

2017/18 - 2021/22



# THE CANADA INFRASTRUCTURE BANK

SUMMARY CORPORATE PLAN | SUMMARY OPERATING BUDGET | SUMMARY CAPITAL BUDGET



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## DESCRIPTION OF INITIAL CORPORATE PLAN

The Canada Infrastructure Bank (the CIB) was established, under the *Canada Infrastructure Bank Act*, on June 22, 2017. This initial corporate plan is intended to provide an overview of the CIB and allow it to conduct start-up activities in order to have a public launch by the end of 2017.

Under the *Financial Administration Act*, a Crown corporation must annually submit a corporate plan for approval and may not conduct business or activities that are inconsistent with its last approved corporate plan. This corporate plan seeks authority only for the CIB's start-up activities.

## CORPORATE PROFILE

Through the 2016 Fall Economic Statement, the Government announced its intention to create the CIB. The corporation has been established through legislation as an arm's length Crown corporation. The entity will commence start-up activities upon approval of this corporate plan.

## LEGISLATION AND LEGAL STRUCTURE

The CIB was established under the *Canada Infrastructure Bank Act* (the *CIB Act*), which received Royal Assent as part of the *Budget Implementation Act, 2017, No. 1* on June 22, 2017.

Any federal legislation and policies that apply to Crown corporations will apply to the CIB and its operations, including the *Financial Administration Act*, the *Official Languages Act*, the *Privacy Act*, the *Access to Information Act*, the *Conflict of Interest Act*, and the *Federal Identity Program*.

## PURPOSE AND FUNCTIONS

As provided in the *CIB Act*, the entity's purpose is to make investments in revenue-generating infrastructure projects that are in the public interest, and to seek to attract investment in those projects from private sector and institutional investors.

In order to carry out its purpose, the CIB is authorized to do only the following:

- a) structure proposals and negotiate agreements, with the proponents of infrastructure projects and with investors in infrastructure projects, with regard to the Government of Canada's support of those projects;
- b) invest in infrastructure projects, including by means of innovative financial tools, and seek to attract investment from private sector investors and institutional investors in infrastructure projects;

- c) receive unsolicited proposals for infrastructure projects that come from private sector investors or from institutional investors;
- d) support infrastructure projects by, among other things, fostering evidence-based decision making;
- e) act as a centre of expertise on infrastructure projects in which private sector investors or institutional investors are making a significant investment;
- f) provide advice to all levels of governments with regard to infrastructure projects;
- g) collect and disseminate data, in collaboration with the federal, provincial and municipal governments, in order to monitor and assess the state of infrastructure in Canada and to better inform investment decisions in regards to infrastructure projects; and
- h) perform any other function conducive to the carrying out of its purpose that the Governor in Council (GiC) may, by order, specify.

#### **CORPORATE GOVERNANCE**

The CIB is structured as an arm's length Crown corporation. These are distinct legal entities established by the government to pursue public policy and commercial objectives. The CIB will be led by a Chief Executive Officer (CEO) and governed by a Board of Directors (the Board).

#### **ACCOUNTABILITY TO PARLIAMENT**

The CIB will be accountable to Parliament through the Minister of Infrastructure and Communities, who is the CIB's designated Minister. The Minister will table in Parliament a summary of the CIB's corporate plan and operating and capital budgets annually, as well as its annual report. The CIB will be audited by both a private sector auditor and the Auditor General of Canada. As well, the designated Minister and Parliament will review the operations of the CIB and the *CIB Act* every five years.

#### **DESIGNATED MINISTER AND MINISTER OF FINANCE ROLE**

The designated Minister, with the concurrence of the Minister of Finance, will recommend the approval of the CIB's corporate plan by the GiC and operating and capital budgets by the Treasury Board.

The *CIB Act* provides that the Minister of Finance may pay to the CIB, out of the Consolidated Revenue Fund, amounts of not more than \$35 billion in the aggregate, and approve any loan guarantees that the CIB would provide.

## **BOARD OF DIRECTORS**

### *CHAIRPERSON AND TRANSITIONAL AUTHORITY*

On July 6, 2017, the Government announced the appointment of Janice Fukakusa as the inaugural Chairperson of the Board of Directors. The appointment was made following an open, transparent, and merit-based selection process that attracted a range of highly qualified professionals.

The *CIB Act* allows for a transitional period during which the Chairperson can exercise expanded powers to facilitate the stand-up of the CIB. Specifically, during the period before the first day on which there is a Chairperson and at least eight other directors in office, the Chairperson comprises the Board and may exercise all powers of the Board, and during the period before the first CEO is appointed, the Chairperson may exercise all the powers of the CEO.

