



CIB  BIC

ANNUAL REPORT  
2020-21

# Accelerating Infrastructure Investments & Outcomes



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# Message from the Board Chair

Infrastructure is a powerful lever for positive change. I strongly believe that new infrastructure has the potential to future-proof our economy and our communities, by investing in clean power, broadband, green infrastructure, trade and transport or public transit.

I was delighted to join the Canada Infrastructure Bank (CIB) as Chair of the Board of Directors in February 2021. A recurring theme through my career has involved harnessing finance and capital to create the future we want. This organization is designed to put public, private and institutional investment to work, together, to get more infrastructure built for Canadians.

Canada, along with the rest of the world, is attempting to put the social and economic devastation of the coronavirus pandemic behind us. Infrastructure will play a significant role in our recovery in Canada, as investments can promote job creation, while supporting economic growth and the transition to net-zero emissions in the longer term.

The CIB has a clear purpose from our federal government shareholder. The Statement of Priorities and Accountabilities (SPA) provided by the Minister of Infrastructure and Communities in February 2021 confirmed our goal to invest \$35 billion in our priority sectors – public transit, clean power, green infrastructure, broadband, and trade and transportation – including a new target to invest \$1 billion in Indigenous infrastructure across these areas.

In 2020-21, under the leadership of former Board Chair Michael Sabia, the CIB developed a three-year, \$10 billion Growth Plan. The significant contribution of Michael Sabia in a short period of time was a turning point for the CIB. On behalf of the CIB Board, I express my thanks and gratitude.

As a result, the CIB has a clear focus on priorities and outcomes and reconfirmed governance and accountability for investment decisions.

The CIB's expert and independent Board members supervise the direction of the corporation, with ultimate responsibility for approving investment decisions. The CIB management team works with public sponsors and private and institutional partners, including Indigenous communities and organizations, to determine the investment opportunities in our priority sectors.

The Growth Plan identifies opportunities for smart investments in priority sectors, as well as funds for accelerating development work. The Board continues to champion the Growth Plan's delivery and execution.

As well, the Board conducted an extensive search to select the new Chief Executive Officer (CEO), Ehren Cory, an exceptional leader with proven infrastructure investment experience.

Since Ehren Cory joined the organization in November 2020, the management team has been laser-focused on making progress on the Growth Plan and deploying capital alongside public, private and institutional, and Indigenous partners, and achieving outcomes that are important for Canada.

At the CIB, we are creating innovative initiatives to invest for a better, cleaner future. Our work and partnerships will contribute to Canada's economic growth, connect Canadians and their communities, and support ambitious action on climate change. Our organization also demonstrates Canada's leadership in infrastructure by setting a global standard for new partnership models that helps improve people's lives through new infrastructure.



A handwritten signature in black ink, appearing to read 'TV' followed by a stylized flourish.

**Tamara Vrooman**  
Chair of the Board

# Message from the Chief Executive Officer

The CIB was created to get more infrastructure built that makes meaningful improvements in the lives of Canadians. We deliver outcomes that are in the public good by using our specialized expertise and investment capital to attract private and institutional investors.

This past year has been an exciting one in the evolution of the CIB. We are accelerating investments and achieving clear results that will deliver benefits for Canadians. This is built on a solid foundation of three essential cornerstones set in place this year: our \$10 billion Growth Plan, renewed leadership at the Board and executive levels, and clear priorities from our shareholder. It is also a reflection of the hard work and determination of our excellent team of professionals. I am pleased to share our annual results and my enthusiasm for where we are headed.

Ultimately, we are focused on closing the infrastructure gap. This is not just about totalling up the dollars deployed, but about the outcomes we achieve. Our investments will help Canada reduce greenhouse gas emissions (GHGs) and shift to a net-zero economy; connect Canadians through improved transit and new digital infrastructure; and drive economic growth through investments that support jobs and trade. Our investments also support the goal of reconciliation with Indigenous Peoples through new infrastructure that improves quality of life and opportunity.

At the CIB, our start-up phase is over, and we are accelerating our pace of results. We know that infrastructure investment can be both a critical driver of recovery in the short-term and generate sustainable growth in the long-term, and we are focused on delivering investments on each of these time horizons.

With the launch of the Growth Plan, we are making near-term investments that will stimulate economic recovery for the immediate future. I am determined, like all members of the CIB team, to ensure that we contribute meaningfully to Canada's recovery from the pandemic.

At the same time, we are working with partners on large, complex projects that take longer to develop and will contribute to Canada's sustainability and growth objectives for decades and generations to come.

The challenge that we and other countries face is finding new ways to stretch public funds further to get new infrastructure built. Government budgets have limits. Providing grants for large and complex infrastructure projects doesn't always achieve performance results or transfer risks.

We address this challenge through innovative partnerships, to get more built than we can using traditional delivery and traditional funding. We focus on revenue generating projects so that our \$35 billion in capital can be invested to stretch public dollars further. As investors, we have the flexibility to participate in

infrastructure projects across the capital structure by extending loans or taking equity stakes, for example, in projects that are within our priority sectors.

The CIB is a made-in-Canada solution, designed to put public and private and institutional investment to work, together. We are focused on a portfolio across sectors, geographies, and time horizons to deliver on our objectives.

To be successful in this we are building a world-class organization with the capabilities to bring together the public, private and institutional investor communities, focus on opportunities and have the capacity and flexibility to act as an impact investor.

I have been gratified to see that our efforts are gaining momentum.

We launched our \$10 billion Growth Plan in October 2020. In December, we reached financial close on our first Growth Plan project, a \$407.5 million loan to help modernize irrigation infrastructure and increase water storage capacity in Alberta as part of an \$815 million project.

As of March 31, 2021, the CIB has reached financial close on \$1.7 billion in investments (based on the Réseau express métropolitain and Alberta Irrigation projects), leveraging \$3.3 billion in private and institutional investment along with an additional \$2.3 billion in public sector funds towards a total project capital value of \$7.4 billion.

The Growth Plan generated significant interest and momentum has continued to build since its launch. There is a growing number of projects featuring CIB participation that are tracking towards investment decision and financial close in 2021-22. At the time of this report, the estimated total CIB investment in additional projects is approximately \$1.7 billion with scope to leverage overall total project capital value of over \$4 billion, including:

- **up to \$130 million in the Southern Manitoba Fibre broadband project** with private sector partners, towards a total project value of \$260 million;
- **up to \$655 million in the \$1.7 billion Lake Erie Connector transmission project**, alongside a large scale private sector electricity company. (announced subsequent to March 2021);
- **up to \$300 million to Aéroports de Montréal for the Réseau express métropolitain (REM) station**, connecting the new LRT system to the Montréal-Trudeau International Airport, a \$600 million project in total (announced subsequent to March 2021);
- **up to \$170 million in the half billion dollar Oneida Energy Storage project** in Ontario, which is a joint venture between NRStor Incorporated and Six Nations of the Grand River Development Corporation (announced subsequent to March 2021);
- **up to \$14.4 million for the City of Edmonton** to help purchase 20 new zero-emission buses for the Edmonton Transit Service's fleet (announced subsequent to March 2021);
- **up to \$400 million in the City of Ottawa's zero-emission bus (ZEB) expansion**, the largest conversion of public transit vehicles in Canada to date, in which approximately 450 ZEBs will be procured by OC Transpo with the assistance of the CIB's investment (announced subsequent to March 2021); and
- **up to \$30 million for the Association of School Transportation Services of British Columbia** towards the purchase of up to 280 zero-emission school buses. (announced subsequent to March 2021).

The CIB has also been working on a short-list of six more projects that are significantly advanced for which investment decisions and potential announcements are expected in the next fiscal year and could

result in greater than \$2.5 billion in estimated total project value, including potential CIB investment, as they materialize.

Furthermore, as of March 31, 2021, there is a strong funnel of a further 37 high potential projects that are undergoing various stages of due diligence and consideration for potential investment over the longer-term.

Another notable achievement in our past year has been the launch of the Indigenous Community Infrastructure Initiative (ICII) targeting smaller scale community projects. The CIB can improve conditions in many smaller and remote communities that face challenges in accessing capital, and this is part of achieving our goal of \$1 billion for new Indigenous infrastructure. Based on the positive response to the ICII, new projects are expected to be approved and announced in 2021-22 to enable new infrastructure that benefits Indigenous Peoples.

Delivering these results has required determination, creativity and commitment, and within the CIB we continue to build our team to have the knowledge, expertise and skill set required to deliver. I have been so impressed by how the CIB team adapted to the pandemic with resilience and a sense of urgency to accelerate our impact. I would like to thank all employees for showing resolve and commitment during these difficult times.

As we continue to deliver the Growth Plan and go beyond over the long-term, I look forward to sharing our results and outcomes, and demonstrating how Canada is a global leader in infrastructure.



A handwritten signature in black ink that reads "Ehren Cory". The signature is fluid and cursive.

**Ehren Cory**  
Chief Executive Officer

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The success of our economy, public health, and quality of life all depend on Edmonton making a shift to a low carbon future which is why this investment by the Canada Infrastructure Bank is so crucial. In addition to supporting our economic recovery, this investment in zero-emission public transit and greener buildings helps ensure Edmonton is making tangible gains in its goal to become a competitive, low-carbon City of the future.

DON IVESON, MAYOR OF EDMONTON





Strategic Direction:  
More Infrastructure  
that Benefits Canadians

# Strategic Direction: More Infrastructure that Benefits Canadians

The CIB is focused on delivering more infrastructure that benefits Canadians.

Increasing our portfolio of infrastructure projects is important because it is a means to an even greater end – positive outcomes for Canadians.

The outcomes of investing \$35 billion of CIB capital will be increased economic growth, connected Canadians and communities, and expanded action on climate change.

We accomplish these outcomes by investing in priority sectors: broadband, public transit, clean power, green infrastructure, and trade and transport. Across these priority sectors we also have a targeted goal of investing \$1 billion in partnership with and for the benefit of Indigenous Peoples.

As part of our overall \$35 billion of capital, and through our \$10 billion Growth Plan, we are accelerating investment to create jobs, build inclusive communities and support a low-carbon future.

We actively collaborate with governments across Canada at all levels and develop opportunities for the public sector to partner with private and institutional investors.

We operate at arm's length from the federal government. CIB investment decisions are overseen and approved by our professional, independent Board.





## Growing Innovative Partnerships

At the CIB, we bring together partners from across the Canadian infrastructure landscape and act as a catalyst to fill the gap in financing that can prevent new infrastructure projects from going ahead.

We work with public sponsors, be that federal, provincial, territorial, municipal or Indigenous communities (FPTMI). As an active partner in the early stages of a project, we offer advice to public sponsors to help inform their decisions about priorities and investment options to achieve their goals. Examples include CIB Memoranda of Understanding (MOUs) with the Government of Alberta on its Calgary-Banff Rail project and the City of Richmond, B.C. on its Lulu Island district energy initiative.

Municipalities, which own approximately 60% of the public infrastructure in Canada, are a critical partner for the CIB. Through efforts like the Zero-Emission Buses (ZEB) initiative and Building Retrofits initiative, we are doing extensive outreach and discussion aimed at helping municipalities find ways and opportunities to increase their sustainable infrastructure.

We also work with private and institutional investors which are specifically identified in our governing legislation as sources from which we attract capital to projects within our priority sectors. By working collaboratively with all parties, the CIB can drive beneficial outcomes for Canadians. We are investors with the flexibility to participate in infrastructure projects across the capital structure by extending loans or taking equity stakes, for example, in projects that are within our priority sectors.

We are also open to working with private and institutional proponents who may propose and/or participate in initiatives, finding ways to allocate risks and returns fairly to get more built. We aim to enhance understanding and acceptance of approaches involving private and institutional investment.

We have partnered with CDPQ Infra (a subsidiary of the Caisse de dépôt et placement du Québec) to invest in the REM commuter rail project in Montreal. We are also proceeding to achieve financial close on investments with entrepreneurial partners such as NRStor and the Six Nations of the Grand River Development Corporation for energy storage in Ontario and Valley Fiber for rural broadband in Manitoba.

And finally, we work closely with Infrastructure Canada and other federal departments, aligning priorities and exploring ways to ensure our respective efforts can work together to leverage better outcomes. The CIB's direct investment and partnership approach complements, yet is distinct from, government programs that provide grants and contributions.

## Investing \$35 Billion in Projects

We are increasing momentum through impactful investments.

As of March 31, 2021, the CIB has reached financial close on \$1.7 billion in investments, leveraging \$3.3 billion in private and institutional investment along with an additional \$2.3 billion in public sector funds towards a total project capital value of \$7.4 billion.

The CIB is also participating in a number of projects which are now progressing through final due diligence towards financial close in 2020-21. Collectively, these projects represent approximately \$1.7 billion more in potential CIB financing, with scope to leverage overall total project capital value of over \$4 billion.

Looking further ahead, in 2021-22 we see potential to make additional investments in six more significantly advanced projects contributing towards projects that could result in greater than \$2.5 billion in estimated total project value, including potential CIB investment, as they materialize.

The above does not include the extension of the Port of Montreal in Contrecoeur and GO regional transit expansion which are undergoing ongoing project development and procurement by the project sponsors, which will help to inform CIB participation.

The CIB 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 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.



## Building a Portfolio of Projects across Priority Sectors

The Government of Canada has set out priorities for the CIB to invest in five critical areas: public transit, clean power, green infrastructure, broadband, and trade and transportation. Within these sectors, the CIB is taking action by investing in projects, from coast to coast to coast, that deliver impactful outcomes over the long-term.

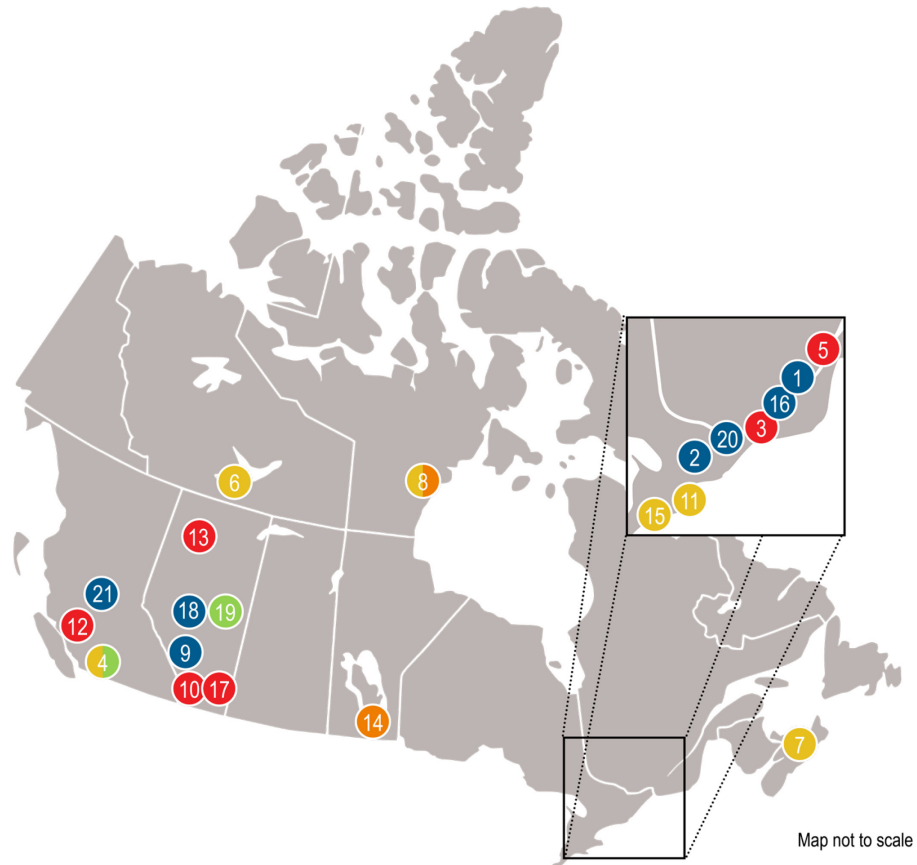
These priorities are aligned with the Government's commitments, policies and programs, and are intended to produce outcomes in keeping with the objectives for growth, jobs, social inclusivity and a sustainable and clean economy. They also feature potential for private sector investment and partnership.

Within its priority sectors, the CIB has established a target to invest \$1 billion in Indigenous infrastructure projects, as outlined in the most recent SPA from the Minister of Infrastructure and Communities. There is a significant infrastructure gap facing Indigenous communities across Canada, and the CIB is working with First Nation, Métis and Inuit communities to explore opportunities for collaboration on projects.

