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Corporate Plan Summary  
**2022-23 TO 2026-27**

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FARM CREDIT CANADA

OPERATING BUDGET  
CAPITAL BUDGET  
BORROWING PLAN

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## 1.0 – Executive summary

Canada's agriculture and agri-food industry feeds the world. It is an important contributor to the Canadian economy, adding billions annually to the gross domestic product (GDP) and creating and sustaining jobs in communities across the country. In 2020, Canada ranked as the fifth largest exporter of agriculture commodities and eighth largest agriculture, food and beverage exporter in the world.

While recognizing the current contributions of Canadian agriculture, FCC envisions an even stronger future where the Canadian agriculture and agri-food sector achieves its full potential - further positioning itself as a global powerhouse ready to meet the challenges of an ever-growing world.

Canadian producers and agribusiness and agri-food operators are focused on producing high-quality, safe products and managing the complexities of changing markets, consumer trends, human resource management and other factors.

As Canada's only financial institution focused solely on the needs and opportunities of the industry, FCC plays a vital role by providing specialized products and services that help customers grow their businesses, take advantage of new market opportunities, and innovate to become more efficient and sustainable.

FCC's vision for the future is consistent with the Government of Canada's commitment to support the agriculture and agri-food industry to reach its full potential and take advantage of export opportunities.

As a federal Crown corporation, FCC is working to remove barriers of entry to the industry and increase inclusiveness for under-represented groups such as young producers, women and Indigenous peoples.

FCC's continuous growth and strong financial performance for over two decades ensures it can serve the industry over the long term and in both good and challenging times.

Since its onset in 2020, the COVID-19 pandemic has created global impacts that affected the Canadian agriculture and agri-food industry. The government has made it a priority to support the needs of businesses and entrepreneurs in various sectors, including agriculture and food.

FCC continues to respond to the needs of the sector. In addition to COVID-19, the agriculture and agri-food sector was challenged by adverse weather over the growing season in 2021. FCC launched a customer support program to help producers manage this very challenging situation. The program offers payment deferral options (principal and principal and interest) and access to a credit line to allow those customers affected by the situation to keep operating.

FCC operates in an efficient manner and offers fair pricing to Canadian producers and agribusiness and agri-food operators. Over the five-year plan period, FCC forecasts average annual loans receivable and leasing growth of 5.0%. FCC also forecasts to pay a total of \$2.8 billion<sup>1</sup> in dividends to the Government of Canada over the same period.

The 2022-23 to 2026-27 corporate plan is an output of FCC's annual strategic planning process. FCC balances resources and activities required to support planned portfolio and revenue growth while continuing to advance the Canadian agriculture and agri-food industry. FCC's strategy has six strategic themes:

- **great customer relationships:** helping customers achieve their dreams
- **vibrant and inclusive industry:** serving the industry that feeds the world, inspiring possibility and passion

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<sup>1</sup> This includes the repayment of \$500 million capital contribution received from the Government of Canada as part of the COVID-19 industry support response.

- **high-performance culture:** our people, growing and achieving as one
- **execution excellence:** bringing ideas to life
- **effective enterprise risk management:** built for generations to come
- **financial strength:** providing a strong foundation for the future

Over the plan period, FCC will focus its efforts in all six areas. FCC will continue to enhance the customer experience and digital solutions offering. It will enhance how it supports the agribusiness and agri-food sector, shares knowledge with the industry, and supports agricultural intergenerational transitions, young producers, women and Indigenous peoples.

FCC wants to ensure it is well positioned to support customers to advance sustainability and remain resilient to any impacts related to climate change. To determine the corporation's climate-related risks and

opportunities, FCC will assess the physical and transition risks related to climate change. These risks go beyond FCC's physical operations and extend to its customers. FCC's implementation focuses on ensuring the corporation is appropriately researching and implementing strategies, risk assessments and disclosures.

FCC will continue to focus on supporting the agriculture and agri-food industry in the economic recovery from the impacts of COVID-19 as well as the effects of adverse weather during the 2021 growing season.

By maintaining a steady presence in the industry and pursuing its strategy, FCC will deliver on the priorities of the Government of Canada, remain self-sustaining and help the Canadian agriculture and agri-food industry achieve its full potential as a major driver of the Canadian economy and a global leader in the production and export of safe, high-quality agriculture and food products.

## 2.0 – Overview

### 2.1 Corporate mandate

The Canadian agriculture and agri-food industry plays a vital role in supporting Canada's economy and feeding a growing world. The industry contributes \$143 billion annually to the GDP and is responsible for one in eight Canadian jobs. As Canada's leading provider of financial and business services tailored to the industry, FCC ensures producers and agribusiness and agri-food operators have access to the capital, specialized products, knowledge and services to succeed today and into the future.

*The Farm Credit Canada Act provides as follows: The purpose of the corporation is to enhance rural Canada by providing specialized and personalized business and financial services and products to farming operations, including family farms, and to those businesses in rural Canada, including small and medium-sized businesses, that are businesses related to farming. The primary focus of the activities of the corporation shall be on farming operations, including family farms.*

FCC achieves its purpose by focusing on the specific activities set out in the Minister of Agriculture and Agri-Food's mandate letter to FCC dated August 31, 2016, and supplemental priorities letter dated February 1, 2018. Government priorities for the industry include support for agri-food exports, under-represented groups including women, youth, persons of disability and Indigenous entrepreneurs and producers in Canadian agriculture and agri-food, products to facilitate intergenerational transfers and assist young and new farmers entering the industry, climate and sustainability goals and mental health.

### 2.2 Public policy role

FCC is Canada's only financial and business services provider focused exclusively on the agriculture and agri-food industry. Financing primary production is FCC's core business and represents 84.3% of its loan portfolio, which includes FCC's lending through its Alliance partners.

The corporation also serves agribusinesses along the value chain, from suppliers to processors. FCC fulfils its mandate by offering financing and services to the agriculture and agri-food industry. Other offerings include farm management software, learning programs and knowledge sharing to help customers and others involved in the industry make sound decisions.

FCC's activities are consistent with the Government of Canada's priorities. By focusing on activities to help the industry reach its potential, FCC assists the Minister of Agriculture and Agri-Food in supporting the industry to be a leader in job creation and innovation. For details on FCC's public policy role, see pages 11 to 13 of FCC's 2020-21 Annual Report, located at [fcc-fac.ca/en/about-fcc/governance/fcc-annual-report.html](https://fcc-fac.ca/en/about-fcc/governance/fcc-annual-report.html).

### 2.3 Vision

- The full agriculture and agri-food value chain believes FCC is advancing the business of agriculture by providing financial products, services and knowledge tailored to producers and agribusiness operators.
- Our customers are advocates of FCC and can't imagine doing business without us.
- We are socially and environmentally responsible and an employer of choice everywhere we operate.
- We make it easy for customers and employees to do business.
- We are financially strong and stable, and invest significantly in the agriculture and agri-food industry.

### 2.4 Main activities and principal programs

The following is a description of FCC's main activities and principal programs.

**Providing products, services and expertise tailored to the needs of the industry** — FCC ensures Canadian producers and agribusiness and agri-food operators have access to capital and a wide range of financial and business

products and services. These include long-term mortgages, short-term credit, leasing and venture capital. FCC hires and develops employees who are passionate and knowledgeable about agriculture. This enables employees to build solid relationships with customers to help them thrive in the marketplace.

**Ensuring producers and agribusiness and agri-food operators have access to required capital through all economic cycles** — The industry is affected by commodity price volatility, adverse weather, trade flows, livestock and crop diseases. The COVID-19 pandemic continues to have significant impacts on customers and supply chains. FCC takes a long-term view and remains committed to customers and the industry by providing access to capital through all economic cycles. FCC effectively manages and measures risks, ensuring it can support a portfolio of \$41.5 billion<sup>2</sup> during challenging times in the industry. With 28 consecutive years of portfolio growth, FCC also carefully balances the resources required to provide business and financial services to the industry, while continuing to control costs and operate efficiently.

**Supporting farm families, producers and businesses along the value chain enables them to grow and innovate** — Access to capital allows producers and agribusiness and agri-food operators to adopt innovative practices and business models that enable them to expand, lower costs, develop new products, compete in global markets and take advantage of trade opportunities. Through financing and venture capital, FCC supports small to medium-sized producers who are vital to the economic prosperity of rural Canada. FCC understands successful operations exist in all sizes and is a key partner to these smaller producers.

**Supporting the next generation of Canadian producers and agribusiness and agri-food operators** — FCC understands the importance of young farmers and entrepreneurs and has developed targeted programs and services, including the FCC Starter Loan, FCC Transition

Loan, Young Farmer Loan, Young Entrepreneur Loan and the introduction of Business Advisors located across Canada to help intergenerational transfers and assist new farmers entering the industry. FCC supports and invests in the next generation through its On Campus program.

**Ensuring innovative agriculture companies have access to capital and expertise** — FCC invests in venture capital funds and organizations that support the agriculture industry and strengthen the network of resources available to agribusiness and agri-food companies. FCC's commitment to venture capital ensures capital and business expertise are available to innovative companies in all life-cycle stages, provinces and sectors in agriculture to help the industry reach its full potential.

**Keeping the industry competitive by sharing knowledge** — Beyond lending, FCC is a supplier of agriculture-focused business and economic insights and knowledge. FCC offers learning events, multimedia tools, publications and software to support customers and others involved in Canadian agriculture to advance their management practices and succeed in a complex business environment.

**Fostering deeper public understanding of Canadian agriculture** — FCC co-ordinates Canada's annual Agriculture Day conference, as part of the national celebration of Canadian agriculture. FCC supports industry-led initiatives that promote the Canadian agriculture and agri-food industry and those who work in it.

**Supporting government policy through collaboration with other agencies** — Ensuring producers and agribusiness and agri-food operators have access to international markets and can take advantage of opportunities created through trade agreements is vital to the industry's long-term success. FCC works with Export Development Canada, Business Development Bank of Canada and other government agencies to advance Canadian agriculture and agri-food and create opportunities for Canadians.

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<sup>2</sup> Portfolio as at March 31, 2021 as reported in FCC 2020-21 Annual Report.

## 3.0 – Operating environment

### 3.1 Macroeconomic outlook

The Canadian economy is expected to grow over the forecast period as global trade normalizes and economies around the world recover from the COVID-19 pandemic. Higher commodity prices and supply chain disruptions are expected to cause some inflation pressures. Re-opening of economies will lead to higher consumer spending driven by savings that accumulated over the past 18 months. Expansion of the global and Canadian economies will be sensitive to the economic impacts of COVID-19.

After a decline in 2020, gross domestic product (GDP) is projected to climb around 6.0% in 2021<sup>3</sup>, followed by projected growth above 2.0% per year over the five-year forecast period. The Bank of Canada is expected to begin raising rates in 2022. Historically low interest rates will remain very supportive of investments. The Canadian dollar could experience significant fluctuations as oil prices evolve and the U.S. Federal Reserve readjusts its monetary policy.

#### Agriculture industry outlook

In 2020, farm cash receipts<sup>4</sup> increased 8.3% to a record \$72.2 billion due to the strong growth in crop receipts, notably canola, lentils and cannabis<sup>5</sup>. Total farm cash receipts are projected to increase over the five-year period at an average of 4.4% per year. Growth is expected to soften through the forecast period as global demand stabilizes and prices return to their long-term average.

Overall, the Canadian agriculture industry remains healthy as evidenced by net cash income rising to a record level in 2020. Canadian farm operations remain in a strong financial position, although the balance sheets of agricultural<sup>6</sup> producers weakened slightly:

1. The liquidity ratio of Canadian agriculture decreased in 2020 and is the lowest since 2007.
2. Total liabilities in Canadian agriculture grew faster than asset values in 2020. The debt-to-asset ratio increased to 17.0% in 2020 as compared to 16.8% in 2019 and has been trending higher since 2015.

#### Trade remains a strength of the agriculture and food sectors

Trade is vital to the success of Canada's agriculture and food sectors. In 2020, Canada was the fifth largest exporter of agriculture commodities and the 11th largest exporter of food. Trade agreements are important to maintain and create export opportunities for Canadian agriculture and agri-food products. The Canada-United States-Mexico Agreement (CUSMA) offers preferential access to the United States and Mexico and a stable environment for Canadian business investment. U.S. dairy producers benefit from increased market access to Canada's dairy and poultry supply-managed industries. The Canadian dairy sector also implemented changes to milk pricing and marketing rules because of the agreement. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Comprehensive Economic and Trade Agreement (CETA) offer opportunities to diversify exports by leveraging economic growth and rising food demand from Asia and supplying consumers in Europe.

The implementation of trade agreements such as CUSMA, CPTPP and CETA should contribute to further growth in the GDP of the agriculture and food industry.

<sup>3</sup> Bank of Canada MPR: <https://www.bankofcanada.ca/2021/07/mpr-2021-07-14/>

<sup>4</sup> Farm cash receipts refers to the total sale of agricultural commodities

<sup>5</sup> Statistics Canada. Table 32-10-0045-01 Farm cash receipts, annual (x 1,000)

<sup>6</sup> Statistics Canada. Table 32-10-0056-01 Balance sheet of the agriculture sector as at December 31

### **Farmland remains an attractive investment**

Over the past five years, farmland and building values averaged growth of nearly 5.9% per year, driven by farm revenue strength and low interest rates. Growth in farmland and building values peaked in 2013 at 14.3%, and the upward trend has since slowed<sup>7</sup>. In 2020, farmland and building values increased 5.1%. Average farmland and building values are expected to continue to grow above 5% annually over the forecast period due to robust commodity prices and higher farm revenues.

### **Demand for farm debt**

Farm operators continue to make strategic investments in land, buildings and equipment. Pressures on farm profitability and liquidity have created strong demand for operating loans. Growth in farm debt is expected to remain around the long-term average over the next five years as the trends in farmland values continue upward. Farm debt outstanding growth is projected to average around 5.0% to 6.0% per year for the next five years.

### **The food supply chain is showing resiliency amid an uneven recovery**

Canadian GDP is expected to grow as provincial public health restrictions ease, businesses re-open and supply chains recover.

Disruptions caused by the pandemic have had multiple influences in food supply chains that continue to disrupt the industry. Recovery in global trade and the slow re-opening of the economy are creating opportunities for Canadian manufacturers. Conversely, microchip shortages, higher shipping costs and availability of labour continue to stress supply chains. However, the overall outlook for Canadian agriculture and food remains positive because of the growing demand for Canadian products.

There are two competing influences in the operating environment for agribusinesses. High crop prices will continue to support strong demand for farm inputs as farm

operators seek to raise productivity and remain competitive in the global marketplace. Conversely, dry conditions in western Canada may lead operators to cut back on farm expenses. Very strong crop receipts in 2020 and the first half of 2021 will support strong investment in farm buildings, equipment and storage, but the sentiment has become more cautious in western Canada. The bottom line is that international demand for Canadian agriculture commodities is expected to remain solid, supporting opportunities for agribusinesses.

The food processing sector has been extremely resilient in response to the COVID-19 pandemic as consumers' food purchase options evolve and labour challenges emerge. Strong GDP growth in Canada and the United States is likely to keep demand high for food. This should provide an opportunity for food processors to invest in process innovation to balance labour challenges as well as make product innovations that meet the diverse preferences of an expanding global population and middle class.

## **3.2 External environment**

### **Competitive landscape**

The agriculture market is served by chartered banks, credit unions, provincial lending agencies, equipment manufacturer financing programs, crop input financing programs, independent financing institutions and Crown corporations. Nationally, the primary lenders are FCC, chartered banks and credit unions. According to Statistics Canada, farm debt outstanding increased by 5.9% to \$121.9 billion in 2020. FCC's market share increased from 28.6% to 28.9% in 2020 due to increases in mortgage and non-mortgage debt. FCC's portion of Canada's farm debt outstanding was \$35.3 billion in 2020, an increase of \$2.3 billion over 2019 and second only to the chartered banks at \$42.9 billion. The market share for chartered banks decreased to 35.2% from 35.5%, while the market share for credit unions increased slightly to 16.6% from 16.2%.

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<sup>7</sup> Statistics Canada. Table 32-10-0045-01 Farmland and buildings



## Customer impacts related to COVID-19 and adverse weather

As the only lender 100% invested in Canadian agriculture and food, FCC will continue to focus on supporting the agriculture and agri-food industry in the economic recovery due to the impacts of the COVID-19 pandemic and the effects of adverse weather. There were several disruptions due to COVID-19, resulting in economic stress. Processing plant closures, limited labour availability and food service and hospitality industry shutdowns are just a few of the disruptions introduced by the global pandemic.

Many parts of western Canada did not receive adequate rainfall through the spring and summer months. Extreme heat and dry weather reduced the potential yield of many crops, and significantly impacted pasture and hay production in many areas.

Despite the market and sector turmoil, the agriculture and agri-food industry has performed better than the Canadian economy. Farm cash receipts increased 8.3% in 2020 as strong demand for grains, oilseeds and pulses offset revenue declines in other areas of primary production. Food and beverage manufacturing sales also expanded, increasing 3.5%. New variants of COVID-19 continue to emerge across the country and around the world, causing economic uncertainty and introducing risks of further disruptions in agri-food supply chains.

To ensure producers, agribusinesses and food processors can remain focused on business-critical functions, FCC has put several customer support programs in place to manage the economic impacts of the COVID-19 pandemic and ongoing adverse weather situation:

- **Payment schedule amendments:** the option for customers to defer principal payments for up to 12 months and interest payments up to six months (excluding annual payments).
- **FCC credit lines:** access to a credit line up to \$500,000, with no fees, secured by a general security agreement or universal

movable hypothec (Quebec only), which is subordinate to other lenders.

- **FCC operating credit term loans:** a term loan product, for up to \$2.5 million, with no fees and an 18-month interest-only option available over a 10-year amortization. Funds can be used for working capital and to modify production due to the economic impact of the COVID-19 pandemic.
- **Additional lending for large customers:** cash flow is key for all customers, including large operations that may be critical components of the supply chain. To ensure these key enterprises remain operational, additional lending to large customers, as well as an increase to the maximum customer lending limit, has also been enabled.
- **Implemented venture capital fund to assist disrupted agriculture and ag-tech firms:** In May 2020, FCC launched a \$100 million Agriculture and Food Business Solutions venture fund in partnership with Forage Capital Inc, to support companies through unexpected business disruptions such as those brought on by the pandemic.

FCC works with customers to come up with solutions for their operations and considers the above options to reduce financial pressures on those impacted. FCC will continue to monitor the ongoing situation for further customer impacts and will respond appropriately to support the industry.

## London Inter-Bank Offered Rate (LIBOR)

LIBOR, a global reference for short-term interest rates, is to be phased out by financial markets by June 2023. The phasing out of LIBOR will impact FCC's U.S. dollar loan portfolio, which makes up only 1% of FCC's total loan portfolio. Customers with LIBOR loans will be transitioned to a new reference rate.

