

FARM CREDIT CANADA
CORPORATE PLAN SUMMARY



2019-20 TO 2023-24

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, adding 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 where the Canadian agriculture and agri-food sector achieves its fullest potential -- further positioning itself as a global powerhouse ready to meet the challenges of an ever-growing world.

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 management and other factors.

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's vision for the future is consistent with the Government of Canada's commitment to supporting the agriculture and agri-food industry to reach its full potential and take advantage of export opportunities. As a federal Crown corporation, FCC is working to remove barriers of entry to the industry and increase inclusiveness for key groups such as young producers, women and Indigenous peoples.

FCC's continuous growth and strong financial performance for over two decades ensures it 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 and leasing growth of 3.1%. FCC also forecasts to pay a total of \$2.5 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 2019-20 to 2023-24 corporate plan is an output of FCC's strategic planning process. FCC balances 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 six focus areas:

- **vibrant and inclusive industry:** serving the industry that feeds the world, inspiring possibility and passion
- **great customer relationships:** helping customers achieve their dreams
- **high-performance culture:** our people, growing and achieving as one
- **execution excellence:** bringing ideas to life
- **effective enterprise risk management:** built to last for generations to come
- **financial strength:** providing a strong foundation for the future

Over the plan period, FCC will focus its efforts in all six areas. FCC will continue to enhance the customer experience and offer digital solutions. It will enhance how it supports the agribusiness and agri-food sector, shares knowledge with the industry, and supports agricultural transitions, young producers, women and Indigenous peoples in the industry.

By pursuing its strategy, FCC will remain self-sustaining and help 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 | Overview

2.1 Corporate mandate

The Canadian agriculture and agri-food industry plays a vital role in supporting Canada's economy and feeding a growing world. The industry 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 to succeed today and into the future.

The *Farm Credit Canada Act* provides 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.

FCC achieves its purpose by focusing on the specific activities set out in the Minister of Agriculture and Agri-Food's mandate letter dated August 31, 2016 and supplemental priorities letter dated February 1, 2018. Government priorities for the sector include support for agri-food exports, under-represented groups in Canadian agriculture, products to facilitate intergenerational transfers and assist young and new farmers entering the industry, and mental health challenges facing producers.

2.2 Public policy role

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 its 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 software, learning programs and knowledge sharing 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 to help the industry reach its potential, FCC can assist the Minister of Agriculture and Agri-Food in supporting the industry to be a leader in job creation and innovation. For details on FCC's public policy role, see pages 9 to 11 of FCC's 2017-18 Annual Report, located at fcc.ca/annualreport.

2.3 FCC Vision

FCC Vision

- The full agriculture and agri-food value chain believes FCC is advancing the business of agriculture by providing 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 socially and environmentally responsible and 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.

2.4 Main activities and principal programs

The following is a description of FCC's main activities and principal programs:

Providing products, services and expertise tailored to the needs of the industry — 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 equipment dealers finance inventory held for resale to producers), leasing and venture capital. FCC hires and develops employees who are passionate and knowledgeable about agriculture. This enables employees to build solid relationships with customers to help them thrive in the marketplace.

Ensuring producers and agribusiness operators have access to needed capital through all economic cycles — The industry is affected by volatility in commodity prices, adverse weather, trade flows and livestock and crop diseases. FCC takes a long-term view and remains committed to customers and the industry by providing access to capital through all economic cycles. With a healthy portfolio of \$33.9 billion and 25 consecutive years of portfolio growth, FCC carefully balances the resources required to provide business and financial services to the industry, while continuing to control costs and operate efficiently.

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 costs, develop new products, compete in global markets, and take advantage of trade opportunities. Through financing and venture capital, FCC supports small to medium-sized producers who are vital to the economic prosperity of rural Canada. FCC understands 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 and has developed targeted programs and services, including the FCC Transition Loan, Young Farmer Loan, the FCC Starter loan and the Young Entrepreneur loan to help intergenerational transfers and assist new farmers entering the industry. FCC supports and invests in young farmers through its FCC On Campus program,

and they are invited to events such as Ignite, FCC's Young Farmer Summit.

Ensuring innovative agriculture firms have access to capital and expertise — FCC invests in venture capital funds dedicated to agriculture. FCC's commitment to venture capital ensures capital and business expertise are available to growing, 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 learning events, multimedia tools, publications and software to support customers and others involved in Canadian agriculture to advance their management practices and succeed in a complex business environment.

Fostering deeper public understanding of Canadian agriculture — 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 in the industry to share their knowledge and stories. FCC and its AMTE partners host Canada's Agriculture Day annually to celebrate agriculture across Canada.

We support government policy through collaboration with other agencies — Ensuring producers, agribusiness and agri-food operators have access to international markets and can take advantage of opportunities created through trade agreements is vital to the industry's long-term success. FCC works with Export Development Canada, Business Development Bank of Canada and other government agencies to advance Canadian agriculture and agri-food and create opportunities for Canadians.

3.0 | Operating environment

3.1 Macroeconomic outlook

The Canadian economy is expected to perform relatively well over the forecast period due to strong economic growth in the United States, income growth in developing economies, particularly China, and improvements in the European economy. This macroeconomic environment will be supportive of a shift in Canada's GDP composition with exports increasing, offsetting slower growth in household spending. However, trade uncertainty will continue to pose a risk to the global economy, according to the [Bank of Canada](#).

The net result will be gross domestic product growth of 2.0% per year over the five-year forecast period, based on average market forecasts. Stable economic growth will support cautious increases in interest rates by the Bank of Canada. As a result, mortgage rates for borrowers are expected to increase to 5.1% on average by the end of 2023, but remain historically low. Moderate economic growth will continue to support a Canadian dollar lower than the U.S. dollar. The Canadian dollar is projected to stay in the range of \$0.70 – \$0.80 USD over the five-year period.

Industry outlook

Overall, Canadian agriculture remains healthy and in a strong financial position, although the balance sheet of agricultural¹ producers weakened slightly.

1. The liquidity ratio of Canadian farms decreased for the fourth straight year in 2017 and is the lowest since 2007. The current ratio of Canadian farms is 227%, down from 272% in 2013.
2. The solvency position of Canadian farms remains stable as total assets grew at the same pace as total liabilities in 2017. The debt-to-asset ratio remains historically low at 15.3%, equal to the previous five-year average and lower than the 10-year average of 16.1%.

A cautiously optimistic outlook for agriculture

In 2017, farm cash receipts² increased 1.8% to a record \$61.6 billion due to strong livestock

receipts³. Total farm cash receipts are projected to be stable over the five-year period, with average farm cash receipts expected to grow between 2.0% and 3.0% per year over the next five years compared to the average growth of 4.1% over the previous five years, 2012 to 2016.

Trade agreements

Trade agreements will provide new export opportunities for Canadian agriculture and agri-food products. The Comprehensive Economic Trade Agreement (CETA) has reduced tariffs on agriculture and agri-food exports, giving Canadian businesses a competitive advantage into the European market. CETA is expected to foster growth opportunities for agri-food exports such as beef, pork, maple syrup, canola oil and plant-based proteins to name a few. Conversely, freer trade with European countries gives consumers access to an expanding product selection and grants increased market access to European cheese. For Canada's dairy industry, CETA provided increased market access for European dairy products, reducing opportunities for domestic producers.

The newly ratified Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) is expected to create new and expanding export opportunities to the Japanese market as well as fast-growing economies such as Indonesia and Vietnam. Lower tariffs are expected to benefit Canadian beef, pork, canola, and wheat exports to name a few. CPTPP grants increased market access to Canada's dairy sector, increasing imports of cheese, butter and other dairy products from major exporters (Australia and New Zealand) reducing domestic opportunities for Canadian dairy producers.

The recently signed Canada-United States-Mexico Agreement (CUSMA) is expected to be implemented in 2019. It will protect existing supply chains and provide a stable environment for Canadian business investment. U.S. dairy producers gain increased market access to Canada's dairy and poultry supply-managed industries. In addition to market access,

¹ Statistics Canada. Table 32-10-0056-01 Balance sheet of the agricultural sector as at December 31.

² Farm cash receipts refers to the total sale of agricultural commodities.

³ Statistics Canada. Table 32-10-0045-01 Farm cash receipts, annual (x 1,000)

Canada's dairy industries are required to make changes to Class 7 milk.

All three trade agreements foster new opportunities for Canada's export-dependent agriculture and agri-food sectors and should contribute to raise the Gross Domestic Product of the agriculture and agri-food industries.

Farmland and building values softening

Stable farm revenue combined with higher interest rates will impact the affordability of farm assets, especially farmland. Over the past five years, farmland and buildings values averaged growth of nearly 10% per year. Growth in farmland and buildings values peaked in 2013 at 15.7%, and the upward trend has since slowed⁴.

The trend of slowing appreciation in farmland and buildings is forecast to continue in Canada due to higher interest rates and slower growth in farm cash receipts than the previous five-year period. Farmland and buildings values are expected to continue to grow in 2018 and then remain steady, or potentially retreat slightly from peak values.

Growth in the farm debt market to slow

The agriculture sector continued to make strategic investments in land, buildings and equipment. Growth in farm debt is expected to slow over the next five years as the farmland market slows and farm equipment sales soften. Farm debt outstanding is projected to have average growth between 2.0% and 3.0% per year for the next five years as compared to growth of 6.5% over the previous five years. The long-term (30-year) average in farm debt outstanding growth has been 5.0% per year.

Agriculture expected to remain healthy

Overall, the Canadian economy is expected to record moderate growth, which will continue to support a low interest rate environment 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. The overall outlook for Canadian agriculture remains positive because of the growing demand for agricultural commodities.

Farm investments and input purchases expected to remain historically strong

Strong farm cash receipts, growth in farmland values, and low interest rates have supported demand for farm inputs, investments in farm buildings, equipment and storage, and agriculture services. Slower growth in farm revenues and asset values coupled with slightly higher interest rates are expected to reduce investments in farm improvements and overall demand for farm services. Agriculture is nevertheless expected to remain financially strong.

Robust food consumption trends to support revenues for food processors

The food processing industry has grown nearly twice as fast as the overall Canadian economy over the past five years. Moderate economic growth in Canada and stronger economic expansion in the United States are likely to keep the demand for food robust. Lower commodity prices should help improve profitability, but higher wages and slightly higher interest costs will offset the lower raw material costs.

3.2 External environment

Competitive landscape

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 Statistics Canada, farm debt outstanding increased by 6.15% to \$98.2 billion in 2017. FCC's market share⁵ increased from 29.1% to 29.8% in 2017, resulting in a second consecutive year of growth.

FCC's portion of Canada's farm debt outstanding was \$29.2 billion in 2017, an increase of \$2.3 billion over 2016 and second only to the chartered banks at \$35.0 billion.

The chartered banks and credit unions both had a slight increase in market share from 35.5% to 35.6%, and 15.6% to 15.7% respectively.

⁴ Statistics Canada. Table 32-10-0047-01 Farm land and buildings

⁵ Market share refers to the percentage of farm debt outstanding within Canada.

Customer expectations

Using technology solutions to improve the customer experience continues to increase among the main lenders in the agriculture and agri-food market. It is important for FCC to continue to build customer-centric solutions to deliver an exceptional customer experience.

3.3 Internal environment

FCC currently employs 1,895 people across Canada plus an additional 133 contractors. New positions will be added over the coming fiscal year to invest in its strategic initiatives, further mature its risk management capabilities and support planned portfolio growth as FCC continues to serve customers and the industry. In 2019-20, there are 75 new employee positions planned.

FCC's employee engagement levels have remained steady with an employee engagement score of 85%. The engagement score, which is measured annually at FCC, determines employees' intellectual and emotional commitment to the organization. High engagement scores lead to low turnover, which is consistent with FCC's low turnover rate of 4%.

FCC will continue to focus on leadership and its culture of partnership and accountability. FCC is also committed to building a workforce that reflects the diversity of the Canadian population. Of FCC's 1,895 employees, the level of diversity of FCC's workforce includes: 62.1% female, 2.8% Aboriginal, 2.8% persons with disabilities, and 8.0% members of visible minority; noting an individual can identify in more than one equity group. To this end, a three-year diversity and inclusion plan has been developed to ensure FCC is progressing toward being an inclusive workplace and that it can attract and retain talent from diverse backgrounds. For a provincial breakdown on FCC's level of diversity and FCC's diversity and inclusion plan, see Appendix 9.3 – Diversity and employment equity.

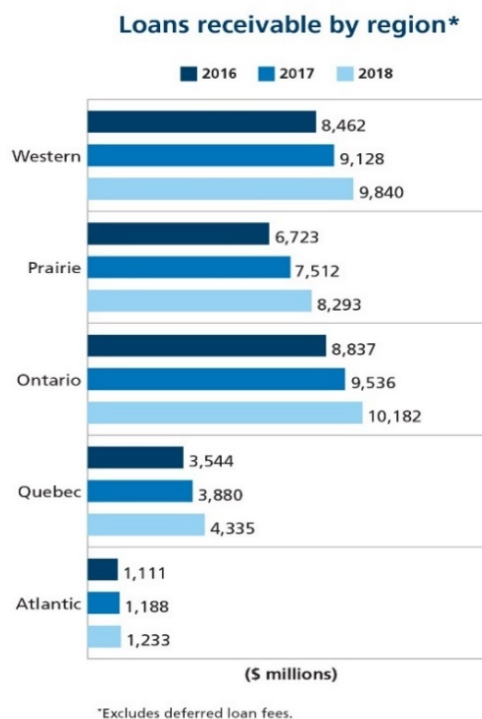
FCC must continue to help employees understand how technology can support them in performing their specific jobs. It is also essential for FCC to deliver value to customers and employees in a rapidly changing environment. To do so, it is important for FCC to take well-managed risks by experimenting with technology and business processes, such as enhancing FCC's online and

mobile services to ensure a seamless customer experience.

3.4 FCC performance and reviews

FCC continues to sustain its market share while maintaining a strong balance sheet and good risk management practices. FCC continued to produce strong financial results in 2017-18. Four measures are used to track progress on financial strength — net income, return on equity, and efficiency ratio were favourable against Plan, while total capital ratio was slightly lower than Plan.

In 2017-18, loans receivable increased by \$2.6 billion or 8.4% from 2016-17, moving the portfolio from \$31.2 billion to \$33.9 billion. FCC experienced loans receivable growth across Canada and in all sectors, except for agri-food. By lending to all agriculture sectors across Canada, FCC diversifies its portfolio both by sector and geographically while also promoting agriculture as a strong and vibrant industry.



