
BOARD OF DIRECTORS CHARTER

Purpose

1. The Board of Directors ("**Board**") is accountable to the Shareholder and reports to Parliament through the Minister of Small Business ("**Minister**"). The Board is responsible for the stewardship of the Business Development Bank of Canada ("**BDC**") and to ensure that it fulfills its mandate to help Canadian entrepreneurs grow their businesses and enhance their global competitiveness. The purpose of this charter is to describe the responsibilities of the Board to ensure that BDC delivers on its mandate and achieves the impact intended with respect to its strategy and the Shareholder's priorities as articulated in the BDC's Letter of Priorities and Accountabilities.

Composition and Operation

2. Composition of Board

BDC's Directors ("**Directors**") are appointed by the Minister with the approval of the Governor in Council for terms not exceeding four (4) years. All decisions of the Board must be made in the best interest of BDC, taking into account its public policy mandate.

As provided in their respective Charters, the Board Committees have recommendation and decision-making powers on certain topics. All the Board Committees have the authority to hire independent external consultants. All members of the Board Committees must be independent from management and no members of the Board Committees may be an officer, former officer or employee of BDC.

3. Operation of Board

The operation of the Board and its meetings are described in BDC's Code of General By-Laws ("By-Laws").

In discharging its duties, the Board is assisted by its standing committees: the Audit and Conduct Review Committee, the Board Risk Committee ("**BRC**"), the Human Resources Committee ("**HRC**"), the Governance and Nominating Committee ("**GN**"), the Board Investment Committee ("**BIC**"), and any special committees which it may establish from time to time. The Board may merge or dissolve any Board committee. The Board delegates to management the power to manage the business of BDC and defines the limits of management's authority through formal delegations of authority in conformity with BDC's Risk Appetite Framework, By-Laws and statutory limitations.

Responsibilities and Duties

4. BDC Mandate and Strategic Planning

The Board shall:

- i. provide the necessary oversight in respect to the execution of BDC's mandate to support Canadian entrepreneurs taking into consideration amongst other things BDC's financial sustainability objectives and public policy mandate, and, if appropriate, propose changes for the consideration of the Minister including the review and approval of any position paper with respect to the periodic review of the BDC Act ("Legislative Review");
- ii. approve BDC's strategic direction, priorities and the Corporate Plan on an annual basis, taking into account BDC's public policy objectives, business opportunities and risks, financial sustainability and effective risk management;
- iii. appreciate and manage the necessary trade-offs between the often-competing public policy and financial sustainability objectives of BDC;
- iv. respond to challenges and disruptions in the Canadian ecosystem and the financial services industry, including technological change, innovation and new players;
- v. represent BDC and speak collectively, through the Chairperson of the Board ("**Chairperson**"), to the Minister and other government officials as part of the consultations on the statement of priorities and accountabilities (the President and CEO should be involved and participate in these discussions as appropriate);
- vi. monitor the implementation and effectiveness of the approved strategies and BDC's Corporate Plan to ensure BDC's lending, investment and advisory activities are linked to impact outcomes and metrics in relation to BDC's mandate and public policy objectives;
- vii. oversee the execution of programs that may be assigned by the Minister in relation to the administration of any program supporting Canadian entrepreneurship, pursuant to a Section 21 Letter;
- viii. approve and oversee BDC's Sustainability Strategy, including in respect to climate change and BDC's initiatives to reduce its emissions;
- ix. approve BDC's corporate, financial and other goals, including the performance measures identified in the Corporate Plan and operating and borrowing plans, and actions of BDC, including budgets, quarterly and annual financial statements, Annual Report, major capital allocations, borrowings, expenditures and transactions; and
- x. approve major business decisions and policies, including BDC's main lines of business;
- xi. oversee BDC's digital transformation, including change management, to ensure BDC has the tools and capacity to continue to deliver on its public policy mandate; and
- xii. review the performance of BDC against the performance measures in the Corporate Plan and the scorecard and take action where appropriate.

