



BDC Legislative Review Position Paper – March 2023

# The Bank of Ambitions

All in for entrepreneurs,  
and for Canada





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# BDC is Canada's development bank and the bank for entrepreneurs

We support thousands of SMEs every day

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We reach SMEs virtually  
anywhere in Canada.

**+110**

business centres

**+150**

partners

**95,000**

entrepreneurs as clients

**\$47.8B**

in capital committed  
to entrepreneurs

Making a difference  
for entrepreneurs

**9.3**

percentage points

→ higher revenue growth  
for BDC clients who receive  
both financing and advice.<sup>1</sup>

A key ecosystem player

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**Innovation**

**\$6.6B**

direct and indirect  
Venture Capital (VC)  
investments in  
some of Canada's  
most innovative  
companies

**Inclusive and  
clean growth**

**\$700M**

for women-led  
tech companies

**\$1B**

for cleantech companies

**Business transitions**

**\$1B**

through our Growth &  
Transition Capital team,  
providing capital and  
support for business  
transition projects

Leading the way as a development bank

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**Essential advice  
and thought  
leadership**

**25,000**

BDC Advisory Services  
mandates since 2010

**350,000**

entrepreneurs receive  
our free resources  
each month

**An international connector**

Spearheaded the creation of the  
Montreal Group in 2012 – a global  
forum of international development  
banks to learn, share best practices  
and better support SMEs

**Our employees make it  
happen**

None of these results would be  
possible without the outstanding  
work of our talented, highly-skilled  
employees. BDC's employee  
engagement score is 88%, which  
compares favourably to other  
high-performing organizations.

**A sustainability  
pioneer**

First financial  
institution in Canada  
to get the B Corp  
certification in 2013





# Introduction

The Business Development Bank of Canada – BDC – works to advance the success of entrepreneurs and the Canadian economy. We listen to entrepreneurs and support them in achieving their ambitions.

We are not just a banker, investor and advisor for SMEs; we are the backer and the partner of Canadian entrepreneurs.

As Canada’s only bank exclusively dedicated to entrepreneurs, we’ve been championing entrepreneurship for almost 80 years, in good times and bad. This expertise means that we are seen as a model by development banks worldwide.

We interact with thousands of entrepreneurs every day. We listen to their challenges and we act to support them accomplish their ambitions. This makes us one of the most knowledgeable and central entrepreneurship entities in Canada.

A financially sustainable, efficient, effective, independent, commercial, complementary Crown corporation – we work in partnership to promote economic development through entrepreneurship.

Yet, we need to do more and better, especially when it comes to ensuring that we are taking the right amount of risk to achieve our enhanced ambition and playing our role as Canada’s development bank, while remaining financially responsible and sustainable.

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## Proud to support our clients, who:

Employ

**1M** Canadians

Generate

**\$350B** in annual revenues

Export

**13%** of our clients are exporters



Wesley Lui



Ricardo Curtis

“BDC were the only ones willing to give us a loan at that time. They believed in our process even before our clients believed in the process.”

Wesley Lui, co-owner of House of Cool, Toronto, Ontario

BDC Financing clients



BDC does not receive appropriations from the Government of Canada, and is consistently profitable which allows us to reinvest and do more for entrepreneurs.

- BDC's governing legislation – the *BDC Act* – requires that the Minister of International Trade, Export Promotion, Small Business, and Economic Development conduct a 10-year review of the *BDC Act* to ensure BDC's mandate remains pertinent.
- The world has changed a lot since the last review of the *BDC Act* in 2010. What hasn't changed is BDC unwavering commitment to SMEs' success – we adapted and evolved to remain relevant.
- This paper covers the period from 2010 to 2022. Its objectives:
  - Look back at what we have accomplished since the last review.
  - Take stock of SMEs' current challenges and opportunities.
  - Consider how BDC can best support SMEs in the future.
- BDC's role is more critical than ever as entrepreneurs are facing a challenging and uncertain future. With the right support from BDC, we know that entrepreneurs can grow strategically, invest in productivity and remain competitive both at home and abroad, and contribute to Canada's economic prosperity.

SMEs are the engine of our economy

99.8%

of all companies in Canada are SMEs

89%

of private sector employment is by SMEs

50%

of Canada's GDP is SMEs' contribution<sup>2</sup>

## Delivered on the **recommendations of the last review**

BDC delivered on the main recommendations that emerged during the last legislative review which looked at the period between 2000 and 2010.<sup>3</sup> The outcome of the 2010 legislative review is our frame to assess our accomplishments and to also continue to look to the future:

1. More support for underserved markets

2. Increased accessibility and enhanced client service

3. Focus on complementarity

4. Enhanced performance measures

While we made a lot of progress since the last review, we need to continue to work on developing a more consistent presence across Canada, better supporting underserved entrepreneurs and providing a truly world-class client experience.



# The only bank devoted exclusively to entrepreneurs

## How we support entrepreneurs



### Financing

Flexible, patient loans to help entrepreneurs finance a variety of business projects.



### Capital

Full spectrum of risk capital, from seed to growth equity.



### Advisory Services

Expert, affordable advice to help solve a variety of business challenges.

