60 YEARS ANS
DCC | CDC

DEFENCE CONSTRUCTION CANADA

CORPORATE PLAN SUMMARY 2015–2016 TO 2019–2020

Including the Operating and Capital Budgets for 2015–2016

AN INTRODUCTION TO DCC

Defence Construction Canada (DCC) is a unique organization in many ways—not exactly like a government department, but not completely like a private sector firm, either. To draw a comparison, DCC's everyday operations are similar to those of a civil engineering consultancy firm. However, as a Crown corporation, it is governed by Part X of the *Financial Administration Act*. Its primary Client-Partner is the Assistant Deputy Minister (ADM) Infrastructure and Environment (IE) Group at the Department of National Defence (DND). It also works with Communications Security Establishment Canada (CSEC). DCC employees do not do the actual hands-on, hammer-and-nails construction work at the job site. Instead, as part of an organization that is at arm's length from DND, DCC employees manage the procurement process, from awarding tenders to managing the contracts at the job site.

Once DND decides to initiate a project, it contacts DCC to procure and manage that project contract on its behalf. These projects range from innovative ones to traditional ones, from control towers to dockyards, from hangars to tank maintenance facilities, from community centres to accommodation facilities, and from roads to sewer and water systems. Some projects may simply involve everyday maintenance work. Others are more complex with very high security requirements.

As a Crown corporation, DCC complies with Government of Canada policies and legislation, such as the *Official Languages Act*, *Access to Information Act* and *Employment Equity Act*, to name a few. DCC's business model gives it the flexibility to more easily increase or decrease the number of employees—a necessary feature for an engineering consultancy firm whose viability is dependent on project volume. Because of its business model, DCC's billing rates are almost half those of comparable North America private sector engineering firms, based on data from *Deltek's 35th Annual Comprehensive Report Architecture and Engineering Industry Study*. DCC's way of doing business is a hybrid of the best characteristics of public and private organizations.

COVER PHOTO

SEAFORTH ARMOURY, VANCOUVER
DCC Team Leader, Construction Services Steven Denault (left) with Julien Wong, Coordinator, Construction Services at the Seaforth Armoury construction site in Vancouver. This $42.3-million project will see the seismic upgrade of this heritage building, originally built in 1911, and the construction of a new four-storey, post-disaster garrison. This new facility will house units currently located at Jericho Beach.

DEFENCE RESEARCH AND DEVELOPMENT CANADA, ATLANTIC

Phase 1 construction of the $26.5-million DRDC Atlantic Research Centre. The new facility features stores, services and assembly capacity for equipment used in Arctic research, as well as office space, research labs and training accommodation for DRDC Atlantic operations. This project is scheduled for completion in June 2015.

CONTENTS

Defence Construction Canada
Construction de Défense Canada

Canada

Conducting an inspection of the newly-poured section of the Hangar 6 concrete floor at 8 Wing Trenton are (left to right) Dan Meens, DCC Team Leader, Construction Services, contractor Andrew McFarland of Bondfield Construction and Eron Forsythe, DCC Coordinator, Construction Services. The $77-million Hangar 6 is a full-service aircraft maintenance facility that is scheduled for completion by March 2017.

EXECUTIVE SUMMARY

Meeting Financial Targets

DCC remains in a positive financial position. Six months into 2014–15, DCC's service revenue is $40.8 million, and it expects to meet its services revenue target of $81 million at the end of this fiscal year.

Just like a private sector company, DCC has a sole source of revenue: its Client-Partners. DCC invoices its Client-Partners for its services monthly and does not receive any appropriations from the Government of Canada. Consequently, DCC's cash management policy is based on maintaining a cash reserve that will allow it to meet all of its financial obligations. Under DCC's cash management policy, the current required cash reserve level is estimated at $21 to $24 million. As at September 30, 2014, DCC's cash reserve level was approximately $40 million. DCC has succeeded in reducing this amount by freezing its billing rates for its Client-Partners. However, the cash reserve is not decreasing as quickly as expected, mainly because employee salaries and benefits are lower than predicted, due to DCC's workforce reduction measures. DCC expects to reduce the cash reserve to $37.1 million by the end of 2014–15 and to $23.2 million by 2019–20.

Now in the third and final year of the Deficit Reduction Action Plan (DRAP), DCC has exceeded its original cost-reduction target. At the end of 2013–14, DCC achieved a total savings of $7.8 million, approximately three times more than its original target. The impacts of these spending reductions are apparent in two areas: information technology (IT), and employee training and development. Some large IT infrastructure projects have been put aside and short-term solutions have been implemented instead. The target for employee training has been reduced to 4% of base salary costs from the earlier target of 4.5%.

DCC expects that DND will save a total of approximately $9.4 million over the three-year DRAP period due to DCC freezing its billing rate and its business optimization efforts. This estimate is based on the billing rate increases that were planned for 2012–13 to 2014–15, before the DRAP measures came into effect. The billing rate freeze saved DND and the Canadian Armed Forces (CAF) approximately $2.3 million in 2012–13 and $3.8 million in 2013–14; savings for 2014–15 are estimated at $5.0 million. Overall between 2012–13 and 2013–14, DCC achieved a total of $19.2 million in DRAP savings by reducing internal costs and freezing billing rates.

In the current fiscal year and 2015–16, DND IE-related capital program expenditures are expected to be $775 million and $845 million respectively, increasing to $965 million in 2016–17. Expenditures are expected to rise further to $986 million and $996 million in 2017–18 and 2018–19 respectively, reaching $1 billion in 2019–20. The volume of DND's program is volatile and can be affected by a variety of circumstances including any changes to the Department's internal approval process for projects, the emergence of any new Canadian defence or security requirement, or any change in Canada's defence budget.

DCC's Workforce

Between October 2012 and June 2014, DCC reduced its employee population by about 30% in direct response to the reduction of the DND/CAF program—and, consequentially, the demand for DCC services. By September 30, 2014, the workforce adjustment levels had stabilized and DCC had 757 full-time-equivalent (FTE) employees. Due to the nature of DCC's business, staff numbers at the site level will always fluctuate, influenced by work volume.

Based on work volume forecasts, DCC expects the number of FTEs to increase by 9.4% in 2015–16, by 13.5% in 2016–17, by 1.7% in 2017–18, by 0.4% in 2018–19, and 0.3% in 2019–20. All of these estimates are subject to the service requirements of DND/CAF, as well as any impact due to DCC's business process optimization efforts. Managing the fluctuations in the DND infrastructure program and the associated impact on human resources will be one of the key issues that the Corporation will face in the planning period. This ebb and flow is characteristic of DCC's business model and the Corporation maintains a flexible resource management capability.

DCC employees are part of the public service pension plan. However, DCC has its own compensation policy and structure, as well as its own employee benefits plan. All of these are modelled on private sector compensation and benefits plans. DCC's sick leave policy is in step with private sector practices. In 2013–14, DCC reported an average of 42 sick leave hours (5.6 days) per full-time equivalent (FTE). In the first half of 2014–15, DCC reported an average of 16 sick leave hours (2.1 days) per FTE, compared with 20 hours (2.7 days) for the same period in 2013–14.

Defence Infrastructure and Environment Projects

DCC provides services to DND's ADM(IE) community. About 10% of the DND IE-related program expenditures is allocated to DCC services. As part of DCC's ongoing optimization efforts, DCC is continually working to find ways to reduce this cost without compromising quality and value. It is important to DCC's Client-Partner that the Corporation demonstrate value for money and cost efficiency in service delivery, and efforts to do so will continue throughout the planning period.

DCC forecasts that it will handle procurement and contract management for some very high-profile DND projects in this fiscal year and over the planning period. These include the maintenance contract for the Communications Security Establishment Canada Long-Term Accommodation Project in Ottawa, Ontario; the new Joint Task Force 2 facility in Trenton, Ontario; the Defence Research Development Canada facility in Valcartier, Quebec; the proposed new Jetty NJ in Halifax, Nova Scotia; the Fleet Maintenance Facility Cape Breton Shop Consolidation Project in Esquimalt, British Columbia; and the soon-to-be-built naval facility in Nanisivik, Nunavut, 700 miles north of the Arctic Circle.

DCC is involved with DND legacy sites, usually to remediate and clean-up unexploded explosive ordnance (UXO). In 2014–15 procurement planning is underway for the last phase of the environmental assessment of Camp Ipperwash, Ontario, in conjunction with First Nations and DND. Once remediation of this site is complete, steps for returning the land to the First Nations can proceed. In summer 2014, DCC contracted for and managed UXO remediation on a site near Vernon, British Columbia. Completing these projects on time is a key priority for DCC in the planning period.

Strategic Initiatives

DCC has taken a clear and consistent approach to its business, being always at the ready to provide timely, knowledgeable, effective and efficient service to its Client-Partners. The needs of the Client-Partners define DCC's destiny, and it is DCC's mission to tactically deploy its services to meet those needs. Four overarching objectives help ensure capacity to do this. They relate to having sound business management structures, meeting Client-Partner requirements, having an engaged workforce and demonstrating strong leadership. Work undertaken during the planning period supports each of these objectives.

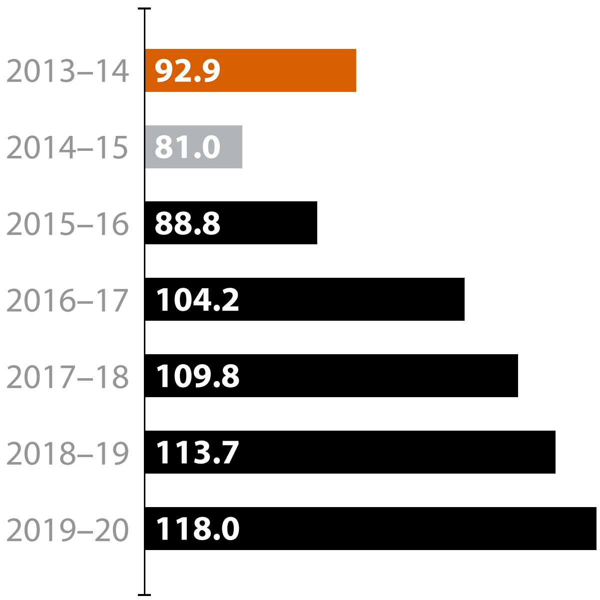
Supporting DND/CAF as it continues to transform will remain a key priority for DCC in the coming years. For example, DCC has been providing support for DND as it restructures its system for real property management, a complex evolution. At the same time, DCC intends to augment its internal capacity for resource planning and reporting by developing and applying improved digital analytics. This multi-year initiative will result in better business forecasting for DCC and make DCC's service delivery more efficient. Additionally, the implementation of e-procurement next year will provide a faster, cheaper option for administering tender calls and contract awards than the current paper-based manual process.

DCC is also focusing on employee leadership training and development, and enhanced internal communications. Both of these efforts are already contributing to the bank of DCC expertise available for the benefit of the Client-Partners. However, the full impact of this work, which affects the workplace culture, will not be felt overnight and as such will span the 2015–16 to 2019–20 planning period.

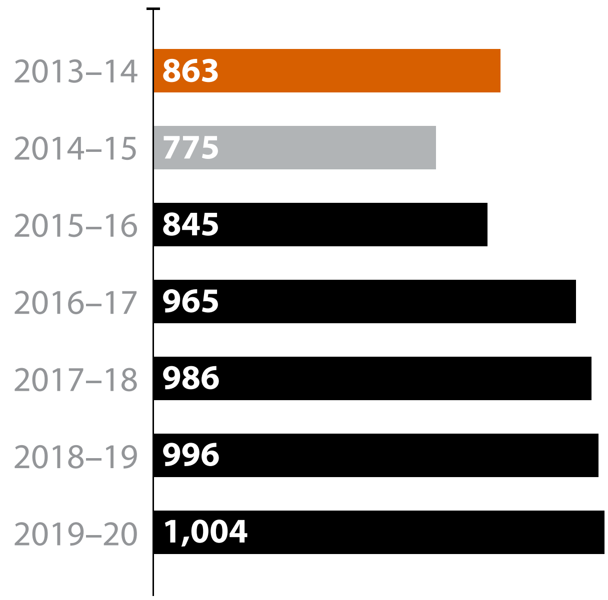
BUSINESS OPERATIONS HIGHLIGHTS

● ACTUAL ● FORECAST ● PROJECTED

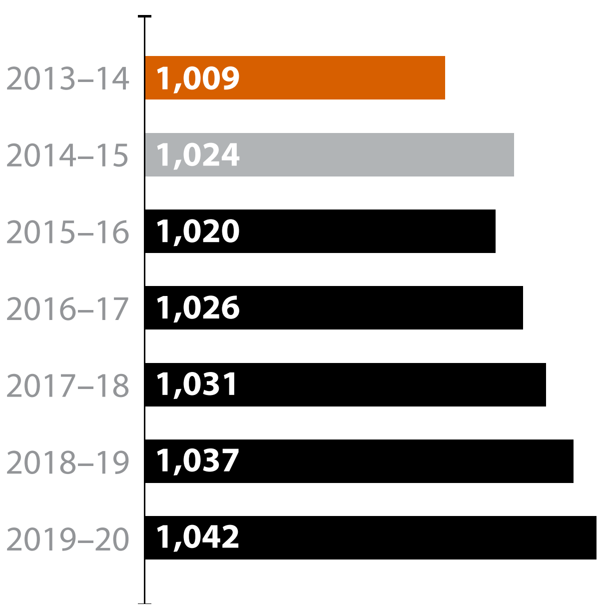
SERVICES REVENUE ($ MILLIONS)



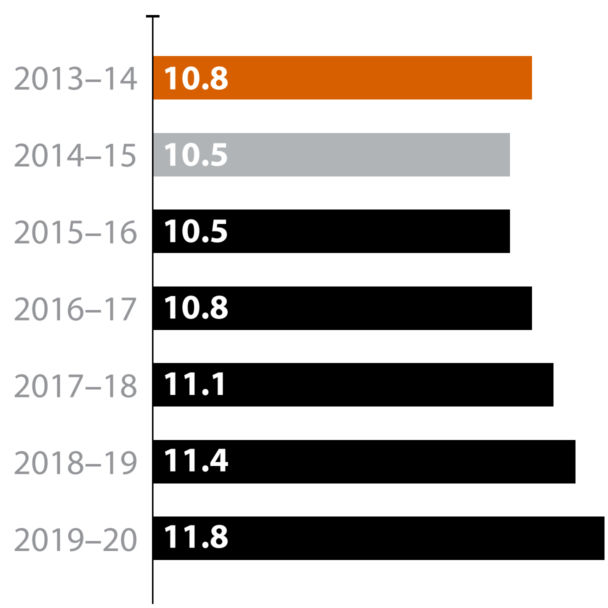
CONTRACT EXPENDITURES ($ MILLIONS)



CONTRACT EXPENDITURES PER FULL-TIME EQUIVALENT ($ THOUSANDS)



SERVICES REVENUE AS A PERCENTAGE OF CONTRACT EXPENDITURES



DEFENCE CONSTRUCTION CANADA

Strategic Plan Overview 2015–2016 to 2019–2020

GOVERNMENT OF CANADA KEY PRIORITIES SUPPORTED BY DCC

Stimulating Canada's Economy	Protecting Canada	Fostering Accountability and Integrity
• Long-term economic prosperity for Canada • An innovative and entrepreneur-based economy • Canada as a leader in the global economy • Preserving Canada's environment	• Supporting the Canadian Armed Forces • Defending national security and Arctic sovereignty	• Sustainable public finances • Strong fiscal and asset management in government • Transparency (access to information and privacy) • Values and ethics in the public sector

MISSION	VISION
To provide timely, effective and efficient project delivery and full lifecycle support for infrastructure and environmental assets required for the defence of Canada.	To be a knowledgeable and innovative leader and employer of choice, valued by the Government of Canada and industry, in the achievement of our mission.

VALUES

Dedication: DCC is dedicated to supporting defence infrastructure and environment requirements. For over 60 years, DCC employees have dependably and diligently carried out that mission.

Collaboration: DCC is committed to developing collaborative relationships with Client-Partners, industry and employees. Together, we leverage our shared expertise toward our common goals.

Competence: DCC has created a dynamic working environment in which the qualifications, experience and expertise of employees are focused on developing innovative solutions to Client-Partner needs.

Fairness: DCC deals with Client-Partners, industry and employees in a fair and ethical manner, advocating mutual respect and professionalism in the attainment of the common objectives of all parties.