To date, the CIB has announced participation in 21 projects across our five priority sectors, at various stages of development, in different regions and communities, including the north. This includes projects that feature CIB investments or terms for investment, and advisory engagements and Memorandums of Understanding in which the CIB is providing early advice and expertise for public sponsor consideration. Further detail about projects is available in the Management Discussion & Analysis.

## CIB's Projects

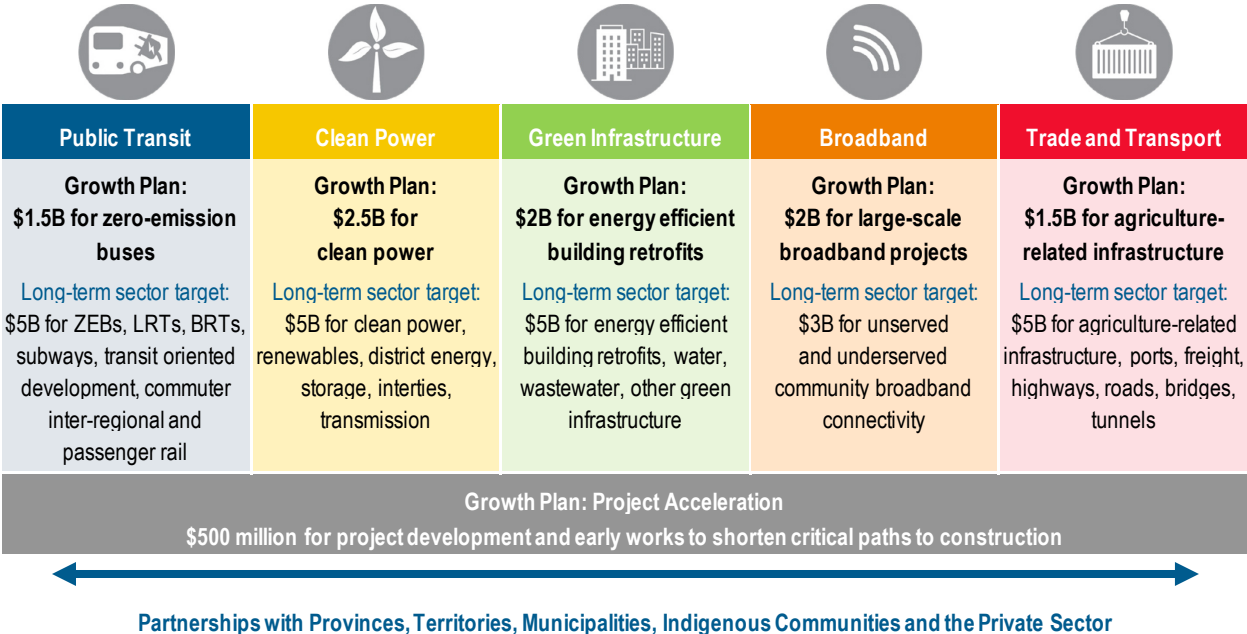
- Public Transit
- Clean Power
- Green Infrastructure
- Broadband
- Trade and Transport



- |                                      |                                      |   |  |
|--------------------------------------|--------------------------------------|---|--|
| 1 Réseau express métropolitain (REM) | 6 Taltson Hydroelectricity Expansion | 12 New Westminster Rail Bridge                        | 17 MD of Acadia and Special Areas Irrigation   |
| 2 GO Expansion – On Corridor         | 7 Pirate Harbour Wind Farm           | 13 Highway 697 Toll Bridge                            | 18 City of Edmonton Zero-Emission buses        |
| 3 VIA Rail                           | 8 Kivalliq Hydro-Fibre Link          | 14 Southern Manitoba Fibre                            | 19 City of Edmonton Building Retrofits         |
| 4 Lulu Island District Energy        | 9 Calgary-Banff Rail                 | 15 Lake Erie Connector                                | 20 City of Ottawa Zero-Emission buses          |
| 5 Contrecoeur Port Terminal          | 10 Alberta Irrigation                | 16 Montréal-Trudeau International Airport REM Station | 21 British Columbia Zero-Emission School Buses |
|                                      | 11 Oneida Energy Storage             |   |  |

The CIB’s \$10 billion, three-year Growth Plan, launched in October 2020, sets out near-term initiatives in our five priority sectors, along with funds to facilitate and expedite project acceleration.

The Growth Plan is a diversified strategy that will allow the CIB to execute projects short-term and build a portfolio of projects long-term.



Specific details of the Growth Plan are:

- \$1.5 billion to accelerate the adoption of zero-emission buses and charging infrastructure so Canadians can have cleaner commutes.
- \$2.5 billion for clean power to support the generation storage and transmission of clean electricity between provinces, territories, and regions, including to northern and Indigenous communities.
- \$2 billion to invest in large-scale building retrofits to increase energy efficiency and help make communities more sustainable.
- \$2 billion to connect small businesses to broadband in underserved communities, so Canadians can better participate in the digital economy.
- \$1.5 billion for agriculture irrigation projects to help the agriculture sector enhance production, strengthen Canada’s food security, and expand export opportunities.
- And \$500 million to accelerate project development and early construction work in projects with a high likelihood of CIB investment.



Some highlights of the progress on the Growth Plan includes the following.

SECTOR	INITIATIVE	PROGRESS	BENEFITS
Public Transit	Zero-Emission Buses Initiative	Developed terms for ZEB initiative and pursued project opportunities for transit and school bus operators	Better transit that is more environmentally friendly
Clean Power	Clean Power	First battery storage project approved (Oneida Energy Storage)  First transmission project approved (Lake Erie Connector)	Transition to a low-carbon economy and better energy affordability
Green Infrastructure	Energy Efficient Retrofits Initiative for Commercial and Public Sector Buildings	Developed terms for building retrofit initiatives and pursued project opportunities for commercial and public sectors	More energy efficient buildings that reduce greenhouse gases and create building operational efficiencies
Broadband	Broadband for underserved rural communities	First broadband Southern Manitoba Fibre project  Collaboration with Innovation, Science and Economic Development Canada (ISED) to enable large projects within ISED's Universal Broadband Fund	Estimated 49,000 Manitoba homes to be connected  Improve digital connectivity at large-scale in under-served regions
Trade and Transport	Agricultural Irrigation  Projects supporting trade related economic development	Alberta largest-ever irrigated agricultural land expansion  Highway 697 Advisory / Project Acceleration  New Westminster Rail Bridge Advisory / Project Acceleration	Irrigate hundreds of thousands of acres of land that will increase crop production and economic growth  Assessing potential economic benefits from new infrastructure

We will go beyond the Growth Plan in the long-term and have a strong foundation for our investment activities including:

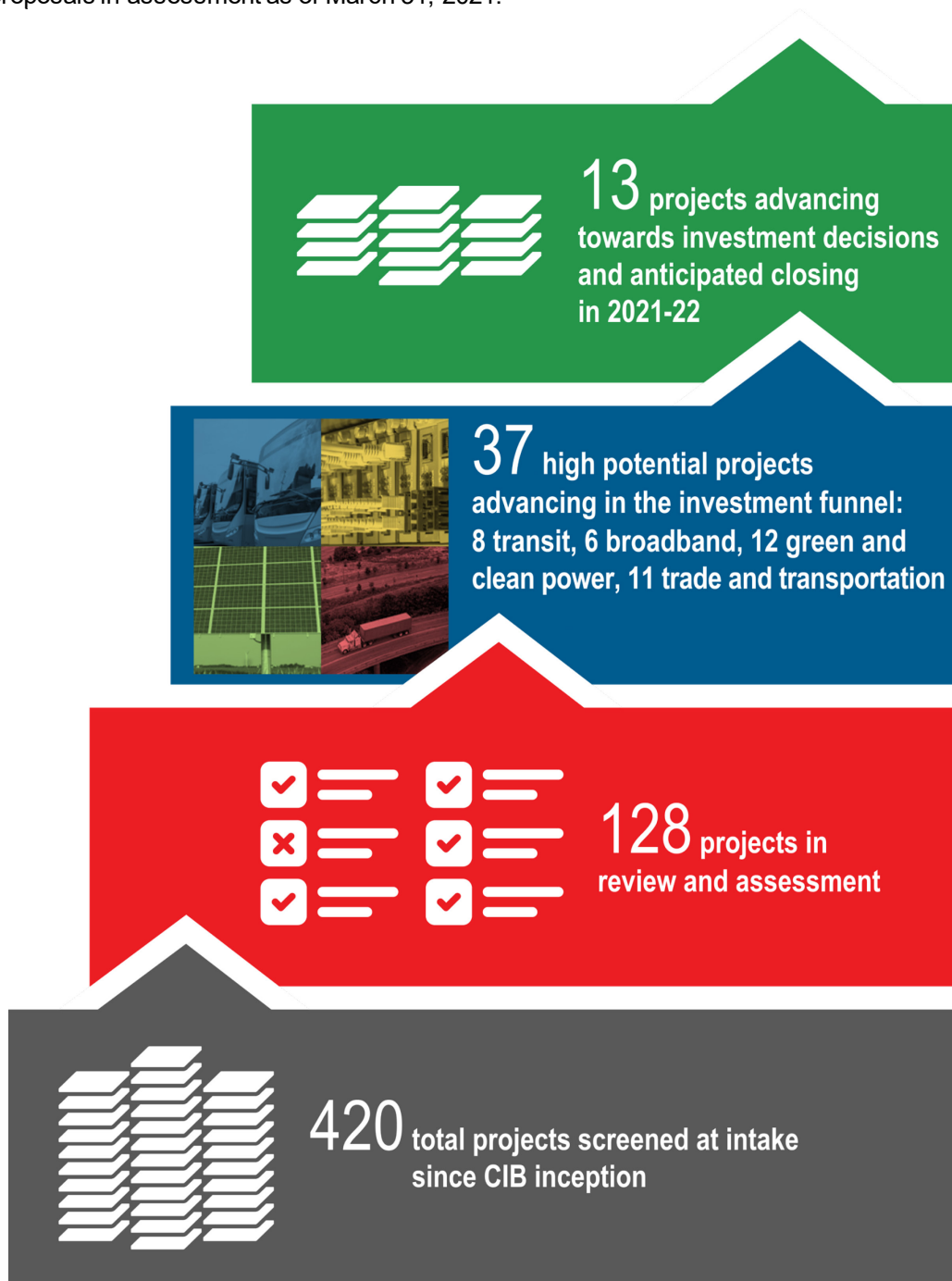
- Enabling innovative projects – The CIB's Unsolicited Proposals Framework creates a process for the CIB and public sector sponsors to consider proposals from private and institutional partners.
- Advancing large scale investments in major capital projects – The CIB will continue to seek opportunities to invest in at scale capital projects where it can play a substantial role to crowd-in private and institutional capital to fill gaps in financing and help deliver more infrastructure.
- Exploring new opportunities with existing priority sectors where investment may unlock outcomes that address CIB objectives and deliver benefit to Canadians. Building on the established Investment Policy and decision-making processes, the CIB started developing an Investment Framework to further enhance quantifiable outcomes for the CIB's portfolio of investments.

## Strengthening Canada's Leadership in Infrastructure

We are focused on making infrastructure investments in partnership with private and institutional investors, and governments across Canada.

While the CIB has been executing investments for the short-term focused on the Growth Plan priorities since its launch last October up to and including projects identified for financial close in 2021-22, we have also been building new opportunities for the long-term.

We have a strong funnel of future opportunities including 37 high potential projects and 128 additional project proposals in assessment as of March 31, 2021.



Our drive to make investments in our priority sectors is enabled by our ability to provide advice particularly to public sector organizations. We also play a key role in the Canadian infrastructure marketplace through engagement with private and institutional investors.

Thought-leadership, including sector strategy analysis and applied research, is also a way that the CIB contributes to the evolution of investment approaches in Canada.

The CIB's primary focus on infrastructure investment, supported by our advisory capacity and interest in broader knowledge and research, positions the CIB as a centre of expertise for infrastructure in Canada.

We aim to influence the evolution of infrastructure investment in Canada through research and dialogue. High-quality research supports the development of a robust pipeline of projects and can lead to better informed policy and investment choices.

As we implement the Growth Plan, we are providing advice to all levels of government and Indigenous communities, acting as a centre of knowledge and expertise. We know the CIB is just one part of a strong infrastructure investment ecosystem in Canada involving design and construction firms, engineering, finance and legal firms – all of which make the market more creative and competitive.

One example of our broader engagement on Canada's long-term direction for infrastructure is support for the National Infrastructure Assessment being developed by Infrastructure Canada. The consultation makes an important reference to the long-term opportunity for innovative finance in Canada:

*“Infrastructure investors, particularly public pension funds, have expressed a clear desire to invest in Canadian infrastructure, but institutional investment depends on governments providing certainty and predictability with a long-term vision. The National Infrastructure Assessment will provide a stable planning environment to inspire the private sector to invest with confidence. Given constraints on public finances and the drive to make public dollars have maximum impact, all infrastructure owners and funders will benefit from a shared and improved view on the state of Canada's current infrastructure stock and the future infrastructure needs.”*

The CIB will contribute perspective and expertise regarding priorities for investment and approaches for innovative financing in cooperation with private and institutional partners.

Canada is not alone in planning and pursuing new infrastructure, in new ways, to address current and future needs. Other jurisdictions have announced ambitious plans to renew and augment their infrastructure. The U.K., for example, has also launched a national infrastructure bank highlighting the importance of facilitating investment with the private sector, while the U.S. administration is promoting a significant spending program to modernize highways, the electrical grid and other basic infrastructure. The CIB is engaged with other leading organizations to share best practices and continue to learn from and provide guidance to other public sector organizations that are creating opportunities for partnerships with private and institutional investors.

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The Oneida Energy Storage project is a historic achievement built on a foundation of respect and equal partnership with the Six Nations of the Grand River. It will help protect our environment, lower electricity costs for Ontarians, and support the economic recovery and future growth of our province and Canada. We are excited to work with the Canada Infrastructure Bank to advance this project as we strive to achieve our shared environmental, energy, and economic objectives.

ANNETTE VERSCHUREN, CHAIR & CEO, NRSTOR





# Corporate Overview

# Corporate Overview

## Purpose

The *Canada Infrastructure Bank Act* (the *CIB Act*) states 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 March 31, 2028) and given the CIB the ability to participate in infrastructure deals in new and innovative ways. As noted earlier, the Government of Canada anticipates expensing \$15 billion of this total against the fiscal framework through the CIB's use of concessional financing.

## Priorities and Accountabilities

The February 2021 SPA called on the CIB to play a leading role in rebuilding post-pandemic, and to ensure that our investments create jobs, grow the economy and increase competitiveness while enabling a cleaner and more inclusive future.

The SPA underscored the importance of the CIB's independent Board of Directors and its authority and accountability for the CIB's governance, strategic direction and investment decision-making.

The SPA noted that the CIB is making progress in its priority areas and affirmed our priority sectors - public transit, clean power, green infrastructure, broadband, and trade and transportation infrastructure - while also asking us to establish a new investment target of \$1 billion for Indigenous infrastructure projects.

The SPA is available on the CIB's website at <https://cib-bic.ca/en/about-us/governance/>.

## Governance

The CIB is subject to the provisions of the *CIB Act* and federal 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.

The CIB is accountable to Parliament through the Minister of Infrastructure and Communities. As a Crown corporation, the CIB is subject to Part X of the FAA and reports to Parliament and Canadians on its operations through annual and quarterly financial reporting. A summary of the CIB's Corporate Plan setting out its priorities and operating and capital budgets is tabled in Parliament annually.

## BOARD OF DIRECTORS

The CIB is governed by an independent Board of Directors, appointed by the Governor in Council on the advice of the Minister of Infrastructure and Communities. The directors possess a balance of professional skills, infrastructure expertise and investment experience, and reflect gender, linguistic, cultural and regional diversity.

In accordance with the *CIB Act*, 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 for terms not to exceed four years, and they are eligible for reappointment on the expiration of their term.

Effective Dec. 14, 2020, Board Chair Michael Sabia stepped down from his position following his appointment as Deputy Minister at the Department of Finance Canada.

Tamara Vrooman was appointed Board Chair on January 27, 2021. Tamara is CEO of the Vancouver Airport Authority (YVR), Canada's second-busiest airport. Prior to this role, she was President & CEO of Vancity, Canada's largest community credit union, and Deputy Minister of Finance for the Province of British Columbia.

As of March 31, 2021, the Board was composed of 11 Directors, including the Chair.

There is currently one vacant position on the Board and the Minister has launched an open, transparent, and merit-based selection process pursuant to the Governor in Council appointments process of the Privy Council Office. This selection process is currently ongoing.

