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## BUSINESS DEVELOPMENT BANK OF CANADA

### BOARD CODE OF CONDUCT

(the “Board Code”)

#### 1. Guiding Principles

No code can replace the thoughtful behaviour of an ethical director. BDC's essential objective is to uphold BDC's values of honesty, integrity, loyalty and compliance with laws and practices of ethical conduct in all of its corporate activities. The purpose of the Board Code is to foster a climate of honesty, truthfulness and integrity and define the standards of ethical conduct that apply to all members of the Board of Directors and to support the Board's oversight of Conduct Review. This in turn promotes public confidence and trust in the integrity, objectivity and impartiality of the Bank.

The BDC Governance/Nominating Committee is responsible for setting the standards of business conduct contained in the Board Code. In addition, it is responsible for regularly updating these standards as it deems appropriate to reflect changes in the legal and regulatory framework applicable to BDC, the business practices within the industries in which it operates, BDC's own business practices and the prevailing ethical and conduct standards of the communities in which BDC operates. BDC directors are expected to comply with these business, conduct and ethical standards.

While BDC's Governance/Nominating Committee will oversee and monitor directors' compliance with the Board Code, it is the individual responsibility of each director to comply with the Board Code and respect the mandates and policies that apply to directors.

#### 2. Obligations

**2.1** Every BDC director in exercising his or her powers and in discharging his or her duties shall comply with the provisions of the *Business Development Bank of Canada Act* (BDC Act), the *Financial Administration Act* (FAA), the *Conflict of Interest Act* (COIA), the Privy Council Office's Guidelines for the Political Activities of Public Office Holders and any other applicable laws, regulations, by-laws, resolution, guidelines and policies and shall:

**2.1.1** act honestly and in good faith with a view to the best interest of BDC; and

**2.1.2** exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**2.2** As part of the more general obligations set out above, every BDC director shall:

**2.2.1** exercise his or her director's powers for the purpose for which they were intended;

**2.2.2** ensure that the director's personal interest and his or her duty to BDC are not brought into conflict; and

**2.2.3** ensure that the director does not obtain a personal gain or benefit, other than the compensation set forth in the Board Profile, as a result of his or her relationship with BDC,

**2.2.4** abstain from taking advantage of business opportunities that belong to the Bank and have come to the attention of directors by virtue of their office,

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**2.2.5** avoid undermining any decision of the Board, regardless of whether the director agrees with or votes for that decision.

**2.3** In discharging the general duty of loyalty to BDC, in accordance with the requirements of Section 116 of the FAA and Sections 31 to 33 of the BDC Act, every director who:

**2.3.1** is a party to a material contract or transaction or proposed material contract or transaction;

**2.3.2** is a director or officer of, or has a material interest in, any entity who is a party to a material contract or transaction or proposed material contract or transaction with the BDC; or

**2.3.3** is, or one of his or her close family members<sup>i</sup> is, a partner, shareholder, director or officer of an entity which is applying for a loan, investment or guarantee with BDC;

shall disclose the nature and extent of his or her interest in writing to the BDC Corporate Secretary, or request to have that interest entered in the minutes of the meeting of directors at which the contract or transaction is first considered. In addition, such director shall retire from the meeting, if required by the Board of Directors, while the discussion on the contract or transaction or proposed contract or transaction is taking place and shall refrain from voting on the subject under consideration. However, this shall not prevent the Board of Directors from calling him or her into the meeting to answer any questions regarding the matter under discussion nor shall it release the director from his or her obligations to inform the Board of Directors of what he or she knows of the situation and of any concerns.

As it may be impractical for a director or officer who serves as a director or officer of another entity or who has an interest in another entity to know that the entity is entering into a contract or transaction with BDC (and therefore to give notice of every such contract or transaction), it is sufficient for the director to deliver a general notice to the Corporate Secretary and the directors of BDC upon joining the BDC board and when any new interests arise, declaring that he or she is a director or officer or has an interest in an entity and is to be regarded as interested in any contract or transaction made with that entity. Directors should declare any outside business activities that could possibly lead to a conflict of interest or situation prejudicial to the Bank's interests and, once on the Board, should discuss any such opportunity with the Chairperson prior to accepting it.

**2.4** Every director of BDC shall comply in all respects with the Policy on Personal Trading for Directors (the "Trading Policy"), as same may be amended, updated or replaced from time to time. The Trading Policy is hereby incorporated by reference and forms a part of the Board Code, so that a breach of the Trading Policy shall constitute a breach of the Board Code. The Trading Policy establishes standards for securities trading for directors with the intention of avoiding any improper conduct, or even the appearance of improper conduct.