STRATEGIC OBJECTIVES AND OUTCOMES

Planning Theme	Business Management	Service Delivery	People	Leadership and Governance
STRATEGIC OBJECTIVE	To develop and maintain responsive, integrated business management structures, tools, teams and practices.	To meet Client-Partner requirements and to demonstrate value for money.	To recruit, develop, support and retain a skilled, professional and engaged workforce.	To provide strong leadership and be responsive to Government of Canada requirements.
STRATEGIC OUTCOMES	• DCC's business infrastructure and corporate performance management systems support effective and efficient service delivery and strong resource management • Corporate assets are safeguarded by sound internal control systems and practices, and management oversight and audit	• Service lines deliver optimal, efficient, and effective service throughout the asset lifecycle • Partnerships remain strong through mutually aligned objectives and integrated information sharing • DCC's knowledge of and relationship with industry enable DCC to leverage industry capacity	• DCC provides a healthy, productive and engaging work environment • DCC encourages and fosters a culture of innovation • Employees relate to DCC's mission, vision, values and culture, and participate in achieving the desired outcomes	• DCC maintains a risk-based decision-making culture • DCC demonstrates integrity and ethical leadership in the management of its business affairs • DCC respects government policies and practices
2015–2016 CORPORATE PLAN INITIATIVES	• Improve business planning, resource management and performance reporting	• Support DND with its IE transformation towards a centralized model • Implement e-procurement	• Develop and implement a national leadership development program • Enhance internal communications capability • Consolidate corporate training frameworks	• Respond to the recommendations from the documents and records management internal audit • Demonstrate value, integrity and innovation to stakeholders and Client-Partners • Implement the Integrity Management Framework
KEY PERFORMANCE INDICATORS	• Operational results and performance measures • Financial results consistent with corporate financial management policy	• Service delivery rating • Procurement results • Contract management results	• Investment in training and development • Innovation results • Employee wellness • Employee retention rate • Employment equity rating	• Corporate reporting results, including timeliness of submissions • Overall business performance results • DCC Code of Business Conduct results • DCC Procurement Code of Conduct results • Environmental, safety and security results

DCC'S WORK

Defence Construction (1951) Limited (operating as Defence Construction Canada or DCC) is a Crown corporation that provides innovative and cost-effective contracting, construction contract management, infrastructure and environmental services for DND, CAF, and Communications Security Establishment Canada (CSEC), as required for the defence of Canada. Operating on a fee-for-service basis, DCC does not receive any appropriations from the Government of Canada. DCC has five lines of service.

CONSTRUCTION SERVICES

Support for the construction, renovation and maintenance of facilities for DND's infrastructure and environmental program.

CONTRACT SERVICES

Procurement of goods and professional, construction and maintenance services to fulfill Canada's domestic and international defence infrastructure needs.

ENVIRONMENTAL SERVICES

Helping DND meet environmental performance targets, comply with regulatory requirements, and manage due diligence and risk.

PROJECT AND PROGRAM MANAGEMENT SERVICES

Support for matters such as building requirements, program planning, and schedule and document control.

REAL PROPERTY MANAGEMENT SERVICES

Assisting DND in managing its real property assets efficiently throughout their lifecycles, from needs planning to facility decommissioning.

MANDATE

DCC's mandate is to carry out a wide range of procurement, disposal, construction, operation, maintenance and full lifecycle support activities required for the defence of Canada, particularly those related to real and personal property, lands and buildings. (A description of DCC's full mandate is found on page 47.)

MISSION

To provide timely, effective and efficient project delivery and full lifecycle support for infrastructure and environmental assets required for the defence of Canada.

VISION

To be a knowledgeable and innovative leader and employer of choice, valued by the Government of Canada and industry, in the achievement of our mission.

VALUES

Dedication: DCC is dedicated to supporting DND's infrastructure and environment requirements. For over 60 years, DCC employees have dependably and diligently carried out that mission.

Collaboration: DCC is committed to developing collaborative relationships with its Client-Partners, industry and employees. Together, we leverage our shared expertise toward our common goals.

Competence: DCC has created a dynamic working environment in which the qualifications, experience and expertise of employees are focused on developing innovative solutions to Client-Partner needs.

Fairness: DCC deals with its Client-Partners, industry and employees in a fair and ethical manner, advocating mutual respect and professionalism in the attainment of the common objectives of all parties.

TRANSPORT AND ELECTRICAL MECHANICAL ENGINEERING (TEME) FACILITY

LOCATION:	CFB Halifax, Nova Scotia
COST OF CONSTRUCTION:	$57.3 million
COMPLETION DATE:	October 24, 2014

DCC provides support for the Maritime Force Atlantic Formation and its lodger units at CFB Halifax. Construction includes the design and construction of an 11,935 m^2 two-storey bay structure.

DYE-M PART II REMEDIATION

LOCATION:	Cape Dyer, Nunavut
COST OF CONSTRUCTION:	$19.4 million
COMPLETION DATE:	October 31, 2014

DCC helps DND meet its environmental commitments in Canada's Far North. DCC contracts for and manages the environmental clean-up of this former DEW Line site at Cape Dyer.

MILITARY POLICE TRAINING FACILITY

LOCATION:	CFB Borden, Ontario
COST OF CONSTRUCTION:	$32.9 million
COMPLETION DATE:	February 2, 2015

DCC applies its innovative expertise in contracting for and managing the construction of a specialized facility that includes firing ranges, classrooms, offices, labs and a museum.

SEAFORTH ARMOURY

LOCATION:	Vancouver, British Columbia
COST OF CONSTRUCTION:	$42.3 million
COMPLETION DATE:	August 9, 2015

DCC's expertise is applied in the renovation and seismic upgrade of this heritage building, originally built in 1911, and in the construction of new facilities for DND's Jericho Beach Units.

UTILITIES AND ROAD UPGRADE (PHASE 1)

LOCATION:	CFB Cold Lake, Alberta
COST OF CONSTRUCTION:	$35 million
COMPLETION DATE:	September 16, 2015

DCC's infrastructure work includes more than building construction. This project sees utility upgrades, including water, sewer, storm communications and road systems, around CFB Cold Lake.

CANADIAN FORCES LAND ADVANCED WARFARE CENTRE (CFLAWC)

LOCATION:	CFB Trenton, Ontario
COST OF CONSTRUCTION:	$37.4 million
COMPLETION DATE:	February 19, 2016

DCC is contracting for and managing the construction of this specialized training centre, where CAF members learn skills associated with parachuting, Arctic operations, mountain operations and helicopter operations.

TACTICAL ARMOURED PATROL VEHICLES (TAPV) GARAGE

LOCATION:	Valcartier Garrison, Quebec
COST OF CONSTRUCTION:	$27.4 million
COMPLETION DATE:	June 15, 2016

DCC applies its experience in contracting for and managing this design-build project, an approach best suited to major capital projects like this one that facilitates quicker project delivery than a design-bid-build process.

WILLOW PARK ARMOURY

LOCATION:	CFB Halifax, Nova Scotia
COST OF CONSTRUCTION:	$55 million
COMPLETION DATE:	February 27, 2017

This is the restoration of a National Historic Site built in 1899. Additionally, new armoury buildings will be built, using a modified design-build approach. The facility will provide a permanent location for 36 Service Battalion, 33 Field Ambulance and 36 Signal Regiment.

MODERNIZATION OF FLEET MAINTENANCE FACILITY (CAPE BRETON) PHASE V

LOCATION:	CFB Esquimalt, British Columbia
COST OF CONSTRUCTION:	$173 million
COMPLETION DATE:	March 31, 2017

Over the past 15 years, DCC has been delivering this project that consolidates and modernizes the industrial facilities at CFB Esquimalt's dockyard. Phase V will further the objective of replacing outdated and deficient industrial facilities.

JETTY NJ

LOCATION: CFB Halifax, Nova Scotia
COST OF CONSTRUCTION: $77 million
COMPLETION DATE: 2018

DCC is contracting for and managing the construction of this new wharf that provides full-service berthing for Canadian patrol frigates and advanced logistic support carriers. It replaces existing timber Jetties J and K in Halifax Harbour.

NANISIVIK NAVAL FACILITY

LOCATION: Nanisivik, Nunavut
COST OF CONSTRUCTION: $55.9 million
COMPLETION DATE: September 30, 2018

DCC is contracting for and managing the construction of this naval facility on Baffin Island, Nunavut. Once it is completed, it is expected that this naval station will be home to the proposed Arctic offshore patrol ships.

A AND B JETTY RECAPITALIZATION PROJECT

LOCATION: CFB Esquimalt, British Columbia
COST OF CONSTRUCTION: $400 million
COMPLETION DATE: 2022

Aging 60-year old jetties have come to the end of their service life. This project consists of three contracts with an initial estimated total value of $400 million. DCC will contract for and manage the work for all three contracts. The first contract is expected to go to tender in June 2015.

DCC contractor during construction at 3 CDSB Edmonton in 2011—home of the 3rd Canadian Division Support Group.

CORPORATE EXCELLENCE

Delivering Value for Canada

DCC is strongly focused on providing the highest value possible to its Client-Partners in the services it delivers, which in turn, ensures Canadians are receiving value for their tax dollars. DCC consistently maintains a Client-Partner service delivery rating of 95% or greater. In addition to value for money, Client-Partners benefit from the following advantages that DCC provides.

1. Corporate performance management and measurement, including targeted costs of service delivery levels and industry benchmarking. These ensure the most efficient cost level for service delivery.

2. Service delivery optimization initiatives, that rely on risk-based decision making and a principles-based approach to procurement and contract management. These ensure effective service delivery that meets Client-Partner requirements.

3. Understanding of the needs of Client-Partners. DCC understands the special purposes, high security requirements, harsh environmental conditions of its Client-Partners. It uses this knowledge every day in selecting and managing the best approaches to service delivery.

4. Flexible procurement methods. DCC has developed a variety of procurement approaches to best meet the Client-Partner's project needs. DCC is flexible in adapting these as required for specific situations or opportunities. They are specifically tailored to defence project needs and they can respond to time sensitive requirements.

5. Integrated service delivery. DCC uses a service line integration matrix delivery model that allows it to access required expertise across all service lines and activities. This holistic approach can put the right solutions in the right place at the right time.

6. Alignment with Client-Partner goals. Like the Client-Partner, DCC focuses on delivering projects that meet specifications, on time and on budget.

7. Understanding of the construction industry. DCC is a knowledgeable owner and an active participant in construction industry association activities and fosters strong relationships with all sectors. This increases supplier engagement in procurements that DCC manages, resulting in increased competitiveness and value for Client-Partners.

8. Innovation. DCC is an industry leader and innovates in many areas that increase value for Client-Partners. These include innovative procurement models, building information modelling, integrated project delivery, and e-procurement which enhances industry access, increases competitiveness and allows better integrity monitoring.

9. Fairness. DCC settles legal claims and change orders resulting from the third-party contracts it puts in place for its Client-Partners. With its experience in the infrastructure and environment industry, combined with sound contract management processes, DCC is able to provide significant savings to its Client-Partners, and fair and good value to the Crown.

Risk Management

A key aspect of DCC's corporate governance is its ability to manage all forms of risk and liability. Under the direction of the Board of Directors, senior management established a comprehensive Corporate Risk Management Framework. The framework is based on the principles of integrated risk management and is written in accordance with the risk management methodology used by DND and many other government organizations.

Sound risk management practices are already ingrained in DCC's corporate culture. The framework supports better integration with the Corporation's strategic planning process and Corporate Performance Management Framework. The Corporate Risk Management Framework ensures that management's direction on risk is clearly communicated, understood and applied throughout DCC; that risk management is integrated into DCC's decision making and planning tools; and that there is a consistent means to effectively and regularly apply risk management to corporate and project-related activities.

DCC's strategic-level corporate risks relate to factors that could hamper its ability to deliver services to its Client-Partners, such as circumstances beyond the Corporation's control that result in project schedule delays; uncertainty in government funding that could affect defence and public security infrastructure budgets; and industry-related labour issues.

DCC classifies risks as being high, medium or low. Each risk assessment is based on the likelihood of the risk occurring, and its impact or consequences. Classified risk response strategies can be summarized as follows: high (mitigate), medium (monitor) and low (accept).

Ethical Business Conduct

DCC's employees are aware of expectations placed on them in such areas as ethics, conflict of interest, disclosure of wrongdoing, and compliance with legislation and governmental policies. In addition to complying with the *Public Servants Disclosure Protection Act*, DCC has its own Code of Business Conduct. DCC's Board monitors compliance with the Code, as well as policies and legislation related to business and employee conduct, through regular reports.

Each year, DCC employees are required to review their obligations under the Code and to reply to an annual electronic reminder of their responsibilities. This electronic system ensures that DCC keeps accurate records of responses and follows-up appropriately. New employees must pass an online test on the Code shortly after they are hired. The President reports to the Board regarding the Code compliance matters as they arise and provides an annual update as well. In this way, the Board ensures that DCC maintains its good practices regarding programs and policies related to values and ethics. In 2013–14, all DCC personnel responded to the annual request for review and all new hires completed the required test.

Board members comply with the *Conflict of Interest Act*. Each year, they sign a declaration regarding the Act, which ensures they are aware of the Act's requirements and confirms they will continue to comply with them. In 2013–14, all board members signed the declaration.

Audit

The Auditor General of Canada is DCC's auditor. DCC contracts the internal audit function to third-party internal audit specialists. Interis Consulting Inc. currently holds that contract. Both the internal and external audit functions report to the Audit Committee of the Board of Directors.

In 2011–12, DCC's Board of Directors approved a revised five-year audit plan developed by Interis. The audit plan objectives are aligned with the strategic initiatives set out in this *Corporate Plan*.

Pursuant to the *Financial Administration Act*, the Office of the Auditor General must carry out a special examination of DCC at least once every 10 years. DCC continues to ensure it has responded appropriately to the recommendations that arose from the special examination of DCC's systems and practices that took place in 2008. The next special examination is expected to occur in 2017. The OAG also conducts annual audits of DCC's finances and other areas of interest.

DCC continues to contribute to the security of Canada by ensuring adherence to the Policy on Government Security. It ensures that all security requirements identified by DND are managed during the procurement and implementation stages of each contract, with the goal of protecting sensitive or classified information and assets. This action is ongoing.

DND and DCC continue to work together in carrying out joint planning and information sharing. Joint training has been established for DND and DCC staff on processes such as industrial security procedures. This action is also ongoing.

Investments

The Corporation currently invests in listed bonds, guaranteed investment certificates and mutual funds, which are recorded at cost and amortized using the effective interest method. The investments held are consistent with the policy approved by the Board of Directors. It is the Corporation's intention to hold the investments to maturity.

Industry and Community Contributions

DCC is committed to operating in an economically, socially and environmentally sustainable manner, while recognizing the interests of its employees, industry and the communities in which it works. DCC has 39 site offices across Canada, most often co-located with a CAF base or wing. Most of the work that DCC contracts for and awards is performed by small to medium-sized contractors and consultancy firms. In 2013–14, DCC awarded 1,663 contracts valued at a total of $476 million. DCC predicts that it will award 1,700 contracts with a total value of $420 million by the end of 2014–15. In 2015–16, DCC forecasts that it will award 2,000 contracts with a total value of $750 million. Through its procurement processes, DCC encourages competition and fair value. DCC has a solid reputation among its contractors and consultants. Industry sees DCC as a "good owner" of projects and respects its standard processes for procurement, contract management and contractor payment.

DCC works regularly with different associations, at both the local and national levels, to help develop national standards and to keep up with industry trends such as e-procurement. In the first half of 2014–15, DCC received the National Procurement Institute's Achievement in Excellence in Procurement award, which honours excellence in public procurement. DCC was just one of five Canadian organizations among the 2014 recipients and the only federal one.

Employees are active in their communities, particularly in community efforts such as the Government of Canada Workplace Charitable Campaign (GCWCC). Even during the period of workforce adjustment over the past two years, DCC exceeded its fundraising goal for GCWCC and in 2014–15 employee contributions surpassed the campaign goal by 14%.

BOARD VISIT TO CFB BORDEN

During a site visit and meeting, DCC's Board members took time to tour a few of CFB Borden's ongoing construction projects. Included in the tour was the new All Ranks Dining Facility where Board members stopped to have their photo taken.

PLANNING ENVIRONMENT AND STRATEGIC ISSUES

The Department of National Defence

DCC's primary Client-Partner is the Assistant Deputy Minister (ADM) Infrastructure and Environment (IE) Group at the Department of National Defence (DND). The mission of the ADM(IE) Group is to provide IE functional leadership and services to enable effective, efficient and sustainable management of DND infrastructure and environment in support of CAF missions and DND programs.

In the current fiscal year and 2015–16, DND IE-related capital program expenditures are expected to be $775 million and $845 million respectively, increasing to $965 million in 2016–17. Expenditures are expected to rise further to $986 million and $996 million in 2017–18 and 2018–19 respectively, and reaching $1 billion in 2019–20. The volume of DND's program is volatile and can be affected by a variety of circumstances including any changes to the Department's internal approval process for projects, or any change in Canada's defence budget.

DEFENCE RENEWAL: INFRASTRUCTURE AND ENVIRONMENT

Like all of DND, the ADM(IE) Group is adjusting to meet today's requirements. DCC is supporting this transformation in many ways, including helping it analyze where it is allocating its resources and whether it is applying those resources appropriately.

In November 2014, the Government of Canada announced that there would be $425 million in additional funding for the repair and upgrade of CAF facilities. Spending on the unexploded explosive ordnance program, which had been reduced over the past two years, is anticipated to return to 2012–13 levels, contingent on the Group's delivery capacity. Additionally, spending on the Federal Contaminated Sites Action Plan is expected to increase.

CANADIAN ARCTIC SOVEREIGNTY

Canada's Arctic is experiencing unusually mild weather conditions in and around the Northwest Passage at times throughout the year. This is allowing foreign ships to use this passage more frequently. Consequently, the Government of Canada is firmly exercising Canada's sovereignty over Arctic land and waters. This increased use by ships may also result in an increased demand for search and rescue ships if accidents occur. The Canadian government is building a naval facility in Nanisivik, 700 kilometres north of the Arctic Circle in Nunavut. DCC awarded the contract for this naval facility in the second quarter of 2014–15.

This project will allow DCC to apply the many years of Arctic experience it acquired while installing and decommissioning the Distant Early Warning (DEW) Line. DCC stands ready to support any infrastructure or environment project arising from Canada's Northern Strategy.