## 3.3 Internal environment

In 2020-21, employees adapted to a work-at-home environment, relying on technology for core business processes and to maintain strong relationships with customers and colleagues.

Additional supports for employees and leaders were advanced through enhanced mental wellness offerings, establishing regular feedback mechanisms and continuous reinforcement of the available tools and support. Going forward, FCC is working with employees and leaders to optimize the mix of workplace flexibility, and related supports, given the new realities and expectations in the work environment.

FCC evolves and adapts to support changing customer preferences. FCC continues to enhance its digital offerings, enabling customers to manage more transactions remotely. In addition, there is work to simplify internal processes and accelerate its offering, leading to increased efficiencies for customer-facing employees and speed of service to its customers. FCC will engage customers and partners in the development of new and enhanced digital processes that are simple and secure. In addition, FCC will continue to invest in its practices to deter financial crime and advance cyber security to ensure they remain effective given changing customer preferences and the increased use of online and mobile service channels.

FCC currently employs 2,194 people across Canada plus an additional 407 contractors (includes full-time, part-time, and ad hoc contractors).

FCC's HR strategy is supported by existing end-to-end talent supply processes and workforce planning tools, candidate sourcing, and assessment and selection tools. FCC uses internal recruitment consultants to partner with leaders to ensure the best candidate for each position is hired, and that onboarding, training and support mechanisms are in place to ensure a successful transition into FCC.

New positions will be added over the plan period to support portfolio growth, execute FCC's strategic priorities, and further mature risk management capabilities as FCC continues to serve customers and the industry. In 2022-23, there are 150 new positions planned.

FCC's employee engagement is 86% in the most recent annual survey. The engagement score, which is measured annually, measures employees' intellectual and emotional commitment to FCC. High engagement scores lead to low employee turnover, as evidenced by FCC's low turnover rate of approximately 2%. Strong engagement also enables FCC to attract the required talent as an employer of choice with a positive reputation in the marketplace. FCC will continue to focus on leadership and its culture of partnership and accountability to sustain high engagement.

FCC is committed to building a workforce that reflects the diversity of its customers and the Canadian population.

Among FCC's 2,194 employees<sup>8</sup>, the diversity representation is 61.8% female, 3.3% Aboriginal, 2.5% persons with disabilities and 8.9% members of visible minorities. FCC is undertaking a variety of tactics to ensure that it is a welcoming and inclusive workplace that can attract and retain talent from diverse backgrounds. FCC will continue exploring opportunities to expand employment equity group representation to progress toward being an inclusive workplace. For a provincial breakdown on FCC's level of diversity and FCC's diversity and inclusion plan, see Appendix 9.3 – Diversity and Inclusion.

### **3.4 Performance and reviews**

The Canadian agriculture and agri-food industry continued to face challenges and uncertainty over the past fiscal year, mainly driven by the ongoing global COVID-19 pandemic and large-scale adverse weather across western Canada. Consumption changes, trade issues, labour shortages and economic shutdowns disrupted cash flow cycles for many industries.

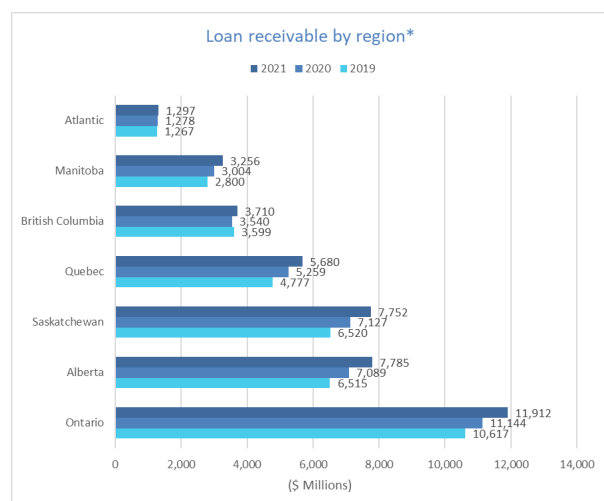
The Government of Canada, along with FCC and other financial institutions, offered support programs to provide working capital relief and so far, they appear to be having a positive effect as FCC has not observed any significant deterioration in the overall health of the portfolio to date. The timing and extent is

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<sup>8</sup> As at September 30, 2021

dependent on the re-opening of global economies.

In 2020-21, loans receivable increased by \$2.9 billion or 7.6% from 2019-20, growing to \$41.3 billion from \$38.4 billion. The increase was driven by higher loan disbursements, partly offset by repayments. The increase in disbursements was due to a strong demand for credit and COVID-19 related support programs. FCC experienced loans receivable growth in all business lines except for Alliances. By lending to all agriculture sectors across Canada, FCC diversifies its portfolio by sector and region while also promoting agriculture as a strong and vibrant industry.



\*Excludes deferred loan fees.

All aspects of credit quality are projected to improve in 2021-22. This is mainly due to an overall growth in the portfolio. The 2021-22 plan assumed the risk metrics would end higher than they did in 2020-21. The magnitude of the potential default risk has decreased since the start of the fiscal year as several sectors displayed resiliency in working through the many challenges and found ways to maintain operations without significant disruption.

### External reviews

FCC has been subject to a special examination by the Office of the Auditor General of Canada (OAG). Work began in the summer of 2020 and was finalized during the fiscal year 2021-22. The special examination considered whether FCC's systems and practices adequately protect its assets, manage resources economically and efficiently and allow the corporation to operate effectively. FCC's last special exam was in 2012.

The OAG's final report for FCC's current special exam was received in January 2022. The Minister of Agriculture and Agri-Food as well as the President of the Treasury Board have both received copies. The OAG found no significant deficiencies and FCC's Executives and Board agree with all six identified recommendations. FCC is currently working to address the recommendations through the action plans provided in the final report. Progress will be monitored internally and externally, by the OAG, and updates included in the future reports.

## 4.0 – Objectives, activities, risks, expected results and performance indicators

### 4.1 Objectives and activities

The agriculture industry story continues to be one of resilience and opportunity for growth. FCC is the only lender that is 100% invested in Canadian agriculture and agri-food, and FCC's strength and stability puts it in a unique position to support its customers and the industry. Each year, FCC validates the strategic themes that are critical to achieving the corporation's long term success. FCC's six strategic themes are:

- Great customer relationships
- Vibrant and successful industry
- High-performance culture
- Execution excellence
- Effective enterprise risk management
- Financial strength

FCC will continue to advance and implement a range of initiatives within each of these themes to remain relevant, provide extraordinary customer experiences and support the agriculture and agri-food industry to ensure it achieves its full potential.

As with many processes since the start of the COVID-19 pandemic, FCC has adapted throughout the strategic planning period to ensure its customers and employees can operate efficiently and safely.

#### 4.1.1 Theme: Great customer relationships – helping customers achieve their dreams

The critical outcome FCC is striving to achieve for this theme is: *FCC's unmatched knowledge of agriculture and agri-food, combined with our financing expertise, continues to be foundational to building great customer relationships. Partnering with FCC is easy – employees know their customers and offer customized and flexible solutions to unique business challenges.*

To achieve this critical outcome, FCC will continue to advance these existing strategic objectives:

- Build the customer experience of the future.
- Advance the business management capabilities of the industry.

#### Build the customer experience of the future

Customers are at the centre of everything that FCC does. FCC takes pride in delivering great customer experiences – it is the organization's competitive advantage. FCC serves customers in all phases of the business cycle, from startup to transition. Customers want to deal with people who understand the industry, their business and their unique needs. To deliver great customer experiences, FCC must be deliberate in offering a simple, personalized experience with every customer interaction. By doing this, FCC will build trust and loyalty with customers and remain relevant to the industry.

To achieve this strategic objective, FCC will continue to advance these existing initiatives:

- Enable employees to build great customer relationships and consistently create extraordinary customer experiences.
- Provide customer-inspired solutions and simplified transactions to remain relevant and meet the needs of our customers and employees.

#### Advance the business management capabilities of the industry

Now more than ever, Canada's agriculture and agri-food industry must be adaptive and responsive to change. The pandemic showed how global markets and supply chains can be disrupted with trade restrictions and fluctuations in supply and demand. At the same time additional factors such as new innovation, advancements in technology, and evolving consumer desires are creating new

opportunities. FCC can help the industry navigate these challenges and opportunities by continuing to enhance the tools, information and support available for Canadian producers to manage their businesses. FCC can also help the industry achieve its full potential by enabling producers through digital technology. FCC's farm management software, AgExpert, can assist producers in managing their farm data through digital farm business records that are accurate, safe and secure, and integrated with other applications.

To achieve this strategic objective, FCC will continue to advance these existing initiatives:

- Continue to provide knowledge and advice to support customers with enhancing their management practices.
- Enhance AgExpert to allow producers to advance their farm management practices and connect their data across multiple applications.

#### **4.1.2 Theme: Vibrant and successful industry – serving the industry that feeds the world, inspiring possibility and passion**

The critical outcome FCC is striving to achieve for this theme is: *FCC provides knowledge and financing to support Canada's reputation for high quality, innovative and sustainable agriculture and agri-food products. FCC plays an active role in ensuring the growth and prosperity of the industry and maintaining Canada's agriculture and agri-food sectors as powerful drivers of jobs, the economy and growth in the middle class, with a focus on diversity and inclusion.*

To achieve this critical outcome, FCC will continue to advance these existing strategic objectives:

- Foster growth opportunities in the Canadian agri-food value chain.
- Support the long-term health of the industry.
- Promote a diverse and inclusive industry.

#### **Foster growth opportunities in the Canadian agri-food value chain**

FCC remains committed to supporting the Government of Canada's goal to grow Canada's agri-food exports to \$75 billion annually by 2025. Food processing businesses of all sizes and innovation ecosystems play an important role in meeting the needs of consumers, in both domestic and export markets, who are looking for safe, quality food produced in Canada. FCC has a unique opportunity to play a bigger role in the agri-food value chain by increasing its support for businesses and innovation from the farm gate and beyond. Continued efforts to foster growth in the agribusiness and agri-food (A&A) sectors will help FCC to support this sector and focus on its needs. It will also increase venture capital financing and provide support to accelerate innovation in early-stage enterprises.

To achieve this strategic objective, FCC will continue to advance these existing initiatives:

- Develop business solutions to enhance our support for the agribusiness and agri-food (A&A) sector to increase Canada's value-added capacity.
- Increase the availability of venture capital and expertise to enhance innovation and growth in the agriculture and agri-food industry.

#### **Support the long-term health of the industry**

As part of the corporation's mandate, FCC is committed to supporting the long-term success of Canada's agriculture and agri-food value chain, including the next generation of entrepreneurs. FCC will remain focused on operating sustainably and championing sustainable practices with its customers. Through strategic partnerships, it will promote the Canadian agriculture and agri-food industry, the health of those who work in it and will support awareness of mental health issues.

To achieve this strategic objective, FCC will continue to advance these existing initiatives:

- Advance FCC's commitment to operating sustainably and supporting the industry to do the same, while continuing to contribute to global and national sustainability targets.
- Collaborate on industry-led initiatives that promote the Canadian agriculture and agri-food industry and the health of those who work in it.
- Advance FCC's support for the next generation of agriculture and agri-food producers.

#### **Promote a diverse and inclusive industry**

To ensure the long-term vitality of the agriculture and agri-food industry, it is important that individuals and diverse equity inclusive groups in Canada are respected and have equitable access to opportunities. FCC has a role to play in building a more diverse and inclusive industry and will continue to explore ways to support under-represented groups in Canadian agriculture, including meeting the unique needs of women, youth, persons with disabilities, and Indigenous agricultural entrepreneurs and producers. FCC will remain focused on establishing strategic partnerships and providing these groups with advisory services and other value-added offerings.

To achieve this strategic objective, FCC will implement this new initiative:

- Partner with Indigenous communities to support economic development through education and partnerships focused on enhancing Indigenous involvement in agriculture.

To achieve this strategic objective, FCC will continue to advance this existing initiative:

- Strengthen the inclusion of under-represented groups in agriculture and agri-food.

#### **4.1.3 Theme: High-performance culture – our people, growing and achieving as one**

The critical outcome FCC is striving to achieve for this theme is: *FCC is sought out by prospective employees as a desirable place to work. Employees come to FCC because of its outstanding culture and reputation. They stay because the work environment is everything they heard: meaningful work coupled with high expectations that are supported by an ability to learn and grow as a professional in a diverse and a flexible team environment that is conducive to providing an exceptional customer experience, and serving the industry that feeds the world. Customers feel it and appreciate it.*

To achieve this critical outcome, FCC will continue to advance these existing strategic objectives:

- Build the employee experience of the future.
- Continually reinforce our culture and build leaders of tomorrow.
- Grow our people's knowledge.
- Become a more diverse and inclusive workplace.

#### **Build the employee experience of the future**

FCC knows that the employee experience is critical to delivering a great customer experience and remains intentional in creating an experience that attracts and retains great employees, inspires them to do their best and enables them to work together effectively for its customers. To ensure employees are set up for success now and in the future, FCC will advance talent management, retention and recruitment strategies. The development of a renewed approach to a flexible work environment will continue, along with a need to review and enhance the approach to this new environment over the next few years.

To achieve this strategic objective, FCC will continue to advance these existing initiatives:

- Advance FCC's desired end-to-end employee experience based on our current and future needs.

- Continue to enhance FCC's talent management based on current and future needs and the evolving flexible work environment.

### **Continually reinforce our culture and build leaders of tomorrow**

FCC operates in a highly competitive marketplace. To be successful and continue to serve the Canadian agriculture and agri-food industry in the future, customer experience must remain FCC's competitive advantage. Delivering this experience starts with employees and leaders. FCC must continually build on and develop an environment where employees and leaders work as a highly engaged team so that its customers feel truly valued. To do this, FCC will develop and begin to implement the next iteration of cultural learning that will further sustain the high-performance culture, and support the development of new and existing leaders, including an end-to-end review of FCC's approach to succession management.

To achieve this strategic objective, FCC will continue to advance these existing initiatives:

- Elevate FCC's culture to further support employees and the execution of the organization's business strategy.
- Develop exceptional leaders who are focused on inspiring engaged employees.

### **Grow our people's knowledge**

Employee learning and development ensures employees have the knowledge and skills they need to meet FCC's business requirements. As the industry and work environment evolves, so do the requirements of employees. FCC remains committed to implementing a comprehensive enterprise learning strategy that supports core business needs and employee growth and development in a flexible work environment. FCC's learning approach supports employees by offering knowledge on agriculture and finance.

To achieve this strategic objective, FCC will continue to advance this existing initiative:

- Enhance employee development by creating an environment for continuous

and effective learning based on evolving business needs.

### **Become a more diverse and inclusive workplace**

FCC strives to have a representative workforce – one that reflects the diversity of the agriculture and agri-food industry and the communities of Canada. FCC knows the importance of diversity and inclusion and the benefits of different perspectives, abilities and strengths. As a result, FCC is focused on implementing a multi-year diversity and inclusion strategy and integrating the Indigenous employment equity plan into the strategy.

To achieve this strategic objective, FCC will continue to advance this existing initiative:

- Ensure FCC is an equitable and inclusive workplace that attracts and retains diverse talent.

### **4.1.4 Theme: Execution excellence – bringing ideas to life**

The critical outcome FCC is striving to achieve for this theme is: *FCC exceeds expectations of customers and employees through responsive solutions, processes and systems. FCC supports the industry by helping entrepreneurs to realize their vision and grow the competitiveness of the agriculture and agri-food sectors.*

To achieve this critical outcome, FCC will continue to advance these existing strategic objectives:

- Deliver customer-inspired solutions.
- Enable business excellence.

### **Deliver customer-inspired solutions**

FCC is the industry leader in agriculture finance, which provides a solid foundation to develop and deliver responsive, customer-inspired solutions. From strategy development and design work to prioritization and implementation, FCC creates clarity, velocity and synergy across the corporation, all based on customer needs. By focusing on the customer, FCC can be confident that it is delivering meaningful solutions for customers and the industry.

To achieve this strategic objective, FCC will continue to advance this existing initiative:

- Enhance processes to efficiently bring ideas to life by focusing on priority sequencing, cross-divisional collaboration and decision-making.

#### **Enable business excellence**

FCC's goal is to deliver a great customer and employee experience. This happens not only through customer interactions, but also by creating efficiencies behind the scenes that empower its employees to serve its customers and partners. FCC is taking further steps toward the use of modern cloud computing technology solutions to enable customers and employees to operate with data and actionable insights to ensure the technology can grow in the future.

To achieve this strategic objective, FCC will continue to advance this existing initiative:

- Ensure customers, partners and employees have access to technology, data and actionable insights to operate with excellence and forward FCC's business strategy.

#### **4.1.5 Theme: Effective enterprise risk management – built for generations to come**

The critical outcome FCC is striving to achieve for this theme is: *Effective enterprise risk management ensures sustained FCC success, enables great customer relationships, and supports industry growth and innovation.*

To achieve this critical outcome, FCC will continue to advance these existing strategic objectives:

- Enable risk taking with confidence.
- Strengthen resilience to capitalize on risks and opportunities.

#### **Enable risk-taking with confidence**

As a federal Crown corporation with a mandate to support the agriculture and agri-food industry, effective risk management helps protect customer relationships and FCC's overall strength and viability. FCC's risk management practices must evolve and adapt

to changing customer preferences and the increased expectation of seamless transactions online with near instant decisions. FCC will remain diligent and proactive by continuing to assess and improve the corporation's risk analytics, practices and tools to maintain an appropriate level of preparedness and enable business advancement.

To achieve this strategic objective, FCC will continue to advance these existing initiatives:

- Build sustainable risk capabilities to serve an evolving industry.
- Generate new insights and analytics to optimize business and risk performance.

#### **Strengthen resilience to capitalize on risks and opportunities**

It is important for FCC to continue to evolve its risk capabilities to protect its ability to deliver great customer experiences over the long term. Planning for uncertainties, including crisis management, business continuity and security threats continues to be a focus. FCC and its customers are exposed to climate risk, and with this risk rising across the globe and becoming more impactful, FCC is committed to developing capabilities to measure the impact of long-term climate risk on farmland values and credit risk. FCC will begin the identification, measurement and disclosure on climate risk, as outlined by the Task Force on Climate-Related Financial Disclosures, and further mature practices related to information management.

To achieve this strategic objective, FCC will continue to advance this existing initiative:

- Continue strengthening organizational resilience to manage disruptive threats and capitalize on accelerating change.

#### **4.1.6 Theme: Financial strength – providing a strong foundation for the future**

The critical outcome FCC is striving to achieve for this theme is: *FCC continues to have the financial strength to serve and invest in the agriculture and agri-food industry through all economic cycles.*



To achieve this critical outcome, FCC will continue to advance this existing strategic objective:

- Sustain financial strength.

