



Ontario Capital Growth Corporation 2021-2024 Business Plan

Authorization:
Original approved by:
"Vic Fedeli"

Signature

Date

The Honourable Vic Fedeli
Minister of Economic Development, Job Creation and Trade

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1.0 Executive Summary

The annual business plan for the Ontario Capital Growth Corporation (“OCGC”) maps out the agency’s strategic direction and upcoming activities for the next three fiscal years.

Management Board of Cabinet (“MBC”) categorizes OCGC as a “board-governed agency”. Board-governed agencies are able to carry on as a business and conduct operations in support of their mandates. Such agencies are also required to submit their annual business plan to their responsible Minister no later than one month before the beginning of the provincial agency’s fiscal year for approval (for OCGC, by March 1). As such, results included in this business plan do not cover the entire 2020-21 fiscal year and will instead be reported as of the date of submission.

OCGC was established as an agency of the Crown on February 1, 2009 by the *Ontario Capital Growth Corporation Act, 2008* (the “Act”) and is accountable to the Minister of Economic Development, Job Creation and Trade (the “Minister”). OCGC’s mandate is closely aligned with the Province’s focus on economic growth and increased employment in Ontario. Specifically, OCGC:

- Makes investments in venture capital funds and technology companies;
- Manages the Ontario Emerging Technologies Fund;
- Administers its limited partnership interests in externally-managed funds;
- Provides advice to the Province on venture capital matters; and
- Supports the development of Ontario’s venture capital ecosystem and the implementation of the Province’s venture capital policies.

OCGC has committed approximately \$340 million to Ontario-based/Ontario-focused fund managers and start-up companies. OCGC’s venture capital initiatives, together with the third-party capital, have collectively made available over \$4 billion to venture capital fund managers and companies in Canada. Through OCGC’s venture capital initiatives, portfolio companies currently employ over 13,000 people in Canada, with the majority of these in Ontario, and have cumulatively recorded approximately \$9.45 billion in revenues and \$2.59 billion in R&D expenditures¹.

Compared to traditional economic development programs (e.g. grants, loans and tax credits), OCGC’s investments in venture capital funds have proven to be an effective tool to create the next generation of high quality, high paying jobs in Ontario, with little to no cost to government. OCGC’s venture capital initiatives are intended to ultimately generate net positive returns to the Province and capture the full economic benefits of such investments (e.g. jobs, tax revenues, etc).

¹ Revenues and R&D expenditures have been aggregated across OCGC’s portfolio since inception.

Access to venture capital is critical to the success of small Ontario businesses, playing a key role in their development, until such time that they can access additional sources of financing, such as loans and other debt instruments. OCGC also supports small Ontario businesses by assisting in the development of Ontario-based fund managers and investment professionals. This helps to ensure that there is local talent capable of identifying world-class entrepreneurs and technologies, with the necessary experience to guide these companies in scaling up their operations and ultimately to a profitable exit.

A strong venture capital infrastructure and investment climate are needed to build and retain globally competitive companies in Ontario, rather than “seeding” the companies which are later forced to relocate (e.g. to the U.S.) to access larger, more available pools of capital and global markets. High potential, Ontario-based companies require access to capital for all stages of development, as well as top-tier fund managers able to provide expertise in scaling and monetizing technologies.

The development of a long-term, sustainable venture capital industry in Ontario, will in turn help strengthen Ontario’s economy and create job opportunities in key economic sectors of the province. To this end, OCGC provides Ontario’s leading technology entrepreneurs with much needed capital that may otherwise not be available to them, so that they can bring new discoveries to market, and help them to achieve the scale necessary to realize their full economic potential.

To date, pursuant to its mandate, OCGC has made investment commitments to the following externally-managed funds, including:

- Ontario Venture Capital Fund LP (“OVCF”);
- Northleaf Venture Catalyst Fund LP (“NVCF”);
- ScaleUp Venture Fund I LP (“SUVF”);
- Yaletown Innovation Growth LP (“Yaletown”);
- Lumira Ventures III LP (“Lumira”);
- Genesys Ventures III LP (“Genesys”); and
- Amplitude Ventures I LP (“Amplitude”).

OCGC also makes direct investments through the Ontario Emerging Technologies Fund (“OETF”) alongside qualified co-investors in emerging technology companies. OETF is fully committed and the remaining OETF investment portfolio will continue to be managed by OCGC until all investments have been fully realized.

With portfolio diversification across a sizable number of funds and companies to mitigate financial risks, OCGC provides a market focussed means to help develop small businesses and to better capture the associated economic benefits over the long term, including the creation of high quality, high paying jobs for the people of Ontario.

Corporate activities will focus on the following strategic directions as outlined in the most recent agency mandate letter, which was received on November 13, 2020:

- Manage OCGC's investment portfolio and general business operations in a prudent and cost-effective manner, with plans in place for a possible move to using self-generated revenue to cover the agency's operations in the future;
- Support the development of Ontario's venture capital ecosystem and strategically invest in venture capital funds in a way that implements the government's venture capital policies, while maintaining OCGC's high rate of net positive returns to the Province; and
- Work with the Ministry to finalize revisions to the investment framework to commence evaluation of venture capital investments that are in alignment with current government priorities, including but not limited to the commercialization and protection of intellectual property in Ontario.

2.0 Highlights of Fiscal 2020-21 Results to Date

OCGC is on track to meet the following key objectives:

(1) Manage the OETF investment portfolio

OCGC is substantially meeting all 2020-21 targets related to OETF, including:

- Administering OETF in an efficient and cost-effective manner;
- Closing approved investment transactions within required timelines; and
- Monitoring interim results and reporting on key performance indicators.

