



# Canada Development Investment Corporation

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2024 to 2028

Corporate Plan Amendment Summary

AND

2024 Capital Budget Amendment Summary

SEPTEMBER 2024

**Regarding the Indigenous Loan Guarantee Program**

**CDEV CORPORATE PLAN  
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## **Overview of Amendment to 2024 Corporate Plan**

The Canada Development Investment Corporation (“CDEV”) 2024-2028 Corporate Plan was approved by the Treasury Board on May 2, 2024. Following this approval, the government has made decisions that require amendments to the CDEV Corporate Plans and Capital Budget. This amendment relates to the **Indigenous Loan Guarantee Program** and the intent to establish a wholly owned agent Crown subsidiary of CDEV to deliver the program, as announced in Budget 2024.

### **1.0 CORPORATE PROFILE AND MANDATE**

This section of the corporate plan is not subject to an amendment.

### **2.0 EXECUTIVE SUMMARY AND PURPOSE OF THE AMENDMENT**

#### **ILGP**

As announced in the 2023 Fall Economic Statement and confirmed in Budget 2024, the government intends to launch an Indigenous Loan Guarantee Program this year so Indigenous communities can share in the benefits of natural resource and energy projects in their territories and on their own terms. This program is meant to address some of the historical barriers that have prevented Indigenous Peoples from fully participating in the Canadian economy.

Subject to Governor in Council (“GIC”) approval, CDEV will incorporate a new, agent, non-taxable wholly owned subsidiary, referred to herein as ILGPCo.

CDEV will be responsible for appointing the ILGPCo Board, in consultation with the Minister of Finance.

Note that incremental capital expenditure authority is also sought for ILGPCo. No pro-forma financial statements have been prepared for ILGPCo. Anticipated capital expenditure has been provided based on expected initial operations for ILGPCo.

### 3.0 BUSINESS OVERVIEW

**ILGP (the following section relates entirely to ILGP and is a new subsection being added to Section 3 via this amendment)**

As per Budget 2024, CDEV is mandated to set up a new subsidiary to deliver ILGP.

Building on the government's 2023 Fall Economic Statement commitment to help facilitate Indigenous equity ownership in major projects, Budget 2024 proposes to launch the Indigenous Loan Guarantee Program with the following parameters:

- Up to \$5 billion in loan guarantees to unlock access to capital for Indigenous communities, creating economic opportunities and supporting their economic development priorities;
- Applicant eligibility would recognize Indigenous governments, and their wholly owned and controlled entities;
- The program would be sector-agnostic within natural resource and energy sector, and would prioritize commercial viability along with economic reconciliation and self-determination;
- The program would support projects across the country, and a range of project types, to ensure that Indigenous communities across the country benefit from the program; and

The proposed mandate of ILGPCo would be to facilitate equity investments by Indigenous groups within the natural resources and energy sectors. This would be achieved by undertaking thorough financial and commercial due diligence of eligible ILGP applications; recommending loan guarantees for approval to the Minister of Finance; negotiating guarantee terms with lenders and borrowers; and administering, monitoring, and reporting on the ILGP portfolio of loan guarantees over the long term.

CDEV has been consulting with provincial agencies to learn from existing and comparable provincial programs to better understand how they work. CDEV has had some engagement with Indigenous groups and project proponents to inform macro-level program design. NRCan has conducted significant engagement with Indigenous groups in the lead up to Budget 2024. A technical backgrounder, which sets out the objectives and high-level parameters of the program, including the approved eligibility criteria, is expected to be released in fall 2024. Once it is released, additional

engagement is expected with potential applicants, project proponents, and regional organizations. CDEV has retained an Indigenous-led communications firm to assist with this work, as well other subject-matter experts in specialized professional services firms.

