Corporate Plan Summary

2021-22 to 2025-26

Operating budget
Capital budget
Borrowing plan

Canada

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Appendices to the Corporate Plan

Financial plan including financial statements and notes

The Corporate Plan Summary of the Business Development Bank of Canada is based on the 2021–22 to 2025–26 BDC Corporate Plan as approved by the Governor in Council on April 1, 2021, on the recommendation of the Minister of Small Business, Export Promotion and International Trade and the Minister of Finance.

On the cover:

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Note: BDC's fiscal year runs from April 1 to March 31.
For example, fiscal 2022 runs from April 1, 2021 to March 31, 2022.

Executive summary

BDC aims to contribute to a more competitive, prosperous and inclusive Canada, by supporting entrepreneurs in building resilient, growing businesses. We do this while using sound financial and risk management practices to be self-sustainable so we can do more for entrepreneurs.

A critical part of our mission as a development bank is to ensure viable SMEs have access to the credit they need in difficult times. Through the COVID-19 pandemic, BDC supported thousands of additional entrepreneurs, providing them with urgently needed capital and advice in complement to other government programs. In collaboration with federal partners, we are also actively participating in a working group to accelerate business economic and trade recovery.

Entrepreneurs will continue to operate in a highly uncertain economic environment until an effective vaccine is distributed. While we are helping entrepreneurs get through the immediate crisis and position themselves for the recovery, we are not losing sight of the fact that businesses need support to scale up and become more competitive.

In the coming years, BDC's actions will be guided by three objectives.

1. Increase access and reach—We are making good progress on many important strategic initiatives aimed at extending our reach to more entrepreneurs. Our top priority is to provide support to as many entrepreneurs as possible during the pandemic through our Credit Availability Program (CAP). Central to our efforts to extend our reach is our improved online channel, which was essential to meeting an unprecedented surge in demand during the early stages of the pandemic. At the same time, we are focused on providing greater access to financing and advice to underserved and diverse groups of entrepreneurs, including Black, Indigenous and people of colour (BIPOC), women and young entrepreneurs, as well as new businesses.

2. Drive SME competitiveness—We continue to build a full range of financing and advisory solutions that are specifically designed to increase the competitiveness of Canadian companies and support their expansion efforts here and abroad. We are particularly focused on ensuring Canada's fastest growing and most innovative companies have the resources they need to flourish. As part of this effort, we have recently launched an intellectual property financing offering. We are also increasing our venture capital investments, launching a deep tech venture capital fund to invest in highly innovative businesses and a second growth equity fund to maintain our support for mid-size businesses.

3. Provide an excellent client experience—Our clients want and need us to provide the same fast, easy, insightful service they have come to expect in their consumer and business interactions. We must deliver a lending experience that is not only quicker, simpler and more customized but also delivered across all channels—in-person, online and mobile.

Among our client experience initiatives, we are improving and speeding up our online small loan process. We have also launched, and will be improving over time, our BDC Mobile client app, which provides clients with suggestions to help them reach their business goals.

To ensure we are an essential partner for entrepreneurs through the pandemic, into the recovery and beyond, we are investing in our tools and evolving our work culture in line with our ambition to become a more digitally driven organization. We are making investments in cyber-security, IT, advanced data analytics and process automation with the goal of increasing our understanding of clients to serve them better.

Financial highlights

This Corporate Plan has been developed in a highly volatile economic environment. This may result in significant variations from planned projections.

As the economy gradually recovers, we will continue to help entrepreneurs through these difficult times and we expect to increase our support to them, given the current situation. In fiscal 2021, demand for our core financing products has been lower due to liquidity in the market from government relief measures and our CAP initiatives. With the recovery being slowed by a second wave of COVID-19 infections and the extension of CAP into fiscal 2022 to continue supporting entrepreneurs impacted by the pandemic, we expect demand for core products to continue to be affected in fiscal 2022, albeit less so than in 2021. As the economy reaches full recovery in 2023, demand should return to pre-pandemic levels.

BDC expects to return to profitability in fiscal 2021 and will remain profitable over the duration of this Corporate Plan, reaching consolidated net income of $870 million by the end of the planning period. This will provide the Bank with increased flexibility to support the long-term success of Canadian entrepreneurs.

The expected increase in annual net income will be mainly due to a rising net interest income in Financing, reductions in provisions for expected credit losses and improved profitability for Growth & Transition Capital, Venture Capital and Capital Incentive Programs. Reductions in the Capital Availability Program's net loss and limited growth in operating expenses will also contribute to rising net income.

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

BDC overview

Our mission and purpose[1]

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

Our aspiration

To make Canadian entrepreneurs the most competitive in the world.

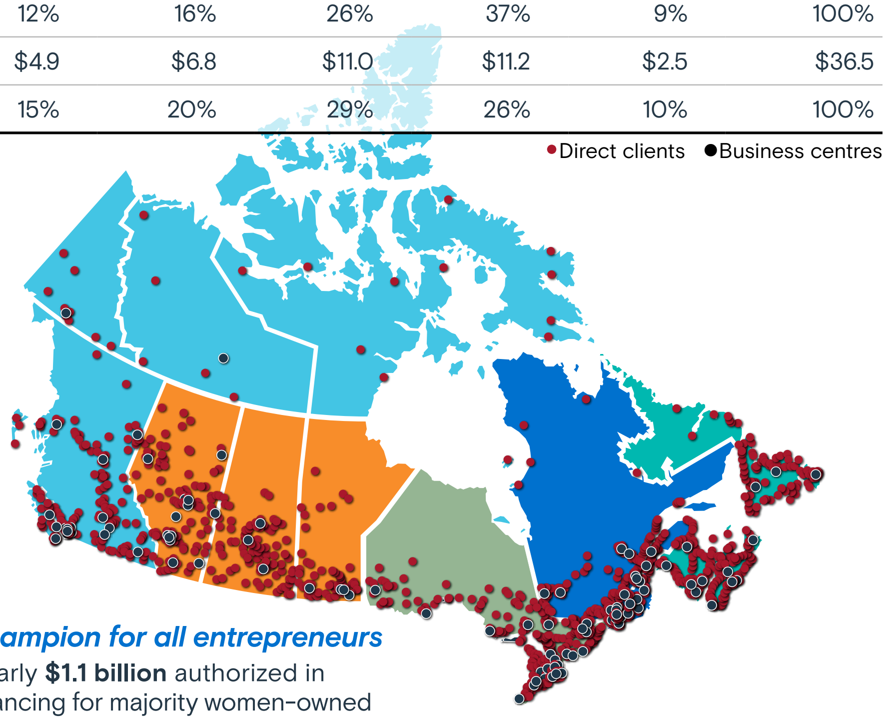
Our public policy role

To serve entrepreneurs in a way that is complementary to services offered by the private sector.

Our approach

Through our independent credit decisions, we take more risk in supporting entrepreneurs, but do so in a way that ensures our financial sustainability.

	B.C. & North	Prairies	Ontario	Quebec	Atlantic	Total
% of direct clients[2]	12%	16%	26%	37%	9%	100%
Commitments[3] in $ billions	$4.9	$6.8	$11.0	$11.2	$2.5	$36.5
Business centres	15%	20%	29%	26%	10%	100%



A different kind of bank

- We are the bank for Canadian entrepreneurs.
- We were the first bank in Canada to obtain B Corp[4] certification.

A national Crown corporation with extensive reach

- We serve an increasing number of entrepreneurs with now more than **50,000** direct and **12,000** indirect clients.
- Thousands of additional clients obtained COVID-19 relief through our Credit Availability Program.
- Our clients employ nearly **1 million** people and generate over **$350 billion** in annual revenues.
- We have over **100** business centres across Canada.
- We have a significant web presence with **9 million** visits to BDC.ca, and online publications that now reach over **300,000** unique subscribers.

An engineer of business innovation and growth

- We are the largest VC investor in Canada, investing directly or indirectly in close to **800** Canadian start-ups.
- We are a limited partner in 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.
- We support high-growth firms to reach new heights in Canada and abroad through our Growth Driver Program.

A champion for all entrepreneurs

- Nearly **$1.1 billion** authorized in financing for majority women-owned companies since fiscal 2019.
- As part of ongoing work on a Black entrepreneurs action plan, we have signed the BlackNorth Initiative CEO pledge.
- **$400 million** committed to **800** Indigenous clients across Canada.
- **14%** of our direct clients are exporters compared to 12% for all Canadian SMEs.[5]
- We are a provider of excellent customer service, with **94%** of our clients being satisfied.

A proud employer of choice

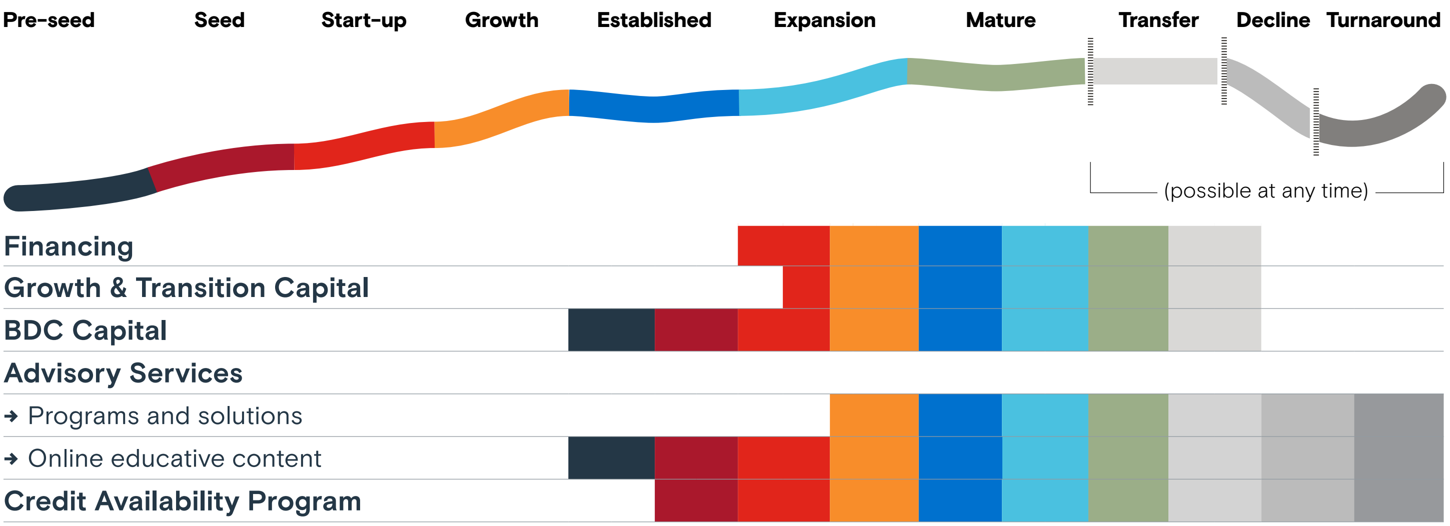
- Over the years, we have been recognized with many corporate awards and certifications such as Canada's Top 100 Employers, Best Workplaces for Canadians over 40, A Great Place to Work™ and parity certification from Women in Governance.

A complementary player with the private sector

- **90.5%** of BDC's portfolio is sub-investment grade[6], compared to **34%** for chartered banks.
- We play a shock-absorber role during economic downturns and through recoveries, filling gaps to stimulate the economy.
- **17%** of our loans ($ of acceptances) are made alongside other financial institutions.
- Our Special Accounts group and Business Restructuring Unit offer dedicated attention to help clients experiencing difficulties.
- Our advisory services are delivered in collaboration with private sector consultants.

BDC business lines

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



Financing

Commitment to Canadian SMEs

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

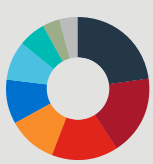
$31.5 billion

Growth & Transition Capital

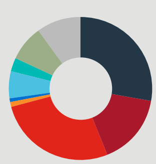
Growth & Transition Capital provides cash flow, mezzanine and quasi-equity to support the growth and transition projects of SMEs.

$1.3 billion

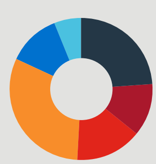
Commitment (in $)[3] by industry



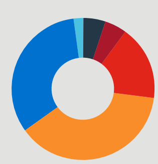
Financing	Industry	Growth & Transition Capital
23%	Manufacturing	28%
18%	Wholesale and retail trade	16%
15%	Service industries	27%
11%	Tourism	>1%
10%	Commercial real estate	<1%
9%	Construction	6%
6%	Transportation and storage	3%
4%	Resources	8%
4%	Other	10%



Commitment (in $)[3] by firm size



Financing	Firm size	Growth & Transition Capital
24%	0-4 employees	5%
12%	5-9 employees	5%
15%	10-19 employees	17%
31%	20-99 employees	38%
12%	100-499 employees	33%
6%	500+ employees	2%



Unless otherwise noted, all data are for fiscal 2020

[1] *Business Development Bank of Canada Act*, SC 1995, c 28, s 4: "The purpose of the Bank is to support Canadian entrepreneurship by providing financial and management services, by issuing securities, or by raising funds or capital in support of those services."

[2] Only direct clients. Clients receiving services from more than one business line have been counted only once.

[3] Commitments refer to portfolio outstanding and amounts undisbursed at cost of BDC's loans or capital investment portfolio.

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

[5] Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises, 2017.*

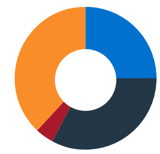
[6] Refers to Financing's outstanding loans portfolio. Sub-investment grade loans are rated BB+ or less.

BDC business lines (continued)

BDC Capital

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

- VC Direct 25%
- VC Indirect 33%
- Growth Equity 4%
- Capital Incentive Programs 38%



Commitment to Canadian SMEs

$2.6 billion

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

Advisory Services

BDC invests to provide entrepreneurs with high-value advisory services at a price they can afford. We offer a variety of solutions for both smaller and larger companies, free online educational content and a program targeting high-growth firms.

Total mandates	Growth Driver Program clients	Online studies, articles, eBooks, videos, training material, etc.	Access engagements delivered[7]
1,600+	140+	1,200+	2,900+

Credit Availability Program

All our COVID-19 measures have been grouped under the Credit Availability Program (CAP). Through our relief measures, we extended our reach to tens of thousands of entrepreneurs who had not previously been clients and increased our support for existing clients. This action has been taken in concert with the federal government and the private sector to help entrepreneurs through the crisis.

[7] The Access program offers entrepreneurs a free consultation with a BDC expert to get advice on how to address challenges related to the COVID-19 pandemic. The number of engagements is as of October 31, 2020. For more information, please see page 14.

External environment

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

Economic conditions

Global economic activity declined sharply in 2020 as most countries introduced lockdowns to slow the spread of the coronavirus. The scale of the global recession depends on the severity of the waves of infections and the economic disruption additional lockdowns may cause. The International Monetary Fund's baseline scenario forecasts a GDP contraction of 4.4% in 2020, before a 5.2% rebound in 2021.[8] There could be a downside scenario of about 2% growth in GDP in 2021 if there is a failure to distribute an effective vaccine.[9]

Most economies experienced a strong economic rebound after reopening in late spring, with some sectors even seeing V-shaped recoveries, including retail in both the U.S. and Europe and housing in North America. China's GDP growth in the autumn of 2020 was above prior year levels and may even lead to an overall expansion in 2020. For 2021, developed economies should rebound vigorously, but in most cases, a return to pre-crisis GDP levels is not likely to happen before early to mid-2022.

In Canada, fundamentals were relatively strong before the onset of the crisis. The unemployment rate was at a historic low, and GDP was growing at its long run potential (about 2%). During the two-month lockdown in the spring, economic activity contracted by 18%, and the unemployment rate has since remained elevated as 3 million Canadians were initially laid off.

The reopening of the economy led to a robust rebound with close to 80% of jobs and three-quarters of lost GDP being recovered. Thanks to pent-up demand and strong disposable income due to government transfers, retail sales returned to their 2019 levels. Housing starts were also strong in the third quarter.

However, a full recovery is going to take more time. The severity of subsequent waves of COVID infections will determine how long it takes to return to pre-pandemic levels of activity. We expect the pace of recovery will be slow because lagging sectors will remain vulnerable until vaccines are widely distributed. These sectors include arts, entertainment and recreation, and accommodation and food services, where a sharp drop in tourism has contributed to the slowdown. These industries are still performing at about half their pre-crisis pace, and there is little room for expansion given social distancing measures in place. Other sectors with significant downside risk include business services (particularly for commercial real estate), and the oil and gas industry, which is dealing with large inventories and limited short-term potential for demand expansion.

All in all, we expect a 5.5% contraction of Canada's GDP in 2020, followed by a 4% expansion in 2021. Positive developments on effective vaccines suggest potential upside for 2021. If the virus does not force governments to impose further lockdowns, the Canadian economy should return to its pre-crisis level by mid-2022. However, additional lockdowns and/or delays in the distribution of vaccines could push the full recovery to the fourth quarter of 2023.

