



Corporate Plan Summary 2023-24 to 2027-28

Operating budget
Capital budget
Borrowing plan



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The Corporate Plan Summary of the Business Development Bank of Canada is based on the 2023-24 to 2027-28 BDC Corporate Plan as approved by the Governor in Council on August 3, 2023, on the recommendation of the Minister of International Trade, Export Promotion, Small Business and Economic Development.

Note: BDC’s fiscal year runs from April 1 to March 31. Unless otherwise noted, all data are for fiscal 2022.

BDC aims to support Canadian entrepreneurs to build strong and resilient businesses and, in doing so, contribute to creating a more prosperous, competitive and inclusive Canada.

As Canada enters the post-pandemic era, entrepreneurs have been confronted with a series of new challenges, including a slowing economy, rising interest rates, high inflation and labour shortages. What's more, business owners are also being called upon to do their part to help combat climate change and create a more just and inclusive society. These new challenges have been added to the long-standing need for companies to scale up and increase their productivity and innovation to compete more effectively in Canada and abroad.

BDC believes that we can and must do more, in a complementary way, to support Canadian entrepreneurs given the array of issues they face. Driven by our purpose to empower a nation of dreamers and doers to build a better tomorrow for all, our strategy aligns with Canada's priorities for inclusive and sustainable growth. It is rooted in a solid understanding of what entrepreneurs tell us are their needs and expectations, based on the more than 78 years we have been interacting and deepening our relationship with them. Over the planning period, our actions will be driven by the four strategic objectives below. Of course, as we face uncertain economic conditions, BDC will remain flexible and stand ready to adapt to changes in the environment and entrepreneurs' needs to ensure we continue to deliver high-quality and impactful services to Canadian entrepreneurs.

1. Increase the reach and relevance of our support to entrepreneurs—We intend to serve more entrepreneurs in the years ahead both directly and in partnership with other organizations, and always in a complementary manner. We will have a particular focus on serving more diverse and underserved entrepreneurs. As an example, we will deploy the \$500-million Thrive Platform, providing vital support for Canadian women-led businesses.

2. Spur the growth of SMEs and the competitiveness of Canada's economy—Our country needs more globally competitive champions—fast-growing, highly productive and innovative businesses that generate economic benefits for all Canadians. As part of our strategy, we will help build a pipeline of Canadian champions through innovative financing and equity solutions, as well as advice to help businesses scale up and compete globally. Initiatives in support of this objective include our participation in the Canada Digital Adoption Program to support the digital transformation efforts of SMEs through financing and advisory services, and co-investing with existing Canadian private equity and growth equity funds, as well as investing in Canadian private equity funds to strengthen this ecosystem.

3. Empower SMEs to respond to the big challenges of our time—Because of their economic importance, SMEs should play a central role in Canada's efforts to tackle problems of strategic importance for the country's future, including combatting climate change and creating a fairer, more inclusive economy. An important initiative that we will launch in support of this objective is the creation of a Climate Action Centre, a hub where companies will find the resources and guidance they need to reduce emissions and become more sustainable. Another initiative will be the launch of a third Industrial, Clean and Energy Technology Venture Fund.

4. Deliver a world-class client and employee experience—To achieve the ambitious goals we have set for ourselves, we must continue to deepen our holistic approach and relationship with entrepreneurs. Nurturing these relationships requires us to find and retain the best employees and empower them to provide world-class client experience across our delivery channels. Keys to our pursuit of excellence in this area are the new metrics and feedback mechanisms we are developing to deepen our understanding of how clients and non-clients perceive their interactions with us and how we can improve in this regard.

Financial highlights

This Corporate Plan has been developed in a volatile economic environment where market uncertainty remains an important concern. This may result in significant variations from planned projections.

Demand for our products and services was strong in fiscal 2023, resulting in a robust growth in activity level. While growth is expected to be modest in fiscal 2024 as entrepreneurs postpone growth projects in response to economic uncertainty, we expect BDC's volume of activity to increase steadily for the remainder of the planning period.

BDC expects net income to reach \$1.3 billion by fiscal 2028, providing increased flexibility to further support Canadian entrepreneurs in the years to come.

The expected increase in net income from fiscal 2024 to fiscal 2028 will mainly be due to portfolio growth in Financing and greater net income for Growth & Transition Capital and Venture Capital. Reductions in the net loss from initiatives under the Credit Availability Program and limited growth in operating expenses will also contribute to increasing net income.

Capital above the internal target rate from fiscal 2023 to fiscal 2028 is planned to be returned to the shareholder in the form of dividends, at the discretion of BDC's Board of Directors. However, BDC's profitability may fluctuate significantly, especially due to volatility in the fair value of our investments and provisions for expected credit losses.

Our purpose

Empower a nation of dreamers and doers to build a better tomorrow for all.

Our mission

To support Canadian entrepreneurs by providing financing, capital and advisory services with a focus on small and medium-sized enterprises.

Our public policy role and approach

Through our independent credit decisions, we take more risk in supporting entrepreneurs in a way that is impactful and complementary to the private sector, providing more flexible and patient conditions, but do so in a way that ensures our financial sustainability.

A complementary player with the private sector

- ➔ We cater to SMEs with a riskier profile, with **88%** of our portfolio being sub-investment grade³, compared to **28%** for chartered banks.
- ➔ We act as a shock absorber during economic downturns and through recoveries, increasing access to capital for businesses when liquidity conditions become tighter.
- ➔ All our venture capital investments are done as part of investor syndicates.
- ➔ We partner with private sector consultants to deliver most of our advisory services mandates.

An extensive reach

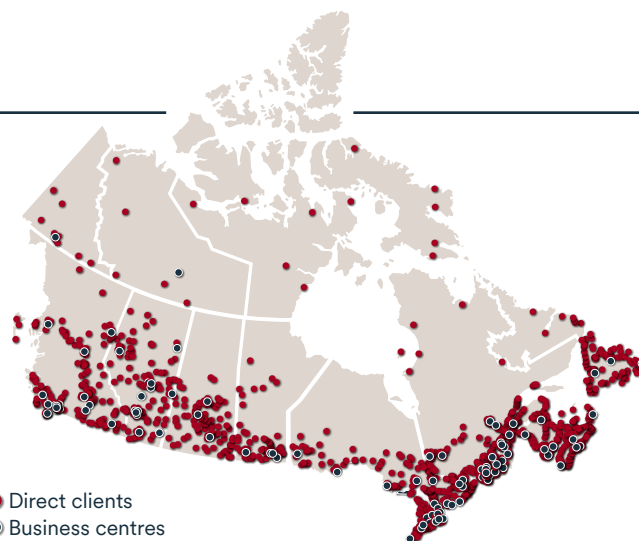
- ➔ We serve an increasing number of entrepreneurs with nearly **63,000** direct clients and more than **32,000** clients served through partnerships.
- ➔ We reach entrepreneurs in every region, including through virtual channels such as our website and our BDC mobile app; through a variety of partners; and through our network of over **110** business centres.
- ➔ We interact with over **130** partners and stakeholders to extend our reach and impact, and help connect entrepreneurs with relevant members of the ecosystem.
- ➔ Our clients employ nearly **1.1 million** people and generate over **\$400 billion** in annual revenues.

A catalyst for business innovation and growth

- ➔ We are the most active venture capital investor in Canada, investing in over **700** technology start-ups.
- ➔ We encourage several technology accelerators and incubators to provide early-stage start-ups with both financing and advice.
- ➔ We support high-growth firms to reach new heights in Canada and abroad through our Growth Driver Program and our Growth and Transition offering, which enables SMEs with limited tangible assets to grow while conserving their cash flow and maintaining their ownership.
- ➔ We help innovative companies scale up through targeted financing for tech firms.
- ➔ We go beyond financing to help SMEs grow and innovate with our advisory services and our participation in the Canada Digital Adoption Program.

A key contributor to a more inclusive, greener prosperity

- ➔ We were the first bank in Canada to obtain B Corp⁴ certification and were named Best for the World by B Lab for our governance in 2021.



	Number of direct clients ¹	Number of clients served through partnerships	Commitments in \$ billions ²
B.C. & North	7,919		\$6.6
Prairies	10,216		\$9.0
Ontario	18,312		\$15.8
Quebec	21,775		\$14.0
Atlantic	4,500		\$2.5
Total	62,722	32,159	\$47.8

- ➔ We extended nearly **\$3.9 billion** to majority women-owned and led companies since fiscal 2019 and recently launched the **\$500-million** Thrive Platform, the largest investment platform of its kind in the world.
- ➔ We have over **\$550 million** committed to more than **1,000** Indigenous clients across Canada and are an anchor investor in the Indigenous Growth Fund.
- ➔ We recently made available to all Canadian entrepreneurs, free of charge, the *4 Seasons of Reconciliation* training course on Indigenous history, identity and the need for reconciliation.
- ➔ We are reaching more Black entrepreneurs through initiatives such as the Black Entrepreneurship Loan Fund and the Black Innovation Fund.
- ➔ We are helping Canada achieve its Paris Agreement objectives by supporting entrepreneurs in their green transition and reducing our own footprint to net zero by 2025.
- ➔ We have committed over **\$1.6 billion** to sustainability-linked support since 2010.

A world-class client and employee experience

- ➔ We are a provider of excellent customer service, with **94%** of our clients saying they are satisfied.
- ➔ We have been recognized with numerous corporate awards, including Canada's Top 100 Employers and Canada's Best Diversity Employers.
- ➔ We received gold parity certification in 2021 from Women in Governance, a Canadian organization dedicated to supporting women in their leadership and career development.

¹ Clients receiving services from more than one business line are counted only once.

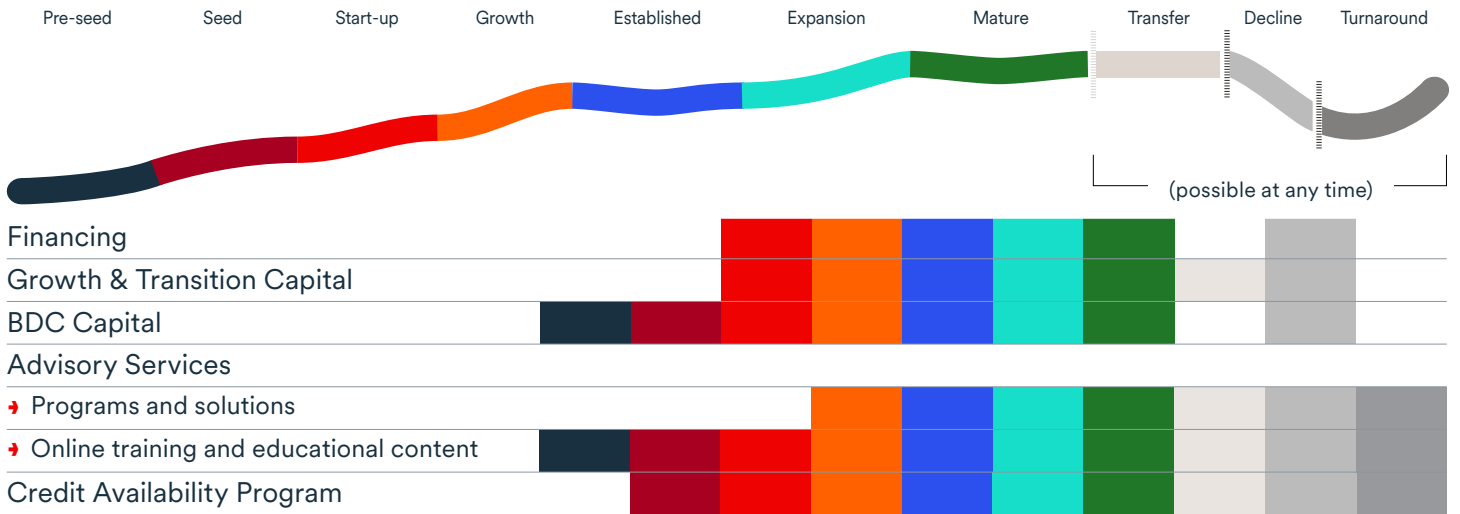
² Commitments refers to portfolio outstanding and amounts undisbursed at cost of BDC's loans or capital investment portfolio.

³ Refers to Financing's outstanding loan portfolio. Sub-investment grade loans are rated BB+ or less. The sub-investment grade data for chartered banks is as of April 30, 2022.

⁴ B Corps (beneficial corporations) are businesses that profitably fulfill a broader purpose and meet rigorous environmental, social, governance and workplace standards.

BDC business lines

We support entrepreneurs through their business life cycle with solutions from our different business lines.



Financing

Commitment² to Canadian SMEs

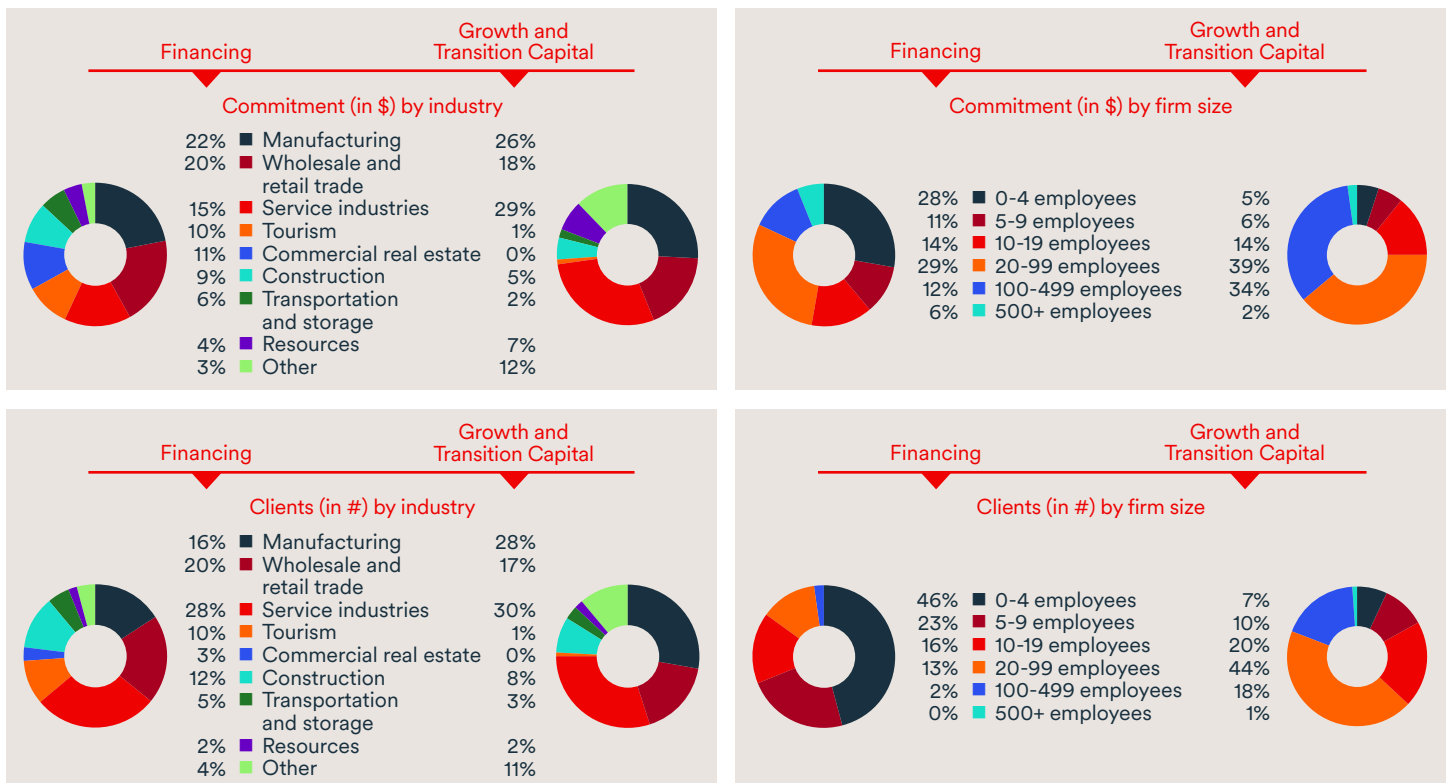
Provides term lending and collaborates with other financial institutions to increase credit availability in the market.

\$35.1 billion

Growth & Transition Capital

Provides working capital, mezzanine financing and quasi-equity to support the growth and transition projects of SMEs.

\$1.2 billion

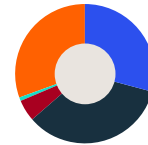


BDC business lines (continued)

BDC Capital

Includes BDC’s activities in venture capital, growth equity and intellectual property financing. BDC Capital invests directly and indirectly in companies across multiple sectors and business life cycle stages.

VC Direct	29%
VC Indirect	34%
Growth Equity	6%
Intellectual property financing	1%
Capital Incentive Programs	30%



Commitment² to Canadian SMEs

\$3.0 billion

It also manages the Capital Incentive Programs, which encompass the Cleantech Practice, the Indigenous Growth Fund, the Venture Capital Action Plan and the Venture Capital Catalyst Initiative.

Advisory Services

BDC invests to provide entrepreneurs with knowledge, information and skills development by offering affordable high-value advisory services as well as free online training and educational content.

Total mandates⁵
2,325

Online studies, articles, eBooks, videos, training material, etc.
1,400+

Credit Availability Program

Brings together initiatives designed to increase capital availability for specific SME needs, such as COVID-related support and digital adoption projects.

Commitment² to Canadian SMEs

\$6.6 billion

⁵ Forecast for fiscal 2023.

BDC considers economic and market factors when planning activities and investments. BDC's Corporate Plan is based on the following conditions.

Economic conditions

A global economic recovery from the short, yet deep recession caused by the COVID-19 pandemic slowed sharply in 2022. World real GDP grew by 6.1% in 2021 and held up well in the first quarter of 2022. However, the war in Ukraine, the resulting sanctions on Russia and a sharp slowdown in China all weighed on global growth as the year progressed. The economic outlook was further clouded by a tightening of monetary conditions as central banks in major countries raised interest rates to bring down high inflation.

The European economy suffered a severe setback due to the invasion of Ukraine in February 2022. It is facing a major energy crisis even as it continues to deal with lingering problems from the pandemic, including supply-chain disruptions and inflation levels not seen in decades.

The economic outlook for the United States also turned gloomier in 2022. GDP declined in the first two quarters, but a third-quarter rebound made up for those losses. The economy was hampered by weak consumption in the first half of the year as households grew cautious in response to high inflation, rising interest rates and a falling stock market. Nonetheless, labour markets held up well, somewhat mitigating the risk of a severe recession taking hold south of the border.

The Canadian economy showed impressive resilience in the first half of 2022 when GDP grew at a solid 4.4% compared to the same period in 2021. Growth was supported by a strong recovery of the labour market, high household savings, elevated commodity prices, increased business investment and pent-up demand for services following the end of COVID restrictions in early 2022.

Canada's third-quarter growth was stronger than expected with the economy registering a solid 2.9% annualized increase in GDP. However, consumer spending dropped for the first time since the second quarter of 2021. This pullback along with a build-up in business inventories indicated softer demand and weaker growth ahead. Indeed, Canada was not immune to the challenges of high inflation and rising interest rates that slowed growth in other parts of the world. Inflation peaked at 8.1% in June before falling to 6.8% in November. High core inflation readings suggested price increases were becoming more entrenched beyond just the energy and food segments and remained elevated in November.

To temper soaring inflation, the Bank of Canada started to raise interest rates in March 2022. As the year progressed, the bank hiked its trend-setting policy rate at a pace rarely seen in Canadian history, increasing it by 400 basis points, from 0.25% to 4.25%, in less than a year.

Into the autumn of 2022, most of Canada's economic growth was coming from sectors that were hardest hit by the pandemic—accommodation, food services and transportation. By contrast, the real estate and construction industries, which had been strong contributors to GDP growth in the initial stages of the recovery, were among the first to slow in response to interest rate hikes. These highly rate-sensitive sectors will likely continue to gear down in 2023 as rate increases percolate through the economy.

After struggling for the past year to find available workers, businesses finally saw some easing of labour shortages, as the labour force rose by about 200,000 in 2022. Employment gains in the autumn and winter of 2022 more than compensated for the job losses incurred between May and September, and left the unemployment rate unchanged at 5.0%. Still, there were around 900,000 jobs available in October, while retirements remained elevated and layoffs continued to trend downward.

For businesses, the financial situation remained solid in the autumn of 2022 with revenues rising faster than costs. This put companies in a relatively strong position to cope with an expected slowdown in consumer demand. However, there was a risk of a deeper downturn that would make business conditions more challenging, which could in turn affect lending conditions.

