



Corporate Plan Summary **2023-24 to 2027-28**

OPERATING BUDGET | CAPITAL BUDGET | BORROWING PLAN

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1.0 –Executive summary

Canada’s agriculture and agri-food industry feeds the world. This industry 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 2021, Canada was the fifth largest exporter of agriculture commodities and the 11th largest exporter of food.

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

While recognizing the current contributions of Canadian agriculture, FCC envisions an even stronger future where the Canadian agriculture and agri-food sector grows and thrives as it - further positions itself as a global powerhouse ready to meet the challenges of an ever-growing world.

The 2023-24 to 2027-28 corporate plan is an output of FCC’s annual strategic planning process. As we shift to an outcome-based strategy model that takes an outside-in view and changes how we develop and deliver FCC’s strategy, we will continue to be positioned for success and can evolve to meet the needs of the industry and our ever-changing customers. To complement this shift, we will be investing in our foundational business systems and processes to increase velocity and agility as we implement the strategies that support our outcomes.

Our support for the agriculture and agri-food industry, including producers, agribusiness and agri-food processors, is unwavering. Through specialized financing and services, we continue to serve the industry that feeds the world. 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. We will continue to

provide access to capital, including venture capital, so the industry can continue to grow their businesses and adopt new practices and technology. And, as complexity continues to increase for customers, we will grow our support for them by delivering incremental value beyond the lending transaction.

To ensure the long-term vitality of the agriculture and agri-food industry, we are working to increase the services and capital to under-represented entrepreneurs such as young producers, women and Indigenous peoples. To facilitate the intergenerational transfer of farm assets, we will further develop our farm transition services.

FCC is building an environmental, social and governance (ESG) practice to guide how we operate, articulate how we support our customers on their sustainability journey and keep us accountable through ambitious metrics and targets. An ESG strategy is in progress to establish ESG principles and guide our decision-making. Through an ESG lens, we can assess and manage risks and opportunities created by any changing conditions in response to environmental and societal impacts.

FCC’s strong financial performance for over two decades ensures that we can serve the industry over the long term and in both good and challenging times. We operate in an efficient manner and offer competitive pricing to Canadian producers and agribusiness and agri-food operators.

By maintaining a steady presence in the industry and pursuing its strategy, we will deliver on the priorities of the Government of Canada, and help the Canadian agriculture and agri-food industry grow and thrive. In doing so, we are moving the industry forward as a major driver of the Canadian economy and a global leader in the production and export of safe, high-quality agriculture and agri-food products.

2.0 – Overview

The Canadian agriculture and agri-food industry plays a vital role in supporting Canada's economy and feeding a growing world and is one of the sectors with the highest economic growth potential in Canada¹. The industry contributes \$134.9 billion annually to Canada's gross domestic product (GDP) and is responsible for one in nine Canadian jobs.

FCC is a federal commercial Crown corporation with a mandate described in the *Farm Credit Canada Act* 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.*

As Canada's only financial and business services provider focused exclusively on the agriculture and agri-food industry, FCC offers financing and services tailored to the needs of the industry. We ensure Canadian producers, 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. We hire and develop employees who are passionate and knowledgeable about agriculture, enabling them to build solid relationships with our customers to help them thrive in the marketplace. Financing primary agriculture production is one of FCC's core business lines, which includes FCC's lending through our Alliance partners. We also serve agribusiness and agri-food entrepreneurs along the entire value chain, from suppliers to processors. Additional offerings include farm management software, learning programs and knowledge sharing to help customers and others involved in the industry make sound decisions.

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 additional details on how we fulfil our public policy role, see pages 11 to 13 of our 2021-22 Annual Report at [fcc-fac.ca/en/about-fcc/governance/fcc-annual-report.html](https://www.fcc-fac.ca/en/about-fcc/governance/fcc-annual-report.html).

We take pride in helping our customers dream, grow and thrive, and we are passionate about helping the industry succeed. To that end, we have five statements that reflect FCC's 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.

2.1 Main activities and principal programs

FCC achieves this vision by focusing on the specific activities set out in the Minister of Agriculture and Agri-Food's mandate letter to FCC. FCC's main activities and principal programs include:

Ensuring producers, agribusiness and agri-food entrepreneurs have access to required capital through all economic cycles — The industry is affected by commodity and input price volatility, adverse weather, trade flows, livestock and crop diseases. We take a long-term view and remain committed to customers and the industry by providing access to capital through all economic cycles. We effectively manage and measure

¹ <https://agriculture.canada.ca/en/canadas-agriculture-sectors/overview-canadas-agriculture-and-agri-food-sector>

risks, ensuring we can support a portfolio of \$44.5 billion² during challenging times in the industry. With 29 consecutive years of portfolio growth, we carefully balance the resources required to provide business and financial services to the industry.

We believe that Canadian producers and agribusinesses benefit from a choice of financing options which stimulates product and service innovation. We partner with Canadian financial institutions and credit unions and identify opportunities to offer joint financing solutions to mutual customers for larger agriculture operations and agribusinesses.

Supporting farm families, producers and agribusinesses along the value chain enables them to grow and innovate — Access to capital allows producers, 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. We invest in venture capital funds and provide funding to organizations that support the agriculture industry and strengthen the network of resources available to agribusiness and agri-food companies. Our venture capital program supports innovative companies and diverse entrepreneurs across all life-cycle stages, provinces and sectors in agriculture to help the industry reach its full potential.

Supporting the next generation of Canadian producers and agribusiness and agri-food entrepreneurs — We understand the importance of young farmers and entrepreneurs and have developed targeted programs and services, including the FCC Starter, Transition, Young Farmer and Young Entrepreneur loans. We also have a team of Business Advisors located across Canada to help with intergenerational transfers and new farmers entering the industry.

We believe that a diverse and inclusive industry strengthens the entire Canadian agriculture, agribusiness and agri-food landscape. We continue to explore new opportunities to fulfil our mandate while addressing the unique needs

of women in agriculture and Indigenous entrepreneurs and producers in Canadian agriculture and agri-food.

Keeping the industry competitive by sharing knowledge — Beyond lending, we offer learning events, multimedia tools, publications and other resources to support customers and others involved in Canadian agriculture to advance their management practices and succeed in a complex business environment. In addition, FCC is working to increase awareness of mental health issues in rural communities by increasing awareness through partnerships, mental health publications and resources on our website.

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

Supporting government policy to reduce greenhouse gas emissions and adapt to climate change — We are aligned with the Federal Government's Greening Government strategy and are taking action to reduce our own greenhouse gas emissions. We are developing a climate strategy to enable customers and the agriculture and agri-food industry to prepare for and respond to the impacts of climate change with access to innovative knowledge, tools, and finance offerings. As a first step to understand our impact, we are partnering with industry to offer incentive-based programming to encourage adoption of sustainable practices. As we evolve our understanding of climate risk and opportunities, we will continue to support the industry's resilience. We will be transparent on our approach and annually report on our progress, while continuing to adopt recommendations of Task Force on Climate-Related Financial Disclosures (TCFD) as our disclosure framework.

² Portfolio as at March 31, 2022, as reported in the FCC 2021-22 Annual Report.

3.0 – Operating environment

3.1 Macroeconomic outlook

Demand for agriculture commodity exports remains strong with high commodity prices, although declining global economic growth could create headwinds along with higher interest rates, which are expected to slow investments.

Canada's gross domestic product (GDP) grew 4.5% in 2021 and is projected to climb around 3.5% in 2022³, followed by projected low growth below 2.0% per year over the next two years. The Bank of Canada has been aggressive in increasing rates to lower inflation, with expectations that its overnight rate will be around 4.25% for most of 2023, although rates could go higher if high inflation persists. The Canadian dollar is expected to decline through 2023 due to expected weaker growth of the Canadian economy and lower oil prices.

Agriculture industry outlook

Farm cash receipts⁴ increased 14.9% in 2021 as strong inventories and elevated commodity prices offset lower production. Strong commodity prices and a rebound in crop yields are forecast to grow farm cash receipts around 15.0% in 2022. Growth is expected to soften as global demand stabilizes and prices return to their long-term average. Total farm cash receipts are projected to increase over the plan period at an average of 3.4% per year.

Overall, the Canadian agriculture industry remains healthy, as revealed by strong revenue in 2021 and 2022. Canadian farm operations remain in a strong financial position, according to the balance sheet of agriculture⁵:

1. Total liabilities in Canadian agriculture grew slower than asset values in 2021. As a result, the debt-to-asset ratio decreased to 16.2% in 2021, as compared to 16.7% in 2020.
2. The leverage ratio, measured as the ratio of total liabilities to equity, declined to 19.4%

in 2021 from 20.0% in 2020 and is close to the five-year average of 19.3%.

3. The liquidity ratio, measured as total current assets to current liabilities, decreased slightly in 2021 to 2.3 from 2.35 in 2020, which is below the five-year average of 2.42 and is the lowest since 2007.

The strong financial statements of Canadian farm operations will position them to face possible headwinds to net income in 2023, as interest rates are expected to stay elevated and commodity prices soften.

Global trade disruptions providing opportunities for Canadian agriculture and food sectors

Trade is vital to the success of Canada's agriculture and food sectors. In 2021, Canada was the fifth largest exporter of agriculture commodities, 11th largest exporter of food and eighth largest overall for combined agriculture and food. Trade agreements are important to maintain and create export opportunities for Canadian agriculture and agri-food products. Russia's invasion of Ukraine continues to cause significant global market uncertainty, notably for agricultural and energy markets, altering global trade flows. There are three major impacts to monitor: energy impacts on crop inputs and fuel prices, supply chain disruptions and availability of crops from Russia and Ukraine and the resulting impact on crop prices. Overall concerns around global food security may provide Canadian exporters additional opportunities for 2023.

Farmland remains an attractive investment

Over the past five years, farmland and building values averaged growth of nearly 6.5% 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 slowed⁶. Farmland values

commodities

³ Bank of Canada MPR: <https://www.bankofcanada.ca/wp-content/uploads/2022/07/mpr-2022-07-13.pdf>

⁴ Farm cash receipts refers to the total sale of agricultural

⁵ Statistics Canada. Table 32-10-0056-01 Balance sheet of the agriculture sector as at December 31

⁶ Statistics Canada. Table 32-10-0045-01 Farmland and buildings

increased 9.6% in 2021, as the combination of low interest rates and high commodity prices supported strong demand. Strength in farm revenues will support continued increases in 2022. FCC estimates that farmland values increased 8.1% on average during the first six months of 2022. Higher interest rates and commodity prices trending back toward their average are likely to slow land value appreciations for the rest of 2022 and into 2023. Average farmland and building values are expected to continue to grow above 5.0% annually over the plan 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. While higher interest rates will influence future decisions on farm investments, farm debt outstanding growth is projected to average 6.5% annually for the next five years.