### **3. Principles of Ethical Conduct**

The following principles of ethical conduct are not exhaustive. They cover minimum standards and common business situations in which ethical or legal concerns arise. Directors should understand and comply with the spirit of professional integrity that underlies these standards.

#### **3.1 Compliance with Laws and Policies**

In conducting the business of BDC, Directors must comply in all matters with all applicable laws, rules, regulations and practices in jurisdictions where BDC operates as well as with BDC's by-laws and BDC policies. Director's are required to read and comply with these documents, which can be consulted in the Directors' and Officer's Manual. BDC will not

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engage in any activities that are illegal and does not permit Directors to do so on its behalf. Any question about the interpretation or application of legislation or the legality of any issue may be addressed to the Chief Legal Officer, Chief Compliance Officer before taking action.

### **3.2 Protecting BDC's Reputation**

BDC's reputation is at the core of its success and must be protected continuously. It has been built over the years and depends upon employees' and directors' shared commitment to BDC's principles of ethical conduct. Directors should conduct themselves in ways that enhance BDC's reputation with clients and the public at large and protect BDC from image or reputational damage.

### **3.3 Environmental, Social and Governance**

Environmental, Social and Governance (ESG) is about meeting society's expectations and managing the economic, social and environmental consequences of our actions. It is a principle, not a stand-alone program, and it shapes BDC Policies and practices.

At BDC, ESG means:

Economically: supporting entrepreneurs and entrepreneurship to create economic opportunities related to, and supporting the Shareholder's objective of, transitioning to a low carbon economy.

Socially: using responsible governance, finance and human resource practices to act in ways that build public trust, notably by using its complementary role to promote diversity and inclusion and access to financing and advisory services for groups that might not have sufficient access.

Environmentally: supporting entrepreneurs and their sustainable development, reducing BDC's environmental footprint and acting responsibly towards the environment to protect BDC and its stakeholders against environmental and climate change risk.

### **3.4 Fair Dealing**

Directors should deal fairly with those with whom they interact. Strong mutual respect, transparency of actions, open communications and a spirit of support are to permeate all interactions with fellow directors and employees.

### **3.5 Relationships between Individuals**

BDC's commitment to people extends beyond its client and supplier relationships, to all its relationships and it must act as "One Team, One Bank". Directors should behave respectfully, openly, honestly, collaboratively and professionally at all times with all individuals with whom they interact.

### **3.6 Diversity and Inclusiveness**

Workplace diversity provides different perspectives and supports opportunity, change and innovation. BDC values individual differences and diversity and promotes, at a minimum, the standards and protection of federal employment equity legislation. Directors should comply with these principles and deal fairly and ethically with diversity issues and treat all people with respect and dignity.

### **3.7 Workplace Free from Harassment, Discrimination and Violence**

BDC promotes a work environment that encourages mutual respect and professional conduct and that is free from discrimination, harassment and violence. Harassment and

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violence are defined as any action, conduct or comment, including of a sexual nature, that can reasonably be expected to cause offence, humiliation or other physical or psychological injury or illness to an employee or director including any prescribed action, conduct or comment.

Harassment, discrimination and violence are not tolerated.

### **3.8 Substance Abuse**

It is strictly prohibited to be impaired by the consumption of alcohol or drugs while on BDC's premises or while conducting BDC business or activities.

### **3.9 Referrals and Enquiries by Members of Parliament, Senators, Ministers and their Staff, and BDC Directors**

BDC encourages referrals from Clients, Consultants or Suppliers, which must be provided without undue pressure. Any referral or enquiries by members of Parliament and BDC directors are required to follow the policy on *Handling of Referrals and Enquiries by Members of Parliament, Senators, Ministers and their Staff, and BDC Directors*.

### **3.10 Acceptance of Gifts**

Directors must not accept, nor offer, gifts consisting of cash, bonds, negotiable securities, discounts, hospitality or other favoured treatment or other benefits ("gift" or "gifts") that could influence their judgment or the performance of their duties. This also applies to their family members and interested persons. Any gift received inadvertently or involuntarily must be reported to BDC in order to determine the appropriate measures to be taken. Furthermore, if there is any doubt regarding the acceptance of a gift, it is recommended to consult with the Chief Legal Officer, Chief Compliance Officer, and Corporate Secretary.