While rate hikes will take their toll, the strength of the labour market, easing of supply chain disruptions and a slowdown in inflation should help support the economy in the latter part of 2023. We forecast growth in Canada to come in at 3.5% for 2022 as a whole. The outlook for 2023 ranges from low growth (+0.5%) to a mild recession (-1.0%). While the economy appears well-positioned to absorb higher interest rates, other risks threaten to push it into a mild recession. These risks include a more severe downturn than expected in the United States; the Bank of Canada overshooting on its interest rates hikes; and a consumer pullback amid recession fears.

Access to capital and advice

Canadian entrepreneurs appeared to be increasingly concerned about the likelihood of a recession, which was expected to hamper their investments. Elevated interest rates, economic uncertainty and a slowdown in sales activity were already hindering business investments in the fall of 2022. The economic environment put Canadian SMEs in a "wait and see" mode. According to a Bank of Canada report in October, business investment growth was projected to slow from about 6.8% in 2022 to around 1.55% in 2023, before increasing modestly to 2.3% in 2024. In terms of demand for financing, a BDC survey in October found that 22% of SMEs were planning to apply for financing over the next 12 months, with an increased focus on working capital.

Most entrepreneurs continued to have access to financing thanks to high levels of liquidity in the market coming out of the pandemic. However, approval rates for business financings dropped in 2020 and remained low from a historical perspective. Overall, business lending conditions started to tighten in Canada in the fall of 2022, suggesting that financial institutions were growing cautious in light of the economic uncertainty. Canadian banks remain well-capitalized and in a strong position to weather a deterioration in the economy.

In 2022, interest rates increased rapidly for both new loans and outstanding balances. The effective rates for businesses increased by 3.43 percentage points between March 2022 and the beginning of 2023, bringing them back to levels not seen since 2001. Overall, we expect business financing conditions to continue to tighten over the short term with small businesses likely taking the hardest hit. Commercial lending should slow modestly, reflecting economic conditions.

In business advisory, the need for consulting services increased as SMEs sought help in navigating through uncertain times. Besides traditional business challenges such as the need to improve financial management and productivity, entrepreneurs were also confronted with emerging issues, including supply chain disruptions, inflation and the need to respond to climate change. However, those same challenges also limited their ability to afford and invest time in consulting services. Therefore, government subsidy programs, such as the Canada Digital Adoption Program, remain important to help companies fund the advice they need. On the supply side, there is a growing number of niche players offering advice in such areas as IT adoption and environmental, social and governance (ESG) improvements.

Meanwhile, the venture capital industry faced headwinds in 2022, following a period of remarkable growth and profitability during the previous four years. VC-backed companies that were publicly listed in recent years underperformed the broader IT market in 2022, leading to a closing of the IPO window for these types of firms in the near future. There was also a significant decline in merger and acquisition and initial public offering activity. As a result, exit opportunities became scarcer and distributions to investors were expected to be postponed. However, the long-term outlook for Canada's innovation ecosystem remains positive and we expect it to continue to mature and grow over the next decade.

Major trends affecting Canadian SMEs

To remain competitive and sustain growth, entrepreneurs must adapt their operations to a slowing economy and increasing uncertainty. Here are the major trends they will face over the planning period.

- ➔ **Inflation:** In November 2022, inflation stood at 6.8% in Canada. In a BDC survey, 61% of businesses reported having difficulties coping with inflation. Production costs rose mainly because of higher commodity and transportation costs. These eased in the second half of 2022, but cost pressures remained high. Higher wages were adding to the pressure on SMEs. We forecast wage growth to average 4% in 2023, well above the pre-pandemic trend of 2.7% as rising expectations for future inflation puts upward pressure on salaries.
- ➔ **Supply chains disruptions:** Many entrepreneurs have encountered supply problems since the reopening of the global economy. Bottlenecks have affected industries throughout production chains, causing significant negative effects for businesses. Supply chain disruptions and logistics challenges eased in 2022, but businesses will have to continue to adapt to the changing environment in the short to medium term.
- ➔ **Labour shortages:** Businesses were dealing with a tight labour market even before the pandemic and COVID exacerbated the problem. As the economy gears down and immigration resumes, labour shortages should become less acute in the short term. However, the population is aging and there is misalignment between the skills of available workers and the needs of industries and provinces. Therefore, labour shortages will continue to be challenging for many entrepreneurs.
- ➔ **Surge in e-commerce:** When businesses were forced to close their doors to comply with government restrictions during the pandemic, e-commerce accelerated with online sales more than doubling in Canada. While the reopening of the economy led to renewed enthusiasm for in-store shopping, an online presence remains essential for businesses. More generally, Canadian companies need to increase their use of digital technologies to meet customer needs, market their products and boost productivity.
- ➔ **Sustainability:** Pressure from consumers, customers, investors and governments is building on businesses around the world to improve environmental, social and governance (ESG) practices. On the environment, ambitious emission reduction targets are being set by governments to meet Paris Agreement commitments. Every company will have to adjust their business practices to remain competitive while doing their part to help Canada achieve net zero emissions.

BDC supports Canadian entrepreneurs in their efforts to build strong and resilient businesses and, in doing so, we help increase prosperity in every part of the country and across industries. Moving into the post-COVID era, Canada has been confronted by a series of new challenges—high inflation, rising interest rates and geopolitical tensions. These issues have been added to the country's long-standing need to scale up more businesses, improve their productivity and innovation, aggressively combat climate change and create an economy where everyone has an equal chance to share in prosperity and contribute to their full potential.

Small and medium-sized businesses are on the frontlines in facing these challenges because of their importance to the economy. Yet, we know from our research that many of them lack the resources to grow and prosper. BDC is uniquely positioned to respond to SME needs thanks to our long track record of effectively working with entrepreneurs, our pan-Canadian physical and virtual presence and our many strong partnerships with private-sector and public organizations. We believe we can and must do more to support businesses in the future and our actions are anchored in the following strategic objectives.

Below are some of our most recent initiatives in pursuit of each strategic objective. We recognize that the economic environment remains uncertain and BDC will be flexible to respond as it evolves to ensure we deliver high-quality and impactful solutions to Canadian entrepreneurs.

1. Increase the reach and relevance of our support to entrepreneurs

BDC aims to serve many more Canadian entrepreneurs in the coming years with a focus on diverse and underserved entrepreneurs. We will do so both directly and through partnerships, delivering support that is designed to meet the specific needs of individual business owners.

What's new

- ➔ We will deploy the recently announced \$500-million Thrive Platform, the largest investment platform of its kind in the world, providing vital support for Canadian women-led businesses. We plan on increasing investments in this platform over the planning period.
- ➔ We are exploring ways to further expand our partnerships to reach more entrepreneurs, including by working on a pilot to develop a loan guarantee solution enabling a limited number of participants to provide financing to many more underserved entrepreneurs.
- ➔ We will continue building on existing partnerships like those with Evol, the National Aboriginal Capital Corporations Association and Futurpreneur to ensure underserved and diverse entrepreneurs have the resources they need to thrive.

2. Spur the growth of SMEs and the competitiveness of Canada's economy

We aim to spur the development of a new generation of globally competitive Canadian champions by providing businesses with the financing and advice they need to scale up, become more productive and create world-leading innovations.

What's new

- ➔ We will support the digital transformation efforts of SMEs to help improve their productivity, notably through our participation in the Canada Digital Adoption Program.
- ➔ We will manage the renewed \$450-million allocation from the federal government's Venture Capital Catalyst Initiative, which supports funds of funds, life sciences funds and inclusive growth funds.
- ➔ We will strengthen the private and growth equity ecosystem by co-investing with existing Canadian private equity and growth equity funds, as well as invest in Canadian private equity funds to supplement the capital of private sector fund managers.
- ➔ We will be allocating funds for investments in companies at the seed stage as well as in the life sciences sector to fill market gaps.
- ➔ We are participating in the new Global Hypergrowth Project that aims to connect growing Canadian businesses to government services.
- ➔ We will help more businesses to become more growth-oriented and prepared to face emerging challenges by developing advisory solutions to help businesses be more productive.

3. Empower SMEs to respond to the big challenges of our time

Canada is confronted by major challenges and SMEs need to be part of the solution, including by participating in the fight against climate change and helping create a more inclusive and fair economy. We believe business owners want to do their part and we are committed to empowering them to do so.

What's new

- We will create a Climate Action Centre, a hub where SMEs will be able to find resources and guidance in becoming more sustainable, recognizing that the main barrier to action on climate is simply not knowing where to start.
- We have recently committed \$400 million for our Climate Tech Fund II to help scale and deploy low-carbon technologies to help Canada meet its GHG emissions reduction target. We will supplement this with an additional \$100 million over the planning period.
- We will launch a third Industrial, Clean and Energy Technology Venture Fund (ICE), building on the success of the first two ICE funds.
- We have recently made available to all Canadian entrepreneurs, free of charge, the *4 Seasons of Reconciliation* training course on Indigenous history, identity and the need for reconciliation.
- We stand ready to play a shock absorber role in the economy, as demonstrated by our recent initiatives to support businesses experiencing supply chain disruptions and turbulence in the creative industries, and we will do more if economic and market conditions deteriorate. BDC will remain flexible to adapt to changes, given the uncertain economic context.

4. Deliver a world-class client and employee experience

An essential prerequisite for achieving the goals of our strategy is to provide clients with an outstanding experience when they work with us. To do so, we must become increasingly client-centric not only to make transactions easier and faster, but to build holistic relationships that support the long-term success of entrepreneurs. Engaged and empowered employees are the key to achieving this.

What's new

- We will strengthen our culture where satisfying client needs is the starting and landing points of all that we do.
- We are further enhancing our online financing process with the goal of making it faster and easier for entrepreneurs.
- We are developing new metrics and feedback mechanisms to deepen our understanding of how clients and non-clients perceive their interactions with us and learn how we can make them better.

With close to 90% of private sector jobs and over 50% of Canada's GDP, SMEs are essential players in reaching Canada's economic, social and environmental sustainability goals.⁶ However, we know from surveys that many SMEs are not getting the financial support they need and that a majority of these companies are owned by underserved groups of entrepreneurs.

BDC aims to support many more entrepreneurs in the coming years and serve them in a way that's increasingly relevant to their needs, goals and aspirations. With over 75 years of experience working with entrepreneurs and serving nearly 63,000 direct clients and more than 32,000 clients through partnerships, we have a physical and virtual presence in every part of Canada and relationships with more than 130 organizations and stakeholders across the country.

Supporting underserved and diverse entrepreneurs

Our ambition is to do more to improve Canada's economic performance and prosperity by supporting many more entrepreneurs. We will expand our focus on underserved and diverse entrepreneurs so they can benefit from the same opportunities as other business owners, and Canada can more fully benefit from their ambition, talent and hard work. We will support and empower them throughout their business journey with financing, tailored advice and networking connections to help them grow.

To focus our efforts, BDC has developed an integrated client diversity strategy that relies on more than 200 employees who have stepped forward to act as diversity ambassadors. They have embraced our diversity strategy and been trained to help underserved and diverse clients break through the barriers they typically encounter.

We are also looking into new ways to expand our partnerships with organizations across Canada to increase our support for these entrepreneurs. For example, we are currently working with a limited number of financial institutions to develop a pilot for a loan guarantee solution that would enable them to provide financing to more entrepreneurs. As part of an approximate 18-month pilot process, we are seeking to encourage participating lenders to modify their standard credit criteria to align them with the ones we use in making direct loans. The pilot will allow us to test design options for a guarantee solution and adjust it as necessary. It will also help us to test a guarantee that is complementary to other guarantees already in market, that provides incremental capital for SMEs, and that is designed to reach underserved entrepreneurs. If these objectives are met, we will evaluate the feasibility of extending this initiative to more participants in future Corporate Plans.

Among the many partnerships we have developed in recent years to extend our reach is one with Evol to provide support to Quebec entrepreneurs in diverse markets (women, ethnocultural minorities, Indigenous communities, people with disabilities and LGBTQ+). BDC has extended a \$10-million loan to Evol to enable it to support 150 to 200 entrepreneurs each year with mentoring and loans between \$20,000 and \$450,000.

Supporting Indigenous entrepreneurs

As one of the fastest growing entrepreneur segments, Indigenous business owners bring traditional knowledge to the companies they are building, transforming lives by valuing both community and individual prosperity. BDC has committed over \$550 million to more than 1,000 Indigenous businesses from coast to coast to coast.

To improve access to capital, we increased the limit for our Indigenous Entrepreneur Loan in fiscal 2021 to \$350,000 from \$125,000. We also became an anchor investor in the \$150-million Indigenous Growth Fund (IGF). In partnership with the National Aboriginal Capital Corporations Association, this fund provides loans to Indigenous businesses through the network of Aboriginal Financial Institutions (AFI). To date, IGF has commitments with Tale'awtxw Aboriginal Capital Corporation and Nuu-chah-nulth Economic Development Corporation for \$10 million each. In addition, we have committed \$7.5 million to Raven Indigenous Capital Partners, North America's only Indigenous-led and owned venture capital firm.

Supporting women entrepreneurs

Since 2015, BDC has made it a priority to support the success of women entrepreneurs, recognizing they face unique challenges in growing their businesses, including gender bias and less access to financing and mentorship.

We are on target to increase the number of women entrepreneurs we serve to 19,000 by fiscal 2024 from just over 15,000 in fiscal 2021.

We also recently launched the \$500-million Thrive Platform. It builds on the success of BDC's Women in Technology (WIT) Venture Fund, which was launched in 2017 with the dual mandate of supporting women-led tech businesses and helping create a vibrant ecosystem for women tech entrepreneurs. The Thrive fund is the largest investment platform of its kind in the world, providing Canadian women-led businesses with the capital they need to reach their full potential to become leaders in Canada and globally.

⁶ Innovation, Science and Economic Development Canada. Key Small Business Statistics 2021. https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03147.html

The Thrive Platform provides a comprehensive approach to addressing barriers faced by women.

- ➔ A \$300-million direct investment fund will seek to partner with promising women entrepreneurs who are building Canadian technology companies at the seed and series A/B stages. Using the same investment strategy as the WIT fund, Thrive will be sector agnostic and invest in companies with strong growth and scalable market potential.
- ➔ The \$100-million Thrive Lab will make equity investments available to women-led companies with promising business models and growth potential but not necessarily a traditional path to securing venture capital investment. The initial focus of Thrive Lab will be to work in collaboration with partners to fill gaps in early-stage funding.
- ➔ A \$100-million indirect investment envelope will be allocated to women-led and focused venture capital funds across the country.

Although women entrepreneurs require better access to capital, their needs go beyond dollars. This is why BDC has partnered with organizations that provide mentoring, peer-to-peer learning, training, networking and access to business opportunities.

One important example is our longstanding association with Cisco and Women of Influence with whom we launched the first virtual program in Canada to support women entrepreneurs during the pandemic as well as the first national comprehensive mental health and wellness program for women entrepreneurs. We also maintain a strong relationship with the national Women's Enterprise Centre and partner with the Réseau des femmes d'affaires du Québec to better support women entrepreneurs in expanding their operations globally.

Supporting Black entrepreneurs

BDC is committed to assisting Black entrepreneurs overcome barriers and seize opportunities to build strong, growing businesses. We have signed a series of partnership agreements to provide enhanced financial support and advice to Black business owners. Among these agreements are the following initiatives.

- ➔ We have partnered with FACE, a national, Black-led non-profit organization, to provide loans to eligible Black-owned businesses to start and grow businesses. Through the Black Entrepreneurship Loan Fund, the federal government provided FACE with \$30 million to offer loans of between \$25,000 and \$100,000. In parallel, BDC has committed \$130 million for loans between \$100,000 and \$250,000. Both loan segments are processed and administered by BDC. Through this program, \$24.9 million in loans had been authorized as of December 2022.
- ➔ We co-created the Black Innovation Fund with the BKR Capital organization and serve as the fund's anchor investor with a \$3.5-million commitment, creating the first venture capital fund focused on Black-founded tech companies in Canada.
- ➔ We partner with Futurpreneur Canada and RBC to deliver the Black Entrepreneur Start-up Program. It provides young Black entrepreneurs aged 18 to 39 with \$10,000 to \$100,000 in start-up loans. The program also provides two years of mentorship and networking opportunities and access to a variety of management tools and resources. Through this initiative, BDC had lent \$2.2 million as of September 2022.

Supporting young entrepreneurs

Young entrepreneurs often have difficulty finding the capital and advice they need to launch and grow their companies because they lack an operating track record, revenue and business know-how.

To support them, we have a strong, long-standing partnership with Futurpreneur Canada, a national non-profit organization that offers mentoring, financing and other business resources to young entrepreneurs. BDC and Futurpreneur work together to promote youth entrepreneurship and increase financing for young entrepreneurs (ages 18 to 39). Under our recently renewed co-lending agreement, Futurpreneur and BDC provide loans of up to \$60,000 to young business owners. BDC and Futurpreneur have more than 2,200 clients in common, representing a \$48-million outstanding portfolio for BDC as of September 2022.

Extending our reach through multiple channels

BDC strives to support entrepreneurs through the channel that best suits their needs and preferences. These channels include our online and mobile platforms, our physical presence throughout Canada and our numerous partnerships with public and private sector organizations.

Our **virtual channel includes online financing**, our virtual banking centre, the bdc.ca website, our mobile client app and small business advisory solutions delivered virtually. It allows us to reach entrepreneurs across Canada, including in rural and remote regions. We are continuously improving our virtual services. For example, we are looking to simplify the online financing application process and reduce the time it takes for entrepreneurs to apply online. We are also considering increasing the maximum loan amount from the current \$100,000.

To serve entrepreneurs with more complex borrowing and advisory needs, we maintain 110 **business centres** throughout Canada. Our 725 account managers are supported by BDC mobile apps that help them assess and understand a client's business better and propose appropriate solutions. Our Express Loan app allows them to approve a loan during a single client visit with a disbursement between 24 and 48 hours.

We **partner with private sector and public organizations** to strengthen the environment for starting and growing a business in Canada, including by collaborating with other financial institutions to increase access to capital. We saw the value of this during the COVID pandemic when we extended support to nearly 18,000 additional entrepreneurs through this channel. Our collaboration with the private sector during this period significantly improved the speed and scale of BDC's ability to respond to economic shocks.

Our partnership distribution channel has been an important and growing dimension of our activities. It allows us to:

- ➔ co-finance or guarantee loans delivered by partners to enable them to reach more entrepreneurs
- ➔ bridge gaps in the commercial and corporate loan market for medium-sized and larger businesses by providing senior debt financing in syndicated transactions led by other banks
- ➔ fund against portfolios of loans secured by financial assets, such as equipment loans and leases, as well as other types of collateral, such as cash flow and receivables

Over the planning period, we will continue to expand our use of partnerships to increase our reach and relevance. With the help of like-minded organizations, partnerships also allow us to be more efficient in our delivery of our products and services to underserved entrepreneurs. For a list of our partnerships, please see Appendix 4 on page 40.

Free advice, management tools and e-learning programs

We help entrepreneurs gain knowledge, hone their business skills and become more financially literate by offering some 1,400 pieces of free content on bdc.ca. This includes independent research on business challenges, advice articles, webinars, business assessments, templates, eBooks, videos and interactive business training. We recorded 10.7 million visits to our bdc.ca website in fiscal 2022 from people looking for financing, business advice, management tools and economic research. Our online publications now reach 380,000 unique subscribers.

Over the last few years, we also developed and promoted a series of free e-learning programs to help entrepreneurs increase their knowledge and skills as business leaders. Since 2018, there have been 32,000 courses enrolments. Over the planning period, we will continue to expand our library of online content to support the evolving needs of entrepreneurs.

Strategic objective 2

Spur the growth of SMEs and the competitiveness of Canada's economy 14

Canada continues to lag other leading economies in growing many companies to a size where they can compete on the global stage. The country also trails on measures of innovation and intellectual property investments. We recognize the importance of accelerating progress in these areas in the coming years to support economic growth and enhance prosperity throughout the country.

That is why, as part of our strategy, we will spur the emergence of globally competitive Canadian champions. These high-performing businesses help create a stronger economy that benefits all Canadians thanks to their superior levels of growth and productivity. We will help build a pipeline of potential champions by ensuring entrepreneurs in every part of Canada have the resources they need to scale up and become globally competitive.

We have studied extensively how to support company growth and each of our business lines have launched initiatives to help businesses reach their full potential. We aim to help them to adopt and integrate digital technologies, become more innovative, expand into international markets and embrace business practices to improve their productivity.

Support for growth and transition

As part of our efforts to help entrepreneurs in all industries and in every part of the country get the resources they need to thrive, we provide term loans to bolster their working capital and fund expansion projects such as buying property, equipment and machinery, technology and making business acquisitions.