Food supply chain showing resilience during uneven recovery

Food and beverage manufacturing sales increased 14.0% in 2021 with forecasted growth for 2022 at 10.0% and 4.0% for 2023. Rising inflation pressured the agri-food sector throughout 2022, reducing margins in the food supply chain. Margins are expected to improve as inflation slowly eases, but will remain pressured into 2023. However, the overall outlook for Canadian agriculture and food remains positive due to the growing demand for Canadian products.

There are two competing influences in the operating environment for agribusinesses. Strong crop prices relative to the five-year average will continue to support strong demand for farm inputs as farm operators seek to raise productivity and remain competitive in the global marketplace. Strong

crop receipts in 2021 and 2022 have supported investment in farm buildings, equipment and storage, but the sentiment has become more cautious as interest rates rise and farm input prices remain elevated. The bottom line is that international demand for Canadian agriculture commodities is expected to remain solid, supporting opportunities for agribusinesses.

Labour remains a major concern for food processors and agribusinesses. There are more job openings than there are people looking for a job. Capacity utilization returned to pre-COVID levels in the first half of 2022.

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 7.1% to \$129.0 billion in 2021. FCC's market share remained unchanged at 29.0% in 2021. The market share for chartered banks increased to 37.0% from 36.0%, while the market share for credit unions decreased to 15.0% from 16.0%. FCC's portion of Canada's farm debt outstanding was \$37.7 billion in 2021, an increase of \$2.5 billion over 2020 and second only to the chartered banks at \$47.4 billion.

Customers and industry trends

We gather feedback from customers and the agriculture and agri-food industry on a range of factors to inform our decision-making processes and remain relevant to customers. In mid-2022, the chief concern across industries is rising input costs. Going forward, adopting innovations and investing in new technology can help the industry stay competitive amid global trade disruptions, labour shortages and rising costs, while also increasing productivity to address rising global demand for food. We will continue to monitor trends, including those related to rising stress levels due to the current volatile environment.

3.3 Internal environment

Our operating activities include providing financial support - knowledge, advisory services and farm management software are how we deliver value beyond the financial transaction to customers. As complexity continues to increase for customers, we will grow our support for them by delivering incremental value beyond the lending transaction. Over the plan period, in addition to freeing up time for relationship managers to support customers, there will be enhancements to the AgExpert farm management software and expansion of the knowledge and advisory offering with the support of external experts.

FCC currently employs 2,297 people across Canada, plus an additional 425 contractors (includes full-time, part-time and ad hoc contractors). New positions will be added over the plan period to support portfolio growth, implement FCC's strategic priorities, and further mature risk management capabilities as we continue to serve customers and the industry. We have planned for 225 new positions in 2023-24.

Our employees remain highly engaged, with results that are high relative to other financial institutions. We are also looking at flexible work optimization, committing to ongoing flexibility for employees and to better support employees and leaders to make the most of in-person and work-from-home work environments.

FCC is committed to building a workforce that reflects the diversity of our customers and the Canadian population. Among our 2,297 employees⁷, 61.8% of our workforces are women, 2.9% have self-identified as Indigenous, 2.2% have self-identified as persons with disabilities and 10.1% have self-identified as members of a visible minority.

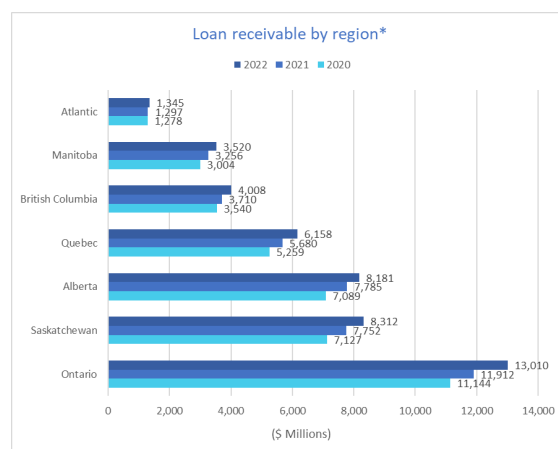
On December 21, 2022 Minister Bibeau announced the appointment of Justine Hendricks as President and Chief Executive Officer (CEO) of FCC. Ms. Hendricks is the first female President and CEO of FCC and will drive

forward the corporation's mandate of supporting the sector by providing financial and advisory services, expanding access to capital and enhancing its products and services.

3.4 Performance and reviews

FCC is starting 2023-24 with a strong financial position as evidenced by loans receivable growth over the past three years. Our overall financial performance is forecast to remain strong over the plan period with loans receivable expected to continue to grow. In particular, our agribusiness and agri-food business line is expecting strong performance due to growing demand for Canadian products and increased promotion of value-added processing in Canada. In addition, we continue to grow our venture capital program over the plan period to provide additional capital support to companies innovating and growing in the industry.

Allowance for credit losses is expected to increase as our portfolio and customer risk profiles change due to increased lending in the agribusiness and agri-food sector, which carries higher risk. We focus on sound risk management practices, including maintaining a portfolio that is well diversified in terms of sector and region to help offset this risk.



*Excludes deferred loan fees.

⁷ As at September 30, 2022

External reviews

The Office of the Auditor General's (OAG) final report for our last special examination was received in January 2022. The OAG found no significant deficiencies and FCC's Executives and Board agreed with all six identified recommendations. Four recommendations have

been addressed and work on the remaining two recommendations, including the recommendation pertaining to cybersecurity, will be completed by March 31, 2023, consistent with timelines submitted to the OAG. No new external reviews have been brought forward to date.

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

4.1 Objectives and activities

Our support for the agriculture and agri-food industry, including producers, agribusiness and food processors, is unwavering. Through specialized financing and services, we continue to serve the industry that feeds the world. For fiscal year 2023-24 and beyond, we are shifting to an outcome-based strategy model that takes an outside-in view and changes how we develop and deliver FCC's strategy. We are being deliberate in thinking past the activity we will do to focusing on the impact we want to make. This approach will ensure we continue to be positioned for success and can evolve to meet the needs of the industry and our customers.

We have created six strategic outcomes that will enable us to meet mandate priorities, remain relevant in a vibrant and successful industry, deliver great customer relationships and sustain a high-performance culture. We will also continue to operate with execution excellence, effectively manage risk and maintain financial strength.

To complement our shift to strategic outcomes, we will be investing in our business systems and processes. These investments will help us increase velocity and agility as we implement the strategies that support our outcomes and strengthen our key assets. Making this investment is foundational to address current technical debt, avoid future technology obsolescence and inflexibility, which could limit innovation, velocity and the ability to scale, deliver or advance strategy.

FCC is advancing a range of initiatives within the strategic outcomes listed below. Within each outcome, there is work to ensure we remain relevant, provide simple and effective solutions through various channels, and support the agriculture and agri-food industry to grow and thrive.

Strategic outcome: By 2025, FCC customers will get financing through simple, effective processes and channels.

We understand our lending processes can be made easier, more digital, more consistent and sized to the complexity of our customer's needs. Small business entrepreneurs make up over 80 percent of our customers. This segment is seeking quick, efficient ways to manage their account, including through use of modern applications online and on mobile devices. Medium-sized and larger-sized customers have different needs and are looking for guidance so both customer and FCC can better understand risk. As loan size has grown with increasing asset values and customer size, complexity of lending has increased. To sustain an approach that effectively serves all of agriculture and agri-food operators, FCC's lending approach must transform.

Today our approach to lending transactions does not differentiate customers based on their size or needs. While this approach has served us well in the past, it will not allow us to grow with the industry into the future or provide the value customers are seeking. To move forward, a fulsome redesign of lending is required. Initiatives about simplifying lending in past Corporate Plans have identified the need to create capabilities that address the needs of smaller customers in a more efficient way and meet the more complex needs of larger customers in a more responsive, less employee-intensive manner. This will take sustained effort and substantial investment in how we organize people and teams, how we redesign our processes, how we automate systems and how we provide decision support tools to guide and assist our employees.

As a result of this multi-year transformation, we will streamline and automate processes for smaller customers, freeing up time for employees to create additional value by providing the services these customers need to

grow and thrive. It will also allow us to serve medium and larger-sized customers, including those in our growing agribusiness and agri-food portfolio, more efficiently with faster response times, while managing the accounts more effectively. Today increasingly, customers expect the same simplicity when they do business with us that they get while interacting with other companies, such as large technology companies.

Strategic outcome: By 2026, Canadian producers look to FCC for our business management offering and consistently receive value beyond the lending transaction.

Agriculture and agri-food producers face multiple challenges, such as rising input costs, international trade issues, commodity prices and labour shortages, which are contributing to rising levels of stress. We can help the industry navigate these challenges and opportunities by delivering on our mandate. Our offering needs to reflect that we are more than a lender and we will expand how we add value to customers.

In pursuit of this outcome, we will continue to enhance the tools, information and support available for Canadian producers to manage their operations and feel confident in making business decisions. To best support customers and to ensure these services are available to support the industry and have the advisory capabilities needed to help the industry grow and thrive, we will work with a variety of partners in the delivery of our knowledge and advisory offering. We will also improve our understanding of customers through the relationships provided by our customer-facing teams, our farm business management tools, and by being a connector. In addition, we will implement an Environment, Social and Governance (ESG) strategy that considers mental health.

We will also support the emerging business management needs of Canadian producers through digital tools. FCC's farm management software, AgExpert, assists producers in managing their farm data through digital farm business records that are accurate, safe and

secure, and integrated with other applications. We will continue to enhance our record keeping products through integration with partners and support producers on their sustainability journey. With this in mind, we are focused on what more can be brought to customers as a full-service suite of solutions to meet the needs and complexity of running their businesses.

Strategic outcome: By 2027, FCC's finance offering leads the Canadian food and agriculture industry to innovate, grow and thrive.

Innovation and investment in technology can help the industry stay competitive amid international challenges, labour shortages and rising costs, while also increasing productivity to address rising global demand for food. To advance this outcome, we will continue to provide access to capital so the industry can continue to grow their businesses and adopt new practices and technology.