External reviews

In March 2018, the Department of Finance initiated a review to evaluate the solutions FCC implemented to address recommendations received in 2013 from the Office of the Superintendent of Financial Institutions. The resulting risk was identified in the

review to be low, as only one of the original 66 recommendations was identified as “not met,” and seven identified as “partially met.” The next steps for FCC will be to provide feedback on the report,

which will then be followed by implementation of the recommendations necessary to maintain risk practices that are consistent with relevant industry and regulatory standards.

4.0 | Objectives, activities, risks, expected results and performance indicators

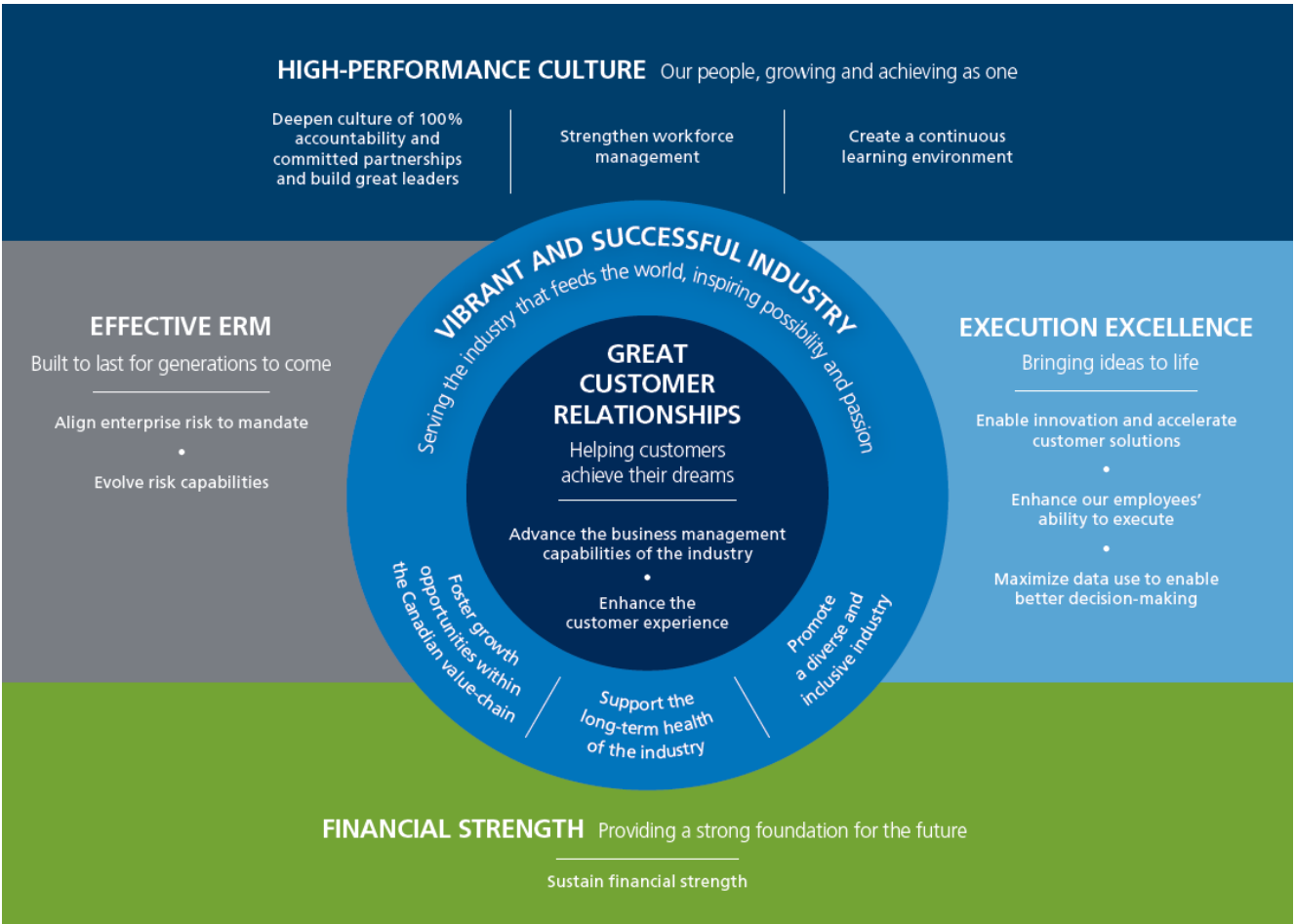
4.1 Objectives and activities

FCC had another exceptional year in 2018-19. The corporation has experienced 25 consecutive years of growth and its portfolio is now over \$33 billion. For more details on past activities and performance, see FCC’s 2017-18 Annual Report.

The agriculture and agri-food industry face unprecedented opportunities and unique challenges and FCC’s strength and stability puts it in a unique position to support its customers and the industry.

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.

FCC’s strategic assets are reflected in the six themes of its 2019-20 corporate strategy map. FCC will continue to advance and implement a range of strategic objectives and initiatives — existing and new — to enhance the customer experience and grow the agriculture and agri-food industry.



4.1.1 Theme: Vibrant and successful agriculture industry

The critical outcome FCC is striving to achieve for this theme is: *In 2025, FCC provides knowledge and financing to support Canada's reputation for high quality, innovative and sustainable agriculture and agri-food products. FCC plays an active role in ensuring the growth and prosperity of the industry and maintaining Canada's agriculture and agri-food sectors as powerful drivers of jobs, the economy and growth in the middle class, with a focus on diversity and inclusion.*

To achieve this critical outcome, FCC will continue to advance these existing strategic objectives:

- Foster growth opportunities in the Canadian value chain
- Support the long-term health of the industry
- Promote a diverse and inclusive industry

Foster growth opportunities in the Canadian value chain

The Government of Canada has set a target to grow Canada's agri-food exports to \$75 billion annually by 2025. Given Canada's reputation for high-quality, innovative and sustainable agriculture and agri-food products, there is an opportunity to grow Canada's global markets.

Agriculture and primary producers will always be FCC's priority and core business. Business that is upstream and downstream of primary producers contribute to a healthy and progressive ecosystem, acting as a catalyst for evolution, innovation and development in agriculture. FCC has developed a strategy to adjust its approach to the agribusiness and agri-food (A&A) sectors. This strategy will allow FCC to serve the agriculture value chain in a comprehensive way and support innovation, job creation and export in Canada.

To achieve this strategic objective, FCC will continue to advance these existing initiatives:

- Develop products and business solutions to enhance our support for the A&A sectors to increase Canada's value-added capacity with a focus on small to medium-sized enterprises
- Enhance our venture capital offering to advance innovation and growth for early and later stage agribusiness and agri-food operations

FCC will also implement this new initiative:

- Update our policies to clarify and expand FCC's eligibility, allowing us to finance a broader range of agribusiness and agri-food operations

Support the long-term health of the industry

As Canada's largest agriculture lender with a mandate to support the long-term success of Canadian agriculture, FCC is committed to working with the industry to address challenges, supporting a vibrant and healthy industry for years to come.

FCC has an established environmental strategy and has implemented social and sustainable principles to ensure a consistent and transparent approach to lending and procurement decisions. FCC promotes public trust in agriculture through Agriculture More Than Ever (AMTE), an industry cause to improve perceptions of agriculture in Canada. In addition, FCC is playing an active role to promote mental health awareness among Canadian producers.

To achieve this strategic objective, FCC will continue to advance these existing initiatives:

- Advance our commitment to operate sustainably by reducing our greenhouse gas emissions and improving our business practices
- Explore opportunities to support our customers and the industry in advancing their sustainability practices through knowledge, tools and financing
- Enhance public trust in the industry through the Agriculture More than Ever cause
- Advance mental health issues through knowledge and partnerships designed to support Canadians involved in farming and rural Canada

Promote a diverse and inclusive industry

FCC has several products to support the next generation of agriculture and young entrepreneurs and has been investigating opportunities to advance support for women entrepreneurs and Indigenous involvement in agriculture.

FCC will continue to support the Government of Canada's focus on diversity and inclusion by increasing its commitment to under-represented groups in Canadian agriculture.

To achieve this strategic objective, FCC will continue to advance these existing initiatives:

- Support the next generation of agriculture by providing enhanced tools and knowledge, including in-person advisory services
- Support the advancement of women in the agriculture and agri-food industry through access to financing and value-added offerings.
- Help enable economic development of Indigenous communities by creating a strategy designed to enhance Indigenous involvement in agriculture

4.1.2 Theme: Great customer relationships

The critical outcome FCC is striving to achieve for this theme is: *In 2025, FCC's unmatched knowledge of agriculture and agri-food, combined with our financing expertise, continues to be foundational to building great customer relationships. Partnering with FCC is easy – employees know their customers and offer customized and flexible solutions to unique business challenges.*

To achieve this critical outcome, FCC will continue to advance these existing strategic objectives:

- Enhance the customer experience
- Advance the business management capabilities of the industry

Enhance the customer experience

Great customer relationships are the primary reason customers choose FCC – it is what differentiates FCC in the marketplace. FCC's focus must always be on strengthening those relationships to remain relevant. FCC needs to serve its customers in a way that meets their unique needs and opportunities. To do so, FCC enables employees to build relationships with customers and offers a suite of products and knowledge to ensure their success.

FCC has a deliberate approach to managing customer relationships known as the Relationship Management Process.

FCC will continue to advance this existing initiative:

- Enable employees to build great customer relationships by improving processes and tools to ensure a seamless customer experience

Advance the business management capabilities of the industry

Today's producers, agribusiness and agri-food operators are experts in their respective industries. They deal with complex financial management,

human resource issues, partnerships, diversification and international markets.

FCC has an established knowledge offering that includes the AgExpert Farm Management platform, an online knowledge library, in-person events and advisory services. As producers, agribusiness and agri-food operators continue to become more sophisticated in their operations, FCC must continue to advance its knowledge offering.

To achieve this strategic objective, FCC will continue to advance these existing initiatives:

- Provide the industry with tools and products to manage their business, including the AgExpert farm management platform
- Advance FCC's knowledge and advisory services offering

4.1.3 Theme: High-performance culture

The critical outcome FCC is striving to achieve for this theme is: *In 2025, FCC is sought out by prospective employees as a 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 and appreciate it.*

To achieve this critical outcome, FCC will continue to advance these existing strategic objectives:

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

Deepen culture of 100% accountability, committed partnerships and strong leadership

FCC sets itself apart as an excellent place to work and to do business with by having a defined culture. The culture is based on the principles of 100% accountability and working together as committed partners. FCC's focus on these cultural principles allows it to build great leaders and ensure FCC's continued ability to serve its customers and the industry.

To achieve this strategic objective, FCC will continue to advance this existing initiative:

- Execute the leadership and culture strategy, which includes providing tools and learning to employees to help them grow and apply FCC's cultural practices at work

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.

To achieve this strategic objective, FCC will continue to advance this existing initiative:

- Execute the diversity and inclusion strategy to ensure FCC is a welcoming and inclusive workplace that attracts and retains diverse candidates

FCC will also implement this new initiative:

- Embed succession planning as an organizational process to ensure a pipeline of qualified employees and leaders

Create a continuous learning environment

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

FCC's learning infrastructure supports employees by offering knowledge on agriculture and finance. FCC will continue to improve its learning programs, ensuring methods and delivery are current and focused on business needs.

To achieve this strategic objective, FCC will continue to advance this existing initiative:

- Implement a comprehensive employee learning strategy

4.1.4 Theme: Execution excellence

The critical outcome FCC is striving to achieve for this theme is: *In 2025, FCC anticipates customer needs and exceeds expectations through agile and innovative solutions, processes and systems. Recognized as a catalyst, FCC supports the industry to bring innovative ideas to life, helping entrepreneurs to realize their vision and grow the competitiveness of the agriculture and agri-food sectors.*

To achieve this critical outcome, FCC will continue to advance and implement this existing strategic objective

- Enable innovation and accelerate customer solutions

FCC will also implement these new strategic objectives:

- Enhance our employees' ability to execute customer solutions
- Maximize data use to enable better decision-making

Enable innovation and accelerate customer 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 of its customers.

FCC has created the Innovation Lab, a physical space for employees and customers to collaborate on solutions. A team of employees has been mobilized to champion the Innovation Lab and human-centred design principles, ensuring the organization builds solutions with the end-user in mind. FCC will continue to embed human-centred design principles with employees and customers, resulting in solutions that support an excellent customer experience.

To achieve this strategic objective, FCC will continue to advance these existing initiatives:

- Grow an innovation mindset within FCC and the industry by exposing employees and customers to human-centred design principles
- Offer digital solutions to facilitate seamless customer and partner interactions

Enhance our employees' ability to execute customer solutions

Execution excellence enables great customer experiences through tools, systems and processes that lead to seamless customer interactions. To meet and exceed the evolving expectations of customers, FCC will improve its internal processes to support accelerated customer-centric solutions.

To achieve this strategic objective, FCC will implement this new initiative:

- Increase velocity of execution by enabling employees' ability to develop customer solutions using FCC's Innovation Lab and Idea Space

Maximize data-use to enable better decision-making

FCC recognizes a need to mature its data quality to support informed and timely decision-making.

FCC will continue to ensure trusted data is accessible across all functions and empower employees to confidently access data, making FCC an information-rich organization capable of providing valuable insights to its customers.

To achieve this strategic objective, FCC will implement this new initiative:

- Create the foundation to access and leverage data through digital tools to advance our business management and that of our customers

FCC knows privacy is important to its customers. FCC will continue to update policy and compliance controls regarding information and data management, privacy and security as the corporation enhances its information management practices.

4.1.5 Theme: Effective enterprise risk management

The critical outcome FCC is striving to achieve for this theme is: *In 2025, risk management continues to ensure ongoing viability for FCC and protects great customer relationships. Sound risk management processes and practices continue to be reflective of FCC's mandate and consistent with a federally regulated financial institution. FCC stays within its risk appetite and tolerances and maintains an appropriate level of capital.*

To achieve this critical outcome, FCC will continue to advance these existing strategic objectives:

- Align enterprise risk to mandate
- Evolve risk capabilities

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 to 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 better support agribusiness and agri-food operators as well as the next generation of customers.