→ We step up when times get tough.

→ We take on more risk to support SMEs and do not undercut the private sector [90% of BDC’s financing portfolio is sub-investment grade].<sup>4</sup>

→ We do not offer grants. The uptake for our offering is demand driven rather than on an allocation basis.

## There for entrepreneurs where they need us to be

We partner with entrepreneurs and support their dreams of a better Canada.

**95,000**  
clients in F2022\*

→ 320% more than F2010 (29,000)

**\$47.8B**  
in capital committed in F2022

→ 270% more than F2010 (\$17.7 billion)<sup>5</sup>

**2,600**  
BDC employees



\*BDC’s fiscal year runs from April 1 to March 31. For example, fiscal 2022 runs from April 1, 2021 to March 31, 2022.





Kim Furlong, CEO of Canada's  
Venture Capital & Private Equity  
Association (CVCA)

“Canada’s innovation ecosystem has grown significantly since 2013, partly due to BDC’s active role in making direct and indirect investments in venture capital and administering successful fund of fund programs.

BDC has played an instrumental role in seeding new general partners and building tech champions.

However, despite a decade of growth, there are challenging signs ahead and BDC, alongside

other players in the ecosystem, will need to make strategic investments and consider increasing its risk appetite to capitalize on these opportunities and emerge stronger.

The CVCA welcomes this legislative review as an opportune time, to assess BDC’s mandate and set ambitious goals for the next decade.”



“I was totally impressed with the ease, speed and efficiency of BDC’s online financing, which helped me set up my business in record time.”

Dr. Mary Donohue  
Founder, The Digital Wellness  
Center, Toronto, Ontario

BDC Online Financing client



# Committed to be a client-centric organization

We believe in entrepreneurs and are constantly finding new ways to help them thrive.

- Letting our clients speak for themselves: BDC’s client satisfaction rate was 93% in 2022, with 66% reporting being ‘very satisfied’.<sup>6</sup>
- Entrepreneurs are highly likely to recommend our services to others.<sup>7</sup> What differentiates us is our relationship with clients and the impact that we deliver for them.
- BDC’s last legislative review concluded that we should increase our accessibility and enhance our client service; we have been striving to do this ever since.
- In 2016, we updated our brand to make it more relevant for entrepreneurs. This had a huge impact on the client experience. SMEs recognize our brand and know that we can help.
- We are a patient and flexible lender. We have a dedicated team – the Business Restructuring Unit (BRU) – that was created in 2010 to help struggling entrepreneurs turn their businesses around. When one of our clients hits a rough patch, we step in to help them bounce back.

We have broadened our reach to make it easier for entrepreneurs to do business with us in two ways:

## 1. Ongoing digital transformation



### We come to you

Our account managers can authorize loans of up to \$750,000 in one visit (for existing clients) through our Express Loan.



### A smart app for entrepreneurs

BDC Mobile, our first client-facing app, allows clients to get customized insights and advice directly on their mobile device so they can make better and more informed financial decisions.



### We are always available

We offer 100% online loans of up to \$100,000 on BDC.ca.

## 2. Increasing and reorienting our geographical footprint

In 2015, BDC launched a four-year initiative to increase reach and visibility with a focus on Western Canada and Ontario and to play a greater role in responding to market

realities and entrepreneurs’ needs – which resulted in opening eight new business centres and 18 new shared offices by 2018.



# Committed to be a client-centric organization

(cont’d)

## Upping our game on client centricity

Client centricity has been at the centre of our preoccupations since the last review, yet work in this area is never done. Entrepreneurs’ expectations continue to evolve and technology constantly creates opportunities for a faster, simpler and more personalized experience for our clients across all channels.

→ Improving and speeding up our online small loan process is one of our recent initiatives to improve the experience of our clients. In the future, our aim is to use advanced data analytics to offer entrepreneurs a client experience that is even better tailored to their needs.

- Another area of focus will be entrepreneurs who do not meet the criteria for our services and ensuring that we direct them toward the appropriate resources and partners.
- We want to do a better job when it comes to capturing feedback from prospects and declined or past customers. We are also working on putting in place a mechanism to reach out to unsatisfied customers and on developing an operational improvement process based on their feedback.

## A more consistent presence across Canada

→ Despite our expansion and growth efforts, our physical presence as well as our portfolio distribution (\$ committed and number of entrepreneurs served) are still skewed toward Quebec and Ontario.

→ While BDC’s market penetration has increased from 3.8% in F2016 to 6.4% in F2022, driven mostly by small enterprises, it remains unequal by region – with higher market penetration rates in Quebec and Atlantic Canada, and more modest ones in Ontario and Western Canada. (see table below)

- These results are mostly demand – and market-driven (and not allocation-based).
- We still don’t have consistent brand recognition across the country and the intensity of our collaboration with private financial institutions varies by province.
- We will double our efforts to be more present in less served markets and reach out to entrepreneurs who can benefit the most from our services.