### **Sustain financial strength**

FCC is a self-sustaining Crown corporation. FCC safeguards corporate assets and financial returns by exhibiting strong financial and risk management practices and the maintenance of a safe and sound capital position. This ensures FCC has the financial strength to withstand economic downturns and support our customers and the agriculture and agri-food industry in making investments to dream, grow, and thrive.

To achieve this strategic objective, FCC will continue to advance this existing initiative:

- Transform technology, financial analysis and insight in support of business decisions and performance.

## **4.2 Risk overview**

FCC uses an enterprise risk management framework and policy to ensure significant risks are adequately governed, identified, assessed, managed, monitored and reported. Effective enterprise risk management enables FCC to achieve its strategic objectives and ensure sustainable business success. FCC's willingness to take, accept and avoid risk is reflected in its overall risk appetite framework and policy, approved annually by the Board of Directors.

### **Risk categories and mitigating strategies**

FCC's four major categories of risks are strategic, financial, operational and reputation.

Each category has distinct risks within it that are assessed for likelihood and impact using various tools. The overall assessment of risk is reflected in the amount of capital required using FCC's capital and allowance models. FCC conducts stress tests on key financial risks and economic variables to understand organizational vulnerability to catastrophic scenarios affecting agriculture.

**Strategic risk** refers to the external environment and FCC's ability to develop and implement effective business strategies and maintain its relevance in the marketplace. The external environment is monitored to understand if strategic changes are required to address and adequately mitigate emerging risks.

Potential strategic risks are identified and assessed based on risk criteria. Strategic risks are ranked by consequence and likelihood of occurrence to determine the level of risk treatment required, including resource allocation.

**Financial risks** include credit, liquidity and market risks.

**Credit risk** is the potential for financial loss due to the failure of a borrower or other counterparty to repay a loan or meet financial obligations to FCC. Credit risk on loan and lease receivables is the most significant risk that FCC faces. Credit risk also exists in investments and derivative financial instruments. FCC assesses the impact and likelihood of credit risk at loan and portfolio levels. These assessments use credit risk management best practices for financial institutions and statistical methods to assess the probability and financial impact of loan defaults.

At FCC, credit assessment is an ongoing process. The credit risk assessment process begins at the customer-facing employee level. For larger, higher-risk loans it ends at the senior management level. Assessment is carried out for the entire credit portfolio on a transactional and portfolio basis. Assessment tools and models are in place to quantify risks, establish the required allowance for loan and lease losses, and monitor capital adequacy. FCC also closely monitors the agriculture and food operating environment to ensure the corporation's lending policies, activities and practices adequately account for risk and opportunity in the marketplace.

**Liquidity risk** is the risk that FCC has insufficient funds to meet payment obligations as they come due. FCC minimizes liquidity risk using a liquid investment portfolio, funding through the Crown Borrowing Framework and access to an operating line of credit. Due to FCC's approach and readily available source of funds, the overall risk is negligible and is not reflected in capital requirements.

**Market risk** is the potential for loss due to adverse changes in underlying market factors such as interest rates and foreign exchange rates. Market risk exists in all the corporation's financial instruments. FCC assesses this risk using a sophisticated methodology that applies financial market theory to assess the risks of market events such as interest rate movements. These assessments are based on FCC's liabilities and assets (loans) and the risk is reflected in the capital requirements.

**Operational risk** relates to the potential of direct or indirect loss due to inadequate or failed internal processes, people, systems or external events. Operational risk also arises from failing to comply with legislative or regulatory requirements or litigation.

At FCC, leaders are responsible for ensuring appropriate training, policies and processes are in place within their business units to manage risk. Risk and control assessments identify and assess key risks to ensure appropriate and effective controls are in place. Each process in the corporation is assessed to FCC's risk appetite. Key controls are monitored on a regular basis to determine their effectiveness to manage operational risks. Risk gaps are mitigated through activities designed to reduce the risk to an acceptable level. Operational risk metrics provide insight to the Board on how well management mitigates operational risk.

Through internal audit engagements, the effectiveness of the control environment is assessed, and assurance is provided to the Board.

**Reputation risk** is the risk that key stakeholders and others develop negative perceptions about FCC that could adversely affect the corporation's reputation and ability to attract and retain customers, business partners and employees. Exposure to reputation risk is often a function of FCC's ability to manage and respond to issues and incidents that are failures of operational risk management. Once reputation is tainted, it may give rise to strategic risk, which can negatively affect FCC's viability.

As a federal Crown corporation, FCC is accountable to all Canadians. To avoid real or perceived reputational damage, FCC has a governance structure, including policies and processes, to guide employee conduct in interactions with co-workers, customers, industry partners, suppliers, media and the public.

For more detail on FCC's identified risks, see Appendix 7 – Risk and Risk Responses.

### **4.3 Expected results and performance indicator overview**

FCC uses a strategic asset model as a framework for evaluation and to define its major activities under critical business themes. For each strategic themes, FCC has developed critical outcome statements, detailed in Section 4.1 Objectives and Activities, that represent success. FCC also uses a corporate scorecard to monitor and measure progress against its strategy.

FCC's critical outcome statements, vision and mission are aligned to its mandate and Government of Canada priorities. FCC reports on its mandate and Government of Canada priorities through the following measures:

Outcome	Measure
FCC is committed to growing Canada's agri-food exports and increasing value-added capacity	Number of net new agribusiness and agri-food customers
FCC is committed to building a workforce that reflects the diversity of its customers and the Canadian agriculture and agri-food workforce	Percentage of total hired who are members of employment equity groups
FCC invests in communities where its customers and employees live and work	Amount invested in community investment initiatives
Canadian agricultural producers and agribusiness and agri-food operators have access to knowledge that helps them advance their management skills and grow their businesses	Total views or interactions with FCC's online business management learning offering
	Average score from event participants on the likelihood they will use information from the FCC event in their farming operation
Young farmers and young agribusiness and agri-food operators have access to specialized lending products and services	Dollars lent to borrowers under age 40
	Number of current lending customers under age 40
FCC supports the Greening Government Strategy by reducing its greenhouse gas emissions	Reduction in FCC's greenhouse gas emissions
Canadian producers and agribusiness and agri-food operators can access capital to advance their businesses	Loans receivable and leasing growth rate
	Number of current Indigenous customers
	Dollars lent to Indigenous customers
FCC maintains a safe and sound capital position in order to fund the strategic plans, as well as to withstand economic downturn with periods of extended loss	Capital adequacy
Small and medium-sized operations have access to capital to grow their businesses	Percentage of customer count in small and medium-sized segments

In addition to measuring its focus on mandate and Government of Canada priorities, FCC must also understand its position in the marketplace. FCC has established measures and benchmarks to compare itself against other organizations for two of its most important strategic assets — great customer relationships and high- performance culture.

### Great customer relationships

FCC's focus on customer relationships is the key reason why customers choose to do business with FCC. For this reason, it is important FCC measure its performance against other organizations. The Net Promoter Score® (NPS) is a customer advocacy measure used by leading companies around the world as the standard for measuring and improving customer experience. FCC will continue to

strive for an excellent customer experience, which will be measured through NPS.

### Employee engagement survey

FCC believes that having a great employee experience helps attract and retain high-performing employees with the skills and attitudes needed to deliver great customer relationships. FCC strives to be an employer of choice and enable employees to deliver an excellent customer experience. To measure this, FCC will continue to use an employee engagement survey through Kincentric to compare its employee engagement with other organizations.

For more detail on FCC's measures and targets, see Appendix 3 - Planned Results.

## Section 5 – Financial overview

### Expected results for 2021-22 and plan period 2022-23 to 2026-27

FCC is a self-sustaining Crown corporation, projecting continued growth and profitability through strong financial and risk management practices. Section 4.0 outlines the six strategic themes that support FCC's vision and mission, and these themes and the corresponding strategic objectives form the basis for the financial plan. All other sections of the corporate plan form an integral part of the financial plan and should be read in full to obtain a comprehensive understanding of the projected financial results.

The financial plan explains the projected financial results and the major underlying assumptions used in the projections. The results demonstrate progress toward FCC's strategic objective of sustained financial strength through profitable portfolio growth and efficiency. Strong financial management ensures FCC can serve the industry in both good and challenging times.

The financial plan and key assumptions reflect FCC's outlook on the Canadian agriculture and agri-food industry as outlined in Section 3.0. Canada's economy is expected to grow over the plan period as global trade normalizes and economies around the world recover from the COVID-19 pandemic, although expansion of the global and Canadian economies will be sensitive to the economic impacts of the COVID-19 pandemic.

FCC expects average growth of 5.8% and 7.9% over the next five years for farm debt and farmland and building values, respectively. As a result, the portfolio is expected to grow at a healthy pace over the five-year plan period. Credit quality is forecast to improve in 2021-22, as resiliency of the agriculture industry has lowered the expected losses related to the economic impacts of the COVID-19 pandemic. Over the plan period, credit quality is expected to remain relatively flat, reflective of steady growth in farm cash receipts. Along with continued yet slowing portfolio growth, the

expected rising interest rate environment is positively impacting FCC's overall profitability with minimal impacts to credit quality.

FCC assures its sound financial position through risk management and capital management practices. The enterprise risk management framework ensures risks are properly identified and managed. The Board-approved Capital Management policy appropriately determines the capital adequacy requirement in relation to risks identified. Strong integration of enterprise risk management and capital management practices enables FCC to achieve objectives and support sustainable business success.

#### Portfolio growth

Loans receivable and leasing are expected to grow from \$43.5 billion in 2021-22 to \$55.6 billion in 2026-27. This represents an average annual growth of 5.0% over the plan period. As noted in Section 3.0, there are several factors impacting the agriculture and finance industries that in turn impact FCC's lending volumes. FCC projects continued yet slowing loan portfolio growth linked to the expected trend in total farm debt growth.

#### Profitability

Net interest income is forecast to be \$1.3 billion in 2021-22 and is projected to grow to \$1.8 billion in 2026-27. The increase is driven by expected portfolio growth and higher net interest margin.

Net interest margin on average earning assets is projected to increase from 2.96% in 2021-22 to 3.18% in 2026-27. The increase in net interest margin is primarily due to the projected higher interest rate environment driven by the expected economic recovery over the plan period.

#### Credit quality

At the onset of the pandemic, the Government of Canada, along with FCC and other financial institutions, offered support programs to provide working capital relief. So far, FCC has not observed any significant deterioration in the

overall health of its portfolio. Judgment was used by management to estimate the impact of higher default risk on specific sectors resulting from the continued economic uncertainty caused by the pandemic. The magnitude of the potential default risk has decreased since the start of the 2021-22 fiscal year as several sectors displayed resiliency in working through their challenges and found ways to maintain operations without significant disruption.

Allowance for credit losses on loans receivable is forecast to be \$165 million in 2021-22, reflective of improvement in credit quality and economic outlook. As the portfolio grows, the allowance for credit losses increases over the plan years to \$205 million in 2026-27. The allowance requirements per dollar of loans receivable will be relatively flat as the Canadian agriculture and agri-food industry remains healthy as evidenced by a strong growth projected for farm cash receipt over the plan period. FCC continues to focus on sound risk management practices, including maintaining a portfolio that is well diversified in terms of sector and region.

Provision for credit losses is expected to be a recovery of \$4 million in 2021-22 mainly due to a reduction in the allowance for credit loss requirements with COVID-19 deferral programs ending and customers resuming regular payments. Provision is projected to increase to \$71 million in 2026-27, reflecting steady portfolio growth.

### **Efficiency**

The efficiency ratio improves from 39.4% in 2021-22 to 37.5% due to higher net interest margin offset by increases in administration expenses.

Administration expenses are expected to increase from \$532 million in 2021-22 to \$683 million in 2026-27. The increase is mainly related to higher personnel costs to support the growth of business operations and investments in technology to deliver on strategic initiatives to serve customers and the industry.

### **Capital budget**

Capital expenditures are expected to decrease from \$26 million in 2021-22 to \$21 million in 2026-27 as the prior pause in leasehold improvements brought on during the pandemic commences early in the plan and returns to normal levels in 2026.

### **Borrowings**

The growing portfolio increases borrowing requirements, including accrued interest, from \$37.1 billion in 2021-22 to \$47.5 billion in 2026-27.

### **Capital management**

FCC is projecting to remain adequately capitalized over the plan period. A target capital ratio of 15.0% of risk-weighted assets (RWA) has been established based on FCC's internal capital adequacy assessment process (ICAAP), which follows the capital adequacy requirements guideline issued by the Office of the Superintendent of Financial Institutions (OSFI).

Projected portfolio growth increases RWA by an annual average of 5.1%. Total capital is expected to increase from \$8.1 billion in 2021-22 to \$9.8 billion in 2026-27, reflecting average annual growth of 3.9%. This increase is due to net income contributing to growth in retained earnings, partly offset by projected dividend payments.

Dividend payments are informed by the Corporation's target capital ratio, ICAAP and the Capital Management policy dividend statement. The ICAAP assessment provides confidence in FCC's capital position and enables efficient use of capital through reinvestment in the portfolio and dividend distribution when capital exceeds requirements. The dividend statement relates the dividend payment to excess capital as determined through the year-end capital adequacy assessment. Projected dividend payments in the plan period are aligned with the Capital and Dividend Policy Framework for Financial Crown Corporations issued by the Department of Finance.

FCC is projected to pay dividends totaling \$2.8 billion over the plan period, which includes the repayment of \$500 million capital contribution received from the Government of Canada as part of the COVID-19 industry support response. With the resiliency in the agriculture industry throughout the pandemic, FCC was able to maintain a strong capital position and achieved continued financial strength. While the ongoing pandemic continues to create uncertainty, FCC anticipates repaying the \$500 million capital contribution in two equal payments of \$250 million in 2022-23 and 2023-24. Dividend payments will continue to be declared annually at the discretion of the FCC Board of Directors. Actual dividend payments could vary materially with variances in actual

RWA levels, available capital and changes in FCC's target capital ratio, which is determined annually through its ICAAP.

Return on equity measures the efficiency in generating income relative to equity. FCC's mandate restricts business activities which inherently impacts the risk profile of the corporation, while OSFI guidelines determine the capital FCC needs to cover that risk. These factors largely influence the return on equity FCC's business model can generate. Return on equity increases from 10.0% in 2021-22 to 10.9% in 2026-27, mainly driven by the strong net income resulting from the growing portfolio and improving net interest margin offset by an increase in average equity size.

## Appendix 1 – Ministerial mandate letter or direction

### FCC mandate letter

August 31, 2016

Mr. Dale Johnston  
Chairperson  
Farm Credit Canada  
1800 Hamilton Street  
PO Box 4320  
Regina, Saskatchewan S4P 4L3

Dear Mr. Johnston:

The Government of Canada has made broad commitments to inclusive and sustainable economic growth, greater social inclusion, an open and transparent government, and a safer Canada. As Minister of Agriculture and Agri-Food, I am accountable for delivering on these commitments along with the sector-specific priorities identified in my mandate letter from the Prime Minister.

The Government has placed a strong emphasis on delivering results. The Prime Minister and the President of the Treasury Board are working to develop new, more effective reporting processes that will allow Canadians to more easily follow the Government's progress toward delivering on its priorities.

The Government is committed to pursuing its goals with a renewed sense of collaboration with a focus on improving partnerships with provincial and territorial governments and Canada's Indigenous peoples. The Government has set a higher bar for openness and transparency within government. We are also expected to support the Government's implementation of its new selection process for Governor in Council and ministerial appointments, identifying high-quality candidates through an open, transparent, and merit-based process that will help achieve gender parity and truly reflect Canada's diversity.

The Prime Minister's *Open and Accountable Government* identifies mandate letters from the Minister to portfolio organizations as a best practice for ensuring the integrity and coherence of government activities in an integrated way that best supports the Portfolio and the sector.

As Minister of Agriculture and Agri-Food, my overarching goal is to support the agriculture sector in a way that allows it to be a leader in job creation and innovation. My mandate letter sets out sector-specific priorities that include helping the sector get products to markets, research and innovation, food safety, and export support.

As Agriculture and Agri-Food Canada works to advance these priorities, the Deputy Minister and I will engage the portfolio organizations on the priorities that fall within their respective mandates. This letter is intended to serve as the basis of an ongoing dialogue between me and your organization as part of the Agriculture and Agri-Food Portfolio.

There is important work to be done within the agriculture sector, and I ask that Farm Credit Canada continue to support the Deputy Minister in her role as my principal source of public service support and policy advice for the Agriculture and Agri-Food Portfolio. The Deputy Minister is responsible for ensuring that the Portfolio functions in a coordinated and coherent manner while respecting the separate accountability relationships and mandates of each portfolio partner. It is my expectation that Farm Credit Canada, the Deputy Minister, and the Department will be in regular communication so that all parties have the information they need to support the sector in a timely and responsible manner that is consistent with the overall direction and priorities of the Government.

Consistent with its mandate, I ask that Farm Credit Canada deliver on the following priorities:

- As Canada’s national provider of financial and business services tailored exclusively to the needs and opportunities of the agriculture and agri-food industry, it is essential that Farm Credit Canada work to ensure that producers and processors have access to needed capital through all economic cycles.
- Continue to provide access to capital to allow farm families, producers, and businesses along the entire agriculture value chain to continue to grow their businesses, adopt innovative practices and business models, pursue new markets, and adopt new technology. Continued attention should be given to products and services that facilitate intergenerational transfers, assist young and new farmers entering the industry, promote sustainability, and enhance Canada’s food-processing sector to add value here at home before export.
- Continue to strengthen Farm Credit Canada’s relationship with other financial institutions, including Canadian banks and credit unions, to explore opportunities for collaboration and syndicated financing opportunities in order to strengthen Canadian agriculture and rural Canada.
- Support Canadian agricultural interests arising from trade negotiations by continuing to work with Business Development Canada and Export Development Canada, along with Agriculture and Agri-Food Canada and private sector organizations, to ensure that Canadian agriculture and agri-food companies have adequate access to capital to succeed in international markets.
- Continue to invest in venture capital funds dedicated to agriculture to ensure that higher-risk venture capital and expertise is available to a growing number of innovative firms.
- Continue to help make the industry more competitive in the global marketplace by sharing the latest business management practices and economic insights through workshops, publications, and learning forums.
- Continue to promote and support industry-driven initiatives that foster a deeper public understanding of agricultural practices, help ensure that producers are aware of the latest consumer trends, promote better public understanding of food production, and encourage the industry to maintain its social license to operate.
- Support the Governor in Council appointment process by developing position profiles for Farm Credit Canada board positions and providing other relevant information to help inform the appointment process.

I expect Farm Credit Canada’s work and conduct to reflect the Government’s commitment to an open, honest government that is accountable to Canadians, lives up to the highest ethical standards, and applies the utmost care and prudence in the handling of public funds.

The Government of Canada has placed a strong emphasis on achieving results, and I know that I can count on Farm Credit Canada to fulfill these commitments and priorities over the course of the Government’s four-year mandate. I encourage Farm Credit Canada to work with Agriculture and Agri-Food Canada to develop performance measures that can be used to effectively track and report on progress of the priorities identified above. I recognize that other issues will arise and trust that you will engage constructively and add priorities to this agenda as appropriate.

