FARM CREDIT CANADA

CORPORATE PLAN SUMMARY

2020-21 TO 2024-25

OPERATING BUDGET
CAPITAL BUDGET
BORROWING PLAN

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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 support 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 producers and agribusiness and agri-food operators. Over the five-year plan period, FCC forecasts average annual loans receivable and leasing growth of 4.6%. FCC also forecasts to pay a total of $2.2 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 2020-21 to 2024-25 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:

- **great customer relationships:** helping customers achieve their dreams
- **vibrant and inclusive industry:** serving the industry that feeds the world, inspiring possibility and passion
- **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 intergenerational transitions, young producers, women and Indigenous peoples in the industry.

By pursuing its strategy, FCC will deliver on priorities of the Government of Canada, 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 and agri-food 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.

In the recent government election platform, commitments were made related to FCC. In addition to this, the following items were communicated December 13, 2019, in the Prime Minister's mandate letter to the Minister of Agriculture and Agri-Food: support farmers as they succeed and grow, lead the consolidation of existing federal financial and advisory services currently scattered among several agencies. The new entity will serve as a single point of service, delivering products from across government, with an expanded and enhanced mandate and additional capital lending capability.

At this time, there are no additional details available on how the government will implement these commitments. When details are made available, FCC will work with its Minister, Agriculture and Agri-Food Canada (AAFC) and relevant stakeholders to align to the final public policy objectives. Depending on the timing and scope of the organizational and/or operational changes, FCC will submit an amended corporate plan should the need arise.

2.2 Public policy role

FCC is Canada's only financial and business services provider who is exclusively focused on the agriculture and agri-food industry. Financing primary production is FCC's core business and represents 86.4% of its loan portfolio, which includes FCC's lending through Alliance partners. 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 2018-19 Annual Report, located at fcc-fac.ca/en/about-fcc/fcc-annual-report.html.

2.3 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 and agri-food 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 and agri-food 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. FCC effectively manages and measures risks to ensure it can support a portfolio of $36.1 billion during challenging times in the industry. With 26 consecutive years of portfolio growth, FCC also 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 and agribusiness and agri-food operators 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 and agri-food operators — FCC understands the importance of young farmers and entrepreneurs and has developed targeted programs and services, including the FCC Starter Loan, FCC Transition Loan, Young Farmer Loan, and Young Entrepreneur Loan to help intergenerational transfers and assist new farmers entering the industry. FCC supports and invests in the next generation through its Agriculture in the Classroom program, and they are invited to events such as Ignite: FCC Young Farmer Summit.

Ensuring innovative agriculture firms have access to capital and expertise — FCC invests in venture capital funds that support the agriculture industry and strengthen the network available to agribusiness and agri-food companies. FCC's commitment to venture capital ensures capital and business expertise are available to growing, innovative firms that will help the industry reach its full potential.

Keeping the industry competitive by sharing knowledge — Beyond lending, FCC is a supplier of agriculture-focused business and economic 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 — FCC supports a social media platform called Agriculture More Than Ever, which is dedicated to advancing positive conversations in the agri-food system. FCC co-ordinates Canada's annual Agriculture Day, which is dedicated to celebrating Canadian agriculture through social media conversations, local community events and a conference held in Ottawa. FCC also engages high school students and teachers in major metropolitan centres to expose them to various elements of agriculture and food, including career opportunities.

The combination of these activities increases the public's awareness of the importance of agriculture and supports a deeper understanding of the Canadian food system.

Supporting government policy through collaboration with other agencies — Ensuring producers and 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 soften over the forecast period as trade disruptions and market uncertainty are slowing economic growth in the United States, China, Europe and around the world. This macroeconomic environment is reducing trade flows and negatively impacting business investment in Canada and abroad. A strong labour market continues to support household spending and Canadian GDP. Improved global trade relations will increase export opportunities and support GDP growth.

The net result will be gross domestic product growth of below 2.0% per year over the five-year forecast period, based on average market forecasts. Global trade uncertainty and slowing global growth will result in cautious moves in interest rates by the Bank of Canada. As a result, mortgage rates for borrowers are expected to decrease in the short-term and remain historically low through the forecast period. 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.

Agriculture industry outlook

Overall, Canadian agriculture remains healthy and in a strong financial position, although the balance sheets of agricultural[1] producers weakened slightly:

1. The liquidity ratio of Canadian farms decreased in 2018 and is the lowest since 2007. The current liquidity ratio of Canadian farms is 2.28, down from 2.77 in 2014.
2. The solvency position of Canadian farms decreased as total liabilities grew faster than assets in 2018. The debt-to-asset ratio increased to 16.2% in 2018 as compared to 15.5% in 2017. Despite the increase, the debt-to-asset ratio remains in line with the 10-year average of 15.9%.
3. In 2018, net farm income declined significantly as farm input costs continued to increase and farm revenues remained relatively unchanged. Net farm income declined to $3.0 billion in 2018.

A cautious outlook for agriculture

In 2018, farm cash receipts[2] increased 0.1% to a record $62.2 billion due to the strong expansion in cannabis receipts[3]. Total farm cash receipts are projected to increase over the five-year period, with an average of 3.0% per year. Slower growth is expected at the beginning of the period with stronger projected growth at the end due to the rising global demand for food.

Trade agreements

Trade agreements will provide new export opportunities for Canadian agriculture and agri-food products. The 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), and reducing domestic opportunities for Canadian dairy producers.

When implemented, the Canada-United States-Mexico Agreement (CUSMA) 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, Canada's dairy industries are required to make changes to Class 7 milk.

The implementation of trade agreements fosters new opportunities for Canada's export-dependent agriculture and agri-food sectors and should raise the GDP of the agriculture and agri-food industry.

[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)

Producers continue to invest in farmland and buildings

Stable growth in farm revenue combined with higher interest rates will impact the affordability of farm assets, especially farmland. Over the past five years, farmland and building values averaged growth of nearly 7.5% per year. Growth in farmland and building values peaked in 2013 at 14.3%, and the upward trend has since slowed[4].

The trend of slowing appreciation in farmland and buildings is forecast to continue in Canada due to slower growth in farm cash receipts than the previous five-year period. Farmland and building values are expected to continue to grow near 5% annually over the forecast period.

Demand for farm debt softening

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 around 5.0% per year for the next five years in line with the long-term average.

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.

Tighter farm financials will strain agribusiness opportunities

Stable growth in farm cash receipts and slower growth in farmland values will result in a more cautious approach to farm investments. Demand for farm inputs is expected to remain strong as agriculture producers continue to increase outputs. Investments in farm buildings, equipment and storage, and agriculture services is expected to be softer as there is slower growth in farm revenues and asset values. In addition to a more cautious agriculture industry, trade restrictions will continue to have an impact on value-added services and export opportunities for agribusiness.

Expanding global population will support robust food consumption trends and revenues for food processors

The food processing industry has grown nearly twice as fast as the overall Canadian economy over the past five years. The implementation of new trade agreements and shifting trade relations are creating expanded export opportunities internationally. Moderate economic growth in Canada and the United States is likely to keep the demand for food high. 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 8.3% to $106.3 billion in 2018. FCC's market share[5] decreased from 29.8% to 29.3% in 2018. FCC's portion of Canada's farm debt outstanding was $31.1 billion in 2018, an increase of $1.9 billion over 2017 and second only to the chartered banks at $36.9 billion.

The chartered banks and credit unions both had a slight increase in market share from 34.1% to 34.8%, and 15.7% to 16.2% respectively.

London Inter-Bank Offered Rate (LIBOR)

LIBOR, a global reference for short-term interest rates, is to be phased out by financial markets by December 2021. This will impact FCC's U.S. dollar loan portfolio, which makes up about 1% of FCC's total loan portfolio. Short-term U.S. dollar borrowings are not affected as U.S. treasury bills are the reference rate. Work is planned for fiscal 2020-21 to prepare for the transition to a new

[4] Statistics Canada. Table 32-10-0047-01 Farmland and buildings

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

reference rate. FCC will make the required changes to systems, lending agreements, policies and procedures, and notify customers.

Customer expectations

The use of technology to improve the customer experience continues to increase among the primary lenders in the agriculture and agri-food market. It is important for FCC to continue to build solutions in this area to deliver an exceptional customer experience.

3.3 Internal environment

FCC currently employs 1,971 people across Canada plus an additional 91 contractors. New positions will be added over the planning period to support planned portfolio growth, execute FCC's strategic initiatives, and further mature risk management capabilities as FCC continues to serve customers and the industry. In 2020-21, there are 55 new full-time equivalent (FTE) positions planned.

While there are challenges in hiring 55 FTE positions, FCC's experience is that it is easier to successfully integrate new people into existing teams when hiring is dispersed across multiple functions and divisions in corporate office and in field offices across the country. FCC's HR strategy is to use existing end-to-end talent supply processes, internal workforce planning tools, candidate sourcing, and assessment and selection tools. FCC will use internal recruitment consultants to partner with leaders to ensure the best candidate for each position is hired, and that onboarding, training and support mechanisms are in place to ensure a successful transition into the organization.

