Corporate Plan Summary

2022-23 to 2026-27

Operating budget
Capital budget
Borrowing plan

Canada

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The Corporate Plan Summary of the Business Development Bank of Canada is based on the 2022-23 to 2026-27 BDC Corporate Plan as approved by the Governor in Council on March 30, 2022, on the recommendation of the Minister of International Trade, Export Promotion, Small Business and Economic Development.

Note: BDC's fiscal year runs from April 1 to March 31.
For example, fiscal 2023 runs from April 1, 2022 to March 31, 2023.

Executive summary

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

BDC's primary focus over the last two years has been to assist business owners to cope with the effects of the COVID-19 pandemic and prepare their businesses for renewed growth. In close collaboration with the Government of Canada and private sector partners, our relief programs have formed a crucial bridge from crisis to recovery for businesses in every industry and in every part of Canada.

Business owners are now focused on growth but continue to face many challenges, including the continuing effects of the pandemic, labour shortages, rising production costs and supply chain disruptions. While we are deeply engaged in helping businesses tackle these challenges, we have not lost sight of their need to scale up and become more competitive.

This Corporate Plan builds on a solid foundation that enables us to further support entrepreneurs' needs and key priorities for Canada. In the coming years, BDC's actions will continue to be guided by the following three objectives.

1. Increase access and reach—The pandemic accelerated the growth of our operations, leading to a significant increase in the number of entrepreneurs we support. We forecast we will serve about 62,000 direct and 28,000 indirect clients by the end of fiscal 2022, an increase of 24% and 140%, respectively, over 2020 levels. During the planning period, we will continue to strive to reach more entrepreneurs and have a greater impact on them. The deployment of the Canadian Digital Adoption Program, in particular, will allow us to substantially increase our reach. At the same time, we continue to work to better meet the needs of underserved and diverse entrepreneurs through a range of initiatives and partnerships.

2. Drive SME competitiveness—We continue to deploy a full spectrum of capital and advice solutions designed to increase the competitiveness of Canadian businesses. We plan to devote more capital to helping high-growth, innovative and internationally oriented companies become global champions, notably through our growth equity, intellectual property and venture capital initiatives. Our support for cleantech companies and for businesses making the transition to a low-carbon economy is building momentum through a variety of initiatives, reflecting our commitment to Canada's environmental sustainability.

3. Provide an excellent client experience—Building on an already exceptional level of client satisfaction—93% are satisfied with our services—we continue to focus on developing lasting relationships with entrepreneurs based on trust and our genuine desire to see them succeed. We work to understand their needs, preferences and ambitions and use these insights to create a frictionless, personalized experience for them. In response to the large and growing number of clients who now prefer to serve themselves digitally or have someone assist them remotely, we plan to further develop our digital and mobile capabilities, including by making our online lending platform faster and easier to use and enhancing our BDC Mobile app.

To provide the best possible support to Canadian entrepreneurs, we must invest in our people and ensure they have the tools to succeed. That's why we strive to hire and retain talented, engaged and diverse employees and equip them to give their best. We also invest in IT, cyber-security, process automation, advanced data analytics and overall data modernization in support of our efforts to become a more digitally driven and customer centric organization. We are equally committed to showing leadership in the fight against climate change by quantifying the environmental impacts of our operations with the goal of reducing them to zero by 2025.

Financial highlights

This Corporate Plan has been developed in a highly volatile economic environment given the uncertainty surrounding the pandemic's evolution and challenges faced by entrepreneurs. This may result in significant variations from planned projections.

Fiscal 2022 results were strong, thanks to the economic recovery, which gave entrepreneurs renewed confidence to invest in projects they had postponed during the worst of the pandemic. This led to unexpected exceptional demand for our products and services. Over the planning period, we expect credit demand to remain solid as entrepreneurs continue to focus on growth. As a result, BDC's volume of activity should increase steadily from fiscal 2023 to fiscal 2027.

BDC expects net income of $1.2 billion by the end of the planning period. This will provide the Bank with increased flexibility to further support Canadian entrepreneurs in the years to come.

The expected increase in annual net income from fiscal 2024 to fiscal 2027 will be mainly due to portfolio growth in Financing and greater net income for Growth & Transition Capital and Venture Capital. Reductions in the net loss from initiatives under the Credit Availability Program and limited growth in operating expenses will also contribute to rising net income.

As income generated by activities surpasses capital required to support portfolio growth, BDC expects to have excess capital available to increase support for SMEs and/or make dividend payments over the planning period. However, BDC's profitability may fluctuate significantly, especially due to volatility in the fair value of our investments and provisions for expected credit losses.

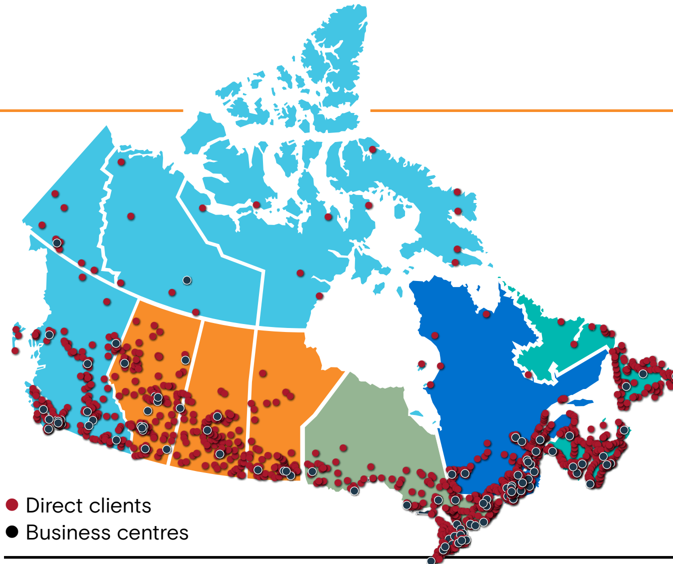
BDC overview

Our mission

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

Our public policy role

Through our independent credit decisions, we take more risk in supporting entrepreneurs in a way that is complementary to services offered by the private sector.



	Number of direct clients[1]	Direct financing commitments[2] in $ billions
B.C. & North	7,638	$5.9
Prairies	9,919	$7.5
Ontario	17,709	$12.9
Quebec	19,721	$12.5
Atlantic	4,601	$2.5
Total	59,588	$41.1

An extensive reach

- We serve an increasing number of entrepreneurs with nearly **60,000** direct clients (an increase of nearly 25% since 2020) and more than **13,000** indirect clients.
- We reach entrepreneurs in every region, through virtual channels such as our website, with **10 million** visits to bdc.ca, and our BDC mobile app; through a variety of partners; and through our network of over **110** business centres.
- We interact with over **150** partners and stakeholders to extend our reach.
- We provided COVID-19 relief to tens of thousands of additional entrepreneurs and will continue supporting them through the recovery.
- Our clients employ nearly **1 million** people and generate over **$400 billion** in annual revenues.

An engineer of business innovation and growth

- We are the largest venture capital investor in Canada, investing directly or indirectly in close to **800** Canadian start-ups.
- We support several accelerators and incubators to provide early stage start-ups with both financing and advice.
- We help innovative companies scale up through targeted support for tech firms and our intellectual property fund.
- We help SMEs tackle business challenges with our advisory services.

A complementary player with the private sector

- **90%** of BDC's portfolio is sub-investment grade[3], compared to **33%** for chartered banks.
- We play a shock absorber role during economic downturns and through recoveries, increasing access to capital for businesses and stimulating the economy.
- **21%** of our loans ($ of acceptances) are made alongside other financial institutions, and all our venture capital investments are done as part of a syndicate of investors.
- Our Special Accounts group and Business Restructuring Unit offer dedicated attention to helping clients experiencing difficulties.
- Our advisory services are delivered in collaboration with private sector consultants.

A key contributor to a more inclusive and greener economy

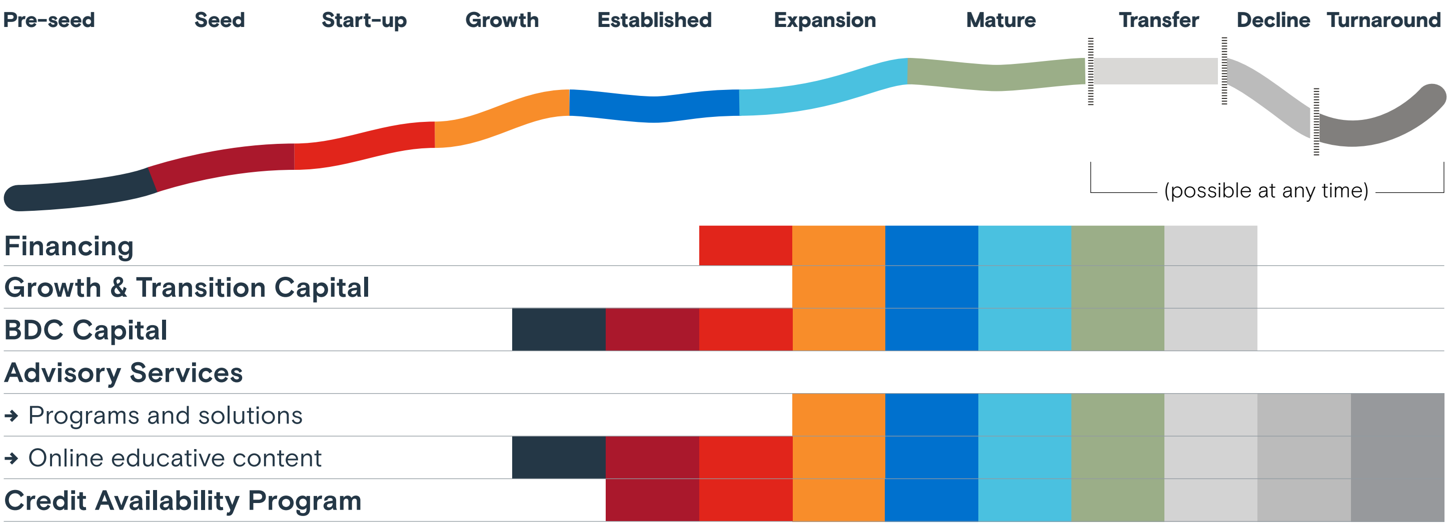
- We support more underserved and diverse entrepreneurs through our **200+** diversity champions.
- We authorized nearly **$2.4 billion** to majority women-owned and led companies since fiscal 2019.
- We have almost **$500 million** committed to nearly **900** Indigenous clients on- and off-reserve across Canada and are an anchor investor in the Indigenous Growth Fund.
- We are extending our reach to Black entrepreneurs through initiatives such as the Black Entrepreneurship Loan Fund and the Black Innovation Fund.
- We were the first bank in Canada to obtain B Corp[4] certification.
- We are helping Canada achieve its **Paris Agreement** objectives by supporting entrepreneurs in their green transition, and reducing our own footprint to **net zero by 2025.**
- Our Cleantech Practice is one of the largest, most active investors of its kind in Canada, with nearly **$400 million** committed since 2018.

An employer of choice

- We have been recognized with numerous corporate awards such as Canada's Top 100 Employers and Canada's Best Diversity Employers.
- We received a parity certification from Women in Governance, a Canadian organization dedicated to supporting women in their leadership and career development.

BDC business lines

We support entrepreneurs through their business's life cycle with offerings from our different business lines.



Financing

Commitment[2] to Canadian SMEs

Provides term lending and collaborates with other financial institutions through co-lending, syndicated loans and indirect financing to increase credit availability in the market.

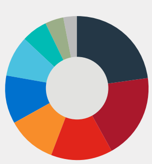
$32.2 billion

Growth & Transition Capital

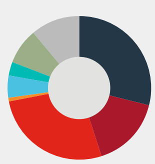
Provides working capital, mezzanine financing and quasi-equity to support the growth and transition projects of SMEs.

$1.1 billion

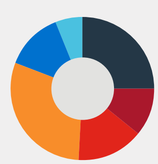
Commitment (in $)[3] by industry



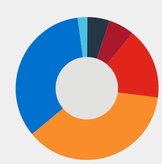
Financing		Growth & Transition Capital
23%	Manufacturing	29%
19%	Wholesale and retail trade	16%
14%	Service industries	27%
11%	Tourism	1%
11%	Commercial real estate	0%
9%	Construction	5%
6%	Transportation and storage	3%
4%	Resources	8%
3%	Other	11%



Commitment (in $)[3] by firm size



Financing		Growth & Transition Capital
25%	0-4 employees	5%
11%	5-9 employees	6%
15%	10-19 employees	16%
30%	20-99 employees	37%
13%	100-499 employees	34%
6%	500+ employees	2%



Unless otherwise noted, all data are for fiscal 2021

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

2 Commitments refers to portfolio outstanding and amounts undisbursed at cost of BDC's loans or capital investment portfolio. For the Credit Availability Program, commitments also include loans guarantees from the Highly Affected Sectors Credit Availability Program.

3 Refers to Financing's outstanding loan portfolio. Sub-investment grade loans are rated BB+ or less. The sub-investment grade data for chartered banks is as of April 30, 2021

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

BDC business lines (continued)

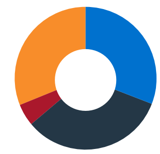
BDC Capital

Commitment[2] to Canadian SMEs

$2.7 billion

Includes BDC's activities in growth equity, intellectual property financing and venture capital, which invests directly in companies in multiple sectors and is also Canada's largest indirect investor in private funds.

- VC Direct 27%
- VC Indirect 35%
- Growth Equity 5%
- Intellectual property financing *(recently launched)* Less than 1%
- Capital Incentive Programs 33%



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

Advisory Services

BDC invests to provide companies with high-value advisory services at a price they can afford as well as free online educational content.

Total mandates	Online studies, articles, eBooks, videos, training material, etc.	Access consultations delivered[5]
1,000+	1,200+	5,000+

Credit Availability Program

Commitment[2] to Canadian SMEs

$3.9 billion

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

[5] The Access program, which was developed as a response to the COVID crisis, offered entrepreneurs a free consultation with a BDC expert. For more information, please see page 10.

External environment

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

Economic conditions

The global economy is recovering from the COVID-19 pandemic and the accompanying severe recession. World GDP dropped by 3.1% in 2020, and the Canadian economy was not spared. Indeed, 2020 marked Canada's worst economic performance since the Second World War with a 5.2% drop in GDP from 2019.

The recovery has been different from previous recessions. Rather than being slowed by economic constraints, this recovery has been hindered by public health restrictions to control the spread of the coronavirus. Each new wave of infection has pushed back the full reopening of the Canadian economy.

Preliminary data for November 2021 suggest that Canadian GDP had recovered 99.9% of its pre-pandemic level of February 2020. While many industries have fully recovered, high-contact sectors, including arts, entertainment and recreation, and accommodation and food services, still have a ways to go to achieve full recovery.

During the worst of the crisis, the Canadian labour market lost nearly 3 million jobs. As of September 2021, Canada's employment had fully recovered to its pre-crisis level. In December 2021, there were about 240,500 more jobs than before the crisis and the unemployment rate stood at 5.9%, the lowest level recorded since the beginning of the pandemic.

Overall, economic and employment gains are expected to moderate moving forward. The economy has entered a more mature phase of the recovery cycle and challenges have started to emerge, such as labour shortages and supply issues. As well, increased costs of doing business and a cooling of formerly hot sectors, such as residential housing, will limit GDP growth.

Consumer spending remains solid and will likely continue to be supported by the wealth Canadian households accumulated during the pandemic. Overall, consumers appear to have reallocated their budgets from goods to services, and the excess savings accumulated during the pandemic will provide a small cushion in the face of rising prices. However, some factors will ultimately undermine the ability of households to spend, such as low housing inventories that are constraining real estate transactions.

