

Ontario Infrastructure and Lands Corporation Business Plan

2020-2023



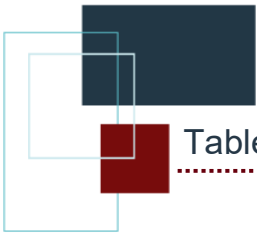


Table of Contents

Introduction	2
2019-20 Significant Events.....	4
2020-21 Priorities	6
2020-23 Strategic Goals	8
Goal 1	9
Goal 2	10
Goal 3	11
Goal 4	12
2020-23 Strategic Initiatives	13
Implementation Plan	14
Financial Profile	15
Enterprise Risk Management	17
Strategic	18
Reputational	20
Operational	20
Financial	21
Appendix	22
Legislative Mandate	22
Enterprise Governance	23
Corporate Structure	24
Environmental Scan.....	25
Communications Plan	27

Introduction

Infrastructure Ontario (IO/Agency), is an agency of the Government of Ontario that exists to support the modernization of Ontario's public assets through partnerships with the public and private sector. The agency is uniquely positioned to bridge public sector policy and private sector delivery and innovation. Everything IO does is grounded in the idea that if it works with partners, the agency can create value for taxpayers

The nature of IO's work is evolving as its employees' expertise is leveraged to deliver on an expanding mandate. For government to successfully leverage IO expertise, it was necessary to reorient the view of "what" the agency does and "how"; moving closer to a truly integrated agency greater than the sum of its parts. The result was the development of a renewed vision, mission and values in 2018.

Vision, Mission and Values

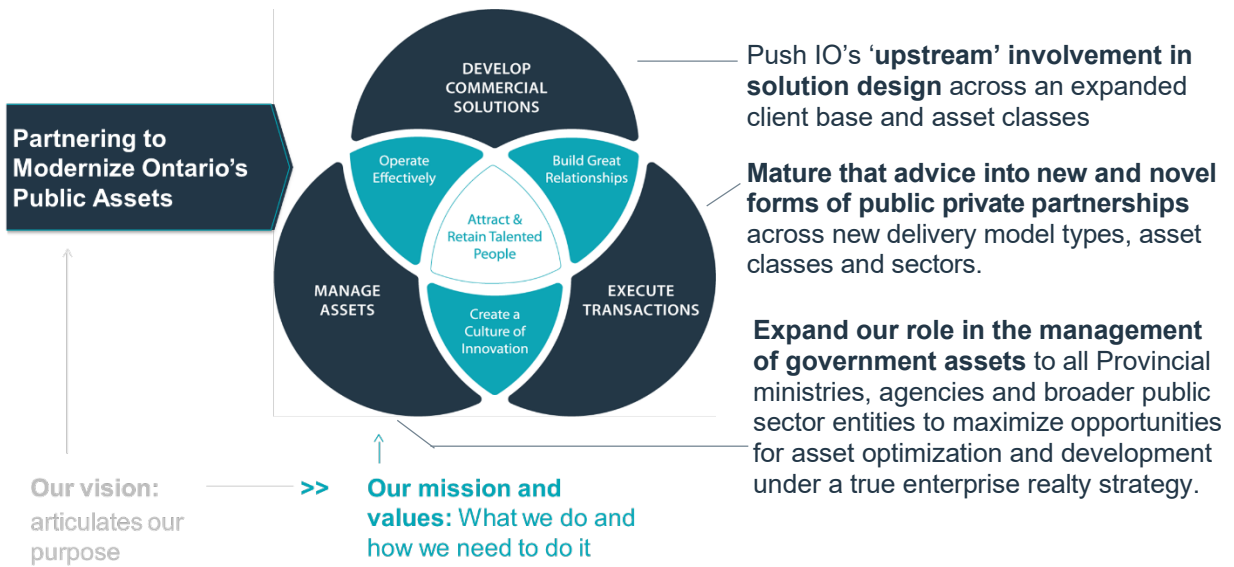
IO's vision is purposefully worded to represent the breadth of its work and the approach the agency takes to everything it does.

Figure 1: IO's Vision Statement



IO's mission and values, the “what we do and how we do it”, further builds on IO's ambitious vision by defining its value proposition and where the agency has the ability to support government priorities and outcomes.

Figure 2: IO's Vision, Mission, and Values



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

This Business Plan will provide a summary of the strategic plan, conveying its goals, the measures by which to evaluate them and the initiatives that will be implemented to achieve them. It will also recap significant events from the fiscal year 2019-20, and share its priorities, operational budget and key risks for fiscal year 2020-21.

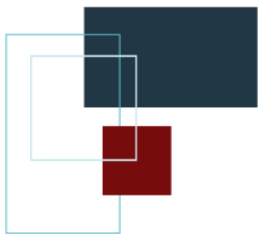


2019-20 Significant Events

For the 2019-20 fiscal year, IO developed and delivered against a clear set of corporate objectives grounded in its mission and values.