	B.C. & North	Prairies	Ontario	Quebec	Atlantic	Total
% of direct clients <sup>1</sup>	13%	16%	29%	35%	7%	100%
Commitments in \$ billions <sup>2</sup>	\$6.6	\$8.9	\$15.8	\$14	\$2.5	\$47.8
Business centres	15%	19%	29%	26%	11%	100%
Market penetration rate	5.2%	5.6%	5.2%	9.7%	8.1%	6.4%

<sup>1</sup> Only direct clients. Clients receiving services from more than one business line have been counted only once.

<sup>2</sup> Commitments refer to portfolio outstanding and amounts undisbursed at cost of BDC’s loans or capital investment portfolio.



# Helping all entrepreneurs reach their full potential

Not all entrepreneurs start from the same place. Systemic barriers, bias and inequalities exist for many entrepreneurs.

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## 76%

of Black entrepreneurs say their race makes it harder to succeed as an entrepreneur.<sup>8</sup>

- As a development bank, we work in partnership with public and private organizations to fill market gaps and support underrepresented entrepreneurs in reaching their full potential.
- Our Client Diversity Strategy involves a relationship-driven approach: we listen, we learn and then we take action. This strategy is supported by 200 employee diversity champions.

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## 17.5%

of all private-sector businesses in Canada are majority-owned by women, even though women represent 50% of the population.<sup>9</sup>

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## 51%

of Indigenous businesses say that access to financing is difficult.<sup>10</sup>

- BDC Capital spearheaded the first standardized Diversity, Equity and Inclusion (DEI) reporting template for Canadian fund managers and their portfolios. DEI metrics were being reported from 50 General Partners (GPs) and 500 companies just one year after launch.
- We launched our supplier diversity program in 2019 to increase our own internal supplier diversity and to promote the value of supplier diversity programs.

## Women entrepreneurs

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In fiscal 2018, we did a comprehensive review to make sure our services are accessible to women entrepreneurs. The review found that BDC was already accessible, but that more women needed to know that BDC can help.

We took action to raise our lending targets and to increase our visibility among women entrepreneurs.

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## \$2.4B

authorized to majority women-owned and led companies since 2018.<sup>11</sup>

- Our new goal is to finance 19,000 women entrepreneurs by 2024 (up from 16,500 in F22).<sup>12</sup>

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## \$200M

Women in Tech Venture Fund [2017]

- 35+ women-led companies, 6 exits.

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## Connections

BDC partners with like-minded organizations such as Women’s Enterprise Organizations Canada (WEOC), WEConnect International, WBE Canada and Evol to connect women entrepreneurs and provide networking opportunities.

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## \$500M

Thrive Platform [2022]

- World’s largest investment platform for women-led businesses.



## Indigenous entrepreneurs

We have a long history working with Indigenous business owners.

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Lead investor in \$75M [target] Raven Fund, investing in innovative, scalable Indigenous enterprises.

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### \$500M

committed to close to 1,000 Indigenous entrepreneurs on- and off-reserve.

Up to \$350,000 in financing for existing businesses and up to \$250,000 for start-ups.

### Indigenous Growth Fund

Worked with the National Aboriginal Capital Corporations Association (NACCA) to structure the \$150-million Indigenous Growth Fund.

## Black entrepreneurs

We listened and learned by working with organizations that serve the Black community.

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Committed \$130 million to the Federation of African Canadian Economics’ (FACE) \$160-million Black Entrepreneur Loan Fund.

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Co-created the Black Innovation Fund with BKR Capital and served as their anchor investor, creating the first venture fund focused on Black-founded tech companies in Canada.

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Built partnerships to support Black entrepreneurs (Black Business Initiative (Atlantic), Groupe 3737 (QC), Audace au Féminin (QC), Africa Centre (Prairies), Black Business Association of British Columbia (BC), Black Canadian Women (BCW) in Action and the Canadian Black Chamber of Commerce.

## More work needs to be done

- ➔ While programs for the benefit of underserved entrepreneurs are up and running, many are still below the expected reach in order to create significant impact for underserved business owners.
- ➔ At BDC, we need to bring our expertise and scale to bear, find ways to get money out the door faster and ultimately do better at a scale that will be meaningful to underserved communities.
- ➔ We will be more present; we will listen more; and we will adapt in ways that we may not have before.



“We have to keep fighting, but things are getting better. I firmly believe that, when it is my children’s or grandchildren’s turn to go into business, bias will be a thing of the past.”

Sonel Merjuste (left), co-owner, Les Aliments Merjex, with his wife Jasmine Exael (right), Montreal, Quebec

Funding from the Black Entrepreneurship Loan Fund





Shannin Metatawabin, CEO, National  
Aboriginal Capital Corporations  
Association (NACCA)

“NACCA has a close relationship with BDC. Over the past five years, we worked even closer as we launched our Indigenous Growth Fund (IGF). As a business lender and leader in Canada, BDC has always respected our role in creating Indigenous business by deploying capital via our Indigenous Financial Institutions network.

The historical launch of IGF is an excellent example of our partnership. Owned and managed by NACCA for delivery by qualifying Indigenous Financial Institutions, IGF marks a genuine step in economic reconciliation. BDC helped us structure the Fund and contributed capital and capacity to ensuring its success.

