

ONTARIO FINANCING AUTHORITY

2021 ANNUAL REPORT

Mandate

The Ontario Financing Authority (OFA) was established as an agency of the Crown on November 15, 1993 by the *Capital Investment Plan Act, 1993* (the Act). In accordance with the Act, the OFA:

- conducts borrowing, investment and financial risk management for the Province of Ontario (the Province);
- manages the Provincial debt;
- manages the Province's key financial relationships with investors, financial institutions, rating agencies and public bodies;
- provides centralized financial services for the Province including banking and cash management;
- advises ministries, Crown agencies and other public bodies on financial policies and projects;
- assists Crown agencies and other public bodies to borrow and invest money;
- acts at the direction of the Province in lending to certain public bodies;
- invests on behalf of some public bodies;
- with Ontario Power Generation Inc. (OPG), manages the investment activities of OPG's Used Fuel Segregated Fund and Decommissioning Segregated Fund; and
- carries out the day-to-day operations of Ontario Electricity Financial Corporation (OEFC) and provides a broad range of financial services to Ontario Infrastructure and Lands Corporation (Infrastructure Ontario).

In addition, the OFA's objects include:

- promoting and enhancing the work on the OFA's culture values of respect, innovation, teamwork and accountability;
 - providing such other financial services as are considered advantageous to the Province or any public body; and
 - any additional objects as directed by the Lieutenant Governor in Council.
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Statement from the Chair and the Chief Executive Officer

Borrowing and debt management activities continued unabated despite challenging conditions. The Ontario Financing Authority (OFA) successfully completed the Province of Ontario's largest ever long-term borrowing program in 2020–21, raising \$59.8 billion. This was an increase of more than \$20 billion from the previous year's borrowing program, and \$17 billion larger than the peak borrowing program in 2009–10 during the global financial crisis.

In January 2021, Ontario launched its second Green Bond of fiscal 2020–21, and ninth Green Bond overall. This issue was for \$1.25 billion and follows a \$1.5 billion Green Bond launched in October 2020. These are the two largest Canadian dollar Green Bond issues ever launched.

The OFA's robust Business Continuity Plan allowed the agency to quickly move to working remotely in March 2020, and to effectively deliver on its mandate throughout the 2020–21 fiscal year. The OFA worked with program delivery ministries and the Province's co-lead banks to implement cost effective and innovative payment mechanisms that greatly facilitated the government's COVID-19 relief programs. The OFA also continued to provide financial advice and implementation support for initiatives related to the electricity sector, a loan guarantee program to facilitate Aboriginal participation in energy infrastructure projects, analysis and advice on a number of Infrastructure Ontario projects, and other government priorities.

Working with the Ministry of Finance, the OFA is implementing recommendations from the value-for-money audit of the OFA issued by the Office of the Auditor General of Ontario (OAGO) in its *Annual Report 2019*, with implementation progress being reviewed by OAGO. The OFA continued advancing cost-effective strategies including the implementation of efficiencies, increased automation and working smarter, to ensure the agency's mandate continues to be delivered with the highest regard to value for money.

Throughout 2021–22, the OFA will continue to provide cost-effective borrowing, debt management and other financial services on behalf of the Province. Uncertainty from the COVID-19 pandemic remains, and the Province's *2021 Budget* uses alternative economic scenarios to illustrate the impact of faster and slower economic growth on the Province's deficit and borrowing projections. The Province continues to maintain large liquid reserve levels to not only withstand periods of financial market volatility and economic uncertainty, but to meet large single day maturities.

We remain dedicated to advancing the OFA's core cultural values of respect, innovation, teamwork and accountability. They are critical to our success in creating an even better future for the OFA, as we develop our next generation of leaders who will continue to demonstrate the intelligence, adaptability, dynamism, integrity, fairness and resilience the organization strives for and values. The OFA remains committed to the objectives of anti-racism, diversity, inclusion, accessibility and gender balance in decisions related to recruitment, learning and development, and succession planning.

We would like to thank OFA staff for their hard work and successes, and the Board of Directors for their advice and oversight during the 2020–21 fiscal year. We look forward to working with staff and the Board in 2021–22.



Greg Orenszak
Chair



Gadi Mayman
Chief Executive Officer

Management's Discussion and Analysis

Presentation of the OFA's 2020–21 Financial Statements

Capital Markets Activities

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Management's Discussion and Analysis

This section details management's discussion and analysis of the results achieved by the OFA for the Province in 2020–21 and its objectives for 2021–22.

Presentation of the OFA's 2020–21 Financial Statements

In order to comply with a recommendation in the Office of the Auditor General's (OAGO) 2019 value-for-money audit, the OFA remitted \$30 million from its accumulated surplus to the Province in November 2020, after obtaining approval from its Board. The remittance of \$30 million was made from OFA's cash reserves, built up by annual surpluses generated over a number of past years which in turn are reflected in the accumulated surplus.

In accordance with Public Sector Accounting Standards, this remittance is classified as an expense in 2020–21, resulting in the OFA's surplus for the year of almost \$4 million being converted to a deficit of approximately \$26 million.

Capital Markets Activities

Borrowing Program

Long-term borrowing for 2020–21 totalled \$59.8 billion, and took advantage of the low interest rate environment and strong demand for Ontario bonds. The weighted-average term to maturity of long-term Provincial debt issued has been extended from 8.1 years in 2009–10 to 12.0 years in 2020–21. This continued extension of the term to maturity allowed the Province to lock in low interest rates for a longer period, which reduces refinancing risks and helps offset the impact of expected higher interest rates on the Province's Interest on Debt (IOD) costs. This strategy, along with efficient and effective debt management by the OFA, has allowed the Province to project in the *2021 Budget*, savings of \$0.7 billion in interest on debt expense when compared to the forecast in the *March 2020 Economic and Fiscal Update*, despite long term borrowing increasing by over \$16 billion.

The strong demand for Ontario debt globally has resulted in Ontario completing more of its long-term borrowing internationally. As a result, domestic borrowing was below the Province's target range of issuing 70 to 80 per cent in the Canadian dollar market. Approximately 65 per cent of the Province's 2020–21 borrowing program was completed in the Canadian-dollar market. The OFA's well-developed Business Continuity Plan allowed the agency to continue delivering on its mandate during the COVID-19 pandemic, including borrowing activities that continued unabated despite challenging market conditions.

Investments

The OFA manages the Province's liquid reserve portfolio to optimize investment returns and to ensure sufficient funds are available to meet cash requirements. The average level of unrestricted liquid reserves in 2020–21 was \$46.2 billion. In the normal course of business, the Province may pledge or receive collateral for derivative transactions and repurchase agreements. Unrestricted liquid reserves are a more prudent measure of total liquid reserves as pledged collateral is netted out of the total liquid reserves calculation.

The OFA also invests on behalf of certain public bodies to help increase their returns by streamlining investment processes and reducing investment costs. In 2020–21, the OFA provided investment services to a number of agencies, boards, commissions and other public bodies, including Infrastructure Ontario, Ontario Trillium Foundation, Ontario Capital Growth Corporation and the Financial Services Regulatory Authority of Ontario. Total funds managed were \$2.1 billion.

With OPG, the OFA continued to manage the investment activities of OPG's Used Fuel Segregated Fund and Decommissioning Segregated Fund established under the Ontario Nuclear Funds Agreement (ONFA). Strong equity markets following the market disruption in March 2020 caused by the COVID-19 pandemic, had a positive impact on the Nuclear Funds. As at March 31, 2021, the combined market value of the funds was \$26.0 billion compared with \$21.8 billion at March 31, 2020 and \$4.9 billion when the funds were formally established in 2003.

There are currently 37 external investment managers retained to invest ONFA funds in bonds, equities, and real assets. For the 12 months ending March 31, 2021, the ONFA funds' rate of return was 20.31 per cent, outperforming the market benchmark of 18.91 per cent. Since inception, the ONFA funds have returned 7.68 per cent annualized, outperforming the long-term target annualized rate of return of 5.15 per cent. This target is a real rate of return of 3.25 per cent annually, calculated by adding 3.25 to the rate of change in the Ontario Consumer Price Index.

Borrowing and Debt Management

The OFA manages the debt of the Province and OEFC.

Total debt, which represents all borrowing without offsetting financial assets, was \$404.6 billion, interim as at March 31, 2021, compared to \$372.8 billion as at March 31, 2020.

Ontario's net debt is the difference between total liabilities and total financial assets. Ontario's net debt was \$399.5 billion, interim as of March 31, 2021 (March 31, 2020, \$353.3 billion). This projection for March 31, 2021 is \$20.3 billion above the forecast of \$379.2 billion in the *March 2020 Economic and Fiscal Update*, primarily due to a higher projected deficit for 2020–21. It includes the broader public sector's (BPS) net debt of \$12.6 billion (March 31, 2020, \$13.9 billion).

Prudent risk management policies and practices mitigate the financial risks inherent in managing large debt and liquid reserve portfolios. A variety of financial instruments, such as swaps and forward contracts, are used to manage exposures to fluctuations in interest rates and foreign currency exchange rates. The OFA uses derivatives for hedging purposes to manage its foreign exchange and interest rate risks. The OFA's derivatives policy does not permit the creation of leverage using derivatives. The Province's financial risks are monitored on a continuous basis, and these risk exposures are marked-to-market daily and audited annually. The daily mark-to-market risk exposures and the monitoring of financial risks were not affected by the COVID-19 pandemic.

Risk management policies are reviewed annually and amendments are approved by the Board.

Performance

The OFA monitors and measures the performance of the borrowing and money market programs. The performance of long-term fixed rate borrowing for 2020–21 is measured by comparing the all-in borrowing cost against the statistical distribution of benchmark interest rates observed during the year, with the objective being to attain a low percentile rank. Regular long-term fixed borrowing achieved a percentile rank of 58.0 exceeding the target range of 45-55 percentile; strategic foreign borrowing achieved a percentile rank of 82.7, also exceeding the target range of 50-75 percentile. The underperformance was primarily due to market volatility resulting in a skewed distribution of the Province's benchmark interest rates which usually follow a normal distribution. The OFA however, outperformed the program execution performance measure, particularly the complement of the borrowing program in the midst of volatile markets caused by the COVID-19 pandemic.

The performance of liquid reserve investments (money market program) is measured relative to the returns of a custom benchmark with a term of approximately 61 days. The target is ± 2 basis points relative to the benchmark. The program's return of 0.29 per cent was 5.3 basis points above the benchmark, outperforming the target. The actual money market return was \$22.6 million, above the benchmark and \$32.3 million above the 2019–20 returns.

