FARM CREDIT CANADA

CORPORATE PLAN SUMMARY

2018-19 TO 2022-23

OPERATING BUDGET

CAPITAL BUDGET

BORROWING PLAN

Farm Credit Canada
Advancing the business of agriculture

Canada

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1.0 Executive summary

Canada's agriculture and agri-food industry feeds the world. It is an important contributor to the Canadian economy, contributing billions annually to the GDP, and creating and sustaining jobs in communities across the country.

While recognizing the current contributions of Canadian agriculture, FCC envisions an even stronger future; one where the Canadian agriculture and agri-food sector achieves its fullest potential -- further positioning itself as a global powerhouse in agricultural and agri-food production, and poised to meet the challenges of an ever-growing world.

FCC's vision for the future is consistent with the Government of Canada's commitment to supporting the agriculture and agri-food industry to close gaps and address challenges. Both the Canadian Agricultural Partnership and the Advisory Council on Economic Growth underline the important role that Canadian agriculture can and must play in the global economy of tomorrow. FCC is committed to doing its part to help the industry succeed today and in the future.

Canadian producers and agribusiness and agri-food operators are focused on producing high-quality, safe products, and managing the complexities of changing markets, consumer trends, human resource challenges and other factors.

With all that producers and agribusiness and agri-food operators have to manage, they need a trusted, knowledgeable financial partner. As Canada's only financial institution focused solely on the needs and opportunities of the industry, FCC plays a vital role by providing specialized products and services that help customers grow their businesses, take advantage of new market opportunities, and innovate to become more efficient and sustainable.

FCC has demonstrated continuous growth and strong financial performance for over two decades. Strong financial management ensures FCC can serve the industry in both good and challenging times. FCC operates in an efficient manner and offers fair pricing to Canadian farmers, agribusiness and agri-food operators. Over the five-year plan period, FCC forecasts average annual loans receivable growth of 3.6% as a result of $59.2 billion in new lending over the plan period. FCC also forecasts to pay a total of $2.25 billion in dividends to the Government of Canada over the same period. Dividend payments may vary based on actual portfolio growth and overall financial performance.

The 2018-19 to 2022-23 corporate plan is an output of FCC's strategic planning process. In developing the plan, FCC continued its practice of balancing resources and activities required to support planned portfolio and revenue growth while continuing to advance the Canadian agriculture and agri-food industry. The FCC strategy has five focus areas:

- **sustainable business success:** ensures FCC maintains a strong financial position to serve customers through all economic cycles
- **great customer relationships:** ensures FCC delivers a customer experience that meets the needs of its customers
- **effective enterprise risk management:** protects FCC and great customer relationships by ensuring FCC diligently identifies, manages and responds to risks
- **execution excellence:** enables great customer relationships through technology and effective systems and processes
- **high-performance culture:** ensures employees work together to support a great customer experience

Over the plan period, FCC will focus its efforts in all five areas. FCC will continue to enhance the customer experience, including furthering its relationship management approach and offering enhanced digital solutions. FCC will advance how it helps the industry achieve its full potential by enhancing how it supports the agribusiness and agri-food sector, shares knowledge with the industry, and supports agricultural transitions and new entrants to the industry. By pursuing its strategy, FCC will remain self-sustaining, and continue to play a vital role in helping the Canadian agriculture and agri-food industry achieve its full potential as a major driver of the Canadian economy and a global leader in the production and export of safe, high-quality agriculture and food products.

2.0 | Mandate

2.1 Corporate mandate

The Canadian agriculture and agri-food industry plays a vital role in supporting Canada's economy and in feeding a growing world. The Canadian agriculture and agri-food system contributes over $100 billion annually to the GDP, and is responsible for one in eight Canadian jobs. As Canada's leading provider of financial and business services tailored to the industry, FCC ensures producers and agribusiness operators have access to the capital, specialized products, knowledge, and services needed to be successful today and into the future.

FCC's mandate is described in the *Farm Credit Canada Act* as follows:

The purpose of the corporation is to enhance rural Canada by providing specialized and personalized business and financial services and products to farming operations, including family farms, and to those businesses in rural Canada, including small and medium-sized businesses, that are businesses related to farming. The primary focus of the activities of the corporation shall be on farming operations, including family farms.

In addition to the *Farm Credit Canada Act*, FCC is governed by or subject to the following federal legislation:

- *Access to Information Act*
- *Canadian Environmental Assessment Act, 2012*
- *Canada Human Rights Act*
- Canada Labour Code
- *Canadian Multiculturalism Act*
- Canada's anti-spam legislation
- *Conflict of Interest Act*
- *Employment Equity Act*
- *Employment Insurance Act*
- *Federal Accountability Act*
- *Financial Administration Act*
- *Official Languages Act*
- *Privacy Act*
- *Public Servants Disclosure Protection Act*

FCC complies with other federal and provincial legislation such as land titles, farm debt mediation, personal property security acts, environmental protection, bankruptcy, insurance, occupational health and safety, and securities.

2.2 Achieving the mandate

FCC is Canada's only provider of financial and business services tailored exclusively to the agriculture and agri-food industry.

Financing primary production is FCC's core business and represents 86.8% of the loan portfolio. The corporation also serves agribusinesses along the value chain – from suppliers to processors.

FCC fulfils its mandate by offering loans and services to the agriculture and agri-food industry. Other offerings include management software, learning programs and knowledge to help customers and others involved in the industry make sound decisions.

FCC's activities are consistent with the Government of Canada's priorities. By focusing on activities that serve the industry in reaching its fullest potential, FCC can assist the Minister of Agriculture and Agri-Food in supporting the industry to be a leader in job creation and innovation.

FCC achieves its mandate by focusing on the following activities, which are aligned with the direction received within the Minister of Agriculture and Agri-Food's mandate letter dated August 31, 2016:

Providing products, services and expertise tailored to the needs of the industry
As Canada's only financial institution focused exclusively on Canadian agriculture, FCC ensures Canadian producers, and agribusiness and agri-food operators have access to capital and a wide range of financial and business products and services. These include long-term mortgages, short-term credit, inventory financing (to help dealers finance

inventory held for resale to producers), leasing and venture capital.

Beyond products and services tailored to the industry, FCC hires and develops employees who are passionate and knowledgeable about Canadian agriculture. This enables employees to build solid, meaningful relationships with FCC's customers and to serve as partners in helping customers grow and thrive in an ever-changing and complex operating environment.

Ensuring producers and agribusiness operators have access to needed capital through all economic cycles

FCC carefully balances the resources required to provide business and financial services to the industry, while continuing to control costs and operate efficiently to sustain its excellent financial performance and ability to serve industry in the future.

The industry is affected by volatility in commodity prices, adverse weather conditions, and livestock and crop diseases. FCC takes a long-term view and remains committed to customers and the industry by providing access to capital in difficult times.

FCC's commitment to the agriculture and agri-food sector was most evident in the financial crisis of 2009. As many financial institutions focused priorities away from agriculture, strong demand for credit from FCC resulted in a 2.7% increase in FCC's farm debt market share. As the financial crisis passed, other financial institutions refocused on Canadian agriculture. Their renewed presence in the market contributed to a more competitive environment for financing options, which was good for the industry and resulted in a moderation of FCC's market share.

In addition to ensuring steady access to credit for agriculture, FCC's long-term view of agriculture ensures consistent access to credit across sectors of the industry.

As well, FCC recognizes that certain regions and sectors can experience adverse weather, disease or other conditions that dramatically impact their operations. In 2017, FCC offered support to customers in parts of Ontario and Quebec who faced financial hardship due to excessive moisture during the growing season. In these regions, producers who were unable to seed or were forced to replant due to extreme rainfall, faced significant cash shortfalls. FCC worked with these customers to find solutions that reduced financial pressures caused by the excessive moisture. Similar supports were made available to producers in the Prairies who faced excessive moisture in the 2016 growing season and Alberta and Saskatchewan producers who dealt with drought conditions in 2015, as well as producers whose operations were affected by avian flu in 2014.

Supporting farm families, producers and businesses along the value chain enables them to grow and innovate

Access to capital allows producers, agribusinesses and agri-food enterprises to adopt innovative practices and business models that enable them to expand, lower production costs, develop new products, compete in global markets, and take advantage of new trade opportunities as they arise.

As a Crown corporation, FCC fills the financing gap that exists for small to medium-sized producers in the marketplace. FCC's competitive intelligence survey data indicates loans of less than $1 million encounter competition only 22% of the time. In contrast, loans greater than $1 million encounter competition approximately 53% of the time. Small and medium-sized producers are essential to the economic prosperity of rural Canada, but with loans of less than $1 million, they are not considered prime customers by many financial institutions. FCC understands that successful operations exist in all sizes and is a key partner to these smaller producers.

Supporting the next generation of Canadian producers and agribusiness owners

FCC understands the importance of young farmers and entrepreneurs to the industry. FCC has developed a number of programs and services specifically for the next generation. Products and services such as the FCC Transition Loan and Young Farmer Loan help intergenerational transfers and assist new farmers entering the industry.

FCC also supports and invests in young farmers through its FCC On Campus program. Young farmers are also encouraged to participate in live events, including FCC Forums, Ag Outlook and Ag Knowledge Exchange events, including FCC's new young farmer summit, Ignite. Online multimedia on fcc.ca complements the face-to-face programs with topics that include managing farm finances, human resources and succession planning.

Ensuring innovative agriculture firms have access to capital and expertise

FCC invests in venture capital funds dedicated to agriculture. These funds are managed by Avrio Capital. Avrio is able to attract other investors to its funds as well as to individual investment opportunities. These funds provide financing in the form of subordinated debt as well as mezzanine and equity instruments. FCC’s commitment to venture capital ensures capital and business expertise are available to growing and innovative firms that will help the industry reach new potential.

Keeping the industry competitive by sharing knowledge

Beyond lending, FCC is a supplier of agriculture-focused business insights and knowledge. FCC offers management workshops, learning events, multimedia tools, publications and management software to support customers and others involved in Canadian agriculture to succeed in an ever-changing and increasingly complex business environment.

FCC’s workshops and learning events, publications and multimedia tools are offered at no cost, and are designed with the industry in mind. By providing content and events that are engaging, motivational, innovative and actionable, FCC helps producers, agribusiness operators and others involved in Canadian agriculture to advance their management practices.

Fostering deeper public understanding of Canadian agriculture

Never before has there been greater interest in where food comes from and how it is produced. Consumers have many questions and it is important they receive their answers from those connected to the agriculture and agri-food industry.

Initiated by FCC, Agriculture More Than Ever (AMTE) is an industry cause designed to improve perceptions and create positive dialogue about Canadian agriculture by encouraging those involved in the industry to speak up and share their experiences, knowledge and stories.

By making industry partners and producers aware of the need to connect directly with consumers and the public, and by providing resources and online training to help them make those connections, FCC can help the industry protect its social licence to operate. Improved perceptions of Canadian agriculture also ensure the industry is better positioned to attract the talent and investment needed to grow and prosper.

Supporting the long-term viability of the industry by helping it improve public perceptions is good for Canadian agriculture, and for FCC’s long-term success. The AMTE cause has also allowed FCC to strengthen its relationship with essential industry stakeholders (customers, industry associations, business partners, influencers and others), many of whom are represented in AMTE’s more than 500 official partners.

In 2016-17, FCC and its AMTE partners initiated Canada's Agriculture Day to showcase the importance of Canadian agriculture and encourage people to share their stories to create a closer connection with consumers about where their food comes from and the people who produce it. The day was marked by over a hundred events across the country and included participation of industry associations, community groups, individuals and the media, with others joining the conversation via social media to share information, celebrate Canadian agriculture and earn trust with consumers. FCC will once again encourage those involved in agriculture to celebrate the industry on February 13, 2018.

Partnership with other financial institutions

Healthy marketplace competition and a choice of financing options are necessary for Canadian farmers and agribusinesses to be successful through all economic cycles.

Pricing is a fundamental element in FCC’s financial success and role in the marketplace. FCC is committed to pricing its loans consistent with the market. FCC strives to be neither the highest nor the lowest priced lender in the markets in which it competes.

Beyond ensuring financing choice in the marketplace, FCC partners with other financial institutions to offer innovative financing solutions to support the diverse needs of customers. FCC partners with credit unions to share information, explore opportunities for collaboration and address market and policy issues of mutual interest. FCC and credit unions have established a liaison committee to identify ways they can better work together. FCC continues to identify partnership opportunities through activities such as loan participation agreements, the provision of complementary services to producers and the development of mechanisms to facilitate co-operation at the local level. FCC also co-sponsors learning workshops and events with credit unions.

FCC and Canadian banks work together as financing partners to meet customer needs. The chartered banks often lead financing syndicates in which FCC participates. FCC provides input to both the syndicate and the customer based on its industry expertise. FCC has also signed memorandums of understanding with financial institutions to explore ways to partner in providing financial services.

Partnering with other Crowns to help the industry access new market opportunities
Ensuring producers, agribusiness and agri-food operators have access to international markets and can take advantage of opportunities created through trade negotiations is vital to the long-term success of the industry. FCC works with Export Development Canada (EDC), Business Development Bank of Canada (BDC) and other government agencies to explore ways to create opportunities for Canadian agribusiness and agro-operators, and to advance Canadian agriculture and agri-food. FCC collaborates with EDC and BDC to support access to international markets for Canadian agribusiness.

To improve access to international financing and risk management tools, FCC and EDC draw on each other's expertise, knowledge, processes and products for customers who require export and global investment solutions. FCC and BDC exchange information on a variety of topics such as existing and potential joint deals and referrals for business services.

Other government priorities

Canadian Agricultural Partnership
The *Canadian Agricultural Partnership* is a five-year, $3 billion investment by federal, provincial and territorial governments, and will come into effect on April 1, 2018. The agricultural policy framework will focus on six priority areas to advance the Canadian agriculture and agri-food sector:

- **Science, research, and innovation** (using science and innovation to improve resiliency and increase productivity)
- **Markets and trade** (opening new markets and helping farmers and food processors be more competitive through skills development, improved export capacity, and a strong and efficient regulatory system)
- **Environmental sustainability and climate change** (helping the sector reduce its greenhouse gas emissions, protect the environment and adapt to climate change by enhancing sustainable growth while increasing production)
- **Value-added agriculture and agri-food processing** (supporting continued growth of the value-added agriculture and agri-food processing sector)
- **Public trust** (building a firm foundation for public trust through solid regulations, improving assurance systems and traceability)
- **Risk management** (creating sector resilience through proactive, effective risk management, mitigation and adaptation)

FCC is committed to helping the industry grow and prosper, today and tomorrow. This year's strategic planning process included additional analysis on how FCC can further its commitment to help the industry close gaps in the six priority areas, as well as opportunities and needs identified in the Advisory Council on Economic Growth's report. FCC remains committed to partnering with Agriculture and Agri-Food Canada (AAFC), other Crowns and financial institutions and industry stakeholders to find creative solutions that will enable the industry to seize opportunities. For more on FCC's strategic direction and planned activity, see section 5.

Board appointments – supporting the Governor in Council appointment process

FCC and its Board of Directors are fully compliant with the government's new process regarding the appointment of directors. FCC has worked with the Deputy Minister's and Minister's offices to develop the director profile, notice of opportunity, selection criteria and advertising strategy with a view to attracting a diverse pool of qualified candidates. The selection process for new directors to replace those whose terms expired in 2017 is complete and the appointment of six new directors and the reappointment of one director took place in November 2017. There are currently no vacancies or members whose terms have expired.

Capital and dividend policy framework for financial Crown corporations

The Minister of Finance and President of the Treasury Board have formally rolled out the new capital and dividend policy framework. The framework represents significant collaboration between the Department of Finance and financial Crown corporations. FCC continues to work collaboratively to determine if there are any outstanding implementation needs. Ongoing efforts are focused on clarifying the government's risk appetite in terms of capital adequacy assessment.

The objectives of the framework are to ensure Crown corporations have appropriate methodologies in place to determine their capital adequacy requirements, that they effectively manage their capital in relation to risk and that dividends are paid to the shareholder when capital is in excess of the levels required to deliver on their mandates. The framework also outlines minimum disclosure expectations related to risk, capital and financial performance.

FCC is fulfilling the new requirements with a well-established, Board-approved capital management policy and internal capital adequacy assessment process (ICAAP). FCC's corporate plan disclosures and dividend policy were updated last year to incorporate the new requirements. FCC's preparedness for the new framework reflects its commitment to prudent financial and risk management practices.

Diversity and inclusion

As a federal Crown corporation, FCC is committed to building a workforce that reflects the diversity of its customers and the Canadian workforce as a whole. To this end, FCC undertakes a number of tactics identified in a three-year diversity and inclusion plan in an effort to ensure FCC is a welcoming and inclusive workplace and that it can attract and retain talent from diverse backgrounds. The activities outlined in FCC's diversity strategy are supportive of the Government of Canada's commitment to diversity and inclusion.

An Indigenous Affinity Group (IAG) has been formed at FCC with an emphasis on supporting a more inclusive workplace that honours indigenous culture, history and traditions and enables Indigenous employees to reach their full potential. The IAG has input into strategies and tactics that will influence the growth, development and retention of Indigenous employees at FCC.

FCC has a partnership with the University of Regina's Campus for All program, which provides learning opportunities for students with intellectual disabilities. After completing courses on campus, students are matched to employers who can offer them meaningful, customized, part-time employment opportunities. FCC has successfully hired five students from the program and plans to grow its involvement. For its commitment to hiring persons with disabilities through this program, FCC was honoured to receive the Saskatchewan Association of Rehabilitation Centres (SARC) Employer of Excellence award.

FCC's environmental performance

FCC is committed to improving the environmental performance of its internal operations, as well as supporting the industry with tools and knowledge to do the same.

FCC takes steps to minimize its impact on the environment. FCC works with its landlords to implement energy-saving initiatives in its buildings. FCC presently uses its 2012 emissions data as its benchmark. Since that time, FCC has reduced emissions by 7%.

Energy-efficient upgrades to office space have resulted in a 6% emission reduction compared to 2012 levels, while reductions in air and vehicle travel have resulted in a 10% reduction in travel emissions. Emissions from paper usage is down 25% when compared to 2012 levels.

FCC continues to implement programming designed to support employees in reducing their impact on the environment, such as a carpool program for corporate office employees, and will continue to look for opportunities to engage employees in improving FCC's environmental footprint.

Results and delivery
As a federal Crown corporation, FCC is committed to making a difference in the lives of Canadians by supporting a strong, vibrant and sustainable Canadian agriculture and agri-food sector, which in turn supports a strong, food secure and sustainable Canada.

The Canadian agriculture and agri-food system contributes more than $100 billion annually to the Canadian economy, and is responsible for one in eight Canadian jobs. FCC plays a vital role by offering financing, knowledge and other specialized services to the primary producers, family farms and agribusiness and agri-food operators who are foundational to the success of Canada's agriculture and agri-food system.

By achieving its mandate through the provision of specialized products, services, knowledge and support to Canadian producers and agribusiness and agri-food operators, FCC serves as a trusted partner, enabling them to continue to create good jobs and opportunity in rural communities across the country, and to serve as drivers of the Canadian economy. For a summary of the results FCC will deliver for its customers, the industry and all Canadians, along with expected outcomes and key performance indicators and targets, see Results Commitment Annex B.

Employee health and well-being
FCC knows that a healthy workplace, including one that supports the mental well-being of employees, is critical to employee engagement and FCC's ability to deliver an outstanding customer experience.

FCC's mental health strategy, informed by aggregate employee health data and employee feedback, was initiated in Q4 of 2016-17. In 2017-18, FCC took additional steps to help leaders gain knowledge to recognize signs and symptoms of mental health issues among team members. FCC partnered with Mental Health First Aid Canada to offer the Mental Health First Aid Basic course to all employees with people-management roles and to employees who work closely with customers who may be experiencing financial challenges. The Mental Health First Aid Basic course is a two-day course, offered on multiple dates and in many locations across the country, which gives attendees knowledge to recognize a potential problem or intervene if a member of their team experiences a crisis.

As well, FCC offers Employee and Family Assistance Program services to employees, which includes access to confidential professional counselling services for employees and their family members.

Government directives

Employee pensions and compensation
The federal government has a broad objective of ensuring affordable and financially sustainable Crown corporation pension plans that are consistent with the terms of the Public Service Pension Plan. FCC received the government's pension directive by Order in Council P.C. 2017-0242 dated March 10, 2017, which repealed Order in Council P.C. 2014-1377.

The Board and FCC are committed to offering employees compensation, benefits and a pension that is fair, competitive and sustainable over the long term. Attracting and retaining talent is critical to the success of every business. FCC reviews total cash compensation annually and presents the results to the Board's Human Resources Committee for approval. FCC's compensation team compares the corporation to a consistent group of public and private organizations comparable in size, geography, industry and sector. Total cash compensation includes base pay and pay-at-risk. FCC does not offer long-term incentives.

Travel and hospitality
Treasury Board updated the Directive on Travel, Hospitality, Conference and Event Expenditures in April 2017. FCC implemented the changes effective September 1, 2017. FCC continues to ensure travel, hospitality, conferences and event expenditures are managed with prudence and probity and represent the most economic and efficient use of funds given the nature of the activity in relation to the achievement of its core mandate.

FCC has taken steps to improve transparency and communication to the public on its management of travel and hospitality expenditures. FCC's expense policies, along with reporting on total annual expenditures for travel, hospitality and conferences and quarterly travel and hospitality expenditures for the Enterprise Management Team and Board of Directors, are available on FCC's website.

Other corporate commitments

FCC's people strategy
Great leadership and a healthy culture are the foundation of FCC's people strategy. FCC will continue to focus on deepening its culture of 100% accountability and committed partnerships. How leaders behave and connect with their team members and their corporate partners is the single most important factor in supporting FCC's culture and creating a healthy employee experience.

FCC has developed a new three-year strategy (2018-19 to 2020-21) that will maintain its emphasis on developing leaders who model FCC's culture. The strategy focuses on providing leaders with tools and learning to help them develop and grow their leadership. It also includes tactics to continually reinforce FCC's culture with all employees, providing guidance and learning on how to apply the FCC cultural practices at work.

FCC's people strategy is also focused on improving employee learning so employees have the foundational knowledge and information they need to do their jobs with confidence. FCC is also committed to making career development an ongoing priority. FCC supports all employees in having personal development plans that will help them grow in their current roles and prepare for future opportunities. FCC is also working with senior leaders to identify and develop high-potential employees, ensuring it has a pipeline of talent to fill leadership roles across FCC in the future.

3.0 Corporate profile

FCC reports to Parliament through the Minister of Agriculture and Agri-Food. FCC provides financing and other services to more than 100,000 customers[1]. Operating from 100 offices located primarily in rural communities, its more than 1,800 employees are passionate about the business of agriculture.

FCC's roots date back to 1929, when the Canadian Farm Loan Board (CFLB) was established to provide long-term mortgage credit to farmers. In 1959, the *Farm Credit Act* established FCC as an agent Crown corporation named in Part 1 of Schedule III of the *Financial Administration Act*, making FCC the successor to the CFLB.

In 1993, the *Farm Credit Corporation Act* was proclaimed into law, expanding FCC's mandate and broadening its lending powers. Under the new mandate, FCC could provide financial services to farming operations, including individuals, farming corporations and farm syndicates, under the authority of one act.

In 2001, the *Farm Credit Canada Act* received royal assent, allowing FCC to offer an even broader range of services to producers, agri-food operations and agribusinesses.

3.1 FCC's vision

The following vision keeps employees focused on the future state:

The full agriculture and agri-food value chain believes FCC is advancing the business of agriculture. We are the place to obtain financial products, services and knowledge tailored to producers and agribusiness operators. Our customers are advocates of FCC and can't imagine doing business without us. We are a socially and environmentally responsible corporation. FCC is an employer of choice everywhere we operate. We make it easy for customers and employees to do business. We are financially strong and stable, and invest significantly in the agriculture and agri-food industry.

3.2 FCC's public policy

FCC's public policy role is the foundation to everything FCC does in advancing the business of agriculture across Canada. The priorities reflect the federal government's mandate in supporting the agriculture sector to be a leader in job creation and innovation. Public policy information is available on FCC's website under About FCC>Governance>Public policy.

3.3 Corporate citizenship

Corporate values

FCC is committed to advancing the business of agriculture. It does this by setting its sights high, working to benefit its customers and helping its employees achieve their full potential. FCC's corporate values represent its core beliefs. The corporate values are available on FCC's website under About FCC>Who We Are> Mission, Vision, Values.

Corporate social responsibility

FCC conducts business in a socially and environmentally sustainable manner, paying attention to the needs of customers, employees, local communities, the industry and Canadian society as a whole.

Corporate social responsibility (CSR) is part of FCC's values and it guides how FCC operates. In 2017-18, FCC released its seventh annual CSR report for the 2016-17 fiscal year, which is available on FCC's website under About FCC>Corporate Social Responsibility.

FCC strives to be a responsible corporate citizen in all areas of its operations. Sound governance and transparency are principles that guide FCC's CSR

[1] FCC customers include all customers with an active loan balance who are primary borrowers, co-borrowers or guarantors for personal and corporate loans, including primary production, agribusiness and agri-food, and alliances.

practices. The corporation acts with integrity and is accountable to stakeholders in accordance with all laws and with high ethical standards.

FCC believes that being a good corporate citizen is the right thing to do and makes good business sense. FCC's CSR activities support its business strategy and help position it for long-term success.

FCC's CSR framework is comprised of five areas:

Agriculture and food
FCC supports the development of a sustainable, competitive and innovative Canadian agriculture industry. FCC does this by providing knowledge and education, and by supporting initiatives and forming partnerships that advance the business of agriculture.