The following table sets out the members of the Board and their respective appointment date and term of office, as of March 31, 2021. Biographies of current Directors are available on the CIB website at <https://cib-bic.ca/en/board-of-directors/>.

## BOARD MEMBERS

DIRECTOR	LOCATION	APPOINTMENT DATE	TERM
Tamara Vrooman Chair	Vancouver, British Columbia	January 27, 2021	4 years
Kimberley Baird	Delta, British Columbia	November 16, 2017	2 years*
Jane Bird	Vancouver, British Columbia	November 16, 2017	4 years
David Bronconnier	Calgary, Alberta	November 16, 2017	3 years*
James Cherry	Elizabethtown, Ontario	November 16, 2017	2 years*
Michèle Colpron	Saint-Lambert, Québec	November 16, 2017	4 years
Bruno Guilmette	Montréal, Québec	June 1, 2018	4 years
Christopher Hickman	St. John's, Newfoundland and Labrador	November 16, 2017	3 years*
Poonam Puri	Toronto, Ontario	November 16, 2017	3 years*
Stephen Smith	Toronto, Ontario	November 16, 2017	4 years
Patricia Youzwa	Regina, Saskatchewan	November 16, 2017	3 years*

\* Although the terms have expired, directors continue to hold office until their successor is appointed or until renewed.



## BOARD SKILLS

The Board, through the Governance Committee, has identified the skills and core competencies that are important for the Board members to possess as a collective entity. This ensures that as departures occur and appointments are made, the CIB will maintain a well-rounded Board that can continue to provide the effective oversight necessary for the CIB to achieve its objectives.

<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>Organizational 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 RESPONSIBILITIES

The Board is responsible for the overall governance of the corporation in accordance with the *CIB Act* and its by-laws. The Board has adopted a charter to promote its effectiveness, including with respect to the following:

- Oversee the management of the businesses, activities and other affairs of the corporation.
- Approve the corporate plans and budgets that set out the corporation's strategic direction in alignment with the Minister of Infrastructure and Communities' SPA.
- Approve the corporation's annual reports and quarterly financial reports.
- Set performance targets and monitor the corporation's progress and results.
- Appoint the CEO, set his annual performance objectives and evaluate his performance.
- Approve the enterprise risk management (ERM) framework and ensure that the principal risks of the corporation's business are identified and well-managed.
- Approve investment proposals and oversee the corporation's investment activities and investment portfolio.
- Oversee the corporation's talent management practices, culture and ethical conduct.
- Ensure the highest standards of corporate governance and Board effectiveness are respected.

The Board delegates day-to-day management of the CIB's affairs and the execution of our strategy to the CEO, subject to the oversight of the Board.

## BOARD COMMITTEES

Four standing committees help the Board carry out its duties and responsibilities. All Directors serve on at least one Board committee and the Board Chair is an *ex officio* member of all committees.

Each of the committees has assessed its performance against its charter and is satisfied that it carried out its delegated duties and responsibilities effectively.

The Board receives reports from the committee chairs after each committee meeting regarding the committees' activities.

The tables below outline the key responsibilities and highlights of each committee during the 2020-21 fiscal year.

## FINANCE AND AUDIT COMMITTEE

**Members:** The Finance and Audit Committee (FAC) provides oversight on the integrity of the financial reporting process and makes recommendations to the Board on the reporting of financial information. It is also responsible for fulfilling oversight responsibilities under the FAA, including the internal controls, external audit, ERM, complaints related to accounting or auditing matters, and other matters relating to finance and accounting. It also reviews and advises the Board with respect to any special examination, and any resulting plans and reports.

Michèle Colpron (Chair);  
David Bronconnier;  
Christopher Hickman;  
Poonam Puri;  
Tamara Vrooman

The committee held four regular meetings and one special meeting.

### *Finance and Audit Committee Highlights from 2020-21*

- Reviewed and recommended for Board approval the Annual Report on the operations of the corporation for the 2019-20 fiscal year.
- Reviewed and recommended for Board approval the quarterly financial reports.
- Received reports from the internal auditor on audit results and findings and discussed associated action plans with management.
- Reviewed the independence and performance of the internal auditor and approved the budget, audit and resource plan for the 2021-22 fiscal year.
- Reviewed the independence of the joint external auditor and performance and approved the audit plan for the 2020-21 fiscal year, including resources and fees.
- Reviewed and recommended for Board approval the ERM policy and provided oversight of ERM strategy and progress.
- Reviewed quarterly enterprise risk reports on the CIB's risk profile and discussed risk considerations and exposures with management.
- Reviewed Board member and executive officer expenses, which are posted on the CIB's website.
- Met regularly *in camera* with the external auditors, internal auditors, CFO & CAO and separately without management present.

## GOVERNANCE COMMITTEE

**Members:** The Governance Committee considers and makes recommendations to the Board regarding applicable corporate governance trends and best practices, including recommended changes to corporate governance policies, practices, procedures, and by-laws, as appropriate. It also oversees Board succession planning, director orientation and continuing education, director evaluation, and makes recommendations as to members of Board committees.

Stephen Smith (Chair);  
Kimberley Baird;  
Jane Bird;  
Patricia Youzwa;  
Tamara Vrooman

The committee held four regular meetings.

### *Governance Committee Highlights from 2020-21*

- Reviewed the CIB's corporate governance practices and compliance with applicable legal and regulatory requirements.
- Reviewed and recommended for Board approval updates to the CIB's corporate governance documents (including the by-laws, Board and committee charters, position descriptions and related Board policies).
- Reviewed the CIB's governance practices against best practices adopted by other comparable Crown corporations, including proactive disclosure practices.
- Carried out the annual Board assessment, including the Board, committees, Chair, committee chairs and director effectiveness, reviewed the results, monitored progress during the year and evaluated the effectiveness of the assessment process.
- Reviewed the Board's current set of experience and expertise and identified areas that are necessary for the Board to carry out its mandate effectively, as part of the shareholder's process to identify potential directors to fill existing or upcoming vacancies.
- Met regularly *in camera* without management present.

## HUMAN RESOURCES AND COMPENSATION COMMITTEE

**Members:** The Human Resources and Compensation Committee (HRCC) considers and makes recommendations to the Board with respect to human resource-related principles and organizational structures, the compensation and benefits approach, target compensation levels, and the hiring of executive officers. It is also responsible for making recommendations to the Board related to the performance evaluation, compensation, and succession planning of the CEO.

James Cherry (Chair);  
Jane Bird;  
Michèle Colpron;  
Stephen Smith;  
Tamara Vrooman

The committee held three regular meetings and five special meetings.

### *Human Resource and Compensation Committee Highlights from 2020-21*

- Oversaw the process for the selection and recommended for Board approval the appointment of the CEO, including the rate of remuneration paid to the CEO, subject to the approval of the Governor in Council.
- Reviewed and recommended for Board approval the performance objectives for the newly appointed CEO for the 2020-21 fiscal year.
- Reviewed the fiscal 2019-20 performance for executives and approved their final incentive compensation awards.
- Oversaw and recommended for Board approval changes to the incentive compensation plan, including the targets for the 2020-21 fiscal year.
- Monitored management's actions to mitigate the impact of the pandemic on the health, safety and well-being of employees.
- Oversaw management's talent management practices with a view to building strength and capacity to successfully execute the CIB's Corporate Plan.
- Reviewed changes to the organizational structure to provide greater agility and the ability to scale and effectively deliver on the CIB's mandate.
- Approved updated workplace policy and procedures regarding harassment and violence.
- Met regularly *in camera* without management present.

## INVESTMENT COMMITTEE

**Members:** The Investment Committee 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, recommends to the Board investment policies and evaluates their effectiveness.

Bruno Guilmette (Chair);  
David Bronconnier;  
James Cherry;

Christopher Hickman;  
Stephen Smith;  
Tamara Vrooman

The committee held seven regular meetings and two special meetings.

### *Investment Committee Highlights from 2020-21*

- Reviewed and recommended for Board approval proposals for project acceleration funding, investment proposals for infrastructure projects aligned with the CIB's mandate and Corporate Plan, project implementation strategies for infrastructure investment programs and delegations of approval authority.
- Reviewed and recommended for Board approval updates to the Investment Policy to align with the corporation's strategy and authorities in the Corporate Plan.
- Received status updates on project milestones and deliverables with respect to significant advisory mandates.
- Received regular updates from the CIO on the status of projects received and under assessment, including updates on projects expected to reach a major milestone over the next quarters.
- Received the report from management on the annual review of projects funded by the CIB.
- Received an update on the implementation of the internal risk rating methodology for investments under consideration.
- Reviewed specific risks of each transaction recommended for approval with the independent risk function.
- Received the list of projects that were deemed out of mandate.
- Met regularly *in camera* without management present.

## DIRECTOR ATTENDANCE

There were 17 board meetings and 26 committee meetings during the fiscal year ended March 31, 2021. Of this total, 25 meetings were regularly scheduled as part of the Board's approved schedule of meeting dates (which is typically done two years in advance) and the remaining 18 were special meetings.

The average overall attendance rate of Board members was 97%.

DIRECTOR	BOARD	INVESTMENT	FAC	HRCC	GOVERNANCE
Kimberley Baird	15/17				4/4
Jane Bird	16/17			8/8	4/4
David Bronconnier	17/17	9/9	5/5		
James Cherry	16/17	8/9		8/8	
Michèle Colpron	15/17		5/5	8/8	
Bruno Guilmette	15/17	8/9			
Christopher Hickman	15/17	9/9	5/5		
Poonam Puri	15/17		4/5		
Michael Sabia*	13/13	5/5	4/4	5/5	3/3
Stephen Smith	17/17	9/9		8/8	4/4
Tamara Vrooman**	3/3	3/3	1/1	1/1	1/1
Patricia Youzwa	17/17				4/4

\* Michael Sabia was appointed on April 2, 2020 as the Board Chair (effective April 15, 2020) and stepped down from the role following his appointment as Deputy Minister of Finance, effective Dec. 14, 2020.

\*\* Tamara Vrooman was appointed Board Chair on Jan. 27, 2021.

## ETHICS, VALUES AND ACCOUNTABILITY

The Board is responsible for promoting the highest ethical standards of professional conduct, including developing and monitoring policies and practices for the CIB that are beyond reproach regarding values and ethics as well as preventing and managing against conflicts of interest.

The Board has adopted the Code of Conduct for Directors and the 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*. On appointment and every year during his or her tenure, each director signs a declaration commitment to act in accordance with the Code of Conduct and Conflict of Interest Policy for Directors. Board members also file standing declarations of interest and refrain from discussions or voting where a real or potential conflict of interest exists. Board documents are screened to flag counterparties listed in the standing declarations of Board members so that transaction documents are withheld from a director who has declared an interest in a party related to that transaction.

The Board's expectations for ethical conduct throughout the organization are described in the CIB's Code of Conduct for Employees, which is grounded in our core values and incorporates the Values and Ethics Code for the Public Sector. Employees participate in mandatory training and must confirm they have read, understood, complied with, and will continue to comply with the code. Compliance with the code and other ethics-related corporate practices is reported to the Governance Committee.

The CIB undertakes mandatory employee training on the code and other ethics-related policies. Employees completed mandatory training on the Respectful Workplace Policy in March 2021. Corporate-wide training on the code is scheduled for the first half of 2021-22.

During the 2020-21 fiscal year, the Board approved the updated code, which is available on the CIB website at <https://cib-bic.ca/wp-content/uploads/2021/03/CIB-Code-of-Conduct.pdf>.

## BOARD REMUNERATION

Pursuant to the *CIB Act*, the rate of any remuneration paid to the Board Chair and the other Directors is fixed by the Governor in Council. The Board Chair and other Directors are not entitled to any performance-based remuneration or other incentives.

For the fiscal year ending March 31, 2021 the remuneration rates are as follows:

- **Directors:** \$40,000 – 50,000 per annum (Order in Council # 2017-1463).
- **Board Chair:** \$85,000 – 100,000 per annum (Order in Council # 2021-0018). The Board Chair and other Directors are not entitled to any performance-based bonuses or other incentives.

Board members are also reimbursed for reasonable out-of-pocket expenses while performing their duties related to the CIB, including travel, accommodation, and meals. Monthly travel and hospitality expenses reimbursed to Board members during the fiscal year ending March 31, 2021 are posted on the CIB website.



The Canada Infrastructure Bank (CIB) Initiative is a major step toward closing the infrastructure gap in First Nations, while prioritizing green energy projects in the overall effort toward climate action. I support the efforts of the CIB to work directly with First Nations in meaningful and collaborative ways that will lead to much needed investments toward better infrastructure and sustainable economic growth.

PERRY BELLEGARDE, NATIONAL CHIEF, ASSEMBLY  
OF FIRST NATIONS



A low-angle, green-tinted photograph of a modern glass skyscraper. The building's facade is composed of a grid of dark metal frames and large glass panels, reflecting the sky and surrounding environment. In the foreground on the left, the branches and leaves of a tree are visible, partially obscuring the building. The overall color scheme is a uniform green, creating a monochromatic aesthetic. The text "Management Discussion & Analysis" is overlaid in white at the bottom center of the image.

Management  
Discussion & Analysis



# Management Discussion & Analysis

The purpose of the management 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, 2021, its financial condition at year-end, and its prospects. The MD&A is intended to complement and supplement the information provided in the financial statements and accompanying note disclosures. It is approved by the CIB Board of Directors.

Figures are expressed in Canadian dollars unless stated otherwise.

## Management Leadership

To succeed, the CIB must execute financing for infrastructure projects that results in positive outcomes for Canadians. This takes strong leadership.

Ehren Cory was appointed CEO of the CIB on November 9, 2020. As CEO he is responsible for strategic business leadership and overall performance of the organization. Prior to joining the CIB, Ehren was President and CEO of Infrastructure Ontario, a provincial crown agency responsible for financing, building, and enhancing the value of the province's infrastructure and real estate assets.

Under the direction of the CEO, the Executive Committee leads the CIB's operations and activities to execute on corporate strategy and objectives, implements organizational policies and procedures, and executes direction from the Board of Directors. Led by the CEO, the Executive Committee includes the:

- Chief Investment Officer who is responsible for advisory and investment strategy and activities, capital deployment and asset management.
- Chief Financial Officer and Chief Administrative Officer who is responsible for corporate finance, ERM, legal and compliance, human resources, information technology and administration.
- Group Head, Corporate Affairs, Policy and Communications, who is responsible for federal government relations, corporate planning, communications, media and stakeholder relations, knowledge and policy research.

### PANDEMIC CONTEXT

The operating environment for the CIB, our partners, and organizations across Canada changed dramatically in March 2020 with the COVID-19 pandemic. We were able to adapt to these health and business challenges.

Our business continuity plan was activated in March 2020. We instituted various measures and programs to protect and support CIB employees. Our team successfully made the transition to working from home, enabled by technology and new systems.

We incorporated a sharpened focus on initiatives to achieve near-term results and help accelerate Canada's economic recovery and support the longer term transition to a low-carbon future.

The CIB team follows public health guidance in management of employee health and safety.

## Engagement Strategy with Infrastructure Canada and Federal Partners

The CIB developed a new engagement strategy cooperatively with Infrastructure Canada to further strengthen the working relationship between both organizations.

The engagement strategy recognizes the drive to deliver results, reflects the different roles and responsibilities that the CIB and Infrastructure Canada have, incorporates the context of new investment decision making governance as confirmed in the 2020-21 to 2024-25 CIB Corporate Plan, and balances authority and accountability expectations as outlined in the new SPA.

Four areas of engagement were implemented including senior leadership tables on advisory and investments, corporate affairs, knowledge and research, and communications and outreach.

The Department of Finance participates frequently, and relevant subject matter experts from other federal departments are invited as required.

Broader context for the CIB's engagement with the Government of Canada is set by the 2021 Budget. Of particular interest are commitments by the government on a range of priorities and commitments that relate to the CIB's priority sectors such as:

- Increased funding for broadband through the Universal Broadband Fund;
- Enhanced funding for early works related to the VIA Rail High Frequency Rail project;
- Significant new funding for Indigenous infrastructure;
- Commitment to new investment to support heavy industry to reduce GHGs through the Net Zero Accelerator Fund; and
- Top-up funding for the National Trade Corridor Fund.

## Overview of 2020-21 Strategic Priorities and Results

Our strategic priorities for 2020-21 fiscal year were informed by our legislated purpose and the SPA provided by the Minister of Infrastructure and Communities.