Market Risk

Market risk is the risk of loss due to changes in interest and foreign exchange rates.

The OFA aims for a balanced debt maturity profile for the Province to mitigate the interest rate risk inherent in refinancing maturing debt and the floating-rate debt. The Province limits itself to a maximum net interest rate resetting exposure of 35 per cent of debt issued for Provincial purposes and a maximum foreign-exchange exposure of 3 per cent of debt issued for Provincial purposes.

The interim percentage of interest rate resetting exposure (net of liquid reserves) was 7.9 per cent of debt as at March 31, 2021. The interim foreign exchange exposure was 0.1 per cent of debt as at March 31, 2021.

All exposures were well within the Province's approved policy limits during 2020–21.

Credit Risk

Credit risk is the risk of loss due to default of bond issuers or counterparties of derivatives or other financial transactions. The lowest acceptable credit rating of counterparties for Ontario is A–. However, Ontario typically enters into swap transactions with new counterparties rated AA– or higher. Ontario’s hedging transactions related to international borrowing result in credit risk exposure to its derivative counterparties. In order to manage and mitigate credit risk associated with derivative transactions, the Province has negotiated swap collateral agreements known as Credit Support Annexes (CSAs) with all of its major derivatives counterparties. A CSA is a bilateral agreement between two parties that provides the terms and conditions for posting collateral in order to offset the credit exposure related to derivative transactions.

The Province’s interim net credit risk exposure associated with the derivative portfolio as at March 31, 2021 was \$0 million, decreasing from \$9 million as at March 31, 2020. Net credit risk exposure represents the loss that the Province would incur if every counterparty to which the Province had credit risk exposure were to default at the same time, less the mitigating impact of netting provisions as prescribed in contractual master agreements.

As at March 31, 2021, over 99 per cent of Ontario’s credit exposure was to counterparties rated AA– or better, unchanged from over 99 per cent as at March 31, 2020.

Liquidity Risk

Liquidity risk is the risk that liquid reserves will not be sufficient to meet the Province’s cash requirements. This risk is controlled through the management of operational cash flows, liquid reserve levels and the short-term borrowing program.

The Province’s Treasury bill and U.S. Commercial Paper programs had authorized limits of \$46.0 billion and \$15.0 billion, respectively in 2020–21. As at March 31, 2021, the outstanding borrowing under the Province’s Treasury bill and U.S. Commercial Paper programs stood at \$24.4 billion and \$0.0 billion, respectively.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. The OFA manages operational risks through divisional procedures and contingency plans as well as appropriate staffing and training, all of which are reviewed on an ongoing basis. The OFA’s Business Continuity Plan ensures critical operations are completed in a timely manner in the event of an unforeseen business disruption.

In response to the COVID-19 pandemic, the OFA transitioned entirely as of March 16, 2020 to working remotely and continued to work remotely throughout the 2020–21 fiscal year. Solutions were quickly deployed and adapted to address any impediments impacting telework. The overall seamless transition to remote work was due in large part to the well rehearsed Business Continuity Plan from all OFA divisions. OFA’s information technology (IT) systems continue to perform well while supporting all staff’s ability to work remotely. New health and safety protocols were developed in consultation with public health and

Infrastructure Ontario and in compliance with regulations, to accommodate any on-site needs and prepare for the gradual return to the office workplace.

The reliability, security and availability of IT and computing systems is crucial to ensure the OFA carries out its mandate efficiently and effectively. The Strategic Corporate Services Division (SCSD) supports the OFA by ensuring the efficient and effective management of business critical services including technology and communication systems, procurement, facilities, human resources, corporate business continuity and all related policies.

All systems, infrastructure and services were successfully provided to all OFA divisions, with no data compromises in 2020–21. SCSD continued to provide strategic advice to manage organizational human resource risks with increasing pressures. With upticks in data creation, consumption, and rising global cyber security threats, continued resource investment contributes to the proactive maintenance and management of systems, and will continue to be handled with the highest diligence in defense of the systems that support the OFA.

Credit Rating Agency Relations

The Province requires ratings from recognized credit rating agencies to issue debt in the capital markets. The OFA ensures credit rating agencies understand government policies and budget direction as well as economic and fiscal performance, and properly reflect these in their reports and decisions. Through the OFA, the Province maintains a one-window contact with the rating agencies to ensure information provided to them is consistent and coordinated.

Capital Markets and Borrowing and Debt Management Objectives for 2021–22

The OFA will continue to diversify the Province's Canadian-dollar borrowing program using a combination of syndicated issues, bond auctions, floating-rate notes and medium-term notes.

In fiscal 2019–20, the Province started to set its Canadian dollar borrowing target to be a range, rather than a fixed point, to recognize that market conditions change rapidly and the Province needs to continue to be flexible in its approach to borrowing to minimize interest on debt costs. Based on the 2020–21 experience, Ontario has adjusted its target range for domestic borrowing to 65 to 80 per cent for the 2021–22 fiscal year, and will adjust if necessary, recognizing the volatility in the financial markets.

Ontario will continue to be flexible, monitoring the Canadian-dollar and international markets, issuing bonds in different terms and currencies, and responding to investor preferences. Investor relations will remain a priority, but will continue to differ from previous years due to the impact of the COVID-19 pandemic which will result in a substantial reduction and potential elimination of travel for OFA and ministerial staff for a large portion of the fiscal year.

The Province will continue to hedge foreign exchange and interest rate risks when borrowing in international markets. This hedging process has become more complex due to regulatory reforms in the derivatives markets under the U.S. *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank), the European Market Infrastructure Regulation (EMIR), and Bank for International Settlements *Basel III* regulations, as well as the corresponding regulatory changes in Canada administered by the Canadian

Securities Administrators. These initiatives have increased the cost of hedging. Hedging may also become more expensive due to potential financial transaction taxes or mark-to-market derivatives taxes in the United States. In order to ensure that the Province is able to hedge its debt as cost-effectively as possible, while remaining compliant with changing regulatory requirements, the Province continues to monitor and adapt to the derivatives regulatory developments, making appropriate amendments to its ISDA Agreements and CSAs.

Cost-effective and prudent debt management strategies will continue to be key objectives in 2021–22. The OFA will comply with risk management policies and portfolio program limits approved by the Boards of Directors of the OFA and OEFC. Risk management policies will be reviewed and revised on a mandatory annual basis and as required in response to an evolving regulatory and capital markets environment. On behalf of the Province, the OFA will continue negotiating CSAs with other major counterparties.

The OFA will also manage the Province's liquid reserves conservatively. With OPG, the OFA will continue to administer ONFA investments consistent with the objectives of ONFA, so the Province's contingent liabilities under ONFA are prudently managed. As well, the OFA will continue to invest on behalf of certain public bodies.

Working with the Ministry of Finance (MOF), the OFA is implementing recommendations from the value-for-money audit of the OFA issued by the OAGO in its Annual Report 2019, with implementation progress being reviewed by OAGO.

Financial Reporting and Treasury Services

The OFA, working remotely throughout the 2020–21 fiscal year, continued to effectively deliver on its centralized Banking and Cash Management mandate over the COVID-19 pandemic as a result of its robust Business Continuity Plan. The OFA worked with ministries, central agencies and the Province's co-lead banks to assess and implement innovative and cost effective payment mechanisms to ensure that the government's COVID-19 relief programs were delivered on a timely basis. OFA cash management staff worked effectively with capital markets staff to ensure that funding continued to be available for urgent payments as well as enhanced government spending to provide COVID-19 pandemic relief.

The OFA ensured that requests from ministries for advance and early payments to stakeholders and transfer payment entities in the broader public sector over the COVID-19 pandemic were analyzed on a case-by-case basis and approval was provided only to those with compelling rationale in line with government priorities.

The OFA provided effective cash forecasting ensuring that the Province's cash reserves continued to meet requirements. This was particularly significant in light of the unsettled market conditions arising from the COVID-19 pandemic. The Province's liquid reserve position continues to be healthy and adequate to meet immediate cash requirements. The OFA continued to work with the Office of Economic Policy and the ministries to ensure that cash forecasts including the potential zero cash date are as current and as accurate as possible.

The OFA continued to leverage its relationships with all of the major Canadian banks to ensure that the Province's overnight cash deposits receive the best interest rates available, thereby contributing to higher returns on the Province's liquid reserves.

In the midst of assisting ministries and Ontario Shared Services and working with banks to facilitate ministry financial programs including revenue collection and disbursements in the new telework environment, millions of COVID-19 relief payments to individuals and businesses were added on top of regular operations. Early benefit programs were largely paid by cheque, but later rounds saw over 1.5 million transactions made by a new disbursement service, Interac bulk e-transfer prioritized for implementation, which allowed for quick turnaround of payments in a convenient and safe manner for constituents.

The OFA continued to work with ministries on newly prioritized digitization efforts. The OFA has maintained close communication and strong relationships with the Canadian banks over the year to problem solve and support ministries and their programs as required.

The OFA continued to participate in, and provide advice to, the cross-ministry Working Group, Executive Governance Committee and Payment Card Industry (PCI) Enterprise Coordination Office to ensure that ministries maintain compliance with mandatory security requirements for debit/credit card acceptance. The Province has been in full compliance with PCI requirements from the inception of this mandatory compliance and continued to be so for 2020–21, despite working remotely over the entire fiscal year.

The OFA with the Ministry of Children, Community and Social Services (MCCSS) finalized legal agreements to support unbanked individuals, allowing them to receive Ontario Disability Support Benefit and Assistance for Children with Severe Disabilities benefit payments as well as social assistance payments under a common

reloadable prepaid benefit cards program. This increases efficiencies and modernizes client experience by reducing reliance on cheques. The OFA provided advice on banking arrangements to facilitate the newly created agency, Supply Ontario.

The OFA continued to provide subject matter expertise to Cabinet Office's Ontario Digital Service (ODS), which has been tasked with enabling adoption of digital practices across the government and improve the quality of service to Ontarians including payment processing. ODS has targeted specific transactions to move online and the OFA is working with the stakeholders to evaluate suitable options and develop an implementation plan.

The OFA assisted three ministries in setting up online revenue collection: FOI e-Requests, Motor Vehicle Accident Claims Fund e-forms and MAG Licence Appeal Tribunal – General Service.

Following a competitive tender, awarded and executed a contract for banking services for the Family Responsibility Office, MCCSS (FRO).

The OFA provided ongoing advice to several ministries, central agencies, and the FRO on how to increase and implement more effective electronic banking solutions for the collection of a variety of tax and non-tax program revenues as well as for disbursements.

