



POLICY ON THE ENVIRONMENT

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1.0 Policy

It is BDC's policy to provide services only to businesses that comply with all federal, provincial, territorial and municipal laws and regulations concerning the environment. Should various levels of government have different compliance standards for a particular case, BDC bases its decisions on the most stringent legislation and regulations in force within the geographical area in question.

BDC employees must ensure that environmental risk and liability are minimized by applying the Policy on the Environment (the Policy) and the directives outlined in the Environmental Risk Management Procedure Manual. BDC employees must also ensure that the requirements of the Canadian Environmental Assessment Act (CEAA) are met by applying the directives outlined in the Complementary Procedure Manual.

2.0 Scope and objectives

BDC's Policy implements the legal requirements of the CEAA that promote sustainable development in order to achieve and maintain a healthy environment and a healthy economy.

The Policy applies to the beneficiaries of all types of business solutions offered by BDC, both prior to and after authorization. BDC's Policy also focuses on the economic group as a whole, as well as the assets pledged as security, which are defined more specifically as follows:

- a. A sole borrower or all the joint and several borrowers;
- b. A new applicant;
- c. Guarantor(s);
- d. The owner(s) of the entities listed in a), b) and c), if they are incorporated;
- e. The entities, whether or not they are borrowing, that are closely related to the entities listed in a), b) and c);
- f. Assets pledged as security; and
- g. Tenants occupying a property financed by BDC.

BDC does not deal with businesses that are or will be owned or controlled by an entity that does not comply with all applicable environmental legislation and regulations. BDC's policy seeks to ensure that those businesses that are not directly eligible do not receive indirect support.

Businesses or assets located in foreign countries and subject to this policy must also comply with all local laws and regulations on the environment.

The objectives of this Policy are:

- To establish a progressive and environmentally-minded team of employees;
- To recognize environmental situations that represent a certain degree of risk;
- To increase awareness of and encourage environmentally-sound practices in small- and medium-sized businesses;
- To minimize BDC's environmental liability; and
- To ensure that projects are considered in a careful and precautionary manner, before acting on them, to ensure that such projects do not cause significant adverse environmental effects.

3.0 Risk due to deficient environmental practices

Deficient environmental practices can have an impact on a business's viability, the quality of life in the community concerned, and BDC's performance.

Risk to the community

Businesses that conduct their affairs with disregard for the environment can decrease a community's quality of life (i.e., noise, dust, emissions, effluents, etc.), have a potentially negative impact on the health of the community's inhabitants, and cause property values in the surrounding area to drop.

Risk to the business

Deficient environmental practices could threaten a business's survival:

1. Profitability is affected if an environmental incident results in significant clean-up costs, fines, adverse publicity or business interruption.
2. The business and/or its directors or officers may be held liable for third-party damages in the event of injury to employees or others, or if neighbouring properties are contaminated.
3. In certain jurisdictions, the current owner of a property may be held liable for environmental clean-up costs, even if a previous owner was responsible for the site's contamination.

Risk to BDC

Supporting businesses with deficient environmental practices is detrimental to BDC in several ways:

- 1. Reputation risk**

Directly or indirectly supporting businesses that do not abide by current environmental standards would expose BDC and its shareholder to criticism.

- 2. Credit risk**

Customers with deficient environmental practices are more likely to default on their loans, given the possible impact of these practices on their profitability and their repayment ability.

When customers have confirmed environmental problems, BDC's possible recovery is likely to be reduced significantly should realization proceedings be undertaken against the assets pledged for a loan. Moreover, should environmental clean-up costs be incurred by a government agency, this agency's subsequent claim becomes a super priority lien against real property, to the benefit of the Crown, and prevails in the case of a bankruptcy proposal, receivership, or a sale by court order.

- 3. Operational risk**

BDC could be directly liable, if it takes possession of contaminated assets, provides advice on key operational aspects, or takes action that might be construed as exerting control over the property or operations. BDC and its directors could also be held liable for third-party damages.