We also cater to growing businesses with solid business models and management teams, but limited tangible assets to offer as collateral. We are a patient partner that takes more risk to ensure these businesses have the capital they need to execute their growth plans. To support these businesses, we offer a wide variety of customized and flexible repayment options, all designed to help entrepreneurs conserve cash flow while growing and maintaining their ownership.

We also respond to an increasing need for business transitions to new ownership as more baby-boomer entrepreneurs head into retirement. We accomplish this with financing and by providing advice to entrepreneurs on managing the crucial integration phase following a merger or acquisition. We sponsor educational events on key transition success factors and focus on building strategic partnerships in support of successful transitions.

Equity investments for growing companies

To help companies accelerate their growth, maintain ownership in Canadian hands and scale to become global champions, BDC operates two growth equity funds with total assets under management of \$425 million.

These funds provide Canadian companies with direct minority equity investments from \$3 million to \$35 million to bolster their working capital and fund productivity improvements, innovation, growth projects and ownership transitions.

Over the planning period, BDC expects to launch a new \$150-million initiative that will co-invest with existing Canadian private equity and growth equity funds. As a complement to this initiative, we will also invest in private equity funds an additional \$50-million to supplement the capital of these fund managers.

Support for high-growth firms

High-growth firms account for about 5% of Canadian SMEs but have a disproportionate impact on the Canadian economy. These companies are usually medium-sized (100 to 499 employees) but may be smaller and can be found in all sectors. To support these companies, BDC offers the Growth Driver Program (GDP).

GDP aims to help a select group of these firms achieve sustainable high growth by offering strategic advice, tailored coaching and leadership development. During a company's participation in the program, a BDC team supports the CEO and their executive leadership in developing and implementing a strategic growth plan. The program includes leadership retreats that are organized in conjunction with educational partners, including the Ivey Business School.

We have built a community of 250 high-growth firms through this program. Many of these firms have also benefitted from the federal government's Accelerated Growth Service initiative and a few have been nominated to participate in another federal program, the Global Hypergrowth Project. BDC participates in both programs, demonstrating our ability to collaborate with government partners and agencies to help Canadian businesses thrive.

In addition to GDP, we have recently launched a new initiative tailored for slightly smaller but equally ambitious clients. As in GDP, entrepreneurs will have access to an executive advisor to support them in the development of their strategy. They will also be part of a peer cohort and benefit from leadership retreats with educational partners, including the Ivey Business School.

Support for internationally oriented businesses

In addition to providing financing and advice in support of entrepreneurs' international growth projects, we partner with Export Development Canada (EDC) and the Trade Commissioner Service (TCS) to support the international expansion projects of SMEs. With these partners, we share the following goals:

- ➔ increase the number of Canadian exporters
- ➔ increase the number of markets accessed by Canadian exporters
- ➔ increase collaboration between our organizations to create a seamless client experience for entrepreneurs and improve their access to complementary services

BDC and EDC cooperate in a number of joint programs to provide services to SMEs. For example, we advise and support over 500 SMEs annually through the Trade Accelerator Program (TAP), an innovative training initiative that helps businesses prepare for international expansion. We also co-lend and invest to enhance exporters' access to capital. Cross-referrals between BDC and EDC continue to grow, reaching over 1,000 in fiscal 2022. In the future, we plan to increase our collaboration by using technology to improve entrepreneurs' access to our services.

With TCS, we have established a process to ensure companies that receive CanExport funding are made aware of BDC's services and have the opportunity to discuss their loan and business advisory needs with us. Since April 2019, more than 3,000 CanExport recipients agreed to be contacted by BDC representatives. Working closely with TCS, we also promote trade missions and the Canadian Technology Accelerator program to our clients and raise their awareness of the benefits of Canada's free trade agreements.

BDC is a founding funder of Communitech's Outpost program, which assists growing Canadian companies by managing all aspects of employing people in foreign countries, including the United States, the United Kingdom, Germany, India, Netherlands, Ireland, France, Australia and Japan.

In collaboration with federal partners, we also participate in the Business, Economic and Trade Recovery (BETR) Team. It works to enhance businesses' access to federal trade and business development services to support their growth and competitiveness in global markets.

Support for digital adoption

The pandemic accelerated the economy's digital transformation with consumer demand pushing companies to improve their e-commerce operations and increase the use of technology throughout their business. While using more digital technology is vital for success in today's economy, implementation may be challenging, especially for SMEs that have limited financial resources and expertise.

The Canada Digital Adoption Program (CDAP) was announced by the Government of Canada in Budget 2021 to support the digital transformation efforts of SMEs and fuel the economic recovery. Part of CDAP, called *Boost Your Business Technology*, helps businesses develop and implement digital adoption strategies. With the help of a government grant, eligible Canadian businesses can get expert advice from a variety of providers, including BDC, through an online marketplace. Businesses can then be considered for an interest-free BDC loan of up to \$100,000 to put their strategy into action. Uptake for this loan is demand driven and based on referrals from ISED for companies that have developed a digital adoption plan through CDAP or a list of equivalent pre-approved provincial or regional programs.

Supporting the success of innovative businesses

Companies that create new technologies, processes and products are critical to making the economy more competitive and solving the world's most-pressing problems. BDC provides capital and advice to Canada's most innovative companies to bolster their efforts to conceive, develop and commercialize cutting-edge technologies.

Venture capital: Investing in Canada's most innovative businesses

As the most active venture capital investor in Canada, BDC has been a key participant in the industry's remarkable growth in recent years. Canada's innovation economy has come into its own, including in a range of technology sectors where Canadian companies are now among the global leaders.

We invest venture capital both directly in companies and through external private sector funds. Our ambition is to build Canadian champions and we pay particular attention to increasing Canadian investor participation in later stages when companies have achieved commercial traction but need capital to fuel their growth through to exit. U.S. investors currently hold the largest share of later-stage investments in Canada.

In keeping with our mission to support businesses at every stage of their development, we also invest in companies at the earlier end of the capital chain, fostering entrepreneurship and addressing unmet needs in key emerging sectors.

Direct investing: Partnering with entrepreneurs in underserved sectors and areas of strategic importance for Canada

Our direct investment strategy aims to bring new VC funds to market to support undercapitalized innovative industries in Canada. In recent years, we have launched several funds that provide critical support to companies in some of Canada's most exciting high-growth sectors.

- ➔ As mentioned above, our recently launched \$500-million **Thrive Platform** will be the largest investment platform of its kind in the world, providing vital support for Canadian women-led businesses to help them grow and have a lasting impact on the economy. This initiative succeeds the \$200-million Women in Technology Venture Fund. (For more information on Thrive please see page 11).
- ➔ Our \$200-million **Deep Tech Venture Fund** invests in start-ups that are working on research-based technologies in such areas as quantum technologies, photonics, electronics and foundational artificial intelligence. These technologies have the potential to transform whole industries in the years ahead and the fund focuses on supporting the commercialization of Canadian innovations in these fields.
- ➔ Our \$250-million **Industrial Innovation Venture Fund** invests in businesses in Canada's core competitive sectors, including energy, materials and agriculture. It supports technology companies that can increase the competitiveness of established industries, focusing on Industry 4.0 applications and resource technologies.
- ➔ Our \$287-million **Industrial, Clean and Energy Technology Venture Funds** invest in some of Canada's most innovative technology companies that are bringing digital transformation to a wide range of industries to enhance resource efficiency. Building on the success of the first two ICE funds, we will launch a third with a greater focus on sustainability.
- ➔ Our new \$400-million **Climate Tech Fund** invests in high-impact Canadian companies to accelerate the development and deployment of homegrown low-carbon technologies for domestic and international markets. This renewed commitment builds on the success of the Cleantech Practice, and reaffirms our leadership role in creating world-class Canadian cleantech champions.
- ➔ Our \$300-million **Growth Venture Co-Investment Fund** targets late-stage growth companies. This fund is designed to play a key role in supporting venture-backed companies scale to their full potential and attracting additional investors to support their expansion.
- ➔ Our **IT Fund** and **Healthcare Fund** are now in the harvesting stage with reserves for follow-on transactions only.

In the coming year, we will allocate additional funds for investment in companies at the seed stage for product development, market research and initial product commercialization. Recognizing there is a market gap in the life sciences sector, we will also consider allocating capital over the planning period to firms in this industry at the seed stage.

Fund investments: Multiplying our impact on the innovation economy

BDC supports over 500 Canadian companies through investments in over 120 funds. We invest in a network of fund managers that generate a steady stream of high-quality investments to grow Canadian tech champions. Our financially sustainable portfolio is balanced between supporting established fund managers and growing a new generation of emerging managers whose development we mentor and sustain.

In doing so, we lead on best practices, including on environmental, social and governance (ESG) issues where we work with global institutional partners to develop more standardized climate change and ESG reporting for the Canadian venture capital industry.

Over the planning period, we will continue to support fund managers in emerging and existing industries in Canada. Incrementally, we will grow our commitment to Canadian climate-focused managers by \$200 million and explore addressing gaps in financing for clean energy technologies. Included in the recently launched \$500-million Thrive Platform is \$100 million dedicated to funds that will contribute to a VC industry that better reflects the diversity of Canadian society.

Enabling federal government VC initiatives

On behalf of the federal government, BDC manages \$390 million allocated to the Venture Capital Action Plan (VCAP) to make investments through Canadian VC funds in promising technology companies. Since its launch in 2013, VCAP has raised over \$1.4 billion, with more than \$1 billion coming from pension funds, high-net-worth individuals, corporations, financial institutions and the governments of Ontario and Quebec.

We also manage the federal government's Venture Capital Catalyst Initiative (VCCI), which was launched in 2018. VCCI has increased the availability of late-stage venture capital and management support for underserved groups, including women and diverse entrepreneurs, as well as emerging regions and sectors. VCCI also has a focus on established cleantech investors, providing them with additional capital and the ability to close larger funds. The initiative has injected over \$1.8 billion of private-sector and other capital into Canada's VC fund managers to encourage the growth of Canadian companies and support thousands of jobs. VCCI has been renewed with a \$450-million allocation to support funds of funds, life sciences funds and inclusive growth funds.

Accelerating the maturity of the Canadian VC ecosystem

In addition to providing capital, BDC also offers educational programs to accelerate the development of the VC ecosystem. One of these is GP Academy, a training program designed to improve the investment skills, knowledge and networks of Canadian fund managers so they can become leaders in the industry.

GP Academy is now recognized as a top educator of fund managers and is ready to train other key stakeholders in the start-up community. In response to a market need, the academy has launched a finance and operations edition targeting senior VC professionals. These will include partner-level executives who are responsible for the financial and/or operating activities of their fund.

Supporting investments in intangible assets

As the economy becomes increasingly driven by knowledge and innovation, businesses are investing more in software, intellectual property (IP) and other intangible assets. Intangible investments, while strategically important, are difficult to finance because they do not appear on a company's balance sheet and are hard for traditional financial institutions to value as collateral.

BDC has identified a need to provide more targeted, patient capital to companies that are rich in IP. To this end, BDC launched a \$160-million fund in fiscal 2021 that is designed to help innovative companies scale up by generating value from their IP assets. While this is a generalist fund, it focuses on supporting companies in IP-rich sectors such as advanced manufacturing, medical and health technology, semiconductors, consumer products and information technology. The fund makes both debt and equity investments, depending on the needs of individual companies.

Dedicated support for technology companies

In addition to our venture capital activities, we support the growth of technology businesses of all sizes with a full range of loan products delivered by a specialized pan-Canadian tech team.

In response to a market need, this team has grown over the last year and we intend to continue to expand our support for tech businesses in the large markets of Montreal, Toronto, eastern and southwestern Ontario, as well as British Columbia's Lower Mainland. Additionally, we have developed a strategy to provide financing to businesses in regions of emerging tech excellence, including Victoria, Kelowna, Saskatoon and Winnipeg.

Expert advice to help entrepreneurs overcome business challenges

In a world changed by COVID, management advice is more important than ever as entrepreneurs grapple with unfamiliar challenges, heightened levels of uncertainty and the need to seize new opportunities. BDC's Advisory Services understands the realities of running a business and has helped countless entrepreneurs adapt to new circumstances and forge ahead.

To ensure entrepreneurs have the knowledge and skills they need throughout their business journey, we provide advice that is practical and tailored to the size, sophistication and ambitions of individual companies in every region and sector. We use a national network of internal and external experts along with sophisticated online capabilities to advise companies on a wide range of management challenges at a price they can afford. Our advisory services are an important part of how we deliver on our mission as a development bank and are complementary to consulting services available in the market.

A recent BDC study, supported by data from Statistics Canada, showed that our advisory services are a key growth enabler for our clients.⁷ It found that BDC's impact on the revenue and employment growth of our clients is greater when they receive both financing and advisory services. They also perform better in terms of productivity growth and survival rates when they receive our advisory services.

Our advice is adapted to different business sizes. For smaller businesses, we offer six standardized solutions that help entrepreneurs address foundational business challenges. All are delivered in a coaching format based on a "learning to do it yourself" approach and are designed to be delivered remotely. For larger and more complex companies, BDC advisors and external partners provide expert guidance over longer periods.

Besides our solutions to help smaller and larger companies grow their sales, boost their online presence and access new markets, we also help businesses innovate with advice on how to explore and operationalize new business models. In addition, we offer advice to entrepreneurs on how to better manage their businesses via strategic planning and financial and HR management. Through our operational efficiency solution, we support the efforts of SMEs to become more productive by helping them overcome production issues and expand capacity to meet client demand.

A BDC study published in the fall of 2022 showed the importance of improving productivity in the current economic context.⁸ It found that the most productive Canadian SMEs in their industry generate six times more sales per employee and five times more profit per employee. Given the critical role productivity plays in the competitiveness of Canadian companies, the study confirms that businesses that improve their productivity also increase their value.

As part of our focus on helping companies improve their productivity, we have developed a benchmarking tool that allows businesses to compare their productivity performance with that of other Canadian SMEs in their industry. This information provides a strong foundation for BDC account managers and advisory services experts to discuss how entrepreneurs can improve their company's competitiveness and how we can help.

Over the planning period, our focus will be on helping more businesses to become growth-oriented, adaptable and resilient in periods of economic slowdown, as well as better prepared to face emerging challenges by:

- supporting the adoption of digital technologies
- developing solutions to encourage and enable the transition to sustainable, low-carbon business models, practices and technologies
- developing solutions to help businesses be more productive and deal with pressing issues such as inflation, supply chain disruptions and labour shortages
- exploring a number of initiatives to help even more entrepreneurs tackle business challenges, including notably the development of an enhanced offering for smaller clients. This could include providing clients with access to an expert consultant to address a specific issue.

⁷ BDC, Measuring BDC's Impact on Clients (2014-2018), March 2022.

⁸ BDC, Inflation, Labour Shortages and Supply Challenges: Embrace Productivity to Thrive in the Current Context, October, 2022.

Small and medium-sized businesses are on the frontlines of Canada's efforts to solve some of the biggest challenges facing our world. Our support for their investments in sustainability helps them build more resilient companies and contribute to a stronger Canada. BDC also plays a critical role in ensuring they have continuing access to capital and expert business advice during times of natural catastrophe, crisis and recession.

As part of our strategy, BDC is determined to see entrepreneurs get the resources they need to take sustained action to make a better future for themselves, their employees, Canada and the world.

Environmental sustainability

On the environment, we have established a solid foundation for supporting Canadian entrepreneurs who are committed to environmental sustainability and clean technology innovation. We are now able to estimate our existing commitment to over \$1.6 billion to sustainability-linked financing.

BDC is keenly aware of the importance of combatting climate change and we are committed to working to reduce greenhouse gas (GHG) emissions and create a more climate resilient and resource efficient economy. We support the goals of the Paris Agreement on climate change and the Government of Canada's climate plans and targets.

Achieving net zero emissions will require contributions from all businesses across Canada and BDC will be there for SMEs with capital, advice and training opportunities to help them make the transition to a sustainable, low-carbon economy.

A key new initiative is our creation of a Climate Action Centre, a hub where entrepreneurs will be able to get information, advice, financing and connections to other expert organizations to act on GHG reduction, climate adaptation and other environmentally beneficial initiatives. The centre may also offer solutions to support and guide SMEs in becoming more sustainable. These could include helping them add charging stations and embark on energy efficiency retrofits. It may also provide them with financing to support sustainability projects. To deliver these initiatives, we will look to partner with organizations who are experts in specific sustainability areas.

In response to client needs, we will also investigate the possibility of launching a decarbonization loan product for SMEs to finance projects that lower GHG emissions.

Support for cleantech businesses

Global demand for clean technologies is growing and Canada has an opportunity to play a leading role in this industry, reducing GHG emissions, curtailing other types of pollution and building a more resource-efficient economy worldwide. We have an excellent record of both investing in businesses in this sector and crowding in private capital to it. In fact, for every \$1 BDC has invested, a further \$5.60 of private sector support has been either invested at the same time or following our commitment.

As part of our strategy, we are looking to foster new partnerships and mechanisms needed to mobilize public and private capital to help Canada achieve its decarbonization targets. For example, we will explore how to help fill a gap in funding first commercial scale sustainability projects, while ensuring effective alignment with government programs and other Crown corporations such as the Canada Growth Fund.

We will also be looking to recapitalize our Climate Tech Fund, with a \$100-million investment. In addition, as mentioned before, we will launch a third Industrial, Clean and Energy Technology Venture Fund, building on the success of its predecessors, while the Industrial Innovation Venture Fund will continue to assist Canadian companies in traditional industrial sectors to become more sustainable.

All in all, BDC continues to invest heavily to support Canadian businesses in their pursuit of becoming leaders in addressing decarbonization and other environmental challenges. Our commitment is demonstrated by the fact that we support eight of the 13 Canadian companies that are part of the Cleantech Group's Global Cleantech 100 list.

Greening BDC's operations

To demonstrate leadership in the fight against climate change and pollution, we are working to reduce GHG emissions from our own operations to net-zero by 2025. Our activities include:

- ➔ achieving LEED certification for 12 business centres and applying LEED criteria in all new business centres
- ➔ developing and executing a plan to purchase renewable power, renewable power credits or high-quality carbon offsets to meet our net zero commitment
- ➔ measuring our GHG emissions against our fiscal 2020 baseline to track the progress of our reduction strategy, including by limiting our travel footprint.

Supporting sustainability leaders

As part of our commitment to sustainability, we encourage entrepreneurs whose profitable companies meet high environmental, social and governance standards. Their business purposes and models correspond to their desire to create local, sustainable prosperity. They are found in every part of Canada and in virtually every sector. Their certification of choice is the Beneficial Corporation (B Corp).

BDC helps grow the B Corp certification movement by:

- ➔ acting as the official partner of the B Corp movement in Canada
- ➔ attracting thousands of SMEs to awareness-raising events and workshops annually
- ➔ advising smaller groups of entrepreneurs
- ➔ supporting these SMEs with \$265 million in financing

We also encourage all companies to use the B Corp assessment, a free comprehensive questionnaire that examines a business's impact on its community, employees and the environment, and is a step toward achieving B Corp certification.

In 2013, BDC became the first Canadian financial institution to obtain B Corp certification. In 2021, BDC was named Best for the World by B Lab for our governance, having achieved a top score in overall mission, ethics, accountability and transparency. B Lab also recognized BDC's exceptional practices in diversity, equity and inclusion as well as in health and wellness. In May 2022, we once again met the rigorous standards of social and environmental performance, accountability and transparency to achieve B Corp certification for a third time.

Encouraging diversity, equity and inclusion within businesses

We believe businesses should strive to make their workplaces increasingly diverse, equal and inclusive to create an environment where all employees feel welcome and empowered to fully contribute their talents to the company's success. This is important not only for workers and companies, but also for making Canada a fairer, more just and prosperous society.

In this light, we were proud to become, in 2020, a founding signatory of the Diversity in Action Initiative of the Institutional Limited Partners Association. In 2021, we also became one of the first venture capital investors in North America to survey its portfolio companies on diversity and inclusiveness, with reports on gender, race and sexual orientation. For the external VC funds we invest in, we also now request these diversity reports at the fund manager level and in the senior and junior level management teams of their portfolio companies. We undertook our first year of comprehensive diversity reporting in the latter part of 2021 and the first results were published on our website in December 2022 to bring more transparency to the market and to encourage other investors to benchmark their portfolio. One other example of our work to promote best diversity and inclusion practices in the VC ecosystem is by being a co-founder of the Black Innovation Fund with BKR Capital, where we helped create the first Black female led venture capital fund focused on Black-founded tech companies in Canada. By mentoring and supporting this fund, BDC has helped grow its platform and attract more investors to it since its creation. (For more information on the Black Innovation Fund please see page 12).