As part of a cross ministry effort, the OFA assisted in implementing a bank-provided electronic filing and payment solution to remit various payroll-related taxes to CRA thus displacing over \$1 billion of annual payments previously made by cheque.

The OFA continued to work closely with MOF as a stakeholder on its Transformation of Revenue Processing, Image Capture and Data Entry initiative including participating in the executive committee as well as various working groups.

The OFA issued a tender for banking services for the Province, OFA and OEFC that closed in February 2021, with newly appointed co-lead banks expected to be in place by late 2021.

The OFA continued to work with MOF, Ministry of Government and Consumer Services and Treasury Board Secretariat (TBS) in advancing the initiative to move pension plan assets that are currently part of the Consolidated Revenue Fund into more appropriate asset management structures that have the potential to provide fiscal savings.

Based on an invite from the Public Sector Accounting Board (PSAB), the OFA worked with all of the other Provinces to develop amendments to the Financial Instruments standard that addresses all of the concerns of the senior governments. These amendments were unfortunately rejected by PSAB.

An OFA executive continues to participate in a PSAB working group which produced an Exposure Draft addressing Ontario's concern with regard to the continued use of foreign exchange forwards, a less expensive option for hedging debt issued in foreign currencies. The amendments proposed by the Exposure Draft have been approved by the PSAB allowing the Province to continue using foreign exchange forwards.

From 2020–21 onwards, the number of days that the Ontario Internal Audit Division (OIAD) allocates to OFA internal audits have been substantially reduced. The OFA procured external audit resources via a

competitive process to ensure that the level of internal audit scrutiny remains consistent. The successful proponent, Ernst & Young (EY), developed an audit plan for the OFA, approved by the Board and the first set of audit reports for 2020–21 were presented to the Audit and Risk Management Committee in April 2021.

The OFA continued to provide agency financial statements, as well as reporting of provincial debt, derivatives and investments. As in past years, the OFA's 2020–21 Financial Statements received an unqualified opinion from the OAGO. As part of the audit of the Province's Public Accounts, the OAGO audits the OFA's financial reporting of the Province's debt and interest on debt. The 2020–21 Public Accounts audit is currently ongoing. The 2019–20 audit, in keeping with the past years, did not identify any material issues.

Financial Reporting and Treasury Services Objectives for 2021–22

The OFA will identify and implement effective treasury solutions for the Province and its client agencies. The OFA will continue the effective approach adopted over the COVID-19 pandemic until all restrictions are lifted. The OFA will leverage the lessons learned from a number of alternate and innovative measures implemented over the pandemic towards more efficient and effective program delivery and revenue collections mechanisms post pandemic.

The OFA will continue to work with ministries and central agencies to expand the use of bulk Interac e-transfer used as an emergency COVID response for transferring benefits to individuals, to an enterprise solution for use by all ministry programs.

The OFA will ensure that the Province has sufficient cash available at all times to meet its financial obligations, particularly in light of borrowing programs that were well over \$50 billion per annum and the COVID-19 pandemic related relief programs as well as restrictions.

While compliance with PCI Data Security Standards is now in its sustainment phase, the OFA will continue to work with the other OPS stakeholders and the credit/debit card acquirer to ensure that the mandatory external reviews continue to ensure that the Province is in compliance with all applicable PCI data security standards, which are reviewed and updated periodically by the PCI Council.

The OFA will continue to work with TD Merchant Services, the Province's card acquirer, to explore options for the Province to begin accepting new value-added card products and technology, e.g. tokenization, security enhancements.

The OFA will work with ODS to evaluate and develop a phased implementation plan to add digital wallets (e.g. ApplePay) to provincial websites.

The contracts from a competitive tender, issued late 2020, for banking services for the Province, OFA and OEFC will be awarded by the OFA, in the fall of 2021.

The OFA will continue to collaborate with industry associations and provincial and federal jurisdictions on modernization initiatives and issues unique to the public sector.

The OFA will continue to work with the Ontario Pension Board, MOF Income Security and Pension Policy Division and TBS on implementing and maintaining the revised structure for the Judges' Pension Plan.

The OFA will continue working with the appointed internal auditor, EY towards leveraging their international reach and access as well as their extensive subject matter expertise, towards enhancing both the risk and financial frameworks of the Province's Treasury Program.

The OFA will continue to monitor and assess any new accounting developments of the International Public Sector Accounting Standards Board, the Financial Accounting Standards Board in the U.S., the Accounting Standards Board and the PSAB of the Chartered Professional Accountants of Canada that affect reporting for the Province and its agencies. The OFA will provide advice to the Provincial Controller and external accounting oversight bodies on how changes to accounting standards would affect the Province's debt and IOD.

An OFA executive continues to be part of a new PSAB Task Force that will release an Exposure Draft proposing amendments to the current provisions in the Financial Instruments Standard on accounting for rate setting exercises. The Province is hopeful that the amendments will be supportive of the Province's current accounting treatment.

In light of the April 1, 2022 implementation date for the Financial Instruments Standard, the OFA will continue to work closely with the external consultant, Deloitte Inc., retained via a competitive procurement, to ensure that the Treasury Program accounting policies and procedures as well as the underlying OFA systems are appropriately revised and are ready for the implementation of the standard.

Financial Advice

The OFA was active in providing financial advice and implementation assistance to ministries, Crown agencies and other public bodies on corporate and electricity finance policies and initiatives.

The OFA will continue to assist the Province in identifying efficient and effective public service delivery models by providing financial analysis and advice, and implementation support where applicable, with respect to potential opportunities for partnerships with the private sector and with respect to opportunities to optimize the returns on its government business enterprises and other assets.

Projects – Advisory Activities

The OFA continued to advise the Province on venture capital investments made by the Ontario Capital Growth Corporation through the Ontario Venture Capital Fund, the new Life Sciences Venture Capital Fund, the Northleaf Venture Catalyst Fund, and the Ontario Emerging Technology Fund.

The OFA continued to provide analysis and advice on a number of business support proposals.

The OFA continued to provide analysis and advice in respect of a number of Infrastructure Ontario projects.

The OFA provided analysis and advice to the government in support of negotiating a new contract for a property tax analysis system.

The OFA continued to provide support to the Value Creation Task Force, which was established to identify and review innovative opportunities to generate recurring non-tax revenues.

The OFA continued to provide analysis and advice in respect of electricity price mitigation measures, including COVID-19 pandemic relief measures.

Projects – Other Financial Services

Under the OFA's framework for providing financing to public bodies, the OFA provides long-term financing to Crown agencies, school boards, colleges, hospitals and specified Provincial corporations, boards and commissions. In 2020–21, the OFA provided new long-term loans to a number of public bodies, including Ontario hospitals, colleges, the Niagara Parks Commission, and Crown corporations totalling \$102.1 million. In addition, in response to a COVID-19 pandemic related initiative and impacts, the OFA provided two short-term, revolving credit facilities in 2020–21: one for up to \$900 million to the Workplace Safety and Insurance Board (WSIB) and another for up to \$300 million to the Ontario Lottery and Gaming Corporation (OLG). The WSIB line of credit had an outstanding balance of \$210 million while the OLG line of credit had a nil balance as at March 31, 2021. The OFA also provided a credit facility to the Financial Services Regulatory Authority of Ontario (FSRA) of up to \$2 billion, replacing a prior facility of up to \$400 million, for the purpose of addressing potential unexpected liquidity pressures in the Ontario credit union sector as a result of the COVID-19 pandemic. As of March 31, 2021, FSRA had not drawn any funds from this credit facility.

The OFA, on behalf of the Province, has received a number of applications for the Province's Aboriginal Loan Guarantee Program (ALGP), which are in various stages of completion and are under review by staff and a third party due diligence provider. As at March 31, 2021, ten loan guarantees have been approved under the program, including a provincial loan guarantee to support First Nation Limited Partnership's equity investment in the Wataynikaneyap Power northwest grid connection project. The aggregate principal of loans guaranteed is approximately \$470 million.

The OFA also continued to provide loan administration services to the Province on its loan facility for construction financing of up to \$1.34 billion for a portion of the estimated construction cost of the Wataynikaneyap Power northwest grid connection project.

The OFA provided services to OEFC, including implementing and monitoring loan agreements between OEFC and OPG to provide financing for general corporate purposes and electricity supply projects. The OFA provided analysis and advice on and continued to implement various OFA and OEFC credit facilities to the IESO.

The OFA assisted in the continued implementation of ONFA, including reviewing OPG's 2021 annual budget for eligible expenditures under ONFA for nuclear waste management and monitoring the status of OPG's financial guarantee to the Canadian Nuclear Safety Commission for the 2018 to 2022 period.

The OFA also provided analysis to the Minister of Finance and the government to support electricity policies and initiatives, focusing on potential fiscal, financing, and economic impacts on the Province and OEFC.

Financial Advice Objectives for 2021–22

In 2021–22, the OFA will continue to provide financial advice and assistance to the Minister of Finance, ministries, Crown agencies and other public bodies on financial policies and initiatives.

Activities will include advising ministries and agencies on cost-effective financing policies and structures, comprehensive advice on structuring and implementing financial transactions and accurate determination of value-for-money benchmarks.

The OFA will support the Value Creation Task Force as required, in identifying, assessing and making recommendations on potential opportunities for value creation across government to generate additional incremental non-tax revenues for the Province.

The OFA will provide financial analysis and advice on measures to support government initiatives and to facilitate cost effective borrowing by public sector organizations.

Financial analysis and advice will be provided to the Minister of Finance with respect to policy initiatives in the electricity sector, including the implementation of ONFA, managing the debt and other liabilities of OEFC, and electricity rate mitigation programs. Such financial analysis and advice includes the impact of policy initiatives on the Province's finances (including those of OEFC) and on the economy.

As required, the OFA will advise on electricity supply and demand initiatives, including facilitating potential OEFC financing to OPG.

The OFA will continue to provide analysis and advice to the Minister of Finance on applications to and loan guarantees under the Aboriginal Loan Guarantee Program.

The OFA will continue to provide loan administration services for a Provincial loan to the Wataynikaneyap Power transmission project.

Summary of Financial Results

The Ontario Financing Authority (OFA) manages the Province's debt and investment of liquid reserves, and recovers the cost of these services from the Province. The OFA provides loans to Crown agencies and other public bodies on the direction of the Province. It also provides other financial services to Crown agencies and other public bodies. These costs are recovered on a fee-for-service basis.