FCC plans to place 21 FTE positions directly into field offices in Operations across the country. The remaining 34 FTE positions are planned to support ongoing growth in business operations and deliver on strategic initiatives for FCC to help the agriculture and agri-food industry achieve its full potential:

- additional capacity in IT (seven FTEs) to enable great customer relationships by delivering customer-centric solutions and delivering simplicity and process excellence for employees
- advancing FCC's risk-modelling capabilities (five FTEs)
- supporting the newly created Enterprise Strategy division to enhance execution excellence and clarity of strategic priorities and delivery across FCC (four FTEs)
- cascading the remaining 18 FTEs across divisions to support ongoing growth in business operations

FCC's employee engagement levels have remained steady with an employee engagement score of 85%. The engagement score, which is measured annually, measures employees' intellectual and emotional commitment to FCC. High engagement scores lead to low turnover, which is consistent with FCC's low turnover rate of 4%. Strong engagement also enables FCC to attract the required talent as an employer of choice with a positive reputation in the marketplace.

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 to ensure FCC is a welcoming and inclusive workplace that can attract and retain talent from diverse backgrounds. For example, FCC recently completed an Indigenous employment systems review and is in the process of building a revised Indigenous employment equity plan. This employs a new approach initiated by the Canadian Human Rights Commission through horizontal auditing of designated groups, starting with Indigenous employees. This aligns with the recent FCC Indigenous business strategy development and support of Indigenous communities through partnerships, business development and employment opportunities.

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. Among FCC's 1,971 employees, the diversity representation is 62.3% female, 2.6% Aboriginal, 2.5% persons with disabilities, and 7.9% members of visible minorities, noting an individual can identify in more than one equity group. FCC will continue exploring opportunities to expand employment equity group representation to progress toward being a more inclusive workplace. For a provincial breakdown on FCC's level of diversity and FCC's diversity and

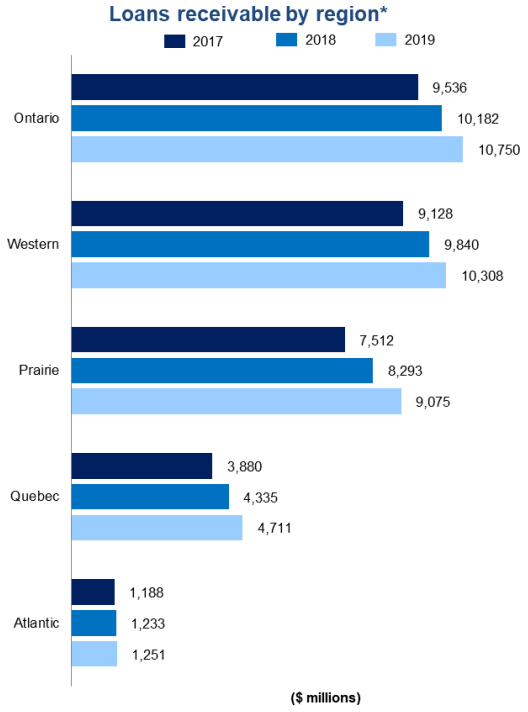
inclusion plan, see Appendix 9.3 – Diversity and Inclusion.

FCC must continue to enable technology to support employees' ability to excel in their roles. 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 Performance and reviews

FCC continues to sustain its market share while maintaining good risk management practices and strong financial results. Four measures are used to track progress on financial strength. Net income, capital adequacy, and efficiency ratio were favourable against plan, while return on equity was slightly lower than plan.

In 2018-19, loans receivable increased by $2.2 billion or 6.5% from 2017-18, moving the portfolio from $33.9 billion to $36.1 billion. FCC experienced loans receivable growth across Canada and in all sectors, except for greenhouse. 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.



*Excludes deferred loan fees

External reviews

The Department of Finance completed a review of FCC's risk management and control practices in December 2018. The report concluded that the majority of recommendations issued by the Office of the Superintendent of Financial Institutions had been adequately met and any remaining risk exposure was minimal. FCC and the Department of Finance have agreed on the implementation of a regular review cycle. A review frequency of five years has been proposed, which will begin in the fall of 2022.

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

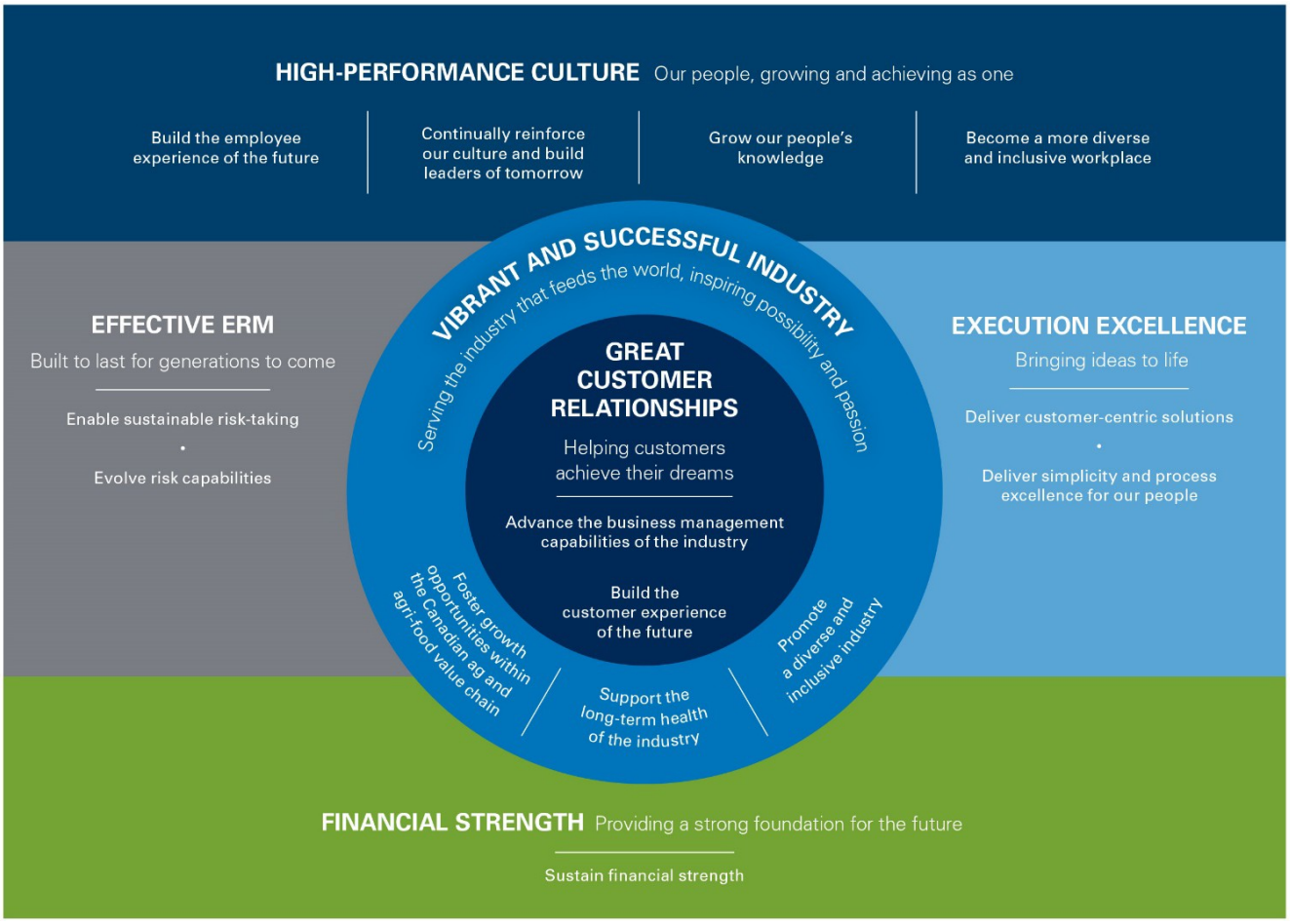
4.1 Objectives and activities

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

FCC's strategic themes are critical to the corporation's long-term success. If they are not continually invested in, corporate results may be jeopardized. FCC's six strategic themes are reflected in its 2020-21 corporate strategy map:

- Great customer relationships
- Vibrant and successful industry
- High-performance culture
- Execution excellence
- Effective enterprise risk management
- Financial strength

FCC will continue to advance and implement a range of initiatives to remain relevant, provide extraordinary customer experiences and support the agriculture and agri-food industry to ensure it achieves its full potential.



4.1.1 Theme: Great customer relationships – helping customers achieve their dreams

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:

- Build the customer experience of the future
- Advance the business management capabilities of the industry

Build the customer experience of the future

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 will continue to advance these existing initiatives:

- Enable employees to build great customer relationships and consistently create extraordinary customer experiences
- Provide solutions to meet customer needs by enhancing our financial and digital customer offerings

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 to manage their businesses
- Evaluate the next phase of our AgExpert farm management platform
- Provide knowledge and advice to support customers with their management practices

4.1.2 Theme: Vibrant and successful industry – serving the industry that feeds the world, inspiring possibility and passion

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 agriculture and agri-food value chain
- Support the long-term health of the industry
- Promote a diverse and inclusive industry

Foster growth opportunities in the Canadian agriculture and agri-food 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. Businesses that are 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 and better support the agribusiness and agri-food (A&A) sectors. This strategy will allow FCC to serve the industry 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 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
- Increase the availability of venture capital and expertise to enhance innovation and growth in the industry

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 and agri-food, FCC is committed to working with the industry to address challenges, supporting a vibrant and healthy industry for years to come.

