DEFENCE CONSTRUCTION CANADA

STRENGTH IN DIVERSITY

ANNUAL REPORT 2017–2018

COVER PHOTO: DCC Head Office specialists in finance, human resources, information technology, communications, and governance and legal affairs support the operations workforce. (l to r) Tin Bui, Steve Kennedy, Dienabou Sow, Maria Krioutchkova and Ahmad Malik.

INSIDE PHOTO: DCC Gagetown Site Manager Craig Mercer (l) and Jamie Parker, Coordinator, Construction Services, survey the interior of the new Tactical Armoured Patrol Vehicle facility at 5 Canadian Division Support Base Gagetown. The $26.1-million facility will house and maintain the new fleet of armoured vehicles, as well as provide classrooms for combat and technical services personnel on the base.

Canada

CORPORATE PROFILE

Defence Construction (1951) Limited, operating as Defence Construction Canada (DCC), is a Crown corporation that provides innovative and cost-effective contracting, construction contract management, infrastructure and environmental services, and lifecycle support for Canada's defence requirements. It has two primary Client-Partners: the Infrastructure and Environment (IE) community at the Department of National Defence (DND), and the Communications Security Establishment (CSE). The Corporation also provides services to Shared Services Canada related to the expansion of the electronic data centre at Canadian Forces Base (CFB) Borden.

From project needs planning to facility decommissioning, DCC's work covers a broad spectrum of activities. DCC's resources are divided among five service lines.

CONTRACT SERVICES

The Contract Services Team oversees the procurement of goods and professional, construction and maintenance services to fulfill Canada's domestic and international defence infrastructure needs.

CONTRACT MANAGEMENT SERVICES

The Contract Management Services Team supports the creation, renovation and maintenance of facilities for DND's IE program.

ENVIRONMENTAL SERVICES

The Environmental Services Team helps DND meet environmental performance targets, comply with regulatory requirements, and manage due diligence and risk.

PROJECT AND PROGRAM MANAGEMENT SERVICES

The Project and Program Management Services Team advises on matters such as infrastructure requirements, program planning, and schedule and document control.

REAL PROPERTY MANAGEMENT SERVICES

From needs planning to facility decommissioning, the Real Property Management Services Team supports the efficient operation of DND's infrastructure.

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PERFORMANCE HIGHLIGHTS

SERVICE MEASURES

$997.4 Million
Contract payments

$1.1 Million
Contract payments per employee

$727.3 Million
Value of contracts awarded

1,827
Contracts awarded

BUSINESS PERFORMANCE

$98.9 Million
Services revenue

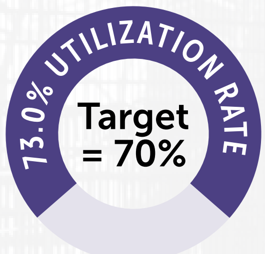
100% SERVICE DELIVERY RATING
Target = 95%

100%
Service delivery rating

913
Employees (FTEs)

BUSINESS PERFORMANCE

9.9%
Cost of service



73.0%
Utilization rate
(% of employee time spent on billable work)

PROCUREMENT RESULTS

98.2%
Publicly accessible contracts

96.6%
Contract award success

4.4
Number of bidders per procurement

DCC Environmental Services and Project Management personnel at CFB Halifax help DND meet environmental performance targets, and provide advice on matters such as project planning, scheduling and document control. (l to r) Nicole Gilmore, Chen Sheng, Alison Rossiter Hartlen and Jordan Mooers.

STRENGTH IN DIVERSITY

DELIVERING SOLUTIONS AND SUCCESS

DCC's unique role supporting Canada's defence infrastructure demands diversity—in who we are and what we do. Our people, our service lines, and our projects deliver.

DCC's primary Client-Partners have specialized missions that drive a critical need for diversity of thought and expertise. DND manages the federal government's largest infrastructure portfolio: more than 20,000 buildings and 5,500 km of roads, not to mention harbours, runways and other highly specialized facilities. Their personnel can be called upon at any time to deploy nationally or internationally in the service of the nation. CSE and Shared Services Canada, meanwhile, are 24/7 operations with accelerated needs for the highest levels of security and performance.

We are proud of DCC's record of delivering agile and reliable solutions for these Client-Partners, wherever and whenever we are needed. The range of priorities we supported in 2017–18 reflect this diversity. We managed construction projects on every Canadian coastline, from the Arctic to the east and west coasts, above ground and underwater. We oversaw the renewal of infrastructure to support Canada's Navy, Army and Air Force. We provided remediation of environmental legacies, and implemented proactive stewardship for decades to come. And we supported DND overseas, in Latvia and Kuwait.

Our diversity—of people, services, and expertise—makes this possible, collectively making our business strong and successful: for DCC, for our Client-Partners and, above all, for Canada.

MESSAGE FROM THE CHAIR

I am deeply honoured to have joined DCC as Chair of the Board. DCC has a very important role to play in supporting Canada's defence—I am proud, both of this mission and the company's resulting contribution to the nation.

In this role, DCC is at heart a builder. Not just of armouries and jetties and runways, but of the fabric of this country—communities, companies and the construction sector as a whole. DCC's projects provide opportunities for contractors, tradespeople, suppliers, design professionals, engineers, architects, landscape specialists and so many more. Each of these people, and the companies of which they are a part, support their own communities and the country in countless ways, from the work they do to their spending on household and family needs.

This contributes positively to every region that our projects impact, and to our security as a nation. Given the importance of our mission, we must be seen as an employer of choice and a preferred business partner. I see DCC as both, thanks to its reputation in the construction sector as an effective and collaborative organization, treating its partners with fairness and respect. DCC's focus on employment equity, on health and safety, and on environmental stewardship ensures that every day, people aren't just doing their jobs—they are creating a culture of competence and respect.

With ever-advancing building materials, more service integration, and rapid adoption of technology, the Canadian construction industry needs partners and champions like DCC, whose approach welcomes diversity of ideas and innovation in delivery. DCC's leadership on such initiatives as public-private partnerships, e-procurement and integrated project delivery demonstrates that this company does much more than contract and construction management. It serves as a bridge between industry and defence infrastructure owners, supporting those infrastructure needs, leveraging the capacity and ingenuity of the industry, and providing transparency and opportunity for all involved. As such, DCC is even more than a builder—it is a connector, for opportunities, partners, companies and most of all, for people.

In closing, I would like to recognize the hard work of every DCC employee in rising to the challenges that this crucial work requires. It is an honour to serve you, and I hope to meet many of you in the coming year.

Moreen Miller
Chair of the Board

MESSAGE FROM THE PRESIDENT

Supporting our Client-Partners demands the same agility and innovation from DCC as they expect of themselves. In turn, we draw on the vast range of experience, skill and ingenuity that our people bring to every project.

Our diversity creates a powerful collaborative approach both inside and outside the company, within and across our service lines—adding value to everything we undertake. This helped enable DCC to deliver a continuing higher DND program volume in fiscal year 2017–18. Over the past three years, DCC has efficiently stewarded an additional $425 million of DND's total budget, in addition to regular program spending, which resulted in expenditures of $1 billion in the past year. We also managed additional infrastructure commitments from Budget 2016.

Throughout this work, we share our Client-Partner priorities, both at home and overseas in such locations as Latvia and Kuwait. We support DND's Defence Energy and Environment Strategy, for example, through projects such as energy performance contracts, and environmental remediation and at Unexploded Explosive Ordnance legacy sites nation-wide. We support defence infrastructure renewal and the building of sustainable real property, through such work as the new transportation, electrical and mechanical engineering accommodation building in Bagotville, Quebec, and jetty construction projects in Halifax and Victoria. And we support the protection of Arctic sovereignty through the delivery of the new naval facility in Nanisivik.

This requires innovative approaches, including modernizing DCC's information technology infrastructure to meet increasingly advanced security requirements, and flexibility in project delivery.

I am proud of all that DCC's employees achieve, and I am even prouder of how they achieve it. This year, DCC launched action plans within our Diversity and Inclusion, and Workplace Wellness and Mental Health strategies. These demonstrate our commitment to employees, and their commitment to each other, which is reflected in our Employment Engagement Survey results that came in well above industry benchmarks.

Our high standards are reflected in the awards DCC received in 2017: for commitment to employment equity; excellence in procurement; environmental best practice; and excellence in website redesign. This recognition is only achieved through the hard work of our people across DCC—thank you to all of them for their dedication to making DCC diverse, inclusive, and, ultimately, respected.

I would also like to thank our Board of Directors for their insight and guidance. As we welcome Moreen Miller to the role of Board Chair, I wish to express my gratitude to Robert Presser, our former Board Chair, for his service to DCC and embodiment of our values: dedication, collaboration, competence, and fairness.

James S. Paul
President and Chief Executive Officer

On May 2, 2018, to mark Mental Health Week, members of the DCC Senior Management Group pledged to support workplace wellness and mental health at DCC. All DCC employees had the opportunity to take the pledge to acknowledge their responsibility for building a healthy workplace.

OUR CULTURE

INCLUSION AND INNOVATION

DCC's culture of diversity, inclusion and engagement contributes to the innovative approaches that make us a valuable service provider and a business success.

At DCC, we know that when people feel included and valued for who they are, they bring their best selves to work: great energy, great collaboration and great ideas. That's why we're focusing on providing a healthy, respectful workplace environment that supports diversity—of thought, background and experience. This begins with our commitment to meeting the legislated requirement to promote employment equity for four designated groups: women, Indigenous peoples, persons with disabilities and members of visible minorities. This is, of course, the right thing to do, but it is also just the beginning.

Take, for example, the three-year action plans we have launched within our Diversity and Inclusion Strategy and our Workplace Wellness and Mental Health Strategy. In 2017–18, DCC leaders received training in bias awareness and gender-based analysis for improved decision-making; developed a national and regional recognition award to promote diversity and inclusion; and launched a Women's Information Network. We also introduced mental health and wellness training to support understanding, compassion and coping. Monthly diversity and health and wellness newsletters reinforce this work, sharing employee stories and offering tips ranging from how language can enhance inclusion to how to incorporate resilience and self care into daily life.