IO created significant value for the Province by delivering on its three-part mission of delivering commercial solutions, executing transactions and managing assets for government. Highlights include:

- ▶ Launching the largest Public-Private Partnership (“P3”) pipeline in the Province’s history – demonstrating confidence in IO’s ability to manage the largest and most complex projects across the Province;
- ▶ Driving strategy and execution for signature government commitments including developing innovative commercial structures and market engagement approaches in the process. For example:
 - Long-Term Care: Working with the Ministry of Health and the Ministry of Long-Term Care and in consultation with health care sector stakeholders, IO is developing a strategy to accelerate delivery of long-term care bed supply in the province. This will include the design of innovative solutions to address sector concerns while also protecting the public interest and relieving the significant pressures associated with existing wait lists;
 - Subways: IO’s involvement in early planning and pre-procurement of the new subway lines have allowed IO to provide its best advice to government on matters of project scope, staging, cost estimation, and procurement strategy. IO has remained a trusted advisor on this file and has increased capacity and expertise to help drive the program forward;
 - Transit Oriented Communities: The objective of this program is to leverage densification opportunities that transit offers to develop communities (residential, commercial, retail) in, around and integrated with transit network stations (GO, new subways and light rail transit). This type of development could present financial benefits (direct offset to a portion of station development costs and ongoing revenue as part of the development), ridership benefits (encouraging live, work and play communities) and economic benefits (unlocking opportunities for adjacent development and growth); and
 - Ontario Place revitalization: IO executed a global marketing process for the development of the site, which will enable it to transform into a year-round tourism destination;
- ▶ Responding to market feedback on transaction models: IO took a leadership role in re-thinking the approach to risk transfer inherent in our large transit projects. This



included: (1) leading an exercise, implicating half a dozen ministries of government, in assessing potential regulatory reforms which could reduce risk for these projects; (2) nimbly responding to shifting market appetites in respect of holding constructors and operators jointly and severally liable for performance; (3) adding an alternative form of contracting (alliance or integrated project delivery) within the toolkit of IO's P3 program; (4) exploring a new "made-at-IO" tool for assessing delivery models, one that IO believes can be more widely used to improve for government capital procurement decisions in the future.

- ▶ Securing earlier involvement in the identification of problems and solution design to achieve superior outcomes to province wide strategies. For example:
 - Enterprise Real Estate Asset Management: The Province has a significant real estate portfolio that is currently fragmented across a number of public sector owners. As the largest single asset manager in the province, IO is well positioned to execute a true enterprise real estate strategy. As a first step, IO developed an overall strategy to optimize the broader real estate asset portfolio – balancing objectives of revenue / liability reduction, leveraging assets to create affordable housing and long-term care supply, progressing the enterprise leasing, central office operating model, lab and court optimization strategies with ministry partners.

IO has also advanced in its journey to better align with its values. Highlights include:

- ▶ Starting on a path to meaningfully realign the organization to execute on the Strategic Plan;
- ▶ Strengthening key relationships with ministry partners, IO's oversight ministry, members of Treasury Board and their offices; and,
- ▶ Articulating and delivering on IO's employee value proposition, centered on impactful work, flexibility, teamwork, inclusion, and career development.

Figure 3 – Program Impacts (As at March 31, 2020)



In 2019-20, IO completed lease transactions worth \$335 million and negotiated over \$9 million in savings for the Province.



IO has been assigned 130 P3 projects worth more than \$100 billion, with 69 projects completed and 24 under construction.



IO has approved \$10.8 billion in affordable long-term infrastructure financing for municipalities, non-profit housing providers and other eligible borrowers. IO advanced more than \$500M during fiscal 19-20.



2020-21 Priorities


Building on the strategic plan and multi-year work, areas of focus in Fiscal Year 2020-21 include:

- ▶ Continuing to develop strategies to speed up delivery while managing and mitigating the inherent risks and complex nature of projects. To do so, schedule contingency must be examined. Different approaches are being contemplated for better insights into how contingencies are assessed and used by IO's partners;
- ▶ Maturing IO's operating model to better leverage cross-functional capabilities across the company and relationships with government and industry to drive new areas of opportunity in a sustainable and scalable way;
- ▶ Investing in our enterprise technology platforms and building the right capability to ensure that IO's operating platforms are robust and scalable, and enable IO to deliver long term value to clients;
- ▶ Reaping the benefits of the structural organizational changes and push through to change the fundamental culture of how IO works – moving to mission-based teams, sharing of success and failures to continually learn and innovate in support of government priorities;
- ▶ Strengthening focus and ensuring a standardized approach to risk management and mitigation across the enterprise;
- ▶ Prioritizing internal data analytics to focus on forward-looking insights aligned to initiatives such as our claims prevention and resolution strategy, enterprise real estate and market capacity issues; and
- ▶ Continuing to focus on the development of IO's leaders to continue to deliver on the Agency's employee value proposition.

COVID-19 Response and Priorities in 2020-21

In mid-March, IO sprang into action to respond to COVID-19. While the pandemic continues to impact employees, operations, government and the public-at-large, IO's response to the crisis has shone a spotlight on the work of the agency's people, business lines and value to government, showcasing IO's ability to stretch and adapt in midst of a pandemic.

IO developed a seven-point response plan that spans all business lines and services, which has received rapid government attention and continues to be in the process of strategic consideration and implementation at the highest levels of government.



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

A. Manage through the crisis

1. Subject to government orders, keep critical public spaces open and available (for example, by prioritizing cleaning and maintenance activity in government facilities, making proactive investments in HVAC, sanitizers, and plexi-shields for public-facing assets, and supporting the development of protocols related to a new working environment);
2. Accelerate ongoing health care projects and leverage assets for testing, treatment and long-term care (for example, existing shelled spaces, vacant public assets, new modular construction, private spaces etc.);

B. Mitigate immediate economic and societal impacts

3. Manage the impact of COVID-19 on projects in construction;
4. Confirm priority projects and response to market (through P3 pipeline updates);
5. Provide immediate relief to impacted borrowers through flexible repayment options on existing IO loans;

C. Stimulate recovery and strengthen our resiliency

6. Support government partners in defining the prioritization/sequencing of capital investments, with an eye to balancing the desire for economic stimulus, building assets which are optimized for use, and ensuring sufficient market capacity to respond; and
7. Modernize services and optimize assets to be more resilient in times of crisis.