Access to capital and advice

The Bank of Canada has adopted expansionary monetary policies which have increased liquidity for financial institutions and reduced interest rates. Since the current slowdown is being driven by lagging demand for goods and services, we do not expect pressure on capacity or prices in the near term. Effective interest rates for businesses have declined and should remain low for at least a few years, especially because we expect the recovery to be slow.

Credit demand from entrepreneurs continues to be strong but is different than before the recession. We have observed an increase in the number of businesses seeking financing, but a reduction in the total amount of money being disbursed. Investment intentions have declined, and this has led to lower demand for building, machinery and equipment, and acquisition financing—projects that typically involve larger loan amounts. Instead, businesses tend to be looking for smaller working capital loans to help them survive the recession.

Before the pandemic, the Canadian financial services industry was experiencing an unprecedented period of growth and prosperity. The market was highly liquid, and access to capital had never been easier for SMEs. Unlike previous recessions, the COVID crisis has not resulted in a significant decrease in liquidity available to entrepreneurs. Below are details on the current financing landscape.

- Governments have introduced several programs to help entrepreneurs cope with the pandemic, which address most business liquidity needs.
- Financial institutions were instrumental in helping SMEs weather the early effects of the crisis by deploying government support measures and postponing payments.

[8] IMF data, https://www.imf.org/external/datamapper/, as of November 27, 2020.
[9] OECD data, http://www.oecd.org/economic-outlook/, as of September 24, 2020.

- Since the 2008-09 financial crisis, online lenders have become a key source of credit for some small businesses. Despite being better positioned for the digital transformation occurring in banking, these lenders are also more vulnerable in a recession than traditional financial institutions. In the current crisis, their sources of capital have been drying up, and they typically have little in the way of reserves to accommodate client payment deferrals and absorb losses. This is creating the conditions for a wave of consolidation in the industry.
- Big technology companies are thriving due to the e-commerce boom. They are actively pursuing their incursion into financial services, increasingly providing financing to SMEs on their platforms, mainly through short-term loans and cash advances.
- Venture capital activity has been restrained since the onset of the pandemic. VC investors are focused on their existing portfolios and are generally closing deals that were in process before the crisis. On the positive side, the tech sector has remained resilient in the early stages of the pandemic, and the rapid growth of the sector should encourage investors to take a long-term view of its fortunes.

In terms of business advice, the pandemic has changed entrepreneurs' priorities. With our research indicating that a large portion of businesses plan to reduce their operating costs over the next year, we expect many to cut spending on consultants and/or seek low-cost, subsidized or free consulting options. Still, business owners will be focused on managing their finances, reducing costs, becoming more efficient and investing in technology, and there will be demand for advice in these areas. On the supply side, the advisory market remains mixed. Large consulting firms continue to cater primarily to the needs of larger firms. The rest of the market is highly fragmented with many smaller firms and independent practitioners.

Major trends affecting Canadian SMEs

While Canadian businesses were operating in an enviable economic environment in early 2020, the COVID-19 pandemic has led to severe financial stress for many companies. A large majority of Canadian SMEs have seen a decline in revenues and profit and, as a result, many businesses have increased their debt level.

Despite the difficulties of recent months, our research indicates that most entrepreneurs remain optimistic that their business will make it through the crisis. In fact, they're looking to the future and are showing ingenuity in adapting to the new business environment. In doing so, they face the following trends.

- **COVID-19 uncertainty:** Until effective vaccines are distributed, uncertainty will prevail. This will have a negative impact on the level of economic activity as well as on business investment. During a slow recovery of the Canadian economy to pre-pandemic levels, businesses will be focused on maintaining their cash flow and managing their debt level. As well, they will continue to adapt to changing consumer preferences, reinforce their supply chains and maintain health and safety measures associated with COVID, which may have a negative impact on their profitability.
- **Surge in e-commerce:** During the first wave of the pandemic, our studies indicated that more than half of consumers increased their online purchases. Thus, the pandemic has accelerated the e-commerce trend for both business-to-consumer and business-to-business companies. Canadian SMEs will have to improve their online presence to remain competitive since only 46% of them are selling online today.[10] Moreover, close to a third of entrepreneurs who sell online say this channel is less profitable than their traditional operations. E-commerce is changing the business environment for entrepreneurs and represents both opportunities and challenges for them.
- **Adoption of new technologies:** Large-scale data analysis, artificial intelligence, machine learning, robotics and the Internet of things are redefining business models in all sectors. These technologies offer opportunities to reduce costs, increase efficiencies, innovate and expand to new markets. However, they are also challenging to implement, especially for SMEs that have more limited financial resources and expertise.
- **Labour shortages:** Before the pandemic, many SMEs were having difficulty finding workers, a reflection of Canada's aging population. The large baby-boom generation is heading to retirement, and there are fewer young Canadians to replace them in the workforce. The pandemic has eased the situation but will not change the fundamentals of an aging population. As the economy improves, entrepreneurs will once again be faced with recruiting difficulties in the years to come. Investments in technology is one avenue to mitigate this challenge.

[10] BDC, Survey on the impact of COVID-19 on Canadian SMEs, June 2020.

How BDC intends to support entrepreneurs

BDC will be there for entrepreneurs, delivering the support they need, when and how they need it. At the same time, we will use sound financial and risk management practices to be self-sustainable so we can do more for entrepreneurs. We will not lose sight of the fact that Canadian businesses need to scale up and become more competitive if they are to succeed. We are constantly assessing how the needs of entrepreneurs are changing, and we evolve our offering to better meet those needs. Our activities over the planning period will be guided by the following three objectives.

Objectives	What's new
1. Increase access and reach BDC is striving to reach more entrepreneurs and have a greater impact on their businesses in good times and bad. This is especially true for underserved and diverse entrepreneurs who have been particularly hard hit by the pandemic. Working with public and private sector partners, we will help more entrepreneurs ride out the recession and thrive in the recovery.	→ Our Credit Availability Program (CAP) is enabling us to play a shock-absorber role during the pandemic for thousands of hard-hit SMEs. CAP initiatives, delivered directly by us and in collaboration with some private sector lenders, ensure that we meet the urgent cash-flow needs of as many viable businesses as possible. → A series of new articles, online tools, webinars and virtual events have been developed to provide valuable information to help entrepreneurs through the pandemic. → Enhancements to our online channel are enabling us to reach an increasing number of entrepreneurs and have been crucial for our COVID support efforts. → We are increasing our support for underserved business owners. For example, we are negotiating partnerships with several Black entrepreneur groups as part of our action plan to increase our support. → As part of our indirect financing efforts, we recently partnered with a large credit union to further increase access to capital.
2. Drive SME competitiveness We know the long-term success of businesses depends on their ability to increase productivity, innovate and expand both here and abroad. That's why we are working to ensure they have the capital and advice they need to achieve these goals with a particular focus on Canada's fastest-growing and most innovative companies whose success is critical to our country's prosperity.	→ We have fully deployed client teams that help bring together financing and expert advice to deliver tailored, integrated support for the growth ambitions of larger businesses. → We are launching a second growth equity fund to maintain our support for mid-size businesses and facilitate acquisitions in the post-COVID period. → In addition to increasing our VC investments, we plan to launch a new Deep Tech Venture Fund to address a persistent financing gap in the commercialization of innovation in this domain. → We recently assembled a team of experts in intellectual property (IP) financing and launched a $160-million IP Fund. → Our Advisory Services team launched a new solution to better support the efforts of smaller businesses to start selling online or increase their online presence in recognition of an important shift in consumer behaviour. → Our new partnership with the Trade Accelerator Program will strengthen our collaboration to support Canadian exporters. We are also developing a pilot with EDC to provide business advice on growing internationally. → We are collaborating with federal partners in a working group to accelerate business economic and trade recovery.
3. Provide an excellent client experience To reach more entrepreneurs and serve them better, BDC must create a faster, simpler and more personalized experience for our clients across all channels. To deliver on this level of service, we will continue to increase our use of digital technology to remove friction from client interactions and increase the speed and ease of doing business with us.	→ We are improving and speeding up our online small loan process through automation. → We are providing clients with suggestions to help them reach their business goals through BDC Mobile, our new client app. → We launched the Benchmark app, which compares clients' key performance indicators against industry benchmarks and enables our employees to have more meaningful conversations with clients. → We are implementing a strategy to become a data-driven organization to better support entrepreneurs.

Increase access and reach

As Canada's business development bank, we help entrepreneurs in all industries and in every part of the country to get the financial resources and advice they need to thrive. Our financing offering supports their efforts to grow faster and become more competitive with term loans to bolster their working capital and fund their expansion projects such as buying property, equipment and machinery, technology and making business acquisitions.

We continue to make good progress on many important strategic initiatives aimed at extending our reach to more entrepreneurs. These initiatives include providing relief to as many entrepreneurs as possible in difficult times, serving entrepreneurs, through a variety of channels, providing targeted support to underserved and diverse groups of entrepreneurs and offering a collection of free advice content and tools.

Helping entrepreneurs through difficult times

A critical part of BDC's mission as a development bank is to ensure viable SMEs have access to the credit they need in difficult times. We do this in a way that is complementary to the private sector so as to fill gaps in the commercial financing market. The importance of this role has been demonstrated on many occasions over the years. For example, in the context of the 2008-09 financial crisis and recession, we acted as a shock absorber for individual businesses and the economy with a major increase in our lending to SMEs. In response to a collapse in oil prices in 2014-16, we increased our financing for the oil and gas industry, and followed up with an additional envelope in December 2018.

As lockdowns were imposed in the spring of 2020 to slow the spread of the coronavirus, entrepreneurs were suddenly confronted with severe cash-flow difficulties and an urgent need for credit. We once again stepped up quickly to deliver relief to entrepreneurs in this time of great need. We cushioned the impact of the pandemic by substantially increasing our support for entrepreneurs. We adapted our processes and redeployed employees to get money into the hands of business owners faster. We also modified our eligibility criteria to address the needs of a greater number of entrepreneurs. For existing qualified clients, we have offered principal payment postponements of six months to give entrepreneurs financial breathing room.

Through our relief measures, we extended our reach to thousands of entrepreneurs who had not previously been clients and increased our support for existing clients. This swift and decisive action has been taken in concert with the federal government and the private sector to help entrepreneurs through the crisis.

Our COVID-19 measures, grouped under the **Credit Availability Program (CAP),** are delivered directly by us or in collaboration with the private sector.

Initiatives delivered directly by BDC

We adapted and enhanced our products and services to respond to a huge increase in demand from entrepreneurs with urgent need for capital during the pandemic. At their peak during the first wave, volumes reached levels almost 10 times higher than what we experienced last year in terms of number of loans, and over 14 times more in dollar terms, for the same type of loans.

- For online loan requests, we have broadened our credit threshold and reduced pricing. While BDC has traditionally applied variable pricing on loans based on risk, we are applying a temporary uniform reduced interest rate for this initiative.
- For qualifying businesses, we have offered working capital loans of up to $2 million with flexible terms, such as principal payment postponements, to help entrepreneurs bridge their business to a more stable time. We have applied a reduced interest rate for this initiative as well.
- To support Canada's venture capital market, BDC launched a Bridge Financing Program. This is a matching convertible note program to increase VC funding to companies that have suffered significant setbacks related to the pandemic. Under this program, BDC matches up to 100% of the contribution of private investor syndicates that have arranged funding rounds of at least $250,000 since February 1, 2020.

Initiatives delivered in collaboration with the private sector

Business Credit Availability Program

The Business Credit Availability Program (BCAP) takes a collaborative approach to supporting the financing needs of entrepreneurs during the pandemic. Building on our well-established relationships with Export Development Canada (EDC) and private sector lenders, BDC is collaboratively providing support to financially viable Canadian businesses in all sectors and regions. Our efforts, together with those of EDC and a series of other federal government relief measures, are designed to fill market gaps in access to financing for entrepreneurs hit by the pandemic. BCAP includes the following initiatives.

Through the **Co-Lending Program,** BDC supports the operational cash flow needs of SMEs by co-lending with private sector financial institutions. Under the Co-Lending Program, eligible businesses can obtain incremental credit amounts of up to $12.5 million, 80% of which is provided by BDC, with the remaining 20% provided by the company's primary financial institution.

For medium-sized businesses whose financing needs exceed loan amounts available through other BCAP and BDC direct measures, the **Mid-Market Financing Program** provides additional credit to complement businesses' existing debt facilities, working closely with their primary lenders. Part of the program has a particular focus on the oil and gas sector to facilitate support for qualified producers, oilfield service companies and midstream providers. These commercial loans, which take the form of a junior loan, range in size between $12.5 million and $60 million each. Of the total amount, 90% is provided by BDC and 10% by the company's primary financial institution.

Highly Affected Sectors Credit Availability Program

In its Fall Economic Statement 2020, the federal government announced a program to provide additional liquidity to businesses in sectors hardest hit by the COVID-19 pandemic, including tourism, hotels, arts and culture, and the airline industry. Under the Highly Affected Sectors Credit Availability Program (HASCAP), financial institutions will provide loans of up to $1 million to eligible businesses. The loans will be 100% guaranteed by BDC and carry low interest rates and extended terms of up to 10 years.

As the economy has reopened, an uneven recovery has taken hold where some sectors and individual entrepreneurs have fared better than others. The finances of many businesses continue to be under pressure; debt has increased; and their outlook remains clouded. Therefore, we stand ready to do more to support them in the months and years ahead.

Reaching a greater number of entrepreneurs through a variety of channels

We reach a growing number of entrepreneurs across Canada by offering our products and services through more than one channel.

With over 100 business centres, our **physical presence** allows us to provide in-person service to business owners with more complex borrowing needs.

At the same time, our rapidly growing **online channels** have been central to our efforts to reach more entrepreneurs, including those in remote regions where we do not have a physical presence. Our digital platforms were critical to our ability to respond to an unprecedented surge in financing requests during the pandemic crisis, including by allowing all employees to work remotely.

We increase our reach to more entrepreneurs and increase our impact on them by collaborating with both private and public sector organizations that share common cause with BDC—the success of Canadian SMEs. Through our **partnerships,** we work to cooperatively strengthen the environment for starting and growing a business in Canada, including by making our products and services available through partner channels, with a focus on supporting underserved entrepreneurs.

The COVID-19 pandemic showed the value of our partnerships when we were quickly able to collaborate effectively with private financial institutions to deliver BCAP and HASCAP. We are drawing on other strong relationships to extend our support to specific groups of entrepreneurs through this difficult period and beyond. For a full list of our partnerships please see Appendix 4.

Through **Indirect and Syndicated Financing,** we work with other financial institutions and intermediaries to increase access to capital for Canadian businesses. With Indirect Financing, we fund against portfolios of financial assets, such as equipment loans and leases; lend against other types of collateral, such as cash flow and receivables; and de-risk transactions for financial institutions that lend to entrepreneurs. We recently partnered for the first time with a large credit union, which reflects our efforts to collaborate with an increasing number of partners to extend our reach. Through Syndicated Financing, we help bridge gaps in the market by supporting medium-size and larger businesses by providing senior debt financing in syndicated transactions, primarily led by other banks.

Supporting underserved and diverse entrepreneurs

Women, young, Black, Indigenous and people of colour entrepreneurs have traditionally faced more challenges in running and growing businesses, including difficulty accessing capital. Statistics Canada research indicates COVID-19 has exacerbated these challenges. The research found that businesses owned by entrepreneurs in these groups were not only more severely affected by the pandemic, but also had their COVID-related requests to financial institutions rejected more frequently.[11]

Women entrepreneurs

Only 16% of Canadian SMEs are currently majority women-owned businesses and they face greater barriers to growing their businesses. Recessions usually hit hardest in sectors where women are under-represented, such as manufacturing and construction. However, the COVID-19 crisis has most affected the hospitality, tourism and retail industries, sectors where women are over-represented. This is one of the reasons the pandemic has intensified the challenges women entrepreneurs faced before the crisis.

As part of Canada's Women Entrepreneurship Strategy announced in Budget 2018, BDC set a target of providing $1.4 billion in financing over three years to majority women-owned businesses. This commitment was part of a wide-ranging national strategy to help more women start businesses and grow them faster through financing, advisory services and capital investments.

We successfully achieved our three-year target ahead of plan and have significantly increased the number of women entrepreneurs we finance. We remain committed to supporting women entrepreneurs through the pandemic and recovery. In the next phase of our strategy, we will continue to focus on the following four areas.

- **Increase access to capital—**Building on the substantial progress we made over the last three years, the next phase of our strategy will continue to improve access to capital for women through the pandemic and into the recovery.
- **Encourage gender equality in the tech industry—** The $200-million Women in Technology Venture Fund is one of the largest venture capital funds in the world dedicated to investing in women-led technology businesses and funds with at least one woman partner. To learn more about WIT, please see page 17.
- **Help women manage their businesses—**We strive to understand the needs of women entrepreneurs and provide them with practical advice on a range of management challenges as well as unique learning and networking opportunities tailored to their needs, directly or through partnerships.
- **Be a thought leader and catalyst for the women entrepreneurship ecosystem—**We contribute to the creation of a vibrant women entrepreneur ecosystem through partnerships, learning and networking events, content and other kinds of support.