### **3.11 Protecting BDC's Information Assets**

The use of BDC Critical Information, IT Systems or iPADs is subject to BDC Policies and Directives. Directors must comply at all times with directives and specific protection requirements, which include but are not limited to the following:

- the Information Security Policy
- the Disclosure Policy;
- the Management of BDC's Critical Information Directive
- the Protection of BDC's Critical Information Directive;
- the Acceptable Use of Information Technology Directive

#### **3.11.1 Accurate, Confidential and Secure Information and Records**

Directors must play their part in ensuring the accuracy and integrity of BDC's Critical Information, record-keeping, information gathering and reporting in IT Systems. BDC expects Directors to respect and follow its practices for management of Critical Information and its safeguards as described in the Management of BDC's Critical Information Directive and Protection of BDC's Critical Information Directive.

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BDC is subject to the Access to Information Act and therefore external parties may, subject to certain exemptions, have access to any records under BDC's control. This includes records in hard copy or electronic format. The Access to Information Act makes it a criminal offence to destroy, alter, falsify or conceal a document with the intent of obstructing the right of access under the Act.

### **3.11.2 Critical Information**

BDC's Critical Information is comprised of Personal Information of its employees and clients, Client Information and BDC's Corporate Information. Personal Information means information defined as personal under section 3 of the Privacy Act. This includes personal information about BDC's employees, consultants and suppliers, as well as its Clients (e.g. directors, officers, shareholders and guarantors of corporate Clients). The Privacy Act provides rules to follow for collection, retention, disposal and protection of Personal Information and provides the right of access for individuals to their Personal Information.

Client Information means information that was provided directly by the Client or one of its representatives, including information created by BDC in relation to a Client as part of BDC's operating programs or activities. Client Information is subject to section 37 of the BDC Act which generally prohibits the disclosure of Client Information to any unauthorized person without the Client's consent.

Corporate Information means information created by or originated from BDC that is not Client specific in relation to BDC's governance and operating programs or activities. Its use and protection falls under the Act and BDC has defined additional principles of use and protection to protect BDC Corporate Information.

### **3.11.3 Protecting Confidentiality of BDC's Critical Information**

Directors are required to protect the confidentiality and security of BDC's Critical Information when they use, retain and dispose of or destroy Information (e.g., by shredding).

As such, directors should, at all times:

- use the Critical Information only for the purposes for which it was provided to them;
- access Critical Information on a need to know basis only;
- not display Critical Information or leave Confidential documents lying about in an unsecured manner;
- not discuss Critical Information in public places, including hallways, elevators or cafeteria/restaurants or on blogs or social networks;
- not reveal Critical Information to persons outside BDC, including Family Members or Interested Persons, or any other person who does not require the information for his or her work;
- use only secure Information Media to transmit Critical Information ,e.g., Diligent Board books, and take necessary precautions when using unsecure Information Media such as cellular telephones and be certain with whom they are communicating; and
- destroy or dispose of Critical Information according to BDC's Management of Critical Information Directive and record management retention procedures.

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#### 3.11.4 Information Security

Directors are required to read and apply BDC's Acceptable Use of Information Technology Directive and other applicable BDC Policies, Directives and Procedures on information security at all times. BDC provides IT Systems, such as telephones, fax machines, photocopiers, computers, software, and iPads, for the purpose of performing its business operations. Directors are expected to ensure that any personal use of BDC IT Systems is kept to a minimum and they should have no expectation of privacy when using any BDC IT System, either on BDC premises or off-site. Directors have an obligation to protect BDC's assets, facilities, supplies, equipment, and IT Systems and programs against loss, theft, damage, misuse, corruption, vandalism and unauthorized access, use and disposal, both on BDC premises as well as off-premises. Directors are expected to safeguard access controls such as User ID, passwords and pass cards in accordance with the Acceptable Use of Technology Directive.

BDC is the exclusive owner of all Critical Information which includes data recorded on any IT Systems. BDC has the right to review, monitor and conduct audits of its IT Systems and iPADS, including e-mail communications.

#### 4. Waivers

No provision of this Code may be waived with respect to any director, except with the approval of the Board of Directors or the Governance/Nominating Committee to whom authority to grant such waivers is delegated by the approval of this Board Code.

#### 5. Violations

Any director who violates the Board Code shall face appropriate, case specific, disciplinary action.

Every director shall report, in person or in writing, any violation of the Board Code or the Policy which that director becomes aware of or has reasonable grounds for believing has occurred, to BDC's Governance/Nominating Committee. BDC shall not allow any retaliation against a director who acts in good faith in reporting any such violations.

