

# BDC Legislative Review Action Plan

Our ambitious blueprint to do  
more and better for entrepreneurs,  
and for Canada

February 2024



# Table of contents

Positive report on BDC’s performance ..... 03

A key role supporting Canada’s entrepreneurs ..... 04

Moving forward—4 recommendations to ensure continued relevance..... 05

1. **Strengthen accessibility and visibility** ..... 06  
Helping all entrepreneurs reach their full potential

2. **Improve reach across Canada**..... 09  
Our goal: a more balanced regional presence

3. **Reinforce collaboration and complementarity** ..... 13  
Unleashing the untapped value of partnerships

4. **Increase data cooperation and refine risk appetite** ..... 17  
A development bank committed to transparency

United for entrepreneurs, powered by our people ..... 21

Conclusion ..... 22

## Context

The Minister of Small Business tabled her report on the Legislative Review of BDC on November 29, 2023. The report covers the period from 2010 to 2022. It concludes that, over the period, BDC had performed well, playing an important role in supporting the needs of small and medium-sized businesses (SMEs) during good times and bad, and advancing public policy objectives.

The review—part of the BDC Act, our governing legislation—was completed over a year, with substantive input from Canada’s entrepreneurs and the entrepreneurial ecosystem via thematic and regional roundtables as well as through an online consultation.



# Positive report on BDC's performance

BDC welcomed the positive findings of the Legislative Review's final report, highlighting our essential role in supporting entrepreneurs through a decade of volatility and shocks. The report also showed solid alignment with our strategic priorities as well as with our renewed ambitions to do more and better for Canada's entrepreneurs.

The report also instilled a sense of priority and urgency to the work that BDC had started two years ago, when after listening to entrepreneurs and comparing ourselves with leading development banks across the world, we asked ourselves, "What if?":

## What if...

- ...BDC could reach and support more entrepreneurs who are unable to access the financing and advice they need?
- ...we could do even more to empower SMEs to respond to the big challenges of our time?
- ...we could strengthen our work with partners for increased impact and support for Canada's SMEs?

The Legislative Review's final report is an important confirmation that BDC's strategic review in fiscal 2022 and our renewed corporate strategy to help more entrepreneurs start and grow businesses are aligned with the government's priorities. This puts wind in our sails and instills even more energy, purpose and passion to our work.

## A lot to be proud of, a lot of work ahead of us

- ➔ The objective of this paper is to outline in detail how the review's recommendations are taking shape in our work.
- ➔ Beyond highlighting our ongoing and planned projects, this paper also lays out additional ideas that can be explored over the planning period, subject to capital and financial sustainability.



# A key role supporting Canada's entrepreneurs

As a development bank, BDC's role is to support entrepreneurs in growing strong, resilient businesses. BDC supports 100,000 entrepreneurs and, by extension, is contributing to a healthy and productive economy for the benefit of all Canadians.



## Financing

Flexible, patient loans to help entrepreneurs finance a variety of business projects.



## Capital

Full spectrum of risk capital, from seed to growth equity.



## Advisory Services

Expert, affordable advice to help solve a variety of business challenges.

BDC supports SMEs at all stages of development and operating in all industries across Canada.

100,000

direct and indirect entrepreneurs as clients.\*

140 partners

we work with to extend our reach to SMEs.

Largest, most active VC investor

nurturing the entire Canadian ecosystem, with a leadership role for investments in women-led and cleantech businesses.

\$8 billion

extended in pandemic-relief financing.

35%

of our clients are served through partnerships.

Enabling high-growth

firms to reach new heights through our Growth Driver Program and our Growth and Transition Capital offerings.

Online financing platform

to make it easier and faster for entrepreneurs to access financing.

Support to underserved markets

including equity-deserving groups through targeted initiatives.

Expert, reliable and affordable advice

to help solve a variety of business challenges.