CANADA'S INTERNATIONAL ROLE

In addition to working in Canada's Far North, DCC has deployed personnel alongside the CAF over the years. DCC has applied its procurement and contract management practices in Afghanistan, Bosnia-Herzegovina and Jamaica. From Ottawa, DCC supported the CAF's earthquake relief efforts in Haiti. DCC stands ready to support DND/CAF whenever it is called upon to do so in this capacity at home or abroad.

New conflicts are always emerging across the globe. The North Atlantic Treaty Organization (NATO) responded to the situation in Ukraine in 2014 to restore stability to the region. Canada contributed to the response through a number of measures. For example, Canada has deployed six CF-18 fighter jets, 200 support staffers to train with NATO allies and 20 CAF operational planners to monitor events in the region from NATO's Supreme Headquarters. In October 2014, Canada also contributed material and personnel to join the American led coalition in Iraq to fight the threat posed by the Islamic State in Iraq and Syria, commonly referred to as ISIS. In the coming planning period, Canada may increase its contribution to NATO. Consequently, there may be a requirement for DCC to support CAF as Canada's international defence obligations evolve.

INFORMATION TECHNOLOGY AND CYBER SECURITY

New technology is advancing at a rapid rate and so, too, is the potential for threats to high-tech or critical systems. A growing number of large cyber-attacks could pose a threat to national and global security. DCC needs to protect its business accordingly in order to be ready to support its Client-Partners. As new technology emerges, so do opportunities. It is important for DCC to keep up to date with technology innovations in the construction industry, such as building information modelling and e-procurement, so that it can best support its Client-Partners.

The Canadian Construction Industry

Private sector consultants and contractors perform the work covered by the contracts that DCC administers on DND's behalf. Not only does DCC keep close ties with industry, but it also gauges the impact that changes and trends in industry could have on its business. The Canadian construction industry is becoming larger and more complex, with fewer construction firms, more foreign ownership, more service-integrated firms, quicker adoption of technology and greater third-party, private sector involvement in traditional business owner activities.

LABOUR AND INVESTMENT

The *Global Construction 2025* report produced by Oxford Economics revealed several trends relevant to DCC's business. Relative to other countries, Canada is experiencing a construction boom. Some observers rate Canada as the fifth-largest construction market in the world.

From 2004 to 2014, investment in construction in Canada virtually doubled. This increase was driven by non-residential construction and public works projects. Since 1996, some 600,000 new jobs have been added to the Canadian construction industry. Construction employment in Canada currently stands at just over 1.3 million people.

According to the Canadian Construction Association, the Canadian construction market faces workforce challenges. Forecasts predict that the industry will need 300,000 new workers by 2023, just to replace those who have retired. Many large construction projects are being carried out in remote areas, where younger people are less likely to relocate. Mergers and acquisitions are happening among small and medium-sized enterprises.

Furthermore, governments at the federal, provincial and municipal levels are all facing challenging financial realities related to aging infrastructure. P3s are increasingly seen as an economical and efficient way to navigate these challenges.

TRANSPARENCY

Ethics and integrity remain key concerns in the awarding and management of both public and private sector contracts in the construction industry. Industry favours greater transparency and wants to ensure that procurement processes are neither restrictive, nor so onerous that they discourage contractors and consultants from bidding on opportunities. DCC believes it has struck the appropriate balance between increased oversight and efficiency with its Procurement Integrity Framework. DCC will continue to monitor this balance.

INNOVATION

The construction industry is innovating in response to increased and changing client demands, the pressure of global competition, and reduced human resources capacity. Procurement and project delivery methods are evolving, and clients are relying on the private sector to provide more deliverables. For example, the Government of Canada is considering full lifecycle cost procurement strategies that include long-term facility maintenance and repairs. Many jurisdictions are also adopting e-procurement methods and practices, and other technological innovations. DCC is committed to keeping up to date with industry innovations and seeks ways to apply new ways of working for the benefit of its Client-Partners. DCC is a founding member of Canadian Construction Innovations, an institute established by the Canadian Construction Association dedicated to instilling a culture of innovation in the Canadian construction industry.

THE FUTURE OF CONSTRUCTION MATERIALS

In this age of sophisticated technologies—from the telecommunications and defence systems used by nations to the smartphones that people carry in their pockets—the rare earth elements that make such devices work are highly valued. Rare earth elements are a unique group of materials mined from the earth that require unique processing methods to separate them for use. They are commonly used in small amounts to manufacture computers, electronics and medical devices. The construction industry is interested in applying these elements in the manufacture of materials such as self-repairing metals, unbreakable glass, protective coatings that can indicate when maintenance is required, and ultra-absorbent materials for controlling liquids. China has been a dominant producer of these materials and suppliers outside of China are trying to develop capacity. While DND/CAF focus on operational commitments, DCC will continue to keep up to date on the use of innovative construction materials through its involvement with Canadian Construction Innovations and the Canadian Construction Association. Through this industry participation, DCC is well positioned to provide support for DND on its specialized projects, as appropriate.

DCC Site Manager, Shawn Bindon (left) collaborates with Lieutenant-Colonel James Fera, Quality Assurance Manager, Director General Infrastructure and Environment Engineering Services (centre) and DCC members of the Joint Program Management Office, Ben Thomas, André Champagne and Denis Audet.

BUSINESS STRATEGY

Planning Themes, Outcomes, Initiatives and Performance Measures

Over its 64-year history, DCC has taken a clear and consistent approach to its business, being always at the ready to provide timely, knowledgeable, effective and efficient service to its Client-Partners. The needs of the Client-Partners define DCC's destiny, and it is DCC's mission to tactically deploy its services to meet those needs. DCC has built its strategy for carrying out this business on four pillars or planning themes: business management, service delivery, people, and leadership and governance. DCC's strategic priorities under those themes are, as they have been for a number of years, to have robust business management tools, meet Client-Partner requirements, engage the workforce and demonstrate strong leadership.

Specific, measurable, achievable, relevant and timely strategic objectives and outcomes provide focus for each theme, aligned with DCC's mission. DCC expects that these will not change during the 2015–16 to 2019–20 planning period. Similarly, qualitative and quantitative key performance indicators allow DCC to measure its success and take steps to continuously improve its service.

Although DCC's business strategy has remained consistent over the decades, the operating environment changes and influences the combination of specific supporting activities DCC pursues each year. Nonetheless, the initiatives DCC undertakes typically relate to the management of its internal resources, whether they be human, capital or financial. These include areas such as employee engagement, information technology infrastructure, and efforts to reduce business costs.

Since DCC's fate is entwined with that of its Client-Partners, and because DCC is a service organization, supporting the Client-Partners as they continue their transformation will continue to be a key priority for DCC in the coming years. For example, DCC has been providing support for DND as it restructures its system for real property management. At the same time, DCC intends to augment its capacity for resource planning and reporting by developing and applying improved digital analytics. This multi-year initiative will result in better business forecasting for DCC and, in turn, better results for the Client-Partners.

DCC is also focusing on employee leadership training and development, and enhanced internal communications. Both of these efforts are already contributing to the bank of DCC expertise available for the benefit of the Client-Partners. The full impact of this work, which involves a culture change, will span the 2015–16 to 2019–20 planning period.

Details on the specific objectives of each initiative for the current fiscal year are noted in the following discussion section under the corresponding planning theme.

STRATEGIC INITIATIVES AND PERFORMANCE

Four themes guide DCC's strategic planning approach, and each has a set of strategic objectives, outcomes and performance measures associated with it. The themes of business management, service delivery, people, and leadership and governance provide a way to organize DCC's path toward fulfilling its mission. The Senior Management Team bases its discussion on these themes at the annual planning session. That discussion, together with an analysis of the current operating environment, helps DCC identify a way forward for the Corporation for the next fiscal year. The following section presents the details of that path for 2015–16. For a quick summary of this section, see the strategic plan overview chart on page 6.

Planning Theme: Business Management

To deliver value to Canadians, DCC must run a successful business. To do that effectively, business units need a corporate infrastructure and systems. The objective is to develop and maintain responsive, integrated business management structures, tools, teams and practices.

Two outcomes define DCC's success under this planning theme.

1. DCC's business infrastructure and corporate performance management systems support effective and efficient service delivery and strong resource management.

   DCC needs up-to-date, reliable, accurate and efficient systems to manage its business. This infrastructure relates to business planning, operations policy and procedures, human resources, corporate security, administrative services, finance, information technology, and communications. Resource management includes management of staff, materials, money and assets.

2. Corporate assets are safeguarded by sound internal control systems and practices, and management oversight and audit.

   This is an important outcome that reflects DCC's value and integrity of work. The Corporation's control systems are well established and have been proven reliable. DCC has a track record of success with its special examinations; the Auditor General of Canada has found no significant deficiencies.

STATUS: BUSINESS MANAGEMENT INITIATIVES 2014–2015

The aim of reducing costs while maintaining value-added service drives the three business management initiatives underway for the 2014–15 planning cycle. Work began on all of these during the 2012–13 planning period, and it continues into this fiscal year.

DCC is committed to enhancing its business management and corporate performance reporting; capitalizing on the functionality of the enterprise resource planning system (ERP); and optimizing its business practices.

Foremost is the progress on implementing the Corporate Performance Management Framework (CPMF) developed in 2013–14. The CPMF defines performance measures, sets out processes to track data, and provides senior management with the information needed to monitor all aspects of DCC's business and to pinpoint efficiencies. The CPMF, which is halfway through its first full annual application, provides substantive information that senior management can use for all levels of decision making.

All of these initiatives complement each other. Both the improvements to the ERP system and DCC's commitment to optimizing its business practices support performance management. For example, the completion of an ERP dashboard reporting feature furthers DCC's resource planning capability by permitting easy monitoring of operational analytics. Business units across the organization took on the challenge of reducing internal red tape and modernizing business practices. These efforts included adopting an e-signature policy, developing a mentoring guide, and eliminating or consolidating the need for certain types of paperwork. These types of tactical activities contribute to DCC's overall efficient and effective performance.

BUSINESS MANAGEMENT INITIATIVES: 2015–2016

For the coming planning period, DCC has committed to one initiative: improving business planning, resource management and performance reporting. Elements of this initiative include: simplifying operating business plans; selecting and implementing a more robust digital analytics tool; and taking steps to consolidate resource reporting across business units. Each year as this initiative progresses, DCC will improve on it as opportunities emerge. Once DCC has fully integrated all of its business reporting modules, quick access to highly-detailed reporting should allow the Corporation to demonstrate value for money to its Client-Partner. Streamlining operations, reducing red tape, saving money and modernizing DCC's business practices are key factors in sustaining DCC's service delivery capability.

BUSINESS MANAGEMENT KEY PERFORMANCE INDICATORS

Utilization Rate

The utilization rate is an important indicator for organizations such as DCC that invoice Client-Partners for services. The utilization rate represents the number of employee billable hours as a percentage of employee total paid hours. A high utilization rate indicates that a business has low overhead costs—meaning that employees are productive and operations are efficient. DCC's annual target utilization rate is 70%, which means that 70% of all employee time is recovered through its monthly invoices to DCC's Client-Partners.

For the six-month period ended September 30, 2014, DCC's utilization rate was 72.8%. This was slightly lower than the utilization rate for the same period in 2013–14, which was 73.1%. This decrease can be attributed to the decline in the DND IE program. (See Table 1)

Overall Cost of DCC Services to the Department of National Defence

This indicator reflects how much of DND's infrastructure and environment (IE) program is spent on DCC's services, or in other words, how much DCC services cost DND's IE community. Any major fluctuations in DND's requirements will affect this indicator. Keeping this cost low is important to DND.

Typically, DCC expects that these costs will fall in the range of 10% to 15% of DND's IE program budget. For 2013–14, the cost of service delivery was 10.76%. It is expected that at the end of 2014–15, costs will be 10.5% and remain in this range for the next two years. For the years 2017–18 to 2019–20, costs are anticipated to be in the 11.5% range due to DCC's gradual increases in its billing rates to cover increases in operating costs.

Financial Results

DCC expects to achieve financial results each year that are consistent with its financial management policy. That policy is to generate and maintain sufficient cash to meet the Corporation's anticipated operating and capital requirements, to settle financial obligations as they become due, and to meet contingencies that may arise. As at September 30, 2014, DCC's financial results were consistent with the forecast for this period.

By freezing billing rates for a third consecutive year, DCC lowered its operating income for the first six months of 2014–15 to $40,844, from $239,000 for the same period last year. DCC's cash and investment balance was $39.98 million at March 31, 2014, and it remained relatively constant at $39.99 million at September 30, 2014. The billing rate freeze supports DCC's desire to lower cash reserves to more appropriate levels, as per its financial management policy.

TABLE 1: UTILIZATION RATE

(Percentage of employee time charged to clients)

RESULTS, 2013–14, END OF SECOND QUARTER	RESULTS, 2013–14, YEAR END	TARGET	RESULTS, 2014–15, END OF SECOND QUARTER
73.1%	**74%**	**70%**	**72.8%**

Planning Theme: Service Delivery

Being able to provide innovative, cost-effective and efficient solutions is key to DCC's viability as an organization. The objective of this theme is to meet Client-Partner requirements and to demonstrate value for money.

Three outcomes define DCC's success under this planning theme.

1. Service lines deliver optimal, efficient and effective service throughout the asset lifecycle.

   A matrix organization, a principles-based operating model, a risk-based decision-making approach and a results-oriented culture give DCC the flexibility that its Client-Partners need to build and maintain their holdings.

2. Partnerships remain strong through mutually aligned objectives and integrated information sharing.

   The fulfillment of DCC's mission relies on the quality of its relationship with its defence and security Client-Partners. Planning jointly, sharing information, developing new support services and exchanging lessons learned are all examples of activities that DCC undertakes to contribute to a mutually beneficial relationship.

3. DCC's knowledge of and relationship with industry enable DCC to leverage industry capacity.

   Over the course of its 64-year history, DCC has established longstanding ties and extensive involvement with industry associations. DCC strives to be a bridge between industry and DND/CAF in order to achieve mutual goals.

STATUS: SERVICE DELIVERY INITIATIVES 2014–2015

Over the past three years, DCC has focused strongly on doing more with less and helping its Client-Partners achieve cost savings, while still providing high-quality service. The following four service delivery initiatives reflect this restrained approach. The Corporation has committed to seek opportunities to help DND/CAF manage its IE portfolio; participate in industry innovation initiatives; optimize service line processes and practices; and implement a lessons-learned framework.

The multi-year transformation that DND/CAF has been going through is significant. Helping it move to a centralized model for managing its IE portfolio has been a service delivery priority for DCC. DND holds the largest and most complex real property portfolio in government, with about 21,000 buildings valued at a total of approximately $25 billion. The goal for the Department is to have one centralized authority accountable for the management of its real property. Originally, there were nine of these custodians, or authorities managing DND real property. DCC helped DND change this model from a nine custodian organization to a four-custodian model as at April 1, 2014. It is expected that a three-custodian model will be achieved by April 1, 2015.

Together with its Client-Partners, DCC has explored the application of integrated project delivery (IPD) for construction projects and business information modelling (BIM) for lifecycle infrastructure management. When both of these techniques are fully applied, it will save time, increase departmental expertise, and make building and maintaining military infrastructure more cost effective.

On a day-to-day working level, DCC was able to make a difference in the lives of Canadian military families. Together with the Canadian Forces Housing Authority (CFHA), DCC pioneered and implemented the first phase of a pilot project to consolidate contracts for maintenance services for base housing at Garrison Petawawa. Typically, repairs to these military homes generate many small work orders. This pilot project consolidates the contract for managing these requests. This saves DND money on each administrative transaction and improves the day-to-day service experience for the tenant.

Additionally, DCC has made progress on other aspects of service delivery. The Corporation expects to have a contract in place by the end of the third quarter of 2014–15 for an online e-procurement service provider. An updated *Service Level Arrangement Handbook* now under review will provide guidance to DND representatives on DCC contract processes. A joint lessons-learned framework has been developed and implemented to enhance knowledge-sharing between DCC business units and DND client representatives. These last two projects are currently in review with the Client-Partner representatives and should be complete in the second half of 2014–15.

SERVICE DELIVERY INITIATIVES: 2015–2016

For the 2015–16 planning period, the senior management group has identified two initiatives under the theme of service delivery. DCC will support DND in its IE transformation toward a centralized model and implement e-procurement.

The magnitude of the transformation that DND/CAF has been going through for the past few years is hard to fully grasp, given the complexity of the organization. DCC expects this evolution to continue throughout the planning period and will support DND's IE Group when called on to do so. DCC continues to support DND as it moves toward the goal of having one centralized custodian for real property by 2016. Support for the consolidation of maintenance services contracts continues across sites. To complement these efforts and to improve, work will proceed on 12 lessons-learned initiatives that emerged from a DCC Joint Service Line Forum. Other types of support that DCC may be asked to provide include analysis of real property divestments, integrated project delivery, implementation of a joint lessons-learned framework, support for streamlining project approval levels, and liability and risk reduction.

DCC's Contract Service Line is going through its own evolution with its initiative to implement an e-procurement system in 2015–16. DCC expects this e-procurement system will be a faster, cheaper option for administering its tender calls and contract awards than its current paper-based manual process. Over the planning period, DCC expects to see an increase in the efficiency of its procurement process due to the use of an e-procurement system.