All in all, a return to pre-pandemic GDP levels will likely be reached in the first months of 2022. Economic activity is expected to grow by 3.5% in Canada in 2022. There remains uncertainty about the pandemic's evolution which represents a risk to this forecast.

Access to capital and advice

The Bank of Canada has adopted expansionary monetary policies that have increased liquidity for financial institutions and reduced interest rates. Effective interest rates for businesses have declined during the crisis. Even if the current trend is upward, businesses will continue to operate in a low interest environment for at least a few years.

Credit demand from entrepreneurs is solid as many businesses are now focusing on growth. Investment intentions are back to pre-pandemic levels and investment in machinery and equipment, and technology should increase. Acquisitions should also increase because many entrepreneurs are looking to acquire technology and talent in a context of scarce resources.

Before the pandemic, the Canadian financial services industry was experiencing an unprecedented period of growth and prosperity. The market was highly liquid and access to capital had never been easier for SMEs.

Unlike previous recessions, the COVID crisis has not resulted in a significant decrease in liquidity available to entrepreneurs, except in the hardest hit industries. Governments have introduced several programs to help entrepreneurs cope with the pandemic. Fintechs, which turned out to be more resilient than expected, and big technology companies have continued to provide additional capital to entrepreneurs, increasing liquidity in the market. While financial institutions were instrumental in helping SMEs weather the early effects of the crisis by deploying government support measures and postponing payments, they adopted a more selective approach to extending credit by favouring sectors less affected by the pandemic while reducing their exposure to harder hit industries.

Financing conditions are slowly getting back to normal. However, harder hit sectors are still having difficulty accessing credit. As a result, government programs may continue to play an important role in financing SMEs in these sectors.

The growing importance of digital technology in the financial services industry has led to increased pressure for what's known as open banking—changes to the banking system that facilitate the secure sharing of financial data among financial service providers. A consensus regarding the benefits of open banking for Canadian consumers and SMEs has led a federal government advisory committee to recommend the launch of an open banking system. Open banking will allow SMEs to more easily get a full picture of their finances to improve management and decision-making. It will also improve access to financing for entrepreneurs by making it easier for them to provide the information lenders need to authorize a loan.

In terms of business advice, demand for the services of consulting firms has increased as SMEs navigate through uncertain times and other structural and emerging challenges, such as the need to increase productivity and respond to climate change. Government subsidy programs are helping some companies get the advice they need. On the supply side, the advisory market remains mixed. Big consulting firms continue to cater primarily to the needs of larger businesses. The rest of the market is highly fragmented with many small firms and independent practitioners.

Despite difficult conditions in many sectors, the venture capital industry has experienced remarkable growth through the pandemic. This can be seen, notably, in the number and size of venture capital deals in Canada, and the maturing of Canada's innovation ecosystem. An increase in larger VC exits is attracting more capital to Canadian funds and producing higher funding rounds for Canadian companies. While we expect significant volatility in the industry and more moderate returns after two years of significant gains, we believe the number and size of VC deals will continue to grow in Canada.

Major trends affecting Canadian SMEs

Notwithstanding the pandemic and recovery, entrepreneurs must look ahead and adapt their operations to a dynamic business environment in order to remain competitive. In doing so, they face the following trends.

- **Labour shortages:** Many Canadian provinces were facing labour shortages before the pandemic and, with the reopening of the economy, these shortages are returning and are more acute. Indeed, the pandemic has aggravated the situation by moving up the retirement plans of many baby boomers and limiting the entry of new foreign workers. As a result, demand for labour is growing faster than the number of potential workers. A recent BDC study[6] found that 55% of Canadian entrepreneurs are struggling to hire workers, and 64% report that a lack of workers is limiting their growth.
- **Inflation and pressure on production costs:** In November 2021, inflation reached 4.7% in Canada. Many entrepreneurs are concerned about rising prices and the impact they will have on their businesses. Production costs are rising mainly because of commodity price increases and higher shipping and transportation costs. Supply chains are under a lot of pressure as the reopening of economies around the world has created strong demand for basic commodities and space in shipping containers remains tight.
- **Surge in e-commerce**: When businesses were forced to close their doors to comply with government restrictions during the pandemic, online commerce accelerated. Online sales have more than doubled in Canada since the beginning of the pandemic. The convenience of e-commerce will continue to push Canadians to buy online even after the pandemic. Therefore, an online presence is now essential for all businesses that wish to remain competitive. E-commerce is changing the business environment for entrepreneurs and creating both opportunities and challenges for them. Canadian businesses need to adopt more digital technologies to meet customer needs, market their products and services and boost productivity.
- **Environmental, social, and governance (ESG) goals:** Pressure from consumers, investors and governments is building on businesses around the world to improve their environmental, social and governance practices. On the environment, ambitious emission reduction targets are being set by governments to meet Paris Agreement commitments. Every company will have to adjust their business practices to remain competitive while doing their part in achieving net zero emissions. This is especially true for Canadian SMEs, which account for 99.8% of all businesses and, therefore, will be an essential part of the country's action on climate change, resource conservation and environmental protection. Although most SMEs don't yet feel pressure to embark on a green transition, calls to do so will only increase over time.

[6] BDC, *How to Adapt to the Labour Shortage Situation: Hiring Difficulties Are Not Going Away*, September 2021.

How BDC intends to support entrepreneurs

As the Canadian economy continues to move from crisis to recovery, BDC will be there for entrepreneurs, delivering the support they need, when and how they need it. We are determined to be bold in helping entrepreneurs build thriving businesses and, in doing so, make the economy more prosperous, inclusive and sustainable for all Canadians. We are constantly assessing how the needs of entrepreneurs are changing, and we evolve our offerings to better meet those needs. Our activities over the planning period continue to be guided by the following three objectives.

Below is a summary of recently deployed and upcoming initiatives in support of these objectives.

1. Increase access and reach

BDC is striving to reach more entrepreneurs, especially underserved and diverse entrepreneurs, and have a greater impact on their businesses in good times and bad.

- We are supporting the digital transformation efforts of SMEs through our participation in the newly launched Canada Digital Adoption Program.
- We will be exploring ways to further expand our indirect lending to reach more entrepreneurs.
- We will continue to build on our new integrated client diversity strategy to ensure underserved and diverse entrepreneurs have the resources they need to thrive.
- We are supporting more Black entrepreneurs through initiatives such as the Black Entrepreneurship Loan Fund and the Black Innovation Fund, and are exploring new partnerships.
- We are an anchor investor in the recently launched Indigenous Growth Fund.

2. Drive SME competitiveness

We provide the capital and advice for businesses to innovate, increase productivity and expand, which are crucial for their long-term success.

- We have recently launched a second $250-million Growth Equity Partners Fund to continue empowering entrepreneurs to accelerate their growth and scale up to become global champions.
- We are deploying a $250-million envelope to finance intangible assets to help businesses increase their productivity, improve their sales and marketing and adopt new technologies.
- We recently launched a $300-million Growth Venture Co-Investment Fund to help fuel the growth of late stage innovation-based companies.
- We are deploying a second $300-million Women in Technology Venture Fund, building on the success of the first fund.
- We will manage the renewed $450-million allocation to the federal government's Venture Capital Catalyst Initiative, adding to the $372 million already committed.
- We are committed to expanding our support to help entrepreneurs in their efforts to transition to a sustainable, low-carbon economy.
- We have also recently committed to inject new capital in our Industrial, Clean and Energy Technology Venture Fund and our Cleantech Practice, as well as to continue collaborating with the federal government on plans to deploy new capital to support large net-zero emissions projects.

3. Provide an excellent client experience

To meet the needs of entrepreneurs and serve them better, BDC must continue creating a faster, simpler and more personalized experience for clients across all channels.

- We are further improving and speeding up our online loan application process by simplifying it and increasing automation.
- We will further enhance our BDC Mobile client app by adding features that provide clients with timely, actionable notifications about their business, loan progress reports and personalized advice content.
- We are implementing a strategy with the goal of becoming a data-driven organization to better support entrepreneurs.

Increase access and reach

As Canada's business development bank, our aim is to provide entrepreneurs in every part of the country with the capital and advice they need to build growing and resilient businesses. Our financing offering supports their efforts to grow faster and become more competitive with term loans to bolster their working capital and fund expansion projects such as buying property, equipment and machinery, increasing their use of technology and making business acquisitions.

We continue to make good progress on many important strategic initiatives aimed at extending our reach to more entrepreneurs. These initiatives include providing financing to entrepreneurs hit by the pandemic, delivering targeted support to underserved and diverse groups of entrepreneurs and offering advice, management tools and e-learning programs to help entrepreneurs overcome management challenges.

A successful response to the pandemic

An important part of our mission is to be there for business owners in difficult times, ensuring they have continuing access to capital and expert management advice. The importance of this role has been demonstrated on many occasions over the years. For example, we provided critical financing to SMEs during the 2008-09 financial crisis and recession, and we helped clients in regions affected by flooding in the spring of 2019 and again in the fall of 2021. Our rapid and comprehensive response to the COVID-19 crisis is another example of this shock absorber role we play for individual entrepreneurs and the economy as a whole.

Through our COVID relief initiatives, we reached tens of thousands of entrepreneurs who had not previously been clients and increased our support for existing clients. In cooperation with federal government partners and private sector financial institutions, our initiatives formed a crucial bridge from crisis to recovery for businesses in every industry and every part of Canada.

At the outset of the pandemic, entrepreneurs were suddenly confronted with severe cash-flow difficulties and an urgent need for credit. In response, the following initiatives were implemented and delivered directly by BDC. They came to an end in fiscal 2022, when financing conditions improved.

- **Online financing**—We broadened our credit threshold and reduced pricing to get $1 billion into the hands of entrepreneurs quickly through 13,500 online loans.
- **Working capital loans**—For businesses that needed larger amounts than those available online, we disbursed $1.5 billion through 4,500 working capital loans with more flexible terms.
- **Bridge Financing Program**—To support venture capital-backed companies, we invested $175 million by matching up to 100% of the contribution of private investor syndicates.
- **Advice and tools**—Through the Access program, eligible clients benefitted from a free consultation with a BDC expert to get advice on how to address challenges related to the pandemic. We also developed new articles and online management tools to help more than 60,000 entrepreneurs adjust to the pandemic.

We continue to collaborate with the federal government and the private sector to deliver the following initiatives.

- Under the **Business Credit Availability Program (BCAP),** a total of $1 billion was lent to more than 700 companies through the Co-Lending and Mid-Market programs, as of November 30, 2021. New lending under these programs ended in December 2021 in light of diminishing demand.
  - Co-Lending Program—We supported the operational cash flow needs of companies by co-lending with private sector financial institutions.
  - Mid-Market Financing Program—We provided additional credit to complement medium-sized businesses' existing debt facilities, working closely with their primary lenders.

- Under the **Highly Affected Sectors Credit Availability Program (HASCAP),** we provide a 100% guarantee to financial institutions extending loans of up to $1 million to eligible businesses in sectors hardest hit by the pandemic, including tourism, accommodation, food service, arts and culture, and the airline industry. A total of $2.8 billion had been deployed to more than 12,500 companies under HASCAP as of November 30, 2021. The federal government extended this program to March 31, 2022.

Extending our reach through multiple channels

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

To serve entrepreneurs with more complex borrowing and advice needs, we maintain more than **110 business centres** throughout Canada. Our employees often go to a client's place of business to review the progress of the company and discuss how we can help. During these visits, account managers are supported by several BDC mobile apps that help them understand the client's business better and propose appropriate solutions. Our Express Loan app allows them to approve a loan during a single client visit with a disbursement between 24 and 48 hours.

At the same time, our **online financing** allows us to reach entrepreneurs across Canada, including in remote regions, in a way that is convenient for them. Our COVID relief initiatives highlighted the value of our online lending capability to reach more entrepreneurs.

We also extend our reach by **collaborating with other financial institutions and intermediaries** to increase access to capital for businesses through:

- syndicated financing, where we bridge gaps and continue to expand our role in the commercial and corporate loan market for medium-sized and larger businesses by providing senior debt financing in syndicated transactions led by other banks
- indirect lending, where loans are delivered to entrepreneurs by their primary financial institution and are then either co-financed or guaranteed by BDC. Our recent experience in deploying BCAP and HASCAP is providing us with invaluable lessons, partnerships and technical expertise that will allow us to serve many more entrepreneurs and do so more effectively in the years ahead
- securitization and secured lending, where we fund against portfolios of loans secured by financial assets, such as equipment loans and leases, as well as other types of collateral, such as cash flow and receivables. We also help originators grow and achieve efficiencies so they can lend to more entrepreneurs

Our **partnerships** extend to both private and public sector organizations that share common cause with BDC—the success of Canadian SMEs. With them, we focus on strengthening the environment for starting and growing a business in Canada, including those owned by underserved and diverse entrepreneurs. We also work with partners who seek to maximize the export potential of SMEs and encourage the development and commercialization of Canadian innovations. For a list of our key partnerships, please see *Appendix 4* on page 39.

Supporting underserved and diverse entrepreneurs

At BDC, we believe entrepreneurship can be a powerful force for reducing inequality and creating a more inclusive economy. The success of diverse businesses is not only good for individual entrepreneurs and their employees but also for our communities and Canada as a whole. However, the pandemic has exacerbated long-standing challenges faced by underserved and diverse entrepreneurs in Canada.

To better address the needs of these businesses and support their growth in the recovery, BDC has developed an integrated client diversity strategy. It aims to reduce barriers to starting and growing businesses by ensuring underserved and diverse entrepreneurs have the resources they need to thrive. To deliver the strategy, 200 diversity champions have stepped forward from the ranks of our employees. These employees have embraced our diversity strategy and committed themselves to support its goals and participate in initiatives aimed at increasing support for underserved and diverse entrepreneurs.

Among the many partnerships we have developed in support of a more diverse and inclusive entrepreneurial ecosystem are ones with the Federation of African Canadian Economics (FACE), the National Aboriginal Capital Corporations Association (NACCA) and Futurpreneur Canada as well as a recent co-lending agreement with Alterna Savings and Credit Union Limited. Under this agreement, Alterna will extend BDC-financed loans of between $5,000 and $25,000 each to Black entrepreneurs, women entrepreneurs and social entrepreneurs.

Over the planning period, we will continue to assess gaps in support for underserved and diverse entrepreneurs and explore ways BDC can have an even greater impact on these groups.

Black entrepreneurs

BDC is committed to doing more to end systemic anti-Black racism and assisting Black entrepreneurs to overcome barriers and seize opportunities to build strong, growing businesses.

As part of our efforts, we have signed a series of partnership agreements to provide enhanced financial support and advice to Black business owners, and we continue to pursue others.

- We signed the BlackNorth Initiative CEO pledge. This initiative commits BDC to specific actions and targets to end anti-Black systemic racism and create more opportunities for the Black community.
- We have partnered with the FACE to provide loans to eligible Black-owned businesses to start and grow businesses. Through the Black Entrepreneurship Loan Fund, the federal government provided FACE with $30 million to provide loans between $25,000 and $100,000. In parallel, BDC has committed $130 million for loans between $100,000 and $250,000. Both loan segments are processed and administered by BDC.
- We have partnered with Futurpreneur Canada and RBC to deliver the Black Entrepreneur Start-up Program. It provides young Black entrepreneurs aged 18 to 39 with $10,000 to $100,000 in start-up loans. The program also provides two years of mentorship and networking opportunities and access to a variety of management tools and resources.
- We co-created the Black Innovation Fund with the Black Innovation Capital organization and serve as the fund's anchor investor with a $3.5-million commitment, creating the first venture capital fund focused on Black-founded tech companies in Canada.

