DREAM. GROW. THRIVE.

CORPORATE PLAN SUMMARY

2021-22 TO 2025-26

OPERATING BUDGET
CAPITAL BUDGET
BORROWING PLAN

FARM CREDIT CANADA

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1.0 | Executive summary

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

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

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

As Canada's only financial institution focused solely on the needs and opportunities of the industry, FCC plays a vital role by providing specialized products and services that help customers grow their businesses, take advantage of new market opportunities, and innovate to become more efficient and sustainable.

FCC's vision for the future is consistent with the Government of Canada's commitment to support the agriculture and agri-food industry to reach its full potential and take advantage of export opportunities.

As a federal Crown corporation, FCC is working to remove barriers of entry to the industry and increase inclusiveness for key groups such as young producers, women and Indigenous peoples.

FCC's continuous growth and strong financial performance for over two decades ensures it can serve the industry in both good and challenging times.

In 2020, the COVID-19 pandemic created global impacts that affected the Canadian agriculture and agri-food industry. From the onset, the government has made it a priority to support the needs of businesses and entrepreneurs in various sectors, including agriculture and food. And FCC responded by developing a comprehensive Support Program to ensure producers, agribusiness and food producers can remain focused on business-critical functions.

FCC operates in an efficient manner and offers fair pricing to Canadian producers and agribusiness and agri-food operators. Over the five-year plan period, FCC forecasts average annual loans receivable and leasing growth of 3.8%. FCC also forecasts to pay a total of $2.9 billion in dividends to the Government of Canada over the same period.

The 2021-22 to 2025-26 corporate plan is an output of FCC's strategic planning process. FCC balances resources and activities required to support planned portfolio and revenue growth while continuing to advance the Canadian agriculture and agri-food industry. FCC's strategy has six focus areas:

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

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

FCC will continue to support the agriculture and agri-food industry in managing the impacts of the COVID-19 pandemic and maintain a steady presence in the industry.

By pursuing its strategy, FCC will deliver on priorities of the Government of Canada, remain self- sustaining and help the Canadian agriculture and agri-food industry achieve its full potential as a major driver of the Canadian economy and a global leader in the production and export of safe, high-quality agriculture and food products.

2.0 | Overview

2.1 Corporate mandate

The Canadian agriculture and agri-food industry plays a vital role in supporting Canada's economy and feeding a growing world. The industry contributes $142.7 billion annually to the GDP and is responsible for one in eight Canadian jobs. As Canada's leading provider of financial and business services tailored to the industry, FCC ensures producers and agribusiness and agri-food operators have access to the capital, specialized products, knowledge and services to succeed today and into the future.

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

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

2.2 Public policy role

FCC is Canada's only financial and business services provider focused exclusively on the agriculture and agri-food industry. Financing primary production is FCC's core business and represents 86.0% of its loan portfolio, which includes FCC's lending through its Alliance partners.

The corporation also serves agribusinesses along the value chain, from suppliers to processors. FCC fulfils its mandate by offering loans and services to the agriculture and agri-food industry. Other offerings include software, learning programs and knowledge sharing to help customers and others involved in the industry make sound decisions.

FCC's activities are consistent with the Government of Canada's priorities. By focusing on activities to help the industry reach its potential, FCC can assist the Minister of Agriculture and Agri-Food in supporting the industry to be a leader in job creation and innovation. For details on FCC's public policy role, see pages 11 to 13 of FCC's 2019-20 Annual Report, located at fcc-fac.ca/en/about-fcc/fcc-annual-report.html.

2.3 Vision

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

2.4 Main activities and principal programs

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

Providing products, services and expertise tailored to the needs of the industry — FCC ensures Canadian producers and agribusiness and agri-food operators have access to capital and a wide range of financial and business products and services. These include long-term mortgages, short-term credit, leasing and venture capital. FCC hires and develops employees who are passionate and knowledgeable about agriculture. This enables employees to build solid relationships with customers to help them thrive in the marketplace.

Ensuring producers and agribusiness and agri-food operators have access to required capital through all economic cycles — The industry is affected by commodity price volatility, adverse weather, trade flows, and livestock and crop diseases. And, in 2020, the COVID-19 pandemic had significant impacts on customers and supply chains. FCC takes a long-term view and remains committed to customers and the industry by providing access to capital through all economic cycles. FCC effectively manages and measures risks ensuring it can support a portfolio of $38.6 billion during challenging times in the industry. With 27 consecutive years of portfolio growth, FCC also carefully balances the resources required to provide business and financial services to the industry, while continuing to control costs and operate efficiently.

Supporting farm families, producers and businesses along the value chain enables them to grow and innovate — Access to capital allows producers and agribusiness and agri-food operators to adopt innovative practices and business models that enable them to expand, lower costs, develop new products, compete in global markets, and take advantage of trade opportunities. Through financing and venture capital, FCC supports small to medium-sized producers who are vital to the economic prosperity of rural Canada. FCC understands successful operations exist in all sizes and is a key partner to these smaller producers.

Supporting the next generation of Canadian producers and agribusiness and agri-food operators — FCC understands the importance of young farmers and entrepreneurs and has developed targeted programs and services, including the FCC Starter Loan, FCC Transition Loan, Young Farmer Loan, Young Entrepreneur Loan and the introduction of Ag Transition specialists located across Canada to help intergenerational transfers and assist new farmers entering the industry. FCC supports and invests in the next generation through its On Campus program.

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

Keeping the industry competitive by sharing knowledge — Beyond lending, FCC is a supplier of agriculture-focused business and economic insights and knowledge. FCC offers learning events, multimedia tools, publications and software to support customers and others involved in Canadian agriculture to advance their management practices and succeed in a complex business environment.

Fostering deeper public understanding of Canadian agriculture — FCC supports a social media platform called Agriculture More Than Ever, which is dedicated to advancing positive conversations in the agri-food system. FCC co-ordinates Canada's annual Agriculture Day, a national celebration of Canadian agriculture.

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

3.0 Operating environment

3.1 Macroeconomic outlook

The Canadian economy is expected to grow over the forecast period as global trade normalizes and economies around the world recover from the COVID-19 pandemic. Significant government stimulus will lead to improvements in labour markets, support business activities and grow consumer spending. Expansion of the global and Canadian economies will be sensitive to the evolution of COVID-19 and the government's response.

After a decline in 2020, the net result will be gross domestic product (GDP) growing around 4.0% in 2021, followed by projected growth around 2.0% per year over the five-year forecast period. Interest rates should remain very supportive of investment as the Bank of Canada is expected to keep rates historically low to support the economic recovery. The Canadian dollar could experience significant fluctuations, considering questions remain about the strength of global growth and demand for resources. The Canadian dollar is projected to stay in the range of US$0.70 – US$0.80 over the five-year period.

Agriculture industry outlook

In 2019, farm cash receipts[1] increased 5.7% to a record $66.1 billion due to the strong expansion in cannabis receipts[2]. Total farm cash receipts are projected to increase over the five-year period, with an average of 2.8% per year. Slower growth is expected at the beginning of the period with stronger projected growth at the end due to the rising global demand for food.

Overall, the Canadian agriculture industry remains healthy and in a strong financial position, although the balance sheets of agricultural[3] producers weakened slightly:

1. The liquidity ratio of Canadian agriculture decreased in 2019 and is the lowest since 2006.
2. Total liabilities in Canadian agriculture grew faster than asset values in 2019. The debt-to-asset ratio increased to 16.7% in 2019 as compared to 16.0% in 2018 and has been trending higher since 2014.
3. In 2019, net cash income increased 5.8% due to stronger farm cash receipts. Despite the improvements in farm revenues, net cash income remains $1.7 billion lower than the 2017 peak.

Trade remains a strength of the agriculture and agri-food sectors

Trade remains vital to the success of Canada's agriculture and agri-food sectors. In 2019, Canada was the 5th largest exporter of agriculture commodities and the 11th largest exporter of food. Trade agreements are important to maintain and create export opportunities for Canadian agriculture and agri-food products. The Canada-United States-Mexico Agreement (CUSMA) offers preferential access to the United States and Mexico markets, and a stable environment for Canadian business investment. U.S. dairy producers benefit from increased market access to Canada's dairy and poultry supply-managed industries. The Canadian dairy sector also implemented changes to milk pricing and marketing rules. CPTPP and CETA offer opportunities to diversify exports by leveraging economic growth and rising food demand from Asia and supplying sophisticated consumers in Europe.

The implementation of trade agreements should contribute to further growth in the GDP of the agriculture and agri-food industry.

Farmland and buildings remain an attractive investment

Over the past five years, farmland and building values averaged growth of nearly 6.7% per year, driven by farm revenue strength and low interest rates. Growth in farmland and building

[1] Farm cash receipts refers to the total sale of agricultural commodities

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

[3] Statistics Canada. Table 32-10-0056-01 Balance sheet of the agriculture sector as at December 31

values peaked in 2013 at 14.3%, and the upward trend has since slowed[4]. In 2019, farmland and building values increased 4.6%. Average farmland and building values are expected to continue to grow 5% annually over the forecast period.

Robust demand for farm debt

Farm operators continue to make strategic investments in land, buildings and equipment. Pressures on farm profitability and liquidity have created a strong demand for operating loans. Growth in farm debt is expected to moderate over the next five years as the trends in farmland values slow. Farm debt outstanding is projected to have average growth around 4.0% per year for the next five years in line with its long-term average.

The agri-food supply chain is showing resiliency amid COVID-19 disruptions

Overall, Canadian GDP is expected to decline roughly 5.0% in 2020 due to travel restrictions, business shutdowns and reduced export demand induced by the pandemic.

COVID-19 had multiple influences in agri-food supply chains. Less demand for rail created increased export opportunities. Conversely, temporary plant closures, an increase in labour issues and major shifts in consumption away from food services created many challenges. However, the overall outlook for Canadian agriculture and agri-food remains positive because of the growing demand for agricultural commodities.

There are two competing influences in the operating environment for agribusinesses. Demand for farm inputs will continue to increase as farm operators seek to raise productivity and remain competitive in the global marketplace. Conversely, tighter profit margins may lead operators to lower costs and control farm expenses. A more cautious approach to investments in farm buildings, equipment and storage is anticipated, while the demand for agriculture services may fluctuate with trends in farm revenues and asset values. The bottom line is that international demand for Canadian agriculture commodities is expected to remain solid, supporting opportunities for agribusinesses.

The food processing sector has been extremely innovative in response to the COVID-19 pandemic as new distribution channels emerge while securing the food supply chain. Moderate GDP growth in Canada and the United States is likely to keep demand high for high-value food. This should provide an opportunity for food processors to invest in process innovation to balance labour challenges as well as make product innovations that meet the diverse preferences of a rising global population.

3.2 External environment

Competitive landscape

The agriculture market is served by chartered banks, credit unions, provincial lending agencies, equipment manufacturer financing programs, crop input financing programs and independent financing institutions. Nationally, the primary lenders are FCC, chartered banks and credit unions. According to Statistics Canada, farm debt outstanding increased by 8.2% to $106.5 billion in 2019. FCC’s market share[5] decreased from 29.3% to 28.7% in 2019 largely due to increases in non-mortgage debt. FCC’s portion of Canada’s farm debt outstanding was $32.9 billion in 2019, an increase of $1.8 billion over 2018 and second only to the chartered banks at $40.8 billion.

The chartered banks increased their market share from 34.8% to 35.5%, and credit unions held steady at 16.2%.

Customer impacts related to COVID-19

The COVID-19 pandemic was an unprecedented event with global impacts that affected FCC’s customers. The government made a commitment to the agriculture and agri-food industry to ensure Canadian producers have ongoing access to capital

[4] Statistics Canada. Table 32-10-0045-01 Farmland and buildings
[5] Market share refers to the percentage of farm deft outstanding in Canada.

during this challenging time. On March 23, 2020, FCC received an enhancement to its capital base of $500 million that has allowed for additional lending and increased risk exposure to support the industry during this time of uncertainty.

As the only lender 100% invested in Canadian agriculture and food, FCC will serve the agriculture and agri-food industry in managing the impacts of the COVID-19 pandemic. To ensure producers, agribusinesses and food processors can remain focused on business-critical functions, FCC has put several customer support programs in place:

- **Payment schedule amendments:** The option for customers to defer principal payments for up to 12 months and interest payments up to six months.
- **FCC credit lines:** Access to a credit line up to $500,000, with no fees, secured by a general security agreement or universal movable hypothec (Quebec only), which is subordinate to other lenders.
- **FCC operating credit term loans:** A loan product to provide access to term loans up to $2.5 million, with no fees and an 18-month interest-only option available over a 10-year amortization. Funds can be used for working capital and to modify production due to COVID-19 impacts.
- **Additional lending for large customers:** Cash flow will be key for all customers, including large operations that may be critical components of the supply chain. To ensure these key enterprises remain operational, additional lending to large customers, as well as an increase to the maximum customer lending limit, has also been enabled.

FCC's COVID-19 support programs offer favourable rates and reduced fees to support customers during this unprecedented time. Despite these pricing adjustments, any lending done as part of FCC's COVID-19 response program is in line with FCC's overall pricing strategies.

London Inter-Bank Offered Rate (LIBOR)

LIBOR, a global reference for short-term interest rates, is to be phased out by financial markets by December 2021. This will impact FCC's U.S. dollar loan portfolio, which makes up about 1% of FCC's total loan portfolio. Short-term U.S. dollar borrowings are not affected as U.S. treasury bills are the reference rate. Work began in 2020-21 and will continue in 2021-22 to prepare for the transition to a new reference rate. FCC will make the required changes to systems, lending agreements and policies and procedures, and notify customers.

3.3 Internal environment

In response to the COVID-19 pandemic, foundational business continuity plans and flexible work-from-anywhere technology allowed FCC to quickly adapt processes and enable employees to work from home with minimal work interruption. With over 95% of employees working from home as of mid-March 2020, FCC rapidly adjusted its processes, leveraging telephone and digital technologies to continue to serve the Canadian agriculture and agri-food industry effectively and efficiently. At the same time, a few critical processes continued to be delivered on FCC's premises to maintain appropriate information, privacy and security protocols.

It is important for FCC to take well-managed risks by experimenting with technology and business processes to continue to provide value in a rapidly changing environment. This includes enhancing FCC's online and mobile services to ensure a seamless customer experience and enabling technology to support employees' ability to excel in their roles. FCC is refining its crisis response program in response to learnings from the COVID-19 pandemic. In addition, FCC will continue to invest in its financial crime and cyber practices to ensure they remain effective given changing customer preferences and the increased use of online and mobile service channels.

FCC currently employs 2,109 people across Canada plus an additional 102 contractors. New positions will be added over the planning period to support planned portfolio growth, execute FCC's strategic initiatives, and further mature risk management capabilities as FCC continues to serve customers and the industry. In 2021-22, there are 90 new positions planned.

FCC's HR strategy is supported by the use of existing end-to-end talent supply processes and workforce planning tools; candidate sourcing; and assessment and selection tools. FCC uses internal recruitment consultants to partner with leaders to ensure the best candidate for each position is hired, and that onboarding, training and support mechanisms are in place to ensure a successful transition into the organization.