We will also continue work to increase the availability of venture capital and expertise to enhance innovation, sustainability and productivity in the agriculture and agri-food industry. In 2023-24, FCC will begin work to expand our venture capital program to solve known gaps, challenges and opportunities related to access to capital, expertise, networks and consistent ecosystem support. We want to ensure emerging agriculture-focused innovations and technology are fully supported to create opportunities in Canada.

Agriculture and agri-food producers have unique needs when it comes to managing cash-flow cycles. As Canada's national provider of financing tailored exclusively to the needs and opportunities of the agriculture and agri-food industry, we know the importance of making capital accessible to producers and processors through all economic cycles. To stay relevant to the industry we serve, we need to ensure our finance offering is responsive to the ever-changing environment and evolves with our customers' needs. Work in this area will focus on ensuring FCC lending products meet the evolving needs of the industry.

Strategic outcome: By 2025, Canada’s next generation and new producers seek out FCC to support their dreams of building thriving enterprises.

FCC is committed to supporting the long-term success of Canada’s agriculture and agri-food value chain, including the next generation of entrepreneurs. Data from the Census of Agriculture confirms trends identified in previous census cycles, such as industry consolidation and aging of farm operators, continued in 2021. With the cost of farm asset values (land, buildings, quota, etc.) continuing to increase, the capital required to become established in the industry and to maintain an ongoing operation is significant. To facilitate the intergenerational transfer of farm assets, we will further develop our farm transition services.

To ensure the long-term vitality of the agriculture and agri-food industry, it is important that individuals and diverse groups in Canada are respected and have equitable access to opportunities. FCC plays an important role in building a more diverse and inclusive industry and we will continue to explore ways to support under-represented groups in Canadian agriculture, including meeting the unique needs of women, youth and Indigenous agricultural entrepreneurs and producers. Our work toward this outcome is focused on further implementing our Indigenous relations strategy where we will continue to support increased Indigenous participation in agriculture by taking additional credit risk and through collaborating with the Indigenous community, academic institutions, and the agriculture sector in the creation of a National Circle for Indigenous Agriculture and Food.

We will support the advancement of under-represented groups and the next generation by offering skill development and advisory services through partnership. The next generation also requires support in terms of knowledge, connection and mentorship to ensure business success.

Strategic outcome: By 2026, customers look to FCC as a trusted partner in sustainable opportunities and adaptation.

Climate change and the transition to a greener economy present both opportunities and challenges for Canadian agriculture. We can encourage and support the transition, as well as help our customers find ways to mitigate the financial risk posed by climate volatility. We have a role to play in adaptation as well as in managing through climate events. In addition, sustainability goes beyond climate, considering agriculture’s impact on the environment, including biodiversity, impacts on society in general and issues of food security.

We will act as a trusted partner by supporting our customers’ sustainability journey with innovative knowledge, tools and finance offerings, such as incentives to encourage the adoption of sustainable practices. While we have taken actions for many years to reduce our own greenhouse gas footprint, we will begin implementing a climate strategy in 2023-24 that considers the needs of the agriculture industry. Further, we will continue to assess and disclose our climate related risks and opportunities through reporting against the TCFD standards.

Strategic outcome: By 2025, top talent chooses FCC for our intentional culture and strength of leadership, rising to serve the needs of the industry.

We know that the employee experience is critical to delivering a great customer experience and we remain 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 our customers. Emerging labour market challenges have intensified the need to focus on our employee experience now and what it will look like in the future. In the current environment, prospective and current employees have many more choices as to where to work and we want FCC to be top of mind for them.

To support this outcome, we will begin implementation of a revised strategy to support our overall employee value proposition.

FCC is committed to building a workforce that reflects the diversity of our customers and the Canadian population. We are taking a variety of actions to ensure we are able to attract and hire talent with diverse perspectives and experiences, and create a welcoming and inclusive workplace that can retain and advance talent from diverse backgrounds.

The work in this area focuses on engagement, enhancing diversity and fostering an environment where we are a nationally recognized employer of choice with a work environment where employees choose to stay and grow and where external applicants choose to join FCC. FCC should continue to be a desirable place to work and where top talent stays and thrives.

Operating capabilities to support strategic outcomes

To deliver on our mandate and our strategy, we must continually improve our foundational processes, technology and practices. Execution excellence is achieved by creating efficiencies behind the scenes that empower employees to better serve our customers and partners.

Effective risk management helps protect customer relationships and FCC's overall strength and resilience. Our risk management practices and capabilities must evolve and adapt to changing customer preferences and the increased expectation of seamless transactions online with near instant decisions. We will remain diligent and proactive by continuing to assess and improve the corporation's risk analytics, practices, controls and tools to maintain an appropriate level of preparedness and enable business advancement.

We safeguard corporate assets and financial returns by adhering to strong financial and risk management practices, as well as maintaining a safe and sound capital position. This ensures FCC has the financial strength to not only withstand economic downturns, but also offer

support to our customers in the agriculture and agri-food industry.

4.2 Risk overview

We use an enterprise risk management framework and policy to ensure significant risks are adequately managed. Effective enterprise risk management enables us to achieve our strategic objectives and ensure sustainable business success. Our willingness to take risks we understand, accept the risk of being a steady presence for the agriculture and agri-food industry and avoid risks that jeopardize FCC, our customers or the sustainability of the industry, is reflected in FCC's overall risk appetite framework and policy, approved annually by our Board of Directors.

Risk categories and mitigating strategies

Our four major categories of risks are strategic, financial, operational and reputation.

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

Strategic risk refers to the external environment and our ability to develop and implement effective business strategies and maintain 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 to determine the level of risk treatment required, including resource allocation.

In addition to the above, we are there to take risks to help support the needs of targeted under-represented groups. We want to help spur innovation, create inclusive growth and facilitate intergenerational transfers. And, we want to ensure that capital is available through many delivery channels, when and where customers need it. As our business evolves, we will not take risks we do not understand.

Financial risks include credit, liquidity and market risks which are outlined below in further detail:

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. Credit risk on loan and lease receivables is the most significant risk that we face. Credit risk also exists in investments and derivative financial instruments. We assess credit risk at transactional and portfolio levels using best practices for financial institutions.

Credit assessment tools and models are in place to quantify risks on an ongoing basis, establish the required allowance for loan losses, and monitor capital adequacy. We also closely monitor the agriculture and agri-food operating environment to ensure our lending policies, activities and practices adequately account for risk and opportunity in the marketplace. We build relationships with customers and partners who meet our high standards for integrity. As a federal crown corporation, FCC is there as a consistent source of financing for all sectors of the industry and through all business cycles.

Liquidity risk is the risk that we have insufficient funds to meet payment obligations as they come due. We minimize liquidity risk using a liquid investment portfolio, funding through the Crown Borrowing Framework and accessing 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. Our focus remains on responsible lending and capital management to ensure that FCC remains financially sound.

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 our financial instruments and we assess 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 our liabilities and assets (loans) and the risk is reflected in our 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.

Leaders are responsible for ensuring appropriate training, policies and processes are in place in their business units to manage risk. Risk and control assessments identify and assess whether appropriate and effective controls are in place. Key controls are monitored on a regular basis to determine their effectiveness to manage operational risks. Identified risk gaps are mitigated to reduce the risk to an acceptable level.

Our people, processes and systems are focused on achieving results while managing risk. We are resilient and prepare for challenges that might arise, while making responsible decisions and listening to our stakeholders. We are mindful of how personal information is used to ensure we protect the privacy interests of individuals.

Internal audits assess the effectiveness of the control environment and assurance is provided to the Board.

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

As a federal Crown corporation, FCC is accountable to all Canadians. To avoid real or perceived reputational damage, we have a structure 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 is moving to an outcome-based strategy model as a framework for evaluation and to define our major activities. For each strategic outcome, FCC will develop initiatives, outlined in section 4.1 Objectives and Activities, that will show progress toward achieving results.

FCC's strategic outcome statements, vision and mission are aligned to our mandate and Government of Canada priorities. We report on our mandate and Government of Canada priorities through the following measures:

Mandate and government priorities	FCC strategic outcomes	FCC performance measures
FCC delivers a customer experience that meets the needs of the industry	FCC customers will get financing through simple, effective processes and channels	Net Promoter Score®
Continue to expand FCC's advisory services, knowledge offerings and farm management tools to support the broad range of core and emerging business management needs of Canadian producers and agribusiness operators seeking to solve new or specific business challenges.	Canadian producers look to FCC for our business management offering and consistently receive value beyond the lending transaction	Customer value measure
		Total views or interactions with FCC's online business management learning offering
Continue to operate as a responsible lender whose purpose goes beyond financial performance by providing a choice of financing options, filling gaps in industry needs and taking on necessary levels of risk to meet long-term needs, with a primary focus on family farms.	FCC's finance offering leads the Canadian food and agriculture industry to innovate, grow and thrive	Loans receivable change
		Percentage of FCC customer count in small and medium-sized segments: <ul style="list-style-type: none"> • Ag Production • Agribusiness and Agri-food
Enhance support to agri-food and agribusiness entrepreneurs and promote our value-added food processing sector.		Percentage growth in net new agribusiness and agri-food customers
Be a catalyst in attracting capital to the agriculture and agri-food industry through increased venture capital investment and improved access to capital for industry to accelerate meaningful progress in areas such as improving production capacity and sustainable practices driven by agricultural technology innovation.		

Continue to expand and enhance the financial products and services that reduce barriers for young producers, entrepreneurs and underrepresented groups to enter or become more established in Canada's agriculture and food industry, including supporting intergenerational transfers.	Canada's next generation and new producers seek out FCC to support their dreams of building thriving enterprises	Lending to borrowers under the age of 40: Ag Production, Agribusiness and Agri-food
Collaborate with Indigenous communities to encourage more First Nation, Inuit and Métis-led agriculture and food production through targeted financial support and other business solutions.		Number of current lending customers under age 40 served by FCC
		Percentage of self-declared customers declared Indigenous
FCC supports the Greening Government Strategy by reducing our greenhouse gas emissions and adapting to climate change	Customers look to FCC as a trusted partner in sustainable opportunities and adaptation	Percentage of greenhouse gas emissions reduced
Support opportunities for early commercialization and deployment of agri-technologies to help position Canada as a leader in sustainability and climate change mitigation.		Sustainability program adoption measure
FCC is committed to building a workforce that reflects the diversity of our customers and the Canadian workforce		Percentage of total hired are members of employment equity groups
	Top talent chooses FCC for our intentional culture and strength of leadership, rising to serve the needs of the industry	Employee engagement

We examine and evaluate our focus to ensure we are meeting our mandate and Government of Canada priorities while balancing the need to be relevant given our position in the marketplace. Measures in this table are

reviewed annually and may change to better reflect progress on our strategic direction.

