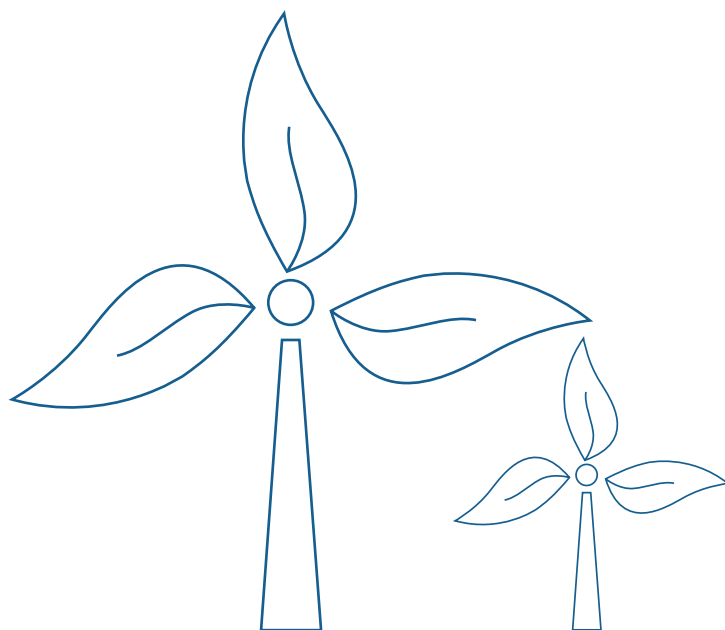
1. Our internal capacity grew and matured. We added highly skilled employees and implemented new policies, standards, processes and systems. Our activities were overseen and monitored by the CIB board of directors. At the end of the 2019-20 year, we announced leadership changes at the board and executive level that will position the organization to build on its strong foundation to support more revenue generating infrastructure projects in the public interest.
2. We championed and promoted new models for public infrastructure to a wide range of key audiences. Our executives and employees participated in 40 speaking opportunities, and 40 additional industry, public sponsor or stakeholder events. We engaged with 120 public sector sponsor organizations, particularly provincial and territorial, on project opportunities and capital plan priorities. We also held discussions with municipal elected leaders and officials, and met with a variety of Indigenous communities and organizations.
3. We announced potential participation in opportunities and also signed memoranda of understanding (MOU) with parties on several other project opportunities. Our participation in an MOU does not obligate the CIB to make any investment commitment to those projects. Future investment decisions would depend on a variety of factors and would require CIB board approval.

## Capabilities and Resources

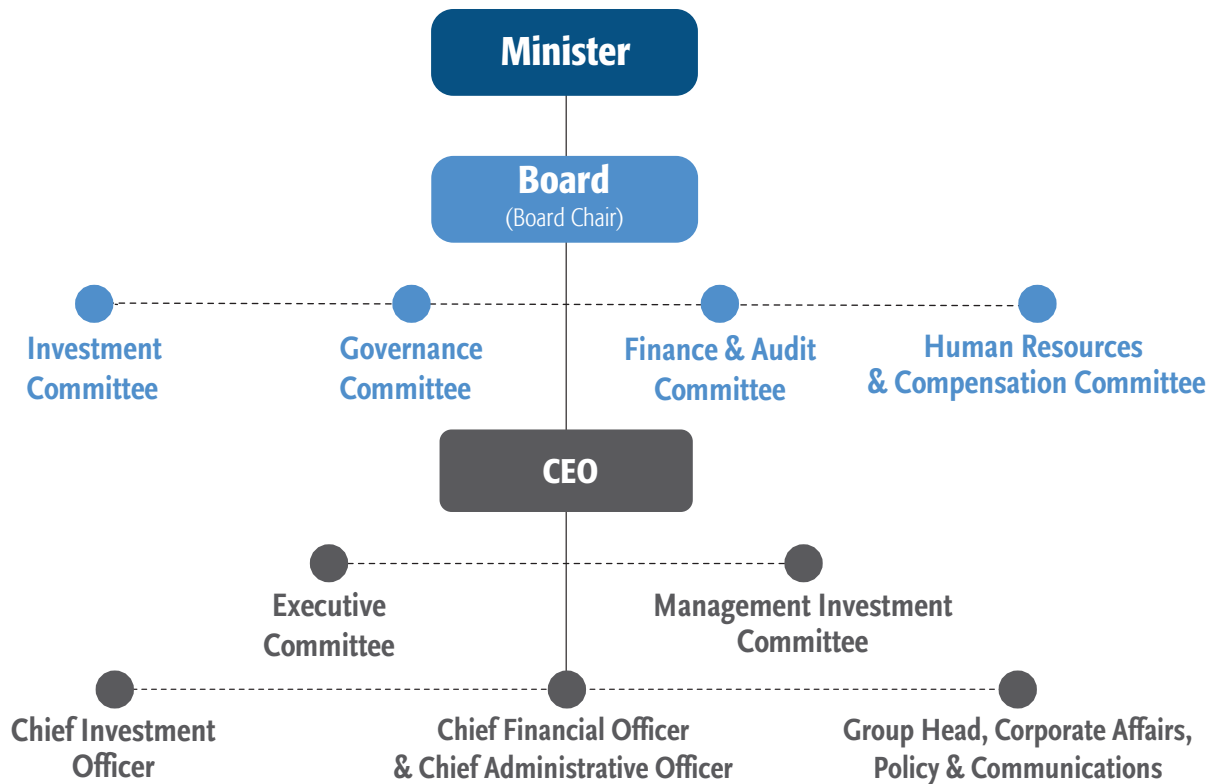
Our full-time employee base grew to 49 people in 2019-20, in line with our target in the Amended Corporate Plan 2019-20 to have 50 employees or more.

Collectively, employees have expertise in infrastructure development, business, law, engineering, accounting, financial analysis and modeling, debt and equity investments, structuring and procurement, risk management, mergers and acquisitions, construction, communications and public policy.

We have the professional credentials and experience to bridge gaps between the public and private sectors, provide high-quality advice, and make and manage investments that are in the public interest.



# Organizational Chart



## Executive Roles

Our President and Chief Executive Officer is responsible for strategic business leadership and overall performance of the organization. The first CEO, Pierre Lavallée, departed at the end of the 2019-20 year. Recruiting is underway for a new CEO. In the interim, the Chief Financial Officer and Chief Administrative Officer is responsible for the management of the CIB until the board names a new CEO.

During the year, our executive structure was reorganized to consolidate the Investment and Advisory responsibilities under the leadership of our Chief Investment Officer and to integrate the Research and Knowledge element under our Group Head, Corporate Affairs, Policy and Communication. The changes positioned the CIB to work with public sponsors, private and institutional investors, stakeholders and thought leaders who have an interest in new models for infrastructure investment.

Our Chief Investment Officer is responsible for advisory and investment strategy and activities, capital deployment and asset management.

Our Chief Financial Officer and Chief Administrative Officer is responsible for corporate finance, audit, financial and enterprise risk management, legal and compliance, human resources, information technology and administration.

Our Group Head, Corporate Affairs, Policy and Communications, is responsible for government relations, policy, corporate planning, communications, media and stakeholder relations, knowledge and research.

## Executive Committee

The role of the Executive Committee is to lead the CIB's operations and activities, implement organizational policies and procedures, and implement guidance and direction from the board of directors. The Executive Committee consists of the:

- › President and CEO;
- › Chief Investment Officer;
- › Chief Financial Officer and Chief Administrative Officer; and
- › Group Head, Corporate Affairs, Policy and Communications.

## Management Investment Committee

The role of the Management Investment Committee is to:

- › Review and make a recommendation to the Investment Committee of the board relating to the acquisition or disposition of investments or transactions, which the Investment Committee may then recommend to the board for approval;
- › Review and evaluate CIB's investment activities, performance, capital requirements and usage;
- › Review and evaluate the effectiveness of CIB's investment risk management policies and processes; and
- › other duties and functions that may be delegated by the Investment Committee of the board.

The Management Investment Committee is composed of:

- › President and CEO;
- › Chief Investment Officer;
- › Chief Financial Officer and Chief Administrative Officer;
- › Head of Risk; and
- › a Managing Director or Senior Director on the Advisory and Investments team, appointed by the President and CEO.

The CEO and the Chief Investment Officer are required to report investment activities to the Investment Committee of the board at least quarterly.

## Diversity and Inclusion

The CIB has a diverse board of directors. Board members reflect gender, linguistic, cultural, and regional diversity.

The CIB also seeks to reflect the diversity of Canada's population when recruiting for and filling available positions. We believe in creating a workplace that is grounded in mutual respect and supportive. Our values reflect a culture that is diverse, respectful and inclusive.

We place equal value on individuals regardless of their roles, job titles or standing in the organization. We are considerate of all aspects of diversity.

Gender diversity is a key component of our commitment to diversity. As of March 31, 2020, women represented 39% of full-time employees and 54% of our board members. Key leadership positions at year-end were held by women, including the Chair of the board, the Chair of the Finance and Audit Committee, the Chief Financial and Administrative Officer, and the Head of Risk.

Approximately 45% of the CIB workforce is bilingual and 50% of employees are enrolled in training to improve their second official language capability. The CIB's broader official languages action plan is led by the General Counsel and Corporate Secretary, who is our champion for official languages.

The CIB has a Diversity and Fair Employment Practices Policy.



## Overview of Results

The CIB expanded engagement with a wide range of stakeholders in 2019-20. We are providing advice to project sponsors and developing investment opportunities that address governments' infrastructure priorities.

With our employees' unique skills and experience in infrastructure investment, we made progress in establishing the CIB as a centre of expertise. Our Advisory and Investments team continued to focus on innovative approaches for revenue-generating projects that are in the public interest.

The CIB's participation in 10 projects (Table 1) illustrates the results of our engagement with public sponsors across Canada

to champion and promote new models. We announced potential participation in opportunities on top of our investment commitment to the Réseau express métropolitain transit project in 2018-19. We have signed memoranda of understanding (MOU) to advise public sponsors on other projects. Our participation in an MOU does not obligate the CIB to make any investment commitment to those projects. Future investment decisions would depend on a variety of factors and would require board approval.

This annual report describes results achieved and near-term outlooks in each of our reporting segments (Advisory, Investments, Knowledge and Research, and Corporate Services).

TABLE 1 - PARTICIPATION IN PROJECTS AS OF MARCH 31, 2020

Project	Priority Sector	CIB Participation	Public Sponsor	Policy Goals	Revenue Generating
Réseau express métropolitain (REM) (Montréal, QC)	Transit	Investment August 2018	Province of Quebec	Job creation, greenhouse gas reduction, lower congestion	Yes – fare box
GO Rail Expansion (Greater Toronto and Hamilton, ON)	Transit	Potential Participation (May 2019)	Province of Ontario, Metrolinx	Expanded access to two-way all-day regional transit for 200 million trips/year	Yes – fare box
VIA Rail High Frequency Rail (Quebec City to Toronto)	Transit	Planning and pre-procurement activities (June 2019)	Transport Canada, VIA Rail	Faster, expanded, more frequent service within Quebec City to Toronto corridor	To be confirmed during planning and pre-procurement
Mapleton Water and Wastewater (Township of Mapleton, ON)	Green	Potential Participation (July 2019)	Township of Mapleton	Expanded clean, safe, affordable public water system	Yes – regulated water rates set by Township
Lulu Island Energy District Energy (Richmond, BC)	Green	Memorandum of Understanding (August 2019)	City of Richmond	Green, renewable energy for municipality	Yes – district energy users

Project	Priority Sector	CIB Participation	Public Sponsor	Policy Goals	Revenue Generating
Contrecoeur Port Expansion (Montréal, QC)	Trade and transportation	Potential Participation (December 2019)	Port of Montreal	Economic growth through greater import and export	Yes – port operations
Taltson Hydroelectricity (Northwest Territories)	Green	Advisory Engagement (August 2019)	Government of Northwest Territories	Clean power via hydroelectric plant	To be confirmed after advisory work
Pirate Harbour Wind Energy (Nova Scotia)	Green	Memorandum of Understanding (December 2019)	Province of Nova Scotia	Economic growth and sustainability (clean power)	To be confirmed through investment analysis
Kivalliq Hydro-Fibre Link (Nunavut)	Green and Broadband	Memorandum of Understanding (February 2020)	Kivalliq Inuit Association	Renewable, sustainable and reliable hydroelectricity and broadband connectivity	To be confirmed after advisory work
Calgary-Banff Rail Project (Alberta)	Green, Transit, Transportation	Memorandum of Understanding	Alberta Ministry of Transportation	Improved transportation, economic growth	To be confirmed through investment analysis

## Advisory Expertise

### What we do

In our advisory role, we consult with public sponsors on revenue-generating infrastructure projects and innovative investment options. As an active partner in the early stages of a potential project, we offer advice to public sector sponsors to help inform their decisions about infrastructure priorities. The CIB can assist public sponsors by providing structuring advice, with a view to maximizing risk transfer to, and investment from, the private sector.

### How we do it

The Advisory and Investments team engages sponsors from early intake at project development through advisory services to potential investment decision. Our teams also review unsolicited proposals that include a public sector sponsor.

The early steps in our project origination and execution process (intake, appraisal and advisory engagement) involve our advisory and investment experts providing advice and understanding project sponsors' project priorities. Our advisory work may be done under a memorandum of understanding (MOU). This does not mean that the CIB will make an investment commitment to a project.

More advanced projects could proceed to investment decisions (financial structuring, negotiations and approvals). This work is done under the direction of the Chief Investment Officer, the Management Investment Committee and the Investment Committee of the board.

Through our advisory discussions, we aim to bridge financing gaps. We help our public sector partners to actively consider new procurement models and structures for infrastructure projects that transfer more risk (such as operating or revenue risk) to the private sector than is the case in traditional procurement models.

## Why we do it

A key opportunity for the CIB is to encourage public sector partners to consider involving private sector capital in their discussions. This ties back to our legislated purpose in the CIB Act.