FCC plans to place 30 new positions directly into field offices in Operations across the country. The remaining 60 new positions are planned to support ongoing growth in business operations and deliver on strategic initiatives for FCC to help the agriculture and agri-food industry achieve its full potential:

- additional capacity in IT (20 new positions) to enable great customer relationships by delivering customer-inspired solutions, simplifying business process for employees and increasing FCC's cyber security
- advancing FCC's risk-modelling capabilities as well as mitigating organizational risk within the growing portfolio (17 new positions)
- enhancing FCC's advisory and transition services to support the changing customer demographics (10 new positions)
- additional capacity across all divisions to support ongoing growth in business operations (13 new positions)

FCC's employee engagement has increased to 90% in the most recent annual survey. The engagement score, which is measured annually, measures employees' intellectual and emotional commitment to FCC. High engagement scores lead to low employee turnover, as evidenced by FCC's low turnover rate of approximately 4%. Strong engagement also enables FCC to attract the required talent as an employer of choice with a positive reputation in the marketplace. FCC will continue to focus on leadership and its culture of partnership and accountability to sustain high engagement.

FCC is committed to building a workforce that reflects the diversity of its customers and the diversity of the Canadian population.

Among FCC's 2,109 employees[6], the diversity representation is 61.8% female, 2.9% Aboriginal, 2.8% persons with disabilities and 8.2% members of visible minorities. FCC is undertaking a variety of tactics to ensure FCC is a welcoming and inclusive workplace that can attract and retain talent from diverse backgrounds. FCC will continue exploring opportunities to expand employment equity group representation to progress toward being an inclusive workplace. For a provincial breakdown on FCC's level of diversity and FCC's diversity and inclusion plan, see Appendix 9.3 – Diversity and Inclusion.

3.4 Performance and reviews

In 2019-20, loans and leasing receivable increased by $2.4 billion or 6.6% from 2018-19, moving the portfolio from $36.1 billion to $38.6 billion. FCC experienced loans receivable growth across Canada and in all sectors, except for agri-food and fruit. By lending to all agriculture sectors across Canada, FCC diversifies its portfolio both by sector and geographically while also promoting agriculture as a strong and vibrant industry.

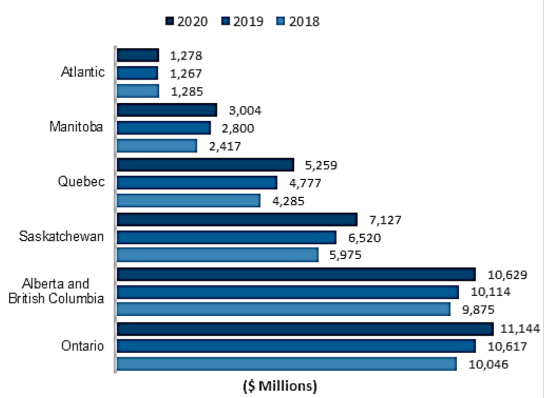
FCC continues to sustain its market share and deliver strong financial results. Capital adequacy is favourable against plan. And, FCC's portfolio continues to remain healthy and stable with non-performing loans tracking closely to the five-year average and loan losses at 0.66% in fiscal 2019-20.

Despite the strong performance of the portfolio in 2019-20, the challenge of COVID-19 has permeated all aspects of agriculture since March 2020, impacting some sectors more than others and more generally causing overall risk levels to rise.

[6] As at September 30, 2020

The industry continues to demonstrate resilience and is responding to new challenges quickly. To support the industry, FCC has taken an increased level of risk and exercised greater flexibility. FCC received an enhancement to its capital base of $500 million that will allow for additional lending and risk exposure to support the industry during this time of unprecedented market disruption and uncertainty. Early indications are that agriculture continues to be resilient and cash-flow needs supported, although several enterprises are showing weakness as a result of COVID-19. The situation will continue to be monitored and may impact customer financial and FCC portfolio health as it may take time to rebuild depleted working capital positions and adjust to new ways of operating. FCC continues to support operations on an individual basis as each farm financial situation is unique. Through the COVID-19 response program and traditional product offering, FCC has solutions to work with customers to help them through this time.

Loan receivable by region*



[1] Excludes deferred loan fees.
[2] The information presented in the table has been reclassified to present geographic distribution using the customer's location instread of FCC's office location, as it better reflects the representation of the geographical areas.

External reviews

FCC is currently subject to a special examination by the Office of the Auditor General of Canada (OAG). The special examination will consider whether FCC's systems and practices adequately protect its assets, manage resources economically and efficiently and allow the corporation to operate effectively. FCC's last special exam was in 2012.

Work began in the summer of 2020 and will continue for approximately 18 months. The final reporting date for FCC's current special exam is July 31, 2022.

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

4.1 Objectives and activities

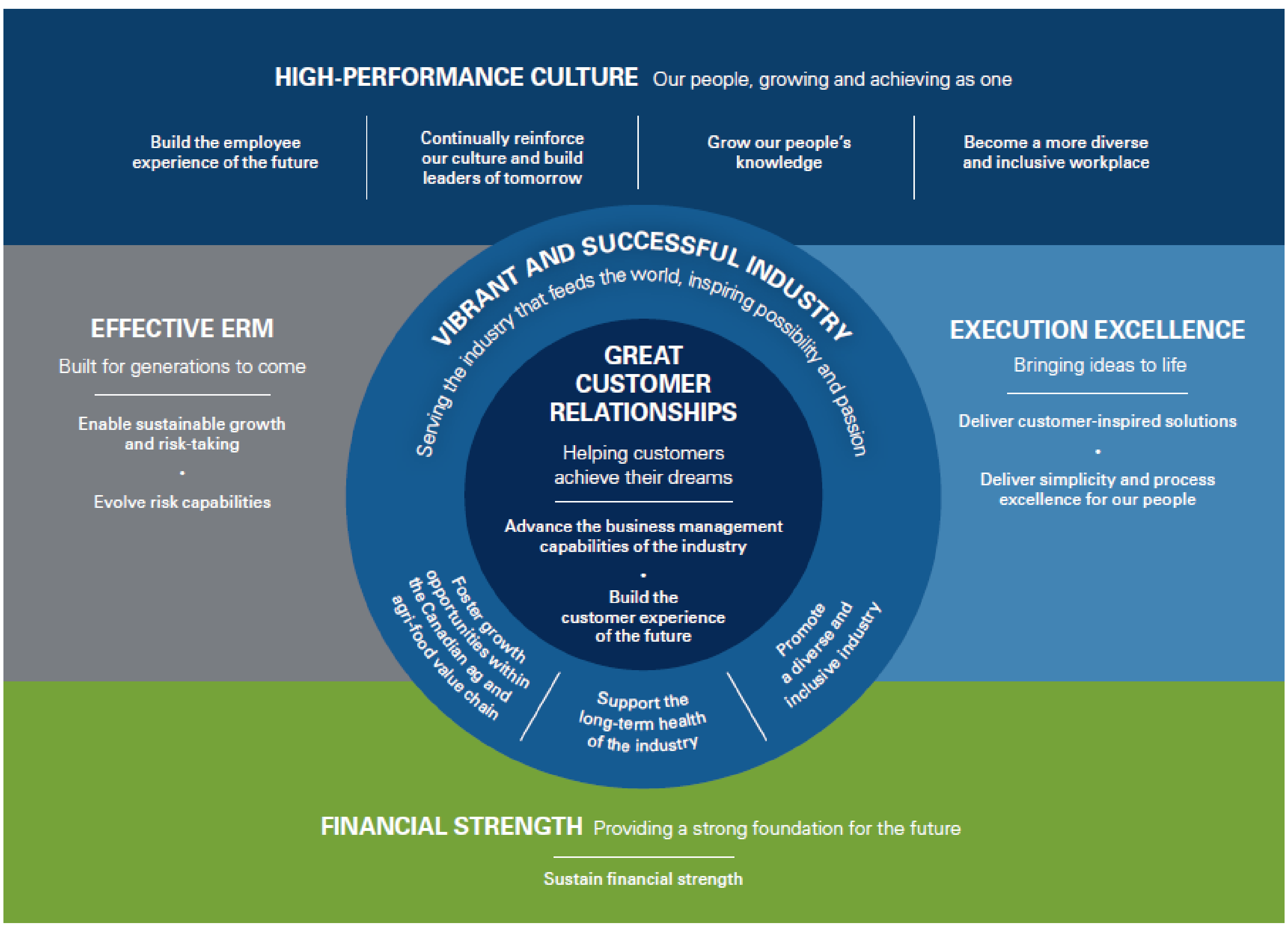
The agriculture and agri-food industry faces unprecedented challenges, however the industry has always been resilient and will continue to be. FCC is the only lender that is 100% invested in Canadian agriculture and agri-food in Canada, and FCC's strength and stability puts it in a unique position to support its customers and the industry.

Each year, FCC validates the strategic themes that are critical to achieving the corporation's long-term success. FCC's six strategic themes are reflected in its 2021-22 corporate strategy map:

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

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

As with many processes since the start of the COVID-19 pandemic, FCC has adapted throughout the strategic planning period to ensure our customers and employees can continue to operate efficiently and safely. These adaptations allowed FCC to reimagine a new way of working that meets the changing needs of our customers and respond to a hybrid work environment.



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

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

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

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

Build the customer experience of the future

Customers continue to be at the centre of everything that FCC does. FCC takes pride in delivering great customer experiences – it is the organization's competitive advantage. FCC serves customers in all phases of the business cycle, from startup to transition. Customers want to deal with people who understand the industry, their business and their unique needs. To deliver great customer experiences, FCC must continue to be deliberate in offering a personalized experience with every customer interaction. By doing this, FCC will build trust and loyalty with customers and remain relevant to the industry.

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

- Enable employees to build great customer relationships and consistently create extraordinary customer experiences
- Provide customer-inspired solutions and enable online transactions through secure digital channels to remain relevant and meet the needs of our customers

Advance the business management capabilities of the industry

Now more than ever, Canada's agriculture and agri-food industry must be adaptive and responsive to change. The unprecedented COVID-19 pandemic showed how the global markets and supply chains can be disrupted with trade restrictions and fluctuations in supply and demand. FCC can help the industry navigate change by continuing to enhance the tools, information and support available for Canadian producers to manage their businesses. FCC can also help the industry achieve its full potential by enabling our producers through digital technology. AgExpert can assist producers in managing their farm data through digital record-keeping that is accurate, safe and secure, and integrated with other applications.

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

- Provide knowledge and advice to support customers with their farm management practices
- Enhance AgExpert to allow producers to advance their farm management practices and connect their data across multiple applications

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

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

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

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

Foster growth opportunities in the Canadian agri-food value chain

FCC remains committed to supporting the Government of Canada's goal to grow Canada's agri-food exports to $75 billion annually by 2025. Food processing businesses of all sizes play an important role in meeting the needs of consumers, in both domestic and export markets, who are looking for safe, quality food produced in Canada. As the only lender 100% invested in Canadian agriculture and food in Canada, FCC has a unique opportunity to play a bigger role in the agri-food value chain by increasing our support for businesses and innovation from the farm gate and beyond. As part of a multi-year strategy to foster growth in the agribusiness and agri-food (A&A) sectors, FCC will continue to focus on the needs of the A&A sector and seek venture capital opportunities.

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

- Develop business solutions to enhance our support for the agribusiness and agri-food (A&A) sector to increase Canada's value-added capacity
- Increase the availability of venture capital and expertise to enhance innovation and growth in the industry

Support the long-term health of the industry

As part of the corporation's mandate, FCC is committed to supporting the long-term success of Canada's agriculture and agri-food value chain. FCC will remain focused on operating sustainably and championing sustainable practices with our customers, being a positive voice to build a deeper public understanding of Canadian agriculture practices and food production and helping to lift the stigma around mental health by promoting awareness, knowledge dissemination, encouraging dialogue and enabling greater access to services and support networks.

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

- Continue to operate sustainably and support the industry to do the same while supporting global and national sustainability targets
- Enhance public trust in the industry by being a catalyst in supporting the production and consumption of Canadian food
- Advance mental health support for Canadians involved in farming and living in rural Canada

Promote a diverse and inclusive industry

To ensure the long-term vitality of the agriculture and agri-food industry, it is important that individuals from all ethnicities and genders are respected and given equal opportunities. FCC has a role to play in building a more diverse and inclusive industry and will continue to explore ways to support under-represented groups in Canadian agriculture, including meeting the unique needs of women, youth, persons with disabilities, and Indigenous agricultural entrepreneurs and producers. FCC will remain focused on establishing strategic partnerships and providing these groups with advisory services and enhanced financial literacy.

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

- Strengthen inclusion of under-represented groups in agriculture and agri-food – women, youth and Indigenous communities

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

The critical outcome FCC is striving to achieve for this theme is: *In 2025, FCC is sought out by prospective employees as a desirable place to work. Employees come to FCC because of its outstanding culture and reputation. They stay because the work environment is everything they heard: meaningful work coupled with high expectations that are supported by an ability to learn and grow as a professional, and a flexible team environment that is conducive to providing an exceptional customer experience, and serving the industry that feeds the world. Customers feel it and appreciate it.*

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

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

Build the employee experience of the future
FCC knows that the employee experience is critical to delivering a great customer experience, and remains intentional in creating an experience that attracts and retains great employees, inspires them to do their best and enables them to work together effectively for our customers. To ensure employees are set up for success now and in the future, FCC will continue to advance talent management, retention and recruitment strategies. The development of a renewed approach that supports a hybrid work environment has been accelerated due to the COVID-19 pandemic.

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

- Develop an end-to-end employee experience to ensure FCC retains and attracts the right employees based on current and future needs

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

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

Continually reinforce our culture and build leaders of tomorrow
FCC operates in a highly competitive marketplace. To be successful and continue to serve the Canadian agriculture and agri-food industry in the future, customer experience must remain our competitive advantage. Delivering this experience starts with employees and leaders. FCC must continue to create an environment where employees and leaders work as a highly engaged team so that our customers feel truly valued. To do this, FCC will continue to implement a multi-year learning program for all employees that will help deepen and sustain the high-performance culture, and support the development of new and existing leaders, including an enhanced succession planning process that identifies leadership and developmental opportunities.

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

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

Grow our people's knowledge
Employee learning and development ensures employees have the knowledge and skills they need to meet FCC's business requirements. As the industry and work environment evolves, so do the requirements of employees. FCC remains committed to implementing a comprehensive enterprise learning strategy that supports core business needs and employee growth and development in a hybrid work environment.

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

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

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

Become a more diverse and inclusive workplace
FCC strives to have a representative workforce – one that reflects the diversity of the agriculture and agri-food industry and the communities of Canada. FCC knows the importance of diversity and inclusion and the benefits of different perspectives, abilities and strengths. As a result, FCC is focused on initiating a multi-year diversity and inclusion strategy, implementing an Indigenous employment equity plan and defining our approach to anti-racism.

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

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

4.1.4 Theme: Execution excellence – bringing ideas to life

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

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

- Deliver customer-inspired solutions
- Deliver simplicity and process excellence for our people

Deliver customer-inspired solutions

FCC is the industry leader in agriculture finance, which provides us a solid foundation to develop and deliver innovative, customer-inspired solutions. From strategy development and design work to prioritization and implementation, we create clarity, velocity and synergy across FCC, all based on customer needs. By focusing on the customer, we can be confident that FCC is delivering meaningful solutions for customers and the industry.

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

- Build innovative processes to efficiently bring ideas to life by focusing on priority sequencing, cross-divisional collaboration and decision-making

Deliver simplicity and process excellence for our people

FCC's goal is to deliver a great customer experience. This happens not only through customer interactions, but also by creating efficiencies behind the scenes that empower our employees to serve our customers and partners. FCC is taking steps toward our vision to use technology and data as a strategic differentiator.