Ms. Fukakusa will play a key role in establishing the governance and oversight that will enable the CIB to deliver successfully on its mandate and meet its obligations under the *CIB Act*.

### *BOARD OF DIRECTORS*

In the coming months, the Government of Canada will finalize the selection for the remaining members of the CIB's Board.

The CIB's Board will be comprised of the Chairperson and 8 to 11 other directors. Each director will be appointed by the GiC. The selection process for the Board will follow the principles of the Government of Canada's new approach to appointments: open, transparent, merit-based and reflecting Canada's diversity.

The designated Minister may undertake any consultations considered appropriate on the appointment of directors, and may establish a committee to provide advice on the appointment of directors. Any such committee would include representation of the Board.

In accordance with the *CIB Act*, remuneration for the Board will be set by the GiC.

The Board will have the overall responsibility for overseeing the management of the CIB's business and affairs and will exercise its authority with a view to the best interest of the CIB and the long-term interests of its sole shareholder, the Government of Canada, in accordance with the *CIB Act*, other relevant legislation, and the CIB's by-laws, if any.

In keeping with leading governance arrangements for Crown corporations, the Board will establish committees to assist the Board in discharging its responsibilities. These could include, for example, an Audit and Risk Committee, a Governance and Nominating Committee, an Investment Committee, and a Human Resources and Compensation Committee.

## **OFFICERS AND EMPLOYEES OF THE CANADA INFRASTRUCTURE BANK**

As provided in the *CIB Act*, the corporation will be led by a CEO. Once appointed, the person will lead and manage the CIB and carry out any other appropriate responsibilities. The CEO will report to the Board. The CEO will not be a member of the Board, but will be able to attend meetings unless otherwise specified in the CIB's by-laws.

As set out in the *CIB Act*, the first CEO is to be appointed by the GiC. Before this appointment is made, the designated Minister must consult with any directors then in office. The rate of remuneration for the CEO will be set by the GiC on the recommendation of the Board, which will take into account the skills required for the position and the remuneration paid to persons in comparable positions.

In addition, the CIB will hire other officers and employees, and remuneration for these other officers and employees will be set by the CIB, in accordance with an appropriate regime.

## **THE PLANNING ENVIRONMENT AND BUSINESS STRATEGY**

### **START-UP ACTIVITIES**

The Crown corporation is working, with the support of Infrastructure Canada, to stand-up core capabilities to ensure it is in position to be fully operational by late 2017. To achieve this timeframe, the entity will have to undertake a variety of start-up activities. The planned approach for standing-up the operation involves ensuring capacity to meet its core mandate by its launch date and subsequently scaling up capacity over time.

In accordance with the above approach, the entity will engage, as appropriate, outside service providers. The corporation will develop procurement, expenditure management and hiring policies, and will follow Crown corporation best practices with respect to these domains. This will allow the entity to responsibly expend resources while meeting the government's timeframe for the CIB to be operational.

Below is a list of key start-up activities that the CIB expects to undertake.

### *GOVERNANCE, STRATEGY AND REPORTING*

The CIB will develop and adopt by-laws and corporate policies, including financial, risk management and governance frameworks that are in line with the best practices for equivalent organizations. This will include robust policies related to conflict of interest and transparency, and any other appropriate policies.

The CIB may establish CEO and employee performance metrics, and a framework for the CIB's management to report to the Board and will engage external auditors as part of the overall governance framework.

#### *PEOPLE*

The process for identifying a CEO and the remaining directors for the CIB is underway. In addition, the corporation will develop an organizational structure and descriptions for key professional positions, and the entity will hire such employees as are considered necessary to carry out the CIB's purpose and functions. The CIB will need to, over time, hire expert staff in a competitive marketplace. This is expected to include professionals with significant financial and infrastructure expertise.

In order to attract an appropriate talent pool, the corporation will offer compensation packages that take into account the skills required for the positions and that are competitive with comparable market-based positions.

The CIB will develop a compensation policy, which reflects best practices for Crown corporations, and in the interim, the CIB will seek to follow those best practices when making any hiring and compensation decisions.

#### *REAL PROPERTY*

As provided in Order in Council 2017-1008, the corporation will be headquartered in Toronto. It is expected that the CIB will enter into a short-term lease for an interim office. In parallel, the CIB could conduct a search for its long-term headquarters.