New businesses and young entrepreneurs

New businesses and young entrepreneurs often have difficulty finding the capital and advice they need to launch and grow their businesses. They often lack revenues and business know-how.

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

As part of our ongoing efforts to support new businesses, we continue to provide advisory services and funds for purchases of fixed assets, marketing and start-up fees. BDC also continues to make direct and indirect VC investments in start-ups. To learn more about VC, please see page 17.

[11] Statistics Canada. Table 33-10-0241-01 Outcome of credit requests made by businesses to financial institutions due to COVID-19, by business characteristics; Table 33-10-0229-01 Extent of various impacts experienced by businesses because of COVID-19, by business characteristics.

Indigenous entrepreneurs

We believe that entrepreneurship plays an important part in the economic and social progress of Canada's Indigenous people. However, we also recognize that Indigenous entrepreneurs face unique challenges in starting and building businesses.

Our Indigenous Banking Unit is composed of a team of account managers across the country who are dedicated to serving Indigenous business owners. Working with other stakeholders, the unit strives to increase access to financing, advice and business training.

BDC now has some $400 million committed to 800 Indigenous clients across Canada.

- Our Indigenous Entrepreneur Loan is designed to support the launch and growth of businesses both on and off reserve by lending business owners up to $350,000.
- BDC has been working with the National Aboriginal Capital Corporations Association (NACCA) to launch the Indigenous Growth Fund to improve access to capital for Indigenous entrepreneurs. The fund will make additional capital available to the network of Aboriginal Financial Institutions (AFIs) across the country, who in turn will provide loans to new and growing Indigenous businesses.
- Through an agreement with CPA Canada, BDC partners directly with AFIs and other Indigenous business organizations to offer financial literacy sessions to clients and members. We have moved to a remote delivery model that we believe allows us to effectively reach more Indigenous entrepreneurs located in both urban and rural areas of Canada.
- We have signed a memorandum of understanding (MOU) with the Canadian Council of Aboriginal Business (CCAB) and EDC with the objective of supporting the sustainability and growth of Indigenous businesses through the COVID-19 pandemic and the recovery. Under the MOU, our organizations have committed to work together to share information to ensure Indigenous businesses are aware of the full range of financing and other resources available to them; share research and survey findings; and host webinars on business topics of interest to CCAB members.

Black entrepreneurs

In light of rising concern about systemic anti-Black racism amid protests in many cities and the Black Lives Matter movement, BDC is committed to doing more to support Black entrepreneurs in overcoming barriers to their success. We have sought input from our partners, employees and entrepreneurs on how best to move forward on this issue.

In response to the challenges faced by Black entrepreneurs, we are developing an action plan that aims to ensure BDC is strongly supporting them in their efforts to start and expand successful businesses. We are participating in discussions with a view to partnering with organizations that support Black entrepreneurs. The aim is to address market gaps and opportunities as well as pursue agreements to bring financial and advice services to the market.

An early step in our efforts was the signing of the BlackNorth Initiative CEO pledge. This initiative of the Canadian Council of Business Leaders Against Anti-Black Systemic Racism commits BDC to specific actions and targets to end anti-Black systemic racism and create more opportunities for the Black community. Companies that sign the pledge commit to seven goals, including hiring at least 5% within their student workforce from the Black community and having at least 3.5% of executive and board roles being held by Black leaders by 2025.

We will continue to work with our employees and partners to ensure that Black entrepreneurs have access to the financing and advice they need to start and grow businesses. To help achieve this goal, we will raise awareness of BDC within Black communities and ensure our employees have the resources and training they need to build stronger relationships with the Black business community. For more information on internal initiatives aimed at raising awareness and fighting systemic racism and increasing inclusion in our workplace, please see the Diversity, inclusion, accessibility, safe workspaces and employment equity section of Appendix 3, page 36.

Purpose-driven entrepreneurs

We encourage the socio-cultural movement of entrepreneurs whose profitable companies create value for society and meet high environmental, social and governance standards. Their purpose and business models coincide with the current rise in consumer and investor interest in creating local, sustainable prosperity. Successful purpose-driven businesses are found in every part of Canada and in virtually every sector. They have proven to be resilient during the pandemic crisis thanks to business models that are typically built on a strong local presence including employees and customers and regional supply chains. Their business certification of choice is the Beneficial Corporation (B Corp).

BDC, which is Canada's first B Corp bank, helps grow the purpose entrepreneurship movement by promoting the B Corp certification through:

- attracting thousands of entrepreneurs to B Corp awareness raising events
- hosting hundreds of entrepreneurs at workshops in collaboration with the cities of Vancouver, Toronto and Montreal
- advising smaller groups of entrepreneurs through advisory programs
- currently supporting them with approximately $260 million in financing

Over the planning period, we will continue to support purpose-driven entrepreneurs and increase our promotion of the B Corp certification, including guidance on how to build a strong local presence and climate resilience.

Free advice and tools

In addition to the top-notch business advice delivered by our Advisory Services experts, we also help entrepreneurs gain knowledge, hone their business skills and become more financially literate by offering over 1,200 free pieces of content on bdc.ca. They include independent research on business challenges, advice articles, webinars, eBooks, videos and interactive business training. We recorded close to 9 million visits to our bdc.ca website in fiscal 2020 from people looking for financing, advice content, tools and economic research. Our online publications now reach over 300,000 unique subscribers.

From the beginning of the COVID-19 pandemic, over 50 new articles and online tools were developed while others were updated to help entrepreneurs adjust to the pandemic and plan their recovery. As part of this effort, BDC developed a series of webinars and contributed to hundreds of virtual events to support entrepreneurs. These initiatives reached over 60,000 entrepreneurs.

Additionally, to help entrepeneurs through the pandemic, BDC Advisory Services introduced the Access program. It offers eligible clients the opportunity to benefit from a free consultation with a BDC expert to get advice on how to address challenges related to the COVID-19 pandemic crisis, including cash flow management and business recovery strategies. Through the first half of fiscal 2021, we delivered these sessions to almost 2,500 entrepreneurs.

Over the planning period, we will extend our reach and increase our impact by continuing to expand our library of online content and management tools.

Objective 2
Drive SME competitiveness

As they navigate the COVID-19 pandemic, Canadian entrepreneurs face a competitive environment marked by evolving customer behaviours, rapid technological change and a high level of uncertainty. These challenges can be particularly acute for innovative, fast-growing companies, a cohort of businesses that are crucial for maintaining and increasing Canada's competitiveness and prosperity.

While we continue to support the immediate needs of businesses in this difficult period, we also know that entrepreneurs must focus on enhancing their productivity, innovation and growth. This is why BDC provides a full range of financing and advice solutions that are specifically designed to build the competitiveness of Canadian businesses and support their expansion efforts. In the current context, we are also collaborating with federal partners in a working group to accelerate business economic and trade recovery.

Support for growth and transition

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

With more baby boomers heading to retirement, there is also a growing need for business transition financing. BDC recognizes the importance of preserving the value built up in businesses as one generation makes way for another. We work to facilitate transitions by financing and advising entrepreneurs on managing the crucial integration phase following a merger or acquisition. We also sponsor educational events on key transition success factors and focus on building strategic partnerships in support of successful transitions.

Equity investments for growing companies

Through our growth equity offering, we make minority equity investments in more established companies. In making these investments, we act as a long-term, management-friendly partner that supports the growth of high-potential companies across Canada.

With our first growth equity fund reaching its total capital commitment target, BDC will launch a $250-million follow-on fund. The new growth equity fund will maintain a focus on mid-size businesses looking for support for their growth initiatives but will target a broader range of companies. To support the economic recovery, this fund will also work to facilitate acquisitions in the post-COVID period.

Support for international expansion

Businesses that successfully expand internationally are more competitive, resilient and faster growing. That's why BDC provides clients with financing and advice to support their efforts to build their presence abroad.

The pandemic and accompanying global recession have presented exporters and other internationally oriented businesses with significant challenges. Besides the recession, several other factors continue to weigh on Canadian exporters, including low oil prices, uncertainty caused by tensions between the U.S. and China, and more generally, increased protectionism by several trading partners. Additionally, the pandemic is limiting travel and forcing companies to rely on remote international business development.

To provide a concerted approach to supporting the international expansion efforts of Canadian entrepreneurs, BDC partners with the Trade Commissioner Service (TCS) and EDC. We share the following goals:

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

In pursuit of these goals, BDC and EDC cooperate on a number of joint programs. We offer a technology loan to make more capital available to growing technology companies that are internationally oriented. We also jointly offer international purchase order financing to provide companies with working capital to fill international orders while allowing them to benefit from EDC's international risk assessment expertise.

In addition, a new joint pilot project is under development to provide clients with business advice on growing internationally. Cross-referrals between BDC and EDC increased 39% year over year to over 1,300.

With TCS, BDC has a memorandum of understanding to improve joint services to clients that are exploring export opportunities. A process has been established to ensure that TCS CanExport recipients are made aware of BDC services and are contacted about their loan or business advisory needs. Since April 2019, more than 1,500 CanExport recipients have agreed to be contacted by BDC representatives. Working closely with TCS, BDC also promotes trade missions to clients who may not be aware of these international opportunities.

We have also signed a national partnership with the Trade Accelerator Program (TAP), an innovative program designed to help small and medium-sized businesses learn how to export successfully. TAP, which was developed by the Toronto Board of Trade and is now organized by economic development agencies throughout Canada, hosts in-depth workshops featuring presentations by trade and industry experts on how to overcome export barriers and reach new markets faster.

Working with our partners, we have had a significant impact on entrepreneurs wanting to expand globally. Over 7,200 of our clients exported in fiscal 2020.

Support for high-growth firms

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

GDP aims to help a select group of high-growth firms achieve sustainable growth by offering strategic advice, tailored coaching and leadership development skills. Over 18 months, a dedicated BDC team led by a seasoned executive advisor and backed by a team of business advisors and analysts supports the firm's CEO and executive leadership in developing and implementing a strategic growth plan. The program includes leadership retreats that are organized in conjunction with educational partners such as the Ivey Business School and HEC Montréal.

From the launch of GDP to the end of fiscal 2020, we have built a community of more than 200 high-growth firms through the program. We are continuously evolving this offering to improve our support for clients and increase its reach and impact.

Tailored support for larger companies

Larger, growing businesses often have multi-faceted needs in planning and managing their growth. We have now fully deployed client teams to bring together financing and expert advice to deliver tailored, integrated support for the growth ambitions of these larger businesses.

Supporting the success of innovative businesses

Dedicated support for technology companies

We support the growth of technology businesses through a dedicated pan-Canadian team that offers lending solutions designed specifically for tech firms. To reach more tech entrepreneurs, the team has expanded and now comprises of 40 specialized account managers and directors across Canada. They work closely with BDC Capital, Advisory Services and EDC to ensure a full spectrum of support for businesses. Across all BDC lines of business, we support more than 3,500 tech companies with close to $3 billion in loans and investments.

In the future, the team plans to increase its connections with angel investors networks—and firms supported by angels—to increase awareness of BDC and the advantages of our lending products.

We have also signed a partnership with NRC IRAP to collaborate on supporting tech businesses from the innovation stage through commercialization. This partnership will facilitate access to financing by improving cooperation and information sharing between our two organizations.

Intellectual property-rich companies

BDC has identified a need to provide more targeted financing to companies that are rich in intellectual property (IP). We recently assembled a team of experts in this domain to address this need.

The IP investment team has launched a $160-million IP Fund that is designed to help innovative companies scale up by generating value from their IP assets. It focuses on such sectors as advanced manufacturing, media and telecom, med-tech and digital health, and information technology. Companies will be able to access customized, patient capital that recognizes IP as a core asset that must be protected and valued. We will also participate in the following initiatives to raise awareness about the importance of protecting IP.

- We will provide specialized financing to support IP protection through projects such as applying for patents, trademarks, industrial designs or copyrights.
- We are currently in discussions on a memorandum of understanding with the Canadian Intellectual Property Office. Our collaboration will include the publication of IP-related articles, training for employees on IP matters and raising awareness among entrepreneurs about the importance of IP protection.

Over the planning period, BDC will monitor emerging IP challenges and continue to help entrepreneurs protect their innovations so they can grow faster.

Venture Capital: Investing to grow Canada's technology ecosystem

Our venture capital team is pursuing our vision of making Canadian VC a financially viable and attractive asset class for private sector investors with the aim of creating and growing successful and innovative technology businesses.

The Canadian VC market has not always been profitable. However, it has improved considerably in recent years with a significant increase in capital raised and invested. The number and size of VC funds continue to grow as a result of the industry's success. Performance has significantly improved as well. The five and 10-year trailing returns for Canadian VC funds reached 12.0% and 7.2% respectively as of December 31, 2019 and have been progressively closing a performance gap with their U.S. peers.

We expect the COVID-19 crisis to lead to a reduction in VC investments in the next few years, based on the experience of past recessions. As part of our strategy to soften the blow for VC-funded companies, we have launched the $300-million Bridge Financing Program (described on page 10). On the positive side, the tech sector has remained resilient in the early stages of the pandemic and the rapid growth of the tech sector should encourage investors to take a long-term view of its fortunes.

Direct investing strategy

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

We currently have five direct investment funds in the areas of IT, health care, industrial, clean and energy technology, women in technology and industrial innovation.

Our $250-million Industrial Innovation Venture Fund, launched in fiscal 2019, focuses on technological innovations in the industrial sector where Canada is a global leader. The fund invests in early to late stage ventures in some of Canada's core competitive sectors such as energy, materials and agriculture. In doing so, the fund invests in technology companies that can increase the competitiveness of established industries, focusing on Industry 4.0 applications and resource technologies.

Our Women in Technology Venture Fund (WIT) was launched in fiscal 2018 and is one of the largest of its kind in the world. This $200-million fund aims to deliver on a dual mandate of supporting tech businesses led by women while helping to create a vibrant support ecosystem for women tech entrepreneurs. To accomplish this mandate, the fund takes a balanced approach that consists of making direct investments in women-led companies, indirect investments in emerging venture funds with female leadership and supporting the development of an ecosystem that helps women to thrive in the tech industry.

Our IT Fund and Healthcare Fund are now in the harvesting stage with reserves for follow-on transactions only. The Industrial, Clean and Energy Technology Fund will continue to invest in new and follow-on transactions.

To support the long-term scaling of companies, Venture Capital will also continue investing through our Co-investments Fund, making larger investments in later-stage companies. We believe that, as the VC sector in Canada continues to mature, ensuring an adequate supply of late-stage capital will be key to helping tech companies reach their full potential and become global champions.

Venture Capital will also continue to support seed stage companies through our Strategic Investments team.

We will also continue to support several accelerator and incubator programs across Canada to help provide early stage start-ups with resources beyond capital to ensure they can grow to their full potential.

Finally, BDC plans to launch a new Deep Tech Venture Fund to address the persistent gap in the "lab to commercialization" cycle in Canada in this domain. This fund will invest in novel research-intensive technologies and strongly engage government as an early adopter on the path to commercial applications.

Indirect investing strategy

Venture Capital's indirect investment strategy focuses on supporting a mix of emerging and established fund managers and helping top funds evolve into globally competitive performers over time. BDC indirectly supports more than 800 tech firms through investments in 84 funds.

Over the planning period, BDC will continue to encourage the development of Canadian fund managers. In addition, we will seek to identify fund managers operating in areas of strategic importance to Canada, such as those covered by our Industrial Innovation Venture Fund.

Enabling federal government VC initiatives

On behalf of the federal government, BDC Capital manages $390 million allocated to the Venture Capital Action Plan (VCAP) and $372 million allocated to the Venture Capital Catalyst Initiative (VCCI). Both have attracted significant private sector investment to support promising Canadian start-ups.

Since its launch in 2018, VCCI has increased the availability of late stage VC and support for underrepresented groups, such as women and diverse entrepreneurs and management teams, as well as emerging regions and sectors. It also includes a $50 million allocation for cleantech funds. In addition to these programs, BDC Capital will continue to deploy capital on behalf of the government in mandates of strategic importance relating to VC, such as our management of the investment funds portion of BDC's Cleantech Practice.

Climate resilience and cleantech

Climate change is a complex phenomenon that is disrupting natural ecosystems, societies and markets. These disruptions will grow over the coming decades. Many small and medium-sized businesses have already learned about the physical risks of climate change through their experience with wildfires, droughts and floods. Others are learning of nascent market transition risks as governments, investors and consumers impose new expectations on them.

A recent BDC study, based on a survey of 1,500 entrepreneurs, found that most Canadian SMEs have already acted to reduce their environmental and carbon footprint and would like to do more. The study found that entrepreneurs are mainly motivated by their personal convictions when it comes to adopting environmentally responsible practices.

BDC has a history of supporting clients struck by climate-related disasters, and this will continue. However, the most powerful contribution that BDC can make toward achieving a climate resilient nation is by supporting entrepreneurs who are innovating in the transition to a low-carbon economy. This starts with businesses that are discovering and commercializing ways to combat climate change and pollution that we finance through our Cleantech Practice. We also support businesses that are taking a leadership role in the transition to a low-carbon, sustainable economy through our promotion of the B Corp movement.