At the same time, we are evolving our approach and training for BDC employees to better serve Indigenous entrepreneurs and taking steps to encourage all Canadian business owners to embrace reconciliation. In addition to mandatory inclusive leadership and allyship training, all BDC employees must now take the *4 Seasons of Reconciliation* training course on Indigenous history, identity and the need for reconciliation in Canada. BDC has also made this training available free of charge to all Canadian entrepreneurs. It provides foundational knowledge on reconciliation with Indigenous people as well as advice on how to put it into practice every day. As of November 2022, registrations for the training totalled 1,500.

Helping entrepreneurs through difficult times

As a development bank, one of BDC's most important roles is to ensure SMEs have continuing access to capital and expert business advice during times of crisis, natural disasters and recession. Throughout our history, we have played this counter-cyclical role, providing support to SMEs and the Canadian economy when they need it most.

The importance of this role has been demonstrated on many occasions over the years. For example, we provided critical financing to SMEs during the 2008-09 financial crisis and recession as well as during the sharp drop in commodity prices in 2015-16. Our rapid and comprehensive response to the COVID pandemic was another example of the shock absorber role we play for individual entrepreneurs and the economy as a whole.

We also provided special support in recent years to clients in regions hit by floods, wildfires and other catastrophes. For example, we recognized that clients whose businesses were affected by Hurricane Fiona in the autumn of 2022 might need greater financial flexibility in the following months. We offered eligible clients a principal repayment postponement of up to six months.

More recently, as a result of turbulence in the global economy, many companies have experienced supply chain delays and disruptions. To help businesses cope, we help them bolster their working capital, upgrade their inventory management systems and meet financial obligations as they deal with supply chain problems. BDC will remain flexible to adapt to changes, given the uncertain economic context.

A successful response to the pandemic

Through our COVID relief initiatives, we reached tens of thousands of entrepreneurs who had not previously been clients and increased our support for existing clients. We adapted and enhanced our products and services to respond to a huge increase in demand from entrepreneurs with urgent need for capital during the pandemic through online financing, working capital loans, the Co-Lending Program, the Mid-Market Financing Program and the Bridge Financing Program for venture capital-backed companies.

In addition, our cooperation with federal government partners and private sector financial institutions formed a crucial bridge from crisis to recovery for businesses in every industry and every part of Canada, with initiatives such as the Business Credit Availability Program and the Highly Affected Sectors Credit Availability Program.

By the conclusion of the COVID relief programs, BDC had provided a total of \$7.8 billion of dedicated financing to support Canadian businesses.

Supporting creative industries

Entrepreneurs in Canada's creative industries face challenges when applying for financing due to their unique business models, a lack of knowledge about the sector by financial institutions and partners, and limited financial solutions that fit their circumstances.

BDC and EDC have been mandated by the *Minister of Small Business, Export Promotion and International Trade* to help Canadian creative industries grow both at home and abroad. This support is especially warranted given the disproportionate impact of COVID health measures on this sector.

BDC has allocated a \$30-million envelope to support businesses in the creative industries by providing loans to support their growth and/or improve their business models. It will be used mainly to support company consolidation, transition to new ownership and production of original content, among other possible loan purposes.

We have set ambitious goals in our strategy for supporting many more businesses and deepening our impact on them. An essential condition for achieving these goals is for BDC to become an ever-more client-centric organization that provides a world-class client experience across all our delivery channels.

Because we aspire to put our clients at the centre of everything we do, we must foster an organization that cares deeply about their success and is equipped with tools to help them achieve it. To do this, we need to find and keep outstanding employees and foster a work culture that is high-performing, flexible, diverse, equitable and inclusive.

Client experience

In pursuit of customer service excellence, we are developing new metrics and feedback mechanisms to deepen our understanding of how clients and non-clients perceive their interactions with us and learn how we can make interactions and outcomes better.

We have many client experience initiatives underway to enable us to provide remarkable experiences, including:

- ➔ enhancing digital services through our client portal and mobile applications
- ➔ upgrading our virtual business centre, which caters to the needs of smaller companies
- ➔ further enhancing our online lending process with the goal of making it faster and easier for entrepreneurs
- ➔ adding value for clients through improvements to our BDC Mobile app. This app is key to creating our desired omnichannel client experience and we are continuously enhancing its usefulness for our clients. We are evaluating adding features that would allow clients and non-clients to request a loan via the app as well as facilitate even more interactions between entrepreneurs and BDC
- ➔ enhancing apps we have deployed to create a mobile-enabled workforce

While we are making it easier and faster for entrepreneurs to obtain financing and advice from us, our vision goes beyond speed and ease of transactions. It extends to ensuring we understand our clients' business challenges and stand with them as they work to solve them. Thus, we will continue working on developing innovative ways to deliver guidance, advice and financing to support entrepreneurs as they work to grow their business, increase productivity and/or respond to climate-related challenges.

Technology and data management

As we become a more digitally driven and customer-centric organization, we are building our capabilities to deepen our knowledge of our clients so we can meet their needs faster and with more insight. In support of this effort, we continue to make investments in IT systems, process automation and artificial intelligence.

We use data to understand client needs and behaviours, serve them better and support our decision-making. We invest in data modernization and advanced data analytics as part of our wider digital evolution.

We are also constantly enhancing our systems to increase BDC's agility and ensure the highest possible levels of cybersecurity to protect IT systems and client data so as to prevent erosion of the trust entrepreneurs place in us and ensure our organization's ability to fulfill its mission.

Employee experience and culture

We focus on creating an exceptional work experience at BDC because we know that attracting and retaining talented, engaged and diverse employees is essential for providing the best possible support to entrepreneurs. This is especially true at a time when labour shortages are making it harder to hire and retain employees in all sectors of the Canadian economy.

BDC is already a great place to work, as reflected in the many workplace excellence awards we have received, as well as the feedback we receive from employees during engagement surveys, but there is always more we can do.

In this context, we recognize the need to evolve our workplace culture to align it with the desired post-pandemic work experience and our digital evolution. The goal is to create a culture that enables a remarkable client experience with digital at its core. To this end, we equip our employees with resources, professional development and training opportunities to help them meet challenges and better support entrepreneurs.

Following extensive consultations, we have adopted a hybrid work model where the vast majority of employees have the flexibility to work remotely. This model is aligned with market trends and includes specific key performance indicators that allow us to monitor and evaluate its impacts.

Along with our hybrid model, BDC will continue to provide a fair, consistent and inclusive experience for all employees. We are committed to providing them with a supportive, harassment-free working environment where their well-being is fostered.

We have been recognized for our commitment to diversity, equality and inclusion (DEI) in our organization, including once again being named a Best Diversity Employer in 2022, due to our many initiatives, partnerships and overall corporate support for DEI. However, we recognize we need to be bolder and continue evolving our DEI strategy and culture. In pursuit of this goal, we recently launched a new professional and career development network for Black employees at BDC. The launch of this network is an important milestone on our journey to create a more diverse, equitable and inclusive workplace where all employees can thrive. We have also recently implemented inclusive writing throughout our organization and choice of pronouns for employees in recognition of gender diversity.

BDC continues to focus on gender equality with a commitment to benchmarking ourselves from a gender parity perspective. We have achieved gold parity certification status with Women in Governance and look to enhance our performance annually. We are proud that in 2022, our Board of Directors achieved a 50% representation of women.

BDC acknowledges its responsibility to contribute to reconciliation and education and to move forward with equitable opportunities for members of the Black community, Indigenous people, people of colour and LGBTQ2+. To support employees in their learning journey and deepen our commitment to anti-racism, we launched mandatory inclusive leadership and allyship training as well as Indigenous awareness training. We also continue to raise employee awareness about diverse entrepreneur groups by maintaining unconscious bias training as part of BDC's ongoing development curriculum and making cultural competency training available at all times.

Looking ahead, we will multiply our efforts to increase diversity in our organization. We will be performing analysis of diversity data and gathering feedback from targeted focus groups to uncover and address any barriers to retention and advancement of diverse talent at BDC. We will also continue implementing our Supplier Diversity Program to attract a greater number of suppliers from key entrepreneur segments, including Black and Indigenous entrepreneurs, people of colour, LGBTQ2+, women and B Corp companies. We have set ambitious internal goals to increase the reach of our program and we are making measurable progress toward achieving those goals.

BDC's risk management framework (RMF) provides oversight of enterprise-wide risk management and risk governance under the direction of the Chief Risk Officer. It encompasses BDC's risk strategy and risk management policies in alignment with the Bank's risk appetite and business strategy. The primary objective of the RMF is to establish a comprehensive and proactive approach to risk management that fosters a strong risk culture throughout the Bank.

The risk management team works with business lines and corporate functions to establish policies, procedures and thresholds that reflect BDC's risk appetite. It monitors and reports on existing and emerging risks and risk appetite compliance.

The RMF provides for the continuous identification and assessment of BDC's existing and emerging risks. BDC reviews and assesses significant risks that may impede the Bank's capacity to achieve its objectives as outlined in the Corporate Plan. Based on BDC's strategic objectives over the planning period, we have identified the following top risks that we will continuously monitor through the planning period.

→ Strategic risk

This is the risk that BDC may fail to achieve its mandate due to the choice of sub-optimal or ineffective strategy, the ineffective deployment of strategy, inaccurate knowledge of the market or a lack of responsiveness to changes in the external environment. The Bank has multiple significant strategic initiatives underway, reflecting our short- and long-term priorities. Success in achieving these objectives involves strategic planning, sophisticated IT and data management systems and increased reliance on personnel with specialized skills in an increasingly competitive workforce environment.

→ Risk from changes in the business, economic and market environment

Changes in the business, economic and market environment affect SME performance and, by extension, BDC's performance. Primary economic and market considerations for BDC include inflation rates, the possibility of recession, supply chain disruptions, energy price fluctuations, labour shortages, unemployment rates, real estate price volatility, changes in business valuations, household indebtedness and overall business and consumer confidence. Other factors that impact loans and investments include fiscal and monetary policy shifts, volatility in financial markets, interest rate fluctuations and commodity price swings.

→ Portfolio volatility risk

Portfolio volatility risk encompasses the risks associated with volatility in BDC's loan and investment portfolios driven by SME financial performance, SME demand for capital, market uncertainty, market liquidity, and asset and security valuations. Credit risk is reflected in loan defaults, portfolio leakage (repayment of loans or write-offs), pricing not aligned with client risk profiles, inappropriately valued securities, declining fair value of venture capital investments and a higher number of clients who are vulnerable to financial difficulty.

→ Cybersecurity risk

This is the risk associated with complex and evolving cyber threats, including the continuing challenge posed by sophisticated and well-resourced hackers. It also includes IT security risks faced by BDC's suppliers and potential threats from insider misconduct. The increasing importance of ensuring data privacy and confidentiality, as well as recent IT security breaches in the financial services industry, are reminders to BDC that attacks on our IT systems are a constant threat.

→ Climate risk

Climate risk is associated with the impacts of climate change on both BDC and its clients. These include severe weather events, changing economic systems and evolving government and societal responses that may result in a broad range of risks, including strategic, reputational, resiliency and credit-related risks. Climate change will have a significant impact on both Canadian SMEs and BDC's overall strategy. Businesses must prepare for risks associated with extreme climate events and long-term climate changes while also reducing their greenhouse gas emissions in response to government requirements, technological change and market demand.

→ Reputational risk

Reputational risk is associated with the potential that stakeholder or client perceptions regarding BDC's mandate, practices, actions or inactions may cause damage to its reputation and impact its ability to fulfill its mandate and conduct its business.

This section presents an overview of BDC's financial plan for fiscal 2024-2028. Details by business line are shown starting on page 48. The financial plan's projections for BDC's operations are based on economic observations and assumptions presented in the *External environment* section, starting on page 7. They have been developed in a volatile economic environment where market uncertainty remains an important concern. This could result in variations from plan projections.

Demand for our products and services was strong in fiscal 2023 resulting in a robust growth in activity level. While growth is expected to be more modest in fiscal 2024 as entrepreneurs postpone growth projects in response to economic uncertainty, we expect BDC's volume of activity to increase steadily for the remainder of the planning period. BDC's expected volume of activity is presented in Table 1.

- Financing's loan acceptances are expected to grow at an annualized rate of 5%, while the asset-backed securities disbursements are forecast to grow at an annualized rate of 13% over the planning period. In addition, Financing is expected to issue loan guarantees only from fiscal 2024 to fiscal 2026 via a pilot with a limited number of financial institutions. In total, Financing will deploy more than \$62 billion over the planning period to support Canadian entrepreneurs.
- Growth & Transition Capital's (GTC) activity is forecast to grow at an annualized rate of 9% to reach \$665 million in acceptances in fiscal 2028. Fiscal 2024 loans acceptances growth is expected to be hindered by economic uncertainty that should negatively impact mergers and acquisitions as well as business transition transactions. From fiscal 2025, growth in acceptances is expected to be strong, supported by efforts to expand GTC's footprint in underserved markets. Acceptances' growth also reflects greater demand for GTC's offering as the economy improves and SMEs seek more funding to support their growth and transition plans.
- Venture Capital's investments are projected to total between \$547 million and \$746 million per year over the planning period. Direct investments are projected to range between \$202 million to \$250 million, driven by the deployment of the Industrial Innovation Venture Fund, Growth Venture Co-Investment Fund and Deep Tech Venture Fund. Other direct investments will include funding for the recently launched Thrive Platform and the new Life Sciences Fund. Meanwhile, fund investments are expected to stabilize at \$220 million per year after peaking in fiscal 2025 at \$345 million. Direct growth equity activity is projected to range from \$67 million to \$80 million per year, fuelled by the deployment of a \$150-million initiative to co-invest with existing Canadian private equity and growth equity funds. Intellectual property financing will deploy between \$35 million and \$40 million in acceptances per year. Lastly, the new Climate Tech Fund, which was launched in fiscal 2023, should invest at least \$70 million per year by fiscal 2025.

- ➔ Advisory Services will see a high level of activity in the early years of the planning period due to demand for Canada Digital Adoption Program (CDAP) mandates. Over 2,000 CDAP mandates are expected until the end of the program in fiscal 2025. Advisory Services' revenues and mandates will decrease slightly once the program ends. Revenues are expected to increase from \$36 million in fiscal 2023 to \$37 million by fiscal 2028, representing an annualized growth rate of 1%. The cost recovery ratio should average 57% during the planning period.
- ➔ The Capital Incentive Programs (CIP) encompass the Venture Capital Action Plan, the Venture Capital Catalyst Initiative, the Cleantech Practice, the Indigenous Growth Fund and the new Venture Capital Catalyst Initiative II (VCCI II). The \$600-million Cleantech Practice envelope will be fully committed by the end of fiscal 2024. The VCCI II envelope of \$450 million is expected to be completely authorized by fiscal 2024 of which \$372 million will be disbursed during the planning period.
- ➔ The Credit Availability Program (CAP) brings together initiatives meant to increase capital availability for specific SME needs, such as COVID-related and digital adoption needs. By the end of fiscal 2023, we expect more than \$7.8 billion of capital will have been committed through CAP initiatives, including \$3.5 billion in loan guarantees through the Highly Affected Sectors Credit Availability Program. Following the announcement of the Canada Digital Adoption Program (CDAP), CAP was extended to include CDAP.

Table 1—Activity level summary
(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
Financing loans acceptances	9,419	10,280	10,000	10,845	11,490	12,175	12,855
<i>Growth</i>	82%	9%	-3%	8%	6%	6%	6%
Financing asset-backed securities disbursements	698	535	552	672	839	924	996
Financing loan guarantees issuances	-	-	200	400	200	-	-
Growth & Transition Capital acceptances*	469	435	470	515	550	605	665
<i>Growth</i>	280%	-7%	8%	10%	7%	10%	10%
Venture Capital authorizations	496	562	547	746	660	660	660
Advisory Services revenue	29	36	40	41	38	37	37
<i>Growth</i>	38%	25%	11%	2%	-7%	-3%	0%
Capital Incentive Programs authorizations	139	451	92	-	-	-	-
Credit Availability Program acceptances/authorizations	370	56	156	150	-	-	-
Credit Availability Program loan guarantees issuances	3,225	229	-	-	-	-	-

* Uni-tranche senior debt component is excluded as it is volatile and difficult to forecast.

As shown in Table 2, BDC's consolidated portfolio grew significantly in fiscal 2022 due to a strong lending market and a healthy venture capital market, which pushed venture capital's investment valuations higher. Fiscal 2023 portfolio growth is expected to be below the historical average mainly due to fair value depreciation of venture capital's investments, combined with a decrease in the CAP portfolio as entrepreneurs repay their COVID relief loans. Based on the planned activity levels, BDC's consolidated portfolio should grow by 7% annualized beginning in fiscal 2024, bringing the portfolio to \$60 billion by the end of fiscal 2028.

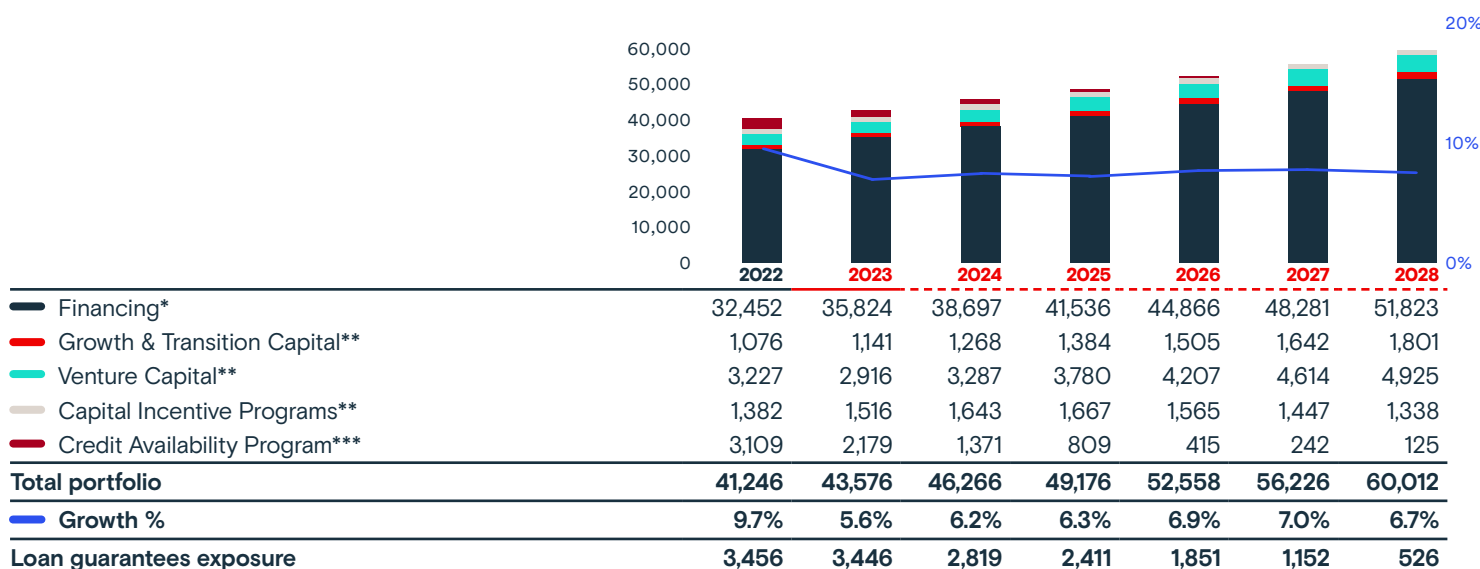
BDC loan guarantees exposure peaked in fiscal 2022 when the Bank offered, in partnership with financial institutions, loan guarantees to support SMEs operating in sectors highly affected by the COVID pandemic. Loan guarantees exposure is expected to decrease during the planning period as SMEs repay loans covered by the HASCAP guarantees. This decrease

in loan guarantees exposure will be partially offset by the issuance of new loan guarantees through a pilot with a limited number of financial institutions that will enable them to reach more underserved entrepreneurs.

BDC's net revenue growth, as shown in Table 3, was strong in fiscal 2022 mainly due to realized gains on investments in the Venture Capital and CIP segments. In fiscal 2023 and 2024, net revenue is expected to decrease from the fiscal 2022 level mainly due to much lower Venture Capital realized gains. This reflects a significant downturn in the venture capital market in 2023 that is expected to continue in fiscal 2024. Net revenue is then expected to increase steadily to reach \$2.8 billion by fiscal 2028, driven by growing portfolios in Financing and GTC and increasing realized gains on investments from Venture Capital and CIP.

Table 2—Consolidated portfolio

(\$ in millions)



* Financing's loans are at amortized cost. Financing's subordinate financing investments and asset-backed securities are at fair value.

