
MANDATE OF THE BOARD OF DIRECTORS

1. Purpose

The Board of Directors (“**Board**”) is accountable to the Shareholder and reports to Parliament through the Minister of Small Business and Export Promotion (“**Minister**”). The Board is responsible for the stewardship of the Business Development Bank of Canada (“**BDC**”) and to ensure that it fulfills its mandate to help Canadian entrepreneurs grow their businesses and enhance their global competitiveness. In discharging its duties, the Board is assisted by its standing committees: the Audit and Conduct Committee, the Board Risk Committee (BRC), the Human Resources Committee (HRC), the Governance/Nominating Committee (GN), the Board Investment Committee (BIC), and any special committees which it may establish from time to time. The Board may merge or dispose of any Board committee. The Board delegates to management the power to manage the business of BDC, and defines the limits of management’s authority through formal delegations of authority in conformity with BDC’s Risk Appetite Framework, statutory limitations and by-laws.

2. Composition and Operation

2.1 Composition of Board

BDC’s Directors (“**Members**”) are appointed by the Minister with the approval of the Governor in Council for terms not to exceed four (4) years. All decisions of the Board Members must be made in the best interest of BDC, taking into account its public policy mandate.

As provided in their respective Charters, the Board Committees have recommendation and decision-making powers on certain topics. All Committees have the authority to hire independent external consultants. All Committee Members are independent from management and no Committee Member may be an officer or former officer or employee of BDC.

2.2 Operation of Board

The operation of the Board and its meetings are described in BDC’s Code of General By-laws.

3. Responsibilities and Duties

The Board shall:

3.1 BDC Mandate and Strategic Planning

3.1.1. Assess periodically the relevance and effectiveness of BDC’s mandate to support entrepreneurs taking into consideration amongst other things its financial sustainability objectives and public policy mandate, and, if appropriate, propose changes for the consideration of the Minister including the review and approval of any position paper with respect to the periodic review of the BDC Act (“**Legislative Review**”);

3.1.2. Approve BDC’s strategic direction, priorities and the Corporate Plan on an annual basis, taking into account BDC’s public policy objectives, business opportunities mandate, financial sustainability and effective

risk management:

- Appreciate and manage the necessary trade-offs between the often competing public policy and financial sustainability objectives of BDC;
- Respond to challenges and disruption in the Canadian ecosystem and the financial services industry, including technological change, innovation and new players;
- Represent BDC and speak collectively, through the Chairperson of the Board ("**Chairperson**"), to the Minister and other government officials as part of the consultations on the statement of priorities and accountabilities; the President and CEO ("**CEO**") should be involved and participate in these discussions as appropriate;

- 3.1.3. Monitor the implementation and effectiveness of the approved strategies and the BDC Corporate Plan;
- 3.1.4. Approve BDC's tone at the top standards with respect to a culture of integrity, compliance and risk;
- 3.1.5. Approve BDC's corporate, financial and other goals, including the performance measures identified in the Corporate Plan and operating and borrowing plans, and actions of BDC, including major capital allocations, borrowings, expenditures and transactions;
- 3.1.6. Approve major business and policy decisions and BDC's main lines of business;
- 3.1.7. oversee the digital transformation of the Bank, including change management, to ensure BDC has the tools and capacity to continue to deliver on its public policy mandate;
- 3.1.8. Review the performance of BDC against the performance measures in the Corporate Plan and take action where appropriate;

3.2 **Oversight of Risk Management Framework**

- 3.2.1. Approve the Risk Management Framework and the Policies set forth at Appendix 1;
- 3.2.2. Assess BDC's Risk Culture and receive reports on BDC's Risk Profile and any material exceptions to Policies;
- 3.2.3. Ensure that controls and procedures are in place to identify, manage and mitigate the principal risks to which BDC is exposed including without limitation strategic, credit, market, liquidity, operational, legal, reputational, environmental and technological risks and to safeguard BDC's resources;
- 3.2.4. Approve the Delegation of Authority Policy and any loans, investments

and transactions exceeding the authority of the BRC and BIC;

3.3 Talent and Culture

- 3.3.1. Work with management to define BDC's values and culture and ensure there are appropriate mechanisms in place to protect and promote them;
- 3.3.2. Approve at least annually, with the assistance of the Human Resources Committee and any other committee with a relevant mandate, BDC's strategy for talent acquisition and retention, its human resource management and compensation plans to ensure BDC has the processes in place to identify, evaluate, develop and compensate the talent it needs to deliver on its strategy and preserve its unique culture;
- 3.3.3. Approve BDC's organizational structure and any significant changes thereto;
- 3.3.4. Approve the succession planning processes for Senior Management, critical and key positions of BDC, and the selection process, appointment, compensation and evaluation of Senior Management and the Chief Audit Executive, to ensure that senior management has the right leadership mindset to foster BDC's culture and values;
- 3.3.5. Develop, in conjunction with the Chairperson and the CEO, a position description for the CEO and the required skills and responsibilities;
- 3.3.6. Approve the CEO's objectives and obtain the Minister's consent with regards thereto;
- 3.3.7. Assess the performance of the CEO against the agreed upon duties and objectives;
- 3.3.8. Approve the benefits of the CEO;