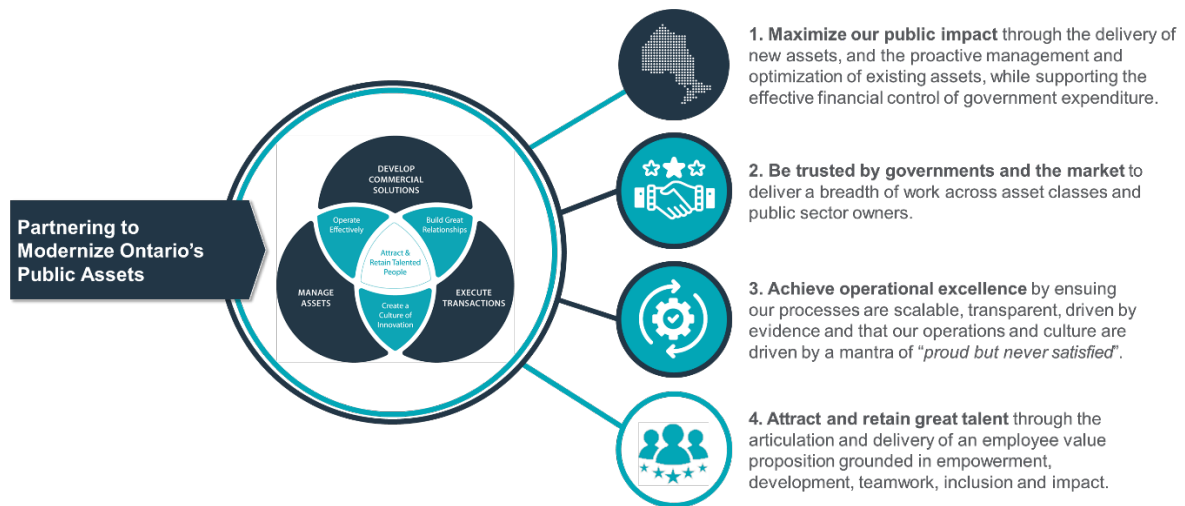
These all support IO's commitment to a culture of innovation, operating effectively, building (and capitalizing) on great partnerships, and attracting and retaining talented people. Delivering on these priorities will be an additional priority for the Agency in 2020-21.

2020-23 Strategic Goals


Using the vision, mission and values as the building blocks, IO has developed a Strategic Plan, providing a three-year roadmap to invest in IO's people, streamline the way the agency works with its partners and ultimately grow IO's impact in a meaningful and structured way.

IO's four strategic goals are the drivers for the agency to achieve its vision of partnering to modernize Ontario's public assets:

Figure 4: 2020-2023 Strategic Goals



Broad enough to capture the breadth of solutions IO can offer, yet specific enough to be actionable, these goals are the foundation of a strategy that will focus decision making, investments, and priorities across the enterprise. Starting at the bottom, each goal builds onto the next as part of a ladder up approach. For each goal, there is a set of statements describing what success looks like, and what outcomes we intend to measure.



Goal 1

Maximize our public impact through the delivery of new assets, and the proactive management and optimization of existing assets, while supporting the effective financial control of government expenditure.

What success looks like:

- ✓ ... we develop executable commercial solutions for government infrastructure priorities
- ✓ ... we deliver those solutions in a way that takes into consideration full lifecycle costs, minimizes the cost to the tax base and makes assets ready for use sooner
- ✓ ... we make government assets more productive through proactive management and prudent investment / divestment / re-development opportunities

The outcomes we will measure:

- **The timely delivery** of projects **within expected budgets**
- The **value we identify and generate** for our clients

What this means:

IO brings a seamless, “one-stop shop” perspective to turn government decisions into action by using a range of contracting and commercial models. IO is known worldwide for its ability to execute projects, in addition to acting as steward of provincially owned and leased buildings. IO is well positioned to deliver projects and programs across a broader spectrum of delivery models and asset types as well as to expand its role in the management of government real estate.



Goal 2

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

What success looks like:

- ✓ ... our partnerships with ministries, agencies and municipalities are rooted in trust and we are executing on shared goals
- ✓ ... we are working with government to secure a meaningful pipeline of work with and across our ministry partners aligned to our capabilities and the priorities of the Province
- ✓ ... the market sees Ontario as a stable and attractive investment region and is appropriately participating in our offerings

The outcomes we will measure:

- **The volume and growth of our work**
- **Satisfaction of our clients**
- **Confidence from the market**

What this means:

IO's ability to protect the public interest, maximize value to taxpayers and lead innovative delivery models is strengthened when the Agency is engaged early. IO's experience in real estate, infrastructure, lending and commercial projects enables the Agency to bring a breadth of solutions to bear. When a 'whole of IO' approach is brought to client ministries, partners and government, the agency can provide its best advice in support of designing solutions, executing transactions and managing assets.

Because of the Agency's strong relationships across government, IO can work collaboratively with ministry partners to develop solutions and optimize value through opportunities that may otherwise go unidentified.

To continue to be leading edge, IO must be responsive to changing market conditions and perspectives. IO's stakeholder strategy reflects this commitment and strengthening relationships with industry partners will be a key activity of this plan.



Goal 3

Achieve operational excellence through scalable, transparent, evidence-based processes and an operation and culture driven by a mantra of “proud but never satisfied”.

What success looks like:


- ✓ ... we are prudently and strategically leveraging technology to improve our capabilities, reduce costs and/or manage risks
- ✓ ... we are able to scale efficiently, with agility, to meet new and emerging mandates
- ✓ ... our people feel empowered to innovate, take calculated risks and offer professional advice

The outcomes we will measure:

- **Financial and resource efficiency**
- **Progress and results** against **enterprise initiatives**

What this means:

IO is an amalgamation of different corporations (namely the Ontario Realty Corporation, the Ontario Infrastructure Projects Corporation and the Stadium Corporation of Ontario Limited). As a result, resource planning, business process mapping and technology have traditionally been decentralized within IO. This has led to gaps and/or redundancies in programs, systems and tools. IO recognizes that investing in internal infrastructure to help the agency work more efficiently is critical to being agile and working collaboratively, especially in the current environment where the workforce is operating remotely. To do this, IO will need to apply its service modernization practice to the agency’s own operations, maturing IO’s operating model to ensure that it has the right capabilities and tools in place across the enterprise.