The outstanding balance of the loans to public bodies at March 31, 2021 was \$5,386.2 million, a net increase of \$19.7 million from \$5,366.5 million in March 2020. The table below summarizes these changes:

(in thousands of dollars)

Borrower	March 31, 2021	March 31, 2020	Change
Colleges of Applied Arts and Technology	345,637	331,396	14,241
Corporation of the City of Windsor	0	2,237	(2,237)
Hospitals	111,349	101,732	9,617
Independent Electricity System Operator	0	2,754	(2,754)
Liquor Control Board of Ontario	4,538	0	4,538
Niagara Parks Commission	14,468	3,484	10,984
Ontario Cannabis Retail Corporation	74,243	81,405	(7,162)
Ontario Lottery and Gaming Corporation	62,537	32,325	30,212
Ontario Northland Transportation Commission	1,245	1,341	(96)
Royal Ontario Museum	23,434	23,534	(100)
School Boards	4,538,762	4,786,301	(247,539)
Workplace Safety and Insurance Board	210,000	0	210,000
Total	5,386,213	5,366,509	19,704

The OFA continued to provide investment management services to other public bodies in managing an aggregate investment amount of \$2,101 million (2020 – \$2,054 million).

The OFA recovered operating costs from agencies and related parties amounting to \$5.4 million for the year ended March 31, 2021 (2020 – \$5.3 million). The OFA's excess of revenue over expenses from operations for the year amounted to \$3.9 million (2020 – \$4.2 million) from the partial retention of the interest rate spread on loans to public bodies as well as the interest income from its cash reserves. The \$30 million payment of surplus funds to the Province is presented as a current year expense, which results in the OFA recording an annual deficit of \$26.1 million.

Prudent financial management on the part of the OFA ensured that actual expenditures continued to be below the budget, resulting in cost recoveries from the Province that were \$1.8 million lower than the approved budget. Interest revenue was \$0.7 million higher than the budget contributing to an equal increase in the excess of revenue over expenses.

Financial Statements

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Financial Statements

Responsibility for Financial Reporting

The accompanying Financial Statements of the OFA have been prepared in accordance with Canadian public sector accounting standards. The preparation of the Financial Statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Financial Statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 18, 2021.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit and Risk Management Committee of the Board.

The Board, through the Audit and Risk Management Committee, is responsible for ensuring management fulfils its responsibilities for financial reporting and internal controls. The Audit and Risk Management Committee meets quarterly with management and at least twice yearly with the external and internal auditors, to deal with issues raised by them and to review the financial statements before recommending approval by the Board.

The Financial Statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the Financial Statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report, which appears on the following pages, outlines the scope of the Auditor's examination and opinion.

On behalf of management:



Gadi Mayman
Chief Executive Officer



Ken Kandeepan
Chief Financial and Risk Officer

Independent Auditor's Report



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

INDEPENDENT AUDITOR'S REPORT

To the Ontario Financing Authority

Opinion

I have audited the financial statements of the Ontario Financing Authority (the OFA), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the OFA as at March 31, 2021, and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the OFA in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the OFA'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 the OFA either intends to cease operations, or has no realistic alternative but to do so.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 OFA'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 OFA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the OFA 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.

I 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 I identify during my audit.

Toronto, Ontario
June 18, 2021


Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

ONTARIO FINANCING AUTHORITY

Statement of Financial Position

As at March 31, 2021

<i>(in thousands of dollars)</i>	2021	2020
FINANCIAL ASSETS		
Cash	\$ 9,293	\$ 35,528
Due from agencies & related parties (Note 6)(c)	2,664	2,544
Due from the Province of Ontario	1,941	2,698
	<u>13,898</u>	<u>40,770</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,941	2,698
Due to the Province of Ontario	1,493	1,525
Deferred revenue (Note 3)	1,313	1,419
	<u>4,747</u>	<u>5,642</u>
Net financial assets	9,151	35,128
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 2)	928	884
Prepaid expenses	385	535
	<u>1,313</u>	<u>1,419</u>
Accumulated surplus	\$ 10,464	\$ 36,547

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:



Greg Orensak
Chair



Gadi Mayman
Chief Executive Officer

ONTARIO FINANCING AUTHORITY

Statement of Operations

For the year ended March 31, 2021

(in thousands of dollars)

	2021 Budget	2021 Actual	2020 Actual
REVENUE			
Cost recovery from the Province of Ontario (Note 4)	\$ 22,020	\$ 20,275	\$ 20,260
Cost recovery from agencies & related parties (Note 6) (c)	5,191	5,407	5,257
Amortization of deferred capital contributions (Note 3)	645	572	611
Interest revenue (Note 5)	3,263	3,917	4,179
	31,119	30,171	30,307
EXPENSES			
Salaries, wages and benefits	23,369	22,493	22,233
Administrative and general	3,842	3,189	3,284
Amortization of tangible capital assets (Note 3)	645	572	611
	27,856	26,254	26,128
Excess of revenue over expenses from operations	3,263	3,917	4,179
Payment of surplus funds to the Province of Ontario (Note 7)	-	(30,000)	-
Annual surplus (deficit)	3,263	(26,083)	4,179
Accumulated surplus at beginning of year	36,547	36,547	32,368
Accumulated surplus at end of year	\$ 39,810	\$ 10,464	\$ 36,547

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY
Statement of Change in Net Financial Assets
For the year ended March 31, 2021

<i>(in thousands of dollars)</i>	2021 Budget	2021 Actual	2020 Actual
Annual surplus (deficit)	\$ 3,263	\$ (26,083)	\$ 4,179
Acquisition of tangible capital assets (Note 3)	(795)	(616)	(627)
Amortization of tangible capital assets (Note 3)	645	572	611
Prepaid expenses	0	150	(121)
Change in net financial assets	3,113	(25,977)	4,042
Net financial assets at beginning of year	35,128	35,128	31,086
Net financial assets at end of year	\$ 38,241	\$ 9,151	\$ 35,128

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Statement of Cash Flow

For the year ended March 31, 2021

<i>(in thousands of dollars)</i>	2021	2020
Operating transactions		
Annual surplus (deficit)	\$ (26,083)	\$ 4,179
Less: Items not affecting cash		
Amortization of tangible capital assets	572	611
Decrease/(Increase) in prepaid expenses	150	(121)
(Decrease)/Increase in deferred revenue	(106)	137
Changes in non-cash working capital:		
(Increase)/Decrease in due from agencies & related Parties	(120)	197
Decrease in due from the Province	757	118
Decrease in accounts payable	(757)	(118)
(Decrease)/Increase in recoveries due to the Province	(32)	90
Cash provided by operating transactions	(25,619)	5,093
Capital transaction		
Cash used to acquire tangible capital assets	(616)	(627)
Cash applied to capital transactions	(616)	(627)
Net change in cash	(26,235)	4,466
Cash at beginning of year	35,528	31,062
Cash at end of year	\$ 9,293	\$ 35,528

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2021

BACKGROUND

The Ontario Financing Authority (the OFA) was established as an agency of the Crown on November 15, 1993 by the *Capital Investment Plan Act, 1993* (the Act). In accordance with the Act, the OFA:

- conducts borrowing, investment and financial risk management for the Province of Ontario (the Province);
- manages the Provincial debt;
- manages the Province's key financial relationships with investors, financial institutions, rating agencies and public bodies;
- provides centralized financial services for the Province including banking and cash management;
- advises ministries, Crown agencies and other public bodies on financial policies and projects;
- assists Crown agencies and other public bodies to borrow and invest money;
- acts at the direction of the Province in lending to certain public bodies;
- invests on behalf of some public bodies;
- with Ontario Power Generation Inc., manages the investment activities of OPG's Used Fuel Segregated Fund and Decommissioning Segregated Fund; and
- carries out the day-to-day operations of Ontario Electricity Financial Corporation and provides a broad range of financial services to Ontario Infrastructure and Lands Corporation (Infrastructure Ontario).

In addition, the OFA's objects include:

- providing such other financial services as are considered advantageous to the Province or any public body; and
- any additional objects as directed by the Lieutenant Governor in Council.

The Memorandum of Understanding between the OFA and the Minister of Finance is an administrative agreement that serves as an important governance tool for the OFA in delivering on its mandate and objectives.

The OFA is a corporation established under the laws of Ontario. The OFA is exempt from federal and provincial income taxes under paragraph 149(1) (d) of the *Income Tax Act* (Canada).

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting: These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

(b) Tangible Capital Assets: Tangible capital assets are stated at cost. Amortization is provided using the straight-line method over the estimated useful life of the assets, with a half-year provision applied in both the year of acquisition and the year of disposal. The estimated useful life of the assets are as follows:

Furniture and equipment	5 years
Computer hardware	3 years
Leasehold improvements	Term of lease

Funding received from the Province for the acquisition of tangible capital assets is recorded as deferred revenue and amortized to cost recovery on the same basis as the tangible capital assets.

(c) Measurement Uncertainty: The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include: useful life of tangible capital assets and the accrued benefit obligation. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

(d) Accounts Payable and Accrued Liabilities: Accounts payable relate to normal business transactions with third-party vendors and are subject to standard commercial terms. Accrued liabilities relate to accruals for salaries and benefits.

(e) Revenue and Expenses: The OFA is funded from the Consolidated Revenue Fund (CRF) as part of Treasury Program. The OFA can charge fees subject to statutory and regulatory authority and it earns revenues from public bodies outside of the CRF; the OFA retains revenues earned from the interest rate spread on its loans to public bodies.

(f) Financial Instruments: The OFA's financial assets and liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value; and
- Accounts receivable, due from agencies & related parties, due from the Province of Ontario, accounts payable, due to the Province of Ontario and deferred revenue are recorded at cost.

The OFA does not use derivative financial instruments on its own behalf.

(g) Related Party Transactions: Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by related parties.

2. TANGIBLE CAPITAL ASSETS

	Year ended March 31, 2021			
	Computer Hardware	Leasehold Improvements	Furniture and Equipment	Total
<i>(in thousands of dollars)</i>				
Cost				
Opening balance, April 1, 2020	\$ 14,601	\$ 1,905	\$ 1,213	\$ 17,719
Additions	616	—	—	616
Disposals	—	—	—	—
Closing balance, March 31, 2021	15,217	1,905	1,213	18,335
Accumulated Depreciation				
Opening balance, April 1, 2020	13,807	1,872	1,156	16,835
Amortization	531	14	27	572
Disposals	—	—	—	—
Closing balance, March 31, 2021	14,338	1,886	1,183	17,407
Net Book Value, March 31, 2021	\$879	\$19	\$30	\$928

	Year ended March 31, 2020			
	Computer Hardware	Leasehold Improvements	Furniture and Equipment	Total
<i>(in thousands of dollars)</i>				
Cost				
Opening balance, April 1, 2019	\$ 13,974	\$ 1,905	\$ 1,213	\$ 17,092
Additions	627	—	—	627
Disposals	—	—	—	—
Closing balance, March 31, 2020	14,601	1,905	1,213	17,719
Accumulated Depreciation				
Opening balance, April 1, 2019	13,240	1,857	1,127	16,224
Amortization	567	15	29	611
Disposals	—	—	—	—
Closing balance, March 31, 2020	13,807	1,872	1,156	16,835
Net Book Value, March 31, 2020	\$794	\$33	\$57	\$884

3. DEFERRED REVENUE

Deferred revenue represents the unamortized portion of the cost recovered from the Province for the acquisition of tangible capital assets as well as prepaid expenses to be allocated over the period the resources are consumed.