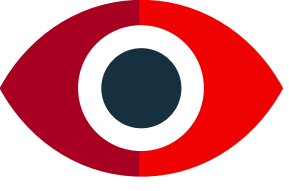
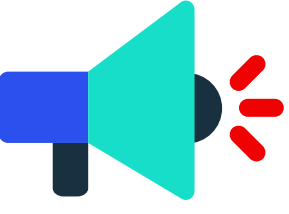
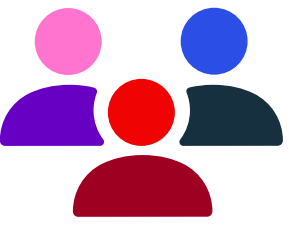

A bold new purpose statement:  
Empower a nation of dreamers and doers to build a better tomorrow for all.

\*F23. All data in this report is as at F23 unless otherwise specified.

# Moving forward

## 4 recommendations for continued relevance

The legislative review's final report identified four recommendations to ensure continued relevance and effectiveness of BDC's offering over the next decade and beyond:

- |    |  |   |
|----|--|---|
| 1. | Strengthen accessibility and visibility            |  |
| 2. | Improve reach across Canada                        |  |
| 3. | Reinforce collaboration and complementarity        |  |
| 4. | Increase data cooperation and refine risk appetite |  |

## Entrepreneurs' needs evolve, and so do market conditions

- ➔ In addition to well-known challenges with significant implications on Canada's prosperity—productivity, competitiveness, demographic headwinds and access to capital challenges facing new and equity-deserving entrepreneurs—new trends have emerged impacting Canada's business owners' success.
- ➔ Among these new trends: digital acceleration, AI technologies and climate change.
- ➔ We will continue to stay focused and nimble, to provide the support entrepreneurs need to navigate these new realities.
- ➔ For each of the four recommendations, we will detail further what we are doing and also what we plan to do more of, and better.

The legislative review and the four recommendations are aligned with our strategy and provide a dynamic springboard towards a bold, ambitious plan for the future.

# Strengthen accessibility and visibility

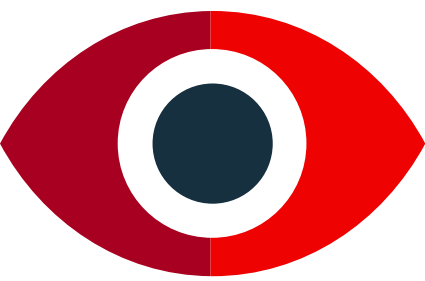
Helping all entrepreneurs reach  
their full potential



# Helping all entrepreneurs reach their full potential

## Report’s Assessment

BDC should increase the impact of its support for equity-deserving groups and underserved market segments such as newcomers, Indigenous entrepreneurs, and rural communities. BDC should also enhance its offerings by expanding and clarifying eligibility requirements and streamlining loan applications and other processes.



## What research and entrepreneurs have told us

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We are focused on ensuring that underserved and diverse entrepreneurs such as women, Indigenous, Black, LGBTQ2+ and new Canadians have access to the same resources and opportunities as other business owners.

17.5%

of all private-sector businesses in Canada are majority-owned by women, even though women represent more than 50% of the population.<sup>1</sup>

76%

of Black entrepreneurs say their race makes it harder to succeed as a business owner.<sup>2</sup>

51%

of Indigenous businesses say that access to financing is difficult.<sup>3</sup>



BDC’s total addressable market

400,000 businesses

the number of SMEs in Canada that are compatible with BDC’s commercial mandate, many of which have unmet financing needs.<sup>4</sup>

1 Statistics Canada, Analysis on businesses majority-owned by women, second quarter of 2022, 2022; 2 Abacus Data, Survey on Barriers Facing Black Entrepreneurs, 2021; 3 Canadian Council for Aboriginal Businesses (CCAB), Promise and Prosperity, 2016; 4 BDC Analysis



# What we’re doing to be more visible and more accessible

- ➔ New dedicated team promoting BDC’s services to underserved communities and developing branch-level plans to ensure employees are equipped to collaborate efficiently with local organizations supporting entrepreneurs.