SERVICE DELIVERY KEY PERFORMANCE INDICATORS

Service Delivery Rating

As a service delivery organization, DCC wants to ensure its Client-Partners are satisfied with its quality of work. Consequently, the Corporation tracks client feedback through a service delivery rating system.

DCC administers its work with DND/CAF through service level arrangements (SLAs). Each SLA may comprise many projects, and there is one primary DND representative for each SLA. DCC interviews these representatives individually each year. Each representative has the opportunity to comment on the service DCC provided on all projects in which he or she was involved.

The representatives rate DCC's performance on a scale from one to five, with a score of three indicating that DCC "met expectations" and a score of four or five indicating that the Corporation "surpassed expectations." Scores are weighted according to the value of each SLA. DCC defines satisfied clients as those who provide an overall rating of three or higher.

The Corporation typically receives service delivery rating results in the second half of each fiscal year, when most projects are completed. In 2013–14, DCC had 465 active SLAs in place and conducted 127 service delivery assessments. Of those 127, five received a less than satisfactory score. In 2013–14, 96% of respondents indicated DCC had met or exceeded their expectations. Typically, issues relate to specific incidents that fall into one of several categories, such as communications issues, administrative problems or staffing concerns. DCC is responsive to all concerns about its service and addresses each in a timely manner.

DCC Involvement in Industry Activities

Since its inception, DCC has maintained close ties with industry. This involvement helps keep DCC informed of new trends and developments in industry practices; provides opportunities for DCC to be an industry leader; and strengthens DCC's collaborative relationships with key industry organizations. Examples of these types of associations include the Canadian Construction Association, the Association of Consulting Engineering Companies and the Royal Architectural Institute of Canada.

The goal is to have a DCC representative involved in each relevant association committee and to act on industry feedback to ensure DCC policies and practices meet industry needs. Across Canada, DCC employees are involved at all levels of professional organizations related to their areas of expertise, from construction and architecture to project management, sustainable energy and fire safety. At the national level, DCC executives are active on national committees and in professional organizations involved with construction, real property, consulting engineering, procurement and building information modelling, and architecture, to name a few areas. Additionally, many employees are involved with Government of Canada committees relating to contract services.

In the first half of 2014–15, a leading association of government purchasing professionals recognized DCC's fair and transparent approach to procurement. The National Procurement Institute's Achievement in Excellence in Procurement (AEP) award honours excellence in public procurement. DCC is one of just five Canadian organizations among the 2014 recipients—and the only federal one.

Contractor Performance Evaluation Report Forms

To satisfy its Client-Partners, DCC wants to have the job done right. To satisfy the industry, DCC wants to provide useful and fair performance feedback to the contractors and consultants who perform the work. To ensure best value for the Crown, DCC restricts bidding privileges for contractors with unsatisfactory performance. The goal is to evaluate all contractors that have completed their contracts with DCC. At the end of 2013–14, DCC had evaluated 98.2% of its contractors. During the first six months of 2014–15, DCC evaluated 99% of its contractors. These figures compare to a 95% evaluation rate as at September 30, 2013.

Procurement Results

Procurement award success: DCC wants Client-Partners to have a timely procurement experience and does not want to waste industry's time with false starts. DCC works with Client-Partners to make each procurement as viable as possible. The goal is that a minimum of 95%

of all procurements result in a contract. During the first six months of 2014–15, DCC awarded contracts for 96.8% of its requested procurements.

Public access to business opportunities: DCC wants to encourage competition and ensure that all enterprises have an equal opportunity to bid on contracts. The goal is to award a minimum of 98% of DCC contracts through public opportunities. During the first six months of 2014–15, DCC awarded 99% of all contracts through public opportunities.

Procurement competition: DCC wants industry to view it as an attractive company to work with, so that there are always varied bidders competing for work. This helps ensure that the Corporation gets the best price possible. The Corporation tracks the number of bidders per procurement, one indication of its reputation among contractors and consultants. The goal is to have an average of four bidders per procurement. During the first six months of 2014–15, DCC had an average of 4.2 bidders per procurement.

Timeliness of Construction Contract Completion

Finishing a job on time is a key component of client satisfaction. DCC monitors the timeliness of construction contract completion, and works with clients and contractors to minimize schedule slippage. When slippage does occur, DCC ensures that DND knows the reasons, and the Corporation takes all necessary actions to ensure that the project is completed as quickly as possible, to minimize the impact on DND. The target for on-time completions is 85%.

In 2013–14, 91% of construction contracts were finished on time. As at September 30, 2014, 93% of construction contracts finished on time.

Planning Theme: People

Since the Corporation is a knowledge-based professional services organization, its primary value is vested in its people. The objective of this theme is to recruit, develop, support and retain a skilled, professional and engaged workforce.

Three outcomes define DCC's success under this planning theme.

1. DCC provides a healthy, productive and engaging work environment.

   Hallmarks of DCC's workplace include collaboration and leadership, fair compensation and benefits, and pay equity; professional development opportunities; knowledge retention and transfer; workforce and succession planning; and community involvement.

2. DCC encourages and fosters a culture of innovation.

   DCC wants its employees across the country to develop more efficient ways of doing their work—the essence of innovation. Innovation in day-to-day operations will lead to resource savings and increased efficiency in service delivery.

3. Employees relate to DCC's mission, vision, values and culture, and participate in achieving the desired outcomes.

   The unique DCC culture is a combination of team awareness, collegiality, ingenuity and patriotism, and it attracts people who have these attributes and who are results-oriented. DCC strives to keep employee engagement high through initiatives that appeal to the hearts and minds of its employees.

STATUS: PEOPLE INITIATIVES 2014–2015

Like its Client-Partners, DCC has been going through its own transformation. The Corporation has committed to fostering a principles-based, decision-making culture; continuing to promote a culture of innovation and to improve the Ideas at Work program; and encouraging social media use as an instrument for increasing employee engagement.

Work on all of these initiatives supports DCC's internal cultural evolution, its capacity to modernize its workplace, and the empowerment of its employees to drive efficiency and effectiveness in its operations.

Over the past several years, DCC has been doing a lot to further a principles-based decision-making culture among its employees, from having senior managers model the desired approach to having business units eliminate checklist-style management processes. In the first half of 2014–15, optimization efforts undertaken last year were maintained and fine-tuned as this initiative moved toward its conclusion.

During the first half of 2014–15, DCC rebranded the longstanding Ideas at Work program and worked on changing its name to innoviCulture to reflect the larger intent and impact of the program. The Corporation is in the process of trademarking the name "innoviCulture." Additionally, innovation leadership presentations were made throughout the regions to help stir the creative spirit and to recognize all participants in the program.

DCC continued to apply its social media strategy in 2014–15 in pursuit of two objectives: creating external awareness of DCC and fostering positive engagement. Social media use is a current communications approach and most stakeholders expect organizations to be involved in social media. Since DCC's employee base is national, using social media is a very cost-efficient means to foster employee engagement.

PEOPLE INITIATIVES: 2015–2016

As a knowledge-based organization, DCC's key resource is its people. Consequently, the Corporation strives to cultivate consistent, quality leaders who promote DCC's values.

For the 2015–16 planning period, there are three initiatives under the People planning theme: develop and implement a national leadership development program; enhance internal communications capability; and consolidate corporate training frameworks.

Currently, each region administers its own leadership development and training program, using resources such as university-affiliated workshops and internally developed seminars. DCC will take the best elements from all of the regional programs and create a standard, national program to develop a consistent type of leadership. This will also support DCC's efforts in succession planning management.

It is important that people receive the information they need to do their jobs. At the same time, efficiency is always top of mind for DCC employees when it comes to day-to-day business operations. The internal communications initiative will review and confirm that DCC's internal communications are accessible, collaborative and effective.

DCC is committed to nurturing the competency base of its employees and enhancing their quality of life on the job. DCC recognizes the value of training and maintaining a skilled workforce, and of encouraging employees to pursue professional development in line with corporate objectives, individual work performance and career development. Each year, DCC invests significant resources in the training and development of its people. Currently, each service line has its own training and development framework that tracks the required training and career path for certain positions. DCC continues its efforts, in conjunction with its human resources team, to develop one standard training framework. As a service organization, DCC needs to be able to put the right people, in the right job at the right time. With the work done on these initiatives over the planning period, DCC expects to maintain its service quality over the long term and improve administrative efficiency.

PEOPLE KEY PERFORMANCE INDICATORS

Investment in Training and Development

DCC's ability to serve DND is heavily dependent on the skills of its employees. Maintaining a skilled and professional workforce is a key corporate objective. For 2014–15, DCC established an annual overall corporate target for spending on training and development of 4% of base salary costs. This target includes spending on both internal and external costs related to training and development activities.

The target for the comparable period of 2013–14 was 4.5%. This target had two components: DCC allocated 0.5% of base salary costs to developing and delivering internal training, national service line forums and manager coaching, and 4% of base salary costs to internal and external training in all other categories.

In 2013–14, spending on professional development as a percentage of base salary costs was 3.6%. Year-to-date expenditures for the six-month period ended September 30, 2014, were 2.9%, identical to the figure of 2.9% for the comparable period in 2013–14. The amount spent on training and development activities fluctuates from quarter to quarter, and year to year. It depends on the effort required to develop and maintain internal courses, and the timing of professional development activities in various regions. DCC expects that the amount spent on professional development will be at or below the 4% target at the end of 2014–15, since the number of new employees has declined and current employees are becoming increasingly experienced. (See Table 2)

Innovation Results

The Ideas at Work program—or, rather, the soon-to-be-called innoviCulture program—is DCC's means for encouraging and tracking innovation in the workplace. To get a sense of the level of employee engagement with the program, DCC tracks the number of ideas submitted. This year, DCC aimed to receive 30 submissions and to implement five ideas nationally. Already, in the first half of 2014–15, employees have submitted 49 ideas and DCC has implemented nine of them nationally. Most of these ideas relate to administrative process improvements.

Another measure that shows the enthusiasm of employees is their level of activity on the Ideas at Work Recognition Board. This peer-to-peer recognition system helps promote a culture of innovation within DCC. In the first six months of 2014–15, the numbers of peer nominations and comments have already passed the 50% mark for their targets.

Employee Wellness

DCC is strongly committed to creating a workplace environment that encourages its employees to incorporate wellness into their daily routine and promotes work-life balance. DCC is focused on preventive measures and interventions that reduce employees' health risk factors. DCC demonstrates this commitment by providing financial assistance for, as well as access to, such benefits and resources as lifestyle modification programs, fitness memberships and programs, an employee assistance program, flexible working arrangements, and compressed workweeks.

In 2013–14, DCC reported an average of 42 sick leave hours (5.6 days) per full-time equivalent (FTE). In the first half of 2014–15, DCC reported an average of 16 sick leave hours (2.1 days) per FTE, compared with 20 hours (2.7 days) for the same period in 2013–14.

Employee Retention Rate

DCC regularly reviews the percentage of employees who voluntarily leave the Corporation for other career opportunities. Monitoring this percentage allows senior managers to analyze the

TABLE 2: INVESTMENT IN EMPLOYEE PROFESSIONAL DEVELOPMENT

(Percentage of base salary)

RESULTS, 2013–14, END OF SECOND QUARTER	RESULTS, 2013–14, YEAR END	TARGET	RESULTS, 2014–15, END OF SECOND QUARTER
2.9%	**3.6%**	**4.0%**	**2.9%**

Corporation's performance in the context of relevant labour market trends.

In 2013–14, DCC's retention rate was 94.6%, higher than its annual target of 90%. For the six-month period ended September 30, 2014, DCC's retention rate stood at 96.8%, which is slightly less than the 97.2% rate that it reported for the same six-month period in 2013–14. (See Table 3)

Employment Equity Rating

DCC is committed to achieving Canada's employment equity objectives. In the Employment and Social Development Canada *Employment Equity Act:* Annual Report 2013, "A" indicates superior performance on all six indicators; "B" indicates good performance, but with persistent problems; "C" indicates average to less-than-average performance; and "D" indicates poor performance. In 2012, Human Resources and Skills Development Canada (now Employment and Social Development Canada) revised DCC's sector in the North American Industry Classification System from construction to professional, scientific and technical services. In this new sector, DCC's rating for persons with disabilities changed from "A" to "C". Its ratings were unchanged in the other categories. DCC continues to carry out an employment equity awareness campaign to promote employment opportunities and achieve equal opportunity for all workers. (See Table 4)

Social Media Strategy Measures

DCC introduced its social media channels to employees in September 2013. This initiative has two goals. One is to raise awareness among DCC's external stakeholders, and the other is to increase internal employee engagement.

DCC tracks and measures activity related to output, readership and engagement, according to the targets in its strategy. "Output" refers to the volume of content published by DCC, such as tweets, retweets and posts. "Readership" refers to the audience reached by Facebook postings. "Engagement" refers to the volume of interactions with others on social media, including retweets, shares, likes and mentions of DCC.

Results for first six months of 2014–15 show that DCC has surpassed its volume of content goal by 64%, its readership goal by 96% and its engagement goal by 67%. The number of DCC's followers on social media is growing steadily and includes a mix of employees, retirees, military organizations, government stakeholders, industry partners and job seekers. The employees who are engaging on DCC's channels are spread out across the country.

TABLE 3: EMPLOYEE RETENTION RATE

RESULTS, 2013–14, END OF SECOND QUARTER	RESULTS, 2013–14, YEAR END	TARGET	RESULTS, 2014–15, END OF SECOND QUARTER
97.2%	**94.6%**	**90%**	**96.8%**

TABLE 4: EMPLOYMENT EQUITY RATING

CATEGORY	RESULTS, 2012	RESULTS, 2013
Women	A	A
Aboriginal people	A	A
Persons with disabilities	A	C
Visible minorities	C	C

*Source: *Employment Equity Act:* Annual Report 2013 (Ottawa: Employment and Social Development Canada, 2013). This report uses data as at December 31, 2013.

Planning Theme: Leadership and Governance

Vision, capability and stewardship practices are all critical to DCC's success in fulfilling its mission. The objective is to provide strong leadership and be responsive to Government of Canada requirements.

There are three strategic outcomes under this planning theme.

1. DCC maintains a risk-based decision-making culture.

   To be efficient, comply with Government of Canada requirements and meet urgent needs, DCC must use risk-based decision making so that it can carry out the complex and specialized defence construction projects that DND/CAF requires.

2. DCC demonstrates integrity and ethical leadership in the management of its business affairs.

   DCC seeks to apply best practices in corporate governance, operate in a transparent and responsible manner, and ensure appropriate oversight of its daily operations.

3. DCC respects government policies and practices.

   DCC abides by Government of Canada policy requirements that have an impact on its business, including policies related to employment equity and diversity; official languages; environmental stewardship; health and safety; security; access to information; and financial administration and reporting.

STATUS: LEADERSHIP AND GOVERNANCE INITIATIVES 2014–2015

Of special note for this planning theme, two previous planning themes—Strategic Management and Leadership, and Corporate Governance and Leadership—have been merged. The combined information throughout this section covers 10 initiatives that generally relate to integrity, success in meeting government commitments and audit results.

Accountability, transparency and success in meeting government requirements are crucially important to DCC, given the Corporation's role in defence procurement and contract management. Several initiatives relate to DCC's integrity as a Crown corporation. DCC committed to enforcing its Procurement Code of Conduct (PCC); developing and launching a Corporate Integrity Management Framework; and applying its Corporate Social Responsibility Framework. Additionally, work advanced in the areas of external communications and employee training, both important elements of leadership and governance.

In the first six months of 2014–15, work proceeded steadily on all of these initiatives. DCC has fully applied the Procurement Integrity Framework throughout its procurement process and has built related elements into the general terms and conditions of its contracts.

A Corporate Integrity Management Framework (IMF) has been drafted and is supported by DCC's Board of Directors. It is a comprehensive approach to bringing together all DCC resources and tools dedicated to preventing corruption within the organization.

DCC continues to show its commitment to corporate social responsibility through its support for initiatives like the Government of Canada Workplace Charitable Campaign, its green purchasing policy, and its employee health and wellness program, to name a few.

External communications activities—in person, and through exchanges with industry and in the communities where the Corporation works—continue to highlight DCC's value and capabilities among its stakeholders. Activities ranging from on-site exchanges with contractors and consultants to senior-level Client-Partner meetings are all opportunities for DCC to share its story. Most important is the effort DCC is making to communicate information to its Client-Partners about its costs of service.

LEADERSHIP AND GOVERNANCE INITIATIVES: 2015–2016

For the 2015–16 planning period, the senior management group has identified three initiatives under the theme of leadership and governance: respond to the recommendations arising from the documents and records management internal audit; demonstrate value, integrity and innovation to stakeholders and Client-Partners; and implement the Corporate Integrity Management Framework.

As part of the Corporation's commitment to continuous improvement, DCC's internal auditor reviewed the corporate document and records management system established several years ago. In the coming fiscal year, DCC will implement the recommendations arising out of this audit, which mainly relate to improving system documentation. This in itself is a tactical consideration; however, it is a fit overall with the strategic desire of the Corporation to modernize its internal business operations.

Implementing the IMF is another step that shows that DCC continues to foster accountability and integrity in the communities where it works.

DCC will continue to share its best practices with its stakeholders and Client-Partners, both to help other organizations that it deals with, and to support the Government of Canada's initiatives to reduce the cost of government and to operate more like the private sector.