In terms of BDC's own business, we will continue to learn about which sectors and regions will be most affected by climate-induced physical and transition risks and improve our understanding of what this means for our portfolio. We have also publicly endorsed the principles and guidelines of the Task Force on Climate-related Financial Disclosure and we are working to determine the next steps to implement them adequately.

BDC is keenly aware of the importance of combatting climate change and working to create a more climate resilient economy. We stand ready to do our part to support entrepreneurs in their efforts to reduce their carbon and environmental footprint and help fight the climate crisis. We have also worked to reduce our own environmental footprint. (For details, please see Sustainable development and greening government operations in Appendix 3, page 38.)

Cleantech Practice

Announced in the 2017 federal budget and launched in 2018, BDC's Cleantech Practice is helping build globally competitive Canadian cleantech firms. These companies develop and deploy innovative technology to combat climate change and pollution while creating a resource-efficient economy. Due to the pandemic, the cleantech team has prioritized the needs of companies already in the portfolio, spending significant time on smaller follow-on investments to support these clients. Hence, new client acquisition has been slowed during this period. Additionally, many clients have indicated they wish to delay follow-on investments until the fiscal 2023-24 period. As a result, we now anticipate our goal of investing $600 million in cleantech businesses will be reached in fiscal 2024, two years later than originally planned. During the COVID pandemic, the Cleantech Practice has extended the following support to businesses.

- For existing portfolio companies that needed extra capital as they coped with the pandemic, we have made follow-on investments and restructured debt to preserve cash flow.
- For new cleantech companies that experience delays in closing equity financings, we have continued with "business as usual", providing new authorizations. We also allocated $20 million to support early stage high-impact technology companies with a convertible debenture instrument.

We invest in cleantech businesses with the knowledge that private sector support is also critical for this industry. For every $1 BDC has invested a further $3.40 has been invested either concurrently or subsequently by private sector players. This complementary financing ensures companies are well capitalized and positioned for success.

BDC has also embraced a collaborative approach to supporting cleantech businesses and benefits from the expertise of many federal and provincial partners. Together, we are putting Canada on the map as a source of some of the best cleantech technologies in the world. The development of these businesses will not only contribute to Canada's prosperity but also have deep and long-lasting positive impacts on the environment.

Expert advice to help entrepreneurs overcome business challenges

In a world changed by COVID-19, management skills will be key as businesses work to recover from the crisis and take advantage of new opportunities. BDC understands the realities of running a business and has helped countless entrepreneurs adapt to new circumstances and forge ahead. To ensure entrepreneurs have the knowledge and skills they need throughout their business journey, we invest an average of $45 million annually to offer advice that is practical and tailored to the size, sophistication and ambitions of individual companies.

We use a national network of internal and external experts and our online capabilities to help companies overcome their challenges and scale up at a price they can afford. Our advisory services are a key part of how we deliver on our mission as a development bank and are complementary to consulting services available in the market. Canadian business owners continue to see value in our advice. BDC Advisory Services had a 14% increase in contracts signed in fiscal 2020 compared to the previous year.

A Statistics Canada study showed that BDC Advisory Services is a key growth enabler for our clients.[12] It found that BDC's impact on the revenue and employment growth of our clients is greater when they receive both financing and advisory services. Our clients also perform better in terms of productivity growth and survival rates compared to non-client companies.

For smaller businesses, we offer six standardized solutions that help entrepreneurs address fundamental business challenges and accelerate growth. All are delivered in a coaching format and are based on a learning to do-it-yourself approach. The solutions are designed to be delivered remotely or in person.

One of these solutions was recently launched in recognition of the important shift in consumer behaviour toward online buying. This solution is designed to provide guidance to business owners on how to manage a profitable e-commerce business, create their online store and expand their online presence.

For larger and more complex companies, BDC advisors and our external partners become progressively more involved in providing direct guidance over longer periods. We offer solutions covering all the principal management challenges and customize them for each client.

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

[12] Measuring BDC's Impact on Clients (2008-2015), May 2019.

Provide an excellent client experience

We see providing the best possible client experience as critical to fulfilling our mission of supporting entrepreneurs in building strong, growing companies. Since the beginning of the COVID-19 crisis, we have adapted our processes and made operational changes to ensure capital is deployed to our clients in the most efficient manner possible.

We know being an entrepreneur is not a nine-to-five job. It's hard, demanding work. That's why our clients increasingly want and need us to provide the same fast, easy, insightful service they've come to expect in their other consumer and business interactions. We must deliver a lending experience that is not only quicker, simpler and more customized but also delivered across all channels—in-person, online and mobile.

To achieve these goals, we have taken the next steps in our digital transformation by enhancing our automated small loan process, introducing our first client mobile app and improving the tools available to our employees. With these tools, we are offering a **new lending experience** that provides entrepreneurs with truly 24/7 digital access anywhere in Canada. They form the foundation for even greater strides in the coming years by allowing us to use data to better anticipate client needs and provide them with more insightful advice.

- We have enhanced our **online lending experience** by significantly improving and speeding up our small loan process, automating almost every step such as verifying loan eligibility for existing and prospective clients, securely authenticating a client's identity, adjudicating credit and exchanging e-signatures. It's now an easy, streamlined procedure that gets money into the hands of a qualified entrepreneur in just a few days.
- Even for larger, more complex loans that involve an account manager, we have succeeded in **streamlining the process** for entrepreneurs through automation of some tasks and the use of mobile apps. In the future, our aim is to use advanced data analytics to offer entrepreneurs a client experience that is even better tailored to their individual needs.
- The new **BDC Mobile** client app allows entrepreneurs to access customized insights and advice from their mobile device to help them make more informed decisions about their business, based on their financial statements. Through the app, client-facing employees can see the goals entrepreneurs set and get insights on their needs and plans.

  We will be able to further deepen our relationships with clients in years to come, both through the app and our lending platform, with greater access to data through partnerships and open banking, which is currently being studied in Canada.
- In recent years, BDC has had a sustained focus on creating a **mobile enabled workforce** with the goal of serving entrepreneurs better. Mobile devices and apps benefit our clients by making their interactions with our account managers easier and more insightful. For example, our award-winning BDC Express Loan app allows clients to be authorized for a loan of up to $750,000 in less than 30 minutes during a single client visit. In addition, we have equipped our people with Benchmark, an app that helps them compare a client's business to other players in the same industry to facilitate deeper, more insightful conversations with entrepreneurs.

We understand the needs and expectations of entrepreneurs vary greatly depending on their size and the complexity of their needs. We will continue to interact with clients in a way—online or in person—that is best suited to the specific needs of their business.

We will also continue to refine our communication strategies, develop new tools and assets to better equip frontline employees, and improve the onboarding, nurturing and retention of clients. The completion of several major projects in BDC's online and mobile channels will contribute to improving the client experience, allowing for more personalized touchpoints.

Internal key enablers

Our goal is to become an essential partner for entrepreneurs by providing them with the capital and advice they need to weather the recession, scale up and become more competitive. To accomplish these multi-faceted goals, we must continue to invest in our tools and evolve our work culture to ensure we are providing the best possible support to entrepreneurs. We are investing in the following key enablers to successfully achieve our objectives in the years to come.

Technology and data management

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

Human resources and culture

We strive to create an exceptional work experience at BDC because we know that attracting and retaining talented, motivated and diverse employees is essential for the Bank's success.

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

We also understand that society is becoming increasingly focused on the importance of diversity and inclusiveness, and that BDC's culture must mirror this evolution. We want our organization, and the people working in it, to reflect Canada's increasingly diverse workforce and business community. To learn more about our efforts to create a more diverse, inclusive and fair workplace, please see Appendix 3, page 36.

BDC is already a great place to work as reflected in the many workplace excellence awards we have received, but there is more to do. Here are some of the key projects we are working on:

- We are now assessing the ramifications for the way we organize our work, lead our teams and mobilize our workforce as we evolve to a hybrid working model of work at the office and from home in the post-pandemic period.
- BDC aims to provide employees with a supportive harassment-free working environment and foster their well-being. In this context, we continue to expand and develop a virtual wellness offering that provides flexibility and ease of access to health services that are particularly important during the pandemic.
- We are enhancing our HR digital capabilities by investing in human capital management technology.

Client centricity

We have adopted a segment-based approach that allows us to deepen our understanding of our clients, develop pertinent solutions and deepen their experience with us.

Six distinct client segments have been identified based on the size and growth trajectory of the business, and each segment now benefits from an adapted operational model that modulates the relationship according to client needs. We are continuing to create tailored offerings and adopt a more holistic go-to-market strategy suited to each segment. We will also be working to align our data, analytics and reporting to better reflect this segmentation.

Branding

Building and sustaining awareness and familiarity of BDC's brand to better connect with entrepreneurs remains a priority. Our efforts moving forward will be geared towards strengthening our presence in the market, remaining top of mind for both clients and non-clients and reinforcing our positioning as the bank for Canadian entrepreneurs.

Overview of key risks

BDC's risk management framework (RMF) has been designed to support the identification and assessment of existing and emerging risks that may impede our ability to effectively and appropriately achieve our mandate. The RMF is designed to support the organization in normal times as well as in extreme scenarios. During the COVID-19 pandemic, BDC's risk management activities have contributed significantly to the Bank's capacity to meet ongoing challenges during this period of uncertainty and volatility.

Risks will continue to evolve as a result of changes in both the internal and external environments. The RMF provides for the continuous identification and assessment of risks. Top and emerging risks are further considered as part of the corporate planning process, to review and assess significant risks that may impact the Bank's capacity to achieve its objectives as outlined in the Corporate Plan.

Based on BDC's strategic objectives over the planning period, the following top risks have been identified and will be continuously monitored.

- **COVID-19**
  The COVID-19 pandemic has caused extreme hardship for many SMEs and difficulties for both the Canadian and global economies. The ongoing risk associated with regional lockdowns, business closures or changing operational dynamics, and the resulting financial impacts, continue to contribute to a heightened risk profile for BDC.
- **Market uncertainty**
  Market risks include interest rate fluctuations, trade disputes, equity and commodity price volatility, high Canadian household indebtedness and potential deterioration in the Canadian housing market.
- **Portfolio volatility**
  This encompasses risks associated with high valuations, elevated numbers of downgrades to impaired ratings and increased weighting of larger loan and investment exposures.
- **Cybersecurity risk**
  Data security breaches continue to be a threat to all organizations, particularly those in industries that rely on large amounts of client data, including the financial services industry.
- **Operational risks**
  With a large majority of our employees working from home, the pandemic has increased BDC's operational reliance on information technology infrastructure. Any significant loss of technology or issues impacting the ability of employees to work remotely could have a significant impact on the Bank's capacity to deliver on its mandate.
- **Information technology failure**
  Enhancements to and increased reliance on BDC's technological infrastructure, including investments in cloud computing, advanced data analytics and automation, exposes the organization to an increased impact from any system outages and/or stability issues.
- **Change management**
  The financial services industry is evolving rapidly, increasing the number and complexity of concurrent strategic initiatives underway at BDC. This requires sophisticated change management strategies and reliance on personnel with highly specialized skills in a competitive workforce environment. Certain elements of our organizational culture will need to be adjusted to support the evolving context in which BDC operates.

Besides the hardship it has created for SMEs and entrepreneurs across Canada, the COVID-19 pandemic has caused economic and social uncertainty, market volatility and operational changes that have added both complexity and risk to the planning process. BDC continues to provide support for our clients during this challenging time while maintaining the application of effective due diligence and a robust internal control environment.

Financial overview

This section presents an overview of BDC's financial plan for fiscal 2022-2026. Details by business line are shown starting on page 47. The financial plan's projections for BDC's operations are based on economic observations and assumptions presented in the External environment section on page 7. They have been developed in a highly volatile economic environment where market uncertainty remains an important concern. This will result in variations from plan projections. Variations could also arise if the Government of Canada were to alter existing programs or announce new initiatives to further increase credit or liquidity availability.

As the economy gradually recovers, BDC will continue to support entrepreneurs through these difficult times. In fiscal 2021, demand for our core products has been lower due to ample liquidity in the market from government relief measures and our CAP initiatives. Following a second wave of COVID-19 infections, the recovery has slowed. As a result, we expect demand for core products to continue to be affected in fiscal 2022, albeit less so than in 2021. When the economy reaches full recovery in 2023, and entrepreneurs seek financing for growth projects, we expect demand to return to pre-pandemic levels. BDC's expected volume of activity is presented in Table 1.

- Financing's activity is expected to grow at an annualized rate of 16% over the planning period. Stimulated by the economic recovery and the end of government relief programs, growth is forecast to be particularly significant in fiscal 2022 and 2023, reaching a rate of 29% to bring acceptances above fiscal 2020 levels by fiscal 2023. Financing activity is then forecast to grow by 9% annualized from fiscal 2023 to fiscal 2026. Efficiency gains from process improvements and continued investments in technology will contribute to this growth.
- Growth & Transition Capital's (GTC) activity is expected to bounce back to its pre-COVID level by 2023, in line with the projected economic recovery. Strong demand for business transition should contribute greatly to the increase in activity over the planning period. Starting in fiscal 2024, a more favourable economic context is expected to support GTC activity growth by an annualized 14%.

Table 1—Activity level summary
($ in millions)

	2020	2021	2022	2023	2024	2025	2026
Loans acceptances	7,410	4,740	7,110	7,935	8,495	9,120	9,795
Growth	*3%*	*-36%*	*50%*	*12%*	*7%*	*7%*	*7%*
Asset-backed securities acceptances	40	335	300	500	500	700	1,000
Financing	**7,450**	**5,075**	**7,410**	**8,435**	**8,995**	**9,820**	**10,795**
Growth & Transition Capital acceptances*	**394**	**135**	**240**	**375**	**460**	**515**	**560**
Growth	*2%*	*-66%*	*78%*	*56%*	*23%*	*12%*	*9%*
Venture Capital acceptances/authorizations	**275**	**345**	**405**	**430**	**435**	**440**	**445**
Advisory Services revenue	**29**	**18**	**22**	**29**	**31**	**32**	**34**
Growth	*17%*	*-38%*	*22%*	*32%*	*7%*	*3%*	*6%*
Capital Incentive Programs acceptances/authorizations	**156**	**154**	**250**	**45**	**15**	-	-
Credit Availability Program acceptances/authorizations	-	**4,235**	**1,130**	-	-	-	-
Credit Availability Program loan guarantees issuances	-	**1,000**	**4,000**	-	-	-	-

* Uni-tranche senior debt component is excluded as it is volatile and difficult to forecast.
Growth equity and IP financing acceptances are excluded as these activities were transfered to Venture Capital.

Actuals Forecast Plan

- Venture Capital[1] is projected to invest from $405 million to $445 million per year over the planning period. Over $150 million per year is projected to be direct investments, fuelled mainly by the Industrial Innovation Venture Fund, the Women in Technology Venture Fund and the new Deep Tech Venture Fund, which is projected to be launched in fiscal 2022. While indirect investments are expected to stabilize at $170 million per year, growth equity activity is projected to range from $50 million to $75 million per year, and intellectual property financing to reach $50 million in acceptances per year by fiscal 2024.
- Advisory Services' activity is expected to increase by 22% from fiscal 2021 to fiscal 2022 but remain lower than pre-COVID levels with $22 million in revenue. This reflects the continuing negative impact of COVID-19 on entrepreneurs' profits, making it more difficult for them to afford advisory services in the short term. In fiscal 2023, the economy is expected to fully recover, resulting in an expected $29 million in revenue. From fiscal 2023 through the remainder of the planning period, Advisory Services is expecting annualized revenue growth of 5%.
- The Capital Incentive Programs (CIP)[2] include the Venture Capital Action Plan (VCAP), the Venture Capital Catalyst Initiative (VCCI), the Cleantech Practice and the new Indigenous Growth Fund (IGF). By the end of fiscal 2021, $372 million will be committed under VCCI. The $600-million Cleantech Practice envelope will be fully committed by the end of fiscal 2024. A total of $100 million is projected to be authorized by the Indigenous Growth Fund (IGF) in fiscal 2022 and fully disbursed over the duration of the plan.
- The Credit Availability Program (CAP), which brings together our COVID-related initiatives, has been extended into fiscal 2022 to continue providing liquidity to support entrepreneurs impacted by the pandemic. BDC expects to deploy $10.4 billion in capital in fiscal 2021 and 2022. The high level of uncertainty on the amount to be committed should be noted, as deployment will depend upon many factors external to BDC's control.

1 The Growth Equity Fund and IP financing results, previously included in the Growth & Transition Capital business line, are now presented in the Venture Capital segment.
2 The Cleantech Practice, presented as a stand-alone segment in the last Corporate Plan, is now included in the Capital Incentive Programs, a segment previously named Venture Capital Incentive Programs (VCIP).

As shown in Table 2, the consolidated portfolio experienced significant growth of 15.7% in fiscal 2021, driven mainly by activity from CAP. CAP's portfolio is forecast to peak in fiscal 2022 at $4.6 billion before falling to $309 million in fiscal 2026, given its focus on providing short-term support to entrepreneurs.