BDC's Governance/Nominating Committee shall conduct a confidential investigation of any reported violations and shall recommend to the Board of Directors an appropriate response, including corrective action and preventative measures. If the Board considers such corrective or preventative action to be appropriate, it may make recommendations to the Governor in Council.

#### 6. Communications

**6.1** Directors may communicate to the Chairperson, the President and CEO ("CEO") or Senior Management any information that may be necessary or useful to BDC's management in the conduct of BDC's business;

**6.2** It is important that BDC communicate consistently with its stakeholders and with the media. Accordingly, the Chairperson and the CEO shall represent BDC in its discussion with government Ministers and other government officials. If Directors have communications with Ministers or Deputy Ministers, they will report the content of any discussion to the Chairperson or the CEO. Any inquiries from the media should be directed to the Chief Marketing Officer.

#### 7. Affirmations

Every director signs an Annual Affirmation/Acknowledgement and Undertaking which affirms that he or she has read and considered the Board Code, the Trading Policy and the Conflict of

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Interest rules in the BDC Act, the Financial Administration Act and the Conflict of Interest Act and affirms in writing his or her compliance with same. The director also undertakes to disclose, in accordance with section 2.4 of this Board Code, any material interest that he or she, or any close member of his or her family, may have, directly or indirectly, in a client or prospective client of BDC or in any existing or proposed material contract or transaction involving BDC.

Each director signs an Oath or Solemn Affirmation of Office upon their appointment in which they swear or affirm to perform the duties required of them as a director, to not communicate, disclose or make available any information relating to the business of the Bank or the affairs of its customers to any person who is not legally entitled to receive the information and to not allow any person to inspect or have access to any books or documents that belong to, or are in the possession of, the Bank and that relate to the business of the Bank or the affairs of its customers.

Each director signs an acknowledgement that the Board materials are confidential and commits to the secure management of such Information and to apply appropriate security measures when consulting BDC Board material with an iPad or with his/her personal computer.

## **8. Post Employment Obligations for Public Officer Holders**

**8.1** Directors are public office holders pursuant to Part 3, sections 33-34, of the Conflict of Interest Act. They have both a duty of confidentiality and an obligation to not seek a personal benefit from their previous office. This is a permanent obligation, however, like any restrictive covenant, this will diminish over time as their information from and about BDC becomes dated.

**8.2** Former public office holders are prohibited permanently from:

- taking improper advantage of their previous office;
- “switching sides” and acting on behalf of any person, organization, or government in connection with a specific transaction or negotiation that they worked on while at BDC; and
- using any Information they obtained while at BDC that is not public to advise a client, business associate or employer.

There are sanctions that apply to a breach of the above obligations, including the right for the Commissioner to conduct enquiries, make the report public, apply administrative monetary fines and ask current public office holders to not have dealings with the former public office holder. Any former director is entitled to consult with the Commissioner for an opinion on whether a given act could constitute taking improper advantage.

**8.3** A former public office holder is eligible to receive BDC financing. Throughout the financing application process and the life of the BDC financing, the former director should ensure that no undue pressure is placed on BDC employees. BDC has processes in place for the approval of financing where there could be a variety of real or perceived conflicts of interest, improper advantage or undue pressure (see the Policy on Handling of Referrals from Members of Parliament, Senators, Ministers, their Staff and BDC Directors, and the BDC Act). The director should abide by S. 33.(1) whereby “an applicant must disclose in writing to the Bank whether the applicant is an interested person or, if the applicant is a firm or corporation, whether a partner of the firm or a shareholder, director or officer of the corporation is an interested person or a director or officer of the Bank”. The Corporate Secretariat will have the financing application approved by the Board Risk Committee to ensure that there is no perception of improper advantage; and that the transaction is flagged in CLICs.

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## 9. Post Employment Obligations for Reporting Public Officer Holders

- 9.1 Additional obligations that go beyond those of a director apply only to the President and CEO, as a “reporting public office holder” during a one year cooling off period, they include a prohibition on:
- working for, contracting with or serving on the board of directors of an entity, including a public sector entity, with which the President and CEO had direct and significant official dealings; and
  - making representations to a department, organization, board, commission, tribunal or public sector entity with which the President and CEO had direct and significant official dealings.

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<sup>i</sup> A family member who may be expected to influence, or be influenced by, a Board Member and include:

- a) that Board Member’s child, spouse, domestic partner, brother, sister or parent;
- b) the spouse or domestic partner of that Board Member’s child, brother, sister or parent;
- c) the child, parent, sister or brother of that Board Member’s spouse or domestic partner.