Goal 4

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

What success looks like:

- ✓ ... we are hiring and retaining people who live our values and competencies
- ✓ ... we are building strong, capable leaders that drive innovation, collaboration and trust in their teams
- ✓ ... we are fostering a safe and inclusive culture that prioritizes mental health in the workplace and works to eliminate bias in our practices
- ✓ ... employees feel they are receiving the development needed to progress in their career
- ✓ ... employees understand, feel connected to and are proud of the work we do

The outcomes we will measure:

- The **effectiveness of our coaching and development** programs
- **The levels of diversity, inclusiveness and safety of our work environment**
- The degree to which we are **encouraging and rewarding innovation**

What this means:

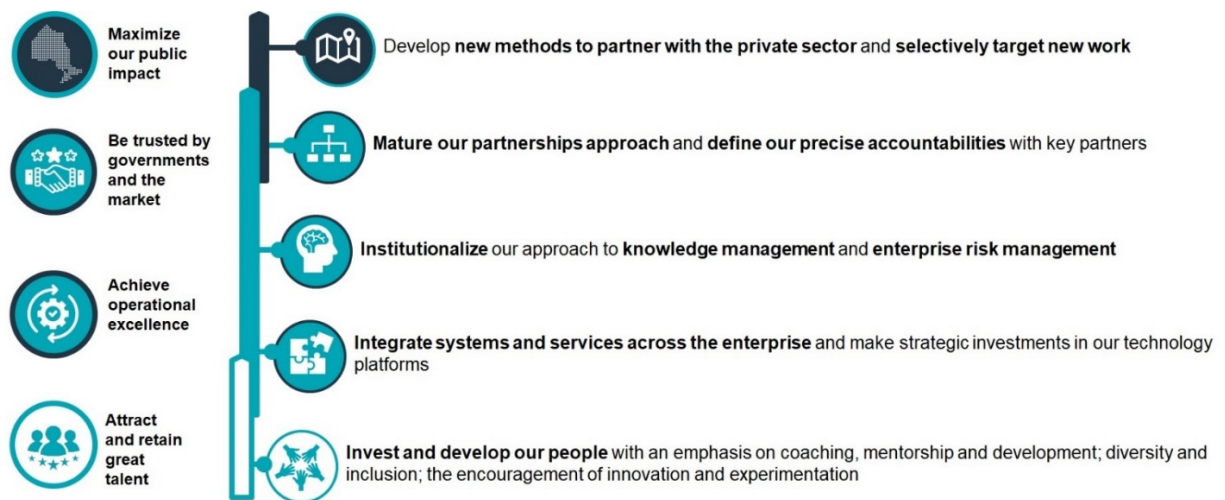
IO does not possess any special intellectual property. Its core capabilities lie in the expertise of the agency's employees. Hiring the right people for the right positions and retaining them by articulating and delivering on the principles of IO's employee value proposition is essential in an environment where market competition for talent is high.

2020-23 Strategic Initiatives

With strategic goals, an understanding of what success looks like and the appropriate measurements in place, IO's Executive Team undertook an assessment of the barriers preventing the agency from meeting its goals, and the problems needed to be solved. Themes that emerged through discussion with leadership include: developing current and emerging leaders, integrating internal infrastructure, and centralizing the agency's view of resources and clients. Focused on what IO can achieve in the next three years, seven enterprise-wide initiatives were identified that will result in a significant organizational transformation and will help close the most critical gaps. In addition, these initiatives are responsive to the feedback received since the rollout of the initial strategy – the need for a cohesive, integrated approach that is selective about the work the agency pursues, subject to government direction.

As the starting point, these initiatives will help fundamentally change the way IO works, and the agency's organizational culture, so that IO is truly advancing its operating model. Ultimately, this approach better positions the agency to expand its impact.

Figure 5: 2020-2023 Strategic Initiatives





Implementation Plan

IO's strategy will be implemented as a program of interrelated projects. Each strategic initiative will be operationalized with a plan, considering governance, resources, budget, risks, work plans and key deliverables. Cross-functional teams will be formed, where appropriate, regularly collaborating with the right program stakeholders to ensure progress. Any work that is not 'business-as-usual' will reconcile with a strategic priority or initiative. Strategic initiatives will be staggered to reflect dependencies among initiatives and capacity considerations. IO's success will be measured through tangible metrics (Key Performance Indicators) focused on defined outcomes.

Progress will be reviewed regularly by the Executive Team and Board of Directors to maintain accountability and manage performance. An annual assessment of IO's internal and external environment will be conducted and IO will adjust its course of action where appropriate. Annual updates to the business plan will be provided to the Board and oversight ministry.

Financial Profile

Budget Approach

IO is self-funded as an independent agency, and the budget reflects projects assigned to IO by the Minister of Infrastructure and the Minister of Government & Consumer Services in Letters of Direction and project forecasts. In this business plan, IO focuses on budgeting for fiscal year 20-21, and includes preliminary estimates for outer years 2021-22 and 2022-23 as a reference point for medium-term budget planning and forecasting.

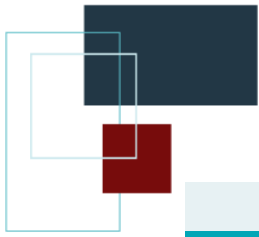
In delivering services, IO operates on a cost recovery basis. Project fees are agreed to at the beginning of a project and are charged to the client as work progresses and expenses are incurred, with no planned margin, ensuring the prudent use of public funds.