Our advisory expertise contributes to raising awareness and shifting perspectives about the potential for private and institutional investment in projects that are revenue generating and can include risk transfer. Our advisory role also supports the evolution of infrastructure project models in Canada.

## Advisory Results

In our Amended Corporate Plan 2019-20, we set a target of assessing 100 new projects for possible investment, with an aggregate value of \$20 billion. As of March 31, 2020, we had assessed 172 projects with an aggregate project value (capital cost) of approximately \$55 billion. We also set a target of advising on five large-scale projects during the fiscal year, and had entered into two formal advisory engagements, as well as memoranda of understanding and consideration of potential participation in other opportunities.

We expanded our network of public sponsors and developed significant relationships at senior levels with government and Indigenous partners across Canada. The number of engagements totalled more than 120, in the fiscal year ended March 31, 2020.

- › In Alberta, our executives met with deputy ministers and assistant deputy ministers from various departments in November 2019.
- › Manitoba has expressed interest in innovative approaches to infrastructure investment, including the possibility of working with CIB on upgrades to the City of Winnipeg's North End Water Pollution Control Centre, and the provincial government would be a key partner, alongside private investors, in the potential Kivalliq hydroelectric and broadband link.

- › In Ontario, CIB has established regular meetings with senior infrastructure leaders to share project and market information and coordinate efforts for mutual benefit. There are significant opportunities and overlapping areas of interest in transit, transportation, water and broadband.
- › We had extensive engagement in Quebec with multiple public sector entities at the provincial and municipal levels.
- › We participated in the multilateral forum called the Atlantic Clean Power Planning Committee. This inter-jurisdictional committee is developing a roadmap to build a clean power network across Atlantic Canada, which would include interconnection between provincial electric grids (interties), an area of CIB focus that provinces, territories and utility representatives identified as a priority.

Engaging the municipal sector is important, since regional and municipal governments are owners of the majority of infrastructure assets in Canada, and often the public sector sponsors of large, transformational projects. Public transit, broadband and green infrastructure in particular are overlapping interests for the CIB and municipalities.

Many Indigenous communities have also expressed an interest in working with CIB to further advance infrastructure projects. We expanded our Advisory and Investments team to include the necessary expertise to advance Indigenous relationships and project opportunities that are aligned with the CIB's purpose and functions. We will continue to look for opportunities to keep Indigenous communities apprised of our work and explore opportunities for collaboration. Several Indigenous and Northern community-led projects have been discussed.

Outcomes for 2019 - 2020	Result Indicators	Achievements (April 1, 2019 - March 31, 2020)	Targets
Assess projects for possible investment	# of new projects assessed	Total 172 projects assessed	100
	Aggregate value of projects assessed	Total estimated capital of \$55B for projects assessed.	\$20B
Network of public sponsors	Number of relationships	Engaged with more than 120 unique public sponsor organizations including federal agencies and departments, provinces, territories and municipalities.	Federal departments and agencies, all provinces, territories, 4 major municipalities
Projects in development with CIB assistance	# of large-scale projects with CIB engagement	8 large scale projects	5 projects
Produce enhanced versions of Inventory of Canadian Infrastructure Projects to showcase projects		Scoping review for Inventory of Canadian Infrastructure Projects completed. Confirming inventory projects with provinces and territories.	Roll out improved version of Inventory of Canadian Infrastructure Projects, after launch of v1.0 in 2019

During the year, we began advising on two large and potentially transformational projects: VIA Rail’s High Frequency Rail project, and the Taltson Hydroelectricity Expansion project. Both are described below.

### VIA Rail Canada High Frequency Rail

We are working with VIA Rail Canada collaboratively, by way of a Joint Project Office, to further develop VIA Rail’s high frequency passenger rail (HFR) project including project planning, pre-procurement and de-risking activities. CIB has been authorized to fund up to \$54.4 million of costs related to these activities.

The HFR project involves building or refurbishing dedicated tracks along the Toronto-Ottawa-Montreal-Quebec City railway corridor and purchasing new trains for the route. The

project aims to increase passenger train frequency, reduce trip times and improve service reliability. More frequent passenger rail service in the Quebec City-to-Toronto corridor is also expected to reduce vehicle greenhouse gas emissions and road congestion.

The Joint Project Office demonstrates how the CIB, in collaboration with other federal departments and a Crown corporation, can advance a project by focusing on:

- › finalizing legal and regulatory work related to safety and environmental assessments;
- › consulting with stakeholders and Indigenous communities;
- › examining required land and track acquisition; and
- › completing the technical, financial and commercial analysis required for a final investment decision.

*“High Frequency Rail is part of VIA Rail Canada’s transformation towards a more modern passenger service for a more connected, more sustainable, and more mobile Canada. We look forward to working with the Canada Infrastructure Bank in this critical step for improving passenger rail to the benefit of Canadians.”*

*--Cynthia Garneau, VIA Rail Canada President and Chief Executive Officer*

### **Taltson Hydroelectricity Expansion**

We are assisting the Government of Northwest Territories (GNWT) in developing the financial structure and business case for the proposed Taltson Hydroelectricity Expansion Project. The project falls within one of our priority sectors (green infrastructure) and it is our first opportunity to work in northern Canada.

The GNWT plans to expand the existing Taltson generating station by constructing a new 60-megawatt, clean energy hydroelectric facility and 270 kilometres of transmission lines to connect two existing but isolated electricity systems. The expanded Taltson generating station has the potential to eliminate an estimated 240,000 tonnes of greenhouse gas emissions annually and will increase electricity reliability in the Slave and South Slave regions.

This long-term initiative will require significant engagement with other government departments, which has started.

*“The GNWT is looking forward to working with the CIB on the Taltson Hydroelectricity Expansion Project. CIB’s expertise will assist the GNWT in developing a strong business case and financial structure for the project.”*

*-- Honourable Wally Schumann, Minister of Infrastructure and Industry, Tourism and Investment, Northwest Territories*

### **Advisory Outlook**

The CIB will focus on the following advisory outcomes in the near term:

- › Build productive relationships with public sponsors across Canada;
- › Deploy CIB’s expertise and capacity to provide value-added advisory services and work with public and private entities to support infrastructure investment;
- › Influence public and private market participants to increasingly use the CIB model in order to deliver more infrastructure in the public interest;
- › Maintain and strengthen network of public-sector entities, and facilitate intergovernmental cooperation on infrastructure investment; and
- › Showcase Canada as a leading market for infrastructure investment.

Clean power is an important area for our ongoing advisory work, and this could lead to investment opportunities. The CIB is working with a number of provinces and territories to explore interprovincial and intra-provincial bulk electricity transmission to move clean, renewable power to replace fossil fuel generation. We have also been approached by public sponsors and private sector proponents seeking assistance with renewable generation, district energy and energy storage.

As a centre of expertise, we can play a positive and instrumental role in helping public authorities and their private sector partners deliver better broadband services to Canadians. From early involvement in encouraging appropriate procurement models, to providing guidance in funding structures to public sponsors, the CIB plans to enable more broadband projects.

Across all of our priority sectors, we will continue to foster strong relationships with potential public-sector partners and encourage them to consider private financing alternatives for projects alongside more traditional public financing.

# Investment Expertise

## What we do

We structure, negotiate and execute complex infrastructure investment transactions. Investments are made alongside private sector and institutional investors, and other public sponsors, as appropriate, in projects that might otherwise not be viable and that require public support to proceed.

Our potential investment commitments can take the form of equity, debt, or a combination thereof, depending on the needs of each unique project. The amount of private capital in any given transaction will vary by sector and by specific project.

## How we do it

The early steps in our project origination and execution process (intake, appraisal and advisory engagement) involve experts on our Advisory and Investments team, who advise project sponsors. Work on more advanced projects that proceed to investment decisions (financial structuring, negotiations and approvals) is done under the direction of the Chief Investment Officer, the Management Investment Committee and the

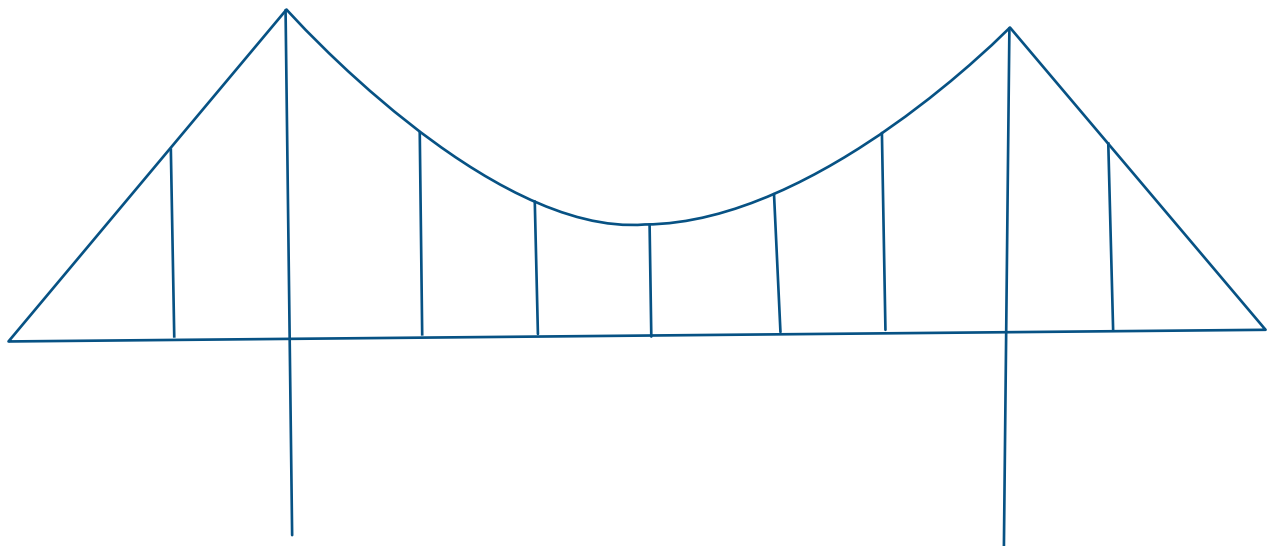
Investment Committee of the board. Our teams also review unsolicited proposals that include a public sector sponsor.

Our Investment Policy defines the roles and responsibilities of the CIB board and management when it comes to investment oversight and decision-making. The policy also defines our investment practices, including sourcing of investment opportunities, the types and sizing of investments, and our project assessment and approval process.

## Why we do it

The CIB has been allocated \$35 billion to participate in infrastructure transactions. Of this total, the Government of Canada anticipates expensing \$15 billion against the fiscal framework. The CIB delivers concessional financing, and may take a subordinated or below-market position in a project's capital structure or use other innovative instruments to attract private sector investment.

Part of our mandate is to convene private capital. To do this, CIB has developed a number of tools and approaches to participate in projects.



## Investment Results

Outcomes for 2019 - 2020	Result Indicators	Achievements (April 1, 2019 - March 31, 2020)	Targets
Capital commitments	# of projects assessed leading to detailed analysis	20 ongoing projects resulting from Amended Corporate Plan 2019-20	9 per year
	# of new investment commitments	Potential participation in 3 opportunities	At least 2 per year
Portfolio of investments	Distribution by sector	Potential participation in 3 sectors	2 priority sectors
Effectiveness of project structuring	<p>Degree of change towards operational, usage and revenue risk transfer to private sector</p> <p>Determine methodology to demonstrate effects of CIB investment, relative to alternative financing options</p>	<p><b>Mapleton Water:</b> The township retains ownership and pricing control, but transfers construction and long-term operating risks and responsibilities to the private sector.</p> <p><b>Contrecoeur Expansion:</b> Structured risk transfer of Contrecoeur project between the time of the MOU announcement to a potential \$300M investment commitment.</p> <p><b>GO Expansion:</b> Collaboration with Metrolinx and Infrastructure Ontario on a range of project opportunities to provide advice on project structures, delivery models, financing options.</p> <p>CIB value-add methodology under development</p>	<p>Inclusion of operational and maintenance risks in all CIB projects</p> <p>Publish methodology or similar post-transaction report on effects of CIB investment</p>
Innovative tools	Number of tools	3 tools developed: proposed backstop commitments, standardized investment for scale, and unsolicited proposals framework	3 tools

We either sign memoranda of understanding (MOU) to do additional project analysis, or make new investment commitments if they fit the CIB criteria, which include bankability considerations and public interest considerations. All projects must involve a public sector sponsor, be aligned with government policy and be in the public interest.

### **Montreal Port Authority Contrecoeur Container Terminal (QC)**

The CIB is working with the Montreal Port Authority and could provide up to \$300 million in financing to the port project to build a new container terminal in Contrecoeur, allowing the port to increase its container handling capacity and strengthening Montreal's role as a hub for maritime trade. This opportunity came after collaborative work with the public sponsor, including planning and pre-procurement activities for the design, construction, financing, operation and maintenance of the terminal.

The new terminal will help exporters get products to market more quickly, supporting economic growth and Canada's international trade. It will modernize the infrastructure that supports the flow of goods from container ships, address current capacity issues and contribute to the economic development of Greater Montreal and central Canada.

### **Mapleton Township Water and Wastewater (ON)**

The CIB is supporting the Township of Mapleton on this pilot project that is a first-of-a-kind innovation in Ontario.

Our potential investment in this water and wastewater project could be up to \$20 million. The Township is seeking a consortium to design, build, finance, operate and maintain its new and existing water and wastewater infrastructure for up to 20 years.

Mapleton will continue to own all existing and new infrastructure assets. The project has potential to showcase the involvement of private-sector capital as a solution to other communities with water and wastewater challenges across the country.

### **Montreal Réseau express métropolitain (REM) (QC)**

The CIB's \$1.28 billion loan to the Réseau express métropolitain (REM) bridged the construction and ramp-up risks and was the first example showing how the CIB can partner with private and institutional investors.

The \$6.3-billion REM under construction in Greater Montréal is an automated light rail network that will facilitate travel around the city and reduce greenhouse gas emissions when operating.