Community
FCC fosters strong and vibrant communities where its customers and employees live and work, with a focus on rural Canada.

Customers
FCC focuses on primary producers, as well as suppliers and processors along the agricultural value chain. The corporation provides customers with flexible and competitively priced financing, insurance, software, learning programs and other business services.

Employees
FCC fosters a culture of accountability, partnership and diversity – and delivers an exceptional employee experience.

Environment
FCC improves its environmental performance and supports the industry with tools and knowledge to do the same.

Cultural practices

In addition to its corporate values, FCC's cultural practices outline the behaviours that employees and Board members are expected to demonstrate with colleagues, customers, partners, suppliers and stakeholders.

3.4 Corporate governance

Board of Directors

The FCC Board of Directors represents Canadians and the breadth of the agriculture and agri-food industry. Its expertise contributes significantly to the corporation's mandate and strategic direction. The Board ensures FCC remains focused on its vision, mission and values, and fulfilling its public policy role.

Board members are appointed by the Governor in Council upon the recommendation of the Minister of Agriculture and Agri-Food. Except for the President and CEO, Board members are independent of management.

The Board is composed of 12 members, including the President and CEO and the Chair. They bring a combination of agriculture, business and financial experience to the task of governing a Crown corporation that serves an increasingly complex industry. The full biographies of Board members are available on FCC's website under About FCC>Corporate Profile>Board of Directors.

The Board and committees typically meet five times each year. Four of these meetings are regular business meetings held at FCC's corporate office in Regina. The remaining meeting is the Board's strategic planning meeting. This meeting is held in conjunction with the corporation's annual public meeting, which is held in a different location each year to give Board members an opportunity to meet with employees, customers and stakeholders from different parts of the country, providing them with a better appreciation of the issues facing the industry across Canada.

The Board is responsible for the overall governance of FCC. It ensures business activities are in the best interests of the corporation and the Government of Canada, as required by the *Farm Credit Canada Act* and the *Financial Administration Act*. Board members exercise a stewardship role, participate in the strategic planning process and approve the corporation's strategic direction and corporate plan. The Board also exercises its responsibility to ensure risks associated with FCC's business have been identified. The Board ensures appropriate authorities and controls are in place, risks are properly managed and the achievement of the corporation's goals and objectives is not in jeopardy.

The President and CEO is responsible for the corporation's day-to-day operations. The roles and responsibilities of the Chair, Board members, the President and CEO and all Board committees are set out in written profiles and charters that are available on request. These documents articulate the Board's responsibility in six major areas:

- corporate governance
- financial reporting and public disclosure
- government relations and CSR
- integrity – legal and ethical conduct
- leadership development
- strategic planning and risk management

The Board has four sub-committees: Audit, Corporate Governance, Human Resources and Risk.

Audit Committee members are independent of FCC management. All members are financially literate and the committee chair is considered a financial expert.

The Audit Committee oversees the integrity, accuracy and timeliness of FCC's financial reporting. The committee also oversees FCC's internal audit function to ensure compliance with laws, regulations and ethical conduct. This includes ensuring an ongoing working relationship between FCC and the Office of the Auditor General of Canada.

The **Corporate Governance Committee** reviews and makes recommendations to the Board with respect to sound governance practices. It oversees FCC's strategic planning process and CSR program. It also acts as the Board's nominating committee.

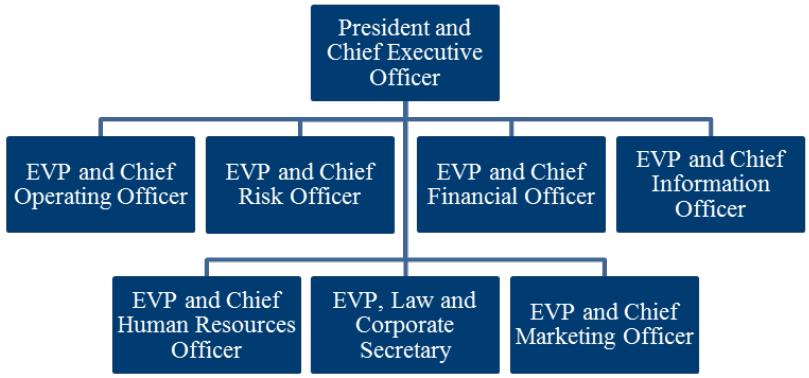
The committee regularly reviews the number, structure and mandate of Board committees, and is responsible for evaluating the performance of Board members, committees and the Board as a whole. The committee also oversees FCC's policies on ethics, conflicts of interest and codes of conduct for employees and Board members.

The **Human Resources Committee** reviews all major human resources policy matters. The committee is responsible for reviewing the corporation's compensation structure, pension plans, succession plan, corporate learning programs for employees and executive perquisites program. The committee also provides support to the President and CEO's selection, goal setting and performance reviews.

Risk Committee members are independent of FCC management. The Risk Committee has a broad mandate to assist the Board in fulfilling its oversight responsibilities of risk management.

FCC has an established enterprise risk management process designed to identify potential events that may affect business operations. The committee helps define the corporation's overall risk appetite and sets risk tolerances against which the business is measured, monitored and controlled. The committee is also responsible for reviewing and approving the corporation's risk management policies and overseeing its performance against the risk appetite.

Enterprise Management Team (EMT)



EMT consists of the President and CEO and Executive Vice-Presidents. Bound by the FCC Code of Conduct and Ethics, the corporation's senior leaders adhere to the highest ethical standards of business, professional and personal conduct. All executives, with the exception of the President and CEO, are paid within the salary ranges and compensation policies approved by the Board. The Governor in Council establishes the President and CEO's compensation.

EMT is responsible for business results and corporate decision-making, including the strategic vision, allocation of enterprise resources and resolution of major strategic issues. Biographies are available on FCC's website under About FCC>Leadership.

Senior Leadership Team (SLT)

SLT consists of the President and CEO, Executive Vice-Presidents and Vice-Presidents. This team provides input on setting corporate priorities to achieve strategic objectives consistent with FCC's mandate and approved direction.

Governance framework

In addition to the Board, EMT and SLT, FCC has established a governance framework, including the following committees, to guide corporate decision-making.

The **Asset Liability Committee** (ALCO) directs the corporation's business and financial performance relative to the approved strategy and risk appetite statement. This includes loan pricing direction, management of net interest margins, portfolio diversification and liquidity investment, integration with corporate strategies and financial planning, and achievement of portfolio return targets.

The **Credit Committee** assesses the credit risk on loan applications from larger customers to ensure loan proposals fall within desired risk tolerances and credits are properly structured and have appropriate conditions. They also ensure other factors such as customer reputation risk and loan pricing relative to risks have been effectively considered.

The **Credit Policy Committee** oversees the development of lending, leasing and custom policies and ensures they reflect FCC's credit risk tolerance, risk culture and industry best practices, complying with applicable laws and regulations.

The **Enterprise Risk Management Committee** advises the Chief Risk Officer (CRO), oversees enterprise risk management governance and risk management practices, and promotes a risk culture at FCC in co-ordination with EMT. The committee oversees the management of corporate risks, which includes providing input on the corporate risk appetite and tolerances, and risk policies and practices. The committee provides recommendations and information to the CRO, the Board's Risk Committee and the Board.

The **Horizon Steering Committee** provides strategic direction to EMT on compensation and performance management processes. The committee also evaluates all jobs in relation to FCC's classification system.

The **Pension Management Committee** provides advice to the Board's Human Resources Committee to ensure the effective operation and prudent oversight of the pension program. It ensures the pension plan is funded and administered in accordance with the *Pension Benefits Standards Act* and *Income Tax Act*, and fulfils FCC's role as plan administrator by monitoring and reviewing funding, investing and risk management activities. The committee also promotes awareness and understanding of the retirement program.

The **Pricing Committee** provides advice to ALCO on all issues related to the pricing of loans. It monitors and makes modest pricing adjustments as per FCC's margin targets. It regularly reports to ALCO on pricing performance and issues, and makes recommendations to ALCO for the approval of material pricing adjustments.

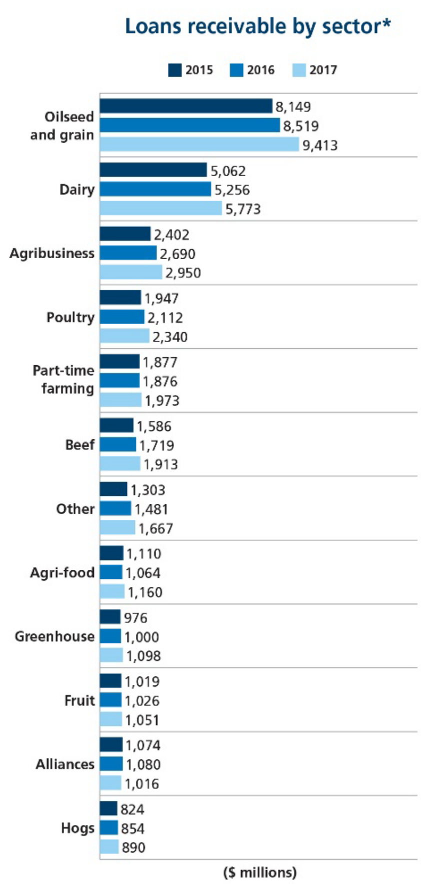
The **Strategy Execution Team** approves corporate projects that enable the execution of the business strategy.

The **Venture Capital Committee** approves commitments of capital to third-party fund managers for venture capital investments.

3.5 FCC loan portfolio

Portfolio by sector

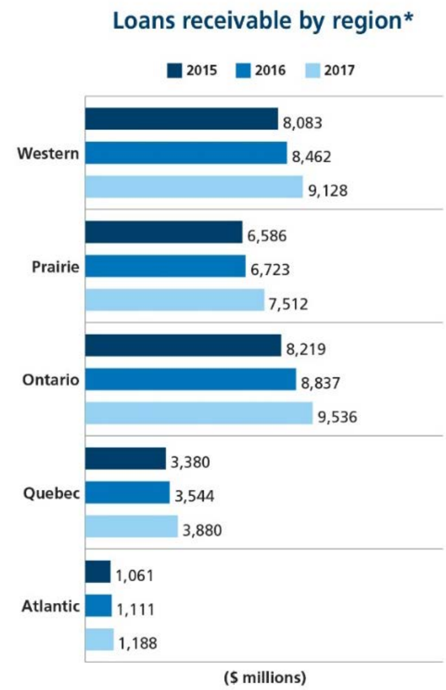
FCC lends to all sectors in the agriculture and agri-food industry. This diversifies FCC's lending portfolio and reduces sector-specific risks.



*Excludes deferred loan fees.

Portfolio by geographic area

By lending to all sectors of the industry across Canada, FCC is able to spread risk geographically while supporting the industry across Canada.



*Excludes deferred loan fees.

3.6 Financial services industry

The agriculture market is served by chartered banks, credit unions, provincial lending agencies, equipment manufacturer financing programs, crop input financing programs and independent financing institutions. Nationally, the main lenders are FCC, chartered banks and credit unions.

According to the Office of the Superintendent of Financial Institutions and the Canadian Credit Union Association, Canada currently has:

- 32 domestic banks (including six major chartered banks)
- 55 foreign bank branches and subsidiaries
- 44 trust companies
- 68 life insurance companies
- 275 credit unions and caisses populaires outside of Quebec

Provincial government Crown corporations or agencies that serve agriculture include:

- ATB Financial
- Agriculture Financial Services Corporation
- Finance P.E.I
- La Financière agricole du Québec
- Manitoba Agricultural Services Corporation

- New Brunswick Agricultural Development Board
- Nova Scotia Farm Loan Board

Market share

According to Statistics Canada, farm debt outstanding increased by 7.3% to $96 billion in 2016. While FCC's market share for both mortgage debt and non-mortgage debt decreased in 2016 by 0.17% and 0.35% respectively, the overall increase in FCC's farm debt outstanding of 7.96% resulted in an overall market share at 28.02%, up 0.16% from 27.86% in 2015.

FCC's portion of Canada's outstanding farm debt at $26.90 billion remained second only to the chartered banks at $36.10 billion.

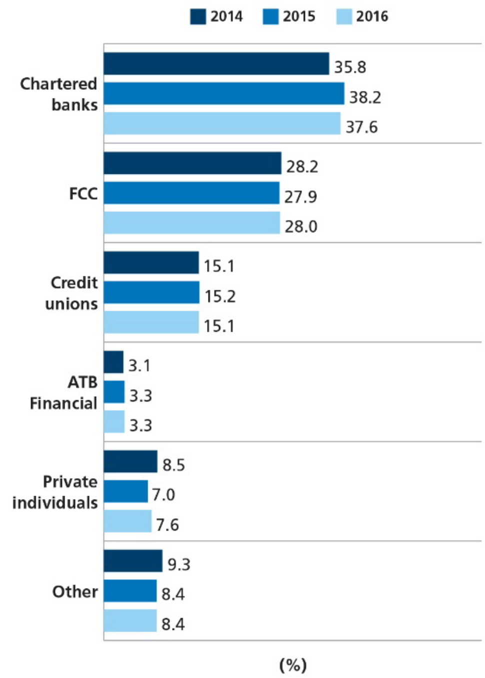
FCC had an increase in market share for the first time in three years, and had the largest percentage increase in market share in Canada. The corporation grew its lending portfolio by $2.6 billion in 2016, an increase from $1.3 billion the previous year.

The chartered banks had the largest percentage decrease in market share in 2016. Their market share decreased 0.63% to 37.60%, showing decreases in both mortgage and non-mortgage debt.

The credit union market share decreased slightly by 0.17% to 15.06% market share in 2016.

Provincial government agencies have stayed fairly consistent, decreasing market share in 2016 by only 0.05%. ATB Financial decreased its market share by 0.04% in 2016 to 3.27%.

Market share as at December 31*



*Historical results are updated annually by Statistics Canada.

4.0 | Agriculture and agri-food macroeconomic outlook and internal performance highlights

Macroeconomic outlook

The Canadian economy is expected to experience the strongest economic growth of all G7 countries in 2017 and strong to moderate growth over the forecast period. Broad-based improvements across the Canadian economy are forecast to help sustained growth. The European economy continues to expand with the support of significant government stimulus and the U.S. economy continues to strengthen. This is resulting in improved export opportunities for Canadian businesses.

The net result will be gross domestic product growth of between 3.5% and 4.0% in 2017 and economic growth between 1.5% and 2.5% per year over the five-year forecast period, based on average market forecasts. As compared to growth of 1.0% in 2014 and 1.4% in 2016. Strong economic growth and lower unemployment will support the Bank of Canada's ability to increase its interest rate to a more normalized rate. The Bank of Canada is projected to increase interest slowly through 2018 and 2019. As a result, mortgage rates for borrowers are expected to increase, but remain historically low. Interest rates average 9.05% through the 1990's and nearly 6.3% in the 10 years prior to the financial downturn (2000 to 2009). By the end of 2022, the average five-year mortgage rate is projected to be 5.3%. Strong to moderate economic growth will help keep a lid on inflation, which is projected to average 2.0% over the five-year period, and within the target range of the Bank of Canada. A stable but relatively low-priced oil market should continue to support a Canadian dollar lower than the U.S. dollar. The Canadian dollar is projected to stay in the range of $0.77 – $0.81 USD over the five-year period.

Canadian agriculture financial health

In 2016, total liabilities on Canadian farms increased at a faster pace than asset values for the first time in over five years. Farm debt increased 7.3%[2], while asset appreciation was 5.0%[3]. This is a trend that was consistent across all provinces. Statistics Canada's agriculture balance sheet signals an overall healthy financial picture for Canadian farms:

1. Liquidity – In 2016, the current ratio decreased from 253% to 231%, its lowest point since 2007. The most recent five-year average is 257%. While the liquidity position is slightly lower than the five-year average, Canadian farms remain in a strong financial position.
2. Solvency – In 2016, total farm debt increased faster than total assets. As a result, the debt-to-asset ratio increased and points in a different direction than the past six years. Despite the small increase, the debt-to-asset ratio remains historically low at 15.4 %, compared to the previous five-year average of 15.3% and the 10 -year average of 16.1%.
3. Profitability – In 2016, record net income resulted in an increase in the profitability ratio (net income to total assets) to 2.7% from 2.5% in 2015. The five-year average is 2.8%.

Canadian agriculture remains strong

In 2016, farm cash receipts increased 0.5% to a record $60.0 billion due to strong crop receipts, according to Statistics Canada. Strong farm revenues resulted in net farm income reaching $9.5 billion, the second highest in history behind 2013. Farm revenue continues to be supported by the Canadian dollar trading below the U.S. dollar as most commodities are priced in U.S. dollars. This also gives Canadian agriculture exports a competitive advantage relative to the world market. Canadian agriculture is projected to stabilize over the next five years as growth in farm revenue slows, the appreciation of farmland and buildings moderates, and the appreciation in farm debt market slows.

A rebuilding of world livestock (cattle and hogs) and grains and oilseeds supplies[4] has put downward pressure on commodity prices, softening farm cash receipt forecasts. However, the Canadian dollar will continue to support the competitiveness of Canadian

[2] Statistics Canada. Table 002-0008 - Farm debt outstanding, classified by lender, annual (dollars) (accessed: December 11, 2017)
[3] Statistics Canada. Table 002-0020 - Balance sheet of the agricultural sector, annual (dollars x1,000)

[4] USDA WASDE

agriculture that is dependent on exports. Producers will seek to cut costs and increase productivity to minimize the impact of softer commodity prices, potentially leading to strong agricultural output. Total farm cash receipts are projected to be stable over the five-year period, with average farm cash receipts expected to grow between 1.0% and 2.0% per year over the next five years compared to the average growth of 3.9% over the previous five years, 2012 to 2016[5].

Slower growth in farmland and building values

The combination of a low interest rate environment and stable farm revenue will continue to provide underlying support in farm asset values. Farmland and buildings represent the largest component of Canadian farm assets. Over the past five years, farmland and buildings values averaged growth of 10.8% per year. Growth in farmland and buildings values peaked in 2013 at 15.7%, and the upward trend has since slowed in 2014, 2015 and 2016 (10.5%, 9.0% and 7.0%)[6].

The trend of slowing appreciation in farmland and buildings is forecast to continue in Canada. Interest rates are expected to increase over the next five years and farm cash receipts are predicted to grow at a slower rate than the previous five-year period. Farmland and buildings values are expected to continue to grow in 2017 and 2018 and then remain steady, or potentially decline slightly, in 2019 through 2022.

Growth in the farm debt expected to slow

Growth in Canadian farm debt is expected to slow in 2017 as the growth in farmland and buildings values is forecasted to slow. Many Canadian agricultural sectors evolve in a closely integrated North American marketplace. As such, a majority of farm equipment and inputs are priced in U.S. dollars. Many producers have been cautious about investment following the depreciation of the Canadian dollar, which raised the price of equipment. Total tractor sales were down 9.6% in 2016 as compared to 2015[7]. Farm equipment sales are forecast to recover in 2017 and 2018. Total tractor sales are forecast to increase 13.1% in 2017 and 9.1% in 2018.

Farm debt outstanding is projected to average growth between 2.0% and 3.0% per year for the next five years as compared to growth of 7.0% over the previous five years[8]. The long-term (30 years) average in farm debt outstanding growth has been 4.8% per year.

Canadian agriculture expected to stabilize and farm financials expected to remain healthy

Overall, the Canadian economy is expected to expand with growth in all sectors. Improved economic growth is expected to support slow increases in interest rates and stability in the Canadian dollar. After years of strong commodity prices, farm revenue is expected to moderate, the appreciation in asset values is expected to soften, and growth in farm debt is expected to slow.

Despite some potential challenges facing Canadian agriculture from both the macroeconomic perspective and in the agriculture sector, the overall outlook for Canadian agriculture remains positive because of the growing demand for agricultural commodities.

Growth in food and beverage manufacturing remains strong

The Canadian agri-food sector continued to expand domestic demand for agriculture commodities and add value to the Canadian economy. Canada's agri-food sector continued to expand faster than the overall economy in 2016. Food and beverage grew approximately 4.5% in 2016, more than double to growth rate of the overall Canadian economy (1.4%). The food manufacturing sector led the overall strong agri-food growth. Food manufacturing grew 5.0% in 2016, while beverage manufacturing increased 2.3%.

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[5] Statistics Canada. Table 002-0009 - Net farm income, annual (dollars)

[6] Statistics Canada. Table 002-0003 - Value per acre of farm land and buildings, at July 1, annual (dollars)

[7] FCC Ag Economics: Economic Snapshot of Canada's Equipment Sector July 2017.

[8] Statistics Canada. Table 002-0008 - Farm debt outstanding, classified by lender, annual (dollars)

4.1 2017-18 Planned performance

4.1.1 Planned performance – 2017-18 corporate scorecard

The 2017-18 corporate scorecard summarizes the corporate measures, plan targets and projected results for the 2017-18 fiscal year (as of September 30, 2017).

Sustainable business success

Measures	2016-17 Actual results	2017-18 Plan	2017-18 Results
Net income	$613.8 million	$570.5 million	Ahead – 2017-18 net income is projected at $647.2 million
Return on equity (ROE)	11.3%	10.2%	On track – 2017-18 ROE is projected at 11.1%
Total capital ratio	16.3%	16.3%	On track –2017-18 capital adequacy ratio is projected at 16.2%
Efficiency ratio	36.6%	38.7%	On track – 2017-18 efficiency ratio is projected at 36.4%
Young farmer lending	$3.2 billion	$2.89 billion	On track – total lending to young farmers as at September 30, 2017 is $1.73 billion
Percentage of customer count in small and medium-sized segments	80.8%	> 80%	On track – percentage of customers in small and medium-sized segment as at September 30, 2017 is 81.3%

Great customer relationships

Measures	2016-17 Actual results	2017-18 Plan	2017-18 Results
Customer Experience Index (CEI)	64.6%	62.0%	On track – CEI results as at September 30, 2017 is 65.76%
Easy to do business CEI measure	63.9%	62.5%	On track – Easy to do business CEI results as at September 30, 2017 is 64.70%
FCC Learning post-event survey – attendees "likely to use information"	4.7	≥ 4	Results available March 31, 2018

*Note: CEI measure discontinued as of September 30, 2017.

Execution excellence

Measures	2016-17 Actual results	2017-18 Plan	2017-18 Results
Employee engagement - easy to do business	77.4% (0.8 less than the average)	Greater than the average of the Platinum and Gold employers	77.8% (0.2% greater than the average)

Effective ERM

Measures	2016-17 Actual results	2017-18 Plan	2017-18 Results
ERM maturity measure	3.6	>3.5	Results available March 2018

High-performance culture

Measures	2016-17 Actual results	2017-18 Plan	2017-18 Results
Leadership index – subset of employee engagement survey data with respect to leadership indicators	78.7% (5% greater than the average)	Greater than the average of the Platinum and Gold employers	79.5% (6% greater than the average)
Employee engagement	82.0% (4% greater than the average)	Greater than the average of the Platinum and Gold employers	85.0% (7% greater than the average)
Employee experience – employee experience indicators	78.2% (2.5% greater than the average)	Greater than the average of the Platinum and Gold employers	79.8% (3.8% greater than the average)
Diversity measure	32 diversity employees hired	Hire 24 new diversity candidates from the designated groups where FCC has gaps	On track – 16 new hires as at September 30, 2017

4.1.2 Operational and financial highlights

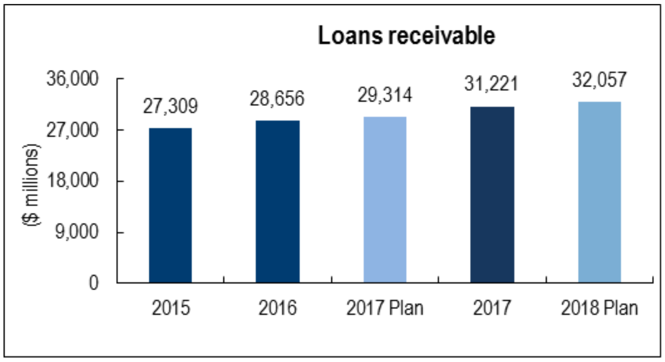
For the years ending March 31

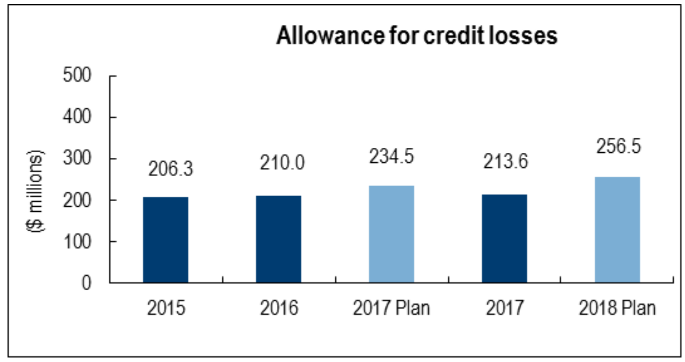
	2015	2016	2017
Loans receivable portfolio			
Number of loans	147,230	143,700	143,952
Loans receivable ($ millions)	27,309	28,656	31,221
Growth in loans receivable (%)	4.2	4.9	9.0
Impaired loans as a percentage of loans receivable (%)	1.1	0.8	0.6
Consolidated balance sheet ($ millions)			
Total assets	28,616	29,951	33,014
Total liabilities	23,761	24,597	27,273
Total equity	4,855	5,354	5,741
Consolidated income statement ($ millions)			
Net interest income	933.1	986.5	996.7
Provision for credit losses	(281.4)	42.6	19.3
Non-interest income	20.8	28.8	19.6
Administration expenses	328.7	352.4	371.1
Fair value adjustment	(2.7)	(4.8)	(12.1)
Net income	903.8	615.5	613.8

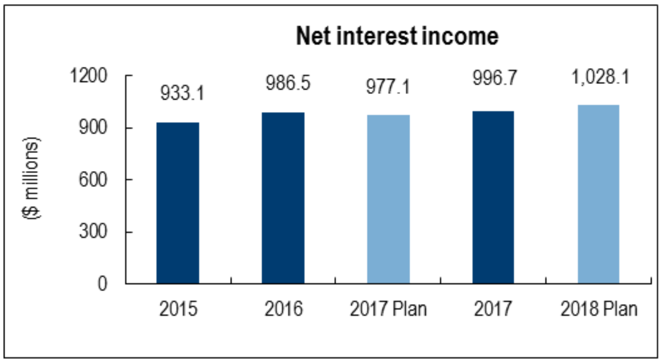
Key results

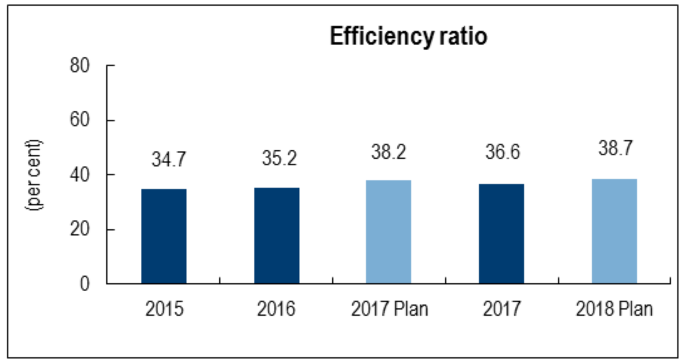
FCC continued to produce strong financial results in 2016-17. Growth in loans receivable was $2.6 billion, or 9.0%, which was due to the strength of the agriculture industry and FCC’s ability to keep pace through its focus on enhancing the customer experience. Net interest income increased by $10.2 million and equity growth contributed to the maintenance of a sound capital position.

