



Advancing the business of
agriculture

2010-11
ANNUAL REPORT

Corporate governance

We are accountable to the Parliament of Canada

FCC is governed by the Farm Credit Canada Act and the Financial Administration Act. Like other Crown corporations, we are subject to laws such as the Federal Accountability Act, the Privacy Act, the Access to Information Act, the Canadian Environmental Assessment Act and the Official Languages Act.

Representing the interests of Canadian people, particularly those who make their livelihood in the agriculture sector, the corporation's Board of Directors oversees FCC's business operations.

Directors are appointed by the Government of Canada through the Minister of Agriculture and Minister for the Canadian Wheat Board. The Board members are appointed by the Governor in Council upon the recommendation of the Minister of Agriculture and Agri-Food. Except for the President and CEO, Board members are independent of management. They bring a combination of senior agriculture, business and financial experience to the task of governing an organization with seven lines of business that serves an increasingly complex industry.

Board composition

The Board is composed of 12 members, including the Chair and the President and CEO. Directors serve terms of up to four years and may be re-appointed.

Board members include successful primary producers and agribusiness operators from rural and small urban centres. The Board strives for diversity – gender, geographic, ethnic, culture, age and language – to reflect the broad spectrum of agriculture in Canada.

The Board is committed to financial transparency and the Audit Committee works closely with the Office of the Auditor General (OAG) of Canada to ensure the integrity of FCC internal controls and management information systems. The OAG audits FCC every year and performs a special examination at least every 10 years. The last special examination was completed in 2007.

Every year, FCC's annual report and five-year corporate plan are approved by FCC's Board of Directors. The annual report and a summary of the corporate plan are then submitted to the Minister of Agriculture and the President of Treasury Board to be tabled before each House of Parliament.

We build relationships with our partners, stakeholders and customers

FCC looks to a variety of stakeholders and partners for guidance and expertise in public sector governance practices.

FCC regularly meets with Agriculture and Agri-Food Canada, the Treasury Board Secretariat, the Department of Finance and other Crown corporations to ensure that its policies and procedures are current and sound. Twice each year, we collaborate with Export Development Canada and the Business Development Bank of Canada to share ideas and best practices about ways that we can work together to benefit customers. We also seek opportunities to work with banks and credit unions to meet the financial needs of our customers.

Our 9,000-member FCC Vision Panel includes Canadian producers, customers and others involved in agriculture who share their ideas, knowledge and insights on a voluntary basis. Their input helps us to ensure that our products and services meet the needs of the agriculture industry.

In addition, the Board hosts an annual public meeting every August where we report our activities and financial results and listen to feedback from interested stakeholders and the Canadian public about our mandate and strategic direction.

FCC attends the annual meeting of the Canadian Federation of Agriculture and the Canadian Young Farmers Forum. Employees also attend events and meetings hosted by other industry and producer groups to share knowledge and solicit input and feedback on issues facing agriculture.

Flax is used in the creation of Canadian currency.



We take care of the business

The Board oversees the strategic planning process and provides input, guidance, validation and a critical evaluation of strategic plans and initiatives. After plans are approved, the Board provides support to implement them and measure success. Strategic initiatives are reviewed throughout the year.

The roles and responsibilities of the Chair, Board members, the CEO and all committees are set out in written profiles and charters. The charter and related governance guidelines establish the Board's responsibilities in six major areas:

- integrity – legal and ethical conduct (setting the tone at the top)
- strategic planning
- financial reporting and public disclosure
- risk management and internal controls
- leadership development and succession planning
- corporate governance including director orientation, continuing education and evaluation

The corporation has a well-established enterprise risk management process designed to identify potential events that may affect business operations. The Board ensures that appropriate authorities and controls are in place, risks are properly managed, and that the achievement of goals and objectives is not in jeopardy.

Senior FCC leaders work closely with the Board to ensure that the Board is fully aware of the organization's affairs. The Chief Financial Officer and the Chief Operating Officer attend every Board meeting. Two other members of the Executive Management Team also attend meetings on a rotating basis to strengthen the relationship between the Board and management. There is time set aside at each meeting for the Board and each of its committees to meet without management present.

The Board follows a formal approach to CEO goal-setting and performance review that is consistent with the Performance Management Program established by the Privy Council Office.

Board performance

Upon appointment to the Board, each member receives a detailed orientation and meets with senior management to learn about the business. To gain an understanding of FCC's business, Board members regularly visit customer operations and employee meetings. In addition, many members attend conferences and seminars that are relevant to corporate governance and the business of FCC. Some are also involved in director certification programs.