To achieve this strategic objective, FCC will continue to advance this existing initiative:

- Build sustainable risk practices and tools to enhance employee knowledge and expand how FCC serves all sectors while maintaining an appropriate risk appetite

Evolve risk capabilities

Effective risk management helps protect customer relationships and FCC's overall strength and viability. FCC will continue to evolve its risk capabilities to protect its ability to deliver exceptional customer experiences over the long term. Doing so will ensure continuously changing customer preferences and demands for seamless transactions and instant decisions can be met while risk levels are appropriately managed.

To achieve this strategic objective, FCC will implement these new initiatives:

- Advance risk data management, analytics and modelling to enable enhanced decision-making
- Mature operational risk management and controls in a digital era
- Use privacy principles and cyber protection protocols to ensure we can continue to safeguard and leverage customer information

4.1.6 Theme: Financial strength

The critical outcome FCC is striving to achieve for this theme is: *In 2025, FCC continues to have the financial strength to serve and invest in the agriculture and agri-food industry through all economic cycles.*

To achieve this critical outcome, FCC will continue to advance this existing strategic objective:

- Sustain financial strength

Sustain financial strength

FCC is a self-sustaining Crown corporation. Its profits afford it the ability to invest in the organization and the industry to ensure FCC can grow with and serve Canadian agriculture for generations to come.

FCC will continue to grow in response to agriculture and agri-food industry financing needs. Prudent growth requires that risk, financial and capital

management practices remain aligned and effective, while keeping pace with best practices in the financial services industry. This will ensure FCC maintains the ability to fund its growth and absorb potential losses arising from risks and uncertainties in the business environment.

To achieve this strategic objective, FCC will implement this new initiative:

- Improve foundational finance systems and processes to ensure we continue to make sound business decisions

4.2 Risk overview

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

FCC's willingness to take, accept and avoid risk is reflected in its overall risk appetite framework; approved annually by the Board of Directors.

Risk categories and mitigating strategies

FCC's four major categories of risks are 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. FCC conducts stress tests on key financial risks and on economic variables to understand organizational vulnerability to catastrophic economic events or to likely scenarios affecting agriculture.

Strategic risk refers to risks related to the external environment. It includes the corporation's ability to develop, implement and execute effective business strategies and fulfil its purpose. The external environment is monitored to discern if strategic changes are required to address emerging risks.

Potential strategic risks are identified and assessed to risk criteria. Strategic risks are ranked by consequence and likelihood of occurrence to determine the level of risk treatment required, including resource allocation.

Financial risks include FCC's risk categories of credit, liquidity and market risks.

Credit risk, a sub-category of financial 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 FCC faces, but credit risk also exists in investments and derivative financial instruments. FCC assesses the impact and likelihood of credit risk at loan and portfolio levels. Such assessments use credit risk management best practices for financial institutions and robust statistical methods to assess the probability and financial impact of loan defaults.

The credit risk assessment process begins at the customer-facing employee level and ends at the Credit Committee senior management level. 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.

Liquidity risk is the risk that FCC has insufficient funds to meet payment obligations as they come due. FCC minimizes liquidity risk using a liquid investment portfolio, funding through the Crown Borrowing Framework and access to an operating line of credit. Due to FCC's approach and readily available source of funds, the overall risk is negligible. Therefore, this risk is not reflected in the capital requirements.

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 the corporation's financial instruments. FCC assesses this risk using a sophisticated methodology that applies financial market theory to assess the risks of market events such as interest rate movements. These assessments are based on FCC's liabilities and its assets (loans) and the risk is reflected in the capital requirements.

Operational risk relates to the potential of direct or indirect loss due to inadequate or failed internal processes, resources, systems or external events. Operational risk also arises from lack of compliance with legislative or regulatory requirements or litigation. The main sources of operational risk are people, processes and systems. At FCC, leaders are responsible for ensuring appropriate policies and processes are in place within their business units to manage risks.

Risk and control assessments identify and assess key risks to ensure appropriate and effective controls are in place. Each process in the corporation is assessed to FCC’s risk appetite and gaps are mitigated. Key controls are monitored on a regular basis to determine their effectiveness to manage operational risks. Operational risk metrics provide insight to the Board on how well management mitigates operational risk.

Though internal audit engagements, the effectiveness of the control environment is assessed and assurance is provided to the Board.

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. Reputation risk is often a result of the inability to manage and respond to

issues and incidents that are failures of operational risk management.

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

For more detail on FCC’s identified risks, see Appendix 7 – Risk and risk responses.

4.3 Expected results and performance indicator overview

FCC uses a strategic asset model as a framework for evaluation and to define its major activities under critical business themes. For each strategic asset, FCC has developed critical outcome statements, detailed in section 4.1 Objectives and activities, that represent success. FCC also uses a corporate scorecard to monitor and measure progress against its strategy.

FCC’s critical outcome statements, vision and mission are aligned to its mandate and Government of Canada priorities. FCC reports on its mandate and Government of Canada priorities through the following measures:

| Outcome | Measure |
|---|---|
| FCC is committed to growing Canada’s agri-food exports and increasing value-added capacity | Number of agribusiness and agri-food customers |
| FCC is committed to building a workforce that reflects the diversity of its customers and the Canadian workforce | Percentage of new hires who are members of employment equity groups |
| FCC invests in communities where its customers and employees live and work | Amount invested in community investment initiatives |
| | Number of paid volunteer hours by FCC employees |
| 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 |
| | Score from participants on the likelihood to use information from an FCC event in their farming operation |
| Increased positive dialogue about Canadian agriculture | Percentage growth in social impressions of conversations about Canadian agriculture |

| | |
|---|---|
| Young farmers and young agribusiness and agri-food operators have access to specialized lending products and services | Young borrower lending |
| | Number of borrowers under age 40 |
| FCC supports the Federal Sustainable Development Strategy and Greening Government Strategy by reducing its greenhouse gas emissions | Reduction in FCC's greenhouse gas footprint |
| Canadian producers and agribusiness and agri-food operators can access capital to advance their businesses | Amount and increase in loans receivable |
| 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 |
| Small and medium-sized operations have access to capital to grow their businesses | Percentage of customer count in small and medium-sized segments |

In addition to measuring its focus on mandate and Government of Canada priorities, FCC must also understand its position in the marketplace. FCC has established measures and benchmarks to compare itself against other organizations for two of its most important strategic assets — great customer relationships and high-performance culture.

Great customer relationships

FCC's focus on customer relationships is the key reason why customers choose to do business with FCC over its competitors. For this reason, it is important FCC measure its performance against other organizations. In 2018-19, FCC adopted Net Promoter Score® (NPS). NPS is a customer advocacy measure used by leading companies around the world as the standard for measuring and improving customer experience.

FCC's NPS target for 2019-20 is 70. When comparing FCC to the published list of NPS scores, a score of 70 or above places FCC in the 75th percentile of NPS-measured organizations.

High-performance culture

FCC believes that having a great employee experience helps attract and retain high-performing employees with the skills and attitudes needed to deliver great customer relationships. FCC strives to be an employer of choice and uses the Aon Hewitt Employee Engagement survey to compare its employee engagement with other organizations.

FCC's employee engagement target is to rank greater than the average of Aon Hewitt's platinum and gold employers.

For more detail on FCC's measures and targets, see Appendix 3 - Planned Results.

5.0 | Financial overview

Expected results for 2018-19 and plan period 2019-20 to 2023-24

FCC is a self-sustaining Crown corporation, projecting growth and continued profitability through sound financial and risk management practices. As discussed in section 4.0, 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. Strong financial management ensures FCC can serve the industry in both good and challenging times.

The financial plan and key assumptions reflect FCC's outlook on the Canadian agriculture and agri-food industry as outlined in section 3.0. The overall outlook for the agriculture and agri-food industry in Canada remains positive due to the growing demand for agricultural commodities and continued but slower growth projected in farm debt outstanding. As a result, the portfolio is expected to grow at a slower pace than past years over the five-year plan period. The key financial risks such as credit and market risks are also expected to increase gradually as growth stabilizes in farm cash receipts. The continued portfolio growth drives the projected increase in FCC's overall profitability.

FCC assures its sound financial position through risk management and capital management practices. The well-established enterprise risk management framework ensures risks are properly identified and managed. The Board-approved Capital Management policy appropriately determines the capital adequacy requirement in relation to risks identified. Strong integration of enterprise risk management and capital management practices enable FCC to achieve objectives and ensure sustainable business success.

Portfolio growth

Loans receivable and leasing are expected to grow from \$35,842.9 million in 2018-19 to \$41,678.7 million in 2023-24. This represents an average annual growth of 3.1% over the plan period. As mentioned in section 3.0, there are several factors impacting the agriculture and finance industries that in turn impact FCC's lending volumes. FCC projects continued but slowing portfolio growth as a result of the expected slower growth in farm debt.

FCC recently completed a scan of the agriculture innovation ecosystem in Canada to confirm that gaps identified in past market studies continue to exist. This includes lack of support (financial, business services, and mentorship) for start-up and expanding companies in the agriculture and agri-food industry. In response, an expanded venture capital strategy has been developed, which will support innovation in Canadian agriculture. FCC is forecasting \$143.2 million in total capital outstanding in 2018-19 and projects the balance to increase to \$354.5 million in 2023-24.

Profitability

Net interest income is forecasted to be \$1,126.3 million in 2018-19 and is projected to grow to \$1,283.9 million in 2023-24. The increase is primarily driven by the projected growth in the portfolio, partly offset by a lower net interest margin.

Net interest margin on average earning assets is projected to decrease from 3.09% in 2018-19 to 3.01% in 2019-20 and remains relatively flat over the plan period. The initial decline in the net interest margin is primarily due to continued competition and increased funding costs on short-term debt.

Credit quality

Allowance for credit losses is forecasted to be \$125.0 million in 2018-19. As the portfolio grows and risk increases over the plan years, the allowance for credit losses is projected to be \$173.7 million at the end of 2023-24. The overall risk within the portfolio is expected to increase over the plan period mainly due to moderation in farm cash receipts. FCC continues to focus on sound risk management practices, including maintaining a portfolio that is well diversified in terms of sector and region.

Provision for credit losses is expected to increase from \$32.6 million in 2018-19 to \$62.3 million in 2023-24. The increased provision over the plan period is reflective of the expected increase in the allowance for credit losses and writeoffs.

Efficiency

Administration expenses are expected to increase from \$429.3 million in 2018-19 to \$515.4 million in the final year of the plan. The increase is mainly related to higher personnel costs to invest in strategic initiatives, further mature FCC's risk management capabilities and support the growth of the organization. Amortization and depreciation expense and professional fees also increase over the plan period. On April 1, 2019, FCC will adopt IFRS 16 – Leases, which introduces capitalization of a right-of-use asset, a new accounting term representing the value of the lease agreement. The capitalization results in an increase to amortization and depreciation, offset by a decrease in facilities, software and equipment expense due to a reduction of rent expense.

The efficiency ratio is projected to increase from 37.5% in 2018-19 to 39.6% in 2019-20 due to the faster growth in administration expenses relative to the growth of net interest income. The efficiency ratio remains relatively flat over the remaining plan period at the average of 39.6%.

Capital budget

Capital expenditures are expected to be \$76.1 million in 2018-19 ranging up to \$82.4 million over the plan period. The increase is primarily due to an increase in computer software as well as right-of-use assets introduced through the adoption of IFRS 16. This increase is partly offset by a decrease in leasehold improvements and furniture and equipment expenditures.

Borrowings

Borrowings, including accrued interest, are expected to increase from \$30,427.3 million in 2018-19 to \$35,414.3 million in 2023-24. This increase is the direct result of borrowing requirements to fund loan portfolio growth, partly offset by an increase in retained earnings.

Capital management

FCC is currently and is projected to remain adequately capitalized. FCC has established a target capital ratio of 15.0% of risk-weighted assets (RWA),

based on FCC's internal capital adequacy assessment process (ICAAP), which follows the Capital Adequacy Requirements issued by the Office of the Superintendent of Financial Institutions (OSFI).

Total capital is expected to increase from \$6,328.2 million in 2018-19 to \$7,349.2 million in 2023-24, an average annual growth of 3.0%. This increase is due to net income contributing to growth in retained earnings, partly offset by projected dividend payments. RWA is projected to increase by an average of 3.2%, mainly due to the projected portfolio growth.

Dividend payments are informed by the corporation's target capital ratio and ICAAP, which includes additional capital requirements above that required to cover pillar I and II risks. The ICAAP assessment provides confidence in FCC's capital position and enables efficient use of capital through re-investment in its portfolio and dividends when capital is not required. 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 projected payments in the plan are aligned with the Capital and Dividend Policy Framework for Financial Crown Corporations issued by the Department of Finance.

FCC is projected to pay dividends totaling \$2,502.2 million over the plan period. Dividend payments will continue to be declared annually at the discretion of the FCC Board of Directors. Actual dividend payments could vary materially with variances in actual RWA levels, available capital and changes in FCC's target capital ratio, which is determined annually through its ICAAP.

Return on equity measures the efficiency in generating income relative to equity. FCC's mandate restricts business activities, which inherently impacts the risk profile of the corporation, while OSFI guidelines determine the capital FCC needs to cover that risk. These factors largely influence the return on equity FCC's business model can generate. Return on equity is forecasted to be 11.1% in 2018-19 and is projected to decline through the plan period to 10.0% in 2023-24, mainly due to the lower projected portfolio growth and continued downward pressure on net interest margin.

Appendix 1 – Ministerial mandate letter or direction

FCC mandate letter

August 31, 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.

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 Canada 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,

Original signed by
Lawrence MacAulay, PC, MP

Date modified: 2016-11-04

FCC supplemental priorities

February 1, 2018

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

Dear Mr. Johnston:

I would like to thank you, the Board of Directors, and all of Farm Credit Canada's employees for the great work you are doing to support Canada's agriculture and agri-food sector. As we begin a new year, I would like to take this opportunity to discuss some of the federal government's priorities for the sector.

Canada's agriculture and agri-food sector is a powerful driver of Canada's jobs, economy, and growth of the middle class. The Government is committed to supporting the sector to ensure it remains a leader in job creation and innovation while pursuing a strong trade agenda to increase opportunities for farmers and food processors and to create new jobs across Canada.

The federal government has set an ambitious target to grow Canada's agri-food exports to \$75 billion annually by 2025, based on the recommendations from the Advisory Council on Economic Growth led by Mr. Dominic Barton. Budget 2017 clearly outlined a strong commitment to the agriculture and agri-food sector and its importance to the Canadian economy.