We achieved our 2020-21 strategic priorities, which were outlined in the CIB's 2020-21 to 2024-25 Corporate Plan, with highlights provided below:

### STRATEGIC PRIORITIES

2020-21 PRIORITY	HIGHLIGHTS OF KEY RESULTS IN 2020-21
<p>Deliver the CIB's \$10 billion Growth Plan</p>	<ul style="list-style-type: none"> <li>▪ Reached financial close on first Growth Plan initiative with \$407.5 million investment in Alberta Irrigation, bringing total CIB investment in projects to date to \$1.7 billion.</li> <li>▪ Additional \$1.7 billion worth of CIB project participation progressing towards investment decisions and/or financial close in 2021-22 with scope to leverage a total project capital value of over \$4 billion.</li> <li>▪ ZEB and Building Retrofit initiatives developed to support projects in these two areas.</li> </ul>
<p>Catalyze new infrastructure projects and new categories of infrastructure</p>	<ul style="list-style-type: none"> <li>▪ Introduced innovative initiatives, such as loans to purchase zero-emission buses and retrofit buildings that will be repaid through future cost savings.</li> <li>▪ Launched the Indigenous Community Infrastructure Initiative for smaller projects which will help meet the new \$1 billion Indigenous investment target.</li> <li>▪ Partnered on the Universal Broadband Fund to develop new financing solutions for rural connectivity.</li> </ul>
<p>Attract private and institutional capital to Canadian infrastructure projects</p>	<ul style="list-style-type: none"> <li>▪ The CIB has leveraged a total of \$7.4 billion in private and institutional capital to date including \$163 million of private capital towards Alberta Irrigation project.</li> <li>▪ Additional private and institutional capital to be leveraged via projects progressing towards investment decision and/or financial close in 2021-22.</li> </ul>
<p>Promote creativity, new ideas and the evolution of infrastructure practices</p>	<ul style="list-style-type: none"> <li>▪ Published approved investment guidelines such as:               <ul style="list-style-type: none"> <li>▪ Investment Policy, which defines the roles and responsibilities of the CIB Board and management regarding investment oversight and decision-making and defines investment practices and guidelines, including sourcing of investment opportunities, the types and sizing of investments, and the project assessment and approval process.</li> <li>▪ Unsolicited Proposals Framework, which defines our process to consider innovative proposals for new, revenue-generating infrastructure in our priority sectors.</li> </ul> </li> <li>▪ Participated in knowledge and research projects and collaborated with stakeholders and industry organizations.</li> </ul>

## TARGETS AND ACHIEVEMENTS (AS OF MARCH 31, 2021)

The table below provides results specifically for 2020-21 in relation to the outcomes, indicators and targets as set out in the 2020-21 to 2024-25 Corporate Plan. All figures are as of March 31, 2021.

OUTCOME	RESULT INDICATOR	TARGET	ACHIEVEMENTS
<b>Build productive relationships with public sponsors across Canada in all approved sectors, including the Growth Plan initiatives</b>	Public sponsor engagement in all regions across Canada to advise on and originate projects, including within Growth Plan initiatives	75 projects received per year	100 projects received, from government and other sources, from all regions and in all priority sectors
<b>Deploy CIB's expertise and capacity to provide value-added advisory services and work with public and private entities to support infrastructure investment</b>	A robust pipeline of projects including within Growth Plan initiatives, resulting from assessment of projects at various stages of development, for potential CIB participation	25 projects appraised per year	37 projects in appraisal or later stages, with 13 more projects progressing towards investment decision and/or financial close
<b>Influence public and private market participants to increasingly use the CIB in order to deliver more infrastructure in the public interest</b>	Public sponsors' engagement in actively considering non-traditional project structures, including within Growth Plan initiatives	Formal engagement on 12 projects per year	Engagement underway on 10 projects and advisory activities and acceleration proceeding on 3 other projects
<b>Broaden the network of intergovernmental relationships with public sector entities</b>	Active relationships with FPTMI infrastructure organizations	Maintain and strengthen FPTMI relationships	Contact has been extensive with every province and territory multiple times, along with most large municipalities and many Indigenous groups
<b>Position Canada as a leading market for infrastructure investment</b>	Canadian inventory of infrastructure projects	Continue to develop project inventory with FPTMI agreement in cooperation with Infrastructure Canada	A pilot inventory was drafted for discussion with other jurisdictions; Infrastructure Canada subsequently started the National Infrastructure Assessment
<b>Influence investment structure on projects, sectors or asset classes</b>	Change in risk transfer profile, amount of crowding-in private capital, shift towards usage-based models	12 new usage-based projects considered in the year including across all Growth Plan initiatives	The CIB's portfolio featured 17 announced projects at fiscal year end
<b>Maximize infrastructure built from federal investment</b>	Maximize impact of CIB investment	2x multiple of CIB capital to come from private sector, on portfolio basis (since CIB inception)	2x multiple of capital from private and institutional sector on projects reaching financial close

OUTCOME	RESULT INDICATOR	TARGET	ACHIEVEMENTS
<b>Facilitate new sources of revenue for infrastructure</b>	Develop innovative revenue models	Two unique or new structures in the year	Developed and implementing two initiatives that create future savings from an infrastructure project to finance upfront costs (ZEBs and building retrofits)
<b>Promote delivery of environmentally friendly and resilient infrastructure.</b>	Identifiable environmental benefits from CIB projects	Positive contribution to environmental and resiliency outcomes (e.g. greenhouse gas reductions) on a portfolio basis	GHG reduction is one benefit identified in the Growth Plan and part of our long-term outcomes, with many of our priority sectors and specific projects directly supporting climate action
<b>Invest in projects in all priority sectors</b>	Manage a diversified portfolio of investments.	Make investment commitments in each of our priority sectors (since CIB inception)	Investment progress has been made in all priority sectors including terms reached on several projects anticipated for financial close in 2021-22
<b>Increase awareness of new infrastructure investment models among public sponsors and relevant stakeholders</b>	Support and participate in research-focused and thought leadership activities to facilitate the development and dissemination of information on the Canadian landscape of new infrastructure investment models that may attract private and institutional investment	Develop internal capacity including a Knowledge and Research Policy and Strategy	Research policy and strategy developed to enable four research initiatives Analysis of U.K. and U.S. infrastructure plans and outreach to experts completed
	Number of publications produced by third-party organizations	Facilitate the development of three research reports related to new models for infrastructure advisory and investment and CIB's priorities	External research initiatives resulted in public four reports on sustainable finance, clean energy microgrids, transit, and climate impacts on electricity generation, transmission and distribution systems (pending publication)
	Influence innovation in infrastructure investment through a network of thought leaders and knowledge partners	Facilitate the development of three events or initiatives	Significant outreach with over 25 industry, business, academic and international infrastructure thought-leaders and organizations
<b>Demonstrate sound stewardship of public funds</b>	Strong Enterprise Risk Management program, process and reporting	Operationalize risk reporting and escalation protocols, grounded in formal procedures	Developed operational risk management guidelines and key risk indicators Produced new quarterly risk dashboard for the Board Advanced investment risk analysis Expanded team of risk experts

OUTCOME	RESULT INDICATOR	TARGET	ACHIEVEMENTS
	Continuous improvement in systems and processes to ensure efficient use of resources	Implement new financial accounting system to automate processes and improve controls	Built, migrated data and tested new systems (ERP, CRM) Financial accounting system (ERP) went live in April 2021s
	Unqualified audit opinions	Receive unqualified audit opinion and rating of “Satisfactory” on all internal audit reviews	Unqualified external audit opinion received “Satisfactory” rating received on six internal audits One audit noted “Improvement required” and improvements being implemented
<b>Continue to ensure the CIB has necessary expertise to support value-added advisory services and engage with sophisticated private and institutional partners</b>	Competitive employee value proposition	Formal articulation of the Total Rewards program in employee recruitment and onboarding	Standardized onboarding provided to all employees
	Recruiting and retention	Employee turnover less than 20%	Turnover rate of 10.1%
	Systems and facilities availability	>99% up time for systems availability	New ERP and CRM applications were developed, tested, and implemented
	CRM post-implementation user survey results	80% or higher satisfaction rating	CRM applications in implementation
<b>Promote the CIB as a centre of expertise</b>	Expand partnerships with industry, business and community organizations	More than three partnerships in the year	Renewed and expanded partnerships with major industry and business organizations consistent with the stakeholder engagement strategy
	Formal partnerships, high-quality speaking opportunities and industry-focused stakeholder initiatives	>20 speaking opportunities in the year	41 external presentations to target audiences
<b>Maintain the shareholder's confidence and support in delivering the CIB's mandate.</b>	Demonstrate engagement, good governance and accountability to the shareholder	Operationalize direction set by Minister's mandate letter, SPA, Throne Speech, federal budget and Treasury Board direction	Met all corporate requirements Corporate Plan including the Growth Plan approved; received new SPA and took specific action immediately on Indigenous infrastructure; implemented strategic engagement framework with Infrastructure Canada; appeared before Parliamentary Committees
	Align with government priorities and secure decisions required to fulfill the CIB mandate, including participation in Strategy Tables and development of annual Corporate Plan		

OUTCOME	RESULT INDICATOR	TARGET	ACHIEVEMENTS
<b>Demonstrate transparency and results to Canadians</b>	Publish information via CIB platforms and products in line with CIB communications policies and protocols	Update website, expand social media platforms, develop new print products	Website includes all required reports and disclosures such as quarterly financial reports, Annual Report and Corporate Plan summary, annual public meeting, and additional project profiles, all in both official languages  Social media and email distributions have increased direct information dissemination to target audiences

## Projects Announced with CIB Participation

Our Board-approved Investment Policy specifies that projects and related risks are overseen by our Management Investment Committee and the Investment Committee of the Board at key decision points. Ultimate investment approval rests with the CIB Board. The Investment Policy is available on the CIB's website.

Since its inception, the CIB has announced participation in 21 projects across our five priority sectors, at various stages of development, in different regions and communities, including the north. We worked throughout the year with federal, provincial, territorial, municipal and Indigenous organizations to develop project opportunities that include the private and institutional sectors.

Each of our priority sectors has different characteristics, requiring tailored solutions. Participation in these projects includes investments, due diligence and/or advice and engagement, often through an MOU that can help advance a project towards an investment decision. A number of projects are project acceleration efforts as part of the Growth Plan.

PROJECT	PRIORITY SECTOR	LOCATION	CIB PARTICIPATION	PUBLIC SPONSOR	KEY PARTNERS
<b>Projects that Achieved Financial Close</b>					
Réseau express métropolitain (REM)	Public Transit	Montreal metropolitan region, Quebec	\$1.28 billion	Province of Quebec	CDPQ Infra
Alberta Irrigation	Trade and Transport	Southern Alberta	\$407.5 million	Province of Alberta	Eight Irrigation districts
<b>Projects Progressing towards Financial Close</b>					
Oneida Energy Storage	Clean Power	Southwestern Ontario	\$170 million	Province of Ontario	NRStor Inc. and Six Nations of the Grand River Development Corporation
Southern Manitoba Fibre	Broadband	Southern Manitoba	\$130 million	Southern Manitoba municipalities	Valley Fiber Limited, DIF Capital Partners
Lake Erie Connector	Clean Power	Southwestern Ontario	\$655 million	Province of Ontario	ITC Holdings Corp.
Montréal-Trudeau International Airport REM Station	Public Transit	Montreal, Quebec	\$300 million	Province of Quebec, Transport Canada	Aéroports de Montréal, Province of Quebec, Transport Canada
City of Edmonton ZEBs	Public Transit	Edmonton, Alberta	\$14.4 million	City of Edmonton	Edmonton Transit Service
City of Ottawa ZEBs	Public Transit	Ottawa, Ontario	\$400 million	City of Ottawa	OC Transpo
British Columbia Zero-Emission School Buses	Public Transit	British Columbia	\$30 million	Province of British Columbia	Association of School Transportation Services of British Columbia
<b>Advisory, Project Development and/or Projection Acceleration</b>					
VIA Rail	Trade and Transport	Quebec City to Toronto corridor, Quebec and Ontario	Up to \$55 million	Transport Canada, VIA Rail	Transport Canada, VIA Rail
GO Rail Expansion	Public Transit	Greater Toronto and Hamilton Area, Ontario	Up to \$2 billion	Province of Ontario	Infrastructure Ontario and Metrolinx
Lulu Island District Energy	Clean Power and Green Infrastructure	Richmond, British Columbia	Memorandum of Understanding	City of Richmond	Lulu Island Energy Company



PROJECT	PRIORITY SECTOR	LOCATION	CIB PARTICIPATION	PUBLIC SPONSOR	KEY PARTNERS
Contrecoeur Port Expansion	Trade and Transport	Contrecoeur, Quebec	Up to \$300 million	Montreal Port Authority	Montreal Port Authority
Taltson Hydroelectricity	Clean Power	Taltson, Northwest Territories	Advisory	Government of Northwest Territories	Government of Northwest Territories
Pirate Harbour	Clean Power	Point Tupper, Nova Scotia	Memorandum of Understanding	Province of Nova Scotia	Port Hawkesbury Paper
Kivalliq	Clean Power and Broadband	Nunavut	Memorandum of Understanding	Kivalliq Inuit Association	Sakku Investments Corporation
Calgary-Banff Rail	Public Transit	Calgary to Banff Corridor, Alberta	Memorandum of Understanding	Province of Alberta	Government of Alberta
New Westminster Rail Bridge	Trade and Transport	Vancouver, British Columbia	Advisory/Project Acceleration	Government of Canada	Government of Canada
Highway 697 Toll Bridge	Trade and Transport	Mackenzie County, Alberta	Advisory/Project Acceleration	Province of Alberta	Government of Alberta
MD of Acadia and Special Areas Irrigation	Trade and Transport	Southeastern Alberta	Advisory/Project Acceleration	Province of Alberta	Government of Alberta, Municipal District of Acadia and Special Areas Board
City of Edmonton Building Retrofits	Green Infrastructure	Edmonton, Alberta	Advisory/Project Acceleration	City of Edmonton	City of Edmonton

## HIGHLIGHTS OF PROJECTS IN 2020-21

### ***Calgary Banff Rail***

We are advising the government of Alberta on financing options for a new 130-kilometre passenger rail service between Calgary International Airport and Banff National Park. The project would support Alberta's economy, increase labour mobility and reduce vehicle GHGs.

### ***Alberta Irrigation***

The CIB committed to provide debt of \$407.5 million representing 50% of the total capital cost to finance the expansion of irrigation infrastructure in Southern Alberta. The project includes construction of four off stream storage reservoirs and modernization of water conveyance infrastructure which will increase agricultural irrigation in Southern Alberta. There is a separate funding agreement for each of the eight irrigation districts.

### ***Oneida Energy Storage***

The CIB will invest up to \$170 million in this Oneida Energy Storage LP project to create the largest energy storage facility in Canada.

Oneida Energy Storage LP, a joint venture between NRStor Inc. and Six Nations of the Grand River Development Corporation, is planning a 250 megawatt/1000 megawatt-hour battery storage facility in Jarvis, Ontario. The facility would absorb surplus electricity from the Ontario power grid during off-peak hours and return it to the grid when energy demand is at its peak. It is designed to reduce the use of natural gas-fired power plants during times of peak demand, saving consumers money and reducing carbon dioxide emissions.

### ***New Westminster Rail Bridge***

We are examining the needs of the Asia Pacific Gateway transportation network, including the New Westminster Rail Bridge in British Columbia's Lower Mainland. The network encompasses ports, rail, highways, and intermodal facilities connecting western Canada with Asia Pacific economies.

The CIB will expedite assessment work consistent with our mandate to advise on trade and transportation projects.

### ***Southern Manitoba Fibre***

The CIB is working with Valley Fiber Limited (Valley Fiber) and DIF Capital Partners (DIF) to invest a total of \$260 million to increase broadband to underserved households. The project involves 2,550 kilometres of fibreoptic cabling in rural municipalities. Up to 49,000 households will benefit from the Southern Manitoba Fibre broadband project.

Under the terms of the arrangement, the CIB will invest \$130 million and DIF will contribute \$130 million. Valley Fiber will be responsible for all aspects of construction, installation, operation and maintenance of the new broadband service.

### ***Montréal-Trudeau International Airport REM Station (announced after 2020-21 fiscal year end)***

The CIB will provide a loan of \$300 million in a \$600 million project to build a REM transit station at Montréal-Trudeau Airport that provides a direct rail link to downtown Montréal.

This builds on the CIB's previous investment (a \$1.28 billion loan) to the REM transit project and supports sustainable economic growth and job creation in Greater Montréal. Our partners are the Government of Canada, the Government of Quebec and Aéroports de Montréal.

### ***Lake Erie Connector (announced after 2020-21 fiscal year end)***

The CIB and ITC Investment Holdings plan to invest \$1.7 billion in the Lake Erie Connector project a proposed 117-kilometre underwater transmission line. The line would connect Ontario's electricity grid with the PJM Interconnection in the U.S. Midwest.