We believe we're on the right track. With a participation rate of 88% and overall engagement score of 82%, our 2017 Employee Engagement Survey showed DCC employees as highly engaged professionals. We were pleased to see excellent scores for statements such as feeling accepted and respected at work (90%) and cooperation with different service lines and business units being encouraged (87%). We believe that embracing equity, diversity and inclusion, and reducing barriers to supporting employees who experience mental health challenges, leads to a workplace and culture that foster wellness, performance and productivity.

That's also where innoviCulture, our focus on innovation in the workplace, comes in. In 2017, we launched the inCubator: a fun, simple-to-use, online tool designed to unleash creativity. Employees can see innovative ideas from across the company and track the progress of their own ideas, from submission through review. We aimed to have 5% of all employees using inCubator, but by fiscal year end, the rate was 22%.

This is how we live DCC's values of dedication, collaboration, competence and fairness through our culture. It all adds up, to a workplace that drives success for DCC and for our Client-Partners.

Tejeet Sodhi, Regional Service Line Leader, Project and Program Management Services, for the Atlantic Region, was the recipient of the first-ever DCC Diversity and Inclusion Award at the 2018 National Awards ceremony. The award is given to an employee who has demonstrated exceptional leadership in building or supporting a diverse workforce, and championing an inclusive workplace.

OUR PEOPLE

DIVERSITY AND RESPECT

The diversity of DCC's people makes the company a progressive and exciting place to work, contributing an integral part of our success story.

DCC expects a great deal from our people, and they deliver. Our service delivery matrix leverages diversity in expertise; in turn, that diversity of expertise powers the matrix, drawing on a wide range of experience and background.

Our focus on diversity resulted in DCC's recognition as one of two Crown corporations to receive the 2017 Outstanding Commitment to Employment Equity award from Employment and Social Development Canada (ESDC). This recognizes the efforts of employers who implement employment equity, including removing barriers for members of the four designated groups. ESDC recognized DCC's unique initiatives to support this, including a library of neutral, competency-based interview questions all hiring managers use, targeted recruitment efforts for members of employment equity groups, and diversity training that is available to all employees, including those working towards leadership positions.

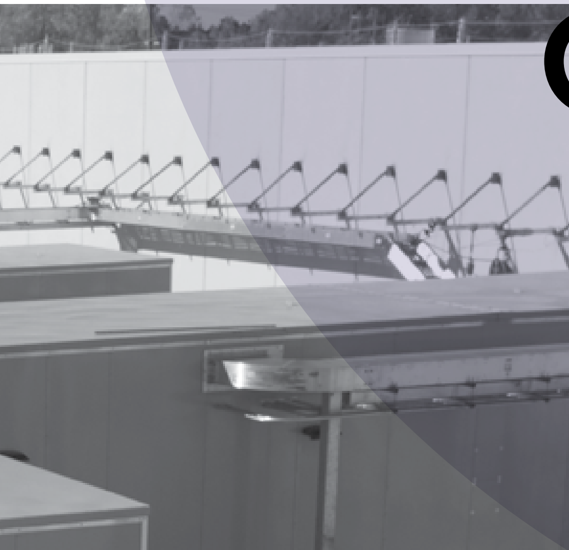
We have achieved this by making diversity and inclusion a strategic initiative in DCC's Corporate Plan, securing strong senior- and executive-level support, and developing a dedicated strategy and action plan. Our annual *Count Yourself In!* Employment Equity and Diversity campaign is another example of this commitment. In 2017, DCC invited all employees to participate in this voluntary survey. Our participation rate of 67% showed that employees are engaged on this question, and helps us to put the resources and tools in place to make our employee experience an even better one.

The campaign's results provide insight into the social and cultural diversity of our people: a wide age range of employees that's positive for succession planning and support to our Client-Partners, for example, and a breakdown for each of the four designated groups: women (42.1%), visible minorities (10.8%), persons with disabilities (5.4%) and Indigenous peoples (4.5%).

We also appreciate the diversity of interests our people represent, often volunteering for causes they care about that complement the work of DCC and our Client-Partners. Project management coordinator Leann Turnbull, for example, participated in the 2017 Wounded Warriors ride, a 600-km route through First World War battlefields of Belgium and France, to honour the fallen and commemorate her own victory over a devastating back injury. And at the September 2017 Army Run, DCC employees made their presence known by participating in the races and staffing a construction-themed cheer station with their families. The event raised funds for two charities that support Canada's military members and their families.

At DCC, we celebrate our social and cultural diversity, knowing that our people drive our success.

Ryan Maher, Coordinator, Construction Services, on the roof of the new Shared Services Canada electronic data centre at CFB Borden. The project is a $322-million public-private partnership (P3) to design, construct, finance and maintain the 10,000-m^2 centre over the next 25 years. The P3 contracting model provides strong value to Canadians.



OUR SERVICE LINES

AGILITY AND EXPERTISE

DCC's agile and results-oriented approach is powered by our diverse service offerings and infrastructure experience—adding value for our Client-Partners, and for Canada.

DCC's diversity of service offerings, and our long history of adapting to and anticipating the evolving needs of our Client-Partners, is positioning the company at the forefront of innovation. Whether it's responding to environmental priorities, technological advances in materials or information management, or novel ways of contracting, our service lines deliver efficient, effective quality services, using a deliverology approach with solid performance metrics.

The changing scope of procurement services offers an insightful example. In a first for DCC and the federal government, we are using an integrated project delivery contract with DND at CFB Petawawa to build or retrofit several buildings to provide materiel storage, offices, and vehicle storage and maintenance space for the Royal Canadian Dragoons.

Integrated project delivery's lean construction approach helps to minimize waste and maximize efficiency, aligning the interests and efforts of all parties. As a collaborative delivery method, it brings together all actors in a project—builder, design consultant, contractors and owners—in a purposeful effort to manage the contract and the risk. It's also an innovative and transformative cost-plus arrangement that creates full transparency, resulting in fewer disputes and legal issues, and a more predictable, efficient and cost-effective work flow.

This work naturally follows from DCC's leading-edge development of public-private partnerships, with contracts for two major projects now successfully in place: for the maintenance of the Communications Security Establishment Long-Term Accommodation Facility in Ottawa; and the Shared Services Canada electronic data centre at CFB Borden.

DCC's advancement of e-procurement is also proving successful; with implementation in contract services now established, we are moving to the consultation phase with professional services such as architecture and engineering. This collaborative approach is very much the DCC way of working—inviting stakeholders into the discussion, to find solutions that work for all parties.

Our diversity of expertise is also central to helping our Client-Partners and the Government of Canada meet their green goals, supporting DND's priorities of improving energy efficiency, conducting sustainable operations and building sustainable real property. For example, DCC is already supporting DND's target to reduce the greenhouse gas emissions of its real property portfolio by 40% by 2025, by helping bases and wings improve their energy efficiency. We have employees across Canada implementing energy performance contracts, which provide DND with infrastructure upgrades that are paid for over time using the upgrades' energy efficiency savings.

At DCC, we offer diverse solutions for Client-Partners with diverse requirements.

DCC is supporting the highly complex $55.5-million B Jetty demolition and site preparation project at CFB Esquimalt, with completion expected in September 2019. Together with Public Services and Procurement Canada, DCC is managing contracts for the extensive remediation of the seabed, which involves dredging to remove contaminated sediments.

OUR PROJECTS

EFFICIENCY AND FAIRNESS

With a wide-ranging scope of successful projects in varied locations, DCC does amazing work in a consistently diverse portfolio.

DCC's projects continue to be as varied as our Client-Partners' needs, reflecting our ability to scale the company to the volume of work required to serve Canada's defence interests. Our response to the Federal Infrastructure Investments Program (FIIP) and infrastructure funding in Budget 2016, in addition to DND's regular infrastructure and environment program, demonstrates this. Over the three-year lifespan of FIIP, for example, DCC spent an estimated $425 million of DND's total FIIP budget of $452 million, with 2017–18 projects including the Peace Training Support Centre in Kingston, Ontario; a health care facility in Cold Lake, Alberta; and repairs to the caisson in Esquimalt, British Columbia.

Our 2017–18 projects also reflect Canada's priorities on defence infrastructure renewal. The $84-million project to house 5 Combat Engineer Regiment in a new 20,850-square-metre facility, for example, is the highest-value contract ever awarded at Valcartier Garrison, Quebec. Renewal of Canada's naval infrastructure, meanwhile, has DCC contracting and managing construction for the new Jetty NJ to replace two deteriorating timber jetties in Halifax Harbour and the A/B Jetty project to replace aging 70-year-old jetties in Esquimalt, British Columbia.

Protecting Canada's Arctic sovereignty is another DND priority, with DCC contracting and managing construction of the $56-million naval facility in Nanisivik, Nunavut. When operational in 2019, it will serve as a docking and refuelling station for military, civilian and Government of Canada vessels during the northern shipping season.

On the environmental side, DCC is supporting DND under Budget 2016's $16-million accelerated assessment program—a national assessment of suspected contaminated sites related to former military operations and sites on active bases, to determine a list of legacy sites that require remediation. Also advancing is the $239-million site remediation of contaminated areas at 5 Wing Goose Bay—one of the largest site clean-ups ever undertaken by DND—due to be completed in 2020. DCC's coordinated and efficient management of the 50-some contracts involved demonstrates our commitment to operating in ways that conserve resources and protect the environment, including keeping pace with changing environmental regulations.

Keeping complex projects such as these on budget and on schedule requires a deeply collaborative approach at every site, between DCC, our contractors and suppliers, and our Client-Partners. This is augmented by regular communications between DCC specialists across the country, leveraging the diversity of expertise available from our service lines, no matter where our projects are located.

From sea to sea to sea, at DCC, we go wherever our Client-Partners go.

Delee Johnson, Administrative Assistant, 4 Wing Cold Lake. Delee provides high-quality, timely, efficient and effective administrative services, including document and records management, to staff at the DCC Cold Lake office.

THE ORGANIZATION

EMPLOYEES

DCC's greatest asset is its people, and its corporate success is built on employee ability and commitment. DCC has a dedicated workforce of professional, technical and administrative people. Other specialists in finance, human resources, information technology, communications and administration support the operations workforce.