LEADERSHIP AND GOVERNANCE KEY PERFORMANCE INDICATORS

Corporate Reporting Results

Reports that the Corporation produces to meet legislative requirements include the *Annual Report*, the *Corporate Plan Summary*, and reports for other government entities, such as the Office of the Information Commissioner of Canada, the Office of the Privacy Commissioner of Canada, and Employment and Social Development Canada. The Corporation's success in meeting these reporting requirements, including timeliness of submissions, as well as the results contained in these reports, reflect DCC's success in meeting the objectives of the leadership and governance theme. As at September 30, 2014, DCC had met all of its submission requirements.

Overall Business Performance Results

DCC's business results have been positive even in an environment of declining Client-Partner program volume and fluctuating business circumstances. As at September 30, 2014, DCC has met its budget projections, including its commitment to reduce costs as per the Deficit Reduction Action Plan. This is indicative of DCC's strong management capability and leadership.

Achievement of Corporate Initiatives

DCC monitors the progress of corporate initiatives quarterly with the designated executive sponsor. The senior management group reviews the progress of the initiatives twice a year, at the spring and fall management meetings. Many of the initiatives in the *Corporate Plan Summary* are multi-year initiatives. As at September 30, 2014, all strategic initiatives were progressing as expected. For the upcoming planning period, the number of initiatives has been reduced from 21 to nine, as 12 of them have been completed.

DCC Code of Business Conduct Results

The Code of Business Conduct (the Code) is a key document that supports DCC's strategic objectives of integrity and ethical business conduct. DCC employees are to perform their duties and arrange their private affairs so that public confidence and trust in the integrity, objectivity and impartiality of DCC are preserved and enhanced.

DCC's enforcement of and adherence to its Code of Business Conduct demonstrate strategic management and leadership. DCC requires all of its employees to review the Code annually. In the first half of 2014–15, 100% of DCC employees met this requirement.

DCC Procurement Code of Conduct Results

DCC's Procurement Code of Conduct (PCC) ensures that DCC's contractors and consultants meet the expected integrity requirements for doing business with the Government of Canada. The PCC complements the Code of Business Conduct. DCC aims to verify all firms before awarding contracts, to ensure that all contracts are awarded to firms without prior convictions, and to ensure that all contractors and consultants comply with the PCC. In the first half of 2013–14, DCC verified 100% of the firms, as per its procurement process. DCC achieved its goal of ensuring that no contracts were awarded to non-compliant firms.

Environmental Incidents

DCC tracks and reports environmental incidents that result from DCC personnel actions to its Board of Directors. Incidents that involve third-party contracted activities are recorded but not reported. The target is to have zero incidents due to the actions of DCC personnel.

For the six-month period ended September 30, 2014, there were no worksite environmental incidents resulting from DCC personnel actions to report. This result is in line with DCC's target of zero incidents and maintains the record of zero incidents over the past several years.

Health and Safety Reporting

Under its Corporate Health and Safety Program, DCC tracks, reports on and follows up on hazardous occurrences, accidents and safety incidents involving its employees that result in lost work time. Annually, DCC reports the number, severity and outcome of these events to Employment and Social Development Canada.

The target is to have no lost-time safety accidents or incidents. For the six-month period ended September 30, 2014 there was one DCC employee incident, which resulted in 3.7 days of lost time. In 2013–14, there were three such incidents which accounted for a total of 19 days of lost time.

Security Results

Over the past several years, DCC has strived to adhere to the Policy on Government Security (PGS) in order to protect government information and assets from compromise. In its Corporate Security Policy, DCC refers to industrial security and corporate security requirements.

"Industrial security requirements" are the security requirements that a Client-Partner has for one of its projects. Client-Partners communicate these requirements to DCC during the procurement phase of a project. DCC ensures that these requirements are met and managed appropriately. The Corporation tracks all instances of non-compliance.

When there is an incident of non-compliance, DCC ensures that corrective actions are implemented. DCC coordinates all efforts with applicable stakeholders, such as the Deputy Security Officer, the Canadian Industrial Security Directorate and/or other local security authorities, as appropriate.

"Corporate security requirements" are DCC's internal security requirements for its corporate information, assets and employees. DCC reviews and manages all incidents, and takes required corrective measures.

The target is to have no compromises of either corporate or industrial security requirements. In the first half of 2014–15, there were two corporate security incidents with no compromise in security and one industrial security incident without compromise.

Audit Results

In last year's *Corporate Plan*, DCC made several commitments to actions arising from audits. Specifically, DCC made three commitments to address recommendations made by its internal auditor and the Auditor General of Canada.

For instance, DCC will implement recommendations arising out of the internal audit of performance management. The Corporate Performance Management Framework (CPMF) is being applied both at the corporate strategic level and at the business plan level. The CPMF, which is halfway through its first full annual application, provides substantive information that senior management can use for all levels of decision making.

In addition, DCC's internal auditor made three recommendations following its audit of the Contract Service Line. During the first half of this year, DCC sought ways to maximize the use of its data collection, reviewed the assignment of delegated authorities and increased communications about its new processes within this service line.

Also, in response to a recommendation in the *Report of the Auditor General of Canada, Chapter 2: Status Report on Security in Contracting*, DND issued a Canadian Forces General Order (CANFORGEN) to clarify when a security requirements checklist (SRCL) is required for a contract. Subsequently, as part of its action plan to respond to the report's recommendations, DCC issued a technical bulletin to its employees detailing the industrial security procedure to follow to meet this requirement.

In the first half of this year, DCC's internal auditor completed an audit of the document and record management system, and made three recommendations: update the *Information Management Manual*; review, update and communicate the practices for storing files in the electronic system; and implement a change management program to ensure the records management practices are followed. Work on these recommendations will continue into 2015–16.

One more internal audit will happen in 2014–15. DCC will participate in an internal audit to review the management of information technology security.

Success in Meeting Government Requirements

The Minister of Public Works and Government Services asked DCC, as a Crown corporation, to follow the spirit and intent of the Deficit Reduction Action Plan (DRAP), a cost-saving initiative of the 2011 federal budget. In last year's *Corporate Plan*, DCC committed to demonstrating fiscal restraint and supporting Client-Partners in their fiscal restraint measures. At the end of 2013–14, DCC had reduced internal costs by $7.8 million, which was approximately three times more than its DRAP target. Also in 2013–14, through DCC's billing rate freeze, DND achieved $3.8 million in cost savings. Overall, between 2012–13 and 2013–14, DCC helped DND achieve a total of $19.2 million in DRAP savings by reducing internal costs and freezing billing rates.

DCC must also make submissions, as required by the *Financial Administration Act*. In the first half of 2014–15, DCC submitted its *Annual Report* on time. It also submitted its other mandatory reports—including those related to the *Access to Information Act*, *Privacy Act* and *Public Servants Disclosure Protection Act*—on time. Also, DCC continues to meet the *Financial Administration Act* requirement to make quarterly financial reports public.

Success in Responding to Government Requests

Separate from DCC corporate reporting requirements, each year DCC receives a variety of inquiries from its government stakeholders. These include order paper questions, constituent inquiries and ministerial questions, to name a few. DCC responds to all requests in a timely manner. In 2013–14, DCC responded to 53 such inquiries. The volume of these requests fluctuates, depending on the current business environment. During the first six months of 2014–15, DCC received and responded to 15 requests. DCC stands ready to respond to these inquiries in a timely manner.

FINANCIAL PLAN

Financial Management Policy

The Corporation's financial management policy is based on a fundamental assumption that the Corporation is a going concern and that its stated mandate will continue in the future. The Corporation operates on a fee-for-service basis and receives no funding through government appropriations. Its financial management policy is to generate sufficient cash to meet its anticipated operating and capital requirements, to settle its financial obligations as they become due, and to maintain sufficient cash reserves to meet operating contingencies that may arise (see cash management policy, on page 41).

The plan presented below, prepared based on the assumptions in this policy, reflects the Corporation's objectives to ensure value for money for its Client-Partners by capitalizing on DCC's transformation and optimization initiatives; adjust DCC operations in a timely and effective manner to reflect changes in the Client-Partners' program requirements; ensure the sustainability of the Corporation, as per the cash management policy; and adjust DCC operations to keep accumulated earnings and cash balances within targeted levels.

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) and has met all reporting obligations.

Deficit Reduction Action Plan and Operating Budget Freeze

Through the Minister of Public Works and Government Services, the Government of Canada asked DCC to review its operations to support the Deficit Reduction Action Plan (DRAP), announced in 2011. The aim of the DRAP was to reduce costs over three fiscal years: 2012–13, 2013–14 and 2014–15. In the 2013 Speech from the Throne and the November 2013 Update of Economic and Fiscal Projections by the Minister of Finance, the Government of Canada extended this commitment to fiscal restraint by freezing the federal government's overall operating budget for another two years. Treasury Board Secretariat asked DCC to follow the spirit and intent of this freeze in managing its own operating budget.

In the *Corporate Plan* for 2012–13 to 2016–17, the Corporation identified and discussed potential savings in the areas of corporate services, corporate-wide initiatives, and salaries and benefits. It committed to containing the cost of DCC services to DND/CAF, by freezing billing rates from 2012–13 to 2014–15 while applying its financial and cash management policies. It also committed to reducing the cost of contract management services rendered to DND by 5%, by optimizing its service line processes and practices to provide more cost-effective and higher value-for-money services to its Client-Partners.

The 2014–15 to 2019–20 financial projections presented in this section reflect the Corporation's DRAP and operating budget freeze savings commitments. These projections are based on certain assumptions and expectations regarding DND/CAF infrastructure program expenditures, and the resulting nature and scope of infrastructure and environmental support services that DCC will be asked to deliver to support the program. Direct variable expenditures associated with increased demands for services will increase operating expenses in certain areas. Based on DRAP results to date and DCC's projections for the remainder of the current fiscal year, the Corporation expects to achieve all the savings it committed to in the DRAP and the operating budget freeze. The following summary of the actual and projected savings under DRAP and budget freeze is based on the 2014–15 projections. (See Table 5)

TABLE 5: DRAP AND OPERATING FREEZE SAVINGS

By fiscal year

	ACTUAL	ACTUAL	PROJECTED	TOTAL ACTUAL AND PROJECTED	TARGET	VARIANCE	%
($ thousands)	2012–13	2013–14	2014–15				
Corporate services savings	$ 141	$ 1,224	$ 1,137	$ 2,502	$ 1,800	$ 702	39%
Corporate wide savings	807	1,087	730	2,624	1,950	674	35%
Salaries and benefits savings	2,400	1,820	1,195	5,415	3,900	1,515	39%
DCC direct cost savings	**3,348**	**4,131**	**3,062**	**10,541**	**7,650**	**2,891**	**38%**
Operational savings	2,170	4,860	7,620	14,650	7,528	7,122	95%
Billing rate freeze	2,291	3,762	4,956	11,009	8,225	2,784	34%
Reduced costs to DND	**4,461**	**8,622**	**12,576**	**25,659**	**15,753**	**9,906**	**63%**
TOTAL SAVINGS	**$7,809**	**$12,753**	**$15,638**	**$36,200**	**$23,403**	**$12,797**	**55%**

Financial Projections

These projections also reflect the Corporation's application of its cash management policy, as explained below. Consistent with this policy, the Corporation has projected losses from 2014–15 to 2019–20, to reduce its cash reserves by the end of the planning period to a level considered appropriate to its operating needs. It will do so primarily by freezing or limiting the year-over-year increase in billing rates during the planning period. The Corporation expects to return to a slightly better than break-even position in net income in the first year after the planning period in order to meet its operating and cash management targets.

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the years ending March 31

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in $ thousands)	2013–14	2014–15	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
Services revenue	$ 92,909	$ 82,212	$ 80,976	$ 88,763	$104,208	$109,835	$113,679	$117,999
Investment revenue	641	600	668	650	595	525	460	420
Total revenue	**93,550**	**82,812**	**81,644**	**89,413**	**104,803**	**110,360**	**114,139**	**118,419**
Salaries and employee benefits	85,288	79,430	76,478	86,875	98,500	103,388	107,082	110,830
Operating and administrative expenses	7,054	7,439	7,636	7,759	7,874	7,991	8,110	8,230
Depreciation of property, plant and equipment	973	1,255	690	913	984	1,040	1,086	1,150
Depreciation of assets under finance lease	146	125	200	180	185	190	195	200
Amortization of intangible assets	202	120	208	215	218	221	224	227
Finance costs	20	30	25	28	30	32	33	35
Total expenses	**93,683**	**88,399**	**85,237**	**95,970**	**107,791**	**112,862**	**116,730**	**120,672**
Loss for the year	**(133)**	**(5,587)**	**(3,593)**	**(6,557)**	**(2,988)**	**(2,502)**	**(2,591)**	**(2,253)**
Other comprehensive income								
Actuarial gain on employee benefit obligations	1,322	—	—	—	—	—	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ 1,189**	**$ (5,587)**	**$ (3,593)**	**$ (6,557)**	**$ (2,988)**	**$ (2,502)**	**$ (2,591)**	**$ (2,253)**

STATEMENT OF CHANGES IN EQUITY

For the years ending March 31

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in $ thousands)	2013–14	2014–15	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
Opening retained earnings	$ 35,651	$ 34,646	$ 36,840	$ 33,247	$ 26,690	$ 23,702	$ 21,200	$ 18,609
Loss for the year	(133)	(5,587)	(3,593)	(6,557)	(2,988)	(2,502)	(2,591)	(2,253)
Actuarial gain on employee benefit obligations	1,322	—	—	—	—	—	—	—
ENDING RETAINED EARNINGS	**$36,840**	**$29,059**	**$33,247**	**$26,690**	**$ 23,702**	**$ 21,200**	**$ 18,609**	**$ 16,356**

2014–15 CORPORATE PLAN VERSUS 2014–15 ESTIMATED RESULTS

The Corporation is estimating a net loss of $3.6 million compared to a planned net loss of $5.6 million in the *Corporate Plan* for the fiscal year ending March 31, 2015. The significant variances between the estimated results and the *Corporate Plan* are the following:

- Total estimated revenue is $1.2 million or 1.4% lower than stated in the *Corporate Plan* due to the lower anticipated demand for services and volume of work from the Client-Partners.

- Total estimated expenses are $3.2 million or 3.6% lower than stated in the *Corporate Plan* for two reasons: overhead salaries are estimated to be $3 million lower than stated in the *Corporate Plan* due to better utilization rates and labour efficiencies; and the total for depreciation and amortization is estimated to be 27% lower than stated in the *Corporate Plan* because DCC made fewer capital purchases and a different mix of capital purchases than planned.

SERVICES REVENUE

The Corporation is forecasting services revenue of approximately $81 million for the year ending March 31, 2015, which represents a decrease of approximately 13% from the previous fiscal year. This is due to a decreased volume of work caused by the reduction in DND's infrastructure and environmental program expenditures, resulting in lower demand for DCC services. As per its DRAP commitment and its application of its financial and cash management policies, the Corporation did not increase billing rates in 2014–15.

For the planning period, the Corporation has made the following assumptions in relation to the anticipated changes in the volume of services revenue, based on the anticipated Client-Partner program volume and projected billing rate increases each year from 2015–16 to 2019–20. (See Table 6)

After the anticipated 12.8% drop in services revenue in the period ended March 31, 2015, the Corporation forecasts that demand for DCC's services will increase over the planning period. This forecast is based on current program data from its Client-Partners and the infrastructure funding announcement made by the Prime Minister on November 24, 2014, regarding an additional $452 million in infrastructure funding for DND. DCC anticipates that most of this funding support will be delivered in the next three years.

As for the billing rate increase assumption, the Corporation has committed to freezing the current rates until the end of 2015–16. Subsequently, the Corporation is anticipating annual increases in billing rates of 3.5% in each of the first three years of the planning period and a 4% increase in the fifth year. The billing rate increases are required in order to maintain operating profits at a sustainable level, starting in 2019–20. The freezing of the billing rates for the four-year period from 2012–13 to 2015–16 will reduce the gross margin from 36.6% at the beginning of the freeze period to 30.9% in 2016–17. The gross margin will not start to recover until 2019–20, when billing rate increases are sufficient to offset salary increases. The reduction in the gross margin from 2012–13 to 2015–16 will allow the Corporation to achieve its cash management policy objective of reducing cash to an appropriate operating level. However, higher margins are required beyond the planning period to maintain a sustainable financial position and to allow the Corporation to return to a slightly better than break-even operating position.

Table 7 illustrates the impact of the billing rate freeze on the gross margin percentage, profit and loss, retained earnings and the cash and investment balance for the fiscal years 2012–13 to 2019–20.