Women entrepreneurs

Women entrepreneurs represent enormous untapped potential for Canada, yet they continue to face challenges when trying to grow their businesses, including gender bias and less access to financing and mentorship. Women represent half of the population and workforce, yet only 28% of entrepreneurs.[7] In addition, only 16% of Canadian SMEs are majority-owned by women.[8]

Since 2015, BDC has made it a priority to support the success of women entrepreneurs. This work became even more vital when the pandemic shut down the economy. Recessions usually hit hardest in sectors where women are under-represented, such as manufacturing and construction. However, the COVID-19 crisis has most affected the hospitality, tourism and retail sectors where women are over-represented.

In fiscal 2021, we surpassed an ambitious three-year target by providing nearly $1.8 billion to over 5,000 majority women-owned businesses as part of a wide-ranging strategy to help more women start businesses and grow them faster. In the next phase of our strategy, we are committed to grow the number of women entrepreneurs we serve to 19,000 by fiscal 2024 from just over 15,000 in fiscal 2021. We will also continue to focus on gender equality in the tech industry through our Women in Technology Venture Fund (WIT). (For more information about this fund, please see page 17.)

Although women entrepreneurs require better access to capital, we also see a need for more non-financial support. This is why BDC has partnered with a number of organizations to provide mentoring, training and peer-to-peer learning opportunities. One important example of these partnerships is our longstanding association with Cisco and Women of Influence with whom we most recently launched a series of programs for women who are starting and scaling up businesses. We also maintain relationships with the Women's Enterprise Centre across the country and have partnered with the Réseau des femmes d'Affaires du Québec to better support women entrepreneurs in expanding their operations.

Indigenous entrepreneurs

Throughout Canada, entrepreneurship is contributing to a brighter future for Indigenous people. However, we know Indigenous entrepreneurs face unique obstacles in accessing financing for starting businesses, on-going operations and expansion projects. BDC has a long history of supporting Indigenous entrepreneurs. We tripled the number of Indigenous clients we serve between 2015 and 2021 to 900 business owners.

To improve access to capital, we have increased the Indigenous Entrepreneur Loan limit to $350,000 from $125,000. We also maintain several partnerships in support of Indigenous entrepreneurs. Among these is our partnership with the National Aboriginal Capital Corporations Association as an anchor investor in the Indigenous Growth Fund (IGF). The IGF is a $150-million fund that provides loans to Indigenous businesses through the network of Aboriginal Financial Institutions. The fund is closed and capital began to be deployed in the fall of 2021.

New businesses and young entrepreneurs

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

To support them, we have a strong partnership with Futurpreneur Canada, a national non-profit organization that offers mentoring, financing and other business resources to young entrepreneurs. BDC and Futurpreneur work together to promote youth entrepreneurship and increase financing for young entrepreneurs (age 18 to 39). Under our recently renewed co-lending agreement, Futurpreneur and BDC provide loans of up to $60,000.

7 BDC, *A Nation of Entrepreneurs: The Changing Face of Canadian Entrepreneurship,* October 2019.
8 Statistics Canada, *Women-Owned Enterprises in Canada,* September 2018.

Purpose-driven entrepreneurs

We encourage a socio-cultural movement of entrepreneurs whose profitable companies create value for society and meet high environmental, social and governance standards. Their societal purpose and business models coincide with the current rise in consumer and investor interest in creating local, sustainable prosperity. They can be found in every part of Canada and in virtually every sector. Their business certification of choice is the Beneficial Corporation (B Corp).

BDC, Canada's first B Corp bank, helps grow this movement by promoting the B Corp business planning tool and by:

- ➔ attracting thousands of entrepreneurs to awareness-raising events and workshops across Canada
- ➔ advising smaller groups of entrepreneurs through advisory programs

Free advice, management tools and e-learning programs

As part of our efforts to increase our impact on entrepreneurs, we help them gain knowledge, hone their business skills and become more financially literate by offering over 1,400 free pieces of content on bdc.ca. This includes independent research on business challenges, advice articles, webinars, templates, eBooks, videos and interactive business training. We recorded close to 10 million visits to our bdc.ca website in fiscal 2021 from people looking for financing, business advice, management tools and economic research. Our online publications now reach over 350,000 unique subscribers.

Over the last few years, we also developed and promoted a series of free e-learning programs to help entrepreneurs increase their knowledge and skills as business leaders. Since 2018, close to 23,000 users have enrolled in courses. These e-learning programs were recognized in 2021 with an international award for best customer training program from the Brandon Hall group.

Over the planning period, we will continue to expand our library of online content to support the evolving needs of entrepreneurs.

Drive SME competitiveness

As BDC geared up to support entrepreneurs through the pandemic and into the recovery, we maintained our focus on assisting Canadian businesses in overcoming their competitive challenges. In particular, we continued our multi-faceted support for high-growth, innovative and internationally oriented businesses. These are the most dynamic companies in Canada, and when they grow into global champions, they make an outsized contribution to Canada's prosperity.

BDC has developed a full spectrum of financing and advice solutions to help businesses become more competitive, move into international markets and expand faster. We also help retain the value built up in Canadian businesses by facilitating transitions from one generation to the next.

Support for digital adoption

The pandemic has accelerated the economy's digital transformation as companies conduct more business online and increase the use of technology in their operations. Digital adoption is now essential for all businesses that wish to remain competitive. While this adoption is vital for success in today's economy, implementation may be challenging, especially for SMEs that have limited financial resources and expertise.

The **Canada Digital Adoption Program (CDAP)** was announced by the Government of Canada in Budget 2021 to support the digital transformation efforts of SMEs and fuel the economic recovery. Part of CDAP, *Boost Your Business Technology,* helps businesses with the development and implementation of digital adoption strategies. With the help of a government grant, eligible Canadian businesses can access expert advice from a variety of providers through an online marketplace. Businesses can then be considered for an interest-free BDC loan of up to $100,000 to put these technologies to use.

BDC aims to deploy $2.6 billion over four years to help SMEs finance the implementation of their digital adoption plans. Uptake is demand driven and based on referrals from Innovation, Science and Economic Development Canada for companies that have developed a digital adoption plan through CDAP or a list of equivalent pre-approved provincial or regional programs.

Support for growth and transition

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

Additionally, with more baby boomers heading to retirement, we continue to respond to a growing need for business transition financing. We also facilitate transitions by providing advice to entrepreneurs on managing the crucial integration phase following a merger or acquisition. We sponsor educational events on key transition success factors and focus on building strategic partnerships in support of successful transitions.

Equity investments for growing companies

To help companies accelerate their growth, maintain their ownership in Canadian hands and scale up into global champions, we launched a second $250-million Growth Equity Partners Fund in fiscal 2022, building on the success of the first fund. This brings the total amount under management by BDC Capital's Growth Equity Partners to $425 million.

The fund provides capital in the form of minority equity investments from $3 million to $35 million to bolster companies' working capital, innovation investments and ability to make acquisitions. As a direct equity investor, BDC also works with management teams and owners to facilitate ownership transfers, succession planning, shareholder liquidity and business consolidation.

Support for internationally oriented businesses

The pandemic has presented exporters and other internationally oriented businesses with significant challenges. Besides the global recession, several other factors continue to weigh on Canadian exporters, including trade tensions, travel restrictions and supply chain disruptions.

In addition to providing financing and advice in support of entrepreneurs' international projects, we partner with the federal government's Export Development Canada (EDC) and Trade Commissioner Service (TCS) to provide support for the international expansion projects of SMEs. We share the following goals:

- increase the number of exporters
- increase the number of markets accessed by exporters
- increase collaboration between our organizations to create a seamless client experience

In pursuit of these objectives, BDC and EDC cooperate on a number of joint programs. For example, we offer a technology loan to make more capital available to growing tech companies that are internationally oriented. We also jointly offer international purchase order financing to provide companies with working capital to fill international orders while allowing them to benefit from EDC's international risk assessment expertise. Cross-referrals between BDC and EDC grew by an average annual rate of 30% between fiscal 2017 and fiscal 2021 when they reached 1,100 referrals annually.

With TCS, a process has been established to ensure that TCS's CanExport recipients are made aware of BDC services and are contacted about their loan or business advisory needs. Since April 2019, more than 2,400 CanExport recipients have agreed to be contacted by BDC representatives. Working closely with TCS, BDC also promotes trade missions to clients who may not be aware of these opportunities.

BDC is also a founding funder of Communitech's Outpost program, which assists growing Canadian companies in all sectors hire employees who are located in other countries, including the United States, the United Kingdom, Germany, India, Netherlands, Ireland, France, Australia and Japan.

In collaboration with federal partners, we also participate in the Business, Economic and Trade Recovery (BETR) Team. It was created to encourage business growth through international trade as a driver of a robust economic recovery.

Support for high-growth firms

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

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

We have built a community of more than 200 high-growth firms through this program. We are continuously evolving it to improve our support for clients and increase its reach and impact.

Support for larger companies

Larger, growing businesses have a variety of special needs related to planning, financing and managing their growth. In response, we have deployed client teams that bring together financing professionals and business advisors to deliver tailored, integrated support for the growth ambitions of larger companies. Our client teams continue to review our products and services to ensure they respond well to the needs of this group of businesses.

Supporting the success of innovative businesses

Investments in intangible assets

As the economy becomes increasingly driven by knowledge and innovation, businesses are investing more in software, intellectual property (IP) and other intangible assets that have traditionally been difficult to value as collateral for loans. Successful businesses combine technology, processes and human capital in an optimal manner to create value for their customers and shareholders. This being said, intangible investments, while strategically important, are difficult to finance because they do not appear on a company's balance sheet and are hard for traditional financial institutions to value as collateral.

In response, BDC has initiated a $250-million envelope to finance intangible assets, targeting medium-sized and larger businesses. The goal of this envelope is to support companies in adapting to the post-pandemic business environment by increasing their productivity, improving their sales and marketing and adopting new technologies.

Companies rich in intellectual property

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

We also participate in the following initiatives to raise awareness about the importance of protecting IP.

- ➔ Together with the Canadian Intellectual Property Office, Export Development Canada, Global Affairs Canada, the Intellectual Property Institute of Canada and the National Research Council, we provide specialized financing and education to support IP protection through projects such as applying for patents, trademarks, industrial designs or copyrights.
- ➔ We have a memorandum of understanding with the Canadian Intellectual Property Office and the Standards Council of Canada. Our collaboration includes the publication of IP-related articles, training for employees on IP matters and raising awareness among entrepreneurs about the importance of IP protection.
- ➔ We are also a partner of the Innovation Asset Collective, Canada's first patent collective supporting data-driven cleantech companies.

Dedicated support for technology companies

In addition to our venture capital activities detailed below, we support the growth of technology businesses of all sizes with a full range of loan and investment products delivered by specialized pan-Canadian teams. Tech teams in Financing and Growth & Transition Capital work closely with BDC Capital, Advisory Services and external partners to ensure businesses have the right financing for their size, business model and growth ambitions.

We recently launched a scale-up group within the tech financing team to support early-stage companies. Scale-up specialists assist companies that have a viable product, are generating revenue and have successfully raised capital from angel investors or early-stage venture capital funds. At this stage in their development, they typically have not yet achieved sufficient market traction or valuation and do not have the profits needed to obtain debt financing from other financial institutions.

Venture capital: Investing in Canada's most innovative businesses

As the largest venture capital investor in Canada, BDC has been a key participant in the industry's remarkable growth in recent years in support of the country's most innovative businesses. Canada's innovation economy has come into its own, most notably in the technology sector, where a new generation of software companies has reached global scale.

We invest in businesses both directly and indirectly through external funds. Our ambition is to build Canadian champions through multiple rounds of financing. In this context, we are paying particular attention to increasing Canadian investor participation in later stages when companies have achieved commercial traction but need capital to fuel their growth through to exit. U.S. investors currently hold the largest share of later stage investments in Canada.

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

Direct investing strategy

Our direct investment strategy aims to bring new VC funds to market to support undercapitalized innovative industries in Canada. Once our funds have demonstrated success, one option is to open them to external capital so they can continue investing, while freeing our own capital to invest in other priority sectors. This results in a stronger Canadian VC ecosystem and a broadening of BDC's reach. An example of this strategy are two private funds in the health care and IT sectors—Amplitude Ventures and Framework Venture Partners—which have flourished since their launch.

Our $200-million Deep Tech Venture Fund invests in start-ups that are working on cutting edge, research-based technologies in such areas as quantum technologies, photonics, electronics and foundational artificial intelligence. These technologies have the potential to transform whole industries in the years ahead and the fund focuses on supporting the commercialization of Canadian innovations in these fields.

Our $250-million Industrial Innovation Venture Fund (IIVF) invests in early to late stage ventures in some of Canada's core competitive sectors, such as energy, materials and agriculture. In doing so, it supports technology companies that can increase the competitiveness of established industries, focusing on Industry 4.0 applications and resource technologies.

BDC previously committed $200 million to the first Women in Technology Venture Fund (WIT). In light of its success and a continuing need in the market, BDC is committed to launching a successor fund. These funds aim to deliver on a dual mandate of supporting tech businesses led by women while helping to create a vibrant support ecosystem for women tech entrepreneurs. To accomplish this mandate, the funds take a balanced approach that consists of making direct investments in women-led companies, indirect investments in emerging venture funds with female leadership and supporting the development of an ecosystem that helps women to thrive in the tech industry.

Our Industrial, Clean and Energy Technology Venture Fund (ICE) invests in some of Canada's most innovative technology companies that are bringing digital transformation to a wide range of industries to enhance resource efficiency.

Our IT Fund and Healthcare Fund are now in the harvesting stage with reserves for follow-on transactions only.

We also launched a $300-million Growth Venture Co-Investment Fund to target late-stage growth companies. This fund is designed to play a key role in supporting venture-backed companies as they scale to their full potential and helping to attract additional investors to support their expansion.

We continue to support seed stage companies and several accelerator and incubator programs across Canada to help early stage start-ups grow to their full potential.

Indirect investing strategy

Our indirect investment strategy focuses on supporting a mix of emerging and established fund managers and helping top funds evolve into globally competitive performers over time. BDC indirectly supports more than 800 companies through investments in 105 funds. We support and mentor emerging fund managers and continue to lead on best practices, including in the areas of environmental, social and governance (ESG) issues where we are working with global institutional partners to develop more standardized climate change and ESG reporting for the venture capital industry.

Over the planning period, we will continue to support the development of Canadian fund managers as they scale their funds and back fund managers working in emerging and existing areas of strategic importance to Canada.

Enabling federal government VC initiatives

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

We also manage the federal government's Venture Capital Catalyst Initiative (VCCI), launched in 2018. It has increased the availability of late-stage venture capital and support for underserved groups, such as women and diverse entrepreneurs and management teams, as well as emerging regions and sectors. VCCI also has a focus on established cleantech investors, providing them with additional capital and the ability to close larger funds. The initiative has injected more than $1.7 billion of private-sector and other capital into Canada's VC market to encourage the growth of Canadian companies and support thousands of jobs. VCCI has been renewed with a $450-million allocation to support funds of funds, life sciences and inclusive growth.

Accelerating the maturity of the Canadian VC ecosystem

In addition to providing capital, BDC also offers educational programs to accelerate the development of the VC ecosystem. One of these is GP Academy, a training program designed to improve the investment skills, knowledge and networks of Canadian fund managers so they can become leaders in the industry. GP Academy is now recognized as a top educator of fund managers and is ready to train other key stakeholders in the start-up community. The academy's Business Accelerator/Incubator Edition is currently in development. It is designed for leaders of accelerator and incubator programs with the goal of getting more early-stage companies to VC funding, an urgent need in the market. It is expected to be deployed in fiscal 2023.