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

- Continue to operate sustainably and support the industry to do the same — this includes supporting the Government of Canada's Sustainable Development strategy to reduce greenhouse gas emissions, and help address global sustainability challenges by advancing FCC's pledge to the United Nations' Sustainable Development Goals of Zero Hunger (UN SDG 2) and Responsible Consumption and Production (UN SDG 12)
- Enhance public trust in the industry by promoting and supporting the consumption of Canadian food and increasing awareness of careers in agriculture and agri-food
- Advance mental health support for Canadians involved in farming and living in rural Canada

Promote a diverse and inclusive industry
FCC has products to support the next generation of agriculture and young entrepreneurs. 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 and agri-food, including the unique needs of women and Indigenous entrepreneurs and producers.

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

- Support the next generation of agriculture and farm transitions by providing enhanced knowledge and financial solutions
- Support the advancement of women in the agriculture and agri-food industry by offering skill development and advisory services through partnerships
- Help enable economic development of Indigenous communities through education and partnerships focused on enhancing Indigenous involvement in agriculture

4.1.3 Theme: High-performance culture – our people, growing and achieving as one

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 and serving the industry that feeds the world. Customers feel it and appreciate it.*

To achieve this critical outcome, FCC will implement this new strategic objective:

- Build the employee experience of the future

FCC will also continue to advance these existing strategic objectives:

- Continually reinforce our culture and build leaders of tomorrow
- Grow our people's knowledge
- Become a more diverse and inclusive workplace

Build the employee experience of the future
FCC knows that the employee experience is critical to delivering an exceptional customer experience. FCC will focus on developing the next iteration of its employee experience strategy to ensure employees are set up for success now and in the future.

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

- Develop divisional talent management, recruitment and retention strategies to ensure FCC identifies, attracts and retains the right employees based on current and future needs

Continually reinforce our culture and build leaders of tomorrow
FCC sets itself apart as an excellent place to work and 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 helps build great leaders and ensures FCC's continued ability to serve its customers and the industry.

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

- Protect FCC's culture by providing learning programs for employees that are focused on accountability and committed partnerships
- Develop exceptional leaders through updated learning programs that enhance employee engagement

Grow our people's knowledge
Knowledgeable employees are an important differentiator for FCC. It is important that employees stay current with the competencies required to meet the changing needs of its customers.

FCC's learning approach 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:

- Create an environment for continuous and efficient learning to enhance employee development based on evolving business needs

Become a diverse workplace
FCC strives to have a representative workforce – one that reflects the diversity of the qualified Canadian workforce. FCC is committed to providing a work environment that is inclusive and supports the productivity, personal goals and dignity of all employees. FCC knows that a diverse workforce provides new ways of thinking, skills and experiences, which can lead to increased innovation and performance.

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

- Execute and assess the effectiveness of the employment equity strategy to ensure FCC is a welcoming and inclusive workplace that attracts and retains diverse candidates

4.1.4 Theme: Execution excellence – bringing ideas to life

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 implement this new strategic objective:

- Deliver customer-centric solutions

FCC will also continue to advance this existing strategic objective:

- Deliver simplicity and process excellence for our people

Deliver customer-centric solutions
To meet the needs of Canada's ever-changing agriculture and agri-food industry, FCC must understand its customers and ensure decisions are made based on their priorities. By focusing on the customer, FCC can be confident that it delivers meaningful solutions that are important to customers and customer-facing employees.

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

- Create additional self-service capabilities for our customers and deliver process improvements for customer-facing employees

Deliver simplicity and process excellence for our people
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 continue to implement this existing initiative:

- Increase velocity of execution to adapt to a changing environment by focusing on streamlining processes, increasing cross-divisional collaboration and accelerating decision-making

4.1.5 Theme: Effective enterprise risk management – built to last for generations to come

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 appropriately 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:

- Enable sustainable risk taking
- Evolve risk capabilities

Enable sustainable risk taking

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 and help ensure it achieves its full potential, FCC will place increased emphasis on providing capital and business services to better support producers and agribusiness and agri-food operators as well as the next generation of customers.

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

- Build sustainable risk practices to serve an evolving industry and expand how FCC serves all sectors
- Develop a new risk-rating methodology and corresponding processes to scale our business for the future

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 timely decisions can be met while similarly evolving risks are appropriately managed.

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

- Advance risk modelling, processes and data management to increase business performance
- Evolve enterprise practices to manage continuously rising external threats

4.1.6 Theme: Financial strength – providing a strong foundation for the future

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 its operations and the industry to ensure FCC can grow with and serve Canadian agriculture and agri-food for generations to come.

FCC will continue to grow in response to the 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:

- Transform our financial systems to create efficiencies and enhance data analytics

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 economic variables to understand organizational vulnerability to catastrophic economic events and likely scenarios affecting agriculture.

Strategic risk refers to the external environment and FCC's ability to develop and implement effective business strategies. The external environment is monitored to discern if strategic changes are required to address and adequately mitigate 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 and 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 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 environment to ensure the corporation's lending policies, activities and practices adequately 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.

Through 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 net new 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 or interactions with FCC's online business management learning offering
	Average score from event participants on the likelihood they will use information from the FCC event in their farming operation
Young farmers and young agribusiness and agri-food operators have access to specialized lending products and services	Young borrower lending
	Number of currently lending customers 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	Loans receivable and leasing growth rate (per cent)

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 will continue to strive for an excellent customer experience, which will be measured through NPS.

Employee engagement survey

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 enable employees to deliver an excellent customer experience. To measure this, FCC has used an employee engagement survey through Aon Hewitt to compare its employee engagement with other organizations.

Aon Hewitt has been purchased by Kincentric, which will have an impact on how FCC measures employee engagement and enablement. Any existing measures that include an index or a subset of questions from Aon Hewitt will be reviewed in 2020-21 to help ensure FCC is striving toward intended results and outcomes.

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

5.0 | Financial overview

Expected results for 2019-20 and plan period 2020-21 to 2024-25

FCC is a self-sustaining Crown corporation, projecting growth and continued profitability through sound financial and risk management practices. Section 4.0 outlines the six strategic themes that 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 progress toward FCC's sustain financial strength theme 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 over the five-year plan period than past years. Credit risk is also expected to increase gradually as growth slows 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 enables FCC to achieve objectives and ensure sustainable business success.

Portfolio growth

Loans receivable and leasing are expected to grow from $38.0 billion in 2019-20 to $47.6 billion in 2024-25. This represents an average annual growth of 4.6% 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.

Profitability

Net interest income is forecasted to be $1,182 million in 2019-20 and is projected to grow to $1,443 million in 2024-25. 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 3.07% in 2019-20 to 3.00% in 2024-25. The decline in the net interest margin is primarily due to compression in lending margins and an increase in funding costs.

Credit quality

Allowance for credit losses is forecasted to be $193.0 million in 2019-20. As the portfolio grows and risk increases over the plan years, the allowance for credit losses is projected to be $264.9 million at the end of 2024-25. The overall risk within the portfolio is expected to increase over the plan period mainly due to slowing growth 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 $25.8 million in 2019-20 to $65.8 million in 2024-25. In 2019-20, FCC implemented new economic models to better support the estimation of allowance requirements, which resulted in a decrease in provision of approximately $20.0 million in 2019-20. The remaining increase over the plan period is due to changes in the allowance for credit losses due to writeoffs, growth in the loan portfolio and the increase in credit risk.

Efficiency

Administration expenses are expected to increase from $459.0 million in 2019-20 to $554.1 million in the final year of the plan. The increase is mainly related to higher personnel costs to support the growth of the corporation, execute strategic initiatives, and further mature FCC's risk management capabilities to serve customers and the industry. Facilities, software and equipment expense, amortization and depreciation expense and professional fees also contribute to the increase over the plan period.

The efficiency ratio is projected to improve slightly from 38.2% in 2019-20 to 37.8% in 2024-25 due to the faster growth in net interest income relative to the growth of administration expenses.

Capital budget

Capital expenditures are expected to be $35.5 million in 2019-20 and increase to $38.2 million in 2024-25 primarily due to an increase in computer software offset by a decrease in leasehold improvements and right-of-use assets.

Borrowings

Borrowings, including accrued interest, are expected to increase from $32.2 billion in 2019-20 to $40.0 billion in 2024-25. This increase is the direct result of borrowing requirements to fund portfolio growth, partly offset by an increase in retained earnings.

Capital management

FCC is projecting to remain adequately capitalized over the plan period. A target capital ratio of 15.0% of risk-weighted assets (RWA) has been established 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 $6.5 billion in 2019-20 to $8.3 billion in 2024-25, an average annual growth of 4.8%. 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 4.5%, mainly due to the projected portfolio growth.

Dividend payments are informed by the corporation's target capital ratio, ICAAP and the Capital Management policy dividend statement. 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 exceeds the requirements. The dividend statement relates the dividend payment to excess capital as determined through the year-end capital adequacy assessment. Dividend payments are projected to total $2.2 billion over the plan.

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 10.9% in 2019-20 and is projected to decline through the plan period to 10.2% in 2024-25, mainly due to the lower projected portfolio growth, continued downward pressure on net interest margin, and the increase in portfolio risk.

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 under-represented 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.