(in thousands of dollars)

	Year ended March 31, 2021		
	Tangible Capital Assets	Prepaid Expenses	Total
Balance, beginning of year	\$884	\$535	\$1,419
Additions	616	413	1,029
Amortization	(572)	—	(572)
Expensed in the current year	—	(563)	(563)
Balance, end of year	\$928	\$ 385	\$1,313

(in thousands of dollars)

	Year ended March 31, 2020		
	Tangible Capital Assets	Prepaid Expenses	Total
Balance, beginning of year	\$ 868	\$ 414	\$ 1,282
Additions	627	690	1,317
Amortization	(611)	—	(611)
Expensed in the current year	—	(569)	(569)
Balance, end of year	\$884	\$535	\$1,419

Amortization of \$572,000 (2020 – \$611,000) represents the offset to the contributions received for the purchase of tangible capital assets. The \$563,000 (2020 – \$569,000) expensed represents the amount allocated to the current year expenses from the prepaid expenses.

4. DEBT AND INVESTMENT MANAGEMENT FOR THE PROVINCE

The OFA manages debt on behalf of the Province amounting to \$414.9 billion, as at March 31, 2021 (2020 Actual – \$382.7 billion) as per the interim projection published in the *2021 Ontario Budget*. The OFA also manages investments amounting to \$82.7 billion as at March 31, 2021 (2020 – \$68.1 billion), including \$26.0 billion (2020 – \$21.8 billion) under the joint management of funds owned by Ontario Power Generation Inc. under the Ontario Nuclear Funds Agreement (ONFA). The Province, OPG and certain OPG subsidiaries entered into ONFA in March 2002 to set aside funds necessary to dispose of nuclear waste and used fuel and to decommission nuclear power stations. ONFA came into force on July 24, 2003.

Cost recovery from the Province for all debt management and investment activities for the year ended March 31, 2021 was \$20.3 million (2020 – \$20.3 million).

5. TRANSACTIONS WITH PUBLIC BODIES

The OFA provides financing to various public bodies on direction from the Province in furtherance of stated Provincial initiatives. These loans are included in the Province's consolidated financial statements and are not reflected in the OFA's financial statements.

Funds for these loans are advanced to the OFA by the Province under credit facilities aggregating \$21.9 billion expiring from 2036 to 2055. Principal repayments received from public bodies by the OFA are forwarded to the Province. The interest rates charged to public bodies is generally slightly higher than the rate charged by the Province on the advances to fund the loans (the spread).

The OFA will generally retain a portion of the spread in order to recover the administrative costs of managing these loans. The spread retained by the OFA includes a cost recovery component and, where applicable, a proxy commercial interest rate spread. The inclusion of the proxy commercial spread results in an interest rate reflecting the relative risk associated with the loan. During the year ended March 31, 2021, \$3.7 million in interest rate spread revenue was recognized (2020 – \$3.5 million) of which \$1.2 million is receivable at year end (2020 – \$1.0 million). The OFA's total interest revenue of \$3.9 million for the year also includes \$0.2 million (2020 – \$0.7 million) interest income earned on its bank balance.

Loans to Public Bodies by the Province:

As at March 31, 2021, the principal amounts receivable by the OFA on behalf of the Province represent long term and short term loans. During the year total interest received from these loans was \$223.8 million (2020 – \$235.0 million), of which \$220.0 million (2020 – \$231.5 million) was flowed to the Province after retaining OFA's interest spread of \$3.7 million (2020 – \$3.5 million).

These are related party transactions, with the exception of the Corporation of the City of Windsor.

(in thousands of dollars)

	March 31, 2021	March 31, 2020
(i) Colleges of Applied Arts and Technology	\$345,637	\$331,396
(ii) Corporation of the City of Windsor	-	2,237
(iii) Hospitals	111,349	101,732
(iv) Independent Electricity System Operator	-	2,754
(v) Liquor Control Board of Ontario	4,538	-
(vi) Niagara Parks Commission	14,468	3,484
(vii) Ontario Cannabis Retail Corporation	74,243	81,405
(viii) Ontario Lottery and Gaming Corporation	62,537	32,325
(ix) Ontario Northland Transportation Commission	1,245	1,341
(x) Royal Ontario Museum	23,434	23,534
(xi) School Boards	4,538,762	4,786,301
(xii) Workplace Safety and Insurance Board	210,000	-
Total	\$5,386,213	\$5,366,509

(i) Colleges of Applied Arts and Technology have been loaned \$345.6 million (2020 – \$331.4 million) for various campus projects including college campus expansion, new and expanded student residences, computer equipment, parking facilities, and an energy saving capital project. These loans bear interest ranging from 0.39 per cent to 5.75 per cent and mature from 2021 to 2049.

(ii) The Corporation of the City of Windsor is a municipality within the meaning of the *Municipal Act, 2001*. The financing provided is for the acquisition, design and construction of the Windsor Justice Facility consisting of a provincial division courthouse and city police headquarters. The 20 year loan bearing interest at 6.41 per cent matured in March 2021 and was paid off by the City.

(iii) Hospitals

Unity Health Toronto (created by the 2017 amalgamation of Providence Healthcare, St. Joseph's Health Centre and St. Michael's Hospital), a charitable organization incorporated under the *Corporations Act* (Ontario) was provided a loan of \$100.0 million. This loan was for the purpose of providing long-term financing as funding for a portion of the shortfall between the actuarial value of the assets in the hospital's legacy St. Michael's Hospital single employer pension plan (the SMHPP) and the actuarial value required to merge the SMHPP with the Healthcare of Ontario Pension Plan (HOOPP). As of March 31, 2021, the outstanding balance is \$96.8 million (2020 – \$99.0 million). This loan bears an interest rate of 2.99 per cent and matures in 2049.

Arnprior Regional Health (ARH) has been provided a loan facility of \$25.8 million for the purpose of financing a Long-term Care Redevelopment project. As of March 31, 2021 ARH has drawn \$14.6 million (2020 – \$2.8 million) from this facility bearing interest rate ranging from 0.14 per cent to 1.81 per cent.

(iv) The Independent Electricity System Operator (IESO), a corporation continued under Part II of the *Electricity Act, 1998*, had been provided a maximum \$475 million credit facility under the amended revolving credit facility agreement on November 6, 2017 to primarily fund the Regulated Price Plan variance account prior to an amendment. On December 20, 2019, this agreement was amended to increase the credit facility from \$475 million to a maximum of \$1,100 million. This credit facility has been extended until June 30, 2023. During the year IESO had drawn funds under this facility for the Regulated Price Plan Variance program and for General Liquidity requirements and had repaid all the drawings. As at March 31, 2021, the IESO has not drawn any funds (2020 – \$2.8 million) under this facility.

(v) Liquor Control Board of Ontario (LCBO), a Crown agency of the Province operating under the *Liquor Control Act*, has been provided a loan facility of \$51.2 million for the purpose of funding the capital costs associated with relocating its head office. As of March 31, 2021, LCBO has drawn \$4.5 million (2020 – nil) under this facility, bearing an interest ranging from 0.76 to of 0.89 per cent.

(vi) The Niagara Parks Commission (NPC), a Crown agency of the Province operating under the *Niagara Parks Act*, has been provided a loan of \$3.1 million (2020 – \$3.5 million) to finance additional capital costs incurred for the redevelopment of phase I of Table Rock House in Queen Victoria Park, Niagara Falls. The loan bears interest at 5.07 per cent and matures in April 2027. In addition, on August 14, 2020, NPC has been provided with a construction loan facility of \$25.0 million for the purpose of redeveloping the Canadian Niagara Power Generating Station as a visitor attraction. As of March 31, 2021, NPC has drawn \$11.4 million (2020 – nil) from this facility bearing interest ranging from 0.88 per cent to 0.96 per cent.

(vii) The Ontario Cannabis Retail Corporation (OCRC), a Crown agency of the Province, operating under the *Ontario Cannabis Retail Corporation Act, 2017*, has been provided a loan facility of \$150 million for the purpose of funding the set-up and operating costs. As of March 31, 2021, OCRC has drawn \$74.2 million (2020 – \$81.4 million) from this facility bearing interest at 2.79 per cent.

(viii) The Ontario Lottery and Gaming Corporation (OLG), a Crown agency of the Province established under the *Ontario Lottery and Gaming Corporation Act, 1999*, has been provided loans totaling \$62.5 million (2020 – \$32.3 million), to fund several projects. These loans bear interest ranging from 0.64 per cent to 2.65 per cent and maturing between April 2021 and September 2022. In addition, under an agreement entered into between the OFA and the OLG on May 6, 2020 OLG has been provided a maximum \$300 million credit facility for operating and working capital requirement. As of March 31, 2021, OLG has not drawn any funds from this credit facility.

(ix) The Ontario Northland Transportation Commission (ONTC) is a Crown agency of the Province operating under the *Ontario Northland Transportation Commission Act*. ONTC's total borrowing of \$1.2 million (2020 – \$1.3 million) matures in January 2031 and bears interest rate of 4.90 per cent. The ONTC had also been provided a Revolving Credit Facility to a maximum amount of \$5.0 million, which matured on October 30, 2020.

(x) The Royal Ontario Museum (ROM), a Crown agency of the Province continued under the *Royal Ontario Museum Act*, has borrowed \$23.4 million (2020 – \$23.5 million) bearing a floating interest rate currently at 2.2 per cent. All outstanding loans are scheduled to be repaid by March 2027.

(xi) Beginning in 2006, school boards have been provided loans under various programs. During the year ended March 31, 2021, school boards have made semi-annual blended payments of principal and interest, leaving the total outstanding amount at \$4,538.8 million (2020 – \$4,786.3 million). These loans bear interest ranging from 2.43 to 5.38 per cent and mature from 2021 to 2042. On April 1, 2017, the Ministry of Education introduced a new funding model which replaced the need for capital loans from the OFA. School Boards will however, continue to make interest and principal payments on existing loans, until all outstanding balances are paid off.

