



CANADA DEVELOPMENT INVESTMENT CORPORATION

2022 to 2026

CORPORATE PLAN AMENDMENT SUMMARY

and

2022 CAPITAL BUDGET AMENDMENT SUMMARY

Regarding the Canada Growth Fund

CDEV CORPORATE PLAN AMENDMENT SUMMARY
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Overview of Amendment to 2022 Corporate Plan

The Canada Development Investment Corporation's (CDEV) 2022-2026 Corporate Plan was approved by the Treasury Board on March 24, 2022. An Amendment to the 2022-2026 Corporate Plan was approved by the Treasury Board on April 28, 2022. Following these approvals, the government has made a decision that requires additional amendments to this Corporate Plan and Capital Budget. This includes:

- The intention to stand up the Canada Growth Fund Inc. (CGF) as a wholly-owned subsidiary of CDEV, as announced in the 2022 Fall Economic Statement.
- Further details on the activities of this subsidiary will be presented in CDEV's 2023-2027 Corporate Plan and 2023 Capital Budget.

Capital Expenditure Authority

- The capital expenditure authority under the approved 2022 Plan Amendment is insufficient to cover the start-up costs and potential investments of CGF over its initial months of operation. As a result, capital expenditure authority is sought for CGF.

Borrowing Authority

- No amendments are being sought to CDEV's borrowing authority.

Financial Statements and Corporate Plan

- No pro-forma financial statements have been prepared for CGF. Anticipated capital expenditures have been provided based on expected initial operations for the subsidiary.

1.0 EXECUTIVE SUMMARY AND PURPOSE OF AMENDMENT

As announced in the 2022 Fall Economic Statement, the government intends to launch CGF this year so that it may begin to make the investments needed to meet Canada's climate and economic goals. To launch CGF this year, CDEV is expecting to receive a directive from the Governor in Council (GIC) for it to incorporate a new, non-agent, non-taxable wholly-owned subsidiary, CGF. CDEV, as the parent of CGF, will be responsible for overseeing CGF as it is being stood up, including through the establishment of a Board of Directors, in consultation with the Minister of Finance. Orders issued by the GIC, on the recommendation of the Minister of Finance, to CDEV and CGF are expected to outline the government's expectations for the launch and the oversight of CGF, including that the board of CGF implement the Statement of Priorities and Accountabilities to be issued by the Minister of Finance to the Chair of CGF. The Statement of Priorities and Accountabilities would convey the Minister of Finance's expectation that CGF be delivered in accordance with the CGF Backgrounder issued by the Department of Finance on November 3, 2022.

2.0 MANDATE AND BUSINESS OVERVIEW

While initially a subsidiary of CDEV, CGF will eventually have its own permanent independent structure when its enabling legislation is in place.

CGF will make investments that catalyze substantial private sector investment in Canadian businesses and projects to help transform and grow Canada's economy at speed and scale on a path to net zero. The investments of CGF will help the country meet the following important national economic and climate policy goals:

- reduce emissions and achieve Canada's climate targets;
- accelerate the deployment of key technologies, such as low-carbon hydrogen and carbon capture, utilization and storage (CCUS);
- scale up companies that will create jobs, drive productivity and clean growth, and encourage the retention of intellectual property in Canada; and
- capitalize on Canada's abundance of natural resources and strengthen critical supply chains to secure Canada's future economic and environmental well-being.

To achieve its strategic goals, CGF will invest on a concessional basis using investment instruments that absorb certain risks in order to encourage private investment into low carbon projects, technologies, businesses and supply chains, including investments that scale up Canadian clean technology businesses.

CGF investments will have three areas of focus:

- Projects that use less mature technologies and processes, in order to reduce emissions across the Canadian economy;
- Technology companies, including small- and medium-sized enterprises (SMEs) currently scaling less mature technologies that are currently in the demonstration or commercialization stages of development; and
- Companies, including SMEs, and projects across low-carbon or climate technology value chains, including low-carbon natural resource development.

CGF's objective is to deliver against its strategic goals while, at the same time recover its capital on a portfolio basis, and recycle its capital base over the long term.

CGF will have flexibility to invest across the capital structure via equity, debt and derivative contracts (and other forms of price assurance, including contracts for difference) to draw in private investment into projects and companies. It will not provide grants nor generally invest where it does not have a reasonable expectation of a return of capital.

3.0 CORPORATE GOVERNANCE AND OPERATING ENVIRONMENT

The Board of CDEV will select the Board of Directors of CGF and its Chief Executive Officer (CEO), in consultation with the Minister of Finance. CDEV may leverage its board and officers to serve as initial directors on CGF's board as needed until CGF's permanent structure is in place. These appointments are expected to take place over the coming months. The other officers of CGF will be appointed by its CEO and management.