I look forward to working together to make Canada’s agriculture sector safer, stronger, and more innovative.

Sincerely,

*Original signed by*

Lawrence MacAulay, PC, MP

**Date modified:** 2016-11-04



## FCC supplemental priorities

February 1, 2018

Mr. Dale Johnston  
Chair  
Farm Credit Canada  
1800 Hamilton Street  
PO Box 4320  
Regina, Saskatchewan S4P 4L3

Dear Mr. Johnston:

I would like to thank you, the Board of Directors, and all of Farm Credit Canada's employees for the great work you are doing to support Canada's agriculture and agri-food sector. As we begin a new year, I would like to take this opportunity to discuss some of the federal government's priorities for the sector.

Canada's agriculture and agri-food sector is a powerful driver of Canada's jobs, economy, and growth of the middle class. The Government is committed to supporting the sector to ensure it remains a leader in job creation and innovation while pursuing a strong trade agenda to increase opportunities for farmers and food processors and to create new jobs across Canada.

The federal government has set an ambitious target to grow Canada's agri-food exports to \$75 billion annually by 2025, based on the recommendations from the Advisory Council on Economic Growth led by Mr. Dominic Barton. Budget 2017 clearly outlined a strong commitment to the agriculture and agri-food sector and its importance to the Canadian economy.

Canada's reputation for high-quality, innovative, and sustainable agriculture and agri-food products will give the sector a competitive edge in growing global markets. Farm Credit Canada's business and financial services, training, and resources support the sector in moving towards its export growth target.

Working with the board members recently appointed through the new open, transparent, and merit-based selection process, I ask that Farm Credit Canada deliver, in addition to the priorities detailed in the previous mandate letter from 2016, on the following:

- In line with the Government's focus on diversity and inclusion, support under-represented groups in Canadian agriculture, including meeting the unique needs of women, youth, persons with disabilities, and Indigenous agricultural entrepreneurs and producers;
- Work to promote and strengthen products and services that facilitate intergenerational transfers, and assist young and new farmers entering the industry;
- Work with and support like minded organizations to assist Canadian producers with mental health issues through greater awareness and knowledge dissemination, and provide greater access to services and support networks in rural Canada; and
- Support products and services that will help Canada achieve the Government's goal of reaching \$75 billion in agriculture and agri-food exports by 2025.

As mentioned in my previous letter, I continue to encourage Farm Credit Canada to work with Agriculture and Agri-Food Canada to achieve and report on these additional priorities.

I look forward to further collaboration with you and Farm Credit Canada to continue developing the sector and allowing producers to reap the benefits of our efforts.

Sincerely,

*Original signed by*

Lawrence MacAulay, PC, MP

**Date modified:** 2018-06-08

## Appendix 2 – Corporate governance structure

### Board of Directors

The FCC Board of Directors represents Canadians and the breadth of the agriculture and agri-food industry. Its expertise contributes significantly to the corporation's strategic direction. The Board ensures FCC remains focused on its vision, mission and values, and fulfilling its public policy role as outlined in FCC's mandate.

The Board is composed of a maximum of 12 directors, including the President and CEO and the Chair. All directors except the President and CEO are independent of management. Biographies can be found on FCC's website under About FCC > Corporate Profile > Board of Directors.

The Board is responsible for the overall governance of FCC. It ensures business activities are in the best interests of the corporation and the Government of Canada. Directors exercise a stewardship role, participate in the strategic planning process and approve the corporate strategic direction and corporate plan. The Board also exercises its responsibility to ensure risks associated with FCC's business have been identified. The Board ensures appropriate authorities and controls are in place, risks are properly managed and the achievement of the corporation's goals and objectives is not in jeopardy.

Board members are appointed by the Governor in Council upon the recommendation of the Minister of Agriculture and Agri-Food. FCC and the Board are fully compliant with the government's process regarding the appointment of directors to fill current and future vacancies. On May 27, 2021, the Minister of Agriculture and Agri-Food announced three appointments and two reappointments. Rita Achrekar, Sylvie Chagnon and Michael Tees were appointed to four-year terms. Michele Hengen and James Laws were reappointed to three-year terms. On February 10, 2022, the Minister of Agriculture and Agri-Food announced three reappointments. Bertha Campbell, Laura

Donaldson and Govert Verstralen were reappointed to three-year terms.

When a new director joins FCC's Board, there is an orientation program to introduce the individual to the corporation and management. FCC considers director education to be an ongoing process. The orientation is tailored to meet the needs of each new director, but is built on a foundation that includes: (1) an introduction to other Board members and management, including time spent individually with the Board Chair, President and CEO and Corporate Secretary, (2) an overview and discussion about the corporation's business, strategic priorities and key functions of FCC, and (3) information regarding the Board and its structure, practices and governance.

The roles and responsibilities of the Board and its four subcommittees (Audit, Corporate Governance, Human Resources and Risk) can be found on FCC's website under About FCC > Corporate Profile > Leadership > Board Charters.

The Board is responsible for seven major areas:

- corporate governance
- communications
- financial reporting and public disclosure
- government relations and environment, social and governance
- integrity — legal and ethical conduct
- leadership development and succession planning
- strategic planning and risk management

Directors are paid an annual retainer and per diem amounts established by the Governor in Council, pursuant to the *Financial Administration Act*. Rates were last set on January 8, 2008. Directors are reimbursed out-of-pocket expenses, including travel and accommodation while performing their duties. Directors are subject to their own expense policy, which is substantially the same as the expense policy applicable to FCC employees.

Board member	Current Term	Committee memberships	Reporting period (10/01/2020 – 09/30/2021)					
			Committee attendance	Board meeting attendance	Retainer (A)	Per diems (B)	Total remuneration (A+B)	Travel and related expenses
Del Anaquod	11/9/2017 – 11/9/2020	Corporate Governance Risk	1/1 1/1	1/1	\$1,033.33	\$1,697.50	\$2,730.83	-
Rita Achrekar	05/21/2021 – 05/20/2025	Human Resources Risk	n/a** 1/1	2/2	-	\$7,517.50	\$7,517.50	-
Bertha Campbell	11/9/2017 – 11/9/2024	Audit Human Resources	8/8 4/4	6/6	\$3,100.00	\$16,975.00	\$20,075.00	-
Sylvie Chagnon	05/21/2021 – 05/20/2025	Human Resources Risk	n/a** 1/1	2/2	-	\$8,730.00	\$8,730.00	-
Sylvie Cloutier	11/27/2014 – 6/2/2022 Note: director since 4/5/2012	Corporate Governance Risk	2/2 5/5	6/6	\$3,100.00	\$15,520.00	\$18,620.00	-
Laura Donaldson	11/9/2018 – 11/9/2024	Corporate Gov (Chair) Audit Risk	4/4 2/2 4/4	6/6	\$3,600.00	\$15,762.50	\$19,362.50	-
Sharilee Fossum	6/2/2019 – 6/2/2022	Human Resources(Chair) Audit	4/4 8/8	6/6	\$3,600.00	\$17,460.00	\$21,060.00	-
Jane Halford (Board Chair) from 4/26/2020	4/22/2020 – 4/22/2024	The Board Chairperson is not a member of any specific committee but frequently attends these meetings		6/6	\$6,200.00	\$22,795.00	\$28,995.00	-
Michele Hengen	05/21/2021 – 05/20/2024	Risk (Chair) Human Resources	5/5 4/4	6/6	\$3,600.00	\$17,702.50	\$21,302.50	-
Michael Hoffort	7/1/2014 – 6/30/2022	The CEO is a director but not a member of any specific committee		6/6	The CEO does not receive separate remuneration for his duties as a Board member. The CEO's travel expenses, including any travel required for Board purposes, are disclosed on FCC's public website.			
James Laws	05/21/2021 – 05/20/2024	Audit Corporate Governance	8/8 4/4	6/6	\$3,100.00	\$20,127.50	\$23,227.50	-
Doris Priddle	11/26/2015 – 11/26/2019	Audit Corporate Governance	5/5 3/3	4/4	\$4,133.00	\$8,730.00	\$12,863.00	-
Michael Tees	05/21/2021 – 05/20/2025	Audit Corporate Governance	2/2 n/a**	2/2	-	\$5,577.50	\$5,577.50	-
Govert Verstralen	11/9/2017 – 11/9/2024	Audit (Chair) Risk	8/8 5/5	6/6	\$3,600.00	\$22,795.00	\$26,395.00	-

\*Reimbursements for unused travel credits from previous fiscal year: no Board travel occurred over reporting period

## Enterprise Management Team (EMT)



EMT consists of the President and CEO and six Executive Vice-Presidents. Bound by the FCC Code of Conduct, the corporation's senior leaders adhere to the highest ethical standards of business, professional and personal conduct.

EMT is responsible for business results and corporate decision-making, including the strategic vision, investment strategy, allocation of enterprise resources and resolution of major strategic issues. Biographies are available on FCC's website under About FCC > Corporate Profile > Leadership > Enterprise Management Team.

All executives, except for the President and CEO, are paid within salary ranges and compensation policies disclosed to the FCC Board of Directors. FCC does not offer mid or long-term incentives to any of its employees.

The Governor in Council establishes the President and CEO's compensation. In 2021-22, the base salary range for that position was \$325,300 to \$381,700, and in addition, there is a component of pay-at-risk that ranges from 6.5% to 26% of base salary.

The performance-based, total cash compensation framework for EMT includes a base salary range and a significant pay-at-risk component. This framework aligns with the philosophy of pay for performance. Movement within a salary range and pay-at-risk payments are dependent upon the performance of the corporation, the individual executive and the executive's division. For more information on the performance measures for the corporation, see Appendix 3 — Planned Results.

In 2021-22, the base salary for Executive Vice-Presidents ranged from \$209,809 to \$400,587. Members of EMT receive an amount equal to 12% of base pay as perquisites, which is applied first to their individual pension contributions and thereafter to other approved purposes.

### **Senior Leadership Team (SLT)**

SLT consists of the President and CEO, Executive Vice-Presidents and Vice-Presidents. This team provides input on setting corporate priorities to achieve strategic objectives consistent with FCC's mandate and approved direction.

### **Governance framework**

In addition to the Board, EMT and SLT, FCC's governance framework includes several committees to guide corporate decision-making in areas such as credit policy, enterprise risk management, venture capital management and pension management.

## Appendix 3 – Planned results

FCC achieves its mandate and enhances rural Canada by providing products, services and a customer experience that meets the needs of the Canadian agriculture and agri-food industry, helping producers, agribusiness and agri-food operators grow their operations, access new market opportunities, innovate and remain relevant. FCC ensures operations of all sizes have access to capital and a strong financial partner through all business cycles. FCC helps the industry remain competitive and advances the knowledge and management capabilities of producers and others involved in Canadian agriculture. FCC supports the long-term success of Canadian agriculture by focusing on the needs of the under-represented groups, agribusiness and agri-food operators and collaborates on industry-led initiatives that promote the Canadian industry and the health of those who work in it. FCC fosters strong and vibrant communities where its customers and employees live and work, with a focus on rural Canada.

Short-term outcomes				
Outcome	Performance indicator	2022-23 target	2026-27 target	Data strategy
FCC is committed to growing Canada's agri-food exports and increasing value-added capacity	Number of net new agribusiness and agri-food customers	480	560	Annual data from FCC's financial systems
FCC is committed to building a workforce that reflects the diversity of its customers and the Canadian workforce	Percentage of total hired are members of employment equity groups <sup>9</sup>	20%	25%	Annual data from FCC's Human Resources systems
FCC invests in communities where its customers and employees live and work	Amount invested by FCC in community initiatives and projects, including funds provided to local non-profits	\$4 million	\$5 million	Annual data from Sponsorium database (which tracks FCC community investment activities)

Medium-term outcomes				
Outcome	Performance indicator	2022-23 target	2026-27 target	Data strategy
FCC delivers a customer experience that meets the needs of the industry	Net Promoter Score®	71	73	Customer surveys throughout the year
Canadian agricultural producers and agribusiness and agri-food operators have access to knowledge that helps them advance their management skills and grow their businesses	Total views or interactions with FCC's online business management learning offering <sup>10</sup>	900,000	1,200,000	Annual analytics from FCC's website
	Average score from event participants on the likelihood they will use information from the FCC event in their farming operations <sup>11</sup>	≥4.2	≥4.2	Post-event participant online survey data compiled annually — participants rate on a scale of 1 (completely disagree) to 5 (completely agree)

<sup>9</sup> Performance indicator includes the following employment equity groups: Aboriginal persons, members of visible minorities and persons with disabilities. Based on information from the CHRC, FCC will be redesigning future measures for employment equity groups.

<sup>10</sup> FCC previously measured a combination of views from various channels. This new target is based only on measuring page views from one online channel, which is focused on FCC's business management learning offering.

<sup>11</sup> The delivery format that FCC used shifted in 2020-21 from in-person to digital events. Going forward FCC will use a combination of in-person and digital events.

Young farmers and young agribusiness and agri-food operators have access to specialized lending products and services	Lending to borrowers under the age of 40			Annual data from FCC's financial systems
	Ag Production: Agribusiness and Agri-food:	\$4.4 billion \$250 million	\$4.7 billion \$287 million	
	Number of current lending customers under age 40	21,000	22,000	Annual data from FCC's financial systems

Long-term outcomes				
Outcome	Performance indicator	2022-23 target	2026-27 target	Data strategy
Canadian producers and agribusiness and agri-food operators can access capital to advance their businesses	Loans receivable and leasing growth rate	5.2%	4.8%	Annual data from FCC's financial systems reporting
	Number of current Indigenous customers	Establish baseline	TBD, based on established baseline	Annual data from FCC's financial systems
	Lending to Indigenous customers	Establish baseline	TBD, based on established baseline	Annual data from FCC's financial systems
FCC supports the Greening Government Strategy by reducing its greenhouse gas emissions	Reduction in FCC's greenhouse gas footprint by 40% by 2025 based on 2012 levels	Reduction of 307 tonnes/CO <sub>2</sub> e per year	Previous measure will be achieved, with new measure dependent on Canadian Net Zero Emissions Accountability Act <sup>12</sup>	Annual data collection of emissions on buildings, vehicles, flights and paper consumption
FCC maintains a safe and sound capital position in order to fund the strategic plans, as well as to withstand economic downturn with periods of extended loss	Capital adequacy	Target capital ratio of 15% or higher	Target capital ratio of 15% or higher	Annual data from FCC's financial systems
Small and medium-sized operations have access to capital to grow their businesses	Percentage of FCC customer count in small and medium-sized segments: - Ag Production - Agribusiness & Agri-food	Ag Production: Greater than 90% Agribusiness & Agri-food: Greater than 90% <sup>13</sup>	Ag Production: Greater than 90% Agribusiness & Agri-food: Greater than 90%	Annual data from FCC's financial systems

<sup>12</sup> Target will be met in 2025-26. FCC is committed to reducing its GHG emissions and will develop a new five -year target closer to the 2026-27 timeframe that will reflect the emissions reduction need at that time.

<sup>13</sup> This target has been adjusted to match the Statistics Canada definition of small and medium-sized businesses.

Number of paid volunteer hours was previously included as a performance indicator and reported on. Due to COVID-19 restrictions, there were no results to report for this year and last year. This performance indicator has been removed due to the ongoing uncertainty around COVID-19 and inability to set reliable targets.

Number of current Indigenous customers and lending to Indigenous customers are new performance indicators for this fiscal year. FCC is currently developing appropriate solutions to establish a baseline, set targets and report accurately for these indicators. It is anticipated that for fiscal 2023-24, FCC will report on this information.

**Chief Executive Officer Commitment:** I, Michael Hoffort, as President and Chief Executive Officer of Farm Credit Canada, am accountable to the Board of Directors of Farm Credit Canada for the implementation of the results described in this corporate plan and outlined in this appendix. I confirm that this commitment is supported by the balanced use of all available and relevant performance measurement and evaluation information.



February 9, 2022

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Michael Hoffort  
President and Chief Executive Officer  
Farm Credit Canada

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Date

## Appendix 4 – Chief Financial Officer Attestation

In my capacity as Chief Financial Officer of Farm Credit Canada, accountable to the Chief Executive Officer which is accountable to the Board of Directors of Farm Credit Canada, I have reviewed the corporate plan and budgets and the supporting information that I considered necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

1. The nature and extent of the financial and related information is reasonably described, and assumptions having a significant bearing on the associated financial requirements have been identified and are supported.
2. Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to changes in key assumptions, and the related risk-mitigation strategies have been disclosed.
3. Financial resource requirements have been disclosed and are consistent with the stated assumptions, and options to contain costs have been considered.
4. Funding has been identified and is sufficient to address the financial requirements for the expected duration of the corporate plan.
5. The corporate plan and budgets are compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place.
6. Key financial controls are in place to support the implementation of proposed activities and ongoing operation of the corporation.

In my opinion, the financial information contained in this corporate plan and budgets is sufficient overall to support decision making.



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Ross Topp  
Executive Vice-President and Chief  
Financial Officer Farm Credit Canada

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February 9, 2022  
month, day, year



## Appendix 5 – Financial statements and budget

### 5.1 Financial statements

#### Caution regarding forward-looking statements

The corporate plan includes forward-looking financial information based on certain assumptions that reflect management's planned course of action with the most probable set of economic conditions. By their nature, assumptions are subject to inherent risks and uncertainties. There is significant risk that actual results may vary, and that the differences may be material. Some factors that could cause such differences include changes in general economic and market conditions, including but not limited to interest rates.