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

- Ensure customers, partners and employees have access to technology, data and actionable insights to operate with excellence and forward FCC's business strategy

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

The critical outcome FCC is striving to achieve for this theme is: *In 2025, effective enterprise risk management ensures sustained FCC success, enables great customer relationships, and supports industry growth and innovation. Sound risk management practices continue to be reflective of FCC's mandate and customer needs, while remaining appropriately consistent with regulatory expectations.*

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

- Enable sustainable growth and risk taking
- Evolve risk capabilities

Enable sustainable growth and risk taking

As a federal Crown corporation with a mandate to support the agriculture and agri-food industry, effective risk management helps protect customer relationships and FCC's overall strength and viability. FCC's risk management practices must evolve and adapt to changing customer preferences and the increased expectation of seamless transactions and instant decisions.

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

- Build sustainable risk practices to serve an evolving industry with expanded products and services

Evolve risk capabilities
It is important for FCC to continue to evolve our risk capabilities to protect our ability to deliver great customer experiences over the long term. The COVID-19 pandemic heightened the importance of planning for uncertainties, including crisis management, business continuity and security threats. FCC will remain diligent and proactive by continuing to assess and improve the corporation's risk analytics, practices and tools to maintain an appropriate level of preparedness and enable business advancement.

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

- Advance risk analytics and data management to generate new customer insights and optimize business performance
- Evolve enterprise practices to prepare for uncertainty and rising external threats

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

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

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

- Sustain financial strength

Sustain financial strength
FCC is a self-sustaining Crown corporation with profits that enable investment in our operations and the industry. From adverse weather to market and supply chain disruptions caused by the COVID-19 pandemic, it is important that FCC continue to maintain a strong financial position to support those in Canada's agriculture and agri-food industry. FCC will continue to safeguard corporate assets and financial returns by exhibiting strong financial and risk management practices that enable business decisions.

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

- Advance technology, data capabilities and integration to provide enhanced financial analysis and insight in support of business decisions.

4.2 Risk overview

FCC uses an enterprise risk management framework to ensure risks are adequately governed, identified, assessed, managed, monitored and reported in a holistic manner. Effective enterprise risk management enables FCC to achieve its strategic objectives and ensure sustainable business success. FCC's willingness to take, accept and avoid risk is reflected in its overall risk appetite framework, approved annually by the Board of Directors.

Risk categories and mitigating strategies

FCC's four major categories of risks are strategic, financial, operational and reputation.

Each category has distinct risks within it that are assessed for likelihood and impact using various tools. The overall assessment of risk is reflected in the amount of capital required using FCC's capital and allowance models. FCC conducts stress tests on key financial risks and economic variables to understand organizational vulnerability to catastrophic economic events scenarios affecting agriculture.

Strategic risk refers to the external environment and FCC's ability to develop and implement effective business strategies. The external environment is monitored to discern if strategic changes are required to address and adequately mitigate emerging risks.

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

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

Credit risk, a sub-category of financial risk, is the potential for financial loss due to the failure of a borrower or other counterparty to repay a loan or meet financial obligations to FCC. Credit risk on loan and lease receivables is the most significant risk that FCC faces, but credit risk also exists in investments and derivative financial instruments. FCC assesses the impact and likelihood of credit risk at loan and portfolio levels. Such assessments use credit risk management best practices for financial institutions and statistical methods to assess the probability and financial impact of loan defaults.

At FCC, credit assessment is an ongoing process. The credit risk assessment process begins at the customer-facing employee level and for larger, higher risk loans it ends at the senior management level. Assessment is carried out for the entire credit portfolio on a transactional and portfolio basis. Assessment tools and models are in place to quantify risks, establish the required allowance for loan and lease losses, and monitor capital adequacy. FCC also closely monitors the agriculture and agri-food operating environment to ensure the corporation's lending policies, activities and practices adequately account for risk and opportunity in the marketplace.

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

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

Operational risk relates to the potential of direct or indirect loss due to inadequate or failed internal processes, systems or external events. Operational risk also arises from lack of compliance with legislative or regulatory requirements or litigation.

The main sources of operational risk are people, processes and systems. At FCC, leaders are responsible for ensuring appropriate policies and processes are in place within their business units to manage risks.

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

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

Reputation risk is the risk that key stakeholders and others develop negative perceptions about FCC that could adversely affect the corporation's reputation and ability to attract and retain customers, business partners and employees. Reputation risk is often a result of the inability to manage and respond to issues and incidents that are failures of operational risk management.

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

For more detail on FCC's identified risks, see Appendix 7 – Risk and Risk Responses.

4.3 Expected results and performance indicator overview

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

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

Outcome	Measure
FCC is committed to growing Canada's agri-food exports and increasing value-added capacity	Number of net new agribusiness and agri-food customers
FCC is committed to building a workforce that reflects the diversity of its customers and the Canadian workforce	Percentage of total hired who are members of employment equity groups
FCC invests in communities where its customers and employees live and work	Amount invested in community investment initiatives
	Number of paid volunteer hours by FCC employees
Canadian agricultural producers and agribusiness and agri-food operators have access to knowledge that helps them advance their management skills and grow their businesses	Total views or interactions with FCC's online business management learning offering
	Average score from event participants on the likelihood they will use information from the FCC event in their farming operation
Young farmers and young agribusiness and agri-food operators have access to specialized lending products and services	Dollars lent to young customers
	Number of current lending customers age 40 and under
FCC supports the Federal Sustainable Development Strategy and Greening of Government Strategy by reducing its greenhouse gas emissions	Reduction in FCC's greenhouse gas emissions
Canadian producers and agribusiness and agri-food operators can access capital to advance their businesses	Loans receivable and leasing growth rate
FCC maintains a safe and sound capital position to withstand economic downturns and periods of extended loss and to support FCC's strategic decisions	Capital adequacy
Small and medium-sized operations have access to capital to grow their businesses	Percentage of customer count in small and medium-sized segments

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

Great customer relationships

FCC's focus on customer relationships is the key reason why customers choose to do business with FCC. For this reason, it is important FCC measure its performance against other organizations. The Net Promoter Score® (NPS) is a customer advocacy measure used by leading companies around the world as the standard for measuring and improving customer experience. FCC will continue to strive for an excellent customer experience, which will be measured through NPS.

Employee engagement survey

FCC believes that having a great employee experience helps attract and retain high-performing employees with the skills and attitudes needed to deliver great customer relationships. FCC strives to be an employer of choice and enable employees to deliver an excellent customer experience. To measure this, FCC has used an employee engagement survey through Kincentric to compare its employee engagement with other organizations.

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

5.0 Financial overview

Expected results for 2020-21 and plan period 2021-22 to 2025-26

FCC is a self-sustaining Crown corporation, projecting continued growth and profitability through strong financial and risk management practices. Section 4.0 outlines the six strategic themes that support FCC's vision and mission, and these themes and the corresponding strategic objectives form the basis for the financial plan. All other sections of the corporate plan form an integral part of the financial plan and should be read in full to obtain a comprehensive understanding of the projected financial results.

The financial plan explains the projected financial results and the major underlying assumptions used in the projections. The results demonstrate progress toward FCC's strategic objective of sustained financial strength through profitable portfolio growth and efficiency. Strong financial management ensures FCC can serve the industry in both good and challenging times.

The financial plan and key assumptions reflect FCC's outlook on the Canadian agriculture and agri-food industry as outlined in section 3.0. In 2020, COVID-19 is having a significant impact on the domestic and global economy and this has negatively impacted the Canadian agriculture and agri-food industry. As part of the COVID-19 industry support response, a capital contribution of $500 million was provided by the Government of Canada in March 2020. Canada's economy is expected to begin to recover in 2021 as global trade normalizes and economies around the world recover from the COVID-19 pandemic. Growth in farm debt and farmland and building values is slower over the plan period compared to recent experience.

As a result, the portfolio is expected to grow at a slower pace over the five-year plan period than past years. Credit risk is expected to increase further in 2020-21 due to COVID-19 impacts on the economy and increased lending and deferral activities resulting from FCC's COVID-19 support programs outlined in section 3.2. Credit risk normalizes slowly over the plan period with customers recovering and losses being realized through writeoffs. Forecast profitability measures are unfavourably impacted by the low interest rate environment brought on by COVID--19 and higher capital levels. Through the plan, the impact of the extended period of low interest rates weakens profitability measures, primarily net interest margin and return on equity. Reduced income levels resulting from the low interest environment also impact projected efficiency ratios.

FCC assures its sound financial position through risk management and capital management practices. The enterprise risk management framework ensures risks are properly identified and managed. The Board-approved Capital Management policy appropriately determines the capital adequacy requirement in relation to risks identified. Strong integration of enterprise risk management and capital management practices enables FCC to achieve objectives and ensure sustainable business success. Strong capital levels are maintained in the early plan years given the ongoing uncertainty related to COVID-19 and return to normal levels over the planning period.

Portfolio growth

As noted in section 3.0, there are several factors impacting the agriculture and finance industries that in turn impact FCC's lending volumes. Loans receivable and leasing are expected to grow from $40.7 billion in 2020-21 to $49.0 billion in 2025-26. This represents an average annual growth of 3.8% over the plan period. The portfolio growth in 2020-21 is expected to be 5.4%, which is higher than the average annual growth in the plan years. The higher growth is driven by the COVID-19 lending and deferral support programs and overall disbursement levels.

Profitability

Net interest income is forecasted to be $1.3 billion in 2020-21 and is projected to grow to $1.4 billion in 2025-26. The increase is driven by the projected growth in the portfolio, partly offset by a lower net interest margin.

Net interest margin on average earning assets is projected to decrease from 3.05% in 2020-21 to 2.83% in 2025-26. The decline in net interest margin is primarily due to the projected lower interest rate environment for the duration of the plan.

Credit quality

Allowance for credit losses on loans receivable is forecasted to be $295 million in 2020-21. As the portfolio grows, the allowance for credit losses increases over the plan years and is projected to be $307 million at the end of 2025-26. The level of allowance per dollar of portfolio peaks in 2020-21 as further impacts of COVID-19 are recognized and is expected to slowly decline over the plan period as customers recover and losses are recognized through increased writeoffs. FCC continues to focus on sound risk management practices, including maintaining a portfolio that is well diversified in terms of sector and region.

Provision for credit losses is expected to decrease from $76 million in 2020-21 to $64 million in 2025-26, reflecting the decrease in allowance requirements per dollar of loans receivable.

Efficiency

Administration expenses are expected to increase from $477 million in 2020-21 to $610 million in the final year of the plan. The increase is mainly related to higher personnel costs to support the growth of business operations and delivering on strategic initiatives to serve customers and the industry. Apart from marketing and promotion, moderate increases through the plan across all non-personnel expense categories are also contributing to the increase in administration expenses.

The efficiency ratio is projected to increase from 36.7% in 2020-21 to 42.7% in 2025-26 due to growth in administration expenses outpacing growth in income. Just over half of the change in the efficiency ratio is due to the decreasing levels of net interest margin resulting from the prolonged low interest rate environment.

Capital budget

Capital expenditures are expected to be $36 million in 2020-21 and increase slightly to $38 million in 2025-26 primarily due to an increase in computer software partly offset by a decrease in right-of-use assets.

Borrowings

Borrowings, including accrued interest, are expected to increase from $34.0 billion in 2020-21 to $41.6 billion in 2025-26. This increase is the direct result of borrowing requirements to fund portfolio growth, partly offset by an increase in equity.

Capital management

FCC is projecting to remain adequately capitalized over the plan period. A target capital ratio of 15.0% of risk-weighted assets (RWA) have been established based on FCC's internal capital adequacy assessment process (ICAAP), which follows the capital adequacy requirements guideline issued by the Office of the Superintendent of Financial Institutions (OSFI).

Total capital is expected to increase from $7.7 billion in 2020-21 to $8.4 billion in 2025-26, an average annual growth of 2.0%. RWA are projected to increase by an average of 3.8%, mainly due to the projected portfolio growth. Dividend payments were temporarily paused given the continued uncertainties surrounding COVID-19. Capital levels are maintained higher in the early plan years with a repayment of the capital contribution and recommencement of dividends in 2022-23. Projected dividend payments total $2.9 billion over the plan period.

Dividend payments are informed by the corporation's target capital ratio, ICAAP and the Capital Management policy dividend statement. The ICAAP assessment provides confidence in FCC's capital position and enables efficient use of capital through re-investment in its portfolio and payment of dividends when capital exceeds requirements. The dividend statement relates the dividend payment to excess capital as determined through the year-end capital adequacy assessment.

Return on equity measures the efficiency in generating income relative to equity. FCC's mandate restricts business activities, which inherently impacts the risk profile of the corporation, while OSFI guidelines determine the capital FCC needs to cover that risk. These factors largely influence the return on equity FCC's business model can generate. Return on equity is forecasted to be 9.8% in 2020-21 and is projected to decline through the plan period to 8.8% in 2025-26. The ratio is initially impacted by the elevated capital levels followed by decreasing net interest margin and higher administration expenses over the planning period.

Appendix 1 – Ministerial mandate letter or direction

FCC mandate letter

August 31, 2016

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

Dear Mr. Johnston:

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

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

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

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

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

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

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

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

- As Canada's national provider of financial and business services tailored exclusively to the needs and opportunities of the agriculture and agri-food industry, it is essential that Farm Credit Canada work to ensure that producers and processors have access to needed capital through all economic cycles.
- Continue to provide access to capital to allow farm families, producers, and businesses along the entire agriculture value chain to continue to grow their businesses, adopt innovative practices and business models, pursue new markets, and adopt new technology. Continued attention should be given to products and services that facilitate intergenerational transfers, assist young and new farmers entering the industry, promote sustainability, and enhance Canada's food-processing sector to add value here at home before export.
- Continue to strengthen Farm Credit Canada's relationship with other financial institutions, including Canadian banks and credit unions, to explore opportunities for collaboration and syndicated financing opportunities in order to strengthen Canadian agriculture and rural Canada.
- Support Canadian agricultural interests arising from trade negotiations by continuing to work with Business Development Canada and Export Development Canada, along with Agriculture and Agri-Food Canada and private sector organizations, to ensure that Canadian agriculture and agri-food companies have adequate access to capital to succeed in international markets.
- Continue to invest in venture capital funds dedicated to agriculture to ensure that higher-risk venture capital and expertise is available to a growing number of innovative firms.
- Continue to help make the industry more competitive in the global marketplace by sharing the latest business management practices and economic insights through workshops, publications, and learning forums.
- Continue to promote and support industry-driven initiatives that foster a deeper public understanding of agricultural practices, help ensure that producers are aware of the latest consumer trends, promote better public understanding of food production, and encourage the industry to maintain its social license to operate.
- Support the Governor in Council appointment process by developing position profiles for Farm Credit Canada board positions and providing other relevant information to help inform the appointment process.

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

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

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

Sincerely,

Original signed by
Lawrence MacAulay, PC, MP

Date modified: 2016-11-04

FCC supplemental priorities

February 1, 2018

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

Dear Mr. Johnston:

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

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

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

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

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

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

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

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

Sincerely,

Original signed by
Lawrence MacAulay, PC, MP

Date modified: 2018-06-08

The Prime Minister sent Minister Bibeau, Minister of Agriculture and Agri-food, a mandate letter on December 19, 2019.

Minister Bibeau received the following commitment related to FCC:

- To support farmers as they succeed and grow, lead the consolidation of existing federal financial and advisory services currently scattered among several agencies. The new entity, Farm and Food Development Canada, will serve as a single point of service, delivering products from across government, with an expanded and enhanced mandate and additional capital lending capability.