BDC has also supported the Indigenous Prosperity Forums, annual gatherings hosted by NACCA that aim to generate awareness and capital for Indigenous businesses.

They are also providing tools and information to support Indigenous women entrepreneurs.

BDC has been an example in promoting reconciliation, Indigenous institution-building and Indigenous self-reliance.

We are grateful for our partnership.”



# Smart money at work for Canada’s innovators

At BDC Capital, our role is to help innovators scale their businesses to create a ripple effect for Canada’s tech ecosystem at large.

- BDC’s investment arm – BDC Capital – is Canada’s largest, most active venture capital (VC) investor. With \$6.6 billion under management, direct and indirect investments, we work with the ecosystem to support the country’s most innovative firms.
- We are a limited partner in private sector funds representing 71% of active VC investments in Canada. We support several accelerator and incubator programs to help provide early-stage start-ups with resources beyond capital, while using our position and expertise in the market to help the ecosystem develop and grow.
- BDC Capital has played an important role over the past 12 years as the Canadian VC ecosystem matured from a difficult position in the aftermath of the 2008 financial crisis to an all-time high in 2021:<sup>13</sup>
  - \$14.7 billion in total investments across 752 transactions
  - Exit valuations at all-time high
  - All-time high 10-year returns to investors at 14%
  - Record number of VC-backed IPOs

## Capital to support groundbreaking companies

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**\$200M**

**Deep Tech Venture Fund** – first of its kind – invests in start-ups working on cutting-edge, research-based technologies.

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**\$300M**

**Growth Venture Co-Investment Fund** – helps late-stage growth companies scale up.

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**\$250M**

**Industrial Innovation Venture Fund** – invests in firms driving improvements across core competitive Canadian industries.

[advanced manufacturing, resource tech, AgTech and food tech]

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**\$160M**

**Intellectual Property (IP) Fund** – first of its kind – designed to fill the need of targeted and patient capital for companies rich in IP.

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**\$1B**

**Cleantech Practice** – meeting the needs of capital-intensive cleantech companies and helping them grow into global leaders.

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**\$425M**

**Growth Equity Partners Fund** – direct minority equity investments for mid-market businesses looking to become leaders in their industries.



## Delivered on key government initiatives

Since 2013, BDC Capital has worked on key initiatives from the Government of Canada designed to attract private money and address market gaps. The Venture Capital Action Plan (VCAP) and the Venture Capital Catalyst Initiative (VCCI) were created as market-oriented programs to develop Canada’s VC industry and to increase the availability of financing for innovative Canadian firms.

**\$1.2B**

capital under management on behalf of government (including the \$450-million renewed VCCI announced in Budget 2021)

**\$3.7B**

total capital leveraged for the Canadian ecosystem via VCAP and VCCI

## BDC Capital backed companies that became global leaders



Montreal-based company developing a mobile-only travel booking application. They secured US\$96M from Capital One Travel in November 2022.



Kitchener-based developer of an online platform designed to automate and streamline the educational application process. They raised a US\$300M Series-D round led by Teachers’ Venture Growth in June 2021.

### VERAFIN

Newfoundland-based fraud detection company. It was purchased by NASDAQ for \$3.5B in February 2021. Verafin will keep its headquarters in Newfoundland and invest in talent development in the region.



Toronto-based leading developer of utility-scale energy storage facilities, secured US\$250M from Goldman Sachs in January 2022.

- ➔ As a development bank, BDC has an essential role to play in identifying, supporting and driving the growth of Canada’s sectors of the future.
- ➔ Our commitment to the innovation sector remains strong, but our role and actions have not always evolved as quickly as the market expected.
- ➔ This is why we are constantly renewing our commitment to open doors for Canadian innovators and help them scale into global champions.



“The BDC Capital team quickly became a strategic partner of Sampler’s. Since our first meeting, they wanted to get a deep understanding of our business.”

Marie Chevrier, CEO and Founder, Sampler, Montreal, Quebec

BDC Capital client





Karen Greve Young, CEO,  
Futurpreneur

“Since 2008, Futurpreneur has counted on BDC as a vital partner in our work helping diverse young entrepreneurs start and succeed.

Our unique co-lending model triples the funding available – from \$20,000 to \$60,000 in accessible, collateral-free loan capital – to early-stage entrepreneurs.

Alongside funding, these entrepreneurs receive 1:1 mentorship during the first two years of their entrepreneurial journey, as well as access to Futurpreneur’s resources and tools and to BDC’s vast array of business support programs.

It’s no surprise that over 70% of these entrepreneurs say that we played an important role in helping them succeed.

Futurpreneur is particularly proud that more than 40% of the 5,000+ businesses we’ve supported in our 15-year partnership were founded by women entrepreneurs.

In the past two years alone, our tailored programs for Black entrepreneurs and Indigenous entrepreneurs have helped more than 200 entrepreneurs in these communities launch businesses across Canada.

It matters that Canada has a national financial institution – BDC – focused exclusively on entrepreneurs.

Our Futurpreneur team continues to be grateful for BDC’s steadfast partnership and commitment to supporting the next generation of Canadian entrepreneurs.”



# Thought leadership: SMEs need more than money to succeed

We go beyond financing to offer entrepreneurs the advice, tools and resources they need to succeed.