Canada's reputation for high-quality, innovative, and sustainable agriculture and agri-food products will give the sector a competitive edge in growing global markets. Farm Credit Canada's business and financial services, training, and resources support the sector in moving towards its export growth target.

Working with the board members recently appointed through the new open, transparent, and merit-based selection process, I ask that Farm Credit Canada deliver, in addition to the priorities detailed in the previous mandate letter from 2016, on the following:

- In line with the Government's focus on diversity and inclusion, support underrepresented groups in Canadian agriculture, including meeting the unique needs of women, youth, persons with disabilities, and Indigenous agricultural entrepreneurs and producers;
- Work to promote and strengthen products and services that facilitate intergenerational transfers, and assist young and new farmers entering the industry;
- Work with and support like minded organizations to assist Canadian producers with mental health issues through greater awareness and knowledge dissemination, and provide greater access to services and support networks in rural Canada; and
- Support products and services that will help Canada achieve the Government's goal of reaching \$75 billion in agriculture and agri food exports by 2025.

As mentioned in my previous letter, I continue to encourage Farm Credit Canada to work with Agriculture and Agri Food Canada to achieve and report on these additional priorities.

I look forward to further collaboration with you and Farm Credit Canada to continue developing the sector and allowing producers to reap the benefits of our efforts.

Sincerely,

Original signed by
Lawrence MacAulay, PC, MP

Date modified: 2018-06-08

Appendix 2 - Corporate governance structure

Board of Directors

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

The Board is composed of 12 directors, including the President and CEO and the Chair. All directors except the President and CEO are independent of management. Biographies can be found on FCC's website under About FCC > Corporate Profile > Board of Directors.

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. Directors exercise a stewardship role, participate in the strategic planning process and approve the corporate 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 roles and responsibilities of the Chair, directors and the President and CEO are set out in position descriptions that are available upon request. The roles and responsibilities of the Board and its four sub-committees (Audit, Corporate Governance, Human Resources and Risk) can be found on FCC's website under About FCC > Leadership > Board Charters. These documents articulate the Board's

responsibilities in six major areas: corporate governance, financial reporting and public disclosure, government relations and corporate social responsibility, integrity (legal and ethical conduct), leadership development, and strategic planning and risk management.

Directors are paid an annual retainer and per diem amounts established by the Governor in Council, pursuant to the *Financial Administration Act*. Rates were last set on January 8, 2008. Directors are reimbursed out-of-pocket expenses, including travel and accommodation while performing their duties. Directors are subject to their own travel expense policy, which is substantially the same as the expense policy applicable to FCC employees.

Two director terms expired in 2018 and three (including the CEO and Board Chair) will expire in 2019. FCC is in contact with the Minister's Office and receives regular updates on the status of the appointment process. When a new director joins FCC's Board, there is an orientation program to introduce the individual to the organization and management. FCC considers director education to be an ongoing process. The orientation is tailored to meet the needs of each new director, but is built on a foundation that includes (i) an introduction to other Board members and management, including time spent individually with the Board Chair, Corporate Secretary and CEO, (ii) an overview and discussion about the corporation's business, strategic priorities and key functions of the organization, and (iii) information regarding the Board and its structure, practices and governance.

| Board member | Term | Committee memberships | Committee attendance (11/01/2017 – 10/31/2018) | Board meeting attendance (11/01/2017 – 10/31/2018) | Retainer (A) | Per diems (B) | Total remuneration (A&B) | Travel and related expenses ^[1] |
|-----------------|---|---|--|--|--------------|---------------|--------------------------|--|
| Del Anaquod | 11/9/2017 – 11/9/2020 | Corporate Governance Human Resources | 3/3 3/3 | 5/5 | \$5,425 | \$10,185 | \$15,610 | \$7,205 |
| Bertha Campbell | 11/9/2017 – 11/9/2021 | Corporate Governance Audit | 3/3 5/5 | 4/5 | \$5,425 | \$11,155 | \$16,580 | \$11,692 |
| Sylvie Cloutier | 11/27-2014 – 4/5/2018 ^[2] Note: A Director since 4/5/2012 | Human Resources Risk | 3/3 4/4 | 5/5 | \$6,700 | \$10,185 | \$16,885 | \$13,947 |

^[1] In addition to the regular Board and Committee meetings, the Board attended an orientation session in January 2018 in Regina and many directors attended Canada's Agriculture Day in Ottawa in February 2018. These events are not included in the attendance report but per diems and expenses incurred have been included.

^[2] Ms. Cloutier's and Mr. Skinner's terms have expired. They continue to serve as directors, pending their reappointment or the appointment of a successor, pursuant to section 5(5) of the Farm Credit Canada Act.

| Board member | Term | Committee memberships | Committee attendance (11/01/2017 – 10/31/2018) | Board meeting attendance (11/01/2017 – 10/31/2018) | Retainer (A) | Per diems (B) | Total remuneration (A&B) | Travel and related expenses ^[1] |
|---|--|--|---|---|--|---------------|--------------------------|--|
| Laura Donaldson | 11/9/2017 – 11/9/2021 | Corporate Governance (Chair) Audit | 3/3 5/5 | 5/5 | \$6,008.33 | \$14,065 | \$20,073.33 | \$14,007 |
| Jane Halford | 11/9/2017 – 12/15/2020 Note: director since 12/15/2014 | Human Resources (Chair) Risk | 3/3 4/4 | 4/5 | \$7,200 | \$6,790 | \$13,990 | \$4,759 |
| Michele Hengen | 11/9/2017 – 11/9/2020 | Risk (Chair) Human Resources | 3/3 3/3 | 5/5 | \$5,925 | \$8,730 | \$14,655 | \$5,645 |
| Michael Hoffort (CEO) | 7/1/2014 – 6/30/2019 | The CEO is a director but not a member of any specific Committee | | | The CEO does not receive separate remuneration for his duties as a Board member. | | | The CEO's travel expenses, including any travel required for Board-purposes, is disclosed on FCC's public website. |
| Dale Johnston ^[3] (Board Chair) | 12/13/2015 - 12/13/2019 Note: director since 6/23/2011 | Corporate Governance Human Resources | 3/3 3/3 | 5/5 | \$4,999 | - | \$4,999 | \$11,432 |
| James Laws | 11/9/2017 – 11/9/2020 | Corporate Governance Audit | 3/3 5/5 | 5/5 | \$5,425 | \$14,793 | \$20,218 | \$24,941 |
| Doris Priddle | 11/26/2015 – 11/26/2019 Note: director since 11/26/2012 | Audit Corporate governance | 7/7 3/3 | 5/5 | \$6,200 | \$12,610 | \$18,810 | \$25,894 |
| Jason Skinner | 1/3/2012 – 3/1/2018 ^[2] Note: A Director since 2/12/2009 | Human Resources Risk | 2/3 3/4 | 3/5 | \$6,700 | \$5,820 | \$12,520 | \$3,577 |
| Govert Verstralen | 11/9/2017 – 11/9/2021 | Audit (Chair) Risk | 5/5 3/3 | 5/5 | \$6,008 | \$12,125 | \$18,133 | \$23,729 |

^[1] In addition to the regular Board and Committee meetings, the Board attended an orientation session in January 2018 in Regina and many directors attended Canada's Agriculture Day in Ottawa in February 2018. These events are not included in the attendance report but per diems and expenses incurred have been included.

^[2] Ms. Cloutier's and Mr. Skinner's terms have expired. They continue to serve as directors, pending their reappointment or the appointment of a successor, pursuant to section 5(5) of the Farm Credit Canada Act.

^[3] As a former member of Parliament, Dale Johnston is subject to the Members of Parliament Retiring Allowances Act. His total remuneration is capped at \$5,000.

Enterprise Management Team (EMT)



EMT consists of the President and CEO and seven 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.

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.

All executives, except for the President and CEO, are paid within the salary ranges and compensation policies approved by the Board. FCC does not offer mid- or long-term incentives to any of its employees.

The Governor in Council establishes the President and CEO's compensation. In 2018-19, the base salary range of the President and CEO is \$257,900 to \$303,400. There are three base salary ranges for Executive Vice-Presidents. One range is set at \$270,075 to \$397,170. The second range is set at \$232,900 to \$342,500. And, the third range is set at \$201,665 to \$296,565. In addition to the base salary, a significant part of their total remuneration is dependent upon the performance of the corporation, the individual executive and the

executive's division. With respect to the CEO, the pay-at-risk can range from 13 – 26%.

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's governance framework includes eight committees to guide corporate decision-making.

The **Asset Liability Committee** (ALCO) directs FCC'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 and leasing 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** advises EMT on the strategic direction relative to compensation and

performance management. 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 regularly reports to ALCO on pricing performance and issues and makes recommendations to ALCO for the approval of material pricing adjustments.

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

Appendix 3 - Planned results

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 operations of all sizes have access to capital and a strong financial partner through all economic cycles. FCC helps the industry remain competitive and advances the knowledge and management capabilities of producers and others involved in Canadian agriculture. FCC supports the long-term success of Canadian agriculture by focusing on the needs of the next generation of producers and agribusiness and agri-food operators and helping the industry build public trust. And, FCC fosters strong and vibrant communities where its customers and employees live and work, with a focus on rural Canada.

| Short-term outcomes | | | | |
|--|---|----------------------|----------------------|---|
| Outcome | Performance indicator | 2019-20 target | 2023-24 target | Data strategy |
| FCC is committed to growing Canada's agri-food exports and increasing value-added capacity | Number of net new agribusiness and agri-food customers ⁶ | 75 | 275 | Annual data from FCC's financial systems |
| FCC is committed to building a workforce that reflects the diversity of its customers and the Canadian workforce | Percentage of total hired are members of employment equity groups ⁷ | 14% | 20% | Annual data from FCC's Human Resources systems |
| 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 \$3 million | At least \$3 million | Annual data from Sponsorium database (which tracks FCC community investment activities) |
| | Number of paid volunteer hours by FCC employees | 2,800 | 3,500 | Annual data from community investment database |

| Medium-term outcomes | | | | |
|---|--|---|---|---|
| Outcome | Performance indicator | 2019-20 target | 2023-24 target | Data strategy |
| FCC delivers a customer experience that meets the needs of the industry | Net Promoter Score® | 70 (Equal to or greater than the 75th percentile) | 70 (equal to or greater than the 75th percentile) | Customer surveys throughout the year |
| | "We make it easy for customers to do business with us" employee engagement survey question | 76% | 80% | Annual data from FCC's employee engagement survey |
| 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 | 1.7 million | 2.0 million | Annual analytics from FCC's website |
| | Average score of event participants on the likelihood they will use | Greater than 4 out of 5 | Greater than 4 out of 5 | Post-event participant survey data compiled annually — participants |

⁶ FCC's Agriculture and Agri-food strategy is currently in development and will commence April 2019. The target for acquisition of net new customers will be reviewed once the strategy is executed and more accurate information is available. This cumulative target will see the acquisition of 875 new customers over the five-year planning period.

⁷ FCC's employment equity groups include: women, Aboriginal persons, members of a visible minorities and persons with disabilities.

| | | | | |
|---|--|--|---|---|
| | information from the event in their farming operations | | | asked to rate on a scale of 1 to 5 representing completely disagree to completely agree |
| Increased positive dialogue about Canadian agriculture | Percentage growth in social impressions ⁸ of conversations about Canadian agriculture | Establish baseline for measuring sentiment of online conversations in Canadian agriculture | Year-over-year growth in Canadian agriculture impressions | Construct and use online data dashboard ⁹ to listen for and track conversations about Canadian agriculture |
| Young farmers and young agribusiness and agri-food operators have access to specialized lending products and services | Young borrower lending: Ag production: Agribusiness and Agri-food: | \$3.18 billion \$149 million | \$3.8 billion \$181 million | Annual data from FCC's financial systems |
| | Number of borrowers ¹⁰ under age 40 | More than 7,000 | More than 7,000 | Annual data from FCC's financial systems |

| Long-term outcomes | | | | |
|---|---|---------------------------------------|---------------------------------------|---|
| Outcome | Performance indicator | 2019-20 target | 2023-24 target | Data strategy |
| Canadian producers and agribusiness and agri-food operators can access capital to advance their businesses | Loans receivable and leasing (total loans and leasing outstanding) | \$37,387.8 million | \$41,678.7 million | Annual pull of data from FCC's financial systems reporting |
| | Increase in loans receivable and leasing (year-over-year portfolio growth) | \$1,544.9 million | \$1,012.4 million | |
| FCC supports the Federal Sustainable Development strategy and Greening Government Strategy by reducing its greenhouse gas emissions | Reduction in FCC's greenhouse gas footprint by 40% by 2025 based on 2012 levels | 307 tonnes/CO ₂ e | 307 tonnes/CO ₂ e | Annual data collection of emissions on buildings, vehicles, flights and paper consumption |
| 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 ¹¹ | Target capital ratio of 15% or higher | Target capital ratio of 15% or higher | Annual pull of data from FCC's financial systems |

⁸ Social impressions refer to the number of times content is displayed.

⁹ Data dashboard refers to a formula created to track online conversations. The dashboard will include words such as hashtags, key words from conversations and words provided in user profiles.

¹⁰ Includes primary and secondary borrowers. As the young borrower strategy is still under development, the target for number of borrowers under age 40 will be reviewed once the strategy is executed and more accurate information is available.

¹¹ Capital adequacy measure is used to ensure FCC carries an adequate amount of capital to meet the outcome described in this appendix.

| | | | | |
|---|---|---|---|--|
| Small and medium-sized operations have access to capital to grow their businesses | Percentage of FCC customer count in small and medium-sized segments: - Ag Production - Agribusiness & Agri-food | Ag Production: Greater than 90% Agribusiness & Agri-food: Greater than 75% | Ag Production: Greater than 90% Agribusiness & Agri-food: Greater than 75% | Annual pull of data from FCC's financial systems |
|---|---|---|---|--|

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 Appendix. I confirm that this commitment is supported by the balanced use of all available and relevant performance measurement and evaluation information.



Michael Hoffort
President and Chief Executive Officer
Farm Credit Canada

January 30, 2019

Date

Appendix 4 - Chief Financial Officer attestation

In my capacity as Chief Financial Officer of Farm Credit Canada, accountable to the Chief Executive Officer who is accountable to the Board of Directors 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 budgets 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 budgets is sufficient overall to support decision-making.