#### Consolidated Balance Sheet

As at March 31 (millions of Canadian dollars)	2021 Actual	2022 Plan	2022 Forecast	2023 Plan
<b>Assets</b>				
Cash and cash equivalents	\$ 1,251	\$ 1,020	\$ 1,300	\$ 1,300
Short-term investments	733	480	700	700
Accounts receivable and prepaid expenses	38	44	38	40
Derivative financial assets	5	-	-	-
	<b>2,027</b>	<b>1,544</b>	<b>2,038</b>	<b>2,040</b>
Loans receivable	41,346	41,938	43,381	45,666
Allowance for credit losses	218	298	165	174
Finance leases receivable - net	141	244	135	140
Other loans receivable - net	59	94	68	84
Equity investments	28	45	42	80
Investment in associates	58	57	59	80
Post-employment benefit assets	144	147	210	237
	<b>41,558</b>	<b>42,228</b>	<b>43,730</b>	<b>46,113</b>
Property and equipment	248	222	219	199
Intangible assets	20	34	14	12
Other assets	6	15	5	6
	<b>274</b>	<b>271</b>	<b>238</b>	<b>216</b>
<b>Total assets</b>	<b>\$ 43,860</b>	<b>\$ 44,043</b>	<b>\$ 46,006</b>	<b>\$ 48,369</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 76	\$ 83	\$ 81	\$ 84
<b>Borrowings</b>				
Short-term debt	12,550	9,647	8,549	8,060
Long-term debt	22,705	25,067	28,540	31,321
	<b>35,255</b>	<b>35,274</b>	<b>37,089</b>	<b>39,381</b>
Transition loan liabilities	192	213	188	198
Post-employment benefit liabilities	142	223	152	155
Lease liabilities	174	167	165	156
Other liabilities	8	17	6	5
	<b>516</b>	<b>620</b>	<b>511</b>	<b>514</b>
<b>Total liabilities</b>	<b>35,847</b>	<b>35,977</b>	<b>37,681</b>	<b>39,979</b>
<b>Equity</b>				
Contributed capital	500	500	500	250
Retained earnings	7,511	7,565	7,824	8,139
Accumulated other comprehensive income	1	-	-	-
<b>Equity attributable to shareholder of parent entity</b>	<b>8,012</b>	<b>8,065</b>	<b>8,324</b>	<b>8,389</b>
Non-controlling interest	1	1	1	1
	<b>8,013</b>	<b>8,066</b>	<b>8,325</b>	<b>8,390</b>
<b>Total liabilities and equity</b>	<b>\$ 43,860</b>	<b>\$ 44,043</b>	<b>\$ 46,006</b>	<b>\$ 48,369</b>

## Consolidated Statement of Income

Fiscal year ending March 31 (millions of Canadian dollars)	2021 Actual	2022 Plan	2022 Forecast	2023 Plan
Loans and leases	\$ 1,551	\$ 1,495	\$ 1,537	\$ 1,607
Investments	25	19	16	22
Interest income	1,576	1,514	1,553	1,629
Short-term debt	17	10	7	19
Long-term debt	261	200	215	228
Interest expense	278	210	222	247
<b>Net interest income</b>	<b>1,298</b>	<b>1,304</b>	<b>1,331</b>	<b>1,382</b>
Provision for credit losses	19	43	(4)	56
<b>Net interest income after provision for credit losses</b>	<b>1,279</b>	<b>1,261</b>	<b>1,335</b>	<b>1,326</b>
Insurance distribution income	20	19	19	19
Net income (loss) from investment in associates	2	(1)	(3)	(1)
Net foreign exchange (loss) gain	(3)	-	-	-
Other (expense) income	(1)	(1)	1	(1)
<b>Net interest income and non-interest income</b>	<b>1,297</b>	<b>1,278</b>	<b>1,352</b>	<b>1,343</b>
<b>Administration expenses</b>				
Salaries and benefits	288	294	311	326
Other	188	215	221	251
<b>Total administration expenses</b>	<b>476</b>	<b>509</b>	<b>532</b>	<b>577</b>
<b>Net income before fair value adjustment</b>	<b>821</b>	<b>769</b>	<b>820</b>	<b>766</b>
Fair value adjustment	(8)	-	(1)	-
<b>Net income</b>	<b>\$ 813</b>	<b>\$ 769</b>	<b>\$ 819</b>	<b>\$ 766</b>
<b>Net income attributable to:</b>				
Shareholder of parent entity	\$ 813	\$ 769	\$ 819	\$ 766
Non-controlling interest	-	-	-	-

## Consolidated Statement of Comprehensive Income

Fiscal year ending March 31 (millions of Canadian dollars)	2021 Actual	2022 Plan	2022 Forecast	2023 Plan
<b>Net income</b>	<b>\$ 813</b>	<b>\$ 769</b>	<b>\$ 819</b>	<b>\$ 766</b>
<b>Other comprehensive income</b>				
<b>Items that are or may be reclassified to net income</b>				
Transfer of net realized gains on derivatives previously designated as cash flow hedges to net income	(20)	(2)	(1)	-
	<b>(20)</b>	<b>(2)</b>	<b>(1)</b>	<b>-</b>
<b>Item that will never be reclassified to net income</b>				
Remeasurement of post-employment benefit assets and liabilities	(33)	19	54	24
<b>Total other comprehensive income (loss)</b>	<b>(53)</b>	<b>17</b>	<b>53</b>	<b>24</b>
<b>Total comprehensive income</b>	<b>\$ 760</b>	<b>\$ 786</b>	<b>\$ 872</b>	<b>\$ 790</b>
<b>Total comprehensive income attributable to:</b>				
Shareholder of parent entity	\$ 760	\$ 786	\$ 872	\$ 790
Non-controlling interest	-	-	-	-

## Consolidated Statement of Changes in Equity

Fiscal year ending March 31 (millions of Canadian dollars)	2021 Actual	2022 Plan	2022 Forecast	2023 Plan
<b>Contributed capital</b>				
Balance, beginning of year	\$ 500	\$ 500	\$ 500	\$ 500
Dividends paid	-	-	-	(250)
<b>Balance, end of year</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>250</b>
<b>Retained earnings</b>				
Balance, beginning of year	6,731	7,338	7,511	7,824
Net income	813	769	819	766
Other comprehensive income (loss)	(33)	19	54	24
Dividend paid	-	(560)	(560)	(475)
<b>Balance, end of year</b>	<b>7,511</b>	<b>7,565</b>	<b>7,824</b>	<b>8,139</b>
<b>Accumulated other comprehensive income</b>				
Balance, beginning of year	21	2	1	-
Transfer of net realized gains on derivatives previously designated as cash flow hedges to net income	(20)	(2)	(1)	-
<b>Balance, end of year</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity attributable to parent</b>	<b>\$ 8,012</b>	<b>\$ 8,065</b>	<b>\$ 8,324</b>	<b>\$ 8,389</b>
<b>Non-controlling interest</b>				
Balance, beginning of year	1	1	1	1
Net income attributable to non-controlling interest	-	-	-	-
Contributions from/(distributions to) non-controlling interest	-	-	-	-
Balance, end of year	1	1	1	1
<b>Total</b>	<b>\$ 8,013</b>	<b>\$ 8,066</b>	<b>\$ 8,325</b>	<b>\$ 8,390</b>

## Consolidated Statement of Cash Flows

As at March 31 (millions of Canadian dollars)	2021 Actual	2022 Plan	2022 Forecast	2023 Plan
<b>Operating activities</b>				
Net Income	\$ 813	\$ 769	\$ 819	\$ 766
<b>Adjustments to determine net cash (used in) provided by operating activities:</b>				
Net interest income	(1,298)	(1,304)	(1,331)	(1,382)
Provision for credit losses	19	43	(4)	56
Fair value adjustment	9	1	1	-
Net loss (income) from investment in associates	(2)	1	3	1
Amortization and depreciation	39	42	37	38
Net unrealized foreign exchange gains	64	-	-	-
Net cash outflow from loans receivable	(3,049)	(1,485)	(2,095)	(2,290)
Net cash (outflow) inflow from finance leases receivable	(36)	(58)	6	(6)
Net change in other operating assets and liabilities	(1)	8	1	11
Interest received	1,571	1,485	1,567	1,587
Interest paid	(288)	(198)	(206)	(258)
<b>Cash used in operating activities</b>	<b>(2,161)</b>	<b>(696)</b>	<b>(1,202)</b>	<b>(1,477)</b>
<b>Investing activities</b>				
Net cash inflow from short-term investments	22	30	31	-
Net cash (outflow) inflow from other loans receivable	(1)	(8)	(9)	(16)
Acquisition of equity investments	(26)	(25)	(18)	(39)
Proceeds on disposal and repayment of equity investments	-	-	4	-
Disbursement paid to investment associates	(24)	(22)	(19)	(28)
Repayment from investment associates	8	-	15	6
Purchase of property and equipment	(8)	(15)	(15)	(15)
Purchase of intangible assets	(3)	(20)	(6)	(7)
Proceeds on disposal of property and equipment	14	11	14	10
<b>Cash used in investing activities</b>	<b>(18)</b>	<b>(49)</b>	<b>(3)</b>	<b>(89)</b>
<b>Financing activities</b>				
Long-term debt issued	9,282	9,123	14,116	12,029
Long-term debt repaid	(7,081)	(9,418)	(13,633)	(10,031)
Short-term debt issued	11,892	12,278	12,874	16,411
Short-term debt repaid	(12,371)	(10,663)	(11,527)	(16,101)
Principal repayment of lease liabilities	(15)	(15)	(16)	(16)
Dividend paid	-	(560)	(560)	(475)
Capital contributions paid	-	-	-	(250)
<b>Cash provided by financing activities</b>	<b>1,707</b>	<b>745</b>	<b>1,254</b>	<b>1,566</b>
<b>Change in cash and cash equivalents</b>	<b>(472)</b>	<b>-</b>	<b>49</b>	<b>-</b>
Cash and cash equivalents, beginning of year	1,725	1,020	1,251	1,300
Effects of exchange rate changes on the balances of cash held and due in foreign currencies	(1)	-	-	-
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,251</b>	<b>\$ 1,020</b>	<b>\$ 1,300</b>	<b>\$ 1,300</b>

## 5.2 Operating budget

The operating budget provides details of FCC's forecast income and expenses based on projected revenues over the plan period and is submitted for Treasury Board approval in accordance with section 123 of the *Financial Administration Act*. The table in Appendix 5.2.1 summarizes operating budget information for the preceding, current and plan years.

### 5.2.1 Operating budget summary

Fiscal year ending March 31 (\$ millions)	2021 Actual	2022 Plan	2022 Forecast	2023 Plan
<b>Portfolio growth</b>				
Loans receivable and leasing	41,536	42,204	43,541	45,815
Loans receivable and leasing growth rate (per cent)	7.6	3.7	4.8	5.2
<b>Specialized financial product</b>				
Venture capital portfolio	145	197	169	244
<b>Profitability</b>				
<b>Net interest income and margin</b>				
Net interest income	1,298	1,304	1,331	1,382
Net interest margin (per cent)	3.05	3.02	2.96	2.94
<b>Non-interest income</b>				
Insurance distribution income	20	19	19	19
Net income (loss) from investment in associates	2	(1)	(3)	(1)
<b>Credit quality</b>				
Credit-impaired loans	306	325	396	416
Provision for credit losses	19	43	(4)	56
Allowance for credit losses - loans receivable	218	298	165	174
Writeoffs	38	45	50	50
<b>Efficiency</b>				
Administration expenses	476	509	532	577
Efficiency ratio (per cent)	36.1	38.5	39.4	41.2
<b>Funding</b>				
Borrowings	35,255	35,274	37,089	39,381
<b>Capital management</b>				
Total capital	7,847	7,883	8,099	8,140
Risk-weighted assets	45,248	45,801	47,494	50,059
Total capital ratio (per cent)	17.3	17.2	17.1	16.3
Debt to equity (ratio X:1)	4.5	4.5	4.5	4.8
<b>Shareholder return</b>				
Net income	813	769	819	766
Return on equity (per cent)	10.7	9.7	10.0	9.2
Dividends	-	560	560	725

## 5.2.2 Overview of operating budget projections

FCC continues to work collaboratively with the Government of Canada to support the agriculture and agri-food industry through the evolution of the COVID-19 pandemic. While the emergence of new COVID-19 variants has created some uncertainty regarding the impact on the full reopening of the Canadian economy in future years, the economy is expected to grow over the plan period as global trade normalizes. The demand for commodities is expected to remain strong with an expected favourable interest rate environment to enable healthy profitability and growth over the plan period. Favourable cash receipts are also contributing to a healthy lending portfolio despite the projected decrease in market share and market disruptions due to extreme weather impacts across western Canada.

### Portfolio growth

**Loans receivable and leasing** is forecast to be \$1.3 billion or 3.2% higher in 2021-22 compared to the 2021-22 plan with strong growth in primary production and agribusiness and agri-food sectors. Higher than projected growth in 2020-21, partially due to strong demand for credit and COVID-19 related support programs, coupled with the more optimistic outlook of the agriculture and agri-food industry, including the continued appreciation of farmland values, supports strong demand for farm debt. The portfolio is projected to grow by \$2.3 billion or 5.2% in the 2022-23 plan relative to the 2021-22 forecast. The increase in loans receivable and leasing reflects projected continued growth in farm debt outstanding and represents lending through financing in the primary production, agribusiness and agri-food, and Alliances business lines.

Primary producers (primary production financing and Alliances) continue to represent the majority of loans receivable at 85.4% in the 2021-22 forecast and 85.2% in the 2022-23 plan. In the 2022-23 plan, the loans receivable and leasing portfolio is comprised of \$39.0 billion in primary production and Alliances, \$6.7 billion in agribusiness and agri-food and \$149 million in leasing.

**Specialized financial product: Venture capital portfolio** provides alternative financing through subordinated debt, venture capital and private equity fund investments. FCC plays an important role in filling financing gaps for Canadian producers. Investment objectives are focused on supporting the agriculture sector across the entire life cycle from seed/early-stage to growth/late-stage, helping to strengthen agriculture innovation and develop strong Canadian agriculture and agri-food companies. FCC will expand investment in venture capital and private equity funds and continue to provide financial support through program funding to organizations that provide accelerator services to startup and early-stage businesses.

The fund investments are projected to increase \$75 million from 2021-22 to 2022-23. This reflects the plan assumptions with respect to new investments, sales and repayment, and changes in the fair value of existing investments.

### Profitability

**Net interest income** is required to cover administration expenses and the risk of credit losses as well as to yield a sufficient profit to meet the corporation's capital requirements and provide a return to FCC's shareholder. The 2021-22 net interest income forecast is \$27 million higher than the 2021-22 plan primarily due to both increased portfolio volumes and fee income, offset by a lower net interest margin resulting from the low interest rate environment. Net interest income is expected to increase \$51 million from the 2021-22 forecast to the 2022-23 plan. This is due to a 5.2% growth in loans receivable and leasing, offset by a decrease in the net interest margin from 2.96% to 2.94%.

**Net interest margin on average earning assets** is net interest income expressed as a percentage of average interest-earning assets.

The net interest margin is forecast to decrease to 2.96% from the 2021-22 plan primarily due to compression on lending margins driven by strong competition and the lower interest rate environment, resulting in lower returns on earning assets relative to the savings on interest-bearing liabilities. The net interest margin is projected to decrease a further 0.02% from the 2021-22 forecast to the 2022-23 plan primarily due to increased funding costs on short term debt.

**Non-interest income** is generated mainly through FCC insurance and venture capital equity investments identified as investments in associates. Other non-interest income items are net foreign exchange gains and loss and other income and expenses inclusive of the AgExpert farm management software offerings. The non-interest income forecast of \$17 million is comparable to the 2021-22 plan and remains flat in 2022-23.

### Credit quality

FCC continually monitors its portfolio and the agriculture and agri-food industry to proactively identify and develop solutions to help customers through difficult times. FCC has developed customized programs and product options that provide flexibility and support customers in times of challenge and opportunity.

FCC employs sound business practices for analyzing credit quality and monitoring loans that are past due and impaired. From this analysis, FCC can better assess the appropriate level of allowance for credit losses and determine whether its risks are within the tolerances stated in the Board-approved risk management policies.

**Credit-impaired loans** are forecast to be \$396 million, an increase of \$71 million from the 2021-22 plan partially due to the extended stay of loans in the default period from a change to FCC's default definition and exit criteria. Credit-impaired loans are projected to increase \$20 million in 2022-23 primarily due to portfolio growth.

**Allowance for credit losses - loans receivable** is forecast to decrease to \$165 million from the 2021-22 plan of \$298 million. The significant decrease is primarily due to improved economic forecasts as economies around the world recover from the COVID-19 pandemic. The resiliency of the agriculture and agri-food industry during the pandemic reduced the magnitude of credit defaults related to COVID-19, reducing the allowance for credit loss requirements. As the portfolio grows, the allowance is expected to increase to \$174 million in 2022-23 while the allowance as a percentage of loans receivable remains flat at 0.38% with anticipated strong farm cash receipts.

**Writeoffs** are forecast to be \$5 million greater than planned in 2021-22. As noted in section 3.0, FCC has implemented several customer support programs to manage the impacts of COVID-19 and ongoing adverse weather situations. Writeoffs remain flat in 2022-23 at \$50 million or 0.11% of loans receivable.

**Provision for credit losses** is forecast to be \$47 million lower than the 2021-22 plan because of an improvement in credit quality with COVID-19 program deferrals ending and those customers resuming regular payments, reducing the allowance for credit loss requirements. In 2022-23, the required provision is projected to be \$56 million, an increase from the 2021-22 forecast despite stable credit quality, reflective of higher portfolio size.

### Efficiency

A key element of continued financial viability is cost management and operational efficiency balanced against the requirements of a growing business. The corporation will continue its track record of efficiency and strong financial performance, focusing on delivering services in an efficient manner and optimizing how it operates. A portion of FCC's administration expenses fund initiatives that will enhance the customer and employee experience and support the growth in the agriculture and agri-food industry as outlined in section 4.1.

**Administration expenses** are forecast to be \$532 million, which is higher than the 2021-22 plan primarily due to FCC's continued shift toward software as a service, increased costs for technology solutions, increased salaries, and increased current service costs for the defined benefit pension plan. A shift to subscription-based software as a service from the traditional capital-based perpetual software ownership has resulted in a decrease in software-related capital expenditures and an increase in professional fees and software expenses with some offset from lower depreciation.

In 2022-23, administration expenses are projected to be \$45 million higher than the 2021-22 forecast primarily due to employee growth, FCC's continued shift toward software as a service, and travel continuing to reopen from COVID-19 restrictions.

New positions will be added over the plan period to support portfolio growth and business operations and deliver on strategic initiatives as FCC continues to serve customers and the industry. In 2022-23, there are 150 new positions planned.

**Efficiency ratio** is forecast to be 39.4%, which is 0.9% greater than the 2021-22 plan primarily due to increased administration expenses from a quicker than planned transition to software as a service, employee growth, and slower growth in net interest income partially resulting from lower net interest margin. In 2022-23, the efficiency ratio increases to 41.2% driven by the continued increase in administration expenses to maintain portfolio growth and business needs, outpacing the growth in income partially due to the low interest rate environment.

## Capital management

FCC's capital management objective is to maintain a safe and sound capital position to support FCC's strategic plan as well as to withstand economic downturns and periods of extended loss.

With the resiliency in the agriculture industry throughout the pandemic, FCC was able to maintain a strong capital position and achieved continued financial strength. Consequently, the \$500 million capital contribution FCC received in 2020 from the Government of Canada as part of the COVID-19 industry support response is planned to be repaid in two equal payments of \$250 million in 2022-23 and 2023-24.

**Total capital ratio** is forecast to be lower by 0.1% at 17.1% than in the 2021-22 plan primarily due to an increase in risk weighed assets (RWA) related to the high portfolio growth compared to plan. The total capital ratio decreases to 16.3% in 2022-23 primarily due to increased RWA and repayment of \$250 million of contributed capital.