Key elements of this mandate would include:

- **Early engagement** – ILGPCo would engage early with applicants, where appropriate, and aim to improve applications where possible. ILGPCo would provide open, honest and transparent feedback to applicants on the status and progress of applications. Early engagement may also provide ILGPCo with an opportunity to work collaboratively with applicants through their diligence and negotiation process, thereby streamlining ILGPCo’s diligence and assessment of the opportunity.
- **Prioritization of applications** – The volume of applications is unknown. To manage a potentially large volume of applications, ILGPCo would review eligible applications according to key financial and commercial criteria, scored on an objective basis, to permit the creation of a portfolio within the risk parameters. ILGPCo will consider the financial viability and merits of each application. Detailed criteria will be developed by ILGPCo and approved by its board of directors.
- **Due diligence** – CDEV was mandated to lead the delivery of this program because it has the financial and commercial expertise that will support the ILGPCo subsidiary as it ramps up its capacity. ILGPCo would conduct due diligence of eligible and prioritized applications. This would support recommendations for loan guarantees and informed decision-making by the Minister of Finance, in consultation with the Minister of Energy and Natural Resources. ILGPCo would focus on identifying gaps or residual risks in the applicants’, or lenders’ due diligence processes that require further assessment (either by ILGPCo, or by the applicant). While applicants would seek to select their own advisors, ILGPCo would assist applicants with this process, when required. CDEV will seek to stack with provincial loan guarantees and may be able to leverage the due diligence that has been done by lenders and by the provincial agency.

- **Recommending loan guarantees** – Following the comprehensive due diligence process, ILGPCo would recommend applications to the Minister of Finance for approval.
- **Issuing loan guarantees** – Upon approval, ILGPCo would complete any outstanding diligence and analysis, negotiate final terms and execute the loan guarantee with applicants and lenders.
- **Portfolio monitoring and management** – As loan guarantees are issued, ILGPCo would diligently review and manage its portfolio to ensure all terms, conditions, requirements, and covenants of the loan guarantees are met and that loan performance is monitored, as well as managing and responding to any waiver, consent, or amendment requests.
- **Communications** – ILGPCo would be responsible for the communications related to the program, which includes outreach, general promotion of the program, website and online presence, media relations, public reporting and disclosures, the announcement of the approved loan guarantees, and the feedback to unsuccessful applicants.
- **Stacking** – ILGPCo would seek to align its commercial terms and documents, to the extent possible and practical, with other provincial loan guarantee programs.
- **Cost recovery** – ILGPCo would seek to recover its external advisory fees from and charge issuance and ongoing monitoring fees to successful applicants to fund the subsidiary's ongoing operational requirements (e.g., staffing, overhead, etc.). ILGPCo would not seek to make a profit over the life of the program. Any cumulative income in excess of costs is expected to be reinvested into the program.

Applications will be submitted by email via an application form available on ILGPCo's website, which is consistent with how applicants access provincial loan guarantee programs. The application form will contain all the necessary information, including the mandatory supporting documents. Applicants will be informed that additional information may be required to complete due diligence on the application, should they be considered. The application process will be rigorous and efficient to ensure it moves at the speed of business.

A program evaluation is planned after two years of operation. ILGPCo will be operating with a principle of continuous improvement as it ramps up its staff complement and improves its understanding of the potential deal flow. The evaluation is expected to provide additional data on ILGPCo's performance to continue to improve its process, policies and procedures. The ILGPCo Board will also have an important role in ensuring that it performs in the best possible way, and that results from the two-year evaluation will be incorporated.

### **3.1 Corporate Governance and Operating Environment**

What follows in this section is conditional to GIC approval regarding the incorporation of the subsidiary and the delivery of the program, which is being sought under a separate cover.

#### **Proposed governance for ILGPCo**

As the parent of ILGPCo, CDEV will be responsible for appointing a board of directors to ILGPCo. An initial board of directors will be established upon incorporation and is expected to initially comprise CDEV or CDEV subsidiary board members and/or CDEV executive management. Given the importance of this program and its public visibility, CDEV will consult with the Minister of Finance before making any appointments to the board of directors.

CDEV will ensure that there is robust Indigenous representation when staffing (including on the board of directors) and will seek to recruit qualified Indigenous candidates. CDEV expects to begin recruitment of a president and chief executive officer ("CEO") and additional board members concurrently. The ILGPCo Board will be responsible for hiring the CEO, in consultation with the Minister of Finance.

ILGPCo will establish an investment committee (IC) comprised of ILGPCo and CDEV executive management with the appropriate skills and experience. The IC will be responsible for overseeing ILGPCo investment activities within the parameters established by the board of directors.