While FCC has not specifically received a mandate letter related to this item, FCC and AAFC began working together on these commitments prior to the start of COVID. Since then, there have been no further developments, but FCC remains ready to re-engage with AAFC to advance this file.

Appendix 2 – Corporate governance structure

Board of Directors

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

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

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

Board members are appointed by the Governor in Council upon the recommendation of the Minister of Agriculture and Agri-Food. FCC and the Board are fully compliant with the government's process regarding the appointment of directors to fill current and future vacancies. The Minister of Agriculture and Agri-Food announced four appointments. Michael Hoffort was re-appointed to a three-year term as President and Chief Executive Officer effective July 1, 2019. On July 12, 2019, Sylvie Cloutier (Quebec) was re-appointed to a three-year term. Sharilee Fossum (Alberta) was a new appointment as of June 2, 2019, to replace Jason Skinner, whose term expired. On April 26, 2020, Jane Halford (Alberta) was appointed to a four-year term as Chair of FCC's Board of Directors. Ms. Halford has been a member of the Board since December 2014.

FCC is in contact with the Minister's Office and receives regular updates on the status of the appointment process for four director terms that have expired. When a new director joins FCC's Board, there is an orientation program to introduce the individual to the corporation and management. FCC considers director education to be an ongoing process. The orientation is tailored to meet the needs of each new director, but is built on a foundation that includes: (1) an introduction to other Board members and management, including time spent individually with the Board Chair, President and CEO and Corporate Secretary, (2) an overview and discussion about the corporation's business, strategic priorities and key functions of FCC, and (3) information regarding the Board and its structure, practices and governance.

The roles and responsibilities of the Chair, directors and the President and CEO are set out in position descriptions that are available upon request. The roles and responsibilities of the Board and its four sub-committees (Audit, Corporate Governance, Human Resources and Risk) can be found on FCC's website under About FCC > Corporate Profile > Leadership > Board Charters. These documents articulate the Board's responsibilities in six major areas: corporate governance, financial reporting and public disclosure, government relations and corporate social responsibility, integrity (legal and ethical conduct), leadership development, and strategic planning and risk management.

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

Board member	Current Term (mm/dd/yyyy)[7]	Committee memberships for reporting period	Reporting period (11/01/2019 – 09/30/2020)					
			Committee attendance	Board meeting attendance	Retainer (A)	Per diems (B)	Total remuneration (A&B)	Travel and related expenses[8]
Del Anaquod	11/9/2017 – 11/9/2020	Corporate Governance Human Resources	2/3 2/3	9/10	$6,200	$8,972.50	$15,172.50	$3,341.60
Bertha Campbell (interim Board Chair 12/14/2019 to 4/21/2020)	11/9/2017 – 11/9/2021	Audit Corporate Governance	6/6 3/3	10/10	$6,200	$17,460.00	$23,660.00	$13,294.08
Sylvie Cloutier	6/2/2019 – 6/2/2022	Human Resources Risk	3/3 4/4	10/10	$6,200	$12,125.00	$18, 325.00	$9,547.07
Laura Donaldson	11/9/2018 - 11/9/2021	Corporate Governance Audit	3/3 6/6	10/10	$7,200	$14,307.50	$21,507.50	$5,074.66
Sharilee Fossum	6/2/2019 - 6/2/2022	Audit Risk	5/6 3/4	8/10	$6,200	$13,822.50	$20,022.50	$5,541.67
Jane Halford (Board Chair effective 4/22/2020)	4/22/2020 – 4/22-2024	Human Resources (Chair) Risk	3/3 4/4	10/10	$10,041.66	$11,397.50	$21,439.16	$4,282.47
Michele Hengen	11/9/2017 – 11/9/2020	Risk (Chair) Human Resources	4/4 3/3	10/10	$7,200	$9,457.50	$16,657.50	$1,554.97
Michael Hoffort (President and CEO)	07/01/2019 – 07/01-2022	The President and CEO is a director but not a member of any specific committee. He attends various committee meetings.		10/10	The President and CEO does not receive separate remuneration for his duties as a director.			The President and CEO's travel expenses, including any travel required for Board purposes, is disclosed on FCC's public website.
Dale Johnston[9] (Board Chair until 12/13/2019)	12/13/2015 - 12/13/2019	Corporate Governance Human Resources	1/1 1/1	1/1	$0	$0	$0	$2,056.17
James Laws	11/9/2017 – 11/9/2020	Audit Corporate Governance	6/6 3/3	10/10	$6,200	$12,367.50	$18,567.50	$3,882.96
Doris Priddle	11/26/2015 – 11/26/2019	Audit Corporate Governance	6/6 3/3	10/10	$6,200	$16,732.50	$22,932.50	$17,141.65
Govert Verstralen	11/9/2017 – 11/9/2021	Audit (Chair) Risk	6/6 4/4	10/10	$7,200	$16,005.00	$23,205.00	$6,979.92

Note: time period for reporting has been changed to aligned with quarter end of September 30

[7] Three directors (Doris Priddle, James Laws and Michele Hengen) have terms that have expired. They continue to serve as directors, pending reappointment or the appointment of a successor, pursuant to section 5(5) of the Farm Credit Canada Act.

[8] In addition to the regular Board and Committee meetings, the Board attended a strategic planning session in January 2020 (Vancouver). Many directors also attended Canada's Agriculture Summit (Calgary).

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

Enterprise Management Team (EMT)

EMT consists of the President and CEO and six Executive Vice-Presidents. Bound by the FCC Code of Conduct and Ethics, the corporation's senior leaders adhere to the highest ethical standards of business, professional and personal conduct.

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

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

The Governor in Council establishes the President and CEO's compensation. In 2020-21, the base salary range for that position was set at $325,300 to $381,700, and in addition, there is a component of pay-at-risk that ranges from 13% to 26% of base salary.

The performance-based, total cash compensation framework for EMT includes a base salary range and a significant pay-at-risk component. This framework aligns with the philosophy of pay for performance. Movement within a salary range and pay-at-risk payments are dependent upon the performance of the corporation, the individual executive and the executive's division. For more information on the performance measures for the corporation, see Appendix 3 — Planned Results.

In 2020-21, there are three base salary ranges for Executive Vice-Presidents. One range is set at $283,748 to $400,587. The second range is set at $242,309 to $342,084. The third range is set at $209,809 to $296,202. Members of EMT receive an amount equal to 12% of base pay as perquisites, which is applied first to their individual pension contributions and thereafter to other approved purposes.

Senior Leadership Team (SLT)

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

Governance framework

In addition to the Board, EMT and SLT, FCC's governance framework includes eight committees to guide corporate decision-making.

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

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

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

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

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

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

The **Pricing Committee** provides advice to ALCO on all issues related to the pricing of loans. It regularly reports to ALCO on pricing performance and issues and makes recommendations to ALCO for the approval of material pricing adjustments.

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

Appendix 3 – Planned results

FCC achieves its mandate and enhances rural Canada by providing products, services and a customer experience that meets the needs of the Canadian agriculture and agri-food industry, helping producers and agribusiness and agri-food operators grow their operations, access new market opportunities and innovate. FCC ensures operations of all sizes have access to capital and a strong financial partner through all economic cycles. FCC helps the industry remain competitive and advances the knowledge and management capabilities of producers and others involved in Canadian agriculture. FCC supports the long-term success of Canadian agriculture by focusing on the needs of the next generation of producers and agribusiness and agri-food operators and helping the industry build public trust with consumers. And, FCC fosters strong and vibrant communities where its customers and employees live and work, with a focus on rural Canada.

Short-term outcomes				
Outcome	**Performance indicator**	**2021-22 target**	**2025-26 target**	**Data strategy**
FCC is committed to growing Canada's agri-food exports and increasing value-added capacity	Number of net new agribusiness and agri-food customers	360	475	Annual data from FCC's financial systems
FCC is committed to building a workforce that reflects the diversity of its customers and the Canadian workforce	Percentage of total hired are members of employment equity groups[10]	18%	20%	Annual data from FCC's Human Resources systems
FCC invests in communities where its customers and employees live and work	Amount invested by FCC in community initiatives and projects, including funds provided to local non-profits	$3.5 million	$3.5 million	Annual data from Sponsorium database (which tracks FCC community investment activities)
	Number of paid volunteer hours by FCC employees	0[11]	3,500 hours	Annual data from community investment database

Medium-term outcomes				
Outcome	**Performance indicator**	**2021-22 target**	**2025-26 target**	**Data strategy**
FCC delivers a customer experience that meets the needs of the industry	Net Promoter Score®	69	71	Customer surveys throughout the year
Canadian agricultural producers and agribusiness and agri-food operators have access to knowledge that helps them advance their management skills and grow their businesses	Total views or interactions with FCC's online business management learning offering[12]	700,000	1,125,000	Annual analytics from FCC's website
	Average score from event participants on the	≥4	≥4	Post-event participant online survey data compiled

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

[11] All volunteer activities have been put on hold in 2021-22 due to COVID-19 restrictions.

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

	likelihood they will use information from the FCC event in their farming operations			annually — participants rate on a scale of 1 (completely disagree) to 5 completely agree)
Young farmers and young agribusiness and agri-food operators have access to specialized lending products and services	Young borrower lending: Ag Production: Agribusiness and Agri-food:	$3.9 billion $128 million	$4.33 billion $142.3 million	Annual data from FCC's financial systems
	Number of current lending customers under age 40	19,550	19,950	Annual data from FCC's financial systems

Long-term outcomes				
Outcome	**Performance indicator**	**2021-22 target**	**2025-26 target**	**Data strategy**
Canadian producers and agribusiness and agri-food operators can access capital to advance their businesses	Loans receivable and leasing growth rate	3.7%	4.0%	Annual data from FCC's financial systems reporting
FCC supports the Federal Sustainable Development Strategy and Greening Government Strategy by reducing its greenhouse gas emissions	Reduction in FCC's greenhouse gas footprint by 40% by 2025 based on 2012 levels	Reduction of 307 tonnes/$C0_2$e per year	Reduction of 307 tonnes/$C0_2$e per year[13]	Annual data collection of emissions on buildings, vehicles, flights and paper consumption
FCC maintains a safe and sound capital position to withstand economic downturns and periods of extended loss and to support FCC's strategic decisions	Capital adequacy[14]	Target capital ratio of 15% or higher	Target capital ratio of 15% or higher	Annual data from FCC's financial systems
Small and medium-sized operations have access to capital to grow their businesses	Percentage of FCC customer count in small and medium-sized segments: - Ag Production - Agribusiness & Agri-food	Ag Production: Greater than 90% Agribusiness & Agri-food: Greater than 75%	Ag Production: Greater than 90% Agribusiness & Agri-food: Greater than 75%	Annual data from FCC's financial systems

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

January 21, 2021

Michael Hoffort
President and Chief Executive Officer
Farm Credit Canada

Date

[13] Target will be met in 2024-25. FCC is committed to reducing its GHG emissions and will develop a new five-year target closer to the 2025-26 timeframe that will reflect the emissions reduction need at that time.

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

Appendix 4 – Chief Financial Officer Attestation

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

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

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

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

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

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

6. Key financial controls are in place to support the implementation of proposed activities and ongoing operation of the corporation.

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

January 21, 2021

Ross Topp, CPA, CA
Executive Vice-President & Chief Financial Officer
Farm Credit Canada

month, day, year

Appendix 5 – Financial statements and budgets

5.1 Financial statements

Consolidated Balance Sheet

As at March 31 (millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Forecast	2022 Plan
Assets				
Cash and cash equivalents	$ 1,725	$ 860	$ 1,020	$ 1,020
Short-term investments	756	340	510	480
Accounts receivable and prepaid expenses	39	47	42	44
Derivative financial assets	13	-	1	-
	2,533	**1,247**	**1,573**	**1,544**
Loans receivable	38,413	39,656	40,466	41,938
Allowance for credit losses	255	206	295	298
Loans receivable - net	38,158	39,450	40,171	41,640
Finance leases receivable - net	100	178	186	244
Investment in associates	40	54	36	57
Venture capital investments - net	83	126	107	140
Post-employment benefit assets	177	96	120	147
	38,558	**39,904**	**40,620**	**42,228**
Equipment and leasehold improvements	27	30	30	35
Computer software	32	48	30	34
Equipment under operating leases	80	47	43	22
Right-of-use assets	180	158	174	165
Other assets	14	12	14	15
	333	**295**	**291**	**271**
Total assets	**$ 41,424**	**$ 41,446**	**$ 42,484**	**$ 44,043**
Liabilities				
Accounts payable and accrued liabilities	$ 78	$ 69	$ 79	$ 83
Derivative financial liabilities	1	-	-	-
	79	**69**	**79**	**83**
Borrowings				
Short-term debt	9,952	12,677	11,866	9,647
Long-term debt	23,608	21,066	22,086	25,067
	33,560	**33,743**	**33,952**	**34,714**
Transition loan liabilities	195	218	206	213
Post-employment benefit liabilities	149	203	216	223
Lease liabilities	180	162	176	167
Other liabilities	8	10	15	17
	532	**593**	**613**	**620**
Total liabilities	**34,171**	**34,405**	**34,644**	**35,417**
Equity				
Contributed capital	500	-	500	500
Retained earnings	6,731	7,039	7,337	8,125
Accumulated other comprehensive income	21	1	2	-
Equity attributable to shareholder of parent entity	**7,252**	**7,040**	**7,839**	**8,625**
Non-controlling interest	1	1	1	1
	7,253	**7,041**	**7,840**	**8,626**
Total liabilities and equity	**$ 41,424**	**$ 41,446**	**$ 42,484**	**$ 44,043**

Caution regarding forward-looking statements

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

Consolidated Statement of Income

Fiscal year ending March 31 (millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Forecast	2022 Plan
Loans and leases	$ 1,730	$ 1,751	$ 1,544	$ 1,495
Investments	35	34	31	19
Interest income	1,765	1,785	1,575	1,514
Short-term debt	60	65	18	10
Long-term debt	508	484	271	200
Interest expense	568	549	289	210
Net interest income	**1,197**	**1,236**	**1,286**	**1,304**
Provision for credit losses	88	50	76	43
Net interest income after provision for credit losses	**1,109**	**1,186**	**1,210**	**1,261**
Insurance income				
Premiums	27	28	27	27
Claims expense	(9)	(8)	(8)	(8)
Net insurance income	18	20	19	19
Net income (loss) from investment in associates	(31)	2	(1)	(1)
Net foreign exchange gain (loss)	2	-	(2)	-
Other income (expense)	(2)	-	(1)	(1)
Net interest income and non-interest income	**1,096**	**1,208**	**1,225**	**1,278**
Administration expenses				
Salaries and benefits	276	280	279	294
Other	183	206	198	215
Total administration expenses	**459**	**486**	**477**	**509**
Net income before fair value adjustment	**637**	**722**	**748**	**769**
Fair value adjustment	(4)	(7)	(9)	-
Net income	**$ 633**	**$ 715**	**$ 739**	**$ 769**
Net income attributable to:				
Shareholder of parent entity	$ 633	$ 715	$ 739	$ 769
Non-controlling interest	-	0.1	(0.1)	-

Consolidated Statement of Comprehensive Income

Fiscal year ending March 31 (millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Forecast	2022 Plan
Net income	**$ 633**	**$ 715**	**$ 739**	**$ 769**
Other comprehensive income				
Items that are or may be reclassified to net income				
Transfer of net realized gains on derivatives previously designated as cash flow hedges to net income	(22)	(20)	(20)	(2)
	(22)	**(20)**	**(20)**	**(2)**
Item that will never be reclassified to net income				
Remeasurement of post-employment benefit assets and liabilities	107	32	(132)	19
Total other comprehensive income (loss)	**85**	**12**	**(152)**	**17**
Total comprehensive income	**$ 718**	**$ 727**	**$ 587**	**$ 786**
Total comprehensive income attributable to:				
Shareholder of parent entity	$ 718	$ 727	$ 587	$ 786
Non-controlling interest	-	0.1	(0.1)	-

Consolidated Statement of Changes in Equity

Fiscal year ending March 31 (millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Forecast	2022 Plan
Contributed capital				
Balance, beginning of year	$ 184	$ -	$ 500	$ 500
Dividends paid	(184)	-	-	-
Contributions received	500	-	-	-
Balance, end of year (1)	**500**	**-**	**500**	**500**
Retained earnings				
Balance, beginning of year	6,202	6,658	6,731	7,338
Net income	633	715	739	769
Other comprehensive income (loss)	107	32	(132)	19
Dividend paid	(211)	(366)	-	-
Balance, end of year	**6,731**	**7,039**	**7,338**	**8,125**
Accumulated other comprehensive income				
Balance, beginning of year	43	21	21	2
Transfer of net realized gains on derivatives previously designated as cash flow hedges to net income	(22)	(20)	(20)	(2)
Balance, end of year	**21**	**1**	**1**	**-**
Total equity attributable to parent	**$ 7,252**	**$ 7,040**	**$ 7,839**	**$ 8,625**
			-	
Non-controlling interest				
Balance, beginning of year	1	1	1	1
Net income attributable to non-controlling interest	-	-	- 0	-
Contributions from/(distributions to) non-controlling interest	-	-	-	-
Balance, end of year	1	1	1	1
Total	**$ 7,253**	**$ 7,041**	**$ 7,840**	**$ 8,626**

(1) FCC eliminated its contributed surplus through a repayment of dividends in August 2019. New capital contribution of $500 million was received in March 2020.