OCGC continues to manage the remaining OETF investment portfolio until all investments have been fully realized.

Summary Results²:

1. OETF Results:

- Investments:
 - Committed a total of approximately \$105 million to 27 Ontario-based companies
- Leverage on investments:
 - Approximately \$3.5 of third-party capital for every \$1 of OETF capital invested

² Aggregated since initial investment by OETF

2. OETF portfolio companies have cumulatively recorded to date:

- \$820 million in revenues;
- \$400 million in R&D expenditures; and
- Support an estimated 636 full-time careers in Ontario.

(2) Administer OCGC's limited partnership interests in externally-managed funds

OCGC is substantially meeting all 2020-21 targets related to its limited partnership interest in externally-managed venture capital funds, including:

- Overseeing the management of its limited partnership interests in externally-managed funds in an efficient and cost-effective manner;
- Meeting all capital calls within the required timelines; and
- Monitoring interim results and reporting on key performance indicators.

Below is a summary of results to date. Amplitude is in the early stages of its active investment period and results are anticipated for the next business plan.

Summary of results³:

1. OVCF Results:

- OVCF is fully committed including:
 - 9 commitments to Ontario-based/focused funds; and
 - 7 direct co-investments into Ontario-based companies.
- OVCF has leveraged approximately \$5 in third party capital for every \$1 of OVCF capital invested.
- Capital committed by OVCF, together with third party capital, have collectively provided over \$1 billion to Ontario-based/focused funds and companies.

2. OVCF Ontario-based portfolio companies have cumulatively recorded:

- \$4.3 billion in revenues;
- \$880 million in R&D expenditures; and
- Currently employ over 3,500 people.

³ Aggregated since initial investment and portfolio company impact metrics recorded as of year-end 2019

1. NVCF Results:

- NVCF is fully committed including:
 - 15 fund commitments; and
 - 12 direct co-investments into Canadian companies.
- NVCF has leveraged \$7.5 in third party capital for every \$1 of NVCF capital invested.
- Capital committed by NVCF, together with third party capital, have collectively provided over \$2 billion to funds and companies with a Canada/Ontario presence.

2. NVCF Canada-based portfolio companies have cumulatively recorded:

- \$4.1 billion in revenues;
- \$1.2 billion in R&D expenditures; and
- Currently employ over 7,300 people.

1. SUVF Results:

- SUVF is currently in its active investment period and has made:
 - 16 direct co-investments into Ontario-based companies totalling approximately \$29 million.
- SUVF has leveraged approximately \$2.3 in third party capital for every \$1 of SUVF capital invested in Ontario-based companies.
- Capital committed by SUVF, together with third party capital, have collectively provided approximately \$95 million to Ontario companies.

2. SUVF Ontario-based portfolio companies have cumulatively recorded:

- \$124 million in revenues;
- \$42 million in R&D expenditures; and
- Currently employ approximately 500 people.

1. Yaletown Results:

- Yaletown is currently in its active investment period and has made:
 - 2 direct co-investments into Ontario-based companies totalling approximately \$12 million.
- Yaletown has leveraged approximately \$1.6 in third party capital for every \$1 of Yaletown capital invested in Ontario-based companies.
- Capital committed by Yaletown, together with third party capital, have collectively provided approximately \$32 million to Ontario companies.

2. Yaletown Ontario-based portfolio companies have cumulatively recorded:

- \$15 million in revenues;
- \$17 million in R&D expenditures; and
- Currently employ approximately 100 people.

1. Lumira Results:

- Lumira is currently in its active investment period and has made:
 - 4 direct co-investments into Ontario-based companies totalling approximately \$8.4 million.
- Lumira has leveraged approximately \$8.1 in third party capital for every \$1 of Lumira capital invested in Ontario-based companies.
- Capital committed by Lumira, together with third party capital, have collectively provided approximately \$76.6 million to Ontario companies.

2. Lumira Ontario-based portfolio companies have cumulatively recorded:

- \$62 million in revenues;
- \$2 million in R&D expenditures; and
- Currently employ approximately 100 people.

1. Genesys Results:

- Genesys is currently in its active investment period and has made:
 - 7 direct co-investments into Ontario-based companies totalling approximately \$24.6 million.
- Genesys has leveraged approximately \$10 in third party capital for every \$1 of Genesys capital invested in Ontario-based companies.
- Capital committed by Genesys, together with third party capital, have collectively provided approximately \$270 million to Ontario companies.

2. Genesys Ontario-based portfolio companies have cumulatively recorded:

- \$15 million in revenues;
- \$23 million in R&D expenditures; and
- Currently employ approximately 210 people.

(3) Support the development of Ontario's venture capital ecosystem and the implementation of the Province's venture capital policies

Owing to the pandemic, a number of conferences and events were cancelled throughout fiscal 2020-21 (e.g. Health Innovation Conference) and impacted OCGC's venture capital ecosystem activities.

OCGC is proactively having discussions with venture capital funds, investors, technology industry thought leaders and subject matter experts to gather critical market intelligence that will help shape appropriate venture capital public policies in the coming years. OCGC is also continuing to provide advice to the Ministry and the Province on venture capital matters as required.

For the remaining fiscal year, OCGC is taking an active role in industry events, such as speaking at the Canadian Innovation Exchange (CIX), Collision 2020, Web Summit 2020 and the Mobility Lab Forum.