In 2017–18, DCC increased its number of employees to 913 from 899 in the previous year, based on full-time equivalents (FTEs). To meet its operating objectives, DCC continually adjusts the size of its workforce in response to the demand for infrastructure services from the Department of National Defence and the Canadian Armed Forces (DND/CAF). Due to growth in DND's IE-related program expenditures, DCC increased its FTE staff strength to meet higher work volumes. The increased demand for DCC's services was due to the government's increased investment in defence infrastructure. At fiscal year end, the employee headcount was 942, compared to 925 in 2016–17, and 830 in 2015–16—an increase of 1.8% in 2017–18, and 11.4% in 2016–17. Staff levels are expected to increase in the upcoming fiscal year to support the increase in work volume forecasted for 2018–19.

DCC has many longstanding employees who have enjoyed exciting careers with the Corporation. Each year, DCC recognizes those employees who have achieved employment milestones. In 2017–18, 45 employees reached five years of service with DCC, 53 employees marked 10 years of service, 10 employees achieved 15 years of service, four employees marked 20 years of service, three marked 25 years of service, one employee reached 30 years of service and one employee achieved 35 years of service.

During the year, DCC's internal career development practices helped 98 employees progress in their careers through promotions, reclassifications and acting assignments. DCC and DND also benefit from the transfer of skills among operating locations as employees hone their skills and test themselves. In 2017–18, eight employees transferred from one region to another, and 45 employees transferred to a different business unit within the same region.

DCC works with DND and the CAF not only across Canada, but also around the world. Our team is always standing by, ready to provide short- and long-term procurement, contract management, and project support services to military operations abroad. In 2017–18, 10 DCC employees volunteered for deployment, including deployment related to DCC's work in Latvia to support the infrastructure requirements for Enhanced Forward Presence and Operation REASSURANCE. DCC also deployed employees on an ongoing basis to the Operational Support Hub—Kuwait. In the future, DCC may support its Client-Partner with operational support hubs in locations such as Africa and/or Central America, as required.

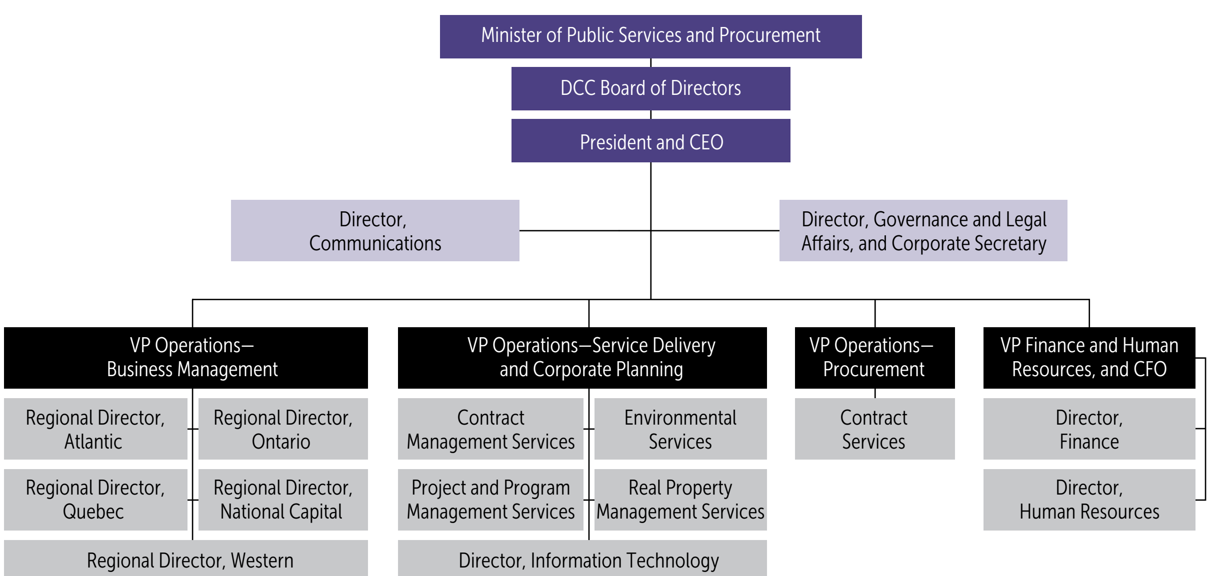
EXECUTIVE MANAGEMENT STRUCTURE

The President and Chief Executive Officer (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—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, operational, financial and human resources 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 business management in all regions. The Vice-President, Operations—Service Delivery and Corporate Planning is responsible for service delivery for the Contract Management 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 person 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. The Vice-President, Finance and Human Resources and Chief Financial Officer is responsible for the financial affairs of the Corporation and the executive leadership of DCC's finance and human resources function.

Members of the Senior Management Group include regional directors; the national service line leaders for Contract Management Services, Real Property Management Services and Contract Services; and directors. 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. Directors of communications, finance, governance and legal affairs, human resources, and information technology are accountable for the corporate strategic leadership and management of their respective functions and groups.

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.

RECOGNITION AND HONOURS

NATIONAL AWARDS

Each year, DCC proudly recognizes the outstanding achievements of its employees and the contributions they make to the success of the Corporation. By honouring these individuals and teams, DCC highlights the innovative spirit and dedication of its most valuable resource—its people. DCC celebrates these achievements annually during the National Awards ceremony held in Ottawa. The following are the recipients of the 2018 National Awards.

The President's Award is presented annually to the employee who has consistently demonstrated exemplary service to DCC and achieved exceptional results. David Long, Team Leader, Construction Services at CFB Kingston, received this award for his outstanding service to DCC—most notably, his support for the ongoing renovation of the Royal Military College Academic Complex.

The recipient of the first-ever DCC Diversity and Inclusion Award was Tejeet Sodhi, Regional Service Line Leader, Project and Program Management Services for the Atlantic Region. This award is given to an employee or group of employees who have demonstrated exceptional leadership in building or supporting a diverse workforce, and championing an inclusive workplace. Mr. Sodhi was recognized with this award for his success in building and mentoring a diverse DCC team, along with his personal commitment to diversity and inclusion.

Trevor Clark, Team Leader, Program Management for the Northern Program Management Support Team from the National Capital Region (NCR), received the Service Development Award. It recognizes an employee or group of employees who have made a notable contribution to developing and promoting value-added Client-Partner services. Mr. Clark received this award for developing the Real Property Operations—North Detachment Yellowknife program and projects.

DCC presents customer satisfaction awards to employees who consistently provide exemplary customer service. The large number of nominations is a true testament to DCC's commitment to its Client-Partners, and to the importance DCC places on meeting or exceeding client expectations. In 2017–18, DCC presented the Customer Satisfaction Individual Award to Mélanie Cyr, Coordinator, Construction Services at Garrison Petawawa, for her outstanding customer service—in particular, the coordination of the energy performance contract at the base. The Customer Satisfaction Team Award went to Garrison Petawawa's Canadian Forces Housing Agency (CFHA) Team—composed of Peter Darrah, Bernie Finucane, Kris Gorr, Arne Kristoffersen, Jonathan Lee, Matthew Schimmens and Jeffrey White—for their implementation and delivery of the first-ever $17.9-million CFHA maintenance and services contract.

The Innovation Award is presented to an employee or group of employees who have played an instrumental role in developing and implementing an innovative solution. The 2018 recipient of this award was Alain Tessier, Program Leader at Garrison Valcartier. Mr. Tessier won the award for implementing a software program to consolidate planning-related information that resulted in time-saving reporting.

The Environmental Services Team at CFB Bagotville, including Geneviève Gobeil, Josée Hamel, Lisa-Gabrielle Plourde, Jonathan Tremblay and Anne-Marie Vézina, received the 2018 Robert Graham Memorial Award. This award recognizes an employee or team who makes a special contribution to improving workplace safety or environmental protection. The Team received this award for enhancing the quality and range of environmental services provided to DCC's Client-Partners.

Three President's Certificates of Recognition were presented in 2018. Certificates may be awarded, at the President's discretion, to one or more nominees who have made an outstanding contribution to DCC. The following people received certificates in 2018.

- The Western Region and NCR UXO Team composed of Maria Drake, Eric Gilbertson, Phil Grandy, Julia Koziell, Kristoffer Seiler, Jennifer Sevigny and Shane Thomas. The team was recognized for their respectful and inclusive approach in successfully working with First Nations groups on UXO clean-up work.
- The Head Office Communications Team of Yves-Marie Exumé, Lucie Frigon, Erica Lyle, Stéphanie Magnan and Megan O'Meara received the certificate for their pioneering work in championing diversity and inclusion in DCC's corporate communications processes, procedures and practices over many years.
- The Halifax DRDC DA26 Contract Management Team of Darrell Ferguson and Peter Zwicker were recognized for the development of a highly innovative solution for a challenging Client-Partner construction need that resulted in significant cost and time savings.

FRIENDS OF DCC AWARD

During the National Awards ceremony, DCC President and CEO James Paul gave the Friends of DCC Award to Don Chutter. This award is presented by DCC to formally recognize and thank an individual outside the organization for their collaboration and strong working relationship with DCC over many years. Mr. Chutter, an industry veteran, was a proponent of DCC during his tenure with the Canadian Construction Association and with Revay and Associates Limited.

EXTERNAL RECOGNITION

OUTSTANDING LEADER AWARD (SHORTLISTED NOMINEE)

DCC's Vice-President, Operations—Procurement, Mélinda Nycholat, was one of five women shortlisted for the national Women's Infrastructure Network (WIN) Outstanding Leader Award. WIN is a dynamic forum that helps women in infrastructure make connections, network, exchange ideas and shape the infrastructure agenda. The Outstanding Leader Award is for female professionals who shape the world we live in through their work in the infrastructure industry, and who are trailblazers for women in the infrastructure sector.

OUTSTANDING COMMITMENT TO EMPLOYMENT EQUITY

DCC received the 2017 Outstanding Commitment to Employment Equity award on October 5, 2017. The award from Employment and Social Development Canada recognizes the efforts of employers that implement employment equity, including by removing barriers for members of the four designated groups. DCC was one of two Crown corporations to receive the award.

ACHIEVEMENT OF EXCELLENCE IN PROCUREMENT

The high quality of DCC's procurement practices has been recognized once again. The U.S. National Procurement Institute's Achievement of Excellence in Procurement Award—which DCC has received for four years in a row—recognizes excellence in a number of areas related to procurement, including ethics, innovation, the qualifications of its people, and e-procurement. DCC was one of only five organizations in Canada to win the award in 2017.