Under the proposed terms of the arrangement, the CIB will invest up to \$655 million (or up to 40% of the project cost). ITC, a subsidiary of Fortis Inc., and private sector lenders will invest up to \$985 million, the balance of the project's capital cost. A regulated asset with a regulated return, the 1,000-megawatt underwater transmission line will improve the reliability and security of Ontario's energy grid and allow Ontario to export its low-carbon electricity to one of the largest power markets in the world.

### ***City of Ottawa (OC Transpo Zero-Emission Buses) (announced after 2020-21 fiscal year end)***

The CIB plans to invest \$400 million in the City of Ottawa's ZEB infrastructure. The arrangement sees the CIB supporting the adoption of approximately 450 ZEBs over the next six years. The CIB's financing will cover upfront capital cost of ZEBs and accelerate the electrification of the city's bus fleet, helping to reduce GHGs and create local manufacturing and energy sector jobs.

### ***City of Edmonton (Zero-Emission Buses and Public Building Retrofits) (announced after 2020-21 fiscal year end)***

The CIB intends to invest \$14.4 million in the city's ZEB infrastructure. Under the arrangement, the CIB will help the city purchase 20 zero-emission buses. The new bus purchase will add to Edmonton Transit Service's (ETS) fleet of 40 zero-emission transit vehicles. ETS electric buses produce zero tailpipe emissions, are quieter and have less maintenance costs compared to diesel vehicles. The buses will contribute to the city's shift toward more sustainable transportation, lower its carbon footprint while providing a high-quality transit service for users.

Under a separate memorandum of understanding, the CIB will advise the City on its building retrofit initiative, which is designed to improve the energy efficiency of municipal buildings. The goal of the feasibility study is to find opportunities to reduce GHGs from the City's existing buildings and new approaches to modernizing its assets.

### ***British Columbia Zero-Emission School Buses (announced after 2020-21 fiscal year end)***

The CIB worked to develop an agreement with the Association of School Transportation Services of British Columbia for up to \$30 million in CIB financing towards the purchase of up to 280 zero-emission school buses.

ZEBs are expected to have lower maintenance and fueling costs compared to equivalent GHG emitting vehicles. A zero-emission electric school bus saves approximately 17 tonnes of GHGs annually compared to a diesel school bus and helps owners lower their carbon footprint.

## **INVESTMENT INITIATIVES LAUNCHED IN 2020-21**

### ***Indigenous Community Infrastructure***

In addition to our near-term Growth Plan initiatives and objectives, we continue to identify and assess projects with Indigenous communities that go deeper and broader in our priority sectors. We are working on both short-term and long-term projects that will help to close the infrastructure gap.

Following the receipt of the new SPA, the CIB welcomed and adopted a \$1 billion investment target for Indigenous infrastructure projects across our five priority sectors.

We launched the ICII, which is designed to address the significant need for lower cost but vital infrastructure in communities. The program does so by providing investments of a minimum of \$5 million for up to 80% of the capital cost of community-infrastructure projects across the CIB's priority sectors.

This is one important way to help close the Indigenous infrastructure gap and to achieve our overall \$1 billion target of investing in infrastructure in partnership with and for the benefit of Indigenous peoples.

We see the \$1 billion target as a floor, not a ceiling, and look forward to working on many important projects with Indigenous partners.

We continue to work with First Nation, Métis and Inuit communities to explore opportunities to collaborate on major large-scale projects. In addition, our ICII aims to provide low-cost loans for community-based projects.

### ***Zero-Emission Bus Initiative***

Diesel buses are significant GHG contributors across Canada. ZEBs are an alternative to both improve the transit experience and make a transition to low-carbon infrastructure. The CIB's \$1.5 billion initiative aims to accelerate adoption of an estimated 4,000 ZEBs, comprised of a mix of transit and school buses.

Bus owners, including transit and school bus operators, can take advantage of the CIB's financing to modernize their bus fleets on an accelerated basis. The CIB's financing, in the form of direct loans, can cover the higher upfront capital costs of ZEBs and charging infrastructure versus diesel buses. Repayment of the CIB's loans under the ZEBs initiative are sourced solely from actual savings generated by the lower cost of operating ZEBs compared to the higher cost of operating diesel buses.

### ***Building Retrofits Initiative***

The CIB has launched the Public Building Retrofits Initiative to provide flexible financing solutions which allow all levels of government, hospitals, post-secondary institutions and Indigenous communities to achieve their GHG reduction targets faster and with less risk. There are no minimum capital contributions required, and repayment is tied to realized energy savings with no minimum payment guarantees. The CIB will work with the public sector owners to evaluate their portfolio, develop a business case and build marketable bundles of projects. The target minimum value is \$40 million.

In addition, the CIB Commercial Building Retrofits Initiative provides financing for decarbonization retrofits in privately-owned commercial, industrial and multi-unit residential buildings in Canada. Projects must consist of an investment opportunity for the CIB of a minimum of \$25 million. The initiative is open to two kinds of applicants:

- Building owners who may apply for financing to retrofit one or more of their buildings; and
- Third-party retrofit aggregators, including: Existing Energy Service Companies (ESCO), Super ESCO models, new entrants to the energy services market and Commercial Property Assessed Clean Energy (C-PACE) program administrators.

### ***Clean Power Interprovincial Transmission***

In an effort to help Canada achieve its 2030 and 2050 climate targets, the CIB is in discussions with several provinces, territories and their respective utilities about building new transmission interconnections to move clean power and displace fossil fuel-based electricity generation. The CIB can play an important role in providing advice and making investments to accelerate these projects and fill the risk and economic gaps that exist.

### ***Broadband Collaboration with the Universal Broadband Fund***

The CIB's broadband initiative aims to accelerate connectivity in Canada by financing large-scale, high-impact projects. Broadband projects for underserved areas have high capital costs but lack the user base density to commercially support the initial capital investment. The CIB intends to bridge this gap with long-term, low cost financing to help make the projects more viable.

The CIB and ISED have agreed to collaborate to encourage and jointly assess and enable large broadband projects within ISED's Universal Broadband Fund. The CIB will provide significant capital across senior debt, subordinated debt, or equity investments. These investments will be made alongside contributions from ISED (and potentially provincial programs) and private capital from Internet Service Providers (ISPs) and private and institutional investors to connect hundreds of thousands of households across Canada to broadband internet.

## UPDATES ON SELECT PROJECTS PREVIOUSLY INITIATED

### ***High Frequency Rail Joint Project Office***

The CIB is collaborating with VIA Rail through a Joint Project Office (JPO) created to conduct due diligence and pre-procurement activities and analysis of high-frequency rail between Toronto and Quebec City. The CIB is approved to spend up to \$55 million in this effort, with an additional \$16.1 million being provided by Transport Canada and VIA Rail. The JPO has provided its interim report to the government and is continuing de-risking activities.

### ***Kivalliq Hydro-Fibre Link***

We have been working with the Kivalliq Inuit Association and Sakku Investments Corporation on the proposed construction of a new 1,200-kilometre, 150-megawatt hydroelectric line between Nunavut and Manitoba. This project would bring renewable and reliable hydroelectricity to the region, along with fibreoptic cable to deliver reliable broadband service, supporting economic growth in remote communities. It is also consistent with our target to invest \$1 billion in Indigenous infrastructure across priority sectors.

### ***Contrecoeur***

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 resulted from collaborative work with the public sponsor, including 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.

### ***Lulu Island***

The CIB has been working with Lulu Island Energy Company on the expansion of the City of Richmond's district energy system from 3.6 million square feet to 50 million square feet. The district energy system will provide low-carbon and reliable energy sources to existing and future residential and commercial development.

### ***Taltson***

The CIB, along with the Government of the Northwest Territories and their financial advisor, are assessing financing solutions to develop the Taltson project. This project involves a 60-megawatt expansion of a clean hydroelectric facility and the construction of 270 kilometers of new transmission infrastructure. This project will expand the use of hydroelectricity in the region and improve reliability of the electric grid, reducing reliance on diesel and facilitating economic growth. Over the past year, a business case has been completed, which includes projections for revenues, capital costs and operating costs for the project. Analysis of financial structures are ongoing.

### ***Pirate Harbour***

The CIB is working with Port Hawkesbury Paper on the development of a 112-megawatt wind farm. This wind farm will provide power to the paper mill, reducing the strain on Nova Scotia's transmission system and electricity generated from fossil fuels. PHP has installed two meteorological towers to collect wind data that will be critical to inform the financing of this project. PHP is working with Nova Scotia Power Inc. and is assessing commercial agreements and financing structures with the CIB.

## REM

The REM under construction in Greater Montreal is an automated light rail network that will facilitate travel around the city and reduce GHGs when operating. The CIB's \$1.28 billion loan to the REM bridged the construction and ramp-up risks and was the first example showing how the CIB can partner with institutional investors, in this case CDPQ Infra, a wholly owned subsidiary of Caisse de dépôt et placement du Québec.

The CIB loan was funded in 2019-20, with the final draw made on April 1, 2020. The first trains are expected to start running in the summer of 2022 on a segment of the network with other segments to be put into service in 2023 and 2024.

## CLIMATE CHANGE

We are committed to helping Canada transition to a low-carbon economy. Investments in our priority sectors – including clean energy, public transit, building retrofits and ZEBs – will help reduce Canada's GHGs.

Clean power projects are often delayed or not developed because of financing challenges and gaps in the capital structure. To help deliver clean power projects, the CIB can provide low-cost and long-term capital, often pegged to revenue streams that are not typically sufficient for traditional debt and equity investors.

Financing challenges also limit the development and expansion of clean transit systems. Our ZEB initiative will finance the upfront costs of electric battery and fuel cell buses (which are higher than diesel fuelled buses), with loans being repaid from long-term operating cost savings.

Inefficient energy consumption in commercial buildings is a major source of GHGs. We are working with large private and public sector real estate owners to improve the energy efficiency of existing buildings.

The CIB is also developing its investment framework and sustainability policy and collaborating with government on GHG reporting and climate-related disclosure.

## Investment and Advisory Overview

We remain focused on an overall goal to invest \$35 billion over the long term.

As we work to deliver the Growth Plan, we are also concentrating on identifying projects that go deeper and broader in our priority sectors.

Over the course of the fiscal year, the CIB advanced a suite of projects. Notably, there was an increase in the volume of quality project opportunities brought forward after the Growth Plan was announced.

The CIB also created initiatives with standard terms in certain sectors where we can expect a high degree of consistency among projects and the potential for scalable investment, such as zero-emission buses and building retrofits.

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 optimizing risk transfer to, and investment from, the private and institutional sectors.

The early steps involve our investment experts developing an in-depth understanding of project sponsors' priorities and providing advice on options to advance projects. Through this process, 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 appropriate risks (such as operating or revenue risk) to the private and institutional sectors versus traditional procurement models.

This does not mean an investment will ultimately come to fruition but demonstrates the parties' respective commitment to advance a project to the point where an investment decision can be made.

## **EVOLUTION OF OUR INVESTMENT PROCESS**

Our investment process begins with the sourcing and development of projects by highly skilled and experienced investment professionals.

Proposals may come to the CIB from public sector sponsors, Indigenous communities, or from the private and institutional investors.

In 2020-21, we updated and published our Investment Policy and we released our Unsolicited Proposals framework on our website. The policy defines the roles and responsibilities of the CIB Board and management when it comes to investment oversight and decision-making, as well as our investment practices.

The unsolicited proposals framework outlines how the private sector and institutional investors can bring forward project proposals to the CIB. We offer our expertise and facilitate the assessment of unsolicited proposals by public and private partners to determine if they solve infrastructure problems and open up innovative investment opportunities.

When the CIB team conducts due diligence on potential projects, we consider a range of elements including:

- alignment with our priority sectors;
- input of federal and other governmental partners;
- investment size and structure;
- timing of investment;
- investment pricing;
- risk transfer and tolerance; and
- availability of private and institutional capital to solve the financing gap.

In each of our priority areas, we are flexible, adaptable, and targeted – we bridge specific gaps in projects so that new infrastructure can be built. While we are disciplined in our focus on priority sectors and rigorous in our investment decision-making, we are not one-size fits all in our approach.

While the CIB is diligently focused on rigorous review of high-potential projects, we have considered hundreds of projects that have had varying degrees of merit and alignment to the CIB's purpose and mandate.

When reviewing projects, the CIB also considers the impact of investments on priority outcomes such as GHG reductions, improved connectivity through public transit and broadband, economic growth, and Indigenous participation.

As discussions, structuring and negotiations become more advanced, our participation in projects requires the sequential approvals of the CIB's Chief Investment Officer, the Management Investment Committee, the Investment Committee of the Board and ultimately the full CIB Board of Directors. Our Corporate Plan and SPA confirm that the CIB's Board of Directors makes final investment decisions.

### **ASSET MANAGEMENT**

As the CIB's portfolio grows, we are building asset management capabilities to oversee and monitor all investments, including debt and equity participation.

The CIB has appointed a Head of Asset Management and is in the process of resourcing the function. Over time, asset management activity will consist of operational and technical professionals and will evolve as the CIB deploys more capital.

The CIB is building asset management governance processes to receive, manage and maintain key documentation and provide timely updates to relevant stakeholders. It is also helping to develop the CIB's approach to defining and tracking investment outcomes.

## **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. Both documents incorporate robust investment risk management processes.

An internal investment risk rating methodology is the foundation for a consistent, disciplined underwriting process, in accordance with market best practices. It supports the investments team through its transaction risk analysis and resulting investment risk rating for each investment under consideration. The internal risk rating tool includes a risk rating scorecard used in the identification, assessment, and potential mitigation of investment risks.

The CIB seeks to invest a minimum of \$1 billion to \$5 billion in each of our priority sectors. However, we do not manage the 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 similar size.

## Enterprise Risk Management

The CIB continues to adopt best practices for risk management. It has an ERM program and an independent ERM function. Our ERM framework and ERM policy, approved by the Board of Directors in 2019-20, define clear risk-related roles and responsibilities across the organization.

In 2020-21:

- We enhanced reporting to management and the Board with a quarterly risk dashboard and sector updates.
- We added credit and market risk expertise to the team, to keep pace with the CIB's expanding investment and asset management activities.
- We organized risk-related sessions with external expert speakers to strengthen the CIB's risk culture.
- We developed an Operational Risk Management (ORM) guideline which was approved in July 2020 and key risk indicators developed in collaboration with each internal business function. ORM training sessions were completed in October.

## Knowledge and Research Overview

Knowledge and Research represents an additional way for the CIB to have a meaningful impact on the evolution of infrastructure investment in Canada. High quality research supports the strategy of the CIB and its public and private sector partners, advances our progress in making investments across all sectors, and can lead to better informed policy and investment choices.

In 2020-21, our goal was to partner with leading experts from across Canada to develop and distribute knowledge and research that will be relevant to the CIB, public project sponsors, private sector and institutional investors and to the broader public policy community. We aimed to enhance the understanding and acceptance of infrastructure investment approaches involving private sector and institutional investment, bring greater insight and understanding to the challenges and issues faced in our priority sectors, and support thought leadership within the sector.

Our knowledge and research priorities for the year were:

- accelerating strategically identified research topics/themes;
- engaging with thought leaders, including academics and think-tanks, to define and deliver knowledge and research that is net new to the Canadian infrastructure landscape;
- engaging with governments and Indigenous communities to develop and execute policy research initiatives; and
- helping to build the CIB's capacity as a centre of expertise.

We supported and participated in roundtables on sustainable finance, conducted by the Public Policy Forum. Incorporating the principles of sustainable finance into business processes is critical to making sound investment decisions, accounting for their impact and performance, and ensuring progress is made towards climate and sustainability objectives.

The CIB supported and advised the Conference Board of Canada in its work to investigate and document the essential conditions for investment in microgrids. This study, published in April, demonstrated that microgrid investment represents an opportunity to lower carbon dioxide emissions, reduce reliance on diesel, and create jobs in more than 100 remote, diesel-dependent communities. It underscored the

importance of involving Indigenous communities in the planning and structuring of these investments. It also noted that “Public-private financing can provide low-cost financing, credit enhancement, and project de-risking, and can streamline the layering of public grants with debt financing.”

During the year, we engaged with over 30 industry, business, academic and international infrastructure thought leaders and organizations on key issues that will shape future research endeavours.

We forged links with experts at the forefront of infrastructure and finance developments, including in the U.S., the U.K. and Australia, to enhance knowledge of best practices and experience.