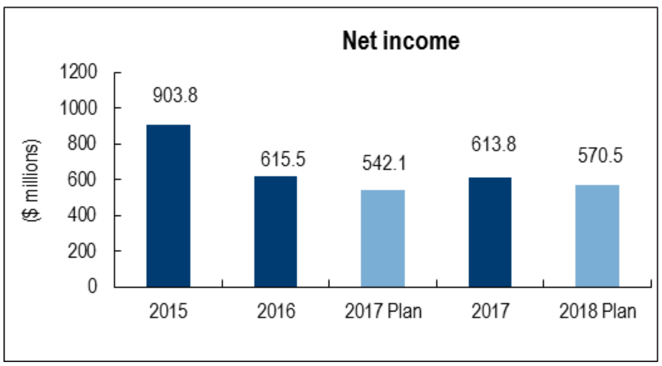
- In 2016-17, portfolio growth was above the plan by $1,907 million due to growth in lending to both primary production and agribusiness and agri-food and represented growth of 9.0% over 2015-16.
- The allowance for credit losses was lower than the plan by $20.9 million, mainly due to improved portfolio health.
- Net interest income was $19.6 million higher than plan, increasing to $996.7 million mainly due to higher than plan loans receivable, offset by a decrease in net interest margin.
- The 2016-17 efficiency ratio of 36.6% was lower than plan due to higher than expected net interest income and lower than expected administration expenses.
- Net income was $71.7 million above plan, mainly due to lower than plan provision for credit losses and higher net interest income.
- Return on equity exceeded the plan mainly due to higher than plan net income.

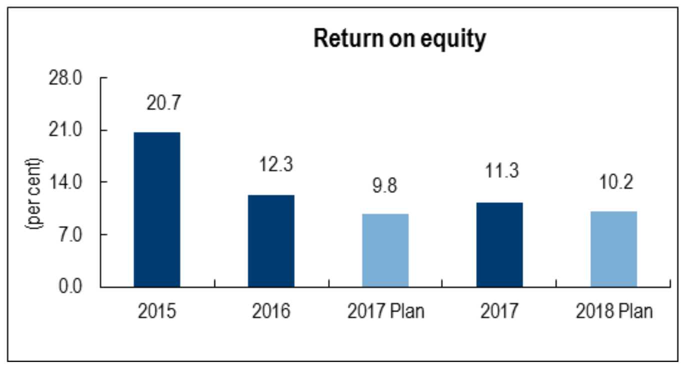

Loans receivable
36,000
27,000
18,000
9,000
0
($ millions)
27,309
28,656
29,314
31,221
32,057
2015
2016
2017 Plan
2017
2018 Plan


Allowance for credit losses
500
400
300
200
100
0
($ millions)
206.3
210.0
234.5
213.6
256.5
2015
2016
2017 Plan
2017
2018 Plan


Net interest income
1200
900
600
300
0
($ millions)
933.1
986.5
977.1
996.7
1,028.1
2015
2016
2017 Plan
2017
2018 Plan


Efficiency ratio
80
60
40
20
0
(per cent)
34.7
35.2
38.2
36.6
38.7
2015
2016
2017 Plan
2017
2018 Plan


Net income
1200
1000
800
600
400
200
0
($ millions)
903.8
615.5
542.1
613.8
570.5
2015
2016
2017 Plan
2017
2018 Plan


Return on equity
28.0
21.0
14.0
7.0
0.0
(per cent)
20.7
12.3
9.8
11.3
10.2
2015
2016
2017 Plan
2017
2018 Plan

5.0 | Strategic themes, objectives, and performance measures

5.1 Strategic planning process

FCC's strategic planning process engages FCC's Board of Directors, Enterprise Management Team (EMT) and Senior Leadership Team (SLT). Their direction, along with external operating environmental inputs, leads to the development of the corporation's business strategy.

The business strategy is used to develop divisional plans. All employees receive a high-level summary of their divisional objectives, initiatives and measures, which are incorporated in the team and employee objectives used to evaluate performance annually.

The corporate plan is an output of the strategic planning process. It outlines how FCC will achieve its vision, mission and value proposition.

Strategy development

FCC uses a modified balanced scorecard approach to develop strategic plans, monitor implementation and measure progress against the business strategy.

At the start of the strategy process, FCC looks at the needs of customers, employees, stakeholders and the public. This information is analyzed to determine if there are new opportunities where FCC can focus to meet the needs of its stakeholders.

Following the needs assessment, FCC defines desired outcomes by examining FCC's vision, mission, values, cultural practices, strategic parameters and the internal and external business operating environment review.

This year's strategic planning process included additional analysis on how FCC can further lean into its mandate and help the industry close gaps in the six strategic areas identified in the Canadian Agriculture Partnership, as well as opportunities and needs identified in the Advisory Council on Economic Growth report. FCC remains committed to partnering with AAFC, other Crowns and financial institutions and industry stakeholders to find solutions that will enable the industry to seize opportunities.

FCC's strategic playing field, including FCC's portfolio vision, capital adequacy and agriculture economic review, directionally informs operating assumptions. These assumptions are vetted against strategic and operational enterprise risks to ensure all risks are accounted for in the business strategy.

These assumptions are considered together to develop the desired critical outcomes for each of the strategic themes.

To activate and implement the desired critical outcomes, FCC establishes corporate objectives and initiatives that include detailed action plans. Corporate measures and one to five-year plan targets to measure the objectives set out in the strategy are put in place and monitored through the corporate scorecard.

FCC uses a strategic asset model as a framework for evaluation. Strategic assets are the reasons customers choose FCC over its competitors. They cannot be easily duplicated and are critical to the corporation's long-term success. If strategic assets are not sustained or grown, corporate results may be jeopardized.

Based on the results of a strategic asset evaluation, the corporation determined that great customer relationships are the primary reason customers choose to do business with FCC. It was also determined that FCC's high-performance culture is foundational to great customer relationships, as illustrated in the corporate strategy map (section 5.3). Together, these two themes feed into the sustainable business success theme, contributing to the success of FCC and Canada's agriculture and agri-food industry.

The corporate strategy map features two additional themes that support FCC's strategic assets: the effective enterprise risk management (ERM) theme protects the customer relationship, and the execution excellence theme is how FCC enables great customer relationships.

To make the best use of the time and effort spent delivering the desired results, FCC uses an agile methodology to review progress and value on an ongoing basis. This frequent validation ensures the value delivered is meeting expectations. This iterative approach also reduces rework and provides flexibility in how FCC achieves the desired outcomes on its corporate initiatives.

5.2 Enterprise risk management (ERM)

FCC uses an ERM framework to ensure risks are adequately governed, identified, assessed, managed, monitored and reported in a holistic manner. Effective ERM enables FCC to achieve its strategic objectives and ensure sustainable business success.

Risk is inherent in FCC's business. The corporation is exposed to four major categories of risk: strategic, financial, operational and reputation. Each category has distinct risks within it that are assessed for likelihood and impact using various tools. The overall assessment of risk is reflected in the amount of capital required using FCC's capital and allowance models. Each category is governed by a Board-approved policy to identify, assess, manage, monitor and report these risks in accordance with the policy, FCC's risk appetite, the *Farm Credit Canada Act* and, where applicable, the Finance Minister's Financial Risk Management Guidelines for Crown Corporations. In addition, FCC has an overall risk appetite statement and an ERM policy and framework based on this risk appetite that set the corporation's boundaries for risk taking, risk acceptance and risk avoidance.

FCC uses a three lines of defence model to govern risk related to key business processes. Policies outline risk-ownership and risk-challenging functions and then cascade risk-management authorities to various operational units congruent with the authorities of the President and CEO, Chief Risk Officer (CRO) and Vice-President, Internal Audit. The authorities maintain three distinct and independent lines of defence.

The first line of defence develops and executes FCC's business strategy. This includes the ability to make loans, fund the portfolio, develop products and pursue markets and decisions related to risk ownership.

The second line of defence effectively challenges the decisions of the first line who owns the risk, while enabling great customer relationships. It is responsible for independently developing policy and process to identify, assess and monitor risks. An independent view of risk is provided to the Board by the second line.

The third line of defence provides independent and objective assurance to the Board that FCC appropriately takes and manages risk within the risk appetite statement. At FCC, the Internal Audit function represents the third line of defence.

Governance
The Board of Directors oversees FCC's ERM framework to ensure risk management is integrated with strategic, financial and operating plans.

FCC's risk governance structure

Annually, the Board reviews and approves a risk appetite statement that establishes the amount of risk the corporation is willing to take, accept and avoid. The risk appetite statement, which is grounded in FCC's strategy, is summarized as follows:

- FCC takes risks it understands and that are good for customers, Canadian agriculture and FCC.
- FCC accepts the risk of a long-term view in order to remain a steady presence for Canadian agriculture.
- FCC avoids risks that jeopardize the corporation and its ability to strengthen and sustain Canadian agriculture.

In addition to the annual review and approval of the risk appetite statement, the Board reviews and approves risk policies that govern the major categories of risk to which FCC is exposed, as well as FCC's overarching enterprise risk policy. The Board monitors policy through a quarterly risk report that reports results against the risk appetite and limits contained in the risk policies. Any policy exceptions or breaches are reported to the ERM Committee and the Board.

The CRO leads an independent risk division and ensures FCC's risk management function is adequately resourced. The CRO is independent of operational management and reports directly to the Board's Risk Committee. The CRO is responsible for oversight of risk across FCC, identifying, measuring, monitoring and reporting on the risks, and independently reporting to the Board and Risk Committee as to whether FCC is within its risk appetite and/or policy limits. The CRO works with business functions to design and implement action plans in the event of policy breaches and ensures applicable business functions provide accurate and objective risk reports. The CRO, supported by the ERM Committee, oversees the effective management of risk across FCC.

Risk categories

FCC's four major categories of risks are strategic, financial, operational and reputation. The financial classification is further delineated into three categories — credit, market and liquidity.

Strategic risk refers to risks related to the external environment, including social, economic, environmental, technological and political factors and risks. It includes competitors and the corporation's ability to develop, implement and execute effective business strategies.

EMT develops the corporate strategy annually and documents FCC's key strategic priorities in the five-year corporate plan. The Board provides oversight. The external environment, including the Canadian financial marketplace and the agriculture and agri-food industry, is monitored to discern if strategic changes are required to address emerging risks. FCC regularly communicates with its shareholder, the Government of Canada, to ensure the corporation's activities align with government priorities.

FCC has developed strategic risk tolerance statements and policy limits are set annually to correspond to the tolerance statements.

- **Role of FCC:** We engage in activities aligned with the *Farm Credit Canada Act* and other legislative requirements, federal government policy and operational directives. Our primary focus is on small and medium-sized participants in the industry.
- **Market share:** We assess the market for growth, recognizing industry and economic cycles. We maintain a market share that encourages a healthy level of competition. We are a fair competitor.
- **Industry trust:** We execute FCC's mandate and apply practices consistent with Canadian financial institution requirements for risk management.
- **Customer relationships:** We focus on great customer relationships and provide an excellent customer experience, balancing customer interests, the responsible management of FCC and what is best for the industry.
- **Execution excellence:** We invest in effective delivery of services and balance operational efficiency with managing risk.
- **Culture:** We have engaged employees, enabled by our culture of 100% accountability and partnership, managing relationships with customers and demonstrating shared accountability for sound risk and financial practices.
- **Stakeholder value:** We are a catalyst for the agriculture and financial services industries, working together to make Canadian agriculture stronger.

Potential strategic risks are identified and analyzed through external scanning, consultation with internal subject matter experts and other means. Strategic risks are ranked by consequence and this rank determines the level of risk treatment required.

Financial risks include FCC's risk categories of credit, market and liquidity risks. FCC has developed risk tolerance statements applicable to financial risks, including:

- **Total capital ratio**: We maintain a safe and sound capital position to withstand economic downturn and periods of extended loss.
- **Financial strength**: We target a return on equity that supports long-term growth, meets return expectations and allows FCC to remain self-sustaining.
- **Loan loss**: We manage our loan portfolio to minimize large write-offs through policy compliance, enforceable security and accurate documentation.
- **Portfolio concentration**: We diversify our portfolio across all sectors of agriculture, agribusiness and agri-food, and across Canada. We manage concentration through the use of limits.
- **Connection exposure**: We do not expose FCC to a customer connection exposure that could result in major loss.

Annual policy limits are set to correspond to tolerance statements and maintained.

- **Credit risk** is the potential for financial loss due to the failure of a borrower or other counterparty to repay a loan or meet financial obligations to FCC. Credit risk on loan/lease receivables is the most significant risk that the corporation faces, but credit risk also exists in investments and derivative financial instruments.

  With FCC's knowledge of agriculture, FCC assesses the impact and likelihood of credit risk at the loan and portfolio levels. Such assessments not only consider credit risk management best practices for financial institutions, but also use robust statistical methods to assess the probability of loan defaults as well as the financial impact of such defaults. The entire credit portfolio is assessed monthly, and reports pertaining to the portfolio's health are reviewed by the ERM Committee and the Board Risk Committee.

Oversight responsibility for credit risk lies with the Board. The ERM Committee, Asset Liability Committee (ALCO), Credit Committee, Credit Policy Committee and several divisions perform various functions at different levels to efficiently manage credit risk within FCC's credit risk management framework.

The credit risk assessment process begins at the customer-facing employee level and ends at the Credit Committee (senior management level). FCC employs a two-dimensional credit assessment process. Assessment is carried out for the entire credit portfolio on a transactional and portfolio basis. At FCC, credit assessment is an ongoing process.

Assessment tools and models are in place to quantify risks, establish the required allowance for loan and lease losses, and monitor capital adequacy. FCC also closely monitors the agriculture and agri-food operating environments to ensure the corporation's lending policies, activities and practices are appropriate and account for risk and opportunity in the marketplace.

FCC is also exposed to credit risk through its investing activities. All investing activities are consistent with the Minister of Finance's Financial Risk Management Guidelines for Crown Corporations, governed by Board-approved policies and monitored by the ERM Committee and the Board. Further details on how FCC manages its borrowings are included in section 9.

FCC has defined credit policy limits for transactional risk management, concentration risk and portfolio management, and investment limits for short and long-term liquidity investments and counterparty credit risk for derivatives.

- **Liquidity risk** is the risk that FCC has insufficient funds to meet payment obligations as they come due. FCC minimizes liquidity risk through the use of a liquid investment portfolio, funding through the Crown Borrowing Framework and access to an operating line of credit. FCC assesses this risk, understanding it can have a potentially high impact. Due to this three-tiered approach and readily available source of funds, the likelihood remains low, resulting in negligible risk. Therefore, this risk is not reflected in the capital requirements. FCC's Treasury division is responsible for managing liquidity risks. Policy limits have been established for market and funding liquidity.

- **Market risk** is the potential for loss due to adverse changes in underlying market factors such as interest rates and foreign exchange rates. Market risk exists in all of the corporation's financial instruments. FCC assesses this risk using sophisticated methodology that applies financial market theory to assess the risks of market events such as interest rate movements on FCC and the impact of those movements. These assessments are based on FCC's liabilities and its assets (loans) and the risk is reflected in the capital requirements. FCC's Treasury division is responsible for market risk management.

  Policy limits have been established for net interest income variability, decline in market value of portfolio equity, commitment risk exposure and foreign currency risk exposure.

Operational risk relates to the potential of direct or indirect loss due to inadequate or failed internal processes, resources, systems or external events, and failure to comply with, or adapt to, legislative or regulatory requirements or litigation.

The main sources of operational risk are people, processes and systems. Each operational risk category has risk tolerance statements developed to guide managers in the setting of controls.

- **People**: We maintain a skilled and knowledgeable work force to meet current and future business requirements. We adhere to the highest standards of integrity and will not allow goals or pressure to compromise our decisions. We deter theft and fraud. We comply with applicable legislation, regulation and regulatory directives.

- **Process**: We execute transactions and capture information consistent with policy, process and controls. We match suitable products, services and terms to customer situations and capabilities.

  We validate decision-making models based on risk, complexity and materiality.

  We apply an integrated approach and address change needs to deliver successful outcomes, transition and adoption of initiatives.

  We ensure sufficient controls exist to protect FCC in all contractual relationships and procure goods and services with defensible and supportable methods.

- **Systems**: We proactively prepare for business disruption to protect employees, customers and partners, to continue availability of critical operations and to limit losses.

  We control and safeguard the confidentiality, integrity and availability of information assets. We maintain data quality to understand, replicate and audit key decisions.

  We manage a technology infrastructure that is available, supportable and adaptable.

At FCC, leaders are responsible for ensuring appropriate policies and processes are in place in their business units to manage risks, and internal controls are operating effectively. Risk and control assessments identify and assess key risks to ensure appropriate controls are in place or gaps are closed. Key controls are monitored on a regular basis to determine their effectiveness.

FCC has a formal program to measure and monitor operational compliance to policies for credit, market and liquidity risk. Compliance reporting provides recommendations to address non-compliance, including employee coaching, policy clarifications or additional controls.

In addition, FCC's operations audit program examines lending activities and provides learning opportunities for continual improvement in the areas of risk assessment and mitigation, compliance to credit policies and data integrity.

Incidents of fraud may negatively affect customer and public perceptions of FCC, making current and potential customers less willing to do business with the corporation. FCC reduces exposure to fraud risk by delivering fraud-awareness training to employees and having a policy and process in place regarding customer identification.

To ensure the corporation can sustain operations in the event of a business disruption, FCC actively updates and tests its business continuity plan.

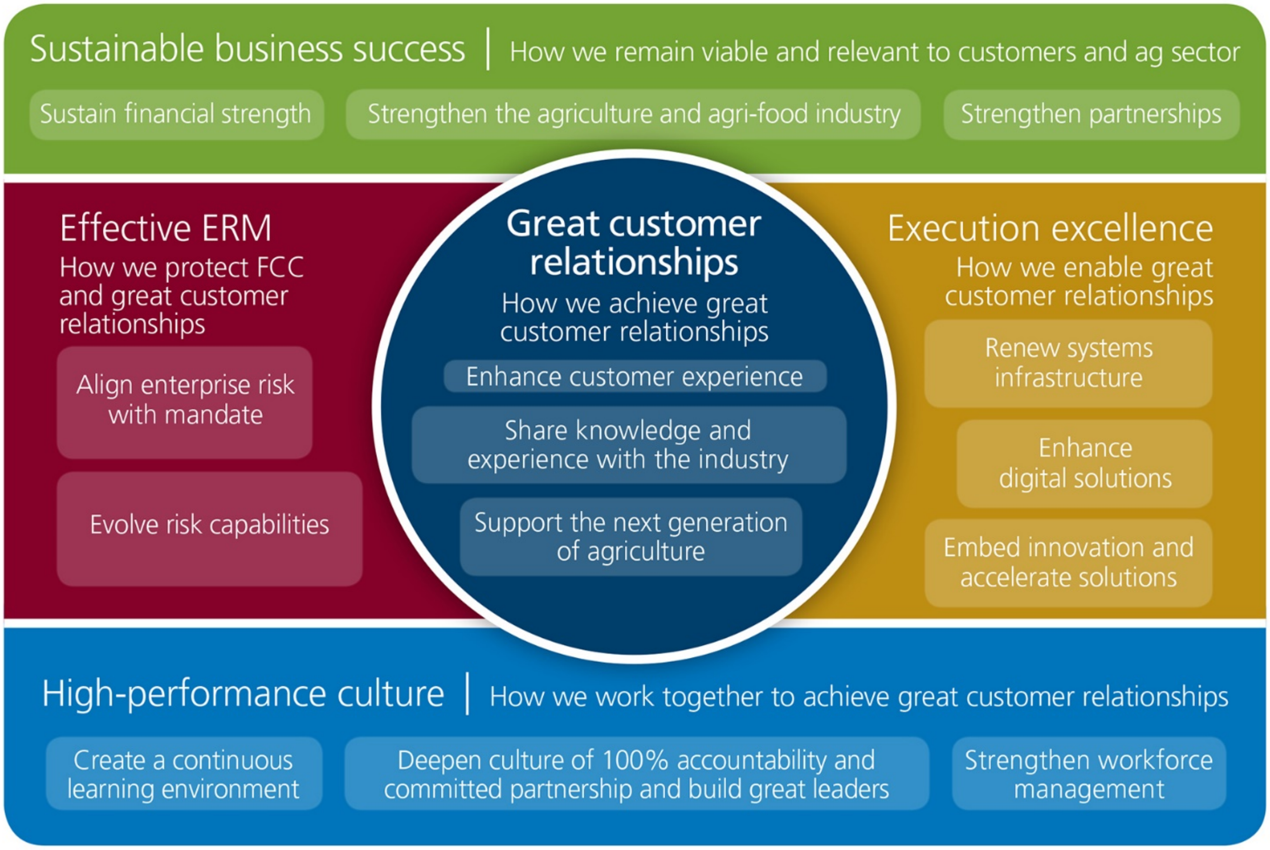
Enterprise security is addressed through a cross-divisional security co-ordination team that provides security controls to protect the availability, confidentiality and integrity of FCC assets.

Reputation risk is the risk that key stakeholders and others develop negative perceptions about FCC that could adversely affect the corporation's reputation and ability to attract and retain customers, business partners and employees.

As a federal Crown corporation, FCC is accountable to all Canadians. To avoid real or perceived reputational damage, FCC has a robust governance structure, including policies and processes, to guide employee conduct in interactions with co-workers, customers, industry partners, suppliers, media and the general public.

Any risk event that exceeds FCC's risk appetite is assessed in accordance with the Reputation policy. The policy provides assessment criteria for industry relations, public profile and government relations.

5.3 Corporate strategy map



5.3.1 Sustainable business success

Sustainable business success - How we remain viable and relevant to customers and the agriculture sector						
Strategic objective	Measures	2018-19 plan	2019-20 plan	2020-21 plan	2021-22 plan	2022-23 plan
Strengthen the agriculture and agri-food industry	Number of A&A customers	TBD*	TBD*	TBD*	TBD*	TBD*
	Reduction in FCC's greenhouse gas footprint	353 tonnes CO_2e/year	353 tonnes CO_2e/year	353 tonnes CO_2e/year	353 tonnes CO_2e/year	353 tonnes CO_2e/year
	Enhance support for agribusiness and agri-food sector to increase Canada's value-added capacity with a focus on small to medium-sized enterprises					
	Increase support for early-stage agribusiness and agri-food operations					
	Advance FCC's environmental sustainability and that of our customers					
	Build a positive perception of the agriculture industry					
Strengthen partnerships	**Build partnerships to tackle agriculture industry challenges**					
	Deepen support for Indigenous agriculture					
	Continue to advance stakeholder relationships					
Sustain financial strength	Net income	$648.8M	$684.2M	$689.5M	$712.6M	$728.3M
	Return on equity	10.6%	10.7%	10.3%	10.3%	10.2%
	Total capital ratio	16.0%	16.0%	16.1%	16.2%	16.3%
	Efficiency ratio	38.0%	37.9%	38.0%	37.9%	37.9%
	Enhance loan pricing structure and governance					

*NOTE: A&A customer count measure and targets to be developed as part of go-forward strategy development. Targets will be in place by end of 2018-19.

The critical outcome that FCC is striving to achieve for this theme is:

In 2025, FCC is Canada's leading agriculture and agri-food lender. Recognized as a catalyst for the industry, FCC is respected and supported by stakeholders who understand the unique value that FCC brings to the market. The corporation has the financial strength to serve the agriculture and agri-food industry through all economic cycles, focusing on small and medium-sized primary producers and agribusiness and agri-food operations.

To achieve this critical outcome, FCC considered many factors currently impacting the industry. The global population is increasing rapidly and the middle class is getting larger. A growing middle class means increased demand for a protein-rich diet. The Canadian agriculture and agri-food industry must grow to meet the needs of a growing population.