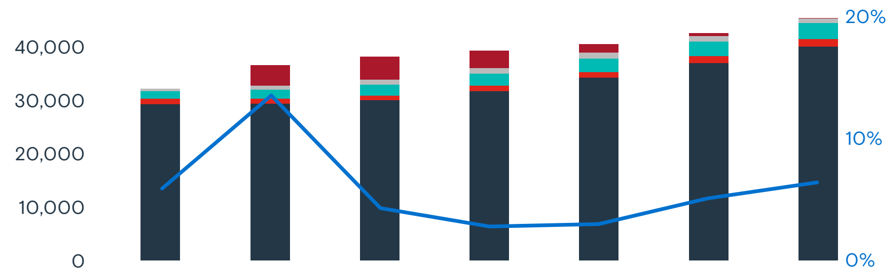
The projected core annualized portfolio growth of 4.1% from fiscal 2020 to fiscal 2022 is below the historical level due to a high concentration of activities in the CAP segment, reflecting BDC's focus on helping entrepreneurs during the pandemic. As core activity ramps up in fiscal 2022, the core annualized portfolio growth is projected to be 7.1% from fiscal 2022 to fiscal 2026.

BDC's net revenue, as shown in Table 3, was strong in fiscal 2020 and fiscal 2021 due to realized gains from investment exits in the Venture Capital segment.

Net revenue is expected to be stable in fiscal 2022 and increase steadily to reach $2.0 billion by fiscal 2026. This will be driven by portfolio growth in Financing and GTC, and increasing proceeds from Venture Capital.

Operating and administrative expense growth is expected to be 11% in fiscal 2022. This significant growth is mainly due to an increase in pension benefits expense due to a decrease in the discount rate. Investments in our digital transformation and the ramp up of initiatives such as the IP financing offering, the Deep Tech Venture Fund and the Indigenous Growth Fund will also contribute to the planned growth. However, operating and administrative expenses growth is then expected to remain at 3% as BDC benefits from efficiency gains from investments in processes and technology.

Table 2—Consolidated portfolio
($ in millions)



	2020	2021	2022	2023	2024	2025	2026
Financing	29,300	29,952	30,985	32,514	34,841	37,516	40,518
Growth & Transition Capital*	982	915	874	964	1,122	1,295	1,464
Venture Capital*	1,429	1,735	2,037	2,314	2,572	2,809	3,051
Capital Incentive Programs*	538	808	1,019	1,135	1,124	1,012	867
Credit Availability Program**	–	3,912	4,573	3,416	1,883	901	309
Total portfolio	**32,249**	**37,322**	**39,488**	**40,343**	**41,542**	**43,533**	**46,209**
Growth %	**6.1%**	**15.7%**	**5.8%**	**2.2%**	**3.0%**	**4.8%**	**6.1%**

* 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)

	2020	2021	2022	2023	2024	2025	2026
Net revenue	1,747	1,682	1,679	1,726	1,815	1,902	2,019
Growth	*23%*	*-4%*	*-0%*	*3%*	*5%*	*5%*	*6%*
Provision for expected credit losses	(773)	(658)	(691)	(717)	(647)	(502)	(445)
Net change in unrealized appreciation (depreciation) of investments and other	(505)	162	89	111	122	134	136
Operating and administrative expenses	687	669	742	763	787	814	840
Growth	*14%*	*-3%*	*11%*	*3%*	*3%*	*3%*	*3%*
Net income (loss)	**(218)**	**517**	**335**	**357**	**503**	**720**	**870**
Capital expenditures	32	30	16	24	13	13	15

Actuals **Forecast** **Plan**

BDC expects to return to profitability in fiscal 2021 as fair values of Venture Capital and CIP investments are expected to appreciate following a depreciation in fiscal 2020.

BDC's consolidated net income is forecast to reach $870 million by fiscal 2026. This will enable BDC to continue playing its development bank role in the Canadian economy to support the long-term success of entrepreneurs. The expected increase in annual net income from fiscal 2022 to fiscal 2026 will be mainly due to rising net interest income in Financing, reductions in provisions for expected credit losses and improved profitability for GTC, Venture Capital and CIP. Reductions in CAP's net loss and limited growth in operating expenses will also contribute to rising net income.

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

To remain efficient and responsive to clients, BDC will continue to invest in information technology and its digital transformation including enhancing data analytics. These investments are not expected to be affected by market turbulence. Capital expenditures are forecast to fall over the planning period mainly due to a decrease in leasehold improvements expenditures. For more information, please refer to the capital budget on page 53.

Key financial indicators

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

Adjusted annual return on equity[3]

Adjusted annual return on equity measures efficiency in generating income relative to equity. This is a key indicator measuring BDC's financial sustainability and capital management efficiency. BDC compares this ratio to its historical and projected financial performance to ensure financial sustainability objectives are met. Following the introduction of CIP, BDC introduced an adjusted return on equity measure, which excludes all initiatives requested and fully capitalized by the shareholder. Starting in fiscal 2021, the adjusted annual return on equity also excludes CAP.

Adjusted return on equity is expected to increase to 11.8% in fiscal 2021, mainly due to net realized gains and fair value appreciation on Venture Capital investments. The ratio should then decrease to 8.4% in fiscal 2023, as the credit loss provisions return to their historical level, and then steadily increase until fiscal 2026 in line with planned net income growth.

10-year moving average for adjusted return on equity

The 10-year moving average for adjusted return on equity is expected to slowly decrease over the planning period. This is mainly due to the net loss in fiscal 2020 and increased provisions for expected credit losses compared to historically low levels. As a result, from fiscal 2024, the ratio is forecast to be lower than BDC's long-term average of 9.0%.

BDC's efficiency ratio

BDC's 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 the Capital Incentive Programs, pension expenses, Venture Capital net revenue and Venture Capital Bridge Financing Program net revenue. A lower ratio indicates improved efficiency.

The ratio will fluctuate as revenues from CAP decline, and improve by the end of the planning period, reflecting efficiency gains from investments in improved processes and technology, combined with strong net revenue growth from a higher level of activity. As shown in Table 4, the ratio is forecast to improve from 38.2% in fiscal 2021 to 36.0% in fiscal 2026, meaning BDC will incur 36.0 cents of expense to earn one dollar of revenue.

[3] 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 Credit Availability Program.

Internal capital ratio

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

Since the growth of available capital will outpace the growth in capital demand, the ratio is expected to exceed BDC's target of 110% over the planning period.

Table 4—Key financial indicators

	2020	2021	2022	2023	2024	2025	2026
Adjusted return on equity (annual)	-1.4%	11.8%	9.6%	8.4%	8.5%	8.8%	9.1%
Adjusted return on equity (10-year moving average)	9.3%	9.6%	9.3%	9.0%	8.9%	8.8%	8.7%
BDC efficiency ratio	41.3%	38.2%	36.8%	37.4%	37.1%	36.8%	36.0%
Internal capital ratio based on the new capital framework	112%	115%	118%	112%	111%	112%	112%

Actuals Forecast Plan

Expected results and performance indicators

BDC's performance measures support its aspiration to make Canadian entrepreneurs the most competitive in the world. They are aligned with shareholder priorities and BDC's client impact strategic objectives.

Short term (1 year)		Actual F2020	Target F2021	Forecast F2021	Target F2022
Support more entrepreneurs	# of direct clients[1]	50,441	52,000	59,250	61,500
Provide asset-light financing	$ of acceptances for GTC (excluding growth equity), online financing and information and communications technology leveraged loans ($ in millions) ***Former definition***	814	800	1,370	N/A
	$ of acceptances for GTC, online financing, information and communications technology leveraged loans and intellectual property financing ($ in millions)[2] ***New definition***	814	800	1,385	800
Support Indigenous entrepreneurs	# of direct clients identified as Indigenous	794	850	875	950
Make it easy for clients to do business with BDC	% of very satisfied clients[3]	67%	67%	63%	67%
Provide advisory services to accelerate growth, innovation and productivity	Revenue from Advisory Services ($ in millions)	29	30	12	22

Medium term (3 years)		Actual F2020	Forecast F2021	Target (T)
Support women entrepreneurs	$ authorized, GTC and Financing, for majority women-owned businesses ($ in millions, cumulative F2019 to F2021) ***Former Definition***	1,076	1,676	T2021 1,400
	# of direct clients identified as women-owned businesses (ownership of 50% and over)[1] ***New Definition***	12,144	15,100	T2024 19,000
Work in partnership to extend reach and provide support to entrepreneurs	# of indirect clients	11,816	11,290	T2023 12,500

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

1 BDC direct clients excluding CIP. Clients in more than one unit are only counted once.

2 Note that the fiscal 2021 forecast is unusually high due to our CAP initiative. The fiscal 2022 target reflects a return to normal volumes for asset-light financing.

3 "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).

Long term (5 years)		Actual F2020	Forecast F2021	Target (T)
Support women-led tech firms	$ authorized to women in tech (VC) ($ in millions, cumulative to fiscal 2023)	58	81	T2023 100
Fulfill our complementary role by serving underserved entrepreneurs	% of Financing portfolio that is sub-investment grade[4]	91	91	T2022 Maintain a minimum of 93
Provide financing and advisory services that enable clients to succeed	% of clients who reported a positive impact on their business following the services they received from BDC[5]	92	89	T2022 Maintain a minimum of 89
Help restore the VC asset class to profitability to attract private sector investors	BDC direct VC funds total value to paid-in capital (TVPI)[6]	1.61	1.55	T2022 1.25 or higher
Accelerate entrepreneurs' competitiveness	Results of BDC's Impact Study[7]	9.3	N/A	T2023 BDC has a positive impact on revenue growth
Increase the amount of capital available to Canada's promising cleantech firms	$ accepted, Cleantech Practice ($ in millions, cumulative fiscal 2018 to fiscal 2022)[8]	244	395	T2022 600

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

4 Sub-investment grade is rated BB+ or less.

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

6 TVPI, a VC industry standard metric, is a ratio of the current value of investments to the original amount invested. BDC's direct VC funds are Information Technology (IT), Healthcare, Industrial, Clean and Energy Technology (ICE), Industrial Innovation Venture Fund, Co-Investments and Women in Technology Venture Fund (WIT).

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

8 Includes Financing, Growth & Transition Capital and Venture Capital.

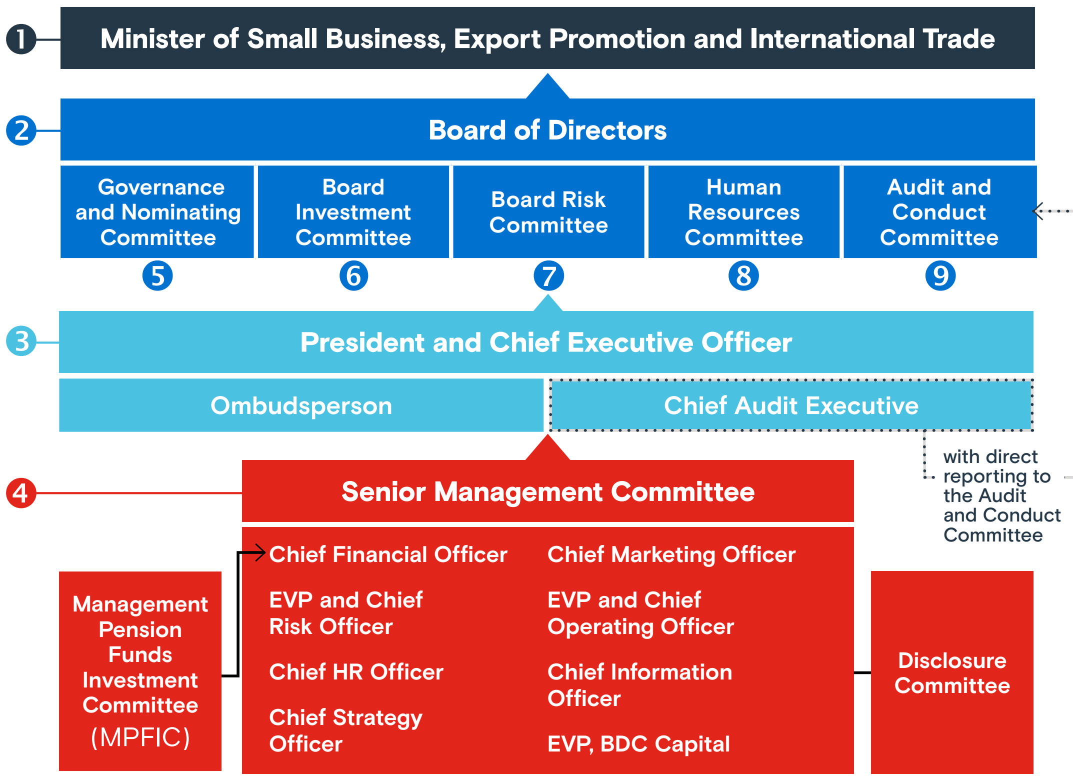
Chief Executive Officer commitment: I, Michael Denham, as Chief Executive Officer of BDC, am accountable to the Board of Directors of BDC for the implementation of the results described in this Corporate Plan and outlined in this section. I confirm that this commitment is supported by the balanced use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

Michael Denham, Chief Executive Officer, BDC

Original signed January 22, 2021

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

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



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

An independent **Board of Directors** ❷, supported by various committees ❺–❾, ensures a high standard of corporate governance and ethical conduct. BDC's **President and CEO** ❸ sits on and reports to the board. The board is responsible for the following:

- approving BDC's strategic direction, Corporate Plan, and operating and capital budget to meet its public policy mandate
- approving the risk appetite framework and the regulatory compliance framework
- approving succession planning, performance management and compensation for the senior management team
- setting the President and CEO's performance objectives and evaluating his or her performance
- ensuring the highest standards of corporate governance and board effectiveness
- approving financial management, internal controls and management information systems
- overseeing BDC's pension plans
- approving financing and investment activities beyond the board committees' authority, and overseeing financial and advisory services

BDC's **Senior Management Committee** ❹ comprises 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 disclosure obligations and practices
- establishing and monitoring compliance with the risk appetite statement, and assessing the effectiveness of risk management functions

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

- assessing risk associated with the corporate governance framework
- ensuring that high standards of corporate governance, ethical business conduct and integrity are maintained, including with respect to diversity and inclusion
- 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, and assessing the performance and effectiveness of the board and its committees
- implementing a director orientation program

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

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

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

- ensuring that BDC's material financial, business and operational risks are identified and that adequate controls are in place
- overseeing the activities of the Chief Risk Officer and the risk function
- monitoring BDC's risk profile, stress testing, strategic and emerging risks and compliance with risk limits
- approving stress testing models and results
- overseeing and approving transactions that exceed the delegation of authority of senior management
- approving the framework for the approval of all new products and services

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

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

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

- recommending BDC's consolidated financial statements to the board and reviewing the adequacy and effectiveness of the internal control framework
- overseeing the activities of the compliance function and the Chief Compliance Officer
- overseeing information management systems
- recommending the Capital Management and Dividend Policy to the board
- overseeing the internal audit function and the Chief Audit Executive
- overseeing the external auditors and special examiners
- overseeing BDC's standards of integrity and conduct

Compensation of key management personnel

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

$ in thousands	2019	2020
Salaries and short-term employee benefits	5,961	6,455
Post-employment benefits	1,496	1,474
Other long-term benefits	1,596	1,269
Total	**9,053**	**9,198**

Risk management

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

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 determines core risk principles, which dictate that BDC will only take risks that:

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

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

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

BDC's approach to risk management is based on four pillars of risk management as illustrated in the diagram below.

Each pillar incorporates risk management governance, programs, processes, tools and reports to ensure an effective framework for the management of risk.