We are playing a supportive role as the Canadian government plans to conduct a National Infrastructure Assessment to identify needs and priorities, and plan for a net-zero emissions future by 2050. The NIA will allow for a comprehensive, evidence-based and expert-driven assessment of our country’s infrastructure near and medium-term needs and establish a long-term vision. It will examine and advise on how to improve coordination, collaboration and alignment among infrastructure owners and funders. The assessment will also support a better understanding of the gap between the current state and future needs and explore opportunities for innovative ways to pay for the infrastructure Canada needs. We are providing expert input regarding the financing and funding of infrastructure projects.

## Corporate Affairs and Communications

Our team of communication professionals works to improve awareness of the CIB externally with partners and the public, with significant engagement with media and stakeholders.

Communications about CIB projects emphasizes 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.

CIB leaders participated in approximately 80 speaking opportunities and industry conferences and stakeholder events to update potential partners and the market on the CIB’s activities and priorities.

Appearances before the House of Commons Standing Committee on Finance in June 2020 and Standing Committee on Transportation, Infrastructure and Communities in March 2021 also took place.

Media engagement increased significantly, and transparent publishing of information on the CIB’s website and social media platforms reached targeted audiences more effectively.

The new CIB lettermark was implemented across all CIB communications.

Consistent with the CIB’s Action Plan on Official Languages, the Communications team provides its services in both English and French.

## Human Resources, People and Culture

### DIVERSITY AND INCLUSION

The CIB has a diverse Board of Directors as well as a diverse team of managers and employees. 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.

The CIB 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.

As of March 31, 2021, the CIB had 74 full-time employees and contractors.

Gender diversity is a key component of our commitment. Women represented 40% of full-time employees and contractors, 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, and the Chief Financial Officer & Chief Administrative Officer.

Approximately 30% of the CIB workforce is bilingual (English/French). The CIB's broader official languages action plan is led by the General Counsel and Corporate Secretary, who is our champion for official languages.

With our employees' involvement, we are developing a more comprehensive policy and internal practice for diversity and inclusion, which will help to shape the culture of the organization. Subsequent to year end, we launched a diversity and inclusion survey of employees, led by a third party, to obtain an independent perspective and help guide the development of our diversity and inclusion (D&I) strategy and action plans. We are creating a D&I committee of employees from across the organization, at different levels, to act as our eyes and ears and to advance our strategy.

## **HUMAN RESOURCES AND COMPENSATION**

To successfully fulfill its mandate, the CIB must have the flexibility to attract, motivate and retain qualified employees with commercial experience and professional skills from the investment and finance industries. The CIB has developed a comprehensive human resources strategy, which reflects the best practices of Crown corporations and other comparable organizations, to ensure that it has the right mix of skill sets and technical expertise in place, as well as policies to ensure that its hiring and compensation practices are fair and appropriate. The CIB is also committed to creating a diverse workforce that reflects Canada's gender, linguistic, cultural and regional diversity, including the unique perspectives of Indigenous Peoples.

The Board is responsible for the overall governance of the CIB. The Board has delegated to the HRCC the responsibility to assist the Board with human resources matters, including talent management and compensation. During the 2020-21 fiscal year, the HRCC completed a review of the CIB's compensation framework, including the incentive plan, to better measure performance, including how the CEO, executives and employees deliver on corporate objectives and long-term outcomes. The updated compensation framework is being implemented for the fiscal year beginning April 2021.

The CIB's compensation framework for all employees (including the CEO) is comprised of the following elements:

- The CIB offers market-competitive compensation, with a focus on total compensation (a mix of base salary and variable performance-based incentive).
- The target for compensation ranges is the 50th percentile of the benchmark group against which the CIB competes for talent and expertise.
- The CIB has also established a voluntary Group Registered Retirement Savings Plan, and a Group Non-Registered Savings Plan where the CIB matches employee contributions up to a limit. The CIB does not have a defined contribution or defined benefit pension plan.

The guiding principles of the CIB's compensation framework emphasize organization-wide performance, measurable outcomes, the deployment of capital with appropriate risk sharing, among others.

Given the diversity in skills, capabilities and competencies the CIB requires to effectively fulfill its mandate, executive and non-executive compensation structures and target total direct compensation ranges (base salary plus target incentives) are reviewed annually by the HRCC by comparing the CIB's practices with those of peer organizations operating in both the public and private sectors. To assist with this review, the CIB retains external compensation consultants to provide market analysis and data from the consultants' proprietary surveys.

In recruiting and developing qualified employees with expertise in infrastructure investment and project development, we compete with the large investment managers and financial institutions in Canada. Within this competitive marketplace, a competitive compensation package is essential to attract, motivate and retain this talent and effectively carry out the CIB's purpose to invest and attract private and institutional investment in revenue-generating infrastructure projects in the public interest and develop innovative financing tools.

The CIB's benchmark group includes pension funds, investment management organizations with long-term investment horizons and fiduciary roles, and other organizations in the financial services and insurance industries, as well as the broader public sector. Due to the CIB's unique mandate, there are no direct industry peers in the Canadian market based on similar investment mandates and operations. Comparable organizations in the benchmark group include:

- Alberta Investment Management Corporation (AIMCo)
- BC Investment Management Corporation (BCI)
- Caisse de dépôt et placement du Québec
- Canada Pension Plan Investment Board (CPPIB)
- Export Development Canada (EDC)
- Healthcare of Ontario Pension Plan (HOOPP)
- Investment Management Corporation of Ontario (IMCO)
- Ontario Municipal Employees Retirement System (OMERS)
- Ontario Teachers' Pension Plan
- OPSEU Pension Trust
- PSP Investments

The overall group target is the 50th percentile of the benchmark group. The most recent review led by the HRCC confirmed that the CIB's targeted total direct compensation ranges for employees is generally positioned at the median of the benchmark group.

We have established compensation bands for each level of the employee group to provide management the flexibility to set compensation for each employee relative to the median depending on each employee's skills and experience.

The CIB's approach is to pay a greater proportion of total direct compensation in the form of base salary (compared to the incentive target) relative to the market. The CIB's peers in the benchmark group generally place significant weight on investment returns in measuring total incentive awards, whereas the CIB's objective is to focus on infrastructure projects that deliver positive economic and social outcomes for Canadians and their communities. Compared to its peer group, CIB employees have lower incentive, and as described below, senior-level employees are required defer a portion of their incentive award in order to drive performance over the longer-term.



Employees receive a base salary for fulfilling their core job responsibilities. Salaries reflect skill level, experience and scope of responsibilities. The HRCC reviews salary ranges across each level in the Corporate and Investment/Project Development groups and the CIB retains external compensation consultants to review annual compensation surveys to ensure that base salaries remain competitive within our talent market. The CIB reviews salaries annually at the end of each fiscal year. Increases to the base salary of executives require the approval of the HRCC. For the 2020-21 fiscal year, the base salaries for executives ranged from \$250,000 to \$435,000.

Employees are eligible to receive an annual incentive award based on the combination of achievement of individual and organizational corporate objectives.

Incentive targets vary in level from administrative to head roles in the Corporate functional groups, and analyst to managing director in the Investment/Project Development group. A portion of the annual award is paid out following the end of the fiscal year (the “In Year Award”). Pay-outs for the In Year Award can range from 0 – 1.5x of the employee’s incentive compensation target, which is defined as a percentage of the employee’s base salary, increasing with seniority.

For senior-level employees (e.g., CEO, executives, managing directors, senior directors and heads) a significant portion of the total incentive compensation award is subject to overall performance of the organization. Specifically, 80% of the In Year Award is tied to the achievement of organizational corporate objectives documented in the CIB’s Corporate Plan, and 20% is tied to the achievement of individual objectives. The purpose of this structure is to align the interests of senior-level employees with the interests of the CIB’s stakeholders.

Senior-level employees are also required to defer a portion of the incentive award to hold them accountable for the long-term effectiveness of the capital deployed and the intended public interest outcomes of the CIB’s investments. The percentage deferred is based on level with executive-level employees deferring more.

Pursuant to subsection 12(3) of the *CIB Act*, the rate of any remuneration paid to the CEO is to be fixed by the Governor in Council on the recommendation of the Board. In making its recommendation, the Board is to take into account the skills required for the position and the remuneration paid to persons in comparable positions. The Governor in Council fixed the remuneration of the CEO by Order in Council (OIC 2020- 0835), which base salary is within the range of \$510,000 – \$600,000 per annum. Any increase to the base salary of the CEO requires the approval of the Governor in Council.

The CEO’s remuneration and conditions of employment, including any performance-based bonuses and incentives, are approved by the Governor in Council, having regard to the recommendation made by the Board to the Minister. The process followed by the Board for recommending performance-based remuneration to the CEO is described in the Performance Management Program for Chief Executive Officers of Crown Corporations published by the Privy Council Office in April 2018.

The CEO’s annual performance objectives for the first year are detailed in the Order in Council approving his appointment. For subsequent years, the annual performance objectives are aligned with the CIB’s overall objectives documented in the Corporate Plan submitted to the Minister and approved by the Treasury Board.

In accordance with its Charter, the Board approves (having regard to the recommendations, if any, of the HRCC) the recommendation to the Minister for the CEO’s total direct compensation and the performance rating for payment of incentive compensation awards. In instances where the Minister disagrees with the Board’s recommended performance rating, the Minister will provide a rationale to the Governor in

Council, via the Privy Council Office. The Governor in Council exercises final decision-making authority to approve the performance rating and incentive compensation award provided to the CEO.

The CIB is committed to being open and transparent with Canadians about its operations. The CIB does not disclose individual compensation received by the CEO and employees, due to competitive and privacy considerations. This disclosure complies with the requirements for Crown corporations in the *FAA* and is aligned with the policies, guidelines and directives established by the Treasury Board of Canada Secretariat, including guidance with respect to the preparation of corporate plans and annual reports.

## Legal and Compliance

To manage the risk of non-compliance with applicable federal legislation, regulations and other policies and directives, the Board of Directors has adopted the Corporate Governance and Compliance Policy Framework. The General Counsel & Corporate Secretary is responsible for executing strategy and ensuring compliance with legislative and policy requirements. In this role, the General Counsel reports to the Governance Committee (and other Board committees) on all regulatory compliance matters.

Compliance efforts in the 2020-21 fiscal year focused on reviewing and assessing existing controls to address relevant federal legislative and policy requirements, including the Canada Labour Code (Work Place Harassment and Violence Prevention Regulations), the *Access to Information Act*, and the *Financial Administration Act*, among others. Employees participated in mandatory awareness sessions on various compliance-related topics, including access to information, maintaining a harassment, violence and discrimination-free workplace, and the CIB's procurement procedures to ensure compliance with trade agreement obligations.

We also continued to implement the CIB's action plan on official languages to meet commitments and obligations under the *Official Languages Act*. The CIB has designated an officer responsible for ensuring the CIB is promoting both official languages and considering official languages in decision-making processes.

## Operations including Information Technology

During 2020-21, in conjunction with our IT provider, the CIB developed and implemented core business systems that will improve information sharing, automate key processes, improve data security, access controls and reporting, and integration with other applications used internally.

A new customer relationship management system manages the CIB's active project pipeline. It formalizes the CIB's investment and advisory processes and applies review and approval controls at pre-determined stages. It also provides increased data security and compliance, a centralized record of internal and external approvals, and the ability to share information across the organization.

A new enterprise resource planning (ERP) system streamlines several processes including budgeting, accounting, payroll, expenses accounts payable and reporting. Future capabilities will include increased automation of processes. The ERP system went live in April 2021, just after year-end.

## Financial Snapshot

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 CIB's external auditor for 2020-2021.

### HIGHLIGHTS

- Gross revenue of \$21.7 million
- CIB operating expenses of \$28.3 million or 31% below approved Corporate Plan
- VIA Rail Advisory expenses of \$25.0 million or 46% below approved Corporate Plan
- New ERP system to deliver efficiencies

\$ million

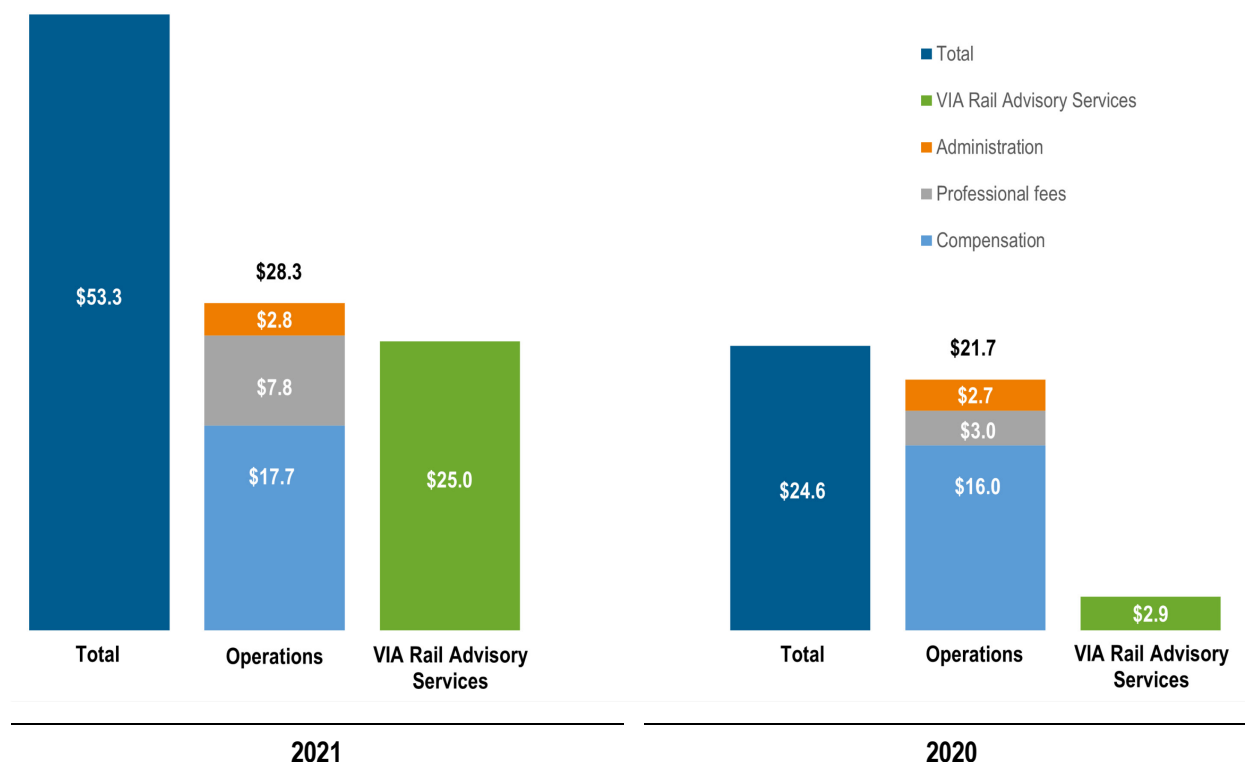
For the year ended March 31	2021	2020	\$ Change
Interest income	\$ 21.7	\$ 14.2	\$ 7.5
Operating expense	(28.3)	(21.7)	(6.6)
Net operating loss before provision and advisory services	(6.6)	(7.5)	0.9
Provision for losses	(74.0)	(2.8)	(71.2)
VIA Rail Advisory expenses	(25.0)	(2.9)	(22.1)
Net loss before government funding	(105.6)	(13.2)	(92.4)
Government funding	274.3	537.6	(263.3)
<b>Net income</b>	<b>\$ 168.7</b>	<b>\$ 524.4</b>	<b>\$ (355.7)</b>

## REVENUE

Accrued interest from financing activity was \$21.7 million, an increase of \$7.5 million from the previous year. Higher accrued interest was a result of portfolio growth from follow-on capital disbursements. This was offset by a \$74.0 million expected credit loss provision <sup>1</sup> (\$2.8 million in fiscal 2019-20) as a result of deteriorating economic and credit conditions partially caused by COVID-19.

## EXPENSES

For the year ended March 31  
\$million



Total General and Administrative expenses for fiscal 2020-21 of \$53.3 million were comprised of CIB operating expenses of \$28.3 (2019-20, \$21.7 million) and \$25.0 million (2019-20, \$2.9 million) of expenses related to the activities of the joint operation planning activities for the VIA Rail high frequency rail project. The CIB has been authorized to fund up to \$54.4 million of expenses related to the activities of the joint operation and have funded \$27.9 million to date.

CIB operating expenses were \$28.3 million in fiscal 2020-21, or \$6.6 million higher than the prior year. Increases primarily came from technical consulting and legal guidance related to due diligence activities for Growth Plan projects including assessment of the scope, design, risks and viability of the proposed construction and technology. In addition, we continued to increase capabilities across the organization by adding highly skilled employees, streamlining processes and building on our technology and risk management framework.