The Canadian Agriculture Partnership, the Advisory Council on Economic Growth and the Standing Committee on Agriculture and Agri-Food have identified gaps and opportunities that will need to be addressed for the agriculture and agri-food industry to reach its full potential in Canada. FCC reviewed these gaps and opportunities in relation to its mandate and proposed initiatives to support the industry in this endeavor.

To achieve this critical outcome, FCC is implementing these strategic objectives:

- Strengthen the agriculture and agri-food industry
- Strengthen partnerships
- Sustain financial strength

Strengthen the agriculture and agri-food industry

FCC strengthens the agriculture and agri-food industry by providing specialized and personalized business and financial services and by supporting growth in Canada's processing and manufacturing sector, demonstrating commitment to the industry over the long term. FCC believes in sustainability and social responsibility and supports the industry in building public trust.

One risk has been identified that may impact this strategic objective. With the growing scrutiny around public trust, there is a risk that the public will not perceive FCC as promoting an ethical and sustainable agriculture industry.

FCC has developed initiatives to assist the Canadian agriculture and agri-food industry to realize its growth potential. Some initiatives listed below will also mitigate the risk that was identified:

- Enhance support to the agribusiness and agri-food sector to increase Canada's value-added capacity with a focus on small to medium-sized enterprises
- Increase support for early stage agribusiness and agri-food operations
- Advance FCC's environmental sustainability and that of our customers
- Build a positive perception of the agriculture industry

FCC currently uses the following measures to track progress on this objective:

- Number of agribusiness and agri-food customers
- Reduction in FCC's greenhouse gas footprint

Enhance support for the agribusiness and agri-food sector to increase Canada's value-added capacity with a focus on small to medium-sized enterprises

Primary production represents 86.8% of FCC's loan portfolio. The remaining 13.2% represents loans to agribusiness and agri-food customers who supply products to Canadian producers or who purchase and add value to Canadian agricultural goods. While primary production is the foundation of FCC's business, FCC recognizes the importance the agribusiness and agri-food sector has on Canada's agriculture and agri-food industry. A healthy value chain provides producers with stable purchasing and selling options.

The Government of Canada Budget 2017 established an ambitious target to grow Canada's agri-food exports from $55 billion in 2015 to at least $75 billion by 2025. If the industry is to fully achieve its potential to grow value-added opportunities in Canada, it will require a renewed focus and sustained access to capital.

In 2018-19, FCC will support value-added processing and exports by developing new products and services to meet the unique needs of agribusiness and agri-food operators, with a particular focus on small and medium-sized operations. FCC will enhance products and services, including sharing expertise and knowledge with the sector. FCC will measure progress on this initiative by monitoring the number of its agribusiness and agri-food customers each year.

Increase support for early-stage agribusiness and agri-food operations

As a Crown corporation, FCC plays an important role in filling financing gaps for Canadian producers, agribusiness and agri-food operators. The need for more capital, particularly for small and medium-sized businesses, as well as early stage and start-up entrepreneurs, was identified by the Advisory Council on Economic Growth.

Currently there is a gap in risk capital availability to Canadian agri-innovation, a result of both the lack of venture capital available in Canada generally, and the small fraction of that venture capital dedicated to agriculture and agri-food. The most common issue identified is a lack of capital in seed-stage funding for Canadian agri-innovation.

FCC has an opportunity to provide leadership by supporting businesses to grow and expand; to strengthen the agriculture and agri-food industry in Canada and beyond. This commitment to the industry will extend to support start-up operations in taking their idea and business plans through to commercialization.

FCC Ventures is the corporation's venture capital business line, created to address the needs of non-traditional financing in the Canadian agriculture and agri-food industry. Venture capital financing is delivered through several limited partnership funds managed by Avrio Capital Inc. These funds provide alternative financing arrangements to the industry through subordinated debt equity financing.

In 2018-19, FCC will renew its existing commitments to venture capital by confirming participation in Avrio Capital's next equity fund.

FCC will also investigate opportunities to support earlier stage enterprises through venture capital, and will explore how it can act as a connector to accelerate innovative ideas and bring them to commercialization stage businesses.

Advance FCC's environmental sustainability and that of our customers

Consumer expectations are changing. To gain and maintain public trust, producers and agribusinesses will need to continue to enhance their operations with a focus on sustainability and stewardship.

To address these expectations and continue its leadership role in supporting the agriculture and agri-food industry, FCC will implement social and sustainable principles that lead to a consistent, transparent approach to lending and in turn, serve as a guide to the corporation's own practices and procurement decisions.

The objective is for FCC's internal and customer-facing operations to neither cause nor contribute to adverse social and environmental impacts. This will be achieved through a series of commitments and expectations of FCC's operations and those of FCC's customers and partners.

FCC believes that to advance the industry and have a positive impact on Canada, it must support customers with their sustainability efforts and operate in a socially and environmentally responsible manner. The corporation will look for opportunities to encourage customers to adopt on-farm sustainability practices and will support them with products that reward sustainable behaviours with attractive features.

As part of this commitment, FCC recognizes the need to ensure customers have knowledge and tools to support innovative and sustainable practices in their operations. In 2018-19, FCC will launch the field production module of Ag Expert a cloud-based farm management tool enabling customers to track their crop record-keeping data, and will have functionality to track sustainability and traceability efforts, providing customers with the information they need to make progress in these areas.

With the rising threat of climate change and its impact on agriculture, FCC has set greenhouse gas (GHG) reduction targets in line with federal sustainable development targets to reduce GHGs by 40% by 2025. The target of a reduction of 353 tonnes of carbon dioxide equivalent per year will require that FCC implement an aggressive multi-faceted approach. Paper use reduction, travel reduction and identifying opportunities to use less on-site power and energy will all form part of the strategy to ensure FCC is doing its part in the battle against climate change.

Build a positive perception of the agriculture industry

As Canada's largest agriculture lender and with a mandate to support the long-term success of Canadian agriculture, FCC is committed to building positive perceptions of agriculture to support the long-term viability of the industry and enhance public trust in Canadian food and goods.

Launched in 2017, Canada's Agriculture Day brought together government, individuals and stakeholders in the agriculture industry along with the public to celebrate the business of agriculture and engage in positive dialogue about where food comes from. FCC will once again lead this event with its AMTE partners and mobilize individuals and groups across the country to continue sharing their pride in agriculture and having conversations about food.

FCC also promotes public trust in agriculture through Agriculture More Than Ever (AMTE), an industry cause to improve perceptions of agriculture in Canada. The intent is to stimulate positive discussion about Canadian agriculture and agri-food with industry stakeholders, producers and the public. Through a positive image, the industry can attract more entrants, create investment opportunities and support innovation – all of which are necessary to feed a growing world population.

AMTE shares resources, information and facts to make it easy for producers and everyone involved in or interested in Canadian agriculture and agri-food to share their stories. AMTE creates industry champions, known as agvocates, who share positive stories and information about Canadian agriculture. AMTE's industry partners are widespread and include businesses, industry associations, agricultural trade shows, and media organizations.

In 2018-19, FCC will pursue strategic relationships along the value chain to support efforts to introduce public trust messages to consumers, deepening their connection and knowledge about the consumers and the food they eat.

Strengthen partnerships

FCC serves a unique role in Canadian agriculture and agri-food lending. As a catalyst for connecting industry experts and sharing knowledge, FCC builds partnerships to solve industry challenges.

Given FCC's success as an industry partner and catalyst, there is a significant opportunity for FCC to play a more prominent role in moving the industry forward. Currently, there is no measure to track this objective.

Build partnerships to tackle agriculture industry challenges
FCC works in partnership with industry associations and government to understand the unique challenges and opportunities in the industry. Two areas of focus have gained prominence over the past year, signaling the need for action — mental health support for producers and those living in rural Canada, and support for the advancement of women in Canadian agriculture.

FCC believes women make an invaluable contribution to Canadian agriculture, and ensuring women continue to play an important leadership role in the industry is an important element of building a strong, sustainable future for Canadian agriculture.

In 2018-19, FCC will explore how it can advance women's leadership potential and opportunities in the industry.

There is increasing awareness of the importance of mental health issues among producers. The demands of farming, including the impact of weather on crops, isolation and other factors, mean mental health issues are on the rise. A 2016 University of Guelph study suggests that stress, anxiety, depression, emotional exhaustion and burnout are all higher among farmers than among other populations. The study found that 45% of survey respondents had high stress. Another 58% were classified with varying levels of anxiety, and 35% were classified as having depression. Equally important was what the study found around stigma and access to services, with 31% of respondents indicating that seeking professional help could stigmatize a person's life, and fewer than half believing there is adequate mental health support from the industry.

In 2018-19, FCC will partner with industry groups to build awareness around mental health programs and supports available to producers. It will also support 4-H in its efforts to bring the conversation around mental illness to a younger generation engaged in Canadian agriculture.

Deepen support for Indigenous agriculture
Supporting the social and economic inclusion of Indigenous people is a priority of the Government of Canada. Canadian agriculture and agri-food has untapped potential, and ensuring Indigenous communities and peoples have greater access to opportunities is important for Canada and the industry. To this end, Indigenous leaders and organizations have a renewed interest in agriculture, whether it be through primary production or food processing, both for the economic development opportunities associated and as a means of enhancing food security.

In 2018-19, FCC will explore how to support Indigenous agricultural businesses. FCC will broaden and deepen its understanding of what Indigenous organizations need in terms of knowledge, advisory services, lending products and other services to support them in advancing their economic activities in primary production or agribusiness and agri-food. Consulting with Indigenous leadership and partners will be key to helping FCC identify needs and opportunities.

Continue to advance stakeholder relationships
FCC takes a consistent, co-ordinated and strategic approach to stakeholder management. In 2018-19, FCC will continue its efforts to enhance its existing relationships with key stakeholders. FCC will continue to identify stakeholders, analyze the existing state of relationships, identify and implement an engagement plan and seek feedback from stakeholders. Internal relationship owners will have formal accountabilities to continue proactive engagement and open communication to meet and exceed the expectations of key stakeholders.

FCC maintains a positive relationship with its shareholder, the Government of Canada, and actively responds to opportunities and risks to support the Government of Canada's priorities.

Through ongoing collaboration with other financial Crown corporations, FCC ensures the industry is well served from a financial capital perspective.

FCC also works with financial institutions and credit unions to explore collaboration and syndicated financing opportunities to strengthen the industry.

To best serve agriculture, FCC is enhancing its presence in industry associations to share knowledge, participate and support initiatives and contribute to a growing and vibrant industry, including speaking at key industry events.

FCC has many stakeholders who are necessary to the success of the corporation and the industry. These stakeholders include, but are not limited to:

- customers and prospects
- industry associations, including producer and sector groups, youth organizations, agribusiness and agri-food associations
- federal government, including Agriculture and Agri-Food Canada, Department of Finance, Privy Council Office and Treasury Board Secretariat
- Parliamentarians
- provincial governments
- financial institutions and partners, including credit unions, Canadian banks, EDC and BDC
- media organizations
- rural communities and other areas where FCC has a presence
- non-profit organizations

Sustain financial strength

FCC must ensure its financial and risk management practices are appropriate and effective, addressing uncertainties in the business environment and keeping pace with best practices in the financial services industry.

FCC has been profitable for 24 years, which has allowed the corporation to fund its growth and create adequate capital reserves to backstop potential losses that may arise from the inherent risks in the business, while paying an annual dividend to its shareholder, the Government of Canada. FCC's commitment and approach is aligned with the Capital and Dividend Policy Framework for Financial Crown Corporations developed by the Department of Finance (discussed in section 2.2).

One initiative has been identified to advance this strategic objective:

- Enhance loan pricing structure and governance

FCC uses four measures to track progress on this objective:

- Net income
- Return on equity
- Total capital ratio
- Efficiency ratio

Enhance loan pricing structure and governance
Pricing is fundamental to FCC's financial success and competitiveness in the marketplace. Over the long term, loan pricing needs to cover the cost of doing business, the risk of loss and the need to provide an adequate return on capital. Lending rates have a significant impact on earnings, and therefore FCC's financial success. This initiative is focused on formalizing FCC's internal systems and processes related to loan pricing. Guided by industry practices, FCC will update its pricing systems and analytics.

In 2017-18, a comprehensive pricing framework was developed to enhance clarity and understanding of each of the pricing components for funding and operating costs, credit risk, capital usage and value to the customer in the market. The pricing framework established a more formal governance structure over pricing to support the achievement of corporate strategies, financial targets and the long-term sustainability of the corporation. System development to enhance the ability to track and report details within each price component started in 2017-18, and will continue into 2018-19.

The impacts of the new pricing practices will be internal to FCC policies, processes and reports.

5.3.2 Great customer relationships

Great customer relationships - How we achieve great customer relationships						
Strategic objective	**Measures**	**2018-19 plan**	**2019-20 plan**	**2020-21 plan**	**2021-22 plan**	**2022-23 plan**
Enhance the customer experience	Net Promoter Score®	TDB*	TBD*	TBD*	TBD*	TBD*
	Enable employees to build great customer relationships					
Support the next generation of agriculture	Young farmer lending: - Ag production - Agribusiness & agri-food	$3.09B $145.2M	$3.17B $151.0M	$3.21B $158.6M	$3.24B $166.5M	$3.28B $174.8M
	Percentage of customer count in small and medium-sized segments	Greater than 80%	Greater than 80%	Greater than 80%	Greater than 80%	Greater than 80%
	Enhance products and services for new entrants					
	Enhance products and services to support successful transitions for agriculture and agri-food industry					
Share knowledge and expertise with the industry	FCC Learning post-event survey – attendees "likely to use information"	Greater than or equal to 4.0	Greater than or equal to 4.0	Greater than or equal to 4.0	Greater than or equal to 4.0	Greater than or equal to 4.0
	Total views/interactions with FCC's online knowledge offering:	850,000	865,000	880,000	895,000	910,000
	Provide knowledge to advance customers' management capabilities					
	Advance FCC's knowledge and advisory offering					

*NOTE: FCC recently adopted the Net Promoter Score®. Benchmarks are being developed to accurately establish FCC's Net Promoter Score® target going forward.

The critical outcome that FCC is striving to achieve for this theme is:

In 2025, strong customer relationships are central to FCC's success. The corporation's unmatched knowledge of agriculture and agri-food, and finance continues to be foundational to building great customer relationships. Partnering with FCC is easy – employees know their customers and are able to offer innovative and flexible solutions to unique business challenges over the long term.

In order to advance the industry, FCC needs to be able to serve its customers in a way that meets their unique needs and opportunities. To do so, FCC enables employees to build great relationships with customers and offers a suite of products and knowledge to ensure their success.

FCC initiated work in 2017-18 to advance the customer experience and ensure a more deliberate approach to how employees build relationships with customers. This work will continue in 2018-19.

FCC has identified two additional areas that will help the agriculture and agri-food industry achieve its full potential.

The first area involves attracting new entrants to the industry as well as supporting customers through intergenerational transfers. With an aging customer base, the need to provide services and support to assist with the transfer of assets is crucial. FCC will identify opportunities to further support customers through this asset transfer.

Secondly, there is a gap in the industry when it comes to advisory and knowledge services available to help customers navigate the complex nature of the agriculture business. The operations of agriculture and agri-food producers and operators are becoming increasingly complex and there is an opportunity to strengthen agriculture-specific advisory services to support the industry. FCC can play a lead role in offering advisory and knowledge services to close this gap and support customers as they manage and grow their operations.

FCC will achieve its critical outcome for this theme through the following strategic objectives:

- Enhance the customer experience
- Support the next generation of agriculture
- Share knowledge and expertise with the industry

Enhance the customer experience

Customers operate in a complex environment filled with changing market needs, evolving consumer trends and business challenges. They need a financial institution that partners with them to meet their specific needs.

FCC's customer experience is all about serving customers in a way that reflects their unique challenges and opportunities. Given evolving customer needs and expectations, FCC must enhance its customer experience on an ongoing basis.

The corporation has identified a risk that without this continued focus on the customer experience, FCC's customer strategy and offering could become ineffective, unresponsive to customer preferences, or irrelevant.

To mitigate this risk and enhance the customer experience, FCC has developed the following initiative:

- Enable employees to build great customer relationships

Progress on this objective will be tracked through the Net Promoter Score®. The Net Promoter Score® is a customer advocacy measure that has been embraced by leading companies around the world as the standard for measuring and improving customer experience.

This new measure will replace FCC's existing Customer Experience Index, which was discontinued in 2017-18.

Benchmarks are being developed to accurately establish FCC's Net Promoter Score® target going forward.

Enable employees to build great customer relationships

FCC strives to provide a great customer experience to its customers. To do this, FCC wants customers to feel that the corporation is in their corner, here for the long term and that interactions are easy.

To enable employees to deliver an intentional, differentiated and outstanding customer experience, FCC established customer experience principles in 2017-18. These principles provide clarity on the experience FCC wants to deliver to its customers at every touch point. In 2018-19, these principles will be further embedded into the work of all employees through team action plans to ensure all employees are contributing to the delivery of great customer experiences.

To maintain these relationships and ensure customer expectations are being met and exceeded, FCC will establish customer feedback mechanisms in 2018-19. This mechanism will allow FCC to understand where systems, processes or other interactions are not meeting the needs of customers so that FCC can resolve these issues.

FCC has a deliberate and disciplined approach to managing customer relationships, known as the Relationship Management Program (RMP). In 2018-19, FCC will continue to focus its attention on identifying the specific needs of customers to provide them with the financial solutions and knowledge required to support their success.

In addition, new processes and tools will be introduced to allow employees to respond to customer concerns in the moment when expectations have not been met. The corporation will also explore opportunities to acknowledge key milestones and customer successes through various forms of recognition and appreciation.

Support the next generation of agriculture

To help ensure the agriculture and agri-food industry remains vibrant and realizes its full potential, FCC will continue to enhance its support for the next generation working in Canadian agriculture through products and services that meet their needs, including the creation of new products that help introduce young people to agriculture and/or take their first step into the industry. This, coupled with a focus to develop and launch a comprehensive offering of products, knowledge and expertise, will help those in the industry successfully transfer assets to the next generation.

The Standing Committee on Agriculture and Agri-Food issued its report on farm debt in October 2017. The report included a focus on challenges for the next generation of farmers and new farmers. The Standing Committee identified a number of barriers for those starting or transferring farms, including the capital-intensive nature of the industry, difficulty accessing credit and a lack of business planning. FCC identified the need for a strategy to support individuals looking to develop an agriculture or agri-food business. By supporting these groups, FCC has the potential to get small producers started and small businesses off the ground, which can help fuel the industry. FCC's dedication to this segment speaks to its mandate to serve small businesses in agriculture and agri-food.

Canada's primary producers are aging, with almost half of all operators 55 years or older. Primary farm operators are estimated to have more than $50 billion in assets that will need to be transferred.

FCC has also identified the need to support intergenerational asset transfers. This is one of the most significant issues in Canadian agriculture.

Two risks have been identified that may impact this strategic objective:

- FCC does not adapt its product offering to changing ownership structures and succession planning for the agriculture and agri-food industry
- New financing options and services entering the Canadian agriculture landscape disrupt the market and FCC's strategy

The following initiatives have been identified to advance this objective and mitigate the risks:

- Enhance products and services for new entrants
- Enhance products and services to support successful transitions for the agriculture and agri-food industry

FCC will use the following measures to track progress on this objective:

- The percentage of customer count in small and medium-sized segments, defined as operations with revenues under $1 million, is calculated by counting the number of primary producers in small and medium-sized segments in comparison to the total number of primary producers.
- The young farmer lending measure captures net disbursements to young farmers in primary production and Alliances loan products (excluding agribusiness and agri-food lending), as well as net disbursements to young entrepreneurs in the agribusiness and agri-food sector. Young farmers and young entrepreneurs are defined as customers under 40 who are primary borrowers, co-borrowers or guarantors for personal and corporate loans.

Enhance products and services for new entrants

Entering the agriculture and agri-food industry with small scale and start-up businesses can be difficult. Young people and new entrants into agriculture are the demographics who require support to build their operations.

FCC recognizes the potential of this demographic and sees them as crucial to the longevity of the industry. To give them their start from both a financial and knowledge, FCC is developing new products to meet their individual needs.

In 2018-19, to complement FCC's young farmer loan program FCC will explore a loan tailored to new agriculture and agri-food operators aged 18 to 25. This product will help beginning farmers acquire the capital they need to enter the industry. An example of what customers could use this product for would be to rent land and purchase livestock or inputs, taking the first steps to enter the industry. This product will not only get capital into the hands of young producers sooner, but it will give them access to FCC's suite of knowledge products sooner, giving them a head start in understanding the business of agriculture.

A second new product opportunity, a 4-H loan, will be investigated. The product will allow 4-H members (with adult consent) the ability to receive small loans to engage in an agriculture-based business venture, such as purchasing livestock, to help develop pride of ownership at a young age. This product will attract the earliest generation of producers and will position FCC in the minds of young people for the long term.

Enhance products and services to support successful transitions for agriculture and agri-food industry

FCC recognizes that young farmers and operators are important to the future of the agriculture, agribusiness and agri-food industry in Canada. This area of focus has become more pronounced in recent years as more and more producers and operators are looking to transfer assets and operations to the next generation.

According to an FCC internal Vision Panel lifecycle study, the next generation of producers are keen to continue, as 62% indicated they had one adult child aspiring to manage the existing operation.[9] As the industry looks bright and is providing positive returns, the younger generation is starting to make its way back to the family farm and is looking for help to get involved. According to the 2016 Census of Agriculture, the number of operators under the age of 35 increased by 3%.[10]

In 2018-19, FCC will review and enhance existing products and investigate new products to facilitate asset transfers between operations. In addition to products, FCC will pilot having employees available to specifically support those looking to transfer assets, and offer advisory services to increase the successful transition of operations to the next generation.

Share knowledge and expertise with the industry

FCC prides itself on its knowledgeable agriculture-lending team, which is responsive, solution-focused, understands agriculture risk and applies its knowledge every day to serve customers. Customers value FCC's knowledge, expertise and speed of service. They trust FCC and value the relationship it builds with them.

Today's producers and agribusiness operators are experts in their respective industries. They must also deal with complex financial management, human resource issues, partnerships, diversification and international markets. As producers and agribusiness operators continue to become more sophisticated in their operations and knowledge of agriculture, FCC must enhance its offering of leading business management practices, advisory services and economic insights.

To further this strategic objective, FCC will also complete the following initiatives:

- Provide knowledge to advance customers' management capabilities
- Advance FCC's knowledge and advisory offering

To track progress on this objective, FCC will use the results from post-event surveys. As part of the survey, attendees are asked if they are likely to use information from the event in their farming operations. Respondents pick an answer on a one to five scale, with five being very likely. FCC's target is to have the average score be four or higher.

Provide knowledge to advance customers' management capabilities

FCC currently produces and supports one of Canada's leading farm management software suites used by thousands of customers to digitize their farm records and manage their operations more effectively. FCC has an enviable position in Canada's agriculture technology space in that it has one of largest installed user bases in Canada and that it is one of the most trusted and recognized brands in farm management software.

In 2018-19, FCC will enhance its farm management software capabilities to better meet the needs of producers. The software platform AgExpert will begin migration to the cloud, with a goal to give producers a holistic view of their operations, including financial, agronomic and people management information, allowing them to make

[9] FCC Vision Panel lifecycle study

[10] https://www.statcan.gc.ca/pub/95-640-x/2016001/article/14811-eng.htm

informed decisions at all times. FCC will begin with the launch of the field record keeping software and later move to modernize its accounting software to provide a cloud-based financial management tool.

Advance FCC's knowledge and advisory offering
FCCs knowledge offering is one of the key differentiators for customers. It reinforces FCC's unique position in the marketplace and positively impacts the customer experience.

FCC researches and develops unique tools to help customers, stakeholders and the industry anticipate and understand changes in agriculture. FCC fills knowledge gaps by producing leading-edge publications, videos, and blog posts.

In addition to its suite of knowledge products, FCC will review and enhance it knowledge offering to better meet the specific and comprehensive needs of its customers.

In 2018-19, FCC will create an advisory services team to deliver direct and enhanced knowledge to customers on a range of topics, including transition and succession planning. This team will offer support for the industry that will allow them to successfully grow and manage their operations.

5.3.3 Execution excellence

<table>
<tr><th colspan="7">Execution excellence - How we enable great customer relationships</th></tr>
<tr><th>Strategic objective</th><th>Measures</th><th>2018-19 plan</th><th>2019-20 plan</th><th>2020-21 plan</th><th>2021-22 plan</th><th>2022-23 plan</th></tr>
<tr><td rowspan="3">Renew systems infrastructure</td><td>Easy to do business index: A subset of the employee engagement score</td><td>Greater than the average of the Platinum and Gold employers</td><td>Greater than the average of the Platinum and Gold employers</td><td>Greater than the average of the Platinum and Gold employers</td><td>Greater than the average of the Platinum and Gold employers</td><td>Greater than the average of the Platinum and Gold employers</td></tr>
<tr><td colspan="6">Enhance data management at FCC</td></tr>
<tr><td colspan="6">Improve foundational business systems</td></tr>
<tr><td rowspan="2">Enhance digital solutions</td><td colspan="6">Improve processes so that customers and employees can transact with ease</td></tr>
<tr><td colspan="6">Offer digital solutions to facilitate customer and partner interactions</td></tr>
<tr><td>Embed innovation and accelerate solutions</td><td colspan="6">Mature a sustainable innovation practice</td></tr>
</table>

The critical outcome that FCC is striving to achieve for this theme is:

In 2025, FCC anticipates customer needs and exceeds expectations through the use of agile and innovative solutions, processes and systems. FCC is a digital organization, internal systems are optimized and employees have the tools and knowledge they need to do their jobs.