(xii) The Workplace Safety and Insurance Board (WSIB), which is governed by the *Workplace Safety and Insurance Act, 1997*, has been provided a maximum credit facility of \$900.0 million for its six month employer payments deferral initiative (part of the Government of Ontario's COVID-19 Action Plan). As of March 31, 2021, WSIB has drawn \$210.0 million (2020-nil) under this facility bearing an interest rate ranging from 0.14 per cent to 0.19 per cent.

6. INVESTMENT AND DEBT MANAGEMENT FOR RELATED PARTY AGENCIES

- a. The OFA provides investment management services to the following related party agencies. Fees are aimed at recovering OFA costs and are charged on the basis of either the market or par value of the assets under management based on a range of up to 0.20 per cent.

Northern Ontario Heritage Fund Corporation	Ontario Immigrant Investor Corporation
Ontario Capital Growth Corporation	Infrastructure Ontario
Financial Services Regulatory Authority of Ontario	Ontario Trillium Foundation

Investments managed on behalf of these entities totalled \$2.1 billion at March 31, 2021 (2020 – \$2.1 billion).

- b. The OFA provides debt management services to the following related party agencies on a cost recovery basis:

Ontario Electricity Financial Corporation (OEFC)

The OFA provides financial services and advice on a cost recovery basis to OEFC and manages its debt portfolio of approximately \$16.6 billion as at March 31, 2021 (2020 – \$17.9 billion).

Infrastructure Ontario

The OFA provides borrowing and other financial services and advice on a cost recovery basis to Infrastructure Ontario and manages its debt of approximately \$6.6 billion at March 31, 2021 (2020 – \$6.5 billion) which includes loans from the Province, a provincial agency as well as third parties.

Metrolinx

The OFA provides services to Metrolinx with respect to its fuel commodity hedging program on a cost recovery basis.

Wataynikaneyap Power LP (Watay)

The OFA provides services as Administrative Agent for the Ontario Loan provided by the Ministry of Energy, Northern Development and Mines (ENDM) to Watay for administrative fee of 10 basis points added to the applicable interest rate for each loan. The fee is remitted to the OFA by Watay at the same time it makes scheduled interest payments to ENDM.

- c. The total costs recovered and receivables outstanding for related party agencies at March 31, 2021 are set out below:

(in thousands of dollars)

	March 31, 2021	March 31, 2020
Costs Recovered:		
OEFC	\$4,039	\$3,972
Infrastructure Ontario	576	695
Metrolinx	24	22
Watay	182	27
Investment Management	586	541
Total	\$5,407	\$5,257
Receivables:		
OEFC	\$1,153	\$1,130
Infrastructure Ontario	154	176
Other	35	88
Investment Management	155	146
Interest Rate Spread (Note 5)	1,167	1,004
Total	\$2,664	\$ 2,544

7. PAYMENT OF SURPLUS FUNDS TO THE PROVINCE OF ONTARIO

Under section 16.4(1) of the *Financial Administration Act*, a public entity may pay into the Consolidated Revenue Fund any funds that it determines to be surplus to its current needs. In September 2020, the OFA's Board of Directors approved the payment of \$30.0 million to the Province of Ontario. The payment was made in November 2020.

8. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The main risks that the OFA's financial instruments are exposed to are credit risk, liquidity risk and market risk. These risks are limited to the financial instruments reflected on the statement of financial position and do not extend to the financing provided to various public bodies, disclosed in Note 5 to the financial statements.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation or commitment into which it has entered. This risk is minimal as all of the receivables are from the Province of Ontario and related parties such as OEFC and Infrastructure Ontario.

Liquidity risk

Liquidity risk is the risk that the OFA will not be able to meet its cash flow obligations as they fall due. The OFA's exposure to liquidity risk is minimal as all operating and capital expenses are cost recovered primarily from the Province of Ontario.

Market risk

The market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the OFA. The OFA is not exposed to market risk.

9. FUTURE EMPLOYEE BENEFITS

(a) Pension Benefits

The OFA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit pension plan established by the Province of Ontario. The Ministry of Government and Consumer Services (MGCS) is responsible for funding the employer's contribution to the pension fund and accordingly, the OFA has no additional liability for these future costs. In addition, the cost of post-retirement, non-pension benefits is paid by MGCS and is not reported in these financial statements.

(b) Accrued Employee Benefits Obligation

Upon retirement employees who belong to the Association of Management, Administrative and Professional Crown Employees of Ontario (AMAPCEO), excluded employees, management-excluded employees and other Management employees who retire after January 1, 2016 are entitled to legislated severance. These employees will be paid based on the salary in effect on December 31, 2015. The legislated severance entitlement upon retirement for the Ontario Public Service Employee Union (OPSEU), excluded employees who retire after January 1, 2016, will be paid based on the salary in effect on December 31, 2016.

For all other employees subject to terms set out in collective agreements who have completed five years of service, the OFA provides termination pay equal to one week's salary for each year of service up to a maximum of 50 percent of their annual salary.

The costs of these legislated severance entitlements earned by AMAPCEO and OPSEU, excluded employees, management excluded employees, management employees as at March 31, 2021 amounted to \$3,357,000 (2020 – \$3,486,000). In addition, the unused vacation entitlements earned by all employees as at March 31, 2021 amounted to \$1,361,000 (2020 – \$1,178,000).

On an ongoing basis, MGCS is responsible for funding the legislated severance entitlements, as well as unused vacation entitlements and accordingly no additional expense or liability is reported in these financial statements. Accrued employee benefits obligation is recorded at cost on the entitlements earned by employees up to March 31, 2021. A fair value estimate based on actuarial assumptions about when these benefits will actually be paid has not been made, as it is not expected that there would be a significant difference from the recorded amount. In December 2018, the Province extended and expanded a voluntary early departure program that provided enhanced severance to qualified employees. The additional severance costs as well as the vacation entitlements and other benefits relating to this program were accrued in 2018-19 and have been fully paid during 2020–21 (2020 – \$493,383).

10. COMMITMENTS AND CONTINGENCIES

Lease Commitment:

The OFA rents its premises under an operating lease which has been extended until June 30, 2022, and the minimum base rental payments for the lease are as follows:

(in thousands of dollars)

	March 31, 2021
2022	1,029
2023	257
Total	\$1,286

OFA is committed to pay its proportionate share of realty taxes and operating expenses for the premises for the year ended March 31, 2021, which amounted to \$1,025,162 (2020 – \$1,104,395).

Committed Facilities:

At the direction of the Province, the OFA has committed to finance a number of public bodies for which funds have not yet been advanced. The details are as follows:

The Financial Services Regulatory Authority of Ontario (FSRA), a Crown agency of the Province continued under the *Financial Services Regulatory Authority of Ontario Act, 2016*, has been provided a non-revolving credit facility of \$2.0 billion effective December 18, 2020 for the purpose of addressing the risk of a significant liquidity event or a failure affecting one or more credit unions regulated by FSRA, that require financial support in addition to the Deposit Insurance Reserve Fund (DIRF). As of March 31, 2021, the DIRF is valued at approximately \$366.0 million (2020 – \$329.4 million) and FSRA has not drawn any funds from this credit facility (2020 – nil).

Under a termination agreement entered into between OFA and FSRA on December 18, 2020, the \$400.0 million revolving credit facility that was provided to the Deposit Insurance Corporation (DICO) and later assigned to FSRA on June 8, 2019 when FSRA took over the regulatory functions of DICO, was terminated.

Infrastructure Ontario, a Crown agency of the Province governed by the *Ontario Infrastructure and Lands Corporation Act, 2011*, has been provided a Revolving Credit Facility to a maximum amount of \$100 million maturing on March 27, 2023. As of March 31, 2021, Infrastructure Ontario had not drawn any funds from this facility (2020 – nil).

In the event funds are advanced under the above facilities they will be disclosed under Note 5 – Transactions with Public Bodies.

Contingencies:

At March 31, 2021, there were no claims under which the OFA would be financially liable. The Province continues to guarantee the term deposits issued by the Province of Ontario Savings Office prior to 2003.

11. RELATED PARTY TRANSACTIONS

The Province of Ontario is a related party as it is the controlling entity of the OFA. MGCS provides payroll and benefit services. Infrastructure Ontario also negotiates lease renewals with the landlord on behalf of the OFA and recovers its cost from the Agency.

In addition, related party transactions pertaining to:

- Debt and Investment Management for the Province are disclosed in Note 4;
- Transactions with Public Bodies are disclosed in Note 5;
- Investment and Debt management for related party agencies are disclosed in Note 6; and
- Payment of surplus funds to the Province of Ontario in Note 7

Corporate Governance

Corporate Governance

Financial Reporting Requirements

Board of Directors

Risk Management Policies and Procedures

Corporate Governance

Overview

The OFA is an agent of the provincial Crown characterized by a Management Board of Cabinet directive as a board-governed agency.

Corporate governance for the OFA involves processes that permit the effective supervision and management of the OFA's activities by senior management, the Board of Directors supported by its committees, and the Minister of Finance. It includes identifying individuals and groups responsible for the Corporation's activities and specifying their roles.

Accountability and Responsibilities

The OFA's accountability structure flows from its governing statute, the *Capital Investment Plan Act, 1993* (the Act). The Minister of Finance is the minister responsible for the administration of the Act with respect to the OFA. The Act, together with policies and directives issued by Management Board of Cabinet, form a framework under which the OFA is governed.

Each year, the Minister of Finance is required to table the OFA's Annual Report in the Legislative Assembly. In addition, the Minister reviews and approves the OFA's annual business plan. The Minister also maintains communications with the OFA, through its Chair, regarding government policies and issues relevant to the OFA.

The Chair is accountable to the Minister of Finance for the performance of the OFA in fulfilling its mandate. The Act provides that the Deputy Minister of Finance is the Chair of the OFA Board of Directors. The Chair is responsible for providing advice and information to the Minister with regard to the operation and affairs of the OFA. In addition, the Chair provides leadership to the OFA Board. As Deputy Minister of Finance, the Chair ensures organizational capacity in the Ministry to monitor the OFA and ensures that it manages its risks appropriately.

The Board is appointed by the Lieutenant Governor in Council and is accountable to the Minister through the Chair. The OFA Board performs a supervisory role, overseeing the management of the business and affairs of the OFA to ensure the OFA's mandate is fulfilled. The Board meets at least quarterly and receives regular reports from the CEO and OFA staff concerning the operations of the OFA and its compliance with applicable laws and policies. Standards of conduct for Board members are set out in a Board-approved Code of Conduct.