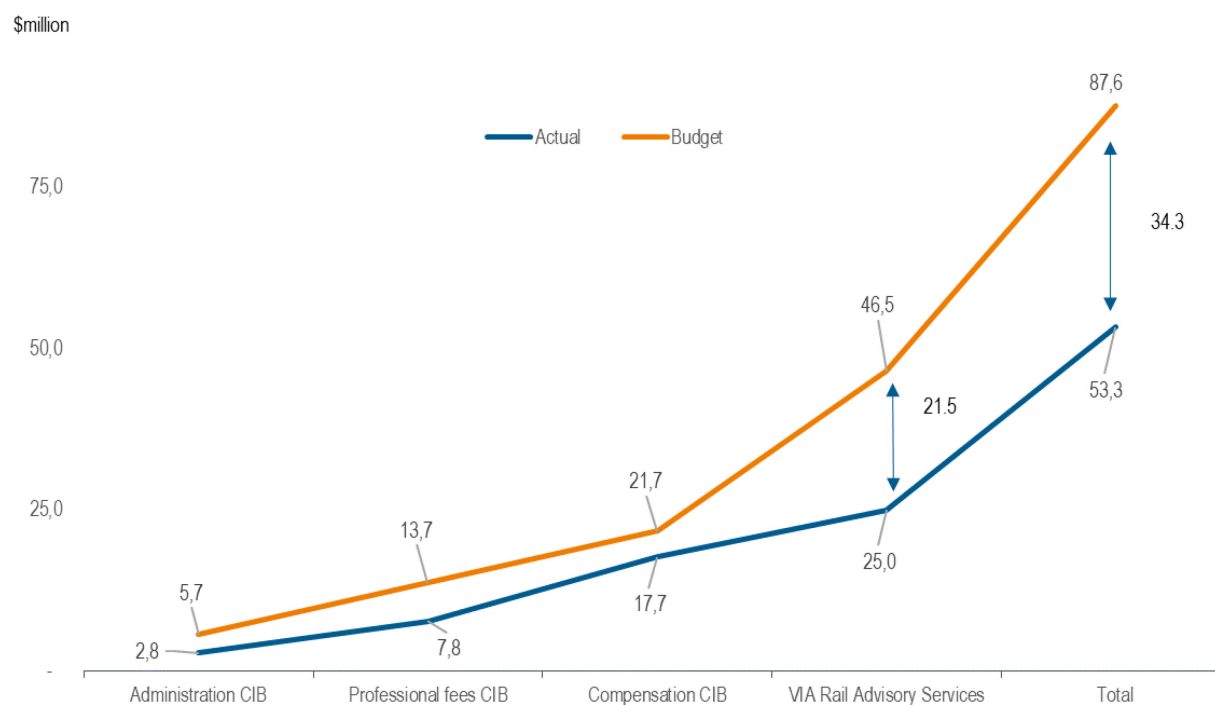
<sup>1</sup> The provision for expected credit losses is the probability-weighted estimate of credit losses over the expected life of a financial instrument. For F2020 the loss allowance was measured at an amount equal to the 12-month expected credit losses.

The CIB's operating expenses are 2.3 percent of invested assets and are in-line with the prior year. Total expenses, which include advisory services for the VIA Rail high frequency rail project, are 4.3 percent of invested assets and are 2.0 percent higher than last year primarily as a result of increased professional fees related to VIA Rail advisory services.

	2020-21	2019-20	\$ Change
Invested assets	1,244.9	1,075.1	169.8
CIB – Operating expenses	28.3	21.7	6.6
VIA Rail Advisory expenses	25.0	2.9	22.1
<b>Expenses as a percentage of invested assets</b>			
CIB – Operating expenses	2.3%	2.0%	0.3%
VIA Rail Advisory expenses	2.0%	0.3%	1.7%
	<b>4.3%</b>	<b>2.3%</b>	<b>2.0%</b>

Total expenses were significantly less than the \$87.6 million budgeted in the 2020-21 to 2024-25 Corporate Plan, predominantly due to operational efficiencies, timing of new hires and related costs, and lower-than-planned consulting expenses, including VIA Rail Advisory expenses.

### 2020-21 ACTUAL OPERATING COSTS BELOW BUDGET



“

By responding to the request for loan financing, the Canada Infrastructure Bank and the Québec government – along with the Canadian government through its generous direct contribution – have demonstrated exceptional solidarity in this matter. We can now finally say that the REM will be coming to Montréal–Trudeau International Airport. Their financial contribution was essential for the construction of our station.

PHILIPPE RAINVILLE, PRESIDENT AND CHIEF  
EXECUTIVE OFFICER, AÉROPORTS DE MONTRÉAL





# 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 judgment 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. The CIB's independent auditors, BDO Canada LLP, Chartered Professional Accountants, and the Auditor General of Canada have audited the CIB's Financial Statements and their report indicates the scope of their audit and their opinion on the Financial Statements.



**Ehren Cory**  
Chief Executive Officer



**Annie Ropar**  
Chief Financial Officer &  
Chief Administrative Officer

June 21, 2021

# 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, 2021, 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, 2021, 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 2020-21 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 2020-21 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 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.

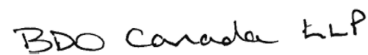
### *Auditors' Responsibilities for the Audit of Compliance with Specified Authorities*

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

Ottawa, Canada  
June 21, 2021



Chartered Professional Accountants,  
Licensed Public Accountants

Toronto, Canada  
June 21, 2021

## Statement of Financial Position

(in thousands of Canadian dollars)

As at March 31	Note	2021	2020
<b>Assets</b>			
CURRENT ASSETS:			
Cash	9	\$ 1,695	\$ 221,768
Government funding receivable related to operating expenditures	9	5,442	8,612
HST receivable		2,942	416
Prepaid expenses and advances		140	105
		10,219	230,901
NON-CURRENT ASSETS:			
Loan receivable	6,8	1,244,924	1,075,131
Right-of-use asset	10	3,180	3,441
Property and equipment	11	1,943	1,423
		<b>\$ 1,260,266</b>	<b>\$ 1,310,896</b>
<b>Liabilities and Shareholder's Equity</b>			
CURRENT LIABILITIES:			
Deferred government funding related to investments	9	\$ -	\$ 221,000
Accounts payable and accrued liabilities	12	8,704	8,506
Lease liabilities	10	227	221
		8,931	229,727
NON-CURRENT LIABILITIES:			
Deferred liabilities		1,634	512
Lease liabilities	10	3,566	3,793
Deferred government funding related to capital expenditures	9	1,943	1,423
		7,143	5,728
SHAREHOLDER'S EQUITY			
		1,244,192	1,075,441
		<b>\$ 1,260,266</b>	<b>\$ 1,310,896</b>

The accompanying notes are an integral part of these Financial Statements.

**On behalf of the Board:**



**Michèle Colpron**  
Chair, Finance and Audit Committee



**Tamara Vrooman**  
Chair, Board of Directors

June 21, 2021



## Statement of Income and Comprehensive Income

(in thousands of Canadian dollars)

For the year ended March 31	Note	2021	2020
<b>Investment (loss) income:</b>			
Interest income		\$ 21,747	\$ 14,193
Provision for losses	8	(73,996)	(2,823)
		(52,249)	11,370
<b>Expenses:</b>			
GENERAL AND ADMINISTRATIVE			
Compensation		17,742	16,053
Professional fees		7,809	2,960
Administration		2,419	2,334
Depreciation	11	302	269
Interest expense		87	90
Total operating expenses		28,359	21,706
ADVISORY SERVICES			
	16	24,951	2,925
		53,310	24,631
<b>Net loss before government funding</b>		<b>(105,559)</b>	<b>(13,261)</b>
GOVERNMENT FUNDING:			
	9		
Investment appropriations		221,000	513,000
Operating appropriations		53,008	24,362
Capital appropriations		302	269
		274,310	537,631
<b>Net income and comprehensive income</b>		<b>\$ 168,751</b>	<b>\$ 524,370</b>

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, 2021	Share Capital (Note 1)	Retained Earnings	Total Equity
Balance as at April 1, 2020	\$ -	\$ 1,075,441	\$ 1,075,441
Net income and comprehensive income	-	168,751	168,751
<b>Balance as at March 31, 2021</b>	<b>\$ -</b>	<b>\$ 1,244,192</b>	<b>\$ 1,244,192</b>

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>

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	2021	2020
<b>Cash provided by (used in):</b>			
<b>Operating activities:</b>			
Net income		\$ 168,751	\$ 524,370
Items not involving cash:			
Interest income accrued on loan receivable	8	(21,722)	(14,040)
Provision for losses	8	73,996	2,823
Interest expense on office lease		87	90
Depreciation - Right-of-use asset	10	261	261
Depreciation - Property and equipment	11	302	269
Depreciation of deferred capital funding related to capital expenditures		(302)	(269)
Change in deferred liabilities		1,122	(349)
Changes in non-cash working capital:			
Government funding receivable related to operating expenditures		3,170	(7,251)
Transaction costs		(1,067)	-
HST receivable		(2,526)	299
Prepaid expenses and advances		(35)	(79)
Right of use asset due to deferred rent adjustment		-	129
Accounts payable and accrued liabilities		198	6,467
Deferred government funding related to investment expenditures		(221,000)	221,000
Loan disbursements		(221,000)	(513,000)
<b>Total cash (used in) provided by operating activities</b>		<b>\$ (219,765)</b>	<b>\$ 220,720</b>
<b>Financing activities:</b>			
Deferred government funding related to capital expenditures		822	88
(Payment)/reimbursement of lease liability		(308)	92
<b>Total cash (used in) provided by financing activities</b>		<b>\$ 514</b>	<b>\$ 180</b>
<b>Investing activities:</b>			
Acquisition of property and equipment		(822)	(88)
<b>Total cash used in investing activities</b>		<b>\$ (822)</b>	<b>\$ (88)</b>
Net (decrease)/increase in cash during the year		(220,073)	220,812
Cash, beginning of the year		221,768	956
<b>Cash, end of the year</b>		<b>\$ 1,695</b>	<b>\$ 221,768</b>

The accompanying notes are an integral part of these Financial Statements.

# Notes to the Financial Statements

For the year ended March 31, 2021

## 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. The CIB is incorporated in Canada and wholly owned by the Government of Canada. The 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).

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

The 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.

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

The CIB currently receives appropriations from the Government of Canada. Parliament has authorized up to \$35 billion until fiscal year-end 2027-28, and the requisite authorities to participate in infrastructure transactions. Of the \$35 billion, the Government of Canada will allow up to \$15 billion against the fiscal framework. The 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. The 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, the CIB is expected to make investments in projects that are in the public interest in the priority areas of: public transit, clean power, green infrastructure, broadband, and trade and transportation. This in part, is expected to be delivered through the CIB’s approved \$10 billion growth plan initiative. The CIB can also invest in other areas of infrastructure if they are supported by government policy and pursue investments in projects across the country.

The 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. The CIB is also named in Part I of Schedule III to the *FAA*.

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

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

## 2. Basis of preparation:

The 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 the CIB’s functional currency, unless otherwise stated.

The Financial Statements were approved by the Board of Directors on June 21, 2021.

## 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:

The 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 the CIB’s financial assets are classified as 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, the CIB may irrevocably elect to present subsequent changes in FVOCI. This election is made on an investment-by-investment basis.

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

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

In addition, on initial recognition, the 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, the CIB has not made any such elections.

### ***Business model assessment***

Business model assessment involves determining whether financial assets are held and managed by the CIB for generating and collecting contractual cash flows, selling the financial assets or both. The 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 the 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 the 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, the 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 the 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 the 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 the CIB changes its business model for managing financial assets.

The CIB did not have any reclassifications during the year.

### **Financial liabilities:**

The 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 7 for a summary table outlining the classification and measurements of the 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 the 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.

The 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. 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*

The 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 the CIB under the contract and the cash flows that the CIB expects to receive;
- *financial assets that are credit-impaired at the reporting date*: the difference between the net 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 the CIB if the commitment is drawn down and the cash flows that the 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.

The 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. The 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 outcomes. The 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.

The 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 or other qualitative factors for an investment in stage 1 supports a

transfer to stage 2 and a credit-impairment event for an investment in stage 2 supports a transfer to stage 3. The following table illustrates the CIB's relative classification and rating for ECL staging.

CLASSIFICATION		RATING
Strong	Grade 1	Prime Grade
	Grade 2	High Grade
Satisfactory	Grade 3	Medium Grade
	Grade 4	Low Investment Grade
Higher Risk	Grade 5	Below Investment Grade
	Grade 6	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, the CIB assesses whether they are credit impaired.

The 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 the CIB in full, without recourse by the 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 the CIB.

#### *Derecognition*

##### ***Financial assets:***

The CIB derecognizes a financial asset when:

- the contractual rights to receive the cash flows from the asset have expired; or
- the CIB has transferred its rights to receive future cash flows of the financial asset, or
- the CIB 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:
  - has transferred substantially all the risks and rewards of ownership of the financial asset; or
  - 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 & useful life
Computer software	straight-line	5 years
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.

### 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, the 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:

The 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 the 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.

## 4. 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 the CIB's Financial Statements. The CIB will continue to monitor regulatory guidance.

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

In preparing the Financial Statements, management is required to make subjective judgments 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 judgments and estimates. Consequently, management reviews these assumptions regularly. Revisions to accounting judgments and estimates are recognized prospectively – i.e. in the period in which the judgments and estimates are revised and in any future period affected.

### COVID-19 IMPACT

On March 11, 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. The effect to the Canadian economy and financial markets has continued to evolve with disruptive effects contributing to increased market volatility and changes to the macroeconomic environment. The COVID-19 pandemic continues to have a significant adverse impact on the near-term economic outlook for the global economy. Restrictions on travel, physical distancing measures, and the closure of certain businesses imposed to limit the impact of subsequent waves of infection, continue to disrupt the economy.

The impact that COVID-19, including government and regulatory reactions to the outbreak, will have on the Canadian economy will depend on future developments, which are highly uncertain and could have longer-term effects on economic and commercial activity. This includes the scope, severity and duration of the pandemic.

The COVID-19 pandemic increases the need to apply judgment in evaluating the economic and market environment and its impact on significant estimates within the Financial Statements. This particularly impacts estimates and assumptions relating to allowance for credit losses and valuation of financial instruments. To address the current and future uncertainties inherent in the environment, management reviewed and updated its ECL model in the context of the macro and micro economic conditions precipitated by COVID-19 and its impact on the sectors in which the CIB invests.

As well, we considered forward-looking judgments and estimates on the workforce that includes the future impact of the work-from-home environment and start and stop restrictions. As the CIB's experience with the economic impact of the COVID-19 pandemic develops, management will adjust the economic factors and reflect them in the allowance for expected credit losses in future periods (Refer to Note 8).

The judgments and estimates we make for the purposes of preparing our Financial Statements relate to subjects that are inherently uncertain and may include the valuation of financial instruments, allowance for credit losses, asset impairment and provisions. We believe that our estimates of the value of our assets and liabilities are appropriate as at March 31, 2021

The economic environment in which we operate continues to be subject to sustained volatility, which could impact our financial results. We are closely monitoring the changing conditions and their impacts.

## 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 6 and 8 – 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 6 and 8 – Determination of the fair value of financial instruments with significant unobservable inputs.

## 6. Fair value of financial instruments:

Financial assets 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**

The CIB discloses, but does not measure, its loan receivable and loan commitment at fair value. Although the loan receivable and loan commitment are 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, the 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.

The 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 the 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			2021		2020	
	Note	Level	Fair value	Carrying amount	Fair value	Carrying amount
Loan receivable	8	3	825,000	1,244,924	975,142	1,075,131
Loan commitment	8	3	(157,700)	-	(221,000)	-

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.

## 7. Classification and measurement of financial instruments:

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

As at March 31	Note	Measurement basis	2021	2020
Cash	-	Amortized Cost	<b>1,695</b>	221,768
Government funding receivable related to operating expenditures	-	Amortized Cost	<b>5,442</b>	8,612
Loan receivable	8	Amortized Cost	<b>1,244,924</b>	1,075,131
Accounts payable and accrued liabilities	12	Amortized Cost	<b>8,704</b>	8,506

Refer to Note 3 for measurement of the loan commitment.

## 8. Loan receivable and loan commitment:

On December 18, 2020, the CIB entered into a credit agreement with Irrigating Alberta Inc. As per the agreement, the CIB has committed to provide debt of up to \$407.5 million representing 50% of the total capital cost to finance the expansion of irrigation infrastructure for eight irrigation districts in Southern Alberta. The interest on the loan is concessionary in nature. The debt is structured to be drawn down between fiscal 2022 and fiscal 2028. Repayment profiles are unique to each irrigation district. The first instalment of \$51 million was completed in May 2021, subsequent to year end.

