



# Corporate Plan Summary

2024-25 to 2028-29

Operating budget  
Capital budget  
Borrowing plan

Canada 

bdc 

# Table of contents

Executive summary .....	3
BDC overview .....	4
External environment .....	7
How BDC intends to support entrepreneurs .....	9
BDC's Legislative Review (2010-2022) .....	11
Strategic objective 1: Increase the reach and relevance of our support to entrepreneurs.....	12
Strategic objective 2: Spur the growth of SMEs and the competitiveness of Canada's economy .....	15
Strategic objective 3: Empower SMEs to respond to the big challenges of our time.....	19
Strategic objective 4: Deliver a world-class client and employee experience.....	22
Overview of key risks .....	24
Financial overview .....	25
Expected results and performance indicators .....	31
<b>Appendices to the Corporate Plan</b>	
Appendix 1: Corporate governance .....	33
Appendix 2: Risk management .....	38
Appendix 3: Alignment with government priorities .....	40
Appendix 4: Key partnerships.....	42
Appendix 5: Regulatory compliance .....	45
<b>Financial plan including financial statements and notes</b>	
Financial statements and notes .....	46
Operating budget .....	49
Capital plan 2024-25 to 2028-29 .....	56
Borrowing plan .....	60

The Corporate Plan Summary of the Business Development Bank of Canada is based on the 2024-25 to 2028-29 BDC Corporate Plan as approved by the Governor in Council on March 21, 2024, on the recommendation of the Minister of Small Business.

---

Note: BDC's fiscal year runs from April 1 to March 31. Unless otherwise noted, all data are for fiscal 2023.

BDC is the bank for Canadian entrepreneurs. We are dedicated to helping them achieve their ambitions as a trusted partner through good times and bad, in every part of Canada. We listen to them and provide financing, capital and guidance that is adapted to their business's everyday reality so they can grow with confidence and thrive. In doing so, we now support more than 100,000 entrepreneurs directly and through partnerships.

Businesses are operating under challenging circumstances marked by rising costs, high interest rates and the need to both adapt to climate change and contribute to the fight against it. In this context, BDC remains fully committed to our strategy of extending critically needed support to many more entrepreneurs, especially those that are underserved, doing our part to achieve Canada's climate goals and helping Canadian businesses become more competitive and resilient.

As we face uncertain economic conditions, BDC will continue to play its traditional countercyclical role, acting as a shock absorber for individual businesses and the economy as a whole. We will remain flexible and stand ready to adapt to these changing economic conditions.

Over the planning period, our actions will continue to be driven by the following four strategic objectives.

**1. Increase the reach and relevance of our support for entrepreneurs** — Our research shows that a significant number of SMEs are not getting the support they need, including many in diverse and underserved groups of entrepreneurs. In response, we are delivering on several initiatives. We are increasing our support for smaller businesses, recognizing the systemic challenges they face in obtaining financing. We are also exploring new indirect financing mechanisms and expanding the number of partners with whom we collaborate to increase the networks through which we reach underserved entrepreneurs.

**2. Spur the growth of SMEs and the competitiveness of Canada's economy** — Across BDC, we are deploying initiatives to assist businesses grow faster, achieve higher levels of productivity, innovate and adopt more technology. We provide financing, capital and expert advice at every stage of a business's lifecycle to help them flourish. Canada needs more champions, and we are doing our part to build a pipeline of high-growth, globally competitive businesses that generate outsized benefits for our country. Innovation is an essential ingredient for increasing Canada's competitiveness. We therefore remain steadfast in our support for the country's venture capital ecosystem.

**3. Empower SMEs to respond to the big challenges of our time** — Entrepreneurs are focused on building their businesses, but important issues related to climate, social and demographic change also require their attention and action. BDC aims to equip business owners with the information and tools they need to contribute to a fairer, more sustainable Canada while making their businesses

stronger and more resilient. As part of this effort, we are improving and adding to our Climate Action Centre, an online hub where entrepreneurs can find information, advice and financing to reduce energy use and GHG emissions. We are also helping entrepreneurs seize opportunities created by the energy transition and piloting financing solutions to help companies retrofit buildings and buy or construct LEED-certified buildings.

**4. Deliver a world-class client and employee experience** — An essential condition for achieving our strategic goals is for BDC to become an increasingly client-centric organization that provides a world-class client experience. We simply cannot reach the entrepreneurs we are seeking to serve if our processes are not easy to use and geared to their needs. Our employees play a key role in this work. We must find and retain outstanding employees and equip them with tools that allow them to give their best. To improve client service, we continue to refine our online lending process to increase its speed and ease for clients. We are also adopting new digital technologies and enhanced omnichannel service capabilities to reach entrepreneurs where they are.

## Financial highlights

This Corporate Plan has been developed in an economic environment in which market uncertainty remains an important concern. This may result in significant variations from our projections.

Demand for BDC's offerings was strong in the first half of fiscal 2024 but has begun to soften in the second half, given high interest rates and slower economic growth. While we expect activity levels to remain lackluster early in the planning period, volumes should increase at a healthy pace for the remainder of the period.

We expect net income to reach \$1.6 billion by fiscal 2029, providing BDC with increased financial means to support Canadian entrepreneurs in the years to come.

The expected increase in net income from fiscal 2025 to fiscal 2029 will be generated mainly from portfolio growth in Financing and greater net income from Growth & Transition Capital and Venture Capital as the economic environment improves. Reductions in the net loss from initiatives under the Credit Availability Program and limited growth in operating expenses will also contribute to rising net income.

From fiscal 2026 onward, income generated should surpass the capital required to support portfolio growth. As a result, BDC is forecasting to have capital above the internal target rate. However, BDC's profitability may fluctuate significantly, especially due to volatility in the fair value of our investments and provisions for expected credit losses.

# BDC overview

## Our purpose

Empower a nation of dreamers and doers to build a better tomorrow for all.

## Our mission

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

## Our public policy role and approach

Through our independent credit decisions, we take more risk in supporting entrepreneurs in a way that is complementary to the private sector, providing flexible and patient terms, but in a way that ensures our financial sustainability.

### *An extensive reach to underserved and diverse entrepreneurs*

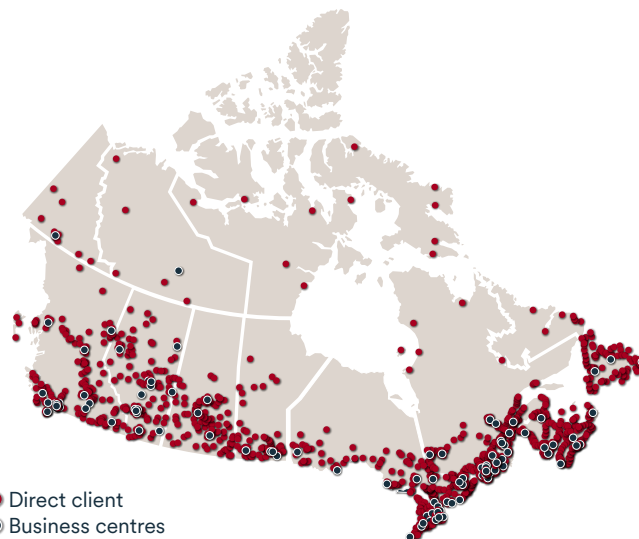
- ➔ We serve an increasing number of entrepreneurs: over **100,000** directly and through partnerships.
- ➔ We reach entrepreneurs in every region, including through our digital channels, a variety of partners and our network of close to **110** business centres.
- ➔ We interact with over **140** partners and stakeholders to extend our reach and impact.
- ➔ We authorized **\$1.6 billion** in loans and the number of women entrepreneurs we finance reached **17,505**.
- ➔ We are deploying the **\$500-million** Thrive Platform to support women-led companies.
- ➔ We are reaching more Black entrepreneurs with initiatives such as the Black Entrepreneurship Loan Fund, through which BDC committed **\$14.4 million** in direct loans and has helped FACE deploy an additional **\$11.7 million**.
- ➔ We committed **\$587 million** to more than **1,000** Indigenous clients across Canada and are an anchor investor in the Indigenous Growth Fund.
- ➔ Our clients employ nearly **1.2 million** people and generate over **\$435 billion** in annual revenues.

### *A complementary player with the private sector*

- ➔ We cater to SMEs with a riskier profile – **87%** of our portfolio is sub-investment grade, compared to **29%** for chartered banks in Canada.<sup>1</sup>
- ➔ We act as a shock absorber during economic downturns, increasing access to capital when credit conditions tighten.
- ➔ All our venture capital investments are done as part of investor syndicates.
- ➔ We partner with private sector consultants to deliver most of our advisory services mandates.

### *A catalyst for business innovation and growth*

- ➔ We are the most active venture capitalist in Canada, investing in over **700** technology start-ups.
- ➔ We work with several technology accelerators and incubators to support early-stage start-ups.
- ➔ We enable high-growth firms to reach new heights in Canada and abroad, notably through our Growth Driver Program and our Growth and Transition Capital offerings.
- ➔ We go beyond financing to help SMEs grow, innovate and become more productive with our tailored advisory services, through which we serve some **3,050** entrepreneurs.



	# of direct clients <sup>2,3</sup>	# of clients served through partnerships <sup>2</sup>	Total # of clients <sup>4</sup>	Commitments in \$ billions <sup>5</sup>
B.C. & North	8,664			\$7.3
Prairies	10,928			\$9.5
Ontario	19,900			\$17.7
Quebec	21,293			\$15.3
Atlantic	4,527			\$2.4
<b>Total</b>	<b>65,312</b>	<b>35,404</b>	<b>100,716</b>	<b>\$52.1</b>

### *A key contributor to a more inclusive, greener prosperity*

- ➔ We have committed over **\$2 billion** to environment-focused investments since 2010, and BDC is one of the largest and most active Canadian climate investors.
- ➔ We were the first bank in Canada to obtain B Corp<sup>6</sup> certification in 2013 with a renewed certification in 2022.
- ➔ We contribute to Indigenous reconciliation, notably by making available to the public a training course on Indigenous history, identity and the need for reconciliation.
- ➔ We are helping Canada achieve its Paris Agreement objectives by supporting entrepreneurs in their green transition and by reducing our own operational footprint.

### *A world-class client and employee experience*

- ➔ We provide excellent customer service, with **93%** of our clients saying they are satisfied.
- ➔ We have been recognized with numerous corporate awards, including Canada's Top 100 Employers and Canada's Best Diversity Employers.
- ➔ We have received parity certification from Women in Governance for many years, reaching silver status in 2022, and were recognized as Rainbow Registered and Corporation of the Year by the Canadian Gay and Lesbian Chamber of Commerce.

<sup>1</sup> Refers to Financing's outstanding loan portfolio. Sub-investment grade loans are rated BB+ or less. The sub-investment grade data for chartered banks is as at April 30, 2023.

<sup>2</sup> Numbers are net of clients who exited the portfolio during the period.

<sup>3</sup> Clients receiving services from more than one business line are counted only once.

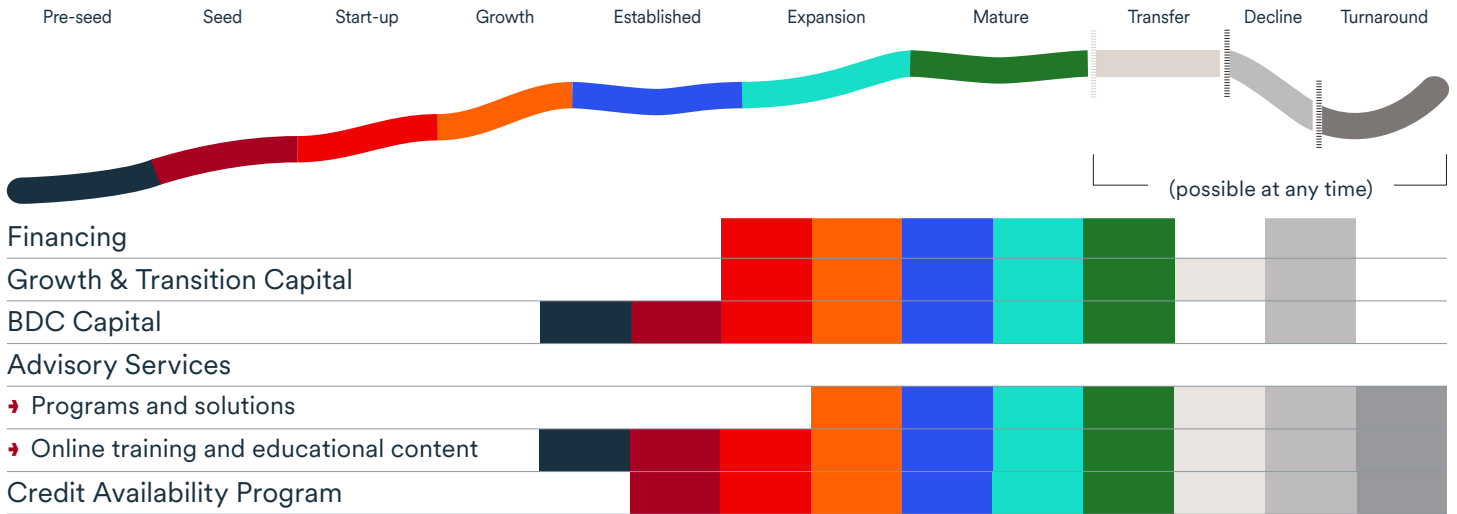
<sup>4</sup> Direct clients who are also clients served through partnerships are counted twice as we cannot at this time identify the latter to remove duplicates.

<sup>5</sup> Commitments refers to portfolio outstanding and amounts undisbursed at cost of BDC's loans or capital investment portfolio.

<sup>6</sup> B Corps (beneficial corporations) are businesses that profitably fulfill a broader purpose and meet rigorous environmental, social, governance and workplace standards.

## BDC business lines

We support entrepreneurs through their business life cycle with solutions from our different business lines.



### Financing

Commitment<sup>2</sup> to Canadian SMEs

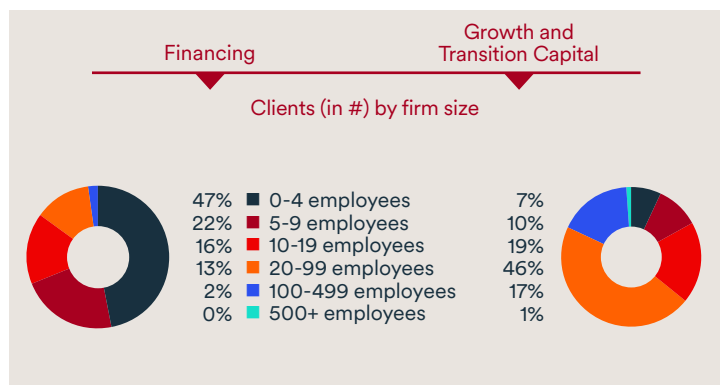
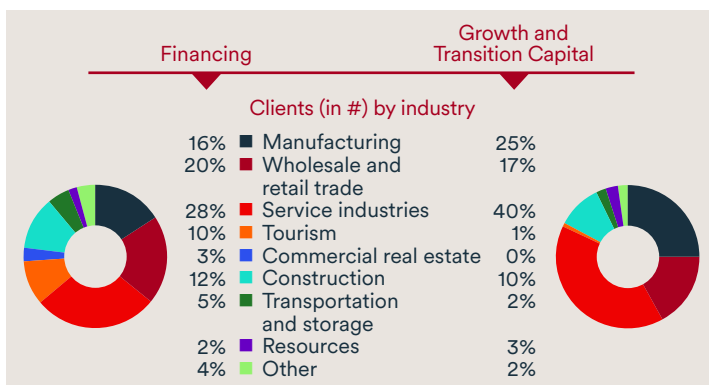
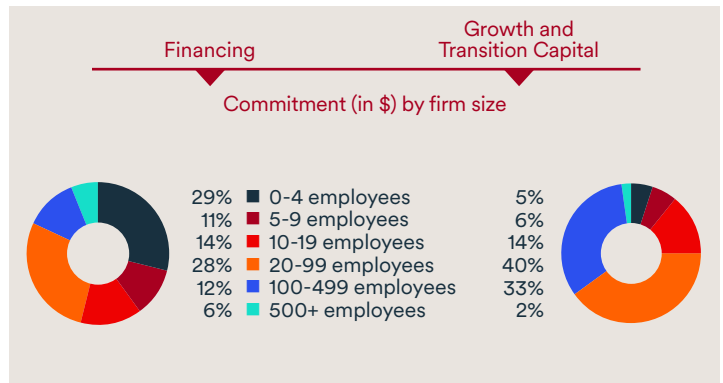
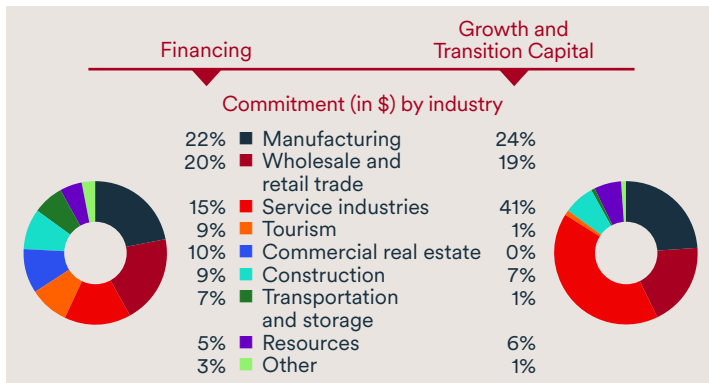
Provides term lending and collaborates with other financial institutions to increase credit availability in the market.

\$39.1 billion

### Growth & Transition Capital

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

\$1.4 billion



## BDC business lines (continued)

### BDC Capital

Includes BDC’s activities in venture capital, growth equity, climate tech and intellectual property financing. BDC Capital invests directly and indirectly in companies across multiple sectors and business life cycle stages.

■ Direct	32%
■ Indirect	29%
■ Capital Incentive Programs	39%



Commitment<sup>2</sup> to Canadian SMEs

\$4.2 billion

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

### Advisory Services

BDC invests to provide entrepreneurs with knowledge, information and skills development by offering affordable high-value advisory services as well as free online training and educational content.

Total mandates  
**2,491**

Online studies, articles, eBooks, videos, training material, etc.  
**1,800+**

### Credit Availability Program

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

Commitment<sup>2</sup> to Canadian SMEs

\$5.5 billion

BDC considers the external environment in which it operates when planning activities and investments. BDC's Corporate Plan is based on the following conditions.

## Economic conditions

Global economic activity proved resilient in 2023, despite fast-rising interest rates. After solid growth of 3.5% in 2022, the global economy slowed in 2023 to about 3% and is expected to maintain this growth in 2024. Growth among countries was more uneven than in previous years, with the U.S. outperforming many other countries while China faced deteriorating conditions amid a property market crisis, declining foreign investment and increasingly cautious consumers. Commodity prices rose sharply following Russia's invasion of Ukraine, contributing to a worldwide pick-up in inflation. With that war continuing and another in the Middle East, geopolitical tensions remained elevated. However, inflation moderated substantially over the course of 2023 as central banks raised interest rates to slow demand.

In the United States, the economy stayed on solid footing with quarterly growth reaching 4.9% in the third quarter of 2023. Despite higher interest rates, the U.S. labour market remained tight with about 8.8 million job openings in November, a continuing high rate of job turnovers and rising average hourly wages. With more Americans working, households continued to spend, despite high inflation and rising interest rates. Nevertheless, consumer confidence declined, suggesting less vigorous household spending ahead. Taken together, these economic indicators suggested the U.S. economy was slowing but remained well-positioned to avoid a recession.

In the face of rapidly rising interest rates, the Canadian economy started to slow in 2023. Canada's third-quarter growth even turned negative with the economy registering a -1.1% annualized decrease in GDP. Preliminary GDP data for November pointed to tepid growth and a stagnating economy. High interest rates had a more lasting impact on the economy, hurting discretionary consumer spending.

While healthy household income growth largely offset the rise in interest payments, prospects for a recovery in spending did not look promising entering the second half of 2023. Consumer confidence turned into negative territory, according to the Nanos/Bloomberg index. And, in a sign of growing consumer caution, savings reached 5.1% of disposable income.

Canada's population increased at a fast pace in 2023, due to renewed inflows of newcomers following the pandemic. This contributed to a pick-up in consumer demand and boosted the labour supply, tempering the impact of interest rate hikes on inflation.

With the pool of potential workers growing faster than the number of jobs, Canada's unemployment rate rose in 2023, although it remained low by historical standards at 5.8% in December.