Other events attended or to be attended this fiscal year include:

- CVCA Conference
- Atlantic Venture Forum
- Life Sciences Ontario Virtual "Road trip around the Province"
- Bloom Burton & Co. Health Care Investor Conference
- Kensington Investor Conference
- World Strategic Forum – The International Economic Forum of the Americas
- Toronto Global Forum – The International Economic Forum of the Americas

Such events are essential to building and maintaining strong relationships with other investors that interact with companies at various stages of their lifecycle. The stronger these relationships are, the more effectively OCGC can access market intelligence with respect to funds that are currently or expected to fundraise, as well as insight to help identify potential stage or sector gaps faced by Ontario-based small and medium enterprises. With experience in both direct investments into companies and investments into venture capital funds, OCGC shares its feedback, perspectives and observations through proactive outreach to venture capital fund managers, as well as new and established Ontario-based companies. This outreach includes "Ask the Investor" sessions at industry conferences and responding to direct inquiries to OCGC or via the Ministry. By providing feedback in areas such as fundraising, investment thesis, and other relevant matters, OCGC can help fund managers to further define and advance their value proposition.

(4) Undertake specific priorities for fiscal 2020-21 outlined in the agency mandate letter

The previous agency mandate letter outlined a number of specific priorities to be accomplished in fiscal 2020-21, in addition to managing OCGC's current investment portfolio and supporting the development of Ontario's venture capital ecosystem. The chart below sets out each priority and the current status:

Priority	Current Status
Complete the approved investments under the life sciences venture capital fund initiative	OCGC successfully negotiated and entered into a limited partnership agreement with the third remaining identified fund manager.
Continue to pause on the investment framework until further notice	OCGC followed the Ministry's direction to pause all investments and continued with the proactive engagement of fund managers that are actively fundraising to stay current on potential investment opportunities. Subsequently, OCGC received direction to resume investment activity and has begun diligence on potential fund managers.

3.0 Mandate and Governing Legislation

OCGC was established by the *Ontario Capital Growth Corporation Act, 2008* (the "Act") and performs the following activities:

- (a) Receive, hold, administer and otherwise deals with the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP;
- (b) Acquire, manage and otherwise deal with the other investments or classes of investments that are prescribed by the regulations;
- (c) Carry out the other objects that are prescribed by the regulations; and
- (d) Receive, hold, invest, sell or otherwise deal with property, whether real or personal, in connection with the objects described in clause (a), (b), or (c).

The Act provides that the Minister may issue policies or directives in writing to OCGC on matters relating to the exercise of its powers or duties, and the OCGC Board of Directors (the "Board") shall ensure that such policies and directives are implemented in a timely manner.

Ontario Regulation 278/09 made under the Act (the "Regulation") prescribes additional duties with respect to investments, which authorizes OCGC to make:

1. Investments in venture capital funds that invest in,
 - i. for-profit businesses, if the venture capital fund's investments include investments in private businesses, or
 - ii. other venture capital funds that invest in for-profit businesses if the other venture capital fund's investment includes investments in private businesses.

2. Investments in for-profit businesses that are,
 - i. private businesses⁴, or
 - ii. public businesses⁵, if the Corporation,
 - A. invested in the business when it was a private business, or
 - B. has an investment in a venture capital fund described in paragraph 1 that made a direct or indirect investment in the business when it was a private business.

3. Investments in businesses that the Corporation considers to be emerging technology businesses, which portfolio shall be known in English as the Ontario Emerging Technologies Fund and in French as Fonds ontarien de développement des technologies émergentes.

Under the Regulation, OCGC can also perform other activities to help further develop the Ontario venture capital ecosystem as follows:

- (a) Develop or participate in conferences or other events regarding venture capital matters;
- (b) Collect, analyze or distribute information regarding venture capital matters;
- (c) Provide advice to the Government of Ontario on venture capital matters; and
- (d) Undertake other activities that are similar or related to the objects described in the bullets above.

The Act, together with OCGC's corporate by-laws and the Memorandum of Understanding (MOU) between the Minister and Chair of the Board, describe in general terms the way OCGC is to be operated and managed.

OCGC is required to provide its annual report to the Minister within 120 days after fiscal year end. The annual report is tabled in the Legislature. The financial statements are consolidated with the Public Accounts of Ontario.

⁴ In the regulation, "private business" means a business that is not a public business;

⁵ In the regulation, "public business" means a business that lists its securities on a stock exchange.

4.0 Overview of Current and Future Initiatives

4.1 Current Initiatives

OCGC is responsible for managing its:

- OETF investment portfolio; and
- Limited partnership interests in externally-managed funds.

(1) OETF Investment Portfolio

Launched in July 2009, the OETF was announced as a \$250 million fund that makes direct co-investments alongside qualified investors into innovative, high-potential private Ontario companies in the following sectors: clean technology; life sciences and advanced health technologies; digital media; and information & communications technology. As directed in May 2012, OETF no longer invests in new companies and only makes investments into its existing portfolio of companies, as warranted. OCGC is responsible for making all investment decisions related to OETF.

(2) OCGC's Limited Partnership Interests in Externally-Managed Funds

OCGC is responsible for managing its limited partnership interests in the following externally-managed funds:

(a) Ontario Venture Capital Fund LP ("OVCF")

Fund Manager:	Northleaf Capital Partners Ltd.
Vintage Year:	2008
Current Status:	Fully committed
Fund Structure:	Fund-of-funds ⁶
Investment Sector:	Generalist
Total Fund Size:	\$205 million
OCGC Investment Commitment:	\$90 million

(b) Northleaf Venture Catalyst Fund LP ("NVCF")

Fund Manager:	Northleaf Capital Partners Ltd.
Vintage Year:	2014
Current Status:	Fully committed
Fund Structure:	Fund-of-funds ⁷
Investment Sector:	Generalist
Total Fund Size:	\$300 million
OCGC Investment Commitment:	\$50 million