Graph 1 illustrates that during the billing rate freeze fiscal years, the gross margin percentage decreases from 38.58% in the first year of the billing rate freeze (2012–13) to 30.92% in the last year of the billing rate freeze (2015–16). Over this same period due to the operating losses incurred as a result of the lower gross margin percentage, retained earnings declines from $35.6 million to $26.7 million and the cash and investments balance declines from $35.9 million to $26.7 million. Starting in 2016–17

TABLE 6

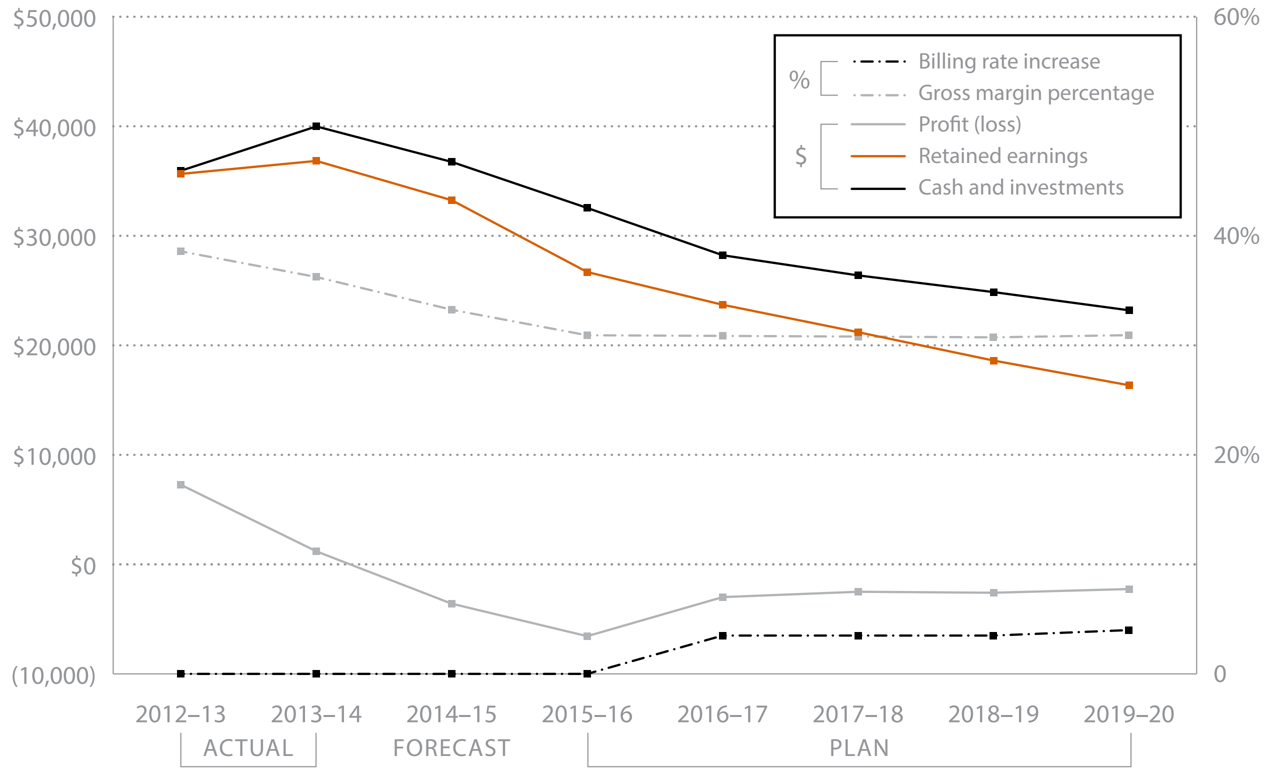
	ESTIMATED	PLANNED				
	March 31/15	March 31/16	March 31/17	March 31/18	March 31/19	March 31/20
Services revenue volume change	-12.8%	9.6%	13.9%	2.0%	0.1%	0.0%
Efficiency change	0.0%	0.0%	-0.1%	-0.1%	-0.1%	-0.2%
Billing rate increase	0.0%	0.0%	3.5%	3.5%	3.5%	4.0%
TOTAL ANTICIPATED INCREASE (DECREASE) IN COST OF SERVICES REVENUE	**-12.8%**	**9.6%**	**17.3%**	**5.4%**	**3.5%**	**3.8%**

TABLE 7

	ACTUAL		FORECAST	PLANNED				
	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
Billing rate increase	0.00%	0.00%	0.00%	0.00%	3.50%	3.50%	3.50%	4.00%
Gross margin percentage	38.58%	36.24%	33.25%	30.92%	30.86%	30.80%	30.73%	30.93%
Total comprehensive income (loss)	$ 7,263	$ 1,189	$ (3,593)	$ (6,557)	$ (2,988)	$ (2,502)	$ (2,591)	$ (2,253)
Retained earnings	$35,651	$36,840	$33,247	$26,690	$23,702	$21,200	$18,609	$16,356
Cash and investments	$35,943	$39,988	$36,746	$32,543	$28,225	$26,385	$24,861	$23,200

billing rates are increased year-over-year to maintain the gross margin at the 31% range for the remainder of the planning period. To re-establish a sustainable operating margin that provides and maintains sufficient cash resources based on operational requirements, billing rate increases will need to increase further in years beyond the current plan. The assumptions used for billing rate increases over the planning period are subject to change based on actual business volumes and operating results over the planning period and actual payroll increases.

GRAPH 1



INVESTMENT REVENUE

Investment revenue, which is generated from cash reserves held in bank accounts and from the Corporation's investment portfolio, is forecasted to total approximately $668,000 for the current year ending March 31, 2015, which is approximately 4.2% higher than the amount in the previous fiscal year. The increase is due to higher interest revenue generated from cash held in the bank and from the investment portfolio.

For the remaining years of the plan, investment revenue is expected to fall annually from the forecasted $668,000 at March 31, 2015, to $420,000 at March 31, 2020. The annual decrease is due to the decreasing cash balance forecasted over the planning period. The interest rate assumptions used for the investment revenue are 1.2% for cash held in the bank and 3.0% for the investment portfolio.

SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits are forecasted to total approximately $76.5 million for the current year ending March 31, 2015, representing a decrease of approximately 10.3% over the previous fiscal year. The decrease in salaries and benefits comprises a reduction of approximately 14 percentage points related to workforce reductions reflecting lower demand for services, offset by a 3.5-percentage-point increase in salaries and benefits, of which 1.0 percentage point was due to inflation and 2.5 percentage points were due to performance-based increases under DCC's performance management program. The expected number of employees on a full-time equivalent (FTE) basis in fiscal 2014–15 is 757, a decrease of 99 FTEs or 11.6% from the number in fiscal 2013–14.

For the remaining planning period, the Corporation has assumed that the annual economic increase, based on an estimate of the change in the consumer price index (CPI) year over year, will be 1.0%. This assumption may be affected by a difference in the actual CPI change. Performance-based increases are forecasted to remain constant at 2.5% over the planning period, based on historical trends.

For 2015–16, the Corporation will see salary expenses grow faster than revenue, due to the freeze in billing rates for that year. The forecasted growth in salaries for the remaining planning period is lower than or even with the increases in annual revenue. This is due to several factors, including the assumption that billing rates and revenue volume will both increase. Expected improvements to utilization rates, combined with ongoing efforts to optimize service delivery, will offset the growth in salaries and employee benefits needed to meet higher demand (in other words, DCC will need fewer employees to deliver services, due to greater labour efficiency). (See Table 8)

OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses are forecasted to total $7.6 million for the current year ending March 31, 2015, representing an increase of approximately 8% over the previous fiscal year. This increase in operating expenses is due to the costs to implement corporate initiatives related to centralizing document management functions and to other efficiency measures that will save the Corporation and the Client-Partner costs in future years. In 2014–15, the forecasted increase in operating expenses of 8% is due mainly to the following factors: an increase in telephone and telecommunication expenses of $192,000, due mainly to an upgrade of corporate-wide data communication services and increased use of smartphones; an increase in software maintenance costs of $222,000 to support enterprise-wide security and

TABLE 8

	ESTIMATED	PLANNED				
	March 31/15	March 31/16	March 31/17	March 31/18	March 31/19	March 31/20
Salary increase						
Economic increase	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Performance-based increase	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Total salary increase assumption	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Salary increase (decrease) related to higher revenue and FTE count	-12.8%	9.6%	13.9%	1.9%	0.0%	0.0%
Other changes due to salary level mix and utilization variances	-1.0%	0.5%	-4.0%	-0.4%	0.0%	0.0%
TOTAL SALARY INCREASE (DECREASE) ASSUMPTION	**-10.3%**	**13.6%**	**13.4%**	**5.0%**	**3.5%**	**3.5%**

document management initiatives; and professional services cost increases of $250,000, mainly due to corporate initiatives related to human resources and information technology.

For fiscal 2015–16, the Corporation forecasted an increase in operating expenses of only 0.2%, as cost containment measures in the last year of the operating budget freeze are expected to continue. For the remaining years of the planning period, the Corporation assumed a 1.5% year-over-year increase related to inflation and cost growth.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization—which includes depreciation of property, plant and equipment; depreciation of assets under finance lease; and amortization of intangible assets—are forecasted to total $1.1 million in the year ending March 31, 2015, representing a decrease of approximately 16.9% from the previous fiscal year. This decrease is related to lower-than-expected capital expenditures in the prior fiscal year.

For the year ending March 31, 2016, depreciation and amortization are expected to total approximately $1.3 million, representing an increase of approximately 19.1% from the current fiscal year forecast. This increase is driven primarily by capital replacement spending on computer equipment in the current year. Future annual projections of capital expenditures, highlighted under Capital Budgets, will also affect the fluctuation in depreciation and amortization over the remaining years of the plan.

TOTAL COMPREHENSIVE INCOME (LOSS)

For the five-year planning period, the Corporation is planning a loss for each year. These losses are due to the Corporation freezing its billing rates from fiscal 2012–13 to fiscal 2015–16. The Corporation froze its billing rates for two reasons: to reduce the costs of DCC's services to its Client-Partners, as per the DRAP; and to reduce the amount of cash held by the Corporation to the appropriate level, as per DCC's cash management policy.

A total comprehensive loss of $3.6 million, or 4.4% of services revenue, is forecasted for the year ending March 31, 2015, compared with a total comprehensive income of $1.2 million or 1.3% of services revenue in the previous fiscal year. The decrease in net income and comprehensive income is due mainly to the Corporation's freezing of billing rates at 2011–12 levels to manage its cash reserves, and is consistent with its DRAP commitment and its financial and cash management policies.

For the year ending March 31, 2016, a total comprehensive loss of $6.6 million or 7.4% of services revenue is projected, which represents an increase of about 82% from the expected total comprehensive loss for the current fiscal year. The loss in fiscal 2015–16 is due to the billing rate freeze discussed above. Losses of $3.0 million in fiscal 2016–17, $2.5 million in 2017–18, $2.6 million in 2018–19 and $2.3 million in 2019–20 are planned to manage the cash reserves held by the Corporation, in accordance with its financial and cash management policies. The Corporation expects to be cash-flow positive following the planning period.

STATEMENT OF FINANCIAL POSITION

For the years ending March 31

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in $ thousands)	2013–14	2014–15	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
Assets								
Cash	$ 29,568	$ 25,338	$ 22,931	$ 18,608	$ 14,104	$ 12,086	$ 10,392	$ 10,569
Investments	1,514	1,500	1,000	1,500	1,500	500	500	1,500
Trade receivables	16,331	17,738	17,471	16,598	19,485	20,538	21,256	22,064
Prepaids and other current assets	903	516	787	863	1,013	1,068	1,105	1,147
Current assets	**48,316**	**45,092**	**42,189**	**37,569**	**36,102**	**34,192**	**33,253**	**35,280**
Investments	8,906	10,194	12,815	12,435	12,621	13,801	13,972	11,135
Property, plant and equipment	1,567	2,076	2,134	2,471	2,737	2,947	3,111	3,211
Assets under finance lease	239	350	275	350	350	350	350	350
Intangible assets	559	1,566	601	636	668	697	723	746
Non-current assets	**11,271**	**14,186**	**15,825**	**15,892**	**16,376**	**17,795**	**18,156**	**15,442**
TOTAL ASSETS	**$ 59,587**	**$ 59,278**	**$ 58,014**	**$ 53,461**	**$ 52,478**	**$ 51,987**	**$ 51,409**	**$ 50,722**
Liabilities and equity								
Trade and other payables	$ 6,900	$ 10,613	$ 6,693	$ 6,894	$ 7,100	$ 7,314	$ 7,534	$ 7,307
Current portion: Finance lease obligation	109	107	107	107	107	107	107	107
Current portion: Employee benefits	570	550	550	600	625	650	675	700
Current liabilities	**7,579**	**11,270**	**7,350**	**7,601**	**7,832**	**8,071**	**8,316**	**8,114**
Finance lease obligation	146	247	247	250	252	255	257	261
Employee benefits	15,022	18,702	17,170	18,920	20,692	22,461	24,227	25,991
Non-current liabilities	**15,168**	**18,949**	**17,417**	**19,170**	**20,944**	**22,716**	**24,484**	**26,252**
Total liabilities	**22,747**	**30,219**	**24,767**	**26,771**	**28,776**	**30,787**	**32,800**	**34,366**
Authorized: 1,000 shares at no par value								
Issued: 32 shares	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Retained earnings	36,840	29,059	33,247	26,690	23,702	21,200	18,609	16,356
Total equity	**36,840**	**29,059**	**33,247**	**26,690**	**23,702**	**21,200**	**18,609**	**16,356**
TOTAL LIABILITIES AND EQUITY	**$ 59,587**	**$ 59,278**	**$ 58,014**	**$ 53,461**	**$ 52,478**	**$ 51,987**	**$ 51,409**	**$ 50,722**

2014–15 CORPORATE PLAN VERSUS 2014–15 ESTIMATED RESULTS

The significant variances in the statement of financial position between the 2014–15 *Corporate Plan* and the estimated results are as follows: 1) cash and investments is estimated to be $286,000 lower than *Corporate Plan* due to a combination of better operating results offset by more net cash used for working capital due to timing of collections of receivables and payments to suppliers; 2) intangible assets are expected to be $1 million lower in the estimate than the *Corporate Plan* due to the deferral of the investment in software for corporate reporting; 3) trade and other payables is lower by $3.9 million due to timing of payments; 4) employee benefits is estimated to be $1.5 million lower than in the *Corporate Plan* due to staff reductions and differences in actuarial assumptions; and 5) retained earnings is estimated to be $4.2 million higher than the *Corporate Plan* due to a combination of the smaller estimated net loss for the year as seen above in the statement of profit and loss and other comprehensive income and better than expected results in the prior year (2013–14) than increased opening retained earnings as at April 1, 2014.

CASH MANAGEMENT POLICY

DCC's financial management policy is to generate and maintain sufficient cash to meet the Corporation's anticipated operating and capital requirements, to settle its financial obligations as they become due, and to maintain adequate cash reserves to meet contingencies that may arise.

The Corporation operates on a fee-for-service basis and receives no cash funding through government appropriations, nor does it maintain or have access to any lines of credit or other sources of borrowings. Thus, the Corporation's cash is generated solely from fees collected from its Client-Partners for services provided.

Consistent with its mandate, the Corporation aims to operate on a slightly better than break-even basis. All of the Corporation's cash is generated from the services it provides to its Client-Partners. The Corporation sets billing rates based on expected program and operating costs. However, unexpected increases in program services provided to Client-Partners, as well as DCC's success in achieving its own operating efficiencies, can result in margins that exceed initial targets. Cash levels are constantly monitored, and any cash surpluses judged to exceed operating requirements are reduced through the setting of billing rates.

In preparing its operating plans, the Corporation prudently allows for reasonable levels of cash contingencies in its financial projections to ensure that it has sufficient cash reserves to continue to fulfill its mandate and serve its Client-Partners in an effective and timely manner. The objective of the cash management policy is to help DCC to keep sufficient cash reserves available—recognizing the potential for short-term interruptions in collections of receivables—to meet its obligations. Potential obligations considered in the cash management policy include salaries, benefits and other current operating costs for a period of 60 to 90 days; payments of long-term employee benefits, which include employee sick leave costs, and health and life insurance benefits for DCC retirees; and other areas, which could include costs associated with personnel adjustments, relocation costs and additional capital costs to comply with new Government of Canada directives.

CASH REQUIREMENTS AND USES

The Corporation considers several factors in determining the amount of cash reserves to maintain, including the planning and operating risks inherent in its operations. In particular, the risks associated with potential and unanticipated changes to the amount or timing of DND's construction project expenditures directly affect the amount or timing of DCC services and the cash generated.

The current ideal cash reserve level is estimated to be at between $21 million to $24 million, based on forecast operations to 2019–20. These amounts may change over time as DCC's financial position changes. The following factors help DCC determine adequate cash reserves.

- Working capital: DCC typically has $7 million to $8 million in current liabilities, which it has to manage on a timely basis.
- Payroll: The Corporation currently has monthly payroll costs of $6.4 million. The cash reserves are sufficient to cover approximately three months of payroll. This is seen as an appropriate amount for a viable business to have on hand.
- Receivables collection risk: Although DCC has a secure client base from which it regularly collects receivables, several things can affect the timing of those collections. Routine delays in Client-Partner approvals and processing of invoices can sometimes affect collections of some receivables. Greater risks occur in the situations described below, which DCC manages through sufficient cash planning.
- Approvals process: DND's Infrastructure and Environment Group is undergoing a significant transformation process. As part of this initiative, the Group is revisiting DND's approval processes and levels. The changes to the approval processes are being contemplated to enhance DND's efficiency, but they are creating uncertainty for DCC around the timing of payment approvals and collections, especially for major projects.
- Election periods: During the writ period, DND relies on special funding mechanisms (warrants), which allow

payments to continue in a 45-day cycle. There can be uncertainty about the timing of these mechanisms. DND's ability to pay receivables could easily be affected for a single cycle, which is equivalent to half of the 90-day payroll coverage period.

- Economic restraint measures: DND is closely reviewing its infrastructure program to meet economic restraint targets. DCC fully supports this action. However, the short-term result is that it is difficult to accurately forecast DND infrastructure requirements and plan DCC resources accordingly. DCC has not received a firm forecast for expected infrastructure program expenditures for fiscal 2015–16 and beyond. This uncertainty increases the risk of material fluctuations in demand for DCC services, which could require unanticipated investments to add or reduce resources. Such costs might include recruiting, relocation and training expenses—or, conversely, severance and other termination costs. DCC self-funds such costs and must keep sufficient cash reserves on hand.