January 30, 2019

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

Month day, year

Appendix 5 - Financial statements and budgets

5.1 Financial statements

Consolidated Balance Sheet

| As at March 31 (millions of Canadian dollars) | 2018 Actuals | 2019 Plan | 2019 Forecast | 2020 Plan |
|---|--------------------|--------------------|--------------------|--------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 828.6 | \$ 834.0 | \$ 764.0 | \$ 764.0 |
| Temporary investments | 398.1 | 366.0 | 436.0 | 436.0 |
| Accounts receivable and prepaid expenses | 47.8 | 29.4 | 34.5 | 37.9 |
| Derivative financial assets | 21.5 | 12.2 | 9.4 | 4.7 |
| | 1,296.0 | 1,241.6 | 1,243.9 | 1,242.6 |
| Loans receivable | 33,858.5 | 35,316.3 | 35,712.4 | 37,169.3 |
| Allowance for credit losses | 222.5 | 144.8 | 125.0 | 133.8 |
| Loans receivable - net | 33,636.0 | 35,171.5 | 35,587.4 | 37,035.5 |
| Finance leases receivable - net | 19.6 | 22.8 | 18.6 | 106.0 |
| Investment in associates | 57.8 | 76.5 | 76.9 | 104.5 |
| Venture capital investments | 77.1 | 89.8 | 90.9 | 95.2 |
| Post-employment benefit assets | 50.3 | 70.4 | 79.1 | 111.4 |
| | 33,840.8 | 35,431.0 | 35,852.9 | 37,452.6 |
| Equipment and leasehold improvements | 24.5 | 23.8 | 28.6 | 28.4 |
| Computer software | 33.5 | 47.3 | 37.4 | 43.5 |
| Equipment under operating leases | 110.7 | 107.0 | 111.9 | 112.5 |
| Right-of-use assets ⁽¹⁾ | - | - | - | 158.1 |
| Other assets | 12.4 | 12.5 | 12.6 | 12.9 |
| | 181.1 | 190.6 | 190.5 | 355.4 |
| Total assets | \$ 35,317.9 | \$ 36,863.2 | \$ 37,287.3 | \$ 39,050.6 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 63.9 | \$ 64.0 | \$ 66.8 | \$ 67.3 |
| Borrowings | | | | |
| Short-term debt | 10,919.1 | 13,489.3 | 11,036.7 | 10,929.4 |
| Long-term debt | 17,980.2 | 16,710.4 | 19,390.6 | 20,938.0 |
| | 28,899.3 | 30,199.7 | 30,427.3 | 31,867.4 |
| Transition loan liabilities | 139.3 | 135.5 | 142.3 | 148.1 |
| Post-employment benefit liabilities | 145.3 | 147.1 | 150.8 | 155.3 |
| Lease liabilities | - | - | - | 160.4 |
| Other liabilities | 9.5 | 11.9 | 11.9 | 12.9 |
| | 294.1 | 294.5 | 305.0 | 476.7 |
| Total liabilities | 29,257.3 | 30,558.2 | 30,799.1 | 32,411.4 |
| Equity | | | | |
| Contributed surplus | 547.7 | 547.7 | 183.7 | - |
| Retained earnings | 5,447.7 | 5,714.1 | 6,261.0 | 6,617.4 |
| Accumulated other comprehensive income | 64.4 | 42.3 | 42.6 | 20.8 |
| Equity attributable to shareholder of parent entity | 6,059.8 | 6,304.1 | 6,487.3 | 6,638.2 |
| Non-controlling interest | 0.8 | 0.9 | 0.9 | 1.0 |
| | 6,060.6 | 6,305.0 | 6,488.2 | 6,639.2 |
| Total liabilities and equity | \$ 35,317.9 | \$ 36,863.2 | \$ 37,287.3 | \$ 39,050.6 |

(1) On April 1, 2019, FCC will adopt IFRS 16 - Leases. This new standard will result in the following new balance sheet accounts: right-of-use assets and lease liabilities

Caution regarding forward-looking statements

The corporate plan includes forward-looking financial information above 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.

Consolidated Statement of Income

| Fiscal year ending March 31 (millions of Canadian dollars) | 2018 Actuals | 2019 Plan | 2019 Forecast | 2020 Plan |
|---|-----------------|-----------------|------------------|-----------------|
| Loans and leases | \$ 1,308.7 | \$ 1,519.6 | \$ 1,601.0 | \$ 1,774.2 |
| Investments | 21.6 | 29.5 | 34.5 | 41.2 |
| Interest income | 1,330.3 | 1,549.1 | 1,635.5 | 1,815.4 |
| Short-term debt | 24.8 | 66.6 | 60.1 | 73.4 |
| Long-term debt | 233.5 | 379.3 | 449.1 | 603.2 |
| Interest expense | 258.3 | 445.9 | 509.2 | 676.6 |
| Net interest income | 1,072.0 | 1,103.2 | 1,126.3 | 1,138.8 |
| Provision for credit losses | 30.9 | 49.8 | 32.6 | 28.8 |
| Net interest income after provision for credit losses | 1,041.1 | 1,053.4 | 1,093.7 | 1,110.0 |
| Insurance income | | | | |
| Premiums | 26.3 | 27.3 | 27.3 | 28.1 |
| Claims expense | 4.6 | (10.9) | (8.2) | (8.4) |
| Net insurance income | 30.9 | 16.4 | 19.1 | 19.7 |
| Net income from investment in associates | (3.6) | 11.1 | 14.6 | 9.1 |
| Other income | (0.1) | (0.3) | (0.3) | (0.6) |
| Net interest income and non-interest income | 1,068.3 | 1,080.6 | 1,127.1 | 1,138.2 |
| Administration expenses | 384.6 | 424.8 | 429.3 | 458.8 |
| Net income before fair value adjustment | 683.7 | 655.8 | 697.8 | 679.4 |
| Fair value adjustment | (13.8) | (7.0) | (8.6) | (4.7) |
| Net income | \$ 669.9 | \$ 648.8 | \$ 689.2 | \$ 674.7 |
| Net income attributable to: | | | | |
| Shareholder of parent entity | \$ 669.9 | \$ 648.7 | \$ 689.1 | \$ 674.6 |
| Non-controlling interest | - | 0.1 | 0.1 | 0.1 |

Consolidated Statement of Comprehensive Income

| Fiscal year ending March 31 (millions of Canadian dollars) | 2018 Actuals | 2019 Plan | 2019 Forecast | 2020 Plan |
|--|-----------------|-----------------|------------------|-----------------|
| Net income | \$ 669.9 | \$ 648.8 | \$ 689.2 | \$ 674.7 |
| 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) | (21.7) | (21.8) | (21.8) |
| Net unrealized gains (losses) on available-for-sale financial assets | (0.2) | - | - | - |
| | (21.9) | (21.7) | (21.8) | (21.8) |
| Item that will never be reclassified to net income | | | | |
| Remeasurements of post-employment benefit assets and liabilities | (20.7) | 3.8 | 25.4 | 32.0 |
| Total other comprehensive income (loss) | (42.6) | (17.9) | 3.6 | 10.2 |
| Total comprehensive income | \$ 627.3 | \$ 630.9 | \$ 692.8 | \$ 684.9 |
| Total comprehensive income attributable to: | | | | |
| Shareholder of parent entity | \$ 627.3 | \$ 630.8 | \$ 692.7 | \$ 684.8 |
| Non-controlling interest | - | 0.1 | 0.1 | 0.1 |

Consolidated Statement of Changes in Equity

| Fiscal year ending March 31 (millions of Canadian dollars) | 2018 Actuals | 2019 Plan | 2019 Forecast | 2020 Plan |
|---|-------------------|-------------------|-------------------|-------------------|
| Contributed surplus | | | | |
| Balance, beginning of year | \$ 547.7 | \$ 547.7 | \$ 547.7 | \$ 183.7 |
| Dividends paid, applied against contributed surplus | - | - | (364.0) | (183.7) |
| Balance, end of year ⁽¹⁾ | 547.7 | 547.7 | 183.7 | - |
| Retained earnings | | | | |
| Balance, beginning of year | 5,106.8 | 5,433.3 | 5,447.7 | 6,261.0 |
| Impact of adopting new accounting standard for financial instruments as at April 1, 2018 ⁽²⁾ | - | 63.6 | 98.8 | - |
| Net income | 669.9 | 648.7 | 689.1 | 674.6 |
| Other comprehensive income | (20.7) | 3.8 | 25.4 | 32.0 |
| Dividends paid | (308.3) | (435.3) | - | (350.2) |
| Balance, end of year | 5,447.7 | 5,714.1 | 6,261.0 | 6,617.4 |
| Accumulated other comprehensive income | | | | |
| Balance, beginning of year | 86.3 | 64.0 | 64.4 | 42.6 |
| Transfer of net realized gains on derivatives previously designated as cash flow hedges to net income | (21.7) | (21.7) | (21.8) | (21.8) |
| Net unrealized gains (losses) on available-for- sale financial assets | (0.2) | - | - | - |
| Balance, end of year | 64.4 | 42.3 | 42.6 | 20.8 |
| Total equity attributable to parent | \$ 6,059.8 | \$ 6,304.1 | \$ 6,487.3 | \$ 6,638.2 |
| Non-controlling interests | | | | |
| Balance, beginning of year | 0.5 | 0.8 | 0.8 | 0.9 |
| Net income attributable to non-controlling interest | - | 0.1 | 0.1 | 0.1 |
| Contributions from/(distributions to) non-controlling interest | 0.3 | - | - | - |
| Balance, end of year | 0.8 | 0.9 | 0.9 | 1.0 |
| Total | \$ 6,060.6 | \$ 6,305.0 | \$ 6,488.2 | \$ 6,639.2 |

(1) By March 31, 2020, FCC will eliminate its contributed surplus through a repayment of dividends

(2) On April 1, 2018, FCC adopted IFRS 9 - Financial Instruments. The adoption of this new standard resulted in classification and measurement changes for certain financial assets and the introduction of a new expected loss impairment model, resulting in adjustments to opening retained earnings and accumulated other comprehensive income. The comparative consolidated financial statements were not be restated as a result of the adoption of the new standard.

Consolidated Statement of Cash Flows

As at March 31

(millions of Canadian dollars)

| | 2018 Actuals | 2019 Plan | 2019 Forecast | 2020 Plan |
|---|------------------|------------------|------------------|-----------------|
| Operating activities | | | | |
| Net Income | \$ 669.9 | \$ 648.8 | \$ 689.2 | \$ 674.7 |
| Adjustments to determine net cash (used in) provided by operating activities: | | | | |
| Net interest income | (1,072.0) | (1,103.2) | (1,126.3) | (1,138.8) |
| Unwind adjustment on impaired loans | 1.0 | (3.3) | - | - |
| Provision for credit losses | 30.9 | 49.8 | 32.6 | 28.8 |
| Fair value adjustment | 13.8 | 7.0 | 8.6 | 4.7 |
| Net income from investment in associates | 3.5 | (11.1) | (14.6) | (9.1) |
| Amortization and depreciation | 17.4 | 32.6 | 19.3 | 39.2 |
| Other | 17.6 | - | (0.0) | 0.2 |
| Net cash outflow from loans receivable | (2,600.6) | (1,836.1) | (1,893.6) | (1,452.4) |
| Net cash (outflow) inflow from finance leases receivable | (2.5) | (1.7) | 1.0 | (87.3) |
| Net change in other operating assets and liabilities | (23.0) | 10.2 | 32.9 | 7.7 |
| Interest received | 1,238.3 | 1,515.1 | 1,627.3 | 1,769.2 |
| Interest paid | (221.3) | (445.9) | (504.1) | (652.4) |
| Cash used in operating activities | (1,927.0) | (1,137.8) | (1,127.6) | (815.4) |
| Investing activities | | | | |
| Net cash (outflow) inflow from temporary investments | 38.0 | - | (39.5) | - |
| Acquisition of venture capital investments | (26.0) | (25.0) | (30.0) | (28.0) |
| Proceeds on disposal and repayment of venture capital investments | 5.8 | 17.4 | 6.8 | 23.7 |
| Net cash inflow (outflow) from investment in associates | (10.4) | 1.1 | (4.5) | (18.5) |
| Purchase of equipment and leasehold improvements | (8.6) | (8.0) | (12.9) | (9.6) |
| Purchase of computer software | (9.6) | (20.6) | (14.3) | (20.5) |
| Purchase of equipment under operating leases net of disposal | (59.5) | (48.0) | (48.8) | (48.8) |
| Proceeds on disposal of equipment under operating leases | 18.3 | 14.5 | 25.6 | 25.4 |
| Cash used in investing activities | (52.0) | (68.6) | (117.7) | (76.2) |
| Financing activities | | | | |
| Long-term debt, issued and (repaid) | 2,690.2 | 1,174.8 | 2,697.2 | 834.9 |
| Short-term debt, issued and (repaid) | (363.4) | 466.9 | (1,152.4) | 603.4 |
| Dividend paid | (308.3) | (435.3) | (364.0) | (533.9) |
| Principal repaid on lease liability | - | - | - | (12.8) |
| Cash provided by financing activities | 2,018.5 | 1,206.4 | 1,180.8 | 891.6 |
| Change in cash and cash equivalents | 39.5 | - | (64.5) | - |
| Cash and cash equivalents, beginning of year | 790.6 | 834.0 | 828.6 | 764.1 |
| Effects of exchange rate changes on the balances of cash held and due in foreign currencies | (1.5) | - | - | - |
| Cash and cash equivalents, end of year | \$ 828.6 | \$ 834.0 | \$ 764.1 | \$ 764.1 |

5.2 Operating budget

The operating budget provides details of FCC's forecasted income and expenses, based on the projected revenues over the plan period, and is submitted for Treasury Board approval in accordance with section 123 of the *Financial Administration Act*. The table in appendix 5.2.1 summarizes operating budget information for the preceding, current and plan years.