⁶ OVCF primarily invests in other VC funds, with discretionary direct co-investments into Ontario-based companies

⁷ NVCF primarily invests in other VC funds, with discretionary direct co-investments into Ontario/Canada-based companies

(c) ScaleUP Venture Fund I LP (“SUVF”)

Fund Manager:	ScaleUP Venture Partners, Inc
Vintage Year:	2016
Current Status:	Active investment period
Fund Structure:	Direct investments into companies
Investment Sector:	ICT
Total Fund Size:	\$106 million
OCGC Investment Commitment: ⁸	\$25 million

(d) Yaletown Innovation Growth LP (“Yaletown”)

Fund Manager:	Yaletown Partners Inc.
Vintage Year:	2017
Current Status:	Active investment period
Fund Structure:	Direct investments into companies
Investment Sector:	ICT/cleantech
Total Fund Size:	\$128 million
OCGC Investment Commitment:	\$20 million

(e) Lumira Ventures III LP (“Lumira”)

Fund Manager:	Lumira Capital Investment Management Inc.
Vintage Year:	2017
Current Status:	Active investment period
Fund Structure:	Direct investments into companies
Investment Sector:	Life Sciences
Total Fund Size:	\$179 million
OCGC Investment Commitment:	\$23 million

(f) Genesys Ventures III LP (“Genesys”)

Fund Manager:	Genesys Capital Management (Fund III) Inc.
Vintage Year:	2016
Current Status:	Active investment period
Fund Structure:	Direct investments into companies
Investment Sector:	Life Sciences
Total Fund Size:	\$107 million
OCGC Investment Commitment:	\$17 million

⁸ As directed by the Ministry in January 2017

(g) Amplitude Ventures I LP (“Amplitude”)

Fund Manager:	Amplitude Venture
Vintage Year:	2019
Current Status:	Active investment period
Fund Structure:	Direct investments into companies
Investment Sector:	Life Sciences
Total Fund Size:	\$150+ million
OCGC Investment Commitment:	\$10 million

4.2 Future Initiatives

The most recent agency mandate letter, which was received on November 13, 2020, indicated that revising the investment framework with the Ministry was one of OCGC’s top priorities to be achieved in the upcoming fiscal year. Subsequent to receiving the mandate letter, the investment framework was finalized and a Minister’s letter of direction was issued on December 30, 2020 stating that OCGC is now directed “*to resume evaluating and selecting venture capital investments under the Venture Ontario Fund using the revised OCGC investment framework (...)*”.

OCGC’s implementation plan for the Venture Ontario Fund (the “VOF”) includes:

- Engaging with fund managers that are actively fundraising and seeking an investment commitment from OCGC;
- Maintaining a pipeline of potential investment opportunities that are aligned with government priorities and OCGC’s market-based activities; and
- Undertaking requisite due diligence and obtaining necessary approvals prior to making final investment decisions.

In addition to implementing the VOF, OCGC will continue to implement new initiatives as approved by the Province in a cost-effective and efficient manner. As capital is returned from current investments, OCGC will work with the Ministry to develop and implement economic development policies that support small Ontario businesses, which may include, but are not limited to:

- Identifying sectors of need in the Ontario venture capital market through research, networks and market intelligence; and
- Deploying capital in those areas through strategic investments in fund managers targeting such sectors.

The agency will also continue to focus on developing a long term, sustainable venture capital industry in Ontario to create an environment where small businesses can thrive, which in turn will help grow Ontario’s economy and create job opportunities in key economic sectors of the province. As part of this effort, OCGC will assist the Ministry as required to review better ways to measure the impact of government investment on the venture capital ecosystem.

5.0 Environmental Scan: Assessment of Issues Facing OCGC

5.1 External Factors

In 2020, Ontario venture investing slowed in value and scope with \$2.3 billion disbursed to 219 companies, compared to 2019 which saw a record \$2.8 billion financing 252 companies. The drop of nearly 20% in value in 2020 represents only the second annual venture total that did not experience year-over-year gains since the financial crisis of 2008-09. Despite the drop, 2020 venture investment in the province ranks 2nd in the post dot-com era and ranks Ontario 8th in deal values and 4th in deal volume amongst North American jurisdictions.

With the pandemic continuing to foster uncertainty, investment capital is becoming less available, as fund managers reconsider the risk profiles of potential investment opportunities. However, lower investment totals could also indicate a natural levelling of venture investment in the province or that with its record investment total, 2019 may represent an unprecedented year of opportunities and may not have been reproduced absent pandemic related pressures. While the full extent of the ongoing pandemic on the venture capital markets cannot be predicted or quantified, it may also represent an opportunity to spur innovation in verticals such as supply chain logistics, e-commerce, fintech, and online learning.

ICT investment remains the dominant sector in Ontario, receiving \$1.7 billion, or 75%, of the provincial investment total. Life sciences investment was consistent with last year, receiving \$285 million, or 12%, of total invested capital. Cleantech investment experienced a sharp decline, receiving \$13.1 million, or less than 1%, of total invested capital (compared to last year with \$95.8 million or 3.3%).

Ontario's sectoral splits, while weighted heavily towards ICT, are similar in disbursement patterns to those of leading US jurisdictions (i.e., New York, Texas, Washington). While Ontario significantly edges out both Texas and Washington for total deals, it materially lags these jurisdictions in deal values, averaging between one-third and one-half the capital per deal over the past decade. This highlights a distinct gap in investment approach and significant challenge to both Ontario venture capitalists competing for top deals and local companies seeking growth capital and opportunity to compete globally.