➔ Improving our online lending process to make it faster and easier (i.e., pre-authorized loan offers to existing clients).
- ➔ National research to establish the addressable market of Indigenous and Black entrepreneurs.

➔ Continued implementation of our Supplier Diversity Program to attract a greater number of suppliers from diverse entrepreneur segments.

➔ Mandatory inclusive leadership, allyship and accessibility awareness training for our employees.
- ➔ International benchmarking for best-in-class innovative initiatives for financial inclusion.

➔ Investments in data collection to better quantify our service to underserved entrepreneurs.

➔ Partnership with the Women Presidents Organization (WPO) to further engage with women entrepreneurs and provide advice and support.

## Black Entrepreneurship Loan Fund

**\$14.4 million**  
in committed direct loans through the fund.

## Indigenous entrepreneurs

**\$52 million**  
committed by the Indigenous Growth Fund.

## Thrive Platform

**\$500 million**  
for women in tech.

## Supporting underserved businesses

The majority of BDC’s portfolio is composed of small loans (<\$1M) which tend towards traditionally underserved businesses (women-led or in traditionally underfunded sectors such as retail, restaurants and construction).

**260%**  
increase in the number of small loans (<\$1M) accepted by our clients between F2010 and F2023<sup>5</sup>. During the same period, the \$ value of small loans acceptances more than doubled.

5 The number of small loans has increased from 5,953 in 2010 (74% of loans accepted) to 15,567 in 2023 (84% of loans accepted).

New initiatives to take our impact to the next level

Micro lending platform to support more underserved entrepreneurs. Sharing BDC’s non-financial tools to help other organizations better support their clients.

Creation of a dedicated group to support Indigenous- and Black-owned small businesses.

New \$100-million envelope for Black entrepreneurs.

New direct \$100-million envelope for Indigenous entrepreneurs.



# Improve reach across Canada

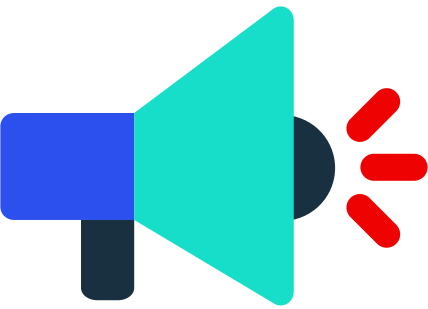
Our goal: a more balanced  
regional presence



# Our goal: a more balanced regional presence

## Report’s Assessment

BDC should strengthen its presence and engagement across Canada, particularly in the Prairie and Atlantic regions, through expanded partnerships and awareness-building initiatives to better support SMEs, including those in rural communities.



BDC’s market penetration is a function of specific market conditions in different regions across the country and also of our complementary role. As a result, a perfectly equal distribution shouldn’t be expected.

This being said, while we serve all parts of Canada, we are seeking to increase our penetration in markets where we are less present and where there are more unmet needs. This currently includes Ontario and Western Canada because they have one of the largest concentrations of diverse entrepreneurs in Canada as well as industries important to the economic fabric of Canada.

BDC’s market penetration has increased from 3.8% in F2016 to 6.7% in F2023, driven mostly by small enterprises, but it remains unequal by region – with higher penetration rates in Quebec and Atlantic Canada, and more modest ones in Ontario and Western Canada (*see table below*).

- ➔ Atlantic Canada is where we have the second-largest market penetration rate, of 7.7%, with strong business relations within the SME community.
- ➔ Ontario is the region within BDC with the highest new client acquisition rate and the second-largest portfolio of clients, after Quebec. However, the market penetration rate remains modest, similar to Western Canada.
- ➔ In the Prairies, we are deploying continued efforts to ensure we are approaching each of our three markets—Alberta, Saskatchewan, Manitoba—with a focus on their own uniqueness. Further action and creativity will be needed to address lower awareness and coverage in order to create traction.