Environmental sustainability and cleantech

Climate change is a complex phenomenon that is disrupting natural ecosystems, societies and markets. These disruptions will grow over the coming decades. BDC is keenly aware of the importance of combatting climate change and working to create a more climate resilient economy. This is why BDC supports the goals of the Paris Agreement on climate change to build a greener, more sustainable future.

Achieving net zero emissions will require contributions from businesses across Canada, and BDC is committed to helping SMEs transition to a sustainable, low-carbon economy. For example, we are a leader in supporting certified beneficial corporation (B Corp) entrepreneurs, who are committed to sustainable business practices. However, the vast majority of Canadian SMEs are still in the very early stages of transitioning to low-carbon operations. They need more information and support in seizing the opportunities and mitigating the risks associated with reducing their environmental impact. To address this need, we intend to provide practical information, tools and connections to other expert organizations to help them through the transition.

We have also recently started hosting webinars for entrepreneurs that promote climate resilience as an opportunity to reduce costs and protect their businesses from climate risks. In the webinars, business owners are encouraged to create clear business objectives related to climate change and are offered planning tools to help them get started. The webinars have been attended by thousands of entrepreneurs. Looking forward, we are committed to expanding our support to entrepreneurs to achieve their sustainability goals.

We also provide support to companies that are developing and deploying innovative technologies to combat climate change, reduce pollution and create a resource efficient economy. BDC Capital's activities are crucial in this respect. As mentioned, our ICE fund makes early-stage IT-related investments to increase resource efficiency and IIVF focuses on assisting Canadian companies operating in traditional industrial sectors to become more sustainable.

As cleantech companies enter the growth stage, our Cleantech Practice provides flexible financing and equity investments to support their increased capital expenditures. Global demand for clean technology is growing strongly and Canada has an opportunity to play a leading role in this industry and make a significant contribution to the fight against climate change.

Attracting private sector investments to this asset class is critical for its success. So, it is important to note that for every $1 BDC has invested, a further $5.20 of private sector support has been either invested at the same time or following our commitment.

By the end of fiscal 2022, we expect most of the money in our Cleantech Practice will have been invested in Canadian companies. The balance will be used to support companies in the portfolio with follow-on investments as they continue to grow.

BDC's indirect VC investments and VCCI complement our direct activities by investing in a variety of cleantech funds that focus on different stages of a company's lifecycle.

In the future, BDC will look to play an increasingly catalytic role in support of cleantech companies and projects, notably by fostering new partnerships and mechanisms needed to mobilize public and private capital to help Canada achieve its ambitious decarbonization targets.

To this end, we are planning the following initiatives.

- With the success of our second ICE fund, BDC is committing to a third fund focused on sustainability.
- We will also inject additional capital into our Cleantech Practice.
- We are collaborating with the federal government on plans to deploy capital to support net-zero projects to address Canada's decarbonization challenge and draw in private sector investment.

Expert advice to help entrepreneurs run resilient, successful businesses

In a world changed by COVID-19, management skills will be key as businesses work to recover from the pandemic and take advantage of new opportunities. BDC understands the realities of running a business and has helped countless entrepreneurs adapt to new circumstances and forge ahead.

To ensure entrepreneurs have the knowledge and skills they need throughout their business journey, we invest an average of $45 million annually to provide advice that is practical and tailored to the size, sophistication and ambitions of individual companies. We use a national network of internal and external experts and online capabilities to help companies overcome their challenges and scale up at a price they can afford. Advisory Services is an important part of how we deliver on our mission as a development bank and are complementary to consulting services available in the market.

A Statistics Canada study showed that BDC Advisory Services is a key growth enabler for our clients.[9] It found that BDC's impact on the revenue and employment growth of our clients is greater when they receive both financing and advisory services. They also perform better in terms of productivity growth and survival rates when they receive our advisory services.

The approach of Advisory Services is adapted to each business segment. For smaller businesses, we offer six standardized solutions that help entrepreneurs address fundamental business challenges and accelerate growth. All are delivered in a coaching format based on a learning to do-it-yourself approach and are designed to be delivered remotely. For larger and more complex companies, BDC advisors and external partners provide direct guidance over longer periods. We offer solutions covering all the principal management challenges and customize them for each client.

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

Over the planning period, our focus will be on helping even more entrepreneurs tackle business challenges. We are exploring a number of initiatives that would enable us to do so, including, notably, the development of an enhanced offering for smaller clients. We are also looking into further leveraging the expertise of account managers serving mid-sized firms, who, as development bankers, understand the challenges entrepreneurs face and can guide them in their choice to invest in an advisory mandate.

[9] BDC, *Measuring BDC's Impact on Clients (2008–2015)*, May 2019

Provide an excellent client experience

To fulfill our mission as a development bank, we strive to empower our clients at every stage of their business journey, regardless of their size, sector or location in Canada. We seek to build lasting relationships with entrepreneurs based on trust and our genuine desire to see them succeed. To achieve these goals, we work to understand their needs, preferences and ambitions and use these insights to create an easy, frictionless, personalized client experience for them.

Entrepreneurs have to adapt to a fast-changing environment and so does BDC to keep pace and remain relevant to them. In a reflection of an industry-wide evolution, our internal research shows that a large and growing number of clients now prefer to serve themselves digitally and/or have someone assist them remotely. This is why we have invested in recent years to develop our digital, automated and mobile capabilities.

These investments proved to be essential during the COVID-19 crisis, especially for our **online lending platform**, through which we were able to successfully serve an unprecedented number of entrepreneurs. As part of our ongoing efforts to improve our client experience, we continue to make this channel faster and easier to use for entrepreneurs looking for smaller loans. For example, we have introduced simple and secure ways for clients to digitally identify themselves, electronically submit and sign documents, and manage other communications and notifications virtually. We are also exploring innovative ways to further simplify the application process and reduce the time it takes for entrepreneurs to access the financing they need.

Even for larger, **more complex loans** that involve an account manager, we have improved automated and digital services to create a better client experience. This includes, for example, processes for completing and submitting key onboarding activities digitally, and automated processes for making loan requests and handling administrative tasks.

Another way we seek to add value for entrepreneurs is through our **BDC Mobile** app. This app is key to creating our desired omnichannel client experience. We are continuously enhancing the app's features to improve its usefulness for our clients. It currently allows entrepreneurs to access customized insights about their business and advice to help them make better decisions. In the future, it will include features that provide clients with timely, actionable notifications about their business, loan progress reports and personalized advice content.

Our digital transformation extends to our client-facing employees. We have deployed many mobile apps in the past few years to create a **mobile-enabled workforce.** Mobile devices and apps benefit our clients by making their interactions with our account managers easier and more insightful. Over the planning period, we will continue to enhance our existing apps to make sure they remain relevant and provide more value.

Digital enhancements are allowing us to accelerate our service and make it more flexible and responsive to client preferences. These efforts were recently recognized by Global Finance, which selected BDC for its *Best in SME Digital Banking in North America* award. Over the planning period, we will continue orchestrating our service across all channels and business lines to put the client at the centre of a truly omnichannel experience where interactions with us are simple, relevant, seamless and consistent.

Internal key enablers

We aspire to put our clients at the centre of everything we do by fostering an organization that cares deeply about their success and is equipped with tools to help them achieve it. This is why we continuously refine our processes and improve our use of data and technology so we can provide business owners with smart, convenient and comprehensive services. It also requires us to find great employees and get the best from them by creating a work culture that is more flexible, more diverse and more inclusive.

Client centricity

While BDC has been able to maintain strong client satisfaction levels over the years, we need to do more. This is why we are committed to taking client centricity to the next level by ensuring that client needs and perspectives are embedded in the design of processes and products.

A key element of our strategy is client segmentation. It is central to improving our client experience because it allows us to build relationships with entrepreneurs based on their needs, preferences and ambitions. We have segmented our clients into six groups that reflect their business size, complexity and growth trajectory.

We constantly conduct research to evaluate how the needs, challenges and opportunities of entrepreneurs are evolving in each segment. We use advanced analytics to draw insights from client data and market information to improve our service and provide relevant financing products and insightful business advice. In this way, we match our service to clients' needs and optimize the use of our resources to serve them better.

Human resources and culture

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

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

Our way of doing things is changing and we need to evolve our **workplace culture** to align it with the post-pandemic work experience and our digital transformation. Specifically, we are working to create a culture that enables a great client experience with digital at its core. To this end, in a fast-changing environment, we continuously equip our employees with resources, professional development and training opportunities to help them meet challenges and best support entrepreneurs.

Following extensive consultations, we have adopted a **hybrid work model** where the vast majority of employees will have the flexibility of working remotely. We believe it will position BDC to succeed in our ongoing digital transformation, cultural evolution and operational integration aimed at maximizing client centricity. It will also help us attract and retain talent to achieve our strategic objectives.

As we move to our hybrid model, BDC will continue to strive to provide employees with a supportive harassment-free working environment where their well-being is fostered. In this context, we continue to expand and develop a virtual wellness offering that provides flexibility and ease of access to health services that are particularly important during the pandemic.

We are also committed to **diversity, equity and inclusion** (DEI) as we encourage entrepreneurship in Canada, notably through our support for underserved and diverse groups of entrepreneurs.

Within BDC, our leadership and employees are equally committed to building an increasingly diverse, equitable and inclusive workplace.

We have been recognized for our commitment to DEI, including once again being named as a Best Diversity Employer in 2021, due to our many initiatives, partnerships and overall corporate support for DEI. However, we recognize BDC needs to be bolder and continue evolving its DEI strategy and culture.

Among the concrete steps we have taken to advance DEI within our organization and the venture capital industry, we became in 2020 a founding signatory of the Diversity in Action Initiative of the Institutional Limited Partners Association. In 2021, BDC also became one of the first VC investors in the world to survey its portfolio companies on diversity and inclusiveness. Results were published to bring more transparency to the market and to encourage other investors to benchmark their portfolio.

For the external VC funds we invest in, we now request reports on gender diversity at the fund manager level and in the senior management teams of their portfolio companies. With a view to promoting best diversity and inclusion practices, we are working on enhancing reporting requirements to include a full range of qualitative and quantitative diversity and inclusion data.

BDC also continues to focus on gender equality with a commitment to benchmarking ourselves from a gender parity perspective. We have achieved silver parity certification status with Women in Governance, and look to continue to enhance our position annually. We are proud that in 2021, our board has achieved a 50% representation of women.

BDC acknowledges its responsibility to contribute to reconciliation and education and to move forward with equitable opportunities for Black people, Indigenous people and people of colour. To support employees in their learning journey and deepen our commitment to anti-racism, we have launched mandatory inclusive leadership and allyship training as well as Indigenous awareness training.

We also continue to raise employee awareness about diverse entrepreneur groups by maintaining unconscious bias training as part of BDC's ongoing development curriculum and making cultural competency training available at all times.

Looking ahead, we will be performing analysis of diversity data to uncover and address any barriers to retention and advancement of diverse talent.

We will also continue implementing our Supplier Diversity Program to attract a greater number of suppliers from key entrepreneur segments, including Black and Indigenous entrepreneurs, people of colour, LGBTQ2+, women and B Corp companies. We have set ambitious internal goals to increase the reach of our program, and we are making measurable progress on achieving those goals.

Greening BDC's operations

To demonstrate leadership in the fight against climate change and pollution, BDC is working to quantify the environmental impacts of our operations with the goal of reducing them to zero by 2025. Some of our initiatives include:

- achieving LEED certification for 10 business centres and applying LEED criteria in all new business centres
- publicly endorsing the principles and guidelines of the Task Force on Climate-related Financial Disclosure and joining our finance sector peers in learning methodologies to implement them
- quantifying our baseline greenhouse gas emissions and changing our practices to reduce them, notably by curtailing travel

Additionally, our move to a hybrid work model will help reduce our carbon footprint by reducing commuting and optimizing the use of our existing real estate facilities. The adoption of new technologies and innovation in our business practices will also contribute to significantly reducing our carbon footprint.

Like all organizations, we are experiencing a transformation in our business operations. What will remain constant, however, is our habitual management practice of incorporating environmental responsibility into our planning and decision-making.

Branding

With the emergence of many new service offerings for Canadian entrepreneurs, it is important that we continue to invest in ensuring they are aware and understand how BDC can help them succeed. Our efforts remain geared towards strengthening our presence in the market, remaining top of mind for both clients and non-clients and reinforcing our position as the bank of choice for Canadian entrepreneurs.

Moving forward, our brand and advertising will put a stronger accent on BDC's commitment to diversity, equality and inclusion and our efforts to help build a more sustainable, low-carbon economy. We will also highlight our support for entrepreneurs as drivers of the Canadian economy.

Technology and data management

As we become a more digitally driven and customer centric organization, we are building capabilities to deepen our knowledge of our clients to meet their needs more rapidly and with more insight. In support of this effort, we continue to make investments in IT, process automation, advanced data analytics and overall data modernization. We are also maintaining and enhancing our existing systems and ensuring the highest possible levels of cyber-security to protect client data and our organization's ability to fulfill its mission.

Overview of key risks

BDC's risk management framework (RMF) has been designed to support the identification and assessment of existing and emerging risks that may impede our ability to effectively and appropriately achieve our mandate. The RMF is designed to support the organization in normal times as well as in extreme scenarios.

Risks will continue to evolve as a result of changes both within BDC and the external environment. The RMF provides for the continuous identification and assessment of risks. We review and assess significant risks that may impact the Bank's capacity to achieve its objectives as outlined in the Corporate Plan. Based on BDC's strategic objectives over the planning period, the following top risks have been identified and will be continuously monitored.

- **Changes in the business and economic environment**
  Changes in the business and economic environment may influence consumer and business buying habits and affect SME performance. A primary consideration for BDC is the uneven economic recovery where some industries and regions are growing while others are stagnating or deteriorating. Other considerations include the cessation of pandemic relief measures, unemployment rates, the cost of housing, household indebtedness, commercial real estate valuations and overall business sentiment.
- **Market uncertainty**
  Market risks include the level of government spending as well as fiscal and monetary stimulus, volatility in the financial markets, interest rate fluctuations, inflationary threats, potential tax increases and commodity price volatility that may have an impact on SME operational capacity.
- **Portfolio volatility**
  This encompasses risks associated with market uncertainty, declining liquidity, elevated asset and security valuations that may result in higher loan defaults, pricing that is not aligned to client risk profiles, inappropriately valued securities, declining fair value of venture capital investments and a higher number of clients who are vulnerable to financial difficulty.
- **Information security risk**
  This is the risk associated with complex and evolving cyber threats, including the continued challenge posed by sophisticated and well-resourced hackers. It also includes IT security risks in the supply chain and potential threats from insider misconduct.
- **Climate risk**
  Climate change will have a significant impact on Canadian SMEs in many sectors. Businesses must prepare for risks associated with extreme climate events and long-term climate pattern changes while also reducing their greenhouse gas emissions in response to government requirements, technological change and market demand. In light of these factors, climate change is a significant risk for BDC, our clients and the broader Canadian economy.
- **Operational risks**
  The increasing importance of remote employee and client interactions heightens our reliance on compliance with internal processes and procedures and on IT systems. Any significant deviation from approved processes, IT disruption, data compromise or lack of availability of personnel may impact the Bank's capacity to effectively fulfill its mandate.
- **Third party/supply chain risk**
  BDC continues to increase its interactions with third parties to deliver its products and services. This growing dependence increases BDC's exposure to the risks associated with the sourcing, procurement and ongoing performance of third parties and their supply chains and may result in unanticipated impacts for BDC.
- **Technology operations**
  As we increasingly engage with our clients and partners through digital channels and scale up our IT infrastructure, the organization is exposed to an increased threat involving system instability and/or availability issues.
- **Data management**
  BDC has established data management processes and systems to help us understand and meet SME needs, including in such areas as open banking. This has led to an increased reliance on, and need to invest in, data management and systems, including maintaining extensive security controls.
- **Executing on strategic objectives**
  The Bank has multiple concurrent initiatives underway, reflecting our short- and long-term priorities. The effective execution of these initiatives is vital for achieving our strategic objectives. The risks associated with achieving these objectives involve sophisticated change management strategies and reliance on personnel with specialized skills in an increasingly competitive workforce environment.