5.2.1 Operating budget summary

| Fiscal year ending March 31 (\$ millions) | 2018 Actuals | 2019 Plan | 2019 Forecast | 2020 Plan |
|---|-----------------|--------------|------------------|--------------|
| Portfolio growth | | | | |
| Loans receivable and leasing | 33,988.8 | 35,446.1 | 35,842.9 | 37,387.8 |
| Loans receivable and leasing growth rate (per cent) | 8.5 | 5.4 | 5.5 | 4.3 |
| Profitability | | | | |
| Net interest income | 1,072.0 | 1,103.2 | 1,126.3 | 1,138.8 |
| Net interest margin (per cent) | 3.16 | 3.05 | 3.09 | 3.01 |
| Credit quality | | | | |
| Impaired loans | 136.9 | 159.7 | 117.8 | 123.0 |
| Provision for credit losses | 30.9 | 49.8 | 32.6 | 28.8 |
| Allowance for credit losses | 222.5 | 144.8 | 125.0 | 133.8 |
| Writeoffs | 23.0 | 42.3 | 21.6 | 20.0 |
| Performance by non-lending business line | | | | |
| FCC Ventures | | | | |
| Total capital outstanding | 108.4 | 151.6 | 143.2 | 181.6 |
| Total investments at fair value | 134.9 | 166.3 | 167.8 | 199.7 |
| Total net income | 0.3 | 16.0 | 19.3 | 12.4 |
| FCC Management Software | | | | |
| Net sales revenue | 1.7 | 1.1 | 1.7 | 1.7 |
| FCC Insurance | | | | |
| Insurance premium revenue | 26.3 | 27.3 | 27.3 | 28.1 |
| Net insurance income | 30.9 | 16.4 | 19.1 | 19.7 |
| Efficiency | | | | |
| Administration expenses | 384.6 | 424.8 | 429.3 | 458.8 |
| Efficiency ratio (per cent) | 34.9 | 38.0 | 37.5 | 39.6 |
| Funding | | | | |
| Borrowings | 28,899.3 | 30,199.7 | 30,427.3 | 31,867.4 |
| Capital management | | | | |
| Total capital | 5,911.4 | 6,144.1 | 6,328.2 | 6,462.5 |
| Risk-weighted assets | 36,553.7 | 38,284.0 | 38,628.4 | 40,403.6 |
| Total capital ratio | 16.2 | 16.0 | 16.4 | 16.0 |
| Debt to equity | 4.9 | 4.9 | 4.8 | 4.9 |
| Shareholder return | | | | |
| Net income | 669.9 | 648.8 | 689.2 | 674.7 |
| Return on equity (per cent) | 11.5 | 10.6 | 11.1 | 10.3 |
| Dividends | 308.3 | 435.3 | 364.0 | 533.9 |

5.2.2 Overview of operating budget projections

Portfolio growth

Loans receivable and leasing is forecast to be \$396.1 million or 1.1% higher in 2018-19 compared to 2018-19 plan and is projected to grow by \$1,456.9 million or 4.1% in 2019-20 plan relative to 2018-19 forecast. The increase in loans receivable and leasing reflects projected lending through the primary production financing, agribusiness and agri-food financing and Alliances business lines.

Primary producers (primary production financing and Alliances) continue to represent the majority of loans receivable at 86.8% in both 2018-19 forecast and 2019-20 plan. In 2019-20 plan, the loans receivable and leasing portfolio is comprised of: primary production \$32,267.2 million, agribusiness and agri-food \$4,927.9 million and leasing \$218.5 million.

Profitability

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 2018-19 net interest income forecast is \$23.1 million higher than 2018-19 plan mainly due to higher net interest margin than planned. Net interest income is expected to increase \$12.5 million from 2018-19 forecast to 2019-20 plan. This is due to a 4.3% growth in loans receivable and leasing, offset by a decrease in the net interest margin from 3.09% to 3.01%.

Net interest margin on average earning assets is net interest income expressed as a percentage of average interest earning assets. Profitability, stability and optimism in the industry continues to result in competition in the market, putting pressures on FCC's lending margins. The net interest margin is forecasted at 3.04%, which is slightly higher than 2018-19 plan. The net interest margin is projected to decrease from 2018-19 forecast to 2019-20 plan primarily due to increased funding costs on short-term debt and continued competition.

Credit quality

FCC continually monitors its portfolio and the agriculture and agri-food 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 are forecasted to be \$117.8 million, a decrease of \$41.9 million from 2018-19 plan due to better than anticipated portfolio health and are projected to be \$123.0 million in 2019-20, an increase of \$5.2 million over the 2018-19 forecast due to growth in the portfolio and increasing portfolio risk.

Allowance for credit losses is forecasted to decrease to \$125.0 million from the last year's plan of \$144.8 million due to better portfolio health than planned. By the end of 2019-20, the allowance is expected to increase to \$133.8 million due to portfolio growth and higher overall risk as a result of moderation in farm cash receipts. The allowance as a percentage of loans receivable increases from 0.35% in 2018-19 forecast to 0.36% in 2019-20 plan.

Writeoffs are forecasted to be \$20.7 million lower than 2018-19 plan primarily due to the favourable operating environment and the recognition of partial writeoffs in the IFRS 9 transition adjustment that were not considered in 2018-19 plan. In fiscal 2018-19, writeoffs are forecasted to be \$21.6 million and expected to remain relatively flat at \$20.0 million in 2019-20. As a percentage of loans receivable, writeoffs are expected to decrease from 0.06% in 2018-19 to 0.05% in 2019-20.

Provision for credit losses is forecasted to be \$32.6 million, which is lower than the provision of \$49.8 million in 2018-19 plan due to better than anticipated portfolio health, which continues to benefit from a strong credit environment. In 2019-20, the required provision is projected to be \$28.8 million, decreasing from 2018-19 forecast mainly due to a decreased growth in portfolio and allowance in credit losses in 2019-20.

Performance by non-lending business lines

FCC Ventures is the corporation's venture capital business line, created to address the need for alternative financing for Canada's agriculture and agri-food businesses that are unable to obtain bank financing.

FCC is partnering to fill the identified gaps in capital availability for innovative and growing agribusiness and agri-food companies. To meet this objective, FCC will invest in seed capital and early-stage venture capital funds, while expanding investment in later-stage venture capital and subordinated debt funds. In addition, FCC will provide financial support through sponsorships and funding commitments to organizations that promote innovation and provide support to early stage businesses.

The current venture capital portfolio includes four limited partnership funds, consisting of equity and subordinated debt. At the end of 2018-19, the corporation is forecasting \$143.2 million in capital outstanding. Total capital outstanding is expected to increase to \$181.6 million at the end of 2019-20.

The amortized cost of the venture capital investments is projected to increase \$4.3 million and income is expected to decrease \$1.4 million from 2018-19 to 2019-20. The fair value of investment in associates is projected to increase \$27.6 million and income is projected to decrease \$5.5 million from 2018-19 to 2019-20. This reflects the plan assumptions with respect to the new investments, sales and repayment, and increases in the fair value of existing investments.

FCC Management Software is focused on developing, promoting and improving farm management software for the Canadian agriculture and agri-food industry. The forecast net sales revenue of \$1.7 million is higher than 2018-19 plan and remains the same in 2019-20 plan at \$1.7 million.

FCC Insurance offers creditor life and accident insurance to protect customers and their families, partners and businesses. Sun Life Assurance Company of Canada administers and underwrites FCC insurance programs. Net insurance income is forecasted to be \$2.7 million higher than 2018-19 plan. In 2019-20, insurance net income is planned to be \$19.7 million, representing a slight increase from 2018-19 forecast levels.

Efficiency

A key element of continued financial viability is cost management and operational efficiency balanced against the requirements of a growing business. The corporation will continue its track record of efficiency and strong financial performance, focusing on delivering services in an efficient manner and optimizing how it operates. A portion of FCC's administration expenses funds initiatives that will enhance the customer and employee experience and support the growth in the agriculture and agri-food industry as outlined in section 4.1.

Administration expenses are forecasted to be \$4.5 million higher in 2018-19 than 2018-19 plan primarily related to an increase in facilities, software and equipment due to higher information technology related expenses and an increase in salaries, offset by lower professional fees and other costs to the end of 2018-19. In 2019-20, administration expenses are projected to be \$29.5 million higher than 2018-19 forecast due to an increase in salaries, professional fees and other costs. The increase in amortization and depreciation expenses is offset by a decrease in facilities costs, a shift retaining to the adoption of IFRS 16 and the capitalization of building leases as right-of-use assets. Despite the increase in salaries, benefits remain flat due to a decrease in expenses related to the defined benefit pension plan due to the projected interest rate environment.

Efficiency ratio is forecasted to be 37.5%, which is comparable to the 10-year historical average of 37.3%. The forecasted rate is lower than 2018-19 plan of 38.0% primarily due to higher forecasted net interest income. In 2019-20, the efficiency ratio increases to 39.6% due to the increased administration expenses identified above, relative to the lower growth of net interest income.

Capital management

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.

Total capital ratio

The total capital ratio is forecasted to be 16.4% in 2018-19, which is higher than 2018-19 plan of 16.0% primarily due to higher net income and a lower dividend payment compared to plan as FCC continues to transition toward paying out the entire capital excess annually. Plan projections maintain a total capital ratio at fiscal year-end above FCC's targeted total capital ratio of 15.0%. This is the result of reductions of capital for dividend payments each year being replaced by current year net income flowing into retained earnings. Retained earnings are projected to grow faster than the risk-weighted assets, resulting in a slight increase in the total capital ratio.

Debt to equity

The forecasted debt-to-equity ratio of 4.8 to 1 is lower than the 2018-19 plan of 4.9 to 1. The forecasted ratio is also lower than the 10-year historical average of 6.3 to 1 as FCC's capital holdings have increased in relation to debt resulting from maturing capital management practices consistent with requirements under capital and dividend policy framework for financial Crown corporations. In 2019-20, 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 is forecasted to be \$40.4 million higher than 2018-19 plan. The forecasted increase is driven by net interest income from a larger portfolio and lower provision for credit losses. In 2019-20, net income is projected to decrease \$14.5 million primarily due to higher administration expenses offset by higher net interest income.

Return on equity is forecasted at 11.1%, which is higher than 2018-19 plan of 10.6%. The increase is primarily due to higher net interest income and lower provision for credit losses. The forecasted ratio is lower than the 10-year historical average of 15.6%. The historical average is high due to recoveries of allowance for credit losses and higher levels of leverage. By adjusting historical returns for FCC's current leverage ratio and longer-run provision history, FCC's 10-year historical average return on equity is 11.7%, which is comparative to the forecasted ratio. In 2019-20, return on equity is projected to decrease to 10.3% as the growth in equity outpaces the growth in annual net income.

Dividends are paid 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.

FCC pays dividends based on its prior year-end excess capital as assessed under FCC's internal capital adequacy assessment process. In 2018-19, FCC paid \$364.0 million, which is higher than prior year of \$308.3 million. The 2019-20 plan forecasts a payout of \$533.9 million.

5.2.3 Key assumptions and 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 and ensuring FCC is making prudent financial and risk management decisions over the long term.

Key assumptions used in the model are based on the forecasted economic data outlined in section 3.0, and changes in one of the economic factors may significantly impact FCC's financial health in the future. FCC closely follows the macroeconomic trending and considers it in the financial projections for the plan period. Although a change in one economic factor can impact various aspects of the financial statements, loans receivable growth is closely correlated to growth in farmland values and farm debt outstanding. Interest rate can impact the net interest margin and may shift lending behaviour between fixed and variable rate lending, which also impacts the margin. The collectability of loans can be impacted by interest rate and changes in farm cash receipts.

The table below shows the impact of changes to key variables on projected net income and efficiency ratio for 2019-20.

| Change in Net Income | | |
|--------------------------------|-----------------|--------------|
| Major drivers (\$ millions) | Change | 2020 Plan |
| Loans receivable | +/- 1% | +/- 3.6 |
| Net interest margin | +/- 2 bps* | +/- 7.7 |
| Interest rate curves | + 100 bps* | + 21.9 |
| Allowance | +/- 0.05% | +/- (18.6) |
| * bps is basis points | | |
| Change in Efficiency Ratio | | |
| Administration Expense | +/- \$5 Million | +/- 0.46% |

5.3 Capital budget

The 2019-20 capital budget is submitted for Treasury Board approval in accordance with section 124 of the *Financial Administration Act*.

Capital expenditures are forecasted to be \$76.1 million, which is slightly lower than 2018-19 plan. Effective April 1, 2019, FCC will adopt IFRS 16, which results in the addition of a right-of-use asset category. In addition to the increase for the right-of-use assets in 2019-20, computer software is projected to be higher than 2018-19 forecast as FCC will continue to support business growth and enhancement of the customer experience through investment in technology.

| Fiscal year ending March 31 (\$ millions) | 2018 Actual | 2019 Plan | 2019 Forecast | 2020 Plan |
|--|----------------|--------------|------------------|--------------|
| Capital budget | | | | |
| Leasehold improvements | 2.4 | 4.4 | 6.9 | 5.8 |
| Furniture and equipment | 0.9 | 1.3 | 3.0 | 1.7 |
| Computer hardware | 4.1 | 2.3 | 3.0 | 2.1 |
| Computer software | 11.9 | 20.6 | 14.4 | 20.4 |
| Equipment under operating leases | 59.5 | 48.0 | 48.8 | 48.8 |
| Right-of-use assets | 0.0 | 0.0 | 0.0 | 2.2 |
| Total capital expenditures | 78.8 | 76.6 | 76.1 | 81.0 |

Appendix 6 – 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. \$650 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 fund operations and provide liquidity. 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 risks and business requirements.

Appendix 7 – Risk and risk responses

Governance

The Board of Directors oversees FCC's Enterprise Risk Management (ERM) framework to ensure risk management is integrated with strategic, financial and operating plans. FCC's Chief Risk Officer leads an independent risk division and supports the Board with its oversight accountabilities.

Each category of risk is governed by a Board-approved policy that details how risks are to be identified, assessed, managed, monitored and reported in accordance with FCC's risk appetite framework, the *Farm Credit Canada Act* and, where applicable, the Finance Minister's Financial Risk Management Guidelines for Crown Corporations.