The inflation picture improved markedly in the first half of 2023, but the Consumer Price Index (CPI) remained above the Bank of Canada's 2% target, increasing by 3.1% in November compared to the same month the previous year.

The Bank of Canada made a significant course correction in early June when it raised its policy interest rate for the first time since announcing a pause in rate hikes in January. The hikes rekindled uncertainty and dampened business optimism. However, we expect rates to stay at their current level until mid-2024 when they should begin to come down.

BDC's research shows that the vast majority of Canadian businesses are in a relatively good position to cope with an expected slowdown in consumer demand. However, there is a risk that a deeper economic downturn will make business conditions more challenging since entrepreneurs are already coping with increasing business costs.

Even though the Bank of Canada is likely finished raising rates for this cycle, past hikes will continue to take their toll on the economy. However, the strong pace of population growth, important infrastructure projects and a slowdown in inflation should help the economy avoid a recession. We forecast growth in Canada to come in at 1.1% for 2023 and 0.9% in 2024.

## Access to capital and advice

Canadian entrepreneurs appeared to be increasingly concerned about the impact of interest rate hikes and the possibility of a recession. As a result, SMEs have decreased overall demand for financing. Moreover, demand has trended toward smaller loans and short-term credit as opposed to financing for larger investment projects.

Deteriorating economic conditions have led private sector financial institutions to restrict the supply of business financing and give priority to larger and more profitable businesses. Amid higher rates and greater economic uncertainty, financial institutions may begin declining even more loan applications from smaller and riskier businesses in the months ahead.

In 2023, interest rates continued to rise for both new loans and outstanding balances. The interest rate for new loans reached 6.94% in July. Overall, we expect business financing conditions to continue to tighten over the short term with smaller and riskier businesses likely taking the hardest hit. Overall commercial lending should slow modestly, reflecting economic conditions.

In business advisory services, the need for consulting services increased as SMEs sought help navigating through the current uncertain times. Besides traditional business challenges such as financial management and productivity, entrepreneurs were also confronted with emerging issues, including inflation, labour shortages and the need to respond to climate change. However, these challenges also limited their ability to afford and invest time in consulting services. On the supply side, there are a growing number of niche players, offering advice in such areas as IT adoption and environment, social and governance improvements.

In venture capital, economic headwinds have had a negative impact on the market. Persistent uncertainty in the macroeconomic outlook has put pressure on fund portfolio valuations and reduced opportunities to exit from investments to generate liquidity. In combination with elevated interest rates, this environment has caused institutional investors to revisit their asset allocation strategies and direct money away from private capital assets. In addition, investors are being cautious in their capital deployment to ensure sufficient funds are available to support existing portfolios. As a result, we've noted a deceleration in the pace of fundraising by both established and emerging fund managers. We expect capital deployment to remain below 2021-2022 levels in the short- to mid-term. Against this backdrop, it's unclear how or when fund managers will generate proceeds, deploy capital and seek to renew their funds. In light of these trends, the market will look to BDC to continue to play a leadership role and reassure stakeholders. The deployment of the Venture Capital Catalyst Initiative will help in this regard.

## Major trends affecting Canadian SMEs

To remain competitive and sustain growth, entrepreneurs must adapt their operations to a slowing economy and increasing uncertainty. Here are the major trends they will face over the planning period.

- ➔ **Higher business costs:** Although inflation should return closer to the Bank of Canada's target of 2%, an aging population, the energy transition and changes in global trade patterns will continue to put pressure on business costs.
- ➔ **Labour and skills shortages:** Businesses were dealing with a tight labour market before the pandemic and COVID exacerbated the problem. As the economy gears down and immigration resumes, labour shortages have become less acute in the short term. However, the population is aging and there is a misalignment between the skills of available workers and the needs of industries of the future.
- ➔ **Technology:** Adoption of technology is crucial for businesses to increase flexibility, save costs, streamline operations and boost productivity. But technology adoption is often costly and complex. Canadian companies need to overcome these challenges and increase their use of digital technologies to improve customer service and market their products, as well as take advantage of artificial intelligence capabilities to create significant business value. Businesses must also invest heavily to protect their operations and customers against cybersecurity threats.
- ➔ **Sustainability:** Pressure from consumers, investors and governments is building for businesses around the world to improve environmental, social and governance practices. On the environment, ambitious emission reduction targets are being set by governments to meet Paris Agreement commitments. Every company should adjust their business practices to remain competitive while doing their part to help Canada achieve net zero emissions. This will lead to business opportunities and the creation of new and innovative companies but also higher costs for businesses as they adapt to climate change and the transition to a low carbon economy.



# How BDC intends to support entrepreneurs

BDC is steadfast in our commitment to supporting Canadian entrepreneurs in their efforts to build strong and resilient businesses and, in doing so, help increase prosperity and create a more equitable, inclusive and sustainable economy for all Canadians.

We are executing on an ambitious plan to serve many more of the entrepreneurs who are currently underserved. We are also focused on helping build a new generation of innovative, globally competitive Canadian champions in recognition of the outsized impact they have on Canada's economy. And we are determined to do our part in helping entrepreneurs adapt and respond to the climate crisis. We are committed to doing this while providing a world-class employee and client experience. On all of these fronts, we are executing on well-defined strategies and building momentum towards achieving our objectives.

The list below outlines our most recent initiatives and those we are exploring. We recognize that the economic environment remains uncertain and BDC will be flexible to deliver high-quality and impactful solutions to Canadian entrepreneurs.

---

## 1. Increase the reach and relevance of our support to entrepreneurs

BDC aims to serve many more Canadian entrepreneurs in the coming years with a focus on diverse and underserved entrepreneurs. We will do so both directly and through partnerships, delivering support that is designed to meet the specific needs of individual business owners.

### *Initiatives to complement our current activities*

- Working to scale up our support for small businesses, recognizing their importance to Canada's economy and their systemic challenges in obtaining financing.
  - Striving to serve more entrepreneurs in Ontario and the West, fast-growing markets with many underserved and diverse entrepreneurs, while maintaining support for Atlantic Canada, Quebec and the North.
  - Investing to develop innovative products and delivery methods to ensure we remain relevant to entrepreneurs in a fast-changing economy.
  - Piloting a loan guarantee solution with financial institutions that will provide better access to capital for underserved entrepreneurs.
  - Deploying the recently launched Seed Fund, a software-focused venture fund that aims to help emerging Canadian start-ups, paying particular attention to underserved entrepreneurs and regions where this asset class is less present.
  - Piloting a partnership with Canada Post to reach entrepreneurs that are underserved, particularly in rural areas.
  - Deploying Thrive Lab's first phase, which will be built on a co-investment model with partners to support women-led businesses at the earliest stages of development.
  - Deploying new direct envelopes to support Indigenous and Black entrepreneurs.
  - Exploring new indirect financing mechanisms and expanding the number of partners with whom we collaborate to increase the capital available to SMEs and address underserved entrepreneurs' needs.
- 

## 2. Spur the growth of SMEs and the competitiveness of Canada's economy

We aim to spur the development of globally competitive Canadian champions by providing businesses with the financing and advice they need to scale up, become more productive and create world-leading innovations.

### *Initiatives to complement our current activities*

- Renewing the mandate of our growth equity, intellectual property and some venture capital funds, demonstrating our continued support for SME innovation, growth and competitiveness.
- Deploying the recently launched Optimization for Growth Program designed to help entrepreneurs and their companies prepare for the next stage of growth by addressing leadership and organizational gaps while setting a clear vision for the future.
- Considering launching a life sciences sector fund to address a market gap.
- Developing advisory offerings to help entrepreneurs improve their productivity through, for example, the use of robotics and automation, the adoption of low-carbon business models, practices and technologies, and the use of responsible artificial intelligence.

### 3. Empower SMEs to respond to the big challenges of our time

SMEs need to participate in the fight against climate change and want to do their part. We are committed to empowering them to do so.

#### *Initiatives to complement our current activities*

- Conducting outreach with entrepreneurs to help them participate in the supply chains associated with opportunities created by the energy transition and new construction in Canada.
  - Piloting financing solutions to help companies retrofit buildings and buy or construct LEED-certified buildings.
  - Improving and adding to the recently launched Climate Action Centre, an online hub where entrepreneurs can find information, advice and financing to reduce energy use and GHG emissions.
  - Equipping our frontline employees with information on key environmental, social and governance issues in specific industries so we can guide entrepreneurs in responding to challenges and uncovering opportunities.
  - Developing an online toolkit of information, advice and templates to help entrepreneurs adopt high-quality diversity, equity and inclusion policies and practices in their businesses.
  - Developing a new advisory offering to help clients develop and adopt environmental, social and governance practices.
  - Reducing GHG emissions from our own operations to achieve net-zero by 2028.
  - Launching new programs to support entrepreneurs' mental health, including access to no-cost and low-cost online professional counselling and support.
- 

### 4. Deliver a world-class client and employee experience

We must become increasingly client-centric not only to make transactions easier and faster but build holistic relationships that support the long-term success of entrepreneurs. Engaged and empowered BDC employees are the key to achieving this.

#### *Initiatives to complement our current activities*

- Adopting new digital technologies and enhanced omnichannel service capabilities to strengthen client service at our Virtual Business Centre, our Client Contact Centre and on Client Space, our client portal.
- Continuing to make improvements to our online lending process to increase speed and ease for clients.
- Expanding our client email nurturing program to more clients and implementing a new client contact framework to bring more value, especially at critical moments in a business's development.
- Deepening our commitment to anti-racism, inclusion and reconciliation by providing mandatory inclusive leadership and allyship training as well as training on Indigenous reconciliation and accessibility awareness.
- Continuing to implement our Supplier Diversity Program.

# BDC's Legislative Review (2010-2022)

The Minister of Small Business tabled her report on the Legislative Review of BDC on November 29, 2023. The report covers the period from 2010 to 2022. It concludes that, over the period, BDC had performed well, playing an important role in supporting SMEs during good times and bad and advancing public policy objectives. The report makes the following recommendations:

- ➔ strengthen access to, and increase the visibility of, support for underrepresented entrepreneurs
- ➔ improve the reach of BDC in underserved regions and rural communities across Canada
- ➔ reinforce collaboration with partners and ensure services are complementary to the private sector's
- ➔ facilitate greater information sharing and transparency with the public, stakeholders and partners, and refine BDC's risk appetite to support entrepreneurs with the greatest need

The report is an important confirmation that the results of BDC's strategic review in fiscal 2022 and our current corporate strategy to help more entrepreneurs start and grow businesses are aligned with the government's priorities.

We will continue to increase our focus on our development role, making sure a greater number of entrepreneurs across Canada have access to financing, advice and capital they need to grow their businesses and maximize their contribution to the economy. In doing so, we will work collaboratively with the government, partners and other stakeholders in the entrepreneurial ecosystem to accelerate and/or develop additional initiatives supporting the recommendations from the Legislative Review.

Importantly, BDC will strive to improve its transparency with the government and the public by developing an enhanced strategy that increases the frequency and depth of its data sharing and reporting, by insuring clear and plain language in its communication, and by tailoring its messaging and communication channels to reach a variety of audiences.

In addition to the Legislative Review, the 2023 Fall Economic Statement announced that the government will be reviewing the roles of Financial Crowns, including BDC, to ensure they are continuing to deliver effective support to Canadians. BDC has been working closely with the government on this review.

With a contribution of close to 88% of private sector jobs and over 53% of Canada's GDP, SMEs play a vital role in Canada's economic prosperity and are instrumental in reaching the country's social and environmental sustainability goals.<sup>5</sup> Yet, our research shows that a significant number of SMEs are not getting the support they need. This is especially true for businesses owned by diverse and underserved groups of entrepreneurs.

That's why BDC is working to increase our reach to many more entrepreneurs across Canada to support them in their efforts to build profitable, growing and resilient businesses. In this context, we are particularly focused on scaling up our ability to serve more small businesses. Small businesses are critically important to Canada's economy but often struggle to get the financing and business advice they need. We are also striving to increase our reach in Ontario and the West, fast-growing markets where many underserved and diverse entrepreneurs are building businesses, while maintaining support for Atlantic Canada, Quebec and the North.

We are putting more emphasis on listening to entrepreneurs to understand their challenges and opportunities and provide them with innovative, holistic and relevant support that goes beyond financing to include guidance and advice.

### Supporting underserved and diverse entrepreneurs

BDC is focused on ensuring that underserved and diverse entrepreneurs have access to the same resources and opportunities as other business owners. We have developed an integrated client diversity strategy with the goal of ensuring that diverse entrepreneurs have access to financing, advice and mentoring to grow their businesses successfully. More than 200 BDC employees have volunteered to be diversity ambassadors and diversity-based goals are now part of each region's performance objectives.

To further improve our support we ask clients to voluntarily and confidentially self-identify on a range of demographic factors. We collect this information to gauge BDC's effectiveness in serving specific communities. While we have collected data for many years on the number of women and Indigenous clients we serve, we recently started collecting this information for visible minorities and LGBTQ2+ clients so we can eventually set targets for increasing our reach among these groups as well.

Based on the data available as of March 31, 2023, we had more than \$7 billion in loans committed to underserved entrepreneurs in addition to \$840 million in investment envelopes being deployed directly or through our partners.

A major thrust of our effort to reach more diverse and underserved business owners is expanding our partnerships with other organizations. For example, we have joined with several financial institutions to pilot a loan guarantee solution that would allow us to reach more underserved entrepreneurs. With this pilot, we are testing design options for the loan

guarantee to ensure it is complementary to guarantees already in the market; provides incremental capital for SMEs; and reaches underserved entrepreneurs. If these objectives are met, we will evaluate the feasibility of extending this initiative to more participants in future Corporate Plans.

We have also recently launched a \$50-million Seed Fund, a software-focused venture fund that aims to provide emerging Canadian start-ups with early capital to get ideas off the ground and build world-class companies. The fund will pay particular attention to underserved entrepreneurs and regions where this asset class is less present.

### Supporting women entrepreneurs

Since 2015, BDC has made it a priority to support the success of women entrepreneurs, recognizing that they face unique challenges in starting and growing businesses, including gender bias and less access to financing and mentorship. In fiscal 2023, we authorized \$1.6 billion in loans, and the number of women entrepreneurs we serve reached 17,500. We are on target to increase the number of women entrepreneurs we serve to 19,000 by the end of fiscal 2024.

As part of this effort, we launched the \$500-million Thrive Platform in fiscal 2023, the largest investment platform of its kind in the world. It builds on the success of BDC's Women in Technology (WIT) Venture Fund, which was launched in 2017 with the dual mandate of supporting women-led tech businesses and helping create a vibrant ecosystem for women tech entrepreneurs. Thrive provides Canadian women-led businesses with the capital they need to reach their full potential and become leaders in Canada and globally.

The Thrive Platform takes a comprehensive approach to addressing barriers faced by women through the following three mandates.

- ➔ A \$300-million direct investment fund seeks to partner with promising women entrepreneurs who are building Canadian technology companies at the seed and series A/B stages.
- ➔ The \$100-million Thrive Lab makes equity or equity-like investments available to women-led companies with promising business models and growth potential that seek to make an impact tied to the UN's Sustainable Development Goals. In July 2023, BDC announced a \$35-million allocation to the Lab's first phase.
- ➔ A \$100-million indirect investment envelope is allocated to women-led and focused venture capital funds across the country.

Although women entrepreneurs require access to capital, their needs go beyond money. This is why BDC has partnered with organizations that provide mentoring, peer-to-peer learning, training, networking and access to business opportunities.

<sup>5</sup> Innovation, Science and Economic Development Canada. Key Small Business Statistics 2022.

### *Supporting Black entrepreneurs*

Since 2020, BDC has focused on increasing support for Black entrepreneurs, recognizing they face unique challenges in starting and growing businesses, including anti-Black bias and less access to financing and mentorship. We have signed a series of partnership agreements to provide enhanced financial support and advice to Black business owners, and we are looking to add new ones. Among our current agreements are the following initiatives.

- ➔ We partnered with the Canadian Chamber of Commerce to produce the first research on Black entrepreneurs in Canada.
- ➔ We partnered with FACE, a national, Black-led non-profit organization, to provide loans to eligible Black-owned businesses to start and grow businesses. Through the Black Entrepreneurship Loan Fund, BDC has committed \$14.4 million in direct loans to 100 clients and has helped FACE deploy an additional \$11.7 million to another 213 Black entrepreneurs as of March 2023.
- ➔ We co-created the Black Innovation Fund with BKR Capital and serve as the fund's anchor investor with a \$4-million commitment, creating the first venture capital fund focused on Black-founded tech companies in Canada.
- ➔ BDC is a key partner in the growth of Groupe 3737, a national organization promoting and supporting Black entrepreneurs and leaders, and with the Africa Centre, the largest community organization serving Black entrepreneurs in Alberta.
- ➔ We partner with Futurpreneur Canada and RBC to deliver the Black Entrepreneur Start-up Program. It provides young Black entrepreneurs with \$10,000 to \$100,000 in start-up loans. The program also provides two years of mentorship and networking opportunities as well as access to a variety of management tools and resources. Through this initiative, BDC had lent \$2.7 million as of March 2023.

During the planning period, BDC will launch a new \$100-million envelope designed to encourage the emergence of more Black entrepreneurs. While our current support for this underserved community rests heavily on partnership agreements, increasing our direct support will enable us to connect with business owners, refine our understanding of their needs and better target offerings to them. It will also allow us to innovate in the way we deploy the funds, as we've done with Thrive, as well as play a leadership role in encouraging other market participants to support Black entrepreneurs.

### *Supporting Indigenous entrepreneurs*

Indigenous entrepreneurs are one of the fastest growing segments of business owners in Canada. They bring traditional knowledge to the companies they are building and are transforming lives by valuing community along with individual prosperity. As of fiscal 2023, BDC had committed \$587 million to Indigenous businesses and the number we serve had reached over 1,060 across Canada.

To improve access to capital, we increased the limit of our Indigenous Entrepreneur Loan in fiscal 2021 to \$350,000 from \$125,000. We also became the anchor investor in the \$153-million Indigenous Growth Fund (IGF). In partnership with the National Aboriginal Capital Corporations Association, this fund provides loans to Indigenous businesses through the network of Indigenous Financial Institutions. As of September 30, 2023, IGF had committed \$44.2 million to five Indigenous Financial Institutions. In addition, we have committed \$7.5 million to Raven Indigenous Capital Partners, a leading North American Indigenous-led and owned private venture capital firm.

BDC is also partnering with SOAR, an initiative by Indigenous organizations and industry partners to assist Indigenous entrepreneurs in their efforts to build thriving businesses. SOAR offers current and aspiring entrepreneurs programs and resources grounded in Indigenous teachings.

In addition, BDC is a lead partner in the First Nations Executive Education, an executive management program at HEC Montréal. The program aims to strengthen the skills of First Nations leaders by combining traditional knowledge with the best in contemporary management practices.

In the same spirit as the new allocation for Black entrepreneurs, mentioned above, we will also launch a new direct \$100-million envelope to encourage the emergence of more Indigenous entrepreneurs.

### *Supporting young entrepreneurs*

Our long-standing partnership with Futurpreneur supports the next generation of entrepreneurs aged 18-39 through our co-lending agreement that provides up to \$60,000 in collateral-free, accessible loans to early-stage entrepreneurs.

Alongside this funding, entrepreneurs receive one-on-one mentorship during the first two years of their entrepreneurial journey, as well as access to Futurpreneur's resources and tools. More than 40% of the over 5,000 businesses we've supported in our 15-year partnership were founded by women entrepreneurs. In the past two years, tailored programs for Black and Indigenous entrepreneurs have helped more than 200 young entrepreneurs in these communities launch businesses across Canada.

BDC and Futurpreneur have over 2,225 clients in common, representing a \$47.7-million outstanding portfolio for BDC as of March 2023.

### Supporting entrepreneurs in rural areas

BDC has launched a pilot with Canada Post to reach underserved entrepreneurs, particularly in rural areas where BDC's presence is less concentrated. Through Canada Post's large retail network of 6,000 locations, including an important rural presence, entrepreneurs are directed to our online financing platform and our e-learning courses. We are conducting the pilot in Alberta and, pending results, will consider extending it nationally.