ILGPCo will produce public disclosures to align with the disclosures of its parent, CDEV, including corporate plan summaries, audited annual reports and unaudited quarterly financial statements. ILGPCo will ensure public transparency and accountability with respect to program guidelines, investment selection and

application processes, issued guarantees, and the performance evaluation of ILGPCo against its mandate.

As a Crown corporation, ILGPCo will have to adhere to various typical obligations for Crown corporations, such as official languages, privacy, access to information, etc. This will be addressed at the time of implementation.

#### **4.0 CORPORATE PERFORMANCE**

CDEV and its group of companies' corporate performance has not changed due to this amendment.

#### **5.0 CDEV OBJECTIVES AND STRATEGIES FOR THE PERIOD 2024 TO 2028**

##### **5.1 ILGP**

Following receipt of the necessary authorities, ILGPCo will begin assessing Indigenous equity loan guarantee applications, in line with the eligibility criteria.

Further details on the operations of ILGPCo will be released in due course.

##### **5.2 Borrowing Plan**

Please see Appendix A-1 for details of outstanding loan amounts, profiles and facility details.

	Borrowings
Leasing & Commercial Agreements	Up to \$5 million in new or extended leases for ILGP to house new staff requirements (CDEV offices at capacity)
ILGP	Up to \$1 billion to potentially provide initial 2024 loan guarantees.

#### **6.0 RISKS AND RISK MITIGATION SUMMARY**

The risks and mitigants detailed in the 2024 Corporate Plan remain substantially unchanged in this Amendment. The main risk associated with this Amendment



regards the capacity of CDEV to effectively launch a new subsidiary corporation and to provide effective support and oversight to this entity. CDEV has recently recruited additional personnel and will continue to identify additional internal and external resources, as needed, required to successfully deliver the program.

## **7.0 FINANCIAL SECTION**

### **7.1 Assumptions for the Plan Period**

This Amendment to the 2024-2028 Corporate Plan is based on the following assumptions:

*Budget Implementation Act, 2024, No. 1* authorizes a corporation that is to be incorporated as a wholly owned subsidiary of CDEV (ILGPCo) to provide loan guarantees as part of an Indigenous loan guarantee program and authorizes the payment out of the Consolidated Revenue Fund by the Minister of Finance of amounts that are required in respect of those guarantees.

Based on current information available, CDEV estimates that approximately \$1 million in capital expenditures will be required in 2024 to facilitate the initial development of the program.

## 7.2 Capital Budget

ILGPCo's initial operations are not anticipated to be capital intensive. However, initial capital expenditure of up to \$1 million are being sought to ensure ILGPCo has adequate funding until 2025. This initial capital expenditure may consist of outlays to start up the corporation (e.g., equipment, office space (lease search and negotiation, initial designs), and systems scoping and needs analysis). This forecast is highly notional and many of the expenses are startup related as most will spill into 2025 and will carry additional costs to fully stand up the entity to deliver on its mandate. When CDEV returns to Treasury Board for approval of its 2025-2029 Corporate Plan and 2025 Capital Budget, additional information on capital expenditure requirements for ILGPCo will be provided.

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ILGP Start Up Costs - To December 31, 2024 Only

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<b>CORPORATE COMMUNICATIONS</b>	
Translation (PWC, KPMG)	\$20,000
Printing/ Website	\$35,000
News Service	\$20,000
Public relations	\$20,000
	<b>\$95,000</b>
<b>OFFICE EXPENSE</b>	
New Lease Search & Setup Costs <sup>(1)</sup>	\$250,000
Computer - Pace	\$15,000
Computer -Bloomberg & Diligent	\$60,000
Computer -Other	\$10,000
Director Portal	\$20,000
Bank Fees & Other Office Expenses	\$4,000
Telephone	\$2,500
	<b>\$361,500</b>
<b>INSURANCE</b>	
Umbrella and travel policy (50% to CHHC)	\$20,000
Additional Director & Officer Insurance	\$20,000
	<b>\$40,000</b>
<b>PROFESSIONAL &amp; CONSULTING FEES</b>	
Accounting Policy & GL Setup	\$50,000
Recruiting Agency (Initial Search)	\$50,000
Loan Performance Monitoring Model Build	\$80,000
New System - Needs Analysis & Evaluation	\$75,000
Legal Fees (Entity Setup, Agreements...)	\$120,000
	<b>\$375,000</b>
<b>AUDITING FEES</b>	
Annual Audit fee plus admin	\$125,000
Quarterly reviews ( 3 x 25,000)	
Internal Audit <sup>(2)</sup>	
	<b>\$125,000</b>
<b>TOTALS</b>	<b>\$996,500</b>

(1) - Amounts of Lease are for initial scoping, design, and legal work. It does not contemplate the costs required over the lease term, including any LHI, furnishings, and others. These costs will likely be incurred in 2025, and as such have been included in that plan.