Financial overview

This section presents an overview of BDC's financial plan for fiscal 2023-2027. Details by business line are shown starting on page 47. The financial plan's projections for BDC's operations are based on economic observations and assumptions presented in the *External environment* section on page 7. They have been developed in a volatile economic environment where market uncertainty remains an important concern. This could result in variations from plan projections.

Fiscal 2022 results were strong, thanks to the economic recovery, which gave entrepreneurs renewed confidence to invest in projects that they had postponed during the worst of the pandemic. This led to an unexpected exceptional demand for our products and services. Our positive financial results put us on a strong footing to further support the economic recovery and key priorities over the planning period. BDC's expected volume of activity is presented in Table 1.

- Financing's loan acceptances are expected to grow at an annualized rate of 4% while the asset-backed securities portfolio should grow 7% annualized over the planning period. This growth will be driven by entrepreneurs who are focused on growth and looking to finance projects in their pipeline. Thus, demand for financing for investments in machinery and equipment and technology should increase.
- Growth & Transition Capital's (GTC) activity is forecast to increase by 9% annualized. Strong demand for business transition and acquisition financing should contribute greatly to the increase in activity over the planning period.
- Venture Capital is projected to invest from $490 million to $585 million per year over the planning period. Direct investments are projected to range between $185 million to $210 million, through investments in the Industrial Innovation Venture Fund and Growth Venture Co-Investment Fund. Additional capital injections through the Women in Technology Venture Fund and Industrial, Clean and Energy Technology Venture Fund will also drive direct investments. Meanwhile, indirect investments are expected to stabilize at $175 million per year, while growth equity activity is projected to range from $50 million to $75 million per year and intellectual property financing to reach $50 million in acceptances per year by fiscal 2024. Lastly, a new Cleantech Practice fund, which is projected to be launched in fiscal 2023, should invest between $30 million and $80 million per year.

Table 1—Activity level summary
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
Loans acceptances	5,185	9,040	9,220	9,545	10,070	10,595	11,140
Growth	*-30%*	*74%*	*2%*	*4%*	*6%*	*5%*	*5%*
Asset-backed securities disbursements	282	636	420	462	507	550	588
Growth & Transition Capital acceptances*	123	400	430	470	515	565	620
Growth	*-69%*	*225%*	*8%*	*9%*	*10%*	*10%*	*10%*
Venture Capital authorizations	367	470	490	520	560	580	585
Advisory Services revenue	21	27	31	32	33	35	36
Growth	*-28%*	*29%*	*15%*	*3%*	*3%*	*6%*	*3%*
Capital Incentive Programs authorizations	232	130	501	51	-	-	-
Credit Availability Program acceptances/authorizations	3,722	386	443	728	718	718	-
Credit Availability Program loans guarantees issuances	287	3,350	-	-	-	-	-

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

Actuals Forecast Plan

- Advisory Services' activity is expected to grow from 1,500 paid mandates in fiscal 2022 to 2,250 by fiscal 2027. This growth will come from providing more tailored product offerings and ensuring they are affordable for entrepreneurs. Over the same period, revenues are expected to grow from $27 million in fiscal 2022 to reach $36 million by fiscal 2027, representing an annualized growth rate of 6%. The cost recovery ratio should remain steady at around 53%.
- The Capital Incentive Programs (CIP) include the Venture Capital Action Plan (VCAP), the Venture Capital Catalyst Initiative (VCCI), the Cleantech Practice, the Indigenous Growth Fund (IGF) and the new Venture Capital Catalyst Initiative II (VCCI II). The $600-million Cleantech Practice envelope will be fully committed by the end of fiscal 2024. An amount of $450 million is expected to be authorized under Venture Capital Catalyst Initiative II in fiscal 2023 of which $361 million will be disbursed over the planning period.
- The Credit Availability Program (CAP) brings together initiatives meant to increase capital availability for specific SME needs, such as COVID-related and digital adoption needs. By the end of fiscal 2022, we expect that more than $7.7 billion of capital would have been committed through CAP initiatives, including $3.6 billion in loan guarantees through the Highly Affected Sectors Credit Availability Program. Following the announcement of the Canada Digital Adoption Program (CDAP), CAP was extended to include CDAP. Through CDAP, BDC aims to deploy $2.6 billion in loans over four years to help Canadian SMEs finance implementation of digital adoption plans. There is a high level of uncertainty on the amounts to be committed by CAP initiatives because deployment depends on factors outside of BDC's control.

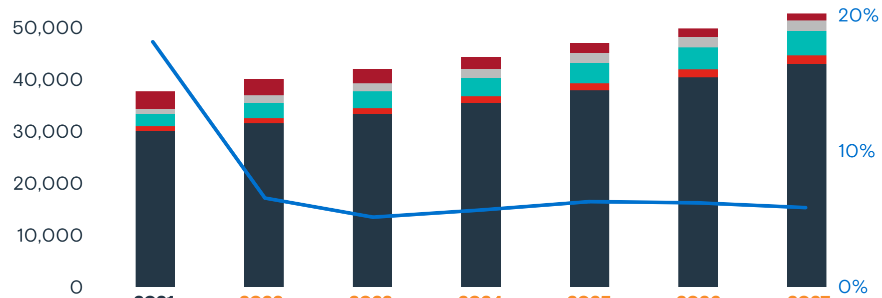
As shown in Table 2, the consolidated portfolio experienced significant growth in fiscal 2021, driven mainly by activity from CAP's COVID-related initiatives. The business lines' planned level of activity is expected to bring the portfolio to over $54 billion by fiscal 2027. BDC's consolidated portfolio annualized growth of 6% is slightly below historical levels as the CAP portfolio is forecast to decrease significantly by fiscal 2027 as entrepreneurs repay their COVID relief loans.

The estimated core portfolio growth in fiscal 2022 should reach 10%. This is due to a higher concentration of activity in the core business lines as most COVID-related initiatives came to an end in the first quarter of fiscal 2022 and demand increased from entrepreneurs to finance projects set aside during the worst of the pandemic in fiscal 2021.

From fiscal 2022, the core portfolio's annualized growth is projected at a healthy 7%, in line with the activity level in our core business units.

BDC's net revenue, as shown in Table 3, was strong in fiscal 2021 and is also expected to be strong in fiscal 2022 due to realized gains on investments in the Venture Capital and CIP segments. Net revenue is expected to decrease in fiscal 2023 before increasing steadily to reach $2.7 billion by fiscal 2027. This will be driven by a rising portfolio in Financing and GTC, and increasing realized gains on investments from Venture Capital and CIP.

Table 2—Consolidated portfolio
($ in millions)



	2021	2022	2023	2024	2025	2026	2027
Financing*	29,943	32,231	34,259	36,595	39,180	41,803	44,640
Growth & Transition Capital**	914	1,062	1,173	1,291	1,414	1,549	1,704
Venture Capital**	2,368	3,065	3,295	3,592	3,972	4,370	4,767
Capital Incentive Programs**	963	1,389	1,535	1,636	1,628	1,539	1,433
Credit Availability Program***	3,407	3,198	2,551	2,105	1,872	1,756	1,350
Total portfolio	**37,595**	**40,945**	**42,813**	**45,219**	**48,066**	**51,017**	**53,894**
Growth %	**16.7%**	**8.9%**	**4.6%**	**5.6%**	**6.3%**	**6.1%**	**5.6%**

* Financing's loans are at amortized cost. Financing's subordinate financing investments and asset-backed securities are at fair value.
** At fair value
*** Credit Availability Program portfolio is at cost except for Venture Capital Bridge Financing Program investments that are at fair value

Table 3—Summary of BDC consolidated net income and capital expenditures
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
Net revenue	1,775	2,146	1,976	2,086	2,241	2,406	2,692
Growth	*2%*	*21%*	*-8%*	*6%*	*7%*	*7%*	*12%*
Provision for expected credit losses	(507)	97	(349)	(399)	(381)	(411)	(446)
Net change in unrealized appreciation (depreciation) of investments and other	1,056	811	(312)	(365)	(222)	(160)	(24)
Operating and administrative expenses	674	705	821	870	922	970	1,018
Growth	*-2%*	*5%*	*16%*	*6%*	*6%*	*5%*	*5%*
Net income	**1,650**	**2,349**	**494**	**452**	**716**	**865**	**1,204**
Capital expenditures	26	19	25	15	13	12	10

Actuals Forecast Plan

Operating and administrative expense growth is expected to be 16% in fiscal 2023. Investments in our digital transformation and the ramp-up of initiatives such as the Women in Technology Venture Fund and the Industrial, Clean and Energy Technology Venture Fund will contribute to this planned growth. In addition, the deployment of new initiatives such as the Venture Capital Catalyst Initiative II and the Canada Digital Adoption Program will also contribute to the planned growth. Finally, hiring to fill many vacant positions due to labor shortage and employees returning to the office under our new hybrid work model should also lead to higher expenses. From fiscal 2023, operating and administrative expenses annualized growth is expected to be 6%. This growth should be outpaced by net revenue growth as BDC benefits from efficiency gains from investments in processes and technology.

BDC's high profitability in fiscal 2022 is mainly due to fair value appreciations and realized gains on investments in the Venture Capital and CIP segments, reflecting remarkable growth in the Canadian VC ecosystem. The higher net income in fiscal 2022 is also due to reversals of provisions for expected credit losses in a recovering economy.

BDC's consolidated net income is forecast to reach $1.2 billion by fiscal 2027. This will enable BDC to continue to support the long-term success of entrepreneurs for the benefit of all Canadians. The expected increase in annual net income over the planning period will be mainly due to rising net interest income in Financing and greater net income for GTC and Venture Capital. Reductions in CAP's net loss and limited growth in operating expenses will also contribute to rising net income.

As income generated by activities surpasses capital required to support portfolio growth, BDC expects to have excess capital available to increase support for SMEs going forward and/or make dividend payments over the planning period.

Lastly, to remain efficient and responsive to clients, BDC will continue to invest in information technology and its digital transformation, including enhanced data capabilities. For more information, please refer to the *Capital budget* on page 53.

Key financial indicators

Table 4 presents financial indicators related to BDC's financial sustainability and capital adequacy, as required by the Capital and Dividend Policy Framework for Financial Crown Corporations.

Adjusted annual return on equity[1]

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

Adjusted return on equity is expected to decrease to 8.4% in fiscal 2024 as the provisions for expected credit losses and Venture Capital profitability stabilize to their historical levels. The ratio should then increase to 9.5% in fiscal 2027 in line with planned net income growth.

10-year moving average for adjusted return on equity

The 10-year moving average for adjusted return on equity is expected to slowly decrease until fiscal 2026. This is mainly due to net income stabilizing after hitting record levels in fiscal 2021 and 2022.

BDC's Efficiency ratio

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

The ratio will deteriorate early in the planning period as BDC invests in its digital transformation and launches new initiatives. From fiscal 2023, the measure will improve, reflecting efficiency gains from investments in improved processes and technology, combined with strong net revenue growth. As shown in Table 4, the ratio is forecast to improve from 40.6% in fiscal 2023 to 39.0% in fiscal 2027, meaning BDC will incur 39.0 cents of expense to earn one dollar of revenue.

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

Internal capital ratio

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

From fiscal 2023 to fiscal 2027, the growth of available capital will outpace the growth in capital demand and core excess capital is expected to be returned as dividends to the shareholder. As a result, the ratio is expected to meet or exceed target levels over the planning period.

Table 4—Key financial indicators

	2021	2022	2023	2024	2025	2026	2027
Adjusted return on equity (annual)	22.9%	23.0%	8.9%	8.4%	9.0%	9.2%	9.5%
Adjusted return on equity (10-year moving average)	11.2%	12.1%	11.8%	11.6%	11.4%	11.3%	11.4%
BDC efficiency ratio	38.1%	36.1%	40.6%	40.5%	39.9%	39.3%	39.0%
Internal capital ratio	112%	122%	110%	110%	110%	109%	109%

Expected results and performance indicators

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

Short term (1 year)		Actual F2021	Target F2022	Forecast F2022	Target F2023
Support more entrepreneurs	# of clients (direct)[1]	59,588	61,500	62,350	69,550
Provide asset-light financing	$ of acceptances for GTC, online financing, IP financing and ICT leveraged loans ($ in millions)	1,318	800	980	1,490
Support Indigenous entrepreneurs	# of direct clients identified as Indigenous	881	950	950	1,045
Make it easy for clients to do business with BDC	% of very satisfied clients[2]	65	67	67	67
Provide advisory services to accelerate growth, innovation and productivity	Revenue from Advisory Services ($ in millions) ***Former definition***	21	22	27	N/A
	Number of new Advisory Services mandates ***New definition***	1,030	N/A	1,484	1,650

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

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

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

Medium term (3 years)		Actual F2021	Forecast F2022	Target (T)
Work in partnership to extend reach and provide support to entrepreneurs	# of indirect clients	13,233	28,345	T2023 12,500
Support women entrepreneurs	# of direct clients identified as women-owned businesses (ownership of 50% and over)	15,112	16,300	T2024 19,000
Accelerate entrepreneurs' competitiveness	Results of BDC's Impact Study[3]	N/A	6.8	T2025 BDC has a positive impact on revenue growth
Promote diversity, equity and inclusion in the workplace	% of BDC workforce compared to labour market availability (LMA) in the finance sector in each of the designated groups (women, Indigenous, visible minorities and persons with disabilities)[4]	Women 49.4	Women 49.0	T2025 BDC meets LMA
		Indigenous 1.2	Indigenous 1.3	
		Visible minorities 21.8	Visible minorities 22.3	
		Persons with disabilities 2.0	Persons with disabilities 3.0	
Fullfill BDC's complementary role by serving underserved entrepreneurs	% of Financing portfolio that is sub-investment grade[5]	90	89	T2025 Maintain a minimum of 88

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

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

[4] Labour market availability represents the share of designated group members in the Canadian finance sector labour market, which stood at 47.8% for women, 2.0% for Indigenous, 24.4% for visible minorities and 8.2% for persons with disabilities as at March 31, 2021.

[5] Sub-investment grade is rated BB+ or less.

Long term (5 years)		Actual F2021	Forecast F2022	Target (T)
Support women-led tech firms	$ authorized to women in tech (VC) ($ in millions, cumulative to fiscal 2023)[6]	90	117	T2023 100
Increase the amount of capital available to Canada's promising cleantech firms	$ accepted, Cleantech Practice ($ in millions, cumulative fiscal 2018 to fiscal 2024)[7]	371	500	T2024 600
Provide financing and advisory services that enable clients to succeed	% of clients who reported a positive impact on their business following the services they received from BDC[8]	88	92	T2027 Maintain a minimum of 89
Help restore the VC asset class to profitability to attract private sector investors	BDC direct VC funds total value to paid-in capital (TVPI)[9]	2.18	2.31	T2027 1.80 or higher

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

6 Includes both direct and indirect investments authorized by the Women in Technology Venture Fund.

7 Includes Financing, Growth & Transition Capital and Venture Capital. Due to the pandemic, we now anticipate the target to be reached in fiscal 2024, two years later than originally planned.