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

Top risks	**Mitigation**
F **Portfolio risk** The risk that business disruption, market uncertainty and global recession will lead to higher loan defaults, pricing that is not aligned to client risk profiles and a higher number of clients who are vulnerable to financial difficulty.	→ Implementation of special COVID-19 initiatives, including BCAP and HASCAP, subject to specialized processes as well as specific monitoring and reporting → Maintenance of BDC's due diligence criteria and credit adjudication procedures → Continuous portfolio monitoring → Maintenance of internal capital requirements through prudent capital management and stress testing
O **Operational risk** The risk associated with operational failure due to human, process or technology faults in the context of physical distancing (displacement of employees and remote interaction with clients) and remote connectivity.	→ Application of the business continuity plan and related controls → Use of second line of defence oversight, continuous monitoring, portfolio testing and reporting → Ensuring secure IT infrastructure and control environment → Use of documented processes, automated controls and segregation of duties
T **Cyber-security** The risk that technology will be used to maliciously access, use or distribute restricted data, disrupt operations or intentionally compromise BDC's reputation. Exposure to illegal/fraudulent activity, cyber-security risks and internal threats. This risk is further elevated as a result of remote connectivity by employees and suppliers and the current operating environment.	→ Continuous security reviews and enhancements as appropriate → Secure IT infrastructure and control environment → Monitoring infrastructure, systems and applications for anomalies, issues or potential security vulnerabilities → Infrastructure testing → Disaster recovery and cyber incident response strategies and protocols → Organizational change management and communication → Third-party monitoring and reporting of dark web activity, cyber activity and threat intelligence
T **Information technology (IT) failure** The risk of IT infrastructure and related applications not adequately responding to business needs because of a lack of systems availability, reliability, capacity, serviceability and maintenance.	→ Ongoing incident and problem management processes → Systems and application upgrades in alignment with best practices → Disaster recovery plans and business continuity testing
O **Third-party failure** The risk of failure and/or security compromise associated with the sourcing, procurement and performance of third-party suppliers, products and services.	→ Third-party risk management program → Contract and service agreements → Third-party monitoring and reporting → Contingency planning
O **Reputational risk** The risks to BDC's public image related to the perception we are unable or unwilling to provide financial support to some Canadian entrepreneurs, including those with poor risk profiles before the COVID-19 crisis and the perception we are not delivering solutions in a timely manner due to high volumes.	→ Corporate communications team managing media requests, issues and social media commentary → Continuous monitoring and reporting to identify and address key trends and ensure a uniform response from BDC management → Coordination of positions and responses with the Government of Canada → Proactive outreach to key stakeholders and influencers → Enhanced procedures and activities, including process streamlining, reassigning employees and tech solutions to manage higher volumes

F Financial risk T Technological risk O Operational risk

***Top risks** (cont'd)*	**Mitigation**
F Market uncertainty The risk that increasing market uncertainty and adverse changes in the macroeconomic environment will result in significant changes in interest rates and other market factors impacting loans, investments and transactions.	→ Business unit planning and strategic reviews → Contingency plans designed to address specific market scenarios and/or remediate emerging risks → Stress testing of programs to ensure proactive identification of adverse scenarios → Portfolio sensitivity analysis → Effective credit risk management policies and procedures → Ongoing monitoring and administration of credit risk → Effective systems and controls to detect and prevent inappropriate credit risk
O Climate change Risks associated with climate change and its impact on both BDC and its clients. These include severe weather events, changing economic systems and evolving government and societal responses that may result in a broad range of risks, including strategic, reputational, structural and credit-related risks.	→ Alignment with the recommendations of the Financial Stability Board's Task Force on Climate Related Financial Disclosures → B Corp certification → Portfolio composition → Establish methodologies to identify, assess and manage the impact that climate change and climate change policies will have on financing and investment portfolios → Identification of governance best practices to oversee climate risks → Climate risk stress testing and scenario analysis
F Portfolio volatility The risk that increasing market uncertainty and adverse changes in market factors such as interest rates, foreign exchange rates, equity or commodity prices will result in losses that exceed expectations.	→ Treasury risk management policies and procedures → Activity monitoring to ensure alignment with board approved limits → Economic forecast and market assessments
O Change management The risk that the volume and velocity of change resulting from large concurrent strategic initiatives and internal priorities will impact BDC's ability to implement initiatives effectively, increase reliance on limited specialized resources and/or disrupt its capacity to deliver on its mandate and achieve its strategic objectives.	→ Annual strategic planning process to identify and prioritize change → Implementation of a transformation office → Human resource change management function integrated in projects and activity planning → Project management, change management functions and leaders to address organizational change → Senior management engagement and communications to ensure employee buy-in and organizational strategic focus
O Human resources The risk that labour and skill shortages will arise from the following: competition for key resources; increasing operational demands for specialized skills and knowledge; a highly demanding workplace environment with large, varied and concurrent changes underway.	→ High employee engagement, relative to industry benchmarks → Increased activities towards employer brand recognition, including marketing campaigns → Learning and development strategies → Succession planning for critical positions → Leadership and career development → Competitive total rewards strategies

F Financial risk T Technological risk O Operational risk

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

Response to COVID-19 pandemic

Responding to the effects of the ongoing COVID-19 pandemic is currently the first priority of the Government of Canada. Supporting entrepreneurs through this difficult time is also of greatest importance to BDC.

In early March 2020, BDC was among the first organizations to deploy additional measures to provide more access to capital for entrepreneurs, including working capital loans, flexible terms and payment postponements, bridge financing for venture-backed companies and several tools deployed by the Advisory Services team to support entrepreneurs during the crisis.

Through the Government of Canada's Business Credit Availability Program (BCAP) and Highly Affected Sectors Credit Availability Program (HASCAP), BDC also developed and deployed several new offerings, in particular a Co-Lending Program for small businesses and a Mid-Market Financing Program for medium-sized businesses, both designed to help businesses with term loans for their operational cash flow requirements. These programs have been extended into fiscal 2022.

Looking ahead, BDC is committed to continuing to adapt to the needs of Canadian entrepreneurs, both in terms of the services we provide and how we deliver these services. We will continue to invest in technology, process excellence and digitization to become even more responsive to the needs of entrepreneurs.

The COVID-19 pandemic has also underscored the importance of **digitization for businesses** to be resilient in the face of changing consumer habits and public health closures. While BDC has long advocated for and assisted businesses in adopting new digital technologies, there is room for more progress. This effort will continue with financing and advice as well as free tools.

Finally, we intend to continue to deepen our **collaboration with the many other parts of the federal government** that are working to make Canadian entrepreneurs successful and our economy more competitive.

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 financial statements
- providing annual reports under the *Access to Information Act and Privacy Act*
- publishing quarterly financial reports on our website
- publishing the Office of the Auditor General Special Examination report on our website
- answering questions from various stakeholders, including the federal government and parliamentarians
- answering access to information and privacy requests
- conducting regular outreach to financial institutions and ecosystem players to ensure our activities remain complementary to the private sector
- webcasting our Annual Public Meeting to share corporate results and future priorities
- providing information to the public about our activities through, for example, news releases, publications and presentations

Diversity, inclusion, accessibility, safe workspaces and employment equity

Diversity and inclusion

We are committed to diversity and inclusion in our efforts to encourage entrepreneurship in Canada, notably through our support for underserved and diverse groups. Within BDC, our leadership and employees are equally committed to building an increasingly diverse and inclusive workplace and workforce.

We have been recognized for our commitment to diversity, including once again being named in 2020 as a Top Diversity Employer, due to the many initiatives, partnerships and corporate support we devote to achieving this goal.

However, looking at BDC's overall workforce composition, we acknowledge we still have work to do to be truly representative of the communities we serve.

BDC's Diversity and Inclusion Leadership Council works in close collaboration with senior management and our Diversity and Inclusion Centre of Expertise team to identify, co-create and prioritize projects and initiatives in support of the diversity and inclusion action plan and sponsor our diversity and inclusion employee resource groups (ERGs). Our ERGs are comprised of volunteer employees from across the organization who undertake grassroots initiatives to raise awareness and engagement related to underrepresented groups (including the four employment equity designated groups: Indigenous persons, persons with disabilities, visible minorities and women); support our local communities; and help LGBTQ2+ and all diverse colleagues at the Bank feel valued because of their differences, not despite them.

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

BDC also continues to focus on gender equality with a commitment to benchmarking ourselves from a gender parity perspective. We have achieved bronze parity certification status with Women in Governance and look to enhance our position through innovative changes to our policies and practices.

In light of the global call to action against racism and discrimination, BDC has created an anti-racism action plan with initiatives to promote awareness and allyship through open dialogue and training. In support of Black entrepreneurs, BDC has signed the BlackNorth Initiative CEO pledge, an initiative of the Council of Business Leaders Against Anti-Black Systemic Racism that asks senior business leaders in Canada to commit their companies to specific actions and targets designed to end anti-Black systemic racism and create opportunities for those in underrepresented communities.

BDC continues to address the unique challenges that many Indigenous entrepreneurs face by offering them tailored financing and advice, among other types of support. In addition, BDC's Diversity and Inclusion Committee for Indigenous Persons is committed to contributing to the following two calls to action of the Truth and Reconciliation Commission of Canada.

Call to Action 92—Business and reconciliation

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

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

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

BDC acknowledges its responsibility to contribute to reconciliation and education and to move forward with equitable opportunities for Black people, Indigenous people and people of colour (BIPOC).

Looking ahead, we recognize that BDC needs to be bolder and evolve our diversity and inclusion strategy and culture to make it more strategic. During fiscal 2021, BDC improved its diversity and inclusion governance structure to include the new Diversity and Inclusion Leadership Council made up of a diverse group of leaders representing all business lines and regions. The council is chaired by our Chief Human Resources Officer and works in close collaboration with the Senior Management Committee and the Diversity and Inclusion Centre of Expertise. We are aiming for increased accountability and a shared commitment to diversity and inclusion so as to foster a culture of inclusion and belonging.

Gender-based analysis plus (GBA+)

BDC is committed to ensuring its services are accessible to all entrepreneurs, regardless of gender, race, ethnicity, religion, age or disability. BDC ensures that all stakeholders are considered and unintended consequences mitigated by examining how various intersecting identity factors impact the effectiveness of its initiatives. Furthermore, BDC pays particular attention to underserved segments by offering them tailored support. This includes, but is not restricted to, women entrepreneurs, Black entrepreneurs, Indigenous entrepreneurs and young entrepreneurs. (See Supporting underserved and diverse entrepreneurs on page 12 for more details.)

Over the planning period, BDC will continue to raise employee awareness about underserved segments by maintaining unconscious bias training as part of BDC's ongoing development curriculum and will find new ways to advance gender equality in Canada.

Safe workspaces and employment equity

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

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

We will continue to pursue our Supplier Diversity Program, winner of the WBE Canada 2019 President's Award, to attract a greater number of suppliers from key entrepreneur segments, including Black entrepreneurs, Indigenous entrepreneurs, people of colour, women and B Corp companies.

BDC also believes Canada's official languages reflect the diversity of our country, and we were proud to participate in numerous activities celebrating the 50th anniversary of the *Official Languages Act* with the support of BDC's Official Languages Committee. We recognize the benefits of a workplace that promotes Canada's linguistic duality, and the importance of our obligations to serve the public and our employees in both official languages.

We want to ensure our workplace, both physical and virtual, is a space where everyone feels included and can freely contribute their thoughts and ideas. It is through differing perspectives and experiences that we can grow, innovate and ultimately have a greater impact on Canadian entrepreneurs.

Sustainable development and greening government operations

BDC is committed to reducing the environmental impact of our operations. Some of our initiatives include:

- achieving LEED certification for 10 business centres and applying LEED criteria in all new business centres
- publicly endorsing the principles and guidelines of the Task Force on Climate-related Financial Disclosure and joining our finance sector peers in learning methodologies to implement them.

The COVID crisis has changed thinking and plans for managing the operational footprint of businesses, including those of BDC. Like all organizations, we are experiencing a transformation in our business operations. What will remain constant, however, is our habitual management practice of incorporating environmental responsibility into our planning and decision-making.

Key partnerships

Increasing access to financing

Other financial institutions: BDC partners with other financial institutions and lenders to increase credit availability. This includes:

- BCAP and HASCAP, where BDC and financial institutions have joined forces to support businesses during COVID-19 relief and recovery
- co-lending, where BDC enhances partners' lending appetite by sharing or taking on more risk
- syndicated loans, which involve a group of lenders coming together to finance larger projects than they otherwise would individually
- indirect financing, where BDC offers securitization and secured lending facilities to independent financing and leasing companies, conducted through the Funding Platform for Independent Lenders (F PIL), in partnership with TAO Asset Management

Global Affairs Canada (GAC): BDC supports entrepreneurs to become export ready by partnering with GAC's Trade Commissioner Service in assisting CanExport recipients on their export journey. CanExport is a multi-year program that provides direct financial assistance to Canadian SMEs that are seeking to develop new export opportunities and markets.

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

Futurpreneur Canada: Futurpreneur and BDC collaborate to offer joint financing to young entrepreneurs aged 18 to 39. Last year, BDC and Futurpreneur increased their joint maximum loan commitment to $60,000 per application.

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

National Aboriginal Capital Corporations Association (NACCA): BDC is partnering with NACCA to launch the Indigenous Growth Fund.

Enhancing the entrepreneurial ecosystem

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

BlackNorth Initiative (BNI): BDC has 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.

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

Canadian Black Chamber of Commerce (CBCC): CBCC supports the business objectives and represents the interests of Black entrepreneurs. It provides opportunities to bid on corporate and government contracts, offers mentoring and access to financing via partners. BDC is in preliminary discussions with CBCC regarding various collaborative initiatives.

Canadian Council for Aboriginal Business (CCAB): CCAB provides an array of business development offerings, including certification for Aboriginal-owned businesses and companies with Progressive Aboriginal Relations. Tools and Financing for Aboriginal Business connects Indigenous entrepreneurs with tools, training and networks to strengthen and scale their businesses. BDC is currently in partnership discussions with CCAB to better serve Indigenous businesses.

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

Canadian Venture Capital and Private Equity Association (CVCA): BDC maintains a strong working relationship with the CVCA, which is a leading source of advocacy and professional development for VC and private equity professionals. BDC Capital supports many CVCA initiatives, including women VC investors, diversity and inclusion and the GP Code of Conduct on Workplace Discrimination and Sexual Harassment.

Cisco: We launched a new partnership with Cisco and Women of Influence to provide support for women entrepreneurs across the country via a series of five panel discussions entitled *What now? How entrepreneurs are adapting to COVID,* as well as to share articles and tools on financing and technology to help women entrepreneurs navigate the pandemic and the recovery.

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

DMZ: BDC is supporting 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 more equitable entrepreneurial opportunities and meeting their unique needs by helping them break down barriers to the growth of their businesses.

Ernst & Young and Réseau des Femmes d'affaires du Québec (RFAQ): Ernst & Young, RFAQ and BDC organized a roundtable event with more than 50 partners that focused on how we can support women entrepreneurs in their efforts to find more clients and improve their use of e-commerce. Separately, BDC signed a partnership agreement with RFAQ to deliver a series of business skills training seminars to a group of 25 Quebec women entrepreneurs in the manufacturing and service sectors.

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

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 VC general partners.

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

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

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

Start-Up Canada: BDC's partnership provides support to the Canadian start-up community via sponsorship and attendance at Start-up Canada events across the country.

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

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

Vancouver City Savings Credit Union (Vancity): Vancity is Canada's largest community credit union that serves member-owners throughout British Columbia. BDC is currently exploring how BDC can work with with Vancity in the context of the Black Opportunity Fund.

A. Compliance with legislative requirements

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:

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

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

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

Regulatory compliance framework

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

Business units as operational management

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

Compliance as an oversight function

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

Internal audit as an independent review function

- The activities carried out by the corporate compliance function are subject to periodic reviews by internal audit, which assesses the reliability of and adherence to the regulatory compliance framework.

Regulatory Compliance Policy

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

Regulatory compliance accountability

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

B. Compliance with policy requirements

This section contains information about BDC's efforts to comply with Governor in Council and ministerial directives.

Privy Council Order 2015-1109 on the Directive on Travel, Hospitality, Conference and Event Expenditure

- Pursuant to section 89 of the *Financial Administration Act,* BDC received an Order from the Governor General in Council, requiring that BDC align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations.
- BDC is aligned with the Treasury Board's *Directive on Travel, Hospitality, Conference and Event Expenditure* and the applicable guide and the latest updates to the directive dated August 1, 2020. BDC discloses on its website the travel and hospitality expenses of senior executives and members of the Board of Directors. These disclosures have become more detailed and are made on a monthly basis since June 21, 2019, the date of coming into force of *An Act to Amend the Access to Information Act and the Privacy Act and to Make Consequential Amendments to Other Acts* (Bill C-58).

Privy Council Order 2014-1378 on cost sharing for the BDC pension plan

- In December 2014, pursuant to section 89 of the *Financial Administration Act,* BDC received an Order from the Governor General in Council, directing it to review its pension plan to ensure that it remained affordable, financially sustainable and consistent with the terms of the Public Service Pension Plan. To comply with this directive, BDC implemented amendments to its defined benefit pension plan effective January 1, 2015. BDC is compliant with the Order 2014-1378 and will closely monitor the situation to ensure there is no significant deviation from the 50:50 service cost sharing ratio in the coming years.

C. Compliance with legislation

This section contains information about BDC's efforts to comply with legislation specifically covered by Treasury Board policy instruments

Access to Information and Privacy Act

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

Official Languages Act

BDC has a structure to comply with the *Official Languages Act.* The Chief Human Resources Officer, who is BDC's official languages champion, delegates the decision-making authority to the Official Languages Committee.

The committee provides the overall direction, planning and coordination of activities, monitors adherence to the *Official Languages Act* and promotes official languages at BDC. An Official Languages Procedure describes the principles of the law and outlines its application and administration in various BDC activities. BDC's senior management receives reports from the committee on a yearly basis.

BDC is closely following and preparing to comply with the regulatory and legislative developments with respect to the above-mentioned legislation, specifically amendments to the *Official Languages Act* regulations (communications and services to the public).

Information is provided below on amendments and interpretations to existing standards, as well as new standards, that are effective starting in fiscal 2022, or that are not yet effective but are expected to affect BDC's financial results.