### Extending our reach through multiple channels

BDC strives to meet entrepreneurs where they are through the channel that best suits their needs and preferences. These channels include our online and mobile platforms, our physical presence throughout Canada and our numerous partnerships with public and private sector organizations. While we serve all parts of Canada, we are seeking to increase our penetration in markets where we are less present and where there are more unmet needs. This currently includes Ontario and the West because they have one of the largest concentrations of diverse entrepreneurs in Canada as well as industries important to the economic fabric of Canada.

In recent years, we invested to improve our **digital channels** to ensure entrepreneurs have access to our solutions regardless of where they live in Canada at a time that is most convenient for them. Around 80% of our clients now use one or more of our digital channels, including our online financing, virtual banking centre, mobile client app and small business advisory solutions delivered virtually.

Our online financing operations have been instrumental in helping us serve more small businesses and do so more efficiently. While small businesses (1-99 employees) account for 98% of all companies in Canada and 68% of private sector employment, they are often underserved by private sector banks and struggle to find the money they need to grow. Thus, providing them with financing is an essential dimension of our mandate and a key priority. Serving small businesses digitally enables us to scale our support for them efficiently while boosting our own productivity. Over the planning period, we will consider increasing the online maximum loan amount from the current \$100,000.

To serve entrepreneurs with more complex borrowing and advisory needs, we maintain some 110 **business centres** throughout Canada. Being face to face with entrepreneurs allows us to build trust and long-lasting relationships while ensuring we continue to adapt and remain relevant to them as their needs evolve. Our account managers are supported by BDC mobile apps that help them understand a client's business better and propose appropriate solutions.

We also **partner with private and public sector organizations** to strengthen the Canadian entrepreneurial ecosystem and extend our reach to more entrepreneurs. For a list of our partnerships, please see Appendix 4 on page 42.

Our partnership distribution channels are an important and growing dimension of our activities. They allow us to:

- co-finance or guarantee loans delivered by partners, enabling us to support more entrepreneurs
- bridge gaps in the commercial and corporate loan market for medium-sized and larger businesses by providing senior debt financing in syndicated transactions led by other banks
- fund against portfolios of loans secured by financial assets, such as equipment loans and leases, as well as other types of collateral, such as cash flow and receivables

BDC also develops and nurtures relationships in other countries with development banks, non-governmental organizations and SME experts. These relationships and our own research allow us to stay abreast of trends in SME support and explore innovative approaches to supporting SMEs in an efficient way.

Over the planning period, we will explore new indirect financing mechanisms that will allow BDC to increase the capital available to SMEs and address underserved entrepreneurs' needs effectively.

### Accessible advice, management tools and e-learning programs

Our leading-edge content inspires, engages and educates entrepreneurs while increasing BDC's visibility in the market, helping us reach more business owners. We offer over 1,800 pieces of free content on [bdc.ca](http://bdc.ca) that assist entrepreneurs gain business knowledge, hone their skills and become more financially literate. We also recently launched our Climate Action Centre, an online hub where entrepreneurs can find information, advice and financing to reduce energy use and GHG emissions (for more information, please see page 19).

We recorded 13.6 million visits to [bdc.ca](http://bdc.ca) in fiscal 2023 from people looking for financing, business advice, management tools and economic research. Our online publications now reach 500,000 unique subscribers. BDC also participated in more than 750 events and sponsorships across the country in fiscal 2023 that brought together more than 100,000 entrepreneurs to hear BDC speakers both virtually and in person.

Over the planning period, we will continue to evolve our library of content to support the changing needs of entrepreneurs. Furthermore, we will continue to innovate and be more flexible in how we deliver advice so we can reach more entrepreneurs, notably through targeted consultations with BDC experts.

Canada continues to lag other leading economies on measures of competitiveness, including productivity, innovation and intellectual property investment.

As part of our strategy, we are focused on supporting a new generation of Canadian champions. These high-performing businesses help create a stronger economy that benefits all Canadians.

Each of our business lines are deploying initiatives to help businesses reach their full potential. We are helping them adopt and integrate digital technologies, become more innovative, undertake international growth projects and optimize their business processes and increase operational efficiency to improve their productivity.

## Support for growth and for transition

We provide businesses with term loans to bolster their working capital and fund expansion projects such as buying property, equipment and machinery, technology and making business acquisitions.

We also cater to growing businesses with solid business models and management teams that have limited tangible assets to offer as collateral. To support them, we offer patient capital with a wide variety of customized and flexible repayment options, all designed to help companies conserve cash flow while growing and maintaining their ownership.

Moreover, we are responding to an increasing need to support business ownership transitions as more baby-boom entrepreneurs head into retirement. We provide financing for transactions as well as crucial advice to help new owners manage the often challenging integration phase following a merger or acquisition.

## Equity investments for growing companies

To help companies accelerate their growth, maintain ownership in Canadian hands and scale to become global champions, BDC operates two growth equity funds with total assets under management of \$425 million. We also manage a \$150-million co-investment fund.

These funds provide Canadian companies with direct minority equity investments and co-investments alongside Canadian private equity and growth equity funds. Investment sizes can range from \$3 million to \$35 million to bolster companies' working capital and fund productivity improvements, innovation, growth projects and ownership transitions. Over the planning period, BDC intends to renew the mandate of growth equity funds.

## Support for high-growth firms

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

GDP helps a select group of firms achieve sustained high growth by offering strategic advice, tailored coaching and leadership development. During a company's participation in the program, a BDC team supports the CEO and executive leadership team in developing and implementing a strategic growth plan. The program includes leadership retreats that are organized in conjunction with educational partners, including the Ivey Business School.

We have built a community of 300 high-growth firms through this program. Many of them have benefitted from the federal government's Accelerated Growth Service initiative and some have been nominated to participate in another federal program, the Global Hypergrowth Project.

In addition to GDP, we recently launched a new initiative, called the Optimization for Growth Program. It is designed for slightly smaller but equally ambitious businesses. This 12-month program helps entrepreneurs and their companies prepare for the next stage of growth by addressing leadership and organizational gaps while setting a clear vision for the future.

## Support for internationally oriented businesses

We support the international growth of our clients with financing, advice and connections to our partners that specialize in international expansion. We partner with Export Development Canada (EDC), the Trade Commissioner Service (TCS) and other like-minded organizations to:

- ➔ increase the number of Canadian exporters
- ➔ increase the number of markets accessed by Canadian exporters
- ➔ increase collaboration among our organizations to create a seamless client experience for entrepreneurs and improve their access to complementary services

BDC and EDC cooperate on a number of joint initiatives, including the Trade Accelerator Program, a training program that helps businesses prepare for international expansion, through which we advise and support over 500 SMEs annually. We also co-lend and invest with EDC to enhance exporters' access to capital. Cross-referrals between BDC and EDC continue to be an important part of our collaboration.

With TCS, we have established a process to ensure companies that receive CanExport funding are made aware of BDC's services and have the opportunity to discuss their loan and business advisory needs with us. Working closely with TCS, we also promote trade missions and the Canadian Technology Accelerator program to our clients and raise their awareness of the benefits of Canada's free trade agreements.

In collaboration with federal partners, we also participate in the Business, Economic, Trade Resilience (BETR) working group to enhance businesses' access to federal trade and business development services as they seek to grow in global markets.

## Support for digital adoption

Underinvestment in e-commerce and other digital technologies puts Canadian companies at a serious disadvantage when it comes to competing for customers, increasing productivity and effectively managing resources. However, implementation of digital technology can be challenging, especially for SMEs that often lack financial resources and technical expertise.

The Canada Digital Adoption Program (CDAP) was announced by the Government of Canada in Budget 2021 to support the digital transformation efforts of SMEs. With the help of a government grant, eligible Canadian businesses can get expert advice to develop a digital adoption plan from a variety of providers, including BDC. With more than 2,800 mandates deployed as at December 2023 by BDC alone, the digital adoption plan has proven to be a popular and impactful resource for entrepreneurs.

Businesses that have developed a plan through CDAP, or an equivalent program, can be considered for an interest-free BDC loan of up to \$100,000 to put their strategy into action. Uptake for this loan has increased steadily since the launch of the program, totalling more than \$280 million in loans as at December 2023.

## Supporting the success of innovative businesses

Companies that create new technologies, processes and products are critical for making the economy more competitive and solving the world's most pressing problems. BDC provides capital and advice to Canada's most innovative companies to bolster their efforts to conceive, develop and commercialize cutting-edge technologies.

### *Venture capital: Investing in Canada's most innovative businesses*

As the most active venture capital investor in Canada, BDC has been a key participant in the industry's remarkable growth over the last decade. Canada's innovation economy has come into its own, including in a range of technology sectors. Canadian companies are now among the global leaders in the information, life sciences and climate technology sectors to name a few. However, Canadian businesses and the venture capital industry are facing significant economic headwinds. Rising interest rates have had a significant impact on company valuations and reduced the amount of capital available to start-ups. In the face of these conditions, we remain committed to playing a leadership role in the industry.

With a national reach, we invest venture capital both directly in companies and through external private sector funds. Our ambition is to build Canadian champions and we pay particular attention to increasing Canadian investor participation in later stages when companies have achieved commercial traction but need capital to fuel their growth through to exit.

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

### *Direct investing: Partnering with entrepreneurs in underserved sectors and areas of strategic importance for Canada*

Our direct investment strategy aims to support undercapitalized innovative industries in Canada. In recent years, we have launched several internal funds that provide critical support to companies in some of Canada's most exciting high-growth sectors.

- ➔ As mentioned, our \$500-million **Thrive Platform** provides vital support and resources for Canadian women-led businesses to create and grow strong Canadian companies. (For more information, please see page 12).



- ➔ Our \$200-million **Deep Tech Venture Fund** invests in start-ups that are working on research-based technologies in such areas as quantum technologies, photonics, electronics and foundational artificial intelligence.
- ➔ Our \$250-million **Industrial Innovation Venture Fund** invests in businesses in Canada's core competitive sectors, including energy, materials and agriculture. It supports technology companies that can increase the competitiveness of established industries, focusing on Industry 4.0 applications and resource technologies.
- ➔ Our \$287-million **Industrial, Clean and Energy (ICE) Technology Venture Funds** invest in some of Canada's most innovative technology companies that are bringing digital transformation to a wide range of industries to enhance resource efficiency. Building on the success of the first two ICE funds, we have evolved the strategy to have a greater focus on sustainability. As a result, we recently launched a \$150-million **Sustainability Venture Fund**. It invests in businesses developing technologies that help Canada and the world meet sustainability and climate targets.
- ➔ The \$500-million **Climate Tech Fund** invests in high-impact Canadian companies to accelerate the development and deployment of homegrown low-carbon technologies for domestic and international markets. This commitment builds on the success of the \$600-million Cleantech Practice and reaffirms our leadership in creating world-class Canadian cleantech champions.
- ➔ Our evergreen **Growth Venture Co-Investment Fund** supports late-stage growth companies scale to their full potential and attract additional investors to support their expansion with direct investments and co-investments.
- ➔ We recently launched a \$50-million **Seed Fund**, a software-focused venture fund that aims to help emerging Canadian start-ups.
- ➔ Our **IT Fund** and **Healthcare Fund** are now in the harvesting stage with reserves for follow-on transactions only.
- ➔ Recognizing there is a market gap in the **life sciences sector**, we will allocate capital over the planning period to firms in this industry.

Over the planning period, we will launch two new envelopes to support the emergence of Indigenous and Black entrepreneurs. We also anticipate renewing the mandate of many of the above funds, demonstrating our ongoing support for innovative companies and high-growth sectors.

### External fund investments: Increasing our impact on the innovation economy

BDC supports more than 600 Canadian companies through investments in over 140 external funds operating in technology sectors such as information, life sciences and climate tech. We invest in a network of fund managers that generate a steady stream of high-quality investments to grow Canadian tech champions.

### Enabling federal government VC initiatives

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

We also manage the Venture Capital Catalyst Initiative (VCCI), a \$371-million allocation to support funds of funds, underserved groups, including women and diverse entrepreneurs, as well as emerging regions and sectors. VCCI has been renewed with an additional \$450-million allocation to support funds of funds, life sciences funds and inclusive growth funds. The first VCCI program raised over \$1.8 billion, while the renewed program is expected to raise approximately \$2.2 billion in new capital into the Canadian VC ecosystem.

### Accelerating the maturity of the Canadian VC ecosystem

In addition to providing capital, BDC also offers educational programs to accelerate the development of the VC ecosystem. One of these programs is GP Academy, a training program designed to improve the investment skills, knowledge and networks of Canadian fund managers so they can become leaders in the industry.

GP Academy is now recognized as a top educator of fund managers and also trains other key participants in the start-up community. In this regard, there is now a finance and operations edition of the academy targeting partner-level executives who are responsible for the financial and/or operating activities of their fund. Recently, the GP Academy launched a new program focused on chief financial officers given their importance within a fund manager partnership.

### *Supporting investments in intangible assets*

As the economy becomes increasingly driven by knowledge and innovation, businesses are investing more in software, intellectual property (IP) and other intangible assets. Intangible investments, while strategically important, are difficult to finance because they do not appear on a company's balance sheet and are hard for traditional financial institutions to value as collateral.

BDC identified a need to provide more targeted, patient capital to companies that are rich in IP and launched a \$160-million fund in fiscal 2021. While this is a generalist fund, it focuses on supporting companies in IP-rich sectors such as advanced manufacturing, medical and health technology, semiconductors, consumer products and information technology. The fund provides both debt and equity investments, depending on the needs of individual companies. A second fund is expected to be launched during the planning period when the first fund will have been almost fully committed.

### *Dedicated lending for technology companies*

In addition to our venture capital activities, we support the growth of technology businesses of all sizes with a full range of loan products delivered by a specialized pan-Canadian tech team. In response to market demand, this team has grown in recent years and we intend to continue to expand our support for businesses in the large markets of Montreal, Toronto and eastern and southwestern Ontario. Additionally, we have developed a strategy to provide financing to businesses in regions of emerging tech excellence, including Victoria, Kelowna, Saskatoon and Winnipeg.

### *Expert advice to help entrepreneurs overcome business challenges*

Entrepreneurs face an array of challenges, including rising costs, labour and skills shortages, pressures to become more sustainable and rapid technological change. They need high-quality business advice now more than ever to help them navigate the current environment, seize opportunities and grow their businesses.

Our advisory services are tailored to the size, sophistication and ambitions of individual companies in every region and sector. We use a national network of internal and external experts along with online capabilities to advise companies on a wide range of management challenges at a price they can afford. Our advisory services are an important part of how we deliver on our mission as a development bank and are complementary to consulting services available in the market.

A BDC study<sup>1</sup>, supported by data from Statistics Canada, showed that revenue growth of clients that received both financing and advisory services was 6.8 percentage points higher on average than that of non-clients after one year. BDC clients also perform better in terms of employment, productivity growth and survival rates when they receive our advisory services.

For smaller businesses, we offer seven standardized solutions that help entrepreneurs address foundational business challenges. All are delivered in a coaching format based on a "learning to do it yourself" approach and are designed to be delivered remotely.

For larger and more complex companies, our advisors provide expert guidance to grow their sales, enhance their online presence, access new markets, increase their productivity and improve their financial and HR management. We also offer support for digital adoption through our participation in the federal government's CDAP, as discussed on page 16.

As part of BDC's focus on helping companies improve their productivity, we have developed a benchmarking tool that allows businesses to compare their productivity performance with that of other Canadian SMEs in their industry. This information provides a strong foundation for us to discuss with entrepreneurs how they can improve their company's productivity and how we can help.

Over the planning period, our focus will be on helping more businesses grow in this time of economic uncertainty. We will also help them improve their productivity and be better prepared for emerging challenges by:

- developing an offering on the use of robotics and automation
- developing solutions to enable businesses to become more sustainable and adopt low-carbon business models, practices and technologies
- helping entrepreneurs deal with pressing issues such as rising costs, supply chain disruptions and labour shortages

In addition, drawing on the success of CDAP, we will explore ways to support entrepreneurs' responsible use of artificial intelligence in their businesses.

<sup>1</sup> BDC, Measuring BDC's Impact on Clients (2014-2018), March 2022.

SMEs are being called upon to respond to some of the biggest challenges facing our world, and BDC is determined to be there for them every step of the way. We have developed a comprehensive strategy to mobilize and equip entrepreneurs to adopt sustainability practices that will build stronger, more resilient businesses and contribute to a brighter future for all Canadians.

We are committed to maintaining high standards of governance, reporting and public communications as we pursue our sustainability-focused initiatives, including publishing our first sustainability report in fiscal 2024 and offering sustainability training to all BDC employees.

As always, we will continue to support entrepreneurs in good times and bad, ensuring they have continuing access to resources in times of climate disaster, crisis and recession.

### Environmental sustainability

The most pressing challenge of our time is the climate crisis. SMEs are being forced to adapt to a less hospitable natural world, including the floods, heatwaves and forest fires that are affecting communities across Canada with increasing frequency. At the same time, they are being called upon to participate in the transition to a low-carbon economy.

We have mobilized teams across BDC to help SMEs boost their energy efficiency and reduce their GHG emissions. We also aim to help them participate in the supply chains associated with opportunities created by the energy transition and new construction in Canada. For example, we will conduct outreach with the objective of building connections between SMEs and proponents of large clean energy and electrification projects. In addition, we will continue to deliver financing, capital, advice and information to assist them in contributing to a clean, low carbon, circular economy.

In the fall of 2023, we launched pilots for two new green financing solutions. One is a loan and advice offering for entrepreneurs who are retrofitting their buildings to reduce energy use. The second is for those investing to build or buy a building that meets an accepted environmental certification such as Leadership in Energy and Environmental Design (LEED). These pilots have the dual objective of supporting the business goals of entrepreneurs while reducing GHG emissions.

To help Canada reach its climate targets, as of fiscal 2023, we had committed \$2 billion to environment-focused investments since 2010. We invest in world-class cleantech and climate tech businesses, through our Climate Tech funds and Sustainability Venture Fund (see page 17 for more details). We have an excellent record of both investing in businesses in this sector and drawing private sector investment into it. In fact, for every \$1 BDC has invested, a further \$7.30 of private sector money has been either invested at the same time or following our commitment.

We understand that some industries are more carbon intensive than others. Part of our strategy is to support businesses in these industries to reduce GHGs and become cleaner, including through our Industrial Innovation Venture Fund, which focuses on helping traditional sectors become more sustainable.

In May 2023, we launched our Climate Action Centre, an online hub where entrepreneurs can find information, advice and connections to other expert organizations to act on GHG reduction, climate adaptation and other environmentally beneficial initiatives. The centre offers support and guidance to SMEs on how to become more sustainable by undertaking such projects as energy efficiency retrofits of buildings and converting to electric vehicle fleets. It also provides information on how entrepreneurs can access financing for their sustainability projects.

Over the planning period, we will continue to improve and add to the content available in the Climate Action Centre. We will also develop a new advisory offering to help entrepreneurs adopt good environmental, social and governance (ESG) practices in their businesses.

Additionally, as part of our lending process, we are updating and expanding the due diligence questions we ask about clients' management of environmental and social issues with the goal of enhancing our understanding of their business challenges and opportunities, beyond the financial dimensions. This will also allow us to track ESG trends and better target our support to address environmental and social issues. We will also equip our frontline employees with information on key ESG issues in specific industries so we can effectively guide entrepreneurs in responding to challenges and uncovering opportunities.

### Greening BDC's operations

To demonstrate leadership in the fight against climate change and pollution, BDC will aggressively reduce GHG emissions in our own operations and supply chain over the next four years, before purchasing carbon offsets to eliminate any remaining emissions and achieve net zero in our operations by 2028. We plan to take the following steps over the planning period.

- ➔ **Pursue further LEED certifications.** We will have achieved LEED certification for 14 business centres by the end of fiscal 2025 and are applying LEED criteria in all new business centres.
- ➔ **Eliminate emissions from BDC facilities.** By fiscal 2026 our facilities will use 100% renewable or non-emitting electricity.
- ➔ **Reduce emissions associated with business travel** by at least 20% by fiscal 2026.
- ➔ **Tackle residual emissions.** BDC will apply an internal carbon price starting in fiscal 2025 and use the funds to create a GHG reduction project fund.
- ➔ **Monitor and encourage emission reductions in our supply chain.** We will work with our suppliers and business partners to reduce GHGs where possible.
- ➔ **Achieve operational net zero by 2028** through operational initiatives and high-quality carbon offsets for remaining emissions.

### Supporting sustainability leaders

As part of our commitment to sustainability, we support companies that are certified Beneficial Corporations (B Corps). These are profitable companies that meet high environmental, social and governance standards. Their business purposes and models correspond to their desire to create local, sustainable prosperity.