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

9 TVPI, a standard VC industry metric, is the ratio of the current value of investments to the original amount invested. BDC's direct VC funds are Deep Tech Venture Fund, Information Technology Fund, Healthcare Fund, Industrial, Clean and Energy Technology Fund, Industrial Innovation Venture Fund, Growth Venture Co-Investment Fund and Women in Technology Venture Fund.

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

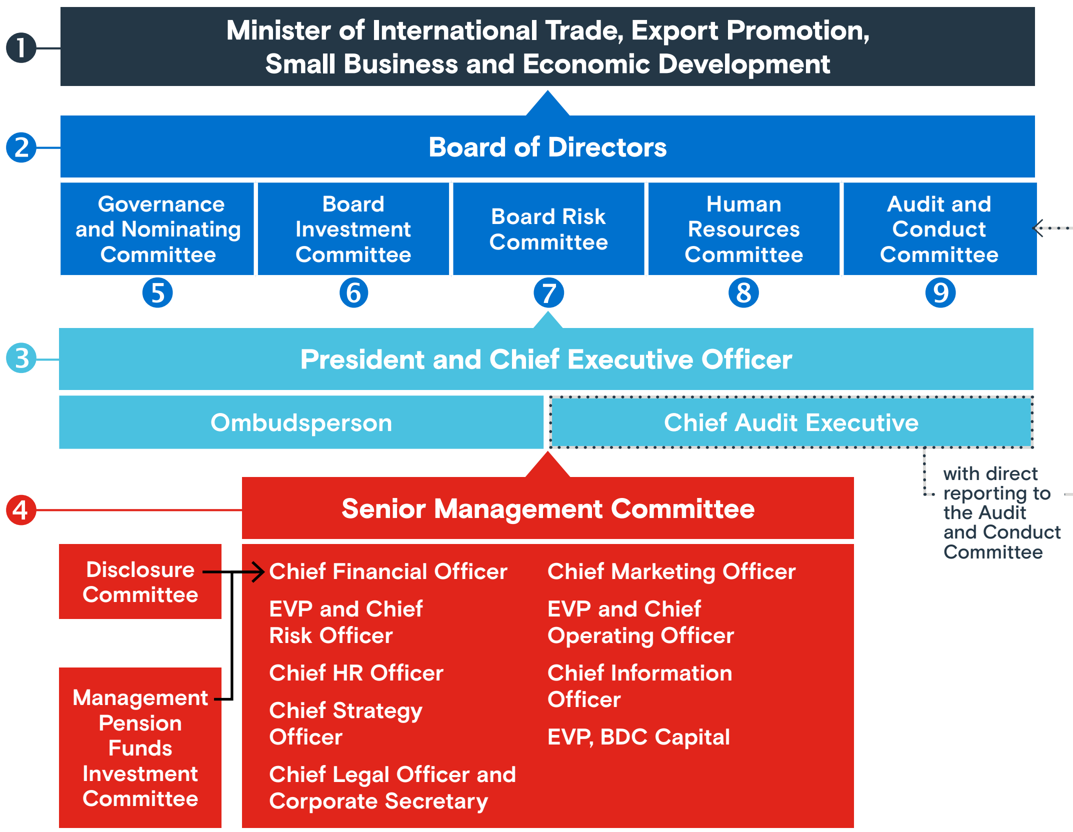
Isabelle Hudon, Chief Executive Officer, BDC

Original signed January 21, 2022

Appendix 1
Corporate governance

The Corporate Plan is the centerpiece of the accountability process for Crown corporations and is an important element of BDC's governance structure. BDC also regularly interacts with officials of the Government of Canada, our sole shareholder, to ensure alignment with government priorities and direction.

The Corporate Plan's objective is to inform ministers and government officials of BDC's strategic plan, planned activities and expenditures over a five-year planning horizon and to request approval for them.



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

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

- approving BDC's strategic direction, Corporate Plan, and operating and capital budgets to meet its public policy mandate
- reviewing the relevance and effectiveness of BDC's mandate from time to time
- ensuring BDC is operating within its mandate and making recommendations to the shareholder
- ensuring BDC is meeting its impact objectives and outcomes
- approving the risk appetite framework and the regulatory compliance framework
- approving all policies, which have been reviewed and recommended by the relevant board committee
- approving succession planning, performance management and compensation for the senior management team
- setting the President and CEO's performance objectives and evaluating his or her performance
- ensuring the highest standards of corporate governance and board effectiveness
- approving financial management, internal controls and management information systems
- overseeing the performance of, investment in, and governance of BDC's pension plans
- approving financing and investment activities beyond the board committees' authority, and overseeing the lines of business

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

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

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

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

The **Board Investment Committee** ❻ helps the board oversee all investment activities at BDC. Its duties include the following:

- reviewing policies and processes concerning investment activities
- reviewing and assessing all risks associated with investments and their management
- reviewing all strategies and capital allocations for material investment activities in accordance with the Delegation of Authority Policy, including reviewing venture capital, growth equity and cleantech transactions
- reviewing strategic initiatives aimed at improving the venture capital ecosystem
- monitoring portfolio performance
- recommending delegations of authority for investments
- approving investment transactions that exceed management's or a fund's delegation of authority and recommending to the board those that exceed its own authority for all direct and indirect investments and co-investments

The **Board Risk Committee** ❼ oversees the risk management framework and important strategic initiatives. Its duties include the following:

- ensuring that BDC's material financial, business and operational risks are identified and that adequate controls are in place
- responsibility for oversight of privacy controls and recommending the Privacy Policy to the board
- responsibility for overseeing environmental risks, including compliance with the *Impact Assessment Act* and evaluating and reporting on climate risk exposure in the portfolio
- overseeing the activities of the Chief Risk Officer and the risk function
- monitoring BDC's risk profile, stress testing, strategic and emerging risks and compliance with risk limits
- overseeing the activities of the compliance function and the Chief Compliance Officer
- overseeing the application of laws and regulations regarding know your client, anti-money laundering and terrorist financing and sanctions, as well as overseeing the activities of the Chief Anti-Money Laundering Officer
- approving stress testing models and results
- overseeing and approving Financing and Wholesale Financing transactions that exceed the delegation of authority of senior management
- approving the framework for the approval of all new products and services, including programs initiated by the shareholder

The **Human Resources Committee** ❽ helps the board oversee the management of human capital to ensure that BDC attracts and retains the talent needed to deliver on its mandate and business objectives. Its duties include the following:

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

The **Audit and Conduct Committee** ❾ promotes an overall corporate culture of quality financial reporting and ethical behaviour. Its duties include the following:

- recommending BDC's Consolidated Financial Statements to the board and reviewing the adequacy and effectiveness of the internal control framework
- overseeing financial risk
- overseeing information management systems and data governance
- recommending the Capital Management and Dividend Policy to the board
- overseeing the internal audit function and the Chief Audit Executive
- overseeing the external auditors and special examiners
- overseeing BDC's standards of integrity and conduct

Compensation of key management personnel

Key management personnel are defined as those officers having authority and responsibility for planning, directing and controlling the activities of BDC, including members of the Board of Directors. The following table presents the compensation expense of key management personnel.

$ in thousands	2020	2021
Salaries and short-term employee benefits	6,455	5,705
Post-employment benefits	1,474	1,277
Other long-term benefits	1,269	1,050
Total	**9,198**	**8,032**

Risk management

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

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

- it understands, can manage and are aligned with its strategy
- are consistent with its mandate to support Canadian SMEs
- are not expected to negatively impact its brand, its reputation, or the shareholder's reputation

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

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

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

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

Top risks

F Portfolio risk
The risk that business disruption, market uncertainty, global recession and declining liquidity will lead to higher loan defaults, pricing that is not aligned to client risk profiles, declining fair value of venture capital investments and a higher number of clients who are vulnerable to financial difficulty.

O Operational risk
Risk associated with operational failure due to human, process or technology faults in the context of physical distancing (displacement of employees and remote interaction with clients) and remote connectivity.

O Financial crimes and misconduct
Risk associated with criminal acts or misconduct.

T Cyber-security
Risk associated with the intentional or unintentional exploitation of vulnerabilities or weaknesses in IT controls. This risk is further elevated as a result of remote connectivity by employees and suppliers and the current operating environment.

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

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

T O Data risk
Risk associated with deficiencies in data privacy and confidentiality, information governance and lifecycle management.

F Market uncertainty
The risk that increasing market uncertainty and adverse changes in the macroeconomic environment will result in significant changes in interest rates and other market factors impacting loans, investments and transactions.

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

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

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

F Portfolio volatility
The risk that increasing market uncertainty and adverse changes in market factors such as interest rates, foreign exchange rates, equity or commodity prices will result in losses that exceed expectations.

F Financial risk T Technological risk O Operational risk

Alignment with government priorities

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

Transparency and open government

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

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

Response to the COVID-19 pandemic

Responding to the effects of the ongoing COVID-19 pandemic is among the most important priorities of the Government of Canada. Supporting entrepreneurs through this difficult time is also of the greatest importance to BDC. To learn more about BDC's efforts to help entrepreneurs during the pandemic and support them through the recovery, please refer to the section *Objective 1* on page 10.

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

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

Diversity, equity and inclusion (DEI)

In addition to our efforts to provide a more diverse, equitable and inclusive environment at BDC, as presented in the section *Internal key enablers* on page 21, BDC, with the guidance of the Bank's Indigenous Peoples Employee Resource Group, continues to contribute to the following two calls to action of the Truth and Reconciliation Commission of Canada.

Call to Action 92—Business and reconciliation

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

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

BDC will provide education to employees on the history of Indigenous peoples, including the history and legacy of residential schools, the United Nations Declaration on the Rights of Indigenous Peoples, Treaties and Aboriginal rights, Indigenous law and Aboriginal-Crown relations. This includes skills-based training on inter-cultural competency, conflict resolution, human rights and anti-racism.

BDC is also committed to ensuring its services are accessible to all entrepreneurs, regardless of gender, race, ethnicity, sexual orientation, religion, age or disability, and recognizes the importance of using a gender equity lens in our endeavours. We ensure that all stakeholders are considered and unintended consequences mitigated by examining how various intersecting identity factors impact the effectiveness our initiatives. Furthermore, we pay particular attention to underserved and diverse segments by offering them tailored support. This includes, but is not restricted to, women, Black, Indigenous and young entrepreneurs. (See *Supporting underserved and diverse entrepreneurs* on page 12 for more details.)

Accessibility

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

Our support for diversity and inclusion extends to people with disabilities. With the support of our community partners and other organizations, including the Canadian Council on Rehabilitation and Work, we are reviewing our human resources practices for barriers to equitable and accessible recruitment and retention practices. As well, innovative physical workplace accommodations are reflected in our renovation projects.

Safe workspaces

BDC's People Policy defines a mutual commitment from BDC and our employees to ensure safe workspaces. The policy aims to make our organization a great place to work, conducive to achieving our aspiration to make Canadian entrepreneurs the most competitive in the world. It complies with the *Business Development Bank of Canada Act* and with all Canadian labour laws and regulations. This policy includes the following key elements.

- BDC promotes a culture in which employees and internal or external partners (colleagues, clients, suppliers, etc.) are treated with respect and courtesy in a spirit of collaboration, openness and accountability.
- BDC commits to providing a work environment that protects and fosters the security, health, safety and overall well-being of all employees.

Here are BDC's key partnerships, listed by priority they are addressing.

Support for COVID-19 relief measures

Through our COVID relief initiatives, we have reached tens of thousands of additional entrepreneurs by partnering with 52 financial institutions across the country, including ATB Financial, Bank of Montreal (BMO), Canadian Imperial Bank of Commerce (CIBC), Canadian Western Bank (CWB), Desjardins, FirstOntario Credit Union Ltd., HSBC Bank Canada, Libro Credit Union Ltd., Meridian Credit Union Ltd., National Bank of Canada, Royal Bank of Canada (RBC), Scotiabank, Servus Credit Union Ltd., Toronto-Dominion Bank (TD) and Vancouver City Savings Credit Union (Vancity).

Support for underserved and diverse entrepreneurs

Alterna Savings and Credit Union: BDC and Alterna Savings and Credit Union are in the final stages of signing a co-lending agreement to extend loans between $5,000 and $25,000 each to Black entrepreneurs, women entrepreneurs and social entrepreneurs. BDC's envelope for this initiative is $2 million, which is expected to be used over a three-year period.

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

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

Canadian Black Chamber of Commerce (CBCC): CBCC supports the business objectives and represents the interests of Black entrepreneurs. It provides opportunities to bid on corporate and government contracts, offers mentoring and access to financing via partners. BDC and the Canadian Black Chamber of Commerce partnered on the *Building Black Businesses in Canada* report.

Canadian Council for Aboriginal Business (CCAB): CCAB provides an array of business development opportunities, including certification for Aboriginal-owned businesses and companies with progressive aboriginal relations. BDC is currently in partnership discussions with CCAB to better serve Indigenous businesses.

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

Cisco and Women of Influence: BDC launched new programs with Cisco and Women of Influence to provide support, mentorship and peer-to-peer sharing for women entrepreneurs across the country. These programs include *What Now?* where inspirational women leaders share how they are coping with the pandemic, *Inward Strong*, focusing on the mental health and wellness of women entrepreneurs, and *What Next?*, consisting of curated content designed for women entrepreneurs.

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

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

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

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

Groupe 3737: This is an entrepreneurship hub that offers workshops, mentoring, access to capital and a program dedicated to Black women entrepreneurs. BDC is in preliminary discussions to explore what support we could provide to this organization, mainly in terms of non-financial resources, which could then be replicated with other similar local organizations.

National Aboriginal Capital Corporations Association (NACCA): BDC has partnered with NACCA to launch the Indigenous Growth Fund, a $150-million investment fund that provides Indigenous SMEs with business loans from the network of Aboriginal Financial Institutions.

Pitch Better: Pitch Better is an organization focused on developing and scaling small businesses through market research and capacity building. BDC supported its *FoundHers* report—Canada's largest research to date about Black women entrepreneurs.

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

Start-Up Canada: BDC supports the Canadian start-up community via sponsorship and attendance at Start-up Canada events across the country.

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

Helping connect BDC's clients to government services

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

Business, Economic and Trade Recovery initiative (BETR): BDC is a member of the BETR initiative, which studies export sectors with the most potential for immediate growth and how different government agencies can work together to increase their impact on businesses in these sectors. It also seeks to communicate directly with the sectors to better understand their challenges so government agencies can identify ways to help. The initiative currently focuses on three key sectors: health technologies, agri-food and agriculture technologies, and Asia infrastructure. BDC leads the efforts in the health technologies sector.

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

Department of National Defence (DND): DND runs the Innovation for Defence Excellence and Security (IDEaS) program. BDC and DND have signed a memorandum of understanding for referrals between DND and BDC for businesses that have successfully gone through the IDEaS program.

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

Support for the innovation ecosystem

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

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

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

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

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

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

MaRS: BDC partners with the MaRS Discovery District through StandUp Ventures, which supports women-led start-ups, and through MaRS's Investment Accelerator Fund, which focuses on scaling up IT, health and cleantech businesses.

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

Prospect.fyi: BDC is a founding partner in Prospect.fyi. This partnership is designed to improve access to talent for Canadian tech companies by both attracting more applicants to the sector and sharing more information about hiring trends with the community.

Support for growth and international expansion

Export Development Canada (EDC): Collaboration with EDC includes a technology financing joint lending initiative, a joint international purchase order product and a two-way referral system that ensures Canadian companies get access to the services of the organization whose competencies best meet their needs.