(2) There will be no quarterly review or internal audit in 2024, however these costs are expected to be circa \$150K annually, based on similar costs borne by other entities in the CDEV Group.

### **7.3 Operating Budget**

Initial operating budget costs will be related to compensation for the Board of Directors, executives, initial staff and start-up operations. These costs will be borne by CDEV and subsequently repaid by ILGPCo once it begins to earn income from fees charged to borrowers in association with issuing and managing the guarantee (i.e. one time issue fee and ongoing guarantee fee). More information on operating costs will be provided in the CDEV 2025-2029 Corporate Plan and 2025 Capital Budget.

Operating costs for 2024 were determined with reference to our experience standing up CEEFC. Costs broadly relate to initial internal and external headcount, third party advisor support and non-headcount related operating costs e.g. IT. While it is too early to be definitive on the expected number of employees at ILGPCo since the volume of applications is unknown, an initial staffing plan has been developed. This plan forecasts the recruitment of four (4) FTEs to start, complemented with shared time from CDEV executive team members and staff for corporate functions such as back-office finance and legal services.

Cost recovery is expected through utilization of success and guarantee fees, in addition to seeking to recover third-party costs in successful applications, where possible. Over the life of the program, ILGPCo expects to operate in a not-for-profit manner i.e. to the extent cumulative income does exceed cumulative costs ILGPCo plans to consider how to reinvest those funds into the plan.

There are precedents for charging fees to successful applicants, such as with the Alberta Indigenous Opportunities Corporation, and ILGPCo would be expected to adopt this model.

**Chief Financial Officer attestation**

In my capacity as Chief Financial Officer of CDEV, accountable to the Board of Directors of CDEV through the President and CEO, I have reviewed the corporate plan amendment 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 project have been identified and are supported with the following observations: potential loan guarantees issued by ILGPCo, including the number and amount, cannot be determined at this time, albeit, under IFRS, ILGPCo will not be required to record a loan loss providing relating to guarantees issued. Pro-forma financial statements cannot be provided at this time, and instead expected capital expenditures have been drafted to illustrate expected initial costs for ILGPCo.
2. Significant risks having a bearing on financial requirements and the related risk-mitigation strategies have been disclosed, with the following observations: the terms of the Indigenous Loan Guarantee Program have not been determined and full risks associated with the loan guarantees cannot be determined at this time. Under IFRS, ILGPCo will not recognize a loan loss provision, as any call on guarantees will be settled by the Consolidated Revenue Fund and, therefore, ILGPCo bears no financial risk. However, ILGPCo will manage and monitor the risk of the loan guarantee portfolio on behalf of the government, including calculation of loan loss provisions to be recorded on the government's balance sheet.
3. The corporate plan and budget(s) are compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place (or are being sought as described in the corporate plan).
4. Key financial controls are in place to support the implementation of proposed activities and ongoing operation of the parent Crown corporation and its wholly owned subsidiaries, with the following observations: ILGPCo has not yet been established and financial controls and systems will need to be developed, or adapted from CDEV's existing controls and systems, to support its operations.

In my opinion, the corporate plan amendment and budgets have substantial financial and/or risk issues, as noted above.



Carlos Gallado  
Chief Financial Officer  
Canada Development Investment Corporation

September 5, 2024

**APPENDIX – PLANNED RESULTS FOR 2024**

<b>Expected Outcomes</b>	<b>Performance Indicators or Targets</b>
Stand up Indigenous Loan Guarantee Program Corporation and undertaking of initial operations	Lead search for and appoint qualified Board of Directors  Lead search for and appoint a CEO to lead ILGPCo as it begins work to undertake commercial transactions related to its mandate  Incorporate new subsidiary  Launch the program and associated governance structures and policies  Hiring of staff  Establish stand-alone accounting and administration.