- Long-term obligations: DCC must fund over $18.1 million in employee future benefits, including retirement, health and sick leave benefits. These obligations are expected to grow to $26.2 million over the next five years. The Corporation must also fulfill other commitments, such as paying for facility leases. DCC cannot predict with certainty when it may be required to pay for these liabilities and must ensure that sufficient cash is available for these purposes.

- Capital expenditures: DCC must self-fund all capital expenditures, such as the costs of modernizing information technology and information management systems, which will total $7.5 million over the five-year planning period.

DCC does not expect all of these financial contingencies to occur at the same time. If they did, the Corporation's current reserves would be grossly inadequate. Instead, DCC relies on prudent forward planning of its resource levels and ongoing active business operations to help ensure that it can meet its obligations.

There are no restrictions on the use of the Corporation's funds, and no legal or statutory obligations to segregate funds for any current or future liabilities, including future benefits for employees. As such, the Corporation does not have any segregated or restricted funds, and cash in excess of short-term operational and capital requirements is invested in accordance with the investment policy approved by the Board of Directors.

CASH AND INVESTMENT BALANCES

(See Table 9)

As at March 31, 2014, the actual cash and investments balance was $1.3 million higher than projected in the 2013–14 *Corporate Plan* due to better operating results during fiscal 2013–14 arising from operating efficiencies and to cost containment measures under DRAP.

Between 2014–15 to 2018–19, the Corporation is projecting to decrease cash faster than originally projected in the 2014–15 *Corporate Plan* due mainly to the decision to maintain a 0% billing increase for a fourth consecutive year.

Currently, the Corporation's liquidity and capital resources position, represented by its cash and investment balances, is strong and the Corporation has determined that its current cash and investment balances exceed its operating needs. As such, in accordance with its financial and cash management policies, DCC will reduce the cash balance over the planning period to more appropriate levels as illustrated above. Cash and investments are forecasted to be $36.7 million in 2014–15. This figure will continue to decrease in the later years of the plan, primarily through the setting of billing rates and the incurrence of operating losses to reduce its retained

TABLE 9: COMPARISON OF 2014–15 CORPORATE PLAN PROJECTIONS TO ACTUAL RESULTS AND TO THE 2015–16 CORPORATE PLAN PROJECTIONS

CASH AND INVESTMENTS AS AT:	2014–15 CORPORATE PLAN PROJECTIONS	ACTUAL RESULTS ACHIEVED	VARIANCE	2015–16 CORPORATE PLAN PROJECTIONS	VARIANCE
March 31, 2014	$38,698	$39,988	$1,290		
March 31, 2015	$37,032			$36,746	$ (286)
March 31, 2016	$34,635			$32,543	$(2,092)
March 31, 2017	$31,991			$28,225	$(3,766)
March 31, 2018	$29,644			$26,387	$(3,257)
March 31, 2019	$25,601			$24,864	$ (737)
March 31, 2020	n/a			$23,204	

earnings. Cash and investments are expected to total $23.2 million at the end of the planning period.

TRADE RECEIVABLES

Trade receivables are expected to vary during the plan years in direct proportion to the fluctuations in services revenue from year to year.

PROPERTY, PLANT AND EQUIPMENT, ASSETS UNDER FINANCE LEASE, AND INTANGIBLE ASSETS

The amount for property, plant and equipment represents the net book value of purchased computer equipment, office furniture and equipment, and leasehold improvements. The figure for assets under finance lease represents the net book value of photocopiers purchased under finance leases. The amount for intangible assets represents the net book value of purchased software licences for desktop computers and for the enterprise resource planning system.

The value of property, plant and equipment, assets under finance lease, and intangible assets for the current year ending March 31, 2015, is expected to increase from the value in the previous fiscal year by 27.3%. For the year ending March 31, 2016, the value of property, plant and equipment, assets under finance lease, and intangible assets is expected to increase by a further 14.9%. These fluctuations, and those for the remaining plan years, are directly tied to projected levels of capital spending, as highlighted in the Capital Budgets section, and to the amortization amount from year to year, based on the Corporation's amortization policies, as described in its *Annual Report*.

TRADE AND OTHER PAYABLES

Trade and other payables for the current year ending March 31, 2015, are expected to increase by 3% in the year ending March 31, 2016. These fluctuations, and those of the subsequent plan years, are largely tied to changes in the level of operating expenditures from year to year and to the anticipated timing of payments to creditors.

EMPLOYEE BENEFITS

The figure for employee benefits represents the Corporation's liability for the estimated costs of severance for its employees and health care benefits for its retirees. This amount is actuarially determined and fluctuates from year to year based on a number of factors, including staff changes and the actuarial assumptions used. Employee benefits, including the current portion, are expected to total $17.7 million at March 31, 2015, representing an increase of approximately 13.6% over the figure in the previous fiscal year, due to the accrual of benefits. For the remaining plan years, the amount is expected to increase year over year by rates varying from 7.1% to 10.2%. Although the actuary projects a current payout amount for each year, the exact timing of payouts is not determinable. The Corporation is under no obligation to segregate funds for this liability and does not do so. However, the Corporation's financial management policy and planning ensure that sufficient funds are available to meet future benefit payments for employees as they become due. The assumptions the actuary uses to calculate these benefits are summarized in the Corporation's *Annual Report*.

FINANCE LEASE OBLIGATION

The finance lease obligation is expected to remain relatively stable for the planning period due to the minor anticipated changes in business activity, which means additional copiers and printers should not be needed. The replacement rate is expected to remain stable year over year.

STATEMENT OF CASH FLOWS

For the years ending March 31

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in $ thousands)	2013–14	2014–15	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
Cash flows from (used in) operating activities								
Loss for the year	$(133)	$(5,587)	$(3,593)	$(6,557)	$(2,988)	$(2,502)	$(2,591)	$(2,253)
Adjustments to reconcile profit for the year to cash provided by operating activities								
Employee benefits expense	3,159	2,200	2,500	2,200	2,222	2,244	2,266	2,289
Employee benefits payments	(810)	(500)	(372)	(400)	(425)	(450)	(475)	(500)

Cont'd

STATEMENT OF CASH FLOWS

For the years ending March 31

(in $ thousands)	ACTUAL 2013–14	CORPORATE PLAN 2014–15	ESTIMATED 2014–15	PLANNED 2015–16	PLANNED 2016–17	PLANNED 2017–18	PLANNED 2018–19	PLANNED 2019–20
Depreciation of property, plant and equipment	973	1,255	690	913	984	1,040	1,086	1,150
Depreciation of assets under finance lease	146	125	200	180	185	190	195	200
Amortization of intangible assets	202	120	208	215	218	221	224	227
Amortization of investment premiums	93	120	120	130	135	140	145	150
Gain on sale of property, plant and equipment	17	—	—	—	—	—	—	—
Increase (decrease) in non-cash working capital balances related to operating activities	1,448	2,730	(1,233)	998	(2,830)	(895)	(536)	(1,076)
Net cash flows provided by (used in) operating activities	**5,095**	**463**	**(1,480)**	**(2,321)**	**(2,499)**	**(12)**	**314**	**187**
Cash flows from (used in) investing activities								
Proceeds from (acquisition of) investments	(399)	(350)	(3,500)	(350)	(350)	(350)	(350)	1,650
Acquisition of property, plant and equipment	(602)	(1,711)	(1,257)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)
Acquisition of intangible assets	(201)	(676)	(250)	(250)	(250)	(250)	(250)	(250)
Net cash flows (used in) from investing activities	**(1,202)**	**(2,737)**	**(5,007)**	**(1,850)**	**(1,850)**	**(1,850)**	**(1,850)**	**150**
Cash flows used in financing activities								
Repayment of finance lease obligations	(154)	(150)	(150)	(152)	(155)	(156)	(158)	(160)
Net cash flows used in financial activities	**(154)**	**(150)**	**(150)**	**(152)**	**(155)**	**(156)**	**(158)**	**(160)**
Increase (decrease) in cash during the period	3,739	(2,424)	(6,637)	(4,323)	(4,504)	(2,018)	(1,694)	177
Cash at the beginning of the period	**25,829**	**27,762**	**29,568**	**22,931**	**18,608**	**14,104**	**12,086**	**10,392**
CASH AT THE END OF THE PERIOD	**$29,568**	**$25,338**	**$22,931**	**$18,608**	**$14,104**	**$12,086**	**$10,392**	**$10,569**

The statement of cash flows details the sources and uses of cash from the Corporation's operating, investing and financing activities, as well as the overall net change in the Corporation's cash balance from year to year. Non-cash expenses included in earnings (such as depreciation and amortization, and the provision for employee benefits) are added back, and cash disbursements not included in earnings (such as assets under finance lease, intangible assets, acquisition of investments, and acquisition of property, plant and equipment) are subtracted, to arrive at the net change in cash during each fiscal year.

Staff strength, presented on an FTE basis, is projected to be 757 for the current year ending March 31, 2015. This figure represents a decrease of approximately 11.5% from the previous fiscal year. Staff levels are expected to decrease to support the decreases in work volume forecasted for the current year.

The FTE staff strength for the remaining planning years is expected to increase due to higher anticipated work volumes. (See Table 10)

Overall, capital expenditures for fiscal 2014–15 are estimated to be 36.9% below plan. Variations and adjustments within categories of capital expenditures are due to changing requirements. Lower expenditures are forecasted for computer hardware, due to lower-than-anticipated costs for information technology (IT) hardware projects and replacements. Intangible asset costs related to IT projects are expected to be lower than planned due to delayed projects. Spending on office furniture and equipment is projected to be lower than planned, as certain planned expenditures were postponed due to lower-than-expected staff levels. Expenses for leasehold improvements are projected to be lower than planned due to changing requirements. (See Table 11)

The Corporation is expecting capital expenditures for the fiscal year ending March 31, 2015 to be $1.5 million or an increase of $704,000 from the previous fiscal year an increase of 87%. The reason for the increase is mainly due to higher spending on computer systems hardware and office furniture and equipment. In 2013–14, the Corporation reduced its workforce by 18% which reduced the amount of capital spending on computer systems and other equipment required as compared to that year's forecast. The reduction in workforce was a direct result in lower demand for services from DCC's Client-Partners.

In 2014–15, the Corporation anticipates higher spending in particular for computer hardware due to the replacement cycle of older systems coming due. DCC replaces staff computer systems on a four-year lifecycle, and enterprise computing, communications and storage systems on a five-year lifecycle. This increased level of spending is expected to continue into the 2015–16 planning period and beyond as the Corporation will need to continue to replace computer hardware and intangible assets that are at the end of their finite lifecycle, as well as to meet additional requirements for increased storage related to the document management initiative. Continued improvements to the Corporation's enterprise resource planning and document management software systems are also forecasted over

TABLE 10: STAFF STRENGTH

For the years ending March 31

	ACTUAL	ESTIMATED	PLANNED				
	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
Employees based on full-time equivalents (FTEs)	855	757	828	940	956	960	963

TABLE 11: CAPITAL BUDGET

For the year ending March 31, 2015

	ESTIMATED	PLANNED	
(in $ thousands)	March 31/15	March 31/15	Variance
Computer systems hardware	$1,000	$1,100	$ (100)
Intangible assets	250	676	(426)
Office furniture and equipment	198	250	(52)
Leasehold improvements	59	361	(302)
	$1,507	**$2,387**	**$ (880)**

the planning period, as well as purchases of corporate reporting software.

During the planning period, the Corporation also expects to replace office furniture and equipment, and renovate leased offices as required to meet operational needs.

In the capital budget, DCC forecasts that the replacement rate will remain steady year over year, but it may need to be adjusted if Client-Partner demands change. None of the costs incorporated in the capital budget this year were part of the previous year's operating budget. DCC's financial policies clearly define capital expenditures and operating expenses. (See Table 12)

The statement of comprehensive income table compares estimated operating results with planned results for the current year ending March 31, 2015. Services revenue is expected to be approximately 1.5% below plan. The decrease is related to lower-than-anticipated business volume, due to DND's lower spending on its infrastructure and environment programs. Investment revenue is expected to be approximately 11.3% above plan, due to higher average cash and investment portfolio balances throughout the year and improved returns.

Salaries and employee benefits are expected to be approximately 3.7% lower than plan. The decrease is due to a lower-than-expected level of business activity related to the decrease in DND programs and increased labour efficiency.

Operating and administrative expenses are expected to be approximately 2.6% higher than plan. The increase is a result of higher costs related to telecommunications and professional services. Depreciation and amortization are expected to be approximately 26.8% below plan. The decrease is due to the lower-than-expected amount of actual assets capitalized in the prior year.

The forecasted total comprehensive loss is expected to be $3.6 million, versus a planned loss of $5.6 million. The variance is due primarily to lower salary and employee benefits, due to lower demand from the Client-Partner and increased labour efficiency. (See Table 13)

TABLE 12: CAPITAL BUDGET FORECAST

For the years ending March 31

	ACTUAL	ESTIMATED	PLANNED				
(in $ thousands)	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
Computer systems hardware	$528	$1,000	$1,025	$1,025	$1,025	$1,025	$1,025
Intangible assets	201	250	250	250	250	250	250
Leasehold improvements	65	59	75	75	75	75	75
Office furniture and equipment	9	198	150	150	150	150	150
	$803	**$1,507**	**$1,500**	**$1,500**	**$1,500**	**$1,500**	**$1,500**

TABLE 13: STATEMENT OF COMPREHENSIVE INCOME

For the year ending March 31, 2015

	ESTIMATED	PLANNED	
(in $ thousands)	March 31/15	March 31/15	Variance
Services revenue	$80,976	$82,212	$(1,236)
Investment revenue	668	600	68
Total revenue	**81,644**	**82,812**	**(1,168)**
Salaries and employee benefits	76,478	79,430	(2,952)
Operating and administrative expenses	7,661	7,469	192
Depreciation and amortization	1,098	1,500	(402)
Total expenses	**85,237**	**88,399**	**(3,162)**
NET INCOME AND COMPREHENSIVE INCOME	**$(3,593)**	**$(5,587)**	**$1,994**

APPENDIX

Corporate Profile

MANDATE

a) The principal mandate of DCC, pursuant to the *Defence Production Act*, is to meet the infrastructure and environmental needs of DND/CAF by providing quality services. DCC's mission is to provide timely, effective and efficient project delivery and full life-cycle support for infrastructure and environmental assets required for the defence of Canada.

b) DCC is an agent of the Crown incorporated for the purpose of carrying out the procurement for and delivering of defence infrastructure projects. The *Defence Production Act* defines a defence contract as a contract with an agent of Her Majesty that in any way relates to defence projects or to the designing, manufacturing, producing, constructing, finishing, assembling, transporting, repairing, maintaining, servicing or storing of or dealing in defence projects.

c) DCC is permitted to perform and/or contract out real property duties—in particular, to manufacture or otherwise produce, finish, assemble, process, develop, repair, maintain or service defence supplies; or to manage and operate facilities; and to arrange for the performance of professional or commercial services.

d) The *Defence Production Act* also mandates DCC to do all such things that are incidental to, or necessary to or expedient for, the matters referred to in the above paragraphs, with respect to the procurement, construction, or disposal of defence supplies or defence projects.

e) DCC's Letters Patent permit DCC to take on, lease, or in exchange, procure, purchase or otherwise acquire, construct, alter, renovate, add to, improve, and to hold, manage, maintain, operate, supervise, repair, heat, lease, sell, salvage, realize or otherwise dispose of real and personal property—and in particular, lands and buildings.

f) DCC is governed by the provisions of Part X of the *Financial Administration Act*. DCC adheres to the governance, planning, reporting and audit practices established in that legislation.

g) DCC reports to Parliament through the Minister of Public Works and Government Services.

RELATIONSHIP WITH DND/CAF

a) DCC contributes to the results of DND/CAF in the defence of Canada by supporting CAF operations, and DND/CAF project and program delivery, in Canada and overseas, in the areas of construction, maintenance, facility operation, environmental and other specialized professional services.

b) DCC and DND have worked together for over 60 years. During that time, DCC has acquired specialized expertise and accumulated a large knowledge base related to Canada's military construction, and associated infrastructure and environment services, at home and abroad, including knowledge related to its support of the CAF mission in Afghanistan, and to DCC's work in Canada's Far North.

c) Operationally and administratively, DCC deals with many organizations within DND. DND's Assistant Deputy Minister, Infrastructure and Environment (ADM(IE)) is the senior departmental manager of the DND-DCC relationship, and the Corporation supports the delivery of the capital construction program managed by the ADM(IE) Group.

d) The Communications Security Establishment Canada (CSEC) is Canada's national cryptologic agency, it is a stand-alone agency reporting directly to the Minister of National Defence. As the contracting authority for DND, DCC is working with CSEC on its Long-Term Accommodation Project (LTAP) in Ottawa. Built using a public-private partnership (P3), this 30-year, design-build-finance-maintain contract includes unique security, infrastructure and financing arrangements.

e) Since 1951, the working relationship between DND and DCC has been defined in a continuous series of memoranda of understanding (MOUs). The MOUs describe the operational, administrative and financial framework within which the two organizations do business.