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

Section 5 – Financial overview

Expected results for 2022-23 and plan period 2023-24 to 2027-28

FCC is a Crown corporation and our support for the agriculture and agri-food industry is unwavering and enabled through strong financial and risk management practices. Section 4.0 introduces our outcome-based strategy model that takes an outside-in view and changes how we develop and deliver FCC's strategy and it has been incorporated into the financial plan projections. All other sections of the corporate plan are 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 our sustained financial strength to attain the outcomes and objectives 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 slow over the plan period with elevated inflation and heightened interest rates to manage inflationary pressures. Demand for agriculture commodity exports remains strong with high commodity prices, although declining global economic growth could create headwinds while prices are projected to return to their long-term average.

Over the next five years, farm debt is expected to grow approximately 6.5% annually, while farmland and building values grow above 5.0. Heightened interest rates and weakening farm cash receipts are expected to cause some challenges in the financial health of Canadian farm operations. Yet, the financial position of the industry remains strong. Our continued portfolio growth is supported by the strength in the industry yet trends downward over the planning period as commodity prices return closer to their long-term averages with

stabilization in global demand and land value appreciation slows. As short-term interest rates begin decreasing and the interest rate environment stabilizes, profitability improves over the planning period.

We protect FCC's 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 is expected to grow from \$48.4 billion in 2022-23 to \$65.1 billion in 2027-28, representing an average annual growth of 6.1% 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.

Profitability

Net interest income is expected to be \$1.3 billion in 2022-23 and is projected to grow to \$2.2 billion in 2027-28. The increase is driven by expected portfolio growth and higher net interest margin.

Net interest margin is projected to increase from 2.74% in 2022-23 to 3.27% in 2027-28. The increase in net interest margin is primarily due to the elevated and normalizing interest rate environment as inflation eases.

Credit quality

Allowance for credit losses on loans receivable is forecast to be \$160 million in 2022-23 and increases over the plan years to \$391 million driven by the portfolio growth. Credit risk is also impacted by slower growth in farm cash receipts as global demand stabilizes and prices return to

their long-term average. 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 forecasted to increase from \$88 million in 2022-23 to \$143 million in 2027-28 reflecting the portfolio growth and shift in health.

Efficiency

The efficiency ratio decreases from 42.2% in 2022-23 to 40.1% in 2027-28 due to higher net interest margin, partially offset by increases in administration expenses.

Administration expenses increase from \$574 million in 2022-23 to \$861 million in 2027-28. It reflects an increased level of investment to support strategic outcomes, strengthen key assets and deliver on mandate priorities to support the industry and under-represented groups as outlined in section 4.0.

Capital budget

Capital expenditures are expected to decrease slowly from \$34 million in 2022-23 to \$30 million in 2027-28 as fewer new and renewing office leases and leasehold improvements are expected over the plan.

Borrowings

The growing portfolio increases borrowing requirements, including accrued interest, from \$41.9 billion in 2022-23 to \$55.6 billion in 2027-28.

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).

FCC is projected to pay dividends totaling \$1.6 billion over the plan period, which includes the final repayment of \$250 million in 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 allowing for the repayment of the capital contribution.

Return on equity measures the efficiency in generating income relative to equity. Our mandate initiatives inherently impact 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 8.0% in 2022-23 to 9.9% in 2027-28, mainly driven by the strong net income resulting from the growing portfolio and improving net interest margin offset by rising administration expenses and an increase in average equity size.

Appendix 1 – Ministerial mandate letter or direction

FCC mandate letter

Quote: 272651

Ms. Jane Halford
Chairperson
Farm Credit Canada
1800 Hamilton Street
Regina SK S4P 4L3

Dear Ms. Halford:

The federal government has recognized the importance of a vibrant and sustainable agriculture and agri-food sector to the country's economy and to ensure its food security. We also recognize that Canadian family farms contribute significantly to the vitality of many rural communities across the country.

Therefore, in November 2021, federal, provincial and territorial ministers of agriculture jointly signed the [Guelph Statement](#), which recognizes Canada as a world leader in sustainable agriculture. This vision should also inform the work of Farm Credit Canada (FCC).

Despite many recent challenges, including the COVID-19 pandemic, Canadian agricultural producers and food processors have shown exemplary resilience and continued providing quality products in a particularly difficult context. I would like to thank FCC for supporting the sector by providing financial and advisory services, expanding access to capital and enhancing capital and enhancing its products and services. Canada's producers can rely on FCC as a financial partner in weathering supply chain challenges, commodity price volatility and the rising costs of key agricultural inputs impacted by geopolitical and global market instability. To this end, the Government made sure to support FCC by quickly increasing its capacity to offer financial services.

Reducing greenhouse gas emissions and adapting to climate change remain urgent priorities for our government, and we must ensure that the agricultural sector steps up as a front-line partner. FCC's products and services allow the sector to grow, adopt innovative practices and business models, pursue new markets and close gaps in research, technology and infrastructure. This opens opportunities for early commercialization and deployment of agri-technologies, helping to position Canada as a leader in climate change mitigation.

In addition, in accordance with FCC's mandate, I am asking you to provide the leadership necessary to ensure that it delivers on the following priorities:

- Continue to operate as a responsible lender whose purpose goes beyond financial performance by providing a choice of financing options, filling gaps in industry needs and taking on necessary levels of risk to meet long-term needs, with a primary focus on family farms.
- Continue to be a creative, flexible and patient leader to contribute to a growing and sustainable agricultural sector in Canada, while taking on the necessary levels of risk in order to advance innovation and opportunities for underrepresented groups. Continued efforts should be given to:
 - Build on the Starter Loan, Young Farmer Loan and Young Entrepreneur Loan. Continue to expand and enhance the financial products and services that reduce barriers for young producers, entrepreneurs and underrepresented groups to enter or become more established in Canada's agriculture and food industry, including supporting intergenerational transfers.
 - Offer a steady and stable presence for the Canadian agriculture and agri-food industry

through all economic cycles and during challenges, including climate change and natural disasters, price and trade volatility and dysfunctions in the supply chain.

- Enhance input financing as a lever to support producers facing rising input costs associated with geopolitical events and incentivize additional production to combat global food insecurity.
 - Enhance support to agri-food and agribusiness entrepreneurs and promote our value-added food processing sector. Support opportunities for early commercialization and deployment of agri-technologies to help position Canada as a leader in sustainability and climate change mitigation.
 - Support food security by offering products and services reflecting the social, economic, environmental and health aspects of the agriculture and food system.
 - Continue to pursue and promote a strong relationship with other Canadian financial institutions and credit unions and identify opportunities to offer joint financing solutions to mutual customers.
 - Be a catalyst in attracting capital to the agriculture and agri-food industry through increased venture capital investment and improved access to capital for industry to accelerate meaningful progress in areas such as improving production capacity and sustainable practices driven by agricultural technology innovation.
 - Collaborate with Indigenous communities to encourage more First Nation, Inuit and Métis-led agriculture and food production through targeted financial support and other business solutions.
- Enhance mental health services offerings to support those involved in Canada's agriculture and food system. Work with and provide financial support to likeminded organizations to assist producers with mental health issues through greater awareness and knowledge dissemination and provide greater access to services and support networks in rural communities.
 - Continue to expand FCC's advisory services, knowledge offerings and farm management tools to support the broad range of core and emerging business management needs of Canadian producers and agribusiness operators seeking to solve new or specific business challenges.
 - Continue to support the prioritization of Canadian land ownership by providing financing to individuals and entities that are able to legally do business in Canada and meet provincial land ownership requirements.
 - Implement the recommendations outlined in the 2021 Special Examination Report of the Auditor General of Canada to the FCC Board of Directors.
 - Begin to report on climate-related financial risks, in accordance with the Budget 2021 commitment. FCC is encouraged to work with other crown corporations to share best practices.

As Agriculture and Agri-Food Canada works to advance sector-specific priorities outlined in my mandate letter, I ask that you continue to support the Deputy Minister, my principal source of public service support and policy advice for the entire Agriculture and Agri-Food Portfolio, in ensuring a coordinated portfolio. I know that I can count on you and the FCC team to fulfil these priorities and that FCC will commit to tracking and reporting on its progress toward results for Canadians.

In closing, I assure you of my full cooperation so that, together, we can continue to build an innovative, sustainable and prosperous future for agricultural and agri-food producers and processors and protect the sector's reputation for providing high-quality food products to Canada and the world.

Sincerely,

Original signed by

The Honourable Marie-Claude Bibeau, PC, MP

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 our vision, mission and values, and fulfilling our 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 Chairperson. 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. 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 is responsible for overseeing the enterprise risk management and internal control frameworks and monitoring the corporation's most significant risks in order to protect the achievement of the corporation's goals and objectives.

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 vacancies.

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 Chairperson, President and CEO and Corporate Secretary, (2) an overview and discussion about the corporation's business, strategic priorities and key functions, 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's duties and responsibilities fall under the following broad categories:

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

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 (10/01/2021 – 09/30/2022)					
			Committee attendance	Board meeting attendance	Retainer ⁽⁴⁾ (A)	Per diems (B)	Total remuneration (A+B)	Travel and related expenses
Rita Achrekar ⁽¹⁾	05/21/2021 – 05/20/2025	Human Resources Risk Corporate Governance	5/5 7/7 0/0	8/8	8,450.05	26,675.00	35,125.05	3,654.54
Bertha Campbell	02/1/2022 – 01/31/2025	Audit Human Resources	5/5 5/5	8/8	9,300.00	22,067.50	31,367.50	3,177.82
Sylvie Chagnon	05/21/2021 – 05/20/2025	Human Resources Risk	5/5 7/7	7/8	8,450.05	29,585.00	38,035.05	4,474.79
Sylvie Cloutier	06/2/2019 – 06/1/2022	Human Resources (Chair) Corporate Governance Risk	3/3 2/2 6/7	8/8	9,958.92	19,885.00	29,843.92	2,709.40
Laura Donaldson	02/1/2022 – 01/31/2025	Corporate Gov (Chair) Audit	4/4 5/5	8/8	10,800.00	22,067.50	32,867.50	491.69
Sharilee Fossum ⁽²⁾	06/2/2019 - 12/15/2021	Human Resources (Chair) Audit	2/2 2/2	2/2	5,098.72	8,293.50	13,392.22	-
Jane Halford (Board Chair) from 4/26/2020	04/22/2020 – 04/21/2024	The Board Chairperson is not a member of any specific committee but frequently attends these meetings		8/8	18,600.00	29,585.00	48,185.00	2,099.90
Michele Hengen	05/21/2021 - 05/20/2024	Risk (Chair) Human Resources	7/7 5/5	8/8	10,800.00	23,037.50	33,837.50	1,082.06
Michael Hoffort	7/1/2014 – 6/30/2022 Retired June 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	5/5 4/4	7/8	9,300.00	25,220.00	34,520.00	4,979.15
Michael Tees	05/21/2021 – 05/20/2025	Audit Corporate Governance	4/5 4/4	7/8	8,450.05	20,855.00	29,305.05	3,014.33
Ross Topp ⁽³⁾	Appointed by Board of Directors 07/01/2022 Appointed by Order in Council 09/29/2022 - 03/29/2023	The Acting CEO is a director but not a member of any specific committee		2/2	The Acting CEO does not receive separate remuneration for his duties as a Board member. The Acting CEO's travel expenses, including any travel required for Board purposes, are disclosed on FCC's public website.			
Govert Verstralen	02/1/2022 – 01/31/2025	Audit (Chair) Risk	5/5 7/7	8/8	10,800.00	30,555.00	41,355.00	2,601.72

(1) Rita Achrekar moved from HR Committee to Corporate Governance Committee on Aug 23, 2022. No meetings were held in the remaining reporting period.