The Board regularly assesses its collective performance and the individual performance of its members through a structured self-evaluation process.

Position profiles for the Chair and individual Directors are reviewed annually to ensure that they continue to accurately describe desired competencies and skills. Board members self-assess their competencies and skills. Gaps are addressed through new appointments, training and by hiring outside experts.

Compensation

Directors are paid an annual retainer and per diem amounts that are established by the Governor-in-Council, pursuant to the Financial Administration Act. Rates were last set on January 8, 2008.

- The Board Chair receives an annual retainer of \$12,400.
- Committee Chairs receive an annual retainer of \$7,200.
- Other Board members receive an annual retainer of \$6,200.
- All members, including the Chair, receive a per diem of \$485 for meetings, training sessions, travel time and FCC-sponsored events.
- Directors are reimbursed for all reasonable out-of-pocket expenses including travel, accommodation and meals while performing their duties.



An enzyme extracted from corn is used to make insulin.



During 2010-11, there were five Board meetings and 14 committee meetings. Total remuneration (annual retainer and per diems) paid to all Directors

was \$220,232.50. Total Board travel and related expenses were \$155,545.62, compared to \$186,114.25 in 2009-10.

2010-11 Board remuneration, attendance and expenses

Director	Board retainer (A)	Per diems (B)	Total remunerations (A&B)	Board meeting attendance	Committee meeting attendance	Board travel and related expenses
Caroline Belzile	\$ 6,200.00	\$ 14,065.00	\$ 20,265.00	5 of 5	5 of 5	\$ 13,431.77
Donald Bettle	6,200.00	14,550.00	20,750.00	5 of 5	4 of 4	17,140.05
Caroline Granger	7,200.00	11,640.00	18,840.00	5 of 5	4 of 4	10,317.35
Brad Hanmer	7,200.00	6,305.00	13,505.00	5 of 5	5 of 5	4,078.68
Ron Hierath	6,200.00	14,550.00	20,750.00	5 of 5	4 of 4	19,496.52
John Klippenstein	7,200.00	15,277.50	22,477.50	5 of 5	5 of 5	12,809.24
Gilles Lapointe	6,200.00	12,610.00	18,810.00	5 of 5	5 of 5	15,805.60
Ross Ravelli	6,200.00	13,095.00	19,295.00	5 of 5	5 of 5	15,053.36
Gill O. Shaw	12,400.00	15,520.00	27,920.00	5 of 5	5 of 5	22,029.76
Jason Skinner	6,200.00	10,670.00	16,870.00	5 of 5	5 of 5	8,134.56
Carl Spencer	6,200.00	14,550.00	20,750.00	5 of 5	4 of 4	17,248.73
Total	\$ 77,400.00	\$ 142,832.50	\$ 220,232.50			\$ 155,545.62

There were five Audit, five Human Resources and four Corporate Governance Committee meetings.

Code of conduct, ethics and values

At FCC, acting with integrity and maintaining the highest ethical standards are vital priorities. On appointment and every year during their tenure, each Director signs a declaration committing to act in accordance with FCC's Code of Conduct and Ethics. The Board has also established a process to directly disclose any potential violations of the code by the CEO or his direct reports, and a policy that specifies

how to deal with situations where a Director has a conflict of interest. FCC's integrity officer discloses all possible violations of the code and discusses ongoing employee education and awareness with the Board annually.

In addition, the Audit Committee reviews the travel and hospitality expenses of the CEO quarterly and a listing of all contracts over \$50,000.

Audit Committee

Chair: John Klippenstein

Members: Gill O. Shaw (Board Chair), Gilles Lapointe and Jason Skinner

Members of the Audit Committee are independent of management. All committee members are financially literate and several members are considered to be financial experts, as those terms are now commonly used with respect to the composition of audit committees.

The Audit Committee oversees FCC’s financial performance and ensures the integrity, effectiveness and accuracy of the corporation’s financial reporting, control systems and audit functions.

This committee meets regularly in private with representatives of the Office of the Auditor General of Canada, FCC internal auditors and management.

Human Resources Committee

Chair: Brad Hanmer

Members: Greg Stewart (CEO), Caroline Belzile and Ross Ravelli

This committee reviews all major human resources policy matters. The Human Resources Committee is responsible for advising the Board with respect to the skills and characteristics essential to the position of the CEO, how to assess the CEO’s performance

and working with him to agree on an annual development plan.

The Human Resources Committee is responsible for reviewing the corporation’s succession plan, including plans for training and development of all employees, and for the review of the executive perquisites program with respect to senior management.