New accounting changes not yet in effect

Future accounting changes

As at March 31, 2021, certain new standards, amendments and interpretations to existing standards will be published by the International Accounting Standards Board (IASB) and are not being adopted early by BDC. These standards include the interest rate benchmark reform project as described below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on BDC's Consolidated Financial Statements.

Interest rate benchmark reform

In September 2019, in response to uncertainty arising from the phasing out of benchmark interest rates such as Interbank Offered Rates (IBORs), the IASB issued amendments to its new and former financial instrument standards. Phase 1 of the amendments, applicable for annual periods beginning on or after January 1, 2020, provided temporary exceptions from applying specific hedge accounting requirements in IFRS 9 and IAS 39 to all hedging relationships directly affected by interest rate benchmark reform, as well as specific disclosures requirements in IFRS 7. Phase 1 of the reform did not have an impact on BDC's Consolidated Financial Statements as BDC does not apply hedge accounting.

In August 2020, the IASB issued the second phase and final amendment of the interest rate benchmark reform project, which addresses issues that might affect financial reporting once existing benchmark rates are replaced with alternative benchmark rates. The final amendment sets out amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4—Insurance Contracts and IFRS 16. The final amendment proposes modifications to the following areas: modifications of financial assets, financial liabilities and lease liabilities, hedge accounting requirements and specific disclosures. The amendments are effective for annual periods beginning on or after January 1, 2021 and are to be applied retrospectively. Early application is permitted. BDC is currently assessing the impact of adopting the second phase of the reform project but does not expect that it will have a material impact on BDC's Consolidated Financial Statements.

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

	2020	2021	2022	2023	2024	2025	2026
ASSETS							
Cash and cash equivalents	1,821	1,450	908	955	1,001	1,047	1,111
Derivative assets	12	12	–	–	–	–	–
Loans							
Loans, gross carrying amount	28,472	32,731	34,238	34,450	35,037	36,497	38,574
Less: allowance for expected credit losses	(1,199)	(1,624)	(1,613)	(1,289)	(1,150)	(1,046)	(1,008)
Loans, net of allowance for expected credit losses	27,273	31,107	32,625	33,161	33,887	35,451	37,566
Asset-backed securities	778	774	885	1,112	1,428	1,759	2,175
Subordinate financing investments	1,241	1,330	1,423	1,505	1,559	1,631	1,723
Venture capital investments	1,721	2,487	2,942	3,276	3,518	3,646	3,737
Total investments	3,740	4,591	5,250	5,893	6,505	7,036	7,635
Right-of-use asset	128	122	108	95	81	67	54
Net defined benefit asset	42	–	–	–	–	–	–
Other assets	137	143	133	131	119	108	101
Total assets	**33,153**	**37,425**	**39,024**	**40,235**	**41,593**	**43,709**	**46,467**
LIABILITIES AND EQUITY							
Liabilities							
Accounts payable and accrued liabilities	158	180	189	192	196	205	217
Derivative liabilities	16	–	–	–	–	–	–
Borrowings							
Short-term notes	19,362	14,899	15,576	22,318	23,334	24,864	26,707
Long-term notes	4,207	4,825	4,722	4,832	5,058	5,373	5,900
Total borrowings	23,569	19,724	20,298	27,150	28,392	30,237	32,607
Lease Liabilities							
Short-term lease liabilities	12	13	13	14	15	15	12
Long-term lease liabilities	125	122	109	95	80	66	53
Total lease liabilities	137	135	122	109	95	81	65
Net defined benefit liability	246	596	656	730	808	889	975
Other liabilities	124	226	426	447	399	345	298
Total liabilities	**24,250**	**20,861**	**21,691**	**28,628**	**29,890**	**31,757**	**34,162**
Equity							
Share capital	4,009	11,512	11,947	6,501	6,263	5,923	5,607
Contributed surplus	28	28	28	28	28	28	28
Retained earnings	4,846	4,996	5,331	5,052	5,387	5,977	6,647
Accumulated other comprehensive income	9	15	14	13	12	11	10
Equity attributable to BDC's shareholder	**8,892**	**16,551**	**17,320**	**11,594**	**11,690**	**11,939**	**12,292**
Non-controlling interests	11	13	13	13	13	13	13
Total equity	**8,903**	**16,564**	**17,333**	**11,607**	**11,703**	**11,952**	**12,305**
Total liabilities and equity	**33,153**	**37,425**	**39,024**	**40,235**	**41,593**	**43,709**	**46,467**
Debt-to-equity ratio	**2.7**	**1.2**	**1.2**	**2.3**	**2.4**	**2.5**	**2.7**

Actuals Forecast Plan

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

	2020	2021	2022	2023	2024	2025	2026
Interest income	1,763	1,608	1,705	1,729	1,766	1,825	1,916
Interest expense	367	85	86	90	77	61	56
Net interest income	**1,396**	**1,523**	**1,619**	**1,639**	**1,689**	**1,764**	**1,860**
Net realized gains (losses) on investments*	248	90	(49)	(39)	2	13	31
Revenue from Advisory Services	29	18	22	29	31	32	34
Fee and other income	74	51	87	97	93	93	94
Net revenue	**1,747**	**1,682**	**1,679**	**1,726**	**1,815**	**1,902**	**2,019**
Provision for expected credit losses	(773)	(658)	(691)	(717)	(647)	(502)	(445)
Net change in unrealized appreciation (depreciation) of investments**	(540)	228	89	111	122	134	136
Net foreign exchange gains (losses)	34	(67)	–	–	–	–	–
Net gains (losses) on other financial instruments	1	1	–	–	–	–	–
Income before operating and administrative expenses	**469**	**1,186**	**1,077**	**1,120**	**1,290**	**1,534**	**1,710**
Salaries and benefits	452	441	509	524	537	554	572
Premises and equipment	46	45	45	46	48	49	48
Other expenses	189	183	188	193	202	211	220
Operating and administrative expenses	**687**	**669**	**742**	**763**	**787**	**814**	**840**
Net income (loss)	**(218)**	**517**	**335**	**357**	**503**	**720**	**870**
Net income (loss) attributable to:							
BDC's Shareholder	(193)	515	335	357	503	720	870
Non-controlling interests	(25)	2	–	–	–	–	–
Net income (loss)	**(218)**	**517**	**335**	**357**	**503**	**720**	**870**

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

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

	2020	2021	2022	2023	2024	2025	2026
Net income (loss)	**(218)**	**517**	**335**	**357**	**503**	**720**	**870**
Other comprehensive income (loss)							
Items that may be reclassified subsequently to net income							
Net change in unrealized gains (losses) on fair value through other comprehensive income assets	2	7	–	–	–	–	–
Net unrealized gains (losses) on cash flow hedges	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Total items that may be reclassified subsequently to net income	**1**	**6**	**(1)**	**(1)**	**(1)**	**(1)**	**(1)**
Items that will not be reclassified to net income							
Remeasurements of net defined benefit asset or liability	92	(365)	–	–	–	–	–
Other comprehensive income (loss)	**93**	**(359)**	**(1)**	**(1)**	**(1)**	**(1)**	**(1)**
Total comprehensive income (loss)	**(125)**	**158**	**334**	**356**	**502**	**719**	**869**
Total comprehensive income (loss) attributable to:							
BDC's Shareholder	(100)	156	334	356	502	719	869
Non-controlling interests	(25)	2	–	–	–	–	–
Total comprehensive income (loss)	**(125)**	**158**	**334**	**356**	**502**	**719**	**869**

Actuals Forecast Plan

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

	2020	2021	2022	2023	2024	2025	2026
Opening balance	**7,756**	**8,903**	**16,564**	**17,333**	**11,607**	**11,703**	**11,952**
Net Income (loss)	(218)	517	335	357	503	720	870
Other comprehensive income (loss)	93	(359)	(1)	(1)	(1)	(1)	(1)
Total comprehensive income (loss)	**(125)**	**158**	**334**	**356**	**502**	**719**	**869**
Dividends on common shares	(128)	–	–	(636)	(168)	(130)	(200)
Distributions to non-controlling interests	(6)	–	–	–	–	–	–
Issuance (repurchase) of common shares	1,406	7,503	435	(5,446)	(238)	(340)	(316)
Closing balance	**8,903**	**16,564**	**17,333**	**11,607**	**11,703**	**11,952**	**12,305**

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

	2020	2021	2022	2023	2024	2025	2026
Net cash flows used in operating activities	(1,181)	(3,385)	(898)	(93)	(246)	(891)	(1,300)
Net cash flows used in investing activities	(134)	(629)	(639)	(616)	(529)	(422)	(475)
Net cash flows provided by financing activities	2,432	3,643	995	756	821	1,359	1,839
Net increase (decrease) in cash and cash equivalents	**1,117**	**(371)**	**(542)**	**47**	**46**	**46**	**64**
Cash and cash equivalents at beginning of year	704	1,821	1,450	908	955	1,001	1,047
Cash and cash equivalents at end of year	**1,821**	**1,450**	**908**	**955**	**1,001**	**1,047**	**1,111**

Actuals Forecast Plan

BDC's business lines restructuring

The following changes to BDC's business lines came into effect in fiscal 2021 as a result of a minor restructuring of activities.

- Growth equity and IP financing, previously included in the Growth & Transition Capital business line, are now presented in the Venture Capital segment.
- The Cleantech Practice, presented as a stand-alone segment in the last Corporate Plan, is now included in the Capital Incentive Programs segment, previously named Venture Capital Incentive Programs (VCIP).

The following table summarizes the impacts of this restructuring of BDC's on activity level, net income and portfolio for the fiscal year that ended on March 31, 2020.

Table 10—Business lines restructuring
($ in millions)

Business lines	Fiscal Year ended March 31, 2020	Reclassification impact	Fiscal Year ended March 31, 2020
Growth & Transition Capital			
Acceptances/authorizations	425	(31)	394
Net income (loss)	(18)	(15)	(33)
Portfolio at fair value	1,115	(133)	982
Venture Capital			
Acceptances/authorizations	244	31	275
Net income (loss)	(102)	15	(87)
Portfolio at fair value	1,296	133	1,429
Cleantech			
Acceptances/authorizations	91	(91)	-
Net income (loss)	(11)	11	-
Portfolio at fair value	118	(118)	-
Capital Incentive Programs			
Acceptances/authorizations	65	91	156
Net income (loss)	(72)	(11)	(83)
Portfolio at fair value	420	118	538

Financing

Demand for liquidity remains high as entrepreneurs seek capital to cope with the COVID-19 pandemic. However, most entrepreneurs have ample access to liquidity due to government assistance programs, including BDC's CAP initiatives. Additionally, private financial institutions continue to lend to businesses that are successfully coping with the economic downturn or have not been hard-hit by the pandemic. Therefore, demand for BDC's regular products is expected to be lower in fiscal 2021 and fiscal 2022, resulting in loans acceptances below their fiscal 2020 level for both years.

The economy is expected to be fully recovered by fiscal 2023, and some businesses will need financing to support growth projects. This demand will push loan acceptances above their fiscal 2020 level. From fiscal 2023, Financing's loan acceptances are projected to grow by 7% annually, reaching $9.8 billion in fiscal 2026.

BDC expects to meet this increased demand by improving processes and investing in technology, as well as by continuing to enhance its delivery model. This will result in an increase in productivity through the planning period.

Asset-backed securities acceptances are expected to grow by annualized 24% during the planning period, reflecting BDC's desire to reach more entrepreneurs through its indirect channel. It should be noted that acceptances for asset-backed securities fluctuate and are difficult to forecast because they involve a small number of deals for large amounts.

We expect to see modest portfolio growth in fiscal 2022, but this will ramp up in fiscal 2023 and the following years, when the portfolio is projected to grow by 8% annually, driven by an increase in activity. This will bring the portfolio to $41 billion by fiscal 2026.

In fiscal 2021, Financing net income is expected to increase due in part to a reduction in operating expenses caused by the reassignment of employees to the CAP segment.

In fiscal 2022, net income will increase mainly due to reversal of provisions on expected credit losses as the economy recovers. In fiscal 2023 and fiscal 2024, net income is projected to decrease as the provision for expected credit losses return to historical levels. The net income will then increase until fiscal 2026 due to a higher growth rate of net revenues compared to operating expenses, reflecting efficiency gains from investments in technology and digital initiatives.

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

	2020	2021	2022	2023	2024	2025	2026
Loans acceptances	**7,410**	**4,740**	**7,110**	**7,935**	**8,495**	**9,120**	**9,795**
Asset-backed securities acceptances	**40**	**335**	**300**	**500**	**500**	**700**	**1,000**
Net interest income	**1,300**	**1,352**	**1,355**	**1,394**	**1,478**	**1,591**	**1,712**
Fee and other income	23	23	23	25	27	29	31
Net revenue	**1,323**	**1,375**	**1,378**	**1,419**	**1,505**	**1,620**	**1,743**
Provision for expected credit losses	(773)	(323)	(116)	(221)	(283)	(297)	(327)
Net change in unrealized appreciation (depreciation) of investments	2	(4)	-	-	-	-	-
Net foreign exchange gains (losses)	(3)	(2)	-	-	-	-	-
Net gains (losses) on other financial instruments	1	1	-	-	-	-	-
Income before operating and administrative expenses	**550**	**1,047**	**1,262**	**1,198**	**1,222**	**1,323**	**1,416**
Operating and administrative expenses	518	371	514	557	585	610	631
Net income from Financing	**32**	**676**	**748**	**641**	**637**	**713**	**785**
Portfolio outstanding	**29,300**	**29,952**	**30,985**	**32,514**	**34,841**	**37,516**	**40,518**

Actuals Forecast Plan

Growth & Transition Capital

Market demand for Growth & Transition Capital's offerings is expected to remain low in fiscal 2021 and fiscal 2022 due to the COVID pandemic. During this period, most entrepreneur's liquidity needs will be met through government assistance programs. As the economy recovers, stronger demand for business transition and refinancing is expected. This should result in a 14% annual increase in acceptances, from $375 million in fiscal 2023 to $560 million in fiscal 2026. Portfolio at fair value is expected to reach $1.5 billion in fiscal 2026, representing 10% annualized growth over the planning period.

As GTC's activities grow with the economic recovery, optimal use of resources will remain a focus. In the short term, operating and administrative expenses are expected to remain below their fiscal 2020 level as some GTC employees were temporarily reassigned to help deploy CAP initiatives.

Operating and administrative expenses as a percentage of the average portfolio outstanding at cost are projected to decrease from 4.3% in fiscal 2023 to 3.9% in fiscal 2026.

Early in the planning period, net income is expected to be impacted by fair value depreciation and higher write-offs due to the pandemic. However, the continued focus on efficiency, coupled with portfolio growth, fair value appreciation and lower write-offs, should result in a steady increase in net income over the duration of the plan, reaching $100 million in fiscal 2026. It should be noted that due to high volatility in fair value, which translates into portfolio volatility, it is difficult to make reliable net income forecasts.

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

	2020	2021	2022	2023	2024	2025	2026
Acceptances*	**394**	**135**	**240**	**375**	**460**	**515**	**560**
Net interest income	**91**	**80**	**75**	**76**	**84**	**96**	**108**
Net realized gains (losses) on investments**	(5)	(10)	(14)	(26)	(5)	(2)	(3)
Fee and other income	30	22	21	25	30	36	41
Net revenue	**116**	**92**	**82**	**75**	**109**	**130**	**146**
Net fair value appreciation (depreciation)	(120)	(36)	(7)	8	9	9	8
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	14	17	18	28	6	2	3
Net foreign exchange gains (losses)	–	(2)	–	–	–	–	–
Income before operating and administrative expenses	**10**	**71**	**93**	**111**	**124**	**141**	**157**
Operating and administrative expenses	43	35	41	45	48	53	57
Net income (loss) from GTC	**(33)**	**36**	**52**	**66**	**76**	**88**	**100**
Portfolio at fair value	**982**	**915**	**874**	**964**	**1,122**	**1,295**	**1,464**

* Uni-tranche senior debt component is excluded as it is volatile and difficult to forecast.
Growth equity and IP financing acceptances are excluded as these activities were transfered to Venture Capital.
** Includes write-offs

Actuals Forecast Plan

Venture Capital

Venture Capital will play a catalyst role in the Canadian VC ecosystem during the COVID crisis and as the economy slowly recovers. Over the planning period, direct authorizations are forecast at or over $150 million annually. This will be mostly driven by capital deployment from the Industrial Innovation Venture Fund, Women in Technology Venture Fund and from co-investments. Finally, the deployment of the new Deep Tech Venture Fund in fiscal 2022 will help maintain the pace of direct authorizations. Indirect authorizations are expected to rise from $150 million in fiscal 2021 to $170 million annually for the duration of the plan. Indirect capital deployments will support multiple initiatives that align with BDC Capital's overarching strategy. These include core VC programming in ICT, healthcare and cleantech as well as an indirect growth equity strategy and support for select ecosystem funds that address under-served communities (e.g. women and BIPOC) and emerging tech clusters.