There are also three committees of the Board to assist it in supervising the management of the OFA. The Audit and Risk Management Committee reviews and recommends approval by the Board of an annual internal audit plan and receives reports from the OFA's appointed internal auditor regarding internal controls. It also reviews financial policies and financial statements and recommends them to the Board. Another function of the Audit and Risk Management Committee is the review of the OFA's major risks and mitigation strategies. The Human Resources and Governance Committee assists the Board in ensuring appropriate policies and procedures are in place relating to compensation for staff in critical areas and with respect to corporate governance. The OFA ONFA Investment Committee supervises the OFA's activities

related to the investment of OPG's Used Fuel Segregated Fund and Decommissioning Segregated Fund established under ONFA.

The CEO works under the direction of the Chair and the Board and reports the OFA's performance to the Board. The CEO is responsible for managing the day-to-day operations and ongoing activities of the OFA, including the supervision of staff, in accordance with government policies.

The OFA's employees are appointed pursuant to the *Public Service of Ontario Act, 2006*.

Financial Reporting Requirements

The OFA prepares annual financial statements in accordance with Canadian Public Sector Accounting Standards. The financial statements are reviewed and recommended by the Audit and Risk Management Committee and approved by the Board. The annual financial statements are audited by the Auditor General who expresses an opinion on whether they present the financial results fairly in accordance with Canadian public sector accounting standards. The audited financial statements are tabled in the Ontario Legislative Assembly as part of the Annual Report and are included in the Financial Statements of Government Organizations and Business Enterprises section of the Public Accounts of the Province. Unaudited financial statements are prepared quarterly and presented to the Audit and Risk Management Committee and the Board.

Internal Controls

Management is responsible for establishing and maintaining internal controls to provide reasonable assurance regarding the reliability of financial reporting, to safeguard the OFA's assets and to manage its liabilities.

In meeting its responsibility for the reliability and timeliness of financial information, the OFA uses a comprehensive system of internal controls, including organizational and procedural controls. The system of internal controls includes:

- comprehensive business planning;
- written communication of policies and procedures governing corporate conduct and risk management;
- segregation of duties;
- maintenance and retention of detailed records;
- responsible delegation of authority and personal accountability;
- careful selection and training of personnel; and
- regularly updated accounting and financial risk policies and procedures.

As part of its annual business plan, the OFA conducts an assessment of corporate-wide risks and develops appropriate mitigation strategies.

The OFA's appointed internal auditor, EY, develops an annual internal audit plan based on a review of the OFA's risk assessment and input from the Audit and Risk Management Committee and Management. The internal audit plan is approved by the Board on the recommendation of the Audit and Risk Management Committee. EY reports to the Audit and Risk Management Committee on the results of its audit work in the OFA. The OFA has ensured that the internal audit scrutiny of the OFA remains consistent to what it was after the transition from OIAD to EY in 2020–21.

Board of Directors

The following individuals were members of the OFA Board of Directors and specified committees of the Board as of March 31, 2021. Changes to Board membership status which arose during the fiscal year are also noted.

Greg Orencsak

Chair, OFA Board of Directors, Deputy Minister of Finance

Date of initial appointment: June 2018

Greg Orencsak became the Deputy Minister of Finance in June 2018.

Greg first joined the Ontario Public Service (OPS) in 1999 on an internship as an economist for the Ministry of Finance. Since then, he has held progressively senior positions in the public service. In November 2010, he became Associate Deputy Minister of the Office of the Budget and Treasury Board in the Ministry of Finance, where he was responsible for the coordination of the delivery of the annual Ontario budget.

He was appointed Deputy Minister of Government Services in April 2014 and later that year became the Deputy Minister of Treasury Board Secretariat. Concurrently, he also served as Chair of the Public Service Commission, which ensures the effective management of human resources in the OPS. In 2017, he became Deputy Minister of Advanced Education and Skills Development.

Greg also previously worked in the private sector as a partner in Ernst & Young's Canadian advisory practice, where he served as the firm's National Leader for Public Policy and Fiscal Innovation.

Constance L. Sugiyama, CM

Vice-Chair, OFA Board of Directors

Committee: Audit and Risk Management Committee, Member

Human Resources and Governance Committee, Member

Date of initial appointment: November 2014

End of current term: December 2023

Constance L. Sugiyama, CM, JD, LLD, is a corporate director and strategy advisor. Prior to retiring from practice, she was the Deputy Chair of a national law firm and a leading corporate, capital markets and mergers and acquisitions lawyer. She is a past-Chair of the Hospital for Sick Children. Constance currently serves on a number of boards and her community involvement includes, among others, serving as an advisor to the Japanese Canadian Cultural Centre, Women in Capital Markets, and the 30% Club Canada. Constance has been a Board member of the OFA since 2014 and its Vice Chair since 2016.

Constance was appointed a Member of the Order of Canada in 2014. She holds a BA and JD from the University of Toronto and was awarded an Honorary LLD from the University of Western Ontario in 2015.

Gadi Mayman

Chief Executive Officer, OFA

Date of initial appointment: August 2000

End of current term: July 2023

As CEO of the OFA, Gadi Mayman is responsible for the Province's capital market activities, including borrowing and debt management, corporate and electricity finance projects, and its banking and investor relationships. He is also CEO and Vice-Chair of the Ontario Electricity Financial Corporation.

Prior to joining the OFA, Gadi worked at Export Development Canada in Ottawa and in the International Division of the TD Bank. He received a Bachelor of Applied Science in Industrial Engineering from the University of Toronto in 1981, and an MBA from the Ivey Business School at the University of Western Ontario in 1988.

Gadi is on the boards of Infrastructure Ontario, Invest Ontario and the Ontario Capital Growth Corporation. He is Co-Chair of the Joint Nuclear Funds Investment Committee, a joint committee of the OFA and Ontario Power Generation.

Yim Chan

Committee: Audit and Risk Management Committee, Member

Date of initial appointment to: January 2018

End of current term: March 2024

Yim Chan is a retired CIO and Chief Privacy Officer, her career spanned over 35 years with IBM in various Executive Management roles across IBM Canada, Asia Pacific and Corporate.

Yim's experience in the IT Sector covers a broad scope in Technical, Management and Privacy positions to enable organization to drive business innovation and transformation. She provided Business Visionary and led cutting-edge projects and innovative technologies that drove business value and business practice leadership in IT and Privacy Leadership. Her skills included business insights and expertise in IT challenges, and privacy and security solutions incorporating the latest technologies and methodologies.

Yim co-authored Privacy papers and held Board member positions for many years with the International Association of Privacy Professionals that manages the Privacy certification global programs. She was CIPP/C and CIPM certified. She holds two patents.

Yim has a Bachelor of Mathematics from the University of Waterloo and a Masters Certificate from George Washington University.

Rani Dhaliwal

Date of initial appointment: January 2021

End of current term: January 2024

Rani K. Dhaliwal is the Senior Vice-President, Transformation and Strategic Partnerships at Humber College, supporting the advancement of the college's strategic priorities. Rani oversees Humber College's unique strategic partnerships with industry and community and the University of Guelph; she is also deeply involved in the Humber-Seneca Polytechnic Partnership.

In her former role as the college's SVP Planning and Corporate Services & CFO, Rani provided leadership in the areas of financial services, risk management, IT and strategic planning. She also has extensive private sector experience.

Rani has a passion for volunteering and working on issues related to health and education. She currently serves on the Ontario Internal Audit Committee and as a director of the Ontario Education Collaborative Marketplace. Rani has previously been involved with the William Osler Health System, World University Service of Canada, UNICEF Canada and the Federation of Canadian-Brazilian Businesses.

Rani has her FCPA FCMA. She has a BA in Economics and in Business Administration from York University, and Chartered Director designation from McMaster University.

Steve Geist

Committee: Audit and Risk Management Committee, Member
OFA ONFA Investment Committee, Member

Date of initial appointment: July 2020

End of current term: July 2023

Steve Geist has over 30 years of experience in financial services. He retired from the Canadian Imperial Bank of Commerce in 2017 where his last role was Senior Executive Vice President and Group Head, CIBC Wealth Management. Prior to that, Steve was President and CEO of CIBC Asset Management, one of Canada's largest asset managers with over \$120 Billion of assets. Before joining CIBC, he held roles at TD Asset Management, Fidelity Investments and Price Waterhouse.

Steve currently serves on the Advisory Board of Ardent Capital, a global private equity corporation, and the Independent Review Committee of SEI Investments Canada. He is also the Chair of the Capital Sector Audit Committee for the Province of Ontario and is on the Board of Governors of Royal St. George's College. He is a past director of the Investment Funds Institute of Canada and the Mutual Funds Dealers Association.

Steve is a Chartered Professional Accountant with an FCPA/FCA designation and also holds the ICD.D designation. He is a Certified Financial Planner and has a Bachelor of Business Administration degree from Wilfrid Laurier University.

Heather-Anne Irwin

Committee: Audit and Risk Management Committee, Member
OFA ONFA Investment Committee, Member

Date of initial appointment: October 2016

End of current term: October 2022

Heather-Anne Irwin is the Academic Director of the Master of Financial Risk Management and an Adjunct Professor of Finance at the Rotman School of Management. She is also the Executive Director of the Canadian Securities Institute Research Foundation. Prior to this, Heather-Anne spent 19 years in capital markets at TD Securities, Nesbitt Burns, and Citibank where she occupied various senior roles in corporate finance, fixed income and structured products.

Currently Heather-Anne is a member of the Independent Review Committee of Starlight Capital and was a board member of the public company InnVest REIT. She also sits on several private boards. She is the Founding President of Women in Capital Markets.

Heather-Anne's not-for-profit board work includes, Up With Women where she is the Past Chair, and Bay St. Deconstructed. She was a member of the board of the Centre for Addiction and Mental Health Foundation from 2002–2008.

Heather-Anne has a degree in Engineering Chemistry from Queen's University and an MBA from the Schulich School of School of Business at York University. She holds the ICD.D designation.

Peter Kay

Committees: OFA ONFA Investment Committee, Chair
Human Resources and Governance Committee, Vice-Chair

Date of initial appointment: May 2013

End of current term: May 2022

Peter Kay is a retired financial services executive. His career spanned 32 years with Canadian Imperial Bank of Commerce (CIBC) including 15 years as senior vice president and as deputy chair of the CIBC Pension Fund Committee.