Economic Outlook

In March 2020, with the global economy coming to a virtual standstill, there was a general economic decline resulting from the COVID-19 pandemic. Worldwide financial markets sold off, commodity prices plunged, and governments and central banks initiated aggressive measures to cushion the blow. The global health concerns related to COVID-19 and broader market volatility have created a situation that is uncertain and rapidly evolving. At this time, further

development, duration and impact of the pandemic cannot neither be predicted, nor can it be reliably measured. This crisis may significantly affect the valuation of the portfolio investments due to the significant economic effects on companies, for example, due to restrictions in production, trade and consumption or due to travel bans as the pandemic continues to spread in many countries.

Given the COVID-19 pandemic, OCGC experienced a modest negative impact on its investment portfolio; however, it is expected that OCGC's investment portfolio will continue building value going forward. OCGC will continue to monitor market risks and further impact of the pandemic on its investments and adjust its investment strategies accordingly to help ensure the domestic resiliency of high potential, Ontario-based companies .

With a business continuity plan in place, including potential business interruption risks brought on by the pandemic, OCGC will adapt as circumstances evolve and is confident in its ability to carry on with general operations while minimizing disruptions.

5.2 Internal Factors

As an agency of the Ontario government, OCGC is required to report on its activities, operations and results, which can be impacted by changes in government directions and policies. OCGC will continue to meet its business objectives while adhering to applicable government-wide directives and reporting requirements.

6.0 2021-2024 Strategic Directions

The most recent agency mandate letter, which was received on November 13, 2020, identified several government-wide priorities for all agencies⁹, as well as specific priorities for OCGC

Accordingly, OCGC's 2021-2024 strategic directions were developed in alignment with the agency's new mandate letter and focus on the following:

1. Manage OCGC's investment portfolio and business operations in a prudent and cost-effective manner, with plans in place for a possible move to using self-generated revenue to cover the agency's operations in the future;
2. Support the development of Ontario's venture capital ecosystem and strategically invest in venture capital funds in a way that implements the

⁹ As agencies are expected to act in the best interests of Ontarians by being efficient, effective, and providing value for money to taxpayers, government-wide priorities include (1) competitiveness, sustainability and expenditure management; (2) transparency and accountability; (3) risk management; (4) workforce management; (5) data collection; and (6) digital delivery and customer services.

- Province's venture capital policies, while maintaining OCGC's high rate of net positive returns to the Province; and
3. Work with the Ministry to finalize revisions to the investment framework to commence evaluation of venture capital investments that are in alignment with current government priorities, including but not limited to the commercialization and protection of intellectual property in Ontario.

Performance measures and targets for OCGC's strategic directions for the next three fiscal years, which are categorized between OCGC's business operations and OCGC's investment portfolio, are outlined in the table below:

OCGC's Business Operations

Objective	Performance Measure	Targets
<ul style="list-style-type: none"> • Ensure OCGC's business operations are managed efficiently and effectively, including its limited partnership interests in externally-managed funds and the remaining OETF investment portfolio. 	<ul style="list-style-type: none"> • OCGC operating expenses as a percentage of invested capital • Legislative requirements met. • Compliance attestation submitted to the Ministry annually to confirm that OCGC is in substantial compliance with all applicable government directives and policies. 	<ul style="list-style-type: none"> • Operating expenses as a percentage of invested capital is no more than 0.25%, which is significantly below management fees charged by fund-of-funds managers of typically between 0.4%-0.75%. • Annual business plan and annual report submitted on March 1 and within 120 days after its fiscal year end respectively. • Compliance attestation submitted to the Ministry by prescribed deadline.
<ul style="list-style-type: none"> • Ensure continuity of business services. 	<ul style="list-style-type: none"> • % of employee turnover. • Internal procedures manual is revised and updated annually. • Business continuity plan is provided to the Ministry annually. • Detailed risk assessment chart is provided to the Ministry twice a year. 	<ul style="list-style-type: none"> • No more than 15% employee turnover annually. • Annual update of internal procedures manual completed. • Annual update of business continuity plan completed. • Semi-annual updates of risk assessment (in March and September) completed.

OCGC's Investment Portfolio

Objective	Performance Measure	Targets
<ul style="list-style-type: none"> Ensure investment portfolio is sufficiently diversified to mitigate financial risks while supporting the Province's venture capital policies. 	<ul style="list-style-type: none"> Number of new strategic fund investments made in alignment with the Province's venture capital policies and the investment framework. 	<ul style="list-style-type: none"> Starting in 2021-2022 with a minimum of 3 new fund commitments made across 2-3 target sectors as identified in the investment framework, with the number of new fund commitments in future years to be dependent on available remaining capital.
<ul style="list-style-type: none"> Maintain a positive net multiple of capital across OCGC's investment portfolio. 	<ul style="list-style-type: none"> Aggregate net multiple of capital for OCGC investment portfolio. 	<ul style="list-style-type: none"> Maintain net multiple of capital of at least 1.2x.
<ul style="list-style-type: none"> Track portfolio activity quarterly and report annually on key performance indicators. 	<ul style="list-style-type: none"> Obtain key performance indicators and other relevant metrics from the general partners on a quarterly or annual basis subject to each investments respective partnership agreement; review and ensure adherence to limited partnership agreements; and gather market intelligence with respect to fund commitments/ investments. 	<ul style="list-style-type: none"> On a quarterly basis, portfolio summaries including activity and financial summaries are received. Annually, key performance indicators are included with the quarterly portfolio summaries from each fund manager.
<ul style="list-style-type: none"> Respond to all capital calls from externally-managed funds by the required deadline. 	<ul style="list-style-type: none"> Percentage of capital calls met by the required deadline. 	<ul style="list-style-type: none"> 100% of capital calls met by the deadline specified by the general partner.
<ul style="list-style-type: none"> Develop key relationships and networks (with VC fund managers, technology companies, institutional investors, VC associations, angel investor associations, and 	<ul style="list-style-type: none"> Number of meetings with potential investors, fund managers, and other venture capital stakeholders. 	<ul style="list-style-type: none"> Engaging with a minimum of 12 fund managers per year that are actively fundraising and seeking an investment commitment from OCGC.