One new director was appointed in 2019 and two directors (one of whom was the President and CEO) were reappointed for an additional term. The Board Chair term will expire December 13, 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 corporation 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: (1) an introduction to other Board members and management, including time spent individually with the Board Chair, Corporate Secretary and President and CEO, (2) an overview and discussion about the corporation's business, strategic priorities and key functions of FCC, and (3) information regarding the Board and its structure, practices and governance.

Board member	Term	Committee memberships	Committee attendance (11/01/2018 – 10/31/2019)	Board meeting attendance (11/01/2018 – 10/31/2019)	Retainer (A)	Per diems (B)	Total remuneration (A&B)	Travel and related expenses
Del Anaquod	11/9/2017 – 11/9/2020	Corporate Governance Human Resources	4/4 4/4	6/6	$6,200	$10,670	$16,870	$6,456
Bertha Campbell	11/9/2017 – 11/9/2021	Audit Corporate Governance	4/4 8/8	6/6	$6,200	$15,035	$21,235	$19,436
Sylvie Cloutier	11/27-2014 – 6/2/2022 Note: A Director since 4/5/2012	Human Resources Risk	3/4 4/6	5/6	$6,200	$9,215	$15,415	$14,006
Laura Donaldson	11/9/2018 - 11/9/2021	Corporate Governance (Chair) Audit	4/4 8/8	6/6	$7,200	$13,580	$20,780	$10,180
Sharilee Fossum	6/2/2019 - 6/2/2022	Audit Risk	1/1 1/1	2/2	$2,067	$4,365	$6,432	$4,486
Jane Halford	12/15/2014 - 12/15/2020	Human Resources (Chair) Risk	4/4 6/6	6/6	$7,200	$11,155	$18,355	$9,728
Michele Hengen	11/9/2017 – 11/9/2020	Risk (Chair) Human Resources	4/4 6/6	6/6	$7,200	$9,215	$16,415	$4,694
Michael Hoffort (CEO)	7/1/2014 – 6/30/2022	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, are disclosed on FCC's public website
Dale Johnston * (Board Chair)	12/13/2015 - 12/13/2019 Note: director since 6/23/2011	Corporate Governance Human Resources	4/4 4/4	6/6	$4,999	-	$4,999	$14,220
James Laws	11/9/2017 – 11/9/2020	Audit Corporate Governance	4/4 8/8	6/6	$6,200	$23,765	$29,965	$26,202
Doris Priddle	11/26/2015 – 11/26/2019 Note: director since 11/26/2012	Audit Corporate Governance	8/8 4/4	6/6	$6,200	$12,125	$18,325	$28,840
Jason Skinner	1/3/2012 – 3/1/2018 ** Note: A Director since 2/12/2009	Human Resources Risk	3/3 4/4	4/4	$4,133	$6,790	$10,923	$3,951
Govert Verstralen	11/9/2017 – 11/9/2021	Audit (Chair) Risk	8/8 6/6	6/6	$7,200	$18,673	$25,873	$18,633

* 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.

** Jason Skinner's term ended and the position was filled by Sharilee Fossum on June 2, 2019.

Enterprise Management Team (EMT)

EMT consists of the President and CEO and six 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 2019-20, the base salary range of the President and CEO is $325,300 to $381,700. There are three base salary ranges for Executive Vice-Presidents. One range is set at $276,830 to $390,820. The second range is set at $237,560 to $335,380. And, the third range is set at $205,700 to $290,395. 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 up to 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 enhances rural Canada 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 with consumers. 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**	**2020-21 target**	**2024-25 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	250	325	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[6]	16%	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	$3.5 million	$3.5 million	Annual data from Sponsorium database (which tracks FCC community investment activities)
	Number of paid volunteer hours by FCC employees	3,000	3,500	Annual data from community investment database

Medium-term outcomes				
Outcome	**Performance indicator**	**2020-21 target**	**2024-25 target**	**Data strategy**
FCC delivers a customer experience that meets the needs of the industry	Net Promoter Score®	68	68	Customer surveys throughout the year
	"We make it easy for customers to do business with us" employee engagement survey question	75%	75%	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 or interactions with FCC's online business management learning offering[7]	650,000	1,000,000	Annual analytics from FCC's website
	Average score from event participants on the	4 out of 5	4 out of 5	Post-event participant survey data compiled

[6] Performance indicator includes the following employment equity groups: Aboriginal persons, members of visible minorities and persons with disabilities. Based on information from the CHRC, FCC will be redesigning future measures for employment equity groups.

[7] FCC previously measured a combination of views from various channels. This new target is based only on measuring page views from one online channel, which is focused on FCC's business management learning offering.

	likelihood they will use information from the FCC event in their farming operations			annually — participants asked to rate on a scale of 1 to 5 representing completely disagree to completely agree
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:	 $3.1 billion $100 million	 $3.5 billion $110 million	Annual data from FCC's financial systems
	Number of current lending customers under age 40	19,450	19,850	Annual data from FCC's financial systems

Long-term outcomes				
Outcome	**Performance indicator**	**2020-21 target**	**2024-25 target**	**Data strategy**
Canadian producers and agribusiness and agri-food operators can access capital to advance their businesses	Loans receivable and leasing growth rate	4.9%	4.4%	Annual data from FCC's financial systems reporting
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	Reduction of 307 tonnes/$C0_2e$ per year	Reduction of 307 tonnes/$C0_2e$ per year	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[8]	Target capital ratio of 15% or higher	Target capital ratio of 15% or higher	Annual data from FCC's financial systems
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 data from FCC's financial systems

Chief Executive Officer 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.

January 30, 2020

Michael Hoffort
President and Chief Executive Officer
Farm Credit Canada

Date

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

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 andongoing 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, 2020

Rick Hoffman
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)	2019 Actual	2020 Plan	2020 Forecast	2021 Plan
Assets				
Cash and cash equivalents	$ 770.5	$ 764.0	$ 860.0	$ 860.0
Short-term investments	435.6	436.0	340.0	340.0
Accounts receivable and prepaid expenses	39.9	37.9	43.0	46.4
Derivative financial assets	16.5	4.7	6.6	0.4
	1,262.5	1,242.6	1,249.6	1,246.8
Loans receivable	36,071.1	37,169.3	37,842.0	39,656.0
Allowance for credit losses	198.0	133.8	193.0	206.2
Loans receivable - net	35,873.1	37,035.5	37,649.0	39,449.8
Finance leases receivable - net	20.1	106.0	107.2	177.5
Investment in associates	69.9	104.5	63.5	54.4
Venture capital investments - net	70.6	95.2	90.6	125.6
Post-employment benefit assets	88.9	111.4	69.9	96.5
	36,122.6	37,452.6	37,980.2	39,903.8
Equipment and leasehold improvements	26.1	28.4	29.0	29.7
Computer software	32.7	43.5	38.6	47.5
Equipment under operating leases (1)	121.5	112.5	78.9	46.5
Right-of-use assets (2)	-	158.1	170.4	157.8
Other assets	13.4	12.9	13.1	13.4
	193.7	355.4	330.0	294.9
Total assets	**$ 37,578.8**	**$ 39,050.6**	**$ 39,559.8**	**$ 41,445.5**
Liabilities				
Accounts payable and accrued liabilities	$ 68.5	$ 67.3	$ 68.6	$ 68.8
Borrowings				
Short-term debt	9,794.2	10,929.4	9,061.2	12,677.0
Long-term debt	20,950.1	20,938.0	23,164.7	21,066.2
	30,744.3	31,867.4	32,225.9	33,743.2
Transition loan liabilities	160.8	148.1	208.3	218.3
Post-employment benefit liabilities	165.2	155.3	194.8	203.4
Lease liabilities (2)	-	160.4	172.1	160.6
Other liabilities	10.4	12.9	9.8	10.1
	336.4	476.7	585.0	592.4
Total liabilities	31,149.2	32,411.4	32,879.5	34,404.4
Equity				
Contributed surplus	183.7	-	-	-
Retained earnings	6,202.2	6,617.4	6,658.3	7,038.7
Accumulated other comprehensive income	43.0	20.8	21.1	1.3
Equity attributable to shareholder of parent entity	6,428.9	6,638.2	6,679.4	7,040.0
Non-controlling interest	0.7	1.0	0.9	1.1
	6,429.6	6,639.2	6,680.3	7,041.1
Total liabilities and equity	**$ 37,578.8**	**$ 39,050.6**	**$ 39,559.8**	**$ 41,445.5**

(1) Effective April 1, 2019, FCC has updated its threshold used to determine when the risk and rewards of ownership transfers to its lease customers, resulting in all new leases being classified as finance leases.

(2) FCC adopted IFRS 16 – Leases effective April 1, 2019 resulting in the new balance sheet accounts of right-of-use assets and lease liabilities. The right-of-use asset represents the lessees right to use the leased asset with the lease liability representing the lessee's obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value.