(2) Sharilee Fossum resigned Dec 15, 2021/ no travel over the reporting period. Sylvie Cloutier replaced Sharilee as HR Committee chair on Feb 1, 2022.

(3) Order in Council: *Appointment of ROSS B. TOPP of Regina, Saskatchewan, to be President and Chief Executive Officer of Farm Credit Canada, on an interim basis, for a term of six months or until such time as a new President and Chief Executive Officer is appointed, whichever occurs first, effective September 29, 2022.*

(4) September 2021 retainer payment was deposited in October – resulting in 3 semi-annual payments rather than 2 entered over this 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 our employees.

The Governor in Council establishes the President and CEO’s compensation. The salary range for the position is \$293,600 - \$345,400 with a maximum performance award of 26% of base salary.

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

We achieve our mandate and enhance rural Canada by providing products, services and customer solutions that meet the needs of the Canadian agriculture and agri-food industry, helping producers, agribusiness and agri-food operators grow their operations, access new market opportunities and innovate. We ensure operations of all sizes have access to capital and are a strong financial partner through all business cycles. We support the long-term success of Canadian agriculture by focusing on the needs of the under-represented groups, agribusiness and agri-food operators and work to ensure the industry is sustainable and adaptable regardless of whatever challenges it may face. We foster strong and vibrant communities through our community investment initiatives and other support to customers and employees across Canada.

Short-term outcomes					
Mandate and government priorities	FCC strategic outcomes	Performance indicator	2023-24 target	2027-28 target	Data strategy
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 ⁸	24%	28%	Annual data from FCC's Human Resources system
	Top talent chooses FCC for its intentional culture and strength of leadership, rising to serve the needs of the industry	Employee engagement	Equal to or greater than the Canadian Top Quartile benchmark	Equal to or greater than the Canadian Top Quartile benchmark	Annual data from Employee engagement survey
Medium-term outcomes					
Mandate and government priorities	FCC strategic outcomes	Performance indicator	2023-24 target	2027-28 target	Data strategy
FCC delivers a customer experience that meets the needs of the industry	FCC customers will get financing through simple, effective processes and channels	Net Promoter Score [®]	72	75	Customer surveys throughout the year
Continue to expand FCC's advisory services, knowledge offerings and farm management tools to support the broad range of core and emerging business management needs of Canadian producers and agribusiness operators seeking to solve new or specific business challenges	Canadian producers look to FCC for its business management offering and consistently receive value beyond the lending transaction	Customer value measure (new – methodology and baseline to be established)	Establish baseline	TBD	Customer surveys throughout the year
		Total views or interactions with FCC's online business management learning offering	1,200,000	1,400,000	Annual analytics from FCC's website

⁸ Performance indicator includes the following employment equity groups: Indigenous 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.

Continue to operate as a responsible lender whose purpose goes beyond financial performance by providing a choice of financing options, filling gaps in industry needs and taking on necessary levels of risk to meet long-term needs, with a primary focus on family farms	FCC's finance offering leads the Canadian food and agriculture industry to innovate, grow and thrive	Loans receivable change ⁹	6.9%	5.8%	Annual data from FCC's financial systems reporting
		Percentage of FCC customer count in small and medium-sized segments: - Ag Production - Agribusiness & agri-food	AgP:>90% A&A:>90%	AgP:>90% A&A:>90%	Annual data from FCC's financial systems
		Percentage growth in net new agribusiness and agri-food customers	10%	12%	Annual data from FCC's financial systems
Enhance support to agri-food and agribusiness entrepreneurs and promote our value-added food processing sector					
Be a catalyst in attracting capital to the agriculture and agri-food industry through increased venture capital investment and improved access to capital for industry to accelerate meaningful progress in areas such as improving production capacity and sustainable practices driven by agricultural technology innovation					
Long-term outcomes					
Mandate and government priorities	FCC strategic outcomes	Performance indicator	2023-24 target	2027-28 target	Data strategy
Continue to expand and enhance the financial products and services that reduce barriers for young producers, entrepreneurs and underrepresented groups to enter or become more established in Canada's agriculture and food industry, including supporting intergenerational transfers	Canada's next generation and new producers seek out FCC to support their dreams of building thriving enterprises	Lending to borrowers under the age of 40 Ag Production: Agribusiness and agri-food:	AgP - \$4.47 billion A&A - \$259 million	AgP - \$4.75 billion A&A - \$292 million	Annual data from FCC's financial systems
Collaborate with Indigenous communities to encourage more First Nation, Inuit and Métis-led agriculture and food production through targeted financial support and other business solutions		Number of current lending customers under age 40 served by FCC	21,300	22,100	Annual data from FCC's financial systems
		Percentage of self-declared customers declared Indigenous	2.25%	3.25%	Annual data from FCC's financial systems

⁹ Replaced the loans receivable growth rate to loans receivable change to better reflect our focus on adding value to customers.

FCC supports the Greening Government Strategy by reducing its greenhouse gas emissions and adapting to climate change	Customers look to FCC as a trusted partner in sustainable opportunities and adaptation	Percentage of greenhouse gas emissions reduced	36.4% reduction in tonnes/CO ₂ e from 2012 baseline	Reduce Scope 1 and 2 GHG emission by 25% from 2022-23 baseline ¹⁰	Annual data collection of emissions on buildings, vehicles, flights and paper consumption
Support opportunities for early commercialization and deployment of agri-technologies to help position Canada as a leader in sustainability and climate change mitigation		Sustainability program adoption measure	Establish baseline	TBD	Annual data from FCC's program database

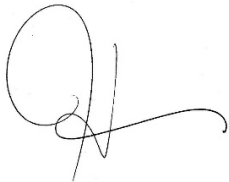
With the changes to our strategy, we have added following performance indicators to our planned results:

- Employee engagement
- Customer value measure
- Sustainability program adoption measure

The following measures have previously been included as performance indicators and reported on:

- Capital adequacy – We continue to maintain a safe and sound capital position. Detailed discussion on capital adequacy can be found in Appendix 5.
- As we expand our emphasis on adding value to customers, we will adopt a new measure of the outcome, which replaces the previous output-based measures: Average score from event participants on the likelihood they will use information from the FCC event in their farming operations and Amount invested by FCC in community initiatives and projects, including funds provided to local non-profits.
- The measure “Number of net new agribusiness and agri-food customers” was revised to show growth in net new customer acquisitions and will be reported as a percentage.
- Number of Indigenous customers and Lending to Indigenous customers have been replaced with an indicator that compares the population of customers who self-declare as Indigenous to the population of total customers who complete declarations. Over the longer-term, the target is designed to achieve a customer base that is representative of Canada’s Indigenous population.

Chief Executive Officer Commitment: I, Justine Hendricks, 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.



Justine Hendricks
President and Chief Executive Officer
Farm Credit Canada

February 2, 2023

Date

¹⁰ Denotes a science-based target

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.



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

February 2, 2023
month, day, year

Appendix 5 – Financial statements and budget

5.1 Financial statements

Caution regarding forward-looking statements

The information in the corporate plan includes the use of forward-looking financial information. Such forward-looking statements involve known and unknown risks and uncertainties. The financial information is compiled based on certain assumptions of the most probable set of economic conditions, and outline management's planned course of action. Although the following statements are based on what management believes are reasonable assumptions, there can be no assurance of future performance. 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)	2022 Actual	2023 Plan	2023 Forecast	2024 Plan
Assets				
Cash and cash equivalents	\$ 1,439	\$ 1,300	\$ 1,560	\$ 1,350
Short-term investments	584	700	440	650
Accounts receivable and prepaid expenses	39	40	39	40
Assets held for sale	186	-	-	-
	2,248	2,040	2,039	2,040
Loans receivable	44,489	45,666	48,379	51,709
Allowance for credit losses	110	174	160	186
Loans receivable - net	44,379	45,492	48,219	51,523
Finance leases receivable - net	-	140	-	-
Other loans receivable - net	50	84	33	27
Investment at fair value	56	80	96	131
Investment in associates	49	80	59	107
Post-employment benefit assets	294	237	322	349
	44,828	46,113	48,729	52,137
Property and equipment	189	199	181	175
Intangible assets	13	12	15	16
Other assets	7	6	6	4
	209	216	202	196
Total assets	\$ 47,284	\$ 48,369	\$ 50,969	\$ 54,373
Liabilities				
Accounts payable and accrued liabilities	\$ 84	\$ 84	\$ 83	\$ 90
	84	84	83	90
Borrowings				
Short-term debt	8,077	8,060	8,652	10,511
Long-term debt	30,107	31,321	33,235	34,395
	38,184	39,381	41,887	44,906
Transition loan liabilities	174	198	165	165
Post-employment benefit liabilities	92	155	80	85
Lease liabilities	167	156	165	160
Other liabilities	6	5	3	3
	439	514	413	413
Total liabilities	38,707	39,979	42,383	45,409
Equity				
Contributed capital	500	250	250	-
Retained earnings	8,076	8,139	8,334	8,959
Equity attributable to shareholder of parent entity	8,576	8,389	8,584	8,959
Non-controlling interest	1	1	2	5
	8,577	8,390	8,586	8,964
Total liabilities and equity	\$ 47,284	\$ 48,369	\$ 50,969	\$ 54,373