BEST OF PUBLIC PROCUREMENT AWARD

The British Columbia Construction Association recognized DCC as one of seven 2017 Best of Public Procurement owners. This was the first time the association had presented these awards. It acknowledged recipients for their fairness, openness and dedication to transparency in public procurement. The DCC team was recognized for corporate procurement practices related to projects at CFB Comox—most notably, the use of e-bidding, accessible online documentation and excellence in responding to bidders during the procurement stage.

PRACTICES IN ENVIRONMENTAL SUSTAINABILITY

The Real Property Institute of Canada honoured the Curtiss All Ranks Kitchen and Dining Facility—a major DCC project at CFB Borden—for best practices in environmental sustainability. The distinctive $18.3-million facility was recognized for its waste diversion methods, storm-water management, use of recycled materials during construction and optimized energy performance. The dining hall accommodates up to 500 patrons at a time, supported by state-of-the-art cooking, cleaning and vacuum waste removal systems. The award was presented to DND, DCC and the project architect during a ceremony in Ottawa on November 16, 2017.

SILVER LEAF AWARD OF EXCELLENCE

DCC received a national Silver Leaf Award of Excellence from the International Association of Business Communicators for the 2016 redesign of the DCC website. This award is Canada's premiere professional awards program celebrating excellence in business communication.

Shirley Cardinal and Robin Fraser from Human Resources received the 2017 Outstanding Commitment to Employment Equity Award on behalf of DCC, on October 5, 2017.

PROJECT HIGHLIGHTS 2017–18

DEPLOYED OPERATIONS: KUWAIT AND LATVIA

DCC is providing support for four construction projects at the Operational Support Hub—Kuwait. Contract work consists of building a vehicle wash ramp; a petroleum, lubricants and oil storage area; and a generator pad. DCC is also working on the accommodations building and has a standing offer for power generation services. DCC's work in Latvia includes supporting the infrastructure requirements for the Enhanced Forward Presence. DCC is currently managing the construction of the Unit Medical Station and working toward contracting the build of the Task Force Headquarters Building.

NORTHERN FACILITIES: INUVIK, NORTHWEST TERRITORIES; AND RANKIN INLET AND IQALUIT, NUNAVUT

DCC opened a new office in Yellowknife, Northwest Territories, in November 2017 to support CAF infrastructure requirements in the North. DCC will manage a five-year facilities maintenance and support services contract that covers 80 buildings in forward-operating locations and communities. DCC will also manage various capital construction, minor new construction, maintenance and repair, and environmental projects.

NANISIVIK NAVAL FACILITY: NANISIVIK, NUNAVUT

DCC is contracting and managing construction of the Nanisivik Naval Facility, located in Nunavut along the north shore of Baffin Island. The $56-million facility will serve as a docking and refuelling station for military, civilian and Government of Canada vessels during the northern shipping season. It is expected to be operational in summer 2019.

NORTH PARK ARMOURY REHABILITATION AND FIT-UP: HALIFAX, NOVA SCOTIA

The North Park Armoury is a federally designated heritage building and National Historic Site of Canada. This rehabilitation and fit-up project will provide facilities to meet the operational requirements of two Canadian Army Reserve units, the CFB Halifax Base Clothing Stores Detachment and two cadet units. DCC has contracted for the first phase of the project (rehabilitation of the west wall), valued at $7.9 million, with a completion date of October 2019. DCC is currently procuring consultant services to design the complete rehabilitation of the remainder of the building. The overall value of the first phase is estimated at $25 million.

NJ JETTY: CFB HALIFAX, NOVA SCOTIA

DCC has contracted for and is managing the construction of this new jetty, which provides full-service berthing for the new Canadian AOPVs and advanced logistical support carriers. The new 247-metre-by-29-metre concrete jetty replaces two former deteriorating timber jetties in Halifax Harbour. In preparation for the arrival of the first AOPV, the jetty is scheduled for completion in January 2019.

ESQUIMALT HARBOUR REMEDIATION PROGRAM: CFB ESQUIMALT, BRITISH COLUMBIA

The environmental remediation of contaminated sediments in Esquimalt Harbour is a DND priority. DCC is collaborating with Public Services and Procurement Canada to support extensive remediation of the seabed, which involves dredging these areas to remove contaminated sediments, then capping the areas with clean fill. This will considerably reduce the exposure of marine life to contaminated sediments and provide a diverse habitat for marine communities.

UXO AND LEGACY SITES PROGRAM

DCC helps DND manage public safety on properties at sites across Canada that may contain unexploded explosive ordnance (UXO). DCC provides planning, procurement, technical and contract management services for UXO projects on active and inactive (legacy) military sites across Canada. DND has identified more than 1,000 locations with potential UXO impact. These sites are in varying stages of remediation, with many supported by DCC's in-house teams of contract managers, geophysicists, UXO technicians and geographic information system specialists.

HEALTH SERVICES CENTRES: SAINT-JEAN, QUEBEC; PETAWAWA, ONTARIO; COLD LAKE, ALBERTA; AND EDMONTON, ALBERTA

DCC is managing the contracts for health care facilities that will provide integrated medical, dental, physiotherapy and mental health services to meet the current and future needs of CAF personnel. In line with a new health care model, the new buildings will help to ensure that members can easily access the care they need.

CANADIAN FORCES HOUSING AGENCY

The Canadian Forces Housing Agency (CFHA) maintains, manages and allocates residential housing units for DND. DCC contracts for and manages the construction and maintenance of accommodations for Canadian Armed Forces members and their families at military bases and wings across Canada.

RECAPITALIZE WEST RAMP: CFB TRENTON, ONTARIO

DCC is managing the contract for reconstructing the West Apron and portions of Runway 06-24, Taxiway Foxtrot and Taxiway Papa, including drainage and lighting systems. The project is being phased over three project sites to allow for continued use and operation of the existing airfield. The completed apron will also provide access to the new Hangar 6.

COMMUNICATIONS SECURITY ESTABLISHMENT LONG-TERM ACCOMMODATION FACILITY: OTTAWA, ONTARIO

Built using a public-private partnership (P3), this $4.1-billion facility spans more than 72,000 square metres. The associated design-build-finance-maintain contract includes unique security, infrastructure and financing arrangements. DCC is involved with the operations and maintenance of the facility as part of the 30-year contract.

SHARED SERVICES DATA CENTRE: CFB BORDEN, ONTARIO

The expansion of Shared Services Canada's enterprise data centre will help modernize and standardize federal information technology infrastructure. DCC's second P3 procurement, this $330-million contract was announced in May 2016. As part of a consortium, DCC will support the design, building, financing, operations and maintenance of the data centre for 25 years. The first of four phases of the new facility was completed in fall 2017.

Moreen Miller, Chair of DCC's Board of Directors, speaks with industry stakeholders at the Annual Public Meeting in Ottawa on June 7, 2018.

CORPORATE GOVERNANCE

STEWARDSHIP

DCC reports to Parliament through the Minister of Public Services and Procurement (the Minister). Pursuant to the *Financial Administration Act* (FAA), DCC's Board of Directors (the Board) is responsible for the management of the business, activities and other affairs of the Corporation. DCC's Board has established a Corporate Governance Framework, which provides an overview of the governance structure, principles and practices of the Board. The other documents on which the Board relies for guidance include the Corporation's bylaws and the Charter of the Board and of its two Committees. DCC is committed to openness and transparency, so board-related documentation is available on DCC's website.

The Government of Canada is the sole shareholder of DCC. The Board plays a role in ensuring that DCC's services are delivered efficiently through an open, transparent, competitive and streamlined procurement process. Along with the FAA, the *Defence Production Act* governs DCC. Like other federal Crown corporations, DCC is also subject to other federal legislation, including the *Access to Information Act,* the *Privacy Act, the Employment Equity Act,* the *Canada Labour Code* and the *Official Languages Act.*

The Board established two committees—the Audit Committee, and the Governance and Human Resources Committee—that assist it in carrying out its responsibilities. Each of these committees has its own Charter.

In November 2017, Moreen Miller was appointed as Chair of DCC's Board of Directors to hold office during pleasure for a term of five years.

GOVERNMENT OF CANADA PRIORITIES AND INITIATIVES

DCC ensures that its policies, guidelines and practices are aligned with the priorities and initiatives of the Government of Canada. For example, pursuant to the directive for federal Crown corporations, DCC has ensured that its policies and practices for expenses related to travel, hospitality, conferences and events were properly aligned with relevant documents provided by the Treasury Board of Canada Secretariat. When the Treasury Board further amended its policies in 2017–18, DCC ensured that its requirements continued to be aligned with those changes. DCC supports the Government of Canada in its commitment to an open, honest government that is accountable to Canadians, lives up to the highest ethical standards, and applies the utmost care and prudence in the handling of public funds. In 2017–18, DCC's travel, hospitality, conference and event expenditures continued to be managed with prudence and probity, and represent the most economic and efficient use of funds. DCC's Board of Directors ensured that this Directive was implemented appropriately.

GOVERNANCE

Under the *Defence Production Act*, the Office of the Auditor General of Canada (OAG) is DCC's auditor and the OAG audits the Corporation's financial statements annually. In the Special Examination of DCC that was conducted in 2016–17 by the OAG, as required by section 138 of the FAA, the OAG specifically stated that it found that the Corporation had in place the elements of good governance.

DCC's Board of Directors oversees how the Corporation manages such matters as integrity, values and ethics, strategic planning, and risk management. In particular, the Board ensures that DCC's business practices foster openness, transparency, integrity and ethics; provides guidance on the Corporation's strategic direction; and assesses the appropriateness of DCC's Risk Management Framework.

All seven members of DCC's Board are independent of DCC management, except for DCC's President and CEO. In 2017–18, one new appointment was made: Moreen Miller was appointed as Chair of DCC's Board on November 22, 2017, to hold office for a term of five years. Board members are appointed pursuant to the FAA and the process established by the Privy Council Office (PCO). Board members may remain on the Board past the end of their term, should they wish to do so, until a successor is appointed. Both the Chair of the Board and the President and CEO positions are appointed by the Governor in Council for such terms as are considered appropriate.