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)	2019 Actual	2020 Plan	2020 Forecast	2021 Plan
Loans and leases	$ 1,587.9	$ 1,774.2	$ 1,729.8	$ 1,751.3
Investments	34.4	41.2	32.8	33.7
Interest income	1,622.3	1,815.4	1,762.6	1,785.0
Short-term debt	61.7	73.4	64.0	64.7
Long-term debt	408.9	603.2	516.8	484.3
Interest expense	470.6	676.6	580.8	549.0
Net interest income	1,151.7	1,138.8	1,181.8	1,236.0
Provision for credit losses	103.3	28.8	25.8	50.2
Net interest income after provision for credit losses	1,048.4	1,110.0	1,156.0	1,185.8
Insurance income				
Premiums	27.0	28.1	26.8	27.5
Claims expense	4.9	8.4	7.0	7.2
Net insurance income	22.1	19.7	19.8	20.3
Net income (loss) from investment in associates	17.4	9.1	5.3	1.6
Other income (expense)	(0.1)	(0.6)	(1.0)	0.1
Net interest income and non-interest income	1,087.8	1,138.2	1,180.1	1,207.8
Administration expenses				
Salaries and benefits	255.4	263.4	273.0	279.6
Other	170.9	195.4	186.0	206.7
Total administration expenses	426.3	458.8	459.0	486.3
Net income before fair value adjustment	661.5	679.4	721.1	721.5
Fair value adjustment	(4.8)	(4.7)	(6.9)	(6.1)
Net income	**$ 656.7**	**$ 674.7**	**$ 714.2**	**$ 715.4**
Net income attributable to:				
Shareholder of parent entity	$ 656.6	$ 674.6	$ 714.2	$ 715.3
Non-controlling interest	0.1	0.1	-	0.1

Consolidated Statement of Comprehensive Income

Fiscal year ending March 31 (millions of Canadian dollars)	2019 Actual	2020 Plan	2020 Forecast	2021 Plan
Net income	**$ 656.7**	**$ 674.7**	**$ 714.2**	**$ 715.4**
Other comprehensive income				
Items that are or may be reclassified to net income				
Transfer of net realized gains on derivatives designated as cash flow hedges to net income	(21.7)	(21.8)	(21.9)	(19.8)
Net unrealized gains (losses) on available-for-sale financial assets	-		-	-
	(21.7)	(21.8)	(21.9)	(19.8)
Item that will never be reclassified to net income				
Remeasurements of post-employment benefit assets and liabilities	24.1	32.0	(47.0)	31.3
Total other comprehensive income (loss)	**2.4**	**10.2**	**(68.9)**	**11.5**
Total comprehensive income	**$ 659.1**	**$ 684.9**	**$ 645.3**	**$ 726.9**
Total comprehensive income attributable to:				
Shareholder of parent entity	$ 659.0	$ 684.8	$ 645.3	$ 726.8
Non-controlling interest	0.1	0.1	-	0.1

Consolidated Statement of Changes in Equity

Fiscal year ending March 31 (millions of Canadian dollars)	2019 Actual	2020 Plan	2020 Forecast	2021 Plan
Contributed surplus				
Balance, beginning of year	$ 547.7	$ 183.7	$ 183.7	$ -
Dividends paid	(364.0)	(183.7)	(183.7)	-
Balance, end of year [1]	183.7	-	-	-
Retained earnings				
Balance, beginning of year	5,447.7	6,261.0	6,202.2	6,658.3
Impact of adopting new accounting standard for financial instruments as at April 1, 2018 [2]	73.7	-	-	-
Net income	656.6	674.6	714.2	715.3
Other comprehensive income (loss)	24.2	32.0	(47.0)	31.3
Dividends paid	-	(350.2)	(211.1)	(366.2)
Balance, end of year	6,202.2	6,617.4	6,658.3	7,038.7
Accumulated other comprehensive income				
Balance, beginning of year	64.4	42.6	43.0	21.1
Impact of adopting new accounting standard for financial instruments as at April 1, 2018 [2]	0.3	-	-	-
Transfer of net realized gains on derivatives previously designated as cash flow hedges to net income	(21.7)	(21.8)	(21.9)	(19.8)
Balance, end of year	43.0	20.8	21.1	1.3
Total equity attributable to parent	$ 6,428.9	$ 6,638.2	$ 6,679.4	$ 7,040.0
			-	
Non-controlling interests				
Balance, beginning of year	0.8	0.9	0.7	0.9
Net income attributable to non-controlling interest	(0.1)	0.1	-	0.1
Contributions from/(distributions to) non-controlling interest	-	-	0.2	0.1
Balance, end of year	0.7	1.0	0.9	1.1
Total	**$ 6,429.6**	**$ 6,639.2**	**$ 6,680.3**	**$ 7,041.1**

(1) FCC has eliminated its contributed surplus through 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.

Consolidated Statement of Cash Flows

As at March 31 (millions of Canadian dollars)	2019 Actual	2020 Plan	2020 Forecast	2021 Plan
Operating activities				
Net Income	$ 656.7	$ 674.7	$ 714.2	$ 715.4
Adjustments to determine net cash (used in) provided by operating activities:				
Net interest income	(1,151.7)	(1,138.8)	(1,181.8)	(1,236.0)
Provision for credit losses	103.3	28.8	25.8	50.2
Fair value adjustment	4.8	4.7	6.9	6.1
Net (income) loss from investment in associates	(17.4)	(9.1)	(5.3)	(1.6)
Amortization and depreciation	19.3	39.2	37.0	40.5
Net unrealized foreign exchange (gains) losses	(16.3)	0.2	-	-
Net cash outflow from loans receivable	(2,211.5)	(1,452.4)	(1,843.7)	(1,824.5)
Net cash inflow (outflow) from finance leases receivable	0.3	(87.3)	(87.1)	(70.3)
Net change in other operating assets and liabilities	60.4	7.7	52.1	20.1
Interest received	1,540.9	1,769.2	1,782.8	1,739.1
Interest paid	(418.8)	(652.4)	(591.2)	(529.9)
Cash used in operating activities	**(1,430.0)**	**(815.4)**	**(1,090.3)**	**(1,090.9)**
Investing activities				
Net cash (outflow) inflow from short-term investments	(35.6)	-	92.5	-
Acquisition of venture capital investments	(23.1)	(28.0)	(24.7)	(45.0)
Proceeds on disposal and repayment of venture capital investments	29.5	23.7	4.7	10.0
Net cash inflow (outflow) from investment in associates	5.2	(18.5)	11.7	10.6
Purchase of equipment and leasehold improvements	(10.4)	(9.6)	(11.8)	(9.5)
Purchase of computer software	(9.7)	(20.5)	(19.0)	(25.5)
Purchase of equipment under operating leases	(55.4)	(48.8)	(1.1)	-
Proceeds on disposal of equipment under operating leases	19.5	25.4	22.0	16.3
Cash used in investing activities	**(80.0)**	**(76.2)**	**74.3**	**(43.1)**
Financing activities				
Long-term debt, issued and (repaid)	2,275.7	834.9	2,357.7	(381.4)
Short-term debt, issued and (repaid)	(459.7)	603.4	(844.0)	1,895.4
Dividend paid	(364.0)	(533.9)	(394.8)	(366.2)
Principal repayment of lease liabilities	-	(12.8)	(13.4)	(13.8)
Cash provided by financing activities	**1,452.0**	**891.6**	**1,105.5**	**1,134.0**
Change in cash and cash equivalents	(58.0)	-	89.5	-
Cash and cash equivalents, beginning of year	828.6	764.1	770.5	860.0
Effects of exchange rate changes on the balances of of cash held and due in foreign currencies	(0.1)	-	-	-
Cash and cash equivalents, end of year	**$ 770.5**	**$ 764.1**	**$ 860.0**	**$ 860.0**

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)	2019 Actual	2020 Plan	2020 Forecast	2021 Plan
Portfolio growth				
Loans receivable and leasing	36,212.7	37,387.8	38,028.1	39,880.1
Loans receivable and leasing growth rate (per cent)	6.5	4.3	5.0	4.9
Profitability				
Net interest income	1,151.7	1,138.8	1,181.8	1,236.0
Net interest margin (per cent)	3.15	3.01	3.07	3.06
Credit quality				
Impaired loans	192.1	123.0	260.7	241.4
Provision for credit losses	103.3	28.8	25.8	50.2
Allowance for credit losses	198.0	133.8	193.0	206.2
Writeoffs	47.9	20.0	32.0	37.0
Performance by non-lending business line				
FCC Ventures				
Total capital outstanding	126.9	181.6	147.1	158.6
Total investments at fair value	140.5	199.7	154.1	180.0
Total net income	24.6	12.4	8.9	4.8
FCC AgExpert				
Net sales revenue	1.6	1.7	1.6	2.5
FCC Insurance				
Insurance premium revenue	27.0	28.1	26.8	27.5
Net insurance income	22.1	19.7	19.8	20.3
Efficiency				
Administration expenses	426.3	458.8	459.0	486.3
Efficiency ratio (per cent)	36.3	39.6	38.2	38.7
Funding				
Borrowings	30,744.3	31,867.4	32,225.9	33,743.2
Capital management				
Total capital	6,264.3	6,462.5	6,549.7	6,894.6
Risk-weighted assets	39,130.2	40,403.6	41,223.4	43,256.5
Total capital ratio	16.0	16.0	15.9	15.9
Debt to equity	4.9	4.9	4.9	4.9
Shareholder return				
Net income	656.7	674.7	714.2	715.4
Return on equity (per cent)	10.5	10.3	10.9	10.4
Dividends	364.0	533.9	394.8	366.2

5.2.2 Overview of operating budget projections

Portfolio growth

Loans receivable and leasing is forecasted to be $640.3 million or 1.7% higher in 2019-20 compared to 2019-20 plan due to more optimistic projections in farm debt outstanding and farmland values and is projected to grow by $1.9 billion or 4.9% in 2020-21 plan relative to 2019-20 forecast. The increase in loans receivable and leasing reflects projected continued growth in farm debt outstanding and represents 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 86.3% and 86.0% in 2019-20 forecast and 2020-21 plan respectively. In 2020-21 plan, the loans receivable and leasing portfolio is comprised of primary production $34.1 billion, agribusiness and agri-food $5.6 billion and leasing $224.0 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 2019-20 net interest income forecast is $43.0 million higher than 2019-20 plan mainly due to higher net interest margin than planned. Net interest income is expected to increase $54.2 million from 2019-20 forecast to 2020-21 plan. This is due to a 4.9% growth in loans receivable and leasing, offset by a slight decrease in the net interest margin from 3.07% to 3.06%.