Consolidated Statement of Income

Fiscal year ending March 31 (millions of Canadian dollars)	2022 Actual	2023 Plan	2023 Forecast	2024 Plan
Interest income	\$ 1,567	\$ 1,629	\$ 2,218	\$ 2,719
Interest expense	226	247	876	1,306
Net interest income	1,341	1,382	1,342	1,413
Provision for (reversal of) credit losses	(90)	56	88	67
Net interest income after provision for credit losses	1,431	1,326	1,254	1,346
Insurance distribution income	17	19	19	19
Net (loss) income from investment in associates	(10)	(1)	(4)	(4)
Net foreign exchange gain	-	-	1	-
Other expenses	(7)	(1)	(4)	(10)
Net interest income and non-interest income	1,431	1,343	1,266	1,351
Administration expenses	508	577	574	642
Net income before fair value gain	923	766	692	709
Fair value gain	9	-	2	5
Net income	\$ 932	\$ 766	\$ 694	\$ 714
Net income attributable to:				
Shareholder of parent entity	\$ 932	\$ 766	\$ 695	\$ 715
Non-controlling interest	-	-	(1)	(1)

Consolidated Statement of Comprehensive Income

Fiscal year ending March 31 (millions of Canadian dollars)	2022 Actual	2023 Plan	2023 Forecast	2024 Plan
Net income	\$ 932	\$ 766	\$ 694	\$ 714
Other comprehensive income				
Items that are or may be reclassified to net income				
Transfer of net realized gains on derivatives previously designated as cash flow hedges to net income	(2)	-	-	-
	(2)	-	-	-
Item that will never be reclassified to net income				
Remeasurement of post-employment benefit assets and liabilities	167	24	34	10
Total other comprehensive income	165	24	34	10
Total comprehensive income	\$ 1,097	\$ 790	\$ 728	\$ 724
Total comprehensive income attributable to:				
Shareholder of parent entity	\$ 1,097	\$ 790	\$ 729	\$ 725
Non-controlling interest	-	-	(1)	(1)

Consolidated Statement of Changes in Equity

Fiscal year ending March 31 (millions of Canadian dollars)	2022 Actual	2023 Plan	2023 Forecast	2024 Plan
Contributed capital				
Balance, beginning of year	\$ 500	\$ 500	\$ 500	\$ 250
Dividends paid	-	(250)	(250)	(250)
Balance, end of year	500	250	250	-
Retained earnings				
Balance, beginning of year	7,537	7,824	8,076	8,334
Net income	932	766	695	715
Other comprehensive income (loss)	167	24	34	10
Dividend paid	(560)	(475)	(471)	(100)
Balance, end of year	8,076	8,139	8,334	8,959
Accumulated other comprehensive income				
Balance, beginning of year	1	-	-	-
Transfer of net gains on derivatives previously designated as cash flow hedges	(2)	-	-	-
Balance, end of year	-	-	-	-
Total equity attributable to parent	\$ 8,576	\$ 8,389	\$ 8,584	\$ 8,959
Non-controlling interest				
Balance, beginning of year	1	1	1	2
Net income attributable to non-controlling interest	-	-	(1)	(1)
Contributions from/(distributions to) non-controlling interest	-	-	2	4
Balance, end of year	1	1	2	5
Total	\$ 8,577	\$ 8,390	\$ 8,586	\$ 8,964

Consolidated Statement of Cash Flows

As at March 31 (millions of Canadian dollars)	2022 Actual	2023 Plan	2023 Forecast	2024 Plan
Operating activities				
Net Income	\$ 932	\$ 766	\$ 694	\$ 714
Adjustments to determine net cash (used in) provided by operating activities:				
Net interest income	(1,341)	(1,382)	(1,342)	(1,413)
(Reversal of) provision for credit losses	(90)	56	88	67
Fair value (gain) loss	(9)	-	(2)	(5)
Net loss (income) from investment in associates	10	1	4	4
Amortization and depreciation	35	38	33	37
Net unrealized foreign exchange (gains) losses	(7)	-	-	-
Impairment loss on assets held for sale	5	-	-	-
Net cash outflow from loans receivable	(3,145)	(2,290)	(3,921)	(3,320)
Net cash inflow from finance leases receivable	4	(6)	-	-
Net change in other operating assets and liabilities	(18)	11	(18)	(5)
Interest received	1,526	1,587	2,156	2,675
Interest paid	(216)	(258)	(808)	(1,290)
Cash used in operating activities	(2,314)	(1,477)	(3,116)	(2,536)
Investing activities				
Net cash inflow (outflow) from short-term investments	148	-	143	(210)
Net cash inflow from other loans receivable	7	(16)	20	8
Acquisition of investments at fair value	(19)	(39)	(41)	(35)
Proceeds on disposal and repayment of equity investments	-	-	1	-
Disbursement paid to investment in associates	(10)	(28)	(17)	(57)
Repayment from investment in associates	9	6	4	5
Purchase of property and equipment	(7)	(15)	(10)	(11)
Proceeds on disposal of property and equipment	16	10	(1)	-
Purchase of intangible assets	(3)	(7)	(10)	(10)
Cash provided by (used in) investing activities	141	(89)	89	(310)
Financing activities				
Long-term debt issued	14,490	12,028	8,996	9,775
Long-term debt repaid	(11,786)	(10,031)	(6,533)	(6,995)
Short-term debt issued	12,630	16,411	11,947	14,786
Short-term debt repaid	(12,398)	(16,101)	(10,525)	(14,562)
Principal repayment of lease liabilities	(15)	(16)	(16)	(18)
Dividend paid	(560)	(475)	(471)	(100)
Capital contributions paid	-	(250)	(250)	(250)
Cash provided by financing activities	2,361	1,566	3,148	2,636
Change in cash and cash equivalents	188	-	121	(210)
Cash and cash equivalents, beginning of year	1,251	1,300	1,439	1,560
Effects of exchange rate changes on the balances of of cash held and due in foreign currencies	-	-	-	-
Cash and cash equivalents, end of year	\$ 1,439	\$ 1,300	\$ 1,560	\$ 1,350

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 future plan years.

5.2.1 Operating budget summary

Fiscal year ending March 31 (\$ millions)	2022 Actual	2023 Plan	2023 Forecast	2024 Plan
Portfolio growth				
Loans receivable	44,489	45,666	48,379	51,709
Loans receivable growth rate (per cent)	7.6	5.3	8.7	6.9
Venture capital portfolio	156	244	188	265
Profitability				
Net interest income and margin				
Net interest income	1,341	1,382	1,342	1,413
Net interest margin (per cent)	2.96	2.94	2.74	2.70
Non-interest income				
Insurance distribution income	17	19	19	19
Net (loss) income from investment in associates	(10)	(1)	(4)	(4)
Other expenses	(7)	(1)	(4)	(10)
Credit quality				
Credit-impaired loans	394	416	576	657
Allowance for credit losses - loans receivable	110	174	160	186
Writeoffs	26	50	45	45
Provision for (reversal of) credit losses	(90)	56	88	67
Efficiency				
Administration expenses	508	577	574	642
Efficiency ratio (per cent)	37.6	41.2	42.2	45.1
Funding				
Borrowings	38,184	39,381	41,887	44,906
Capital management				
Total capital	8,270	8,140	8,247	8,595
Risk-weighted assets	48,664	50,059	52,647	56,252
Total capital ratio (per cent)	17.0	16.3	15.7	15.3
Debt to equity (ratio X:1)	4.5	4.8	4.9	5.1
Shareholder return				
Net income	932	766	694	714
Return on equity (per cent)	11.2	9.2	8.0	7.9
Dividends	560	725	721	350

5.2.2 Overview of operating budget projections

Portfolio growth

Loans receivable is projected to grow \$2.7 billion or 5.9%, higher in the 2022-23 forecast than the 2022-23 plan due to higher than projected portfolio growth in 2021-22 and 2022-23 driven by strong farmland value growth resulting from historical high commodity prices as well as increased growth in food and beverage manufacturing sales. The portfolio is projected to grow by \$3.3 billion or 6.9% in the 2023-24 plan relative to the 2022-23 forecast. The increase in loans receivable is from the continued growth in the primary production and Alliance business lines as well as agribusiness and agri-food supported by the growing demand for Canadian products.

Primary producers (primary production financing and Alliances) continue to represent the majority of loans receivable at 84.3% in the 2022-23 forecast and 83.2% in the 2023-24 plan. In the 2023-24 plan, the loans receivable portfolio is comprised of \$43.0 billion in primary production and Alliances, and \$8.7 billion in agribusiness and agri-food.

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 and continue to provide financial support through program funding to organizations that provide accelerator services to start-up and early-stage businesses.

The fund investments are projected to increase \$77 million from 2022-23 to 2023-24. 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 while investing in the agriculture industry and provide a return to FCC's shareholder. The 2022-23 net interest income forecast is \$40 million lower than the 2022-23 plan primarily due to lower net interest margins offset by higher portfolio volume. Net interest income is expected to increase \$71 million from the 2022-23 forecast to the 2023-24 plan. This is primarily due to a 6.9% growth in loans receivable offset by a decrease in the net interest margin from 2.74% to 2.70%.

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

The net interest margin is forecast to decrease to 2.74% from the 2022-23 plan as the rising interest rate environment compresses the interest rate spread between interest-earning assets and interest-bearing liabilities and shifts the portfolio mix to lower earning lending. Net interest margin is projected to decrease further from the 2022-23 forecast to the 2023-24 plan due to higher increases in funding costs than interest earned on assets, largely offset by increasing benefit of equity resulting from higher interest rates.

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 losses. The non-interest income forecast of \$16 million is lower than the 2022-23 plan due to greater net loss expected from investment in associates. Non-interest income is projected to remain relatively flat in 2023-24.

Other expenses include costs associated with sustainability programs and operational emission reduction activities. It is projected to grow to \$4 million in the 2022-23 forecast relative to the 2022-23 plan and further increase to \$10 million in 2023-24 as our sustainability offerings grow to promote sustainable practices in the industry and continue to support the Government of Canada's carbon reduction goals.

Credit quality

We continually monitor our 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, we can better assess the appropriate level of allowance for credit losses and determine whether our risks are within the tolerances stated in the Board-approved risk management policies.

Credit-impaired loans are forecast to be \$576 million, \$160 million higher than the 2022-23 plan largely due to a change to FCC's definition of impairment that all defaulted loans are now included as credit-impaired loans. This is offset by an increase in portfolio health due to improved economic forecasts for 2022-23. Credit-impaired loans are projected to increase \$81 million in 2023-24 from portfolio growth, a shift in our portfolio and customer risk profiles.