As part of its appointment process, PCO refers to the Board of Directors Profiles (Board Profile), which documents identify the various criteria required by potential candidates. In creating its Board Profile, DCC's Board relied on PCO guidance (the document entitled *Building a Crown Corporation Director Profile*), as well as other documents relevant to the field of board governance. DCC's Board Profile states that DCC's Board should include a mix of individuals with professional qualifications or senior-level business experience relevant to the roles of the Board and DCC's business. DCC's Board Profile defines the optimal mix of specific skills, knowledge and experience needed for the Board to remain fully functional. The Board Profile articulates the unique requirements that at least one member of the Board should possess, and sets out that there should be a mix of the following professional or managerial qualifications or experience:

- senior management of corporations (at the chief executive officer or vice-president level);
- human resources management, strategic planning, corporate governance, business development and/or information technology; financial management—the Chair of the Audit Committee should be a financial expert (hold a recognized accounting designation);
- finance, controls and/or audit (chief financial officer accounting practice);
- construction, engineering, consulting engineering architectural or applied sciences;
- project management;
- legal practice; or
- experience generally on boards of directors.

Along with a mix of qualifications and experience, DCC seeks to have a Board that is representative in terms of industry knowledge and experience, and is also diverse and represents Canada's population, specifically in relation to gender, language, employment equity and Canada's geographic regions. The Board currently consists of four male and three female members.

Board members use various tools to assist them in their work. For example, Board orientation is an important tool, especially for new members. Ongoing training is also offered to DCC board members to assist them in understanding their roles and responsibilities. Upon appointment, new board members receive a detailed orientation session on how the Corporation operates, along with information about their roles, their responsibilities and what is expected of them as a member of the Board. Subject matter experts provide information about DCC and its operations to new board members. In addition to orientation, board members are encouraged to seek board governance related educational and training opportunities, especially those related to federal Crown corporations, and to keep abreast of matters of particular relevance to DCC. For example, DCC is a member of the Institute of Corporate Directors (ICD), and all board members have opportunities to participate in ICD events in their home province.

DCC's Board Effectiveness Assessment Questionnaire is another important tool for Board members in that it provides an opportunity to examine how the Board is functioning, and to suggest improvements to any aspect of board operations and governance. In addition to rating their individual performance, board members are also asked to rate the performance of the Board Chair. Responses are tabulated and then reviewed by the Governance and Human Resources Committee. This Committee then oversees the implementation of any recommendations that have arisen from this assessment. The Minister of Public Services and Procurement also receives an analysis of this assessment.

INTEGRITY AND ETHICS

The *Conflict of Interest Act* applies to members of DCC's Board. To assist Board members in maintaining compliance with this Act, all members must sign a declaration annually confirming they have read this Act and understand its application to their role. In addition, they must confirm they have made the appropriate declarations and have taken mitigation measures, if necessary, to comply with this Act. In addition, board members must adhere to the Board of Directors' Code of Conduct (Board Code). The Board Code outlines the standards of conduct all board members are expected to meet as they exercise their duties.

Along with this legislation and the Board Code, DCC has systems and practices in place to support DCC in its efforts to conduct all business with high ethical standards and integrity, and to assist the Board in carrying out its responsibilities. The fact that the Board monitors DCC's frameworks and policies related to values and ethics, including DCC's Integrity Management Framework, which comprises DCC's Code of Business Conduct for employees and Procurement Code of Conduct (PCC) for suppliers, is an example of these systems.

DCC requires all employees to review and comply with DCC's Code of Business Conduct, as a condition of employment. This Code articulates expectations, incorporates the *Public Servants Disclosure Protection Act* and provides procedures for the disclosure of wrongdoing under that Act. Each year, DCC employees are required to review their obligations and responsibilities under the Code and to actively acknowledge their continued compliance. This annual process is concluded electronically. DCC sends each employee an e-mail reminder and tracks responses through an automated system. This allows DCC to keep accurate records and to take appropriate follow-up action. New employees must pass an online test regarding the Code shortly after they are hired. In 2017–18, 100% of DCC's employees responded to the annual request for review and all new hires completed the required test.

Entities conducting business with DCC must comply with DCC's PCC. This document articulates what is expected of suppliers in terms of how to respond to bid solicitations in an open, honest, fair and comprehensive manner. Suppliers must comply with DCC's PCC during the procurement process and must remain compliant as they carry out their work. To facilitate compliance, PCC clauses have been incorporated into DCC's contract documentation. The President and CEO provides information on matters arising out of DCC's PCC as well as on employee compliance with DCC's Code of Business Conduct as part of his usual reporting to the Board.

STRATEGIC DIRECTION

On an annual basis, DCC must submit to the Minister, a Corporate Plan, pursuant to the FAA. DCC relies on a strategic and corporate planning process chart to stay on track to meet timelines and deliverables. As part of this process, at each board meeting, board members receive a status update on DCC's strategic initiatives, including actions taken and progress made toward meeting performance indicators. In addition, outside of regular board meetings, the Board also dedicates time for discussions, when it is deemed appropriate to do so. One board member is selected to participate in DCC's annual strategic planning session, along with the Corporation's entire Senior Management Group. Other invitees include stakeholder representatives, including those from government and industry.

A key responsibility of DCC's Board is to advise on, review and approve DCC's Corporate Plan. For the 2018–19 to 2022–23 planning period, the Board began its discussions at the June 2017 board meeting. It also held a separate board strategic session in August 2017. In addition, one board member participated in DCC management's regularly scheduled September strategic planning session. At their December board meeting, board members reviewed and approved DCC's draft 2018–19 to 2022–23 Corporate Plan. As part of its responsibilities, the Board specifically ensured that DCC's proposed Corporate Plan took into consideration the Government of Canada's priorities and expectations. In particular, DCC supported the government's commitments to promoting a healthy workplace, and to building a diverse workforce to better reflect the Canadian population and improve decision making. In addition, the Board ensured that DCC continued to deliver services efficiently, that these services were of a high standard, and that DCC's procurement processes reflected both modern best practices and public expectations regarding transparency, openness and fairness.

RISK MANAGEMENT

The Board receives regular reports on DCC's risk management practices. As part of its responsibilities, the Board aims to ensure that principal risks to DCC's business have been identified and prioritized, and that appropriate internal systems and processes are in place to manage these risks. The Board regularly reviews DCC's Risk Management Framework and reviews various risks from the Corporate Risk Register at each meeting. The Board performs regular due diligence by assessing risks and by monitoring DCC's financial and corporate performance against targets set for corporate initiatives.

ENGAGEMENT AND COMMUNICATION

It is important that the Board is able to engage with external stakeholders as well as with DCC staff. Annually, during DCC's Annual Public Meeting, Board members are available to respond to questions from the public, external stakeholders, and from DCC personnel. On June 6, 2017 DCC held its 2017 Annual Public Meeting, after posting a notice on DCC's website 30 days earlier, pursuant to the FAA. DCC encourages collaboration with stakeholders and invited heads and members of industry associations to participate in this event. DCC employees were also encouraged to attend. The Chair of DCC's Board of Directors, board members, and DCC's President and CEO were available at the APM to answer questions. In addition, the Chair and the President and CEO presented information on DCC's activities and financial results, and sought feedback from all attendees. A summary of the proceedings of this meeting is available on DCC's website.

Another tool that is used to assist board members in fulfilling their responsibilities is visiting DCC site offices and touring work sites. This activity helps board members to better understand and appreciate the work that DCC is involved in on behalf of its Client-Partners. The Board typically holds up to two meetings per cycle in DCC's different regions across Canada—Atlantic, Quebec, Ontario, National Capital or Western, and board members are exposed to the wide range of DCC's service delivery. At each Board meeting a DCC representative is invited to present information to the Board on various topics of interest and at each meeting, board members are encouraged to meet informally with DCC staff. In 2017–18, vice-presidents, regional directors and other DCC staff members provided presentations to board members at meetings across Canada. In September 2017, the Board met at 8 Wing/Canadian Forces Base Trenton.

CEO PERFORMANCE

DCC adheres to the process established by PCO in its Performance Management Program for Chief Executive Officers of Crown Corporations. The objectives of this program are as follows:

- to encourage excellent performance by setting clear objectives linked to corporate plans, government objectives and leadership competencies, and by rigorously evaluating the achievement of results;
- to recognize and reward strong performance and identify under-performance; and
- to provide a framework within which a consistent and equitable approach to performance management can be applied.

Further to PCO's guidance, the Chair of DCC's Board works with members of the Governance and Human Resources Committee and board members to ensure that specific, measurable, achievable, relevant and time-limited objectives are set for DCC's President. In addition, the Board reviews these objectives to ensure they are clearly linked to DCC's Corporate Plan initiative as well as to the Government of Canada's Corporate Priorities, which are articulated by PCO.

These priorities for 2017–18, as articulated by PCO, were to promote a healthy workplace and to build a diverse workforce. In particular, DCC's President and CEO was asked to demonstrate a commitment to building and sustaining a healthy workplace and to demonstrate leadership in addressing DCC's specific objectives related thereto, and to engage all employees in the promotion of healthy workplace practices.

DCC's President and CEO was also asked to identify recruitment and development activities to increase the social and cultural diversity of DCC's workforce, in order to better reflect the population of Canada and improve decision making. This includes defining diversity goals with respect to DCC's needs, implementing the appropriate recruitment and development activities, and measuring progress.

Further information on DCC's support of these two government priorities may be found under the People Planning Theme and in the section entitled Employee Wellness.

BOARD COMMITTEES

DCC's Board has established two committees to help it meet its obligations: an Audit Committee, and a Governance and Human Resources Committee. Further to the FAA, all Audit Committee members are independent of DCC management in that none of them are officers or employees of DCC. The Board and both of these committees rely on their respective charters and work plans to identify and address their responsibilities at each meeting. The key activities of these committees in 2017–18 are noted below.

AUDIT COMMITTEE

Chair: Lori O'Neill
Members: Paul Cataford, Shirley McClellan and Marc Ouellet
The Committee met three times in 2017–18.

Pursuant to its Charter, DCC's Audit Committee helps the Board oversee DCC management's maintenance of appropriate financial and management control and information systems and management practices. The Committee focuses on systems and practices that should provide reasonable assurance that DCC's assets are safeguarded and controlled, and that DCC's transactions are in accordance with the FAA and its regulations, DCC's By-laws, and industry best practices.