FCC is committed to high performance, accountability and efficiency to achieve execution excellence. FCC understands that continually improving and streamlining corporate processes and functions will enhance corporate agility and support execution excellence. FCC is committed to becoming an organization where its data is trusted and provides insights for customers and employees to make decisions and drive innovation forward. FCC continues to make advancements so that employees can easily and confidently access data that provides value.

To fully achieve this critical outcome, there is a long-term need, at an industry level, for support to promote innovation. As identified in the Advisory on Economic Development's report, Canada is currently in a lagging position in agriculture technology and applied innovation. There is a need to develop a space for the industry to bring innovative ideas to life, with a focus on new technologies and productivity, and supporting the process from entrepreneurial vision to scalable products and services.

FCC sees a role in filling this need by maturing its practice of promoting internal innovation, with the long-term goal of supporting the industry to achieve its full potential.

To enable great customer relationships, FCC has increased its focus toward objectives that will continue to move the Execution Excellence strategic theme forward. FCC will continue to make this a priority as it pursues the following five-year strategic objectives:

- Renew systems infrastructure
- Enhance execution through digital solutions
- Embed innovation and accelerate solutions

Renew systems infrastructure

To deliver great customer relationships, FCC must ensure employees are provided with a solid foundation. The basis of this foundation lies in policies, processes and technology.

Two risks have been identified that may impact FCC's progress toward achieving this corporate initiative. The first risk is that lack of data integrity and accessibility can hinder effective decision-making and the enablement of the customer and digital strategy. The second risk is having outdated technology that could impede the execution of FCC's strategy.

Two initiatives have been identified to achieve this strategic objective and address these risks:

- Enhance data management at FCC
- Improve foundational business systems

One measure has been identified to track progress on this strategic objective:

- The easy-to-do-business index includes five drivers from the annual Aon Hewitt employee engagement survey – co-workers, physical work environment, resources, work processes and work tasks. This index measures how easy it is for employees to do business at FCC. Employees are often in the best place to detect inefficient processes and policies that create extra work and unnecessary costs. FCC's target for this measure is to be greater than the average of the Platinum and Gold employers.

Enhance data management at FCC
FCC recognizes a need to mature its data quality to support informed and timely decision-making. This need is reflected in FCC's efforts to ensure data is trusted, accessible and enables insights and innovation.

In 2018-19, FCC will work to ensure trusted data is accessible across all functions. Employees will be empowered to confidently access data, making FCC an information-rich organization to serve its customers and the industry by providing a unified, holistic view of customers to better meet their needs.

FCC complies with the federal *Access to Information Act* and *Privacy Act* and will continue to update policy and compliance controls regarding information privacy and security as it enhances its data management practices.

Improve foundational business systems
FCC currently supports multiple systems that require a considerable amount of resources, effort and capacity to maintain. To maximize resources and ensure efficient business operations, FCC will take an incremental approach to updating and/or replacing outdated systems that are foundational to the corporation's long-term strategy. In 2018-19, FCC will implement a new human capital management system that delivers core compensation, recruitment, onboarding, talent management, performance management, time tracking and payroll services.

The new system will bring FCC's HR business processes in line with industry standards, and will allow all employees and leaders to easily perform HR transactions anytime, anywhere and from any device. These benefits will lead to an improved employee experience.

In 2018-19, FCC will investigate the implementation of changes to its core banking system to ensure FCC can easily adapt to rapidly changing customer expectations.

FCC will also begin the implementation of a new financial systems strategy in 2018-19. Over the next couple of years, this initiative will replace outdated financial and treasury management systems, add new functionality and create improved capability for data analytics and reporting to support the business.

Enhance digital solutions

FCC is striving to become a digital organization that provides employees with seamless access to current tools and knowledge to serve FCC's customers and the industry. FCC has invested in furthering the digital experience and has deployed new functionality and usability as well as mobile technology over the past year. With customer preferences continuously evolving in terms of mobility and enhanced digital capability, FCC must ensure it can adapt to their changing needs.

Two initiatives have been identified to advance this strategic objective:

- Improve processes so customers and employees can transact with ease
- Offer digital solutions to facilitate customer and partner interactions

Improve processes so that customers and employees can transact with ease
FCC customers are knowledgeable business professionals who manage multiple priorities every day. When it comes to their interactions with FCC, they are looking for smooth, efficient and effective service.

To meet and exceed the evolving expectations of customers, FCC is improving its internal processes to deliver a smooth and consistent experience. In 2018-19, FCC will enhance the disbursement process, which will involve making system, process and policy enhancements so customers can receive accurate, timely and easy-to-access funds.

Through technology enhancements, FCC will enhance correspondence, making it clearer and easier to understand as well as providing customers with the choice of receiving paper or electronic copy.

Offer digital solutions to facilitate customer and partner interactions
When it comes to financing, customers have more options than ever before and competition is increasing. Other financial institutions are increasing investment in their digital platforms. There is a risk that FCC will miss the opportunity to provide customers with an experience they are wanting, by not being able to invest as heavily as competitors.

To meet customer expectations and mitigate this risk, FCC will provide digital options for how customers can interact with the corporation. In 2018-19, FCC will continue to implement new offerings for customers to have self-serve offerings.

FCC will continue to incrementally implement e-signature capabilities, allowing customers to sign documents remotely and conveniently without requiring them to physically attend an FCC office. This capability allows customers to spend as much time as possible on their operations.

Alliance partners and their customers will see improvements in how they interact with FCC. Online approval channels, which offer speed and transparency, will continue to roll out in 2018-19.

Embed innovation and accelerate solutions

To meet the ever-changing needs of the agriculture and agri-food industry, FCC must grow its ability to innovate. Without a focus on innovation, FCC would lack the ability to anticipate and respond to the needs and opportunities that attract and retain customers and employees.

An innovative culture will allow employees to move from the idea stage to delivery more quickly and will improve efficiency and enablement for customers and employees. By instilling the innovation competency throughout the corporation, FCC can offer timely solutions to meet changing customer needs and examine new ways of thinking.

Currently there is no measure identified for this strategic objective.

One initiative has been identified to achieve this strategic objective:

- Mature a sustainable innovation practice

Mature a sustainable innovation practice
Over the past two years, FCC has successfully initiated its innovation practice. A small team of innovation experts has successfully experimented with design-thinking approaches, workshops and partnerships to deliver new solutions that support the customer experience.

In 2018-19, FCC will grow the innovation competency internally through employee training and an expanded team that can offer greater opportunity to bring ideas to life more quickly. FCC will look to innovate on opportunities that are both technical and non-technical, providing a new way of how things can be done to enhance the customer experience with FCC.

To deepen FCC's ability to apply innovative practices, a new space will be outfitted in 2018-19 to house internal teams to solve challenges and try new approaches in a collaborative and stimulating environment conducive to innovative thinking.

FCC's long term innovation vision is to invite the industry to apply innovative thinking techniques to tackle industry challenges.

5.3.4 Effective ERM

Effective ERM - How we protect FCC and great customer relationships						
Strategic objective	Measures	2018-19 plan	2019-20 plan	2020-21 plan	2021-22 plan	2022-23 plan
Align enterprise risk to mandate	ERM maturity measure	Greater than 3.5	Greater than 3.5	Greater than 3.5	Greater than 3.5	Greater than 3.5
	Build sustainable lending and risk practices					
Evolve risk capabilities	**Redesign and digitize core risk and lending processes**					
	Advance analytics to streamline decision making					
	Mature enterprise security					

The critical outcome that FCC is striving to achieve for this theme is:

In 2025, sound risk management continues to ensure ongoing viability for FCC and protects great customer relationships. FCC's risk management processes and practices continue to be reflective of its mandate and consistent with a federally regulated financial institution. FCC stays within its risk appetite and tolerances and maintains an appropriate level of capital.

Since the 2008 financial crisis, ERM has been a greater priority for financial institutions. Companies have recognized the need to develop strong risk management frameworks, practices and systems to maintain financial stability. In fiscal 2011-12, FCC requested that a third party review its ERM maturity and measure the corporation relative to other financial institutions of similar size. The review led to several recommendations for FCC to increase its ERM maturity, including the establishment of an independent risk function.

By understanding and managing its most significant risks, FCC is better able to fulfil its mandate and public policy role, create value for its customers and protect its long-term business interests. In addition, a strong risk management foundation creates agility, builds trust in information and positions FCC well when opportunities arise.

FCC will pursue the following five-year strategic objectives to achieve the critical outcome for this theme:

- Align enterprise risk to mandate
- Evolve risk capabilities

To gauge progress on the overall theme, FCC has adopted KPMG's ERM maturity measure. The measure is based on a maturity model that indicates how mature FCC's ERM practices are in the following five areas: risk governance, risk assessment, risk quantification, risk monitoring and reporting, and risk and control optimization. The measure uses a five-point scale where a measure of 1.0 is considered basic (in compliance), 3.0 is mature (a management process) and 5.0 is advanced (a strategic tool). FCC's long-term target is to increase maturity to a level that reflects its size, complexity and unique mandate.

Align enterprise risk to mandate

As a federal Crown corporation with a mandate to support the agriculture and agri-food industry, FCC serves all segments and all parts of Canada with a focus on small and medium-sized businesses and producers. To support the industry to realize its full potential, FCC will place increased emphasis on providing capital and business services to the next generation of customers as well as Canada's agribusiness and agri-food industry. To do this effectively over the long term, FCC requires sound ERM, aligned leadership, skilled employees, clear frameworks/strategies, and effective business practices.

To further this strategic objective, FCC has identified one initiative:

- Build sustainable lending and risk practices

Build sustainable lending and risk practices
To embed a risk management mindset into leadership and employee behaviors, it must be part of the workplace culture. At FCC, risk management is the responsibility of all employees. Employee attitudes toward managing risk are measured and employee risk performance is evaluated as part of yearly objective setting and assessment. Aspects of our business that influence employee mindsets and performance will continually be refined and

refreshed to ensure strategic business and risk objectives can be sustainably achieved over the long term.

In 2018-19, FCC will continue to identify risks in key processes and assign risk ownership accordingly to business units, empowering employees to advance the business and execute FCC's mandate while at the same time ensuring proper controls exist to manage risk levels. In addition, a Loan Review function will begin to provide proactive, independent and frequent insights to management on credit risk assessment behaviours and control effectiveness in key lending processes.

As mentioned in the Strengthening the Agriculture and Agri-Food industry section, FCC will introduce a social and sustainable management framework designed to promote ethical and sustainable business practices for FCC and its customers. The framework will focus on the values of society, environment, animal care and labor and will enhance risk assessment and management practices in various lending and risk processes across FCC. One such process is the corporate procurement process. In 2018 19, FCC will strengthen its approach to procurement and vendor management to ensure sustainable business practices are followed by key vendors and effective risk management exists across FCC during all procurement, contracting and vendor management activities.

Work will continue in 2018-19 to simplify FCC's lending policy and process framework. This revised approach to presenting policy and process information will provide a clear line of sight to FCC's risk appetite statements and clarify expectations for employees to enable more confident and timely decision-making.

Evolve risk capabilities

FCC will continue to evolve its risk capabilities to protect its ability to deliver exceptional customer experiences over the long run. Doing so will ensure that continuously changing customer preferences and demands for seamless transactions and instant decisions can be met while risk levels are appropriately managed.

FCC has identified two risks pertinent to this objective. The first is that decision tools (such as decision scorecards and models) are not current to business needs, and the second is that core lending processes are insufficiently digitized such that they have the potential to impede execution of FCC's strategy.

Three initiatives have been identified to achieve this strategic objective:

- Redesign and digitize core risk and lending processes
- Advance analytics to streamline decision-making
- Mature enterprise security

Redesign and digitize core risk and lending processes

To ensure an excellent customer experience, core risk and lending processes must be intuitive, efficient, and, where appropriate, digitized.

Throughout 2017-18, FCC has been working to streamline various valuation and security-related processes and tools, including the automation and digitization of low-risk security appraisals.

In 2018-19, FCC will deploy a robust valuation model that is user-friendly, intuitive, data driven and integrated to FCC's core lending system. Employees will be able to collect information required to value collateral anytime and anywhere, as well as leverage existing high-quality data to produce faster security valuations. These enhancements will free up time for employees to focus on delighting customers and executing the mandate. This approach will balance risk versus effort with the goal of maintaining FCC as a trusted source and industry leader for farmland value information.

Advance analytics to streamline decision-making

When it comes to making seamless, risk-based decisions, having the right tools and information is critical. In 2018-19, FCC will explore opportunities to introduce an updated application scorecard model. The new model will be in line with current approaches used in the financial services industry and will establish a foundation to continue refining analytics based decision-making at FCC.

Mature enterprise security

As a financial institution, FCC is aware of the potential and evolving financial and reputation risks associated with fraudulent activity perpetrated by external parties and the misuse of information assets by bypassing physical and/or technological barriers, internal controls and processes.

FCC's overall aim with this initiative is to mature enterprise security capabilities while keeping a balance between business enablement and risk management.

FCC acknowledges the risks posed by cyber-security threats and is taking proactive and robust measures to protect itself from security incidents.

In 2018-19, FCC will introduce enhancements to its enterprise security service. These enhancements will control and safeguard the confidentiality, integrity and availability of information assets. Through improved processes and increased awareness and education, FCC will enhance the ability to assess trends in security technology and the environment to proactively position itself to be responsive and effective.

To respond to the risk that customer onboarding and screening practices could expose FCC to financial crimes and parties not consistent with the Government of Canada's Directive on Integrity and Reputation, dated September 4, 2008, the corporation continues to enhance its policies and processes for knowing and screening employees, customers, vendors and independent contractors.

In 2018-19, FCC will continue to strengthen its practices by ensuring customers are appropriately screened for criminal activity at the onboarding stage. Enhanced identity authentication processes paired with stringent financial crime management criteria will further protect FCC and its customers from fraud.

5.3.5 High-performance culture

High-performance culture - How we work together to achieve great customer relationships						
Strategic objective	Measures	2018-19 plan	2019-20 plan	2020-21 plan	2021-22 plan	2022-23 plan
Deepen culture of 100% accountability and committed partnerships, and build great leaders	Leadership index: subset of employee engagement survey data with respect to leadership indicators	Greater than the average of the Platinum and Gold employers	Greater than the average of the Platinum and Gold employers	Greater than the average of the Platinum and Gold employers	Greater than the average of the Platinum and Gold employers	Greater than the average of the Platinum and Gold employers
	Employee engagement	Greater than the average of the Platinum and Gold employers	Greater than the average of the Platinum and Gold employers	Greater than the average of the Platinum and Gold employers	Greater than the average of the Platinum and Gold employers	Greater than the average of the Platinum and Gold employers
	Update and execute the leadership and culture strategy					
Strengthen workforce management	Diversity measure	Hire 24 new diversity candidates from the designated groups where we have gaps	Hire 24 new diversity candidates from the designated groups where we have gaps	Hire 24 new diversity candidates from the designated groups where we have gaps	Hire 24 new diversity candidates from the designated groups where we have gaps	Hire 24 new diversity candidates from the designated groups where we have gaps
	Execute the diversity strategy					
Create a continuous learning environment	**Implement a comprehensive employee learning strategy**					

The critical outcome that FCC is striving to attain for this theme is:

In 2025, FCC is sought out by prospective employees as a highly desirable place to work. Employees come to FCC because of its outstanding culture and reputation. They stay because the work environment is everything they heard: meaningful work coupled with high expectations that are supported by an ability to learn and grow as a professional, and a team environment that is conducive to providing an exceptional customer experience. Customers feel it and appreciate it.

FCC strives to be an employer of choice. For more than a decade, FCC has been featured on the Best Employers in Canada list based on its results from the Aon Hewitt employee engagement survey. FCC believes having a great employee experience helps attract and retain high-performing employees with the skills and attitudes required to meet customers' needs.

Aon Hewitt defines engagement as the state of emotional and intellectual commitment to the organization. Engaged employees are more likely to say good things about their employer, stay with the organization over the long term and give the discretionary effort needed to achieve great results.

Research shows that an engaged workforce results in a better customer experience. This is why it is important for FCC to measure and manage employee engagement. When FCC asks employees to provide input on their engagement, this leads to discussions and actions that directly address employee concerns and opportunities to improve the employee and customer experience.

FCC will pursue the following five-year strategic objectives to achieve the critical outcome for this theme:

- Deepen the culture of 100% accountability and committed partnerships, and build great leaders
- Strengthen workforce management
- Create a continuous learning environment

Deepen the culture of 100% accountability and committed partnerships, and build great leaders

FCC sets itself apart as an excellent place to work and to do business by having a defined culture. The culture is based on the principles of 100% accountability and working together as committed partners. FCC's 10 cultural practices outline how employees are expected to behave at work each day to deliver outstanding results.

Leadership is an important aspect of creating an excellent culture. Leaders at FCC inspire employees to be passionate about customers and the business of agriculture. They coach teams to achieve outstanding results and they are authentic and 100% accountable. With an eye on the big picture and a commitment to employee engagement, leaders partner with employees to find new and better ways to make FCC successful to benefit its customers and the industry.

FCC offers a suite of training programs and services to support its leaders and the important role they play. FCC has a leadership development program for all leaders. It is comprised of a New Manager Essentials course, the Leadership Transformation Program, a leadership objective for all leaders and supporting leadership principles and competencies upon which all leaders are evaluated.

To achieve this strategic objective, FCC is implementing the following initiative:

- Update and execute the leadership and culture strategy

To measure its performance on creating the desired employee experience, FCC will continue to monitor and analyze employee engagement and sub-indices of the employee engagement results that measure how employees feel about their workplace environment and their relationships with their leaders.

Update and execute the leadership and culture strategy
To continue to elevate the employee experience, FCC will investigate new approaches that will deepen and broaden its culture. In 2018-19, FCC will introduce a multi-tactic approach designed to refresh employees' knowledge of the culture and encourage key behaviours, such as using a common culture language, making firm commitments, giving feedback and recognizing the contributions of others.

New programs will be introduced in 2018-19 to develop the next generation of leaders at FCC. Whether to prepare the next generation of executive-level leaders or to help aspiring leaders develop the knowledge, skills and abilities to move into leadership roles, FCC offers hands-on support and resources to ensure it is prepared for leadership renewal.

Strengthen workforce management

Workforce management at FCC is a combination of workforce planning, diversity and employment equity planning, official languages obligations, and the overall employee experience.

Leaders engage in a comprehensive workforce planning exercise each year that is aligned with the strategic planning cycle. This process enables them to review and analyze workforce trends based on demographic and skill-based data provided to them. This analysis forms the basis of divisional and corporate workforce plans. Integrated into the workforce plan are considerations for divisional and organizational diversity plans, succession and talent review plans, and engagement action plans.

To achieve this strategic objective, FCC is implementing the following initiative:

- Execute the diversity strategy (year two of a three-year strategy)

FCC has a measure to hire 24 new diversity candidates from the designated groups where the corporation has gaps.

Execute the diversity strategy
FCC is subject to the *Employment Equity Act* and strives to achieve a representative workforce over a reasonable period of time. To achieve this initiative, FCC will implement new tactics to increase visibility among equity group communities while expanding the inclusiveness of its workplace.

FCC has a goal of building its reputation as an inclusive employer and attracting experienced, diverse talent, specifically in those areas where FCC's largest employment equity gaps exist. In 2018-19, FCC will continue to explore, develop and maintain partnerships with post-secondary institutions, professional associations and external organizations to attract diverse candidates. FCC has also increased its recruitment visibility on social media and will look to target messaging and sourcing to specific diversity groups.

The new Human Resources management system, discussed under the Renew Systems Infrastructure objective in the Execution Excellence theme, will be an effective tool to assist in recruitment and workforce planning efforts.

Create a continuous learning environment

FCC's learning infrastructure supports employees by offering knowledge on agriculture and finance, and having learning programs, methods and delivery that are current and focused on business needs, creating a continuous learning environment.

To ensure employees keep pace with an increasingly sophisticated marketplace, FCC assessed and evaluated its learning programs, infrastructure, tools and process for learning, ensuring they align with customer needs and expectations.

To achieve this strategic objective, FCC is implementing the following initiative:

- Implement a comprehensive employee learning strategy

Implement a comprehensive employee learning strategy

FCC operates in a rapidly changing environment where customers are becoming increasingly sophisticated and advanced in their business operations and are experiencing quickly evolving needs for financial solutions and advice. FCC's lending and risk management practices are evolving and the corporation needs to be nimble with respect to developing employee learning, competencies, and confidence. Employees' ability to successfully adapt to the changing environment depends on their ability to learn new skills with confidence in a timely manner.

Knowledgeable employees are an important differentiator for FCC. FCC must ensure its employees stay current with the competencies required to meet the changing knowledge needs of its customers.

In 2018-19, FCC will implement a new employee learning strategy designed to support formal, peer-to-peer and on-the-job learning. As part of this implementation, new technologies will be deployed that will make it easier to access learning in the moment. The strategy will offer new ways of measuring learning and performance that are more closely linked to critical business outcomes.

Employees will be encouraged to view learning and development as a means of enriching their roles and their experience.

FCC will redesign its process for onboarding customer-facing employees so they have the tools, learning and support they need to perform their roles with confidence.

6.0 | Financial plan

FCC is a self-sustaining Crown corporation, projecting growth and continued viability through sound financial and risk management practices. As discussed in section 5.0, strategic themes support FCC's vision and mission, and these themes and the corresponding strategic objectives form the basis for the financial plan. All other sections of the corporate plan form an integral part of the financial plan and should be read in full to obtain a comprehensive understanding of the projected financial results.

The financial plan explains the projected financial results and the major underlying assumptions used in the projections. The results demonstrate achievement toward the financial objectives through profitable portfolio growth and efficiency. The financial plan for 2018-19 to 2022-23 is presented in the following sections:

- 6.1 Operating budget
- 6.2 Capital budget
- 6.3 Borrowing Plan summary

The financial plan and key assumptions reflect FCC's outlook on the Canadian agriculture and agri-food industry as outlined in section 4.0. Overall, the outlook for the agriculture and agri-food industry in Canada remains positive due to the growing demand for agricultural commodities. Economic growth is expected to improve, which will continue to support gradual increases in interest rates. Additionally, a stable but relatively low-priced oil market is projected to continue stabilizing the Canadian dollar. After years of strong commodity prices, farm revenue is expected to moderate, the growth in asset values is expected to slow, and growth in farm debt is expected to slow. Although the growth in asset values are expected to slow, the projection for continued profitability in agriculture and agri-food will reduce potential impacts on FCC's projected risk levels.

Caution regarding forward-looking statements

The corporate plan includes forward-looking financial information based on certain assumptions that reflect management's planned course of action with the most probable set of economic conditions. By their nature, assumptions are subject to inherent risks and uncertainties. There is significant risk that actual results may vary, and that the differences may be material. Some factors that could cause such differences include changes in general economic and market conditions, including but not limited to interest rates.

Sensitivity analysis

FCC employs a financial model to determine the five-year plan targets based on inputs received from various divisions at FCC. The model has been tested and proven to generate consistently accurate projections based on the data inputs. The input assumptions for this financial plan are consistent with historical experience and are approved by management and the Board of Directors.

In addition to the financial plan projections provided in this document, the corporation runs sensitivity and scenario analyses. These analyses assist in financial planning, risk management and resource allocation by testing financial strength across a range of financial plan assumptions. This information assists in ensuring FCC is making prudent financial and risk management decisions over the long term, including situations where the financial results may be less favourable than the projections provided in this document.

The table below shows the impact of changes to key variables on projected net income for 2018-19.

Major drivers ($ millions)	Change	2019 Plan
Loans receivable*	+/- 1%/year	+/- 3.3
New lending margins**	+/- 10 bps/year	+/- 8.0
New lending mix (F/V)	+/-10% fixed/year	+/- (6.6)
Interest rate curves**	+ 100 bps	+ 4.7

* assumes that growth is throughout the year.
** bps is basis points

6.1 Operating budget

The operating budget provides details of FCC's forecasted revenues and expenses for the fiscal year ended March 31, 2019, and is submitted for Treasury Board approval in accordance with section 123 of the *Financial Administration Act*. The table below summarizes financial projections for 2017-18 and 2018-19.

Fiscal year ending March 31 ($ millions)	2017 Actual	2018 Plan	2018 Forecast	2019 Plan
Portfolio growth				
Loans receivable	31,220.7	32,056.8	33,491.5	35,316.3
Loans receivable growth rate (per cent)	9.0	4.1	7.3	5.4
Profitability				
Net interest income	996.7	1,028.1	1,064.7	1,103.2
Net interest margin (per cent)	3.15	3.11	3.11	3.02
Credit quality				
Impaired loans	182.9	257.6	135.1	159.7
Provision for credit losses	19.3	67.7	37.5	49.8
Allowance for credit losses	213.6	256.5	200.9	144.8
Performance by non-lending business line				
FCC Ventures				
Total capital outstanding	99.5	145.3	140.3	151.6
Investment in associates at fair value	50.9	81.1	66.0	76.5
Net income from investment in associates	1.5	6.4	3.7	11.1
Venture capital investments at fair value	55.0	83.4	82.2	89.8
Venture capital investment income	2.4	4.4	4.1	4.9
FCC Management Software				
Net sales revenue	1.2	1.9	1.2	1.1
FCC Insurance				
Insurance premium income	25.4	27.0	26.5	27.3
Net insurance income	19.0	16.2	26.4	16.4
Efficiency				
Administration expenses	371.1	403.9	397.5	424.8
Efficiency ratio (per cent)	36.6	38.7	36.4	38.0
Funding				
Borrowings	26,924.1	27,213.4	28,558.0	30,199.7
Capital management				
Total capital	5,568.0	5,668.3	5,885.5	6,144.1
Risk-weighted assets	34,183.0	34,861.1	36,334.4	38,284.0
Total capital ratio	16.3	16.3	16.2	16.0
Debt to equity	4.8	4.8	4.8	4.9
Shareholder return				
Net income	613.8	570.5	647.2	648.8
Return on equity (per cent)	11.3	10.2	11.1	10.6
Dividends	268.3	335.7	308.3	435.3

6.1.1 Discussion of 2017-18 forecast versus 2016-17 actual, prior plan and 2018-19 financial plan

Portfolio growth

Loans receivable

Relative to 2016-17 actual results, the portfolio is forecast to grow by $2,270.8 million or 7.3% in 2017-18. Compared to the 2017-18 plan, the forecast loans receivable is $1,434.7 million or 4.5% higher.