Allowance for credit losses loans receivable is forecast to decrease to \$160 million compared to the 2022-23 plan of \$174 million, primarily due to an improvement in portfolio health from improved economic forecasts, offset by portfolio growth. The allowance is expected to increase to \$186 million in 2023-24 as the economy slows and our portfolio grows.

Writeoffs are forecast to be \$5 million lower than planned in 2022-23. Writeoffs remain at a similar level in 2023-24 at \$45 million or 0.09% of loans receivable.

Provision for credit losses is forecast to be \$32 million higher than the 2022-23 plan, reflecting a larger year-over-year change in the allowance for credit losses than previously planned. In 2023-24, the required provision is projected to decrease \$21 million from 2022-23 to \$67 million, resulting from a slower increase in allowance for credit losses.

Efficiency

A key element of continued financial viability is cost management and operational efficiency balanced against the requirements of advancing strategic outcomes to ensure we remain relevant, provide simple and effective solutions through various channels, and support the agriculture and agri-food industry to grow and thrive as outlined in section 4.1.

Administration expenses are forecast to be \$574 million, which is \$3 million lower than the 2022-23 plan primarily due to a decrease in benefits related to defined benefit expenses from higher interest rates increasing the returns on plan assets, partially offset by increasing salaries.

In 2023-24, administration expenses are projected to be \$68 million higher than the 2022-23 forecast. This is driven primarily by increases in personnel and professional fees focused on delivery of strategic outcomes including investment in foundational business systems and processes, effective risk management capabilities, and enabling continued portfolio growth. While delivering exceptional value to our customers will always be a priority, our policies, processes and practices need to mature to keep pace with the expectations given the size and complexity of our growing portfolio combined with a planned increase in risk-taking for targeted segments of the agriculture value chain.

New positions will be added over the plan period to execute these strategic outcomes. In 2023-24, there are 225 new positions planned.

Efficiency ratio is forecast to be 42.2%, which is 1.0% greater than the 2022-23 plan primarily due to compression in net interest income resulting from lower net interest margin.

In 2023-24, the efficiency ratio increases to 45.1% driven by the increase in administration expenses to support strategic outcomes for the investment in foundational business systems and processes, effective risk management, and enabling continued portfolio growth.

Capital management

FCC's capital management objective is to ensure sufficient capital is held to maintain a safe and sound capital position to withstand economic downturns and periods of extended loss and support strategic direction.

With the resiliency in the agriculture industry throughout the pandemic, FCC was able to maintain a strong capital position and achieve continued financial strength. Consequently, half of the \$500 million capital contribution FCC received in 2020 was repaid in 2022-23 and the remaining half will be repaid in 2023-24.

Total capital ratio is forecast to be lower by 0.6% at 15.7% than the 2022-23 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 15.3% in 2023-24 primarily due to increased RWA and repayment of \$250 million of contributed capital.

Debt-to-equity ratio is forecast to be 4.9 to 1, which is slightly higher than the 2022-23 plan of 4.8 to 1. In 2023-24, the debt-to-equity ratio is projected to increase to 5.1 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 \$72 million lower than the 2022-23 plan. The forecast decrease is mainly driven by lower net interest income and higher provision for credit losses. In 2023-24, net income is projected to increase to \$714 million primarily driven by strong growth in net interest income from an increasing portfolio and a lower provision for credit losses, offset by rising administration expenses.

Return on equity is forecast at 8.0%, or 1.2% lower than the 2022-23 plan primarily driven by the decreasing in net income. Return on equity declines to 7.9% in the 2023-24 plan as growth in equity outpaces net income growth.

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. FCC has maintained a strong capital position and made a dividend payment of \$471 million in 2022-23, along with a \$250 million contributed capital repayment, consisting of the excess capital generated during the last fiscal year.

5.2.3 Key assumptions and sensitivity analysis

FCC employs a financial model to determine the five-year plan projections 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 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 following table shows the impact of changes to key variables on projected net income and efficiency ratio for 2023-24.

Major drivers (\$ millions)	Change in net income	
	Change	2024 Plan
Loans receivable	+/- 1%	+/- 5
Net interest margin	+/- 2 bps*	+/- 10
Interest rate curves	+ 100 bps*	+ 5
Prime-bill spread	+/- 5 bps	+/- 9.9
Allowance	+/- 0.05%	+/- (26)

*basis points

Change in efficiency ratio		
Administration expense	+/- \$5 million	+/- 0.35%

5.3 Capital budget

The 2023-24 capital budget is submitted for Treasury Board approval in accordance with section 124 of the *Financial Administration Act*.

Capital expenditures for the 2022-23 forecast are \$34 million, an increase of \$7 million from the 2022-23 plan primarily due to higher right-of-use assets from more new and renewing office leases, an increase in intangible assets related to computer software expenditures from an increase in capitalizable software development, offset by lower leasehold improvements. Capital expenditures in the 2023-24 plan remain relatively consistent with the 2022-23 forecast.

Table 11: Capital budget

Fiscal year ending March 31 (\$ millions)	2022 Actual	2023 Plan	2023 Forecast	2024 Plan
Furniture and equipment	1	2	1	2
Leasehold improvements	2	9	5	6
Computer hardware	4	4	3	3
Right-of-use assets	8	7	15	12
Property & equipment	15	22	24	23
Intangible assets	3	5	10	10
Total capital budget	18	27	34	33

Appendix 6 – Borrowing Plan summary

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

- i. Short-term financing not exceeding a maximum outstanding of \$8.6 billion, which includes:
 - Short-term borrowings from the Crown Borrowing Program
 - 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 market
- ii. Long-term financing through the Crown Borrowing Program not exceeding \$14.8 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, manage risks and meet 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>Strategic risk refers to the external environment and our ability to develop and implement effective business strategies.</p> <p>Category: <i>Strategic</i></p> <p>Probability: <i>High</i></p> <p>Inherent* risk level: <i>High</i></p> <p>Residual** risk level: <i>Medium</i></p>	<p>Impact: Unforeseen change in the external environment impacts our strategic needs or purpose.</p> <p>Response: 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 and reporting to the Board on a quarterly basis through enterprise risk reporting.</p>

<p>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 the corporation.</p> <p>Category: <i>Financial</i></p> <p>Probability: <i>Medium</i></p> <p>Inherent risk level: <i>High</i></p> <p>Residual risk level: <i>Medium</i></p>	<p>Impact: Direct financial loss</p> <p>Response: Aligned with our mandate to provide financial products, credit risk is the most significant risk we face.</p> <p>Through application of sound credit adjudication practices and diversification across Canada and within the agriculture and agri-food sectors, the residual risk is reduced.</p> <p>Our 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>Liquidity risk is the risk that we will have insufficient funds to meet our payment obligations.</p> <p>Category: <i>Financial</i></p> <p>Probability: <i>Low</i></p> <p>Inherent risk level: <i>Low</i></p> <p>Residual risk level: <i>Low</i></p>	<p>Impact: Inability to meet our payment obligations.</p> <p>Response: 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>Market risk is a potential loss due to adverse changes in underlying market factors, such as interest rates and foreign exchange rates.</p> <p>Category: <i>Financial</i></p> <p>Probability: <i>Medium</i></p> <p>Inherent risk level: <i>High</i></p> <p>Residual risk level: <i>Medium</i></p>	<p>Impact: Direct financial loss</p> <p>Response: 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 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>Operational risk 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>Category: Operational</p> <p>Probability: Medium</p> <p>Inherent risk level: Medium</p> <p>Residual risk level: Low</p>	<p>Impact: Direct and/or indirect financial loss.</p> <p>Response: Operational risk inherently exists in all of our processes. Leaders are responsible for ensuring appropriate policies and processes are in place in 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.</p> <p>In addition, our 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>Reputation risk is the risk that key stakeholders and other members of the public may develop negative perceptions about FCC.</p> <p>Category: Reputation</p> <p>Probability: Low</p> <p>Inherent risk level: High</p> <p>Residual risk level: Low</p>	<p>Impact: Negative perceptions about FCC that could adversely affect the corporation’s reputation and our ability to attract and retain customers, business partners and employees.</p> <p>Response: To avoid real or perceived reputation damage, we have 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 we may have any concern with their business.</p>

*Inherent risk – The risk to FCC if no mitigating factors or controls were in place.

**Residual risk – The risk to FCC with the mitigating factors currently in place.

Appendix 8 – Compliance with legislative and policy requirements

As a federal Crown corporation, FCC is governed by, and must ensure we comply 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 our mandate and powers) and the *Financial Administration Act* (the act that sets 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 our mandate and maintaining our reputation. We are enhancing our regulatory compliance management program to better align with industry standards.

Guided by a Board-level Regulatory Compliance Policy, the regulatory compliance program encompasses a thorough legislative watch process, the identification of regulatory requirements, the identification and assessment of controls to ensure compliance with requirements, reporting activities to management and the Audit Committee of the Board of Directors and monitoring and independent testing activities. The program will continue to mature to ensure that adequate controls are in place and that we meet our legal obligations. Under the governance model defined in the Regulatory Compliance Policy, oversight is provided by the Internal Audit team and reports on FCC's compliance results are provided to the Audit Committee of the Board of Directors.

FCC's current legislative and regulatory environment consists of 37 federal laws, 3 orders of the Privy Council Office, 3 trade agreements and several Treasury Board of Canada instruments. Like other Crown corporations, FCC is subject to laws such as the *Access to Information Act*, *Privacy Act*, *Trade Agreements*, and ministerial directives issued under section 89 of the *Financial Administration Act*. An overview of a selection of the requirements that form part of the Regulatory Compliance Program follows.

Access to Information Act

As a federal Crown corporation, FCC is subject to

the *Access to Information Act*. This act creates a 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 to enhance the accountability and transparency of federal institutions and to enable public debate on the conduct of those institutions.

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

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

Privacy Act

The *Privacy Act* governs the protection and handling of personal information of individuals by government institutions. It sets out obligations on all the elements of the life cycle of personal information, from their collection to their use, disclosure, retention and disposal.

Our privacy program is continually enhanced through the strengthening of internal controls, such as ongoing activities that are meant to increase employee awareness and vigilance in the identification and management of potential threats. Concerns or complaints about FCC's privacy practices or our compliance with the *Privacy Act* can be submitted to the Vice-President, Law and Corporate Secretary or escalated to the federal government's Privacy Commissioner, whose role includes providing advice and information about protecting personal information of Canadians and enforcing the *Privacy Act*.