The Chair of this Committee is a financial expert, in accordance with the TBS *Guidelines for Audit Committees of Crown Corporations and Other Public Enterprises*, who holds a recognized accounting designation. Also, members are financially literate. In camera sessions are held at each meeting, for committee members only, and separate sessions are held with representatives from the Office of the Auditor General (OAG), DCC's internal auditors, DCC's Chief Financial Officer (CFO), and DCC's Chief Executive Officer (CEO). In addition, prior to each meeting, the Chair conducts individual teleconferences with a representative of the OAG, the internal auditors, DCC's CFO, and the CEO.

Further to the internal audit plan, the Audit Committee receives regular reports from DCC's internal auditor, including the status of all internal audit reports, and details on the implementation and status of related recommendations. The Committee notifies the Board of the status of audit-related matters and any key issues.

KEY ACTIVITIES

In 2017–18, the Audit Committee reviewed its Charter and work plan; reviewed and approved amendments to the internal audit plan; reviewed the recommendations arising out of the previous year's OAG annual audit, as well as the OAG's 2016 Special Examination of DCC; and supported the Corporation's adoption of International Financial Reporting Standards. The Committee ensured that DCC met the FAA requirement for quarterly financial reporting and the TBS Standard on Quarterly Financial Reports for Crown Corporations. In addition, the Committee holds an *in camera* session at each meeting.

GOVERNANCE AND HUMAN RESOURCES COMMITTEE

Chair: John Boyd
Members: Marc Ouellet and James Paul (*ex officio*)
The Committee met four times in 2017–18.

The Governance and Human Resources Committee is responsible for three key areas: governance, human resources and nominations. Pursuant to its Charter, this Committee helps the Board carry out its responsibilities through the following activities:

- evaluating and recommending to the Board corporate governance practices applicable to the Corporation;

- ensuring that DCC management has established appropriate policies and procedures relating to DCC's Code of Business Conduct, in that they follow appropriate best practices, respect the spirit and intent of relevant government guidance and initiatives, and comply with applicable legislation; and
- ensuring that DCC's core human resources policies are sound, that they follow appropriate Government of Canada guidance and that they comply with applicable legislation.

The Committee holds an *in camera* session at each meeting.

KEY ACTIVITIES

In 2017–18, the Governance and Human Resources Committee reviewed its Charter and work plan; reviewed various DCC human resources strategies; reviewed proposed amendments to corporate policies; and supported the Minister in the PCO board appointment process.

COMMITTEE ATTENDANCE AND BOARD COMPENSATION

Attendance: Chart 1 notes committee members' attendance at committee meetings. It does not show the attendance of board members who attend committee meetings as observers.

Compensation: Chart 2 shows board compensation. Guidance for retainer and per diem amounts for Crown corporation board members is set out in the PCO document *Remuneration Guidelines for Part-Time Governor in Council Appointees in Crown Corporations,* dated October 2000. In PCO's November 2016 document, *Performance Management Program Guidelines—Chief Executive Officers of Crown Corporations,* DCC is listed in Group 3. The compensation for DCC's board members is set by an overarching Order in Council.

CHART 1

ATTENDANCE

	Board	Audit Committee	Governance and Human Resources Committee
Miller, Moreen*	0/1	–	–
Presser, Robert**	2/2	–	2/2
Boyd, John	2/3	–	3/4
Cataford, Paul	3/3	2/3	–
McClellan, Shirley	3/3	3/3	–
O'Neill, Lori	3/3	3/3	–
Ouellet, Marc	3/3	3/3	4/4
Paul, James	3/3	–	4/4

CHART 2

COMPENSATION

	Board	Audit Committee	Governance and Human Resources Committee
Miller, Moreen*	0/1	–	–
Presser, Robert**	2/2	–	2/2
Boyd, John	2/3	–	3/4
Cataford, Paul	3/3	2/3	–
McClellan, Shirley	3/3	3/3	–
O'Neill, Lori	3/3	3/3	–
Ouellet, Marc	3/3	3/3	4/4
Paul, James	3/3	–	4/4

* Ms. Miller was appointed Chair of the Board effective November 22, 2017.
** Mr. Presser's term ended on November 22, 2017.

James Paul, President and CEO, presents information on DCC's corporate initiatives, financial results and projects during the Annual Public Meeting on June 7, 2018.

BOARD OF DIRECTORS

MOREEN MILLER, CHAIR OF THE BOARD

Ms. Miller is currently President of Fowler Construction, a heavy civil construction and aggregate materials company. Her career spans over 30 years in various roles in the mining, aggregates and construction industries. She has served on several commissions and boards and has an academic background in geology and landscape architecture. Ms. Miller has worked in Canada and internationally in the fields of construction, rehabilitation, community affairs and sustainable development.

JOHN BOYD

Following a 35-year career in the consulting engineering business, Mr. Boyd currently provides training and consulting advice regarding the management of engineering consultancies. He holds numerous board positions, acts as an advisor for both industry and university committees, and is a regular guest speaker on issues related to the role of engineers in society.

PAUL CATAFORD

Mr. Cataford is President and CEO of Zephyr Sleep Technologies Inc. and serves as a director for a number of public and private companies. He has extensive experience in financial management, risk assessment and performance evaluation, and he holds a professional designation from the Institute of Corporate Directors.

SHIRLEY McCLELLAN

Ms. McClellan held numerous senior cabinet positions, including Deputy Premier and Minister of Finance, during her six consecutive terms in office with the Government of Alberta between 1987 and 2007. Ms. McClellan is a Distinguished Scholar in Residence at the University of Alberta and serves on numerous boards. She is also the Chief Executive Officer of Horse Racing Alberta.

LORI O'NEILL

Ms. O'Neill is a corporate director and consultant to growth companies. A Chartered Professional Accountant with 24 years of experience in a global accounting firm, she served as a partner in various leadership roles until she retired in 2012. Ms. O'Neill serves on boards of public companies, Crown corporations and non-profit corporations, and chairs several audit committees.

JAMES PAUL

Mr. Paul has over 30 years of business and corporate governance experience with a variety of international companies. He has a common law degree from the University of Ottawa. Prior to his appointment with DCC, he served as President of a Canadian technology company and as Chair of the Canada Science and Technology Museum Corporation's board of trustees.

MARC OUELLET

Retired from the Royal Canadian Air Force, Mr. Ouellet is now an aerospace and security consultant with CIRRUS Research Associates Inc. During his 32-year career in the RCAF, he held several command and staff appointments and sat on the Board of Governors of the Royal Military College. He has been an associate faculty member of the Center for Civil-Military Relations in Monterey, California, since 2006.

SENIOR MANAGEMENT GROUP

EXECUTIVE TEAM

JAMES PAUL, J.D.

President and Chief Executive Officer

Mr. Paul was appointed to the position of President and CEO in September 2009. His career has spanned over 30 years and includes senior management roles in large Canadian technology firms. He has managed major infrastructure projects in the civilian, government and defence sectors. Prior to his appointment to DCC, Mr. Paul served as President of a Canadian technology company, and as Chair of the Canada Science and Technology Museum Corporation's board of trustees. He holds a common law degree from the University of Ottawa.

DANIEL BENJAMIN, P.ENG., ING.

Vice-President, Operations—Service Delivery and Corporate Planning

Mr. Benjamin joined DCC in September 2011 after a 35-year career with the Canadian Armed Forces (CAF). He attained the position of Chief Military Engineer for the CAF and Chief of Staff (Infrastructure and Environment). He was involved in the design and construction of infrastructure and facility management for all military facilities in Canada and abroad. Mr. Benjamin retired from the military at the rank of Major-General. He holds a Master of Engineering degree from the Royal Military College of Canada and is DCC's representative on the Federal Industry Real Property Advisory Council.

MÉLINDA NYCHOLAT, P.ENG.

Vice-President, Operations—Procurement

Ms. Nycholat joined DCC in 1988 and has held various positions in the Western and Atlantic regions and at Head Office. She holds a Bachelor of Civil Engineering degree from Université Laval and has held a Project Management Professional designation. Ms. Nycholat sits on the board of directors of the Canadian Public Procurement Council, is an owner representative on the Canadian Construction Documents Committee, sits on the steering committee of the Institute for Building Information Modelling (BIM) in Canada and is a past member of the Treasury Board Advisory Committee for Construction Contracts.

ROSS WELSMAN, P.ENG.

Vice-President, Operations—Business Management

Mr. Welsman holds a Bachelor of Science in Mathematics degree and a Bachelor of Engineering (Civil) degree from Memorial University of Newfoundland. Following 15 years in the private sector, he joined DCC as the Area Engineer for the Atlantic Region. He was appointed Regional Director of the Atlantic Region in 2006 and transferred to Ottawa in July 2011. Mr. Welsman was promoted to Vice-President, Operations—Business Management, in November 2015 and currently sits on the board of Canadian Construction Innovations.

JULIET WOODFIELD, CPA, CA

Vice-President, Finance & Human Resources, and Chief Financial Officer

Ms. Woodfield joined DCC's Executive Team in September 2016. With more than 20 years of public and private sector experience, she has worked with a variety of government organizations and has also served as the Deputy Chief Financial Officer of the North Atlantic Treaty Organization Security Investment Program in Brussels, Belgium. She is a Chartered Professional Accountant and holds a Bachelor of Commerce degree from the University of Calgary.

REGIONAL DIRECTORS

NICOLAS FORGET, M.SC.

Regional Director, Quebec

Mr. Forget, who holds a Master of Science degree from the Université de Montréal, joined DCC in 2001 as Coordinator, Environmental Services, Quebec Regional Office. With UXO Technician Level 1 certification, he was instrumental in developing DCC's UXO Practice Area. In 2008, Mr. Forget began serving as Operations Manager for the Quebec Operational Group, and as Regional Service Line Leader for Project and Program Management and Real Property Management Services. He was promoted to Regional Director, Quebec, in 2017 and in 2018 was appointed the National Service Line Leader for Project and Program Management Services.

JOHN GRAHAM, P.ENG., PMP

Regional Director, Ontario

Mr. Graham graduated from Lakehead University in 1988 with a Bachelor of Engineering (Civil) degree. He joined DCC as a junior engineer in the Kingston office. In 1998, he attained his designation as a Project Management Professional, and the following year he became the Area Engineer for Ontario Region. Mr. Graham was appointed Regional Director, Ontario, in 2009.