** At fair value.

*** Credit Availability Program portfolio is at cost except for Venture Capital Bridge Financing Program investments that are at fair value.

Table 3—Summary of BDC consolidated net income and capital expenditures

(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
Net revenue	2,302	2,119	1,969	2,058	2,315	2,609	2,778
Growth	30%	-8%	-7%	5%	12%	13%	6%
Provision for expected credit losses	85	(511)	(634)	(402)	(414)	(459)	(444)
Net change in unrealized appreciation (depreciation) of investments and other	903	(713)	(11)	130	96	(25)	(9)
Operating and administrative expenses	775	786	856	906	941	987	1,037
Growth	15%	1%	9%	6%	4%	5%	5%
Net income	2,515	109	468	880	1,056	1,138	1,288
Capital expenditures	16	24	24	20	12	10	11

Actuals Forecast Plan

Table 4—Operating and administrative expenses
(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
Salaries and other benefits	468	457	525	558	589	629	662
Defined benefit plan expense	77	54	44	48	49	50	52
	545	511	569	606	638	679	714
Premises and equipment	42	43	45	45	46	46	46
Consulting and other professional fees	27	39	32	31	30	30	30
Computer and software, including amortization and depreciation	53	59	65	74	74	77	83
Communications, advertising and promotion	21	30	30	30	31	31	32
MTA, training and business development expenses*	4	15	16	16	17	17	17
Workforce augmentation	53	65	67	75	78	80	86
External delivery expenses	11	16	22	20	18	18	18
Other	19	8	10	9	9	9	11
	230	275	287	300	303	308	323
Total operating and administrative expenses	775	786	856	906	941	987	1,037

* MTA stands for Meals, travels and accommodation

Reduction to operating and administrative expenses
(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
Corporate Plan 2022-23 to 2026-27 operating and administrative expenses	-	-	870	922	970	1,018	-
Reduction to operating and administrative expenses							
Permanent reduction to operating and administrative expenses	-	-	6	7	20	22	-
Further reductions to discretionary consulting and other professional fees, and travel	-	-	8	9	9	9	-
Total reductions to operating and administrative expenses	-	-	14	16	29	31	-
Corporate Plan 2023-24 to 2027-28 operating and administrative expenses	775	786	856	906	941	987	1,037

In Budget 2023, the federal government indicated that all Crown corporations are to contribute to overall planned spending reductions. As such, as shown at the bottom of Table 4, BDC has reviewed its planned operating and administrative expenses, notably in consulting and other professional fees, as well as in travel expenses.

In fiscal 2024, expenses are expected to total \$856 million, which represents a 1.6% decrease compared with Corporate Plan

2022-23 to 2026-27 planned expenses. This includes a reduction of 15% in consulting and other professional fees and 17% in travel expenses. This effort to reduce our travel footprint will bring us closer to our 2025 objective to reduce GHG emissions from our operations to net-zero. BDC will also achieve a reduction in operating and administrative expenses of 1.7% in fiscal 2025 and 3% thereafter compared with Corporate Plan 2022-23 to 2026-27 planned expenses.

Expenses variation from fiscal 2023 to fiscal 2024 are in part due to salaries and benefits as BDC increased its workforce in fiscal 2023, to address a shortfall in staff that had accumulated over several years, and the addition of new initiatives such as the Canada Digital Adoption Program, the Thrive Platform, the third Industrial, Clean and Energy Technology Venture Fund and the second Climate Tech Fund, amongst others.

Overall, the annualized growth of operating and administrative expenses is expected to be 6% over the planning period, in line with the projected annualized loan acceptances growth of 6%. With the planned reductions, savings will amount to \$90 million by fiscal 2027, compared with Corporate Plan 2022-23 to 2026-27 planned expenses. Starting in fiscal 2026, operating and administrative expenses growth should be outpaced by net revenue growth as BDC benefits from efficiency gains from investments in processes and technology, as well as BDC's commitment to scale back operating and administrative expenses.

BDC's profitability is expected to be lower than its historical level in fiscal 2023 and 2024 given the economic outlook, which translates into an increase in provisions for expected credit losses and fair value depreciation on investments.

BDC's consolidated net income is forecast to reach \$1.3 billion by fiscal 2028. This will enable BDC to continue to support the long-term success of entrepreneurs for the benefit of all Canadians. The expected increase in annual net income over the planning period will be mainly due to rising net interest income in Financing and greater net income for GTC and Venture Capital. Reductions in CAP's net loss and limited growth in operating expenses will also contribute to rising net income.

As income generated by activities surpasses the capital required to support portfolio growth, BDC expects to have capital above the internal target rate.

To remain efficient and responsive to clients, BDC will continue to invest in information technology and its digital transformation, including enhanced data capabilities. For more information, please refer to the *Capital budget* on page 55.

Key financial indicators

Table 5 presents financial indicators related to BDC's financial sustainability and capital adequacy, as required by the Capital and Dividend Policy Framework for Financial Crown Corporations.

Adjusted annual return on equity¹

Adjusted annual return on equity measures efficiency in generating income relative to equity. This is a key indicator measuring BDC's financial sustainability and capital management efficiency. BDC compares this ratio to its historical and projected financial performance to ensure financial sustainability objectives are met. The ratio excludes all initiatives requested and fully capitalized by the Government of Canada, namely CIP and CAP.

Adjusted return on equity is expected to decrease to 1.6% in fiscal 2023 mostly due to lower realized gains and higher fair value depreciation in Venture Capital. Despite an increase in fiscal 2024, the ratio will remain below historical average as provisions for expected credit losses increase due to an expected economic slowdown. The adjusted return on equity is expected to increase to 8.2% in fiscal 2025 mostly due to reversal of provisions for expected credit losses and return to 8.0% in fiscal 2026 as provisions for expected credit losses and Venture Capital net income stabilize to their historical levels. The ratio should then increase to 8.7% in fiscal 2028 in line with planned net income growth.

10-year moving average for adjusted return on equity

The 10-year moving average for adjusted return on equity is expected to slowly decrease until fiscal 2028. This is mainly due to net income decreasing in fiscal 2023 and 2024 after hitting record levels in fiscal 2021 and 2022.

BDC's efficiency ratio

The efficiency ratio is a measure of the efficiency with which BDC incurs expenses to generate revenue from its operations. It is calculated as operating and administrative expenses as a percentage of net revenue. It excludes CIP, pension expenses, Venture Capital net revenue, Venture Capital Bridge Financing Program net revenue as well as CDAP. A lower ratio indicates improved efficiency.

The ratio will deteriorate early in the planning period as BDC invests in its digital transformation and launches new initiatives. From fiscal 2025, the measure will improve, reflecting efficiency gains from investments in improved processes and technology, combined with strong net revenue growth. As shown in Table 5, the ratio is forecast to improve from 42.1% in fiscal 2025 to 39.6% in fiscal 2028, meaning BDC will incur 39.6 cents of expense to earn one dollar of revenue.

¹ Adjusted return on equity is net income expressed as a percentage of average common equity. It excludes other comprehensive income or loss, accumulated other comprehensive income or loss and remeasurement of net defined benefit asset or liability, and non-controlling interest. It also excludes Capital Incentive Programs and the Credit Availability Program.

Internal capital ratio

BDC assesses the adequacy of its core capital status with its internal capital ratio. It is expressed as the level of capital available over the economic capital required.

From fiscal 2024 to fiscal 2026, the growth of available capital will be outpaced by the growth in capital demand. Starting in fiscal 2027, the capital generated above the

internal target rate for the core portfolio is expected to increase. Although BDC's growth will increase pressure on capital, the ratio is expected to meet or exceed target levels over the planning period.

Table 5—Key financial indicators

	2022	2023	2024	2025	2026	2027	2028
Adjusted return on equity (annual)	23.6%	1.6%	6.2%	8.2%	8.0%	8.4%	8.7%
Adjusted return on equity (10-year moving average)	12.2%	11.1%	10.7%	10.4%	10.2%	10.2%	9.8%
BDC efficiency ratio	35.5%	36.7%	41.5%	42.1%	41.1%	40.3%	39.6%
Internal capital ratio	119%	118%	113%	107%	107%	109%	110%

Expected results and performance indicators

BDC's performance measures support its goal of helping Canadian entrepreneurs in their efforts to build strong, growing businesses. They are aligned with shareholder priorities and BDC's client impact strategic objectives.

Short term (1 year)		Actual F2022	Target F2023	Forecast F2023	Target F2024
Increase the reach and relevance of our support to entrepreneurs	# of direct clients ¹	62,722	69,550	65,315	67,465 ²
	# of clients served through partnerships	32,159	12,500	35,000	37,300
	# of direct clients identified as women-owned businesses (ownership of 50% and over)	16,441	17,500	17,700	19,000
	# of direct clients identified as Indigenous	982	1,045	1,120	1,250
Spur the growth of SMEs and the competitiveness of Canada's economy	Number of new Advisory Services mandates	1,406	1,650	2,325	2,330
Empower SMEs to respond to the big challenges of our time	\$ accepted, cleantech investments (\$ in millions)	139	81	86	90
Deliver a world-class client and employee experience	% of very satisfied clients ³	66	67	65	68

Unless otherwise noted, all data are sourced from BDC's portfolio.

¹ Clients in more than one unit are only counted once.

² The fiscal 2024 target includes close to 2,050 clients from the Canada Digital Adoption Program, for which uptake is outside of BDC's control, as it is based on referrals from Innovation, Science and Economic Development Canada.

³ "Very satisfied" clients gave a score of 9 or 10 out of 10 for their overall satisfaction with BDC services. Source: BDC Client Voice Survey (excludes Venture Capital).

Medium term (3 years)		Actual F2022	Forecast F2023	Target (T)
Spur the growth of SMEs and the competitiveness of Canada's economy	Results of BDC's Impact Study ⁴	6.8	N/A	T2025 BDC has a positive impact on revenue growth
Deliver a world-class client and employee experience	% of BDC workforce compared to labour market availability (LMA) in the finance sector, in each of the designated groups (women, Indigenous, visible minorities and persons with disabilities) ⁵	Women 49.3	Women 49.2	T2025 BDC meets LMA
		Indigenous 1.3	Indigenous 1.1	
		Visible minorities 27.0	Visible minorities 28.9	
		Persons with disabilities 3.5	Persons with disabilities 3.6	

Long term (5 years)		Actual F2022	Forecast F2023	Target (T)
Spur the growth of SMEs and the competitiveness of Canada's economy	% of clients who reported a positive impact on their business following the services they received from BDC ⁶	92	93	T2027 Maintain a minimum of 89
	BDC direct VC funds total value to paid-in capital (TVPI) ⁷	1.62	1.88	T2027 1.80 or higher

Unless otherwise noted, all data are sourced from BDC's portfolio.

⁴ This measure is calculated by Statistics Canada and refers to the average percentage points of revenue growth of BDC clients that received both financing and advisory services above that of non-clients (control group of similar businesses), after one year.

⁵ Labour market availability represents the share of designated group members in the Canadian finance sector labour market, which stood at 46.5% for women, 2.0% for Indigenous, 24.8% for visible minorities and 8.2% for persons with disabilities as at March 31, 2022.

⁶ Source: BDC Client Voice Survey (excludes Venture Capital).

⁷ TVPI, a standard VC industry metric, is the ratio of the current value of investments and proceeds to date to the original amount invested in the Venture Capital segment.

Chief Executive Officer commitment: I, Isabelle Hudon, as Chief Executive Officer of BDC, am accountable to the Board of Directors of BDC for the implementation of the results described in this Corporate Plan and outlined in this section. I confirm that this commitment is supported by the balanced use of all available and relevant performance measurement and evaluation information.



Isabelle Hudon, Chief Executive Officer, BDC

Original signed January 18, 2023

The Corporate Plan is a key reporting requirement for BDC as a Crown corporation. It enables the Government of Canada, BDC's sole shareholder, to understand the Bank's planned activities and ensure that its overall direction and performance are aligned with the policy rationale for which the government created and maintains it.

The Corporate Plan's objective is to inform ministers and government officials of BDC's strategic plan, forecasted expenditures and capital requirements over a five-year horizon and request approval for them. BDC also regularly interacts with government officials to further ensure alignment with government priorities and direction.



In the context of the *Business Development Bank of Canada Act*, approved Corporate Plans and instructions it may receive from the government through Statement of Priorities and Accountabilities Letters and under section 21 of the *BDC Act*, BDC operates at arm's length from the government. It is ultimately accountable to Parliament through the **Minister of International Trade, Export Promotion, Small Business and Economic Development**. 1

An independent **Board of Directors** 2, supported by various committees as described below, ensures a high standard of corporate governance and ethical conduct at the board level which permeates through management and the organization. BDC's **President and CEO** 3 sits on and reports to the board. The board is responsible for the following:

→ approving, on an annual basis, BDC's strategic direction, priorities and Corporate Plan, taking into account BDC's public policy objectives, business opportunities mandate, financial sustainability and risk management

- assessing periodically the relevance and effectiveness of BDC's mandate, taking into consideration, among other things, its financial sustainability objectives and public policy mandate
- approving the risk management framework, the regulatory compliance framework and the Delegation of Authority Policy
- approving all policies after they have been reviewed and recommended by the relevant board committee
- overseeing BDC's talent and culture, including by working with management to define BDC's values, ethics and culture, including diversity and inclusion, and ensuring there are appropriate mechanisms in place to protect and promote them
- approving succession planning, performance management and compensation for the senior management team
- setting the President and CEO's performance objectives, evaluating his or her performance and approving benefits

- overseeing corporate governance and board effectiveness
- overseeing financial matters, compliance, conduct, internal controls and information management systems and ensuring their effectiveness
- overseeing the effectiveness of information management systems
- overseeing the governance of BDC's pension plans
- approving financing and investment activities beyond the board committees' authority and overseeing lines of business

The **Governance/Nominating Committee** ^{2.1} assists with governance of the board and its committees, and oversight of the corporate governance framework. Its duties include the following:

- defining and monitoring the required skills of board members and the composition of its committees with a focus on diversity, equity and inclusion
- ensuring that high standards of corporate governance, ethical business conduct and integrity are maintained, including with respect to diversity, equity and inclusion
- overseeing BDC's implementation of environmental, social and governance initiatives
- defining selection criteria for the President and CEO and the Chairperson of the Board and approving the board profile
- participating in the shareholder's process for selecting the Chairperson of the Board, the President and CEO, and board members
- assessing the performance and effectiveness of the board, its committees and board members
- implementing a director orientation program and continuing education training
- assessing risks associated with the corporate governance framework and compliance with corporate governance policies

The **Board Investment Committee** ^{2.2} helps the board oversee all investment activities at BDC, including the Cleantech Practice. Its duties include the following:

- reviewing and recommending to the board strategies, guardrails and capital allocations for all material investment activities, including venture capital and private equity, whether direct or indirect through funds or cleantech transactions
- reviewing strategic initiatives aimed at improving the venture capital ecosystem
- reviewing and assessing all risks associated with investments and their management
- reviewing policies and processes concerning investment activities, including the Investment Policy

- monitoring and reviewing reports on investments, investment activities, portfolio performance, and capital requirements and usage
- recommending delegations of authority for investments for the committee and senior management
- approving investment transactions that exceed management's or a fund's delegation of authority and recommending to the board those that exceed its own authority for all direct and indirect investments and co-investments

The **Board Risk Committee** ^{2.3} oversees the risk management framework and monitors BDC's risk profile, its performance against the framework, major risk exposures and important strategic initiatives. It also adjudicates transactions above the delegation of management. Its duties include the following:

- reviewing and recommending to the board for approval all strategies with respect to material financial offerings of BDC
- reviewing and recommending to the board for approval the risk management framework and approving the operational risk framework, which defines the nature, types and levels of operational risk BDC is willing to accept
- approving the risk appetite statement and overseeing BDC's risk culture, risk profile and performance against the risk appetite statement
- approving the framework for the approval of all new products and services, including programs initiated by the shareholder
- ensuring that BDC's material financial, business and operational risks are identified and that adequate controls are in place
- approving BDC's risk-based capital requirements and management's evaluation of the effectiveness of BDC's internal capital adequacy assessment process for determining these requirements
- reviewing the provisioning methodology for credit losses and adequacy of BDC's provision for credit losses
- overseeing business continuity planning
- overseeing the activities of the Chief Risk Officer and the risk function
- reviewing and recommending to the board policies and plans to ensure that they adequately address and manage the material risks to which BDC is exposed
- monitoring BDC's risk profile, stress testing, strategic and emerging risks and compliance with risk limits
- reviewing on an annual basis and recommending for approval by the board, the Delegation of Authority Policy with respect to delegations to the committee and senior management for loans, guarantees, securitizations, investments and consulting activities

- overseeing and approving Financing and wholesale financing transactions that exceed the delegation of authority of senior management

The Human Resources Committee ^{2.4} helps the board oversee the management of human capital to ensure that BDC attracts and retains the talent needed to deliver on its mandate and business objectives. The committee is responsible for the oversight of diversity, equity and inclusion with respect to employees. The committee also oversees the design and performance of the pension plans, as well as the funds established and maintained for those plans. Its duties include the following:

- overseeing the human resources strategy
- overseeing succession planning for critical and key positions
- recommending the appointment of senior managers and major organizational changes
- recommending the President and CEO's performance objectives, performance evaluation and benefits to the board
- overseeing compensation policies, programs and plans
- overseeing employee relations and ethics and assessing the "tone at the top" with respect to integrity and ethics, as articulated in the Employee Code of Conduct, Ethics and Values
- assessing HR risks
- overseeing the pension funds' governance and investment policies

The Audit and Conduct Committee ^{2.5} assists the board in overseeing and assessing the integrity of BDC's financial statements, internal controls, accounting standards, and legal and regulatory compliance and management information systems. It also oversees the independence of external auditors, the Chief Audit Executive, the Chief Compliance Officer and the Ombudsperson. The committee has primary responsibility for the oversight of conduct risk and review. Its duties include the following:

Compensation of key management personnel

Key management personnel are defined as those officers having authority and responsibility for planning, directing and controlling the activities of BDC, including members of

- reviewing and recommending for approval by the board the Consolidated Financial Statements as well as the annual audited financial statements and quarterly statements
- reviewing and recommending for approval by the board financial risk exposure, investments and transactions that may affect the financial statements, and other key areas of risk
- overseeing financial risks, internal controls, information management systems and disclosure
- recommending the Capital Management and Dividend Policy to the board
- overseeing the internal audit function and the Chief Audit Executive
- overseeing the compliance function, ensuring the independence of the Chief Compliance Officer and approving the Regulatory Compliance Policy
- overseeing the Chief Anti-Money Laundering Officer (CAMLO), approving the KYC/AML/CFT/S Policy and reviewing reports from the CAMLO
- overseeing the Ombudsperson, the independence of the office and ensuring compliance with respect to corporate governance policies
- overseeing the external auditors and special examiners
- reviewing BDC's standards of integrity and conduct, including compliance with the Code of Conduct, Ethics and Values and overseeing procedures related to the disclosure of wrongdoing

BDC's Senior Management Committee ⁴ is comprised of the President and CEO and designated senior executives of the Bank. Its responsibilities include the following:

- recommending to the board and implementing BDC's vision, strategy and objectives
- overseeing BDC's performance in meeting its targets and objectives
- overseeing BDC's disclosure obligations and practices
- establishing and monitoring compliance with the risk appetite statement and assessing the effectiveness of risk management functions

the Board of Directors. The following table presents the compensation expense of key management personnel.

\$ in thousands	2021	2022
Salaries and short-term employee benefits	5,705	6,142
Post-employment benefits	1,277	1,299
Other long-term benefits	1,050	1,430
Total	8,032	8,871

Consistent with its mandate, BDC generally assumes more risk than a typical financial institution to better support SMEs. BDC's non-investment grade exposure is significantly higher than that of the six largest Canadian chartered banks. However, BDC's strong risk management practices and culture enable it to take the risks necessary to fulfill its mandate.