Objective	Performance Measure	Targets
innovation-focused organizations) to gather market intelligence for potential investments and venture capital public policies.		<ul style="list-style-type: none"> Hold a minimum 50 meetings per year with other key relationships and networks

7.0 Overview of Corporate Risk Assessment and Management

Risk Factor	Description	Likelihood of Occurrence	Impact if Risk Realized	Mitigation Strategy
Human Resources Risk	Risk that OCGC does not have sufficient staff resources to deliver on its mandate.	Medium	High	Review organizational needs on an annual basis and work with the Ministry to take corrective action as needed.
Financial Risk	Potential weakness in capital markets could make it more difficult to recoup OCGC investments through exits.	Medium	High	OCGC monitors the performance of its investment portfolio by reviewing the OETF semi-annual valuation reports from its external service provider and the quarterly reports provided by the fund managers. Any potentially adverse situation with respect to the portfolio is reviewed and a course of action is developed to best remediate such situation.
Operational Risk	Business continuity risk in the event of disasters or other events.	Medium	Medium	OCGC's business continuity plan is reviewed, updated and approved annually to ensure the agency is prepared for disruption to standard working conditions. Systems, procedures and controls are in place and key staff are adequately prepared to ensure continuity of operations.

Risk Factor	Description	Likelihood of Occurrence	Impact if Risk Realized	Mitigation Strategy
Strategic Risk (Policy Changes)	Changes made by the Province to current venture capital policies could result in additional changes to responsibilities for OCGC.	Medium	High	Monitor, assess, and respond to policy development matters in support of the Province's venture capital policies and plans. Provide technical analysis and advice to support the policy process.

8.0 Human Resources

OCGC's full-time equivalents ("FTEs") are included as part of the Ministry's overall FTE count. The Ministry's cost of eight (8) OCGC positions and associated overhead are fully recoverable from OCGC. Only one (1) of these positions is excluded from collective bargaining. Employees are compensated in accordance with Part III of the *Public Service of Ontario Act, 2006* (Ontario) and employees earning more than \$100,000 annually are subject to the *Public Sector Salary Disclosure Act, 1996* (Ontario).

OCGC's staffing levels are lean compared to public sector bodies with similar economic development mandates, such as BDC and Investissement Québec. Given the lean staffing model and to ensure prudent operations, OCGC is also supported by a limited number of external service providers having specialized knowledge in fund evaluation, direct co-investments and fund investments, as well as audit and accounting services.

OCGC works with the Ministry's Strategic Human Resources Business Unit to implement and maintain the Province's human resources strategies, policies, and practices.

9.0 Communication Plan

As set out in the Memorandum of Understanding between the Minister and Chair of the Board (the "MOU"), OCGC works closely with the Ministry when news releases or announcements are scheduled to be released to the public, including industry stakeholders, in accordance with the MOU's public communications protocol. Under the MOU, the Deputy Minister of the Ministry of Economic Development, Job Creation and Trade (the "Ministry") is responsible for ensuring that the Ministry provides communications services to OCGC, including, but not limited to, drafting of news releases related to OCGC's venture capital initiatives and subject to approval by both the Ministry and OCGC.

With respect to the Venture Ontario Fund (“VOF”), the Minister’s letter of direction, dated December 30, 2020, directs OCGC to “*work with the Ministry on communications related to the VOF*”. Accordingly, OCGC will work with selected fund managers and the Ministry to publicly announce investment commitments made under the VOF.

Updates related to OCGC can be found on its website, www.ocgc.gov.on.ca. The site includes OCGC’s annual business plan, annual report and relevant portfolio related information including new investments and successful exits. OCGC’s annual financial statements are also available in Volume 2 of the Public Accounts of Ontario.

Updates on the externally-managed funds can be found at the following websites.

Externally-Managed Fund	Website
OVCF	www.ovcf.com
NVCF	www.northleafcapital.com
SUVF	www.suv.vc
Yaletown	www.yaletown.com
Lumira	www.lumiraventures.com
Genesys	www.genesyscapital.com
Amplitude	https://amplitudevc.com/en

OCGC responds to inquiries from the public regarding its mandate and responsibilities as required, in a timely manner and in accessible formats as requested.

10.0 Overview of 2020-21 Results

As of the date of this report, OCGC is substantially on-track to meet its 2020-21 targets:

Manage OCGC's investment portfolio and business operations in a prudent and cost-effective manner

Objective	Performance Measure	Targets	Results
<ul style="list-style-type: none"> Ensure OCGC's business operations are managed efficiently and effectively, including its limited partnership interests in externally-managed funds and the remaining OETF investment portfolio. 	<ul style="list-style-type: none"> OCGC operating expenses as a percentage of invested capital Legislative requirements met. 	<ul style="list-style-type: none"> Operating expenses as a percentage of invested capital is no more than 0.25%, which is significantly below management fees charged by fund-of-funds managers of typically between 0.4%-0.75%. Annual business plan and annual report submitted on March 1 and within 120 days after its fiscal year end respectively. 	<ul style="list-style-type: none"> Operating expenses on track to be no more than 0.25% of invested capital. Annual business plan and annual report submitted to the Minister by the required deadlines.
<ul style="list-style-type: none"> Track results and report on key performance indicators. 	<ul style="list-style-type: none"> Obtain key performance indicators and other relevant metrics from the general partners on a quarterly basis; review and ensure adherence to limited partnership agreements; and gather market intelligence with respect to fund commitments/ investments. 	<ul style="list-style-type: none"> On a quarterly basis, key performance indicators are obtained and if not, corrective action is taken as required. 	<ul style="list-style-type: none"> Key performance indicators and portfolio developments received and reviewed on a quarterly basis.