Growth equity acceptances are expected to increase over the duration of the plan, driven by the launch of a second fund of $250 million. IP financing acceptances are forecast to reach $50 million per year from fiscal 2024, in line with BDC's objective to provide targeted financing to IP-rich companies. Proceeds from venture capital investments are expected to exceed $1 billion over the planning period as legacy investments exit the portfolio and a growing number of indirect investments provide a steady stream of distributions. Growth equity proceeds are expected to total $162 million, as investments from the initial fund exit the portfolio.

Disbursements are forecast to total $1.9 billion, including $300 million from growth equity and $208 million from IP financing. This will bring the portfolio at fair value to $3.1 billion by the end of the planning period.

With adverse market conditions, brought on by the COVID-19 crisis in the final month of fiscal 2020, VC's investments experienced significant fair value depreciation. Sectors such as technology and life sciences benefitted from a strong economic rebound with the reopening of the economy in late spring, and VC's portfolio is expected to experience significant fair value appreciation. As a result, net income should reach $200 million in fiscal 2021. In line with recent years' performance, venture capital investments are forecast to generate increasing net income from fiscal 2022 and onward. Moreover, the segment's profitability will be boosted by the growth equity follow-on fund. Net income is expected to reach $102 million by fiscal 2026. It should be noted, however, that due to the risky nature of venture capital, which translates into portfolio volatility, it is difficult to make reliable net income forecasts.

Table 13—Venture Capital: Activity and statement of income
($ in millions)

	2020	2021	2022	2023	2024	2025	2026
Direct authorizations	**129**	**140**	**155**	**160**	**155**	**150**	**150**
Indirect authorizations	**115**	**150**	**170**	**170**	**170**	**170**	**170**
Growth equity acceptances	**31**	**40**	**50**	**60**	**60**	**70**	**75**
IP financing acceptances	**-**	**15**	**30**	**40**	**50**	**50**	**50**
Proceeds	**437**	**209**	**120**	**188**	**263**	**301**	**310**
Disbursements	**254**	**281**	**331**	**376**	**395**	**414**	**431**
Net interest income	-	-	1	2	4	6	7
Net realized gains (losses) on investments	256	144	32	92	108	121	142
Write-offs	(3)	(44)	(50)	(67)	(55)	(59)	(73)
Net realized gains (losses) on investments and write-offs	**253**	**100**	**(18)**	**25**	**53**	**62**	**69**
Fee and other income	14	4	1	1	2	3	4
Net revenue (loss)	**267**	**104**	**(16)**	**28**	**59**	**71**	**80**
Net fair value appreciation (depreciation)	(118)	246	83	74	113	112	120
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	(229)	(51)	27	1	(25)	(32)	(44)
Net foreign exchange gains (losses)	37	(62)	-	-	-	-	-
Income before operating and administrative expenses	**(43)**	**237**	**94**	**103**	**147**	**151**	**156**
Operating and administrative expenses	44	37	46	49	51	52	54
Net income (loss) from Venture Capital	**(87)**	**200**	**48**	**54**	**96**	**99**	**102**
Portfolio at fair value	**1,429**	**1,735**	**2,037**	**2,314**	**2,572**	**2,809**	**3,051**

Actuals Forecast Plan

Advisory Services

Canadian entrepreneurs will continue to struggle in the pandemic and look for ways to take advantage of new opportunities. As a result, Advisory Services will continue to work toward improving the accessibility of its offering as well as enriching the knowledge and information available for free for entrepreneurs on the bdc.ca website.

The demand for advisory services is expected to remain low in fiscal 2022 as entrepreneurs will still be impacted by the pandemic. As a result, revenue from activities is forecast to be $22 million in fiscal 2022, resulting in a net investment (net loss) of $52 million.

As the economy recovers and entrepreneurs focus on growth and innovation, Advisory Services revenue is expected to return to pre-COVID levels in fiscal 2023, with $29 million generated, and steadily grow to $34 million in fiscal 2026.

From fiscal 2023, the net investment (net loss) is expected to remain at $46 million or less, primarily reflecting productivity improvements and continuous enhancements to the operating model and processes. The cost-recovery ratio should increase from 39% in fiscal 2021 to 55% in fiscal 2026, while sustaining or improving our impact on client businesses.

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

	2020	2021	2022	2023	2024	2025	2026
Revenue from activities	29	18	22	29	31	32	34
Operating and administrative expenses including delivery costs	76	60	74	74	74	77	80
Net income (loss) from Advisory Services	**(47)**	**(42)**	**(52)**	**(45)**	**(43)**	**(45)**	**(46)**
Cost-recovery ratio*	47%	39%	37%	49%	53%	54%	55%

* 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), the Cleantech Practice and the Indigenous Growth Fund (IGF).

In fiscal 2020, VCAP investments experienced significant fair value depreciation due primarily to the economic downturn. As specific sectors benefitted from a strong economic rebound since reopening in late spring, the portfolio is expected to experience significant fair value appreciation. As a result, net income should reach $40 million in fiscal 2021. BDC's participation in VCAP is expected to earn a return of capital of 1.5x over the life of the program. Over the planning period, this translates into anticipated proceeds of $318 million and net income of $76 million as the program benefits from its investments.

BDC's participation in VCCI expects a long-term return on investments of 1.25x. Over the planning period, disbursements should total $244 million, while proceeds are expected to total $40 million. To implement the program, BDC expects capital injections totalling $372 million by fiscal 2022. Due to the J-curve effect, net losses are projected early in the planning period. VCCI is then expected to generate $30 million in net income from fiscal 2024.

BDC projects its Cleantech Practice will deploy $600 million in debt and equity transactions by fiscal 2024. The envelope was originally planned to be fully deployed by fiscal 2022, however follow-on investments to continue supporting entrepreneurs are now expected until fiscal 2024. To implement the program, BDC expects capital injections totalling $600 million by fiscal 2022. With this level of activity, BDC expects the Cleantech Practice portfolio at fair value to peak in fiscal 2023 at $437 million. Given the risky nature and long lifespan of cleantech transactions, a net loss of $47 million is forecast between fiscal 2022 and fiscal 2026. Financial results are expected to be subject to significant volatility.

BDC expects to initiate the Indigenous Growth Fund (IGF) in fiscal 2022. It will provide capital to Aboriginal Financial Institutions to offer loans to new and expanding Indigenous businesses. The capital is expected to be fully disbursed over the planning period, and we intend to recover the capital over the life of the fund, which extends beyond the planning period. The financial projections may differ from results, as the fund structure is finalized. As this is a new fund, BDC is currently reviewing how it will report on its activities. As such, presentation of this segment in this Corporate Plan may differ from future annual reports.

Overall, the programs are forecast to generate $34 million of net income over the planning period.

Table 15—CIP: Activity and statement of income
($ in millions)

	2020	2021	2022	2023	2024	2025	2026
Acceptances/Authorizations	**156**	**154**	**250**	**45**	**15**	**-**	**-**
Net interest income	5	8	15	19	19	16	12
Net realized gains (losses) on investments*	1	(1)	(17)	(28)	(26)	(27)	(15)
Fee and other income	6	1	2	3	3	3	3
Net revenue (loss)	**12**	**8**	**-**	**(6)**	**(4)**	**(8)**	**-**
Net fair value appreciation (depreciation)	(94)	64	(26)	(24)	(16)	6	22
Reversal of fair value depreciation (appreciation) on divested investments and write-offs	5	1	17	29	30	32	22
Income before operating and administrative expenses	**(77)**	**73**	**(9)**	**(1)**	**10**	**30**	**44**
Operating and administrative expenses	6	6	8	8	8	8	8
Net income (loss) from CIP	**(83)**	**67**	**(17)**	**(9)**	**2**	**22**	**36**
Portfolio at fair value	**538**	**808**	**1,019**	**1,135**	**1,124**	**1,012**	**867**

* Includes write-offs

Credit Availability Program

In response to the COVID-19 crisis, BDC launched wide-ranging initiatives grouped under the Credit Availability Program (CAP) in fiscal 2021. The program is making capital available to entrepreneurs at a time when many are experiencing their greatest need. In addition to the initiatives launched at the outset of the COVID-19 crisis, we are deploying the Highly Affected Sectors Capital Availability Program to provide additional liquidity to Canadian businesses. Please refer to the section entitled Increase access and reach on page 10 for more information on CAP initiatives.

Given the uneven recovery and second wave of infections, many entrepreneurs continue to face financial difficulties. BDC will continue to support them through CAP initiatives in fiscal 2022. As a result, BDC expects to deploy $10.4 billion in capital in fiscal 2021 and 2022. The high level of uncertainty on the amount to be committed should be noted, as deployment will depend upon many factors external to BDC's control.

Because CAP initiatives are designed to respond to entrepreneurs' short-term financial needs to help them weather the recession, BDC expects the portfolio to fall to $309 million by fiscal 2026.

CAP operating expenses are expected to peak in fiscal 2021, reflecting operational changes implemented to rapidly deploy support to entrepreneurs. These included the reassignment of employees from core business lines to the deployment of CAP initiatives. In the following years, operating expenses are projected to decrease steadily as the outstanding portfolio decreases. With important provisions for expected credit losses, due to the riskier profile of the portfolio, and lower revenues, due to reduced pricing, the CAP portfolio should generate a net loss of $1.3 billion over the duration of the plan. 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)

	2021	2022	2023	2024	2025	2026
Acceptances/authorizations	**4,235**	**1,130**	**-**	**-**	**-**	**-**
Loan guarantees issuances	**1,000**	**4,000**	**-**	**-**	**-**	**-**
Net interest income	**83**	**173**	**148**	**104**	**55**	**21**
Net realized gains (losses) on investments*	1	–	(10)	(20)	(20)	(20)
Fee and other income	1	40	43	31	22	15
Net revenue	**85**	**213**	**181**	**115**	**57**	**16**
Provision for expected credit losses	(335)	(575)	(496)	(364)	(205)	(118)
Net change in unrealized appreciation (depreciation) on investments**	(9)	(23)	(5)	5	5	5
Net foreign exchange gains (losses)	(1)	–	–	–	–	–
Income before operating and administrative expenses	**(260)**	**(385)**	**(320)**	**(244)**	**(143)**	**(97)**
Operating and administrative expenses	160	59	30	21	14	10
Net income (loss) from CAP	**(420)**	**(444)**	**(350)**	**(265)**	**(157)**	**(107)**
Portfolio	**3,912**	**4,573**	**3,416**	**1,883**	**901**	**309**

* Includes write-offs

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

Capital budget

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

Facilities expenditures are expected to decrease from fiscal 2021 to fiscal 2024 as leasehold improvements expenditures for head office and relocation of some offices are completed.

Table 17—Capital budget
($ in millions)

	2020	2021	2022	2023	2024	2025	2026
Facilities	14	19	7	13	3	2	4
Information technology	18	11	9	11	10	11	11
Total	**32**	**30**	**16**	**24**	**13**	**13**	**15**

Actuals Forecast Plan

BDC's capital management framework is aligned with:

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

Capital management methodology

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

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

To manage the $8.4-billion capital injection received for CAP, BDC has established an internal structure where CAP, its related capital and any excess capital is maintained independently from BDC's core portfolio.

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

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

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

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

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

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

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

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

Available capital

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

Required capital

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

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

BDC holds 100% capital for its Venture Capital portfolio.

Management operating range

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

Capital projections

Capital planning is a key component of BDC's ICAAP. For planning purposes, BDC allocates capital by business line and the allocation includes all risk types. The decision to deploy excess capital as dividends 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

To manage through the ongoing COVID-19 crisis, excess capital available at the end of fiscal 2021 will not be paid as dividends and will be used to support the risks surrounding the crisis. Dividend payments are set to resume by fiscal 2022 year-end with excess capital to be distributed in fiscal 2023.

Credit Availability Program portfolio

In alignment with BDC's response to the COVID-19 pandemic, the shareholder provided a capital injection that BDC has earmarked for CAP initiatives. Capital requirements are expected to peak at the beginning of fiscal 2022 when all loans should be committed.

We expect the portfolio to start decreasing in fiscal 2022, thus gradually reducing capital requirements and triggering share repurchases in fiscal 2023.

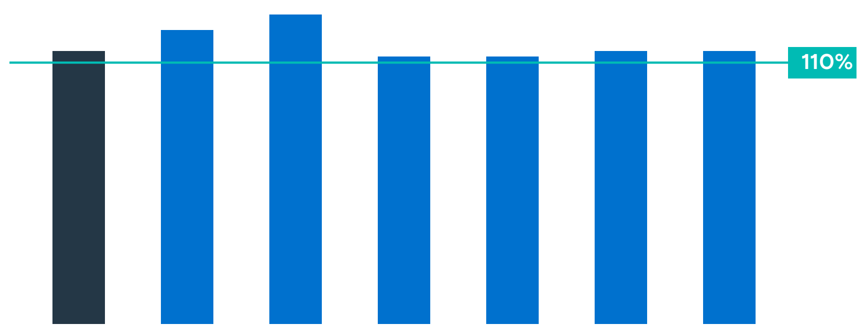
Internal capital ratio (applicable to BDC's core portfolio)

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

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

The internal capital ratio is expected to increase in fiscal 2022 to help manage the aftermath of COVID-19 and the deployment of an appropriate strategy. Dividends are expected to resume in fiscal 2023. From fiscal 2023 to fiscal 2026, return is expected to be in line with portfolio growth, thus generating stable internal capital ratio.

Table 18—Internal capital ratio
(available capital as a percentage of economic capital required)



2020	2021	2022	2023	2024	2025	2026
112%	115%	118%	112%	111%	112%	112%

Projected — Actual — Target capital

Dividend Policy

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

Statutory limitations

The Business Development Bank of Canada Act requires that the aggregate of borrowings and contingent liabilities in the form of guarantees provided by BDC may not exceed 12 times its equity. The debt-to-equity ratio is projected to be 1.2:1 in fiscal 2021, meaning that for every $1.20 of debt, BDC has $1 of equity. The ratio is expected to be within the statutory limit of 12.0:1 over the planning period (Table 5).

As shown in Table 19, BDC's paid-in capital is expected to reach $11.5 billion in fiscal 2021 following the $7.5 billion capital injections for CAP. Paid-in capital, contributed surplus and any proceeds that have been prescribed as equity (such as hybrid capital instruments) must at no time exceed the new ceiling of $20 billion determined by the shareholder in October 2020.

Table 19—Paid-in capital
($ in millions)

	2020	2021	2022	2023	2024	2025	2026
Opening paid-in capital	**2,603**	**4,009**	**11,512**	**11,947**	**6,501**	**6,263**	**5,923**
Capital injections (repurchase of shares)							
Capital Incentive Programs	462	–	435	–	(90)	(70)	(60)
Credit Availability Program	944	7,503	–	(5,446)	(148)	(270)	(256)
Closing paid-in capital	**4,009**	**11,512**	**11,947**	**6,501**	**6,263**	**5,923**	**5,607**

Borrowing plan

Legislative authorities

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

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

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

Overview of the borrowing plan

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

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

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

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

Short-term borrowing

By the end of fiscal 2022, short-term borrowings will make up over 77% of total debt outstanding. BDC is projecting the proportion of short-term debt outstanding to increase to 82% 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 at $4.7 billion in fiscal 2022. Long-term borrowings are expected to remain stable due to modest fixed portfolio growth.

From fiscal 2023 onwards, long-term borrowings are forecast to increase due to the growth of BDC's fixed portfolio.

Table 20—Projected outstanding borrowings at year end
($ in millions)

	2020	2021	2022	2023	2024	2025	2026
Short-term borrowings	19,362	14,899	15,576	22,318	23,334	24,864	26,707
Long-term borrowings	4,207	4,825	4,722	4,832	5,058	5,373	5,900
Total	**23,569**	**19,724**	**20,298**	**27,150**	**28,392**	**30,237**	**32,607**

Table 21—Short-term borrowings
($ in millions)

	2020	2021	2022	2023	2024	2025	2026
Canadian dollar borrowings	19,362	14,899	15,576	22,318	23,334	24,864	26,707
US dollar borrowings	–	–	–	–	–	–	–
Total	**19,362**	**14,899**	**15,576**	**22,318**	**23,334**	**24,864**	**26,707**

Table 22—Outstanding long-term borrowings
($ in millions)

	2020	2021	2022	2023	2024	2025	2026
Opening balance	1,443	4,207	4,825	4,722	4,832	5,058	5,373
Maturities	–	(3)	(417)	(829)	(830)	(1,638)	(1,386)
New issuances	2,764	621	314	939	1,056	1,953	1,913
Total	**4,207**	**4,825**	**4,722**	**4,832**	**5,058**	**5,373**	**5,900**
Fixed rate	4,071	4,701	4,722	4,832	5,058	5,373	5,900
Floating rate	136	124	–	–	–	–	–
Total	**4,207**	**4,825**	**4,722**	**4,832**	**5,058**	**5,373**	**5,900**

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 was increased to 90 days of net cash outflow due to the capital injection received to deploy CAP initiatives. Starting January 1, 2021, 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, 2020 and 2019.

Table 23—Liquidity levels
($ in millions)

	Minimum	Actual	Maximum
As at March 31, 2020	**32**	**1,771**	**2,957**
As at March 31, 2019	147	650	1,194

Actuals Forecast Plan