	B.C. & North	Prairies	Ontario	Quebec	Atlantic	Total
% of direct clients <sup>6</sup>	13.2%	16.7%	30.5%	32.6%	7%	100%
Commitments in \$ billions <sup>7</sup>	\$7.3	\$9.5	\$17.7	\$15.3	\$2.4	\$52.1
Business centres	17%	16%	29%	27%	11%	100%
Market penetration rate, by number of clients <sup>8</sup>	5.9%	5.9%	5.5%	9.8%	7.7%	6.7%

As at March 31, 2023. For the business centres, as at January 2024. For the market penetration rate, as at December 2023.

6 Only direct clients. Clients receiving services from more than one business line have been counted only once.  
7 Commitments refer to portfolio outstanding and amounts undisbursed at cost of BDC’s loans or capital investment portfolio.  
8 The market penetration rates do no include indirect loans.

# What we’re doing to expand our reach

- ➔ We have made significant investments in our online channels to reach more entrepreneurs across the country, including in areas not served by our physical branches.

➔ Automation of loans up to \$350,000 to help us be more accessible in rural Canada where we may not have physical branches.

➔ Increased recruitment efforts to fill vacancies and expand our workforce in underserved regional markets with an emphasis on community-based awareness building.

Ontario	Prairies	B.C. & North
<div><div>➔ Increased market presence (account managers), pilot marketing to diverse entrepreneurs and outreach through association groups.</div><div>➔ Enhancement of the FIs partnership model for referrals (building on the Quebec model).</div><div>➔ Better support for the growing number of Newcomer Entrepreneurs to Canada, the majority of which are settling in Ontario, specifically the GTA, and the existing diverse entrepreneurs that are underserved.</div><div>➔ Efforts at the regional level through representation and community involvement with established entrepreneurial cultural communities.</div></div>	<div><div>➔ Co-branded pilot campaign with Canada Post to provide access to financing and advice through awareness and education. Through Canada Post’s large retail network of 6,000 locations, including an important rural presence, entrepreneurs are directed to our online financing platform and our e-learning courses. We are conducting the pilot in Alberta and, pending results, will consider expanding it nationally.</div><div>➔ A new standardized approach to efficiently reach prospects and connect with new influencers – “Session in a Box”.</div><div>➔ Growing our workforce to better cover rural and fast-growing areas.</div></div>	<div><div>➔ Leveraging our newly opened BDC Square Vancouver—a collaborative space for SMEs—to increase visibility in the entrepreneurial ecosystem.</div><div>➔ Continuing our systematic approach to deepen relationships with other FIs and accounting firms to increase opportunities.</div><div>➔ Growing our workforce to better cover rural and fast-growing areas.</div></div>

We are taking action to increase our market penetration in rural Canada

Market penetration rate rural versus urban, direct clients, by region (December 2023)	B.C. & North	Prairies	Ontario	Quebec	Atlantic
Rural area & small population	5.1%	3.9%	4.2%	8.0%	6.9%
Medium urban	5.8%	6.2%	5.4%	10.8%	6.3%
Large urban	6.2%	7.2%	5.9%	10.6%	10.3%



# Highlights of our efforts in underserved regions

## Canada Post pilot in the Prairies

to reach underserved entrepreneurs, particularly in rural areas where BDC’s presence is less concentrated.

## January 2024 Letter of Intent

signed with Prairies Economic Development Canada to formalize our collaboration and better support entrepreneurs in the region.

## Memorandum of Understanding with Atlantic Canada Opportunity Agency (ACOA)

renewed in 2022 for a 2-year period. This helps us align our efforts on shared priorities to encourage business growth, boost productivity, and support diverse entrepreneurs.

## 80% of our clients

use one or more of our digital channels, including our online financing, virtual banking centre, mobile client app and small business advisory solutions delivered virtually.

## \$50-million Seed Fund

software-focused venture fund to provide emerging start-ups with early capital. The fund will pay particular attention to underserved entrepreneurs and regions where this asset class is less present.

## BDC Capital portfolio’s allocation

is higher than the VC industry in underserved regions (Prairies, Atlantic Canada) and aligns with the provincial economic output.