5. Oversight of Risk Management Framework

The Board shall:

- i. approve the Enterprise Risk Management Policy which includes the Risk Management Framework and related risk category frameworks to manage BDC's major risk exposures as well as related policies;
- ii. approve the Risk Appetite Statement and Framework and assess BDC's Risk Culture to ensure that is aligned with its mandate and its impact objectives and receive reports on BDC's Risk Profile and any material exceptions to Policies;
- iii. take all reasonable measures to ensure that controls and procedures are in place to identify, manage and mitigate the major risks to which BDC is exposed including strategic risk, environmental and social risk (including climate change related risks), credit and investment risk, market non-trading risk, liquidity risk, operational risk, technology risk, legal and regulatory compliance risk and reputational risk and to safeguard BDC's resources;
- iv. approve the Delegation of Authority Policy and any loans, investments and transactions exceeding the authority of the BRC and BIC;
- v. approve any contracts or agreements in accordance with the Procurement Policy and Directive; and
- vi. approve BDC's risk-based capital requirements and management's evaluation of the effectiveness of BDC's internal capital adequacy assessment process ("ICAAP") for determining these requirements.

6. Talent and Culture

The Board shall:

- i. work with management to define BDC's values, ethics and culture, including with respect to diversity, equity and inclusion, and take all reasonable measures to ensure there are appropriate mechanisms in place to protect and promote them;
- ii. approve at least annually, with the assistance of the Human Resources Committee and any other committee with a relevant mandate, BDC's strategy for talent acquisition and retention, its human resources management and compensation plans to ensure BDC has the processes in place to identify, evaluate, develop and compensate the talent it needs to deliver on its strategy and preserve its unique culture;
- iii. approve BDC's organizational structure and any significant changes thereto;
- iv. oversee employee engagement and wellness to ensure BDC has the capacity it needs to fulfill its mandate;
- v. receive reports on the succession planning processes for Senior Management and critical and key positions of BDC;

- vi. oversee the selection process of Senior Management and the Chief Audit Executive, appoint them and approve their annual compensation and benefits and evaluation to ensure they have the right leadership mindset to foster BDC's ethics, culture and values;
- vii. appoint as officers of the Company all the executive officers, the Treasurer and Corporate Secretary and, from time to time, such other executive management and key positions, as it deems appropriate;
- viii. oversee the selection process and appointment of the Ombudsperson;
- ix. develop, in conjunction with the Chairperson, the President and CEO and the Governance and Nominating Committee, a position description for the President and CEO and the required skills and responsibilities;
- x. approve the President and CEO's objectives taking into account the description of the duties of the President and CEO as well as BDC's mandate and corporate objectives, and obtain the Minister's consent with regards thereto;
- xi. assess the performance rating of the President and CEO against the agreed upon objectives and the standards and guidelines set by the Privy Council Office;
- xii. approve the annual benefits of the President and CEO; and
- xiii. approve the succession plan and contingency planning for the President and CEO.

7. Corporate Governance and Board Effectiveness

The Board shall:

- i. review at least annually, with the assistance of the Governance and Nominating Committee, BDC's approach to corporate governance;
- ii. review and update the Board's charter, at least every two years;
- iii. define practices for *in camera* sessions for the Board and its Committees and oversee that the compliance thereof;
- iv. establish Board committees to assist the Board in carrying out its roles and responsibilities, define their mandates and approve their charters;
- v. take all reasonable measures to ensure that the Committees are discharging their responsibilities under their respective Charters and Annual Work Plans;
- vi. undertake regular evaluations of the Board, its Committees and Directors, and review the size, composition and policies of the Board and its committees to ensure the effectiveness, contribution, skills and independence of the Board and its Directors;
- vii. oversee relations between management and the Board to ensure an alignment of purpose, vision and strategy and ensure that appropriate channels of communication and exchange of information are in place,