Corporate Governance Committee

Chair: Caroline Granger

Members: Ron Hierath, Donald Bettle and Carl Spencer

The Corporate Governance Committee reviews and makes recommendations to the Board with respect to sound governance practices. It also oversees the corporation’s strategic planning process, including enterprise risk management and FCC’s corporate social responsibility program. This committee also acts as the Board’s nominating committee.

The Corporate Governance Committee regularly reviews the number, structure and mandates of the Board’s committees and is responsible for conducting Board evaluations concerning the performance of Directors, committees and the Board as a whole. The Corporate Governance Committee also oversees the corporation’s and the Board’s policies on ethics, conflict of interest and code of conduct for FCC employees and Directors.

Car airbags contain corn starch.



Board of Directors*



Gill O. Shaw, MBA, B.Sc.Ag.
Chair, FCC Board of Directors
Retired CEO
Manitoba Agricultural Credit Corporation, Brandon, Manitoba
Appointed Chair October 30, 2006
Reappointed Chair August 4, 2009



Greg Stewart, P.Ag.
President and CEO
Farm Credit Canada
Regina, Saskatchewan
Appointed January 1, 2008



Caroline Belzile, D.T.A.
Co-owner, beef, hog and grain farm and sugar bush
Saint-Elzéar, Quebec
Appointed January 29, 2008



Donald Bettle
Owner, cow/calf operation and woodlot
Passekeag, New Brunswick
Appointed January 25, 2007



Caroline Granger
President and CEO
The Grange of Prince Edward Vineyards and Estate Winery
Hillier, Ontario
Appointed June 27, 2007



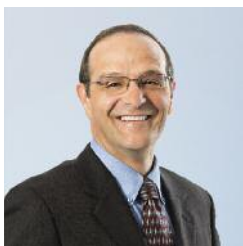
Brad Hanmer, B.Sc.Ag.
Co-owner/operator, commercial grain and pedigreed seed farm
Govan, Saskatchewan
Appointed January 25, 2007



Ron Hierath
Realtor, residential and agricultural sales
Lethbridge, Alberta
Appointed January 25, 2007



John Klippenstein, CMA
COO, Klippenstein Management Services
Steinbach, Manitoba
Appointed July 30, 2008



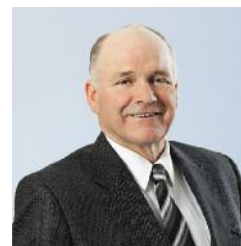
Gilles Lapointe, B.Comm., CGA, CFP
Partner, BDO Dunwoody LLP
Casselman, Ontario
Appointed March 11, 2008



Ross Ravelli
Owner, Ravelli Farms Ltd.
Dawson Creek, British Columbia
Appointed February 10, 2010



Jason Skinner, M.Sc., P.Ag.
CEO, NorthWest Terminal Ltd.
Wilkie, Saskatchewan
Appointed February 12, 2009