Peter's experience in the financial sector covers a wide variety of areas including large-scale and structured lending, Eurobond finance, and merchant banking. Treasury-related areas include corporate and international finance, long term debt financing in the domestic Canadian, US and Euro-bond markets, and capital management and pension fund management.

From 2009–2018, Peter was a Trustee of the Upper Canada College Foundation, a charitable foundation, where he also served as chair of the Governance & Nominating Committee.

Peter was awarded a BSc in Engineering from the University of Toronto, an MSc in Management Science from Imperial College, University of London, England, and an LLM in Securities Law from Osgoode Hall, York University.

Marie MacDougall

Committee: Audit and Risk Management Committee, Member

Date of initial appointment: March 2016

End of current term: April 2022

Before her appointment to the OFA Board of Directors, Marie MacDougall was Vice President and Treasurer at Export Development Canada (EDC) for 31 years. During her tenure at EDC, Marie occupied various financial, investment, and accounting roles before she was promoted to Vice President and Treasurer in February of 2000. As head of EDC's Treasury group, her team provided financial and technical support to the lending and insurance operations of the corporation. Marie's team of capital market experts developed and executed financial strategies and transactions for the corporation's long-term debt issues, short-term borrowings, investments and foreign exchange transactions, all derivative and pricing activities, and investor relations. In addition, Marie attended the EDC's Board of Directors meetings to provide support to the Chair of the Audit Committee and address any questions regarding EDC's Treasury operations.

Diane McArthur

Committees: Audit and Risk Management Committee, Member

Human Resources and Governance Committee, Member

Date of initial appointment: June 2016

End of current term: June 2022

Diane McArthur is a recently retired public servant. She was the first ever Chief Talent Officer of the Ontario Public Service where she chaired the Ontario Public Service Commission and spearheaded a strategic plan to modernize the public service. Prior to this, she was the Executive Lead for the Secretariat supporting the Premier's Advisory Council on Government Assets. The Secretariat worked with ministries to successfully implement one of the largest IPO's in Ontario's history and most significant reform of beverage alcohol retailing since prohibition.

Diane's previous executive roles include Assistant Deputy Minister and Executive Officer of Ontario Public Drug Programs, where she oversaw the administration of the second largest drug insurance program in North America; Assistant Deputy Minister of the Ontario Seniors' Secretariat; Executive Coordinator of Health and Social Policy in Cabinet Office.

Diane has extensive experience in health human resource policy and planning for health care provider training, education, supply and distribution initiatives, data and health information planning and analysis, health care provider negotiations, rural health policy, labour relations, and service delivery restructuring. She is currently a board member of CorHealth, which provides strategic leadership to improve cardiac, stroke and vascular care in the province, and of Belmont House, a charitable, non-profit home for seniors offering long-term care and retirement living. Diane's previous Board experience includes the Ontario Electricity Financial Corporation (Audit Committee member), the Canadian Agency for Drugs and Technology in Health (Chair, Audit and Finance Committee), and the Michener Institute of Canada.

Diane has a Bachelor of Public Relations from Mount Saint Vincent University in Halifax and an MBA from the University of Ottawa. She received her ICD.D designation in June 2018.

Paul Potvin

Committees: Audit and Risk Management Committee, Member
OFA ONFA Investment Committee, Member

Date of initial appointment: February 2017

End of current term: February 2023

Paul Potvin is a former derivatives trader and structurer with 26 years of experience in Canadian and international fixed income, equities and credit. Paul has held senior positions with Canadian and international banks, including National Bank of Canada, CIBC, and ABN AMRO / Royal Bank of Scotland. Paul also served as a consultant to the Caisse de depot et placement du Quebec in an initiative to reduce the credit risk it assumed following the Montreal Accord restructuring of the Canadian asset-backed commercial paper market. Before working in the financial services industry, Paul was an assistant professor of finance at the University of Toronto.

Paul holds a PhD in Business Economics from Harvard University, and an Honours BA from the University of Toronto.

Catherine McCall

Committee: Human Resources and Governance Committee, Chair

Date of initial appointment: November 2014

Term expired: November 2020

Board Member Remuneration in 2020–21

Board Member	Dollars (\$)
Yim Chan	7,250
Rani Dhaliwal	1,250
Steve Geist	7,750
Heather-Anne Irwin	10,250
Peter Kay	11,750
Marie MacDougall	10,000
Catherine McCall	5,250
Paul Potvin	8,000
Constance Sugiyama	9,350
Total	70,850

Risk Management Policies and Procedures

OFA risk management policies and procedures provide for the management of risk exposures created by capital markets activities. Current policies and procedures address market, credit and operational risk exposures as they pertain to the Province's debt and derivatives portfolios and capital markets transactions.

The policies were developed following the guidelines and directives of regulatory bodies, such as the Office of the Superintendent of Financial Institutions of Canada, the Bank for International Settlements and in consultation with Canadian bank representatives on their risk management practices.

The Board approves risk management policies and monitors the performance of capital markets activities.

Market Risk Policy

Market risk is the risk of financial loss attributed to changes in interest rates and foreign exchange rates. This policy provides a framework for borrowing activities and integrates several aspects dealing with the management of market risk. The policy includes several limits:

- **Foreign Exchange Limit:** unhedged foreign currency exposure is limited to 3 per cent of debt issued for provincial purposes. Unhedged foreign exchange exposures are limited to Group of Seven currencies and the Swiss franc.
- **Net Interest Rate Resetting Limit:** the interest rate resetting risk exposure is the sum of maturities and floating-rate debt (net of liquid reserves) over the next 12 months, and is limited to a maximum of 35 per cent of debt issued for provincial purposes.
- **IOD Loss Limit:** the total amount of financial losses resulting from market risk cannot exceed 3 per cent of budgeted IOD for a fiscal year. In addition, the CEO establishes a trigger level to ensure losses from market activities will not reach the loss limit.

The OFA identifies and quantifies current and potential exposures to market risk and ensures risk exposures and losses remain within approved exposure and loss limits. Exposure to market risk is measured and reported daily.

Credit Risk Policy

Credit risk is the risk of loss in which a counterparty does not meet or defaults on its obligations. Credit risk arises when the Province undertakes financial and derivative transactions. The minimum credit rating of a new swap counterparty is typically "AA-", and "R1-mid" (and "A-1" or "P-1") for money market investments. The resulting exposure is capped at mark-to-market limits based on the counterparty's credit rating and capital base. Concentration limits are also in place to limit exposure. Credit exposure is measured and reported daily. The Province enters into collateral agreements with counterparties to reduce credit exposure.

Policy on the Use of Derivatives and Other Financial Instruments

Use of derivatives and other financial instruments is restricted to those which the OFA can price and whose risk exposures can be measured by the OFA. Derivatives are used to manage exposures arising from existing and planned debt issues in a sound and cost-effective manner. Risks arising from the use of derivatives are monitored and managed prudently.

Risk Management Reporting Policy

At its regular quarterly meetings, the Board is kept informed of the OFA's activities:

- The CEO provides the Board with a progress report on the implementation of the Province's borrowing and debt management programs for the year, staffing and other administrative and operational matters. The CEO also reports on the OFA's compliance with applicable government directives.
- The Chief Financial and Risk Officer reports on program exposures and performance as well as exceptions to policies.
- Management is kept informed of risk exposures and positions related to the Province's borrowing and debt management programs on a daily basis.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or external events. While each division manages operational risk through reviews and improvements of work processes, documented policies and procedures, data processing systems, contingency plans and staff training, the OFA's annual business plan provide a comprehensive assessment of the various types of risk facing the agency as well as division specific mitigation strategies that are reviewed by the OFA's appointed internal auditor, EY, the Audit and Risk Management Committee of the OFA Board.

The OFA maintains a Business Continuity Plan (which covers OEFC's operations) that is regularly updated to facilitate the continuation of essential operational functions with a minimal disruption in the event of an emergency. In response to the COVID-19 lockdown restricting access into 1 Dundas office premises, the OFA transitioned entirely in mid-March 2020 to working remotely and continued to work remotely throughout the 2020–21 fiscal year. The seamless transition to remote work was due to the well-rehearsed Business Continuity Plan performed on a monthly basis across all OFA business units ensuring organization preparedness to work remotely. OFA activities and systems continue to function well with IT teams supporting all staff working remotely through the pandemic.

Appendices

Ontario's Credit Ratings

Additional Sources of Information

Appendices

Ontario's Credit Ratings

A credit rating is a current assessment of the creditworthiness of a borrower with respect to a specified obligation. It indicates the capacity and willingness of a borrower to pay interest and principal in a timely manner.

Long-Term Ratings

Long-term ratings are assigned a letter grade ranging from investment grade, to speculative grade, to highly speculative or default. Ratings within each category may include a “+” or “–” (or a high or low) to indicate the relative strength of rating within that category.

Long-term ratings are also assigned an outlook indicating the likely direction of an issuer's rating over the intermediate term, typically ranging from 6 months to 2 years. The outlook is denoted (P) for Positive Outlook, (N) for Negative Outlook or (D) for Developing Outlook. No identifier is attached to the rating if the outlook is Stable.

As of May 31, 2021, the long-term ratings of the Province are as follows:

- | | |
|-----------------------------|----------|
| • Moody's Investors Service | Aa3 |
| • Standard & Poor's | A+ |
| • DBRS Morningstar | AA (low) |
| • Fitch | AA– |

Short-Term Ratings

Short-term ratings are for debt maturities of less than one year. Ratings are graded into several categories, ranging from the highest-quality obligations to default. As of May 31, 2021, the short-term ratings of the Province are as follows:

- | | |
|-----------------------------|-----------|
| • Moody's Investors Service | P-1 |
| • Standard & Poor's | A-1 |
| • DBRS Morningstar | R-1 (mid) |
| • Fitch | F1+ |

Additional Sources of Information

www.ofina.on.ca

The website provides information on Ontario's borrowing program and debt, and contains publications from the OFA.

Ontario Budget

The Borrowing and Debt Management chapter discusses the Province's borrowing and debt management activities for the fiscal year ended, and outlines the outlook for the upcoming fiscal year.

Quarterly Finances – OFA Fact Sheet

The OFA Fact Sheet provides quarterly updates of the government's annual budget forecast. The full set of quarterly finances information is also available on the Ministry of Finance website, www.ontario.ca/page/ministry-finance.

Form 18-k

This is the Province's annual report to the U.S. Securities and Exchange Commission (SEC).

Contact Information

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ONTARIO FINANCING AUTHORITY

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Visit **www.ofina.on.ca** and subscribe to our email alert service to receive the latest Province of Ontario updates:

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