- taking into consideration any legal requirements relating to the use of official languages;
- viii. review the succession plans for the Board, its committees and their respective chairpersons;
 - ix. make recommendations to the Minister, through the Chairperson and in consultation with the Governance and Nominating Committee, on the selection criteria and position description and participate in the Shareholder's search for candidates for the position of President and CEO;
 - x. develop selection criteria and a position description for the position of Chairperson, with the assistance of the Governance and Nominating Committee, and participate in the selection process;
 - xi. develop a selection process (including a skills matrix and a gap analysis), with the assistance of the Governance and Nominating Committee, to identify qualified candidates and make recommendations to the Minister for the appointment of Directors;
 - xii. appoint Directors to act as chairpersons on the various Board Committees;
 - xiii. take all reasonable measures to satisfy itself as to the integrity of management and to ensure that management creates a culture of integrity, compliance and accountability throughout BDC;
 - xiv. adopt and review at least every three years the BDC Code of Ethics and the BDC Board Code of Ethics and Conduct, and monitor compliance with such codes, as well as the management of conflicts of interest and the Policy on Personal Trading for Directors;
 - xv. adopt and review on a regular basis the Director Orientation and Continuing Education Policy to ensure they are receiving appropriate onboarding and training on subjects relevant to BDC's activities and mandate to enable them to fulfill their fiduciary roles; and
 - xvi. ensure that proper indemnification arrangements are in place to cover the potential liability of Directors and Officers with respect to their service to BDC.

8. Financial Matters, Compliance, Conduct and Internal Controls

The Board shall:

- i. review the effectiveness of BDC's internal controls and information management systems, including information security;
- ii. review the processes relating to the certification of BDC's financial statements;
- iii. monitor the quality and integrity of BDC's financial statements and oversee their compliance with applicable audit, accounting and reporting standards and requirements;
- iv. review the terms of engagement of the external auditors and special examiners and the scope of their mandate;

- v. approve BDC's capital management and allocation methodology and monitor capital usage and stress testing models to ensure BDC has adequate capital to deliver on its Corporate Plan;
- vi. exercise discretion in approving dividends in compliance with the Capital Management and Dividend Policy;
- vii. oversee the effectiveness of the Compliance Function and approve the Regulatory Compliance Policy to ensure BDC remains aligned with the evolving regulatory environment;
- viii. oversee the Conduct review of the Audit and Conduct Review Committee to ensure BDC employees embody its integrity, values and culture.

9. Oversight of Disclosure Policy and Public Disclosure

The Board shall:

- i. assess the effectiveness of BDC's Disclosure Policy;
- ii. oversee the establishment of processes for the accurate and timely production, approval and disclosure of the quarterly and annual financial statements (including any required environmental social and governance disclosures) and the Annual Report and the submission of this information to the Shareholder;
- iii. submit the Special Examiner's report to the Minister responsible for BDC and the President of the Treasury Board, within 30 days after receiving it;
- iv. make the Special Examiner's report available to the public within 60 days after receiving it; and
- v. hold a public meeting within 15 months after the day on which the last public meeting was held with at least one Director and the President and CEO in attendance to answer questions from the public.

10. Pension Matters

In relation to the Pension Plan and the two supplementary retirement plans (collectively "Plans") and BDC's responsibilities as an employer to fund the Plans, the Board shall:

- i. establish, monitor, review and approve, as appropriate, the design of BDC's Plans and funding and investment policies and strategies;
- ii. monitor the performance of professional fund managers;
- iii. approve the selection and replacement of the Funds' auditors as required by the provisions of applicable legislation; and
- iv. approve any new or supplementary pension plan.

In relation to the trust funds established and maintained in respect of these Plans ("Funds") and BDC's responsibilities as a trustee to manage the Funds, the Board shall:

- i. approve the selection and, if necessary, replacement of one or more trustees to serve as trustee and custodian of the assets of the Funds;
- ii. receive reports and recommendations relating to any Asset/Liability Management (ALM) studies;
- iii. receive reports on recommendations from the MPFIC with regards to the investment strategies and asset mix of the Funds delineated in the Funds' Statement of Investment Policy ("SIP") and any matters relating to the investment of the Funds, including the performance of the Funds and the Investment Managers; and
- iv. approve payments from the Funds and expenses submitted for payment from the Funds.

Board Directors shall demonstrate a high level of professionalism in the discharge of their responsibilities. They must prevent personal interests from conflicting, or creating the appearance of a conflict, with the interests of BDC and disclose the details of any such conflicts. They are expected to attend the meetings of the Board and of the Board committees on which they sit and to rigorously prepare for and actively participate in such meetings. They must maintain the confidentiality of BDC's information and Board and committee deliberations. They are also expected to be available to provide advice and counsel to the President and CEO or other Senior Officers of BDC upon request.

The primary role and key responsibilities of the Chairperson of the Board are outlined in the Profile for the Chairperson of the Board.