Net interest margin on average earning assets is net interest income expressed as a percentage of average interest earning assets. The net interest margin is forecasted to increase to 3.07% from 3.01% in 2019-20 plan primarily due to lower funding costs. The net interest margin is projected to decrease from 2019-20 forecast to 2020-21 plan by 0.01% primarily due to increased funding costs.

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 $260.7 million, an increase of $137.7 million from 2019-20 plan largely due to recent experience with IFRS 9 – Financial instruments to determine the reasonability of credit quality estimates as well as increasing portfolio risk. The Impaired loans are projected to be $241.4 million in 2020-21, a decrease of $19.3 million from the 2019-20 forecast due to the settlement of one large impaired loan, offset by higher overall risk and growth in the portfolio.

Allowance for credit losses is forecasted to increase to $193.0 million from the last year's plan of $133.8 million largely due to recent experience with IFRS 9 to determine the reasonability of FCC's credit quality estimates as well as increasing portfolio risk. By the end of 2020-21, the allowance is expected to increase to $206.2 million due to portfolio growth and higher overall risk as a result of slowing growth in farm cash receipts. The allowance as a percentage of loans receivable increases from 0.51% in 2019-20 forecast to 0.52% in 2020-21 plan.

Writeoffs are forecasted to be $12.0 million higher than 2019-20 plan primarily due to increased risk in the operating environment. In 2019-20, writeoffs are forecasted to be $32.0 million and expected to increase to $37.0 million in 2020-21. As a percentage of loans receivable, writeoffs are expected to increase from 0.08% in 2019-20 to 0.09% in 2020-21.

Provision for credit losses is forecasted to be $25.8 million, slightly lower than the provision of $28.8 million in 2019-20 plan. In 2019-20, FCC implemented new economic models to better support the estimation of allowance requirements, which resulted in a decrease in provision of approximately $20.0 million in 2019-20. In 2020-21, the required provision is projected to be $50.2 million, increasing from 2019-20 forecast mainly due to the model improvements mentioned above and an increase in portfolio growth and allowance for credit losses.

Performance by non-lending business lines

FCC Ventures is the corporation's venture capital business line that provides alternative financing through subordinated debt funds and venture capital investment. The investment objectives are focused on supporting the agriculture sector across the entire life cycle from early-stage to growth, helping to strengthen the agriculture innovation ecosystem in Canada and the development of strong Canadian agriculture and agri-food companies. FCC plays an important role in filling financing gaps for Canadian producers. FCC will seek investment opportunities in seed and early-stage venture capital funds, expand investment in later-stage venture capital funds and provide financial support through program funding to organizations that support start-up and early-stage businesses.

FCC's venture capital portfolio includes five limited partnership funds, consisting of three equity funds and two subordinated debt funds. At the end of 2019-20, the corporation is forecasting $147.1 million in capital outstanding. Total capital outstanding is expected to increase to $158.6 million at the end of 2020-21.

The amortized cost of the venture capital investments is projected to increase $35.0 million and income is expected to increase $2.4 million from 2019-20 to 2020-21. The fair value of investment in associates is projected to decrease $9.1 million and income is projected to decrease $3.7 million from 2019-20 to 2020-21. This reflects the plan assumptions with respect to the new investments, sales and repayment, and changes in the fair value of existing investments.

FCC AgExpert (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 $1.6 million is slightly lower than 2019-20 plan, however, it is projected to increase to $2.5 million in 2020-21.

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 forecast of $19.8 million is comparable to 2019-20 plan. In 2020-21, insurance net income is planned to be $20.3 million, representing a slight increase from 2019-20 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 section4.1.

Administration expenses are forecasted to be $459.0 million, which is slightly higher than 2019-20 plan primarily related to an increase in salaries offset by lower other costs to the end of 2019-20. In 2020-21, administration expenses are projected to be $27.3 million higher than 2019-20 forecast primarily due to an increase in professional fees, other costs and salaries. Despite the increase in salaries, benefits increase at a slower pace due to a decrease in defined benefit pension expenses related to the projected interest rate environment.

Efficiency ratio is forecasted to be 38.2%, which is lower than 2019-20 plan of 39.6% primarily due to higher forecasted net interest income. In 2020-21, the efficiency ratio increases to 38.7% due to administration expenses increasing more than the growth in 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 15.9%, which is slightly lower than plan due to an increase in risk weighted assets (RWA).

In 2020-21, plan projections maintain a similar total capital ratio of 15.9% remaining well 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.

Debt to equity

The forecasted debt-to-equity ratio remains the same as the 2019-20 plan of 4.9 to 1. The forecasted ratio is also lower than the 10-year historical average of 6.0 to 1 as FCC's capital holdings have increased in relation to debt resulting from maturing capital management practices consistent with requirements under the Capital and Dividend Policy Framework for Financial Crown Corporations. In 2020-21, 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 $39.5 million higher than 2019-20 plan. The forecasted increase is driven by net interest income from a larger portfolio and lower funding costs than planned. In 2020-21, net income is projected to increase slightly by $1.2 million primarily due to higher net interest income offset by higher administration expenses and provision for credit losses.

Return on equity is forecasted at 10.9%, which is higher than 2019-20 plan of 10.3%. The increase is primarily due to higher net income compared to plan. The forecasted ratio is lower than the 10-year historical average of 15.5%. 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 11.8%, which is more comparable to the forecasted ratio. In 2020-21, return on equity is projected to decrease to 10.4% as the growth in equity outpaces the growth in annual net income.

Dividends are paid to the Government of Canada at the discretion of the Board of Directors. The corporation's Capital Management policy relates the dividend payment to excess capital consistent with the Capital and Dividend Policy Framework for Financial Crown Corporations and as determined through the year-end capital adequacy assessment.

FCC pays dividends based on its prior year-end excess capital as assessed under the internal capital adequacy assessment process. In 2019-20, FCC paid $394.8 million in dividends, which is lower than planned mainly due to higher RWA and lower net income in 2018-19 than forecasted. The 2020-21 plan projects a dividend of $366.2 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 rates 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 2020-21.

	Change in Net Income	
Major drivers ($ millions)	**Change**	**2021 Plan**
Loans receivable	+/- 1%	+/- 3.6
Net interest margin	+/- 2 bps*	+/- 8.1
Interest rate curves	+ 100 bps*	+ 5.9
Allowance	+/- 0.05%	+/- (19.8)
* bps is basis points		
	Change in Efficiency Ratio	
Administration expense	+/- $5 Million	+/- 0.40%

5.3 Capital budget

The 2020-21 capital budget is submitted for Treasury Board approval in accordance with section 124 of the *Financial Administration Act*.

Capital expenditures are forecasted to be $35.5 million, which is significantly lower than 2019-20 plan due to the change in accounting policy related to equipment under operating leases. In 2020-21, computer software is projected to be higher than 2019-20 forecast as FCC will continue to support business growth and enhancement of the customer experience though investment in technology.

Fiscal year ending March 31 ($ millions)	2019 Actual	2020 Plan	2020 Forecast	2021 Plan
Capital budget				
Leasehold improvements	6.6	5.8	7.4	5.9
Furniture and equipment	2.2	1.7	2.2	1.5
Computer hardware	1.6	2.1	2.2	2.1
Computer software	9.7	20.4	19.0	25.5
Equipment under operating leases	55.4	48.8	-	-
Right-of-use assets	-	2.2	4.7	2.5
Total capital expenditures	**75.5**	**81.0**	**35.5**	**37.5**

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 $50 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:
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. ***Category:*** *Financial* ***Probability:*** *Medium* ***Inherent risk level:*** *High* ***Residual risk level:*** *Medium-low*	**Impact:** Direct financial loss **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. 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. 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. Policy limits have been established for credit risk, portfolio concentration risk, government and banking

	liquidity investments and counterparty credit risk for derivatives.
Liquidity risk is the risk that FCC will have insufficient funds to meet its payment obligations. ***Category:*** *Financial* ***Probability:*** *Low* ***Inherent risk level:*** *Low* ***Residual risk level:*** *Low*	**Impact:** Inability to meet its payment obligations **Response:** Risk is inherently low as sources of funds are readily available. The corporation minimizes liquidity risk using a liquid investment portfolio, funding through the Crown Borrowing Framework and access to an operating line of credit. Policy limits have been established for market and funding liquidity.
Market risk is a potential loss due to adverse changes in underlying market factors, such as interest rates and foreign exchange rates. ***Category:*** *Financial* ***Probability:*** *Low* ***Inherent risk level:*** *Low* ***Residual risk level:*** *Low*	**Impact:** Direct financial loss **Response:** Risk is inherently low as access to market instruments is very limited and FCC does not accept deposits as a source of funding. 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. Policy limits have been established for net interest income variability and the decline in market value of portfolio equity.
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. ***Category:*** *Operational* ***Probability:*** *Medium* ***Inherent risk level:*** *Medium* ***Residual risk level:*** *Low*	**Impact:** Direct and/or indirect financial loss **Response:** Operational risk inherently exists in all processes of the corporation. Leaders are responsible for ensuring appropriate policies and processes are in place within their business units to manage risks, and internal controls are operating effectively. Risk and control assessments identify and assess key risks to ensure appropriate controls are in place and 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. In addition, FCC's audit program examines processes and provides learning opportunities for continual improvement through assurance activity. Policy limits have been established for operational risk management effectiveness.