To facilitate effective delivery and create accountability, IO leverages a quarterly forecasting and resource planning process to manage its operations and ensure that future projects and works are appropriately planned and resourced. This approach enables IO to efficiently allocate resources and adapt to changes in client demand.

Statement of Operations

Figure 6: Statement of Operations

2020-21 Budget						
(in millions)	Project Delivery	Real Estate	Lending	Transit Oriented Communities	Commercial Projects	Total
Revenues						
Interest Revenue	\$ -	\$ -	\$ 227	\$ -	\$ -	\$ 227
Project Delivery Fees	53	-	-	4	6	63
Management Fees	-	57	1	-	-	58
Project Transaction & Recoverable costs	90	7	-	12	7	116
	143	64	228	16	13	464
Expenses						
Salaries and Benefits	39	38	5	3	5	90
General and Administration	14	10	2	1	1	28
Interest Expense	-	-	206	-	-	206
Sub-contracting Fees	-	9	-	-	-	9
Project Transaction & Recoverable costs	90	7	-	12	7	116
	143	64	213	16	13	449
Surplus/(Deficit)	\$ -	\$ -	\$ 15	\$ -	\$ -	\$ 15



2021-22 Estimate						
(in millions)	Project Delivery	Real Estate	Lending	Transit Oriented Communities	Commercial Projects	Total
Revenues						
Interest Revenue	\$ -	\$ -	\$ 224	\$ -	\$ -	\$ 224
Project Delivery Fees	56	-	-	5	6	67
Management Fees	-	59	1	-	-	60
Project Transaction & Recoverable costs	107	7	-	6	8	128
	163	66	225	11	14	479
Expenses						
Salaries and Benefits	42	40	5	4	5	96
General and Administration	14	10	2	1	1	28
Interest Expense	-	-	202	-	-	202
Sub-contracting Fees	-	10	-	-	-	10
Project Transaction & Recoverable costs	107	7	-	6	8	128
	163	67	209	11	14	464
Surplus/(Deficit)	\$ -	\$ (1)	\$ 16	\$ -	\$ -	\$ 15

2022-23 Estimate						
(in millions)	Project Delivery	Real Estate	Lending	Transit Oriented Communities	Commercial Projects	Total
Revenues						
Interest Revenue	\$ -	\$ -	\$ 218	\$ -	\$ -	\$ 218
Project Delivery Fees	62	-	-	6	7	75
Management Fees	-	60	-	-	-	60
Project Transaction & Recoverable costs	124	7	-	11	8	150
	186	67	218	17	15	503
Expenses						
Salaries and Benefits	47	40	5	5	6	103
General and Administration	15	11	2	1	1	30
Interest Expense	-	-	195	-	-	195
Sub-contracting Fees	-	10	-	-	-	10
Project Transaction & Recoverable costs	124	7	-	11	8	150
	186	68	202	17	15	488
Surplus/(Deficit)	\$ -	\$ (1)	\$ 16	\$ -	\$ -	\$ 15



Enterprise Risk Management

Risk Management Framework

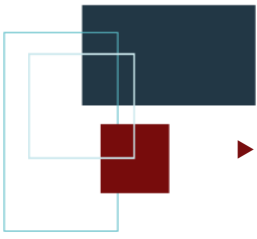
IO has an Enterprise Risk Management (ERM) framework that helps to guide the organization in its risk management activities. This framework establishes a governance structure, specifies the approach towards risk and defines, assesses and categorizes the risks to which the organization is exposed. The ERM framework and governance structure encourages a risk-aware culture where risk management is an integral part of IO's strategic and operational decision-making. It helps ensure that risks and opportunities facing the Agency are identified and facilitates the understanding, discussion, evaluation and management of risks at all levels of the organization. IO continues to mature its ERM framework in line with leading practices and compliance with the new government-wide Enterprise Risk Management Directive. IO also updated its risk register in 2020, placing continued emphasis on emerging risks and improvement in risk management reporting.

Risk Management Policies, Practices and Standards

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

Risks are identified into categories:

- ▶ Strategic Risks generally pertain to IO's mandate and business environment risks. These risks are managed through the risk management governance process including the Board and relevant committees and internal management committees;
- ▶ Reputational Risks pertain to risks that can impact the IO brand, image or reputation as the result of the actions of the Agency; indirectly due to the actions of an employee or employees; or tangentially through the actions of other peripheral parties, such as partners or suppliers. These risks are managed through good governance practices and transparency and monitored by the Board and relevant committees and internal management committees;
- ▶ Operational Risks include risks associated with people, process, technology, security, compliance and mandate execution, which can affect the ability of IO to achieve its corporate objectives. Operational risks are managed through the business units, internal management committees and appropriate Board committees; and



- ▶ Financial Risks pertain to risks that can impact IO's cash position and financial results and reporting. They are managed through various reporting, lending and investing policies and procedures as well as ongoing management governance through the Board and relevant committees and internal management committees.

IO has a structured process to ensure the quality and consistency of risk management activities that are reported to the Board:

- ▶ The Audit Committee and the Board review the ERM policy as required to ensure it continues to be appropriate and reflects best practices;
- ▶ The risk register is updated with extensive participation from senior management across the Agency. The Risk Management and Internal Audit department facilitates the ongoing identification and monitoring of risk and the reporting and monitoring to senior management, the respective sub-Committees, Audit Committee and the Board;
- ▶ ERM update dashboards are provided quarterly to management and to the Audit Committee; and
- ▶ The risk register is utilized by Internal Audit to update the rolling three-year Internal Audit Plan. The Internal Audit Plan includes quarterly reviews of operational controls to ensure compliance against set policies and procedures. It also incorporates a strategic risk-based approach to the internal audit role.