The risk appetite framework (RAF) defines BDC's approach to establishing and governing its risk appetite. The RAF is integrated into BDC's strategy development and implementation process. It includes core risk principles, which dictate that BDC will only take risks that:

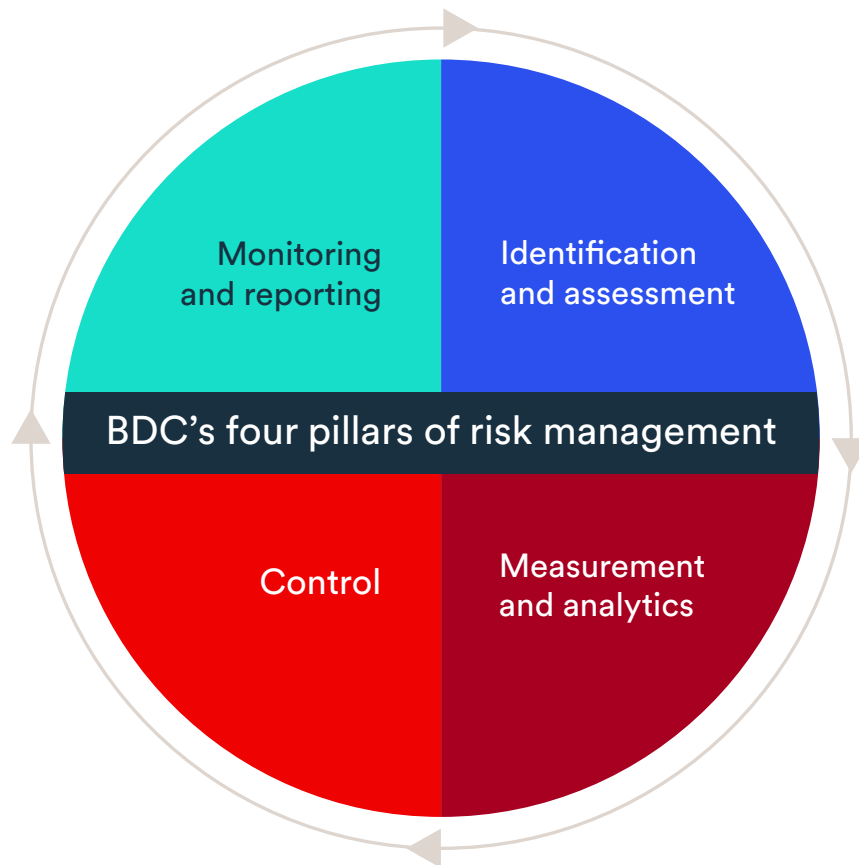
- ➔ it understands, can manage and fit with its strategic objectives
- ➔ fulfill its mandate to support Canadian entrepreneurship
- ➔ are not expected to negatively impact its brand, reputation or its shareholder's reputation

The risk appetite statement (RAS) is based on qualitative and quantitative measures that articulate, and allow for reporting on, the vision of the Board of Directors and senior management for managing the risks that BDC is willing to accept in executing its mandate.

The RMF outlines the methodology used to manage the risks inherent in BDC's activities, while ensuring the outcomes of such risk-taking activities are aligned with BDC's risk appetite, strategy and mandate. It also reinforces a risk management culture throughout the organization that ensures a high level of risk awareness and makes risk management an integral part of strategic and operational decision-making.

BDC's approach to risk management is based on four pillars of risk management as illustrated in the diagram below. Each pillar incorporates risk management governance, programs, processes, tools and reports to ensure an effective and proactive framework for risk management.

BDC regularly reviews its activities to identify top and emerging risks across its risk management programs. Risks are considered by senior management and the Board of Directors and are monitored and mitigated in alignment with BDC's day-to-day risk management activities.



*Top risks which represent our areas of focus***S Risk from changes in the business, economic and market environment**

The risk associated with volatility in the economic and market environment, including inflation, supply chain disruptions, capital market fluctuations, changes in the real estate market, energy prices, interest rates and other factors impacting loans, investments and transactions.

T Cybersecurity risk

Risk associated with intentional or unintentional security breaches involving vulnerabilities or weaknesses in IT controls. This risk is heightened by an ever-evolving threat landscape and the need for constantly updated security controls.

F Portfolio volatility risk

The risk that market volatility, global recession and rising interest rates will lead to higher loan defaults, pricing that is not aligned to client risk profiles, declining fair value of venture capital investments or a higher number of clients who are facing financial difficulty.

O Climate risk

Risk associated with climate change and its impact on both BDC and its clients. These include severe weather events, changing economic systems and evolving government and societal responses that may result in a broad range of risks, including strategic, reputational, operational, structural and credit-related risks.

O Reputational risk

The potential that stakeholder and client perceptions regarding BDC's mandate, practices, actions or inactions may cause damage to its reputation and impact its ability to fulfill its mandate and conduct its business.

S Strategic risk

The risk associated with sub-optimal or ineffective strategy, ineffective deployment of the chosen strategy, inaccurate knowledge of the market or a lack of responsiveness to changes in the external environment impacting BDC's ability to achieve its mandate.

*Top risks we monitor closely***T Technology operations failure**

Risk associated with the interruption, insufficiency or instability of technology operations.

O Third-party failure

The risk of failure or security breaches associated with the sourcing, procurement and performance of third-party suppliers or their supply chains that may result in critical service disruptions, regulatory action, financial loss, litigation or reputational damage for BDC.

T O Data risk

Risk associated with deficiencies in data privacy and confidentiality, information governance and lifecycle management.

O Human resource risk

The risk that labour and skill shortages will arise from competition for key resources, increasing operational demands for specialized skills and knowledge in a highly demanding workplace environment with large, varied and concurrent changes underway.

O Change management

The risk that the volume and velocity of change resulting from large concurrent strategic initiatives and internal priorities will impact BDC's ability to implement initiatives effectively, increase reliance on limited specialized resources or disrupt its capacity to deliver on its mandate and strategic objectives.

O Business continuity

The risk associated with people, process or system disruption due to events over which BDC has limited control such as third-party failures, natural catastrophes or other crises.

O Financial crimes and misconduct

Risk associated with criminal acts or other misconduct leading to financial or property loss.

S Strategic risk **F** Financial risk **T** Technological risk **O** Operational risk

This appendix presents important priorities for BDC, including transparency, diversity and inclusion, and employment equity, among others, that align with government priorities. BDC is firmly committed to advancing in these areas.

Transparency and open government

BDC is committed to promoting transparent and open government through proactive disclosure and access to information. For example, BDC ensures we proactively disclose information by:

- ➔ preparing a summary of our Corporate Plan to be tabled in Parliament by the responsible minister and publishing it on our website
- ➔ publishing our Annual Report, which includes consolidated financial statements, management discussion and analysis and notes to financial statements
- ➔ providing annual reports under the *Access to Information Act and Privacy Act*
- ➔ publishing quarterly financial reports on our website
- ➔ publishing the Office of the Auditor General Special Examination report on our website
- ➔ answering questions from various stakeholders, including the federal government and parliamentarians
- ➔ answering access to information and privacy requests
- ➔ conducting regular outreach to financial institutions and ecosystem players to ensure our activities remain complementary to the private sector
- ➔ webcasting our Annual Public Meeting to share corporate results and future priorities
- ➔ providing information to the public about our activities through, for example, news releases, publications and presentations

Diversity, equity, inclusion (DEI), accessibility, and safe workspaces

We are working to create an increasingly diverse, equitable, inclusive and accessible BDC. We want to ensure everyone feels included and can freely contribute their ideas in our workplace. It is through differing perspectives and experiences that we grow, innovate and ultimately have a greater positive impact on Canadian entrepreneurs.

Diversity, equity and inclusion (DEI)

In addition to our efforts to provide a more diverse, equitable and inclusive environment at BDC, as presented on page 11, BDC, with the guidance of the Bank's Indigenous Peoples Employee Resource Group, continues to contribute to the following two calls to action of the Truth and Reconciliation Commission of Canada.

Call to Action 92—Business and reconciliation

BDC is committed to the *United Nations Declaration on the Rights of Indigenous Peoples* as a reconciliation framework and will apply the declaration's principles, norms and standards to corporate policy and core operational activities involving Indigenous peoples, their lands and resources.

Call to Action 57—Professional development and training for public servants

BDC has partnered with the First Nations University and Reconciliation Canada to offer *4 Seasons of Reconciliation*, an Indigenous Cultural awareness training. In 2022, all BDC employees took the course and it is part of the DEI learning curriculum for new employees as they are onboarded. In addition, we are offering this training to all Canadian entrepreneurs free of charge through our Entrepreneur Learning Centre.

BDC is committed to ensuring its services are accessible to all entrepreneurs, regardless of gender, race, ethnicity, sexual orientation, religion, age or disability, and recognizes the importance of using a gender equity lens in our endeavours. We ensure we consider all stakeholders and mitigate unintended consequences by examining how various intersecting identity factors impact the effectiveness of our initiatives. Furthermore, we pay particular attention to underserved and diverse client segments by offering them tailored support. This includes, but is not restricted to, women, Black, Indigenous and young entrepreneurs. (See *Supporting underserved and diverse entrepreneurs* beginning on page 11 for more details.)

Accessibility

BDC is committed to providing a barrier-free environment for our employees, entrepreneurs and other stakeholders who enter our premises, contact us or access our information. We are committed to treating all people in a way that allows them to maintain their dignity and independence. We understand the importance of ensuring the full inclusion of all persons with disabilities by fostering an accessible and welcoming environment for all and will do so by preventing and removing barriers to accessibility and meeting accessibility requirements under the *Accessible Canada Act*.

Accessibility at BDC is about creating communities, workplaces and services that enable everyone to participate fully without barriers. Making BDC fully accessible and inclusive will benefit all of us. The implementation of the *Nothing Without Us* strategy will provide our workforce with the necessary tools to set high accessibility standards in our policies, programs and services.

Everyone has a role to play in creating a barrier-free workplace and we are committed to support our employees in understanding how they can be more inclusive by eliminating and preventing new barriers for people with disabilities.

Safe workspaces

BDC's People Policy defines a mutual commitment from BDC and our employees to ensure safe workspaces.

The policy aims to make our organization a great place to work, conducive to achieving our aspiration to make Canadian entrepreneurs the most competitive in the world. It conforms to the *Business Development Bank of Canada Act* and with all Canadian labour laws and regulations. This policy includes the following key elements:

- BDC promotes a culture in which employees and internal or external partners (colleagues, clients, suppliers, etc.) are treated with respect and courtesy in a spirit of collaboration, openness and accountability.
- BDC commits to providing a work environment that protects and fosters the security, health, safety and overall well-being of all employees. To this effect, we are currently studying a project to significantly enhance our physical security systems, procedures and resources to ensure a high level of protection to BDC employees, assets and data across Canada.

Below is a list of BDC's key partnerships, listed by the priority they are addressing.

Support for underserved and diverse entrepreneurs

Alterna Savings and Credit Union: BDC and Alterna Savings and Credit Union have signed a co-lending agreement to extend loans between \$5,000 and \$25,000 each to Black entrepreneurs, women entrepreneurs and social entrepreneurs. BDC's envelope for this initiative is \$2 million.

Black Canadian Women in Action (BCW): BCW brings together entrepreneurs and professionals and provides them with opportunities to grow personally and professionally through programs that support, promote and empower Black entrepreneurs to innovate and succeed in national and international markets.

BlackNorth Initiative (BNI): BDC signed the BNI CEO Pledge which commits business leaders and their organizations to specific actions and targets designed to end anti-Black systemic racism in corporate Canada.

Canadian Council for Aboriginal Business (CCAB): CCAB provides Certified Aboriginal Business and Progressive Aboriginal Relations certifications for Indigenous-owned businesses and connects Indigenous entrepreneurs with resources, training and networks to strengthen their businesses. With CCAB, BDC has hosted a three-part webinar for Indigenous entrepreneurs and is currently in partnership discussions with it to support Indigenous businesses.

Centre for Women in Business: BDC has partnered with the Centre for Women in Business, a leader in supporting women entrepreneurs, to deliver a one-year intensive management program called Greater Heights of Growth for women business owners who have built profitable businesses generating annual revenue of \$1 million or more.

Cisco and Women of Influence: Through this partnership, we developed the first virtual program in Canada to support women entrepreneurs during the pandemic as well as the first national comprehensive mental health and wellness programs for women entrepreneurs. We also provided a series of workshops with advice on finance, sales, marketing and supplier diversity.

CPA Canada: BDC partners with CPA to offer financial literacy sessions and content to entrepreneurs, particularly in Indigenous communities.

Evol: BDC has partnered with Evol (formerly Femmessor) to provide support to entrepreneurs in diverse markets (women, ethnocultural minorities, Indigenous communities, people with disabilities and LGBTQIA+). Through this partnership BDC has extended a \$10-million loan to Evol to enable this organization to support 150 to 200 entrepreneurs in Quebec each year with mentorship and loans between \$20,000 and \$450,000.

Federation of African Canadian Economics (FACE): The Black Entrepreneurship Loan Fund is an initiative led by the Government of Canada to help Black Canadian entrepreneurs successfully grow their businesses. The Government of Canada has provided FACE with \$30 million to provide loans between \$25,000 and \$100,000. BDC has also committed \$130 million for loans between \$100,000 and \$250,000. Both loan segments are processed by BDC.

First Nations Executive Education (FNEE): This school offers short leadership programs developed specifically to meet First Nations needs. The FNEE works jointly with the executive education arm of HEC Montréal. BDC is a one of FNEE's key partners and is providing advice and coaching to Indigenous entrepreneurs.

Founders Fund: Founders Fund supports women entrepreneurs from underserved groups at every stage of their business journey through education, mentorship and funding. It supports over 7,000 women entrepreneurs who are Black, Indigenous, people of colour, new Canadians, LGBTQ+ and living with disabilities. BDC supports the fund by sponsoring workshops, panels, presentations, access to mentors and judging at pitch competitions.

Futurpreneur Canada: Futurpreneur and BDC collaborate to offer joint financing to young entrepreneurs, aged 18 to 39. In fiscal 2021, a new initiative was added in collaboration with RBC to increase support for young Black entrepreneurs.

Groupe 3737: This is an entrepreneurship hub that offers workshops, mentoring, access to capital and a program dedicated to Black women entrepreneurs. BDC supports this organization, mainly with non-financial resources, an approach that could be replicated with other similar local organizations.

National Aboriginal Capital Corporations Association (NACCA):

BDC partnered with NACCA to launch the Indigenous Growth Fund, a \$150-million fund that provides Indigenous SMEs with business loans from the network of Aboriginal Financial Institutions.

Réseau des Femmes d'affaires du Québec (RFAQ): BDC signed a partnership agreement with RFAQ to support women entrepreneurs through many initiatives, including RFAQ's supplier diversity initiative.

Start-Up Canada: BDC supports the Canadian start-up community by sponsoring and attending Start-up Canada events across the country.

Stronger Together: To address anti-Black systemic racism and support Black business owners, BDC has partnered with seven organizations across Canada to deliver a series of webinars called Stronger Together. The seven partners are Black Business Initiative, Groupe 3737, Audace au Féminin, Africa Centre, Black Business Association of British Columbia, Pitch Better and the Canadian Black Chamber of Commerce. Topics covered in the webinars included financial literacy, e-commerce and networking.

Support for overall sustainability leadership

B Lab: BDC is the national partner of B Lab, the not-for-profit organization behind the Beneficial Corporation (B Corp) certification, standard council and global movement. BDC promotes the B Corp certification to grow Canada's networks of sustainability motivated entrepreneurs.

Family Enterprise Canada (FEC): BDC partners with FEC, the Canadian chapter of an international network, to provide planning tools to help family-owned businesses meet sustainability challenges.

Helping connect BDC's clients to government services

Accelerated Growth Service (AGS): AGS brings BDC and over 10 other government partners and agencies together as part of a whole of government approach to serving growing Canadian businesses. This initiative is led by Innovation, Science and Economic Development Canada.

Atlantic Canada Opportunities Agency (ACOA): As the federal regional development agency for the Atlantic region, ACOA is a key player in the Atlantic entrepreneurial ecosystem. BDC and ACOA recently renewed their original 2018 memorandum of understanding that focuses on aligning our efforts on priorities like digital adoption, encouraging business growth and productivity, and supporting diverse entrepreneurs.

Business, Economic and Trade Resilience initiative (BETR): BDC participates with other federal government organizations in the BETR initiative, which focuses on achieving a robust economic resilience and long-term inclusive growth in Canada. The initiative currently focuses on three key areas: seamless service delivery, infrastructure and exploring opportunities for innovation. BDC co-leads the seamless service delivery stream.

Canadian Intellectual Property Office (CIPO): CIPO is an agency of ISED dedicated to delivering intellectual property services in Canada and educating Canadians on how to use IP more effectively. BDC has a memorandum of understanding with CIPO to promote the importance of IP.

National Research Council—Industrial Research Assistance Program (NRC-IRAP): BDC has a partnership agreement with NRC-IRAP aimed at supporting innovation. Through this agreement, NRC-IRAP clients benefit from preferential conditions on BDC loans, and BDC and NRC-IRAP share office space with the objective of increasing collaboration between our organizations.

Support for the innovation ecosystem

Business accelerators: BDC Capital has close ties with several business accelerators across Canada to support the growth of technology start-ups.

C100: C100 is an international association whose mission is to inspire, support and connect the most promising Canadian tech leaders at home and abroad.

Canadian Venture Capital and Private Equity Association (CVCA): BDC maintains a strong working relationship with the CVCA, a leading source of advocacy and professional development for VC and private equity professionals.

Communitech: Communitech is one of Canada's top innovation hubs for tech start-ups. BDC has a close relationship with Communitech, including maintaining a business centre in Communitech's hub in Kitchener, Ontario, and supporting the Outpost program, which helps Canadian tech companies hire employees in other countries and expand abroad.

Creative Destruction Labs (CDL): BDC is a partner of CDL. We participate in their mentorship programs for scalable, seed-stage, science- and technology-based companies.

DMZ: BDC supports the Black Innovation Fellowship (BIF) in partnership with DMZ and DreamMaker Ventures with strategic support from MaRS IAF. BIF is a program dedicated to providing Black tech founders with opportunities and helping them break down barriers to the growth of their businesses.

Kauffman Fellows: BDC Capital collaborates with California-based Kauffman Fellows, a premier leadership organization in innovation and capital formation, for our GP Academy, an advanced training program for Canadian venture capital fund managers.

MaRS: BDC partners with the MaRS Discovery District, which offers programs and services for companies from the start-up to the growth phase and beyond. It works with startups and partners in four main sectors: health, enterprise, cleantech and health.

Mila: This Quebec-based organization brings together scientists with organizations committed to advancing artificial intelligence. BDC and Mila have partnered to encourage businesses, particularly BDC clients, to use AI.

National Angel Capital Organization (NACO): BDC Capital works with NACO to strengthen Canada's angel investing community, particularly with regards to angel investor professional development.

Plug'n Drive: Plug'n Drive is a not-for-profit organization devoted to accelerating electric vehicle adoption in Canada. BDC will work with Plug'n Drive to create online educational content to support the transition of businesses to more sustainable transportation.

Propulsion Québec: BDC is working with Propulsion Québec on a project to demonstrate the opportunities, business models and prospective valuation of Quebec's electric and intelligent transport sector.

Startup Montreal: BDC partners with this organization to develop Montreal's entrepreneurial ecosystem.

VentureLAB: This is a global community for founders of tech hardware and enterprise software companies. VentureLAB businesses are supported by BDC financially and through advice and expertise.

Support for international expansion

Export Development Canada (EDC): Our collaboration with EDC includes a two-way referral system that ensures Canadian companies get access to the services of the organization whose competencies best meet their needs. It also includes a joint account management program to support the scaling up of cleantech firms; co-funding the Indigenous Growth Fund; cooperation on initiatives to help underserved and diverse entrepreneurs; and participation in the BETR team.

Global Affairs Canada (GAC): BDC has a memorandum of understanding with GAC's Trade Commissioner Service (TCS) to improve joint services to clients who are exploring export opportunities. TCS's CanExport provides financial assistance to SMEs seeking to develop new export opportunities. A process has been established to ensure CanExport recipients are made aware of BDC services and are contacted about their financing or advisory services needs. BDC also supports TCS's Canadian Technology Accelerators Program.

Trade Accelerator Program (TAP): BDC is a supporting partner in TAP. This innovative program is designed to help SMEs gain knowledge and contacts to take advantage of their export potential.

The Montreal Group: BDC spearheads this international association of SME-focused development banks that aims to share best practices and benchmark performance. The group has 10 SME-focused development banks as members in the following countries: Belgium, Brazil, Canada, China, France, Finland, Kingdom of Saudi Arabia, Mexico, Morocco, India and Nigeria.