3.4 Corporate Governance and Board Effectiveness

- 3.4.1. Review at least annually, with the assistance of the Governance/Nominating Committee, BDC's approach to corporate governance;
- 3.4.2. Review and update the Board's mandate;
- 3.4.3. Define practices for in camera sessions for the Board and its Committees and ensure that they are complied with;
- 3.4.4. Establish Board committees to assist the Board in carrying out its roles and responsibilities and define their mandates and charters;
- 3.4.5. Undertake regular evaluations of the Board and its committees and review their composition to ensure the effectiveness and independence of the Board and its Members;
- 3.4.6. Review the Board succession plans;
- 3.4.7. Make recommendations to the Minister, through the Chairperson, on the selection criteria and position description and participate in the

Shareholder's search for candidates for the position of CEO;

- 3.4.8. Develop selection criteria, a position description and a selection process for the position of Chairperson. Develop a selection process (including a skills matrix and a gap analysis) to identify qualified candidates and make recommendations to the Minister for the appointment of Members;
- 3.4.9. Take all reasonable measures to satisfy itself as to the integrity of management and that management creates a culture of integrity and values throughout BDC;
- 3.4.10. Adopt and review on a regular basis the BDC Code of Conduct, Ethics and Values and the BDC Board Code of Conduct and monitor compliance with such codes;
- 3.4.11. Adopt and review on a regular basis orientation and continuing education programs for Directors;
- 3.4.12. Ensure that proper indemnification arrangements are in place to cover the liability of Directors and Officers with respect to their service to BDC;

3.5 Financial Matters, Compliance, Conduct and Internal Controls

- 3.5.1. Review the effectiveness of BDC's internal controls and information management systems, including information security;
- 3.5.2. Review the processes and controls in connection with the certification of BDC's financial statements;
- 3.5.3. Monitor the quality and integrity of BDC's financial statements and oversee their compliance with applicable audit, accounting and reporting standards and requirements;
- 3.5.4. Review the terms of engagement of the external auditors and special examiners and the scope of their mandate;
- 3.5.5. Approve BDC's capital management and allocation methodology and monitor capital usage and stress testing models to ensure BDC has adequate capital to deliver on its Corporate Plan;
- 3.5.6. Approve dividends;
- 3.5.7. Oversee the effectiveness of the Compliance Function and approve the Regulatory Compliance Policy to ensure BDC remains aligned with the evolving regulatory environment;
- 3.5.8. Oversee the Conduct review of the Audit and Conduct Committee to ensure BDC employees embody its integrity, values and culture;

3.6 Oversight of Disclosure Policy and Public Disclosure

- 3.6.1. Assess the effectiveness of BDC's Disclosure Policy;
- 3.6.2. Oversee the establishment of processes for the accurate and timely production, approval and disclosure of the quarterly and annual financial statements and the Annual Report and the submission of this information

to the Shareholder;

- 3.6.3. Submit the Special Examiner's report to the Minister responsible for BDC and the President of the Treasury Board, within 30 days after receiving it;
- 3.6.4. Make the Special Examiner's report available to the public within 60 days after receiving it;
- 3.6.5. Hold a public meeting within 15 months after the day on which the last public meeting was held with at least one Director and the CEO in attendance to answer questions from the public;

3.7 Pension Matters

- 3.7.1. Establish, monitor and review, as appropriate, the design of BDC's pension plans and funding and investment policies and strategies; and
- 3.7.2. Monitor the performance of professional fund managers.

Board members shall demonstrate a high level of professionalism in the discharge of their responsibilities. They must prevent personal interests from conflicting, or creating the appearance of a conflict, with the interests of BDC and disclose the details of any such conflicts. They are expected to attend the meetings of the Board and of the Board committees on which they sit and to rigorously prepare for and actively participate in such meetings. They must maintain the confidentiality of BDC's information and Board and committee deliberations. They are also expected to be available to provide advice and counsel to the CEO or other Senior Officers of BDC upon request.

The primary role and key responsibilities of the Chairperson of the Board are outlined in the Profile for the Chairperson of the Board.

Appendix 1: Policies Approved by the Board

1. Policy of Policies
2. Regulatory Compliance Policy
3. Disclosure Policy
4. Procurement and Contracting Policy
5. Business Expenses Policy
6. Capital Management and Dividends Policy
7. IT Policy
8. Information Security Policy
9. AML/ATF/S Policy
10. Credit and Investment Risk Management Policy
11. Delegation of Authority Policy
12. Operational Risk Management Policy
13. Enterprise Risk Management Policy
14. Risk Appetite Statement
15. Treasury Risk Policy
16. Venture Capital Policy
17. Policy on Handling Referrals and Enquiries
18. Board Code of Conduct
19. Policy on Reimbursement of Directors' Expenses
20. Board Policy on Personal Trading
21. Director Orientation and Continuing Education Policy
22. BDC Code of Conduct, Ethics and Values
23. People Policy

- 24. Pension Plans Funding Policy
- 25. Statement of Investment Policy RBPO
- 26. Statement of Investment Policy RFP
- 27. Statement of Investment Policy SRP