Draws on the CIB loan were made in 2019-20, and the final draw was made on April 1, 2020.

The first trains are expected to start running in 2021 on a segment of the network and other branches will gradually be put into service in 2022-2023. Substantial completion is expected in March 2024.

## **Investment Outlook**

We will focus on the following investment outcomes in the near term:

- › Influence investment structure on projects, sectors or asset classes;
- › Maximize infrastructure built from federal investment;
- › Facilitate new sources of revenue for infrastructure;
- › Promote delivery of environmentally friendly and resilient infrastructure; and
- › Advise on and invest in projects in all priority sectors.



Our investments can take the form of equity, debt (senior and subordinated debt), or a combination thereof, and will include appropriate amounts of private sector capital. The specific amount of private capital in any given transaction will vary by sector and by specific project. For example, because projects in the water/wastewater and broadband sectors tend to be smaller, they often attract and support lower proportions of private capital, as opposed to large public transit or ports projects.

## Knowledge and Research

### What we do

The CIB's Knowledge and Research role, previously described as the Data and Information function, intends to support the advancement of revenue-generating infrastructure projects that involve private sector partners through targeted infrastructure research initiatives.

### How we do it

We will collaborate with government and third-party organizations on a strategy to fill knowledge gaps and develop and disseminate new research in partnership with others.

### Why we do it

Our Knowledge and Research role is interconnected with our Advisory and Investments responsibilities, and together these form our centre of expertise. Gathering a comprehensive fact base will support evidence-based decision making in infrastructure planning and development.

## Knowledge and Research Results

The CIB reviewed 350 existing publicly available infrastructure research publications and papers relevant to our mandate, to understand gaps and potential areas for future research.

We strengthened our network of relationships with international peers, relevant industry associations and think tanks throughout 2019-20. For example, the CIB joined the Ontario Chamber of Commerce and will participate as a member in its infrastructure committee to share knowledge and information about the CIB. Membership in the Greater Vancouver Board of Trade offers an opportunity to update the B.C. business community about our activities, learn about infrastructure investment priorities in the province, and discuss specific topics with the infrastructure and transportation committee. Active participation with the Metropolitan Montreal Chamber of Commerce and Federation of Quebec Chambers of Commerce has begun. Direct dialogue has started with the Canadian Urban Transportation Association (CUTA), and CIB participated in a CUTA member discussion about the delivery of large and complex transit projects. We collaborated with the C.D. Howe Institute to convene industry experts about innovative private sector involvement in infrastructure.

Outcomes for 2019-2020	Result Indicators	Achievements (April 1, 2019 - March 31, 2020)	Targets
Gather a comprehensive fact base to support evidence-based decision making in infrastructure planning and development	Research reports Use of analysis in project design by public entities	Partnered on workshop focused on new and innovative investment in infrastructure.  Reviewed more than 350 infrastructure studies to assess the research, themes and, gaps.  Concluded competition for a Senior Director responsible for knowledge and research.	Hire the core of the Data and Information team.  Maintain/build on established relationships (Statistics Canada, CCPPP, provinces and territories).
Provide information on the Canadian landscape for revenue-generating infrastructure that may attract private investment	Publications Share of private investment in Canadian infrastructure projects	Formalized participation with business and industry groups' infrastructure committees, public speaking opportunities and potential research initiatives.	Strengthen our network of institutional relationships with international peers, relevant industry associations and think tanks.
To inform and report to Canadians on the benefits of the CIB model and this type of approach	Publications Canadian-origin website traffic	Published articles with some industry organizations and published new content on CIB website and social media platforms.	Produce research and articles that will demonstrate how the CIB can impact the market.

## Knowledge and Research Outlook

In the near term, the CIB will focus on increasing awareness of new infrastructure investment models among public sponsors and relevant stakeholders. We have many opportunities to play a thought-leadership role and to encourage innovation in infrastructure investment, for example at global industry conferences. We will nurture our existing network of academic, research, think tank and industry organizations and support existing infrastructure thought leaders in Canada. A strategy for Knowledge and Research will be developed.

## Corporate Services

Corporate services support our Advisory, Investment and Knowledge and Research activities and are delivered by personnel in Finance, Legal, Human Resources, Technology, Risk Management, Administration, Corporate Affairs, Policy and Communications.

Our team of communication professionals worked to improve awareness of the CIB externally with partners and the public, with significant engagement with media and stakeholders. Communications about CIB participation in projects emphasized our partnership with public sponsors, the benefits of the projects, the potential for private and institutional investor involvement, and the CIB's innovative approach to advising on and investing in projects. Media engagement

increased significantly. We participated in more than 40 speaking opportunities and approximately 40 additional industry conferences and stakeholder events to update potential partners and the market on the CIB's activities and priorities.

In Human Resources, the CIB continued recruiting and increased staffing to align with our ramp-up and growth in activity across the organization. Employee training sessions covered conflicts of interest, official languages, access to information, travel expenses, cybersecurity and information

technology and more. A rigorous performance management and professional development process was implemented and a succession plan was established for executive positions to ensure continuity of leadership for the organization.

We continued to enhance our IT systems and facilities by upgrading systems, technology and tools for all business lines and functional units, as envisaged in the 2019-20 corporate plan. The CIB is implementing a client relationship management system and enterprise resource planning system to help streamline processes while preparing for future growth.

## Corporate Services Results

Outcomes for 2019 - 2020	Result Indicators	Achievements (April 1, 2019 - March 31, 2020)	Targets
Strong Enterprise Risk Management processes	Risk reporting and results	Board-approved Enterprise Risk Management (ERM) Policy and internal risk rating methodology for credit risk rating of individual transactions is completed. IT related policies in place; procedures and corresponding training and testing well underway.	Implement policies, procedures and reporting that underpin the risk management process
Demonstrate sound financial and operational use of resources	Compliance with all relevant statutes and regulations  Unqualified audit opinions	Corporate Governance and Compliance Policy Framework approved by the board.  Underlying policies and procedures being implemented with no known cases of non-compliance.  All audits with clean opinions.	Build full map of obligations    < 2 audit findings with a clean opinion
Improve awareness of CIB with partners and the public in order to build positive and trusted reputation	Fact-based and informed reporting	More than 5 positive stories generated and received positive media coverage on announcements, including positive third-party endorsements from industry associations and business organizations.	> 5 positive stories in media/industry publications; expanded content publishing through CIB communication platform

Outcomes for 2019 - 2020	Result Indicators	Achievements (April 1, 2019 - March 31, 2020)	Targets
Increase relationships with all levels of government to foster partnerships with CIB	Outreach to decision-makers, thought-leaders and industry stakeholders in federal, provincial, territorial, municipal and Indigenous gov'ts/ communities (FPTMI)	Met with more than 120 senior government, Crown corporation and provincial agency representatives	Direct contact with each FPTMI resulting in engagement with >20 leaders responsible for infrastructure
Expand partnerships with industry and active involvement with the market to support CIB mandate	Participation in industry forums, particularly public speaking opportunities	<p>More than 40 external presentations, speeches and panels reaching an audience of over 3,800</p> <p>Attendance at or participation in approximately 40 additional industry, public sponsor or stakeholder events.</p>	<p>&gt; 10 presentations, speeches, panels, market soundings with industry leaders to reach total audiences</p> <p>&gt; 750</p>
Practice good governance with the shareholder to demonstrate engagement and accountability required in the SPA	Align with government priorities and secure decisions required to fulfill the CIB mandate, including development of annual Corporate Plan	<p>2018-19 Annual Report and 2019-20 Amended Summary Corporate Plan tabled in Parliament and published on CIB website.</p> <p>Annual Public Meeting took place January 23, 2020</p>	Operationalize critical shareholder decision-making practices with key government departments and central agencies
Sought-after employee value proposition	Recruiting and retention	<p>49 full-time employees</p> <p>18% employee turnover</p>	<p>&gt;50 employees</p> <p>Employee turnover &lt; 20%</p>
High serviceability work environment and tools	Systems and facilities availability	<p>Business continuity plan and business recovery procedures in place, cybersecurity and technology awareness training completed.</p> <p>&gt; 99% up time</p>	> 99% up time

## Corporate Services Outlook

Our corporate services employees will continue to demonstrate sound stewardship of public funds, and ensure the CIB has the necessary expertise to support value-added advisory services and engage with sophisticated private and institutional partners. In the near term, we expect to position the CIB as a centre of expertise for public and private partners and promote the CIB model for infrastructure investment. We also intend to maintain the shareholder's confidence and support in delivering the CIB's mandate, and demonstrate progress and results to Canadians.

## Risk Management

The CIB continues to adopt best practices for risk management, including development of an Enterprise Risk Management (ERM) program and an independent ERM function.

Our progress in 2019-20 included the establishment of a board-approved ERM Framework, and board approval of an ERM Policy.

Clear roles and responsibilities were defined and communicated across the organization. The CIB employs the "three lines of defence" risk governance model. Our ERM Policy outlines in detail this risk governance structure; roles and responsibilities; guiding principles and the CIB's risk appetite statement; a risk taxonomy; our ERM process; and risk responses for the top risks identified as key to the organization. Policies and procedures for different CIB departments have been incorporated by reference.

Regular risk training sessions for CIB employees are organized with the objective of building a strong risk culture. Information security and information management policies are in place. An operational risk management program will be developed in 2020-21.

## Investment risk management

Investment risk management forms the largest part of the CIB's overall ERM framework.

Two policy documents govern the CIB's investment process and decisions (an Investment Policy and a related Management Implementation Guide). In addition, the internal investment risk rating methodology (described below) will serve as the foundation for a consistent and disciplined underwriting process across investment opportunities and asset monitoring. Both documents incorporate robust investment risk management processes.

The CIB seeks to invest a minimum of \$1 billion to \$5 billion in each of its priority sectors. However, it does not manage its portfolio to fixed investment allocations by sector, geography or fiscal year. As a result, the CIB will always have a more concentrated set of risk exposures than would be typical for an infrastructure investment portfolio of its size.

In 2019-20, CIB designed an internal risk rating methodology to support the Advisory and Investments team through its transaction risk analysis and resulting investment risk rating for each investment under consideration. The methodology provides for a consistent approach to risk rating in accordance to best market practices. It serves to equip CIB's Advisory and Investments team with an internal risk rating tool, including a risk rating scorecard, to be used in the identification, assessment and potential mitigation of investment risks in a disciplined and consistent manner.

## Financial Management

As a Crown corporation entrusted with investing public funds, the CIB adopts best practices for financial management and is an effective steward of its financial resources.

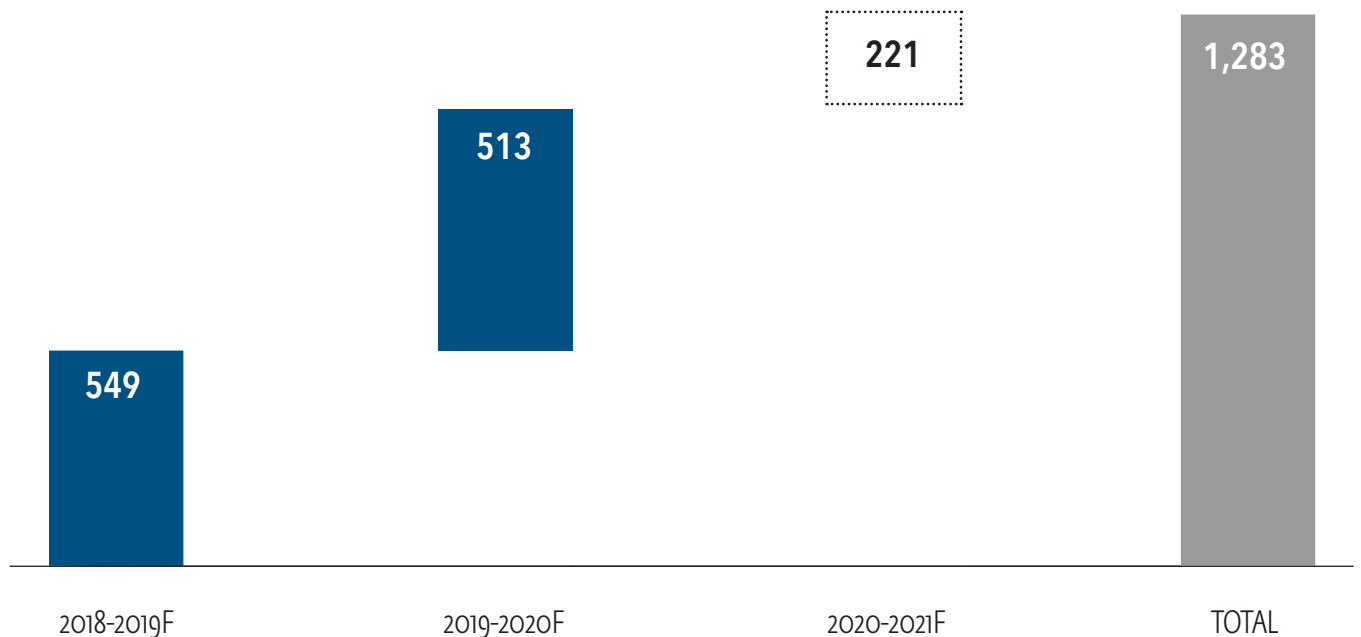
The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), which provide a market-based approach to financial information in the industry in which the CIB operates. The statements

are jointly audited by the Auditor General of Canada and an external independent auditor appointed by the Governor in Council. BDO Canada LLP was appointed as the Bank's external auditor for 2019-2020.

As at March 31, 2020, four of the five installments relating to the REM loan totaling \$1,062 million had been funded. The remaining and final drawdown of \$221 million was made subsequent to year end, on April 1, 2020, as scheduled.