CDEV and CGF expect to receive Directives from the GIC regarding CDEV's role in launching the subsidiary, as well as a Statement of Priorities and Accountabilities (SPA) to be issued by the Minister of Finance to CGF.

4.0 CORPORATE PERFORMANCE

CDEV's Corporate performance has not changed in light of this amendment.

5.0 CDEV - OBJECTIVES AND STRATEGIES FOR THE PERIOD 2022 TO 2026

In the near term, CGF will have its inaugural Board of Directors appointed by the CDEV Board, in consultation with the Minister of Finance.

Following the appointment of its Board and senior management, CGF will be expected to begin working with project proponents and private-sector investors to begin sourcing, negotiating and completing investments that meet its strategic objectives.

A SPA from the Minister of Finance to the CGF chair will indicate the Minister's expectations for the management of the fund. This SPA letter will be aligned with the CGF technical background document issued by the Department of Finance on November 3, 2022. The SPA letter will outline how CGF is to comply with government priorities and legislative or policy requirements (e.g., Access to Information and Privacy requests, *Official Languages Act*, etc.).

The government announced in the 2022 Fall Economic Statement that it would take steps to implement a permanent, independent structure for CGF in the first half of 2023.

Further details on the future operations of CGF, including details on its permanent structure, will be announced in the first half of 2023.

5.9 Risks and Risk Mitigation Summary

The risks and mitigants detailed in the 2022 Corporate Plan remain substantially unchanged in this Amendment. The main risk associated with this Amendment regards the capacity of CDEV to effectively launch a new subsidiary corporation and to provide effective support and oversight to this entity. CDEV has recently recruited additional personnel, and the corporation has additional resources to handle its increased responsibilities. In addition, CDEV will work closely with government officials to ensure that they have the resources required to launch and oversee this entity in this initial phase.

6.0 FINANCIAL SECTION

6.3.2 Assumptions for the Plan period

This Amendment to the 2022-2026 Corporate Plan is based on the following assumptions:

The *Fall Economic Statement Implementation Act* introduced in Parliament on November 3, 2022, includes a provision to provide an initial capitalization of up to \$2 billion from the Consolidated Revenue Fund for CGF. The mechanism will enable the Minister of Finance to enter into a share purchase agreement with CGF to provide capital to the corporation in exchange for non-voting preference shares. CGF will not enter into binding commitments to provide capital for investments until the funding mechanism is in place.

CGF is anticipated to be housed within CDEV only on an interim basis, and it is expected that this subsidiary will be spun out from CDEV in 2023. The capital budget presented below only presents forecasted capital expenditures for the remainder of 2022 and 2023.

6.4 Capital Budget

Summary of Capital Expenditures

\$ million	2022	2023	2024	2025	2026
TMC – TMEP original Plan	4,953	2,047			
TMC – TMEP flood impact (Feb 2022)	300	200			
	5,253	2,247			
TMC – TMEP Revised in Amendment (April 2022)	5,771	1,888			
TMC/CDEV – Capitalized Interest (April 2022)	650	845			
TMC – TMEP Revised in Amendment (October 2022)	8,383	1,888			
TMC – TMEP Contingency requested by CDEV (October 2022)	1,000				
Capitalized Interest Consolidated (TMC and CDEV) (October 2022)	760	845			
TMC – maintenance	95	52	41	43	44
CGF – start-up costs	1	10			
CGF – initial investments	0	1000			
CHHC	37	27	26	27	30
CDEV Office and ancillary	1	0	0	0	0
CEEFC (not consolidated)	0	0	0	0	0
Total (CDEV consolidated with CEEFC)	10,277	3,822	67	70	74

CGF's initial operations are not anticipated to be capital-intensive. However, initial capital expenditures of up to \$1,016 million are being sought to ensure CGF has adequate funding up to July 2023. These initial capital expenditures would consist of outlays to start up the corporation (e.g., real estate, equipment), as well as capital for initial investments that CGF could potentially enter into with project proponents or companies starting in Q1 of 2023. It is not anticipated that CGF will enter into transactions in calendar year 2022. This forecast is highly notional. When CDEV returns to Treasury Board for approval of its 2023-2027 Corporate Plan and 2023 Capital Budget, additional information on initial capital expenditures for CGF will be provided.

6.5 Operating Budget

Initial operating budget costs will be related to compensation for the Board of Directors, executives, and initial staff. More information on operating costs will be provided in the CDEV 2023-2027 Corporate Plan and 2023 Capital Budget.

Appendix A - Planned Results

Expected Outcomes	Performance Indicators or Targets
Oversee the standing up of Canada Growth Fund and its undertaking of initial operations	Appoint a qualified Board of Directors and CEO to lead CGF as it begins work to undertake commercial transactions related to its mandate.