Consolidated Statement of Cash Flows

As at March 31 (millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Forecast	2022 Plan
Operating activities				
Net Income	$ 633	$ 715	$ 739	$ 769
Adjustments to determine net cash (used in) provided by operating activities:				
Net interest income	(1,197)	(1,236)	(1,286)	(1,304)
Provision for credit losses	88	50	76	43
Fair value adjustment	5	6	9	1
Net loss (income) from investment in associates	31	(2)	2	1
Amortization and depreciation	37	41	40	42
Net unrealized foreign exchange gains	(21)	-	-	-
Net cash outflow from loans receivable	(2,296)	(1,825)	(2,104)	(1,485)
Net cash outflow from finance leases receivable	(77)	(70)	(87)	(58)
Net change in other operating assets and liabilities	42	20	13	8
Interest received	1,701	1,739	1,589	1,485
Interest paid	(543)	(529)	(295)	(198)
Cash used in operating activities	**(1,597)**	**(1,091)**	**(1,304)**	**(696)**
Investing activities				
Net cash (outflow) inflow from short-term investments	(321)	-	243	30
Acquisition of venture capital investments	(17)	(45)	(44)	(45)
Proceeds on disposal and repayment of venture capital investments	-	10	4	12
Net cash inflow (outflow) from investment in associates	(1)	11	2	(22)
Purchase of equipment and leasehold improvements	(9)	(10)	(11)	(15)
Purchase of computer software	(12)	(25)	(15)	(20)
Purchase of equipment under operating leases	(0)	-	-	-
Proceeds on disposal of equipment under operating leases	19	16	22	11
Cash used in investing activities	**(341)**	**(43)**	**201**	**(49)**
Financing activities				
Long-term debt, issued and (repaid)	3,171	(381)	1,260	(855)
Short-term debt, issued and (repaid)	(370)	1,895	(848)	1,615
Principal repayment of lease liabilities	(15)	(14)	(14)	(15)
Dividend paid	(395)	(366)	-	-
Capital contributions received (paid)	500	-	-	-
Cash provided by financing activities	**2,891**	**1,134**	**398**	**745**
Change in cash and cash equivalents	**771**	**-**	**(705)**	**-**
Cash and cash equivalents, beginning of year	771	860	1,725	1,020
Effects of exchange rate changes on the balances of of cash held and due in foreign currencies	1	-	-	-
Cash and cash equivalents, end of year	**$ 1,725**	**$ 860**	**$ 1,020**	**$ 1,020**

5.2 Operating budget

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

5.2.1 Operating budget summary

Fiscal year ending March 31 ($ millions)	2020 Actual	2021 Plan	2021 Forecast	2022 Plan
Portfolio growth				
Loans receivable and leasing	38,593	39,881	40,695	42,204
Loans receivable and leasing growth rate (per cent)	6.6	4.9	5.4	3.7
Specialized financial product				
Venture capital portfolio	123	180	143	197
Profitability				
Net interest income and margin				
Net interest income	1,197	1,236	1,286	1,304
Net interest margin (per cent)	3.10	3.06	3.05	3.02
Non-interest income				
Net insurance income	18	20	19	19
Net income (loss) from investment in associates	(31)	2	(1)	(1)
Credit quality				
Credit-impaired loans	295	241	308	325
Provision for credit losses	88	50	76	43
Allowance for credit losses - loans receivable	255	206	295	298
Writeoffs	32	37	27	45
Efficiency				
Administration expenses	459	486	477	509
Efficiency ratio (per cent)	37.8	38.7	36.7	38.5
Funding				
Borrowings	33,560	33,743	33,952	34,714
Capital management				
Total capital	7,021	6,895	7,688	8,443
Risk-weighted assets	41,889	43,256	44,108	45,801
Total capital ratio (per cent)	16.8	15.9	17.4	18.4
Debt to equity (ratio X:1)	4.7	4.9	4.4	4.1
Shareholder return				
Net income	633	715	739	769
Return on equity (per cent)	9.3	10.4	9.8	9.3
Dividends	395	366	-	-

5.2.2 Overview of operating budget projections

Since the COVID-19 situation escalated in March 2020, FCC has been working collaboratively with the Government of Canada to support the agriculture and agri-food industry though these challenging times. COVID-19 impacted FCC's 2019-20 financial results and is anticipated to continue to have an impact through 2021-22.

Portfolio growth

Loans receivable and leasing is forecasted to be $814 million or 2.0% higher in 2020-21 compared to 2020-21 plan due to higher than projected portfolio growth in the last half of 2019-20 and higher growth projected in 2020-21. This is primarily related to FCC's COVID-19 lending and deferral support programs and favourable overall disbursement levels. The portfolio is projected to grow by $1.5 billion or 3.7% in 2021-22 plan relative to the 2020-21 forecast. The increase in loans receivable and leasing reflects projected continued growth in farm debt outstanding and represents lending through financing in the primary production, agribusiness and agri-food and Alliances business lines.

Primary producers (primary production financing and Alliances) continue to represent the majority of loans receivable at 86.4% in both 2020-21 forecast and 2021-22 plan. In 2021-22 plan, the loans receivable and leasing portfolio is comprised of $36.3 billion in primary production, $5.7 billion in agribusiness and agri-food and $266 million in leasing.

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

FCC's venture capital portfolio includes eight limited partnership funds, consisting of five equity funds (investments in associates) and three subordinated debt funds (venture capital investments).

The amortized cost of the venture capital investments is projected to increase $33 million, and the fair value of investment in associates is projected to increase $21 million from 2020-21 to 2021-22. This reflects the plan assumptions with respect to new investments, sales and repayment, and changes in the fair value of existing investments.

Profitability

Net interest income is required to cover administration expenses and the risk of credit losses, as well as to yield a sufficient profit to meet the corporation's capital requirements and provide a return to FCC's shareholder. The 2020-21 net interest income forecast is $50 million higher than 2020-21 plan mainly due to higher portfolio volume than planned as well as fee and investment income in the forecast year. Net interest income is expected to increase $18 million from 2020-21 forecast to 2021-22 plan. This is due to a 3.7% growth in loans receivable and leasing, offset by a decrease in the net interest margin from 3.05% to 3.02% and the lower net interest income earned on investments.

Net interest margin on average earning assets is net interest income expressed as a percentage of average interest-earning assets.

The net interest margin is forecasted to decrease slightly to 3.05% from 3.06% in 2020-21 plan primarily due to the lower interest rate environment than the plan, resulting in lower returns on the earning assets and equity relative to the saving on interest-bearing liabilities. The net interest margin is projected to decrease 0.03% from 2020-21 forecast to 2021-22 plan primarily due to the projected low interest rate environment reducing the impact of equity.

Non-interest income is generated mainly through FCC insurance and venture capital equity investments identified as investments in associates. Other non-interest income items are net foreign exchange gains and loss and other income and expense inclusive of the AgExpert farm management software offerings.

FCC Insurance offers creditor life and accident insurance to protect customers and their families, partners and businesses. Sun Life Assurance Company of Canada administers and underwrites FCC insurance programs. Net insurance income forecast of $19 million is comparable to 2020-21 plan. In 2021-22, insurance net income is projected to remain at the same level as 2020-21 forecast at $19 million.

Net income on investment in associates is forecasted to be lower by $3 million in 2020-21 compared to the previous plan primarily due to lower net income expectations due to lower anticipated gains on investments. It is projected to remain at the same level in 2021-22.

Credit quality

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

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

Credit-impaired loans are forecasted to be $308 million, an increase of $66 million from 2020-21 plan largely from increased risk due to COVID-19. Credit-impaired loans are projected to be $325 million in 2021-22, an increase of $17 million from the 2020-21 forecast primarily due to growth in the portfolio.

Allowance for credit losses - loans receivable is forecasted to increase to $89 million from last year's plan of $206 million largely due to increased expected loss associated with the accumulating industry challenges, including those brought on by COVID-19. By the end of 2021-22, the allowance is expected to increase slightly to $298 million due to portfolio growth offset by higher writeoffs. The allowance as a percentage of loans receivable decreases from 0.73% in 2020-21 forecast to 0.71% in 2021-22 plan as customers begin to recover and credit losses are realized through writeoffs.

Writeoffs are forecasted to be $10 million lower than 2020-21 plan despite an overall increase in the risk environment due to COVID-19 as the impacts have yet to materialize in terms of losses. Writeoffs are expected to increase to $45 million in 2021-22 as FCC starts to experience the writeoffs related to the impacts of COVID-19. As a percentage of loans receivable, writeoffs are expected to increase from 0.07% in 2020-21 to 0.11% in 2021-22.

Provision for credit losses is forecasted to be $76 million, higher than the provision of $50 million in 2020-21 plan due to higher allowance for credit loss requirements. In 2021-22, the required provision is projected to be $43 million, decreasing from 2020-21 forecast mainly due to higher provision for credit losses accounted in 2020-21 to accommodate the COVID-19 impacts.

Efficiency

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

Administration expenses are forecasted to be $477 million, which is lower than 2020-21 plan primarily due to a decrease in benefits and travel and training offset by higher salaries. Despite the increase in salaries, benefits are lower than prior plan due to a decrease in defined benefit pension expenses related to the projected interest rate environment. In 2021-22, administration expenses are projected to be $32 million higher than 2020-21 forecast primarily due to an increase in salaries, other costs, travel and training and benefits.

Efficiency ratio is forecasted to be 36.7%, which is lower than 2020-21 plan of 38.7% primarily due to higher forecasted net interest income. In 2021-22, the efficiency ratio increases to 38.5% primarily due to increases in salaries, benefits, and travel and training resulting in expense growth outpacing growth in income partially due to the low interest rate environment.

Capital management

FCC's capital management objective is to maintain a safe and sound capital position to withstand economic downturn and periods of extended loss and to support FCC's strategic direction. In March 2020, FCC received a capital contribution from the Government of Canada of $500 million as part of the COVID-19 industry support response.

Total capital ratio
The total capital ratio is forecasted to be higher by 1.5% in 2020-21 primarily due to the increase in total capital partly offset by an increase in risk weighted assets (RWA) compared to plan. The total capital ratio continues to be higher at 18.4% in 2021-22 as excess capital is retained to address ongoing uncertainties related to COVID-19.

Debt to equity
The forecasted debt-to-equity ratio of 4.4 to 1 is lower than the 2020-21 plan of 4.9 to 1 mainly due to higher contributed capital and retained earnings. The forecasted ratio is also lower than the 10-year historical average of 5.6 to 1 as FCC's capital holdings have increased in relation to debt resulting from maturing capital management practices and recently higher capital levels related to COVID-19. In 2021-22, the debt-to-equity ratio is projected to decrease to 4.1 to 1, as growth in equity through retained earnings outpaces growth in debt. The ratio is projected to remain well below the maximum 12 to 1 debt-to-equity ratio set under the *Farm Credit Canada Act*.

Shareholder return

Net income is forecasted to be $24 million higher than 2020-21 plan. The forecasted increase is driven by favourable net interest income offset by a more unfavourable provision for credit losses than planned. In 2021-22, net income is projected to increase to $769 million primarily due to a lower provision for credit losses and higher net interest income offset by higher administration expenses.

Return on equity is forecasted at 9.8%, which is lower than 2020-21 plan of 10.4%. The decrease is primarily due to the elevated level of equity compared to plan resulting from additional capital held in support of COVID-19 support programs and uncertainty. The forecasted ratio is lower than the 10-year historical average of 15.0%. The historical average is high due to recoveries of allowance for credit losses and higher levels of leverage. By adjusting historical returns for FCC's current leverage ratio and longer-run provision history, FCC's 10-year historical average return on equity is 11.4%, which is more comparable to the forecasted ratio. In 2021-22, return on equity is projected to decrease to 9.3% as the growth in equity outpaces the growth in annual net income.

Dividends are paid to the Government of Canada at the discretion of the Board of Directors. The corporation's Capital Management policy relates the dividend payment to excess capital consistent with the Capital and Dividend Policy Framework for Financial Crown Corporations and as determined through the year-end capital adequacy assessment. However, due to continued uncertainties surrounding COVID-19, it is anticipated that dividend payments will only recommence in 2022-23 to ensure FCC is well prepared to support the industry.

5.2.3 Key assumptions and sensitivity analysis

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

In addition to the financial plan projections provided in this document, the corporation runs sensitivity and scenario analyses. These analyses assist in financial planning, risk management and resource allocation by testing financial strength across a range of financial plan assumptions and ensuring FCC is making prudent financial and risk management decisions over the long term.

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

The table below shows the impact of changes to key variables on projected net income and efficiency ratio for 2021-22.

	Change in net income	
Major drivers ($ millions)	**Change**	**2022** **Plan**
Loans receivable	+/- 1%	+/- 3.5
Net interest margin	+/- 2 bps*	+/- 8.6
Interest rate curves	+ 100 bps*	+ 14.4
Allowance	+/- 0.05%	+/- (21.0)

*basis points

	Change in efficiency ratio	
Administration expense	+/- $5 million	+/- 0.34%

5.3 Capital budget

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

Capital expenditures are forecasted to be $36 million, which is slightly lower than 2020-21 plan due to lower computer software offset by higher right-of-use assets. In 2021-22 is projected to be $6 million higher than 2020-21 forecast as FCC continues to support business growth and great customer experience though investment in digital technology.