### Annual and Annual Investment Funding since CIB Inception Investment Funding

For the year ended March 31  
\$ million

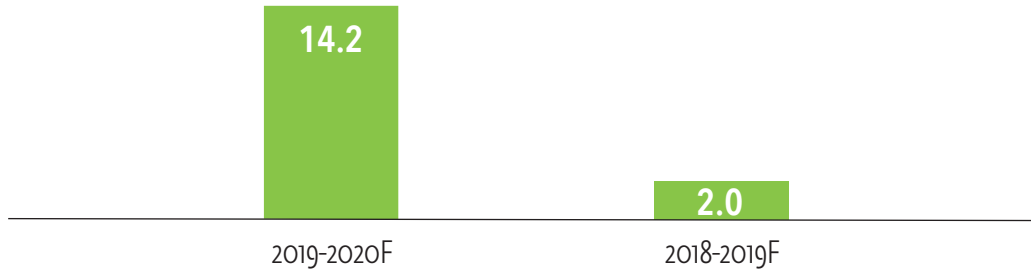


Interest income is attributable to bank interest on cash holdings and financing activities. Accrued interest from the REM financing was \$14.0 million, an increase of \$12.1 million

from the prior year. Higher accrued interest was a result of portfolio growth from follow-on capital disbursements related to the REM project.

### Interest Income

For the year ended March 31  
\$ million

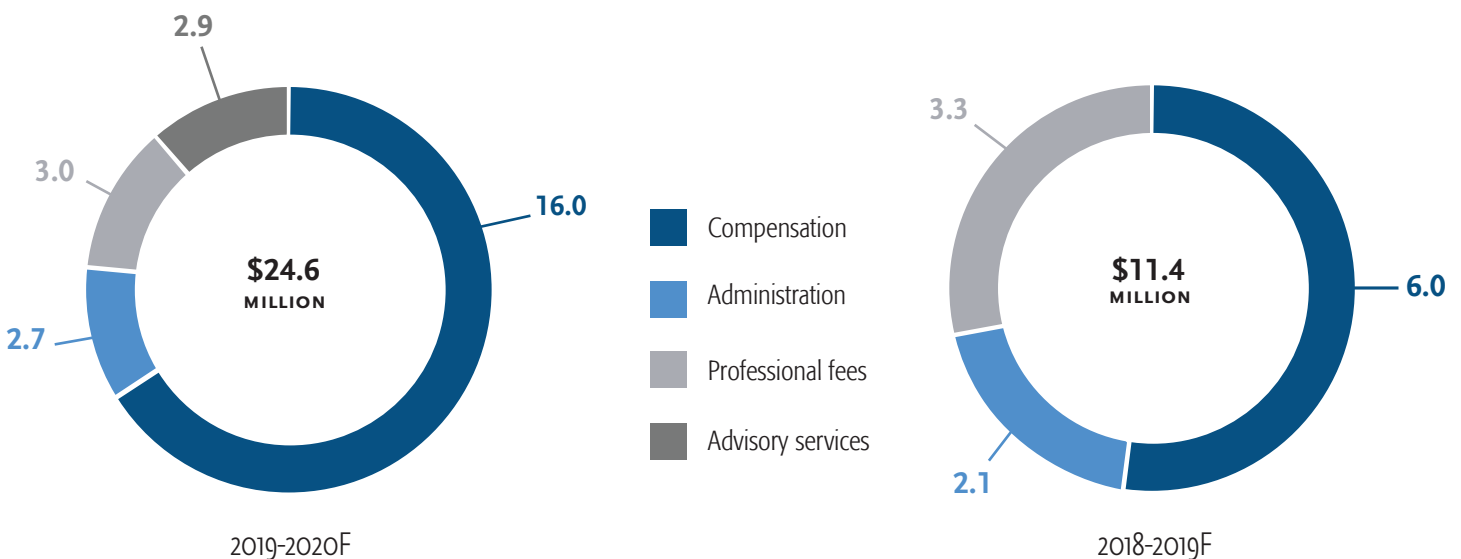


Operating expenses were \$24.6 million in fiscal 2019-2020, compared to \$11.4 million in the previous year. Expenses increased as we continued to build capacity and capabilities across the organization by adding highly skilled employees and implementing new policies, standards, processes and core systems. Operating expenses also included \$2.9 million related to our advisory role on the VIA High Frequency Rail project.

Expenses were significantly less than the \$65.5 million budgeted in the amended 2019-20 corporate plan, predominantly due to improved operational efficiencies, lower-than-planned hiring and related costs, and lower-than-planned consulting expenses, in part from the timing of VIA Joint Project Office costs.

### Expenses

For the year ended March 31  
\$ million



# 03

Governance



# GOVERNANCE

The CIB is governed by the *CIB Act* and is subject to other legislation and policies that apply generally to Crown corporations, including the *Financial Administration Act* ("FAA"), the *Official Languages Act*, the *Privacy Act*, the *Access to Information Act*, the *Conflict of Interest Act*, and the Canada Labour Code.

As a Crown corporation, the CIB operates at arm's length from government, ensuring that transactions are executed with commercial due diligence and discipline and high levels of expertise. The CIB is subject to Part X of the FAA and we report to Parliament through the Minister of Infrastructure and Communities (the designated Minister).

## Board of Directors

The independent, professional board of directors is responsible for the oversight and strategic direction of the organization.

The board approves corporate objectives, ensures good governance, monitors financial performance, approves corporate plans and financial statements, policies and by-laws, and ensures that risks are identified and managed.

The Chair is appointed by the Governor in Council for a term that the Governor in Council considers appropriate. Directors are appointed by the Governor in Council in accordance with the *Canada Infrastructure Bank Act* for terms not to exceed four years. Directors are eligible for reappointment on the expiration of their term.

As of March 31, 2020, the board was composed of 11 directors, including the inaugural Chair, Janice Fukakusa.

Michael Sabia, director of the Munk School of Global Affairs and Public Policy at the University of Toronto and former president and chief executive of La Caisse de dépôt et placement du Québec, was appointed April 2, 2020, as the chair-designate of the board. Ms. Fukakusa stepped down from her board position on April 15, 2020.

The terms of two directors expired on November 15, 2019. In accordance with the CIB Act, these directors continue to serve until their term renewals are confirmed or replacements are appointed.

The following table sets out the members of the board and their respective appointment date and term of office. Biographies of current directors are available on the CIB website: <https://cib-bic.ca/en/board-of-directors/>.

Director	Location	Appointment Date	Term
<b>Michael Sabia</b> , Chair of the board	Toronto, Ontario	April 2, 2020	4 years
<b>Kimberley Baird</b>	Delta, British Columbia	November 16, 2017	2 years
<b>Jane Bird</b>	Vancouver, British Columbia	November 16, 2017	4 years
<b>David Bronconnier</b>	Calgary, Alberta	November 16, 2017	3 years
<b>James Cherry</b>	Elizabethtown, Ontario	November 16, 2017	2 years
<b>Michèle Colpron</b>	Saint-Lambert, Québec	November 16, 2017	4 years
<b>Bruno Guilmette</b>	Montréal, Québec	June 1, 2018	4 years
<b>Christopher Hickman</b>	St. John's, Newfoundland and Labrador	November 16, 2017	3 years
<b>Poonam Puri</b>	Toronto, Ontario	November 16, 2017	3 years
<b>Stephen Smith</b>	Toronto, Ontario	November 16, 2017	4 years
<b>Patricia Youzwa</b>	Regina, Saskatchewan	November 16, 2017	3 years

## Board Skills

The board, through the Governance Committee, regularly reviews both desirable and actual skills and core competencies of the board. This ensures that appointments maintain a well-rounded board that can provide the effective oversight

necessary for CIB to achieve its objectives. The Governance Committee has identified the following skills and experience needed for the board as a whole:

<b>Accounting</b>	Knowledge of and experience with financial accounting and reporting, corporate finance and familiarity with internal controls and International Financial Reporting Standards.
<b>Board Experience</b>	Prior or current board of director experience with a major organization with mature governance practices.
<b>Compensation</b>	Experience as a senior executive or board member overseeing executive compensation plan design and performance management.
<b>Finance, Treasury and Investments</b>	Experience in leading or overseeing complex financial transactions with investors and other entities in both the private and public sectors.
<b>Governance</b>	Experience in corporate governance principles and practices at a major organization.
<b>Human Resources</b>	Knowledge of or experience with leadership development and talent management, succession planning, organizational design, and human resources principles and practices generally.
<b>Infrastructure and Development</b>	Experience in, or strong understanding of, all aspects of infrastructure projects.
<b>Legal</b>	Training and experience as a lawyer, either in private practice or in-house with a major organization ensuring compliance with laws and regulations.
<b>Organization Leadership</b>	Broad business experience as a senior executive of a major public, private or not-for-profit organization.
<b>Public Sector / Government / Indigenous Partners</b>	Experience in, or understanding of, the workings of government and the public sector, and in stakeholder engagement or management.
<b>Risk Management</b>	Experience in, or understanding of, internal risk controls, risk assessment, risk management and/ or reporting.
<b>Strategic Planning</b>	Experience in the development and implementation of a strategic direction of a major organization.
<b>Information Technology and Management</b>	Experience or knowledge relating to the information technology and management of a major organization.

At a personal level, board members should demonstrate trust and accountability, informed judgment, tact and discretion, excellent interpersonal skills, independence, high ethical standards and integrity.

## Board Committees

The board is supported in its role and responsibilities by the following four committees. Each committee has its own charter, which is reviewed and approved every year. The board may establish other committees as required to assist the board in meeting its responsibilities.

<b>Finance and Audit Committee (FAC)</b>	<ul style="list-style-type: none"> <li>› Provides oversight and makes recommendations to the board on the reporting of financial information, management control practices, risk management and insurance needs, and has the duties outlined in the FAA</li> <li>› Advises the board on matters related to financial statements, any internal audit of the CIB and the annual joint auditors' report.</li> <li>› Reviews and advises the board with respect to any special examination, and any resulting plans and reports.</li> </ul>
<b>Governance Committee</b>	<p>Considers and makes recommendations to the board regarding corporate governance trends and best practices applicable to the CIB, including recommended changes to corporate governance policies, practices and procedures; board succession planning; the composition of board committees; director orientation and continuing education; board and director evaluations; and the CIB's director and employee codes of conduct and conflict of interest policies, guidelines and procedures.</p>
<b>Human Resources and Compensation Committee (HRCC)</b>	<ul style="list-style-type: none"> <li>› Considers and makes recommendations to the board with respect to human resource-related principles, organizational structure and compensation philosophy that will guide the management of CIB's human capital and promote the achievement CIB objectives.</li> <li>› Considers and makes recommendations to the board with respect to the compensation philosophy, including goals and objectives, relevant comparison groups and target compensation levels.</li> <li>› Makes recommendations to the board regarding hiring of executive officers, employee pension plans and benefits, and succession and contingency planning.</li> </ul>
<b>Investment Committee</b>	<p>Considers and makes recommendations to the board on all investment proposals, proposed investment strategies, and reviews the CIB's investment activities, performance, capital requirements and usage, and investment policies, standards and procedures and evaluates the effectiveness thereof.</p>

## Code of Conduct and Conflict of Interest Policy for Directors

The board adopted the Code of Conduct and Conflict of Interest Policy for Directors, which integrate various legislative requirements relating to ethical conduct and conflicts of interest, including the FAA and *the Conflict of Interest Act*.

In particular, they are intended to assist directors in identifying, minimizing and resolving real, potential or perceived conflicts of interest, so they can effectively exercise their duties while

maintaining their independence and integrity. Each year, directors must confirm in writing their commitment to complying with the Code of Conduct and Conflict of Interest Policy. There is a separate Code of Conduct and Conflict of Interest Policy for employees and consultants.

### Director Attendance

Attendance at board and committee meetings during the fiscal year ending March 31, 2020, is shown below.

Director	Board	Investment <sup>1</sup> (on or before May 31, 2019)	Investment <sup>1</sup> (after May 31, 2019)	FAC	HRCC	Governance	Investment Sub-Committee
Janice Fukakusa	17/17	1/1	6/6	5/5	9/9	3/3	1/1
Kimberley Baird	16/17	1/1				2/3	
Jane Bird	15/17	1/1			7/9	2/3	
David Bronconnier	17/17	1/1	6/6	5/5			
James Cherry	17/17	1/1	6/6		9/9		1/1
Michèle Colpron <sup>3</sup>	16/17	0/1		4/5	7/9		
Bruno Guilmette	16/17	1/1	6/6				0/1
Christopher Hickman	17/17	1/1	6/6	5/5			
Poonam Puri	16/17	1/1		5/5			
Stephen Smith	16/17	0/1	6/6		7/9	3/3	1/1
Patricia Youzwa	16/17	1/1				3/3	

<sup>1</sup> The Investment Committee was composed of all of the members of the board until May 31, 2019.

<sup>2</sup> The Investment Committee is composed of six members of the board after May 31, 2019.

<sup>3</sup> Three absences from Michèle Colpron were due to medical leave.

## Board Compensation

Remuneration rates for board members are as follows:

- › Directors: \$50,000 per annum
- › Chair: \$100,000 per annum

## Compensation Program

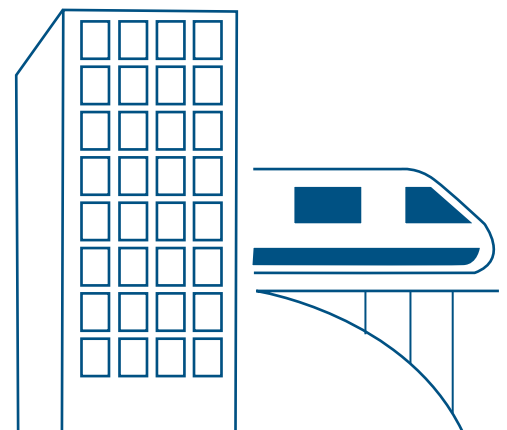
The CIB has implemented a rigorous performance management and professional development process to inform assessments of performance, opportunities for career and skill development, and compensation.

We have competitive compensation structures in place, which are informed by third-party consultants, and benchmarked against comparable organizations.

We offer market-competitive compensation, with a focus on total compensation (a mix of salary and variable performance incentive, with time-based deferrals where appropriate). Benchmarks are based on third-party providers' proprietary databases of entities in financial services, investment management and the public sector.

