
CHARTER 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 International Trade, Export Promotion, Small Business and Economic Development (“**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. The purpose of this charter is to describe the responsibilities of the Board to ensure that BDC delivers on its mandate and achieves the impact intended with respect to its strategy and the Shareholder’s priorities as articulated in the BDC’s Letter of Priorities and Accountabilities.

2. Composition and Operation

2.1 Composition of Board

BDC’s Directors (“**Directors**”) 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 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 the board committees have the authority to hire independent external consultants. All members of the board committees must be independent from management and no members of the board committees 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 (“**By-Laws**”).

2.3 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 and 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, By-Laws and statutory limitations.

3. Responsibilities and Duties

The Board shall:

3.1 BDC Mandate and Strategic Planning

3.1.1. Provide the necessary oversight in respect to the execution of BDC’s mandate to support Canadian entrepreneurs taking into consideration amongst other things BDC’s 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 and risks, 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 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 to ensure BDC’s lending, investment and advisory activities are linked to impact outcomes and metrics in relation to BDC’s mandate and public policy objectives;
- 3.1.4. Oversee the execution of programs that may be assigned by the Minister in relation to the administration of any program supporting Canadian entrepreneurship, pursuant to a Section 21 Letter.
- 3.1.5. Approve and oversee BDC’s Sustainable Development Strategy, including in respect to climate change and BDC’s initiatives to reduce its emissions;
- 3.1.6. 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 budgets, major capital allocations, borrowings, expenditures and transactions;
- 3.1.7. Approve major business decisions and policies, including BDC’s main lines of business;
- 3.1.8. oversee BDC’s digital transformation, including change management, to ensure BDC has the tools and capacity to continue to deliver on its public policy mandate;
- 3.1.9. Review the performance of BDC against the performance measures in the Corporate Plan and the scorecard and take action where appropriate

3.2 Oversight of Risk Management Framework

- 3.2.1. Approve the Risk Management Framework and related policies;
- 3.2.2. Assess BDC's Risk Culture to ensure that is aligned with its mandate and its impact objectives and receive reports on BDC's Risk Profile and any material exceptions to Policies;
- 3.2.3. Take all reasonable measures to ensure that controls and procedures are in place to identify, manage and mitigate the principal risks to which BDC is exposed including without limitation portfolio risk, credit and investment risk, capital management and allocation, legal and regulatory compliance, treasury risk, balance sheet and liquidity risk, privacy risk, environmental and social risks, insurance, business continuity and market, strategic and reputational risks, information, technology and cyber-related 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, ethics and culture, including with respect to diversity, equity and inclusion, and take all reasonable measures to 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 resources 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. Oversee employee engagement and wellness to ensure BDC has the capacity it needs to meet its mandate;
- 3.3.5. 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 ethics, culture and values;
- 3.3.6. Develop, in conjunction with the Chairperson and the President and CEO, a position description for the President and CEO and the required skills and responsibilities;
- 3.3.7. Approve the President and CEO's objectives and obtain the Minister's consent with regards thereto;
- 3.3.8. Assess the performance of the President and CEO against the agreed

upon duties and objectives;

3.3.9. Approve the benefits of the President and CEO.

3.4 **Corporate Governance and Board Effectiveness**

3.4.1. Review at least annually, with the assistance of the Governance and Nominating Committee, BDC's approach to corporate governance;

3.4.2. Review and update the Board's charter;

3.4.3. Define practices for *in camera* sessions for the Board and its Committees and oversee 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. Take all reasonable measures to ensure that the Committees are discharging their responsibilities under their respective Charters and Annual Work Plans;

3.4.6. Undertake regular evaluations of the Board and its committees and review their skills and composition to ensure the effectiveness, contribution, skills and independence of the Board and its Directors;

3.4.7. Oversee relations between management and the Board and ensure that appropriate channels of communication and exchange of information are in place;

3.4.8. Review the succession plans for the Board, its committees and their respective chairpersons;

3.4.9. Make recommendations to the Minister, through the Chairperson and in consultation with the Governance and Nominating Committee, on the selection criteria and position description and participate in the Shareholder's search for candidates for the position of President and CEO;

3.4.10. Develop selection criteria, a position description and participate in the 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 Directors;

3.4.11. Appoint Directors to act as chairpersons on the various Board committees;

3.4.12. Take all reasonable measures to satisfy itself as to the integrity of management and to ensure that management creates a culture of integrity, compliance and accountability throughout BDC;

3.4.13. 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, as well as the management of conflict of interest and the Policy on Directors Personal Trading;

3.4.14. Adopt and review on a regular basis orientation and continuing education

programs for Directors to ensure they are receiving appropriate onboarding and training on subjects relevant to BDC's activities and mandate to enable them to fulfill their fiduciary roles;

- 3.4.15. Ensure that proper indemnification arrangements are in place to cover the potential 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 relating to 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. Exercise discretion in approving dividends in compliance with the Capital Management and Dividend Policy;
- 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 President and 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 Directors 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 President and 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.