## \$45M

invested annually to provide expert advice to entrepreneurs through BDC Advisory Services.<sup>14</sup>

Our e-learning programs were recognized in 2021 with an international award for the best customer training program from the Brandon Hall group.<sup>15</sup>

Since the last Legislative Review, BDC has undertaken a significant transformation of our Advisory Services offering.

- ➔ A decade ago, SMEs did not have consistent access to affordable consultants; we’ve changed that. Since 2014, BDC Advisory Services has provided access to quality, experienced, SME-focused consultants anywhere in Canada.
- ➔ In 2019, we launched our BDC Academy free online e-learning platform. Since then, 23,000 users have enrolled in our e-learning programs.
- ➔ We are also a leading partner in delivering digital adoption planning services to Canadian SMEs under the Canada Digital Adoption Program (CDAP).

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## Expert advice for a variety of business challenges



Operational efficiency



Business strategy



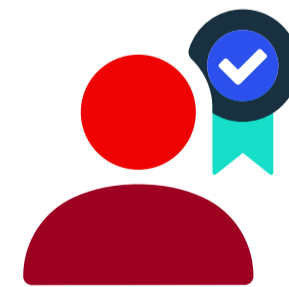
Sales & Marketing



Financial management



Digital adoption



Human resources

We will further expand our offering to help SMEs respond to the big challenges of our time, and also to improve their productivity and competitiveness.

Looking back at the success of the most recent pandemic relief program – the Highly Affected Sectors Credit Availability Program (HASCAP) – we see clear opportunities to increase the reach and range of our support by deepening our partnerships with other financial institutions.



# Thought leadership: SMEs need more than money to succeed (cont’d)

## Free resources and tools for entrepreneurs

BDC’s free  
publications reach

**350,000**

entrepreneurs each month

- ➔ Monthly Economic Letter – helping entrepreneurs stay informed on current economic conditions and impact on their business.
- ➔ In Business – monthly online newsletter for and about entrepreneurs, featuring how-to articles, business tips, success stories and interactive tools.

**+1,600**

free articles, blogs, videos, courses, webinars, assessments, tools, templates and eBooks on BDC.ca to help entrepreneurs build successful businesses.

**+100**

economic studies and reports over the review period [2010-22] on issues impacting Canadian SMEs.

## Growth Driver Program

Two-year program for ambitious mid-sized firms with a track record of rapid growth. We offer them tailored coaching and leadership development skills [+200 firms in the program].



“Thanks to the Growth Driver Program, our company successfully navigated a major operational challenge, and we are now growing more quickly than ever. Our relationship with BDC is more than just business. Their support is exceptional.”

Enrico Carpinteri  
CEO, Cuisines Gaspésiennes,  
Matane, Québec

BDC Growth Driver Program client



# A decade of volatility and frequent shocks

Canadian SMEs have shown incredible resilience.

- Canadian entrepreneurs faced a series of important economic shocks over the review period [2010-22]. BDC stepped up on each occasion, playing its countercyclical role.
- As Canada’s development bank, we are there for entrepreneurs in every economic environment. When the economy takes a hit and other lenders step back, BDC boosts its support to make sure that entrepreneurs still have access to the capital they need.
- Looking to the future, two things are certain: Entrepreneurs will keep needing to manage unexpected challenges and uncertainty, and BDC will be there to support them.

## 2007-09 great recession and its aftermath

- In F2010, we lent more money than at any time during our history: \$4.4 billion, an increase of 53% over the previous year.<sup>16</sup>

## Oil prices collapse in 2015–17

- We launched an \$850-million commercial financing envelope to support affected SMEs in 2016<sup>17</sup> and followed up with an additional envelope of \$500 million over three years in 2018.

## Global pandemic and pandemic-induced recession

- \$8 billion in financing support.
- 40,000+ postponements for clients for up to 6 months, giving them the breathing room they needed.
- Economic shocks and volatility aren’t going away.
- Despite all the challenges, SMEs are in good shape and the Canadian economy is resilient.



“BDC’s HASCAP was an excellent example of its complementary mandate at work – a partnership with private sector lenders with the clear and targeted objective of helping those Canadian businesses hit hardest by the pandemic. It’s also an opportunity to consider lessons learned for future collaboration.”

Alex Ciappara, Director, Credit Market and Economic Policy, Canadian Bankers Association (CBA)



# Pandemic response: Essential and timely support for SMEs

When COVID struck, BDC acted quickly and decisively.

- Adjusted and simplified processes to respond to as many entrepreneurs, as quickly as possible.
- Extended our reach through partnerships with financial institutions to deliver timely, comprehensive support.

## \$8 billion in financing support for SMEs

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### \$2.8B

BDC's direct support

- 16,500 loans [14X more \$, 10X more # loans vs. pre-COVID]

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### \$3.7B

Highly Affected Sectors  
Credit Availability Program  
(HASCAP)

- 17,150 loans

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### \$1.3B

Business Credit Availability  
Program (BCAP)

- 736 loans

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### \$178M

Bridge Financing  
Program

- 100 VC-backed companies

## Access program

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### 40,000

free consultations with  
BDC experts to cope with  
the challenges flowing  
from the pandemic

“BDC has long been a key partner for the credit union sector in delivering to small business borrowers over the last decade. We particularly appreciated the partnership in setting up pandemic relief programs like HASCAP to help keep businesses afloat.”