At present, it is expected that the CIB's headquarters will be its only physical location. In its headquarters, the CIB will conduct business, engage with investors, stakeholders, in particular provincial, territorial, municipal and Indigenous partners. The corporation may consider options as it matures to ensure service to all parts of Canada from coast to coast to coast.

#### *COMMUNICATIONS*

As part of the corporation's start-up phase, the CIB may conduct preliminary communications activities, which could include, but are not limited to:

- Conducting preliminary outreach and engagement with public and media stakeholders, where appropriate;
- Developing key messages and supporting communications materials;
- Developing organizational branding and establishing an initial website; and,
- Designing a plan for stakeholder engagement and establishing preliminary relationships with stakeholders.

## *INVESTMENT MANAGEMENT FRAMEWORK*

A key start-up activity for the CIB will be developing initial approaches to business development, transaction screening and identification, portfolio planning, and transaction management, such as due diligence and negotiation and execution.

## *CORPORATE SERVICES*

The CIB will develop and implement an approach for corporate services. This could include establishing financial and accounting systems, legal services including legal counsel, internal controls, risk management, a human resources strategy, a payroll system and other payment systems, information management and technology architecture and protocols, procurement strategies, and real property leasing and fit-up. This approach may involve insourcing and/or outsourcing various corporate service functions.

## *POTENTIAL PROJECTS*

The CIB may conduct preliminary analysis and consideration of near-term infrastructure projects. The corporation may choose to engage external advisors to assist with this analysis and consideration.

## **RISKS**

### *STAFFING*

An implementation risk relates to finding the right people to lead and operate the corporation, in particular the CEO position and other senior investment professionals with expertise in infrastructure project finance. In order to attract and retain the necessary talent and expertise, the Board will recommend a compensation package that takes into account the skills required for the position and the remuneration paid to persons in comparable positions, and will continue to strategically use consultants and recruiters when appropriate.

## **BUSINESS LINES**

The corporation's business lines will be consistent with the purpose and functions set out in the CIB Act.

## **EXPECTED RESULTS**

The expected result is that the CIB will be operational before the end of 2017, with an appropriate date chosen for a public launch.

Key milestones related to the entity being operational in a timely manner include establishing temporary office space, identifying a plan for the permanent CIB head office location, as well as the appointment of a Board and a CEO. Hiring of other priority staff and engagement of external service providers, as appropriate, will be continuous as capacity is ramped up.

## **THE CANADA INFRASTRUCTURE BANK'S FINANCIAL PLAN**

### **CONTROL AND ACCOUNTABILITY**

As a Crown corporation, the CIB is subject to the control and accountability regime under Part X of the *Financial Administration Act*. This includes GIC approval of the corporate plan and Treasury Board approval of operating and capital budgets. Under the *CIB Act*, approval of the corporate plan and operating and capital budgets are on the recommendation of the designated Minister and with the concurrence of the Minister of Finance. The CIB will provide the normal documents required of Crown corporations in the annual reporting cycle (e.g., annual report, quarterly financial report).

### **FINANCIAL HIGHLIGHTS AND KEY BUSINESS ASSUMPTIONS**

Year 1: Stand-Up of the CIB (operating costs of \$16.1M and capital costs of \$2.9M)

The first year of operations, from July 1, 2017 to March 31, 2018, will focus on standing up the entity. The majority of costs will be driven by the hiring of the executive leadership and other employees, professional services when and where appropriate, as well as support for the Board. Real estate and operational expenses will remain comparatively modest as the CIB will maintain a relatively small footprint and employee base (estimated at up to 25 employees before launch, 25 to 50 employees before end of fiscal year, and growing up to 100 employees for steady state).

Costs were informed by comparative analysis of similar organizations and, where appropriate, adjusted to the specific activities of the CIB. Actual costs could be lower or higher as many of the costs, such as compensation and use of professional outsourcing, have yet to be determined. Given the uncertainties surrounding the start-up, particularly real property fit-up and building systems and initial activities, a 25 percent contingency has been included.

## OPERATING BUDGET AND FINANCIAL FORECAST

<b>Operational Expenses</b>	<b>2017/18</b>
Salaries and wages	\$ 6,375,000
CIB stand-up activities	\$6,530,000
Total operating expenses	\$12,905,000
Contingency adjustment	\$3,226,000
Adjusted operating expenses	\$16,131,000

## PLANNED CAPITAL EXPENDITURE

<b>Capital Investments</b>	<b>2017/18</b>
Total capital costs	2,300,000
Contingency adjustment	\$575,000
Adjusted capital costs	\$2,875,000