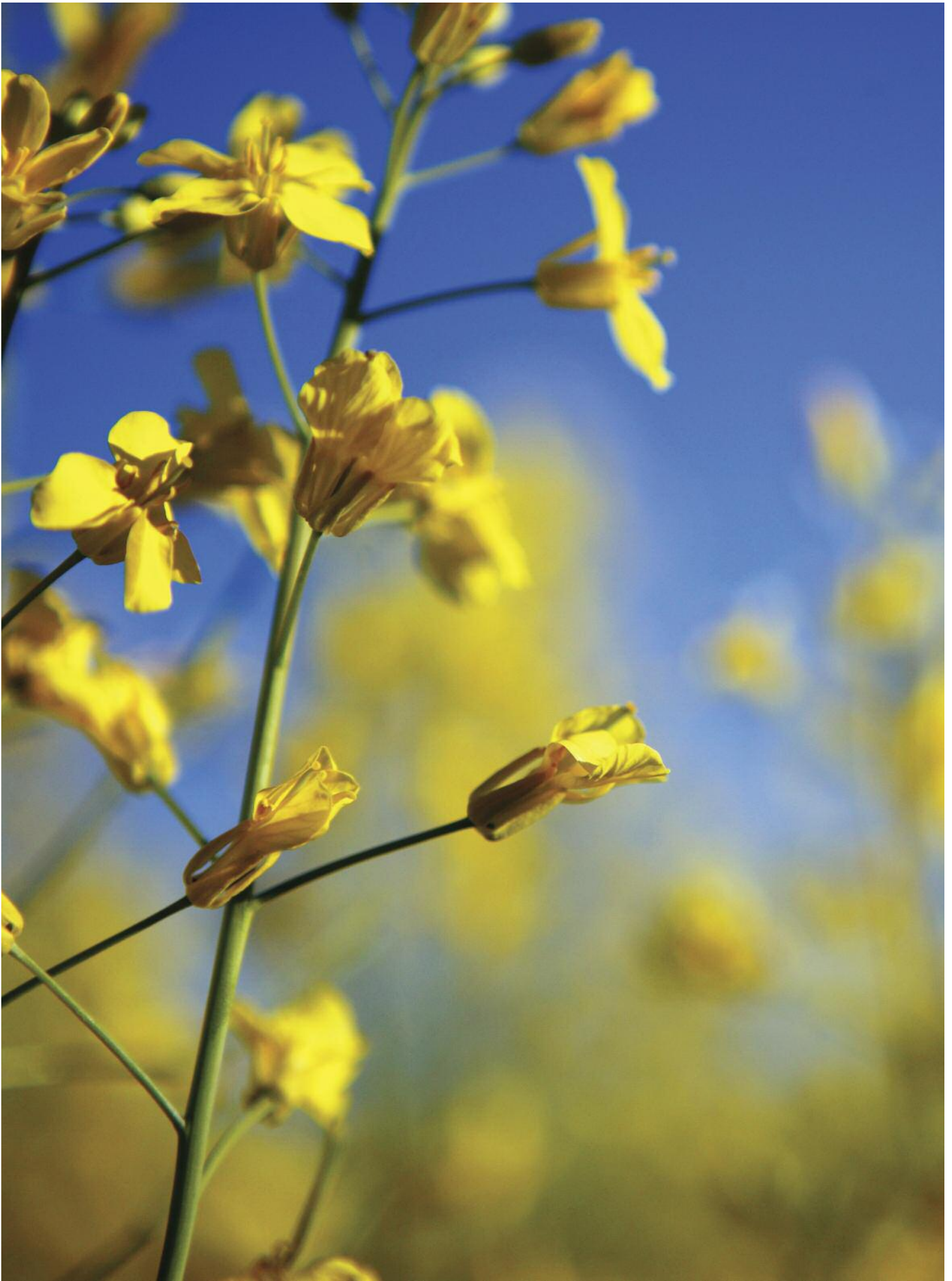


Carl Spencer, B.Sc.Ag.
Owner/operator, beef farm and maple syrup operation
Tara, Ontario
Appointed November 26, 2009



Canola oil is part of the compound used to de-ice planes.

*Full biographies are available at www.fcc.ca.



Executive Management Team



Greg Stewart, P.Ag.
President and Chief Executive Officer



Moyez Somani,
CMA, MBA, FCMA
Executive VP and Chief Financial Officer
* Retired effective June 3, 2011



Rick Hoffman,
CMA, MBA
Executive VP and Chief Financial Officer
(Effective May 23, 2011)



Rémi Lemoine,
MBA, CCP
Executive VP and Chief Operating Officer



Lyndon Carlson, P.Ag.
Senior VP, Marketing



Kellie Garrett,
MA, ABC, MC
Senior VP, Strategy, Knowledge and Reputation



Michael Hoffort, P.Ag.
Senior VP, Portfolio and Credit Risk



Greg Honey
Senior VP, Human Resources



Paul MacDonald
Senior VP and Chief Information Officer

FCC has attracted a senior team of professionals with diverse talents and experience. Our Executive Management Team (EMT) members are sought after as best practice leaders in their professions, and they actively volunteer in their communities. Each member of EMT believes that a culture characterized by open communication and trust results in engaged employees who forge great relationships with customers.

EMT is responsible for corporate decision-making, including the strategic vision, investment strategy, allocation of enterprise resources and resolution of major strategic issues.

All executives, with the exception of the President and CEO, are paid within salary ranges and compensation policies approved by the Board of Directors. The Governor-in-Council establishes the President and CEO compensation. All executives receive a variable remuneration component linked to the performance of the corporation, the business unit and the individual. In 2010-11, the salary range for the President and CEO was set at \$281,400 to \$331,000. The salary range for Executive Vice-Presidents was \$209,605 to \$320,570. The salary range for Senior Vice-Presidents was \$151,920 to \$232,345.

*Congratulations to Moyez Somani who made an outstanding contribution to the financial management of FCC and its strategic direction. As a result of Moyez's retirement, Rick Hoffman was promoted to Executive Vice-President and CFO, effective May 23, 2011.