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

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

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

Regulatory compliance processes

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

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

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

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

Regulatory compliance framework

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

Business units as operational management

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

Compliance as an oversight function

- The adequacy and effectiveness of day-to-day compliance internal controls are overseen by the corporate compliance function, using a risk-based approach. The corporate compliance function is an independent oversight function that assigns responsibility for ensuring all relevant laws and regulations are respected. It also assesses the adequacy and effectiveness of day-to-day compliance internal controls and assists business units in developing appropriate policies, corporate directives, procedures, processes and tasks.

Internal audit as an independent review function

- The activities carried out by the corporate compliance function are subject to periodic reviews by internal audit, which assesses the reliability of and adherence to the regulatory compliance framework. In addition, the compliance function reports to the Audit and Conduct Committee, assuring its independence, and carries out compliance testing across all lines of business and corporate functions in alignment with BDC's risk controls.

Regulatory Compliance Policy

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

Regulatory compliance accountability

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

Regulatory compliance activities

In alignment with its compliance activities, BDC ensures that it operates in compliance with applicable laws, regulations, policies and legislation. Examples of activities to ensure compliance include the following:

Access to Information Act and Privacy Act

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

Official Languages Act

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

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

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

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

Financial statements and notes

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

Table 5—Consolidated statement of financial position
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
ASSETS							
Cash and cash equivalents	801	787	829	868	903	953	997
Derivative assets	5	12	–	–	–	–	–
Loans							
Loans, gross carrying amount	32,431	34,252	35,605	37,436	39,739	42,194	44,544
Less: allowance for expected credit losses	(1,526)	(1,083)	(1,162)	(1,189)	(1,231)	(1,282)	(1,342)
Loans, net of allowance for expected credit losses	30,905	33,169	34,443	36,247	38,508	40,912	43,202
Asset-backed securities	733	996	1,050	1,126	1,215	1,314	1,425
Subordinate financing investments	1,453	1,815	2,017	2,270	2,484	2,708	2,920
Venture capital investments	2,978	3,882	4,141	4,387	4,628	4,801	5,005
Total investments	5,164	6,693	7,208	7,783	8,327	8,823	9,350
Right-of-use asset	119	102	97	85	73	61	48
Net defined benefit asset	5	–	–	–	–	–	–
Other assets	149	144	140	126	110	96	82
Total assets	**37,148**	**40,907**	**42,717**	**45,109**	**47,921**	**50,845**	**53,679**
LIABILITIES AND EQUITY							
Liabilities							
Accounts payable and accrued liabilities	195	209	217	228	242	257	271
Derivative liabilities	2	7	–	–	–	–	–
Borrowings							
Short-term notes	13,336	14,047	19,999	23,289	25,588	27,941	30,044
Long-term notes	5,036	5,475	6,631	6,831	7,107	7,345	7,276
Total borrowings	18,372	19,522	26,630	30,120	32,695	35,286	37,320
Lease Liabilities							
Short-term lease liabilities	13	12	14	14	14	14	12
Long-term lease liabilities	119	104	99	86	73	59	47
Total lease liabilities	132	116	113	100	87	73	59
Net defined benefit liability	278	132	138	154	172	194	232
Other liabilities	151	358	190	146	125	115	116
Total liabilities	**19,130**	**20,344**	**27,288**	**30,748**	**33,321**	**35,925**	**37,998**
Equity							
Share capital	11,512	12,290	7,919	6,657	6,562	6,395	6,395
Contributed surplus	28	28	28	28	28	28	28
Retained earnings	6,451	8,137	7,374	7,568	7,902	8,389	9,150
Accumulated other comprehensive income	14	8	8	8	8	8	8
Equity attributable to BDC's shareholder	**18,005**	**20,463**	**15,329**	**14,261**	**14,500**	**14,820**	**15,581**
Non-controlling interests	13	100	100	100	100	100	100
Total equity	**18,018**	**20,563**	**15,429**	**14,361**	**14,600**	**14,920**	**15,681**
Total liabilities and equity	**37,148**	**40,907**	**42,717**	**45,109**	**47,921**	**50,845**	**53,679**
Debt-to-equity ratio	**1.0**	**1.0**	**1.7**	**2.1**	**2.3**	**2.4**	**2.4**

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Table 6—Consolidated statement of income
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
Interest income	1,613	1,690	1,831	2,085	2,407	2,711	2,926
Interest expense	94	106	146	269	414	546	605
Net interest income	**1,519**	**1,584**	**1,685**	**1,816**	**1,993**	**2,165**	**2,321**
Net realized gains (losses) on investments*	168	434	157	130	97	87	218
Revenue from Advisory Services	21	27	31	32	33	35	36
Fee and other income	67	101	103	108	118	119	117
Net revenue	**1,775**	**2,146**	**1,976**	**2,086**	**2,241**	**2,406**	**2,692**
Provision for expected credit losses	(507)	97	(349)	(399)	(381)	(411)	(446)
Net change in unrealized appreciation (depreciation) of investments**	1,136	796	38	89	156	171	62
Net foreign exchange gains (losses)	(81)	23	2	2	2	2	2
Net gains (losses) on other financial instruments	1	(8)	(352)	(456)	(380)	(333)	(88)
Income before operating and administrative expenses	**2,324**	**3,054**	**1,315**	**1,322**	**1,638**	**1,835**	**2,222**
Salaries and benefits	454	477	536	574	609	648	686
Premises and equipment	44	44	44	46	47	47	47
Other expenses	176	184	241	250	266	275	285
Operating and administrative expenses	**674**	**705**	**821**	**870**	**922**	**970**	**1,018**
Net income	**1,650**	**2,349**	**494**	**452**	**716**	**865**	**1,204**
Net income attributable to:							
BDC's shareholder	1,648	2,253	494	452	716	865	1,204
Non-controlling interests	2	96	–	–	–	–	–
Net income	**1,650**	**2,349**	**494**	**452**	**716**	**865**	**1,204**

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

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

	2021	2022	2023	2024	2025	2026	2027
Net income	**1,650**	**2,349**	**494**	**452**	**716**	**865**	**1,204**
Other comprehensive income (loss)							
Items that may be reclassified subsequently to net income							
Net change in unrealized gains (losses) on fair value through other comprehensive income assets	6	(5)	–	–	–	–	–
Net unrealized gains (losses) on cash flow hedges	(1)	(1)	–	–	–	–	–
Total items that may be reclassified subsequently to net income	**5**	**(6)**	**–**	**–**	**–**	**–**	**–**
Items that will not be reclassified to net income							
Remeasurements of net defined benefit asset or liability	(43)	168	–	–	–	–	–
Other comprehensive income (loss)	**(38)**	**162**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**1,612**	**2,511**	**494**	**452**	**716**	**865**	**1,204**
Total comprehensive income attributable to:							
BDC's shareholder	1,610	2,415	494	452	716	865	1,204
Non-controlling interests	2	96	–	–	–	–	–
Total comprehensive income	**1,612**	**2,511**	**494**	**452**	**716**	**865**	**1,204**

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Table 8—Consolidated statement of changes in equity
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
Opening balance	**8,903**	**18,018**	**20,563**	**15,429**	**14,361**	**14,600**	**14,920**
Net Income	1,650	2,349	494	452	716	865	1,204
Other comprehensive income (loss)	(38)	162	–	–	–	–	–
Total comprehensive income	**1,612**	**2,511**	**494**	**452**	**716**	**865**	**1,204**
Dividends on common shares	–	(735)	(1,257)	(258)	(382)	(378)	(443)
Distributions to non-controlling interests	–	(9)	–	–	–	–	–
Issuance (repurchase) of common shares	7,503	778	(4,371)	(1,262)	(95)	(167)	–
Closing balance	**18,018**	**20,563**	**15,429**	**14,361**	**14,600**	**14,920**	**15,681**

Table 9—Consolidated statement of cash flows
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
Net cash flows used in operating activities	(3,102)	(888)	(1,081)	(1,551)	(1,752)	(1,740)	(1,277)
Net cash flows used in investing activities	(220)	(296)	(343)	(365)	(295)	(241)	(255)
Net cash flows provided by financing activities	2,302	1,170	1,466	1,955	2,082	2,031	1,576
Net increase (decrease) in cash and cash equivalents	**(1,020)**	**(14)**	**42**	**39**	**35**	**50**	**44**
Cash and cash equivalents at beginning of year	1,821	801	787	829	868	903	953
Cash and cash equivalents at end of year	**801**	**787**	**829**	**868**	**903**	**953**	**997**

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Operating budget

Financing

At the outset of the pandemic, demand for liquidity was high as entrepreneurs had an urgent need for credit. This demand was mainly met through government assistance programs, including BDC's Credit Availability Program initiatives. At the same time, other lenders continued to provide liquidity to entrepreneurs that were navigating through the economic crisis. As a result, demand for BDC's core products was lower in fiscal 2021.

In fiscal 2022, SMEs needed financing for projects that they had delayed during the worst of the pandemic. Thus, acceptances are expected to greatly surpass pre-pandemic levels. From fiscal 2023, credit demand from entrepreneurs is expected to be solid as many businesses will focus on growth coming out of the pandemic. Investments in machinery and equipment, and technology should increase. As a result, acceptances are expected to grow at a 4% annualized pace over the planning period.

This, as well as initiatives to increase client retention, should translate into vigorous portfolio growth of 7% annualized during the planning period. This would bring the portfolio to $45 billion by fiscal 2027.

Included in the Financing portfolio, the asset-backed securities portfolio is expected to grow by 7% annualized during the planning period, reflecting BDC's desire to reach more entrepreneurs through indirect channels.

Net income from Financing is expected to decrease from fiscal 2022 to fiscal 2024 as provisions for expected credit losses return to their historical levels. The net income will then increase until fiscal 2027 due to a larger portfolio combined with higher interest margins as interest rates increase. Lastly, efficiency gains from investments in technology and digital initiatives will result in an increase in productivity, contributing to rising profitability.

Table 10—Financing: Activity and statement of income
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
Loans acceptances	**5,185**	**9,040**	**9,220**	**9,545**	**10,070**	**10,595**	**11,140**
Asset-backed securities disbursements	**282**	**636**	**420**	**462**	**507**	**550**	**588**
Net interest income	**1,360**	**1,384**	**1,486**	**1,609**	**1,759**	**1,902**	**2,053**
Fee and other income	24	26	29	30	32	34	35
Net revenue	**1,384**	**1,410**	**1,515**	**1,639**	**1,791**	**1,936**	**2,088**
Provision for expected credit losses	(262)	272	(234)	(321)	(316)	(340)	(364)
Net change in unrealized appreciation (depreciation) of investments	(5)	(4)	–	–	–	–	–
Net foreign exchange gains (losses)	(4)	1	–	–	–	–	–
Net gains (losses) on other financial instruments	1	1	1	1	–	–	–
Income before operating and administrative expenses	**1,114**	**1,680**	**1,282**	**1,319**	**1,475**	**1,596**	**1,724**
Operating and administrative expenses	381	501	605	642	684	721	769
Net income from Financing	**733**	**1,179**	**677**	**677**	**791**	**875**	**955**
Portfolio outstanding	**29,943**	**32,231**	**34,259**	**36,595**	**39,180**	**41,803**	**44,640**

Actuals Forecast Plan

Growth & Transition Capital

Similar to Financing, market demand for Growth & Transition Capital's (GTC) offerings should benefit from the economic recovery. Demand for business transition and acquisition financing is expected to increase, leading to an estimated 9% annual increase in acceptances, from $400 million in fiscal 2022 to $620 million in fiscal 2027.

As a result, portfolio at fair value is expected to reach $1.7 billion in fiscal 2027, representing 10% annualized growth over the planning period.

Operating and administrative expenses as a percentage of the average portfolio outstanding at cost are projected to decrease from 3.7% in fiscal 2022 to 3.5% in fiscal 2027. The increase in operating expenses in fiscal 2023 is mainly due to employees returning to the office under our new hybrid work model and the return to average spending on business development.

During the COVID crisis in fiscal 2020, GTC's portfolio experienced significant fair value depreciation. With the strong economic recovery, it then saw significant fair value appreciation, resulting in strong net income for fiscal 2021 and 2022. It is expected that net income will return to its historical level by fiscal 2023. GTC's profitability is expected to steadily increase, reaching more than $100 million in fiscal 2027 mainly due to a continued focus on efficiency, coupled with strong portfolio growth.

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

Table 11—Growth & Transition Capital: Activity and statement of income
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
Acceptances*	**123**	**400**	**430**	**470**	**515**	**565**	**620**
Net interest income	**82**	**78**	**84**	**94**	**106**	**118**	**130**
Net realized gains (losses) on investments**	(8)	5	1	(3)	(8)	(13)	(13)
Fee and other income	19	22	24	29	36	43	47
Net revenue	**93**	**105**	**109**	**120**	**134**	**148**	**164**
Net fair value appreciation (depreciation)	25	28	(6)	(9)	(11)	(13)	(13)
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	36	9	3	5	8	11	12
Net foreign exchange gains (losses)	(3)	–	–	–	–	–	–
Income before operating and administrative expenses	**151**	**142**	**106**	**116**	**131**	**146**	**163**
Operating and administrative expenses	36	38	42	47	52	55	59
Net income from GTC	**115**	**104**	**64**	**69**	**79**	**91**	**104**
Portfolio at fair value	**914**	**1,062**	**1,173**	**1,291**	**1,414**	**1,549**	**1,704**

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

Actuals Forecast Plan

Venture Capital

Over the planning period, direct authorizations are forecast to be at or over $185 million annually through investments in the Industrial Innovation Venture Fund and Growth Venture Co-Investment Fund. BDC will also inject additional capital through the Women in Technology Venture Fund and Industrial, Clean and Energy Technology Venture Fund, which will help maintain the pace of direct authorizations. Indirect authorizations are expected to remain at $175 million annually for the duration of the plan. Indirect capital deployments will support multiple initiatives that align with BDC Capital's overarching strategy. These include core VC programming in ICT, healthcare and cleantech as well as an indirect growth equity strategy. They also include support for funds that address underserved entrepreneurs, such as women, black, indigenous and people of colour, and emerging tech clusters.

Growth equity authorizations are expected to increase over the duration of the plan and reach $75 million in fiscal 2027, driven by the launch of a second $250-million fund. Intellectual property financing authorizations are forecast to reach $50 million per year from fiscal 2024, in line with BDC's objective of providing targeted financing to IP-rich companies to help them scale up by generating value from their IP assets. Lastly, the new Cleantech Practice fund, which is projected to be launched in fiscal 2023, should invest between $30 million and $80 million per year to contribute to Canada's transition to a sustainable, low-carbon economy.

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

Disbursements are forecast to total $2.6 billion bringing the portfolio at fair value to $4.8 billion by the end of the planning period.

In fiscal 2022, the Canadian venture capital ecosystem continued its remarkable growth. As a result, VC's portfolio is expected to experience significant fair value appreciation. Moreover, a boom in the initial public offering market coupled with an increase in larger VC-backed exits is expected to push realized gains on investments to close to $400 million. This should result in net income of $898 million in fiscal 2022. In line with recent years' performance, venture capital investments are forecast to generate increasing net income from fiscal 2023 onward. Net income is expected to reach $214 million by fiscal 2027. It should be noted, however, that due to the risky nature of venture capital, which translates into portfolio volatility, combined with the volatility of market conditions, it is difficult to make reliable net income forecasts.