Reputation risk is the risk that key stakeholders and other members of the public may develop negative perceptions about FCC. ***Category:*** *Reputation* ***Probability:*** *Low* ***Inherent risk level:*** *Low* ***Residual risk level:*** *Low*	**Impact:** Negative perceptions about FCC that could adversely affect the corporation's reputation and its ability to attract and retain customers, business partners and employees **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. The customer on-boarding process requires adherence to various customer identification requirements, including the signing of a declaration stating that they know of no reason why FCC may have any concern with their business.
Strategic risk refers to the external environment and FCC's ability to develop and implement effective business strategies. ***Category:*** *Strategic* ***Probability:*** *High* ***Inherent risk level:*** *High* ***Residual risk level:*** *Medium*	**Impact:** Unforeseen change in the external environment impacts the strategic need or purpose of FCC **Response:** Potential strategic risks are identified and analyzed through a variety of activities, including external scanning and consultation with internal subject matter experts. The Board discusses the top strategic and emerging risks during its involvement in the strategic planning cycle. EMT members are accountable for developing risk mitigation plans, monitoring key risk indicators, reporting progress to mitigation strategies and reporting to the Board on a quarterly basis through corporate risk reporting.
Legal risk ***Category:*** *Operational* ***Probability:*** *Low* ***Inherent risk level:*** *Low* ***Residual risk level:*** *Low*	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.

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*
- *Impact Assessment Act*
- *Canadian Human Rights Act*
- Canada Labour Code
- *Canadian Multiculturalism Act*
- Canada's anti-spam legislation
- *Employment Equity Act*
- *Employment Insurance 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, see Appendix 9.3 – Diversity and Inclusion.

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 is moving to adopt Privacy by Design, a set of seven principles that have been integrated into the European Union's General Data Protection Regulations and 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 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. FCC's Procurement and Vendor Risk Management policy strengthens and reinforces the corporation'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 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.

Pay Equity Act

FCC is well positioned to move forward with the pay equity regime contemplated by this legislation. FCC uses a comprehensive job evaluation system and proactively analyzes roles on an ongoing basis, with approvals through a trained Job Evaluation Committee comprised of senior leaders within the organization. These existing systems and practices will be utilized by FCC to create the pay equity plan and reporting required within the timelines of this new legislation.

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 food safety, security and sustainability.

The agriculture and agri-food system contributes more than $100 billion annually to the Canadian economy and is responsible for one in eight jobs in Canada. 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 job creation and opportunity in rural communities across the country to serve as drivers of the Canadian economy.

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

9.1 Transparent and open government

FCC is accountable and transparent to its customers, shareholder and stakeholders. The corporation adheres to legislative requirements around transparency and practices 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*, which 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. The *Access to Information 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 in compliance with the recent amendments to this legislation requiring more frequent disclosure of travel and hospitality expenditures for members of EMT and the Board of Directors.

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 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 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 (GBA+)

FCC supports and strengthens Canadian agriculture, agribusiness and agri-food, which means 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.

Women: The number of women in the Canadian workforce continues to grow, which helps drive economic growth and a strong middle class. 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 272,000 farmers. Women were most prevalent among farm operators between the ages of 35 and 54, representing nearly one-third of the group. With the number of female-only operators increasing from 5.6% to 7.2% in the same period,[9] Budget 2017 identified the need for more support for women entrepreneurs. Budget 2018 introduced a new Women Entrepreneurship strategy to help women entrepreneurs grow their businesses with access to financing, talent, networks and expertise.

To advance this priority, FCC has strengthened its understanding of the needs of women in agriculture and agri-food and identified opportunities to support and advance these entrepreneurs. FCC conducted research, environmental scanning, industry stakeholder collaboration, product and program design workshops, and validation through qualitative and quantitative methods. The corporation reviewed various research studies, including the Canadian Agriculture Human Resource Council's Supporting the Advancement of Women in Agriculture and Business Development Bank of Canada's Accessibility Review Report.

Research indicated 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. Key insights included the following:

- Women have a need for increased access to capital to start or grow their businesses.
- Women want support to build leadership effectiveness, negotiation skills, networking and coaching skills. They are seeking business skills, financial knowledge and literacy to grow their skills and 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 GBA+ considerations:

- As a federal financial institution, FCC saw the opportunity to support the government's 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 that began in 2019-20, 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 waives up to $1,000 in processing fees and encourages borrowers to reinvest those savings

[9] *Source: 2016 Census of Agriculture*

into personal and professional development that best suits their individual needs and the needs of their growing business. A parental leave benefit option allows borrowers to defer payments on their loan principal for up to 12 months.

- FCC will continue to provide access to advisory services and value-added knowledge content and expand learning events on topics of interest to women. FCC considers 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 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 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 better understand the diverse range of issues they face. It also provides women with access to potential mentors and role models to create skill development and leadership opportunities and work through challenges, such as balancing on-farm commitments with family responsibilities.
- FCC's women in agriculture and agri-food strategy includes a focus on increasing employee awareness of the needs of women and identifying opportunities to support the customer experience.

FCC will monitor progress related to GBA+ considerations:

- 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 sponsorships to support women in agriculture and provide them with access to strengthen skills such as coaching, networking, mentoring and confidence-building. Specific program goals and targets will be developed in collaboration with partner organizations and 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 survey[10], 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.

FCC will pursue actions to address GBA+ considerations:

- 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.
- FCC created the FCC Starter Loan to support 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 helps young and beginning farmers acquire the capital they need to

[10]FCC Vision 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.

enter the industry. For example, customers are using this product to purchase livestock and equipment.

- FCC also supports and invests in young farmers through its Agriculture in the Classroom program. Young farmers are encouraged to participate in a variety of live events, including workshops and Ignite: FCC Young Farmer Summit. 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:

- In 2020-21, FCC has a young borrower lending goal of $3.1 billion for agriculture production and a young entrepreneur lending goal of $100 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 19,450 borrowers for 2020-21.
- FCC, in partnership with young farmer associations and industry partners, will host Ignite: FCC Young Farmer Summit — a series of events across Canada to attract and engage the next generation of farmers. Each event is designed to inspire possibilities, increase knowledge and create connections between like-minded producers. These events complement the workshops and online resources provided by FCC.

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 isolation, the impact of weather on crops and other factors have an impact on mean mental health. 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. Information on this demographic is not yet available in Canada, 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 GBA+ considerations:

- 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:

- 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 and continues to be distributed as requested.

- Mental health first aid training was delivered in partnership with the Do More Agriculture Foundation to 12 rural communities in 2018-19. Training will continue to be delivered to additional communities in 2019-20.
- 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 print and radio public service announcements aimed at removing the stigma of mental health and encouraging people to seek help if needed.
- FCC partnered with Ag Health and Safety Alliance (Canada) to incorporate mental health content into their Gear Up for Safety course offered to Canadian agriculture college and university students (2019-20).

Indigenous employees: In response to the Canadian Human Rights Commission's Indigenous Employment in the Banking and Financial Sector Audit Report for Farm Credit Canada, FCC is undertaking a comprehensive internal review. FCC will use this review to create an inviting work environment and a work culture that has incorporated Indigenous awareness and education and human resource practices to support the attraction, employment, retention and advancement of Indigenous peoples at FCC. Through this process, FCC will explore partnerships and strategic relationships that will contribute to achieving excellence in Indigenous employment and workplace inclusion.

Indigenous Works has been contracted by FCC to assist with the review. Indigenous Works was established in 1998 as a national not-for-profit organization with a mandate to advance the engagement of Indigenous peoples in Canada's economy. For over 10 years, Indigenous Works has been working to close the socio-economic gap, helping First Nation, Métis and Inuit people move closer to the standard of living enjoyed by the majority of non-Indigenous Canadians. Indigenous Works has a methodical approach to developing effective Indigenous employment and inclusive workplace strategies that will be critical in moving FCC forward.

FCC will pursue actions to address GBA+ considerations:

- Review FCC's human resource policies, strategies and systems.
- Leverage Indigenous Works to provide recommendations to strengthen FCC's Indigenous employment policies, strategies and practices.
- Engage relevant FCC staff to identify improvements in Indigenous employment policies, strategies and practices.
- Develop an employment equity plan for FCC to focus on Indigenous peoples.

The employment equity plan will help FCC determine clear time frames and measures for removing barriers, increasing representation of under-represented designated groups, and establishing a system for revising the employment equity plan over time.