The compensation structure was approved by the board's HRCC, as delegated by the board in November 2018. The board has implemented an annual formal review of the compensation program to ensure a responsible approach. In November 2019, the HRCC reviewed updated benchmarks from three independent sources. In conducting this review, the CIB again engaged third-party compensation consultants to validate that our compensation structure was reasonable and consistent with the principles that were established: to be at the midpoint of the market in which we compete for talent. The November 2019 review confirmed that the target total compensation levels were within this target.

We have a competitive Group Registered Retirement Savings Plan, where CIB matches employee contributions up to a limit. The CIB does not have a defined contribution or defined benefit pension plan.



# 04

Financial Statements

# FINANCIAL STATEMENTS

## Management's Responsibility for Financial Information

Management is responsible for the preparation of the statement of financial position, statement of income and comprehensive income, statement of changes in shareholder's equity, statement of cash flows and related notes (collectively the "Financial Statements") of Canada Infrastructure Bank ("CIB" or the "Corporation") in accordance with International Financial Reporting Standards; and for ensuring compliance with applicable authorities. The information contained therein normally includes amounts requiring estimations that have been made based upon informed judgement as to the expected results of current transactions and events. Management is responsible for ensuring consistency of the financial information presented elsewhere in this annual report, with the Financial Statements. In discharging its responsibility for the integrity, fairness and quality of the Financial Statements and for the accounting systems from which they are derived, management maintains a system of internal control designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, proper records are maintained, and compliance with applicable authorities. The external auditors have full and free access to the Finance and Audit Committee of the Board of Directors, which is responsible for overseeing and reviewing management's internal control and reporting responsibilities. The Board of Directors, through the Finance and Audit Committee, which is entirely composed of independent directors, is responsible for reviewing and approving the audited Financial Statements. CIB's independent auditors, BDO Canada LLP, Chartered Professional Accountants, and the Auditor General of Canada have audited CIB's Financial Statements and their report indicates the scope of their audit and their opinion on the Financial Statements.



Chair, Board of Directors

June 26, 2020



Chief Financial Officer  
& Chief Administrative Officer



# Independent Auditors' Report



Office of the  
Auditor General  
of Canada

Bureau du  
vérificateur général  
du Canada



To the Minister of Infrastructure and Communities

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Canada Infrastructure Bank (the Corporation), which comprise the statement of financial position as at March 31, 2020, and the statement of income and comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the 2019-20 Annual Report, but does not include the financial statements and our auditors' report thereon.

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. We obtained the 2019-20 Annual Report prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. 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 IFRSs, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

## **Auditors' 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 auditors' 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Corporation 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.

## Report on Compliance with Specified Authorities

### Opinion

In conjunction with the audit of the financial statements, we have audited transactions of Canada Infrastructure Bank coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Canada Infrastructure Bank Act*, and the by laws of Canada Infrastructure Bank.

In our opinion, the transactions of Canada Infrastructure Bank that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied, except for the change in the method of accounting for leases as explained in Note 4 to the financial statements, on a basis consistent with that of the preceding year.

### Responsibilities of Management for Compliance with Specified Authorities

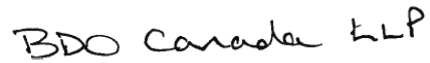
Management is responsible for Canada Infrastructure Bank's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Canada Infrastructure Bank to comply with the specified authorities.

## **Auditors' Responsibilities for the Audit of Compliance with Specified Authorities**

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



Mathieu Le Sage, CPA, CGA  
Principal  
for the Auditor General of Canada



Chartered Professional Accountants,  
Licensed Public Accountants

Ottawa, Canada  
June 26, 2020

Mississauga, Canada  
June 26, 2020

# Statement of Financial Position

(in thousands of Canadian dollars)

As at March 31	Note	2020	2019
<b>Assets</b>			
CURRENT ASSETS:			
Cash	3(e)	\$ 221,768	\$ 956
Government funding receivable related to operating expenditures	3(e)	8,612	1,362
HST receivable		416	715
Prepaid expenses and advances		105	25
		<b>230,901</b>	3,058
NON-CURRENT ASSETS:			
Loan receivable	7,9	1,075,131	550,914
Right-of-use asset	4,10	3,441	-
Property and equipment	11	1,423	1,604
		<b>\$ 1,310,896</b>	\$ 555,576
<b>Liabilities and Shareholder's Equity</b>			
CURRENT LIABILITIES:			
Deferred government funding related to investments	3(e)	\$ 221,000	\$ -
Accounts payable and accrued liabilities	12	8,506	2,039
Lease liabilities	10	221	-
		<b>229,727</b>	2,039
NON-CURRENT LIABILITIES:			
Deferred liabilities	3(c)	512	862
Lease liabilities	4,10	3,793	-
Deferred government funding related to capital expenditures		1,423	1,604
		5,728	2,466
SHAREHOLDER EQUITY		1,075,441	551,071
		<b>\$ 1,310,896</b>	\$ 555,576

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

## On behalf of the board:



Michèle Colpron,  
Chair, Finance and Audit Committee



Michael Sabia,  
Chair, Board of Directors

June 26, 2020

# Statement of Income and Comprehensive Income

(in thousands of Canadian dollars)

For the year ended March 31	Note	2020	2019
<b>Revenue</b>			
Interest income		\$ 14,193	\$ 2,029
Provision for losses	9	(2,823)	-
		11,370	2,029
<b>Expenses</b>			
GENERAL AND ADMINISTRATIVE			
Compensation		16,053	5,975
Professional fees		2,960	3,254
Travel and communications		707	761
Premises and equipment		614	647
Administration		606	405
Information Technology		407	183
Depreciation		269	151
Interest expense		90	-
ADVISORY SERVICES	16	2,925	-
<b>Total Expenses</b>		<b>24,631</b>	11,376
<b>Net loss before government funding</b>		<b>(13,261)</b>	(9,347)
GOVERNMENT FUNDING:			
	3(e)		
Investment appropriations		513,000	549,000
Operating appropriations		24,362	11,225
Capital appropriations		269	151
		537,631	560,376
<b>Net income and comprehensive income</b>		<b>\$ 524,370</b>	\$ 551,029

The accompanying notes are an integral part of these financial statements

# Statement of Changes in Shareholder's Equity

(in thousands of Canadian dollars)

For the year ended March 31, 2020	Share Capital (note 1)	Retained Earnings	Total Equity
Balance as at April 1, 2019	\$ -	\$ 551,071	\$ 551,071
Net income and comprehensive income	-	524,370	524,370
<b>Balance as at March 31, 2020</b>	<b>\$ -</b>	<b>\$ 1,075,441</b>	<b>\$ 1,075,441</b>

For the year ended March 31, 2019	Share Capital (note 1)	Retained Earnings	Total Equity
Balance as at April 1, 2018	\$ -	\$ 42	\$ 42
Net income and comprehensive income	-	551,029	551,029
Balance as at March 31, 2019	\$ -	\$ 551,071	\$ 551,071

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

# Statement of Cash Flows

(in thousands of Canadian dollars)

For the year ended March 31	Note	2020	2019
<b>Cash provided by (used in):</b>			
OPERATING ACTIVITIES			
Net income		\$ 524,370	\$ 551,029
Items not involving cash:			
Interest income accrued on loan receivable	9	(14,040)	(1,914)
Provision for losses	9	2,823	-
Interest expense on office lease		90	-
Depreciation - Right-of-use asset	10	261	-
Depreciation - Capital	11	269	151
Depreciation of deferred capital funding related to capital expenditures		(269)	(151)
Change in deferred liabilities		(349)	763
Changes in non-cash working capital:			
Government funding receivable related to capital expenditures		(7,251)	(1,362)
Deferred government funding related to operating expenditures		-	(7,107)
HST receivable		299	(510)
Prepaid expenses and advances		(79)	(25)
Right of use asset due to deferred rent adjustment		129	-
Accounts payable and accrued liabilities		6,467	1,393
Deferred government funding related to investments expenditures		221,000	-
Deferred government funding related to capital expenditures used in operating activities		88	(256)
Loan disbursements		(513,000)	(549,000)
<b>Total cash provided by (used in) operating activities</b>		<b>\$ 220,808</b>	\$ (6,989)
FINANCING ACTIVITIES:			
Payment of lease liabilities		92	-
Total cash used in financing activities		<b>\$ 92</b>	\$ -
INVESTING ACTIVITIES:			
Acquisition of property and equipment		(88)	(1,737)
Total cash used in investing activities		\$ (88)	\$ (1,737)
Net increase/(decrease) in cash during the period		220,812	(8,726)
Cash, beginning of the period		956	9,682
<b>Cash, end of the period</b>		<b>\$ 221,768</b>	\$ 956

The accompanying notes are an integral part of these financial statements



# Notes to the Financial Statements

For the year ended March 31, 2020

## 1. Act of Incorporation, Objective and Operations of the Corporation:

Canada Infrastructure Bank (“CIB” or the “Corporation”) is a Crown corporation established by an Act of Parliament (*the Canada Infrastructure Bank Act* (the “CIB Act”)) on June 22, 2017. CIB is incorporated in Canada and wholly owned by the Government of Canada. CIB was nominally capitalized with 10 shares issued at a par value of \$10 per share (actual dollars), or total share capital of \$100 (actual dollars).

CIB’s head office is located at 150 King Street West, Suite 2309, Toronto, Ontario M5H 1J9, Canada.

CIB’s purpose is to invest and seek to attract investment from private sector investors and institutional investors, in infrastructure projects in Canada or partly in Canada that will generate revenue and that will be in the public interest by, for example, supporting conditions that foster economic growth or by contributing to the sustainability of infrastructure in Canada.

CIB develops projects in partnership with federal, provincial, territorial, municipal and Indigenous government sponsors and the private sector. CIB’s investments align with the Government of Canada’s economic priorities. CIB also has a mandate to provide advisory services to project sponsors from the early stages of project development in order to maximize the project’s potential.

CIB currently receives appropriations from the Government of Canada. Parliament has authorized up to \$35 billion over 11 years (to fiscal year-end 2027-28), and the requisite authorities to participate in infrastructure transactions. Of the \$35 billion, the Government of Canada anticipates allocating \$15 billion against the fiscal framework. In delivering this \$15 billion in federal support, CIB will deliver a wide breadth of financial instruments, including loans, equity investments,

and where appropriate, loan guarantees to projects that will mobilize private investment where otherwise no investment would occur. The decision on the use of different types of financial instruments will depend on a transaction’s unique characteristics. CIB model is aimed at mobilizing and leveraging private sector and institutional investment and attaching the financial returns to the usage and revenue risk of infrastructure projects. To crowd-in private sector and institutional investment, support may be provided at below market rates, more flexible terms or on a subordinated basis. Separately, over the 11 years, CIB is expected to make at least \$5 billion in investments in projects that are in the public interest in each of three priority areas: public transit; trade and transportation and green infrastructure. In addition, the CIB will seek to invest up to \$1 billion over the next 10 years in broadband infrastructure. It can also invest in other areas of infrastructure if they are supported by government policy and pursue investments in projects across the country.

CIB is not an agent of Her Majesty, the Queen in Right of Canada, except when, (i) giving advice about investments in infrastructure projects to ministers of Her Majesty in right of Canada, to departments, boards, commissions and agencies of the Government of Canada and to Crown corporations as defined in subsection 83(1) of *the Financial Administration Act* (Canada) (the “FAA”); (ii) collecting and disseminating data in accordance with the CIB Act; (iii) acting on behalf of the Government of Canada in the provision of services or programs, and the delivery of financial assistance, as provided under the CIB Act; and (iv) carrying out any activity conducive to the carrying out of its purpose that the Governor in Council may, by order, specify. CIB is also named in Part I of Schedule III to the FAA.

CIB is exempt from Federal Income Tax under Section 149(1) (d) of the Income Tax Act.

CIB is accountable for its affairs to Parliament through the Minister of Infrastructure and Communities.

## 2. Basis of preparation:

CIB has prepared its Financial Statements in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (the “IASB”), interpreted by the International Financial Reporting Interpretations Committee (“IFRIC”) and adopted by the Canadian Accounting Standards Board (the “AcSB”).

The Financial Statements have been prepared on a historical cost basis except when a specific IFRS requires fair value measurement, as explained in the accounting policies below.

The Financial Statements and notes are presented in thousands of Canadian dollars, which is CIB’s functional currency, unless otherwise stated.

The Financial Statements were approved by the Board of Directors on June 26, 2020.

## 3. Significant accounting policies:

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These accounting policies conform, in all material respects, to IFRS.

### a. Financial assets and financial liabilities:

CIB’s financial assets and liabilities are determined, classified and measured in accordance with IFRS 9 Financial Instruments (“IFRS 9”). IFRS 9 follows a principles-based approach to the classification of financial assets that is driven by a financial instrument’s cash-flow characteristics and the business model in which it is held.

### Classification

#### *Financial assets:*

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- › the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- › the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”).

All of CIB’s financial assets are measured at amortized cost.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- › the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- › the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, CIB may irrevocably elect to present subsequent changes in FVOCI. This election is made on an investment-by-investment basis.

CIB did not hold any assets measured at FVOCI as at the reporting date.

All other financial assets are classified as measured at FVTPL. CIB did not hold any assets measured at FVTPL as at the reporting date.

In addition, on initial recognition, CIB may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. As at the reporting date, CIB has not made any such elections.

## Business model assessment

Business model assessment involves determining whether financial assets are held and managed by CIB for generating and collecting contractual cash flows, selling the financial assets or both. CIB assesses the business model at a portfolio level using judgment that is supported by relevant objective evidence including:

- › how the performance of the asset is evaluated and reported to CIB's management;
- › the frequency, volume, reason and timing of sales in prior periods and expectations about future sales activity;
- › whether the assets are held for trading purposes i.e., assets that are acquired by CIB principally for the purpose of selling or repurchase in the near term, or held as part of a portfolio that is managed together for short term profits; and
- › the risks that affect the performance of assets held within a business model and how those risks are managed.