Fiscal year ending March 31 ($ millions)	**2020** **Actual**	**2021** **Plan**	**2021** **Forecast**	**2022** **Plan**
Capital budget				
Leasehold improvements	7	6	7	9
Furniture and equipment	1	2	2	3
Computer hardware	2	2	2	3
Computer software	12	25	15	20
Right-of-use assets	15	3	10	7
Total capital expenditures	**37**	**38**	**36**	**42**

Appendix 6 – Borrowing plan summary

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

i. Total short-term financing from the Crown Borrowing Program not exceeding a maximum outstanding of $9.5 billion
ii. A maximum outstanding of $75 million through an operating line of credit
iii. A maximum outstanding of US$750 million short-term U.S. dollar financing from domestic money markets
iv. Long-term financing through the Crown Borrowing Program not exceeding $17.0 billion of new issuances

Borrowings are used in the normal course of business to fund operations and provide liquidity. Interest rates and market conditions can drive changes in customer preferences or interest-rate risk exposures on the balance sheet. FCC requires borrowing authorities that provide flexibility and latitude to effectively finance FCC's balance sheet and manage risks and business requirements.

Appendix 7 – Risk and risk responses

Governance

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

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

Summary of key risks

Title/description of the risk	Impact and response:
Credit risk is the potential for financial loss due to the failure of a borrower or other counterparty to repay a loan or meet financial obligations to the corporation. ***Category:*** *Financial* ***Probability:*** *Medium* ***Inherent risk level:*** *High* ***Residual risk level:*** *Medium*	**Impact:** Direct financial loss **Response:** Aligned with FCC's mandate to provide financial products, credit risk is the most significant risk faced by FCC. Through diversification across the agriculture and agri-food sectors and application of sound credit adjudication practices, residual credit risk levels are reduced. FCC lending and credit risk employees assess and manage risk on individual loans by adhering to defined policy. The Risk Management division aggregates credit risk, considering credit risk management best practices for financial institutions as well as using sophisticated statistical methods. The entire credit portfolio is assessed monthly, and reports pertaining to the portfolio's health are reviewed by the Enterprise Risk Management Committee and Board Risk Committee on a quarterly basis. Policy limits have been established for credit risk, portfolio concentration risk, government and banking liquidity investments and counterparty credit risk for derivatives.

Liquidity risk is the risk that FCC will have insufficient funds to meet its payment obligations. ***Category:*** *Financial* ***Probability:*** *Low* ***Inherent risk level:*** *Low* ***Residual risk level:*** *Low*	**Impact:** Inability to meet its payment obligations **Response:** The corporation minimizes liquidity risk using a liquid investment portfolio, funding through the Crown Borrowing Framework and access to an operating line of credit. Policy limits have been established for market and funding liquidity.
Market risk is a potential loss due to adverse changes in underlying market factors, such as interest rates and foreign exchange rates. ***Category:*** *Financial* ***Probability:*** *Low* ***Inherent risk level:*** *Low* ***Residual risk level:*** *Low*	**Impact:** Direct financial loss **Response:** Market risk inherently exists in all interest-bearing assets and liabilities, such as loans and FCC's debt. Foreign currency risk exists from any transactions based on the US dollar. FCC employs sound financial management practices based on industry practices and guidelines. FCC identifies the sources of market risk, measures these exposures, and uses financial management processes and controls to assess, manage and hedge these risks. Treasury monitors factors that impact these risks to assess and manage these risks within tolerances. Policy limits and management thresholds have been established for net interest income variability and the decline in market value of portfolio equity. Other metrics are used operationally to ensure a complete view.
Operational risk relates to inadequate or failed internal processes, people, systems or external events, and the failure to comply with or adapt to legislative or regulatory requirements or litigation. ***Category:*** *Operational* ***Probability:*** *Medium* ***Inherent risk level:*** *Medium* ***Residual risk level:*** *Low*	**Impact:** Direct and/or indirect financial loss **Response:** Operational risk inherently exists in all processes of the corporation. Leaders are responsible for ensuring appropriate policies and processes are in place within their business units to manage risks, and internal controls are operating effectively. Risk and control assessments identify and assess key risks to ensure appropriate controls are in place and gaps are closed. Key controls are monitored on a regular basis to determine their effectiveness. FCC has a formal program to measure and monitor operational control effectiveness. In addition, FCC's audit program examines processes and provides learning opportunities for continual improvement through assurance activity. Policy limits have been established for operational risk management effectiveness.

Reputation risk is the risk that key stakeholders and other members of the public may develop negative perceptions about FCC. ***Category:*** *Reputation* ***Probability:*** *Low* ***Inherent risk level:*** *Low* ***Residual risk level:*** *Low*	**Impact:** Negative perceptions about FCC that could adversely affect the corporation's reputation and its ability to attract and retain customers, business partners and employees **Response:** To avoid real or perceived reputation damage, FCC has a robust governance structure, including policies and procedures to guide employee conduct in interactions with colleagues, customers, industry partners, suppliers, media and the public. The customer on-boarding process requires adherence to various customer identification requirements, including the signing of a declaration stating that they know of no reason why FCC may have any concern with their business.
Strategic risk refers to the external environment and FCC's ability to develop and implement effective business strategies. ***Category:*** *Strategic* ***Probability:*** *High* ***Inherent risk level:*** *High* ***Residual risk level:*** *Medium*	**Impact:** Unforeseen change in the external environment impacts the strategic need or purpose of FCC **Response:** Potential strategic risks are identified and analyzed through a variety of activities, including external scanning and consultation with internal subject matter experts. The Board discusses the top strategic and emerging risks during its involvement in the strategic planning cycle. EMT members are accountable for developing risk mitigation plans, monitoring key risk indicators, reporting progress on mitigation strategies and reporting to the Board on a quarterly basis through corporate risk reporting.
Legal risk ***Category:*** *Operational* ***Probability:*** *Low* ***Inherent risk level:*** *Low* ***Residual risk level:*** *Low*	Legal risks, as a subcategory of operational risk, are broadly integrated throughout FCC's operations. FCC's policies govern the way FCC manages its human capital and processes, safeguards information, administers loans and investments, and carries out its business and corporate activities.

Appendix 8 – Compliance with legislative and policy requirements

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

- *Access to Information Act*
- *Canadian Human Rights Act*
- Canada Labour Code
- *Canadian Multiculturalism Act*
- Canada's anti-spam legislation (CASL)
- *Employment Equity Act*
- *Employment Insurance Act*
- *Financial Administration Ac*t
- *Impact Assessment Act*
- *Official Languages Act*
- *Privacy Act*
- *Public Servants Disclosure Protection Act*

FCC also complies with Treasury Board policies, Governor in Council directives, ministerial directives and other federal and provincial legislation.

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

Access to Information Act

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

Employment Equity Act

FCC is committed to building a workforce that reflects the diversity of its customers and the Canadian workforce and has developed a three-year diversity and inclusion strategy to ensure FCC is an inclusive workplace that can attract, hire and retain talent from diverse backgrounds. For more information, see Appendix 9.3 – Diversity and Inclusion.

Canadian Human Rights Act

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

Official Languages Act and official languages policy instruments

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

Privacy Act

FCC is continuing the adoption of Privacy by Design principles and its privacy risk and compliance posture through updates to policy and procedural controls and the development of change, learning and communications opportunities to increase employee awareness and vigilance in the identification and management of potential threats and risks to personal information.

Directive on Employee Pensions and Compensation

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

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

Directive on Travel, Hospitality, Conference and Event Expenditures

Treasury Board updated its Directive on Travel, Hospitality, Conference and Event Expenditures in April 2017. FCC implemented changes to align with the directive effective September 1, 2017, and is in the process of assessing whether the more recent changes Treasury Board made to its directive require amending policies, accountabilities and/or reporting.

FCC continues to ensure travel, hospitality, conference and event expenditures are managed with prudence and represent the most economic and efficient use of funds given the nature of the activity in relation to achievement of FCC's core mandate. FCC has taken steps to be transparent and communicate with the public on its management of travel and hospitality expenditures. FCC's expense policies, along with reporting on total annual expenditures for travel, hospitality and conferences as well as reporting on travel and hospitality expenditures for EMT and the Board of Directors, are available on FCC's public website at About FCC > Governance >Transparency > Travel and hospitality expenses.

Trade agreements

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

FCC will continue to report annually as requested by the Treasury Board on its obligations related to both the Canada Free Trade Agreement and the Comprehensive Economic and Trade Agreement and is committed to ensuring ongoing obligations are met.

Pay Equity Act

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

Appendix 9 – Government priorities and direction

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

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

The agriculture and agri-food system contributes more than $142.7 billion annually to the Canadian economy and is responsible for one in eight jobs in Canada. FCC plays a vital role by offering financing, knowledge and other specialized services to the primary producers, family farms and agribusiness and agri-food operators who are foundational to the success of Canada's agriculture and agri-food system.

From the onset of COVID-19, the government has made it a priority to support the needs of businesses and entrepreneurs in various sectors, including agriculture and food. The government made a commitment to the agriculture and agri-food industry to ensure Canadians have ongoing access to capital during this challenging time. On March 23, 2020, FCC received an enhancement to its capital base to enable an additional $5 billion in timely, proactive lending capacity to support the industry.

By achieving its mandate through the provision of specialized products, services, knowledge and support to Canadian producers and agribusiness and agri-food operators, FCC serves as a trusted partner, enabling job creation and opportunity in rural communities across the country to serve as drivers of the Canadian economy.

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

9.1 Transparent and open government

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

Since April 2020, FCC has been providing weekly updates on its COVID-19 Support Program uptake to the Privy Council Office (PCO), and since May 2020, weekly updates to the Parliamentary Budget Officer. Communication has included weekly updates on volume usage of the programs as well as information on which sectors and geographic regions have been using each type of support. Along with program updates, the updates to the PCO have included information on economic outlooks and watch items for various sectors across the country that could be further impacted by COVID-19.

Access to information

As a federal Crown corporation, FCC is subject to the *Access to Information Act*, which creates an enforceable right of access to records under the control of a government institution in accordance with the principle that government information should be available to the public. The *Access to Information Act* serves the important public interest of enabling public debate on the conduct of government institutions, strengthening the accountability of government to its citizens.

FCC is in compliance with the recent amendments to this legislation requiring more frequent disclosure of travel and hospitality expenditures for members of EMT and the Board of Directors.

Privacy

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

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

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

Info Source

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

Code of Conduct and Ethics

Acting with integrity is a core value of FCC. FCC's Code of Conduct and Ethics guides how employees operate and sets out the obligation to speak up in good faith and report possible violations of this code. FCC also provides the public with direct access to FCC's Complaints Officer and/or FCC's Integrity Officer. Access to the Complaints Officer is provided through a toll-free number and access to the Integrity Officer is provided through FCC Confidence Line (a confidential reporting service managed by a third party), if a member of the public would like to discuss a possible situation.

Access to the industry

FCC holds a public meeting annually with customers and stakeholders to share financial and operational results as well as information on the future of the corporation. In past years, this meeting was open to the public and free for all who attend. In 2020, due to COVID-19 concerns, the Board Chair, President and CEO and Chief Financial Officer recorded a series of videos to share this information. The videos were posted on FCC's website. Industry representatives and members of the public were invited to submit questions in advance.

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

9.2 Gender-based analysis plus (GBA+)

FCC supports and strengthens the entire Canadian agriculture, agribusiness and agri-food industry. Therefore the corporate plan takes into account GBA+ considerations for the entire sector, including— women in agriculture, young people in agriculture, indigenous agriculture operators, mental health and diversity. The following information is based on consultation with FCC's agriculture economists on disaggregated information from the 2016 Census on Agriculture, along with consultation with AAFC and a review of other third-party data. Sources are provided throughout as required.

Women: The number of women in the Canadian workforce continues to grow, which helps drive economic growth and a strong middle class. More women are farming and the roles of women on the farm continue to evolve. In the latest Census of Agriculture data from 2016, women accounted for 28.7% of all farm operators — nearly 78,000 of 272,000 farmers. Women were most prevalent among farm operators between the ages of 35 and 54, representing nearly one-third of the group. With the number of female-only operators increasing from 5.6% to 7.2% in the same period,[15] the federal government identified the need for more support for women entrepreneurs and in 2018 introduced a women entrepreneurship strategy to help women entrepreneurs grow their businesses with access to financing, talent, networks and expertise. To advance this priority, FCC strengthened its understanding of the needs of women in agriculture and agri-food and identified opportunities to support and advance these entrepreneurs. FCC conducted research and performed an environmental scan, industry stakeholder collaboration, product and program design workshops, and validation through qualitative and quantitative methods. The corporation reviewed various research studies, including the Canadian Agriculture Human Resource Council's Supporting the Advancement of Women in Agriculture and BDC's Accessibility Review Report.

[15] *Source: 2016 Census of Agriculture*

Research indicated women face a range of barriers, including balancing on-farm and business commitments with family responsibilities, overcoming outdated stereotypes with respect to the roles of women, lack of access to training, lack of role models and mentoring opportunities, and lack of confidence to pursue leadership and business opportunities. Key insights included the following:

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

FCC will pursue actions to address GBA+ considerations for women:

- Through the FCC Women Entrepreneur Program launched in 2019-20, FCC has committed $500 million over three years in support of the FCC Women Entrepreneur Loan to provide women with increased access to capital. Under this program, FCC waives up to $1,000 in loan processing fees and encourages borrowers to reinvest those savings into personal and professional development that best suits their individual needs and the needs of their growing businesses. A parental leave benefit option allows borrowers to defer payments on their loan principal for up to 12 months.
- FCC will continue to provide access to advisory services and value-added knowledge content and expand learning events on topics of interest to women. FCC considers women's participation and representation in its learning events and online materials. This includes efforts to ensure women and individuals from diverse backgrounds are featured as experts in FCC publications and online materials, and that women are featured as speakers and emcees at knowledge events. This will not only build confidence and business acumen but will highlight women in leadership positions who can inspire other women in agriculture and agri-food.
- FCC will offer the FCC Business Essentials course to women in agriculture groups to provide hands-on learning about business elements that are critical to managing a successful farming operation.
- FCC is increasing the number of women participants in FCC Vision[2]. To date, women participation on the panel has increased from 20% in 2017 to 35% in 2020. This increase will be a key element to ensure women's opinions, perspectives and insights are embedded into decision-making at FCC when designing customer-centric solutions.
- FCC partners with women in agriculture networks and FCC's women leaders participate in and speak at conferences focused on women in agriculture to share their knowledge and expertise. This provides an opportunity for women to engage with a variety of sector stakeholders and better understand the diverse range of issues they face. It also provides women with access to potential mentors and role models to create skill development and leadership opportunities and work through challenges, such as balancing on-farm commitments with family responsibilities.
- FCC will offer AgExpert software training and workshops to build awareness of FCC Management Software with women before tax season as they are increasingly using the software to support their farm management practices.
- FCC's women in agriculture and agri-food strategy includes a focus on increasing employee awareness of the needs of women and identifying opportunities to support the customer experience.

FCC will monitor progress related to the GBA+ considerations:

- FCC will monitor the representation of women featured as experts through FCC knowledge offerings, including speakers at FCC events.
- FCC will take a closer look at the topics women in agriculture are interested in and increase its offering to reach more women.

- FCC will pursue strategic partnerships and sponsorships to support women in agriculture and provide them with access to strengthen skills such as coaching, networking, mentoring and confidence-building. Specific program goals and targets will be developed in collaboration with partner organizations and monitored accordingly.
- FCC will monitor the uptake of the FCC Women Entrepreneur Loan.