We were the first financial institution in Canada to be certified as a B Corp in 2013 and are the B Corp movement's national partner. We are also a founding member of the OECD Platform on Financing SMEs for Sustainability, collaborating internationally to ensure we are using best practices in helping entrepreneurs build sustainable businesses.

BDC helps grow the B Corp certification movement by:

- ➔ acting as the official partner of the B Corp movement in Canada
- ➔ attracting thousands of SMEs to awareness-raising events and workshops annually
- ➔ advising smaller groups of entrepreneurs on the B Impact Assessment and how to certify as a B Corp
- ➔ supporting these SMEs with \$265 million in financing

We also encourage all companies to use the B Corp assessment, a free comprehensive questionnaire that examines a business's impact on its community, employees and the environment, and is a step toward achieving B Corp certification.

### Encouraging sustainability practices in businesses

We believe businesses should strive to make their workplaces increasingly diverse and inclusive to create an environment where all employees feel welcome and empowered to fully contribute their talents to the company's success. This is important not only for workers and companies, but also for making Canada a fairer, more just and prosperous society.

In support of these values, we became a founding signatory of the Diversity in Action Initiative of the Institutional Limited Partners Association, and we have since been recognized as a leader in encouraging the collection of diversity, equity and inclusion (DEI) and ESG data in the private markets industry. At BDC, we launched an ESG reporting template for our venture capital portfolio companies at the beginning of 2023, while simultaneously embarking on the second year of DEI data collection. In November 2023, we released our combined DEI/ESG annual report, which will serve as a benchmark for the industry to take stock of where we are and areas in need of improvement.

As part of our efforts to support a more diverse, equitable and inclusive economy, we co-founded the Black Innovation Fund with BKR Capital, where we helped create the first Black women-led venture capital fund focused on Black-founded tech companies in Canada. (For more information on the Black Innovation Fund, please see page 13).

Other initiatives include our investment in Raven Indigenous Capital Partners, the first Indigenous-led VC fund; our support for the Indigenous Growth Fund; sponsoring scholarships for three Indigenous individuals to attend the Ivey Business School's Canadian Private Capital Investment School training program; and our co-sponsorship of BKR Capital's fellowship program to help professionals from the Black community advance in the venture capital industry.

We also recently launched an online toolkit of information, advice and templates to help entrepreneurs adopt high-quality DEI policies and practices in their businesses.

We are also training BDC employees to better serve Indigenous entrepreneurs. In addition to mandatory inclusive leadership and allyship training, all BDC employees must now take the *4 Seasons of Reconciliation* training course on Indigenous history, identity and the need for reconciliation in Canada. BDC has also made this training available free of charge to all Canadian entrepreneurs. It provides foundational knowledge on reconciliation with Indigenous people as well as advice on how to put it into practice every day.

### Helping entrepreneurs through difficult times

As a development bank, one of BDC's most important roles is to ensure SMEs have continuing access to capital and expert business advice when facing the big challenges of our time, including times of crisis, climate disaster and recession.

The importance of this role has been demonstrated on many occasions over the years. For example, we provided critical financing to SMEs during the 2008-09 financial crisis and recession. Our rapid and comprehensive response to the COVID pandemic was another example of the shock absorber role we play for individual entrepreneurs and the economy as a whole. By the conclusion of our COVID relief programs, BDC had provided a total of \$7.8 billion of dedicated financing to Canadian businesses.

In recent years, climate change has caused more floods, wildfires and other weather-related catastrophes across Canada. BDC has stepped in to provide special support for affected clients and we stand ready to do more in the years ahead as the effects of climate change intensify. For example, during the spring and summer of 2023, we provided relief for clients in several parts of Canada who were affected by forest fires. For eligible clients in impacted regions, we offered pre-authorized principal payment postponements of up to six months.

### Support for entrepreneurs' mental health

Since 2020, BDC has surveyed Canadian entrepreneurs on the state of their mental health and well-being. Our research indicates that many entrepreneurs struggle with the responsibilities and pressures of owning and running a business. For example, in our latest survey in February 2023, 35% of respondents said they had sought professional help for a mental health concern in the previous year, and nearly half (48%) said they had felt depressed during the last two weeks. As Canada's development bank, we are committed to helping entrepreneurs do well on every level, including by providing resources to help them with their mental health challenges.

That's why we publish a list of trusted organizations across Canada where entrepreneurs can find resources and counselling to deal with their mental health concerns. In addition, we intend to launch new programs over the planning period to support entrepreneurs' mental health needs, including by providing access to no-cost and low-cost online professional counselling and support.

## Deliver a world-class client and employee experience

We have set ambitious goals to support many more businesses in the coming years and deepen our impact on them. To accomplish these objectives, we know our products and services must meet the real-world needs of entrepreneurs and be delivered in a way that makes it easy for them to do business with us. This is why we strive to increase our knowledge and insights about our clients' businesses and continually improve our delivery channels.

To achieve our goals, we must also find and keep talented people who care deeply about our clients' success and equip them with the tools they need to provide outstanding service to entrepreneurs. To hire and retain the best employees, we continue to foster a work culture and environment that is high-performing, flexible, diverse, equitable, inclusive and accessible.

### Client experience

Delivering an exceptional client experience is at the heart of BDC's values and the key to achieving our goals. In an uncertain and ever-changing economic environment, we must stay attuned to our clients' needs and expectations and provide the highest quality of service. While the proportion of clients satisfied with BDC is high and stable at 93%, we have experienced a decrease in the percentage of clients who say they are *very satisfied*. This is partly attributable to a challenging economic context, characterized by high interest rates, but also to the length of certain of our processes other than our online lending process. It serves as a reminder that we must be relentless in our efforts to provide client experience that entrepreneurs want and expect.

We have several important initiatives underway aimed at improving client experience.

- ➔ Introducing new metrics and feedback mechanisms to better understand client satisfaction throughout our relationship and identify key areas for improvement.
- ➔ Enhancing omnichannel service capabilities to help us strengthen client service at our Virtual Business Centre, our Client Contact Centre and on Client Space, our client portal. We are also offering new services in our BDC Mobile app for existing clients and prospective clients to track loan requests and manage loans and advisory mandates unassisted.

- ➔ Improving our online lending process to make it faster and easier for more entrepreneurs to get the financing they need. We recently launched a new feature that allows us to make pre-authorized loan offers to existing clients. With this feature, clients get money faster because they no longer have to go through a new loan request process. As of December 2023, 2,500 clients had benefitted from this expedited process.
- ➔ Expanding our client email nurturing program to reach more clients and implementing a new client contact framework. Beyond financial transactions, advice and connections to clients are at the heart of our value proposition. We aim to bring more value to clients through a consistent and standardized approach across regions and interactions.

Additionally, we have integrated client-centric objectives into the individual performance objectives of all employees, underlining BDC's commitment to becoming an ever more client-centric organization.

### Technology and data management

In support of our continued efforts to become a more digitally driven and customer-centric organization, we continue to make investments in technology and process automation.

We use data to understand client needs and behaviours, serve them better and support our decision-making. We continue to invest in data modernization and improve BDC's capabilities to better use data and analytics. We are also exploring how BDC could leverage responsible artificial intelligence capabilities to help us serve our clients more efficiently.

In addition, we are constantly strengthening BDC's cybersecurity in the face of an evolving threat landscape. We are working to increase BDC's agility and ensure the highest possible levels of protection for our IT systems, as well as client and employee data.

## Employee experience and culture

We focus on creating an exceptional work experience at BDC because we know that attracting and retaining talented, engaged and diverse employees is essential for providing the best possible support to entrepreneurs. At a time when labour shortages are making it harder to maintain staffing levels in many sectors of the Canadian economy, retaining employees is a key challenge for BDC as well. This is especially true for frontline employees upon whom we depend to provide the highest quality support to entrepreneurs.

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

Our hybrid work model provides our employees with the flexibility to work a mix of in-person (with clients or at a BDC office) and remotely from home. The model is aligned with market trends.

Along with our hybrid work model, we are committed to providing employees with a supportive, harassment-free and accessible environment where their well-being is fostered. For example, we are executing on an accessibility action plan to improve accessibility for our employees and for entrepreneurs. On the employee front, we are working to improve our physical workspaces, recruitment processes and the digital tools we use.

We have been consistently recognized for our commitment to diversity, equity, inclusion and accessibility (DEIA) in our organization, including once again being named a Best Diversity Employer in 2022, due to our many initiatives, partnerships and overall corporate support for diversity and inclusion. However, we recognize we need to be bolder and continue evolving our DEIA strategy and culture. In pursuit of this goal, we recently celebrated the first anniversary of the Black Professional Network, which has grown to more than 100+ Black BDC employees as members. We have also implemented inclusive writing throughout our organization and choice of pronouns for employees in recognition of gender diversity.

BDC continues to focus on gender equality with a commitment to benchmarking ourselves from a gender parity perspective. We have achieved silver parity certification status with Women in Governance and look to enhance our performance annually. We are proud that in 2022, our Board of Directors achieved a 50% representation of women.

BDC acknowledges its responsibility to contribute to reconciliation and education and move forward with equitable opportunities for members of the disabled, Black, Indigenous, racialized and LGBTQ2+ communities. In continuing to support employees in their learning journey and deepen our commitment to anti-racism, we provide mandatory inclusive leadership and allyship training as well as Indigenous and accessibility awareness trainings. We also continue to raise employee awareness about diverse entrepreneur groups by maintaining unconscious bias training as part of BDC's ongoing development curriculum.

Looking ahead, we will be performing an analysis of diversity data and gathering feedback from focus groups to uncover and address any barriers to retention and advancement of diverse talent at BDC. We will also continue implementing our Supplier Diversity Program to attract a greater number of suppliers from key entrepreneur segments, including Black and Indigenous entrepreneurs, people of colour, LGBTQ2+, women and B Corp companies. Finally, in support of BDC's commitment to Canada's official languages in serving the public and in our workplace, a new three-year action plan has been approved and is now being implemented.

# Overview of key risks

BDC's risk management framework (RMF) provides oversight of enterprise-wide risk management and risk governance under the direction of the Chief Risk Officer. It encompasses BDC's risk strategy and risk management policies in alignment with the Bank's risk appetite and business strategy. The primary objective of the RMF is to establish a comprehensive and proactive approach to risk management that fosters a strong risk culture throughout the Bank.

The risk management team works with business lines and corporate functions to establish policies, procedures and thresholds that reflect BDC's risk appetite. It monitors and reports on existing and emerging risks and risk appetite compliance.

The RMF provides for the continuous identification and assessment of BDC's existing and emerging risks. BDC reviews and assesses significant risks that may impede the Bank's capacity to achieve its objectives as outlined in the Corporate Plan. Based on BDC's strategic objectives over the planning period, we have identified the following top risks that we will continuously monitor through the planning period.

## → Risk from changes in the business, economic and market environment

Changes in the business, economic and market environments affect SME performance and, by extension, BDC's performance. Primary economic and market considerations for BDC include inflation rates, the possibility of recession, supply chain disruptions, energy price fluctuations, labour shortages, unemployment rates, real estate price volatility, changes in business valuations, household indebtedness and overall business and consumer confidence. Other factors that impact loans and investments include fiscal and monetary policy shifts, volatility in financial markets, interest rate fluctuations and commodity price swings.

## → Cybersecurity risk

This is the risk associated with complex and evolving cyber threats, including the continuing challenges posed by sophisticated and well-resourced hackers and the geopolitical environment. It also includes IT security risks faced by BDC's suppliers and potential threats from insider misconduct. The increasing importance of ensuring data privacy and confidentiality, as well as recent IT security breaches in the financial services industry, are reminders to BDC that attacks on our IT systems are a constant threat.

## → Portfolio volatility risk

Portfolio volatility risk encompasses the risks associated with volatility in BDC's loan and investment portfolios driven by SME financial performance, SME demand for capital, market uncertainty, market liquidity, and asset and security valuations. Credit risk is reflected in loan defaults, portfolio leakage (repayment of loans or write-offs), pricing not aligned with client risk profiles, inappropriately valued securities, declining fair value of venture capital investments and a higher number of clients who are vulnerable to financial difficulty.

## → Third-party risk

The risk of failure or security breaches associated with the sourcing, procurement and performance of third-party suppliers or their supply chains that may result in critical service disruptions, regulatory action, privacy breaches, financial loss, litigation or reputational damage for BDC.

## → Climate risk

Climate risk could be in the form of physical risk or transition risk and is associated with the impacts of climate change on both BDC and its clients. These include severe weather events, changing economic systems and evolving government and societal responses that may result in a broad range of risks, including strategic, reputational, resiliency and credit-related risks. Climate change will have a significant impact on both Canadian SMEs and BDC's overall strategy.

## → Reputational risk

Reputational risk is associated with the potential that stakeholder or client perceptions regarding BDC's mandate, practices, actions or inaction may cause damage to its reputation and impact its ability to fulfill its mandate and conduct its business.

## → Strategic risk

This is the risk that BDC may fail to achieve its mandate due to the choice of suboptimal or ineffective strategy, the ineffective deployment of strategy, inaccurate knowledge of the market or a lack of responsiveness to changes in the external environment. The Bank has multiple strategic initiatives underway, reflecting our short- and long-term priorities. Success in achieving these objectives involves strategic planning, sophisticated IT and data management systems and increased reliance on personnel with specialized skills in an increasingly competitive workforce environment.



This section presents an overview of BDC's financial plan for fiscal 2025-2029. Details by business line are shown starting on page 49. The financial plan projections for BDC's operations are based on economic conditions and planning assumptions presented in the *External environment* section, starting on page 7. They have been developed in an economic environment in which market uncertainty remains an important concern. This could result in variations from plan projections.

Demand for BDC's offerings was strong in the first half of fiscal 2024. However, demand is expected to soften in the second half of fiscal 2024 given the economic uncertainty. While we expect activity levels to continue to be lacklustre early in the planning period, volumes should increase at a healthy pace for the remainder of the period.

BDC's expected volume of activity is presented in Table 1.

- Financing loan acceptances are expected to grow at an annualized rate of 7.4%, while asset-backed securities disbursements are forecast to grow at an annualized rate of 7.8% over the planning period. In addition, Financing is expected to issue loan guarantees from fiscal 2024 to fiscal 2026 in a pilot with a limited number of financial institutions. In total, Financing will deploy more than \$68 billion over the planning period to support Canadian entrepreneurs, with a particular focus on small businesses and the Ontario and West regions—fast-growing markets with many underserved and diverse entrepreneurs, while maintaining support for Atlantic Canada, Quebec and the North.
- Growth & Transition Capital (GTC) activity is forecast to grow at a strong annualized rate of 12.5% to reach \$740 million in acceptances in fiscal 2029. Growth is expected to be lower early in the planning period as the economic slowdown should continue to dampen mergers and acquisitions, business transitions and investment in the tech sector. From fiscal 2026, growth in acceptances is expected to be strong. An expected rebound in the economy should increase demand for GTC offerings with SMEs seeking more capital to support their growth and transition plans. Growth will also come from GTC's intention to become more active in underserved markets and seek more opportunities in the tech sector.
- Venture Capital investments are projected to total between \$570 million and \$680 million per year over the planning period. This projection is highly sensitive to the unfolding market dynamics and the pace of gradual return to normal market condition. Direct investments are projected to range from \$195 million to \$290 million, driven by initiatives such as the Industrial Innovation Venture Fund, Deep Tech Venture Fund and the Thrive Platform. In addition, two \$100-million envelopes will be created to support Indigenous and Black entrepreneurs, as well as another \$100-million envelope for a new life sciences fund. Meanwhile, fund investments are expected to range from \$210 million to \$220 million as we continue to expand our partnerships. Direct growth equity activity is projected to range from \$75 million to \$95 million per year, fuelled by the deployment of a \$150-million initiative to co-invest with existing Canadian private equity and growth equity funds. Our intellectual property financing team will deploy between \$20 million and \$25 million in authorizations per year. The \$500-million Climate Tech Fund launched in fiscal 2023 will invest between \$50 million and \$70 million per year.

- ➔ Advisory Services revenues will return to pre-COVID and pre-CDAP levels once the latter program ends, ranging between \$30 million and \$44 million over the duration of the plan.
- ➔ The Capital Incentive Programs (CIP) encompass the Venture Capital Action Plan, the Venture Capital Catalyst Initiatives, the Cleantech Practice and the Indigenous Growth Fund (IGF). The \$600-million Cleantech Practice envelope will be fully authorized by the end of fiscal 2025. The VCCI II envelope of \$450 million is expected to be completely authorized by fiscal 2025, of which \$415 million is expected to be disbursed by the end of fiscal 2029. The \$100-million IGF envelope will be fully deployed by the end of fiscal 2027.
- ➔ The Credit Availability Program (CAP) brings together initiatives aimed at increasing capital for specific SME needs, including COVID relief and digital adoption. To date, more than \$7.8 billion of capital has been committed through CAP initiatives, including \$3.7 billion in loan guarantees through the Highly Affected Sectors Credit Availability Program (HASCAP). Following the announcement of the Canada Digital Adoption Program (CDAP), CAP was extended to include loans deployed by BDC under the CDAP umbrella. Through CDAP, BDC is expected to deploy \$750 million by fiscal 2026 to approximately 13,600 entrepreneurs to support the implementation of their digital adoption plans.

**Table 1—Activity level summary**

(\$ in millions)

	2023	2024	2025	2026	2027	2028	2029
<b>Financing loans acceptances</b>	<b>10,256</b>	<b>10,400</b>	<b>10,805</b>	<b>11,910</b>	<b>12,760</b>	<b>13,750</b>	<b>14,850</b>
<i>Growth</i>	9%	1%	4%	10%	7%	8%	8%
<b>Financing asset-backed securities disbursements</b>	<b>673</b>	<b>552</b>	<b>444</b>	<b>666</b>	<b>652</b>	<b>721</b>	<b>802</b>
<b>Financing loan guarantees issuances</b>	-	<b>35</b>	<b>400</b>	<b>365</b>	-	-	-
<b>Growth &amp; Transition Capital acceptances*</b>	<b>461</b>	<b>410</b>	<b>440</b>	<b>500</b>	<b>570</b>	<b>665</b>	<b>740</b>
<i>Growth</i>	-2%	-11%	7%	14%	14%	17%	11%
<b>Venture Capital authorizations</b>	<b>526</b>	<b>350</b>	<b>570</b>	<b>670</b>	<b>680</b>	<b>680</b>	<b>680</b>
<b>Advisory Services revenue</b>	<b>38</b>	<b>46</b>	<b>44</b>	<b>34</b>	<b>30</b>	<b>32</b>	<b>33</b>
<i>Growth</i>	32%	20%	-4%	-23%	-12%	7%	3%
<b>Capital Incentive Programs authorizations</b>	<b>373</b>	<b>110</b>	<b>60</b>	-	-	-	-
<b>Credit Availability Program acceptances/authorizations</b>	<b>76</b>	<b>277</b>	<b>281</b>	<b>142</b>	<b>2</b>	-	-
<b>Credit Availability Program loan guarantees issuances</b>	<b>229</b>	-	-	-	-	-	-

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

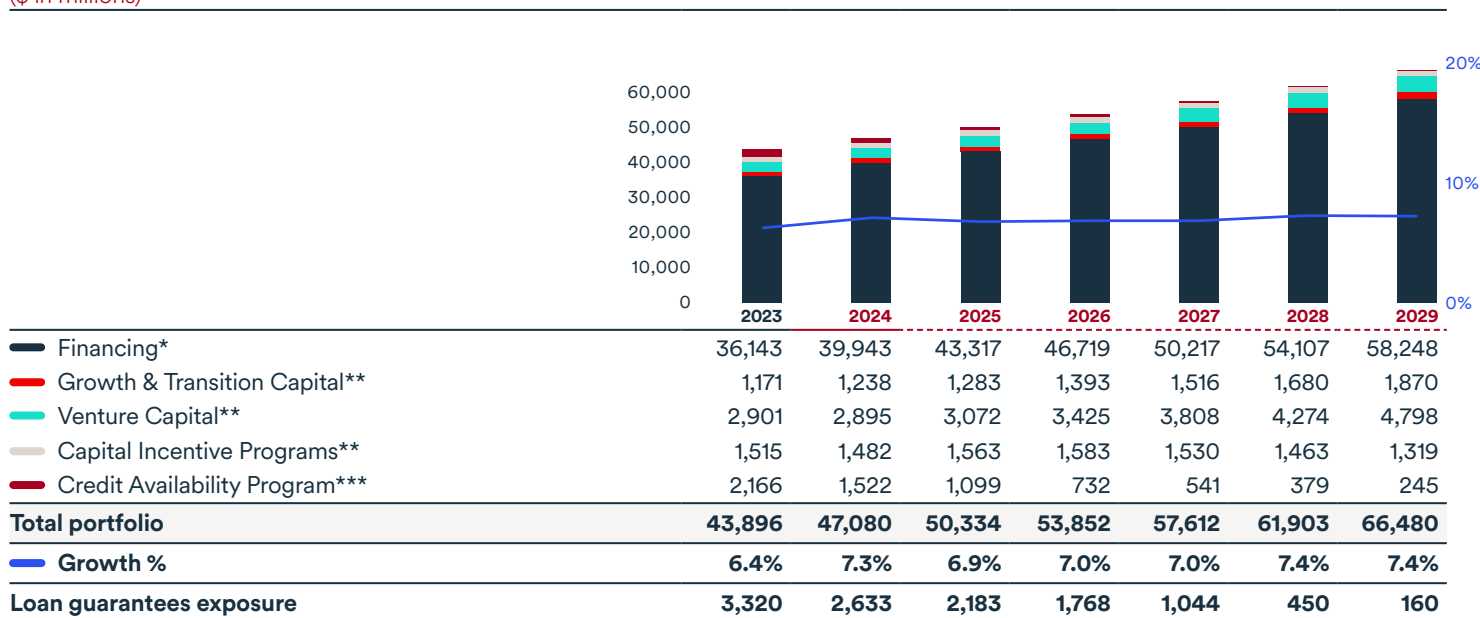
As shown in Table 2, BDC’s consolidated portfolio is expected to grow modestly early in the planning period due to venture capital investments fair value depreciation combined with a decrease in the CAP portfolio as entrepreneurs repay their COVID relief loans. From fiscal 2026, an expected economic rebound should cause an increase of BDC’s activity level and venture capital investments at fair value. Additionally, repayment rates on COVID loans should be lower as that portfolio of loans abates. As a result, we expect the portfolio to grow at a faster pace. Overall, BDC’s consolidated portfolio should grow by 7% annualized over the planning period, bringing the portfolio to \$66 billion by the end of fiscal 2029.