**Debt-to-equity ratio** is forecast to be 4.5 to 1, which remains unchanged from the 2021-22 plan and continues to remain lower than the 10-year historical average of 5.3 to 1. In recent years, FCC's capital holdings have increased in relation to debt largely due to maturing capital management practices in addition to the recently higher capital levels related to COVID-19. In 2022-23, the debt-to-equity ratio is projected to increase to 4.8 to 1 due to higher debt requirements to fund portfolio growth, relative to the growth of retained earnings and decrease in contributed capital. The ratio is projected to remain well below the maximum 12 to 1 debt-to-equity ratio set under the *Farm Credit Canada Act*.

## Shareholder return

**Net income** is forecast to be \$50 million higher than the 2021-22 plan. The forecast increase is driven by a reduction in provision for credit losses, increased net interest income from a larger portfolio and fee income, offset by lower margins and higher administration expenses. In 2022-23, net income is projected to decrease to \$766 million primarily driven by a higher provision for credit losses and administration expenses, offset by higher net interest income from a growing portfolio.



**Return on equity** is forecast at 10%, or 0.3% higher than the 2021-22 plan primarily driven by higher net income. The forecast ratio is lower than the 10-year historical average of 14.1%. The historical average is high due to recoveries of allowance for credit losses and higher levels of leverage. By adjusting historical returns for FCC's current leverage ratio and longer-run provision history, FCC's 10-year historical average return on equity is 10.5%, which is more comparable to the forecast ratio. In 2022-23, return on equity is projected to decrease to 9.2% as the growth in equity outpaces the growth in annual net income.

**Dividends** are paid to the Government of Canada at the discretion of the Board of Directors. The corporation's Capital Management policy relates the dividend payment to excess capital consistent with the Capital and Dividend Policy Framework for Financial Crown Corporations and as determined through the year-end capital adequacy assessment. To ensure FCC maintained the financial strength to support customers throughout the initial phases of the COVID-19 pandemic, dividend payments were withheld for the previous fiscal year. FCC has since maintained a strong capital position throughout the course of the pandemic and is forecasting a dividend payment of \$560 million in 2021-22 consisting of the excess capital generated during the past two fiscal years.

### 5.2.3 Key assumptions and sensitivity analysis

FCC employs a financial model to determine the five-year plan targets based on inputs received from various divisions at FCC. The model has been tested and proven to generate consistently accurate projections based on the data inputs. The input assumptions for this financial plan are consistent with historical experience and are approved by management and the Board of Directors.

In addition to the financial plan projections provided in this document, the corporation runs sensitivity and scenario analyses. These analyses assist in financial planning, risk management and resource allocation by testing financial strength across a range of financial plan assumptions and ensuring FCC is making prudent financial and risk management decisions over the long term.

Key assumptions used in the model are based on the forecast economic data outlined in section 3.0, and changes in one of the economic factors may significantly impact FCC's financial health in the future. FCC closely follows macroeconomic trending and considers it in the financial projections for the plan period. Although a change in one economic factor can impact various aspects of the financial statements, loans receivable and leasing growth is closely correlated to growth in farmland values and farm debt outstanding. Interest rates can impact the net interest margin and may shift lending behaviour between fixed and variable-rate lending, which also impacts the margin. The collectability of loans can be impacted by interest rates and changes in farm cash receipts.

The table below shows the impact of changes to key variables on projected net income and efficiency ratio for 2022-23.

Major drivers (\$ millions)	Change in net income	
	Change	2023 Plan
Loans receivable	+/- 1%	+/- 6
Net interest margin	+/- 2 bps*	+/- 9
Interest rate curves	+ 100 bps*	+ 10
Allowance	+/- 0.05%	+/- (23)
*basis points		
	Change in efficiency ratio	
Administration expense	+/- \$5 million	+/- 0.36%

### 5.3 Capital budget

The 2021-22 capital budget is submitted for Treasury Board approval in accordance with section 124 of the *Financial Administration Act*.

Capital expenditures are forecast to be \$26 million, significantly lower than the 2021-22 plan primarily due to FCC's continued shift toward software as a service, which is typically ineligible for capitalization.

**Table 11: Capital budget**

Fiscal year ending March 31 (\$ millions)	2021 Actual	2022 Plan	2022 Forecast	2023 Plan
Leasehold improvements	3	9	7	9
Furniture and equipment	2	3	3	2
Computer hardware	3	3	5	4
Right-of-use assets	12	7	6	7
<b>Property &amp; equipment</b>	<b>20</b>	<b>22</b>	<b>21</b>	<b>22</b>
<b>Intangible assets</b>	<b>3</b>	<b>20</b>	<b>5</b>	<b>5</b>
<b>Total capital budget</b>	<b>23</b>	<b>42</b>	<b>26</b>	<b>27</b>

## Appendix 6 – Borrowing plan summary

To meet the forecasting funding requirements, FCC requests authority to borrow from the Minister of Finance to borrow from the Crown Borrowing Program and capital markets as follows:

- i. Total short-term financing from the Crown Borrowing Program not exceeding a maximum outstanding of \$9.5 billion, which includes:
  - A maximum outstanding of \$75 million through an operating line of credit
  - A maximum outstanding of US\$1.15 billion short-term U.S. dollar financing from domestic money markets
- ii. Long-term financing through the Crown Borrowing Program not exceeding \$17.0 billion of new issuances

Borrowings are used in the normal course of business to fund operations and provide liquidity. Interest rates and market conditions can drive changes in customer preferences or interest-rate risk exposures on the balance sheet. FCC requires borrowing authorities that provide flexibility and latitude to effectively finance FCC's balance sheet and manage risks and business requirements.

## Appendix 7 – Risk and risk responses

### Governance

The Board of Directors oversees FCC’s Enterprise Risk Management (ERM) framework and policy to ensure risk management is integrated with strategic, financial and operating plans. FCC’s Chief Risk Officer leads an independent risk division and supports the Board with its oversight accountabilities.

Each category of risk is governed by a Board-approved policy that details how risks are to be identified, assessed, managed, monitored and reported in accordance with FCC’s risk appetite framework, the *Farm Credit Canada Act* and, where applicable, the *Finance Minister’s Financial Risk Management Guidelines for Crown Corporations (August 2009)*.



### Summary of key risks

Title/description of the risk	Impact and response:
<p><b>Strategic risk</b> refers to the external environment and FCC’s ability to develop and implement effective business strategies.</p> <p><b>Category:</b> <i>Strategic</i></p> <p><b>Probability:</b> <i>High</i></p> <p><b>Inherent risk level:</b> <i>High</i></p> <p><b>Residual risk level:</b> <i>Medium</i></p>	<p><b>Impact:</b> Unforeseen change in the external environment impacts the strategic need or purpose of FCC</p> <p><b>Response:</b> Potential strategic risks are identified and analyzed through a variety of activities, including external scanning and consultation with internal subject matter experts.</p> <p>The Board discusses the top strategic and emerging risks during its involvement in the strategic planning cycle. EMT members are accountable for developing risk mitigation plans, monitoring key risk indicators, reporting progress on mitigation strategies and reporting to the Board on a quarterly basis through enterprise risk reporting.</p>

<p><b>Credit risk</b> is the potential for financial loss due to the failure of a borrower or other counterparty to repay a loan or meet financial obligations to the corporation.</p> <p><b>Category:</b> <i>Financial</i></p> <p><b>Probability:</b> <i>Medium</i></p> <p><b>Inherent risk level:</b> <i>High</i></p> <p><b>Residual risk level:</b> <i>Medium</i></p>	<p><b>Impact:</b> Direct financial loss</p> <p><b>Response:</b> Aligned with FCC’s mandate to provide financial products, credit risk is the most significant risk faced by FCC.</p> <p>Through application of sound credit adjudication practices and diversification across Canada and within the agriculture and agri-food sectors, the residual credit risk levels are reduced.</p> <p>FCC lending and credit risk employees assess and manage risk on individual loans by adhering to defined policy. The Risk Management division aggregates credit risk, considering credit risk management best practices for financial institutions as well as using sophisticated statistical methods.</p> <p>The entire credit portfolio is assessed monthly, and reports pertaining to the portfolio’s health are reviewed by the Enterprise Risk Management Committee and Risk Committee of the Board on a quarterly basis.</p> <p>Policy limits have been established for credit risk, portfolio concentration risk, government and banking liquidity investments and counterparty credit risk for derivatives.</p>
<p><b>Liquidity risk</b> is the risk that FCC will have insufficient funds to meet its payment obligations.</p> <p><b>Category:</b> <i>Financial</i></p> <p><b>Probability:</b> <i>Low</i></p> <p><b>Inherent risk level:</b> <i>Low</i></p> <p><b>Residual risk level:</b> <i>Low</i></p>	<p><b>Impact:</b> Inability to meet its payment obligations</p> <p><b>Response:</b> The corporation minimizes liquidity risk using a liquid investment portfolio, funding through the Crown Borrowing Framework and access to an operating line of credit.</p> <p>Policy limits have been established for market and funding liquidity.</p>
<p><b>Market risk</b> is a potential loss due to adverse changes in underlying market factors, such as interest rates and foreign exchange rates.</p> <p><b>Category:</b> <i>Financial</i></p> <p><b>Probability:</b> <i>Low</i></p> <p><b>Inherent risk level:</b> <i>Low</i></p> <p><b>Residual risk level:</b> <i>Low</i></p>	<p><b>Impact:</b> Direct financial loss</p> <p><b>Response:</b> Market risk inherently exists in all interest-bearing assets and liabilities, such as loans and FCC’s debt. Foreign currency risk exists from any transactions based on the U.S. dollar. FCC employs sound financial management practices based on industry practices and guidelines.</p> <p>FCC identifies the sources of market risk, measures these exposures, and uses financial management processes and controls to assess, manage and hedge these risks. Treasury monitors factors that impact these risks to assess and manage these risks within tolerances.</p> <p>Policy limits and management thresholds have been</p>

	<p>established for net interest income variability and the decline in market value of portfolio equity. Other metrics are used operationally to ensure a complete view.</p>
<p><b>Operational risk</b> relates to inadequate or failed internal processes, people, systems or external events, and the failure to comply with or adapt to legislative or regulatory requirements or litigation.</p> <p><b>Category:</b> <i>Operational</i></p> <p><b>Probability:</b> <i>Medium</i></p> <p><b>Inherent risk level:</b> <i>Medium</i></p> <p><b>Residual risk level:</b> <i>Low</i></p>	<p><b>Impact:</b> Direct and/or indirect financial loss</p> <p><b>Response:</b> Operational risk inherently exists in all processes of the corporation. Leaders are responsible for ensuring appropriate policies and processes are in place within their business units to manage risks, and internal controls are operating effectively.</p> <p>Risk and control assessments identify and assess key risks to ensure appropriate controls are in place and gaps are closed. Key controls are monitored on a regular basis to determine their effectiveness. FCC has a formal program to measure and monitor operational control effectiveness.</p> <p>In addition, FCC’s audit program examines processes and provides learning opportunities for continual improvement through assurance activity.</p> <p>Policy limits have been established for operational risk management effectiveness.</p>
<p><b>Reputation risk</b> is the risk that key stakeholders and other members of the public may develop negative perceptions about FCC.</p> <p><b>Category:</b> <i>Reputation</i></p> <p><b>Probability:</b> <i>Low</i></p> <p><b>Inherent risk level:</b> <i>Low</i></p> <p><b>Residual risk level:</b> <i>Low</i></p>	<p><b>Impact:</b> Negative perceptions about FCC that could adversely affect the corporation’s reputation and its ability to attract and retain customers, business partners and employees</p> <p><b>Response:</b> To avoid real or perceived reputation damage, FCC has a robust governance structure, including policies and procedures, to guide employee conduct in interactions with colleagues, customers, industry partners, suppliers, media and the public.</p> <p>The customer on-boarding process requires adherence to various customer identification requirements, including the signing of a declaration stating that they know of no reason why FCC may have any concern with their business.</p>

## Appendix 8 – Compliance with legislative and policy requirements

As a federal Crown corporation, FCC is governed by, and must ensure it complies with several laws, regulations, ministerial directives, and relevant Treasury Board Secretariat policies. FCC's enabling and governing framework is comprised of the *Farm Credit Canada Act* (the act that establishes FCC and sets out its mandate and powers) and the *Financial Administration Act* (the act that provides, among other things, the statutory regime for the control of Crown corporations).

Compliance with legal and policy requirements emanating from other applicable statutes is also key to FCC's success in fulfilling its mandate and maintaining its reputation. FCC is enhancing its regulatory compliance management program to better align with industry standards. This corporate initiative is ongoing and will continue to mature the methodologies and processes to assess and confirm that proper controls are in place to mitigate the risk that FCC fails to comply with legislative requirements.

The following is a selection of laws that apply to FCC and ministerial directives issued under Section 89 of the *Financial Administration Act* along with a summary of FCC's actions, governance material and/or confirmation that support compliance.

### **Access to Information Act**

FCC processes requests received under the *Access to Information Act* and provides information on how to make a request on its public website at About FCC > Governance > Transparency > Access to Information (ATI).

### **Canadian Human Rights Act**

FCC's obligations under the *Canadian Human Rights Act* are embedded in the corporation and several applicable policies, including the Employment Equity and Diversity policy, Harassment and Violence in the Workplace policy, and Duty to Accommodate policy.

### **Employment Equity Act**

FCC is committed to building a workforce that reflects the diversity of its customers and the

Canadian workforce and has developed a three-year diversity and inclusion strategy to ensure FCC is an inclusive workplace that can attract, hire and retain talent from diverse backgrounds. For more information, see Appendix 9.3 – Diversity and Inclusion.

### **Official Languages Act**

FCC has created a three-year official languages plan to ensure FCC meets its commitments and obligations under the *Official Languages Act*. The plan is in its first year of execution. The plan will also comply with the *Official Languages (Communications with and Services to the Public) Regulations*, and the Treasury Board *Policy on Official languages* (including related directives). FCC has a designated employee (Manager) responsible for executing the strategy and ensuring FCC is promoting both official languages and considering official languages in decision-making processes. Revisions to policies and the official languages program are assessed to determine whether an impact analysis would be required.

### **Pay Equity Act**

FCC is well positioned to move forward with the requirements of the *Pay Equity Act* that came into force in 2021. FCC uses a comprehensive job evaluation system and proactively analyzes roles on an ongoing basis, with approvals through a trained Job Evaluation Committee comprised of senior leaders in the corporation. These existing systems and practices will, among other initiatives, be used by FCC to create the pay equity plan and reporting that will be required by this new legislation.

### **Privacy Act**

FCC has adopted Privacy by Design principles. The Privacy program was enhanced through updates to policy and procedural controls and the launch of change, learning and ongoing communication opportunities to increase employee awareness and vigilance in the identification and management of potential threats and risks to customer and employee personal information.

### ***Directive on Employee Pensions and Compensation***

FCC was issued a directive in 2017 (Order in Council P.C. 2017-0242 dated March 10, 2017, which repealed Order in Council P.C. 2014-1377) supporting the broad objective of ensuring affordable and financially sustainable Crown corporation pension plans that are consistent with the terms of the Public Service Pension Plan of the federal government. FCC is in compliance with the directive.

### **Directive on Travel, Hospitality, Conference and Event Expenditures**

FCC was issued a directive in 2015 (Order in Council P.C. 2015-1104 dated July 7, 2015) to 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 FCC's legal obligations. Treasury Board has since updated its instruments and FCC implemented the necessary changes to continue to ensure alignment.

FCC continues to ensure travel, hospitality, conference and event expenditures are managed with prudence and represent the most economic and efficient use of funds given the nature of the activity in relation to achievement of FCC's core

mandate. FCC has taken steps to be transparent and communicate with the public on its management of travel and hospitality expenditures. FCC's expense policies, along with reporting on total annual expenditures for travel, hospitality and conferences as well as reporting on travel and hospitality expenditures for EMT and the Board of Directors, are available on FCC's public website at About FCC > Governance > Transparency > Travel and hospitality expenses.

### **Trade agreements**

Corporate policy supports FCC's ongoing obligation to ensure compliance with applicable trade agreements. FCC's Procurement and Vendor Risk Management policy strengthens and reinforces the corporation's commitment to open, transparent and non-discriminatory procurement practices — key principles that underpin the spirit of the various trade agreements. In accordance with the policy, all procurement opportunities meeting the trade agreement thresholds and not benefiting from an exception are posted publicly to ensure equity of access to government procurement.

FCC will continue to report as requested by the Treasury Board on its obligations related to both the Canada Free Trade Agreement and the Comprehensive Economic and Trade Agreement and is committed to ensuring ongoing obligations are met.



## Appendix 9 – Government priorities and direction

FCC is committed to supporting the Government of Canada’s government-wide priorities.

As a federal Crown corporation, FCC is committed to making a difference in the lives of Canadians by supporting a strong, vibrant and sustainable Canadian agriculture and agri-food sector, which in turn supports food safety, security and sustainability.

The agriculture and agri-food system contributes more than \$143 billion annually to the Canadian economy and is responsible for one in eight jobs in Canada. FCC plays a vital role by offering financing, knowledge and other specialized services to the primary producers, family farms and agribusiness and agri-food operators who are foundational to the success of Canada’s agriculture and agri-food system.

From the onset of COVID-19, the government has made it a priority to support the needs of businesses and entrepreneurs in various sectors, including agriculture and food. The government made a commitment to the agriculture and agri-food industry to ensure Canadians have ongoing access to capital during this challenging time. On March 23, 2020, FCC received an enhancement to its capital base to enable an additional \$5 billion in timely, proactive lending capacity to support the industry.

By achieving its mandate through the provision of specialized products, services, knowledge and support to Canadian producers and agribusiness and agri-food operators, FCC serves as a trusted partner, enabling job creation and opportunity in rural communities across the country to serve as drivers of the Canadian economy.

FCC also contributes to government-wide priorities in the following ways:

### 9.1 Transparent and open government

FCC is accountable and transparent to its customers, shareholder and stakeholders. The corporation adheres to legislative requirements around transparency and practices proactive disclosure of information on an ongoing basis.

Detailed information is available on FCC’s public website under About FCC > Governance > Transparency.

Since April 2020, FCC has been providing regular updates on its COVID-19 Support Program uptake to the Privy Council Office (PCO), and since May 2020, regular updates to the Parliamentary Budget Officer. Updates to the PCO and PBO occurred weekly until January 2021 and have been provided monthly since February 2021. Communication has included weekly updates on volume usage of the programs as well as information on which sectors and geographic regions have been using each type of support. Along with program updates, the updates to the PCO have included information on economic outlooks and watch items for various sectors across the country that could be further impacted by COVID-19.

### Access to information

As a federal Crown corporation, FCC is subject to the *Access to Information Act*, which creates an enforceable right of access to records under the control of a government institution in accordance with the principle that government information should be available to the public. The *Access to Information Act* serves the important public interest of enabling public debate on the conduct of government institutions, strengthening the accountability of government to its citizens.

FCC is in compliance with the recent amendments to this legislation requiring more frequent disclosure of travel and hospitality expenditures for members of EMT and the Board of Directors.