## Assessment of whether contractual cash flows are solely payments of principal and interest

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement, i.e. if they represent cash flows that are SPPI.

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, CIB considers the contractual terms of the instrument. This includes assessing whether the financial asset contains any contractual terms that could change the timing or amount of contractual

cash flows such that the financial asset would not meet the SPPI criteria. In making the assessment CIB considers:

- › contingent events that would change the amount and/or timing of cash flows;
- › leverage features;
- › prepayment and extension terms;
- › associated penalties relating to prepayments;
- › terms that limit CIB's claim to cash flows from specified assets; and
- › features that modify consideration of the time value of money.

## Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in a period after CIB changes its business model for managing financial assets.

CIB did not have any reclassifications during the year.

## *Financial liabilities:*

CIB classifies its financial liabilities, other than loan commitments, as measured at amortized cost.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Commitments to provide a loan at a below-market interest rate are measured at the higher of:

- › the loss allowance determined in accordance with IFRS 9; and
- › the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15, Revenue from Contracts with Customers.

Refer to Note 8 for a summary table outlining the classification and measurements of CIB's financial instruments.

## Recognition and initial measurement

A loan receivable is initially recognized when it is either originated or drawn under a loan commitment. All other financial assets and financial liabilities are recognized when CIB becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an instrument not at FVTPL, transaction costs that are directly attributable to the acquisition or issue.

If the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, then:

- › the initially recognized amount is adjusted for the difference if the fair value of the instrument is not evidenced by either a quoted price in an active market for an identical instrument or based on a valuation technique that uses only data from observable markets. The difference is deferred (valuation difference) and recognized as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.
- › in all other cases – i.e. when the fair value of the financial asset or financial liability at initial recognition differs from the transaction price and the fair value of the instrument is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets – no adjustment is made for the difference. This difference is recognized immediately as a gain or loss.
- › As a result, the initial carrying amount of a loan receivable includes the initial recognition fair value discount or premium, as well as any initial valuation difference.

CIB views a loan receivable drawn under an irrevocable loan commitment as continuation of the commitment and assesses the classification and measurement of the loan receivable based on conditions at the loan commitment date. For a loan

receivable that will be subsequently measured at amortized cost, the loan commitment date is also used in assessing whether there has been a significant increase in credit risk since initial recognition. The loan receivable is assessed with reference to the credit risk as at the date of the commitment, with the discount rate used to measure expected credit losses (“ECL”) on the loan commitment being the same as the effective interest rate of the resulting loan.

## Subsequent measurement and impairment loss

### Subsequent measurement

Subsequent to initial recognition, a loan receivable is carried at amortized cost plus any unrecognized valuation difference. The fair value discount or premium arising at initial recognition is recognized in interest income using the effective interest method. Any unrecognized valuation difference arising at initial recognition is recognized in the Statement of Income and Comprehensive Income, with an amount attributable to the passage of time recognized in interest income using the effective interest method.

### Impairment loss

CIB recognizes allowances for ECL on financial assets that are not measured at FVTPL and loan commitments issued.

The allowance for expected credit loss is measured using a three-stage impairment model:

- › *Stage 1 – 12-month ECL*: The loss allowance is measured at an amount equal to the 12-month expected credit losses if there is no significant increase in credit-risk since initial recognition and the loan is not considered credit-impaired. 12-month ECLs are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
- › *Stage 2 – lifetime ECL*: The loss allowance is measured at an amount equal to the lifetime expected credit losses if there

is a significant increase in credit risk since initial recognition and the loan is not considered credit-impaired. Lifetime ECLs result from all possible default events over the expected life of the financial instrument.

- › *Stage 3 – lifetime ECL*: The loss allowance is measured at an amount equal to the lifetime expected credit losses if the loan is considered credit-impaired and interest revenue is calculated based on the carrying amount of the instrument, net of the loss allowance, rather than on its gross carrying amount. Financial instruments that are considered to be in default are included in this stage.

### Measurement of ECL

ECL is a discounted probability-weighted estimate of different scenario cash shortfalls expected to result from defaults over an applicable period. The key drivers of changes in ECL include the following:

- › Changes in the credit quality of the instrument, primarily reflected in changes in risk ratings;
- › Changes in most relevant forward-looking economic conditions;
- › Changes in scenario design and the weights assigned to each scenario; and
- › Transfers between stages, which can be triggered by changes to any of the above inputs.

ECL is an unbiased estimate of expected credit losses on financial assets as at the Statement of Financial Position date based on inputs of probability of default (“PD”), exposure at default (“EAD”), loss given default (“LGD”), and forward-looking economic factors that are relevant to the respective loan facility.

The PD, LGD and EAD inputs used to estimate stage 1 and stage 2 credit loss allowances are modelled based on the economic variables (or changes in economic variables) that are most closely correlated with credit losses in the relevant investment.

The LGD is measured as follows:

- › *financial assets that are not credit-impaired at the reporting date*: the present value of all cash shortfalls – i.e. the difference between the cash flows due to CIB under the contract and the cash flows that CIB expects to receive;
  - › *financial assets that are credit-impaired at the reporting date*: the difference between the gross carrying amount and the present value of estimated future cash flows; and
  - › *undrawn loan commitments*: the present value of the difference between the contractual cash flows that are due to CIB if the commitment is drawn down and the cash flows that CIB expects to receive.

### Macroeconomic factors and forward-looking scenarios

The measurement of ECL for each stage and assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

CIB relies on a broad range of forward-looking macroeconomic factors, such as expected inflation, population growth and GDP growth. The inputs used in calculating ECL may not always capture all characteristics of the market as at the reporting date. To capture relevant characteristics and risks, significant qualitative adjustments or overlays are made using management judgment. CIB determines ECL using probability-weighted forward-looking scenarios, which are constructed based on forward looking macroeconomic factors and consideration of risks related to key project drivers. See Note 15.

Management’s estimation of expected credit losses in stage 1 and stage 2 considers three scenarios (base, upside and downside) each of which uses forward-looking information. The base case scenario is based on internal ratings, inputs of PD from Moody’s Transition Matrix, EAD, LGD, and is

adjusted to factor in management’s outlook on relevant macro and micro economic factors. The upside and downside scenarios are set by adjusting the base projections to construct reasonably possible scenarios that are more upside and downside, respectively, than the base case. CIB uses Moody’s Transition Matrix and management’s expectations to help derive the weighted probabilities of each of these scenarios.

### Assessment of significant increase in credit risk

The determination of whether the ECL on a financial instrument is calculated on a 12-month period or lifetime basis is dependent on the stage the financial asset falls into at the reporting date. A financial instrument moves across stages based on an increase or decrease in its risk of default

at the reporting date compared to its risk of default at initial recognition, as measured by changes to borrower level information and macroeconomic outlook. See Note 15.

CIB stages its loans based on risk grades and notch movements based on a seventeen-point scale. With the exception of both the Prime and Very Speculative grades, each grade has three associated sub-levels (High/Medium/Low). Notches reflect the increase/decrease in the PD within the sub-levels of each grade. A movement of three notches for an investment in stage 1 supports a transfer to stage 2 and a two notch movement for an investment in stage 2 supports a transfer to stage 3. The following table illustrates CIB’s relative classification and rating for ECL staging.

Classification		Rating	
Strong	Grade 1 Grade 2	Prime Grade High Grade	
Satisfactory	Grade 3 Grade 4	Medium Grade Low Investment Grade	
Higher Risk	Grade 5 Grade 6	Below Investment Grade Highly Speculative	
Credit Impaired	Grade 7	Very Speculative	

## Credit-impaired financial assets and definition of default

At each reporting date, for financial assets carried at amortized cost, CIB assesses whether they are credit impaired.

- › CIB considers a financial instrument to be in default and thus credit impaired (stage 3) when one or both of these criteria are met representing objective evidence of impairment:
- › the borrower is unlikely to pay its credit obligations to CIB in full, without recourse by CIB to actions such as realizing collateral (if any is held); or
- › the borrower is past due more than 90 days on any material credit obligation to CIB.

## Derecognition

### Financial assets:

CIB derecognizes a financial asset when:

- › the contractual rights to receive the cash flows from the asset have expired; or
- › CIB has transferred its rights to receive future cash flows of the financial asset, or it retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients and either:

- › CIB has transferred substantially all the risks and rewards of ownership of the financial asset; or
- › CIB has neither retained nor transferred substantially all the risks and rewards of ownership in the financial asset, but has transferred control of the asset.

### Financial liabilities:

A financial liability is derecognized when the related contractual obligation is extinguished – i.e. discharged or cancelled or expired.

## b. Property and equipment:

Property and equipment are carried at cost less accumulated depreciation, and accumulated impairment losses, if any.

The cost of an item of property and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to operate in the manner intended by management.

Property and equipment are depreciated over their estimated useful lives, as follows:

Asset	Depreciation Method	Rate
Leasehold improvements	straight-line	< of lease term and useful life
Computer hardware	declining balance	55%
Furniture and equipment	declining balance	20%

The residual values and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial reporting date.

These assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When significant indicators are identified, an impairment test is performed. If the carrying amount of an asset (or group of assets) is greater than its estimated recoverable amount, the carrying amount is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

#### **c. Deferred liabilities:**

Deferred liabilities consist of accrued long-term performance incentives which are time-based deferrals of current year incentive compensation earned. The comparative figure for fiscal 2019 also included accrued rent (\$129) recognized on a rent-free period embedded in the lease for office space amortized over the term of the lease. The deferred rent was reclassified from deferred liabilities to right-of-use assets on April 1, 2019 (see Note 4).

#### **d. Interest income:**

Interest income includes interest on the loan receivable recognized based on the carrying value of the loan using the effective interest rate method and interest derived from cash balances recognized in the Statement of Income and Comprehensive Income in the year it is earned.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period in interest income in the Statement of Income and Comprehensive Income. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter

period, to the net carrying amount of the financial asset. When calculating the effective interest rate, CIB estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but do not consider future credit losses. The calculation includes all fees paid or received that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

#### **e. Government funding:**

CIB's primary source of funding is parliamentary appropriations received from the Government of Canada. Parliamentary appropriations are recognized as government funding in the Statement of Income and Comprehensive Income on a systematic basis over the periods in which CIB recognizes, as expenses or assets, the related balances for which the appropriations are intended to compensate.

Unused parliamentary appropriations at year end can exist because of delayed timing of expenditures or timing of investment drawdowns to which those appropriations relate, and therefore the amounts are recorded as deferred government funding on the Statement of Financial Position and are carried forward to future periods. The appropriations relating to investments are recognized as income as investments are made and appropriations relating to operating and capital expenditures are recognized in income as the corresponding expenditures or depreciation are incurred.

A government funding receivable is recorded for parliamentary appropriations – authorized via the corporate plan and enabling legislation – to cover expenditures that have been incurred but for which funds have not yet been transferred.

A government funding receivable is recorded for parliamentary appropriations – authorized via the corporate plan and enabling legislation – to cover expenditures that have been incurred but for which funds have not yet been transferred.



The cash balance at the end of fiscal 2020 is \$221.8 million (2019 – \$1.0 million) of which \$221.0 million relates to investment appropriations for the April 1, 2020 Réseau express métropolitain Inc. (“REM”) drawdown (2019 - \$nil).

#### 4. Changes to accounting standards:

IFRS 16, Leases (“IFRS 16”):

In January 2016, the IASB issued IFRS 16, which supersedes IAS 17, Leases (“IAS 17”) and related interpretations. CIB adopted IFRS 16 on April 1, 2019 and as permitted by the transition provisions of IFRS 16, CIB applied IFRS 16 using the modified retrospective approach therefore the comparative information has not been restated. Accordingly, all comparative information is presented in accordance with previous accounting policies. No other new or amended standards were adopted by CIB during fiscal 2020.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The new standard is effective for annual periods beginning on or after January 1, 2019. The standard removes the current requirement for a lessee to classify a lease as a finance lease or operating lease by introducing a single accounting model that requires the recognition of right-of-use assets and lease liabilities on the balance sheet for all leases, unless the lease term is 12 months or less, or if the underlying asset is of low value (considered by CIB to have a value of less than \$5 thousand) . Lessees will recognize interest expense on the lease liability and depreciation expense on the right-of-use asset in the Statement of Income and Comprehensive Income.

The adoption of IFRS 16 resulted in changes to CIB’s accounting policies for the recognition and measurement of a lease for which CIB is the lessee. In the prior year, the office lease was classified as an operating lease and payments were expensed in the Statement of Income and Comprehensive Income as they were incurred in accordance with IAS 17.

CIB’s fiscal 2020 accounting policy for leases is as follows.

At inception of a contract, CIB assesses whether a contract is, or contains, a lease. A lease contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. CIB recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of use asset is initially measure as the sum of:

- › The value of the initial amount of the lease liability;
- › The value of initial direct costs incurred; and
- › Less any lease incentives received.

Right-of-use leased assets are depreciated over the lesser of the useful life of the right-of-use leased asset or the lease term on a straight-line basis. The lease term includes periods covered by an option to extend if CIB is reasonably certain to exercise that option. The right-of-use leased asset may be remeasured from time to time to reflect certain remeasurements in the related lease liability and impairment losses, if any.

Under IFRS 16, CIB recognised a right-of-use asset and a lease liability on April 1, 2019. CIB’s approach and related impact upon transition to IFRS 16 are disclosed below.

Upon transition, CIB used the following practical expedients available under IFRS 16 to leases previously classified as operating leases under IAS 17:

- › Grandfather assessments of whether an agreement existing at the transition date and entered into prior to adoption contained a lease under the previous lease standard.
- › Discounted the lease liability by CIB’s incremental borrowing rate and reduced the lease liability by the lease incentive expected to be received.
- › Measure the right-of-use asset equal to the related lease liability, less any deferred rent recognized at the date of initial application on April 1, 2019.