New initiatives to take our impact to the next level

Evaluate open banking to better serve our clients through an enriched view of their banking data.

Help SMEs participate in the supply chains opportunities created by the energy transition and new construction in Canada, many of which are concentrated in Ontario, Western Canada and the North.

# Reinforce collaboration and complementarity

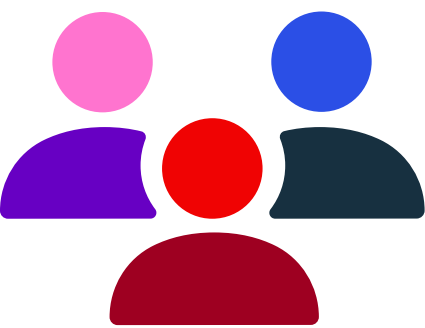
Unleashing the untapped value  
of partnerships



# Unleashing the untapped value of partnerships

## Report’s Assessment

BDC should further improve its partnerships with stakeholders, including regional players. Further, enhanced cooperation with partners across the SME ecosystem is needed to ensure complementarity with private sector FIs, address market gaps for underserved market segments, and bolster alignment across Government of Canada initiatives.



As Canada’s development bank and as a complementary lender, BDC partners with private and public sector organizations to strengthen the Canadian entrepreneurial ecosystem and extend our reach to more entrepreneurs.

35%

of our clients are served through partnerships.

140

partners and stakeholders BDC interacts with to extend its reach and impact.

Accelerated Growth Service and Business, Economic and Trade Recovery

Working closely with government partners to collectively support business growth.

## Appetite for renewed, stronger partnerships with BDC

➔ from various stakeholders in the ecosystem, including not-for-profit organizations, such as Community Futures Development Corporations (CFDCs).



3 – Reinforce collaboration and complementarity  
Unleashing the untapped value of partnerships

# Our work with partners, by the numbers



Expand SMEs access to financing, capital and advice

**\$542 million**

in loans authorized in partnership with other financial institutions.

**\$1.5 billion**

in syndicated loans, helping financial intermediaries get more funding for their customers.



Serving more diverse and underserved entrepreneurs

**\$350 million**

in investment envelopes being deployed through partners to support diverse and underserved entrepreneurs.



Sharing free resources, tools and expertise

**485**

partner contacts have received BDC content that they can share among their members

**Almost 100**

joint events that reached 18,000 participants.

## Strong, varied partnerships through BDC Capital

- Creative Destruction Lab (CDL)—BDC Capital investment team members provide mentorship to the CDL fellows.
- C100—expanding the exposure of Canadian companies to the US ecosystem.
- Kauffman Fellows Program—leadership and VC curriculum designed to develop future global VC leaders.
- Our \$100 million Thrive Lab is built on a co-investment model with partners to support women-led businesses at the earliest-stages of development. We signed partnership agreements with over 25 organizations supporting women entrepreneurs across Canada.

# What we’re doing to expand our reach through partners

- Loan guarantee pilot with financial institutions. With this pilot, we are testing design options for the loan guarantee to ensure that it is complementary to guarantees already in the market; provides incremental capital for SMEs; and reaches underserved entrepreneurs.
- New partnerships to expand our Black entrepreneurs’ reach and complement our current FACE partnership.
- Recently reviewed our organization structure to allow us to better focus on financial partnerships.
- National research to fully map out entrepreneur support organizations across the country.
- Continue to develop and nurture relationships in other countries with development banks, non-governmental organizations and SME experts to stay abreast of trends in SME support.



Community Banking to work with entrepreneur support organizations and strengthen their ability to serve their communities better. We will do this by enhancing their lending capability, their tools and their resources to deliver wraparound services. Our ultimate objective is to increase our reach and provide more capital to underserved entrepreneurs, both directly and indirectly, by working closer with local organizations.

Micro lending platform that can be made available to entrepreneur support organizations that wish to build or enhance their lending capabilities.

A rural credit union loan program (or loan guarantee program) through which credit unions can access additional capital from from BDC which they would then use to lend to rural entrepreneurs in their communities.