Michael Hatch, Vice President, Government Relations,  
Canadian Credit Union Association (CCUA)



# Demographics headwinds that are here to stay

Attracting new employees and accessing skilled labour are the two biggest workforce management challenges that SMEs are facing.<sup>18</sup>

## Labour shortages are persistent:

- The Canadian population is getting older: 19% of Canadians are aged 65 years and older [13% in 2000].<sup>19</sup>
- One in five workers will retire over the next 10 years.<sup>20</sup>
- Slower immigration over the past two years has created a shortage of 440,000 potential workers in Canada.
- Labour participation has been dropping for over 20 years.<sup>21</sup>
- In order to succeed in this tight labour market, entrepreneurs will need to invest in productivity, technology and efficiency.

## Entrepreneurs are also getting older

Almost 60% are aged 50 or older.<sup>22</sup> A boom in business transitions is coming, putting pressure on entrepreneurs to maximize the value of their businesses and to find buyers. BDC has developed specific strategies and products to help both sellers and buyers succeed in their business transitions.



“Along with providing financing, BDC had extensive experience with family-owned business transitions. I was impressed with the advice that they gave us in what can be a very emotional time.”

David Beron, President, RAB Design Lighting, Toronto, Ontario

BDC Growth and Transition Capital client



# Profound changes in the financial services industry

- The last decade has completely altered the landscape of the financial sector.
- Data and technology are increasingly driving the financial services industry.
- Fintechs are using big data, AI and algorithms to process loans more quickly and conveniently online, assess risks and address biases built into credit models.
- Established financial institutions are now creating ecosystems and platforms that bring more one-stop-shop value for clients.
- Large tech companies have also started integrating SME lending into their offerings. The next decade will see more transformational changes in the financial sector.
- The Government of Canada is developing, with the financial sector, an Open Banking framework that will give Canadians and businesses greater control over their financial data and help them be better served.
- Financial institutions are increasingly making climate-related disclosures and Crown corporations are also expected to play a leading role.



“The best partnerships aren’t built or sustained only by a common goal, but by a shared set of beliefs and values.

For over 30 years, Women of Influence+ has been committed to transforming workplace cultures through the lens of gender equity, inclusion and diversity.

Our partnership with BDC – which continues to grow – is rooted in a mutual belief in the power Canadian businesses have to foster equity in the workplace and beyond.

Creating a better world, one that is inclusive and encourages economic prosperity for all, requires teamwork, partnership, and collaboration, and we have had the pleasure of finding all of these important elements in our relationship with BDC.”

Rumeet Billan, CEO,  
Women of Influence+



# Renewed strategy and vision

Over the past two years, we have done extensive work looking at the challenges Canadian SMEs are facing. We listened to entrepreneurs and we also compared ourselves to leading development banks around the world.

We also saw that BDC's total addressable market – the number of SMEs in Canada

with unmet financing needs and compatibility with BDC's commercial mandate – stands at 400,000 businesses.

And then we asked ourselves “what if”? What if BDC could reach and support, directly or indirectly, more entrepreneurs who are unable to access the financing they need?

We defined a renewed strategy based on a new purpose statement:

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

The renewed strategy builds on BDC's strengths and track record, and it reaffirms our development bank role.

Our strategy is anchored in 4 pillars that put entrepreneurs first:

- 1.** Spur the growth of SMEs and the competitiveness of Canada's economy.
- 2.** Increase the reach and relevance of our support to entrepreneurs.
- 3.** Empower SMEs to respond to the big challenges of our time.
- 4.** Deliver a world-class client and employee experience.



“We want women to succeed in the legal profession. We wanted to have a law firm where women could practice and be ok to stay home with our kids if needed.”

Lisa Manaique and Priscilla Sternat-McIvor, co-founders, Sternat Manaique, Manitoba's first Indigenous-owned law practice

BDC Financing client



# Reaffirming our development role in 4 key areas

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

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Canadian productivity growth has been lagging for years, resulting in a major gap of **26% versus the US.**<sup>23</sup>

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Underinvestment in digital technologies also puts Canadian companies at a **serious competitive disadvantage.**

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We will continue scaling up global champions through **our Growth and Transition and VC strategy.**

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**Supporting entrepreneurs deal with the productivity challenge** has been part of our strategy for many years, but progress has been slow. We will work harder with our partners – both public and private – to make it easier for SMEs to improve their productivity.

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We will mobilize our clients to be bolder and faster in developing their digital capabilities.

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We will build on our BDC Advisory Services' operational efficiency expertise to help SMEs **reduce waste and keep more money in their business.**

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The Canada Digital Adoption Program (CDAP) is the latest example of BDC's work to support SMEs digitize, with expert advice and **0% interest loans of up to \$100,000** to facilitate the acquisition of new technologies, such as software or IT equipment.

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We will focus on **increasing our market penetration** in markets where we are less present.