BDC loan guarantees exposure is expected to decrease steadily over the planning period as SMEs repay loans that are covered by HASCAP guarantees. This decrease in loan guarantees exposure will be partially offset by the issuance of new loan

guarantees through a pilot with a limited number of financial institutions that will enable them to reach more underserved entrepreneurs.

BDC’s net revenue growth, as shown in Table 3, is expected to decrease from fiscal 2024 to fiscal 2025, mainly due to lower revenue from CAP as the portfolio gets repaid. During this period, revenue growth will also be affected by projected net realized losses on investments, reflecting a continued downturn in the venture capital market. This will be partially offset by increased revenue from a larger Financing portfolio. Beginning in fiscal 2026, net revenue is expected to increase steadily to reach \$3.0 billion by fiscal 2029, driven by growing portfolios in Financing and GTC as well as increasing realized gains on investments from Venture Capital and CIP.

**Table 2—Consolidated portfolio**  
(\$ in millions)



\* Financing’s loans are at amortized cost. Financing’s subordinate financing investments and asset-backed securities are at fair value.

\*\* At fair value.

\*\*\* Credit Availability Program portfolio is at cost except for Venture Capital Bridge Financing Program investments that are at fair value.

**Table 3—Summary of BDC consolidated net income and capital expenditures**

(\$ in millions)	2023	2024	2025	2026	2027	2028	2029
Net revenue	2,084	2,200	2,136	2,312	2,512	2,684	3,010
<i>Growth</i>	-9%	6%	-3%	8%	9%	7%	12%
Provision for expected credit losses	(344)	(799)	(594)	(380)	(439)	(461)	(464)
Net change in unrealized appreciation (depreciation) of investments and other	(671)	(366)	(147)	23	135	244	146
Operating and administrative expenses	766	835	901	935	981	1,030	1,082
<i>Growth</i>	-1%	9%	8%	4%	5%	5%	5%
<b>Net income</b>	<b>303</b>	<b>200</b>	<b>494</b>	<b>1,020</b>	<b>1,227</b>	<b>1,437</b>	<b>1,610</b>
Capital expenditures	27	21	27	20	18	19	17

In Budget 2023, the federal government indicated that all Crown corporations would be expected to contribute to government-wide spending reductions. In response, BDC's Corporate Plan 2023-24 to 2027-28 included reductions in operating and administrative expenses amounting to \$90 million by fiscal 2027 as compared with planned expenses in Corporate Plan 2022-23 to 2026-27.

The present Corporate Plan includes additional reductions in operating and administrative expenses. Compared to last year's Corporate Plan, expenses are expected to be reduced by an additional \$24 million from fiscal 2025 to fiscal 2028. As required, these reductions include savings of a minimum of 15% in consulting and other professional fees, and travel expenses, compared with the baseline Corporate Plan 2022-23 to 2026-27. Details of reductions are shown at the bottom of Table 4.

Overall, the annualized growth of operating and administrative expenses is expected to be 5% over the planning period. Starting in fiscal 2026, operating and administrative expenses growth should be outpaced by net revenue growth as BDC benefits from efficiency gains from investments in processes and technology, as well as BDC's commitment to scale back operating and administrative expenses.

BDC's profitability is expected to be lower than its historical level in fiscal 2024 and 2025 due to the economic slowdown and the resulting higher provisions for expected credit losses and fair value depreciation on investments.

BDC's consolidated net income is forecast to reach \$1.6 billion by fiscal 2029. This will enable BDC to continue to support the long-term success of SMEs, with a special focus on underserved and diverse entrepreneurs. The expected increase in annual net income over the planning period will be mainly due to rising net revenue in Financing and greater net income from GTC and Venture Capital. Reductions in CAP's net loss and limited growth in operating expenses will also contribute to rising net income.

As income generated by activities surpasses the capital required to support portfolio growth, BDC expects to generate capital above the internal target rate from fiscal 2026 until the end of the planning period.

To remain efficient and responsive to clients, BDC will continue to invest in information and digital technologies. For more information on these initiatives, please refer to the *Capital budget* on page 55.

**Table 4—Operating and administrative expenses**

(\$ in millions)	2023	2024	2025	2026	2027	2028	2029
Salaries and other benefits	442	509	550	579	619	659	698
Defined benefit plan expense	56	49	51	52	54	56	59
	<b>498</b>	<b>558</b>	<b>601</b>	<b>631</b>	<b>673</b>	<b>715</b>	<b>757</b>
Premises and equipment	44	46	46	46	47	48	48
Consulting and other professional fees	45	32	31	30	30	30	30
Computer and software, including amortization and depreciation	59	63	77	82	83	84	86
Communications, advertising and promotion	31	28	29	30	30	31	32
MTA, training and business development expenses*	16	16	17	18	18	19	20
Workforce augmentation	53	64	72	75	77	81	85
External delivery expenses	17	22	21	17	15	16	16
Other	3	6	7	6	8	6	8
	<b>268</b>	<b>277</b>	<b>300</b>	<b>304</b>	<b>308</b>	<b>315</b>	<b>325</b>
<b>Total operating and administrative expenses</b>	<b>766</b>	<b>835</b>	<b>901</b>	<b>935</b>	<b>981</b>	<b>1,030</b>	<b>1,082</b>

\* MTA stands for Meals, travels and accommodation.

**Reduction to operating and administrative expenses**

(\$ in millions)	2023	2024	2025	2026	2027	2028	2029
Corporate Plan 2022-23 to 2026-27 operating and administrative expenses	-	870	922	970	1,018	-	-
Reduction to operating and administrative expenses	-	(14)	(16)	(29)	(31)	-	-
<b>Corporate Plan 2023-24 to 2027-28</b>	-	<b>856</b>	<b>906</b>	<b>941</b>	<b>987</b>	<b>1,037</b>	-
Additional reductions	-	-	(5)	(6)	(6)	(7)	-
<b>Corporate Plan 2024-25 to 2028-29 operating and administrative expenses</b>	-	-	<b>901</b>	<b>935</b>	<b>981</b>	<b>1,030</b>	<b>1,082</b>

## Key financial indicators

Table 5 presents financial indicators related to BDC's financial sustainability and capital adequacy, as required by the Capital and Dividend Policy Framework for Financial Crown Corporations.

### Adjusted annual return on equity<sup>1</sup>

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

Adjusted return on equity is expected to be 4.1% in fiscal 2024 mostly due to modest realized gains and high fair value depreciation in Venture Capital, combined with a high level of provisions for expected credit losses in Financing. Despite an increase in fiscal 2025, the ratio will remain below the historical average as provisions for expected credit losses in Financing remain elevated, albeit at a slightly lower level than in fiscal 2024. Venture Capital results are projected to continue to be negatively affected by the economic slowdown. The adjusted return on equity is expected to increase to 8.9% in fiscal 2026 mostly due to reversal of provisions for expected credit losses in Financing, along with higher realized gains and fair value appreciation on Venture Capital's investments. The ratio should then increase to 10.4% in fiscal 2029 in line with planned net income growth.

### 10-year moving average for adjusted return on equity

The 10-year moving average for adjusted return on equity is expected to range between 10.1% and 9.6%.

**Table 5—Key financial indicators**

	2023	2024	2025	2026	2027	2028	2029
Adjusted return on equity (annual)	2.9%	4.1%	5.9%	8.9%	9.3%	9.9%	10.4%
Adjusted return on equity (10-year moving average)	11.2%	10.6%	10.1%	10.0%	10.1%	9.8%	9.6%
BDC efficiency ratio	36.3%	37.4%	39.8%	39.5%	39.5%	38.8%	37.8%
Internal capital ratio	119%	115%	109%	108%	110%	109%	109%

### BDC's efficiency ratio

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

The ratio will deteriorate early in the planning period as the Credit Availability Program declining portfolio will generate lower net revenue. BDC also invests in its digital capabilities and to increase our impact on entrepreneurs with initiatives such as our Seed Fund, Thrive Lab's first phase and loan guarantee pilot. From fiscal 2025, the ratio will improve, reflecting efficiency gains from investments in improved processes and technology, combined with strong net revenue growth that will outpace expense growth. As shown in Table 5, the ratio is forecast to improve from 39.8% in fiscal 2025 to 37.8% in fiscal 2029, meaning BDC will incur 37.8 cents of expense to earn one dollar of revenue.

### Internal capital ratio

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

In fiscal 2025, the growth of available capital will be outpaced by growth in capital demand. Starting in fiscal 2026, capital generated above the internal target rate for the core portfolio is expected to increase. Although BDC's growth will increase pressure on capital, the ratio is expected to exceed target levels over the planning period.

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

# Expected results and performance indicators

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

Short term (1 year)		Actual F2023	Target F2024	Forecast F2024	Target F2025	
Increase the reach and relevance of our support to entrepreneurs	Direct clients (#) <sup>1</sup>	<i>Former Definition</i>	65,312	67,465	69,770	N/A
		<i>New Definition</i> <sup>2</sup>	N/A	N/A	69,650	73,400
	Clients served through partnerships (#)		35,404	37,300	34,400	37,650
	<i>Total number of clients we aim to serve by the end of fiscal 2025<sup>3</sup>: 111,050</i>					
Spur the growth of SMEs and the competitiveness of Canada's economy	Advisory Services mandates (#)		2,491	2,330	2,900	2,380
Empower SMEs to respond to the big challenges of our time	Environment-related support (\$ in millions)		N/A	235	235	390
Deliver a world-class client and employee experience	Very satisfied clients (%) <sup>4</sup>		65	68	63	65

Unless otherwise noted, all data are sourced from BDC's portfolio. All number of clients data are net of clients who exited the portfolio during the period.

<sup>1</sup> Clients in more than one unit are only counted once.

<sup>2</sup> The definition of an Advisory Service's client has evolved from those who signed a new contract in the fiscal year net of cancellations, to those with a contract in delivery in the last 12 months net of cancellations.

<sup>3</sup> Direct clients who are also clients served through partnerships are counted twice as we cannot at this time identify the latter to remove duplicates.

<sup>4</sup> "Very satisfied" clients gave a score of 9 or 10 out of 10 for their overall satisfaction with BDC services. Source: BDC Client Voice Survey (excludes Venture Capital).

Medium term (3 years)		Actual F2023	Forecast F2024	Target (T)
Increase the reach and relevance of our support to entrepreneurs	Women entrepreneurs supported directly (#) <sup>5</sup>	17,675	19,235	T2027 22,720
	Indigenous entrepreneurs supported directly (#) <sup>5</sup>	1,080	1,310	T2027 1,690
Spur the growth of SMEs and the competitiveness of Canada's economy	Sales growth for BDC clients compared to Canadian businesses (percentage points difference) <sup>6</sup>	9.9	14.4	T2027 Maintain a minimum spread of 11.4
Empower SMEs to respond to the big challenges of our time	BDC's operational greenhouse gas emissions (tonnes)	3,739	3,739	T2026 3,603
Deliver a world-class client and employee experience	BDC workforce compared to labour market availability in the finance sector, in each of the designated groups (%) <sup>7</sup>	Women 49.5	Women 49.2	T2025 BDC meets LMA for 4 of the measured groups
		Indigenous 1.1	Indigenous 1.1	
		Visible minorities 29.3	Visible minorities 30.1	
		Persons with disabilities 3.7	Persons with disabilities 7.9	
Long term (5 years)		Actual F2023	Forecast F2024	Target (T)
Spur the growth of SMEs and the competitiveness of Canada's economy	% of clients who reported a positive impact on their business following the services they received from BDC <sup>8</sup>	92	91	T2027 Maintain a minimum of 89

Unless otherwise noted, all data are sourced from BDC's portfolio. All number of clients data are net of clients who exited the portfolio during the period.

<sup>5</sup> Excludes Advisory Services only clients.

<sup>6</sup> Includes Financing and Growth and Transition clients.

<sup>7</sup> Labour market availability represents the share of designated group members in the Canadian finance sector labour market, which stood at 46.3% for women, 1.9% for Indigenous, 24.9% for visible minorities and 8.2% for persons with disabilities as of March 31, 2023.

<sup>8</sup> Includes clients who answered "Somewhat positive" or "Very positive" in terms of the impact BDC had on their business either directly or indirectly.

Source: BDC Client Voice Survey (excluding Venture Capital).

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



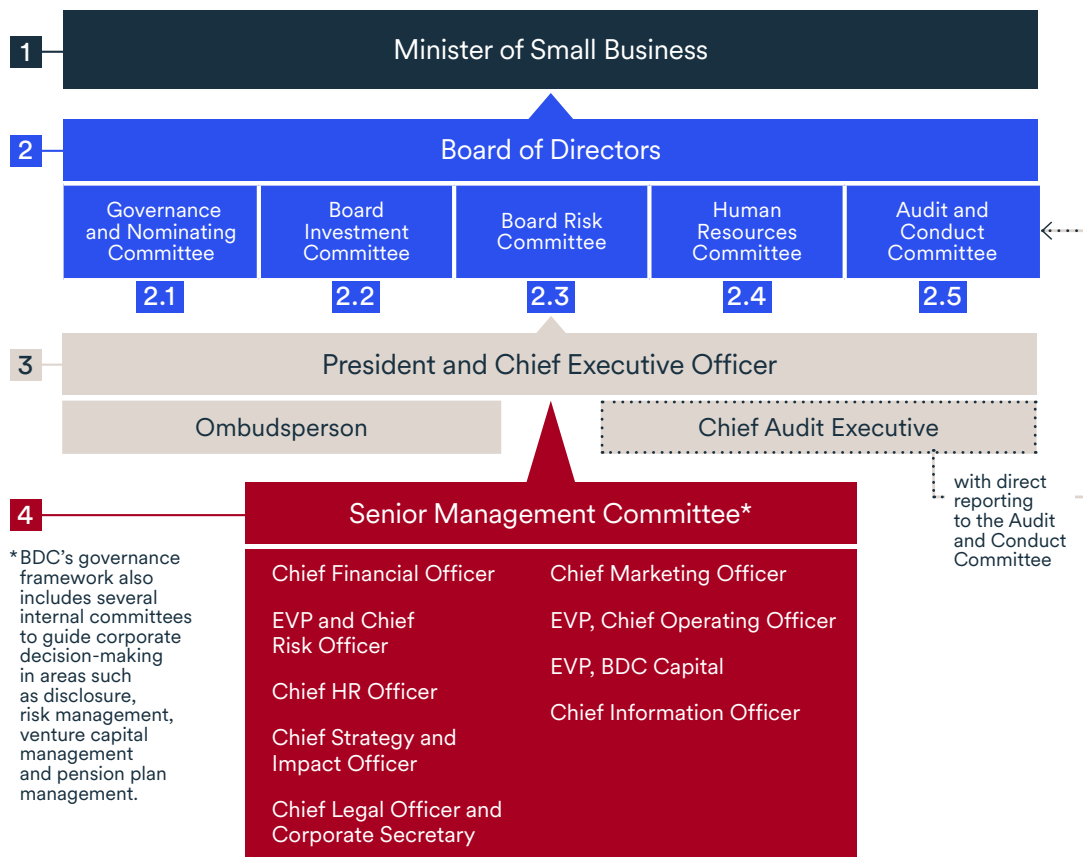
Isabelle Hudon, Chief Executive Officer, BDC

Original signed January 17, 2024



The Corporate Plan is a key reporting requirement for BDC as a Crown corporation. It enables the Government of Canada, BDC’s sole shareholder, to understand the Bank’s planned activities and ensure that its overall direction and performance are aligned with the policy rationale for which the government created and maintains it.

The Corporate Plan’s objective is to inform ministers and government officials of BDC’s strategic plan, forecasted expenditures and capital requirements over a five-year horizon and request approval for them. BDC also regularly interacts with government officials to further ensure alignment with government priorities and direction.



In the context of the *Business Development Bank of Canada Act*, approved Corporate Plans and instructions it may receive from the government through Statement of Priorities and Accountabilities Letters and under section 21 of the *BDC Act*, BDC operates at arm’s length from the government. It is ultimately accountable to Parliament through the **Minister of Small Business. 1**

An independent **Board of Directors 2**, supported by various board committees as described below, ensures the highest standard of corporate governance and ethical conduct at the board level which permeates through management and the organization. BDC’s **President and CEO 3** sits on and reports to the board. The board is responsible for the following:

- ➔ assessing periodically the relevance and effectiveness of BDC’s mandate, taking into consideration, among other things, its financial sustainability objectives and public policy mandate

- ➔ approving, on an annual basis, BDC’s strategic direction, priorities and Corporate Plan, taking into account BDC’s public policy objectives, business opportunities mandate, financial sustainability and risk management
- ➔ ensuring that the highest standards of corporate governance and board effectiveness are respected
- ➔ monitoring implementation and effectiveness of the approved strategies and the BDC Corporate Plan
- ➔ overseeing the execution of programs that may be assigned by the Minister
- ➔ approving the risk management framework, the regulatory compliance framework and the Delegation of Authority Policy
- ➔ approving all policies after they have been reviewed and recommended by the relevant board committee

- ➔ overseeing BDC's talent and culture, including by working with management to define BDC's values, ethics and culture, including diversity and inclusion, and ensuring there are appropriate mechanisms in place to protect and promote them
- ➔ approving succession planning, performance management and compensation for the senior management team
- ➔ setting the President and CEO's performance objectives, evaluating the performance and approving benefits
- ➔ overseeing corporate governance and board effectiveness
- ➔ overseeing financial matters, compliance, conduct, internal controls and information management systems and ensuring their effectiveness
- ➔ overseeing the effectiveness of information management systems
- ➔ providing oversight of and contribution to BDC's approach to sustainability strategy and approving and overseeing the sustainability framework
- ➔ overseeing the governance of BDC's pension plans
- ➔ approving financing and investment activities beyond the board committees' authority and overseeing lines of business

## Composition of the Board of Directors and its committees as of January 17, 2024

Board member	Committee Memberships	Date of appointment	Length of current term	Expiry of term
Brian O'Neil (Chairperson)	-Governance/Nominating (Chair) -Human Resources	2017-06-21	4 years (reappointment)	2027-12-14
Isabelle Hudon (President and Chief Executive Officer)		2021-08-10	5 years	2026-08-09
Sandra Bosela	-Board Investment (Chair) -Governance/Nominating -Human Resources	2016-06-15	3 years (reappointment)	2023-08-30*
Tania M. Clarke	-Audit and Conduct -Board Risk	2021-06-10	4 years	2025-06-09
Donald William (Bill) Currie	-Board Risk (Chair) -Governance/Nominating -Human Resources	2021-01-08	4 years	2025-01-07
Vivek Jain	-Audit and Conduct -Board Investment	2021-06-10	4 years	2025-06-09
Marie-Soleil Lacoursière	-Audit and Conduct -Board Investment	2023-06-22	4 years	2027-06-21
Tracey Scarlett	-Human Resources (Chair) -Board Risk -Board Investment -Governance/Nominating	2017-06-21	4 years (reappointment)	2026-06-20
Stéphane Therrien	-Human Resources -Board Risk -Board Investment	2023-06-22	4 years	2027-06-21
Suzanne Trottier	-Audit and Conduct (Chair) -Board Risk -Governance/Nominating	2019-06-19	4 years (reappointment)	2027-06-21
3 vacant positions				

\* Pursuant to the *Financial and Administration Act*, directors continue to hold office after expiry of their term until their successor is appointed or until renewed.