Young farmers: According to the Canadian Federation of Agriculture, primary farm operators are estimated to have more than $50 billion in assets that will need to be transferred to the next generation over the next decade. The 2016 Census of Agriculture reports the average age of Canadian farmers is 54 and most male and female farm operators are between 35 and 64. The number of farm operators who are 65 and older continues to increase as the baby boomer generation ages. The number of new operators under 35 in Canada is also on the rise. Young people are coming back to the family farm. However, the price of farmland, start-up costs, and access to capital/credit can be significant barriers for both generational and non-generational future operators. Young farmers have also identified challenges with navigating family dynamics and intergenerational farm transfers. Through an FCC Vision survey, FCC has learned that young farmers under 25 are looking for tools and knowledge to increase their financial literacy. Lack of knowledge and the discomfort of taking on debt are barriers of entry for young farmers to get the financial capital they need to be successful.

FCC will pursue actions to address GBA+ considerations for young farmers:

- FCC created the FCC Transition Loan and Young Farmer Loan to assist new farmers entering the industry and enable intergenerational asset transfers.
- FCC created the FCC Starter Loan to support young and beginning farmers aged 18 to 25. The loan focuses on financial literacy and provides targeted assistance to young borrowers to teach basic financial concepts and increase understanding around the requirements for obtaining financing and starting a business. This product helps young and beginning farmers acquire the capital they need to enter the industry. For example, customers are using this product to purchase livestock and equipment.
- FCC also introduced Transition Specialists to provide consultation services for FCC customers. One of the objectives of the Transition Specialist is to facilitate conversations regarding inter-generational transfers of farming operations and assets.
- FCC also supports and invests in young farmers through its support of programs with Agriculture in the Classroom and 4-H Canada. Young farmers are encouraged to participate in a variety of live events, including workshops and Ignite: FCC Young Farmer Summit. Online multimedia on fcc.ca complements face-to-face programs with topics such as managing farm finances, human resources and succession planning.
- FCC will continue to provide knowledge and resources through publications, videos, events and web articles to help its customers run a successful business, from farm manager to CEO. FCC wants its customers to be more than good managers — it wants them to feel empowered to lead their businesses from the CEO's chair. FCC's knowledge offering will primarily focus on these key areas — money and finance, strategy and planning, agriculture economics, transition, managing people and personal growth.

FCC will monitor progress related to the GBA+ considerations:

- In 2021-22, FCC has a young borrower lending goal of $3.2 billion for agriculture production and a young entrepreneur lending goal of $100 million for agribusiness and agri-food.
- FCC is also monitoring the number of borrowers under 40, with a goal to reach at least 19,550 borrowers for 2021-22.
- In partnership with young farmer associations and industry partners, FCC will host Ignite: FCC Young Farmer Summit — a series of virtual events across Canada to attract and engage the next generation of farmers. Each event is designed to inspire possibilities, increase knowledge and create connections between producers.

Mental health: There is increasing awareness of the importance of mental health issues among producers and agribusiness and agri-food operators. In May 2020, Farm Management Canada (FMC) conducted a study "Healthy Minds Healthy Farms: Exploring a connection between Mental Health and Farm Business Management". The study sought to improve understanding of the relationship between farm business management practices and farmer mental health. Through their research, FMC found that 62% of Canadian farmers are categorized with mid-stress scores and 14% with high stress. In addition, three out of four Canadian farmers indicate being moderately to highly stressed about unpredictable interference, workload pressure, lack of time and financial pressure. Equally important to note are that women are more likely to report high stress and younger farmers show signs of higher stress and are generally less effective at coping with stress. Lastly, growing operations are more likely to be stressed about finances compared to mature operations. The study shows that there are many examples of effectives models for farmer mental health support in Canada. In addition, farmers are more likely to participate in support programs offered by providers familiar with agriculture and that cater to the unique needs of farmers. The research notes that a lack of access to mental health support in rural Canada remains a critical gap in supporting public health. The report concludes with four themes that capture how Farm Management Canada and the agricultural industry at large can better support the mental health of farmers in Canada:

1. Continue raising awareness around stresses and the impact of mental health for farmers.
2. Support mental health literacy for farmers and those supporting farmers.
3. Deliver business management advice, tools and training that focus on risk management and preparedness as a means of facing uncertainty.
4. Advocate for and expand farmer-specific mental health support services.

FCC will pursue actions to address GBA+ considerations for farmers with mental health issues:

- FCC is pursuing strategic partnerships to help advance mental health issues and support Canadians involved in farming and rural Canada. Initiatives undertaken ensure agriculture communities and rural Canadians receive information to increase awareness on the promotion (removing stigma), prevention (how to build resilience), intervention (where to go for help) and postvention (after-crisis support) stages of a mental health crisis such as suicide. FCC is assessing its current approach to support mental health in the agriculture and food industry and exploring opportunities and identifying gaps that need to be addressed further in this space to determine how best the organization can provide support in this area, today and in the future.

FCC will monitor progress related to the GBA+ considerations:

- FCC partnered with mental health experts to create a 64-page bilingual publication (Rooted in Strength: Taking Care of Our Families and Ourselves*).* A compilation of testimonials from people affected by mental health, the publication provides tips and tools for managing stress and anxiety on the farm, along with national and provincial mental health help lines. It was originally delivered to rural Canada in 2018. It was updated with new content in 2020 and delivered to all farm mailboxes (169,845) in Canada in 2020.
- Mental health first aid training was delivered in partnership with the Do More Agriculture Foundation. A total of 21 of 24 sessions planned for 2019-20 were delivered, including eight mental health first aid courses, seven half-day workshops and six virtual sessions. Two sessions were postponed due to COVID-19 and rescheduled for late 2020. FCC is sponsoring the Do More Ag Community Fund once again in 2020-21, with $100,000 for training to be delivered to additional communities across the country this upcoming year.
- 4-H Canada continues to talk about mental health with its 25,000 members through its Healthy Living Initiative. The mental health component of this training was sponsored by FCC.
- In 2020-21, FCC had four mental health speakers at FCC events, with another four speakers scheduled to speak at virtual events throughout the remaining of the fiscal year.

- FCC partners with Ag Health and Safety Alliance (Canada) to incorporate mental health content into the Gear Up for Safety course offered to Canadian agriculture college and university students.

Indigenous agricultural operators: FCC has begun taking thoughtful steps forward on how it can lend to Indigenous agriculture and food, developing an Indigenous relations strategy to ensure products and services are adapted and accessible to Indigenous agricultural operators. The *Farm Credit Canada Act* defines farming as having to include some level of husbandry activity. However, in the 2018 Supplemental Mandate letter, FCC's Minister asked that FCC support underrepresented groups in Canadian agriculture, including Indigenous agricultural entrepreneurs and producers. Adding traditional harvesting from natural sources as eligible business activities would enhance opportunities to fully support this group and fulfil the mandate. In a report to the Standing Committee on Agriculture and Agri-Food entitled "*Support for Indigenous Peoples in the Agriculture and agri-food industry,*" a total of 15,765 people in Canada's agricultural population identified as Indigenous in 2016, making up 2.7% of that population. This figure included 5,160 Indigenous agricultural operators, or 1.9% of the 270,720 agricultural operators in Canada. Indigenous farm operators live across the country but are especially numerous in western Canada. However, individuals who identify as Indigenous are under-represented in the Canadian agriculture sector and bring in significantly lower revenues than non-Indigenous farm operators.[16] Throughout this process, FCC has identified challenges and barriers to entry that must be addressed to effectively support Indigenous agricultural operators:

- **Access to capital** – First Nation bands or individuals living on reserve frequently have trouble accessing the capital needed to start or expand an agriculture business. One of the primary reasons is Section 89 (1) of the *Indian Act* that governs First Nation land and does not allow real and personal property of an Indian or a band situated on a reserve to be subject to charge, pledge, mortgage, attachment, levy, seizure, distress or execution in favour or at the instance of any person other than an Indian or a band.
- **Workforce knowledge** – First Nations farms face unique challenges in the workforce. There are some First Nations and Indigenous communities that have entered agriculture, but have challenges finding on-reserve employees with agricultural knowledge or experience. First Nations people have not grown up in agriculture. As a result, many reserve residents lack experience in agriculture, despite living in rural areas.
- **Workforce labour** – In many non-Indigenous family farms, there is labour available from family members. This is advantageous because it gives access to employees on the property at all hours. It also connects employees with added ambition to the farm. In contrast, Indigenous farms often rely on employees who are paid hourly wages. This creates challenges during busy times like calving season, harvest and unforeseen events. This is a contributor to high turnover rates on some First Nations farms.
- **Indigenous lending** – Expand FCC's eligibility policy to allow lending for the business activities pertaining to traditional Indigenous harvesting from natural sources.

FCC is committed to supporting the agriculture sector in a way that allows it to be a leader in job creation and innovation. To do so, FCC will explore options to address the challenges and barriers to entry for Indigenous peoples.

FCC will pursue actions to address GBA+ considerations Indigenous agricultural operators:

- FCC is adjusting its security and eligibility policies and practices for lending through agribusiness and agri-food lending. The lending strategy will build on individual expertise and refine existing policies and practices to ensure the Indigenous customer and lending experience is professional, seamless and responsive as per FCC's lending standards.
- FCC is exploring and establishing partnerships with non-profits, including Canadian Agriculture HR Council and Farm Management

[16] Nicolas Gauthier and Julia White, *Aboriginal peoples and agriculture in 2016: A portrait*, Statistics Canada, 17 January 2019.

- Canada, education and training institutions, federal (Indigenous Services Canada, Agriculture and Agri-Food Canada) and provincial ministries and Indigenous governments and organizations to understand and address this gap in knowledge and capacity.
- Planned consultation with Indigenous communities will provide a deeper understanding on how they will approach workforce knowledge and labour in their business models and how FCC can support these initiatives. Through the sponsorship and engagement undertaken by FCC, collaboration with industry partners, non-profits, academia, several opportunities are available to build confidence and capacity with FCC's existing and future customers.

As part of ongoing strategy development, FCC will consider metrics and targets to monitor the progress on GBA+ considerations. For more information about the FCC Indigenous strategy, refer to Appendix 9.4 – Indigenous opportunities.

Diversity and inclusion at FCC: As a federal Crown corporation, FCC is committed to continuing to make progress in building a workforce that reflects the diversity of its customers and the Canadian workforce. Diversity means people with a rich pool of backgrounds, perspectives, abilities and strengths can work together to deliver results for FCC and the industry it serves. FCC has developed a diversity and inclusion strategy that identifies opportunities to ensure FCC is connected to a diverse talent pool and its engagement activities with diverse communities to position FCC as an employer of choice. Hiring managers will have the knowledge and alignment needed to actively integrate diversity and inclusion considerations in hiring decisions, and FCC will continue to be an inclusive workforce so it can engage, retain and advance diverse employees in meaningful ways.

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

At FCC, diversity and inclusion start at the top. FCC's Board of Directors has seven women and five men, one director who self-declares as Aboriginal and the Board Chair is female. FCC remains committed to the advancement of employment equity groups in its leadership positions. With a focus on developing and advancing diverse talent, FCC will explore opportunities to expand employment equity group representation where it has gaps based on the qualified Canadian workforce.

In terms of FCC's broader diversity, the following table shows FCC's total representation in each of the four employment equity groups as well as for those leaders who manage people.

	Women (Total; percentage)	**Aboriginal** (Total; percentage)	**Persons with disabilities** (Total; percentage)	**Members of a visible minority** (Total; percentage)
Total	1,303; 61.8%	61; 2.9%	60; 2.8%	173; 8.2%
In leadership positions	141; 47.2%	6; 2.0%	12; 4.0%	10; 3.3%

Note: This information is based on FCC's total workforce complement of 2,109 as at September 30, 2020. This includes all permanent and fixed-term employees (on terms of six months or longer), part-time and full-time, and those on leave. It does not include students.

FCC will pursue actions to address GBA+ considerations related to diversity and inclusion:

Indigenous employees: In response to the Canadian Human Rights Commission's Indigenous Employment in the Banking and Financial Sector Audit Report for FCC, the company undertook a comprehensive internal review and developed a three-year Indigenous employment equity plan. In 2021-22, FCC will execute year one of its Indigenous employment equity plan. FCC will use this plan to create an inclusive work environment that supports the attraction, employment, retention and advancement of Indigenous peoples at FCC. For more information, refer to Appendix 9.3 – Diversity and Inclusion.

Accessibility and inclusion for all: As a federal Crown corporation, FCC is aligned with the Government of Canada's plan to prevent and remove barriers, improve accessibility and promote inclusion for everyone in Canada. The intent of the *Accessible Canada Act* is "about creating communities, workplaces and services that enable everyone to participate fully in society without barriers." FCC is actively engaging with the Rick Hansen Foundation (RHF) and developing a plan to move FCC's level of accessibility in new builds and major renovations beyond building code. FCC will use a rating system developed by RHF that uses trained professionals to evaluate the meaningful access of commercial, institutional and multi-unit residential buildings and sites. As part of this plan, FCC has engaged an architect who is a Rick Hansen Certified Professional (RHCP) to review floor plans and provide gap analysis to identify opportunities for accessible design that can be incorporated into renovations and new builds. Results of the gap analysis indicated that FCC's current design included several inclusive design elements, and with some adjustment, would result in FCC workspaces designed in the spirit of inclusivity enabling access without barriers. To date, these recommendations have been incorporated into renovations at FCC's corporate office and new office space in Montreal. Going forward, FCC will consult with other groups representing people with disabilities to ensure their needs are considered when updating standards relating to office space.

Employee mental wellness: Overall, FCC strives for a representative workforce and one that has strong mental health. In 2020, through FCC's employee engagement survey, 80% of employees agreed with the statement, "The balance between my work and personal commitments is right for me." This is three points higher than Kincentric's Canadian Top Quartile benchmark. In the same survey, 78% of employees agreed with the statement, "My work-related stress is manageable." This is two points higher than Kincentric's Canadian Top Quartile benchmark. The scores for these questions have remained unchanged when compared to the 2019 survey, a testament to the work that FCC has done to support employee mental health during the COVID-19 pandemic.

FCC also experiences low absenteeism rates. On average, in 2019-20, employees took 2.85 sick days. According to Statistics Canada, the average days lost per worker in a year for the public sector was 14.6 for 2019.

FCC will monitor progress related to the GBA+ considerations:

- FCC has an internal diversity measure to track the percentage of employees from the designated groups hired each year. FCC will also monitor other key data and metrics such as turnover rates, engagement scores and targets associated with new and existing programs tailored to diverse groups to understand how the experience of employees who are members of underrepresented groups may be different than the all-employee experience so FCC can continue to make improvements and enhancements.

Advancing diversity and GBA+ at FCC

FCC will continue to explore new opportunities to fulfil its mandate while addressing the unique needs of diverse groups within the industry it serves. FCC believes its activities are consistent with the Government of Canada's commitment to securing greater social and economic inclusion for women, Indigenous peoples and people of diverse backgrounds and age.

Specifically, the plans are consistent with findings from the Standing Committee on Agriculture and Agri-Food's report on debt in the agriculture sector and its effects (June 2017) related to the importance of helping new entrants to the industry.

FCC operates in a manner that is consistent with all legislation, including the *Official Languages Act*, *Canadian Human Rights Act* and *Employment Equity Act*.