Objective	Performance Measure	Targets	Results
<ul style="list-style-type: none"> Respond to all capital calls from externally-managed funds by the required deadline. 	<ul style="list-style-type: none"> Percentage of capital calls met by the required deadline. 	<ul style="list-style-type: none"> 100% of capital calls met by the deadline specified by the general partner. 	<ul style="list-style-type: none"> 100% of capital calls met by the specified deadline.
<ul style="list-style-type: none"> Ensure continuity of business services. 	<ul style="list-style-type: none"> % of employee turnover. 	<ul style="list-style-type: none"> No more than 15% employee turnover annually. 	<ul style="list-style-type: none"> No employee turnover to date.

Support the development of Ontario's venture capital ecosystem and the implementation of the Province's venture capital policies

Objective	Performance Measure	Targets	Results
<ul style="list-style-type: none"> Develop key relationships and networks to gather market intelligence for potential investments and venture capital public policies. 	<ul style="list-style-type: none"> Number of meetings with potential investors, fund managers, and other venture capital stakeholders. 	<ul style="list-style-type: none"> 12 meetings per year. 	<ul style="list-style-type: none"> Over 20 meetings held with fund managers seeking an investment commitment.
<ul style="list-style-type: none"> Maintain a positive net multiple of capital across OCGC's investment portfolio. 	<ul style="list-style-type: none"> Aggregate net multiple of capital for OCGC investment portfolio. 	<ul style="list-style-type: none"> Maintain net multiple of capital of at least 1.2x. 	<ul style="list-style-type: none"> Achieved a net multiple of capital of 1.24x as at March 31, 2020.¹⁰

¹⁰ Multiple of Capital represented the return to the Corporation before OCGC's expenses.

Undertake specific priorities for fiscal 2020-21 outlined in the agency mandate letter

Objective	Performance Measure	Targets	Results
<ul style="list-style-type: none"> Complete the Board approved investments under the Life Science Venture Capital Fund initiative. 	<ul style="list-style-type: none"> All investments under the Life Science Venture Capital Fund initiative completed. 	<ul style="list-style-type: none"> Investments completed by March 31, 2021. 	<ul style="list-style-type: none"> OCGC entered into a limited partnership agreement with the third and final fund manager under the Life Science Venture Capital Fund initiative

To receive any section of this report, or the report in its entirety, in a more accessible, alternative format, please contact ocgc@ontario.ca.

Appendix A: Financials

Proposed Operating Expenditures, Projected Revenues & Funding Requirements

OCGC is a Board-governed provincial agency. It has a legislated requirement to issue audited financial statements for the fiscal year, which are approved by its Board of Directors and to formally submit these to the Minister within 120 days after the end of every fiscal year. The financial statements summarize OCGC's revenue and expenditures and are tabled in the Legislature once approved by the Minister. The statements are also included in the Public Accounts of Ontario. OCGC's financial results are consolidated with those of the Province for Public Accounts and Budget purposes.

OCGC's annual business plan sets out the operating expenditures and revenues of the OCGC in the past fiscal year with a forecast over the next three fiscal periods, as well as the corresponding projection for the Statements of Financial Position¹¹.

Note: For the Statement of Operations & Changes in Accumulated Operating Surplus, no speculations are taken with respect to investment income in funds, gains/(losses) in funds, impairment in funds or foreign exchange gains/(losses) subsequent to the year ending March 31, 2021. The values of these financial assets are held constant only for budgeting purposes.

¹¹ These statements are consistent with Public Sector Accounting Standards.

Table 1:

Statements of Operating Expenditures	Actual results for the initial 6 months of fiscal 2020-21	Forecast for 12 months of fiscal 2020-21	Forecast for the fiscal years ending March 31st ¹²		
			2021-22	2022-23	2023-24
All figures are unaudited (\$,000)					
Shared operating costs with the Ministry:					
Salaries & wages	349	664	847	957	995
Benefits	43	97	129	151	157
Transportation & communications	2	5	6	6	6
Services	46	50	53	56	59
Accommodations	0	102	107	112	118
Supplies & equipment	1	3	3	3	3
Total reimbursements to the Ministry	441	921	1,145	1,285	1,338
Other direct operating expenses:					
Cash management fees	18	41	75	71	74
Professional services fees ¹³	62	690	659	535	561
Board and committee member expenses	3	6	6	6	7
Total ODOE	83	737	740	612	642
Total direct operating expenses	524	1,658	1,885	1,897	1,980

¹² OCGC is in discussion with the Ministry on the forecasted numbers.

¹³ Professional services fees includes external service providers having specialized investment knowledge in fund evaluation, direct co-investment and fund-of-fund investments, as well as audit, bookkeeping and legal services.