The **Governance and Nominating Committee** [2.1](#) assists with governance of the board and its committees, and oversight of the corporate governance framework.

Its duties include the following:

- ➔ defining, monitoring and approving the required skills of board members and the composition of its committees with a focus on diversity, equity and inclusion
- ➔ ensuring that high standards of corporate governance, ethical business conduct and integrity are maintained, including with respect to diversity, equity and inclusion
- ➔ overseeing BDC's sustainable development strategy
- ➔ defining selection criteria for the President and CEO and the Chairperson of the Board and approving the board profile
- ➔ participating in the shareholder's process for selecting the Chairperson of the Board, the President and CEO, and board members
- ➔ ensuring the board functions independently
- ➔ reviewing BDC's corporate governance policies, including the Board Code of Conduct, and the Employee Code of Conduct, Ethics and Values
- ➔ assessing the performance and effectiveness of the Board, its committees and board members
- ➔ monitoring procedures established to detect and manage potential conflicts of interest
- ➔ regularly reviewing the mandates, structures and memberships of the board and its committees
- ➔ implementing a director orientation program and continuing education training
- ➔ assessing risks associated with the corporate governance framework and compliance with corporate governance policies

The **Board Investment Committee** [2.2](#) helps the board oversee all investment activities at BDC, including the Cleantech Practice.

Its duties include the following:

- ➔ reviewing and recommending to the board strategies, guardrails and capital allocations for all material investment activities, including venture capital and private equity, whether direct or indirect through funds or cleantech transactions
- ➔ reviewing strategic initiatives aimed at improving the venture capital ecosystem, including sustainability initiatives
- ➔ reviewing and assessing all risks associated with investments and their management
- ➔ reviewing policies and processes concerning investment activities, including the Investment Policy
- ➔ monitoring and reviewing reports on investments, investment activities, portfolio performance, and capital requirements and usage
- ➔ recommending delegations of authority for investments for the committee and senior management
- ➔ managing portfolio performance
- ➔ overseeing the execution of any program supporting Canadian entrepreneurs
- ➔ approving investment transactions that exceed managements or a fund's delegation of authority and recommending to the board those that exceed its own authority for all direct and indirect investments and co-investments

The **Board Risk Committee** 2.3 oversees the risk management framework and monitors BDC's risk profile, its performance against the framework, major risk exposures and important strategic initiatives. It also adjudicates transactions above the delegation of management.

Its duties include the following:

- reviewing and recommending to the board for approval all strategies with respect to material financial offerings of BDC
- reviewing and recommending to the board for approval the risk management framework and approving the operational risk framework, which defines the nature, types and levels of operational risk BDC is willing to accept
- approving the risk appetite statement and overseeing BDC's risk culture, risk profile and performance against the risk appetite statement
- approving the framework for the approval of all new products and services, including programs initiated by the shareholder
- ensuring that BDC's material financial, business and operational risks are identified and that adequate controls are in place
- approving BDC's risk-based capital requirements and management's evaluation of the effectiveness of BDC's internal capital adequacy assessment process for determining these requirements
- reviewing the provisioning methodology for credit losses and adequacy of BDC's provision for credit losses
- reviewing policies and guidelines related to the delegation of authority for all financial products, except those related to Venture Capital
- overseeing business continuity planning
- overseeing the activities of the Chief Risk Officer and the risk function
- reviewing and recommending to the board policies and plans to ensure that they adequately address and manage the material risks to which BDC is exposed
- monitoring BDC's risk profile, stress testing, strategic and emerging risks and compliance with risk limits
- reviewing on an annual basis and recommending for approval by the board, the Delegation of Authority Policy with respect to delegations to the committee and senior management for loans, guarantees, securitizations, investments and consulting activities
- overseeing and approving Financing and wholesale financing transactions that exceed the delegation of authority of senior management

The **Human Resources Committee** 2.4 helps the board oversee the management of human capital to ensure that BDC attracts and retains the talent needed to deliver on its mandate and business objectives. The committee is responsible for the oversight of diversity, equity, inclusion and accessibility with respect to employees. The committee also oversees the design and performance of the pension plans, as well as the funds established and maintained for those plans.

Its duties include the following:

- assessing the organizational culture established by senior management regarding integrity and ethics, and review policies for managing personnel effectively
- overseeing the human resources strategy, including key human resources objectives, plans and workforce requirements
- overseeing promotion of diversity, equity, inclusion and accessibility
- overseeing succession planning for critical and key positions
- recommending to the board the appointment of senior managers and major organizational changes
- reviewing the performance ratings of senior management and making appropriate recommendations to the board
- recommending the President and CEO's performance objectives, performance evaluation and benefits to the board
- overseeing compensation policies, programs and plans
- assessing human resources risks such as those related to employee attraction, retention, engagement and performance
- overseeing the pension funds' governance and investment policies including design changes to the pension plans and monitor their funded status

The **Audit and Conduct Committee** <sup>2.5</sup> assists the board in overseeing and assessing the integrity of BDC's financial statements, internal controls, accounting standards, and legal and regulatory compliance and management information systems. It also oversees the independence of external auditors, the Chief Audit Executive, the Chief Compliance Officer, the Chief Anti-Money Laundering Officer and the Ombudsperson. The committee has primary responsibility for the oversight of conduct risk and review.

Its duties include the following:

- reviewing and recommending for approval by the board the Consolidated Financial Statements as well as the annual audited financial statements and quarterly statements
- reviewing and recommending for approval by the board financial risk exposure, investments and transactions that may affect the financial statements, and other key areas of risk
- overseeing financial risks, internal controls, cybersecurity, information management systems and disclosure
- overseeing data governance, approving the Data Governance Policy, information management systems and their performance, and information security
- recommending the Capital Management and Dividend Policy to the board
- overseeing the internal audit function and the Chief Audit Executive
- overseeing the compliance function, ensuring the independence of the Chief Compliance Officer and approving the Regulatory Compliance Policy

## Compensation of key management personnel

Key management personnel are defined as those officers having authority and responsibility for planning, directing and controlling the activities of BDC, including members of

- overseeing the Chief Anti-Money Laundering Officer (CAMLO), approving the KYC/AML/CFT/S Policy and reviewing reports from the CAMLO
- overseeing the Ombudsperson, the independence of the office and ensuring compliance with respect to corporate governance policies
- reviewing the scope and terms of engagement of auditors and special examiners
- reviewing BDC's standards of integrity and conduct, including compliance with the Code of Ethics and overseeing procedures related to the disclosure of wrongdoing

BDC's **Senior Management Committee** <sup>4</sup> is comprised of the President and CEO and designated senior executives of the Bank. Its responsibilities include the following:

- recommending to the board and implementing BDC's vision, strategy and objectives
- overseeing BDC's performance in meeting its targets and objectives
- overseeing BDC's disclosure obligations and practices
- ensuring that sound risk management strategies and practices are established and respected, and that an integrated, aligned vision of BDC's significant risks is in place, including plans to mitigate and assume risks when appropriate in an effective and coordinated manner

the Board of Directors. The following table presents the compensation expense of key management personnel.

<b>\$ in thousands</b>	<b>2022</b>	<b>2023</b>
Salaries and short-term employee benefits	6,142	6,535
Post-employment benefits	1,299	1,089
Other long-term benefits	1,430	1,706
<b>Total</b>	<b>8,871</b>	<b>9,330</b>

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

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

- ➔ it understands, can manage and fit with its strategic objectives
- ➔ fulfill its mandate to support Canadian entrepreneurship
- ➔ are not expected to negatively impact its brand, reputation or its shareholder's reputation

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

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

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

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



### *Top risks which represent our areas of focus*

#### **S** Risk from changes in the business, economic and market environment

The risk associated with volatility in the economic and market environment, including inflation, supply chain disruptions, capital market fluctuations, changes in the real estate market, energy prices, interest rates and other factors impacting loans, investments and transactions.

#### **T** Cybersecurity risk

Risk associated with intentional or unintentional security breaches involving vulnerabilities or weaknesses in IT controls. This risk is heightened by an ever-evolving threat landscape and the need for constantly updated security controls.

#### **F** Portfolio volatility risk

The risk that market volatility, global recession and rising interest rates will lead to higher loan defaults, pricing that is not aligned to client risk profiles, declining fair value of venture capital investments or a higher number of clients who are facing financial difficulty.

#### **O** Third-party failure

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

#### **O** Climate risk

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

#### **O** Reputational risk

The potential that stakeholder and client perceptions regarding BDC's mandate, practices, actions or inactions may cause damage to its reputation and impact its ability to fulfill its mandate and conduct its business.

#### **S** Strategic risk

The risk associated with suboptimal or ineffective strategy, ineffective deployment of the chosen strategy, inaccurate knowledge of the market or a lack of responsiveness to changes in the external environment impacting BDC's ability to achieve its mandate.

### *Risks we continue to monitor closely*

#### **T** Technology operations failure

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

#### **T** **O** Data risk

Risk associated with deficiencies in data privacy and confidentiality, information governance and life cycle management.

#### **O** Human resource risk

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

#### **O** Change management

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

#### **O** Business continuity

The risk associated with people, process or system disruption due to events over which BDC has limited control such as third-party failures, natural catastrophes or other crises.

#### **O** Financial crimes and misconduct

Risk associated with criminal acts or other misconduct leading to financial or property loss.

**F** Financial risk **O** Operational risk **S** Strategic risk **T** Technological risk

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

### Transparency and open government

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

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

### Diversity, equity, inclusion, accessibility, safe workspaces and official languages

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

#### *Diversity, equity, inclusion and accessibility (DEIA)*

In addition to our efforts to provide a more diverse, equitable, inclusive and accessible environment at BDC, as presented on page 12, BDC, with the guidance of the Bank's Indigenous Peoples Employee Resource Group, continues to contribute to the following two calls to action from the Truth and Reconciliation Commission of Canada.

#### Call to Action 92—Business and reconciliation

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

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

BDC has partnered with the First Nations University and Reconciliation Canada to offer 4 Seasons of Reconciliation, an Indigenous cultural awareness training. In 2022, all BDC employees took the course and it is part of the DEIA learning curriculum for new employees as they are onboarded. In addition, we are offering this training to all Canadian entrepreneurs free of charge through our Entrepreneur Learning Centre.

BDC is committed to ensuring our services are accessible to all entrepreneurs, regardless of gender, race, ethnicity, sexual orientation, religion, age or disability, and recognizes the importance of using a gender equity lens in our endeavours. Furthermore, we pay particular attention to underserved and diverse client segments by offering them tailored support. This includes, but is not restricted to, women, Black, Indigenous and young entrepreneurs. (See *Supporting underserved and diverse entrepreneurs* beginning on page 12 for more details.)



## Accessibility

BDC is committed to providing a barrier-free environment for our employees, entrepreneurs and other stakeholders who enter our premises, contact us or access our information. We are executing on our accessibility action plan and will continue to consult with people with disabilities, recognizing that enhancing accessibility is an ongoing process.

We are committed to treating all people in a way that allows them to maintain their dignity and independence. We understand the importance of ensuring the full inclusion of all persons with disabilities by fostering an accessible and welcoming environment for all and will do so by preventing and removing barriers to accessibility and meeting accessibility requirements under the *Accessible Canada Act*.

Accessibility at BDC is about creating communities, workplaces and services that enable everyone to participate fully without barriers. Making BDC fully accessible and inclusive will benefit all of us. The implementation of the Nothing Without Us strategy will provide our workforce with the necessary tools to set high accessibility standards in our policies, programs and services.

Everyone has a role to play in creating a barrier-free workplace and we are committed to support our employees in understanding how they can be more inclusive by eliminating and preventing new barriers for people with disabilities.

In this spirit, BDC launched *Accessibility at BDC*, a mandatory online self-paced course challenging common assumptions and beliefs about people with disabilities. By shifting the perspective from impairment to barriers, learners explore the different barriers faced by people with disabilities and how to make our workplaces and services we provide inclusive, accessible and equitable.

## Safe workspaces

BDC's People Policy defines a mutual commitment from BDC and our employees to ensure safe workspaces.

The policy aims to make our organization a great place to work, conducive to achieving our aspiration to make Canadian entrepreneurs the most competitive in the world. It conforms to the *Business Development Bank of Canada Act* and with all Canadian labour laws and regulations. This policy includes the following key elements:

- ➔ BDC promotes a culture in which employees and internal or external partners (colleagues, clients, suppliers, etc.) are treated with respect and courtesy in a spirit of collaboration, openness and accountability.
- ➔ BDC commits to providing a work environment that protects and fosters the security, health, safety and overall well-being of all employees. To this effect, we are currently studying a project to significantly enhance our physical security systems, procedures and resources to ensure a high level of protection to BDC employees, assets and data across Canada.

## Official languages

BDC is committed to the use of both official languages when serving the public and in our work environment, and we are implementing an action plan to make progress. In fiscal 2024, BDC selected a new provider of language training to meet the needs of employees for second language courses. We also introduced informal conversation clubs, which provide employees with language development opportunities.

## Appendix 4

# Key partnerships

Below is a list of BDC's key partnerships, listed by the priority they are addressing.

### Support for underserved and diverse entrepreneurs

**Africa Centre:** The Africa Centre supports Black entrepreneurs in Alberta and Manitoba with advice, coaching and programs. BDC provides the centre with knowledge including through webinars, financial literacy training and workshops.

**Alterna Savings and Credit Union:** BDC and Alterna Savings and Credit Union have signed a co-lending agreement to extend loans between \$5,000 and \$25,000 each to Black entrepreneurs, women entrepreneurs and social entrepreneurs. BDC's envelope for this initiative is \$2 million.

**Audace au féminin:** Audace au féminin helps Black women entrepreneurs through its events, training, networking and other programs. BDC provides business training and financial support for some of the organization's events.

**Black Canadian Women in Action (BCW):** BCW helps entrepreneurs and professionals grow personally and professionally through programs designed to support and empower them to succeed in national and international markets. The objective of BDC's partnership is to increase access to capital, advice and connections for Black women entrepreneurs in the prairie provinces by supporting events, increasing networking opportunities and various training initiatives.

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

**BKR Capital Fellowship:** BDC is a co-sponsor of BKR Capital's Fellowship, a nine-month program to develop new venture capital leaders from the Black community.

**Canadian Council for Aboriginal Business (CCAB):** CCAB provides Certified Aboriginal Business and Progressive Aboriginal Relations certifications for Indigenous-owned businesses and connects Indigenous entrepreneurs with resources, training and networks to strengthen their businesses. With CCAB, BDC has hosted a three-part webinar for Indigenous entrepreneurs and is currently in partnership discussions with it to support Indigenous businesses.

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

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

**Evol:** BDC has partnered with Evol (formerly Femmessor) to provide support to entrepreneurs in diverse markets (women, ethnocultural minorities, Indigenous communities, people with disabilities and LGBTQIA+).

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

**First Nations Executive Education (FNEE):** This school offers leadership programs developed specifically to meet First Nations needs. The FNEE works jointly with the executive education arm of HEC Montréal. BDC is a one of FNEE's key partners and is providing advice and coaching to Indigenous entrepreneurs.

**Founders Fund:** Founders Fund supports women entrepreneurs from underserved groups at every stage of their business journey through education, mentorship and funding. It supports over 7,000 women entrepreneurs who are Black, Indigenous, people of colour, new Canadians, LGBTQ+ and living with disabilities. BDC supports the fund by sponsoring workshops, panels, presentations, access to mentors and judging at pitch competitions.

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

**Groupe 3737:** This is an entrepreneurship hub that offers workshops, mentoring, access to capital and a program dedicated to Black women entrepreneurs. BDC supports this organization, mainly with non-financial resources, an approach that could be replicated with other similar local organizations.

**National Aboriginal Capital Corporations Association (NACCA):** BDC partnered with NACCA to launch the Indigenous Growth Fund, a \$153-million fund that provides Indigenous SMEs with business loans from the network of Aboriginal Financial Institutions.

**Réseau des Femmes d'affaires du Québec (RFAQ):**

BDC works with RFAQ to support women entrepreneurs through many initiatives, including RFAQ's supplier diversity initiative.

**SOAR:** SOAR is an initiative by Indigenous-led organizations, Indigenous entrepreneurs and industry partners to support current and aspiring Indigenous entrepreneurs. Its flagship programs are the SOAR Digital Gathering and the SOAR Accelerator. BDC works with SOAR to increase access to capital and advice for Indigenous entrepreneurs. BDC also participates in the accelerator and the digital gathering.

**Start-Up Canada:** BDC supports the Canadian start-up community by sponsoring and attending Start-up Canada events across the country.

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

**Telefilm Canada:** BDC has a partnership with Telefilm Canada to increase awareness and availability of financing and advice for businesses in the creative industries.

## Support for sustainability

**B Lab:** BDC is the national partner of B Lab, the not-for-profit organization behind the Beneficial Corporation (B Corp) certification, standard council and global movement. BDC promotes the B Corp certification to grow Canada's networks of sustainability motivated entrepreneurs.

**OECD Platform on Financing SMEs for Sustainability:**

BDC is a founding member and sponsor of the OECD Platform on Financing SMEs for Sustainability. It provides a forum for knowledge sharing, data and analytical work and policy dialogue on sustainable finance for SMEs among public and private financial institutions, governments, fintech companies, regulators and SME representatives. This work aims to accelerate the green transition of SMEs and financial institutions.

**Propulsion Québec:** BDC works with propulsion Québec to offer free consultations to SMEs on electric vehicles and charging stations.

## Helping connect BDC's clients to government services

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

**Business, Economic, Trade Resilience initiative (BETR):**

BDC participates with other federal government organizations in the BETR initiative, which focuses on achieving robust economic resilience and long-term inclusive growth in Canada. The initiative currently focuses on three key areas: seamless service delivery, infrastructure and exploring opportunities for innovation. BDC co-leads the seamless service delivery stream.

**Canadian Intellectual Property Office (CIPO):**

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

**National Research Council—Industrial Research Assistance Program (NRC-IRAP):**

BDC has a partnership agreement with NRC-IRAP aimed at supporting innovation. Through this agreement, our organizations have a cross-referral program that aims to increase access to capital and innovation opportunities for businesses. BDC and NRC-IRAP also share office space with the objective of increasing collaboration between our organizations. With the integration of IRAP into the Canadian Innovation Corporation, BDC plans to enhance our collaboration through this new Crown corporation.

**Regional Development Agencies (RDAs):**

BDC collaborates with Canada's seven RDAs, key players in the regional entrepreneurial ecosystems, to support and advise entrepreneurs. RDAs and BDC jointly participate in conferences on business-related topics such as digital adoption and innovation. They also co-develop and deliver initiatives supporting underserved entrepreneurs, including Indigenous entrepreneurs. Furthermore, they share resources and key research insights on SME needs. BDC has a memorandum of understanding with the Atlantic Canada Opportunity Agency (ACOA) since 2018, which was renewed in 2022 for a 2-year period. The agreement focuses on aligning efforts on shared priorities to encourage business growth, productivity and support diverse entrepreneurs. We also signed in January 2024 a letter on intent with Prairies Economic Development Canada to formalize our collaboration.

## Support for the innovation ecosystem

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

**C100:** C100 is an international association whose mission is to inspire, support and connect the most promising Canadian tech leaders at home and abroad. BDC participates in the nomination of Canadian entrepreneurs for C100 membership and its Fellowship mentoring program.