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

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BDC is **currently financing just ~7% of SMEs in Canada.**

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In order to make sure that as many entrepreneurs as possible benefit from our services — especially underserved entrepreneurs — we will need to **significantly increase our reach and our relevance.**

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The pandemic was the latest example of the **multiplier effect that an all-hands-on-deck effort produces to the benefit of entrepreneurs.**

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The magnitude of the support required during the **pandemic took our partnerships with financial institutions to a different level.** The learnings and the relationships we continue to forge have created a solid base for further partnership development.

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**In line with our strong partnership philosophy,** we will continue to build on existing partnerships like those with Alterna, Evol, the National Aboriginal Capital Corporations Association (NACCA) and Futurpreneur to ensure underserved and diverse entrepreneurs have the resources they need to thrive.



# Reaffirming our development role in 4 key areas (cont'd)

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

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Entrepreneurs are being called upon to reduce their **businesses' carbon footprint and green their operations.**

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SMEs understand the urgency to act, but **many don't know where to start.**<sup>24</sup>

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BDC has developed a comprehensive sustainability strategy to mobilize and equip **SMEs to respond to the biggest challenges of our time** – including climate change as well as diversity, equity and inclusion (DEI).

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

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Entrepreneurs increasingly want **ease, speed and simplicity** in each of their interactions with their financial partners.

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We are **zooming in on customer-centricity** to make it as easy and as fast as possible for entrepreneurs to do business with us.

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We're taking that one step further by developing systems to truly understand how entrepreneurs interact with BDC and how we can **make their experience frictionless.**

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We're **getting closer to SMEs, their needs and their challenges**, well beyond signing a loan, an investment or an advisory services mandate.

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BDC is one of Canada's most award-winning employers: **Canada's Top 100 Employers (15 years) and Canada's Best Diversity Employers (12 years).** We will continue to focus on delivering an exceptional employee experience.



“My very first loan was from BDC. They were the only organization willing to look at me and help me out. BDC made it easy.”

Lisa Learning, CEO, Atlantick Repellent  
Mahone Bay, Nova Scotia

BDC Financing client





Louis-Edgar Jean-François, CPA  
Chief Executive Officer,  
Groupe 3737

“Groupe 3737 is proud to mark BDC’s past 10 years of contribution to the Canadian economy and – most importantly – its vital support for entrepreneurs.

BDC has always been a strategic ally of our mission at Groupe 3737.

We support entrepreneurs from diverse backgrounds by providing advice, training and personalized coaching. This is how we impact the Canadian society through sustainable economic and social changes, one entrepreneur at a time.

However, we know that we cannot do this work by ourselves. We salute the values of inclusivity and equality that BDC promotes.

This is an organization that always recognized the specific challenges that entrepreneurs from diverse backgrounds are facing.

It is – among others – thanks to BDC’s support that we continue to break the glass ceiling with more than 2,000 businesses supported, close to 1,000 jobs created and 190 million dollars in sales generated by these businesses.

We are proud to partner with such an important and influential institution that supports the development of entrepreneurs from all walks of life, without exception.”



# Raising the bar on sustainability

Helping the economy grow in a more inclusive and environmentally sustainable way.

Our vision is to help build a more prosperous, inclusive and green Canada through our support for sustainable businesses.

## Milestones in our sustainability journey:

- 2011** BDC Capital launched its first Industrial, Clean and Energy Technology (ICE) venture fund.
- 2013** First FI in Canada to receive the B Corp certification.
- 2015** Launched our Women Entrepreneurship Strategy.
- 2018** Launched the Cleantech Practice and the \$600 million Cleantech Fund I.
- 2020** Started regular surveys taking the pulse of entrepreneurs' mental health.
- 2021** Committed to reducing our operational carbon footprint to net zero by 2025. Partnered with NACCA to launch the Indigenous Growth Fund.
- 2022** **\$400 million Climate Tech Fund II**  
Building on the success of Cleantech Fund I launched in 2018.  
**\$500 million Thrive Venture Fund and Lab for Women**  
Largest investment platform of its kind in the world.
- 2023** **ESG reporting template for the VC industry**  
Building on the success of a similar DEI template launched in 2022.

## We should and will do more on the sustainability front.

- We will continue to accompany business owners to a greener economy, better support underserved entrepreneurs and increase our presence and reach to ensure that entrepreneurs have access to the financing, capital and advice they need to succeed.
- While this isn't new for us, we will continue to track and market further, and work to understand and fill market gaps over the next 10 years.
- We will also continue to provide support to the natural resources sector to advance emissions' reductions, develop and implement clean technologies and lower their environmental footprint.

## Focus on Cleantech

BDC's Cleantech Practice is the largest of its kind in Canada.