Official Languages Act

FCC is committed to meeting the requirements under the Official Languages Act, the Official Languages (Communications with and Services to the Public) Regulations, and the Treasury Board Policy on official languages, including related directives.

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. FCC will continue to report as requested by the Treasury Board on our obligations related to applicable trade agreements and we are committed to ensuring ongoing obligations are met.

Ministerial Directives under the Financial Administration Act

In 2008, 2015 and 2017 FCC was issued directives under section 89 of the *Financial Administration Act* (Order giving a direction to parent Crown corporations involved in commercial lending to give due consideration to the personal integrity of those they lend to or provide benefits to is in accordance with Government's policy to improve the accountability and integrity of federal institutions; Directive on travel, hospitality conference and event expenditures; and Directive on employee pensions and compensation (repealing a directive issued in 2014)). All directives have been implemented and we have developed internal controls to ensure that we remain compliant with them.

Appendix 9 – Government priorities and direction

FCC supports the Government of Canada’s government-wide priorities.

In 2021, the agriculture and agri-food system contributed \$134.9 billion to the Canadian economy, employing 2.1 million people (one in nine jobs) in Canada. FCC plays a vital role in supporting this sector, offering financing, knowledge and other specialized services to primary producers, family farms, agribusinesses and agri-food operators.

9.1 Transparent and open government

FCC is accountable and transparent to our customers, shareholder and stakeholders. The corporation adheres to legislative requirements around transparency and practices proactive disclosure of information. Detailed information is available on FCC’s website under About FCC > Governance > Transparency.

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.

FCC Code of Conduct

Acting with integrity is a core value of FCC. The FCC 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 our Complaints Officer and Integrity Officer. Access to the Complaints Officer is provided through a toll-free number and email address, 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 and information on the future of the corporation. This meeting is open to the public and free for anyone to attend. Since 2020, the Board Chairperson, President and CEO and Chief Financial Officer have recorded a series of videos to share results and information. The videos for the 2022 meeting are posted on FCC’s website under About FCC > Governance > Transparency > FCC Annual Public Meeting. Industry representatives and members of the public are invited to submit questions in advance.

9.2 Gender-based analysis plus (GBA+)

FCC supports and strengthens the entire Canadian agriculture, agribusiness and agri-food industry. FCC applies GBA+ considerations for the entire agricultural sector, particularly inclusion of women, young people and Indigenous operators into agriculture.

Women: We have strengthened our 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 through qualitative and quantitative methods. Our research indicated women face a range of barriers, including balancing on-farm and business commitments with family responsibilities, overcoming 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. These considerations have resulted in a number of targeted programs and policies to increase access and remove barriers for women entrepreneurs, including the development of the FCC Women Entrepreneur Program, offering a Business Essentials course to women in agriculture and an agriculture and agri-food strategy that focuses on increasing employee awareness and identifying opportunities to improve the customer experience for women entrepreneurs.

FCC will pursue actions related to the GBA+ considerations:

- FCC will monitor the representation of women featured as experts through our knowledge offerings, including speakers at FCC events.
- FCC will continue to develop programming options for the topics women in agriculture are interested in and increase our 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, we have approved 2,632 Women Entrepreneur Loans totalling over \$1.9 billion, more than double the original commitment.

Young farmers: FCC has continued to strengthen considerations related to GBA+ to serve 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 number of new operators under 35 in Canada is on the rise, and 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.
- FCC is monitoring the number of borrowers under 40, with a goal to reach at least 21,000 borrowers for 2022-23.
- FCC has introduced Transition Specialists (now called Business Advisors) to provide consultation services for our customers. One of the objectives of this role is to facilitate conversations regarding intergenerational transfers of farming operations and assets.
- FCC also supports and invests in young farmers through our support of programs such as 4-H Canada. Young farmers are encouraged to participate in a variety of live events, including workshops. 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.

Indigenous agricultural operators: FCC has taken significant steps forward on how we can lend to Indigenous agriculture and food by 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. In the 2022 Mandate letter, FCC's Minister asked that FCC support under-represented groups in Canadian agriculture, by collaborating with Indigenous communities to encourage more First Nation, Inuit and Métis-led agriculture and food production 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, we are growing our support for this group and FCC's mandate.

We are committed to supporting the agriculture sector in a way that allows FCC to be a leader in job creation and innovation. To do so, we 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:

- We amended our eligibility criteria, credit directive and risk appetite for agribusiness and agri-food lending on-reserve. The lending strategy refines policies and practices to ensure the Indigenous customer and lending experience is professional, seamless and responsive as per FCC's lending standards.
- We 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 is ongoing to further support FCC's customer-facing employees and customer experience.
- 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 has committed to achieve the Canadian Council of Aboriginal Business's Progressive Aboriginal Relations (PAR) certification. Among our PAR activities, we are

developing action plans in the four performance areas — leadership actions, business development, community engagement and employment.

As we look for ways to further support under-represented groups in the agriculture sector, we will continue to apply GBA+ analysis considerations in the development of our policies and products.

In addition to administering GBA+ as required, FCC is committed to formally building in a GBA+ framework to create a standardized approach across the corporation.

9.3 Diversity and inclusion

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

FCC is progressing toward being a more representative workforce. Among FCC's 2,297 employees ¹¹, 61.8% of our workforces are women, 2.9% have self-identified as Indigenous, 2.2% have self-identified as persons with disabilities and 10.1% have self-identified as members of a visible minority. In 2022-23, we will continue to implement FCC's multi-year diversity, equity and inclusion strategy. The strategy includes five main categories with various tactics under each category: workforce supply, Indigenous recruitment, retention and advancement, partnerships, Indigenous workplace inclusion and accountability. The strategy looks at how we can enhance our 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 is committed to advancing the diversity of our workforce and ensuring FCC is a workplace that is inclusive and free from overt and covert racism

¹¹ As at September 30, 2022

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

Reconciliation with Indigenous Peoples has become a strong focus for FCC as we strive for a more equitable workplace and look to improve access to products and services for Indigenous producers. 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.

Our Indigenous employment equity plan is embedded in FCC's diversity, equity and inclusion strategy. As part of the strategy, Indigenous awareness e-learning is available to all employees, including consultants and key external partners, and is included in FCC's onboarding for new employees. We will also continue to formalize FCC's ongoing approach to Indigenous engagement learning – building from the strong foundation of the all-employee learning with more formal and informal learning 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. One of the key elements of our 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 is also exploring how to create a national community of partners to support Indigenous agriculture and food through supporting the creation of the National Circle for Indigenous Agriculture and Food (NCIAF). The community would focus on reconciliation and building bridges between Indigenous communities and other agriculture and food industry stakeholders, promoting business development and driving economic prosperity and capacity through education and skills development.

9.5 Sustainable development and greening government operations

Sustainable development

As a financial Crown corporation dedicated to agriculture and agri-food, FCC understands the important role that sustainability plays in ensuring a vibrant industry. FCC is building an environmental, social and governance (ESG) practice to guide how we operate, articulate how we support our customers on their sustainability journey and keep us accountable through ambitious metrics and targets. An ESG strategy is in progress to establish ESG principles and guide our decision-making. Through an ESG lens, we can assess and manage risks and opportunities created by any changing conditions in response to environmental and societal impacts.

FCC has established robust ESG governance that defines management's accountability related to ESG and climate change and the Board of Directors' oversight role. As part of ESG governance at FCC, our Board of Directors provides oversight on ESG and climate strategies, performance and disclosures.

Agriculture plays a crucial role in our economy, both in feeding a growing population as well as addressing environmental impacts. FCC has launched a sustainability incentive program as a way of supporting customers in industry-led sustainability initiatives. With a goal of recognizing sustainable action and attracting new participants, the program provides incentive payments to those who are certified beef producers through the Canadian Roundtable for Sustainable Beef. We will expand the program to other sectors in the future and will continue to offer innovative and flexible

financing and access to value-added knowledge and tools. The more readily available information that producers have on agricultural factors, the better they can make decisions on climate change mitigation, adaptation strategies, financial management and environmental management.

FCC wants to be well positioned to support our customers and the agriculture and agri-food industry to remain productive and resilient to the impacts of climate. FCC will assess both physical and transition risks related to our internal operations as well as financed emissions to better understand how we can support customers with mitigation and adaptation strategies. To create a consistent risk management approach, FCC will adhere to the spirit and intent of the Office of the Superintendent of Financial Institution's guideline B-15 on climate risk management once finalized. FCC maintains a strong capital base to ensure we have the financial capacity to sustain our business and continually support our customers should there be any unexpected disruptions.

FCC is committed to disclosing our progress annually through our climate-related disclosures, written to the recommendations of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures framework. FCC will provide information related to our climate governance, risk management, strategy and metrics and targets to hold ourselves accountable for climate action. We are also following the developments of the International Sustainability Standards Board under the IFRS Foundation, and will support new sustainability-related disclosure standards coming out of the Board.

Ethical and sustainable supply chains

It is important for FCC to work with suppliers who share FCC's values and reflect what we stand for. Our supply chain is typical of a financial institution. FCC's Procurement and Vendor Risk

Management policy supports fair consideration of suppliers, appropriate risk management for FCC and our shareholders, and follows the Treasury Board Secretariat's recommendations. Our Supplier Code of Conduct, embedding into solicitation and contracting practices, outlines our expectations and processes to help employees who manage contracts hold suppliers accountable for their moral and ethical business practices.

Greening government operations

FCC is in alignment with the Greening Government strategy to reduce our corporation's GHG emissions. As part of FCC's actions to respond to climate change, we have set an aggressive GHG emission reduction target, in place since 2017, to reduce our scope 1, 2 and 3 (category 5 and 6) emissions by the equivalent of 40% by 2025, based on 2012 levels. To-date, FCC has achieved a 37.8% reduction of our operational footprint largely due to significant COVID-19 related travel restrictions that led to fewer emissions related to scope 3. Going forward, FCC is exploring new science-based, medium-term targets by 2030, along with corresponding emission reduction activities, to maintain progress on a pathway towards net zero in our operational emissions by 2050. Such activities include assessing and upgrading buildings and energy management systems as needed, purchasing clean power through power purchase agreements and/or renewable energy certificates, and reducing business travel.

Vaccination mandate alignment

On June 20, 2022, the Government of Canada suspended its mandatory COVID-19 vaccination requirement for federal employees. To align with the government's recommendation, we suspended our vaccination requirements as well. We will continue to follow government direction regarding employee vaccination and the need for additional public health measures.