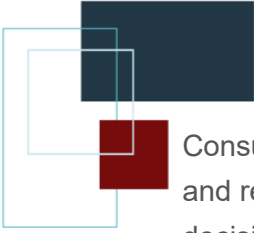
IO maintains a robust and integrated internal control framework and policy suite to mitigate risks. Controls are supported by an active management team ensuring IO's processes are efficient and effective. Mitigations are assessed as part of a cyclical process to determine whether the residual risk levels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

Key Risks

Strategic

Rapid Mandate Expansion

The Ontario Government may increase IO's mandate and scope of operations, resulting in a rapid expansion of the portfolio, resource base and operations. In addition to a rigorous framework for hiring staff and additional resources developed to match any changes in mandate/scope of work, the strategic direction of IO is governed and supported by Annual Letters of Direction from the Ministry of Infrastructure and Ministry of Government and



Consumer Services, memoranda of understanding between various ministries IO serves, and regular ministerial briefings which help to better relationships with current government decision makers so IO is aware of any changes being contemplated for its mandate and scope of operations.

Declining Market Participation and Decreased Capacity

Market participation has been affected by consolidation within the construction industry, the growing complexity of IO's projects, and the evolving tolerance for risk transfer to potential project companies. Decreased participation on programs, facilities management and projects, coupled with a decreased capacity of project companies' ability within the marketplace to perform work, may lead to higher bid prices and costs of services, schedule delays or cancellations. IO's approach to addressing this risk includes:


- i) providing increased detail and greater frequency of project pipeline information to market participants around procurement timing and lead times;
- ii) conducting more market soundings with vendors and associations in an effort to alert the market to upcoming projects and receive feedback on market status and project structures;
- iii) continuing to streamline the procurement process;
- iv) performing ongoing reviews of risk transfer in IO contracts to ensure the most efficient risk allocation is achieved; and
- v) assessing changes in contracting approach where necessary to maximize competitiveness and participation.

Alignment of Objectives, Roles and Responsibilities with Partners / Stakeholders

The objectives, roles and responsibilities between IO and its key partners and stakeholders may be misaligned under project arrangements where IO does not exercise full control over project management and governance due to decision-making by partners. This could result in IO being negatively impacted by underperforming projects and/or suffering the reputational fallout. To avoid uncertainty amongst partners, IO has in place robust governance documents and processes to maintain clarity on project mandates with partners.

Business Transformational Changes

The volume of simultaneous transformational changes may negatively impact IO's delivery results, culture and people through the implementation of new systems, applications, and operating and delivery models. As a result, IO is incorporating formal risk assessment activities into the change management process through the review of transformational initiatives and the strategy planning exercise. To optimize the organization's efficiency and address transformational needs, an organizational design



review including reconfiguration of divisional leadership has taken place to ensure that functions are positioned in divisional lines of reporting and operational adjacencies.

Reputational

Claims and Litigation

An increase in the frequency and magnitude of claims against IO and its projects may result in financial and resource strain to IO and the Government; and may result in damaging IO's reputation for future projects. For example, civil projects working within urban transit have a greater risk profile and increased third-party dependencies affecting project budget/schedule. A specialized claims department within IO's legal team has been developed to manage claims centrally, and processes to manage claims are expected to be standardized for future claims. Efforts are being made to train project staff on claims management processes to retain information to support future claims. Management continuously reaffirms IO's core principles of project readiness and management to reduce risk of schedule/budget slippage to prevent claims being filed.

Performance

The inability to appropriately manage performance is not achieved to meet government expectations as a result of project delays, cost overruns, service delivery lapses or loan-related issues. IO continues to monitor key stages of transactions with communication to government stakeholders through regularly convened senior management and executive committees to oversee transactions proceeding to the procurement phase to implementation. IO is also looking to improve upon existing project controls through the implementation of quantitative cost and schedule risk analysis, not only before a procurement begins, but also as an ongoing tool to support project monitoring and project risk management.

Operational

Manage Business Disruption

The recent public health crisis and economic slowdown has emphasized how the magnitude of changes in the external environment or reliance on partners may have on IO's operations and thereby its ability to execute and deliver client services due to ineffective preparedness. IO has in place a Business Continuity Plan (BCP) and Emergency Response measure protocols which are periodically reviewed and updated to ensure they meet the needs of possible future events. In addition, IO ensures that its service providers also have in place a BCP in respect of its management of public assets.



Financial

Interest Rate Impacts and Credit Risk Management as Part of Loan Portfolio Management

IO has entered into interest rate swaps agreements to reduce the exposure to interest rate risk associated with unhedged loans and debt issued prior to May 2015. The swaps significantly reduce the exposure to interest rate fluctuations and market volatility, however, there remains a residual risk to interest rate declines. IO measures its interest rate risk on a regular basis and reports the results of interest rate change scenarios against prescribed limits to the Credit & Real Estate Committee of the Board on a quarterly basis. In addition, adverse economic conditions resulting from the COVID-19 pandemic may impact select IO lending clients due to potential decreases in revenue. IO mitigates this risk through ongoing monitoring, individual loan reviews, and frequent communication with borrowers. These actions help to ensure the status and performance of IO's loan portfolio is maintained, and the lending program continues to support infrastructure growth across the Province.