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

**Communitech:** Communitech is one of Canada's top innovation hubs for tech start-ups. BDC supports entrepreneurs at Communitech by contributing content, advice and helping organize bootcamps and tech events.

**Creative Destruction Labs (CDL):** BDC is a partner of CDL. We participate in their mentorship programs for scalable, seed stage, science- and technology-based companies.

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

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

**MaRS:** BDC partners with the MaRS Discovery District, which offers programs and services for companies from the start-up to the growth phase and beyond.

**Mila:** This Quebec-based organization brings together scientists with organizations committed to advancing artificial intelligence. BDC and Mila have partnered to encourage businesses, particularly BDC clients, to use AI.

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

**Petroleum Technology Alliance of Canada (PTAC):** BDC works with PTAC to support innovative Canadian SMEs in the energy sector through webinars, roundtables, networking events and knowledge sharing. BDC also supports the Clean Resource Innovation Network.

**Plug'n Drive:** Plug'n Drive is a not-for-profit organization devoted to accelerating electric vehicle adoption in Canada. BDC works with Plug'n Drive to create online educational content to support the transition of businesses to more sustainable transportation.

**Start-up Montreal:** BDC partners with this organization to develop Montreal's entrepreneurial ecosystem.

**VentureLAB:** This is a global community for founders of tech hardware and enterprise software companies. VentureLAB businesses are supported by BDC financially and through advice and expertise.

## Support for international expansion

**Export Development Canada (EDC):** Our collaboration with EDC includes a two-way referral system that ensures Canadian companies get access to the services of the organization whose competencies best meet their needs. It also includes a joint account management program to support the scaling up of cleantech firms; co-funding the Indigenous Growth Fund; cooperation on initiatives to help underserved and diverse entrepreneurs; and participation in the BETR working group.

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

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

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

## Support for developing talent

**National Bank of Canada (BNC):** BDC and BNC co-developed a new program called Les Fortes to encourage women in the IT sector. BNC and BDC collaborate on initiatives such as coaching, mentoring and internship programs for women.

## Regulatory compliance processes

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

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

BDC's Compliance Assurance and Monitoring (CAM) function maintains the following processes to ensure effective management of regulatory compliance risk:

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

## Regulatory compliance framework

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

### *Business units as operational management*

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

### *Compliance as an oversight function*

- ➔ The adequacy and effectiveness of day-to-day compliance internal controls are overseen by the CAM function, using a risk-based approach. CAM is an independent oversight function that assigns responsibility for ensuring all relevant laws and regulations are respected. It also assesses the adequacy and effectiveness of day-to-day compliance internal controls and assists business units in developing appropriate policies, corporate directives, procedures, processes and tasks.
- ➔ The activities carried out by CAM are subject to periodic reviews by internal audit, which assesses the reliability of and adherence to the regulatory compliance framework. In addition, CAM reports to the Audit and Conduct Committee of the Board of Directors, assuring its independence, and carries out compliance testing across all lines of business and corporate functions in alignment with BDC's risk controls.

## Regulatory Compliance Policy

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

## Regulatory compliance accountability

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

## Regulatory compliance activities

In alignment with its compliance activities, BDC ensures that it operates in compliance with applicable laws, regulations, policies and legislation. As such, CAM conducts effectiveness testing of BDC's compliance controls based on a five-year plan and issues recommendations to business leaders to implement action plans to address any gaps related to regulatory requirements. In addition, CAM maintains an action plan register that contains details of various action plans, deliverables and timelines, and monitors the progress of business units in completing their action plans.

# Financial statements and notes

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

**Table 6—Consolidated statement of financial position**

(\$ in millions)

	2023	2024	2025	2026	2027	2028	2029
<b>ASSETS</b>							
Cash and cash equivalents	879	888	901	913	920	933	949
Derivative assets	12	1	-	-	-	-	-
Loans							
Loans, gross carrying amount	36,977	40,070	42,888	45,800	49,050	52,714	56,665
Less: allowance for expected credit losses	(1,044)	(1,286)	(1,436)	(1,346)	(1,396)	(1,450)	(1,509)
Loans, net of allowance for expected credit losses	35,933	38,784	41,452	44,454	47,654	51,264	55,156
Asset-backed securities	1,176	1,300	1,443	1,601	1,694	1,773	1,827
Investments	5,743	5,710	6,003	6,451	6,868	7,416	7,988
Right-of-use asset	99	91	79	66	54	42	30
Net defined benefit asset	260	174	177	180	182	180	168
Other assets	183	180	172	156	140	132	124
<b>Total assets</b>	<b>44,285</b>	<b>47,128</b>	<b>50,227</b>	<b>53,821</b>	<b>57,512</b>	<b>61,740</b>	<b>66,242</b>
<b>LIABILITIES AND EQUITY</b>							
<b>Liabilities</b>							
Accounts payable and accrued liabilities	320	345	369	396	425	457	492
Derivative liabilities	-	-	-	-	-	-	-
Borrowings							
Short-term notes	19,767	19,059	19,344	22,245	25,669	29,557	33,465
Long-term notes	7,158	11,912	14,934	15,570	15,012	14,475	13,984
Total borrowings	26,925	30,971	34,278	37,815	40,681	44,032	47,449
Lease Liabilities							
Short-term lease liabilities	15	14	13	14	14	14	10
Long-term lease liabilities	102	93	80	66	52	38	28
Total lease liabilities	117	107	93	80	66	52	38
Net defined benefit liability	224	239	242	245	248	250	250
Expected credit losses on loan commitments and guarantees	554	722	544	374	236	155	113
<b>Total liabilities</b>	<b>28,140</b>	<b>32,384</b>	<b>35,526</b>	<b>38,910</b>	<b>41,656</b>	<b>44,946</b>	<b>48,342</b>
<b>Equity</b>							
Share capital	7,290	6,140	5,940	5,282	5,104	4,964	4,848
Contributed surplus	28	28	28	28	28	28	28
Retained earnings	8,851	8,609	8,766	9,634	10,757	11,835	13,057
Accumulated other comprehensive income	(30)	(39)	(39)	(39)	(39)	(39)	(39)
<b>Equity attributable to BDC's shareholder</b>	<b>16,139</b>	<b>14,738</b>	<b>14,695</b>	<b>14,905</b>	<b>15,850</b>	<b>16,788</b>	<b>17,894</b>
Non-controlling interests	6	6	6	6	6	6	6
<b>Total equity</b>	<b>16,145</b>	<b>14,744</b>	<b>14,701</b>	<b>14,911</b>	<b>15,856</b>	<b>16,794</b>	<b>17,900</b>
<b>Total liabilities and equity</b>	<b>44,285</b>	<b>47,128</b>	<b>50,227</b>	<b>53,821</b>	<b>57,512</b>	<b>61,740</b>	<b>66,242</b>
<b>Debt-to-equity ratio</b>	<b>1.9</b>	<b>2.3</b>	<b>2.5</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.7</b>

**Table 7—Consolidated statement of income**

(\$ in millions)	2023	2024	2025	2026	2027	2028	2029
Interest income	2,449	3,150	3,348	3,354	3,293	3,385	3,608
Interest expense	520	1,139	1,291	1,200	1,037	978	1,019
<b>Net interest income</b>	<b>1,929</b>	<b>2,011</b>	<b>2,057</b>	<b>2,154</b>	<b>2,256</b>	<b>2,407</b>	<b>2,589</b>
Net realized gains (losses) on investments*	17	59	(57)	24	113	117	256
Revenue from Advisory Services	38	46	44	34	30	32	33
Fee and other income	100	84	92	100	113	128	132
<b>Net revenue</b>	<b>2,084</b>	<b>2,200</b>	<b>2,136</b>	<b>2,312</b>	<b>2,512</b>	<b>2,684</b>	<b>3,010</b>
Provision for expected credit losses	(344)	(799)	(594)	(380)	(439)	(461)	(464)
Net change in unrealized appreciation (depreciation) of investments**	(829)	(280)	(49)	71	135	244	146
Net foreign exchange gains (losses)	163	4	-	-	-	-	-
Net gains (losses) on other financial instruments	(5)	(90)	(98)	(48)	-	-	-
<b>Income before operating and administrative expenses</b>	<b>1,069</b>	<b>1,035</b>	<b>1,395</b>	<b>1,955</b>	<b>2,208</b>	<b>2,467</b>	<b>2,692</b>
Salaries and benefits	498	558	601	631	673	715	757
Premises and equipment	44	46	46	46	47	48	48
Other expenses	224	231	254	258	261	267	277
<b>Operating and administrative expenses</b>	<b>766</b>	<b>835</b>	<b>901</b>	<b>935</b>	<b>981</b>	<b>1,030</b>	<b>1,082</b>
<b>Net income</b>	<b>303</b>	<b>200</b>	<b>494</b>	<b>1,020</b>	<b>1,227</b>	<b>1,437</b>	<b>1,610</b>
<b>Net income attributable to:</b>	-	-	-	-	-	-	-
BDC's shareholder	381	200	494	1,020	1,227	1,437	1,610
Non-controlling interests	(78)	-	-	-	-	-	-
<b>Net income</b>	<b>303</b>	<b>200</b>	<b>494</b>	<b>1,020</b>	<b>1,227</b>	<b>1,437</b>	<b>1,610</b>

\* Includes write-offs.

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

**Table 8—Consolidated statement of comprehensive income**

(\$ in millions)	2023	2024	2025	2026	2027	2028	2029
<b>Net income</b>	<b>303</b>	<b>200</b>	<b>494</b>	<b>1,020</b>	<b>1,227</b>	<b>1,437</b>	<b>1,610</b>
<b>Other comprehensive income (loss)</b>							
<i>Items that may be reclassified subsequently to net income</i>							
Net change in unrealized gains (losses) on fair value through other comprehensive income assets	(12)	(9)	-	-	-	-	-
Net unrealized gains (losses) on cash flow hedges	(2)	-	-	-	-	-	-
Reclassification to net income of losses (gains) on cash flow hedges							
<b>Total items that may be reclassified subsequently to net income</b>	<b>(14)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Items that will not be reclassified to net income</i>							
Remeasurements of net defined benefit asset or liability	24	(105)	-	-	-	-	-
<b>Other comprehensive income (loss)</b>	<b>10</b>	<b>(114)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>313</b>	<b>86</b>	<b>494</b>	<b>1,020</b>	<b>1,227</b>	<b>1,437</b>	<b>1,610</b>
<i>Total comprehensive income attributable to:</i>							
BDC's shareholder	391	86	494	1,020	1,227	1,437	1,610
Non-controlling interests	(78)	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>313</b>	<b>86</b>	<b>494</b>	<b>1,020</b>	<b>1,227</b>	<b>1,437</b>	<b>1,610</b>

**Table 9—Consolidated statement of changes in equity**

(\$ in millions)	2023	2024	2025	2026	2027	2028	2029
<b>Opening balance</b>	<b>20,489</b>	<b>16,145</b>	<b>14,744</b>	<b>14,701</b>	<b>14,911</b>	<b>15,856</b>	<b>16,794</b>
Net Income	303	200	494	1,020	1,227	1,437	1,610
Other comprehensive income (loss)	10	(114)	-	-	-	-	-
<b>Total comprehensive income</b>	<b>313</b>	<b>86</b>	<b>494</b>	<b>1,020</b>	<b>1,227</b>	<b>1,437</b>	<b>1,610</b>
Dividends on common shares	-	(337)	(337)	(152)	(104)	(359)	(388)
Distributions to non-controlling interests	-	-	-	-	-	-	-
Issuance (repurchase) of common shares	(4,657)	(1,150)	(200)	(658)	(178)	(140)	(116)
<b>Closing balance</b>	<b>16,145</b>	<b>14,744</b>	<b>14,701</b>	<b>14,911</b>	<b>15,856</b>	<b>16,794</b>	<b>17,900</b>

**Table 10—Consolidated statement of cash flows**

(\$ in millions)	2023	2024	2025	2026	2027	2028	2029
Net cash flows used in operating activities	(1,403)	(2,179)	(2,186)	(2,178)	(2,305)	(2,570)	(2,670)
Net cash flows used in investing activities	(746)	(356)	(556)	(522)	(257)	(254)	(212)
Net cash flows provided by financing activities	2,122	2,544	2,755	2,712	2,569	2,837	2,898
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(27)</b>	<b>9</b>	<b>13</b>	<b>12</b>	<b>7</b>	<b>13</b>	<b>16</b>
Cash and cash equivalents at beginning of year	906	879	888	901	913	920	933
<b>Cash and cash equivalents at end of year</b>	<b>879</b>	<b>888</b>	<b>901</b>	<b>913</b>	<b>920</b>	<b>933</b>	<b>949</b>



# Operating budget

## Financing

In fiscal 2024, credit demand declined slightly as SMEs became concerned about rising interest rates and economic uncertainty. Additionally, the syndicated financing market slowed, reflecting the economic downturn and resulting in a decrease in syndicated financing loan acceptances. This contrasted with 2023 when we experienced an exceptionally high volume of syndicated acceptances driven by borrowers requiring additional working capital in sectors impacted by higher commodity prices and increased refinancing requests that had been deferred during the pandemic. In fiscal 2024, Financing loan acceptances are projected to increase slightly and reach \$10.4 billion. As the economy recovers and entrepreneurs invest in their businesses, loan acceptances are expected to grow at an annualized rate of 7.4% from fiscal 2024.

Asset-backed securities disbursements should decrease slightly in fiscal 2024, given the economic slowdown. From fiscal 2024, disbursements should grow at 7.8% annualized, reflecting BDC's goal of reaching more entrepreneurs through partnerships.

In addition, Financing is expected to issue loan guarantees from fiscal 2024 to fiscal 2026 through a pilot with a limited number of financial institutions that is designed to enable them to reach more underserved entrepreneurs. Overall, Financing will deploy more than \$68 billion over the planning period to support Canadian entrepreneurs with an emphasis on underserved and diverse entrepreneurs.

This level of activity should translate into strong portfolio growth of 7.8% annualized during the planning period, bringing the portfolio to \$58 billion by fiscal 2029.

Net income from Financing is expected to reach \$1.2 billion by fiscal 2029, driven mostly by a larger portfolio. Over the planning period, Financing profitability will increase as the economy recovers and provisions for expected credit losses recede. Efficiency gains from investments in technology and digital initiatives will increase productivity and also contribute to rising profitability.

**Table 11—Financing: Activity and statement of income**  
(\$ in millions)

	2023	2024	2025	2026	2027	2028	2029
<b>Loans acceptances</b>	10,256	10,400	10,805	11,910	12,760	13,750	14,850
<b>Asset-backed securities disbursements</b>	673	552	444	666	652	721	802
<b>Loan guarantees issuances</b>	-	35	400	365	-	-	-
<b>Net interest income</b>	1,467	1,606	1,746	1,896	2,035	2,189	2,373
Fee and other income	27	27	36	46	50	49	48
<b>Net revenue</b>	1,493	1,633	1,782	1,942	2,085	2,238	2,421
Provision for expected credit losses	(86)	(411)	(348)	(268)	(376)	(428)	(456)
Net change in unrealized appreciation (depreciation) of investments	2	1	-	-	-	-	-
Net foreign exchange gains (losses)	15	5	-	-	-	-	-
Net gains (losses) on other financial instruments	14	-	-	-	-	-	-
<b>Income before operating and administrative expenses</b>	1,438	1,228	1,434	1,674	1,709	1,810	1,965
Operating and administrative expenses	586	606	665	693	730	768	808
<b>Net income from Financing</b>	852	622	769	981	979	1,042	1,157
<b>Portfolio outstanding</b>	36,143	39,943	43,317	46,719	50,217	54,107	58,248
<b>Loan guarantees exposure</b>	1	33	386	581	400	261	144

## Growth & Transition Capital

Growth & Transition Capital (GTC) acceptances are expected to decrease in fiscal 2024 and increase only slightly in fiscal 2025 because of the economic impact on its target market. There has been a notable reduction in the volume of mergers, acquisitions and business transitions transactions as well as fewer deals in the tech sector. From fiscal 2026, growth in acceptances is expected to be stronger, supported by greater demand for business transition and acquisition financing as the economy improves. Growth will also come from GTC's intention to continue its geographic expansion in underserved markets, including those outside of major hubs, combined with opportunities in the tech sector. Overall, activity level is expected to grow at an annualized rate of 12.5% over the planning period, reaching \$740 million in fiscal 2029.

As a result, portfolio at fair value is expected to reach \$1.9 billion in fiscal 2029, representing 8.6% annualized growth over the planning period.

While operating and administrative expenses are expected to increase each year, they are projected to decrease as a percentage of the average portfolio outstanding at cost—from 3.7% in fiscal 2023 to 3.5% in fiscal 2029, reflecting improved efficiency.

GTC's net income is expected to reach \$108 million in fiscal 2029 mainly due to strong portfolio growth, coupled with a continued focus on efficiency.

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

**Table 12—Growth & Transition Capital: Activity and statement of income**  
(\$ in millions)

	2023	2024	2025	2026	2027	2028	2029
<b>Acceptances*</b>	<b>461</b>	<b>410</b>	<b>440</b>	<b>500</b>	<b>570</b>	<b>665</b>	<b>740</b>
<b>Net interest income</b>	<b>102</b>	<b>105</b>	<b>106</b>	<b>114</b>	<b>122</b>	<b>135</b>	<b>151</b>
Net realized gains (losses) on investments**	(6)	(1)	(17)	(13)	(7)	(2)	(1)
Fee and other income	25	15	22	28	33	35	40
<b>Net revenue</b>	<b>121</b>	<b>119</b>	<b>111</b>	<b>129</b>	<b>148</b>	<b>168</b>	<b>190</b>
Net fair value appreciation (depreciation)	(33)	(22)	(27)	(10)	(19)	(26)	(26)
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	12	15	21	17	12	10	10
Net foreign exchange gains (losses)	(7)	(6)	-	-	-	-	-
<b>Income before operating and administrative expenses</b>	<b>93</b>	<b>106</b>	<b>105</b>	<b>136</b>	<b>141</b>	<b>152</b>	<b>174</b>
Operating and administrative expenses	43	45	47	52	57	61	66
<b>Net income from GTC</b>	<b>50</b>	<b>61</b>	<b>58</b>	<b>84</b>	<b>84</b>	<b>91</b>	<b>108</b>
<b>Portfolio at fair value</b>	<b>1,171</b>	<b>1,238</b>	<b>1,283</b>	<b>1,393</b>	<b>1,516</b>	<b>1,680</b>	<b>1,870</b>

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

\*\* Includes write-offs.

## Venture Capital

Venture Capital investments are projected to total between \$570 million and \$680 million per year over the planning period. This projection is highly sensitive to the unfolding market dynamics and the pace of gradual return to normal market condition. Direct investments are projected to range from \$195 million to \$290 million, as BDC continues to deploy capital through its Industrial Innovation Venture Fund, Deep Tech Venture Fund and the Thrive Platform. In addition, two envelopes of \$100 million each will be created to support Indigenous and Black entrepreneurs, as well as an envelope of \$100 million for a new life sciences fund. Meanwhile, fund investments are expected to range from \$210 million to \$220 million as BDC continues to expand the number of partners with whom we collaborate. This level of activity in indirect investments reflects initiatives in sectors such as information technology, life sciences and climate tech. They also include support for funds that address underserved entrepreneurs, including women, Black and Indigenous business owners as well as emerging tech clusters.

Direct growth equity activity is projected to range from \$75 million to \$95 million per year, fuelled by the deployment of a \$150-million initiative to co-invest with existing Canadian private equity and growth equity funds. Intellectual property financing will deploy between \$20 million and \$25 million in authorizations per year. Lastly, the new Climate Tech Fund, which was launched in fiscal 2023, should invest between \$50 million and \$70 millions per year in Canadian companies that are developing and deploying low-carbon technologies for domestic and international markets.

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

Disbursements are forecast to total \$3 billion, bringing the portfolio at fair value to \$5 billion by the end of the planning period.

In fiscal 2023, private equity and public markets entered a downturn and the Venture Capital portfolio experienced significant fair value depreciation, resulting in a net loss of \$638 million. In fiscal 2024, market conditions have continued to be challenging. The Venture Capital portfolio is forecast to experience further fair value depreciation and modest realized gains on investments, resulting in an expected net loss of \$209 million.

The economic slowdown is expected to continue in fiscal 2025 and Venture Capital is projected to experience a net loss of \$150 million. In fiscal 2026, Venture Capital investments are forecasted to break even and then begin to generate increasing net income from fiscal 2027 onward. Net income is expected to reach \$300 million by fiscal 2029. It should be noted, however, that due to the risky nature of Venture Capital, which translates into portfolio volatility, combined with the volatility of market conditions, it is difficult to make reliable net income forecasts.