ELIZABETH MAH, P.ENG., GSC, PMP

Regional Director, National Capital Region

Following her graduation from the University of Manitoba with a Bachelor of Science Civil Engineering degree, Ms. Mah joined DCC in 1998. After working at the DCC Edmonton and Esquimalt site offices, she transferred to Ottawa in 2011. She was promoted to Regional Director for the National Capital Region in November 2015. Ms. Mah is a board member of the Real Property Institute of Canada and sits on the steering committee for the Women's Infrastructure Network (Ottawa Chapter). She holds a Project Management Professional certificate and a Canadian Construction Association Gold Seal Certified designation.

GRANT SAYERS, CET

Regional Director, Western

Mr. Sayers joined DCC in 2003 as a Contract Coordinator at CFB Suffield and later served as Operations Manager in Comox and Regional Service Line Leader for Real Property in Edmonton. He was promoted to the role of Regional Director, Quebec, in 2012 and subsequently transferred to the Western Region in 2017, where he assumed the role of Regional Director. He is a Certified Engineering Technologist with a mechanical background.

GEORGE THEOHAROPOULOS, P.ENG.

Regional Director, Atlantic

Mr. Theoharopoulos became Regional Director in the Atlantic Region in July 2011. He joined DCC in 2004, following 14 years in the public and private sectors, and has held a variety of positions, including Manager of Environmental Services and Manager of Business Operations in the Atlantic Region. He is the National Service Line Leader for the Environmental Services service line and holds an Engineering degree from the Technical University of Nova Scotia.

NATIONAL SERVICE LINE LEADERS

DAVID BURLEY, GSC

National Service Line Leader, Contract Management and Real Property Management Services

Mr. Burley joined DCC in Kingston in 2002 and transferred to Ottawa in 2012 in his role as National Service Line Leader for Contract Management Services. He subsequently assumed the role of National Service Line Leader for Real Property Management Services. He is a civil engineering technologist and holds a Canadian Construction Association Gold Seal Certified designation.

MÉLANIE POULIOT, P.ENG.

National Service Line Leader, Contract Services

Ms. Pouliot joined DCC in 2007 as a Contract Coordinator for the National Capital Region in Ottawa and subsequently led a team responsible for procurement plans for DND's capital infrastructure program. Ms. Pouliot then transferred to Head Office, where she focused on delivering public-private partnerships. She was promoted to National Service Line Leader, Contract Services in 2017. Ms. Pouliot holds a Bachelor of Applied Science, Chemical Engineering, degree from the University of Ottawa.

DIRECTORS

RICHARD M. DANIS, CPA, CA

Director, Finance

Mr. Danis holds a Bachelor of Commerce degree from Laurentian University and a Master of Business Administration degree from the University of Ottawa. He joined DCC in 2009 from the private sector, where he held positions in auditing and as Director of Finance for 10 years. He is a member of the Chartered Professional Accountants of Ontario.

DAN FORTIER

Director, Information Technology

With more than 20 years as an information technology professional, Mr. Fortier joined DCC in 2016 as Director, Information Technology. His work experience includes 15 years in various high technology companies, most recently in a not-for-profit organization that operates a payment clearing and settlement system in Canada. Mr. Fortier obtained a professional certificate in Management Skills from the Sprott School of Business at Carleton University in 2009 and has a certificate in Law and Security from Algonquin College.

ALISON LAWFORD, LL.B., LL.M.

Director, Governance and Legal Affairs, and Corporate Secretary

Ms. Lawford joined DCC in 2008 as Corporate Secretary and is also DCC's Access to Information and Privacy Coordinator. She has a Law degree and Master of Laws degree from the University of Ottawa. Before coming to DCC, she was the Compliance Officer at Export Development Canada and practised law with a national law firm.

STEPHANIE RYAN, B.A. (HONS.), ABC

Director, Communications

Following a 12-year private sector career in marketing communications, Ms. Ryan joined DCC in 2002. Before coming to DCC, she spent three years with a national magazine publishing firm and nine years with a life sciences business. She holds a Bachelor of Arts (Honours) degree from the University of Ottawa and the designation of Accredited Business Communicator (ABC), and is an accredited TESL Ontario language instructor.

ELAINE WARREN, CHRL

Director, Human Resources

Ms. Warren joined DCC in 1998 following a 14-year career in the infrastructure and service industries. She earned a Business Administration, Human Resources diploma from Algonquin College, completed the Queen's School of Business Human Resources Program, and in 2006 obtained her executive certificate in Strategic Human Resources Leadership from the Sprott School of Business at Carleton University. She holds a Certified Human Resources Leader designation from the Human Resources Professionals Association.

Mariclaire Monton, Coordinator, Construction Services, at 17 Wing Winnipeg. Mariclaire is responsible for managing construction, professional services and service contracts during construction projects, to ensure work complies with contract requirements.

DCC supports the Canadian Forces Housing Agency in maintaining and managing residential housing units for DND. Michael Savard, Coordinator, Construction Services, at CFB Bagotville, helps manage contracts for the construction and maintenance of accommodations for military members and their families at the wing.

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.0 CORPORATE PROFILE

1.1 PROFILE

Created in 1951, Defence Construction Canada (DCC) is a Crown corporation that provides a wide variety of property-related services to support the defence of Canada. The prime focus and beneficiaries of DCC's services are the Department of National Defence (DND) and Canadian Armed Forces (CAF) operations, both domestic and overseas. DCC is accountable to Parliament through the Minister of Public Services and Procurement.

Over the years, DCC's extensive construction expertise has been instrumental in the construction of projects that have shaped the Canadian economic and military landscape, and fulfilled Canada's international obligations. Examples of such projects include the Distant Early Warning (DEW) Line across the Arctic; the Northern Ontario section of the Trans-Canada Pipeline; the Canadian Embassy in Kabul, Afghanistan; the military camp at Erbil in Iraq; support for Operational Support Hub—Kuwait; and infrastructure projects in the Far North, such as the Nanisivik Deep Sea Port.

1.2 MISSION, VISION AND VALUES

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, ethical and innovative leader, and employer of choice, valued by the Government of Canada and industry.

Values: DCC's values ensure the Corporation can continue to meet the requirements of our Client-Partners in Canada and abroad. Those values include the following.

Dedication: DCC is dedicated to supporting DND's infrastructure and environment requirements. For over 65 years, DCC employees have dependably and diligently carried out that mission for Client-Partners.

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

Competence: DCC offers a dynamic and inclusive working environment in which the experience, expertise and diversity of employees enable the development of innovative solutions for Client-Partner needs.

Fairness: DCC deals with Client-Partners, industry, employees and other stakeholders in a fair and ethical manner, advocating mutual respect and professionalism.

1.3 OPERATING STRUCTURE

DCC maintains site offices at all active CAF establishments in Canada and abroad, as required. Its Head Office is located in Ottawa. The Corporation maintains five regional offices (Western, Ontario, National Capital, Quebec and Atlantic), as well as 31 site offices located at CAF bases, wings and area support units. In November 2017, DCC opened a new office in Yellowknife, Northwest Territories, to support CAF infrastructure requirements in the North. DCC also maintains a temporary remote office in Nanisivik, as required for the Nanisivik Naval Facility infrastructure project in Nunavut.

In addition to working in Canada's Far North, DCC has deployed personnel alongside the CAF over the years. In the past year, DCC has deployed employees to Iraq to support Operation Impact and a team to support three additional projects at the Operational Support Hub—Kuwait. The success of this work in Iraq and Kuwait has led to DCC providing additional overseas support in Latvia to meet CAF infrastructure requirements for the Enhanced Forward Presence as well as support in Jordan to the CAF Task Force Middle East.

1.4 DCC'S CLIENT-PARTNERS

Operationally and administratively, DCC deals with many organizations within DND. The Infrastructure and Environment Group of National Defence Headquarters is DCC's principal point of contact for the management of the integrated DND real property portfolio at real property operations sites across Canada. With a single custodian for portfolio management at the national level, regional Real Property Operations offices manage infrastructure requirements at the base and wing level. Also included in the infrastructure portfolio are real property operations for the Canadian Forces Housing Agency and Defence Research and Development Canada. DCC supports CAF operations as requested by the Canadian Joint Operations Command (CJOC).

Other organizations for which DCC also contracts for—and manages—construction and environmental services include the Communications Security Establishment (CSE), a stand-alone agency within the Minister of National Defence portfolio; and the Canadian Forces Personnel Support Agency. The Corporation also has a memorandum of understanding with Shared Services Canada relating to the expansion of the data centre at Canadian Forces Base (CFB) Borden. Additionally, DCC supports the country's North Atlantic Treaty Organization allies with training programs and facilities in Canada. DCC will respond to requests for support within the scope of its mandate from other organizations within DND.

1.5 CONTRACTORS AND CONSULTANTS

As outlined in the governance section, DCC treats the integrity of the procurement process seriously. Accordingly, the Corporation complies fully with Government of Canada contracting regulations that ensure a secure, efficient and fair process for procuring and managing DND infrastructure projects. 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 brings together in one concise document the ethical responsibilities of contractors who offer goods and services to the Corporation. It ensures transparency, accountability and the highest standards of ethical conduct in DCC's procurement of goods and services.

DCC has a memorandum of understanding with Public Services and Procurement Canada (PSPC) to carry out integrity verifications on winning bidders. This leverages PSPC's resources and avoids duplication of effort, as it means DCC does not need to create its own database. These verifications involve searching a database of provincial records and other publicly available data to see whether the firms or any of their officers have been convicted of fraud or offences as listed in the Government of Canada *Integrity Regime, Ineligibility and Suspension Policy*.

In 2017–18, DCC awarded 1,827 contracts to contractors, consultants or suppliers. The Corporation aims to verify all firms before awarding contracts to ensure that all contractors and consultants comply with the PCC. However, verifications are not required for contracts whose estimated value is less than $10,000 or for contracts awarded from a source list or standing offer. As a result, in 2017–18, DCC made 1,196 verification requests and successfully verified 100% of the successful bidders on contracts, as per its procurement process.