Regulatory compliance processes

BDC's mandate is to support Canadian entrepreneurs while ensuring our activities remain within the scope of applicable laws and regulations so that BDC and our shareholder, the Government of Canada, are not exposed to undue reputational, financial, operational or legal risks. This entails having processes and controls in place to ensure BDC is in compliance with all applicable regulatory requirements. BDC's legislative and regulatory environment consists of the following:

- 33 federal and provincial laws, including the *Business Development Bank of Canada Act* and the *Financial Administration Act*
- 15 Treasury Board Secretariat and Minister of Finance policy instruments
- two orders of the Privy Council
- two trade agreements

In alignment with Guideline E-13 of the Office of the Superintendent of Financial Institutions (OSFI), BDC's Compliance Assurance and Monitoring (CAM) function has implemented the following processes:

- identification and risk-assessment of applicable regulatory requirements
- identification and mapping of regulatory requirements to compliance internal controls
- assessment of the adequacy and effectiveness of BDC's compliance internal controls
- reporting activities to management and board committees
- annual cascading certification of compliance by business and senior leaders
- continuous monitoring of BDC's compliance with legislation and regulations

Regulatory compliance framework

The regulatory compliance framework consists of a Regulatory Compliance Policy and a regulatory compliance function, which oversees compliance processes and accountability. In this regard, BDC's regulatory compliance framework is based on a three line of defence model as referred to in OSFI's Guideline E-13. The three lines of defence are as follows:

Business units as operational management

- Internal controls are implemented and managed in business units to ensure compliance on a day-to-day basis. Internal controls are documented in policies, corporate directives and procedures or are reflected in processes or tasks.

Compliance as an oversight function

- The adequacy and effectiveness of day-to-day compliance internal controls are overseen by the CAM function, using a risk-based approach. CAM is an independent oversight function that assigns responsibility for ensuring all relevant laws and regulations are respected. It also assesses the adequacy and effectiveness of day-to-day compliance internal controls and assists business units in developing appropriate policies, corporate directives, procedures, processes and tasks.
- The activities carried out by CAM are subject to periodic reviews by internal audit, which assesses the reliability of and adherence to the regulatory compliance framework. In addition, CAM reports to the Audit and Conduct Committee of the Board of Directors, assuring its independence, and carries out compliance testing across all lines of business and corporate functions in alignment with BDC's risk controls.

Regulatory Compliance Policy

The Regulatory Compliance Policy defines the roles and responsibilities of board members, senior management, business leaders and the compliance, internal audit and legal functions. Included in the policy is BDC's governance model related to regulatory compliance and the compliance risk management process.

Regulatory compliance accountability

While compliance procedures exist at an operational level, independent testing is overseen by CAM, which is an independent oversight function responsible for the management of the regulatory compliance framework. The function is managed by the Vice President and Lead, Enterprise Risk Management and Compliance who reports to the Chief Risk Officer and provides reports to the Audit and Conduct Committee of the Board of Directors on all regulatory compliance matters.

Regulatory compliance activities

In alignment with its compliance activities, BDC ensures that it operates in compliance with applicable laws, regulations, policies and legislation. As such, CAM conducts effectiveness testing of BDC's compliance controls based on a five-year plan and issues recommendations to business leaders to implement action plans to address any gaps related to regulatory requirements. In addition, CAM maintains an action plan register that contains details of various action plans, deliverables and timelines, and monitors the progress of business units in completing their action plans.

Examples of activities to ensure compliance include the following items.

Access to Information and Privacy Act

The powers, duties and functions of administering the *Access to Information Act* and the *Privacy Act* rest with the President and CEO as the head of a government institution. These responsibilities have been delegated to the Vice President and Lead, Enterprise Risk Management and Compliance, which includes accountabilities as Chief Compliance and Chief Privacy Officer. Procedures are in place for directing formal access and privacy requests to the coordinator, who ensures they are processed in accordance with the provisions of the laws. BDC provides reports to Parliament on a yearly basis.

Official Languages Act

BDC believes Canada's official languages reflect the diversity of our country and that we gain important benefits in our workplace by promoting linguistic duality. We recognize the importance of our obligations to serve the public and our employees in both official languages. We are proud to recognize and celebrate Linguistic Duality Day.

BDC has a structure in place to comply with the *Official Languages Act* to ensure we serve the public and our employees in the official language of their choice. In this context, we have an official languages procedure that describes the principles of the law and outlines its application and administration in various BDC activities.

The Chief Human Resources Officer, who is BDC's official languages champion, delegates the decision-making authority to the official languages committee. The committee provides the overall direction, planning and coordination of activities, monitors adherence to the *Official Languages Act* and promotes official languages at BDC. Based on recommendations from the Office of the Commissioner of Official Languages, BDC also regularly reviews internal processes and management practices with a view to evolving them as required to ensure constant progress in this area. BDC's senior management receives reports from the committee on an annual basis.

BDC is closely following regulatory and legislative developments to ensure compliance with respect to amendments to the *Official Languages Act* regulations (communications and services to the public).

Financial statements and notes

This section presents the consolidated financial results. It should be noted that we don't expect amendments and interpretations to existing IFRS standards, new standards, or standards that are not yet effective but are expected, to affect BDC's financial results.

Table 6—Consolidated statement of financial position

(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
ASSETS							
Cash and cash equivalents	906	823	856	872	900	942	966
Derivative assets	12	1	-	-	-	-	-
Loans							
Loans, gross carrying amount	34,395	36,777	38,797	40,961	43,692	46,823	50,136
Less: allowance for expected credit losses	(1,111)	(1,078)	(1,172)	(1,054)	(1,005)	(1,010)	(1,031)
Loans, net of allowance for expected credit losses	33,284	35,699	37,625	39,907	42,687	45,813	49,105
Asset-backed securities	988	1,097	1,172	1,321	1,557	1,708	1,820
Investments*	5,863	5,702	6,297	6,894	7,309	7,695	8,056
Right-of-use asset	109	103	90	78	65	52	39
Net defined benefit asset	234	184	206	230	255	276	284
Other assets	171	170	162	147	128	114	104
Total assets	41,567	43,779	46,408	49,449	52,901	56,600	60,374
LIABILITIES AND EQUITY							
Liabilities							
Accounts payable and accrued liabilities	311	334	352	373	399	428	459
Derivative liabilities	-	4	-	-	-	-	-
Borrowings							
Short-term notes	14,386	20,282	23,470	26,421	29,201	32,725	36,010
Long-term notes	5,707	6,328	7,458	6,744	6,280	5,623	5,239
Total borrowings	20,093	26,610	30,928	33,165	35,481	38,348	41,249
Lease Liabilities							
Short-term lease liabilities	15	13	14	14	14	15	12
Long-term lease liabilities	111	106	92	78	64	49	38
Total lease liabilities	126	119	106	92	78	64	50
Net defined benefit liability	233	222	225	227	229	232	232
Expected credit losses on loan commitments and guarantees	316	593	501	354	231	178	131
Total liabilities	21,079	27,882	32,112	34,211	36,418	39,250	42,121
Equity							
Share capital	11,947	7,290	5,533	5,907	6,096	5,888	5,764
Contributed surplus	28	28	28	28	28	28	28
Retained earnings	8,445	8,585	8,742	9,311	10,367	11,443	12,471
Accumulated other comprehensive income	(16)	(42)	(43)	(44)	(44)	(45)	(46)
Equity attributable to BDC's shareholder	20,404	15,861	14,260	15,202	16,447	17,314	18,217
Non-controlling interests	84	36	36	36	36	36	36
Total equity	20,488	15,897	14,296	15,238	16,483	17,350	18,253
Total liabilities and equity	41,567	43,779	46,408	49,449	52,901	56,600	60,374
Debt-to-equity ratio	1.2	1.9	2.4	2.3	2.3	2.3	2.3

* Previously shown on separate lines, subordinate financing investments and venture capital investments are now grouped together on the investments line.

Table 7—Consolidated statement of income
(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
Interest income	1,695	2,382	2,839	2,744	2,779	2,983	3,202
Interest expense	105	731	1,091	874	782	828	874
Net interest income	1,590	1,651	1,748	1,870	1,997	2,155	2,328
Net realized gains (losses) on investments*	576	85	9	12	136	267	270
Revenue from Advisory Services	29	36	40	41	38	37	37
Fee and other income	107	347	172	135	144	150	143
Net revenue	2,302	2,119	1,969	2,058	2,315	2,609	2,778
Provision for expected credit losses	85	(511)	(634)	(402)	(414)	(459)	(444)
Net change in unrealized appreciation (depreciation) of investments**	914	(878)	45	183	96	(25)	(9)
Net foreign exchange gains (losses)	(12)	169	-	-	-	-	-
Net gains (losses) on other financial instruments	1	(4)	(56)	(53)	-	-	-
Income before operating and administrative expenses	3,290	895	1,324	1,786	1,997	2,125	2,325
Salaries and benefits	545	511	569	606	638	679	714
Premises and equipment	42	43	45	45	46	46	46
Other expenses	188	232	242	255	257	262	277
Operating and administrative expenses	775	786	856	906	941	987	1,037
Net income	2,515	109	468	880	1,056	1,138	1,288
Net income attributable to:							
BDC's shareholder	2,440	157	468	880	1,056	1,138	1,288
Non-controlling interests	75	(48)	-	-	-	-	-
Net income	2,515	109	468	880	1,056	1,138	1,288

* Includes write-offs

** Includes net fair value appreciation (depreciation) and reversal of fair value depreciation (appreciation) on divested investments and write-offs

Table 8—Consolidated statement of comprehensive income
(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
Net income	2,515	109	468	880	1,056	1,138	1,288
Other comprehensive income (loss)							
<i>Items that may be reclassified subsequently to net income</i>							
Net change in unrealized gains (losses) on fair value through other comprehensive income assets	(29)	(25)	-	-	-	-	-
Net unrealized gains (losses) on cash flow hedges	(1)	(1)	(1)	(1)	-	(1)	(1)
Total items that may be reclassified subsequently to net income	(29)	(26)	(1)	(1)	-	(1)	(1)
<i>Items that will not be reclassified to net income</i>							
Remeasurements of net defined benefit asset or liability	289	(17)	-	-	-	-	-
Other comprehensive income (loss)	260	(43)	(1)	(1)	-	(1)	(1)
Total comprehensive income	2,775	66	467	879	1,056	1,137	1,287
<i>Total comprehensive income attributable to:</i>							
BDC's shareholder	2,700	114	467	879	1,056	1,137	1,287
Non-controlling interests	75	(48)	-	-	-	-	-
Total comprehensive income	2,775	66	467	879	1,056	1,137	1,287

Table 9—Consolidated statement of changes in equity
(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
Opening balance	18,017	20,488	15,897	14,296	15,238	16,483	17,350
Net Income	2,515	109	468	880	1,056	1,138	1,288
Other comprehensive income (loss)	260	(43)	(1)	(1)	-	(1)	(1)
Total comprehensive income	2,775	66	467	879	1,056	1,137	1,287
Dividends on common shares	(735)	-	(311)	(311)	-	(62)	(260)
Distributions to non-controlling interests	(5)	-	-	-	-	-	-
Issuance (repurchase) of common shares	435	(4,657)	(1,757)	374	189	(208)	(124)
Closing balance	20,488	15,897	14,296	15,238	16,483	17,350	18,253

Table 10—Consolidated statement of cash flows
(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
Net cash flows used in operating activities	(1,057)	(1,261)	(1,566)	(1,706)	(2,040)	(2,233)	(2,250)
Net cash flows used in investing activities	(241)	(668)	(635)	(563)	(422)	(306)	(227)
Net cash flows provided by financing activities	1,404	1,846	2,234	2,285	2,490	2,581	2,501
Net increase (decrease) in cash and cash equivalents	106	(83)	33	16	28	42	24
Cash and cash equivalents at beginning of year	800	906	823	856	872	900	942
Cash and cash equivalents at end of year	906	823	856	872	900	942	966

Financing

In the first half of fiscal 2023, credit demand from entrepreneurs remained solid with many businesses focused on growth as the economy recovered from the pandemic. Moreover, a boom in the construction and real estate sectors contributed to an increase in demand for Financing's offering. In the second half of fiscal 2023, demand declined as SMEs became concerned about rising interest rates and economic uncertainty. This should result in loans acceptances reaching more than \$10 billion by the end of fiscal 2023. In fiscal 2024, loans acceptances are expected to remain stable as entrepreneurs shift to a "wait and see" mode in response to economic uncertainty. From fiscal 2024, Financing's loan acceptances are expected to grow at an annualized rate of 6%.

Asset-backed securities activity level growth should also be modest in fiscal 2024 due to expected economic uncertainty. From fiscal 2024, asset-back securities should grow at an impressive 16% annualized, reflecting BDC's desire to reach more entrepreneurs served through partnerships.

In addition, Financing is expected to issue loan guarantees only from fiscal 2024 to fiscal 2026 via a pilot with a limited number of financial institutions. Overall, Financing will deploy more than \$62 billion over the planning period to support Canadian entrepreneurs.

This level of activity should translate into strong portfolio growth of 8% annualized during the planning period, bringing the portfolio above \$50 billion by fiscal 2028.

Net income from Financing is expected to decrease from fiscal 2022 to fiscal 2024 as provisions for expected credit losses increase due to an expected economic slowdown. The net income will then reach \$1.0 billion mostly due to a larger portfolio. Lastly, efficiency gains from investments in technology and digital initiatives will result in an increase in productivity, contributing to rising profitability.

Table 11—Financing: Activity and statement of income
(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
Loans acceptances	9,419	10,280	10,000	10,845	11,490	12,175	12,855
Asset-backed securities disbursements	698	535	552	672	839	924	996
Loan guarantees issuances	-	-	200	400	200	-	-
Net interest income	1,379	1,444	1,571	1,693	1,830	1,989	2,155
Fee and other income	24	27	31	39	45	47	45
Net revenue	1,402	1,471	1,602	1,732	1,875	2,036	2,200
Provision for expected credit losses	268	(175)	(329)	(273)	(365)	(384)	(408)
Net change in unrealized appreciation (depreciation) of investments	(6)	1	-	-	-	-	-
Net foreign exchange gains (losses)	(1)	14	-	-	-	-	-
Net gains (losses) on other financial instruments	1	13	-	-	-	-	-
Income before operating and administrative expenses	1,664	1,324	1,273	1,459	1,510	1,652	1,792
Operating and administrative expenses	502	593	628	667	696	737	782
Net income from Financing	1,162	731	645	792	814	915	1,010
Portfolio outstanding	32,452	35,824	38,697	41,536	44,866	48,281	51,823
Loan guarantees exposure	4	3	194	490	531	366	220

Growth & Transition Capital

Growth & Transition Capital's (GTC) activity is forecast to increase by 9% annualized to reach \$665 million in acceptances in fiscal 2028. Fiscal 2024 loans acceptances growth is expected to be slower as economic uncertainty should negatively impact mergers, acquisitions, and business transition transactions. From fiscal 2025, growth in acceptances is expected to be stronger, supported by a greater demand for business transition and acquisitions' financing as the economy improves. Growth will also come from GTC's intention to continue its geographic expansion in underserved markets combined with continued opportunities in tech sector.

As a result, portfolio at fair value is expected to reach \$1.8 billion in fiscal 2028, representing 10% annualized growth over the planning period.

While operating and administrative expenses are expected to increase every year, they are projected to decrease as a percentage of the average portfolio outstanding at cost from 3.7% in fiscal 2022 to 3.3% in fiscal 2028, reflecting efforts to improve efficiency.

Fuelled by the strong economic recovery in fiscal 2022, GTC experienced significant fair value appreciation and realized gains, resulting in strong net income for 2022. It is expected that net income will decrease in fiscal 2023 and 2024, in line with economic projections. GTC's profitability is then expected to steadily increase, reaching \$112 million in fiscal 2028 mainly due to a continued focus on efficiency, coupled with strong portfolio growth.

It should be noted that due to high volatility in fair value, which translates into portfolio volatility, it is difficult to make reliable net income forecasts.

Table 12—Growth & Transition Capital: Activity and statement of income
(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
Acceptances*	469	435	470	515	550	605	665
Net interest income	83	98	101	111	120	129	142
Net realized gains (losses) on investments**	37	(5)	(7)	(7)	(9)	(10)	(11)
Fee and other income	23	26	27	30	38	43	45
Net revenue	143	119	121	134	149	162	176
Net fair value appreciation (depreciation)	52	(41)	(25)	(12)	(13)	(14)	(15)
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	(5)	9	10	10	9	10	11
Net foreign exchange gains (losses)	-	(4)	-	-	-	-	-
Income before operating and administrative expenses	190	83	106	132	145	158	172
Operating and administrative expenses	38	43	45	50	54	57	60
Net income from GTC	152	40	61	82	91	101	112
Portfolio at fair value	1,076	1,141	1,268	1,384	1,505	1,642	1,801

* Uni-tranche senior debt component is excluded as it is volatile and difficult to forecast.

** Includes write-offs

Venture Capital

Venture Capital's investments are projected to total between \$547 million and \$746 million per year over the planning period. Direct investments are projected to range between \$202 million to \$250 million, as BDC continues to deploy capital through its Industrial Innovation Venture Fund, Growth Venture Co-Investment Fund and Deep Tech Venture Fund. Additional investments through the recently launched Thrive Platform and the new Life Sciences Fund will also drive direct investments. Meanwhile, indirect investments are expected to stabilize at \$220 million per year after peaking at \$345 million in fiscal 2025. This level of activity in indirect investments will reflect initiatives from core VC programming in ICT, healthcare and cleantech. They also include support for funds that address underserved entrepreneurs, such as women, black, indigenous and people of colour, and emerging tech clusters.

Direct growth equity activity is projected to range from \$67 million to \$80 million per year fuelled by the deployment of a \$150-million initiative to co-invest with existing Canadian private equity and growth equity funds. Intellectual property financing will deploy between \$35 million and \$40 million in acceptances per year. Finally, the new Climate Tech Fund, which was launched in fiscal 2023, should invest at least \$70 million per year by fiscal 2025 in Canadian companies that are developing and deploying low-carbon technologies for domestic and international markets.

Venture capital investments are expected to generate proceeds of close to \$2 billion over the planning period as legacy investments exit the portfolio and a growing number of indirect investments provide a steady stream of distributions.

Disbursements are forecast to total \$3 billion bringing the portfolio at fair value to \$5 billion by the end of the planning period.

In fiscal 2022, the Canadian venture capital ecosystem experienced remarkable growth. Combined with a successful investing strategy, Venture Capital's portfolio experienced significant fair value appreciation and realized gains, resulting in a net income of \$988 million. In fiscal 2023, private equity and public markets entered a downturn and Venture Capital's portfolio experienced significant fair value depreciation, resulting in an expected net loss of \$621 million.

Given that an economic slowdown is expected in fiscal 2024, Venture Capital should end the year at break even. Venture Capital investments are then forecast to generate increasing net income from fiscal 2025 onward. Net income is expected to reach \$170 million by fiscal 2028. It should be noted, however, that due to the risky nature of venture capital, which translates into portfolio volatility, combined with the volatility of market conditions, it is difficult to make reliable net income forecasts.

Table 13—Venture Capital: Activity and statement of income

(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
Direct venture capital authorizations	222	174	202	226	246	250	249
Funds investments authorizations	176	208	195	345	220	220	220
Growth equity authorizations	73	105	67	67	80	80	80
IP financing authorizations	25	40	35	35	40	40	40
Climate Tech Fund II authorizations	-	35	48	73	74	70	71
Proceeds	719	180	180	239	401	481	589
Disbursements	462	449	480	567	632	655	646
Net interest income	1	1	5	8	9	11	12
Net realized gains (losses) on investments	473	94	100	124	219	250	294
Write-offs	(16)	(14)	(70)	(86)	(98)	(109)	(117)
Net realized gains (losses) on investments and write-offs	457	80	30	38	121	141	177
Fee and other income	13	4	1	3	3	4	4
Net revenue	471	85	36	49	133	156	193
Net fair value appreciation (depreciation)	986	(751)	44	132	143	173	183
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	(338)	(65)	(11)	(15)	(81)	(95)	(122)
Net foreign exchange gains (losses)	(11)	154	-	-	-	-	-
Income before operating and administrative expenses	1,108	(577)	69	166	195	234	254
Operating and administrative expenses	120	44	69	75	79	82	84
Net income (loss) from Venture Capital	988	(621)	-	91	116	152	170
Portfolio at fair value	3,227	2,916	3,287	3,780	4,207	4,614	4,925

Advisory Services

Advisory Services will continue to expand its reach by offering accessible tailored advice that addresses the needs of Canadian entrepreneurs. In addition to the regular solutions, BDC will provide entrepreneurs with advice designed to increase their knowledge and ability to increase their business's growth and productivity, digitize their operations, as well as help them achieve their sustainability goals.

As a result, revenue from activities is expected to grow from \$36 million in fiscal 2023 to \$41 million in fiscal 2025 driven by Canada Digital Adoption Program (CDAP) demand. Net investment (net loss) will be \$47 million and the cost recovery ratio will be 60%.

After CDAP ends in fiscal 2025, revenue will decrease slightly to \$37 million by fiscal 2028. The resulting net investment (net loss) is expected to be in the range of \$51 million to \$54 million. During this time, the cost recovery ratio should average 54%.