OPERATING STRUCTURE

DCC maintains site offices at all active CAF establishments in Canada and abroad, as required, and its Head Office is located in Ottawa. The Corporation maintains five regional offices (Atlantic, Quebec, Ontario, Western and National Capital Region), as well as 39 site offices located at CAF bases, wings and area support units. In addition, DCC maintains remote offices in the Arctic, as required for the DEW Line Clean-Up, and for eight years maintained site offices in Kabul and Kandahar, Afghanistan. DCC stands ready to support future CAF operations abroad or at home in Canada, as required.

Business Model

a) DCC's business model is to maintain core professional capabilities and leverage them to the maximum extent with industry capacity. The Corporation balances the needs of private sector contractors and consultants while remaining fully compliant with all relevant regulations and guidance of the Government of Canada.

b) Operating on a fee-for-service and break-even basis, DCC does not receive any appropriations from the Government of Canada. It generates revenue through fees charged to its Client-Partners for infrastructure and environmental support services linked to the full lifecycle management of Crown assets for which DND/CAF is the custodian.

c) DCC staff provides the services that are most appropriately and/or most effectively carried out by the Crown. The balance of activities—those related to programs and projects—are carried out by private sector consultants and contractors engaged by DCC.

d) DCC has cost-effective, fair and transparent procurement processes in place.

e) DCC is committed to supporting DND through DND's Canada First Defence Strategy. This task could include, for example, meeting infrastructure support requirements arising out of announcements under the National Shipbuilding Procurement Strategy (NSPS). The NSPS includes the Royal Canadian Navy's Arctic/Offshore Patrol Ship Project.

f) DCC is focused on providing flexible solutions and delivering value for money to DND/CAF and the Government of Canada.

CORPORATE PERFORMANCE MANAGEMENT

Measuring performance is key to running efficient operations within DCC. DCC's Corporate Performance Management Framework (CPMF) was developed to ensure that the Corporation defines appropriate performance measures that support the effective management of corporate resources in achieving planned results; that systems, procedures and processes used to collect, analyze and report performance measurements are adequate and functioning as intended; and that senior management receives timely information to monitor performance against planned results. It came into effect in June 2014.

The main purpose of the CPMF is to provide a structure for DCC's current performance management practices. DCC's Operations Coordination Team (OCT) leads and coordinates the implementation of the corporate performance management (CPM) cycle. The team reports statistics to DCC's Vice-Presidents and President; this ensures that CPM leadership is clearly established with and directly linked to the Corporation's executives.

DCC uses two sets of performance indicators to measure success. Key performance indicators (KPIs) measure DCC's success in meeting higher level strategic objectives, such as leadership and governance. Executive management is accountable for the KPIs, and KPI results are published externally in the *Annual Report* and the *Corporate Plan Summary*. Business performance indicators (BPIs) measure DCC's success in meeting more tactical objectives, such as business management and service delivery objectives. The Senior Management team is accountable for the BPIs, and BPI results are published internally.

The CPM cycle takes place over 24 consecutive months, across three fiscal years. It is rolled out in two phases: strategic planning (10 months) and monitoring (14 months). During the strategic planning phase, DCC defines and implements the Corporation's strategy, a task that includes reviewing the KPIs. Two documents are produced further to this phase: the *Corporate Plan*, which focuses on strategy; and the *Operations Business Plan*, which is an operational response to the *Corporate Plan*. During the monitoring phase, DCC reports on its performance results, then develops and implements optimization measures to improve these results. Various internal documents are produced to report on the results, such as the monthly EMG operations reports. DCC also reports on these results externally, in the *Annual Report* and the *Quarterly Financial Reports*, as well as in the *Corporate Plan*.

LEGISLATIVE POWERS AND OBLIGATIONS

Legislative Framework

Defence Construction (1951) Limited was created pursuant to the *Defence Production Act* for the specific purpose of procuring for and delivering defence infrastructure projects. It was incorporated pursuant to the *Companies Act* of 1934 and was granted continuance under the *Canada Business Corporations Act* of 1978. Its year end is March 31. When the Federal Identity Program came into effect, the Corporation became known as Defence Construction Canada or, simply, DCC. The Corporation is listed in Schedule III to the *Financial Administration Act*. Like most Crown corporations, DCC is governed by the provisions of Part X of the *Financial Administration Act*. Specifically, DCC adheres to the governance, planning, reporting and audit practices established in Part X of that legislation. DCC reports to Parliament through the Minister of Public Works and Government Services.

The Letters Patent established DCC's mandate to carry out a wide range of procurement, disposal, construction, operation, maintenance and full life-cycle support activities required for the defence of Canada, particularly those related to real and personal property, lands and buildings.

Public Policy Role

Crown corporations are important instruments of public policy and DCC plays a role in advancing a number of the government's objectives. Specifically, DCC contributes to the results of DND/CAF in the defence of Canada by supporting CAF operations, in Canada and overseas, in the areas of construction, maintenance, facility operation and specialized professional services to support project and program delivery. In her most recent Statement of Priorities and Accountabilities (also known as a letter of expectations), the Minister of Public Works and Government Services recognized DCC's role and its contributions to Canada.

The Corporation contributes to Canada's long-term environmental sustainability by supporting DND's efforts to reduce greenhouse gas emissions, solid and hazardous wastes, and energy consumption associated with its infrastructure holdings. DCC supports DND's sustainable building targets by implementing green procurement practices. Furthermore, DCC complies with legislation and regulations related to protecting the environment, including the *Canadian Environmental Protection Act, Canadian Environmental Assessment Act*, *Fisheries Act* and *Species at Risk Act*. The Corporation's Environmental Management Framework ensures that DCC incorporates environmental considerations into its business and administrative activities.

DCC contributes to the security of Canada by ensuring adherence to the Policy on Government Security. It does so by ensuring that security requirements identified by DND are managed during the procurement and implementation stages of each contract, with the goal of protecting sensitive or classified information and assets.

Also, DCC plays a role in meeting the government's policy objective to create a fair and secure marketplace by respecting internal and international trade agreements, using sound procurement practices, and ensuring competition by providing wide access to government business opportunities.

The benefactors of these business opportunities are the Canadian architectural, engineering and construction industries. These industries compete for government contracts through DCC and they rely on DCC to ensure that the procurement process is transparent and fair. In recent years, DCC's contract expenditures have been valued at approximately $500 million to $900 million annually. As the conduit for these opportunities, DCC helps to stimulate the Canadian economy and create jobs for Canadians.

DCC complies with the *Official Languages Act* in dealings with the public and in its internal operations, as well as other laws and governmental policies related to employment equity, access to information and privacy. The Corporation promotes and upholds ethical behaviour and values through its corporate-wide, values-based Code of Business Conduct, which reaffirms the ethics, values and expected standard of conduct for employees. The Code of Business Conduct clearly sets out how DCC addresses such issues as the identification and resolution of conflicts of interest, and the disclosure of wrongdoing. Each year, employees review the Code and reaffirm their compliance with it.

DCC's Procurement Code of Conduct is aligned with the PWGSC Code of Procurement Conduct.

Accountability to Parliament

Created in 1951, DCC is a Crown corporation that provides a wide variety of infrastructure-related services to support the defence of Canada. The prime focus and beneficiaries of DCC's services are DND/CAF operations, both domestic and overseas. DCC is accountable to Parliament through the Minister of Public Works and Government Services.

Contracting Policies

a) DCC is fully compliant with Government of Canada contracting regulations pursuant to the *Financial Administration Act* and is committed to ensuring a secure, efficient and fair process for the procurement and management of DND infrastructure projects. Its business is to solicit, award and manage infrastructure and environment contracts on behalf of DND.

b) DCC adheres to the objective of government procurement contracting, which is to acquire goods and services in a manner that enhances access, competition and fairness and that results in best value or, if appropriate, the optimal balance of overall benefits to the Crown and the Canadian people, while meeting the essential operational requirements of its Client-Partners.

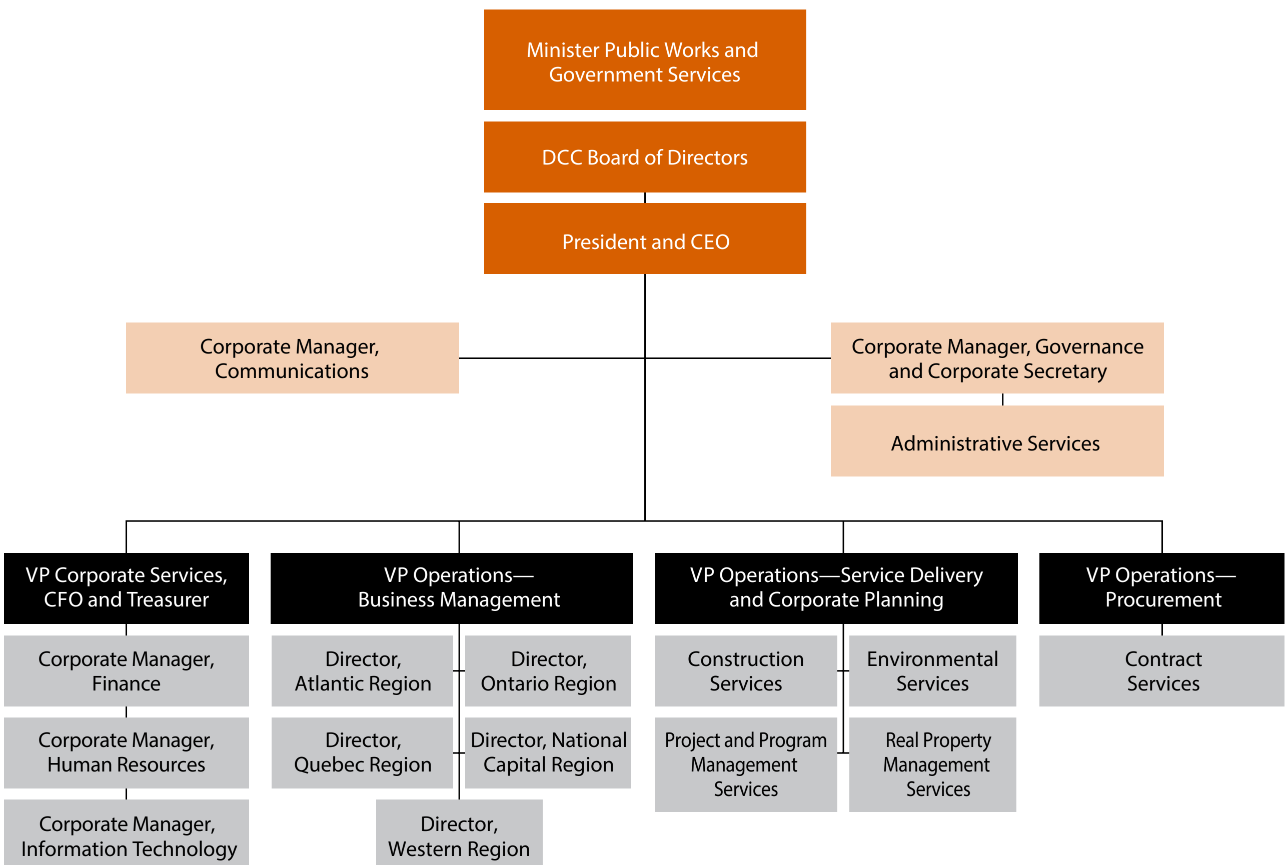
c) DCC's Procurement Code of Conduct (PCC) provides suppliers with a clear statement of expectations to ensure a basic understanding of their responsibilities during the procurement process and throughout the implementation of the work.

d) Using its *Contracting Policy and Process Manual* and its quality assurance processes, Contract Services ensures consistent delivery, enhanced client input and continuous improvement.

Legal Claims

In accordance with the memorandum of understanding between DCC and DND, DND accepts the legal and financial risks associated with claims resulting from third-party contracts put in place by DCC. Thus, the financial risk associated with settling these contractual claims does not have any financial impact on DCC. As a result, the Corporation does not consider it necessary to record any provision in its financial statements relating to legal claims.

CORPORATE GOVERNANCE AND STRUCTURE



Board of Directors

DCC's Board of Directors is accountable to Parliament through the Minister of Public Works and Government Services. Members of DCC's Board of Directors sign an annual declaration regarding their obligations under the *Conflict of Interest Act*.

The President and CEO, and the Chair of DCC's Board of Directors, are appointed by the Governor in Council to hold office during pleasure for such term as the Governor in Council may determine. Other members of DCC's Board are appointed by the Minister of Public Works and Government Services with the approval of the Governor in Council. As Directors of a Crown corporation and pursuant to the *Financial Administration Act*, members of DCC's Board hold office at the pleasure of the Governor in Council, usually for a minimum of four years, after which time they may remain as board members until successors are appointed, should they wish to do so.

The Chair of the Board is a separate position from that of the President and CEO, and the Board is able to conduct its business independently of DCC management. The Chair is responsible for the effective functioning of the Board as it carries out its duties and responsibilities. The Board is responsible for the management of the business, activities and other affairs of the Corporation, pursuant to the *Financial Administration Act*, and provides oversight on matters such as corporate risk management.

Along with the requirements set out in the *Financial Administration Act*, the Board has articulated its duties and responsibilities in a *Board Charter*. This document outlines how board members are expected to oversee the Corporation, and it is regularly reviewed to ensure that it remains appropriate.

As appropriate, the Chair of the Board communicates regularly with the Minister of Public Works and Government Services, and reports on issues to board members. The Board also receives regular reports on the stakeholder engagement and relationship management activities of the President, as well as of each member of DCC's Executive Management Group.

Board and Committee Structure

To help it fulfill its oversight functions, the Board relies on two committees: the Audit Committee, and the Governance and Human Resources Committee, each of which has its own charter.

The Audit Committee assists the Board in its oversight responsibilities, particularly those related to DCC's annual financial statements and reporting, internal controls, financial accounting principles and policies, internal and external audit processes, and compliance programs. This Committee also oversees matters related to financial reporting, and the Office of the Auditor General's annual financial audits and special examinations, as well as DCC's internal audits. Pursuant to the *Financial Administration Act*, all members of the Audit Committee are independent of DCC management, in that no officers or employees of DCC are members of the Committee. As per the *TBS Guidelines for Audit Committees of Crown Corporations and Other Public Enterprises*, the Chair of this committee is a financial expert who holds a recognized accounting designation, and members are financially literate.

The mandate of the Governance and Human Resources Committee encompasses three main areas: governance, human resources and nominations for Governor in Council appointments. The Committee develops DCC's approach to corporate governance, evaluates DCC's corporate governance practices to ensure they reflect current best practices and oversees the Board's self-assessment process. It uses the board effectiveness assessment questionnaire to identify highly functional areas, as well as areas where the Board could improve its management and effectiveness. The questionnaire includes questions related to board committees and to individual directors.

Regarding human resources matters, the Committee ensures that DCC's human resources policies are appropriate for the Corporation, and that related processes are in place. It also oversees the performance management process for DCC's President and CEO, pursuant to the Privy Council Office's Performance Management Program, as well as the annual performance review of DCC's Executive Team. In addition, the Committee ensures that DCC has and operates according to a succession plan.

The Committee also participates in the nomination and appointment process for Order in Council appointments, such as proposing candidates for board members and the president position. It also ensures that the Board Competency Profile remains relevant and that the Minister is aware of the core attributes board members should demonstrate, as stated in the Director Profile.

Members of the Board of Directors also participate in DCC's Annual Public Meeting, along with DCC's stakeholder groups. This meeting provides a formal opportunity for all parties to offer feedback to DCC on a variety of issues. During the June 2014 meeting, DCC noted that the Corporation adds value to the Government of Canada through its understanding of the industry, its integrated service delivery model, its knowledge of the Client-Partners' needs and the goals it shares with the Government of Canada. Also of interest were DCC's cost containment measures and initiatives to support the government's Deficit Reduction Action Plan and fiscal restraint. DCC will continue to hold an Annual Public Meeting, as per the *Financial Administration Act*, and to post a summary of the proceedings on DCC's website.

Executive Management Structure

The President and CEO is accountable to the Board of Directors for the overall management and performance of the Corporation. DCC's President reports to the Chair of the Board. The Executive Team—made up of the President and CEO, and four Vice-Presidents (three for operations, one for corporate services)—is located at DCC's Head Office in Ottawa. In addition to their day-to-day interactions, they meet regularly as the Executive Management Group (EMG), supported by the Corporate Secretary, to review strategic, operations and financial matters for the Corporation.

Three Vice-Presidents, Operations, are responsible for DCC service delivery, corporate planning, business management and procurement activities. The Vice-President, Operations—Business Management is responsible for the business management of all the regions. The Vice-President, Operations—Service Delivery and Corporate Planning is responsible for service delivery for the Construction Services, Environmental Services, Project and Program Management Services, and Real Property Management Services service lines, as well as corporate planning activities that support the strategic initiatives set out in DCC's *Corporate Plan*. This Vice-President also acts as the Corporate Security Officer.

The Vice-President, Operations—Procurement is accountable for the leadership and oversight of the procurement function across the Corporation, as part of the Executive Team.

The Vice-President, Corporate Services is also the Chief Financial Officer and Treasurer, and is responsible for DCC's Corporate Services Division, including human resources, finance and information technology.

Regional Directors manage activities in the Western, Ontario, National Capital, Quebec and Atlantic regions through regional offices located in Edmonton, Kingston, Ottawa, Montréal and Halifax, respectively.

The Corporate Secretary is responsible for governance-related matters; ensures that DCC complies with all relevant legislation, regulations and government policies; supports the Board of Directors; and communicates with the Corporation's stakeholders.