FCC will monitor progress related to GBA+ considerations:

- FCC will monitor the effectiveness of the new programs to be designed for Indigenous employees.
- FCC will monitor goals and targets associated with new and existing programs tailored for Indigenous employees.

Diversity and inclusion: As a federal Crown corporation, FCC is committed to building a workforce that reflects the diversity of its customers and the Canadian workforce. FCC is progressing toward having a workforce that reflects the diversity of the industry and communities its employees work in. Diversity means people with a rich pool of backgrounds, abilities, strengths and schools of thought are working together. Activities outlined in FCC's diversity strategy support the Government of Canada's commitment to diversity and inclusion.

At FCC, diversity and inclusion start at the top. FCC's Board of Directors has seven women and five men, and one director who self-declares as Aboriginal.

FCC remains committed to the advancement of employment equity groups in its leadership positions. With a focus on developing and advancing diverse talent, FCC will explore opportunities to expand employment equity group representation where it has gaps based on the qualified Canadian workforce. 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.

	Women Total (percentage)	**Aboriginal** (Total; percentage)	**Persons with disabilities** (Total; percentage)	**Members of a visible minority** (Total; percentage)
Total	1,208; 61.3%	51; 2.6%	50; 2.5%	155; 7.9%
In leadership positions	122; 43.6%	4; 1.4%	8; 2.9%	9; 3.2%

Note: This information is based on FCC's total workforce complement of 1,970 as at September 30, 2019. 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 Inclusion.

Overall, FCC strives for a representative workforce and one that has strong mental health. In 2019, through FCC's employee engagement survey, 80% of employees agreed with the statement, "The balance between my work and personal commitments is right for me." This is 3% higher than Aon Hewitt's Top Quartile benchmark. In the same survey, 78% of employees agreed with the statement, "My work-related stress is manageable." This is 1% higher than Aon Hewitt's Top Quartile benchmark.

FCC also experiences low absenteeism rates. On average, in 2018-19, employees took 5.4 sick days, including special leave such as bereavement. According to Statistics Canada, the average days lost per worker in a year for the public sector was 14.6 for 2018.

FCC will pursue actions to address GBA+ considerations:

- As a federal Crown Corporation, FCC is aligned with the Government of Canada's plan to prevent and remove barriers, improve accessibility and promote inclusion for everyone in Canada. While the *Accessible Canada Act* was brought into force in July 2019, the associated regulations and standards are still in progress. Recognizing that the intent of the act is "about creating communities, workplaces and services that enable everyone to participate fully in society without barriers," FCC is engaging with the Rick Hansen Foundation (RHF) and developing a plan to move FCC's level of accessibility in new builds and major renovations beyond building code by using a rating system developed by the RHF that uses trained professionals to evaluate the meaningful access of commercial, institutional, and multi-unit residential buildings and sites. In addition, FCC will consult with other groups representing people with disabilities to ensure their needs are considered when updating standards relating to the built environment.
- FCC will continue to deepen its understanding and activities to improve how it serves the Canadian agriculture and agri-food industry, including under-represented groups.

FCC will monitor progress related to GBA+ considerations:

- FCC has an internal diversity measure to track the percentage of employees from the designated groups hired each year.
- FCC will monitor 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.

Advancing diversity and GBA+ at FCC
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 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 inclusion

As a federal Crown corporation, FCC is committed to building a workforce that reflects the diversity of its customers and the Canadian workforce as a whole. To this end, FCC is undertaking a variety of tactics to ensure FCC is a welcoming and inclusive workplace that can attract and retain talent from diverse backgrounds.

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

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)	40; 61.5%	2; 3.1%	1; 1.5%	16; 24.6%
Alberta (212)	137; 64.6%	10; 4.7%	5; 2.4%	12; 5.7%
Saskatchewan (1,060)	640; 60.4%	25; 2.4%	37; 3.5%	101; 9.5%
Manitoba (83)	54; 65.1%	2; 2.4%	0; 0.0%	3; 3.6%
Ontario (291)	170; 58.4%	7; 2.4%	5; 1.7%	21; 7.2%
Quebec (140)	88; 62.9%	1; 0.7%	0; 0.0%	1; 0.7%
New Brunswick (94)	62; 66.0%	4; 4.3%	2; 2.1%	1; 1.1%
Nova Scotia (15)	9; 60.0%	0; 0.0%	0; 0.0%	0; 0.0%
Prince Edward Island (9)	7; 77.8%	0; 0.0%	0; 0.0%	0; 0.0%
Newfoundland and 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 1,971 as at Sept 30, 2019. 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.

Over the next year, FCC will implement tactics to improve Indigenous representation. The first tactic, which is already underway, is to conduct an employment systems review. FCC has partnered with Indigenous Works, a national non-profit with a mandate to advance the engagement of Indigenous peoples in the Canadian economy. The employment systems review will examine FCC's human resource policies, practices and processes for barriers from a diversity lens. Once the employment systems review is complete, Indigenous Works will continue to partner with FCC to write an employment equity plan, which will replace FCC's current three-year diversity and inclusion strategy. Within this plan, FCC will incorporate tactics to strengthen Indigenous leadership in the corporation and create an accountability framework.

In addition, FCC will focus on building and maintaining partnerships with external organizations and associations to build FCC's reputation and hire experienced, diverse talent.

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.

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 through the non-profit created by Creative Options Regina called 4to40. The 4to40 program seeks to match the graduates from Campus for All with supported employment opportunities. FCC has successfully hired five students from the program and plans to grow its involvement. FCC was honoured to speak on behalf of the success of the program at a fundraiser for 4to40. FCC's President and CEO and one of its 4to40 employees spoke to nearly 700 people from the Regina community on the success of the program.

9.4 Indigenous opportunities

As Canada's only financial institution focused solely on the needs and opportunities of the agriculture and agri-food industry, FCC is uniquely positioned to provide its specialized products and services to Indigenous customers to grow their capacity and businesses, take advantage of new market opportunities, and innovate to become efficient and sustainable operations. 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. Working to remove barriers of entry to the industry and increase inclusiveness for Indigenous peoples is a major component to achieving this potential.

Indigenous individuals, communities and economic development corporations are now targeting agriculture as an emerging sector representing accessible markets for business development. Creating a strategy that positions FCC as the business partner and lender of choice comes at a crucial time for prospective Indigenous customers.

FCC has taken steps to understand the needs of Indigenous communities and individuals when it comes to agriculture and financing. Being prepared to finance Indigenous agriculture is critical to FCC's success, so updating lending processes is a priority in FCC's broader Indigenous strategy. Chartered banks and Indigenous financial institutions have addressed contemporary barriers to entry regarding ownership of the land and therefore, the ability to pledge land as security. FCC is committed to implementing options and best practices to overcome barriers related to land ownership. To date, several milestones have been achieved within FCC's Indigenous strategy.

FCC signed an agreement with Dalhousie University to fund the Awtiget Camp in the fall of 2018. This three-year, $30,000 agreement funds the Awtiget Indigenous Student Mini-University Camp at Dalhousie University's Agriculture Campus in Truro, Nova Scotia. These funds are being used to help youth feel comfortable in post-secondary settings and help to inspire the next generation of land stewards and farmers.

In May 2019, FCC hired a Director of Indigenous Relations to lead the development and implementation of FCC's Indigenous agriculture strategy and respectfully manage working relationships with Indigenous communities.

In July 2019, FCC and the File Hills Qu'Appelle Tribal council (FHQ) Developments LP signed a partnership agreement that involves the financing and construction of a greenhouse to address food security issues and supply traditional herbal medicines to community members. As part of the agreement, FCC is contributing $250,000 to help finance a greenhouse project to grow a clean and reliable supply of traditional herbal medicines, as well as provide training, create jobs and generate revenue through the sale of fresh produce to local stores and restaurants. This partnership agreement represents an investment in a long-term relationship with FHQ and its 11 member nations, representing more than 15,000 citizens. It will enable both parties to explore other ways to expand future business opportunities and strengthen relationships and promote reconciliation.

9.5 Sustainable development and greening government operations

FCC is committed to improving the environmental performance of its internal operations and 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 (CO_2e) 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. In 2019-20, FCC is exploring the use of paper with higher recycled content as well as partnering to offset paper usage with tress planted in global reforestation projects. In addition to these tactics, FCC will purchase renewable energy certificates each year to support the production of clean energy into Canada's energy grid and ensure targets are met.

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 its employees, kilometres flown by its 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.

In 2018-19, FCC saw a 4% increase in gigajoules of energy per square foot, likely due to the colder winter experienced across Canada, and notably in Saskatchewan where FCC's offices account for over one-third of its total office square footage. A 15% increase in kilometres flown was offset by a reduction in kilometres driven of nearly 6% and a 36% decrease in paper usage. To reach its GHG target, FCC purchased renewable energy certificates equivalent of 711 tonnes of CO_2e, which will be used to support the production of clean energy into Canada's energy grid.

FCC continues to focus on supporting employees in reducing their impact on the environment, including communication strategies and ongoing investments in digital solutions. FCC will continue to look for opportunities to engage employees in improving its environmental footprint. In the coming year, FCC's corporate office building will be equipped with on-demand energy monitoring technology, enabling FCC to receive real-time energy usage information and respond quickly to unforeseen fluctuations.