### Privacy

Privacy is of vital importance to Canadians and controlling the collection, use, retention and disclosure of personal information has become a pressing issue facing the financial services industry, including FCC.

FCC is subject to the *Privacy Act* (Canada), which is administered by the Office of the Privacy Commissioner of Canada. Under the *Privacy Act*, FCC must limit the collection, use and disclosure

of personal information, provide appropriate security to guard against a loss or misuse of data and provide individuals with a right of access to the personal information that FCC holds about them.

Concerns or complaints about FCC's privacy practices or its compliance with the *Privacy Act* can be escalated to the federal government's Privacy Commissioner, whose role includes providing advice and information about protecting personal information and enforcing the Privacy Act.

### Info Source

All government institutions subject to the *Access to Information Act* and the *Privacy Act* publish an annual inventory of their information holdings as well as relevant details about personal information under their control. The Info Source inventory can assist the public in making an access to information or personal information request, or in exercising their privacy rights.

### Code of Conduct

Acting with integrity is a core value of FCC. FCC's Code of Conduct guides how employees operate and sets out the obligation to speak up in good faith and report possible violations of the code. FCC also provides the public with direct access to FCC's Complaints Officer and/or FCC's Integrity Officer. Access to the Complaints Officer is provided through a toll-free number and access to the Integrity Officer is provided through FCC Confidence Line (a confidential reporting service managed by a third party), if a member of the public would like to discuss a possible situation.

### Access to the industry

FCC holds a public meeting annually with customers and stakeholders to share financial and operational results as well as information on the future of the corporation. This meeting is open to the public and free for all who attend. In 2020 and 2021, due to COVID-19 concerns, the Board Chair, President and CEO and Chief Financial Officer recorded a series of videos to share this information. The videos were posted on FCC's website. Industry representatives and

members of the public were invited to submit questions in advance.

FCC is building a strong social network in Canadian agriculture. Through social media platforms such as Facebook, Twitter, Instagram, LinkedIn and YouTube, FCC is sharing knowledge and content with thousands of producers and agribusiness and agri-food operators to enhance their operations.

## 9.2 Gender-based analysis plus (GBA+)

FCC supports and strengthens the entire Canadian agriculture, agribusiness and agri-food industry. The corporate plan takes into account GBA+ considerations for the entire sector, including women in agriculture, young people in agriculture, Indigenous agriculture operators, mental health and diversity. The following information is based on consultation with FCC's agriculture economists on disaggregated information from the 2016 Census on Agriculture, along with consultation with AAFC and a review of other third-party data. Sources are provided throughout as required.

**Women:** The number of women in the Canadian workforce continues to grow, which helps drive economic growth and a strong middle class. More women are farming and the roles of women on the farm continue to evolve. In the latest Census of Agriculture data from 2016, women accounted for 28.7% of all farm operators — nearly 78,000 of 272,000 farmers. Women were most prevalent among farm operators between the ages of 35 and 54, representing nearly one-third of the group. With the number of female-only operators increasing from 5.6% to 7.2% in the same period,<sup>14</sup> the federal government identified the need for more support for women entrepreneurs and introduced a women entrepreneurship strategy in 2018 to help women entrepreneurs grow their businesses with access to financing, talent, networks and expertise. To advance this priority, FCC strengthened its understanding of the needs of women in agriculture and agri-food and identified opportunities to support and advance these entrepreneurs. FCC conducted research and performed an environmental scan, participated in industry stakeholder collaboration, product and program design workshops, and validation

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<sup>14</sup> Source: 2016 Census of Agriculture

through qualitative and quantitative methods. The corporation reviewed various research studies, including the Canadian Agriculture Human Resource Council's *Supporting the Advancement of Women in Agriculture* and BDC's *Accessibility Review Report*.

Research indicated women face a range of barriers, including balancing on-farm and business commitments with family responsibilities, overcoming outdated stereotypes with respect to the roles of women, lack of access to training, lack of role models and mentoring opportunities, and lack of confidence to pursue leadership and business opportunities. Key insights included the following:

- Women have a need for increased access to capital to start or grow their businesses.
- Women want support to build leadership effectiveness, negotiation skills, networking and coaching skills. They are seeking business skills, financial knowledge and literacy to grow their skills and businesses.
- There are many tools, resources and value-added content available across Canada, however feedback from women shows they are unaware of where to access the information to support their skill development and knowledge needs.

FCC will pursue actions to address GBA+ considerations for women:

- Through the FCC Women Entrepreneur Program launched in 2019-20, FCC has committed \$500 million over three years in support of the FCC Women Entrepreneur Loan to provide women with increased access to capital. Under this program, FCC waives up to \$1,000 in loan processing fees and encourages borrowers to reinvest those savings into personal and professional development that best suits their individual needs and the needs of their growing businesses. A parental leave benefit option allows borrowers to defer payments on their loan principal for up to 12 months.
- FCC will continue to provide access to advisory services and value-added knowledge content and expand learning events on topics of interest to women. FCC considers women's participation and representation in its

learning events and online materials. This includes efforts to ensure women and individuals from diverse backgrounds are featured as experts in FCC publications and online materials, and that women are featured as speakers and emcees at knowledge events. This will not only build confidence and business acumen but will highlight women in leadership positions who can inspire other women in agriculture and agri-food.

- FCC will offer the FCC Business Essentials course to women in agriculture groups to provide hands-on learning about business elements that are critical to managing a successful farming operation. This provides an opportunity for women to engage with a variety of stakeholders and better understand the diverse range of issues they face. It also provides women with access to potential mentors and role models to create skill development and leadership opportunities and work through challenges, such as balancing on-farm commitments with family responsibilities. FCC is increasing the number of women participants in FCC Vision. To date, women participation on the panel has increased from 20% in 2017 to 35% in 2021. This increase will be a key element to ensure women's opinions, perspectives and insights are embedded into decision-making at FCC when designing customer-inspired solutions.
- FCC will offer AgExpert software training and workshops to build awareness of FCC Management Software with women before tax season as they are increasingly using the software to support their farm management practices.
- FCC's women in agriculture and agri-food strategy includes a focus on increasing employee awareness of the needs of women and identifying opportunities to support the customer experience.

FCC will monitor progress related to the GBA+ considerations:

- FCC will monitor the representation of women featured as experts through FCC knowledge offerings, including speakers at FCC events. In 2020-21, FCC worked with

provincial women in agriculture groups and women in business organizations across Canada to identify partnerships and programming opportunities, sponsoring 15 initiatives and events.

- FCC will continue to develop programming options for the topics women in agriculture are interested in and increase its offering to reach more women.
- FCC will build on and pursue strategic partnerships and sponsorships to support women in agriculture and provide them with access to strengthen skills such as coaching, networking, mentoring and confidence-building. Specific program goals and targets will be developed in collaboration with partner organizations and monitored accordingly.
- FCC will monitor the uptake of the FCC Women Entrepreneur Loan. Since launching the program in 2019, FCC has approved 1,893 Women Entrepreneur Loans totalling over \$1.1 billion, more than double the original commitment.

**Young farmers:** According to the Canadian Federation of Agriculture, primary farm operators are estimated to have more than \$50 billion in assets that will need to be transferred to the next generation over the next decade. The 2016 Census of Agriculture reports the average age of Canadian farmers is 54 and most male and female farm operators are between 35 and 64. The number of farm operators who are 65 and older continues to increase as the baby boomer generation ages. The number of new operators under 35 in Canada is also on the rise. Young people are coming back to the family farm. However, the price of farmland, start-up costs, and access to capital/credit can be significant barriers for both generational and non-generational future operators. Young farmers have also identified challenges with navigating family dynamics and intergenerational farm transfers. Through an FCC Vision survey, FCC has learned that young farmers under 25 are looking for tools and knowledge to increase their financial literacy. Lack of knowledge and the discomfort of taking on debt are barriers of entry for young farmers to get the financial capital they need to be successful.

FCC will pursue actions to address GBA+ considerations for young farmers:

- FCC created the FCC Transition Loan, Young Farmer Loan and Young Entrepreneur Loan to assist new farmers entering the industry and enable intergenerational asset transfers.
- FCC created the FCC Starter Loan to support young and beginning farmers aged 18 to 25. The loan focuses on financial literacy and provides targeted assistance to young borrowers to teach basic financial concepts and increase understanding around the requirements for obtaining financing and starting a business. This product helps young and beginning farmers acquire the capital they need to enter the industry. For example, customers are using this product to purchase livestock and equipment.
- FCC also introduced Transition Specialists (now called Business Advisors) to provide consultation services for FCC customers. One of the objectives of the Advisor role is to facilitate conversations regarding intergenerational transfers of farming operations and assets.
- FCC also supports and invests in young farmers through its support of programs with Agriculture in the Classroom and 4-H Canada. Young farmers are encouraged to participate in a variety of live events, including workshops and Ignite: FCC Young Farmer Summit. Online multimedia on [fcc.ca](http://fcc.ca) complements face-to-face programs with topics such as managing farm finances, human resources and succession planning.
- FCC will continue to provide knowledge and resources through publications, videos, events and web articles to help its customers run a successful business, from farm manager to CEO. FCC wants its customers to be more than good managers — it wants them to feel empowered to lead their businesses from the CEO's chair. FCC's knowledge offering will primarily focus on these key areas — money and finance, strategy and planning, agriculture economics, transition, managing people and personal growth.

FCC will monitor progress related to the GBA+ considerations:

- In 2021-22, FCC has a young borrower lending goal of \$3.2 billion for agriculture production and a young entrepreneur lending goal of \$100 million for agribusiness and agri-food. To the end of fiscal 2020-21, FCC has loaned \$4.6 billion to young farmers through various loan products.
- FCC is also monitoring the number of borrowers under 40, with a goal to reach at least 21,000 borrowers for 2022-23. For 2020-21, FCC reached 20,453 current lending customers under the age of 40.
- In partnership with young farmer associations and industry partners, FCC will host Ignite: FCC Young Farmer Summit — a series of virtual events across Canada to attract and engage the next generation of farmers. Each event is designed to inspire possibilities, increase knowledge and create connections between producers.

**Mental health:** There is increasing awareness and focus on the importance of mental health issues among producers and agribusiness and agri-food operators, especially given the ongoing COVID-19 pandemic. In May 2020, Farm Management Canada conducted a study entitled *Healthy Minds Healthy Farms: Exploring a connection between Mental Health and Farm Business Management*. The study sought to improve understanding of the relationship between farm business management practices and farmer mental health. Through its research, Farm Management Canada found that 62% of Canadian farmers are categorized with mid-stress scores and 14% with high stress. In addition, three out of four Canadian farmers indicate being moderately to highly stressed about unpredictable interference, workload pressure, lack of time and financial pressure. Equally important to note are that women are more likely to report high stress and younger farmers show signs of higher stress and are generally less effective at coping with stress. Lastly, growing operations are more likely to be stressed about finances compared to mature operations. The study shows that there are many examples of effective models for farmer

mental health support in Canada. In addition, farmers are more likely to participate in support programs offered by providers familiar with agriculture and that cater to the unique needs of farmers. The research notes that a lack of access to mental health support in rural Canada remains a critical gap in supporting public health. The report concludes with four themes that capture how Farm Management Canada and the agriculture industry at large can better support the mental health of farmers in Canada:

1. Continue raising awareness around stresses and the impact of mental health for farmers.
2. Support mental health literacy for farmers and those supporting farmers.
3. Deliver business management advice, tools and training that focus on risk management and preparedness as a means of facing uncertainty.
4. Advocate for and expand farmer-specific mental health support services.

FCC will pursue actions to address GBA+ considerations for farmers with mental health issues:

- FCC is pursuing strategic partnerships to help advance mental health issues and support Canadians involved in farming and rural Canada.
- Initiatives undertaken ensure agriculture communities and rural Canadians receive information to increase awareness on the promotion (removing stigma), prevention (how to build resilience), intervention (where to go for help) and postvention (after-crisis support) stages of a mental health crisis such as suicide. FCC is committed to helping lift the stigma around mental health, promoting awareness and dialogue, and enabling people throughout the industry to seek support if they need it. FCC plays an essential role in helping farmers and agri-food workers manage unprecedented pressures brought on by the COVID-19 pandemic.

FCC will monitor progress related to the GBA+ considerations:

- In 2020-21, FCC hosted several mental health virtual events and shared articles through its social media accounts. Funds

were donated to the Do More Agriculture Foundation's Community Fund for Mental Health Education in Agriculture to offer mental health first aid workshops to communities across Canada and to Au cœur des familles agricoles to help the organization hire social workers trained in responding to mental health issues faced by producers in all Quebec regions. On FCC's external website, a Wellness page provides customers and the industry with mental health resources such as FCC's Rooted in Strength publication, personal wellness experiences from the agriculture and agri-food industry and an assessment tool. This year, FCC offered a 90-minute virtual event in English and French to its customers and industry partners that focused on inspiration and tools to build personal resilience.

- 4-H Canada continues to talk about mental health with its 25,000 members through its Healthy Living Initiative. The mental health component of this training is sponsored by FCC.
- FCC partners with Ag Health and Safety Alliance (Canada) to incorporate mental health content into the Gear Up for Safety course offered to Canadian agriculture college and university students.

**Indigenous agricultural operators:** FCC has taken significant steps forward on how it can lend to Indigenous agriculture and food, developing an Indigenous relations strategy to ensure products and services are adapted and accessible to Indigenous agricultural operators. The *Farm Credit Canada Act* defines farming as having to include some level of husbandry activity. However, in the 2018 Supplemental Mandate letter, FCC's Minister asked that FCC support under-represented groups in Canadian agriculture, including Indigenous agricultural entrepreneurs and producers. Adding traditional harvesting from natural sources as eligible business activities allows Indigenous agriculture projects to build businesses beyond contemporary agriculture to include traditional agriculture methods, foods and medicines.

Coupled with the changes to FCC's eligibility criteria, credit directives, risk appetite and employee training, FCC is growing its support for this group and FCC's mandate. In a report to the Standing Committee on Agriculture and Agri-Food entitled *Support for Indigenous Peoples in the Agriculture and Agri-Food Industry*, a total of 15,765 people in Canada's agricultural population identified as Indigenous in 2016, making up 2.7% of that population. This figure included 5,160 Indigenous agricultural operators, or 1.9% of the 270,720 agricultural operators in Canada. Indigenous farm operators live across the country but are especially numerous in western Canada. However, individuals who identify as Indigenous are under-represented in the Canadian agriculture sector and bring in significantly lower revenues than non-Indigenous farm operators.<sup>15</sup> Throughout this process, FCC has identified challenges and barriers to entry and is taking a variety of steps internally and externally to effectively support Indigenous agricultural operators:

- **Access to capital** – First Nations bands or individuals living on reserve frequently have trouble accessing the capital needed to start or expand an agriculture business. One of the primary reasons is Section 89 (1) of the *Indian Act* that governs First Nation land and does not allow real and personal property of an Indian or a band situated on a reserve to be subject to charge, pledge, mortgage, attachment, levy, seizure, distress or execution in favour or at the instance of any person other than an Indian or a band.
- **Workforce knowledge** – First Nations farms face unique challenges in the workforce. There are some First Nations and Indigenous communities that have entered agriculture, but have challenges finding on-reserve employees with agricultural knowledge or experience. First Nations people have not grown up in agriculture. As a result, many reserve residents lack experience in agriculture, despite living in rural areas.

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<sup>15</sup> Nicolas Gauthier and Julia White, *Aboriginal peoples and agriculture in 2016: A portrait*, Statistics Canada, 17 January 2019.

- **Workforce labour** – In many non-Indigenous family farms, there is labour available from family members. This is advantageous because it gives access to employees on the property at all hours. It also connects employees with added ambition to the farm. In contrast, Indigenous farms often rely on employees who are paid hourly wages. This creates challenges during busy times like calving season, harvest and unforeseen events. This is a contributor to high turnover rates on some First Nations farms.
- **Indigenous lending** – Expand FCC’s eligibility policy to allow lending for the business activities pertaining to traditional Indigenous harvesting from natural sources.

FCC is committed to supporting the agriculture sector in a way that allows it to be a leader in job creation and innovation. To do so, FCC will explore options to address the challenges and barriers to entry for Indigenous peoples.

FCC will pursue actions to address GBA+ considerations for Indigenous agricultural operators:

- FCC amended its eligibility criteria, credit directive and risk appetite for agribusiness and agri-food lending on-reserve. The lending strategy leveraged individual expertise at FCC and refined policies and practices to ensure the Indigenous customer and lending experience is professional, seamless and responsive as per FCC’s lending standards.
- FCC created a team to support Indigenous communities and entrepreneurs entering the agriculture sector. Supplementary Indigenous awareness training was provided along with a lending guide to support the development of an internal Indigenous learning strategy. Learning measurement mapping is ongoing to further support FCC’s customer-facing employees and customer experience.
- FCC developed strategies for Indigenous employment and community investments, including expanding an existing school nourishment program into 65 First Nations and community-based schools in 2020 with plans to reach 100 schools in 2021.

- FCC is developing a self-declaration process and methodology for tracking and reporting on lending into Indigenous communities.
- FCC is exploring and has established partnerships to harness and contribute to the growing opportunity in Indigenous agriculture with business acumen, network, research and training and related supports to mainstream industry, governments, academia, and non-profit sector partners to understand and address this gap in knowledge and capacity.
- Planned consultations with Indigenous communities will continue to deepen understanding on how Indigenous entrepreneurs will approach agriculture and food and how FCC can support these initiatives. Through the sponsorship and engagement undertaken by FCC and collaboration with industry partners, non-profits and academia, several opportunities are available to build confidence and capacity with FCC’s existing and future customers.
- FCC contributed to a thought leadership paper, *First Nations Prosperity in Canadian Agriculture and Food: Navigating the opportunities and challenges in one of Canada’s biggest industries*, which was published in the Journal of Aboriginal Economic Development and presented by FCC at conferences throughout the year. The intent of the paper is to initiate discussions and inform Indigenous communities of opportunities and challenges in the agriculture sector.

As part of ongoing strategy development, FCC will consider metrics and targets to monitor the progress on GBA+ considerations. For more information about the FCC Indigenous strategy, refer to Appendix 9.4 – Indigenous opportunities.

**Diversity and inclusion at FCC:** As a federal Crown corporation, FCC is working to build a workforce that reflects the diversity of its customers and the Canadian workforce. Diversity of backgrounds, perspectives, abilities, experiences and strengths keeps FCC

innovative and well-positioned to deliver results for FCC and the industry it serves.

FCC’s diversity, equity and inclusion strategy identifies plans and actions to ensure FCC can attract, retain, engage and advance diverse talent. FCC is undertaking work to ensure leaders understand their roles in helping build a diverse and representative workforce through their hiring decisions, and the imperative role they play in modelling active inclusion for their teams as a means of making FCC more equitable and inclusive. FCC continues to make progress to promote and create a more inclusive and equitable workplace, including sharing knowledge with employees on important topics related to active inclusion, anti-racism, truth and reconciliation and more. For information on FCC’s diversity representation across Canada,

refer to Appendix 9.3 – Diversity and Inclusion.