## Impact on financial statements

Upon initial application of IFRS 16, CIB recognized right-of-use leased assets of \$3.7 million and lease liabilities of \$3.8 million as at April 1, 2019, with no impact on retained earnings. The \$0.1 million difference between the carrying amount of right-of-use assets and lease liabilities recognized at the transition date relates to the deferred rent as of March 31, 2019. The deferred rent was reclassified from deferred liabilities to right-of-use assets on April 1, 2019.

CIB has included in the lease life an extension for the first additional optional five-year extension term. When measuring lease liabilities, future lease payments are discounted using the long-term Government of Canada bond yield with durations

approximating the remaining lease term as at April 1, 2019, less the present value of lease incentive receivable. The weighted average discount rate applied as at April 1, 2019, is 1.97%.

## Reconciliation of lease commitments at transition

The following table reconciles CIB's undiscounted operating lease commitments disclosed on CIB's Financial Statements Note 15 as at March 31, 2019, to the lease liabilities recognized on initial application of IFRS 16 as at April 1, 2019. The table also reconciles the \$0.1 million difference between the carrying amount of right-of-use assets and lease liabilities recognized at the transition date relating to the deferred rent as of March 31, 2019.

<b>Operating lease commitment at March 31, 2019</b>	\$	4,888
Discounted using the incremental borrowing at April 1, 2019		(660)
		4,228
Present value of lease incentive receivable		(397)
Lease liabilities recognized at April 1, 2019		3,831
Deferred rent as at March 31, 2019		(129)
<b>Right-of-use assets recognized as at April 1, 2019</b>	\$	3,702

## Short-term leases and leases of low value assets

Management has elected to apply the practical expedient not to recognize right-of-use leased assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

There were no short-term leases or leases of low value during the reporting period.

## 5. Future accounting changes:

At the date of authorization of these Financial Statements, certain new standards, amendments and interpretations to existing standards had been published by the IASB but were not yet effective and are not expected to have a material impact on CIB's Financial Statements. CIB will continue to monitor regulatory guidance.

## 6. Significant accounting judgments, estimates and assumptions:

In preparing the Financial Statements, management is required to make subjective estimates and assumptions that affect the carrying amounts of certain assets and liabilities, and the reported amounts of revenues and expenses recorded during the period. Significant changes in the underlying assumptions could result in significant changes to these estimates.

Consequently, management reviews these assumptions regularly. Revisions to accounting estimates are recognized prospectively – i.e. in the period in which the estimates are revised and in any future period affected.

### Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the Financial Statements is included in the following notes:

- › Note 15 – Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.
- › Notes 7 and 9 – In establishing the appropriate accounting for financial assets, management is required to use judgment, including but not limited to its determination of fair value of assets, whether the asset meets the definition of being held solely for the collection of principal and interest.

## Assumptions and estimation uncertainties

Information about significant assumptions and estimates is included in the following notes:

- › Note 15 – Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information and associated probabilities.
- › Notes 7 and 9 – Determination of the fair value of financial instruments with significant unobservable inputs.

## 7. Fair value of financial instruments:

Financial asset and financial liabilities measured at fair value are categorized into one of three hierarchy levels, described below. Each level reflects the significance of the inputs used to measure the fair values of assets and liabilities:

**Level 1** – inputs are based on unadjusted quoted prices in active markets for identical instruments.

**Level 2** – inputs, other than quoted prices in Level 1, that are observable for the instruments, either directly or indirectly. This category may include instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

**Level 3** – inputs that are unobservable. This category includes instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation.

As of the reporting date, there were no financial instruments measured at fair value.

## Loan receivable and loan commitment

CIB disclosed, but did not measure, its loan receivable and loan commitment at fair value. Although the loan commitment is initially recognized at fair value, the difference between the fair value at initial recognition and the transaction price is not recognized in profit or loss immediately, but is deferred as part of the carrying amount of the loan commitment and loan receivable.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

In determining the fair value of the loan receivable and loan commitment, CIB used net present value and discounted cash flow techniques and included a comparison of yields of similar project finance instruments for which observable market data existed. Management applied judgment and estimation for the selection of the valuation model, determination of expected future cash flows on the instruments, determination of the probability of counterparty default and prepayments, determination of expected volatilities and correlations, and selection of appropriate discount rates.

Model inputs and values were calibrated for any historical data and published forecasts and, where appropriate and possible,

against similar recently observed transactions. This calibration process is inherently subjective, and it yields ranges of possible inputs and estimates of fair value, therefore management used judgment to select the most appropriate point in the range.

CIB used observable yields on similar large-scale infrastructure project finance loans in fair valuing the instruments. Although the availability of observable market prices and model inputs partially reduced the need for management judgment and estimation, there were significant unobservable inputs that could have a material impact on the financial statements. These inputs include, but are not limited to, determination of a borrower-specific credit spread and an assessment of risk factors used for comparable, but not necessarily equivalent, instruments which are then applied in determining an estimate for credit and liquidity spreads in the fair value calculation.

Fair value estimates obtained from models were then adjusted for any other factors, such as project specific risks, to the extent that CIB believed that a third-party market participant would take them into account in pricing a transaction.

## Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyzes them by the level in the fair value hierarchy into which each is categorized.

As at March 31	Note	Level	2020		2019	
			Fair Value	Carrying Amount	Fair Value	Carrying Amount
Loan receivable	9	3	975,142	1,075,131	338,447	550,914
Loan commitment	9	3	(221,000)	-	(283,390)	-

There were no transfers of amounts between levels during the reporting period.

The fair value of all other financial instruments, not measured at fair value, is equal to their carrying value.

## 8. Classification and measurement of financial instruments:

The following table summarizes the classification of CIB's financial instruments:

As at March 31	Note	Measurement Basis	2020	2019
Cash	-	Amortized Cost	221,768	956
Government Funding related to operating expenditures	-	Amortized Cost	8,612	1,362
Loan receivable	9	Amortized Cost	1,075,131	550,914
Accounts payable and accrued liabilities	12	Amortized Cost	8,506	2,039

Refer to Note 3 for measurement of the loan commitment.

## 9. Loan receivable and loan commitment:

On September 28, 2018, CIB entered into a credit agreement with REM. As per the agreement, CIB agreed to provide debt of \$1.283 billion as part of the financing of a fully automated, electric light rail transit system connecting downtown Montreal, the South Shore, the West Island, the North Shore and Pierre-Elliott Trudeau Airport. The debt is to be drawn down between fiscal 2019 and fiscal 2021 and is repayable 15 years from the first drawdown date. The interest on the loan is concessionary in nature. The 1% annual rate is accrued and compounded quarterly for the first 10 years and is added to the principal amount outstanding. For years 11 to 15 the annual interest rate will be 3% and paid quarterly. The debt will be drawn down in 5 installments and be repayable in 15 years from the first drawdown date. As at March 31, 2020 four of the five installments totaling \$1,062 million have been issued. The remaining and final drawdown of \$221 million is scheduled to be paid on April 1, 2020.

### Valuation differences on initial recognition

Given CIB's mandate to support and invest in large infrastructure projects in Canada, that cannot be fully financed privately, CIB extends loans at a below market rate. Consequently, the loan commitment and loan receivable have a fair value that is lower than would otherwise be the result if CIB transacted at market rates in the infrastructure project financing market, which is CIB's principal market.

On initial recognition, CIB estimated the fair value of the loan commitment issued through the REM agreement using valuation techniques. While certain inputs were from similar recently observed transactions in the principal market, not all the significant inputs into the valuation techniques were wholly observable. The difference between the fair value at initial recognition and the transaction price is not recognized in profit or loss immediately but is deferred as part of the carrying amount of the loan commitment and loan receivable. As loan receivable balances drawn under the commitment are viewed as a continuation of the commitments issued, the unamortized

deferred balance resulting from individual loan commitment tranches form part of the loan receivable as the amounts are drawn. The deferred amounts are amortized on an effective interest basis over the combined life of the loan commitment and resulting loan receivable.

The following table sets out the aggregate difference yet to be recognized in profit or loss at the beginning and end of the year and a reconciliation of the changes of the balance during the year.

### Valuation difference

As at March 31	2020	2019
<b>Opening balance</b>	\$ 493,880	\$ -
Increase due to REM agreement	-	496,136
Reduction of valuation difference due to passage of time	(12,476)	(2,256)
<b>Closing balance</b>	<b>\$ 481,404</b>	\$ 493,880

As at March 31	2020	2019
Comprised of:		
Unrecognized valuation difference relating to loan commitment	\$ 85,460	\$ 283,838
Unrecognized valuation difference relating to loan receivable	395,944	210,042
<b>Closing balance</b>	<b>\$ 481,404</b>	\$ 493,880

### Loan receivable - amortized cost:

The following table presents the changes in the REM loan:

As at March 31	2020	2019
<b>Opening balance</b>	\$ 550,914	\$ -
Drawdowns	513,000	549,000
Interest accrued	14,040	1,914
Valuation transfer from loan commitment provision	(198,377)	(212,298)
Valuation transfer from loan commitment - deferred	198,377	212,298
Accretion of loan receivable due to passage of time	12,476	2,256
Reduction of valuation difference due to passage of time	(12,476)	(2,256)
Provision for losses	(2,823)	-
<b>Closing balance</b>	<b>\$ 1,075,131</b>	\$ 550,914

## Loan commitment (provision):

As at March 31	2020	2019
Loan commitment	\$ 496,136	\$ 496,136
Valuation transfer related to loan receivable	(410,675)	(212,298)
	85,461	283,838
Unrecognized valuation difference relating to loan commitment	(85,461)	(283,838)
	\$ -	\$ -

### Expected credit loss:

Based on the 12-month (stage 1) expected credit loss review completed by CIB, there were no significant changes in credit risk and no transfers of financial instruments between stages during the reporting period. A 12-month expected credit loss of \$2.8 million (2019 - \$nil) was recognized on the loan receivable and loan commitment as at the reporting date. See Notes 3 and 15.

There were no significant past due or impaired amounts as at March 31, 2020 (March 31, 2019 - \$nil).

### 10. Right-of-use leased assets and lease liabilities:

On August 31, 2017, CIB entered into long term leases for both office and storage space located at 150 King Street West. The term of each lease is 10 years and commences on June 1, 2018. CIB has the option to extend the office lease for two further consecutive terms of five years each.

On adoption of IFRS 16, CIB has recognized a right-of-use assets and lease liabilities on this office and storage space which had previously been classified as operating lease under IAS 17. Judgment was required when determining the appropriate term over which the right-of-use assets should be depreciated, the appropriate discount rate to be used in measuring the lease liabilities and whether existing right-of-use leased assets are subject to impairment. The lease liabilities were measured at the present value of the remaining lease payments, discounted using CIB's incremental borrowing rate of 1.97% based on the Government of Canada benchmark long-term bond yield at the date of application.

The details of the right-of-use assets recognized as at March 31, 2020 are as follows:

	Right of Use Assets
<b>Opening balance as at April 1, 2019</b>	\$ 3,702
Additions	-
Accumulated depreciation	(261)
<b>Closing balance as at March 31, 2020</b>	<b>\$ 3,441</b>

The details of the lease liabilities recognized as at March 31, 2020 are as follows:

	Lease liabilities
<b>Opening balance as at April 1, 2019</b>	\$ 3,831
Interest expense	90
Lease payments	(307)
Lease incentive received	400
<b>Closing balance as at March 31, 2020</b>	<b>\$ 4,014</b>
Current lease liabilities	\$ 221
Non-current lease liabilities	3,793
	<b>\$ 4,014</b>

## 11. Property and equipment:

	Leasehold improvements	Computer hardware	Furniture & equipment	Total
<b>Cost</b>				
Balance at beginning of year	\$ 1,239	\$ 196	\$ 325	\$ 1,760
Additions	29	27	32	88
Balance at end of year	1,268	223	357	1,848
<b>Accumulated depreciation</b>				
Balance at beginning of year	62	61	33	156
Depreciation expense	125	82	62	269
Balance at end of year	187	143	95	425
<b>Carrying amounts</b>				
<b>Balance at March 31, 2020</b>	<b>\$ 1,081</b>	<b>\$ 80</b>	<b>\$ 262</b>	<b>\$ 1,423</b>



	Leasehold improvements	Computer hardware	Furniture & equipment	Total
<b>Cost</b>				
Balance at beginning of year	\$ -	\$ 18	\$ 5	\$ 23
Additions	1,239	178	320	1,737
Balance at end of year	1,239	196	325	1,760
<b>Accumulated depreciation</b>				
Balance at beginning of year	-	5	-	5
Depreciation expense	62	56	33	151
Balance at end of year	62	61	33	156
<b>Carrying amounts</b>				
Balance at March 31, 2019	\$ 1,177	\$ 135	\$ 292	\$ 1,604

No property and equipment was impaired as at March 31, 2020 (2019 – \$nil).

## 12. Accounts payable and accrued liabilities:

As at March 31	2020	2019
Accrued compensation	\$ 5,873	\$ 1,660
Accrued professional fees	1,926	201
Accounts payable	698	158
Other	9	20
	<b>\$ 8,506</b>	\$ 2,039

## 13. Capital management:

CIB defines capital that it manages as the aggregate of its equity, which is comprised of retained earnings and its share capital. The Corporation's objectives in managing capital are as follows:

- › To safeguard its ability to continue as a going concern;
- › To fund its asset base; and
- › To fulfil its mission and objectives for the Government of Canada to the benefit of Canadians.

CIB manages its capital by reviewing formally, on a regular basis, the actual results against set budgets, and shares this information with its Finance and Audit Committee and Board of Directors. CIB's overall strategy with respect to capital management includes the balancing of its operating, capital, and investing activities with its funding on an annual basis. CIB makes adjustments to its capital management strategy in light of general economic conditions, the risk characteristics of the underlying assets and working capital requirements. CIB is subject to an annual limit on its appropriations to amounts in its Corporate Plan as approved by the Treasury Board of Canada on an annual basis.