**Table 13—Venture Capital: Activity and statement of income**

(\$ in millions)

	2023	2024	2025	2026	2027	2028	2029
Direct venture capital authorizations	182	132	195	275	290	285	290
Fund investments authorizations	186	160	210	220	220	220	220
Growth Equity Partners authorizations	104	25	95	90	80	80	75
IP-Backed Financing authorizations	27	3	20	25	25	25	25
Climate Tech authorizations	27	30	50	60	65	70	70
<b>Authorizations</b>	<b>526</b>	<b>350</b>	<b>570</b>	<b>670</b>	<b>680</b>	<b>680</b>	<b>680</b>
<b>Proceeds</b>	<b>158</b>	<b>180</b>	<b>200</b>	<b>300</b>	<b>481</b>	<b>500</b>	<b>500</b>
<b>Disbursements</b>	<b>445</b>	<b>313</b>	<b>453</b>	<b>579</b>	<b>629</b>	<b>634</b>	<b>639</b>
<b>Net interest income</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>6</b>
Net realized gains (losses) on investments	75	73	76	128	204	203	197
Write-offs	(40)	(62)	(99)	(97)	(96)	(101)	(114)
<b>Net realized gains (losses) on investments and write-offs</b>	<b>35</b>	<b>11</b>	<b>(23)</b>	<b>31</b>	<b>108</b>	<b>102</b>	<b>83</b>
Fee and other income	8	2	5	7	18	38	41
<b>Net revenue</b>	<b>45</b>	<b>16</b>	<b>(15)</b>	<b>41</b>	<b>131</b>	<b>146</b>	<b>130</b>
Net fair value appreciation (depreciation)	(785)	(168)	(99)	46	176	257	310
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	(19)	3	36	(10)	(74)	(67)	(51)
Net foreign exchange gains (losses)	150	5	-	-	-	-	-
<b>Income before operating and administrative expenses</b>	<b>(609)</b>	<b>(144)</b>	<b>(78)</b>	<b>77</b>	<b>233</b>	<b>336</b>	<b>389</b>
Operating and administrative expenses	29	65	72	77	83	86	89
<b>Net income (loss) from Venture Capital</b>	<b>(638)</b>	<b>(209)</b>	<b>(150)</b>	<b>-</b>	<b>150</b>	<b>250</b>	<b>300</b>
<b>Portfolio at fair value</b>	<b>2,901</b>	<b>2,895</b>	<b>3,072</b>	<b>3,425</b>	<b>3,808</b>	<b>4,274</b>	<b>4,798</b>

## Advisory Services

Advisory Services will continue to expand its reach by offering accessible tailored advice that addresses the needs of Canadian entrepreneurs. We will continue to provide entrepreneurs with advice designed to increase their knowledge, drive business growth and productivity, digitize their operations and achieve their sustainability goals.

Revenue from activities is expected to peak in fiscal 2024 at \$46 million, mainly due to demand for the Canada Digital Adoption Program (CDAP). Net investment (net loss) will be \$40 million and the cost recovery ratio will be 68%.

Over the planning period, we expect revenues to decrease to \$30 million in fiscal 2027 and steadily increase thereafter to reach \$33 million by fiscal 2029. The resulting net investment (net loss) is expected to be in the range of \$43 million to \$62 million. During this time, the cost recovery ratio should average 50%.

**Table 14—Advisory Services: Statement of income**  
(\$ in millions)

	2023	2024	2025	2026	2027	2028	2029
Revenue from activities	38	46	44	34	30	32	33
Operating and administrative expenses including delivery costs	75	86	87	86	87	91	95
<b>Net income (loss) from Advisory Services</b>	<b>(37)</b>	<b>(40)</b>	<b>(43)</b>	<b>(52)</b>	<b>(57)</b>	<b>(59)</b>	<b>(62)</b>
Cost-recovery ratio*	65%	68%	64%	50%	45%	45%	46%

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

## Capital Incentive Programs

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

Like Venture Capital, CIP initiatives experienced significant fair value depreciation in fiscal 2024. This was partially offset by successful exits in the Cleantech Practice resulting in a net loss of \$8 million.

VCAP's capital is nearly fully deployed and is forecasted to return over \$548 million in proceeds over the planning period as the underlying funds are expecting to close and exit their investments. BDC's participation in VCAP is expected to generate a lifetime total value to paid-in capital (TVPI) of 1.9x.

VCCI is expected to continue to deploy capital over the planning period with disbursements totalling over \$71 million. As the portfolio matures, proceeds of over \$115 million are expected. BDC's participation in VCCI is expected to generate a lifetime TVPI of 1.26x. VCCI has been renewed as the Venture Capital Catalyst Initiative II (VCCI II), supported by capital injections totalling \$450 million. The fund should be fully committed by fiscal 2025 and will help support Canadian private sector funds of funds, life sciences funds and inclusive growth funds.

The \$600-million Cleantech Practice is expected to be fully deployed by fiscal 2025. It is forecast to generate over \$151 million of net income from fiscal 2025 to 2029, benefitting from momentum in the cleantech industry, coupled with a successful investment strategy.

IGF launched in fiscal 2021. BDC invests in IGF, which will then lend to Indigenous Financial Institutions, to enable them to offer loans to new and expanding Indigenous businesses. The capital is expected to be fully disbursed by the end of fiscal 2027 and we intend to recover the capital over the life of the fund, which extends beyond the planning period.

Overall, CIP initiatives address market gaps in support of Canadian public policy priorities while generating an expected \$388 million of net income over the planning period. Financial results are subject to significant volatility due to the high-risk nature of these loans and investments.

**Table 15—CIP: Activity and statement of income**

(\$ in millions)	2023	2024	2025	2026	2027	2028	2029
<b>Authorizations</b>	<b>373</b>	<b>110</b>	<b>60</b>	-	-	-	-
<b>Disbursements</b>	<b>148</b>	<b>135</b>	<b>177</b>	<b>134</b>	<b>114</b>	<b>88</b>	<b>65</b>
<b>Proceeds</b>	<b>41</b>	<b>145</b>	<b>121</b>	<b>177</b>	<b>236</b>	<b>250</b>	<b>297</b>
<b>Net interest income</b>	<b>23</b>	<b>45</b>	<b>42</b>	<b>31</b>	<b>21</b>	<b>22</b>	<b>25</b>
Net realized gains (losses) on investments*	(6)	47	(10)	19	23	34	174
Fee and other income	1	4	2	2	2	2	2
<b>Net revenue</b>	<b>18</b>	<b>96</b>	<b>34</b>	<b>52</b>	<b>46</b>	<b>58</b>	<b>201</b>
Net fair value appreciation (depreciation)	(3)	(70)	2	33	46	68	65
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	6	(26)	12	(6)	(9)	(16)	(162)
Net foreign exchange gains (losses)	5	-	-	-	-	-	-
<b>Income before operating and administrative expenses</b>	<b>26</b>	<b>-</b>	<b>48</b>	<b>79</b>	<b>83</b>	<b>110</b>	<b>104</b>
Operating and administrative expenses	8	8	8	7	7	7	7
<b>Net income from CIP</b>	<b>18</b>	<b>(8)</b>	<b>40</b>	<b>72</b>	<b>76</b>	<b>103</b>	<b>97</b>
<b>Portfolio at fair value</b>	<b>1,515</b>	<b>1,482</b>	<b>1,563</b>	<b>1,583</b>	<b>1,530</b>	<b>1,463</b>	<b>1,319</b>

\* Includes write-offs.

## Credit Availability Program

The Credit Availability Program (CAP) consists of initiatives aimed at increasing capital for specific SME needs, such as COVID relief and digital adoption. To date, more than \$7.8 billion of capital has been committed through CAP initiatives, including \$3.7 billion in loan guarantees through the Highly Affected Sectors Credit Availability Program.

Following the announcement of CDAP, CAP was extended to include loans deployed by BDC under the CDAP umbrella. Through CDAP, BDC is expected to deploy \$750 million by fiscal 2026 to approximately 13,600 entrepreneurs to support the implementation of their digital adoption plans. There is a high level of uncertainty on the amounts to be committed through CAP initiatives because deployment depends on factors outside of BDC's control.

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

With relatively high provisions for expected credit losses due to the riskier profile of the portfolio, and margin compression due to reduced pricing, the CAP portfolio should generate a net loss of \$230 million over the duration of this Corporate Plan. It should be noted that since CDAP loans are provided at below-market interest rates, a loss on the day the asset is recognized, Day-1 loss, is recorded in accordance with IFRS-9. This will generate a significant net loss for the program over the planning period that will be partly recuperated after the planning period.

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

**Table 16—Credit Availability Program: Activity and statement of income**

(\$ in millions)	2023	2024	2025	2026	2027	2028	2029
<b>COVID-related initiatives acceptances/authorizations</b>	12	2	6	4	2	-	-
<b>COVID-related initiatives loan guarantees issuances</b>	229	-	-	-	-	-	-
<b>Canadian Digital Adoption Program loan acceptances</b>	64	275	275	138	-	-	-
<b>Net interest income</b>	335	252	160	110	73	55	34
Net realized gains (losses) on investments*	(6)	2	(7)	(13)	(11)	(17)	-
Fee and other income	40	36	27	17	10	4	1
<b>Net revenue</b>	369	290	180	114	72	42	35
Provision for expected credit losses	(258)	(388)	(246)	(112)	(63)	(33)	(8)
Net change in unrealized appreciation (depreciation) on investments**	(10)	(13)	6	1	3	18	-
Net foreign exchange gains (losses)	1	-	-	-	-	-	-
Net gains (losses) on other financial instruments	(19)	(90)	(98)	(48)	-	-	-
<b>Income before operating and administrative expenses</b>	83	(201)	(158)	(45)	12	27	27
Operating and administrative expenses	25	25	22	20	17	17	17
<b>Net income (loss) from CAP</b>	58	(226)	(180)	(65)	(5)	10	10
<b>Portfolio</b>	2,166	1,522	1,099	732	541	379	245
<b>Loan guarantees exposure</b>	3,319	2,600	1,797	1,187	644	189	16

\* Includes write-offs.

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

## Capital budget

To remain efficient and responsive to client needs, BDC will continue to invest in technology. Information technology (IT) capital expenditures are forecasted to be relatively stable over the planning period as BDC continues to invest in digital capabilities. However, it should be noted that most IT-related investments are expensed and therefore excluded from the capital budget.

Facilities capital expenditures should peak in 2025, as we invest to optimize the use of our head office footprint and enhance security nationwide. From fiscal 2026, capital expenditures are expected to remain stable as we optimize our facility use, relocate and renovate offices to improve client and employee experience, and work to reduce our rental costs and environmental impact as part of our real estate strategy.

**Table 17—Capital budget**

(\$ in millions)	2023	2024	2025	2026	2027	2028	2029
Facilities	11	8	17	11	8	10	8
Information technology	16	13	10	9	10	9	9
<b>Total</b>	27	21	27	20	18	19	17

BDC's capital management framework is aligned with:

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

## Capital management methodology

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

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

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

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

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

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

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

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

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

To assess its capital adequacy, BDC monitors its internal capital ratio on an ongoing basis by comparing its **available capital** to its **required capital**. BDC's capital management framework also includes a **management operating range** to account for variances from the Corporate Plan in comparison with historical levels, unplanned growth and non-business internal and external factors.

### Available capital

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

### Required capital

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



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

BDC holds 100% capital for its Venture Capital portfolio.

### Management operating range

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

### Capital projections

Capital planning is a key component of BDC's ICAAP. For planning purposes, BDC allocates capital by business lines and strategic initiatives to optimize the use of capital in fulfilling BDC's mandate as Canada's development bank and ensuring overall financial sustainability. The allocation includes all risk types and the decision to deploy capital above the internal target rate as dividends or share repurchases may differ for the core and CAP portfolios, in compliance with BDC's Capital Management and Dividend Policy and in agreement with the shareholder.

### BDC's core portfolio

BDC expects to have capital above the internal target rate from fiscal 2025 to fiscal 2029. This capital is planned to be returned to the shareholder in the form of dividends, at the discretion of BDC's Board of Directors.

### Credit Availability Program portfolio

To support BDC's response to the COVID-19 pandemic, the shareholder provided a capital injection that BDC earmarked for CAP initiatives. Following the announcement of CDAP, the CAP segment was extended to include CDAP. BDC received a \$343-million capital injection to deliver this initiative.

For CAP, capital requirements peaked at the end of fiscal 2022 when most of the COVID relief loans had been committed and most of the programs closed to new authorizations. The remaining COVID initiatives have been closed for new disbursements since June 30, 2022, and portfolio has been winding down since that time.

The portfolio should steadily decrease over the planning period, gradually reducing capital requirements and triggering additional share repurchases over the planning period.

*Internal capital ratio (applicable to BDC’s core portfolio)*

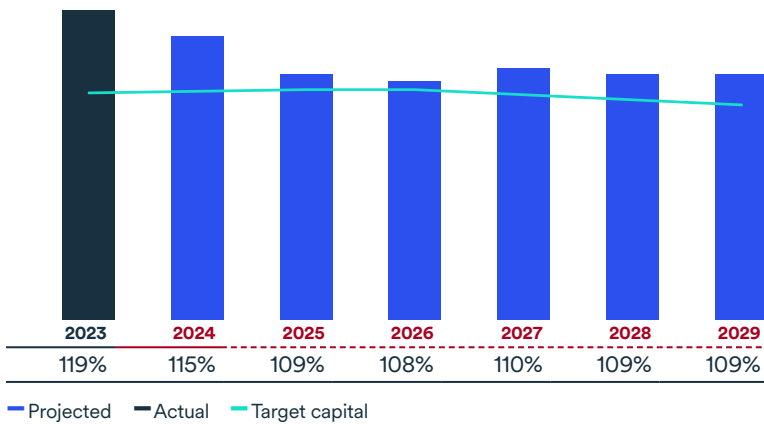
BDC’s key measure for determining and assessing its capital adequacy is its internal capital ratio. It is expressed as the level of available capital divided by the required capital.

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

The internal capital ratio is expected to decrease in fiscal 2024 due to the dividend payment, the deteriorating economic outlook and the forecasted portfolio growth of BDC. In fiscal 2025, the growth of available capital will be outpaced by the growth in capital demand. Starting in fiscal 2026, capital above the internal target rate for the core portfolio is expected to increase. Although BDC’s growth will increase pressure on capital, the ratio is expected to exceed target levels over the planning period.

**Table 18—Internal capital ratio**

(available capital as a percentage of economic capital required)



*Dividend Policy*

BDC’s Dividend Policy is aligned with the dividend methodology included in the Capital and Dividend Policy Framework for Financial Crown Corporations. The capital above the internal target rate is calculated as the difference between available capital and required capital, less management

operating range, and can be declared as dividends and distributed to the shareholder in the following fiscal year, subject to the discretion of the Board of Directors.

### Statutory limitations

The *Business Development Bank of Canada Act* requires that the aggregate of borrowings and contingent liabilities in the form of guarantees provided by BDC may not exceed 12 times its equity. The debt-to-equity ratio is projected to be 2.3:1 in fiscal 2024, meaning that for every \$2.30 of debt, BDC has \$1 of equity. Therefore, the ratio is expected to be within the statutory limit of 12:1 over the planning period (Table 6).

As shown in Table 19, BDC's paid-in capital is expected to reach \$6.1 billion in fiscal 2024 following the share repurchase for CAP. The Cleantech Practice envelope under Capital Incentive Programs is expected to be fully deployed by fiscal 2025. By the end of the planning period, \$318 million is expected to be used to support the ongoing work of BDC's Cleantech Practice, including the recently launched Climate Tech Fund. Paid-in capital, contributed surplus and any proceeds that have been prescribed as equity (such as hybrid capital instruments) must at no time exceed the new ceiling of \$20 billion determined by the shareholder in October 2020.

**Table 19—Paid-in capital**

(\$ in millions)

	2023	2024	2025	2026	2027	2028	2029
<b>Opening paid-in capital</b>	11,947	7,290	6,140	5,940	5,282	5,104	4,964
<b>Capital injections (repurchase of shares)</b>							
<i>BDC core portfolio*</i>	-	47	47	55	54	58	57
<i>Capital Incentive Programs</i>							
Venture Capital Catalyst Initiative (VCCI)	-	-	-	-	-	-	-
Venture Capital Catalyst Initiative II (VCCI II)	-	350	100	-	-	-	-
Indigenous Growth Fund (IGF)	-	-	-	-	-	-	-
Cleantech Practice Fund I	-	(47)	(47)	(55)	(54)	(58)	(57)
<i>Credit Availability Program</i>							
COVID-related initiatives	(5,000)	(1,500)	(300)	(658)	(178)	(140)	(116)
Canadian Digital Adoption Program	343	-	-	-	-	-	-
<b>Closing paid-in capital</b>	<b>7,290</b>	<b>6,140</b>	<b>5,940</b>	<b>5,282</b>	<b>5,104</b>	<b>4,964</b>	<b>4,848</b>

\* Excludes Capital Incentive Programs & Credit Availability Program

## Legislative authorities

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

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

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

## Overview of borrowing plan

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

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

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

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

### Short-term borrowing

By the end of fiscal 2025, short-term borrowings will make up over 56% of total debt outstanding. BDC is projecting the proportion of short-term debt outstanding to increase to 71% of total debt outstanding over the planning period.

External economic factors may drive changes in customer preferences for long-term, fixed-rate borrowing versus short-term borrowing, which could impact the projected proportion.

### Long-term borrowing

As shown in Table 22, long-term borrowings are projected to be \$14.9 billion in fiscal 2025.

**Table 20—Projected outstanding borrowings at year end**

(\$ in millions)	2023	2024	2025	2026	2027	2028	2029
Short-term borrowings	19,767	19,059	19,344	22,245	25,669	29,557	33,465
Long-term borrowings	7,158	11,912	14,934	15,570	15,012	14,475	13,984
<b>Total</b>	<b>26,925</b>	<b>30,971</b>	<b>34,278</b>	<b>37,815</b>	<b>40,681</b>	<b>44,032</b>	<b>47,449</b>

**Table 21—Short-term borrowings**

(\$ in millions)	2023	2024	2025	2026	2027	2028	2029
Canadian dollar borrowings	19,767	19,059	19,344	22,245	25,669	29,557	33,465
US dollar borrowings	-	-	-	-	-	-	-
<b>Total</b>	<b>19,767</b>	<b>19,059</b>	<b>19,344</b>	<b>22,245</b>	<b>25,669</b>	<b>29,557</b>	<b>33,465</b>

**Table 22—Outstanding long-term borrowings**

(\$ in millions)	2023	2024	2025	2026	2027	2028	2029
Opening balance	5,707	7,158	11,912	14,934	15,570	15,012	14,475
Maturities	(1,224)	(1,140)	(2,362)	(2,202)	(2,844)	(5,396)	(3,878)
New issuances	2,675	5,894	5,384	2,838	2,286	4,859	3,387
<b>Total</b>	<b>7,158</b>	<b>11,912</b>	<b>14,934</b>	<b>15,570</b>	<b>15,012</b>	<b>14,475</b>	<b>13,984</b>
Fixed rate	7,158	11,912	14,934	15,570	15,012	14,475	13,984
<b>Total</b>	<b>7,158</b>	<b>11,912</b>	<b>14,934</b>	<b>15,570</b>	<b>15,012</b>	<b>14,475</b>	<b>13,984</b>

### Liquidity risk management

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

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

Table 23 shows the results of BDC's liquidity risk management as at March 31, 2022 and 2023.

**Table 23—Liquidity levels**  
(\$ in millions)

	Minimum	Actual	Maximum
<b>As at March 31, 2023</b>	-	<b>825</b>	<b>1,203</b>
As at March 31, 2022	-	869	1,050

### Contingent liabilities

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

loan guarantees exposure will be partially offset by the issuance of new loan guarantees through a pilot with a limited number of financial institutions that will enable them to reach more underserved entrepreneurs.

As shown in Table 24, loan guarantee exposure is expected to decrease during the planning period as SMEs repay underlying loans covered by the HASCAP guarantees. This decrease in

**Table 24—Loan guarantees exposure**  
(\$ in millions)

	2023	2024	2025	2026	2027	2028	2029
Loan guarantees exposure	3,320	2,633	2,183	1,768	1,044	450	160