At FCC, diversity and inclusion start at the top. FCC’s Board of Directors has eight women and four men. One director self-declares as a visible minority and another self-declares as Aboriginal, and the Board Chair is female. FCC remains committed to the advancement of employment equity groups in its leadership positions. With a focus on developing and advancing diverse talent, FCC will explore opportunities to expand employment equity group representation where it has gaps based on the qualified Canadian workforce.

In terms of FCC’s broader diversity, the following table shows FCC’s total representation in each of the four employment equity groups as well as for those leaders who manage people.

	Women Total (percentage)	Aboriginal (Total; percentage)	Persons with disabilities (Total; percentage)	Members of a visible minority (Total; percentage)
<b>Total</b>	1,356; 61.8%	72; 3.3%	54; 2.5%	195; 8.9%
<b>In leadership positions</b>	157; 49.2%	5; 1.6%	10; 3.1%	13; 4.1%

Note: This information is based on FCC’s total workforce complement of 2,109 as at September 30, 2021. This includes all permanent and fixed-term employees (on terms of six months or longer), part-time and full-time, and those on leave. It does not include students.

FCC will pursue actions to address GBA+ considerations related to diversity and inclusion:

**Indigenous employees:** In response to the Canadian Human Rights Commission’s Indigenous Employment in the Banking and Financial Sector Audit Report for FCC, the corporation undertook a comprehensive internal review and developed a three-year Indigenous employment equity plan. In 2022-23, FCC will continue to implement the tactics of this multi-year plan. FCC will use this plan to create an inclusive work environment that supports the attraction, employment, retention and advancement of Indigenous peoples at FCC. For more information, refer to Appendix 9.3 – Diversity and Inclusion.

**Accessibility and inclusion for all:** As a federal Crown corporation, FCC is aligned with the Government of Canada’s plan to prevent, identify and remove barriers, improve

accessibility and promote inclusion for everyone in Canada. The intent of the *Accessible Canada Act (ACA)* is “about creating communities, workplaces and services that enable everyone to participate fully in society without barriers.” FCC is actively engaging with the Rick Hansen Foundation and developing a plan to move FCC’s level of accessibility in new builds and major renovations beyond building code. To continue to progress in this area, and until the ACA standards are finalized, FCC will use a rating system developed by the Rick Hansen Foundation that uses trained professionals to evaluate the meaningful access of commercial, institutional and multi-unit residential buildings and sites. FCC has two in-house Rick Hansen Certified Professionals (RHCP) who can apply the accessibility design requirements to future projects and will continue to engage an RHCP architect to review floor plans and provide gap analysis to identify opportunities for accessible



design that can be incorporated into renovations and new builds. Results of the gap analysis indicated that FCC's current design included several inclusive design elements, and with some adjustment, would result in FCC workspaces designed in the spirit of inclusivity, enabling access without barriers. To date, these recommendations have been incorporated into renovations at FCC's corporate office and new office space in Montreal, Joliette and Quebec City. Going forward, FCC will consult with other groups representing people with disabilities to ensure their needs are considered when updating standards relating to office space.

**Employee mental wellness:** Overall, FCC strives for a representative workforce and one that has strong mental health. In 2021, through FCC's employee engagement survey, 76% of employees agreed with the statement, "The balance between my work and personal commitments is right for me." This is equal to Kincentric's Canadian Top Quartile benchmark and is four points lower than the question score in 2020. In the same survey, 65% of employees agreed with the statement, "My work-related stress is manageable." This is 10 points lower than Kincentric's Canadian Top Quartile benchmark and is 13 points lower than the question score in 2020. While these question scores have declined, FCC remains committed to implementing programs and supports for employees around mental wellness.

FCC also experiences low **absenteeism** rates. On average, in 2020-21, employees took 0.79 sick days. According to Statistics Canada, the average days lost per worker in a year for the public sector was 15.1 for 2020.

FCC will monitor progress related to the GBA+ considerations:

- FCC has an internal diversity measure to track the percentage of employees from the designated groups hired each year. FCC will also monitor other key data and metrics such as turnover rates, engagement scores

and targets associated with new and existing programs tailored to diverse groups to understand how the experience of employees who are members of under-represented groups may be different than the all-employee experience so FCC can continue to make improvements and enhancements.

#### **Advancing diversity and GBA+ at FCC**

FCC will continue to explore new opportunities to fulfil its mandate while addressing the unique needs of diverse groups within the industry it serves. FCC believes its activities are consistent with the Government of Canada's commitment to securing greater social and economic inclusion for women, Indigenous peoples and people of diverse backgrounds and age.

Specifically, the plans are consistent with findings from the Standing Committee on Agriculture and Agri-Food's report on debt in the agriculture sector and its effects (June 2017) related to the importance of helping new entrants to the industry.

FCC operates in a manner that is consistent with all legislation, including the *Official Languages Act*, *Canadian Human Rights Act* and *Employment Equity Act*.

### **9.3 Diversity and inclusion**

As a federal Crown corporation, FCC is committed to building a workforce that reflects the diversity of its customers and the Canadian workforce as a whole. To this end, FCC is taking action to ensure FCC offers an inclusive and equitable workplace that attracts, retains and empowers talent from diverse backgrounds.

FCC is progressing toward being a more representative workforce. Its current diversity representation across Canada is as follows:

<b>Province and total # of employees</b>	<b>Female</b> (number; percentage)	<b>Aboriginal</b> (number; percentage)	<b>Persons with disabilities</b> (number; percentage)	<b>Member of a visible minority</b> (number; percentage)
<b>British Columbia (75)</b>	47; 62.7%	4; 5.3%	1; 1.3%	22; 29.3%
<b>Alberta (231)</b>	152; 65.8%	9; 3.9%	5; 2.2%	12; 5.2%
<b>Saskatchewan (1,187)</b>	723; 60.9%	45; 3.8%	38; 3.2%	126; 10.6%
<b>Manitoba (94)</b>	60; 63.8%	3; 3.2%	0; 0.0%	3; 3.2%
<b>Ontario (317)</b>	188; 59.3%	4; 1.3%	6; 1.9%	23; 7.3%
<b>Quebec (163)</b>	103; 63.2%	2; 1.2%	1; 0.6%	6; 3.7%
<b>New Brunswick (99)</b>	66; 66.7%	5; 5.1%	3; 3.0%	3; 3.0%
<b>Nova Scotia (18)</b>	10; 55.6%	0; 0.0%	0; 0.0%	0; 0.0%
<b>Prince Edward Island (8)</b>	6; 75.0%	0; 0.0%	0; 0.0%	0; 0.0%
<b>Newfoundland and Labrador (2)</b>	1; 50.0%	0; 0.0%	0; 0.0%	0; 0.0%

Note: This information is based on FCC's total workforce complement of 2,194 as at September 30, 2021. This includes all permanent and fixed-term employees (on terms of six months or longer), part-time and full-time, and those on leave. It does not include students.

In 2022-23, FCC will continue to implement its multi-year diversity, equity and inclusion strategy. The strategy looks at how FCC can enhance its ability to attract, hire, retain, develop and advance employees who are members of under-represented groups. The strategy also advances how FCC has conversations related to diversity, equity and inclusion topics and opportunities.

FCC will continue to implement tactics to improve Indigenous representation and engagement. The Indigenous employment equity plan, which is embedded in FCC's diversity, equity and inclusion strategy, includes five main categories with various tactics under each category: workforce supply, Indigenous recruitment, retention and advancement, partnerships, Indigenous workplace inclusion and accountability. In response to the Truth and Reconciliation Commission of Canada's Call to Action #57, FCC launched an Indigenous awareness e-learning, which all employees completed as of March 31, 2021. This e-learning is included in FCC's onboarding program for new employees. FCC has expanded this to include consultants and key external partners and will

continue this expansion where possible. FCC will also continue to formalize its ongoing approach to Indigenous engagement learning – building from the strong foundation of the all-employee learning with more formal and informal learning opportunities in the form of online learning, events and information related to national and regional holidays and special days, and bringing in Indigenous speakers and knowledge keepers, elders and more, to advance conversations, commitments and actions related to truth and reconciliation. FCC will work in partnership with Indigenous employees and organizations to ensure the work undertaken as part of the plan is meaningful and creates sustainable impact.

FCC is committed to advancing the diversity of its workforce and ensuring FCC is a workplace that is inclusive and free from overt and covert racism and discrimination, creating a psychologically safe workplace for all. Global events have heightened awareness of the need for individuals and organizations to continually advance their understanding of what it means to be inclusive, and more recently, the importance of being anti-racist.

## 9.4 - Indigenous opportunities

As Canada's only financial institution focused solely on the needs and opportunities of the agriculture and agri-food industry, FCC is uniquely positioned to provide specialized products and services to Indigenous customers to grow their capacity and businesses, take advantage of new market opportunities, and innovate to become efficient and sustainable operations. To do so, FCC is fulfilling its mandate to support this under-represented group by adding traditional harvesting from natural sources as eligible business activities for Indigenous agriculture. In addition, updates to credit directives, lending eligibility criteria and risk appetite have all been completed to make progress on FCC's mandate.

FCC's Indigenous strategy is designed to help enable economic development with Indigenous communities through education and partnerships focused on enhancing Indigenous involvement in agriculture. The strategy's objectives are to:

- establish FCC as a lender of choice for Indigenous people and help enable economic development in Indigenous communities
- establish FCC as a knowledge leader and network catalyst to help build capacity in Indigenous communities
- establish FCC as an employer of choice for Indigenous job seekers and ensure FCC is a welcoming and inclusive workplace that attracts and retains diverse candidates

FCC will leverage its relationships to build effective collaboration and co-ordinate inclusive opportunities with Indigenous agriculture proponents in networking and business development, access to capital, capacity development and research.

### **Capital, community investment and strategic partnerships**

One of the key elements of the strategy is to lend capital to support Indigenous agriculture. FCC will incorporate key strategic partnerships and existing customer experience and

relationship management practices to ensure the Indigenous customer and lending experience is professional, seamless and responsive as per FCC's lending standards. FCC has a group of specialized lenders across the country who are set up to support the unique nature of Indigenous lending and their businesses.

FCC has invested \$15 million with the National Aboriginal Capital Corporations Association's Indigenous Growth Fund supporting Aboriginal financial institutions across Canada. These types of continued investments allow FCC to build partnerships and collaboration with individual financial institutions that do the bulk of the lending in Indigenous agriculture.

Community investment is an equally important endeavour to ensure Indigenous communities across Canada are thriving. FCC will look for opportunities to further invest in Indigenous communities. One such example was in 2020, when FCC doubled its Canada-wide school feeding program investment to \$200,000 going to 200 schools, with half of this funding going directly to Indigenous and community-based schools. The program was delivered to 65 Indigenous/community schools in the previous fiscal year. Going forward, FCC will continue with this commitment level to support Indigenous communities in Canada with a goal to reach 100 schools.

### **Capacity**

Apart from the 2016 report to the Standing Committee on Agriculture and Agri-Food referenced in Appendix 9.2, data is nearly non-existent as it relates to Indigenous agriculture. Therefore, FCC is working with Indigenous communities, economic development corporations and individual proponents to further its knowledge and ability to refine its tactics. FCC will work collaboratively with stakeholders to build and share this data to the benefit of all.

FCC will build a platform to share targeted information supporting capacity development with Indigenous agriculture sector proponents, including partnering with non-profits to provide focused training.

### **Truth and reconciliation efforts**

FCC is a founding signatory of the Saskatchewan Chamber of Commerce's Indigenous Engagement Charter. This reflects FCC's commitment to reconciliation. Part of reconciliation is truth-telling and FCC continues to explore where it may be vulnerable to unconscious bias. FCC has undertaken and completed corporate-wide Indigenous awareness training. Further, FCC is piloting to share this training with key stakeholders to assist in their reconciliation journeys. Over the past year, FCC's reconciliation story was shared with leaders at a Leadership Effectiveness Workshop and at an all-employee meeting by the CEO in the spring to build awareness and share FCC's story.

## **9.5 Sustainable development and greening government operations**

### **Sustainable development**

At FCC, corporate social responsibility (CSR) is integral to business decisions and corporate practices and is an essential part of FCC's commitment to advancing the business of agriculture and agri-food, specifically environment, social and governance (ESG) performance. The COVID-19 pandemic has shone a light on the long-term positive impacts FCC can have on the environment and society through its decisions.

In 2021-22, FCC began to look at its CSR strategy from an ESG lens to ensure its metrics and activities support a vibrant and resilient industry for years to come. The evolution from CSR to ESG is a growing expectation among many companies. While CSR aims to identify values and make a business accountable with metrics that are often qualitative in nature, ESG is the quantifiable measurement of a company's sustainability and societal impact, using criteria-led metrics that matter to shareholders. Although FCC does not have shareholders (as it is owned by the Government of Canada), its commitment to ESG reflects its commitments to Canadian society as a whole.

Over the coming year, FCC will focus on enhancing the ESG framework introduced in

2021-22, to ensure effective oversight is provided to the direction and measurement of FCC's sustainability and societal impact, and that it is integrated into management processes, operations and strategy. Within the framework, the governance structure provides oversight on ESG topics, including the implementation of recommendations from the Task Force on Climate-Related Financial Disclosures and alignment to the federal government's Greening of Government strategy and Budget 2021.

FCC wants to ensure it is well positioned to support customers to remain resilient to any impacts related to climate change. To determine the corporation's climate-related risks and opportunities, FCC will assess the physical and transition risks related to climate change. These risks go beyond FCC's physical operations and extend to its customers. FCC's implementation focuses on ensuring the corporation is appropriately researching and implementing strategies, risk assessments and disclosures. In 2022-23, FCC will continue development of metrics and models to measure the impact of long-term climate risk on farmland values and credit risk. As risks are better understood, strategies will be developed to manage risks for customers and FCC.

FCC understands that agriculture plays an important role in addressing air quality, land usage and water protection challenges now and in the future and believes it is imperative that customers have the information they need to make educated decisions. FCC promotes environmental stewardship for its customers by offering flexible options on many term loan products that assist with weather and market-related risks that can impact producers' short-term financial positions. FCC also provides customers with access to knowledge and tools, including a software program called AgExpert Field, which enables producers to track and manage data related to crop inputs. The more readily available information producers have on agricultural factors, the better they can make decisions on climate change mitigation and adaptation strategies, financial management and environmental stewardship. FCC will continue to explore opportunities to support

customers, including the need for additional products and program enhancements, data management, knowledge and insights.

FCC maintains a strong capital base to ensure it has the financial strength to sustain its business and stand by customers should there be an unexpected production shock that affects a broad contingent of customers. If required, future capital adequacy targets can be augmented in response to this research.

### **Greening government operations**

FCC supports the federal government in its efforts to reduce greenhouse gas (GHG) emissions through the Greening Government strategy. FCC has aligned its emission reduction targets with those put forward in the strategy and will continue to reduce its GHG emissions by 40% by 2025 based on 2012 emissions levels. This equates to a continuous reduction of 307 tonnes of carbon dioxide equivalent (CO<sub>2</sub>e) every year. To determine the corporation's footprint, FCC gathers data on scope 1 emission sources (natural gas, fuel oil usage), scope 2 emission sources (electricity usage) and scope 3 emission sources (kilometres driven by its employees, kilometres flown by its employees and the amount of paper used at FCC). A third-party provider uses the GHG Protocol as the basis for analyzing this data to determine FCC's yearly GHG footprint.

In 2020-21, FCC's footprint decreased by 2,189 tonnes of CO<sub>2</sub>e over the previous year due primarily to a decrease in travel and operational changes because of COVID-19, so the purchase of renewable energy certificates was not required. Total scope 1 and 2 emissions decreased to 5,126 tonnes in 2020-21 from 5,494 tonnes of CO<sub>2</sub>e in 2019-20. Scope 3 emissions decreased to 278 tonnes in 2020-21 from 2,038 tonnes of CO<sub>2</sub>e in 2019-20.

The COVID-19 pandemic has required employees to work differently and take advantage of FCC's technological capacities. FCC continues to explore how a flexible work environment of both remote and in-office work might positively affect the corporation's GHG footprint. Although FCC does not expect to maintain such a steep and rapid decrease in

GHG emissions levels after COVID-19 restrictions are lifted, the corporation expects there will be an evolution in customer preferences and travel and paper use patterns. FCC will also continue to make efficiency improvements in its building operations. While FCC does not own any office buildings, partnerships with property owners to implement environmentally friendly and energy-efficient changes remains a focus. Considerations of the efficiency of the structure and equipment will continue to be a factor when determining office space lease renewals and acquisitions.

Being a trusted knowledge partner and champion of sustainable practices will help ensure FCC and the broader industry are set up for long-term success while keeping pace with rapidly evolving expectations and changes in the operating environment.

## **9.6 COVID-19 impacts**

The COVID-19 pandemic is an unprecedented event that has created global impacts affecting the Canadian economy as well as the agriculture industry.

COVID-19 has had multiple influences in food supply chains that continue to disrupt the industry. Recovery in global trade and the slow re-opening of the economy are creating opportunities for Canadian manufacturers. Conversely, microchip shortages, higher shipping costs and availability of labour continue to stress supply chains. However, the overall outlook for Canadian agriculture and food remains positive because of the growing demand for Canadian products.

From the onset of COVID-19, the government has made it a priority to support the needs of businesses and entrepreneurs in various sectors, including agriculture and food. The government made a commitment to the agriculture and agri-food industry to ensure Canadians have ongoing access to capital during this challenging time.

FCC responded by developing a comprehensive COVID-19 Support Program to ensure producers, agribusiness and food producers can remain

focused on business-critical functions:

- **Payment schedule amendments:** Customers can defer principal payments for up to 12 months and interest payments up to six months.
- **FCC Credit Lines:** Customers have access to a credit line up to \$500,000, secured by a general security agreement or universal movable hypothec (Quebec only), which is subordinate to other lenders.
- **FCC Operating Credit Term Loan:** This loan product provides access to term loans up to \$2.5 million with no fees and an 18-month interest-only option available over a 10-year amortization. Funds can be used for working capital and to modify production due to COVID-19 impacts.
- **Additional lending for large customers:** Cash flow is key for all customers, including large operations that may be critical

components of the supply chain. To ensure these key enterprises remain operational, FCC has enabled additional lending to large customers and an increase to the maximum customer lending limit.

The situation will continue to be monitored and may impact customer financial and FCC portfolio health as it may take time to rebuild depleted working capital positions and adjust to new ways of operating. FCC continues to support operations on an individual basis as each farm financial situation is unique.

FCC's COVID-19 support programs, bolstered by the Government of Canada's capital commitment, have allowed FCC to maintain a steady presence in the industry and support its customers through the pandemic. FCC is ready to support Canada's economic recovery in a post-pandemic environment.