Loans receivable is projected to grow by $1,824.8 or 5.4% from forecast to plan. The increase in loans receivable reflects projected lending through the primary production financing, agribusiness and agri-food financing and Alliances business lines. The reduced level of growth as compared to 2016-17 actual and 2017-18 forecast is the result of anticipated slower growth in farmland asset values and farm debt outstanding.

Primary producers (primary production financing and Alliances) continue to represent the majority of loans receivable at 86.8% in 2016-17 actuals, 87.1% in 2017-18 forecast and 87.2% in 2018-19 plan. In 2018-19 plan, the loans receivable portfolio for primary production is $29,673.1 million, agribusiness and agri-food is $4,506.3 million and Alliances is $1,162.9 million.

Profitability

Net interest income and net interest margin

Net interest income is required to cover administration expenses and the risk of credit losses, as well as to yield a sufficient profit to meet the corporation's capital requirements and provide a return to FCC's shareholder.

The 2017-18 net interest income forecast is $68.0 million higher than 2016-17 actual results mainly due to continued growth in the loan portfolio, partly offset by lower net interest margin. The 2017-18 net interest income forecast is $36.6 million higher than 2017-18 plan mainly due to higher growth in the loan portfolio than planned.

The net interest margin is forecasted at 3.11%, which is lower than the prior year actual of 3.15% and equal to 2017-18 plan. This decrease from prior year is primarily due to fixed earning assets repricing in a lower interest rate environment and continued competitive pressure on lending margins.

Net interest income is expected to increase $38.5 million from forecast to plan. This is due to a 5.4% growth in loans receivable, offset by a decrease in the net interest margin from 3.11% to 3.02% due to similar reasons as the decrease experienced from actuals to forecast. Rising interest rates are projected to have an unfavourable impact on the interest rate spread between interest-bearing liabilities and interest-earning assets. This will be offset by the favourable impact rising interest rates will have on the benefit from FCC's equity base.

Credit quality

FCC continually monitors its portfolio and the agriculture industry to proactively identify and develop solutions to help customers through difficult times. FCC has developed customized programs and product options that provide flexibility and support customers in times of challenge and opportunity.

FCC employs sound business practices for analyzing credit quality and monitoring loans that are past due and impaired. From this analysis, FCC can better assess the appropriate level of allowance for credit losses and determine whether its risks are within the tolerances stated in the Board-approved risk management policies.

Impaired loans

Impaired loans are forecasted to decrease $47.8 million from 2016-17 actual results and $122.5 million from 2017-18 planned results due to better than anticipated portfolio health.

Impaired loans are expected to be $159.7 million in 2018-19, an increase of $24.6 million over forecast due to increasing portfolio risk and growth in the loan portfolio.

Allowance for credit losses

FCC's allowance for credit losses is forecasted to decrease by $12.7 million in 2017-18 from 2016-17 due to improved portfolio health offset by growth in loans receivable.

On April 1, 2018, FCC will adopt IFRS 9 – Financial Instruments. The adoption of the new standard will result in changes in the accounting for financial instruments. For the allowance for credit losses, IFRS 9 introduces a new expected loss impairment model. On adoption, the allowance is estimated to decrease from $200.9 million to $137.3 million, resulting in an increase to opening retained earnings of $63.6 million. By the end of 2018-19, the allowance is expected to increase to $144.8 million as the portfolio increases through the year. The allowance as a percentage of loans receivable is projected to decline from 0.6% in 2017-18 to 0.4% in 2018-19.

Provision for credit losses

The provision for credit losses is forecasted to be $37.5 million, which is higher than the provision of $19.3 million in 2016-17 due to growth in loans receivable and offset by a decrease due to improved portfolio health. Forecast is lower than 2017-18 plan of $67.7 million due to better than anticipated portfolio health.

In 2018-19, the required provision is projected to be $49.8 million, increasing from 2017-18 mainly due to the projected portfolio growth.

Performance by non-lending business lines

FCC Ventures

FCC Ventures is the corporation's venture capital business line, created to address the need for non-traditional financing in Canada's agriculture and agri-food industry. The investment objectives are focused on funding Canadian agribusiness and agri-food entities in the commercialization-to-growth stage and the recapitalization of mature businesses in the industrial bio-products, nutraceutical ingredients, food and agricultural technology sectors.

The venture capital portfolio includes six limited partnership funds, consisting of equity funds and subordinated debt funds, managed by Avrio Capital Inc. Avrio Equity Funds make up the investment in associates balance on the balance sheet. Revenue from these funds shows on the income statement as net income from investments in associates. Investments through Avrio Subordinated Debt Funds are consolidated in the financial statements and reported as venture capital investments. Revenue of these funds is included in total net interest income.

At September 30, 2017, FCC has provided $324.6 million to date in venture capital funding to the agriculture and agri-food industry. Co-investors have contributed an additional $556.6 million, resulting in an additional $2.30 of capital for every $1.00 invested by FCC. FCC will continue to provide venture capital financing with the expectation of attracting additional capital to the industry.

At the end of 2017-18, the corporation is forecasting $140.3 million in capital outstanding. Total capital outstanding is expected to increase slightly to $151.6 million at the end of 2018-19. This anticipates new investments of $40.3 million, offset by repayments and divestitures.

The fair value of the venture capital investments is projected to increase $7.6 million and income is expected to increase $0.8 million from 2017-18 to 2018-19. The fair value of investment in associates is projected to increase $10.5 million and income is projected to increase $7.4 million from 2017-18 to 2018-19. This reflects the plan assumptions with respect to the new investments and increases in the fair value of existing investments.

FCC Management Software
FCC Management Software is focused on developing, promoting and improving farm management software for the Canadian agriculture and agri-food industry. FCC Management Software supports the business of agriculture by providing valuable solutions to farmers that will help ensure their success and viability. The forecast net sales revenue of $1.2 million is equal to 2016-17 actual results, but slightly lower than 2017-18 plan.

Net sales revenue for 2018-19 plan is projected to be slightly less than forecast at $1.1 million.

FCC Insurance
FCC offers creditor life and accident insurance to protect customers and their families, partners and businesses. Sun Life Assurance Company of Canada underwrites and administers FCC's insurance programs. Insurance premium revenue is forecasted to be $1.1 million higher than 2016-17 actual results and is $0.5 million lower than 2017-18 plan. The 2017-18 forecast reflects a one-time recovery of $10.5 million against the claims expense for an insurance reserve that is no longer required. As a result, net insurance income after insurance claims is expected to be $26.4 million in 2017-18.

In 2018-19, insurance premium revenue is planned to be $27.3 million, representing an increase of $0.8 million from forecast levels due to growth in the portfolio. Net insurance revenue after claims paid is projected at $16.4 million.

Efficiency

Administration expenses
A key element of continued financial viability is cost management and operational efficiency balanced against the requirements of a growing enterprise. The corporation will continue its track record of efficiency and strong financial performance, focus on delivering services in an efficient manner and optimizing how it operates enterprise-wide. A portion of FCC's administration expense funds initiatives that will support continued business growth and enhancements to the customer experience as outlined in Section 5.3. Initiatives are planned for 2018-19 to improve foundational business systems and data management, enhance digital solutions to facilitate customer and partner interactions, and mature a sustainable innovation practice (see section 5.3.3).

In 2017-18, administration expenses are forecasted to be $26.4 million higher than 2016-17 actuals due to increases in salaries and benefits expense and professional fees and investing in initiatives to meet the needs of customers and the industry.

In 2018-19, administration expenses are projected to be $27.3 million higher than forecast mainly due to increased salaries and benefits expense, facilities and equipment, and professional fees and investing in initiatives to enhance the customer experience.

Efficiency ratio
The forecast efficiency ratio of 36.4% is slightly lower than 2016-17 actual ratio of 36.6% due to higher net interest income, offset by higher administration expenses. The forecast is lower than 2017-18 plan of 38.7% due to higher forecasted net interest income and lower administration expenses.

In 2018-19, the efficiency ratio increases to 38.0% due to the administration expenses identified above, relative to the lower growth of net interest income. The 2018-19 projected efficiency ratio of 38.0% is comparable to the 10-year historical average of 38.2%.

Capital management

Total capital ratio

The forecasted 2017-18 total capital ratio of 16.2% is lower than 2016-17 actual of 16.3%. The decrease in the capital ratio is due to portfolio growth and dividends partly offset by growth in capital from net income. This ratio is projected to remain higher than FCC's targeted total capital ratio of 15.0% as growth in capital from net income outpaces growth in risk-weighted assets. FCC's capital management objective is to maintain a safe and sound capital position to withstand economic downturn and periods of extended loss and to support FCC's strategic direction.

Debt to equity

The forecasted debt-to-equity ratio of 4.8 to 1 is equal to 2016-17 actual and 2017-18 plan. In 2018-19, the debt-to-equity ratio is projected to remain relatively stable at 4.9 to 1, since excess capital is paid to the shareholder in the form of dividends. This ratio is projected to remain well below the maximum 12 to 1 debt-to-equity ratio set under the *Farm Credit Canada Act*.

Shareholder return

Net income

Net income is projected to reach $647.2 million in 2017-18, which is $33.4 million higher than 2016-17 actual and $76.7 million higher than 2017-18 plan. The forecasted increase from the prior year is driven by net interest income from a larger portfolio and higher net insurance income resulting from a one-time recovery, offset by a higher provision for credit losses and higher administration expenses.

In 2018-19, net income is projected to increase $1.6 million. The projected growth is due to higher net interest income offset by higher administration expenses, higher provision for credit losses and lower net insurance income.

Return on equity

Return on equity measures the efficiency at generating income relative to equity. In 2017-18, return on equity is forecast at 11.1%, which is slightly lower than 2016-17 actual of 11.3%. The decrease is primarily due to higher administration expenses and higher provision for credit losses. The forecast is higher than the return on equity projected in 2017-18 plan of 10.2%.

In 2018-19, return on equity is projected to decrease to 10.6% as the growth in equity outpaces the growth in annual net income.

Dividends

The corporation pays dividends to the Government of Canada at the discretion of its Board of Directors. The corporation's dividend policy relates the dividend payment to excess capital as determined through the year end capital adequacy assessment. The dividend policy and the projected payments in the plan are aligned with the Capital and Dividend Policy Framework for financial Crown corporations issued by the Department of Finance.

Dividend payments will continue to be declared annually at the discretion of FCC's Board of Directors. Actual dividend payments could vary materially with variances in actual risk-weighted assets, available capital and changes in FCC's target capital ratio, which is determined annually through its internal capital adequacy assessment process.

FCC pays dividends based on its prior year-end excess capital. In 2017-18, FCC paid 70% of its excess capital, equaling $308.3 million, which is higher than prior year of $268.3 million. The 2018-19 plan forecasts a 100% excess capital payout, resulting in dividends of $435.3 million.

6.2 Capital budget

The 2018-19 capital budget is submitted for Treasury Board approval in accordance with section 124 of the *Financial Administration Act*.

Capital spending is expected to be $76.6 million in 2018-19, which is higher than both the 2016-17 actual results and the 2017-18 forecast by $4.5 million. FCC's capital projections primarily consist of agricultural equipment financing to customers under operating leases, as well as purchases relating to leasehold improvements, furniture, fixture and equipment replacements, and computer hardware and software purchases.

Aside from equipment under operating leases, other significant capital expenditures in 2018-19 are related to computer software. These expenditures are being used to support continued business growth and enhancements to the customer experience, including investment in technology as outlined in the strategic themes under Section 5.3.

Fiscal year ending March 31 ($ millions)	2017 Actual	2018 Plan	2018 Forecast	2019 Plan
Capital budget				
Leasehold improvements	3.2	3.4	3.6	4.4
Furniture and equipment	0.6	1.1	1.3	1.3
Computer hardware	4.8	4.9	2.2	2.3
Computer software	13.5	15.6	16.0	20.6
Equipment under operating leases	50.0	30.0	49.0	48.0
Total capital expenditures	72.1	55.0	72.1	76.6

Farm Credit Canada
Consolidated Balance Sheet
2019-23 Corporate Plan
(millions of dollars)

As at March 31	2017 Actuals	2018 Forecast	2019 Plan
Assets			
Cash and cash equivalents	$ 790.6	$ 834.0	$ 834.0
Temporary investments	435.5	366.0	366.0
Accounts receivable and prepaid expenses	399.1	38.3	29.4
Derivative financial assets	35.8	19.2	12.2
	1,661.0	1,257.5	1,241.6
Loans receivable	31,220.7	33,491.5	35,316.3
Allowance for credit losses	213.6	200.9	144.8
Loans receivable - net	31,007.1	33,290.6	35,171.5
Finance leases receivable - net	16.5	21.1	22.8
Investment in associates	50.9	66.0	76.5
Venture capital investments	55.0	82.2	89.8
Post-employment benefit assets	53.5	56.5	70.4
	31,183.0	33,516.4	35,431.0
Equipment and leasehold improvements	24.2	23.6	23.8
Computer software	33.0	39.0	47.3
Equipment under operating leases	90.9	101.7	107.0
Other assets	22.2	12.4	12.5
	170.3	176.7	190.6
Total assets	$ 33,014.3	$ 34,950.6	$ 36,863.2
Liabilities			
Accounts payable and accrued liabilities	$ 60.4	$ 62.3	$ 64.0
Borrowings			
Short-term debt	10,416.1	12,240.7	13,489.3
Long-term debt	16,508.0	16,317.3	16,710.4
	26,924.1	28,558.0	30,199.7
Transition loan liabilities	130.0	128.5	135.5
Post-employment benefit liabilities	138.7	145.2	147.1
Other liabilities	19.8	10.8	11.9
	288.5	284.5	294.5
Total liabilities	27,273.0	28,904.8	30,558.2
Equity			
Contributed surplus	547.7	547.7	547.7
Retained earnings	5,106.8	5,433.3	5,714.1
Accumulated other comprehensive income	86.3	64.0	42.3
Equity attributable to shareholder of parent entity	5,740.8	6,045.0	6,304.1
Non-controlling interest	0.5	0.8	0.9
	5,741.3	6,045.8	6,305.0
Total liabilities and equity	$ 33,014.3	$ 34,950.6	$ 36,863.2

Farm Credit Canada
Consolidated Statement of Income
2019-23 Corporate Plan
(millions of dollars)

Fiscal year ending March 31	2017 Actuals	2018 Forecast	2019 Plan
Loans and leases	$ 1,164.7	$ 1,300.3	$ 1,519.6
Investments	14.4	19.5	29.5
Interest income	1,179.1	1,319.8	1,549.1
Short-term debt	31.0	20.6	66.6
Long-term debt	151.4	234.5	379.3
Interest expense	182.4	255.1	445.9
Net interest income	996.7	1,064.7	1,103.2
Provision for credit losses	19.3	37.5	49.8
Net interest income after provision for credit losses	977.4	1,027.2	1,053.4
Insurance income			
Premiums	25.4	26.5	27.3
Claims expense	(6.4)	(0.1)	(10.9)
Net insurance income	19.0	26.4	16.4
Net income from investment in associates	1.5	3.7	11.1
Other income	(0.9)	(0.1)	(0.3)
Net interest income and non-interest income	997.0	1,057.2	1,080.6
Administration expenses	371.1	397.5	424.8
Net income before fair value adjustment	625.9	659.7	655.8
Fair value adjustment	(12.1)	(12.5)	(7.0)
Net income	$ 613.8	$ 647.2	$ 648.8
Net income attributable to:			
Shareholder of parent entity	$ 613.8	$ 647.1	$ 648.7
Non-controlling interest	0.0	0.1	0.1

Farm Credit Canada
Consolidated Statement of Comprehensive Income
2019-23 Corporate Plan
(millions of dollars)

Fiscal year ending March 31	2017 Actuals	2018 Forecast	2019 Plan
Net income	$ 613.8	$ 647.2	$ 648.8
Other comprehensive income			
Items that are or may be reclassified to net income			
Transfer of net realized gains on derivatives designated as cash flow hedges to net income	(21.7)	(21.8)	(21.7)
Net unrealized gains (losses) on available-for-sale financial assets	0.0	0.0	0.0
	0.9	(0.5)	0.0
	(20.8)	(22.3)	(21.7)
Item that will never be reclassified to net income			
Remeasurements of post-employment benefit assets and liabilities	62.5	(12.3)	3.8
Total other comprehensive income (loss)	41.7	(34.6)	(17.9)
Total comprehensive income	$ 655.5	$ 612.6	$ 630.9
Total comprehensive income attributable to:			
Shareholder of parent entity	$ 655.5	$ 612.5	$ 630.8
Non-controlling interest	0.0	0.1	0.1

Farm Credit Canada
Consolidated Statement of Changes in Shareholder's Equity
2019-23 Corporate Plan
(millions of dollars)

Fiscal year ending March 31	2017 Actuals	2018 Forecast	2019 Plan
Contributed surplus			
Balance, end of year	$ 547.7	$ 547.7	$ 547.7
Retained earnings			
Balance, beginning of year	4,698.9	5,106.8	5,433.3
Impact of adopting new accounting standard for financial instruments as at April 1, 2018*	0.0	0.0	63.6
Net income	613.8	647.1	648.7
Other comprehensive income	62.5	(12.3)	3.8
Dividends paid	(268.3)	(308.3)	(435.3)
Balance, end of year	5,106.8	5,433.3	5,714.1
Accumulated other comprehensive income			
Balance, beginning of year	107.1	86.3	64.0
Transfer of net realized gains on derivatives previously designated as cash flow hedges to net income	(21.7)	(21.8)	(21.7)
Net unrealized gains (losses) on available-for-sale financial assets	0.9	(0.5)	0.0
Balance, end of year	86.3	64.0	42.3
Total equity attributable to parent	$ 5,740.8	$ 6,045.0	$ 6,304.1
Non-controlling interests in structured entity			
Balance, beginning of year	0.4	0.5	0.8
Net income attributable to non-controlling interest	0.0	0.1	0.1
Contributions from/(distributions to) non-controlling interest	0.1	0.2	0.0
Balance, end of year	0.5	0.8	0.9
Total	$ 5,741.3	$ 6,045.8	$ 6,305.0

* On April 1, 2018, FCC will adopt IFRS 9 - Financial Instruments. The adoption of this new standard will result in changes in the accounting for financial instruments, resulting in the recognition of certain adjustments to opening retained earnings and accumulated other comprehensive income. The comparative consolidated financial statements have not been restated as a result of the adoption of the new standard.

Farm Credit Canada
Consolidated Statement of Cash Flows
2019-23 Corporate Plan
(millions of dollars)

Fiscal year ending March 31	2017 Actuals	2018 Forecast	2019 Plan
Operating activities			
Net Income	$ 613.8	$ 647.2	$ 648.8
Adjustments to determine net cash (used in) provided by operating activities:			
Net interest income	(996.7)	(1,064.7)	(1,103.2)
Unwind adjustment on impaired loans	(3.4)	(3.0)	(3.3)
Provision for credit losses	19.3	37.5	49.8
Fair value adjustment	12.1	12.5	7.0
Net income from investment in associates	(1.5)	(3.7)	(11.1)
Amortization and depreciation	19.2	28.8	32.6
Other	(8.4)	0.0	0.0
Net cash outflow from loans receivable	(2,549.5)	(2,246.9)	(1,836.1)
Net cash (outflow) inflow from finance leases receivable	(1.3)	(4.6)	(1.7)
Net change in other operating assets and liabilities	18.9	303.8	10.2
Interest received	1,137.4	1,290.6	1,515.1
Interest paid	(160.5)	(255.1)	(445.9)
Cash used in operating activities	(1,900.6)	(1,257.6)	(1,137.8)
Investing activities			
Net cash (outflow) inflow from temporary investments	(97.6)	69.5	0.0
Acquisition of venture capital investments	(23.2)	(30.4)	(25.0)
Proceeds on disposal and repayment of venture capital investments	10.0	3.5	17.4
Net cash inflow (outflow) from investment in associates	6.1	(11.4)	1.1
Purchase of equipment and leasehold improvements	(9.4)	(7.1)	(8.0)
Purchase of computer software	(11.4)	(16.0)	(20.6)
Purchase of equipment under operating leases net of disposal	(50.0)	(49.0)	(48.0)
Proceeds on disposal of equipment under operating leases	16.4	16.3	14.5
Cash used in investing activities	(159.1)	(24.6)	(68.6)
Financing activities			
Long-term debt, issued and (repaid)	1,872.4	2,056.9	1,174.8
Short-term debt, issued and (repaid)	414.7	(423.0)	466.9
Dividend paid	(268.3)	(308.3)	(435.3)
Cash provided by financing activities	2,018.8	1,325.6	1,206.4
Change in cash and cash equivalents	(40.9)	43.4	0.0
Cash and cash equivalents, beginning of year	831.4	790.6	834.0
Effects of exchange rate changes on the balances of cash held and due in foreign currencies	0.1	0.0	0.0
Cash and cash equivalents, end of year	$ 790.6	$ 834.0	$ 834.0

6.3 Borrowing Plan summary

To meet its forecasted funding requirements, FCC requests authority from the Minister of Finance to borrow from the Crown Borrowing Program and capital markets as follows:

i. Short-term financing from the Crown Borrowing Program not exceeding a maximum outstanding of $9.5 billion.

ii. Short-term U.S. dollar financing from domestic money markets not exceeding a maximum outstanding of U.S. $550 million.

iii. Long-term financing from the Crown Borrowing Program not exceeding $16.5 billion of new issuances.

iv. Up to a maximum of $30 million through an operating line of credit.

Borrowings are used in the normal course of business to finance loans and provide liquidity, as well as for asset -liability management purposes. Interest rates and market conditions can drive changes in customer preferences or interest rate risk exposures on the balance sheet. FCC requires borrowing authorities that provide flexibility and latitude to effectively finance FCC's balance sheet and manage risk and business requirements.

7.0 | Reference information

7.1 Products and services

FCC cares about its customers and takes time to listen, learn and understand their businesses. The corporation offers a combination of financing, insurance, management software, information and learning products and services, and focuses on creating extraordinary customer experiences.

Primary production financing

FCC provides loans tailored to the unique needs of primary producers in the agriculture industry. This includes industries such as crop production, greenhouse production, cattle, hogs, dairy and poultry. Employees build relationships with customers to ensure the right combination of terms, security and payment schedules meet their customers' current and future needs.

Agribusiness and agri-food financing

FCC provides loans to those who buy from and sell to primary producers, including equipment manufacturers and dealers, input providers and processors along the agriculture value chain. Employees offer customized financial solutions to agribusiness and agri-food customers on a foundation of service excellence, industry knowledge and trusted partnerships.

Financing for equipment, crop inputs and livestock at the point of sale

FCC provides loans and leases to customers at the point of sale through alliance relationships with crop input retailers, livestock marketers and equipment dealers. These convenient finance programs benefit alliance partners and customers.

FCC learning and events

FCC offers management training, information and learning to customers. Live event and online multimedia topics include managing farm finances, human resources, succession planning and others. Social media is an important channel for sharing this information.

FCC offers all producers and agribusiness and agri-food operators complimentary access to learning events where they can build management skills and experience hands-on training. Employees encourage young farmers to participate in these opportunities:

In 2017, FCC, in partnership with young farmer associations and industry partners, introduced Ignite, the FCC Young Farmer Summit — a series of five events across Canada designed to attract and engage the next generation of farmers. Each event was designed to inspire possibilities, impart knowledge and create connections between like-minded producers. FCC Ignite events complement the seven FCC Forums, and 65 Ag Knowledge Exchange sessions that will take place across the country over the fall and winter of 2017-18.

FCC offers a series of online learning videos, audio podcasts and webinars at fcc.ca to help Canadian producers and agribusiness and agri-food operators expand their knowledge.

Producers can learn more about farm management strategies by reading AgriSuccess, FCC's bimonthly publication. This national farm management magazine is free and offers tips and insight from industry experts and producers. They can also receive the latest news, market and economic outlooks through the FCC Express, delivered weekly by email.

FCC Management Software

FCC offers software designed for Canadian producers. Current software offerings include FCC AgExpert Analyst, Field Manager PRO, Field Manager PRO 360 and Field Manager Commercial. These software products help Canadian farmers digitize their farm records and advance their management practices. The FCC Software team is currently transitioning FCC's software products from a desktop to a cloud-based platform. This transition will begin in Q4, 2017-18, and eventually result in a farm management tool that Canadian farmers can use to better manage their operations. In early 2018, the first release to the cloud platform will be field record keeping abilities. FCC will continue to offer its current desktop products throughout the transition to the new platform.

FCC Loan Insurance

FCC offers loan insurance tailored to agriculture, allowing customers to protect themselves, their businesses and their families in the event of injury or death.