Table 2:

Statements of Operations & Changes in Accumulated Operating Surplus	Actual results for the initial 6 months of fiscal 2020-21	Forecast for 12 months of fiscal 2020-21	Forecast for the fiscal years ending March 31st ¹⁴		
			2021-22	2022-23	2023-24
All figures are unaudited (\$,000)					
Revenues:					
Funding & transfer payments ¹⁵	0	2,000	2,000	2,000	2,000
EOI expense recovery ¹⁶	93	93	-	-	-
Interest income	728	970	750	500	250
Investment income in funds	16	16	n/a	n/a	n/a
Net realized gains/(losses) on sale of investments in funds	1,776	1,776	n/a	n/a	n/a
Foreign currency exchange gains/(losses)	(1,134)	(735)	n/a	n/a	n/a
	1,479	4,120	2,750	2,500	2,250
Expenditures:					
Reimbursement to the Ministry	441	921	1145	1,285	1,338
Cash management fees	18	41	75	71	74
Professional services fees	62	690	659	535	561
Board & Committee fees	3	6	6	6	7
Impairment of investments in funds – OETF	-	-	n/a	n/a	n/a
	524	1,658	1,885	1,897	1,980
Operating surplus for the period	955	2,462	865	603	270
Accumulated operating surplus - beginning	433,390	433,390	435,852	436,717	437,320
Accumulated operating surplus - ending	434,345	435,852	436,717	437,320	437,590

¹⁴ OCGC is in discussion with the Ministry on the forecasted numbers.

¹⁵ Projections are consistent with OCGC's recent multi-year planning submission to the Ministry.

¹⁶ Represents the due diligence expenses incurred during the expression of interest that were reimbursed to OCGC from the selected fund managers.

Table 3:

Statements of Financial Position	Actual results for the initial 6 months of fiscal 2020-21	Forecast for 12 months of fiscal 2020-21	Forecast for the fiscal years ending March 31st ¹⁷		
			2021-22	2022-23	2023-24
All figures are unaudited (\$,000)					
Financial assets:					
Cash and cash equivalents	47,448	21,251	19,716	17,818	15,838
Marketable securities	188,054	203,272	180,142	161,897	139,017
Accounts receivable	362	352	2	2	2
Ontario Venture Capital Fund LP	79,574	81,014	81,014	81,014	81,014
Ontario Emerging Technologies Fund	19,634	19,634	19,634	19,634	19,634
Northleaf Venture Catalyst Fund LP	50,000	50,000	50,000	50,000	50,000
ScaleUp Venture Fund LP	20,239	22,750	25,000	25,000	25,000
Yaletown Innovation Growth LP	9,400	11,000	14,200	17,800	20,000
Lumira Ventures III LP	11,512	14,056	19,806	23,000	23,000
Genesys Ventures III LP	8,728	11,228	14,978	17,000	17,000
Amplitude Ventures	715	1,495	2,925	4,355	5,785
Market-based funds - TBD	-	500	10,000	20,500	42,000
	435,666	436,552	437,417	438,020	438,290
Liabilities:					
Accounts payable and accrued liabilities	802	200	200	200	200
Accumulated surplus	434,864	436,352	437,217	437,820	438,090
Accumulated surplus is comprised of:					
Accumulated operating surplus	434,345	435,852	436,717	437,320	437,590
Accumulated remeasurement gains/(losses)	519	500	500	500	500
	434,864	435,852	437,217	437,820	438,090

¹⁷ OCGC is in discussion with the Ministry on the forecasted numbers.

Appendix B: Corporate Governance

Minister

Each year, the Minister of Economic Development, Job Creation and Trade (the “Minister”) is required to table OCGC’s annual report in the Legislature. In addition, the Minister reviews and approves OCGC’s annual business plan. The Minister also maintains communications with OCGC through its Chair, regarding government policies and issues relevant to OCGC.

Chair

The Chair is accountable to the Minister for OCGC’s performance in fulfilling its mandate. The Chair is responsible for providing advice and information to the Minister with regard to OCGC’s operations and affairs. In addition, the Chair provides leadership to OCGC.

Board of Directors

The OCGC Board of Directors (the “Board”) is appointed by the Lieutenant Governor in Council and is accountable to the Minister through the Chair. The Board performs a supervisory role, overseeing the management of OCGC’s business and affairs to ensure OCGC’s mandate is fulfilled. The Board is comprised of both public servants employed by the Crown and independent directors.

The Board meets at least quarterly and receives regular reports from the President and Chief Executive Officer and OCGC staff concerning OCGC’s operations and its compliance with applicable laws and policies. Standards of conduct for OCGC Board members are set out in the Board-approved Code of Conduct.

There are also two committees of the Board to assist it in supervising the management of OCGC:

Audit and Risk Committee

The Audit and Risk Committee reviews and recommends approval by the Board of an annual internal audit plan and receives reports from OCGC’s internal auditors and Auditor of Record regarding internal controls and financial reporting. It also reviews financial policies and financial statements and recommends them to the Board. Another function of the Audit and Risk Committee is to review OCGC’s major risks and mitigation strategies.

Governance and Human Resources Committee

The Governance and Human Resources Committee assists the Board in (1) matters related to OCGC governance structures and practices and (2) reviewing human resources programs and practices of OCGC related to compensation, performance evaluation, and training.

President and Chief Executive Officer

Under the *Ontario Capital Growth Corporation Act, 2008* (the “Act”), the President and Chief Executive Officer (the “CEO”) is employed under Part III of the *Public Service of Ontario Act, 2006* (“PSOA”) and is appointed by the Board. The CEO is accountable to the Board for:

- Managing and administering OCGC;
- Supervising OCGC staff; and
- Carrying out the roles and responsibilities assigned by the Board, the Act and applicable government directives.

The CEO works under the direction of the Chair and the Board to implement policy and operational decisions. The CEO reports OCGC’s performance results to the Board, directly or through the Chair.

Employees

All employees of OCGC are civil servants employed under Part III of the PSOA. OCGC’s business operations are carried out by staff under the supervision of the CEO.

Appendix C: Organizational Chart

Ontario Capital Growth Corporation
Organizational Chart