9.3 Diversity and inclusion

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

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

Province and total # of employees	**Female** (number; percentage)	**Aboriginal** (number; percentage)	**Persons with disabilities** (number; percentage)	**Member of a visible minority** (number; percentage)
British Columbia (71)	44; 62.0%	3; 4.2%	2; 2.8%	18; 25.4%
Alberta (220)	145; 65.9%	8; 3.6%	4; 1.8%	13; 5.9%
Saskatchewan (1,132)	689; 60.9%	37; 3.3%	42; 3.7%	112; 9.9%
Manitoba (89)	59; 66.3%	3; 3.4%	0; 0.0%	2; 2.2%
Ontario (314)	185; 58.9%	5; 1.6%	7; 2.2%	21; 6.7%
Quebec (154)	97; 63.0%	1; 0.6%	1; 0.6%	5; 3.2%
New Brunswick (104)	69; 66.3%	4; 3.8%	4; 3.8%	2; 1.9%
Nova Scotia (15)	8; 53.3%	0; 0.0%	0; 0.0%	0; 0.0%
Prince Edward Island (8)	6; 75.0%	0; 0.0%	0; 0.0%	0; 0.0%
Newfoundland and Labrador (2)	1; 50.0%	0; 0.0%	0; 0.0%	0; 0.0%

Note: This information is based on FCC's total workforce complement of 2,109 as at September 30, 2020. This includes all permanent and fixed-term employees (on terms of six months or longer), part-time and full-time, and those on leave. It does not include students.

In 2021-22, FCC will execute the first year of its new diversity and inclusion strategy. The strategy will continue to look at how FCC can enhance its ability to attract, hire, retain, develop and advance employees who are members of underrepresented groups.

Over the next year, FCC will continue to implement tactics to improve Indigenous representation. Year one of its Indigenous employment equity plan includes five main categories, with various tactics under each category: workforce supply, Indigenous recruitment, retention and advancement, partnerships, Indigenous workplace inclusion and accountability. FCC will continue to work in partnership with Indigenous employees and organizations to ensure the work undertaken as part of the plan is meaningful and creates sustainable impact.

FCC is committed to advancing the diversity of its workforce and ensuring FCC is a workplace that is inclusive and free from overt and covert racism and discrimination, creating a psychologically safe workplace for all. Global events have heightened awareness of the need for individuals and organizations to continually advance their understanding of what it means to be inclusive, and more recently, the importance of being anti-racist.

In 2021-22, FCC will focus on the following items:

- Deepen employee understanding of the importance of inclusion and anti-racism.
- Provide employees, leaders and teams with resources to advance their team focus on identifying, addressing and removing bias in their activities and operations.

- Review FCC's policies and practices with an anti-racism lens.
- Embed anti-racism and inclusion practices in key human resources policies, practices and systems.

Cross-cultural awareness activities will continue, including in-person events and knowledge sharing through online platforms. Employees will receive formal and informal education to increase awareness of diversity issues and celebrate differences. In response to the Truth and Reconciliation Commissions of Canada's Call to Action #57, Indigenous awareness training will be made available to all employees.

FCC has a partnership with the University of Regina's Campus for All program, which provides learning opportunities for students with intellectual disabilities. After completing courses on campus, students are matched to employers through the non-profit created by Creative Options Regina called 4to40. The 4to40 program seeks to match the graduates from Campus for All with supported employment opportunities. FCC has successfully hired five students from the program.

9.4 Indigenous opportunities

As Canada's only financial institution focused solely on the needs and opportunities of the agriculture and agri-food industry, FCC is uniquely positioned to provide specialized products and services to Indigenous customers to grow their capacity and businesses, take advantage of new market opportunities, and innovate to become efficient and sustainable operations. To do so, FCC is exploring how to fulfill its mandate to support this under-represented group by investigating opportunities to add traditional harvesting from natural sources as eligible business activities for Indigenous agriculture.

Following a year of research and knowledge building, FCC developed a strategy to enable economic development with Indigenous communities through education and partnerships focused on enhancing Indigenous involvement in agriculture. The strategy's objectives are to:

- Establish FCC as a lender of choice for Indigenous people and help enable economic development in Indigenous communities.
- Establish FCC as a knowledge leader and network catalyst to help build capacity in Indigenous communities.
- Establish FCC as an employer of choice for Indigenous job seekers and ensure FCC is a welcoming and inclusive workplace that attracts and retains diverse candidates.

FCC will achieve its objectives through three streams: capital, community investment and strategic partnerships, capacity and human resources. FCC will leverage its relationships to build effective collaboration and vehicles to coordinate inclusive opportunities with Indigenous agriculture proponents in networking and business development, access to capital, capacity development and research.

Capital, community investment and strategic partnerships

One of the key tenets of the strategy is to lend capital to support Indigenous agriculture. FCC will incorporate key strategic partnerships and existing customer experience and relationship management practices to ensure the Indigenous customer and lending experience is professional, seamless and responsive as per FCC's lending standards.

FCC is investing $10 million with the National Aboriginal Capital Corporations Association (NACCA) Indigenous Growth fund supporting Aboriginal Financial Institutions (AFIs) across Canada. These types of continued investments allow FCC to build partnerships and collaboration with individual AFIs that do the bulk of the lending in Indigenous agriculture.

Community investment is an equally important endeavour to ensure that Indigenous communities across Canada are thriving. FCC will look for opportunities to further invest in Indigenous communities. One such example is in 2020, FCC doubled its Canada-wide school feeding program investment to $200,000 going to 200 schools, with half of this funding going directly to Indigenous and community-based schools. Going forward, FCC will continue with this commitment level to support Indigenous communities in Canada.

Capacity
Apart from the 2016 report to the Standing Committee on Agriculture and Agri-Food referenced in Appendix 9.2, data is nearly non-existent as it relates to Indigenous agriculture. Therefore, FCC is conducting research with Indigenous communities, economic development corporations and individual proponents to further its knowledge and ability to refine its tactics. FCC will work collaboratively with stakeholders to build and share this data to the benefit of all.

One way FCC chose to contribute to the conversations taking place in Indigenous agriculture through its submission to the Journal of Aboriginal Economic Development titled “First Nations Prosperity in Canadian Agriculture and Food: Navigating the opportunities and challenges in one of Canada’s biggest industries” and presentation at CANDO (Council for the Advancement of Native Development Officers) national conference in 2020.

FCC will build a platform to share targeted information supporting capacity development with Indigenous agriculture sector proponents, including partnering with non-profits to provide focused training with targeted Indigenous agriculture proponents.

Human resources
In 2019, FCC became a founding signatory of the Saskatchewan Chamber of Commerce’s Indigenous Engagement Charter. This reflects FCC’s commitment to reconciliation. Part of reconciliation is truth-telling and FCC explored where it may be vulnerable to unconscious bias. A comprehensive Indigenous employment systems review gave FCC the benefit of an external lens into its employment practices. FCC is implementing an Indigenous employment equity plan to improve the attraction, employment, retention and advancement of Indigenous peoples at FCC. The corporation also undertook an internal review and found processes, definitions and ways of measuring and communicating that contribute to systemic barriers. FCC is taking action to resolve these areas, including Indigenous awareness training, and is committed to looking through this lens to measure its successes and challenges as it implements best practices.

9.5 Sustainable development and greening government operations

Sustainable development
At FCC, corporate social responsibility is integral to business decisions and corporate practices, and is an essential part of FCC’s commitment to advancing the business of agriculture and agri-food, specifically environment, social and governance performance.

Over the coming year, FCC will refresh its strategy to position the corporation as a leader in corporate social responsibility. This strategy focuses on advancing business practices, supporting shareholder priorities and global sustainability targets, and supporting customers on their sustainability journey, based on customer feedback of where FCC can have the biggest impact.

FCC will seek to better understand the potential impact of climate change on customers and business operations. To that end, FCC will pursue a phased approach to the implementation of the Task Force for Climate-Related Financial Disclosures (TCFD) framework in line with the recommendations from Budget 2019 and the Government of Canada’s Expert Panel on Sustainable Finance.[17] Based on published UN studies, there is a potential that Canada could be an even more productive food-producing region of the world in the future. However, models also suggest that increased weather volatility could lead to more frequent floods, droughts and wildfires. FCC wants to ensure it is well positioned to support customers to remain resilient to any impacts related to climate change.

FCC currently offers flexible options on many of its term loan products to assist with weather and market-related risks that can impact producers’ short-term financial positions. Additional program enhancements will be considered in the coming fiscal year and beyond to support Canadian producers.

[17] Final Report of the Expert Panel on Sustainable Finance, *Mobilizing Finance for Sustainable Growth*, Government of Canada, 2019

Corporately, FCC maintains a strong capital base to ensure it has the financial strength to sustain its business and stand by customers should there be an unexpected production shock that affects a broad contingent of customers. If required, future capital adequacy targets can be augmented in response to this research.

Greening government operations
FCC is committed to improving the environmental performance of its internal operations. FCC has aligned its emission reduction targets with those put forward in the Greening Government strategy.

FCC will reduce its greenhouse gas (GHG) emissions by 40% by 2025 based on 2012 emissions levels. This equates to a continuous reduction of 307 tonnes of carbon dioxide equivalent (CO_2e) every year. It will do so through a combination of building emission reductions, including working with landlords to implement energy-efficiency upgrades to buildings, on-demand energy monitoring technology, behaviour changes around air and vehicle travel, and paper-reduction tactics such as duplex printing and increased use of technology. In 2021-22, FCC is exploring how a hybrid work environment of both remote and in-office work might positively affect FCC's GHG footprint. In addition to these tactics, FCC will purchase renewable energy certificates each year to support the production of clean energy into Canada's energy grid and ensure its targets are met. FCC gathers data on scope one emission sources (natural gas, fuel oil usage), scope two emission sources (electricity usage) and scope three emission sources (kilometres driven by its employees, kilometres flown by its employees and the amount of paper used at FCC). A third-party provider uses the GHG Protocol as the basis for analyzing this data to determine FCC's yearly GHG footprint.

In 2019-20, FCC saw a nearly 9% decrease in gigajoules of energy per square foot, mostly due to the warmer winter experienced across Canada. A 16% decrease in kilometres flown was the result of internal benchmarks that encouraged employees to optimize flights and travel, and use videoconferencing as an alternative where it makes sense to do so. Kilometres driven increased by 2%, primarily due to an increase in employee base. FCC decreased its paper usage by 11% mostly as a result of employees using laptops for communication and collaboration. A significant portion of FCC's carbon footprint is due to buildings (heating and cooling), therefore like many other businesses and financial institutions, FCC relies on renewable energy certificates to put the equivalent amount of solar or wind power back onto rural grids every year. To reach its GHG target, FCC purchased renewable energy certificates equivalent of 966 tonnes of CO_2e.

FCC continues to focus on making improvements and supporting employees in reducing their impact on the environment wherever possible.

9.6 COVID-19 impacts

The COVID-19 pandemic was an unprecedented event that created global impacts affecting the Canadian economy as well as the agriculture industry.

Overall, the Canadian economy is expected to grow following this period as global trade normalizes and economies around the world recover from the COVID-19 pandemic. Significant government stimulus will lead to improvements in labour markets, support business activities and grow consumer spending. Expansion of the global and Canadian economies will be sensitive to the evolution of COVID-19 and the government's response. The net result will be gross domestic product (GDP) growing around 4.0% in 2021, followed by projected growth around 2.0% per year over the five-year forecast period.

The Canadian agriculture industry remains healthy and in a strong financial position, although the balance sheets of agricultural[18] producers weakened slightly:

1. The liquidity ratio of Canadian agriculture decreased in 2019 and is the lowest since 2006.

[18] Statistics Canada. Table 32-10-0056-01 Balance sheet of the agriculture sector as at December 31

2. Total liabilities in Canadian agriculture grew faster than asset values in 2019. The debt-to-asset ratio increased to 16.7% in 2019 as compared to 16.0% in 2018 and has been trending higher since 2014.
3. In 2019, net cash income increased 5.8% due to stronger farm cash receipts. Despite the improvements in farm revenues, net cash income remains $1.7 billion lower than the 2017 peak.

The industry also continues to respond to new challenges. For example, COVID-19 had multiple influences in agri-food supply chains. Lower demand for rail created increased export opportunities. Conversely, temporary plant closures, increased labour challenges, and major shifts in consumption away from food services created many challenges.

The food processing sector has been extremely innovative in response to the COVID-19 pandemic as new distribution channels emerge while securing the food supply chain. Moderate economic growth in Canada and the United States is likely to keep up the demand for high-value food. This should provide an opportunity for food processors to invest in process innovation to balance off labour challenges as well as make product innovations that meet the diverse preferences of a rising global population. The overall outlook for Canadian agriculture and agri-food remains positive because of the growing demand for agricultural commodities.

FCC customers largely adopted technology to interact with FCC when face-to-face interactions were not possible. FCC is continuing to build solutions in this area to deliver an exceptional customer experience, whether remotely or in person.

In response to the COVID-19 pandemic, foundational business continuity plans and flexible work-from-anywhere technology allowed FCC to quickly adapt processes and enable employees to work from home with minimal work interruption. At the same time, a few critical processes continued to be delivered on FCC premises to maintain appropriate information, privacy and security protocols.

FCC will serve the agriculture and agri-food industry in managing the impacts of the COVID-19 pandemic. From the onset of COVID-19, the government has made it a priority to support the needs of businesses and entrepreneurs in various sectors, including agriculture and food. The government made a commitment to the agriculture and agri-food industry to ensure Canadians have ongoing access to capital during this challenging time. On March 23, 2020, FCC received an enhancement to its capital base to enable an additional $5 billion in timely, proactive lending capacity to support the industry.

FCC responded by developing a comprehensive COVID-19 Support Program to ensure producers, agribusiness and food producers can remain focused on business-critical functions:

- **Payment schedule amendments:** Customers can defer principal payments for up to 12 months and interest payments up to six months.
- **FCC Credit Lines:** Customers have access to a credit line up to $500,000, secured by a general security agreement or universal movable hypothec (Quebec only), which is subordinate to other lenders.
- **FCC Operating Credit Term Loan:** This loan product provides access to term loans up to $2.5 million with no fees and an 18-month interest-only option available over a 10-year amortization. Funds can be used for working capital and to modify production due to COVID-19 impacts.
- **Additional lending for large customers:** Cash flow is key for all customers, including large operations that may be critical components of the supply chain. To ensure these key enterprises remain operational, FCC has enabled additional lending to large customers and an increase to the maximum customer lending limit.

To support the industry, FCC has taken an increased level of risk and exercised greater flexibility. This includes reduced levels of required security, longer repayment requirements, reduced rates and fees, more interest-only loans and an increase to the maximum customer lending limit. FCC‘s enhancement to its capital base allowed for additional lending, increasing portfolio growth and risk exposure to support the industry during this time of unprecedented market disruption and uncertainty. Strong capital levels are maintained in the early plan years given the ongoing uncertainty related to COVID-19, enhancing the ability to continue delivering support programs to aid customers in their recovery.

This increase in credit risk is expected to peak in 2020-21 as the uptake in the COVID-19 support programs levels out. Profitability measures are unfavourably impacted by the low interest rate environment brought on by COVID-19 and higher capital levels. In the plan, the portfolio is expected to grow at a slower pace, while credit risk in the portfolio is expected to normalize slowly with customers recovering and losses being realized through writeoffs.

The situation will continue to be monitored and may impact customer financial and FCC portfolio health as it may take time to rebuild depleted working capital positions and adjust to new ways of operating. FCC continues to support operations on an individual basis as each farm financial situation is unique.

FCC's COVID-19 support programs, bolstered by the Government of Canada's capital commitment, will allow FCC to maintain a steady presence in the industry and support its customers through the pandemic while supporting Canada's economic recovery.