An umbrella lending program that could be accessed centrally by individual CFDCs.

Further collaboration with CIB and PSP (on cleantech) as well as new partnerships to support the energy transition.

# Increase data cooperation and refine risk appetite

A development bank  
committed to transparency





# A development bank committed to transparency

## Report’s Assessment

The report advocates for BDC to improve transparency, reporting and data sharing with various audiences including government, academia, partners and commercial FIs to enable a more robust understanding of BDC’s activities. The report highlights the need for better access to information and two-way communication with the shareholder to assess BDC’s operations, as well as confirm alignment with Government policy/initiatives.



Our development bank mandate means that we provide flexible and patient terms to entrepreneurs. Through our independent credit decisions, we take more risk in supporting entrepreneurs, and we do so in a way that is complementary to the private sector.

At the same time, our commercial mandate means that ensuring our financial sustainability is a core element of BDC’s risk management.

## In line with BDC’s development bank mandate, we cater to SMEs with a riskier profile

87% of our portfolio is sub-investment grade, compared to 29% for chartered banks in Canada.<sup>9</sup>



<sup>9</sup> Refers to Financing’s outstanding loan portfolio. Sub-investment grade loans are rated BB+ or less. The sub-investment grade data for chartered banks is as at April 30, 2023.

## 4 – Increase data cooperation and refine risk appetite

A development bank committed to transparency

# What we're doing to improve data sharing and refine risk appetite

## Data cooperation

- ➔ Preparing a summary of our Corporate Plan to be tabled in Parliament by the responsible minister and publishing it on our website.
- ➔ Publishing our Annual Report, which includes consolidated financial and quarterly statements, management discussion and analysis, and notes to the financial statements.
- ➔ Providing annual reports as required by the Access to Information Act and the Privacy Act.
- ➔ Answering parliamentary questions, access to information and privacy requests.
- ➔ Publishing quarterly financial reports on our website.
- ➔ Conducting regular outreach to financial institutions and ecosystem players to ensure our activities remain complementary to the private sector.
- ➔ Webcasting our Annual Public Meeting to share corporate results and future priorities.
- ➔ Actively engaging with MPs to effectively communicate BDC's role and our impact.
- ➔ Providing information to the public about our activities through news releases, publications, etc.
- ➔ Publishing economic reports on topics of interest to Canadian SMEs and the entrepreneurship ecosystem.
- ➔ Annual publication of the VC Landscape whitepaper which provides data on Canadian VC performance – one of the leading indicators of the health of the ecosystem.
- ➔ Two reports on DEI and ESG that can serve as a Venture Capital market proxy for both General Partners and portfolio companies looking to benchmark themselves against their peers.

## Risk appetite

- ➔ We act as a shock absorber during economic downturns, increasing access to capital when credit conditions tighten. BDC's participation in the pandemic whole-of-government effort is the latest example of us stepping up our support in line with our development role.
- ➔ We step in to provide relief and support to clients impacted by floods, wildfires and other weather-related catastrophes, by offering payment postponements to eligible clients.
- ➔ See our responses to recommendations 1, 2 and 3 for examples of what we're doing to better support equity-deserving entrepreneurs.



4 – Increase data cooperation and refine risk appetite  
A development bank committed to transparency



Data cooperation

Quarterly in-person briefings (ISED, Finance and as interested, TBS) on economic conditions, market conditions and results (quarterly report, enhanced BDC-at-a-glance and reporting on public policy and Government special initiatives).

Evolve our Annual Report and the Quarterly Reports to include results by region, business lines and market penetration. Ensure content is presented in plain language and offers a transparent account of our activities.

Publish a Sustainability Report.

Evolve the existing summary of the Quarterly Reports to the Shareholder to focus not only on activity (financing, GTC and VC), but to also provide portfolio composition and capital position.