Summary of Key Risks

| Title/Description of the Risk | Impact and Response: |
|--|--|
| 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. | <p>Impact: Direct financial loss</p> <p>Response: Aligned with FCC's mandate to provide financial products, credit risk is the most significant risk faced by FCC. Through diversification across the agriculture and agri-food sectors and application of sound credit adjudication practices, residual credit risk levels are reduced.</p> <p>FCC lending and credit risk employees assess and manage risk on individual loans by adhering to defined policy. The Risk Management division aggregates credit risk, considering credit risk management best practices for financial institutions as well as using sophisticated statistical methods.</p> <p>The entire credit portfolio is assessed monthly, and reports pertaining to the portfolio's health are reviewed by the Enterprise Risk Management Committee and Board Risk Committee on a quarterly basis.</p> <p>Policy limits have been established for credit risk, portfolio concentration risk and government and</p> |

| | |
|---|--|
| | banking liquidity investments and counterparty credit risk for derivatives. |
| 2. Liquidity risk is the risk that FCC will have insufficient funds to meet its payment obligations. | <p>Impact: Inability to meet its payment obligations</p> <p>Response: Risk is inherently low as sources of funds are readily available.</p> <p>The corporation minimizes liquidity risk using a liquid investment portfolio, funding through the Crown Borrowing Framework and access to an operating line of credit.</p> <p>Policy limits have been established for market and funding liquidity.</p> |
| 3. Market risk is a potential loss due to adverse changes in underlying market factors, such as interest rates and foreign exchange rates. | <p>Impact: Direct financial loss</p> <p>Response: Risk is inherently low as access to market instruments is very limited and FCC does not accept deposits as a source of funding.</p> <p>The corporation assesses this risk using a methodology that applies financial market theory to assess risk of market events such as interest rate movements. These assessments are based on FCC's liabilities and its assets (loans), and the risk is reflected in the capital requirements.</p> <p>Policy limits have been established for net interest income variability and for the decline in market value of portfolio equity.</p> |
| 4. Operational risk relates 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. | <p>Impact: Direct and/or indirect financial loss</p> <p>Response: Operational risk inherently exists in all processes of the corporation. 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.</p> <p>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 control effectiveness.</p> <p>In addition, FCC's audit program examines processes and provides learning opportunities for continual improvement through assurance activity.</p> <p>FCC has several policies in place, including a Board-approved operational risk management policy, to manage operational risk.</p> |
| 5. Reputation risk is the risk that key stakeholders and other members of the public may develop negative perceptions about FCC. | <p>Impact: Negative perceptions about FCC that could adversely affect the corporation's reputation and its</p> |

| | |
|--|---|
| | <p>ability to attract and retain customers, business partners and employees.</p> <p>Response: 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 public.</p> <p>The customer on-boarding process requires customers to sign a declaration stating that they know of no reason why FCC may have any concern with their business.</p> |
| <p>6. Strategic risk refers to the external environment and FCC's ability to develop and implement effective business strategies.</p> | <p>Impact: Unforeseen change in the external environment impacts the strategic need or purpose of FCC</p> <p>Response: Potential strategic risks are identified and analyzed through a variety of activities, including external scanning and consultation with internal subject matter experts.</p> <p>The Board discusses the top strategic and emerging risks during its involvement in the strategic planning cycle. Enterprise Management Team 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.</p> |

Legal Risk Level

| | |
|--------------------------------|--|
| <p>Legal Risk Level</p> | <p>Legal risks, as a subcategory of operational risk, are broadly integrated throughout FCC's operations. FCC's policies govern the way FCC manages its human capital and processes, safeguards information, administers loans and investments, and carries out its business and corporate activities.</p> |
|--------------------------------|--|

Appendix 8 – Compliance with legislative and policy requirements

FCC is governed by the *Farm Credit Canada Act*. FCC is also governed by or subject to other federal legislation, including:

- *Access to Information Act*
- *Canadian Environmental Assessment Act, 2012*
- *Canadian 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 also complies with Treasury Board policies, Governor in Council directives, ministerial directives and other federal and provincial legislation such as land titles, farm debt mediation, personal property security, environmental protection, bankruptcy, insurance, occupational health and safety and securities legislation.

The following illustrates FCC's efforts to comply with a selection of the legislation and directives to which it is subject.

Access to Information Act

FCC processes requests received under the *Access to Information Act* and provides information on how to make a request on its public website at About FCC > Governance > Transparency > Access to Information (ATI). The public may make an access request in writing or by calling or emailing a designated FCC employee.

Employment Equity Act

FCC is committed to building a workforce that reflects the diversity of its customers and the Canadian workforce and has developed a three-year diversity and inclusion strategy to ensure FCC is an inclusive workplace that can attract, hire and retain talent from diverse backgrounds. For more information on FCC's diversity and inclusion strategies, see section 6.9.3.

Canadian Human Rights Act

FCC's obligations under the *Canadian Human Rights Act* are embedded in the corporation and applicable policies, including the Employment Equity and Diversity policy, Harassment-Free Workplace policy, Duty to Accommodate policy, End-to-End Talent Supply policy, Employee Complaints policy and Conducting Interviews policy. FCC policies are reviewed and updated on a regular basis.

Official Languages Act and official languages policy instruments

FCC has created a three-year Official Languages plan to ensure FCC meets its commitments and obligations under the *Official Languages Act*. FCC has a designated employee (Senior Manager) responsible for executing the strategy and ensuring FCC is promoting both official languages and considering official languages in decision-making processes. FCC is not planning any new or revised policies, services or programs that would affect official languages and for which an Official Languages Impact Analysis would be required.

Privacy Act

FCC updated its Privacy policy and terms of use (for individuals accessing and using FCC's websites, mobile apps and other platforms) in July 2017, both of which are disclosed on FCC's public website at About FCC > Governance > Transparency > FCC Privacy Policy. Additionally, the Privacy notice was modernized in August 2018 to detail FCC's privacy practices and obtain consent from customers to FCC's collection, use and disclosure of personal information.

FCC is moving to adopt Privacy by Design, a set of seven principles. Privacy by Design concepts are integrated into the European Union's General Data Protection Regulations (GDPR), the U.S. Federal Trade Commission's 2012 report "Protecting Consumer Privacy in an Era of Rapid Change," and are among the recommendations to enhance Canadian privacy legislation in the February 2018 Report of the Canadian Standing Committee on Access to Information, Privacy and Ethics.

Directive on Employee Pensions and Compensation

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

Attracting and retaining talent is critical to the success of every business. FCC is committed to offering a pension plan, compensation and benefits that are fair, competitive and sustainable over the long term. 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.

Directive on Travel, Hospitality, Conference and Event Expenditures

Treasury Board updated the Directive on Travel, Hospitality, Conference and Event Expenditures in April 2017. FCC implemented changes to align with the Directive effective September 1, 2017.

FCC continues to ensure travel, hospitality, conference and event expenditures are managed with prudence and represent the most economic

and efficient use of funds given the nature of the activity in relation to achievement of FCC's core mandate. FCC has taken steps to be transparent and communicate with 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 public website at [About FCC > Governance > Transparency > Travel and hospitality expenses](#).

Trade agreements

Corporate policy at FCC has long acknowledged FCC's ongoing obligation to ensure trade agreement compliance. To strengthen and reinforce this commitment, FCC has developed a new Procurement and Vendor Risk Management policy. The policy highlights FCC's commitment to open, transparent and non-discriminatory procurement practices — key principles that underpin the spirit of the various trade agreements. In accordance with the policy, all procurement opportunities meeting the trade agreement thresholds are posted publicly to ensure equity of access to government procurement.

FCC is in the process of validating its reporting obligations through the Treasury Board Secretariat as relates to both the Canada Free Trade Agreement and the Comprehensive Economic and Trade Agreement, and is committed to ensuring ongoing obligations are met.

Appendix 9 – Government priorities and direction

FCC is committed to supporting the Government of Canada's government-wide priorities.

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.

FCC also contributes to the government-wide priorities in the following way:

9.1 Transparent and open government

FCC is accountable and transparent to its customers, its shareholder and its stakeholders. The corporation adheres to legislative requirements around transparency and practises proactive disclosure of information on an ongoing basis. Detailed information is available on FCC's public website under About FCC > Governance > Transparency.

Access to information

As a federal Crown corporation, FCC is subject to the *Access to Information Act*. The Act creates an enforceable right of access to records under the control of a government institution in accordance with the principle that government information should be available to the public. By providing access to government information, the Act serves the important public interest of enabling public

debate on the conduct of government institutions, strengthening the accountability of government to its citizens.

FCC is co-ordinating efforts to enhance transparency and proactive disclosure and is monitoring the status of Bill C-58 to ensure adoption following any changes to legislation.

Privacy

Privacy is of vital importance to Canadians and controlling the collection, use and disclosure of personal information has become a pressing issue facing the financial services industry, including FCC.

FCC is subject to the *Privacy Act* (Canada), which is administered by the Office of the Privacy Commissioner of Canada. Under the *Privacy Act*, FCC must limit the collection, use and disclosure of personal information, provide appropriate security to guard against a loss or misuse of data and provide individuals with a right of access to the personal information that FCC holds about them.

Concerns or complaints about FCC's privacy practices or its compliance with the *Privacy Act* can be escalated to the federal government's Privacy Commissioner, who acts as an independent ombudsman to resolve privacy problems and oversee compliance with the *Privacy Act*.

Info Source

All government institutions subject to the *Access to Information Act* and the *Privacy Act* publish an annual inventory of their information holdings as well as relevant details about personal information under their control. The Info Source inventory can assist the general public in making an access to information or personal information request, or in exercising their privacy rights.

Code of Conduct and Ethics

Acting with integrity is a core value of FCC. FCC's Code of Conduct and Ethics guides how employees operate and sets out the obligation to speak up in good faith and report possible violations of this code. FCC also provides the public with direct access to FCC's Integrity Officer if they would like to discuss a possible situation.

Access to the industry

FCC holds a public meeting annually to share financial and operational results as well as information on the future of the corporation with customers and stakeholders. This meeting is open to the public and free for all who attend.

FCC is building a strong social network in Canadian agriculture. Through the use of social media platforms such as Facebook, Twitter, Instagram, LinkedIn and YouTube, FCC is sharing knowledge and content with thousands of producers and agribusiness and agri-food operators to enhance their operations.

9.2 Gender-based analysis plus

FCC supports and strengthens Canadian agriculture, agribusiness and agri-food, which means gender-based analysis plus (GBA+) considerations for its corporate plan need to consider the entire sector. FCC identified several GBA+ considerations, including the health, well-being, diversity and inclusion of its employees as well as key diversity factors in the sector — women in agriculture, young people in agriculture, mental health and Indigenous peoples. The following 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. Here are the findings:

Women: In Canada, there is a growing number of women in the workforce, which helps drive economic growth and a strong middle class. Today, more women are farming and the roles of women on the farm continue to evolve. Women accounted for 28.7% of all farm operators in 2016 — nearly 78,000 of nearly 272,000 farmers in total. Women were most prevalent among farm operators between the ages of 35 and 54, representing nearly a third of the group. The number of female-only operators increased from 5.6% to 7.2% in the same period.¹² FCC is committed to increasing the proportion of women-owned and women-led businesses in Canada, and helping women in agriculture and agri-food thrive through the FCC Women Entrepreneur program.

Budget 2017 identified the need for more support for women entrepreneurs. From this, FCC began understanding the needs of women in agriculture and agri-food in order to identify opportunities to support and advance women in agriculture and agri-food.

As part of FCC's approach to understanding the needs of women in agriculture and agri-food, various research studies were reviewed including the Canadian Agriculture Human Resource Council (*Supporting the Advancement of Women in Agriculture*) and the BDC's *Accessibility Review Report*. Through these, it was discovered that women face a range of barriers, including balancing on-farm and business commitments with family responsibilities, overcoming outdated stereotypes with respect to the roles of women, lack of access to training, lack of role models and mentoring opportunities, and lack of confidence to pursue leadership and business opportunities.

FCC conducted research, environmental scanning, industry stakeholder collaboration, product and program design workshops, and validation through qualitative and quantitative methods. Through these, it was determined that:

- Women have a need for increased access to capital to start or grow their businesses.
- Women have skill development needs and desire support in building confidence such as leadership effectiveness, negotiation skills, networking and coaching, and are seeking tools to support business skills and financial knowledge/literacy to grow themselves and their businesses.
- There are many tools, resources and value-added content available across Canada, but feedback from women shows they are unaware of where to access the information to support their skill development and knowledge needs.

FCC will pursue actions to address the above-mentioned GBA+ considerations in the following ways:

- Budget 2018 identified a new Women Entrepreneurship strategy to help women entrepreneurs grow their businesses with access to financing, talent, networks and expertise. As

¹² Source: 2016 Census of Agriculture

a federal financial institution, FCC saw the opportunity to support this strategy by focusing on gender equality and increasing the proportion of women-owned businesses through increased access to capital and skill-development opportunities.

- Through the FCC Women Entrepreneur Program, FCC has committed \$500 million over three years in support of the FCC Women Entrepreneur Loan to provide women with increased access to capital. Under this loan, FCC will waive up to \$1,000 in processing fees and encourage borrowers to reinvest those savings into personal and professional development that best suits their individual needs and the needs of their growing business. A special parental leave benefit option is also available that allows borrowers to defer payments on their loan principal for up to 12 months.
- FCC will continue to provide access to advisory services, value-added knowledge content and expand learning events on topics of interest to women. FCC will continue to examine women's participation and representation in its learning events and online materials. This includes efforts to ensure women and individuals from diverse backgrounds are featured as experts in FCC publications and online materials, and that women are featured as speakers and emcees at knowledge events. This will not only build confidence and business acumen but will also showcase women in leadership positions who can inspire other women in agriculture and agri-food.
- With a goal of connecting women with people and information to advance their business and interpersonal skills, FCC partners with existing women in agriculture networks and FCC's women leaders participate in and speak at conferences focused on women in agriculture to share their knowledge and expertise. This provides an opportunity to engage with a variety of sector stakeholders and to better understand the diverse range of issues they face. It provides access to potential mentors and role models to work through challenges, such as balancing on farm commitments with family

responsibilities and seize skill development and leadership opportunities.

- FCC's women in agriculture and agri-food strategy includes a focus on increasing staff awareness of the needs of women and identifying opportunities to support the customer experience.

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

- FCC will monitor the representation of women featured as experts through FCC knowledge offerings, including speakers at FCC events.
- 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 pursue strategic partnerships and sponsorship opportunities to provide access to and support the soft-skills (coaching, networking, mentoring, confidence building) needs of women in agriculture. Specific program goals and targets will be developed in collaboration with partner organizations and will be monitored accordingly.
- FCC will monitor the uptake of the FCC Women Entrepreneur Loan.