FCC Ventures

FCC Ventures is the corporation's venture capital business line, created to address the need for non-traditional financing in Canada's agriculture and agri-food industry.

FCC venture capital financing is delivered through various limited partnership investment funds managed by Avrio Capital.

These funds provide alternative financing arrangements to the industry in the form of subordinated debt, mezzanine and equity financing.

Avrio Capital provides services across Canada with offices in Montreal, Toronto and Calgary.

FCC Online Services

Using FCC Online Services, customers can securely manage their loan information from a mobile device or computer anytime, anywhere. Customers can check their portfolios, manage their profiles, request funds, view statements, access documents and review information on Canada's farmland values.

FCC Mobile for iPhone and Android provides a quick, easy way for FCC loan customers with Online Services to view loans, manage profile information, contact their relationship management team and access the best business advice from our ag knowledge library.

7.2 Loans and leasing

Customized loans

1-2-3 Grow Loan
Customers can manage their cash flow with interest-only payments up to five years, until they get a return on their investment.

Advancer Loan
The Advancer Loan is a pre-approved, secured loan with the flexibility to re-advance funds for capital purchases at the borrower's discretion.

American Currency Loan
The American Currency Loan is useful to customers who derive revenue in U.S. dollars. The loan allows them to borrow and make payments in U.S. currency.

Capacity Builder Loan
Customers may purchase quota, equipment or breeding livestock with pre-approved financing for up to 18 months, interest-only payments, and the option to capitalize interest.

Cash Flow Optimizer Loan
This loan offers interest-only payments and allows customers to reinvest funds into other areas of their operations. The borrower chooses when to make principal payments.

Construction Loan
Customers may defer their principal payments up to 18 months while they build or expand their farm operation.

Energy Loan
The Energy Loan helps customers convert to renewable energy sources like biogas, geo-thermal, wind or solar power.

Enviro-Loan
The Enviro-Loan allows customers to construct, improve or expand environmental facilities, and make interest-only payments for up to 18 months.

FCC Credit Line
FCC Credit Line is a revolving, pre-approved loan that borrowers can access at any time for their day-to-day operating expenses.

Flexi-Loan
Customers may defer principal payments for up to one year and take advantage of opportunities or ease cash flow during adverse conditions.

Inventory Financing Loan
Inventory Financing is a revolving, pre-approved loan for agricultural equipment inventory. It serves as a two-way agreement between FCC and a dealership for the purpose of financing inventory held for resale.

Performer Loan
The Performer Loan rewards customers with lower interest rates when their businesses achieve pre-set goals.

Spring Break Loan
The Spring Break Loan provides customers with a flexible payment schedule to help manage irregular income streams.

Start Now – Pay Later Loan
This loan allows customers to manage their cash flow with deferred payments to get their operations up and running.

Transition Loan
The Transition Loan provides flexibility in the transfer of farm assets by allowing disbursements to be made to the seller over time.

Young Farmer Loan
The Young Farmer Loan is available to farmers 39 years of age and under to help start or grow their businesses. Key features include no loan processing fees and special interest rates up to $1 million in lending.

Young Entrepreneur Loan
The Young Entrepreneur Loan is available to agribusiness and agri-food customers, 39 years of age and under, to help buy, improve or purchase shares in agriculture or agri-food related businesses. Key features include no loan processing fees and special interest rates up to $1 million in lending.

Standard loans

Closed rates
Closed rates are fixed for the term of the personal property or mortgage loan.

Fixed rates
Fixed rates are set for the term of the loan and include a 10% prepayment option.

Open rates
Open rates offer the benefit of prepayment without penalty, with a fixed rate for the term of the personal property loan.

Variable rates
Variable rates offer maximum flexibility with a rate that floats as interest rates rise and fall. Customers may prepay any amount at any time for personal property loans or open variable rate mortgage loans. They may also prepay up to 10% at any time for standard variable-rate mortgage loans.

Equipment leases

FCC Leasing
Customers may lease new or used equipment at select dealerships and benefit from less investment up front, increased flexibility in payments, and the option to purchase the equipment at the end of the lease.

7.3 Glossary of terms

Agribusiness and agri-food
Suppliers or processors who sell to, buy from and otherwise serve primary producers. These include equipment manufacturers and dealers, input providers, wholesalers and marketing firms.

Agvocate
An individual or group that actively promotes agriculture in respectful and meaningful ways. Agvocates believe that agriculture is a modern and dynamic industry with value that needs to be better understood, recognized and advanced among industry stakeholders and the general public.

Alliances
Relationships established by contract between FCC and other agriculture or financial organizations designed to pool talents and offer expanded customer services.

Allowance for credit losses
Management's best estimate of credit losses incurred on a loan and lease receivable portfolio. Allowances are accounted for as deductions on the balance sheet from loans and leases receivable, respectively.

Basis point (bps)
A unit equal to 1/100 of 1%, used when describing applicable interest rates or the yield of an investment (1 bps = 0.01%).

Corporate social responsibility (CSR)
A corporation's commitment to operate in an economically, socially and environmentally sustainable manner while recognizing the interests of its stakeholders, including investors, customers, employees, business partners, local communities, the environment and society at large, as defined by Canadian Business for Social Responsibility.

Counterparty
The other party involved in a financial transaction, typically another financial institution.

Counterparty credit risk
The risk that the counterparty will not be able to meet its financial obligations under the terms of the contract or transaction into which it has entered.

Crown Borrowing Program
Direct lending provided to major Crown corporation borrowers by the federal government.

Debt-to-equity ratio
The level of debt expressed as dollars of debt per one dollar of total equity, excluding accumulated other comprehensive income.

Derivative financial instrument
A financial instrument where value is based on and derived from an underlying price, interest rate, exchange rate or price index. Use of derivatives allows for the transfer, modification or reduction of current or expected risks from changes in interest rates and foreign exchange rates. Types of derivative contracts include interest rate swaps, interest rate options, currency swaps and forward contracts.

Efficiency ratio
A measure of how well resources are used to generate income calculated as administration expense as a percentage of revenue. Revenue is composed of net interest income, net insurance income and other income.

Enterprise risk management (ERM)
ERM is the enterprise-wide application of co-ordinated activities that direct and control an organization with respect to risk.

Fair value
The estimated price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

Impaired loans
Loans where, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. In addition, any loan that is $500 or more and past due for 90 days is classified as impaired unless the loan is sufficiently secured.

Interest expense
An expense incurred on debt.

Interest income
Income earned on loans receivable, cash and investments.

Interest rate risk
The risk that a change in interest rates adversely impacts net interest income and economic value.

Interest rate swaps
Contractual agreements for specified parties to exchange interest payments for a specified period of time based on notional principal amounts.

Internal capital adequacy assessment process (ICAAP)
An end-to-end process designed to ensure FCC maintains a safe and sound capital position to withstand economic downturn and periods of extended loss and to support FCC's strategic direction.

Leverage
The relationship between total liabilities and the equity of a business.

Mezzanine financing
A hybrid of debt and equity financing that is typically used to finance the expansion of existing companies. Mezzanine financing is often debt capital that gives the lender the right to convert to an ownership equity interest if the loan is not paid off in time and in full.

Net disbursements
The release of funds against approved loans. They exclude the refinancing of existing loans.

Net interest income
The difference between the interest earned on assets, such as loans and securities, and interest expense on borrowings.

Other comprehensive income
Represents gains and losses due to changes in fair value that are recorded outside net income in a section of the shareholder's equity called accumulated other comprehensive income (AOCI).

Prepayments
Unscheduled principal payments prior to interest term maturity.

Primary production
Agriculture operations that produce raw commodities such as grains and oilseeds, cattle, hogs, poultry, sheep and dairy, as well as fruit, vegetables and alternative livestock. Primary production also includes vineyards, greenhouses, forestry (cultivation, growing and harvesting of trees), aquaculture (growing of ocean and inland fish) and part-time farming.

Provision for credit losses
Charged to the income statement by an amount necessary to bring the allowance for credit losses to a level determined appropriate by management.

Return on equity (ROE)
Net income attributable to the shareholder of the parent entity expressed as a percentage of total average equity, excluding AOCI.

Risk-weighted assets (RWA)
Assets weighted according to relative risk as prescribed by the regulatory capital requirements issued by OSFI.

Sector
A specific type of agricultural operation (dairy, beef, oilseed and grain, agribusiness, etc.).

Structured entity
An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity and the relevant activities are directed by means of contractual arrangements.

Subordinated debt
A loan that ranks below other loans with respect to claims on assets or earnings in the case of default. Subordinated debt is often unsecured.

Suppliers and processors
Suppliers and processors sell to, buy from and otherwise serve primary producers. These include equipment manufacturers and dealers, input providers, wholesalers, marketing firms and processors.

Total capital
Consists of contributed surplus, retained earnings and accumulated other comprehensive income and are net of regulatory adjustments. Regulatory adjustments are prescribed by OSFI.

Total capital ratio
Calculated by dividing total capital by RWA. FCC's total capital consists of retained earnings, contributed surplus and AOCI, and are net of required regulatory adjustments prescribed by OSFI. The applicable regulatory adjustments consist of the exclusion of intangible assets, accumulated gains or losses on derivatives designated as cash flow hedges and post-employment benefit assets.

7.4 FCC office locations (as of December 31, 2017)

British Columbia
Abbotsford, Dawson Creek, Duncan, Kelowna, Surrey

Alberta
Barrhead, Brooks, Calgary, Camrose, Drumheller, Edmonton, Falher, Grande Prairie, High River (S), La Crete, Leduc, Lethbridge, Lloydminster, Medicine Hat, Olds, Red Deer, Strathmore (S), Vegreville, Vermilion, Westlock

Saskatchewan
Assiniboia, Carlyle, Humboldt, Kindersley, Meadow Lake (S), Moose Jaw, Moosomin (S), North Battleford, Prince Albert, Regina, Rosetown, Saskatoon, Swift Current, Tisdale, Wadena (S), Weyburn, Yorkton

Manitoba
Arborg, Brandon, Carman, Dauphin, Killarney (S), Morden, Neepawa, Portage la Prairie, Shoal Lake (S), Steinbach, Stonewall (S), Swan River, Virden, Winnipeg

Ontario
Casselman, Chatham, Clinton, Essex, Frankford, Guelph, Kanata, Kingston, Lindsay, Listowel, London, Mississauga, New Liskeard, Owen Sound, Simcoe, Stratford, Thornton, Vineland, Walkerton, Woodstock, Wyoming

Quebec
Alma, Ange-Gardien, Blainville, Drummondville, Gatineau (S), Joliette, Lévis, Rivière-du-Loup, Salaberry-de-Valleyfield, Sherbrooke, Ste-Marie, St-Hyacinthe, St-Jean-sur-Richelieu, Trois-Rivières, Victoriaville

New Brunswick
Moncton, Woodstock

Nova Scotia
Kentville, Truro

Prince Edward Island
Charlottetown

Newfoundland and Labrador
Mount Pearl

(S) Satellite office – limited hours

Corporate office
1800 Hamilton Street
P.O. Box 4320
Regina SK S4P 4L3
Telephone: 306-780-8100
Fax: 306-780-5167
TTY: 306-780-6974
Toll-free TTY: 1-866-205-0013

Software Customer Care Centre
1800 Hamilton Street
P.O. Box 4320
Regina SK S4P 4L3
Toll-free: 1-800-667-7893
Telephone: 306-721-7949
Fax: 306-721-1981

Government Relations
Tower 7 Floor 10 Room 322
1341 Baseline Road
Ottawa ON K1A 0C5
Telephone: 613-773-2940
Fax: 613-222-6727

fcc.ca
csc@fcc-fac.ca

FCC's venture capital investments are managed by:

AVRIO CAPITAL

avriocapital.com
info@avriocapital.com

7.5 Contacts

If you require more information about FCC's corporate plan or want to provide feedback, contact:

Corporate office
1800 Hamilton Street
P.O. Box 4320
Regina SK S4P 4L3
Telephone: 306-780-8100
fcc.ca

Strategy and Corporate Social Responsibility
Janita Van de Velde
Telephone: 306-780-7015
Email: janita.vandevelde@fcc-fac.ca

Corporate Planning and Reporting
Leah Sharpe
Telephone: 306-780-7456
Email: leah.sharpe@fcc-fac.ca

Government Relations
Jules Gallant
Tower 7 Floor 10 Room 322
1341 Baseline Road
Ottawa ON K1A 0C5
Telephone: 613-773-2940
Email: jules.gallant@fcc-fac.ca

Annex A – Mandate letter

Minister of Agriculture and Agri-Food | Ministre de l'Agriculture et de l'Agroalimentaire

Ottawa, Canada K1A 0C5

Quote: 221054

AOUT AUG 3 1 2016

Mr. Dale Johnston
Chairperson
Farm Credit Canada
1800 Hamilton Street
PO Box 4320
Regina, Saskatchewan S4P 4L3

Dear Mr. Johnston:

The Government of Canada has made broad commitments to inclusive and sustainable economic growth, greater social inclusion, an open and transparent government, and a safer Canada. As Minister of Agriculture and Agri-Food, I am accountable for delivering on these commitments along with the sector-specific priorities identified in my mandate letter from the Prime Minister.

The Government has placed a strong emphasis on delivering results. The Prime Minister and the President of the Treasury Board are working to develop new, more effective reporting processes that will allow Canadians to more easily follow the Government's progress toward delivering on its priorities.

The Government is committed to pursuing its goals with a renewed sense of collaboration with a focus on improving partnerships with provincial and territorial governments and Canada's Indigenous peoples. The Government has set a higher bar for openness and transparency within government. We are also expected to support the Government's implementation of its new selection process for Governor in Council and ministerial appointments, identifying high-quality candidates through an open, transparent, and merit-based process that will help achieve gender parity and truly reflect Canada's diversity.

The Prime Minister's *Open and Accountable Government* identifies mandate letters from the Minister to portfolio organizations as a best practice for ensuring the integrity and coherence of government activities in an integrated way that best supports the Portfolio and the sector.

As Minister of Agriculture and Agri-Food, my overarching goal is to support the agriculture sector in a way that allows it to be a leader in job creation and innovation. My mandate letter sets out sector-specific priorities that include helping the sector get products to markets, research and innovation, food safety, and export support.

…/2

Canada

As Agriculture and Agri-Food Canada works to advance these priorities, the Deputy Minister and I will engage the portfolio organizations on the priorities that fall within their respective mandates. This letter is intended to serve as the basis of an ongoing dialogue between me and your organization as part of the Agriculture and Agri-Food Portfolio.

There is important work to be done within the agriculture sector, and I ask that Farm Credit Canada continue to support the Deputy Minister in her role as my principal source of public service support and policy advice for the Agriculture and Agri-Food Portfolio. The Deputy Minister is responsible for ensuring that the Portfolio functions in a coordinated and coherent manner while respecting the separate accountability relationships and mandates of each portfolio partner. It is my expectation that Farm Credit Canada, the Deputy Minister, and the Department will be in regular communication so that all parties have the information they need to support the sector in a timely and responsible manner that is consistent with the overall direction and priorities of the Government.

Consistent with its mandate, I ask that Farm Credit Canada deliver on the following priorities:

- As Canada's national provider of financial and business services tailored exclusively to the needs and opportunities of the agriculture and agri-food industry, it is essential that Farm Credit Canada work to ensure that producers and processors have access to needed capital through all economic cycles.

- Continue to provide access to capital to allow farm families, producers, and businesses along the entire agriculture value chain to continue to grow their businesses, adopt innovative practices and business models, pursue new markets, and adopt new technology. Continued attention should be given to products and services that facilitate intergenerational transfers, assist young and new farmers entering the industry, promote sustainability, and enhance Canada's food-processing sector to add value here at home before export.

- Continue to strengthen Farm Credit Canada's relationship with other financial institutions, including Canadian banks and credit unions, to explore opportunities for collaboration and syndicated financing opportunities in order to strengthen Canadian agriculture and rural Canada.

- Support Canadian agricultural interests arising from trade negotiations by continuing to work with Business Development Canada and Export Development Canada, along with Agriculture and Agri-Food Canada and private sector organizations, to ensure that Canadian agriculture and agri-food companies have adequate access to capital to succeed in international markets.

- Continue to invest in venture capital funds dedicated to agriculture to ensure that higher-risk venture capital and expertise is available to a growing number of innovative firms.

- Continue to help make the industry more competitive in the global marketplace by sharing the latest business management practices and economic insights through workshops, publications, and learning forums.

- Continue to promote and support industry-driven initiatives that foster a deeper public understanding of agricultural practices, help ensure that producers are aware of the latest consumer trends, promote better public understanding of food production, and encourage the industry to maintain its social license to operate.

- Support the Governor in Council appointment process by developing position profiles for Farm Credit Canada board positions and providing other relevant information to help inform the appointment process.

I expect Farm Credit Canada's work and conduct to reflect the Government's commitment to an open, honest government that is accountable to Canadians, lives up to the highest ethical standards, and applies the utmost care and prudence in the handling of public funds.

The Government of Canada has placed a strong emphasis on achieving results, and I know that I can count on Farm Credit Can a to fulfill these commitments and priorities over the course of the Government's four-year mandate. I encourage Farm Credit Canada to work with Agriculture and Agri-Food Canada to develop performance measures that can be used to effectively track and report on progress of the priorities identified above. I recognize that other issues will arise and trust that you will engage constructively and add priorities to this agenda as appropriate.

I look forward to working together to make Canada's agriculture sector safer, stronger, and more innovative.

Sincerely,

Lawrence MacAulay

Lawrence MacAulay, PC, MP

c.c.: Ms. Andrea Lyon, Deputy Minister, Agriculture and Agri-Food Canada

Annex B – Results Commitment

FCC achieves its mandate and makes life better for Canadians by providing products, services and a customer experience that meets the needs of the Canadian agriculture and agri-food industry, helping producers, and agribusiness and agri-food operators grow their operations, access new market opportunities and innovate. FCC ensures agriculture, agribusiness and agri-food operations of all sizes have access to capital and a strong financial partner and through all economic cycles. FCC helps the industry remain competitive and advances the knowledge and management capabilities of producers and other involved in Canadian agriculture. FCC supports the long-term success of Canadian agriculture by focusing on the needs of the next generation of Canadian producers and agribusiness and agri-food operators. And, FCC supports the long-term viability of Canadian agriculture, including helping the industry build public trust, and invests in rural communities across Canada.

Outcome	Performance indicator	2018-19 target	2022-23 target	Data strategy
Canadian producers and agribusiness and agri-food operators can access capital to advance their businesses	Loan receivable (total loans outstanding)	$35,316.3 million	$40,054.5 million	Annual pull of data from FCC's financial systems reporting
	Increase in loans receivable (year-over-year portfolio growth)	$1,824.8 million	$938.9 million	
FCC delivers a customer experience that meets the needs of the industry	Net Promoter Score®*	Target TBD*	Target TBD*	Customer surveys throughout the year
FCC maintains a safe and sound capital position to withstand economic downturns and periods of extended loss and to support FCC's strategic decisions	Capital adequacy measure**	Target capital ratio of 15% or higher	Target capital ratio of 15% or higher	Annual pull of data from FCC's financial systems
Small and medium-sized operations, which are less likely to attract financial partners from standard financial institutions, have access to capital to grow their businesses	Percentage of FCC customer count in small and medium-sized segments	80% or more	80% or more	Annual pull of data from FCC's financial systems
Canadian agricultural producers and agribusiness and agri-food operators have access to knowledge that helps them advance their management skills and grow their businesses	Total views/interactions with FCC's online knowledge offering	850,000	910,000	Annual pull of analytics from FCC's website
	Average score of event participants on the likelihood they will use information from the event in their farming operations	Greater than 4 out of 5	Greater than 4 out of 5	Post-even participant survey data complied annually. Participants asked to pick from a scale of 1 to 5 representing completely disagree to completely agree respectively

Increased positive dialogue about Canadian agriculture	Percentage growth in usage of key industry hashtags	Year-over-year growth in usage of key industry hashtags by 10%	Year-over-year growth in usage of key industry hashtags by 10%	Review of annual usage (number of people using and frequency of use) of key industry hashtags (#CdnAg #AgCan #AgMoreThanEver #AgPlusQueJamais)
FCC invests in communities where its customers and employees live and work	Amount invested by FCC in community initiatives and projects, including funds provided to local non-profits	At least $2.5 million	At least $2.5 million	Annual pull of data from Sponsorium database (which tracks FCC community investment activities)
Young farmers and young agribusiness and agri-food operators have access to specialized lending products and services	Number of borrowers*** under age 40	More than 20,000	More than 20,000	Annual pull of information from FCC financial systems

*FCC transitioned from its Customer Experience Index in 2017-18 to Net Promoter Score® (NPS®) in 2018-19. This customer advocacy measure is used by leading companies around the world as the standard for measuring and improving customer experience.
**Capital adequacy measure is used to ensure FCC carries an adequate amount of capital to meet the outcome described in this Annex.
***Includes primary and secondary borrowers

Chief Executive Office Commitment: I, Michael Hoffort, as President and Chief Executive Officer of Farm Credit Canada, am accountable to the Board of Directors of Farm Credit Canada for the implementation of the results described in this Corporate Plan and outlined in this Annex. I verify that this commitment is supported by the balanced use of all available and relevant performance measurement and evaluation information.

January 29, 2018

Michael Hoffort
President and Chief Executive Officer
Farm Credit Canada

Date

Annex C - Chief Financial Officer Attestation

In my capacity as Chief Financial Officer of Farm Credit Canada, I have reviewed the corporate plan and budgets and the supporting information that I considered necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

1. The nature and extent of the financial and related information is reasonably described and assumptions having a significant bearing on the associated financial requirements have been identified and are supported.

2. Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to changes in key assumptions, and the related risk-mitigation strategies have been disclosed.

3. Financial resource requirements have been disclosed and are consistent with the stated assumptions, and options to contain costs have been considered.

4. Funding has been identified and is sufficient to address the financial requirements for the expected duration of the corporate plan.

5. The corporate plan and budget(s) are compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place.

6. Key financial controls are in place to support the implementation of proposed activities and ongoing operation of the parent Crown corporation and its wholly-owned subsidiaries.

In my opinion, the financial information contained in this corporate plan and budget(s) is sufficient overall to support decision making.

January 30, 2018

Rick Hoffman CMA, CPA, MBA, ICD.D
Executive Vice-President & Chief Financial Officer
Farm Credit Canada

Date

Annex D – Further details on Operating and Capital budgets

Highlights of FCC's expected outcomes for 2018-19 are summarized as follows:

Balance Sheet:

- Loans receivable is projected to grow by $1,824.8 or 5.4% from 2017-18 to 2018-19. The increase in loans receivable reflects projected lending through the primary production financing, agribusiness and agri-food financing and Alliances business lines. The reduced level of growth as compared to 2016-17 actual and 2017-18 forecast is the result of anticipated slower growth in farmland asset values and farm debt outstanding.
- On April 1, 2018, FCC will adopt IFRS 9 – Financial Instruments. The adoption of the new standard will result in changes in the accounting for financial instruments. For the allowance for credit losses, IFRS 9 introduces a new expected loss impairment model. On adoption, the allowance is estimated to decrease from $200.9 million to $137.3 million, resulting in an increase to opening retained earnings of $63.6 million. By the end of 2018-19, the allowance is expected to increase to $144.8 million as the portfolio increases through the year. The allowance as a percentage of loans receivable is projected to decline from 0.6% in 2017-18 to 0.4% in 2018-19 mainly due to the adoption of the new standard.
- The fair value of the venture capital investments is projected to increase from $82.2 million in 2017-18 to $89.8 million in 2018-19. The fair value of investment in associates is projected to increase from $66.0 million in 2017-18 to $76.5 million in 2018-19. This reflects the plan assumptions with respect to the new investments and changes in the fair value of investments, partly offset by repayments and divestitures.

Income:

- Net interest income is required to cover administration expenses and the risk of credit losses and to yield a sufficient profit to meet FCC's capital requirements and provide a return to the shareholder.
- Net interest income is expected to increase from $1,064.7 million in 2017-18 to $1,103.2 million in 2018-19. This is due to a 5.4% growth in loans receivable, offset by a decrease in the net interest margin from 3.11% to 3.02%. Fixed earning assets re-pricing in a lower interest rate environment contributes to the decrease in overall net interest margin in 2018-19. Rising interest rates are projected to have an unfavourable impact on the interest rate spread between interest-bearing liabilities and interest-earning assets. This will be offset by the favourable impact rising interest rates will have on the benefit from FCC's equity base.
- Provision is projected to increase from $37.5 million in 2017-18 to $49.8 million in 2018-19 mainly due to the projected portfolio growth.
- FCC Management Software supports the business of agriculture by providing valuable solutions to farmers that will help ensure their success and viability. Net sales revenue for 2018-19 of $1.2 million is projected to be slightly less than 2017-18 of $1.1 million.
- FCC offers creditor life and accident insurance to protect customers and their families, partners and businesses. Sun Life Assurance Company of Canada underwrites and administers FCC's insurance programs. In 2018-19, insurance premium revenue is planned to be $27.3 million, representing an increase of $0.8 million from 2017-18 due to growth in the portfolio. The net insurance income in 2017-18 reflects a one-time recovery of $10.5 million against the claims expense for an insurance reserve that is no longer required. As a result, net insurance income after insurance claims is expected to be $26.4 million in 2017-18 then normalizing to $16.4 million in 2018-19.
- Income from venture capital investments is projected to increase from $4.1 million in 2017-18 to $4.9 million in 2018-19. Income from investment in associates is projected to increase from $3.7 million in 2017-18 to $11.1 million in 2018-19.
- In 2018-19, net income is projected to increase from $647.2 million to $648.8 million. The projected growth is due to higher net interest income offset by higher administration expenses, higher provision for credit losses and lower net insurance income.