Legislative Mandate

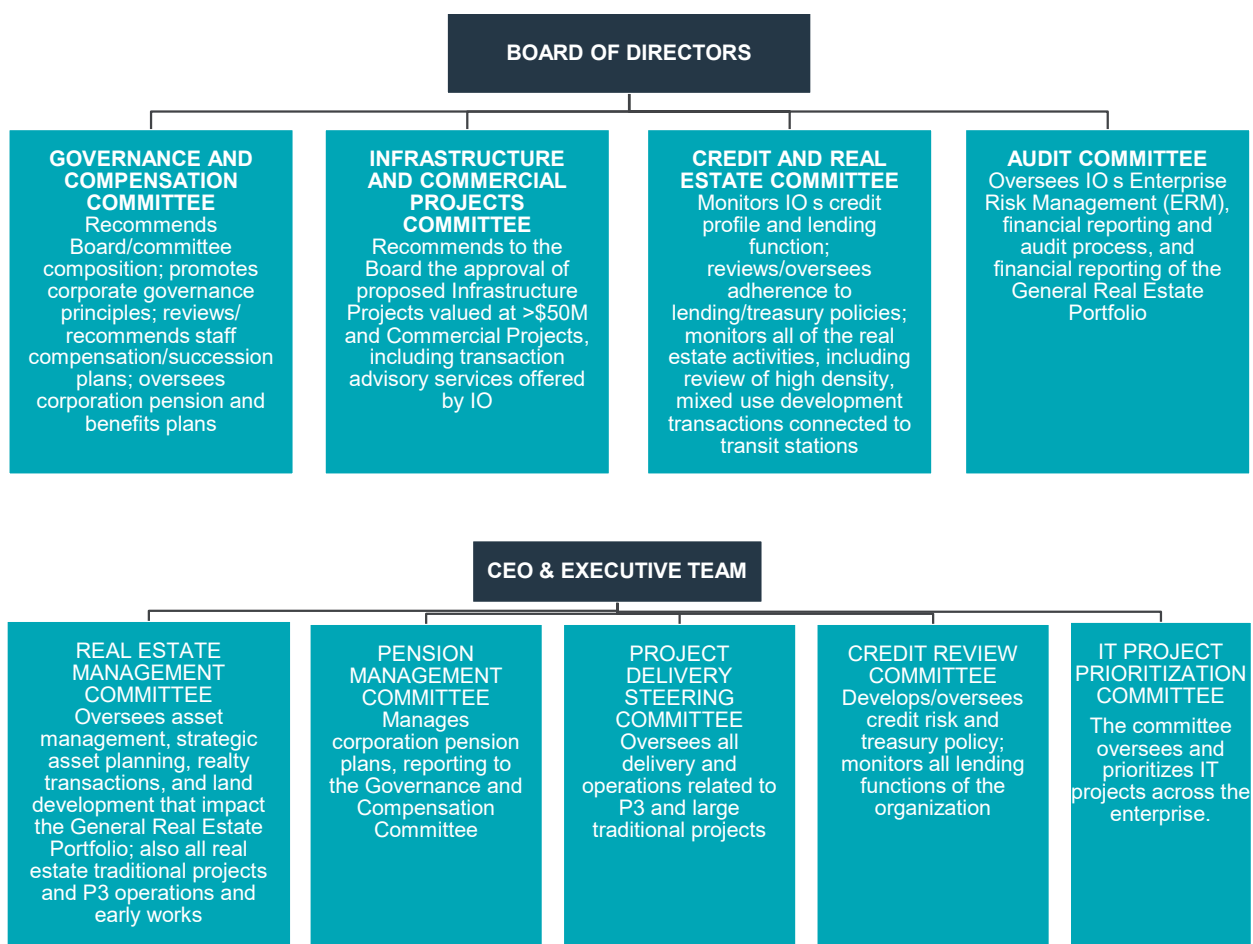
Infrastructure Ontario is a Province of Ontario Crown Agency, and classified as a Board-Governed Agency. Its authority is provided by the *Ontario Infrastructure and Lands Corporation Act 2011* (OILC Act). The legislative authority of IO, and the Agency's mandate, as defined in the OILC Act is to:

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

Enterprise Governance

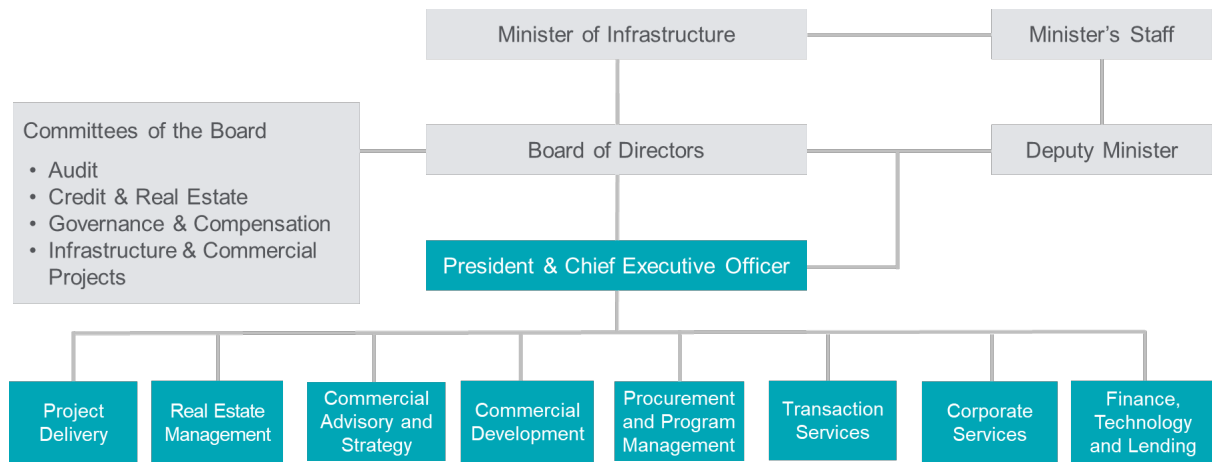
IO applies a high standard of corporate governance to ensure accountability and operational efficiency. IO is governed by a Board of Directors and Chief Executive Officer appointed by the Lieutenant Governor in Council. The Agency is accountable to the Ontario Legislature through the Minister of Infrastructure (Minister) and reports to the Minister through the Chair of the Board. A Memorandum of Understanding (MOU) from the Minister clarifies and delineates IO's roles and responsibilities, as well as the accountability framework between the ministry and the Agency. The business plan and annual report submitted to the Minister are prepared in accordance with applicable legislation and the government's Agencies and Appointments Directive. Decision-making thresholds of IO's management committees and individual staff members are governed by a Delegation of Authority, which is approved by the agency's Board of Directors.