## 14. Related party transactions:

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business. CIB's transactions with government related entities that were individually significant are government funding (Note 3(e)) which are approved in the form of a statutory authority, as well as CIB's annual corporate plan, and obtained through drawdown requests made to the Department of Finance, and CIB's Joint Project Office (Note 16) with VIA Rail Canada, a Crown corporation.

Other related parties of CIB consist mainly of key management personnel of the Corporation or close members of those individuals over which the Corporation has significant influence.

### Key management personnel compensation

Key management personnel are defined as those officers having authority and responsibility for planning, directing and controlling the activities of CIB, including members of the Board of Directors.

The following table presents the compensation expense of key management personnel.

As at March 31	2020	2019
Salaries and short-term employee benefits	\$ 3,387	\$ 3,154
Post-employment benefits	143	74
Termination benefits	3,832	-
Other long-term benefits	183	640
	<b>\$ 7,545</b>	\$ 3,868

## 15. Financial instruments and risk management:

CIB is exposed to a variety of financial risks: market risk, liquidity risk and credit risk. CIB's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential effects on the Corporation's financial performance.

CIB's Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework and approves the Corporation's risk management policies. The Corporation's enterprise risk management framework is established to identify the risks faced by the Corporation.

The Corporation's Finance and Audit Committee oversees how management monitors compliance with the Corporation's enterprise risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Corporation.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. CIB's key market risk relates to interest rate risk. The loan receivable is a fixed interest rate loan and therefore CIB is not currently exposed to any significant market risk as at the end of the period.

The following table summarizes the loan receivable's and the loan commitment's sensitivity to an increase or decrease in market interest rates of 100 basis points (bps) at the reporting

date assuming no asymmetrical movement in yield curves and a constant financial position.

As at March 31 100 bps parallel (Increase/Decrease)	2020		2019	
	Increase	Decrease	Increase	Decrease
Loan receivable	(120,308)	137,717	(45,757)	53,106
Loan commitment	-	-	(60,921)	70,705

The loan receivable is measured at amortized cost and the loan commitment is subsequently measured at the greater of the loss allowance and the amount initially recognized. Thus the above market interest rate movements are not expected to have any effect on CIB's income and equity.

The fair value of the other financial instruments held by CIB are not sensitive to the above market interest rate movements.

### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are to be settled by delivering cash or another financial asset.

Liquidity risk is low since CIB does not have debt instruments, other than lease liabilities, to service and receives regular funding from the Government of Canada. CIB manages its liquidity risk by preparing and monitoring forecasts of cash flows for anticipated operating, capital, and investing activities. Also, the Board of Directors reviews and approves CIB's operating, capital, and investment budgets.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities. The lease liability commitment schedule assumes one extension of five years.

	Carrying amount	Contractual cash flow	F2021	F2022	F2023	F2024	F2025
Accounts payable and accrued liabilities	\$ 8,506	\$ 8,506	\$ 8,506	\$ -	\$ -	\$ -	\$ -
Long-term performance incentives	512	512	-	181	181	150	-
Lease liabilities	4,580	4,580	308	308	308	324	328
	<b>\$ 13,598</b>	<b>\$ 13,598</b>	<b>\$ 8,814</b>	<b>\$ 489</b>	<b>\$ 489</b>	<b>\$ 474</b>	<b>\$ 328</b>

## Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to CIB. As CIB's business is to invest in project financing structures (which normally involves a limited liability special purpose vehicle), CIB endeavours to mitigate risk of financial loss from defaults by including contractual terms and conditions which attempt to protect CIB's interest to the extent possible and monitoring the credit risk on projects on a continuous basis.

Monitoring of credit risk typically involves credit risk analysis which is performed by the management of CIB using best practices, including the principle of expected loss, for each transaction considered for financing by CIB. Qualitative and quantitative risk factors are taken into consideration for each infrastructure project, both, during the construction and the operations phase, as well as specific legal and financial structure risk factors. Risk factors include the following data:

Risks	Risk Exposure	Mitigating Factors
Construction risk	Construction cost overruns	Liquidity facilities
Operating risk	Additional debt exposure	Covenant tests, ratios and contingencies
Financial structure risk	CIB takes subordinated positions in investments	CIB ranks above equity

Subsequent to closing of a transaction by CIB, the credit exposures are regularly monitored by assessing the above-mentioned factors. This monitoring also provides inputs for expected loss assumptions or fair value estimations of the related exposures. Monitoring of each credit is performed at least annually via a credit review process, with more regular monitoring warranted in the event of covenant breaches or any other issues impacting the transaction.

## Credit quality analysis and credit exposures

CIB is exposed to credit risk through its investments in loan receivable and loan commitment.

The following table sets out information about the credit quality and credit exposures of loan receivable and loan commitments.

For loan receivable, the amounts in the table represent net carrying amounts. For loan commitments, the amounts in the table represent the total amounts committed.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 3.

As at March 31	F2020				F2019
	Stage 1	Stage 2	Stage 3	Total	Total
<b>Loans receivable at amortized cost</b>					
Grades 1-2: Strong	\$ -	\$ -	\$ -	\$ -	\$ -
Grades 3-4: Satisfactory	1,077,954	-	-	1,077,954	550,914
Grades 5-6: Higher risk	-	-	-	-	-
Grade 7: Credit impaired	-	-	-	-	-
Gross carrying amount	1,077,954	-	-	1,077,954	550,914
Loss allowance	(2,823)	-	-	(2,823)	-
<b>Carrying amount</b>	<b>1,075,131</b>	<b>-</b>	<b>-</b>	<b>1,075,131</b>	<b>550,914</b>
<b>Loan commitment</b>					
Grades 1-2: Strong	-	-	-	-	-
Grades 3-4: Satisfactory	221,000	-	-	221,000	734,000
Grades 5-6: Higher risk	-	-	-	-	-
Grade 7: Credit impaired	-	-	-	-	-
<b>Total commitment</b>	<b>\$ 221,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 221,000</b>	<b>\$ 734,000</b>

CIB holds security over the future revenues from the financed project related to its loan receivable.

CIB held cash of \$221,768 as at March 31, 2020 (2019 – \$956). The cash is held with financial institutions that are highly rated in Canada.

CIB held a government funding receivable related to operating expenditures of \$8,612 (2019 – \$1,362). The counter-party is the Government of Canada.

All the above instruments are current.

### Amounts arising from ECL

- › Inputs, assumptions and techniques used for estimating impairment. See accounting policy in Note 3(a) and the below.
- › Significant increase in credit risk.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, CIB considers credit assessments, analysis of delinquency, monitoring, and macroeconomic outlook including forward-looking information. With regards to delinquency and monitoring, there is a rebuttable presumption that the risk of default of the financial instrument has significantly increased since initial recognition when contractual payments are more than 30 days overdue.

In determining whether there has been a significant increase in credit risk, CIB uses the following three considerations:

- i. Change in credit spreads of the financed project;
- ii. Qualitative indicators; and
- iii. A backstop of 30 days past due.

The qualitative indicators which CIB uses in assessing the credit risk of an exposure mainly includes analysis of the finance project for:

- › Construction cost overrun and delays
- › Operating maintenance and lifecycle risk
- › Reduction in expected current or future revenue, as the case may be
- › Leverage and any breaches of loan covenants
- › Market risk factors
- › Incorporating forward looking information

CIB incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

CIB develops economic scenarios in which an exposure could default based on certain key credit risk assessment indicators. CIB applies management judgment in developing these scenarios. The management judgment is informed by certain economic data and forecasts published by government bodies or authorities. Once the scenarios are identified, CIB assigns probabilities to those scenarios based on certain forward-looking economic factors – inflation, population growth and GDP growth. In determining the probabilities, CIB considers predictive relationships between the key indicators.

### ECL sensitivity

In 2020, CIB increased its provision for credit losses by \$2.8 million. The increase reflects the deterioration of the macroeconomic environment from the impact of COVID-19. In light of the rapidly evolving economic conditions and forecasts during March 2020, management updated its macroeconomic forecast to consider the impact of COVID-19 on the REM investment with a focus on project and revenue risk.

Although there was a forced construction shutdown as a result of the COVID-19 pandemic restrictions, it was determined that the delay will not have a significant impact on the long-term project timeline and operational start date in 2022. Nonetheless, due to the increased uncertainty that COVID-19 represents on future revenues, management revised its estimates for LGD. The LGD increase included more conservative assumptions on project revenues and costs which management believes is sufficient to cover the long-term

impacts related to COVID-19. Management also considered the possible socio-economic impact of COVID-19 on project revenues including a more permanent shift in working behaviour towards remote working or decentralization of offices and determined it is too early to estimate the impact on future periods given the long-term nature of this project.

The following table reconciles the opening and closing allowance for loan receivable at amortized cost by stage.

As at March 31	2020				2019			
	Stage 1	Stage2	Stage 3	Total	Stage 1	Stage2	Stage 3	Total
<b>Loans receivable at amortized cost</b>								
Balance at April 1	\$ 550,914	\$ -	\$ -	\$ 550,914	\$ -	\$ -	\$ -	\$ -
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Loss allowance	(2,823)	-	-	(2,823)	-	-	-	-
Advance on previous deals	527,040	-	-	527,040	-	-	-	-
New financial assets originated or purchased	-	-	-	-	550,914	-	-	550,914
Write-offs	-	-	-	-	-	-	-	-
<b>Balance at March 31</b>	<b>\$ 1,075,131</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,075,131</b>	<b>\$ 550,914</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 550,914</b>

## Concentrations of credit risk

As the prime objective of CIB is to invest in infrastructure projects in Canada or partly in Canada, it finances large projects and is subject to significant concentration of credit risk by borrower, sector and geographic location.

CIB's credit risk exposure at March 31, 2020 is concentrated in a loan receivable and loan commitment which relate to a single project borrower in Quebec as per the REM agreement (see Note 9).

## 16. Advisory services

On September 4th, 2019, CIB and VIA Rail Canada, a related party, established a Joint Project Office operating out of the VIA Rail offices in Montreal, Quebec to undertake de-risking, due diligence, pre-procurement and planning activities for the VIA high frequency rail project. Matters are addressed on a consensus basis equally between CIB and VIA Rail. This joint operation will remain in full force and effect for 24 months from the date of the agreement, is unincorporated and does not create a legal entity or partnership between CIB and VIA Rail.

CIB has been authorized to fund up to \$54.4 million of expenses related to the activities of the joint operation. Joint operation expenses for the year ended March 31, 2020 and are detailed in the table below.

As at March 31	2020	2019
Professional fees	\$ 2,040	\$ -
Recovery of CIB resource costs	775	-
Travel and communication	74	-
Administration	23	-
Premises and equipment	13	-
Advisory services expenses	<b>\$ 2,925</b>	\$ -



# Board of Directors



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and Public Policy

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*Member of the Finance  
and Audit Committee*



**Stephen Smith**

Corporate Director; Co-Founder,  
Chair and Chief Executive Officer of  
First National Financial LP

*Member of the Governance\*,  
and Human Resources and  
Compensation committees  
and Investment committees*



**Patricia Youzwa**

Corporate Director

*Member of the  
Governance Committee*

*An asterisk denotes chairs of the Board’s standing committees. All of the directors are invited to attend and participate at the meetings of the Investment Committee.*

*(1) Mr. Guilmette was appointed to the Board of Directors in November 2017 and served as interim Chief Investment Officer from January 1 to May 31, 2018. He stepped down from his Board position while serving in this role and returned to the Board on June 1, 2018.*

*Janice Fukakusa served as the founding Chair of the Board from July 4, 2017 until April 15, 2020.*

# Executive Team



**Annie Ropar** <sup>(1)</sup>

Chief Financial Officer and  
Chief Administrative Officer

*Ms. Ropar is responsible for the financial oversight of Canada Infrastructure Bank activities, including financial and enterprise risk management, as well as the oversight of corporate functions, including legal, human resources and operations.*



**John Casola**

Chief Investment Officer

*Mr. Casola leads the Advisory and Investments team and is responsible for implementing investment and advisory strategies, including advice to public sponsors, transaction structuring, capital deployment and asset management.*



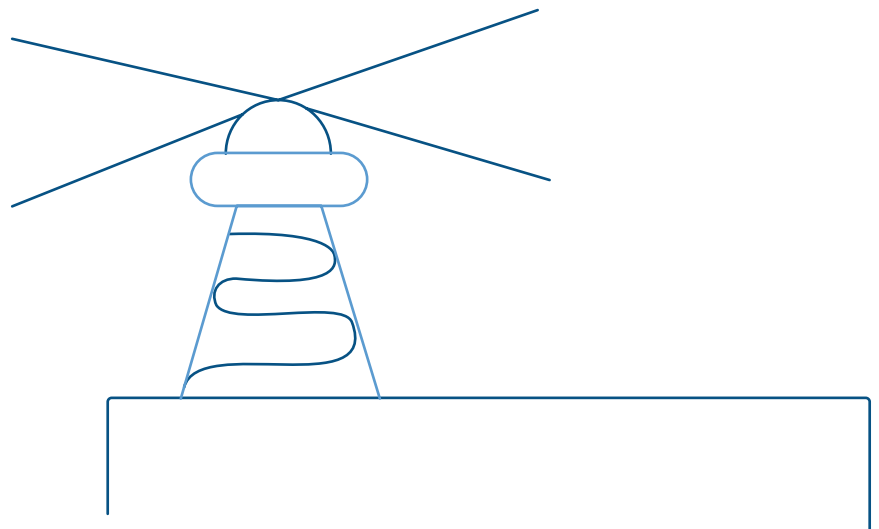
**David Morley**

Group Head, Corporate Affairs,  
Policy and Communications

*Mr. Morley develops partnerships, builds awareness with all stakeholders and increases engagement with the public and private sectors. He is also responsible for knowledge and research initiatives in cooperation with external partners.*

*Pierre Lavallée served as the President and Chief Executive Officer of the Canada Infrastructure Bank from June 2018 to April 3, 2020.*

*(1) Annie Ropar is overseeing the operations of the CIB and reporting to the Board until a new Chief Executive Officer is appointed.*





## Contact Us

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