- In 2018-19, the efficiency ratio increases to 38.0% due to the increase in administration expenses identified below, relative to the lower growth of net interest income. The 2018-19 projected efficiency ratio of 38.0% is comparable to the 10-year historical average of 38.2%.
- In 2018-19, the total capital ratio is projected to be 16.0%. This ratio is projected to remain higher than FCC's targeted total capital ratio of 15.0% as growth in capital from net income outpaces growth in risk-weighted assets. FCC pays dividends, at the discretion of the Board of Directors, each August equal to capital in excess of 15% of the prior year end capital requirements. Net income is earned throughout the year, resulting in a capital ratio larger than 15%.

Administration expenses:

- A key element of continued financial viability is cost management and operational efficiency balanced against the requirements of a growing enterprise. The corporation will continue its track record of efficiency and strong financial performance, focus on delivering services in an efficient manner and optimizing how it operates enterprise-wide.
- In 2018-19, administration expenses are projected to increase from $397.5 million to $424.8 million mainly due to increased salaries and benefits expense, facilities and equipment, professional fees and investing in initiatives to enhance the customer experience.

Financial results:

- In 2018-19, net income is projected to increase from $647.2 million to $648.8 million. The projected growth is due to higher net interest income offset by higher administration expenses, higher provision for credit losses and lower net insurance income.
- As a result of the growth in administration expense and lower growth in net interest income, the efficiency ratio increases to 38.0% in 2018-19.
- In 2018-19, return on equity is projected to decrease to 10.6% as the growth in equity outpaces the growth in annual net income. Total capital ratio is projected to be decrease to 16.0% as growth in capital from net income outpaces growth in risk-weighted assets. FCC pays dividends, at the discretion of the Board of Directors, each August equal to capital in excess of 15% of the prior year end capital requirements. Net income is earned throughout the year, resulting in a capital ratio larger than 15%.

Capital Budget:

- Capital spending is expected to be $76.6 million in 2018-19, which is higher than the 2017-18 forecast of $72.1 million. FCC's capital projections consist of purchases related to leasehold improvements ($4.4 million), furniture, fixture and equipment replacements ($1.3 million), computer hardware ($2.3 million), software purchases ($20.6 million) and agricultural equipment financing to customers under operating leases ($48.0 million).

Annex E – Risk and Risk Responses

Risk is inherent in FCC's business. The corporation categorizes risk as strategic, financial, operating, and reputation. The financial classification is further delineated between the categories of credit, market, and liquidity. Each category has distinct risks within it that are assessed for likelihood and impact using various tools. Each category is governed by a Board-approved policy to identify, assess, manage and monitor these risks in accordance with the policy, FCC's risk appetite, the *Farm Credit Canada Act* and, where applicable, the Finance Ministers Financial Risk Management Guidelines for Crown Corporations. In addition, FCC has an overall risk appetite statement and an Enterprise Risk Management policy and framework that set the corporation's boundaries for risk taking, risk acceptance and risk avoidance.

FCC's Board of Directors is ultimately accountable for overseeing FCC's Enterprise Risk Management framework to ensure that the corporation's risk management is integrated with its strategic, financial and operating plans. FCC has a Chief Risk Officer who leads an independent risk division and reports directly to the Board.

For the purpose of this Risk and Risk Response template, the risk categories have been outlined below and assessed at an enterprise level.

Summary of Key Risks

Title/Description of the Risk	Category	Probability	Impact	Initial Risk Level	Response	Residual Risk Level
1. Credit risk is the potential for financial loss due to the failure of a borrower or other counterparty to repay a loan or meet financial obligations to the corporation.	Financial risks	Low	Financial loss Credit risk is the most significant risk faced by FCC. FCC lending and credit risk employees assess and manage risk on individual loans by adhering to defined policy. The Risk Management division assess credit risk at the aggregate level considering credit risk management best practices for financial institutions as well as using sophisticated statistical methods. The Treasury division assess credit risk on derivative and investment activity.	Medium	The entire credit portfolio is assessed monthly, and reports pertaining to the portfolio's health are reviewed by the Enterprise Risk Management Committee and the Board Risk Committee. Oversight responsibility for credit risk lies with the Board. Policy limits have been established for credit risk, portfolio concentration risk and government and banking liquidity investments and counterparty credit risk for derivatives.	Low

Title/Description of the Risk	Category	Probability	Impact	Initial Risk Level	Response	Residual Risk Level
2. Liquidity risk is the risk that FCC will have insufficient funds to meet its payment obligations.	Financial risk	Low	Insufficient cash/ funds on hand to meet its payment obligations	Low	The corporation minimizes liquidity risk through the use of a liquid investment portfolio, funding through the Crown Borrowing Framework and access to an operating line of credit. The Treasury division is responsible for managing liquidity risks. Policy limits have been established for market and funding liquidity.	Low
3. Market risk is a potential loss as a result of adverse changes in underlying market factors, such as interest rates and foreign exchange rates.	Financial risk	Low	Financial loss	Low	FCC assesses this risk using sophisticated methodology that applies financial market theory to assess risk of market events such as interest rate movements on FCC and the impact of those movements. These assessments are based on FCC's liabilities and its assets (loans) and the risk is reflected in the capital requirements. The Treasury division is responsible for market risk management. Policy limits have been established for net interest income variability, decline in market value of portfolio equity, commitment risk exposure and foreign currency risk exposure.	Low

Title/Description of the Risk	Category	Probability	Impact	Initial Risk Level	Response	Residual Risk Level
4. Operational risk relates to the potential of direct or indirect loss due to inadequate or failed internal processes, people, systems or external events, and the failure to comply with or adapt to legislative or regulatory requirements or litigation.	Operating risk	Medium	Direct and/or indirect financial loss; indirect loss could manifest as lost customers or inability to deliver results through employees	Medium	The main sources of operational risk are people, processes and systems. Each category of operational risk has risk appetite statements developed to guide managers in the setting of controls. At FCC, managers are responsible for ensuring appropriate policies and processes are in place within their business units to manage risks, and internal controls are operating effectively. Risk and control assessments identify and assess key risks to ensure appropriate controls are in place or gaps are closed. Key controls are monitored on a regular basis to determine their effectiveness. FCC has a formal program to measure and monitor operational compliance to policies for credit, market and liquidity risk. Compliance reporting provides recommendations to address non-compliance, including employee coaching, policy clarifications or additional controls. In addition, FCC's operations audit program examines lending activities and provides learning opportunities for continual improvement in the areas of risk assessment and mitigation, compliance to credit policies and data integrity. FCC reduces exposure to fraud risk by adhering to a Board-approved fraud risk management policy, delivering fraud awareness training to employees and having a policy and process in place	Low

					regarding customer identification. To ensure that the corporation can sustain operations in the event of a business disruption, FCC actively updates and tests its business continuity plan. FCC has a number of policies in place, including a Board-approved operational risk management policy, to manage operational risk.	

Title/Description of the Risk	Category	Probability	Impact	Initial Risk Level	Response	Residual Risk Level
5. Reputation risk is the risk that key stakeholders and other members of the public may develop negative perceptions about FCC that could adversely affect the corporation's reputation and its ability to attract and retain customers, business partners and employees.	Reputation risks	Low	Negative perceptions about FCC that could adversely affect the corporation's reputation and its ability to operate effectively	Low	To avoid real or perceived reputation damage, FCC has a robust governance structure, including policies and procedures to guide employee conduct in interactions with colleagues, customers, industry partners, suppliers, media and the general public. The credit facility application process requires customers to sign a declaration stating that they know of no reason why FCC may have any concern with their business.	Low
6. Strategic risk refers to the external environment and FCC's ability to develop and implement effective business strategies.	Strategic risks	High	Unforeseen change in the operating environment impacts FCC' financial performance or ability to operate	High	Potential strategic risks are identified and analyzed through a variety of activities, including external scanning and consultation with internal subject matter experts. The Board discusses the top enterprise risks during its involvement in the strategic planning cycle. EMT members are accountable for developing risk mitigation plans, monitoring key risk indicators, reporting progress to mitigation strategies and reporting to the Board on a quarterly basis through corporate risk reporting.	Medium

Legal Risk Level

Legal Risk Level	Low Legal risks are broadly integrated throughout FCC's operations. As legal risk overlaps with other risk areas, all of FCC's policies and corporate directives help FCC identify, analyze, mitigate and monitor this risk. They govern the way FCC manages its human capital and processes, safeguards information, administers loans and investments, and carries out its business and corporate activities.

Overall Risk Level

Overall Risk Level	Low/Medium FCC uses an ERM framework and a three lines of defence model to ensure that risks are appropriately governed, identified, assessed, managed, monitored and reported. Policies, procedures, and approvals, as well as independent oversight and internal audit functions help FCC manage risk within its six risk categories. As a result, five out of six of FCC's risk categories are rated as low in terms of residual risk. The remaining risk category – Strategic risk – is ranked at medium only to reflect the diversity and multitude of factors that could impact FCC's external operating, over which FCC exerts no influence.

Annex F - Gender-Based Analysis Plus Appendix

Name of federal institution: Farm Credit Canada
Title of submission: 2018-19 to 2022-23 Corporate Plan
Name of person completing the questionnaire: Vivianne Gauthier
Telephone number: 306-780-5633
Sector: Agriculture and Agri-Food

Issue identification

1. **Have you identified a Gender-Based Analysis Plus (GBA+) consideration within the context of the policy, program, initiative or service either through a preceding Memorandum to Cabinet or in the development of this TB submission?**

   FCC supports and strengthens Canadian agriculture, agribusiness and agri-food, which means GBA+ considerations for FCC's corporate plan need to consider the sector as a whole. FCC identified several GBA+ considerations for its 2018-19 to 2022-23 corporate plan focusing on the key diversity factors in the agriculture sector as well as support to employees. These factors include women in agriculture, young people in agriculture, mental health and Indigenous peoples. FCC's corporate plan also focuses on the health, well-being, diversity and inclusion of employees.

   Women in agriculture and agri-food continue to face a range of issues and challenges, including balancing on-farm commitments with family responsibilities. This can create challenges for women who would otherwise participate in training and skills development to advance their on-farm capabilities and enable them to pursue advanced technology training as a result of equipment upgrades and/or updated farm technologies and systems. If they are to take their place as leaders in agriculture and agri-food, women also face the challenge of changing the societal presumption that they are the primary caregivers in the home.

   According to the Canadian Federation of Agriculture, primary farm operators are estimated to have more than $50 billion in assets that will need to be transferred—one of the most significant issues in Canadian agriculture. According to the 2016 Census of Agriculture, the average age of Canadian farmers was 54 and the majority of male and female farm operators are between 35 and 64 years of age. The number of farm operators 65 years and older continues to increase as the baby boomer generation ages. The number of operators under 35 has also increased, up 3% from 2011. With land prices increasing, new farmers have a difficult time owning land, resulting in many younger farmers leasing their land, as they cannot afford to buy additional land of their own.

   There is increasing awareness of the importance of mental health issues among producers and agribusiness and agri-food operators. The demands of farming, including the impact of weather on crops, isolation and other factors, mean mental health issues are on the rise. A 2016 University of Guelph study suggests that stress, anxiety, depression, emotional exhaustion and burnout are all higher among farmers than other populations. The study found that 45% of survey respondents had high stress. Another 58% were classified with varying levels of anxiety, and 35% were classified as having depression. Equally important was what the study found around stigma and access to services, with 31% of respondents indicating that seeking professional help could stigmatize a person's life, and fewer than half believing there is adequate mental health support in the industry.

   Supporting the social and economic inclusion of Indigenous people is a priority of the Government of Canada.

   Canadian agriculture and agri-food has untapped potential, and ensuring Indigenous communities and peoples have greater access to opportunities in the agriculture and agri-food industry is important for

Canada and the industry. To this end, Indigenous leaders and organizations have a renewed interest in agriculture and the economic opportunities and food security it could bring to their communities, whether it be through primary production or food processing.

FCC is governed by the *Canada Human Rights Act* and does not discriminate against race, national or ethnic origin, colour, religion, age, sex, sexual orientation, marital status, family status, disability and conviction for an offence for which a pardon has been granted.

2. What data sources and/or evidence did you consider to support the above conclusion?

The above information is based on consultation with FCC's agriculture economists on disaggregated information from the 2016 Census on Agriculture, along with consultation with AAFC, and a review of other third-party data. Sources are provided throughout as needed.

Response

If no GBA+ issues have been identified, please indicate "not applicable". If a GBA+ issue has been identified, please respond to the following questions:

3. **What response to the GBA+ consideration is being proposed within the context of the policy, program, initiative or service? What is the anticipated impact**?

FCC will pursue a number of actions to address considerations related to women in agriculture, young farmers, mental health and Indigenous peoples. As well, FCC will pursue activities internally to enhance employee health, well-being, diversity and inclusion.

FCC believes women make invaluable contributions to Canadian agriculture. FCC partners with existing women in agriculture networks, and women leaders from FCC participate in and speak at conferences focused on women in agriculture to share their knowledge and expertise. For example, Faith Matchett, Vice-President of Operations for Atlantic and Eastern Ontario, spoke at the Advancing Women East conference in October. This provided an opportunity to engage with a variety of sector stakeholders and to better understand the diverse range of issues they face, including barriers to leadership. In 2018-19, to help ensure women continue to play an important leadership role in the industry, FCC will pursue strategic partnerships with existing networks of women in agriculture. At present, Advancing Women in Agriculture conferences are planned for March 6 and 7, 2018 in Calgary, and October 30 and 31, 2018 in Niagara Falls.

As well, FCC will continue to examine women's participation and representation in its learning events, knowledge publications and online materials. This includes efforts to ensure women and individuals from diverse background are featured as experts in FCC publications and online knowledge content, and that women feature prominently in its line-up of speakers and emcees at various knowledge events across the country. For example, Canada's Agriculture Day 2018 will feature a panel comprised solely of women producers because they bring important perspective to the conversation. This lens will continue to be applied as future learning materials and events are developed. As well, FCC recently launched an event for young farmers where women made up an almost equal percentage of participants (note: gender information was not collected as part of the application process, so this is an anecdotal observation).

To date, FCC programs, products and services have been gender-neutral and FCC has not collected information on gender from financing applicants because it is not information that has been required to make lending decisions. In 2018-19, in acknowledgement of the importance of advancing the opportunities for women in agriculture, FCC will create a new lending product specifically designed for women.

FCC understands the importance of young farmers and entrepreneurs to the longevity of the industry, and continues to develop programs and services specifically for the next generation.

The FCC Transition Loan and Young Farmer Loan assist new farmers entering the industry and enable intergenerational asset transfers. FCC also supports and invests in young farmers through its FCC On Campus program. Young farmers are encouraged to participate in live events, including FCC Forums, Ag Outlook and Ag Knowledge Exchange events, including FCC's new young farmer summit, Ignite. Online multimedia on fcc.ca complements face-to-face programs with topics such as managing farm finances, human resources and succession planning.

FCC recognizes that young people and new entrants into the industry require specialized support to build their operations, and it will launch a new loan tailored to new agriculture and agri-food operators aged 18 to 25 in 2018-19 to give them their start from both a financial and knowledge perspective. This product will help beginning farmers acquire the capital they need to enter the industry. An example of what customers could use this product for would be to rent land and purchase livestock or inputs, taking the first steps to enter the agriculture industry. This product will not only get capital into the hands of young producers sooner, but it will give them access to FCC’s suite of knowledge products sooner, giving them a head start in understanding the business of agriculture and agri-food.

In 2018-19, FCC will partner with industry groups to make mental health programs and additional support more available to producers and A&A operators. It will also support 4-H in its efforts to bring the conversation around mental illness to a younger generation engaged in Canadian agriculture and agri-food.

FCC knows that a healthy workplace, including one that supports the mental well-being of employees, is critical to employee engagement and FCC’s ability to deliver an outstanding customer experience. FCC took steps in 2017-18 to help leaders gain knowledge to recognize signs and symptoms of mental health issues. FCC partnered with Mental Health First Aid Canada to offer the Mental Health First Aid Basic course to all FCC leaders. This two-day course gives attendees knowledge to recognize a potential problem and intervene if a member of their team experiences a crisis. As well, FCC offers Employee and Family Assistance Program services to employees, including access to confidential professional counselling services for employees and their family members.

In 2018-19, FCC will explore how to support Indigenous agricultural and agri-food businesses. FCC will broaden and deepen its understanding of what Indigenous organizations need in terms of knowledge, advisory services, lending products and other services to support them in advancing their economic activities in primary production and agribusiness and agri-food. Consulting with Indigenous leadership and partners will be key to helping FCC identify needs and opportunities.

Internally to FCC, an Indigenous Affinity Group (IAG) has been formed at FCC with an emphasis on supporting a more inclusive workplace that honours Indigenous culture, history and traditions and enables Indigenous employees to reach their full potential. The IAG has input into strategies and tactics that will influence how FCC can attract, develop and advance Indigenous employees.

As a federal Crown corporation, FCC is committed to building a workforce that reflects the diversity of its customers and the Canadian workforce. To this end, FCC is implementing the tactics identified in its three-year diversity and inclusion plan to ensure FCC is a welcoming and inclusive workplace and that it can attract and retain talent from diverse backgrounds. The activities outlined in FCC’s diversity strategy are supportive of the Government of Canada’s commitment to diversity and inclusion.

FCC has a partnership with the University of Regina's Campus for All programs, which provides learning opportunities for students with intellectual disabilities. After completing courses on campus, students are matched to employers who can offer them meaningful, customized, part-time employment opportunities.

FCC has successfully hired five students from the program and plans to grow its involvement. For its commitment to hiring persons with disabilities through this program, FCC received the 2017 Employer of Excellence award from the Saskatchewan Association of Rehabilitation Centres.

4. How will you monitor the performance of the proposed policy, program, initiative or service for emerging GBA+ impacts throughout implementation?

FCC will monitor progress related to GBA+ considerations as follows:

Women in agriculture

- FCC will monitor the representation of women featured as experts through FCC knowledge offerings, including speakers at FCC events.
- FCC will continue to monitor women's representation of engaged followers on its social platforms, where analytics allow.
- FCC will take a closer look at the topics women in agriculture are interested in and increase its offering to reach more women.
- FCC will introduce a new lending program in 2018-19, tailored specifically for women in agriculture. FCC will ask women voluntarily to identify themselves based on gender in order to implement and monitor the new program. FCC will endeavour to classify women based on being the primary operators on the farming operation or working in partnership with spouses and family.

Young farmers

- In 2018-19, FCC has a young farmer lending goal of $3.09 billion for ag production and a young farmer lending goal $145.2 million for agribusiness and agri-food. FCC is also monitoring the number of borrowers aged 40 and under, with a goal to reach at least 20,000 borrowers for 2018-19.
- FCC will also introduce a new product in 2018-19, tailored to new agriculture and agri-food operators aged 18 to 25. This product will help young people get a start and grow their understanding of how they might build a future in the industry.
- In 2017-18, FCC, in partnership with young farmer associations and industry partners, introduced Ignite, the FCC Young Farmer Summit — a series of five events across Canada designed to attract and engage the next generation of farmers. Each event was designed to inspire possibilities, impart knowledge and create connections between like-minded producers. FCC Ignite events complement the seven FCC Forums and 66 Ag Knowledge Exchange sessions that will take place across the country over the fall and winter of 2017-18. FCC's goal is to reach 600 participants under the age of 40 who are involved in Canadian agriculture, agribusiness and agri-food through this new event series.

Mental health

- FCC will continue to seek new partnership(s) with industry groups to make mental health programs and support available to agriculture and agri-food producers. Also beginning in 2018-19, FCC will support 4-H to bring the conversation around mental health to a younger generation of Canadian producers. Specific program goals and targets will be developed in collaboration with partner organizations and will be monitored accordingly.

Indigenous people

- Measures and targets to be developed based on future consultation with Indigenous organizations.

Internal diversity – hiring a representative workforce

- FCC has an internal diversity measure, which is to hire 24 new diversity candidates from the designated groups where the corporation has gaps. FCC is also continuing its involvement in the Campus for All program.

5. If you plan an evaluation or review of the proposed policy, program, initiative or service, will it incorporate the impact of the response to the potential GBA+ consideration?

FCC will continue to monitor and deepen its understanding and activities to improve how it serves the Canadian agriculture and agri-food industry, including diverse groups represented within. This includes monitoring the effectiveness of the new programs to be designed specifically for women and youth, and monitoring goals and targets associated with new and existing programs tailored for diverse groups.

6. Does your proposed response align with GBA+ initiatives being undertaken by other organizations; broader government agenda and priorities; and international and national priorities, norms and statutory requirements?

FCC will continue to look for and seize new opportunities to fulfil its mandate while addressing the unique needs of diverse groups within the industry it serves. FCC believes that its activities are consistent and in line with the Government of Canada's commitment to securing greater social and economic inclusion for women, Indigenous peoples and people of diverse backgrounds and age. Specifically, the plans are consistent with findings from the Standing Committee on Agriculture and Agri-food's report on debt in the agriculture sector and its effects (June 2017) related to the importance of helping new entrants to the industry. FCC operates in a manner that is consistent with all legislation, including the *Official Languages Act*, the *Canadian Human Rights Act* and the *Employment Equity Act*.

For general guidance on Gender-Based Analysis Plus (GBA+), you are encouraged to contact the GBA+ Champion or the Responsibility Centre within your organization. Additional information on GBA+ is also available at Status of Women Canada.

Annex G - Assessment of Modern Treaty Implications Appendix

YES	NO	
Pre-Assessment		
☐	x	Will the proposed initiative apply to or take effect in one or more modern treaty areas?
		If 'yes', complete the full assessment by responding to questions 1 to 7. If 'no', an assessment of modern treaty implications (i.e. responses to questions 1 to 7) is not required.
1 – Land and Resource Management		
☐	x	Could the proposed initiative have an impact on Indigenous land and resource management rights described in a modern treaty?
		If 'yes', list the paragraphs from the submission which demonstrate that these impacts have been mitigated or comply with the respective modern treaties.
2 – Governance		
☐	x	Do Indigenous self-governments, located within the geographic area where the proposed initiative will be implemented, have laws or law-making authority that could impact the proposed initiative?
		If 'yes', list the paragraphs from the submission which demonstrate that impacts of Indigenous law-making authority have been addressed.
3 – Employment		
☐	x	Does the proposed initiative include employment of federal officials in a geographic area subject to a modern treaty?
		If 'yes', list the paragraphs from the submission that demonstrate that employment of federal officials will comply with the respective modern treaties.
4 – Procurement		
☐	x	Does the proposed initiative include procurement (including leases) of goods, services, real property, or construction in a geographic area subject to a modern treaty?
		If 'yes', list the paragraphs in the submission which demonstrate that procurement will comply with the respective modern treaties.
5 – Eligibility		
☐	x	Are land claim organizations or Indigenous self-governments eligible recipients for any program and service funding or other resources associated with the implementation of the proposed initiative?
		If 'yes', list the paragraphs in the submission that justifies the proposed funding model (i.e. grants, contribution funding) to be used with land claim organizations and/or Indigenous self-governments.
		If 'no', list the paragraphs in the submission that provide a rationale for why land claims organizations and Indigenous self-governments are ineligible.
6 – Consultation/Engagement		
☐	x	Does the proposed initiative require Canada to fulfill any consultation/engagement requirements described in a modern treaty?
		If 'yes', list the paragraphs from the submission which demonstrate that consultation/engagement requirements, described within the respective modern treaties, have been addressed.
7 – Other		
☐	x	Does the proposed initiative create other federal modern treaty responsibilities?
		If 'yes', list the paragraphs in the submission which demonstrate that other federal responsibilities associated with modern treaties have been addressed.

Annex H - Official Languages Appendix

Name of federal institution: Farm Credit Canada
Title of submission: 2018-19 to 2022-23 Corporate Plan
Name of person completing the questionnaire: Vivianne Gauthier
Telephone number: 306-780-5633
Sector: Agriculture and Agri-food

Answer “**yes**” or “**no**” to each of the following questions:

1. Is your submission seeking the Treasury Board’s approval for a new policy instrument or the revision of an existing policy instrument? No

2. Is your submission seeking the Treasury Board’s approval for a new service or program, the revision or renewal of an existing service or program, or the extension of a service or program? No

3. Is your submission seeking the Treasury Board’s approval for a service delivery contract under which those delivering services are not employees of federal institutions? No

4. Is your submission seeking the Treasury Board’s approval for a change in organizational form or a privatization? No

5. Is your submission seeking the Treasury Board’s approval for a change to the way in which services are delivered to the public or federal employees? No

6. Is your submission seeking the Treasury Board’s approval to award a grant or contribution to a non-governmental organization? No

7. Is your submission seeking the Treasury Board’s approval for a new federal-provincial agreement or a revision of an existing agreement? No

8. Is your submission seeking the Treasury Board’s approval related to the relocation of a head office? No

Instructions

If you answered “no” to every question in the checklist, an impact analysis is not required:

- In an official languages appendix to the TB submission under Government-Wide Policy Considerations, state the following, “After examination, no impacts on official languages are foreseen.”
- Attach the completed Official Languages Checklist to your TB submission as part of this official languages appendix.

If you answered “yes” to any one of the questions above, please complete an Official Languages Impact Analysis:

- The completed Official Languages Checklist and the Official Languages Impact Analysis of the proposal’s impact on the institution’s official languages obligations must be attached to the TB submission as an official languages appendix.
- The analysis should include a summary of the official languages impacts and should cover the steps taken or planned to ensure Treasury Board ministers that the program or initiative complies with the institution’s official languages obligations.