Figure 7: IO's Board and Management Committee Structure



Corporate Structure

Figure 8: IO's CORPORATE STRUCTURE



IO has begun to streamline how it works to match the strategic goals the Agency is aiming to achieve. This has resulted in several changes, including: centralizing and standardizing support services (such as environmental, heritage and energy assessments), consolidating project activity regardless of model, realigning functions to reduce duplication of effort and elevating the role of corporate strategy. The Agency is supporting organizational flexibility and agility by enabling mission-based teams from across the organization to focus on a common outcome. In doing so, the organization can present itself to clients in a more coordinated way, use resources more efficiently and allow employees a broader work experience with new development opportunities.



Environmental Scan

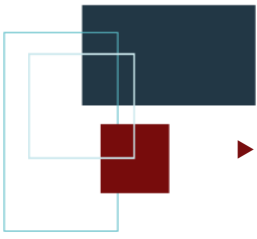
As part of IO's annual business planning process, the Agency conducts an external scan of environmental factors that may influence IO's business. The assessment is summarized below:

Government Priorities:

- ▶ Growing debt levels and commitment to balancing books necessitate (a) finding new ways to pay for infrastructure and/or lower the cost of delivery, (b) pursuing partnerships with the private sector to deliver services more efficiently and/or generate revenue and (c) optimizing existing stock of public assets. IO is well positioned to support government in leveraging a range of delivery models to meet these objectives.
- ▶ Commitments around long-term care bed supply necessitate finding new ways to utilize existing assets and partner with the private sector to achieve goals. With the long-term care sector especially vulnerable to the COVID-19 crisis, the need to rapidly increase bed capacity is more urgent than it has ever been.
- ▶ While questions emerge regarding future transit ridership and the demand for new transit assets, rail and subway investments continue to be of importance as the government focuses on economic stimulus in response to COVID-19 and reducing transit congestion over the longer term. Coupled with other priorities, delivery needs to be structured in ways that maximize private sector innovation and capabilities. Opportunities to broaden development in and around stations will create new revenue streams for government and drive community building.

Industry Landscape and Market Conditions:

- ▶ The COVID-19 pandemic presents a highly uncertain fiscal and societal landscape. Adapted thinking around assets will be necessary. Government partners will be challenged to find smart ways to invest in current assets while also building for the future. Industry partners will face new forms of constraints, and local supply chains will be more important than ever.
- ▶ Potential Decline in Market Participation: The P3 market is dominated by a few large players. IO's ability to generate a competitive bidding environment on projects is critical to maximizing value to the taxpayer. IO needs to find ways to increase market participation and enable new competitors into IO's process for the benefit of the projects it delivers.



- ▶ **Market Capacity:** With a significant pipeline of projects on the horizon, IO must ensure the market has the capacity to bid upon its projects – both in terms of being able to actually respond to the process requirements (when there is potential for competing projects in the marketplace) as well as the capacity to deliver (e.g., sufficient financing available, sufficient labour resources to deliver, etc.).
- ▶ **Increasing Complexity of Projects:** Infrastructure projects are becoming increasingly complex with technology playing a more dominant role in the delivery of traditionally bricks and mortar projects. New asset classes and projects in more remote areas of the province are presenting new forms of risk that are difficult to identify, assess and transfer. IO needs to ensure that a ‘template’ approach is not applied to what could be a unique project.
- ▶ **Emerging potential for some of IO’s core clients to build their own capabilities and competencies, in ways that could alter our working relationship.**
- ▶ **Increasing challenges to large projects and growing concerns about data collection requires IO to become more involved with stakeholder and community engagement at an earlier stage.**

Other:

- ▶ **Leading organizations are gaining competitive advantages by leveraging artificial intelligence and other technologies to improve business operations that meet changing consumer behaviours and drive efficiencies. In an environment where IO’s mandate continues to expand, the Agency must seek to identify opportunities to leverage technology and AI capabilities.**
- ▶ **The sustainability of the assets IO builds, their resiliency to climate change, the way they use energy, is becoming ever more important and something that needs to price into projects.**



Human Resources

Attracting and retaining talent is paramount to meet IO's current and expanding mandate. The Agency's employee value proposition, which is based on the concepts of having real impact, feeling empowered to succeed, being inclusive and growing its people, will be a key foundation to how the organization will attract and retain talent.

IO is also striving to maintain a responsible and balanced approach to compensation, recognizing the constrained environment in which the Agency operates and the competitive labour market in which IO exists. IO uses data from the Conference Board of Canada and RealPac, and has worked with Mercer Canada, a global consulting leader in talent, to establish pay bands that blend both private and public sector comparators in order to attract top talent.

For the fiscal year ending March 31, 2020,
IO's average staff complement was 546.

The average employee age is 41
with approximately 5.5 years of service.

Communications Plan

IO continues to modernize its approach to communications with the government, partners and members of the community to support transparency and awareness of IO's mandate, objectives and results.

IO is committed to building relationships with media, participating in stakeholder and industry events and engaging the public using social media tools.

Internal communications to support engagement with IO staff is an ongoing priority.

IO collaborates with the Ministry of Infrastructure, Cabinet Office and other partners.