Young farmers: 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 to the next generation over the next decade. The 2016 Census of Agriculture reports the average age of Canadian farmers is 54 and most male and female farm operators are between 35 and 64. The number of farm operators 65 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, young farmers have a difficult time owning land, with many turning to leasing instead. Through an FCC Vision Panel survey¹³, FCC has learned that young farmers under 25 are looking for tools and knowledge to increase their financial literacy. Lack of knowledge and the discomfort of taking on debt are barriers of entry for young farmers to get the financial capital they need to be successful.

¹³ The FCC Vision Panel is Canada's largest agriculture-focused research panel. It enables members to share

their ideas and opinions about Canadian agriculture and how FCC can best serve the industry.

FCC will pursue actions to address these GBA+ considerations in the following ways:

- FCC is working to meet the needs of young people in the agriculture and agri-food industry.
- FCC created the FCC Transition Loan and Young Farmer Loan to assist new farmers entering the industry and enable intergenerational asset transfers.
- In 2018-19, FCC launched the FCC Starter Loan that targets young and beginning farmers aged 18 to 25. The loan focuses on financial literacy and provides targeted assistance to young borrowers to teach basic financial concepts and increase understanding around the requirements for obtaining financing and starting a business. This product will help young and beginning farmers acquire the capital they need to enter the industry. An example of what customers could use this product for would be to purchase livestock or inputs.
- FCC also supports and invests in young farmers through its FCC On Campus program. Young farmers are encouraged to participate in a variety of live 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 will monitor progress related to GBA+ considerations as follows:

- In 2019-20, FCC has a young borrower lending goal of \$3.18 billion for agriculture production and a young entrepreneur lending goal of \$149 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 7,000 borrowers for 2019-20.
- FCC, in partnership with young farmer associations and industry partners, will deliver Ignite, the FCC Young Farmer Summit — a series of events across Canada designed to attract and engage the next generation of farmers. Each event is designed to inspire possibilities, impart knowledge and create connections between like-minded producers. FCC Ignite events complement the two FCC Showcases and 75 Ag Knowledge Exchange sessions that will take place over the fall and winter of 2018-19.

Mental health: 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 problems are on the rise. A 2016 University of Guelph study suggests stress, anxiety, depression, emotional exhaustion and burnout are all higher among farmers than the national average. The study found 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. In addition to producers and agri-business operators being vulnerable to mental health issues, a study conducted by Ohio State University identified American rural youth as having double the rates of suicide over non-rural youth, making geography a differentiating factor. Canadian information is not available, but given Canada's geography, similarities can be drawn between the rural youth in both countries. A culture of self-reliance in rural areas, as compared to urban living, may intensify the stigma associated with mental illness, and research indicates there is an urgent need to improve access to and availability of mental health care in rural areas.

FCC will pursue actions to address these GBA+ considerations in the following ways:

- FCC is pursuing strategic partnerships to help advance mental health issues and support Canadians involved in farming and rural Canada. Initiatives undertaken ensure agriculture communities and rural Canadians receive information to increase awareness on the promotion (removing stigma), prevention (how to build resilience), intervention (where to go for help) and postvention (after crisis support) stages of a mental health crisis such as suicide. Content built as part of the strategy is relevant to all ages (including the young farmer), genders (including women in agriculture) and various types of households (single and families). FCC is partnering with 4-H Canada to support them in a 4-H National Healthy Living

Resource and Training initiative to reach rural youth and increase awareness and knowledge of mental health and wellness.

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

- FCC partnered with mental health experts to create a 64-page bilingual publication: *Rooted in strength: taking care of our families and ourselves*. A compilation of testimonials from people affected by mental health, the publication provides tips and tools for managing stress and anxiety on the farm, along with national and provincial mental health help lines. It was delivered to all farm mailboxes (176,000) in Canada in 2018.
- Mental health first aid training was delivered in partnership with Do More Ag to 10 to 12 rural communities in 2018-19.
- Mental health wellness, preventative and support training will be delivered to over 25,000 rural youth 4-H members and 7,700 volunteers.
- FCC will feature mental health speakers at some agriculture industry events.
- FCC developed a package of powerful print and radio public service announcements aimed at removing the stigma of mental health and encouraging people to seek help if needed.

Indigenous peoples: Supporting the social and economic inclusion of Indigenous peoples is a priority of the Government of Canada. Canadian agriculture and agri-food have 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. In 2018-19, FCC took exploratory steps to determine how it can support economic development in Indigenous communities, particularly in primary production and agribusiness and agri-food. The legal status and governance structures around land ownership present a challenge for FCC in that FCC's lending to non-Indigenous people is generally to the owner of the land who can pledge that land as security. FCC has identified challenges around training, agriculture

knowledge and farm management, given that Indigenous communities often have not farmed their land for decades.

FCC will pursue actions to address these GBA+ considerations in the following ways:

- FCC is currently hiring a Senior Director to work to understand the various governance structures within First Nations communities and explore how FCC might adjust its lending processes to better support Indigenous people wanting to access capital for economic development. At this stage, the solutions will consider FCC's lending eligibility as well as how to support the Indigenous community with crop input loans and equipment loans/leases to support farming operations.
- 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. This will be done as part of FCC's Advisory Services strategy, which is currently in development and expected to be rolled out in 2019-20.
- FCC will also support community food security programs, particularly for northern communities. In this regard, FCC hopes the first step will be to establish a demonstration and learning vertical greenhouse in partnership with the Regina Food Bank and a First Nation from Saskatchewan.

Measures and targets will be developed based on future consultation with Indigenous organizations. FCC expects developments to take place over the coming fiscal year.

FCC employees: As a federal Crown corporation, FCC is committed to building a workforce that reflects the diversity of its customers and the Canadian workforce. 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. Activities outlined in FCC's diversity strategy support the Government of Canada's commitment to diversity and inclusion and can be found in Appendix 9.3 Diversity and employment equity.

FCC's is progressing toward having a workforce that reflects the diversity of the industry and

communities its employees work in. Diversity means a rich pool of backgrounds, abilities, strengths and schools of thought are working together.

FCC's Board of Directors has reached gender parity, with six out of 12 Directors being women. FCC has one Director who self-declares as Aboriginal.

In terms of FCC's broader diversity, the following table shows FCC's total representation in each of

the four employment equity groups as well as for those leaders who manage people. FCC remains committed to the advancement of employment equity groups in its leadership positions. With a focus on developing and advancing diverse talent in the organization, FCC will explore opportunities to expand employment equity group representation where it has gaps based on the qualified Canadian workforce.

| | Female Total (percentage) | Aboriginal (Total; percentage) | Persons with disabilities (Total; percentage) | Members of a visible minority (Total; percentage) |
|------------------------------------|------------------------------|-----------------------------------|---|---|
| Total | 1,177; 62.1% | 54; 2.8% | 53; 2.8% | 152; 8.0% |
| In leadership positions | 74; 35.2% | 2; 0.9% | 9; 4.2% | 3; 1.4% |

Note: This information is based on FCC's total workforce complement of 1,895 as at Dec 7, 2018. This includes all permanent and fixed term employees (on terms of six months or longer), part-time and full-time, and those on leave. It does not include students.

For information on FCC's diversity representation across Canada, refer to Appendix 9.3 Diversity and employment equity.

Overall, FCC strives for a representative workforce and one that has strong mental health. In 2018, through FCC's Aon Hewitt employee engagement survey, 79% of FCC employees agreed with the statement "the balance between my work and personal commitments is right for me." This is 3% higher than Aon's Platinum Best Employer's benchmark. Also, in the same survey, 78% of FCC employees agreed with the statement "my work-related stress is manageable." This is 4% higher than Aon's Platinum Best Employer's benchmark.

FCC also experiences low absenteeism rates. On average, in 2017-18, employees took 5.22 sick days. According to Statistics Canada, the average days lost per worker in a year related to illness or disability was 8.0 in 2017.

As part of FCC's commitment to persons with disabilities, FCC ensures all buildings across the country meet the national building code standards at time of renovation. FCC wants all spaces to be inclusive of all employees and customers. Over the coming year, FCC will monitor the developments of Bill C-81: *The Accessibility Act* to ensure it is prepared to implement any changes necessary.

FCC has an internal diversity measure, which is to track the percentage of employees from the designated groups hired each year.

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. This includes monitoring the effectiveness of the new programs to be designed specifically for women, youth and Indigenous people as well as support for producers experiencing mental health challenges. FCC will monitor goals and targets associated with new and existing programs tailored for diverse groups.

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 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*.

9.3 Diversity and employment equity

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 is undertaking a variety of tactics identified in a three-year diversity and inclusion

strategy to ensure FCC is a welcoming and inclusive workplace and that it can attract and retain talent

| Province and total # of employees | Female (number; percentage) | Aboriginal (number; percentage) | Persons with disabilities (number; percentage) | Member of a visible minority (number; percentage) |
|--|-----------------------------|---------------------------------|--|---|
| British Columbia (65) | 42; 64.6% | 2; 3.1% | 1; 1.5% | 16; 24.6% |
| Alberta (199) | 131; 65.8% | 10; 5.0% | 7; 3.5% | 13; 6.5% |
| Saskatchewan (1,037) | 629; 60.7% | 28; 2.7% | 38; 3.7% | 98; 9.5% |
| Manitoba (75) | 52; 69.3% | 2; 2.7% | 0; 0.0% | 3; 4.0% |
| Ontario (284) | 166; 58.5% | 6; 2.1% | 5; 1.8% | 20; 7.0% |
| Quebec (128) | 83; 64.8% | 1; 0.8% | 0; 0.0% | 1; 0.8% |
| New Brunswick (83) | 59; 71.1% | 5; 6.0% | 2; 2.4% | 1; 1.2% |
| Nova Scotia (13) | 8; 61.5% | 0; 0.0% | 0; 0.0% | 0; 0.0% |
| Prince Edward Island (9) | 6; 66.7% | 0; 0.0% | 0; 0.0% | 0; 0.0% |
| Newfoundland & Labrador (2) | 1; 50.0% | 0; 0.0% | 0; 0.0% | 0; 0.0% |

Note: This information is based on FCC's total workforce complement of 1,895 as at Dec 7, 2018. This includes all permanent and fixed term employees (on terms of six months or longer), part-time and full-time, and those on leave. It does not include students.

For the next three years, FCC will focus on advancing objectives related to hiring and retention.

FCC will focus on building and maintaining partnerships with external organizations and associations to build FCC's reputation and hire experienced, diverse talent. FCC's hiring practices are evolving to consider what role diversity pre-screening might play in the hiring process.

To encourage retention of diverse employees, FCC is exploring underlying challenges, state of inclusiveness and barriers to employment with the goal of addressing these concerns.

Cross-cultural awareness activities will continue, including in-person events and knowledge sharing through online platforms. Employees will receive formal and informal education to increase awareness surrounding diversity issues and celebrate differences.

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 is progressing toward being an inclusive workforce. Its current diversity representation across Canada is as follows:

An Indigenous Affinity Group (IAG) has been operating at FCC since 2015 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 to support the growth, development and retention of Indigenous employees at FCC. FCC is expanding its affinity groups to include LGBTQ2 and visible minorities.

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. FCC was honoured to receive

the Real Work award from Inclusion Regina in 2018. The Real Work award is presented to employers who employ people who have intellectual disabilities, have a positive attitude and willingness to provide appropriate supports, and promote inclusive employment practices.

9.4 Indigenous issues

FCC is striving to act as a catalyst for economic development in Indigenous communities. Supporting the social and economic inclusion of Indigenous people is a priority of the Government of Canada, and FCC is working to expand its involvement with First Nations agriculture and agri-food.

FCC has taken steps to understand the needs of Indigenous communities and individuals when it comes to agriculture and financing. Currently, barriers to entry exist in the form of ownership of the land and therefore, the ability to pledge land as security. Land ownership, its use and the ability to pledge it as security, is complicated for Indigenous peoples due to restrictions in the *Indian Act*, varying ownership and land use rights granted in modern treaties and other legislation like the *First Nations Land Management Act*. FCC is committed to exploring options to work within those parameters to overcome the barriers relating to issues with land ownership.

In the spirit of enhancing new fiscal relationships and strengthening First Nations institutions and community capacity, FCC is consulting with stakeholders and government to explore priorities including providing advisory services to help First Nations create viable on-reserve farms and off-reserve businesses. FCC sees opportunities to provide specific agriculture finance and business management advice and serve as an honest broker of information to connect bands with agrologists, equipment dealers, input providers, grain companies and training programs to help bands get up and running.

FCC will also support food security programs, particularly for northern communities by helping address the high food costs, poor quality and limited availability facing Indigenous communities. FCC is currently exploring how best to partner with food banks to bring shipping container greenhouses to

communities where food deserts exist or where food prices are high. As a first step, FCC is looking to establish a demonstration and learning vertical greenhouse in partnership with the Regina Food Bank and a First Nation in Saskatchewan.

FCC does not currently have any modern treaty implications, including impacts on Indigenous land and resource management rights. As FCC furthers its involvement with Indigenous communities, it will ensure it fulfils consultation, engagement and general requirements in a modern treaty.

9.5 Sustainable development and greening government operations

FCC is committed to improving the environmental performance of its internal operations, as well as supporting the industry to do the same. FCC has aligned its emission reduction targets with those put forward in the Greening Government Strategy.

FCC will reduce its greenhouse gas (GHG) emissions by 40% by 2025 based on 2012 emissions levels. This equates to a continuous reduction of 307 tonnes of carbon dioxide equivalent every year. It will do so through a combination of building emission reductions, including working with landlords to implement energy-efficiency upgrades to buildings, behaviour changes around air and vehicle travel, and paper-reduction tactics such as duplex printing and building awareness of printing impacts. In addition to these tactics, FCC will purchase renewable energy certificates each year to ensure the target is reached.

FCC gathers data on scope one emission sources (natural gas, fuel oil usage), scope two emission sources (electricity usage) and scope three emission sources (kilometres driven by FCC employees, kilometres flown by FCC employees and the amount of paper used at FCC). A third-party provider uses the GHG Protocol as the basis for analyzing this data to determine FCC's yearly GHG footprint.

To date, energy-efficiency upgrades to office space have resulted in a 13% emission reduction compared to 2012 levels, while reductions in air and vehicle travel have resulted in a 16% reduction in travel emissions. Emissions from paper usage are up 43% compared to 2012 levels, but account for less than 5% of FCC's total emissions.

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 paper reduction strategies. FCC will continue to look for opportunities to engage employees in improving its environmental footprint.



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