Since its launch:

**\$2.6 billion**

Total private capital raised

**4,500**

high-quality jobs created



# A solid Act to support BDC in the future

## Keeping pace with entrepreneurs' evolving needs

- BDC's success in supporting Canadian entrepreneurs through good times and bad demonstrates the fundamental soundness of the governance provided by the *BDC Act*.
- BDC has been successfully executing on the provisions of the *BDC Act* delivering value to Canadian entrepreneurs from coast to coast to coast.
- The *BDC Act* provides us with the flexibility and autonomy to keep pace with entrepreneurs' evolving needs while remaining responsive to government priorities and raising our ambition to help entrepreneurs meet the challenges of the next 10 years.
- While we feel that the *BDC Act* in its current form has withstood the test of time and circumstances, including the pandemic, and has given us the needed powers to continue our essential support for entrepreneurs, we welcome and value the constructive input from all stakeholders involved in the consultations led by Innovation, Science and Economic Development on behalf of the BDC Designated Minister.
- Beyond any legislative conclusion the government may reach about the outcome of the review, we are committed that all of the stakeholder input will help shape our ongoing work to support entrepreneurs.

**We remain committed to the long-term success of Canadian entrepreneurs and we understand that a business is more than just dollars and cents.**



“Entrepreneurs are passionate people. They not only want to generate revenues, but to create something, build something.”

Alain Ménard, CEO, Green Beaver, Hawkesbury, Ontario

Growth Driver Program and Growth and Transition Capital client



# Conclusion

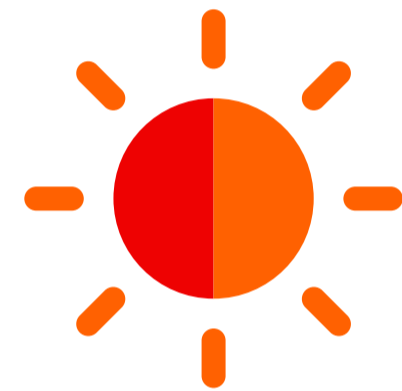
SMEs' challenges dictate our priorities. Everything we do is geared toward entrepreneurs' success.

- An entrepreneur's journey does not follow a straight path. There are peaks and valleys and at every stage, entrepreneurs need support to make it to the next level.
- For close to 80 years, BDC has stayed relevant, by constantly adapting and transforming.
- Our approach is client-centric. We focus on creating the best customer experience for entrepreneurs.
- We work with entrepreneurs every day – thousands of them – and all of us at BDC remain committed to one essential purpose: helping these business owners succeed.
- Our 2,600 employees' collective commitment to serving and learning from Canadian businesses remains BDC's greatest asset and our greatest strength.

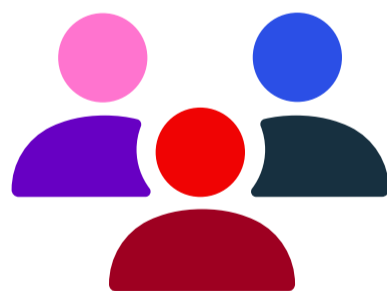
We approach the next 10 years with ambition and the commitment to act and achieve transformational results in areas that are critical for Canadian entrepreneurs.



Growth and productivity



Climate



Diversity, equity and inclusion



Better client/employee experience

- We will elevate our support for entrepreneurs, both in terms of leveraging our own capabilities as well as continuing to forge strong partnerships with other entrepreneurship-focused organizations, while remaining complementary to the rest of the ecosystem.
- BDC is all in for entrepreneurs, and for Canada.
- We will continue to provide flexible, timely and elevated support to SMEs.
- Because when entrepreneurs succeed, Canada succeeds.



# Endnotes

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- <sup>3</sup> Innovation, Science and Economic Development Canada (ISED), *Business Development Bank of Canada, 10-Year Legislative Review: 2001 – 2010*, 2013
- <sup>4</sup> BDC, *Corporate Plan Summary 2022-23 to 2026-27*, page 4
- <sup>5</sup> BDC, *2022 Annual Report and 2010 Annual Report*, BDC calculations.
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- <sup>7</sup> BDC, *Survey of 1,200 entrepreneurs*, 2017
- <sup>8</sup> Abacus Data, *Survey on Barriers Facing Black Entrepreneurs*, 2021
- <sup>9</sup> Statistics Canada, *Analysis on businesses majority-owned by women, second quarter of 2022*, 2022
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- <sup>11</sup> BDC, *Corporate Plan Summary 2022-23 to 2026-27*, page 4
- <sup>12</sup> BDC, *2022 Annual Report*, page 18
- <sup>13</sup> BDC, *Canada's Venture Capital Landscape*, May 2022
- <sup>14</sup> BDC, *Corporate Plan Summary 2022-23 to 2026-27*, page 19
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- <sup>17</sup> BDC, *2017 Annual Report*, page 5
- <sup>18</sup> BDC, *SME workforce and its current challenges*, September 2022
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- <sup>21</sup> Statistics Canada, *Population estimates, quarterly, 2022*. Table 17-10-0009-01. BDC calculations in Q1 2022 based on average growth between 2018 and 2019.
- <sup>22</sup> BDC, *The Coming Wave of Business Transitions in Canada*, 2017
- <sup>23</sup> OECD (2023), GDP per hour worked (indicator). doi: 10.1787/1439e590-en (Accessed on February 1, 2023)
- <sup>24</sup> BDC, *A Transformation in Progress: How Canadian Entrepreneurs Are Taking on the Environmental Challenge*, 2021.