Table 12—Venture Capital: Activity and statement of income
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
Direct authorizations	158	173	185	185	205	200	210
Indirect authorizations	146	200	175	175	175	175	175
Growth equity authorizations	55	67	60	60	50	75	75
IP financing authorizations	8	30	40	50	50	50	50
Cleantech Practice Fund II authorizations	-	-	30	50	80	80	75
Proceeds	**347**	**625**	**405**	**407**	**406**	**436**	**473**
Disbursements	**344**	**339**	**428**	**482**	**543**	**572**	**583**
Net interest income	**-**	**-**	**3**	**6**	**10**	**14**	**18**
Net realized gains (losses) on investments	211	394	224	222	205	210	218
Write-offs	(43)	(39)	(53)	(69)	(78)	(90)	(100)
Net realized gains (losses) on investments and write-offs	**168**	**355**	**171**	**153**	**127**	**120**	**118**
Fee and other income	10	6	1	2	3	4	4
Net revenue	**178**	**361**	**175**	**161**	**140**	**138**	**140**
Net fair value appreciation (depreciation)	924	836	164	172	192	205	225
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	(87)	(270)	(131)	(111)	(88)	(81)	(77)
Net foreign exchange gains (losses)	(70)	21	-	-	-	-	-
Income before operating and administrative expenses	**945**	**948**	**208**	**222**	**244**	**262**	**288**
Operating and administrative expenses	42	50	59	65	68	71	74
Net income from Venture Capital	**903**	**898**	**149**	**157**	**176**	**191**	**214**
Portfolio at fair value	**2,368**	**3,065**	**3,295**	**3,592**	**3,972**	**4,370**	**4,767**

Actuals Forecast Plan

Advisory Services

Advisory Services will continue to extend its reach and offer affordable tailored products that address the needs of Canadian entrepreneurs as they recover from the pandemic. In addition to our regular solutions, we will provide entrepreneurs with more tailored advice designed to increase their knowledge, skills and ability to take advantage of opportunities by increasing their business's productivity, developing new markets and digitizing operations. We will also help them manage new challenges such as labour shortages, supply chain disruptions and sustainability imperatives.

As a result, revenue from activities is expected to be $31 million in fiscal 2023, resulting in a net investment (net loss) of $42 million and a cost recovery ratio of 54%.

As reach grows, revenue will increase to $36 million by fiscal 2027. The resulting net investment (net loss) is expected to be in the range of $42 million to $54 million. During this time, the cost recovery ratio should remain steady at 53%.

Table 13—Advisory Services: Statement of income
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
Revenue from activities	21	27	31	32	33	35	36
Operating and administrative expenses including delivery costs	60	67	73	77	82	86	90
Net income (loss) from Advisory Services	**(39)**	**(40)**	**(42)**	**(45)**	**(49)**	**(51)**	**(54)**
Cost-recovery ratio*	41%	51%	54%	53%	53%	53%	53%

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

Actuals Forecast Plan

Capital Incentive Programs

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

Similar to Venture Capital, CIP initiatives are benefitting from strong growth in the Canadian venture capital and private equity markets. Consequently, the portfolio is expected to experience significant fair value appreciation in fiscal 2022. This will result in expected net income of $280 million in fiscal 2022.

VCAP's capital is almost fully deployed and is forecast to return $490 million in proceeds over the planning period. BDC's participation in VCAP is expected to generate a lifetime TVPI of 1.9x.

BDC's participation in VCCI is expected to generate a lifetime TVPI of 1.26x. Over the planning period, disbursements should total $185 million, while proceeds are expected to total $53 million. To implement the program, BDC expects capital injections totalling $372 million by fiscal 2022.

VCCI has been renewed to deploy $450 million under the Venture Capital Catalyst Initiative II (VCCI II), supported by capital injections totalling $450 million.

BDC projects its Cleantech Practice will deploy $600 million through debt and equity transactions by fiscal 2024. The envelope was originally planned to be fully deployed by fiscal 2022. However, follow-on investments to support entrepreneurs are now expected to continue until fiscal 2024. To implement the program, BDC received capital injections totalling $600 million. The Cleantech Practice is expected to generate net income of $76 million from fiscal 2023 to 2027 benefitting from momentum in the cleantech industry, coupled with a successful investing strategy.

BDC initiated the Indigenous Growth Fund (IGF) in fiscal 2021. It provides capital to Aboriginal Financial Institutions to offer loans to new and expanding Indigenous businesses. The capital is expected to be fully disbursed over the planning period, and we intend to recover the capital over the life of the fund, which extends beyond the planning period. The fund is expected to start to be profitable in the final year of the planning period.

Overall, CIP addresses market gaps in support of Canadian strategic priorities while generating an expected $197 million of net income over the planning period. Financial results are expected to be subject to significant volatility due to the high-risk nature for these loans and investments.

Table 14—CIP: Activity and statement of income
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
Authorizations	**232**	**130**	**501**	**51**	**–**	**–**	**–**
Disbursements	**201**	**262**	**186**	**198**	**152**	**133**	**102**
Proceeds	**31**	**120**	**68**	**129**	**211**	**269**	**238**
Net interest income	**9**	**9**	**10**	**8**	**6**	**4**	**2**
Net realized gains (losses) on investments*	7	66	(5)	–	(2)	–	123
Fee and other income	3	1	4	7	11	12	12
Net revenue	**19**	**76**	**9**	**15**	**15**	**16**	**137**
Net fair value appreciation (depreciation)	249	329	16	21	40	36	24
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	(6)	(120)	7	3	6	4	(119)
Net foreign exchange gains (losses)	(2)	1	1	1	1	1	1
Income before operating and administrative expenses	**260**	**286**	**33**	**40**	**62**	**57**	**43**
Operating and administrative expenses	6	6	9	8	7	7	7
Net income from CIP	**254**	**280**	**24**	**32**	**55**	**50**	**36**
Portfolio at fair value	**963**	**1,389**	**1,535**	**1,636**	**1,628**	**1,539**	**1,433**

* Includes write-offs

Actuals Forecast Plan

Credit Availability Program

The Credit Availability Program (CAP) brings together initiatives meant to increase capital availability for specific SME needs, such as COVID-related and digital adoption requirements. By the end of fiscal 2022, we expect that more than $7.7 billion of capital would have been committed through CAP initiatives, mostly to help entrepreneurs navigate through the pandemic.

Please refer to the section entitled *Increase access and reach* on page 10 for more information on CAP initiatives.

Following the announcement of the Canada Digital Adoption Program (CDAP), CAP was extended to include this initiative. Through CDAP, BDC aims to deploy $2.6 billion in loans over four years to help Canadian SMEs finance the implementation of digital adoption plans. There is a high level of uncertainty on the amounts to be committed through CAP initiatives because deployment depends on factors outside of BDC's control.

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

With important provisions for expected credit losses, due to the riskier profile of the portfolio and margin compression due to reduced pricing, the CAP portfolio should generate a net loss of $1.5 billion over the duration of this Corporate Plan. It should be noted that since CDAP loans are provided at below-market interest rates, a loss on the day the asset is recognized, Day-1 loss, is recorded, in accordance with IFRS-9. This will generate a significant net loss for the program over the planning period that will be partly recuperated after the planning period.

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

Table 15—Credit Availability Program: Activity and statement of income
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
COVID-related initiatives acceptances/authorizations	**3,722**	**372**	**10**	**10**	**-**	**-**	**-**
COVID-related initiatives loan guarantees issuances	**287**	**3,350**	**-**	**-**	**-**	**-**	**-**
Canada Digital Adoption Program (CDAP) loan acceptances	**-**	**14**	**433**	**718**	**718**	**718**	**-**
Net interest income	**68**	**113**	**102**	**99**	**112**	**127**	**118**
Net realized gains (losses) on investments*	1	8	(10)	(20)	(20)	(20)	(10)
Fee and other income	11	46	45	40	36	26	19
Net revenue	**80**	**167**	**137**	**119**	**128**	**133**	**127**
Provision for expected credit losses	(245)	(175)	(115)	(78)	(65)	(71)	(82)
Net change in unrealized appreciation (depreciation) on investments**	-	(12)	(15)	8	9	9	10
Net foreign exchange gains (losses)	(2)	-	1	1	1	1	1
Net gains (losses) on other financial instruments	-	(9)	(353)	(457)	(380)	(333)	(88)
Income before operating and administrative expenses	**(167)**	**(29)**	**(345)**	**(407)**	**(307)**	**(261)**	**(32)**
Operating and administrative expenses	149	43	33	31	29	30	19
Net income (loss) from CAP	**(316)**	**(72)**	**(378)**	**(438)**	**(336)**	**(291)**	**(51)**
Portfolio	**3,407**	**3,198**	**2,551**	**2,105**	**1,872**	**1,756**	**1,350**

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

Capital budget

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

Facilities capital expenditures are expected to increase in fiscal 2023 due to fiscal 2022 projects that were delayed in the midst of the pandemic and investments required to adapt our offices to the new hybrid work model. Leasehold improvements will decrease from fiscal 2023 as relocation of some major offices are completed.

Table 16—Capital budget
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
Facilities	15	7	12	4	6	5	3
Information technology	11	12	13	11	7	7	7
Total	**26**	**19**	**25**	**15**	**13**	**12**	**10**

BDC's capital management framework is aligned with:

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

Capital management methodology

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

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

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

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

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

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

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

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

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

To assess its capital adequacy, BDC monitors its internal capital ratio on an ongoing basis by comparing its **available capital** to its **required capital.**

BDC's capital management framework also includes a **management operating range (MOR)** to absorb volatility from the Corporate Plan in comparison with historical levels, unplanned growth and non-business internal and external factors.

Available capital

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

Required capital

BDC employs rigorous models to assess demand for capital arising from credit and investment, operational, business and market risk (interest rate risk as well as market risk related to the pension plan). Economic capital is a measure of risk used to determine the amount of capital required to ensure a financial institution's solvency, given its risk profile. Economic capital is the methodology used to determine BDC's Pillar 2.

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

BDC holds 100% capital for its Venture Capital portfolio.

Management operating range

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

Capital projections

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

BDC's core portfolio

With returns generated by activities surpassing the required capital to support portfolio growth, BDC expects to have excess capital from fiscal 2023 to fiscal 2027 to be returned to the shareholder in the form of dividends, at the discretion of BDC's Board of Directors.

Credit Availability Program portfolio

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

Capital requirements is expected to peak at the end of fiscal 2022 when most of the loans will be committed and most programs will be closed for new authorizations.

The portfolio should steadily decrease over the planning period, thus, gradually reducing capital requirements.

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

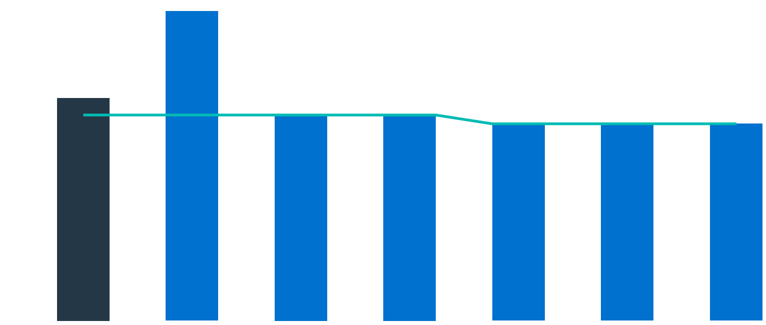
BDC's key measure for determining and assessing its capital adequacy is its internal capital ratio. It is expressed as the level of available capital divided by the required capital.

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

The internal capital ratio is expected to increase in fiscal 2022 to help manage the aftermath of the pandemic and the deployment of appropriate strategy. From fiscal 2023 to fiscal 2027, the growth of available capital will outpace the growth in capital demand and core excess capital is expected to be returned as dividends to the shareholder. As a result, the ratio is expected to meet or exceed target levels over the planning period.

Table 17—Internal capital ratio

(available capital as a percentage of economic capital required)



2021	2022	2023	2024	2025	2026	2027
112%	122%	110%	110%	110%	109%	109%

Projected — Actual — Target capital

Dividend Policy

BDC's Dividend Policy is aligned with the dividend methodology included in the Capital and Dividend Policy Framework for Financial Crown Corporations. Excess capital is calculated as the difference between available capital and required capital, less management operating range, and can be declared as dividends and distributed to the shareholder in the following fiscal year, subject to the discretion of the Board of Directors.

Statutory limitations

The *Business Development Bank of Canada Act* requires that the aggregate of borrowings and contingent liabilities in the form of guarantees provided by BDC may not exceed 12 times its equity. The debt-to-equity ratio is projected to be 1:1 in fiscal 2022, meaning that for every $1 of debt, BDC has $1 of equity. Therefore, the ratio is expected to be within the statutory limit of 12:1 over the planning period (Table 5).

As shown in Table 18, BDC's paid-in capital is expected to reach $12.3 billion in fiscal 2022 following the capital injections for CIP and CAP. Paid-in capital, contributed surplus and any proceeds that have been prescribed as equity (such as hybrid capital instruments) must at no time exceed the new ceiling of $20 billion determined by the shareholder in October 2020.

Table 18—Paid-in capital
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
Opening paid-in capital	**4,009**	**11,512**	**12,290**	**7,919**	**6,657**	**6,562**	**6,395**
Capital injections (repurchase of shares)							
Capital Incentive Programs	-	435	350	100	-	-	-
Credit Availability Program	7,503	343	(4,721)	(1,362)	(95)	(167)	-
Closing paid-in capital	**11,512**	**12,290**	**7,919**	**6,657**	**6,562**	**6,395**	**6,395**

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Borrowing plan

Legislative authorities

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

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

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

Overview of the borrowing plan

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

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

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

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

Short-term borrowing

By the end of fiscal 2023, short-term borrowings will make up over 75% of total debt outstanding. BDC is projecting the proportion of short-term debt outstanding to increase to 81% of total debt outstanding over the planning period. External economic factors may drive changes in customer preferences for long-term, fixed-rate borrowing versus short-term borrowing, which could impact the projected proportion.

Long-term borrowing

As shown in Table 21, long-term borrowings are projected at $6.6 billion in fiscal 2023. From fiscal 2023 onwards, long-term borrowings are forecast to increase due to the growth of BDC's fixed portfolio.

Table 19—Projected outstanding borrowings at year end
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
Short-term borrowings	13,336	14,047	19,999	23,289	25,588	27,941	30,044
Long-term borrowings	5,036	5,475	6,631	6,831	7,107	7,345	7,276
Total	**18,372**	**19,522**	**26,630**	**30,120**	**32,695**	**35,286**	**37,320**

Table 20—Short-term borrowings
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
Canadian dollar borrowings	13,336	14,047	19,999	23,289	25,588	27,941	30,044
US dollar borrowings	–	–	–	–	–	–	–
Total	**13,336**	**14,047**	**19,999**	**23,289**	**25,588**	**27,941**	**30,044**

Table 21—Outstanding long-term borrowings
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
Opening balance	4,207	5,036	5,475	6,631	6,831	7,107	7,345
Maturities	(3)	(453)	(859)	(1,169)	(1,738)	(1,913)	(1,654)
New issuances	832	892	2,015	1,369	2,014	2,151	1,585
Total	**5,036**	**5,475**	**6,631**	**6,831**	**7,107**	**7,345**	**7,276**
Fixed rate	4,908	5,475	6,631	6,831	7,107	7,345	7,276
Floating rate	128	–	–	–	–	–	–
Total	**5,036**	**5,475**	**6,631**	**6,831**	**7,107**	**7,345**	**7,276**

Actuals Forecast Plan

Liquidity risk management

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

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

Table 22 shows the results of BDC's liquidity risk management as at March 31, 2021 and 2020.

Table 22—Liquidity levels
($ in millions)

	Minimum	Actual	Maximum
As at March 31, 2021	**68**	**761**	**1,028**
As at March 31, 2020	32	1,771	2,957

Contingent liabilities

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

As shown in Table 23, loan guarantees are expected to increase to peak in fiscal 2022, due to loan guarantees issued under HASCAP.

Table 23—Loan guarantees
($ in millions)

	2021	2022	2023	2024	2025	2026	2027
Loan guarantees	295	3,639	2,978	2,288	1,722	1,259	919