Table 14—Advisory Services: Statement of income
(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
Revenue from activities	29	36	40	41	38	37	37
Operating and administrative expenses including delivery costs	68	74	83	88	89	90	91
Net income (loss) from Advisory Services	(39)	(38)	(43)	(47)	(51)	(53)	(54)
Cost-recovery ratio*	54%	62%	61%	60%	55%	54%	53%

* The cost-recovery ratio is calculated as revenue from activities as a percentage of operating and administrative expenses minus shared-costs

Capital Incentive Programs

The Capital Incentive Programs (CIP) encompass the Venture Capital Action Plan (VCAP), the Venture Capital Catalyst Initiative (VCCI), Venture Capital Catalyst Initiative II (VCCI II), the Cleantech Practice and the Indigenous Growth Fund (IGF).

Similar to Venture Capital, CIP initiatives have benefitted from strong growth in the Canadian venture capital and private equity markets. Consequently, the portfolio experienced significant fair value appreciation in fiscal 2022. This resulted in net income of \$304 million in fiscal 2022. CIP net income is expected to be lower in fiscal 2023 as investments are forecast to suffer fair value depreciation due to slower market conditions.

VCAP's capital is almost fully deployed and is forecast to return \$623 million in proceeds over the planning period as underlying funds are expecting to close and exit their investments. BDC's participation in VCAP is expected to generate a lifetime total value to paid in capital (TVPI) of 1.9x.

BDC's participation in VCCI is expected to generate a lifetime TVPI of 1.26x. Over the planning period, disbursements should total \$117 million, while proceeds are expected to total \$68 million as investments are entering a more mature phase.

VCCI has been renewed to deploy \$450 million under the Venture Capital Catalyst Initiative II (VCCI II), supported by capital injections totalling \$450 million. The fund should deploy \$400 million in fiscal 2023 and \$50 million in fiscal 2024 to support funds of funds, life sciences funds and inclusive growth funds.

The \$600-million fund of the Cleantech Practice is expected to be fully deployed by fiscal 2024. It is expected to generate net income of \$107 million from fiscal 2024 to 2028, benefitting from momentum in the cleantech industry, coupled with a fruitful investment strategy.

BDC initiated IGF in fiscal 2021. It provides capital to Aboriginal Financial Institutions to offer loans to new and expanding Indigenous businesses. The capital is expected to be fully disbursed by the end of fiscal 2027, and we intend to recover the capital over the life of the fund, which extends beyond the planning period.

Overall, CIP initiatives address market gaps in support of Canadian strategic priorities while generating an expected \$303 million of net income over the planning period. Financial results are expected to be subject to significant volatility due to the high-risk nature for these loans and investments.

Table 15—CIP: Activity and statement of income
(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
Authorizations	139	451	92	-	-	-	-
Disbursements	232	204	197	159	135	104	67
Proceeds	122	81	114	206	310	267	220
Net interest income	9	7	8	6	4	3	2
Net realized gains (losses) on investments*	66	16	1	(9)	34	146	109
Fee and other income	1	16	15	15	17	19	21
Net revenue	76	39	24	12	55	168	132
Net fair value appreciation (depreciation)	350	(7)	31	57	59	32	35
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	(116)	(13)	-	11	(31)	(141)	(105)
Net foreign exchange gains (losses)	-	4	-	-	-	-	-
Income before operating and administrative expenses	310	23	55	80	83	59	62
Operating and administrative expenses	6	9	8	8	7	7	6
Net income from CIP	304	14	47	72	76	52	56
Portfolio at fair value	1,382	1,516	1,643	1,667	1,565	1,447	1,338

* Includes write-offs

Credit Availability Program

The Credit Availability Program (CAP) brings together initiatives meant to increase capital availability for specific SME needs, such as COVID-related and digital adoption needs. By the end of fiscal 2023, we expect more than \$7.8 billion of capital will have been committed through CAP initiatives, including \$3.5 billion in loan guarantees through the Highly Affected Sectors Credit Availability Program.

Please refer to the section entitled *A successful response to the pandemic* on page 21 for more information on CAP initiatives.

Following the announcement of the Canada Digital Adoption Program (CDAP), CAP was extended to include CDAP. Through CDAP, BDC aims to deploy \$342 million in loans by fiscal 2025 to help approximately 7,000 Canadian SMEs finance the implementation of digital adoption plans. There is a high level of uncertainty on the amounts to be committed by CAP initiatives because deployment depends on factors outside of BDC's control.

Over the planning period, CAP operating expenses are expected to decrease as the outstanding portfolio decreases and the capital is fully deployed.

With important provisions for expected credit losses due to the riskier profile of the portfolio, and margin compression due to reduced pricing, the CAP portfolio should generate a net loss of \$377 million over the duration of this Corporate Plan. It should be noted that since CDAP loans are provided at below-market interest rates, a loss on the day the asset is recognized, Day-1 loss, is recorded, in accordance with IFRS-9. This will generate a significant net loss for the program over the planning period that will be partly recuperated after the planning period.

Considering the high degree of economic and market uncertainty, significant variations from plan projections should be expected.

Table 16—Credit Availability Program: Activity and statement of income
(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
COVID-related initiatives acceptances/authorizations	370	14	6	-	-	-	-
COVID-related initiatives loan guarantees issuances	3,225	229	-	-	-	-	-
Canadian Digital Adoption Program loan acceptances	-	42	150	150	-	-	-
Net interest income	118	101	63	52	34	23	17
Net realized gains (losses) on investments*	17	(6)	(15)	(10)	(10)	(10)	(5)
Fee and other income	46	274	98	48	41	37	28
Net revenue	181	369	146	90	65	50	40
Provision for expected credit losses	(183)	(336)	(305)	(129)	(49)	(75)	(36)
Net change in unrealized appreciation (depreciation) on investments**	(9)	(11)	(4)	-	10	10	4
Net foreign exchange gains (losses)	-	1	-	-	-	-	-
Net gains (losses) on other financial instruments	-	(17)	(56)	(53)	-	-	-
Income before operating and administrative expenses	(11)	6	(219)	(92)	26	(15)	8
Operating and administrative expenses	41	23	23	18	16	14	14
Net income (loss) from CAP	(52)	(17)	(242)	(110)	10	(29)	(6)
Portfolio	3,109	2,179	1,371	809	415	242	125
Loan guarantees exposure	3,452	3,443	2,625	1,921	1,320	786	306

* Includes write-offs

** Includes net fair value appreciation (depreciation) and reversal of fair value depreciation (appreciation) on divested investments and write-offs

Capital budget

To remain efficient and responsive to clients' needs, BDC will continue to invest in technology. Information technology (IT) capital expenditures are forecast to be higher early in the planning period as BDC continues investing in its digital transformation. However, it should be noted that most IT-related investments are expensed and therefore excluded from the capital budget.

Fiscal 2024 facilities capital expenditures are expected to remain close to fiscal 2023 level due to projects that were delayed in the midst of the pandemic. Leasehold improvements will decrease from fiscal 2025 as relocation of some major offices is expected to be completed.

Table 17—Capital budget
(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
Facilities	8	12	12	10	4	2	3
Information technology	8	12	12	10	8	8	8
Total	16	24	24	20	12	10	11

BDC's capital management framework is aligned with:

- ➔ BDC's strategy (as outlined in the Corporate Plan), the risk appetite statement and the Enterprise Risk Management Policy
- ➔ the Department of Finance's Capital and Dividend Policy Framework for Financial Crown Corporations
- ➔ the Office of the Superintendent of Financial Institutions (OSFI) guidelines and relevant industry practices, while accounting for factors unique to BDC's mandate as a financial Crown corporation

Capital management methodology

BDC's capital management framework ensures effective capital management. It is designed so that BDC has a sufficient level of required capital to meet its mandate objectives, while ensuring its ongoing financial sustainability through economic cycles.

For the purpose of assessing its capital adequacy, BDC monitors its capital status on an ongoing basis by comparing its available capital to its required capital for core and Credit Availability Program (CAP) portfolios. BDC's capital management is aligned across all portfolios, with available capital, required capital and capital above the internal target rate calculated on the same basis. BDC's approach is based on OSFI's Capital Adequacy Requirements and in alignment with OSFI's E-19 guideline on ICAAP.

BDC's core capital management framework excludes the Capital Incentive Programs (CIP) and CAP because these programs are managed by BDC under specific capital allocations from the shareholder.

To manage the capital received for CAP, BDC has established independent internal structures under which CAP, its related capital and any capital above the internal target rate is maintained independently from BDC's core portfolio.

The key principles behind BDC's capital management framework are as follows:

- ➔ BDC has adequate capital to protect against risks that could adversely impact its ability to deliver on its mandate and minimize the risk of recapitalization through a complete economic cycle.
- ➔ Capital above the internal target rate is available to be returned to the shareholder in the form of dividends, at the discretion of BDC's Board of Directors.

The concept that capital has a cost, coupled with the requirement that BDC is to operate in a financially self-sustaining manner, is embedded in the capital management framework and supporting documentation and practices. Respect for this concept is ensured through strategic and efficient capital allocation to business segments, pricing models based on return on risk-adjusted capital and assessment of financial performance against forecasted data.

BDC's internal capital requirements are determined in the application of OSFI's Capital Adequacy Requirements for calculation of Pillar 1 and Pillar 2 capital requirements.

Capital adequacy measures are used as an estimate of the required capital to absorb the maximum potential losses inherent in our activities. BDC's key measure to determine, assess and monitor capital adequacy is its internal capital ratio.

To assess its capital adequacy, BDC monitors its internal capital ratio on an ongoing basis by comparing its **available capital** to its **required capital**. BDC's capital management framework also includes a **management operating range** to absorb volatility from the Corporate Plan in comparison with historical levels, unplanned growth and non-business internal and external factors.

Available capital

Available capital is composed of equity attributable to BDC's shareholder (share capital, contributed surplus and retained earnings) and adjustments aligned with industry best practices and the capital management framework. Calculations are made as prescribed in OSFI's Capital Adequacy Requirements.

Required capital

BDC employs rigorous models to assess demand for capital arising from credit and investment, operational, business and market risk (interest rate risk as well as market risk related to the pension plan). Economic capital is a measure of risk

used to determine the amount of capital required to ensure a financial institution's solvency, given its risk profile. Economic capital is the methodology used to determine BDC's Pillar 2.

Economic capital models are developed based on advanced quantification methods and internal risk-based assumptions and take into account risk diversification benefits and both disbursed and undisbursed commitments. A key principle underlying the economic capital models is the establishment of a solvency that is set at a credit rating of AA. Economic capital models are validated by a third party as per the model validation policy.

BDC holds 100% capital for its Venture Capital portfolio.

Management operating range

BDC's management operating range accounts for differences between planned and actual levels of activities as well as other Corporate Plan assumptions that are difficult to predict. It allows capital to be managed near a target level by mitigating unplanned required capital.

Capital projections

Capital planning is a key component of BDC's ICAAP. For planning purposes, BDC allocates capital by business line, and the allocation includes all risk types. The decision to deploy capital above the internal target rate as dividends or share repurchases may differ for the core and CAP portfolios, in compliance with BDC's Capital Management and Dividend Policy and in agreement with the shareholder.

BDC's core portfolio

BDC expects to have capital above the internal target rate from fiscal 2023 to fiscal 2028. This capital is planned to be returned to the shareholder in the form of dividends, at the discretion of BDC's Board of Directors.

Credit Availability Program portfolio

In support of BDC's response to the COVID-19 pandemic, the shareholder provided a capital injection that BDC earmarked for CAP initiatives. Following the announcement of CDAP, the CAP segment was extended to include CDAP. BDC is expected to receive capital injections to deliver the initiative.

Capital requirements peaked at the end of fiscal 2022 when most of the loans were committed and most of the programs were closed to new authorizations. Remaining COVID initiatives have been closed for new disbursements since June 30, 2022, and portfolio has been winding down since that time.

The portfolio should steadily decrease over the planning period, thus, gradually reducing capital requirements and triggering an additional share repurchase each year from fiscal 2024

Internal capital ratio (applicable to BDC’s core portfolio)

BDC’s key measure for determining and assessing its capital adequacy is its internal capital ratio. It is expressed as the level of available capital divided by the required capital.

The internal capital ratio is used to set BDC’s target capital level as well as measure its capital adequacy risk appetite measures. BDC’s target capital is revised annually based on BDC’s Corporate Plan forecasts for internal capital requirements and the management operating range, as well as any capital required by a potential stress testing capital shortfall, identified as part of the enterprise-wide stress testing program.

The internal capital ratio is expected to remain stable in fiscal 2023 to help manage the aftermath of the pandemic, the deteriorating economic outlook and the deployment of BDC’s strategy. From fiscal 2024 to fiscal 2026, the growth of available capital will be outpaced by the growth in capital demand. Starting in fiscal 2027 the capital above the internal target rate for the core portfolio is expected to increase. Although BDC’s growth will increase pressure on capital, the ratio is expected to meet or exceed target levels over the planning period.

Table 18—Internal capital ratio
(available capital as a percentage of economic capital required)



Dividend Policy

BDC’s Dividend Policy is aligned with the dividend methodology included in the Capital and Dividend Policy Framework for Financial Crown Corporations. The capital above the internal target rate is calculated as the difference between available capital and required capital,

less management operating range, and can be declared as dividends and distributed to the shareholder in the following fiscal year, subject to the discretion of the Board of Directors.

Statutory limitations

The Business Development Bank of Canada Act requires that the aggregate of borrowings and contingent liabilities in the form of guarantees provided by BDC may not exceed 12 times its equity. The debt-to-equity ratio is projected to be 1.9:1 in fiscal 2023, meaning that for every \$1.90 of debt, BDC has \$1 of equity. Therefore, the ratio is expected to be within the statutory limit of 12:1 over the planning period (Table 6).

As shown in Table 19, BDC's paid-in capital is expected to reach \$7.3 billion in fiscal 2023 following the capital injections for CDAP, as well as the share repurchase for CAP.

The Cleantech Practice envelope under Capital Incentive programs is expected to be fully deployed by fiscal 2024. By the end of the planning period, \$520 million is expected to be generated from the initial investment, and will be used to support the ongoing work of BDC's Cleantech Practice, including the recently launched Climate Tech Fund II. Paid-in capital, contributed surplus and any proceeds that have been prescribed as equity (such as hybrid capital instruments) must at no time exceed the new ceiling of \$20 billion determined by the shareholder in October 2020.

Table 19—Paid-in capital
(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
Opening paid-in capital	11,512	11,947	7,290	5,533	5,907	6,096	5,888
Capital injections (repurchase of shares)							
<i>BDC core portfolio*</i>	-	-	175	65	90	90	100
<i>Capital Incentive Programs</i>							
Venture Capital Catalyst Initiative (VCCI)	187	-	-	-	-	-	-
Venture Capital Catalyst Initiative II (VCCI II)	-	-	350	100	-	-	-
Indigenous Growth Fund (IGF)	50	-	-	-	-	-	-
Cleantech Practice Fund I	198	-	(175)	(65)	(90)	(90)	(100)
<i>Credit Availability Program</i>							
COVID-related initiatives	-	(5,000)	(2,107)	(126)	(211)	(208)	(124)
Canadian Digital Adoption Program	-	343	-	400	400	-	-
Closing paid-in capital	11,947	7,290	5,533	5,907	6,096	5,888	5,764

* Excludes Capital Incentive Programs & Credit Availability Program

Legislative authorities

BDC's funding activities are governed by section 18 of the *Business Development Bank of Canada Act* and section 127 of the *Financial Administration Act*. The activities must also comply with the Minister of Finance's Financial Risk Management Guidelines for Crown Corporations.

Under section 30 of the *Business Development Bank of Canada Act*, BDC is subject to a statutory borrowing authority constraint that limits the direct and contingent liabilities of the corporation to 12 times its equity.

Since 2008, BDC's Canadian dollar borrowings have been consolidated with the borrowing program of the Government of Canada. The Department of Finance, through the Crown Borrowing Program, provides this funding on a timely basis, at the government's estimated cost of funds and under flexible terms. This arrangement is consistent with section 19 of the *Business Development Bank of Canada Act*, which allows BDC to request that the Minister of Finance lend money out of the Consolidated Revenue Fund to BDC on such terms and conditions as the Minister may fix. BDC also has the option to borrow in U.S. dollars on the open market.

Overview of borrowing plan

BDC's borrowing activities are an integral part of its operations and an important element of its risk management strategies. Requirements for new debt reflect the business needs for new financing of its clients. The borrowing portfolio is closely matched with the asset portfolio to ensure sound asset and liability management.

BDC closely manages the mix of fixed and variable rate borrowings daily, in accordance with BDC's Treasury Risk Policy, which requires matching of debt cash flow streams to the maturity profiles of client loan repayments. Through borrowing activities and first-hand knowledge of financial markets, BDC's Treasury ensures the Bank's pricing strategy reflects market conditions and avoids volatility in BDC's operating margin.

BDC's Asset Liability Committee meets at least quarterly to evaluate market trends, movements in interest rates, borrowing strategies and operating margins, as well as the compliance of BDC's treasury activities with its Treasury Risk Policy. Such compliance is reported quarterly to BDC's Board of Directors.

The assumptions and estimates used in this borrowing plan are highly sensitive to the economic environment, the interest rate environment and customer preferences. BDC routinely updates the Department of Finance on borrowing requirements.

Short-term borrowing

By the end of fiscal 2024, short-term borrowings will make up over 76% of total debt outstanding. BDC is projecting the proportion of short-term debt outstanding to increase to 87% of total debt outstanding over the planning period.

External economic factors may drive changes in customer preferences for long-term, fixed-rate borrowing versus short-term borrowing, which could impact the projected proportion.

Long-term borrowing

As shown in Table 22, long-term borrowings are projected at \$7.4 billion in fiscal 2024.

Table 20—Projected outstanding borrowings at year end

(\$ in millions)	2022	2023	2024	2025	2026	2027	2028
Short-term borrowings	14,386	20,282	23,470	26,421	29,201	32,725	36,010
Long-term borrowings	5,707	6,328	7,458	6,744	6,280	5,623	5,239
Total	20,093	26,610	30,928	33,165	35,481	38,348	41,249

Table 21—Short-term borrowings

(\$ in millions)	2022	2023	2024	2025	2026	2027	2028
Canadian dollar borrowings	14,386	20,282	23,470	26,421	29,201	32,725	36,010
US dollar borrowings	-	-	-	-	-	-	-
Total	14,386	20,282	23,470	26,421	29,201	32,725	36,010

Table 22—Outstanding long-term borrowings

(\$ in millions)	2022	2023	2024	2025	2026	2027	2028
Opening balance	5,036	5,707	6,328	7,458	6,744	6,280	5,623
Maturities	(549)	(1,211)	(1,158)	(2,005)	(1,179)	(1,982)	(1,616)
New issuances	1,220	1,832	2,288	1,291	715	1,325	1,232
Total	5,707	6,328	7,458	6,744	6,280	5,623	5,239
Fixed rate	5,707	6,328	7,458	6,744	6,280	5,623	5,239
Total	5,707	6,328	7,458	6,744	6,280	5,623	5,239

Liquidity risk management

BDC's liquidity management practices and processes reinforce its risk mitigation strategies by assigning prudent liquidity levels, concentration requirements and maturity profile requirements.

The minimum liquidity level covers at least the net outflows scheduled for the next five working days. The maximum liquidity level is not to exceed 15 days of net cash outflows.

Table 23 shows the results of BDC's liquidity risk management as at March 31, 2021 and 2022.

Table 23—Liquidity levels
(\$ in millions)

	Minimum	Actual	Maximum
As at March 31, 2022	–	869	1,050
As at March 31, 2021	68	761	1,028

Contingent liabilities

BDC issues loan guarantees to support businesses. Those guarantees represent BDC's obligation to make payments to third parties if clients are unable to meet their contractual commitments.

As shown in Table 24, BDC loan guarantees exposure peaked in fiscal 2022 as BDC, in partnership with financial institutions, offered the HASCAP loan guarantee solution to support SMEs operating in sectors highly affected by the COVID pandemic.

Loan guarantee exposure is expected to decrease during the planning period as SMEs are repaying their underlying loans covered by the HASCAP guarantees. This decrease in loan guarantees exposure will be partially offset by the issuance of new loan guarantees through a pilot with a limited number of financial institutions that will enable them to reach more underserved entrepreneurs.

Table 24—Loan guarantees exposure
(\$ in millions)

	2022	2023	2024	2025	2026	2027	2028
Loan guarantees exposure	3,456	3,446	2,819	2,411	1,851	1,152	526