On September 28, 2018, the CIB entered into a credit agreement with Réseau express métropolitain Inc. ("REM"). As per the agreement, the 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 was drawn down between fiscal 2019 and fiscal 2021. The interest on the loan is concessionary in nature. As at March 31, 2021, the full amount of the \$1.283 billion loan was funded.

The portfolio weighted average effective interest rate on the CIB loans is approximately 1.5% over an average weighted term of 20 years.

## VALUATION DIFFERENCES ON INITIAL RECOGNITION

Given the CIB's mandate to support and invest in infrastructure projects in Canada, that cannot be fully financed privately, the 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 the CIB transacted at market rates in the infrastructure project financing market, which is the CIB's principal market.

On initial recognition, the CIB estimated the fair value of the loan commitment issued through its agreements 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	2021	2020
Opening balance	\$ 481,404	\$ 493,880
Increase due to new investment commitments	148,900	-
Reduction of valuation difference due to passage of time	(21,095)	(12,476)
<b>Closing balance</b>	<b>\$ 609,209</b>	<b>\$ 481,404</b>

As at March 31	2021	2020
Comprised of:		
Unrecognized valuation difference relating to loan commitment	\$ 148,900	\$ 85,460
Unrecognized valuation difference relating to loan receivable	460,309	395,944
<b>Closing balance</b>	<b>\$ 609,209</b>	<b>\$ 481,404</b>

### LOAN RECEIVABLE – AMORTIZED COST:

The following table presents the changes in the CIB loans:

As at March 31	2021	2020
Opening balance	\$ 1,075,131	\$ 550,914
Drawdowns	221,000	513,000
Interest accrued	21,722	14,040
Transaction costs	1,067	-
Valuation transfer from loan commitment provision	(85,461)	(198,377)
Valuation transfer from loan commitment - deferred	85,461	198,377
Accretion of loan receivable due to passage of time	21,095	12,476
Reduction of valuation difference due to passage of time	(21,095)	(12,476)
Provision for losses	(73,996)	(2,823)
<b>Closing balance</b>	<b>\$ 1,244,924</b>	<b>\$ 1,075,131</b>

### LOAN COMMITMENT (PROVISION):

As at March 31	2021	2020
Loan commitment opening balance	\$ 85,461	\$ 496,136
Increase due to new loan commitments	148,900	-
Valuation transfer related to loan receivable	(85,461)	(410,675)
	148,900	85,461
Unrecognized valuation difference relating to loan commitment	(148,900)	(85,461)
	<b>\$ -</b>	<b>\$ -</b>

### EXPECTED CREDIT LOSS:

The allowance for expected credit losses represents management's estimate of the losses anticipated in the loan portfolio as at the reporting date. The CIB reviews its loans individually and incorporates forward looking information, including the economic environment caused by the COVID 19 pandemic (Refer to Note 5).

In 2021, the CIB increased its provision for credit losses by \$74.0 million (March 31, 2020 – \$2.8 million). The increased provision for credit loss is mainly due to the internal credit rating downgrade of the investment as a result of the CIB's assessment of certain risk factors (see Note 15). These risk factors included CIB's assessment of reasonable and supportable information available regarding construction cost overruns and delays as well as short to medium term uncertainty related to the economic environment caused by the COVID-19 pandemic which may have an impact on the project's costs and revenues and the financial structuring risk associated with the CIB's loans.

The change in credit risk resulted in an increase of \$73.3 million (March 31, 2020 - \$2.8 million) and a transfer of from stage 1 to stage 2 during the year. A lifetime expected credit loss of \$76.1 million (March 31, 2020 – 12-month \$2.8 million) was recognized on the loan receivable as at the reporting date.

There were no significant past due or impaired amounts as at March 31, 2021 (March 31, 2020 - \$nil).

## ECL RECONCILIATION

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

				March 31, 2021				March 31, 2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at April 1	\$ 1,075,131	\$ -	\$ -	\$ 1,075,131	\$ 550,914	\$ -	\$ -	\$ 550,914
Advance on previous deals	221,000	-	-	221,000	513,000	-	-	513,000
Interest accrued	10,845	10,877	-	21,722	14,040	-	-	14,040
Transaction costs	1,067	-	-	1,067	-	-	-	-
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	(1,306,976)	1,306,976	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Loss allowance	(699)	(73,297)	-	(73,996)	(2,823)	-	-	(2,823)
<b>Closing balance</b>	<b>\$ 368</b>	<b>\$ 1,244,556</b>	<b>\$ -</b>	<b>\$ 1,244,924</b>	<b>\$ 1,075,131</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,075,131</b>

The following table reconciles the opening and closing loss allowance by stage.

				March 31, 2021				March 31, 2020
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at April 1	\$ (2,823)	\$ -	\$ -	\$ (2,823)	\$ -	\$ -	\$ -	\$ -
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	2,823	(2,823)	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Loss allowance	(699)	(73,297)	-	(73,996)	(2,823)	-	-	(2,823)
<b>Closing balance</b>	<b>\$ (699)</b>	<b>\$ (76,120)</b>	<b>\$ -</b>	<b>\$ (76,819)</b>	<b>\$ (2,823)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,823)</b>

## 9. Government Funding

Consistent with the original funding process established with Government of Canada, the CIB receives funding through parliamentary appropriations for operating expenditures, to fund investment commitments and capital, including property and equipment that are subject to depreciation and amortization.

Unused parliamentary appropriations that result from timing are recorded as deferred government funding and are carried forward to future periods. Government funding receivables represent expenditures that have been incurred but for which appropriations have not yet been transferred.

Government funding receivable and deferred government funding are as follows:

For the year ended March 31	2021	2020
Opening balance	\$ 8,612	\$ 1,362
Government appropriations received	(57,000)	(17,200)
Used for operating expenditures	53,008	24,362
Used for capital expenditures	822	88
<b>Government funding receivable related to operating expenditures</b>	<b>\$ 5,442</b>	<b>\$ 8,612</b>

For the year ended March 31	2021	2020
Opening balance	221,000	-
Government funding for investments	-	734,000
Loan disbursements	(221,000)	(513,000)
<b>Deferred government funding related to investments</b>	<b>\$ -</b>	<b>\$ 221,000</b>

For the year ended March 31	2021	2020
Opening balance	1,423	1,604
Government funding for capital expenditures	822	88
Depreciation of deferred capital funding related to capital expenditures	(302)	(269)
<b>Deferred government funding related to capital expenditures</b>	<b>\$ 1,943</b>	<b>\$ 1,423</b>

The cash balance at the end of fiscal 2021 is \$1.7 million (2020 – \$221.8 million) representing cash on hand for operations. \$221.0 million of the cash balance in 2020 relates to investment appropriations drawdown on April 1, 2020. The cash is held with financial institutions that are highly rated in Canada.

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

On August 31, 2017, the 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. The CIB has the option to extend the office lease for two further consecutive terms of five years each.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the 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 are as follows:

	2021	2020
Opening balance	\$ 3,441	\$ 3,702
Additions	-	-
Accumulated depreciation	(261)	(261)
<b>Closing balance as at March 31</b>	<b>\$ 3,180</b>	<b>\$ 3,441</b>

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

	2021	2020
Opening balance	\$ 4,014	\$ 3,831
Interest expense	87	90
Lease payments	(308)	(307)
Lease incentive received	-	400
<b>Closing balance at March 31</b>	<b>\$ 3,793</b>	<b>\$ 4,014</b>
Current lease liabilities	\$ 227	\$ 221
Non-current lease liabilities	3,566	3,793
<b>Closing balance as at March 31</b>	<b>\$ 3,793</b>	<b>\$ 4,014</b>

Refer to Note 15 for the lease liability commitment schedule.

## 11. Property and equipment:

	Leasehold improvements	Computer software	Computer hardware	Furniture & equipment	Total
<b>Cost:</b>					
Balance at beginning of year	\$ 1,268	\$ -	\$ 223	\$ 357	\$ 1,848
Additions	265	495	54	8	822
Balance at end of year	1,533	495	277	365	2,670
<b>Accumulated depreciation:</b>					
Balance at beginning of year	187	-	143	95	425
Depreciation expense	141	49	59	53	302
Balance at end of year	328	49	202	148	727
<b>Carrying amounts</b>					
<b>Balance at March 31, 2021</b>	<b>\$ 1,205</b>	<b>\$ 446</b>	<b>\$ 75</b>	<b>\$ 217</b>	<b>\$ 1,943</b>

	Leasehold improvements	Computer software	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

#### Accumulated depreciation:

Balance at beginning of year	62	-	61	33	156
Depreciation expense	125	-	82	62	269
Balance at end of year	187	-	143	95	425

#### Carrying amounts

<b>Balance at March 31, 2020</b>	<b>\$ 1,081</b>	<b>\$ -</b>	<b>\$ 80</b>	<b>\$ 262</b>	<b>\$ 1,423</b>
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No property and equipment was impaired as at March 31, 2021 (2020 – nil).

## 12. Accounts payable and accrued liabilities:

As at March 31	2021	2020
Accrued compensation	\$ 5,843	\$ 5,876
Accrued professional fees	1,436	556
Accounts payable	135	161
Other	5	9
Accounts payable and accrued liabilities - Advisory services	1,285	1,904
	<b>\$ 8,704</b>	<b>\$ 8,506</b>

Prior year amounts have been reclassified for consistency with the current year presentation.

## 13. Capital management:

The 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.

The 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. The



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. The 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. The 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. The 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 the CIB's annual Corporate Plan, and obtained through drawdown requests made to the Department of Finance, and the CIB's Joint Project Office (Note 16) with VIA Rail Canada, a Crown corporation.

Other related parties of the 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 the CIB, including members of the Board of Directors.

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

As at March 31	2021	2020
Salaries and short-term employee benefits	\$ 3,075	\$ 3,387
Post-employment benefits	110	143
Termination benefits	-	3,832
Other long-term benefits	476	183
	<b>\$ 3,661</b>	<b>\$ 7,545</b>

## 15. Financial instruments and risk management:

The CIB is exposed to a variety of financial risks: market risk, liquidity risk and credit risk. The 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.

The 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. The CIB's key market risk relates to interest rate risk. The loan receivable is a fixed interest rate loan and therefore the 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	2021		2020	
	Increase	Decrease	Increase	Decrease
100bps parallel (Increase/Decrease)				
Loan receivable	(94,000)	106,000	(120,308)	137,717
Loan commitment	(10,100)	13,300	-	-

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 the CIB's income and equity.

The fair value of the other financial instruments held by the 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 the CIB does not have debt instruments, other than lease liabilities, to service and receives regular funding from the Government of Canada. The 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 the 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	F2022	F2023	F2024	F2025	F2026
Investment funding schedule	-	407,500	64,208	35,830	34,125	73,531	90,607
Accounts payable and accrued liabilities	8,704	8,704	8,704	-	-	-	-
Long-term performance incentives	1,634	1,634	181	555	524	374	-
Lease liabilities	3,793	4,272	308	308	324	328	328
	<b>14,131</b>	<b>422,110</b>	<b>73,401</b>	<b>36,693</b>	<b>34,973</b>	<b>74,233</b>	<b>90,935</b>

## CREDIT RISK

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

possible and monitoring the credit risk on projects on a continuous basis. Please refer to Note 5 for a description of the factors that impact credit risk.

Monitoring of credit risk typically involves credit risk analysis which is performed by the management of the CIB using best practices, including the principle of expected loss, for each transaction considered for financing by the 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	The CIB takes subordinated positions in investments	The CIB ranks above equity

CIB's internal rating methodology considers eleven factors that are sub-factors of the above noted 3 key risk factor categories. The subfactors are used by management to determine the credit score both at initial recognition and at each period end in order to determine whether there has been a significant increase in credit risk and the probabilities of default as well as loss given default.

Subsequent to closing of a transaction by the 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*

The 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.

March 31	2021				2020
	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
Grades 5-6: Higher risk	-	1,320,676	-	1,320,676	-
Grade 7: Credit impaired	-	-	-	-	-
Gross carrying amount	-	1,320,676	-	1,320,676	1,077,954
Transaction costs	1,067	-	-	1,067	
Loss allowance	(699)	(76,120)	-	(76,819)	(2,823)
<b>Carrying amount</b>	<b>368</b>	<b>1,244,556</b>	<b>-</b>	<b>1,244,924</b>	<b>1,075,131</b>
<b>Loan Commitment</b>					
Grades 1-2: Strong	-	-	-	-	-
Grades 3-4: Satisfactory	407,500	-	-	407,500	221,000
Grades 5-6: Higher risk	-	-	-	-	-
Grade 7: Credit impaired	-	-	-	-	-
<b>Total commitment</b>	<b>407,500</b>	<b>-</b>	<b>-</b>	<b>407,500</b>	<b>221,000</b>

The CIB holds security over the future revenues from the financed projects related to its loan receivables.

#### *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, the 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, the CIB uses the following three considerations:

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

The qualitative indicators which the 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

The 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.

The CIB develops economic scenarios in which an exposure could default based on certain key credit risk assessment indicators. The CIB applies management judgment and the predictive relationships between the key indicators 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, the CIB assigns probabilities to those scenarios based on certain forward-looking economic factors such as inflation, population growth and GDP growth, in addition to sector-specific economic factors.

#### *Concentrations of credit risk*

As the prime objective of the 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.

The CIB's credit risk exposure at March 31, 2021 is concentrated in loan receivables and loan commitments which relate to project borrowers described in Note 8. As the CIB's investment portfolio develops there will be an inherent dilution of concentration by sector and geography.

## 16. Advisory services

On September 4, 2019, the 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 Rail high frequency rail project. Matters are addressed on a consensus basis equally between the CIB and VIA Rail. This joint operation is estimated to remain in effect for 24 months from the date of the agreement, is unincorporated and does not create a legal entity or partnership between the CIB and VIA Rail.

The CIB has been authorized to fund up to \$54.4 million of expenses related to the activities of the joint operation and has funded \$27.9 million to date. Joint operation expenses for the year ended March 31 are detailed in the table below.

For the year ended, March 31	2021	2020
Professional fees	\$ 22,304	\$ 2,040
Recovery of CIB resource costs	1,713	775
Administration	876	23
Premises and equipment	54	13
Travel and communication	4	74
<b>Advisory services expenses</b>	<b>\$ 24,951</b>	<b>\$ 2,925</b>

## 17. Subsequent events

Subsequent to March 31, 2021, the CIB entered into a credit agreement with a special purpose vehicle wholly owned by the Association of School Transportation Services of British Columbia on June 8, 2021 who will facilitate loans to indirect borrowers such as public-school districts, First Nation schools, and private sector operators for the targeted acquisition of 280 zero-emission buses and associated charging infrastructure, pursuant to member funding agreements. As per the agreement, the CIB has committed to provide financing up to \$30 million which represents under 30% of total estimated capital costs.

## Board of Directors



**Tamara Vrooman, Chair**  
President and CEO of the  
Vancouver Airport Authority  
(YVR)

*Chair serves as an ex officio  
member of all the Board's  
committees*



**Kimberley Baird**  
Corporate Director

*Member of the Governance  
Committee*



**Jane Bird**  
Corporate Director  
Senior Business Advisor with  
the Vancouver office of  
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*Member of the Governance,  
and Human Resources and  
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**David Bronconnier**  
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*Member of the Finance and  
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**James Cherry**  
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Resources and  
Compensation Committee*



**Michèle Colpron**  
Corporate Director

*Member of the Finance and  
Audit\*, and Human  
Resources and  
Compensation committees*



**Bruno Guilmette<sup>(1)</sup>**  
Corporate Director  
Vice President and Chief  
Financial Officer of  
BoralexInc.

*Member of the Investment  
Committee\**



**Christopher Hickman**  
Corporate Director  
Chairman and Chief  
Executive Officer of Marco  
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*Member of the Finance and  
Audit Committee and  
Investment committees*



**Poonam Puri**  
Corporate Director  
Professor of Business Law  
at Osgoode Hall Law School

*Member of the Finance and  
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**Stephen Smith**  
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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*



## Executive Team



**Ehren Cory**  
Chief Executive Officer

*Mr. Cory is responsible for providing overall strategic business leadership and setting the direction for the CIB, including creating the strategy, developing partnerships with the public sector and the private sector to advance innovative infrastructure financing transactions and promoting strong corporate culture focused on integrity and results.*



**Annie Ropar**  
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.*

## CONTACT US

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**Investment inquiries:** [investments@cib-bic.ca](mailto:investments@cib-bic.ca)

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