Scheduled monthly calls with ISED and Finance and BDC senior leaders (i.e. Head of Strategy, Chief Financial Officer & Chief Risk Officer). BDC’s Head of Strategy, Chief Financial Officer and Chief Risk Officer were given the specific mandate to enhance and increase the discussions and collaboration across government partners.

Ad hoc thematic briefings on topics of interest, aligned with briefings conducted pre-pandemic and also to provide context prior to BDC strategic sessions.

Structured data disclosure initiatives in alignment with the Legislative Report recommendation (e.g. TBS led extension of the Innovation Program Review, HASCAP reporting to StatsCan until portfolio attrition in 2032).

Opportunities for ISED and Finance team members to conduct full-time rotations at BDC (and for BDC staff to conduct rotations at ISED and Finance).

Meetings between senior leadership of BDC, ISED and/or Finance at the beginning of the annual Corporate Plan process.

Exploring ways to make the communications around our results more transparent and visible to the public.

Proactive offer to all MPs to meet with a Senior BDC representative to present BDC activities and report on results for their electoral district.

Risk appetite

Working to scale up our support for small businesses, recognizing their importance to Canada’s economy and their systemic challenges in obtaining financing.

See our responses to recommendations 1, 2 and 3 for examples of our new initiatives to better support equity-deserving entrepreneurs.



# United for entrepreneurs, powered by our people

We have carefully reviewed the recommendations and are fully aligned. As an organization, we wholeheartedly embrace the responsibility to do better.

Our commitment extends beyond words—we’re committed to action. We aim to bridge gaps, amplify impact, and foster lasting change. By engaging with underserved communities and undercovered regions, no corner of our ecosystem will be overlooked.

Our renewed values will serve as the driving force propelling each and every team member toward realizing the aspirations we’ve set forth:

<p><b>United for entrepreneurs</b></p> <p>Entrepreneurs are at the core of our actions. We collaborate effectively and create trusting relationships, as well as long-term partnerships, based on respect and integrity.</p>	<p><b>Powered by people</b></p> <p>Our colleagues, clients, and partners are our true driving force. We genuinely care about them and value their authentic selves. We create an environment for fulfillment, and foster agility and flexibility.</p>	<p><b>Courageously impactful</b></p> <p>We are determined and accountable to deliver sustainable results. We have an impact by having the courage to act in innovative ways and being focused on the best interest of entrepreneurs and our colleagues.</p>
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As we reflect on our journey, one truth also stands out: a steep evolution is impossible without investing in our most valuable asset: our people.

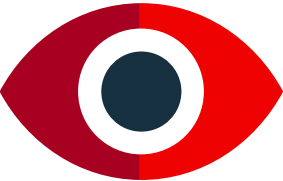
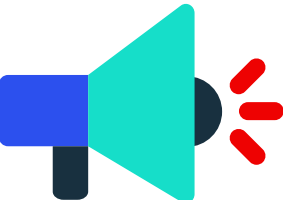
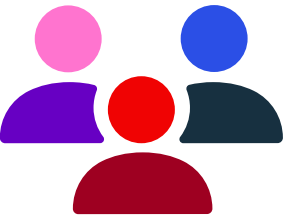



# Conclusion

BDC’s role is more critical than ever as entrepreneurs are facing a challenging and uncertain future. With the right support from BDC, we know that entrepreneurs can grow strategically, invest in productivity and remain competitive both at home and abroad, and contribute to Canada’s economic prosperity.

- Two years ago, we developed a bold plan for the future and started delivering on it. The Legislative Review’s report confirmed that our ambitions were the right ones and accelerated the speed of action.
- BDC’s upcoming Corporate Plan includes many of the initiatives described in this document, while initiatives that are still in exploration will be included in next year’s Corporate Plan.
- Alongside the Corporate Plan, this Action Plan will be our blueprint for executing on our ambitions and the report’s recommendations.

## Do more and better to...

- |    |  |   |
|----|--|---|
| 1. | Strengthen accessibility and visibility            |  |
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New initiatives to take our impact to the next level

We approach the future with ambition. We will act decisively to do more and better as Canada’s development bank. This is one priority that will never change.