Because DCC works closely with private sector consultants and contractors, it is vital that the Corporation stay abreast of trends and contribute to the construction industry. In addition to maintaining formal exchanges with the Canadian Construction Association and its provincial counterparts, DCC employees interact with contractors on job sites every day. These discussions, along with participation in a number of association committees, help keep DCC informed of industry developments and provide a useful forum through which the Corporation connects with its industry partners. DCC maintains relations with other groups, such as the Association of Consulting Engineering Companies Canada, the Royal Architectural Institute of Canada, the Federal/Industry Real Property Advisory Council, the Lean Construction Institute—Canada, the Canadian Public Procurement Council, the Canadian Construction Industry Consultative Committee and the Canadian Design-Build Institute, as well as industry organizations for a variety of infrastructure services.

2.0 DELIVERING VALUE FOR CANADA

DCC focuses on providing the highest value possible to its Client-Partners in its service delivery. When working with DCC, Client-Partners can benefit from the following advantages that DCC provides.

Corporate performance management and measurement: This approach includes targeted cost of service delivery levels and industry benchmarking. DCC operates as a lean and efficient organization, and its billing rates are almost half those of comparable North American private sector engineering firms, according to Deltek's *38th Annual Clarity Architecture and Engineering Industry Study*. It ensures cost-effective service delivery.

Service delivery optimization: DCC relies on risk-based decision-making and a principles-based approach to service delivery and business management activities. This ensures that Client-Partner requirements are met in the most effective way.

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

Flexible procurement methods: DCC has developed a variety of procurement approaches to best meet Client-Partners' project needs. DCC is flexible in adapting these to specific situations or opportunities, as required. They are specifically tailored to defence and security project needs, and time-sensitive requirements.

Integrated service delivery: DCC uses a service line integration matrix delivery model to access required expertise across all service lines and activities. This model enables DCC's activity-based costing by DND program type, fitting with DND's Program Alignment Architecture. This holistic approach can put the right solutions in the right place at the right time.

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

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

> Innovation: DCC is an industry leader and innovates in many areas that increase value for Client-Partners. For instance, it uses innovative procurement models, such as public-private partnerships (P3s), energy performance contracts, building information modelling, modified design-build, integrated project delivery and e-procurement, which improves industry access, increases competitiveness and enhances service delivery.
>
> 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 environmental 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.

3.0 STRATEGIC INITIATIVES

DCC has built its business strategy on four planning themes: Business Management, Service Delivery, People, and Leadership and Governance. DCC's strategic priorities under those themes are to have robust business management tools, meet Client-Partner requirements, engage the workforce and demonstrate strong leadership. The following is a summary of DCC's progress in 2017–18 on initiatives under these themes.

Theme: Business Management
Objective: To develop and maintain responsive, integrated business management structures, tools, teams and practices.

Like many organizations, DCC wants to have up-to-date, reliable, accurate and efficient systems to manage its business. Strong, dependable and easy-to-use information technology (IT) systems are key to a positive work environment. For 2017–18, DCC committed to two IT-related initiatives to make information more accessible to employees.

First, the organization is making a much-needed investment to upgrade its IT infrastructure. It is doing so to respond to the universal threat of cyber attacks, the Government of Canada's requirement for increased security measures, and the need to modernize the Corporation's IT infrastructure. During the year, DCC implemented the improvements to its IT infrastructure across the country to provide leading-edge technology for cyber security, and a digital-first environment that allows for modern, efficient business practices that make it easy for employees to get the job done.

Further, DCC finished updating the IT Strategic Plan, completed a business impact assessment and a vision, and initiated the procurement process to move DCC's IT from an internal server system to a cloud system. DCC short-listed potential service providers during the fourth quarter of 2017–18, with migration to a cloud system expected to be complete in 2019–20. The Corporation also delivered an online system in June 2017 that tracks individual employees' training history, which will improve access to employee data.

Second, in response to a recommendation in the Office of the Auditor General's Special Examination, DCC committed to improving the filing structure for electronic document management. A gap analysis showed that although there were some weaknesses in the filing structure, difficulties with electronic document management related more to user behaviour. The original gap that was related to electronic document management was more broadly defined as a gap in information management. A 12-member committee of system users worked to train administrators, remediate issues as they appeared and verify the system. Online training has been developed with delivery scheduled for 2018–19. Additionally, upgrades to the document management system are proceeding and will provide users with a streamlined structure for accurate and consistent information management.

Theme: Service Delivery
Objective: To meet Client-Partner requirements and to demonstrate value for money.

For the 2017–18 planning period, there were four initiatives under the Service Delivery theme. Three remained from the preceding planning period: support defence infrastructure renewal; expand the scope of e-procurement beyond construction services; and help Client-Partners and industry as new security directives are implemented. The Corporation added one new initiative: support DND in meeting its environmental objectives.

DCC continues to aid the defence infrastructure renewal initiative by supporting the following activities: developing portfolio and real property management plans; developing and implementing a Procurement Strategy to enhance the delivery of infrastructure maintenance services; and improving real property project delivery. Specifically, DCC is supporting work for the Infrastructure and Environment Reporting and Integration System, formerly known as the Infrastructure Environment Business Modernization (IEBM) project. This project is creating a centralized hub for all of DND's records for real property maintenance, portfolio and investment planning, spatial integration, and reporting.

With enhanced efforts taking shape to centralize DND's Assistant Deputy Minister (Infrastructure and Environment) Group—or ADM(IE) Group—requests for DCC's services in project and program management, facilities management, portfolio management and energy management have increased at both the national and regional levels. DCC successfully delivered the remaining projects funded under the Federal Infrastructure Investments Program (FIIP) to DND, as well as the additional projects funded under Budget 2016 infrastructure investment. At fiscal year-end, DCC delivered a total of $425 million of FIIP-related contract expenditures on behalf of DND since the program began in 2015–16, or 99% of the original amount allotted to DND under the program. At March 31, 2017, the Corporation delivered 85.9% or $157.7 million of its planned target of $183.7 million Budget 2016-related funding for 2017–18. DCC will carry over about $25 million in spending from the Budget 2016 infrastructure investment funding to 2018–19.

E-procurement is now available for construction contracts worth up to $10 million, and DCC has expanded e-procurement to goods and services contracts up to a value of $5 million. In 2018–19, DCC will evaluate the status of this initiative before increasing the dollar value for goods and services contracts, and plans to start consulting the architecture and engineering industry to expand e-procurement to professional services.

The initiative to support Client-Partner security requirements is complete. Prime contractors and their sub-contractors need security clearances from the Canadian and International Industrial Security Directorate (CIISD) before being awarded a job. A new unit in DCC's National Capital Region office facilitates pre-screening of contracting and consulting firms' applications for these clearances, with almost 500 security clearances granted in 2017–18. As security requirements become more rigorous, more contractors and consultants are submitting applications for secret-level clearance, which requires significant time to obtain. Effective February 2017, the Royal Canadian Mounted Police (RCMP) introduced a new process that includes a mandatory electronic fingerprint requirement for all Canadians who need a minimum reliability security clearance. DCC has been working collaboratively with DND, CIISD and the RCMP to meet this new requirement and mitigate the risks regarding contractor and internal personnel clearances.

DCC also helps its Client-Partners meet the requirements of the Defence Energy and Environment Strategy. This strategy is designed to help DND improve energy efficiency, conduct sustainable operations, green its procurement processes by expanding e-procurement, and build sustainable real property.

The Corporation is supporting DND with the roll out of innovative energy performance contracts, in which savings from energy-saving upgrades are used to fund those upgrades. A number of contracts are helping facilities nationwide improve energy efficiency and reduce greenhouse gas emissions. Future work could include supporting the demolition and/or remediation of buildings as DND tries to lower its carbon footprint and supporting the Halifax central heating plant replacement as a potential P3 contract.

Theme: People
Objective: To recruit, develop, support and retain a competent, engaged and diverse workforce.

In 2017–18, several initiatives supported DCC's workplace culture. DCC continued to do significant work to promote diversity and inclusion, workplace wellness, mental health, and a respectful workplace. Specifically, the Corporation released its Diversity and Inclusion Strategy and its Workplace Wellness and Mental Health Strategy at the end of 2016–17. Both have three-year action plans that were well underway in 2017–18. Work completed to date includes completing the strategies and action plans; training DCC leaders in bias awareness and gender-based analysis for improved decision-making; developing a national and regional recognition award to promote diversity and inclusion in the workplace; and launching the diversity and inclusion Women's Information Network. Mental health and wellness training (programs called The Working Mind and The Elephant in the Room) is progressing well and will be continued throughout 2018–19. Both of these strategies are components of the larger, five-year Human Resources Strategic Plan whose development will carry over into the 2018–19 fiscal year.

An employee engagement survey was conducted in fall 2017 to help DCC assess the perceptions its people hold and to ensure its employees think of DCC as an employer of choice. Initial results—a survey participation rate of 88% and an overall engagement score of 82%—indicated that DCC employees are highly engaged professionals. DCC then held focus groups in each region and Head Office to gain more insight into the survey results. Although the results are very positive, a full analysis of the employee survey and focus group results, to be conducted in the first quarter of 2018–19, will still generate recommendations and a related action plan.

Theme: Leadership and Governance
Objective: To provide strong leadership and be responsive to Government of Canada requirements.

For the 2017–18 planning period, the Senior Management Group identified three initiatives under the Leadership and

Governance theme. DCC will continue to demonstrate value, integrity and innovation to stakeholders and Client-Partners by building working relationships; it will respond to recommendations arising out of the Office of the Auditor General's Special Examination of DCC; and it will support ongoing integrity programs, with a focus on fraud awareness, detection and prevention.

DCC continued to maintain relationships with its stakeholders, some of whom have gone through multiple staffing transitions over the last year. DCC is able to provide corporate memory and stability in these situations. In 2017–18, the Corporation strengthened its collaborative relationship with the ADM(IE) Group at DND and the new CEO of the Canadian Forces Housing Agency, and launched quarterly consultations between DCC and the Canadian Forces Real Property Operations Group.

DCC's President and Chief Executive Officer—together with the Chair of DCC's Board of Directors and DCC's Chief Procurement Officer—appeared before the Standing Committee on Public Accounts to respond to questions from the committee on DCC's action plan for addressing the results of the 2016 Special Examination. The Office of the Auditor General found no significant deficiencies in the Special Examination.

DCC's response to the Special Examination includes streamlining DCC's system for online document management; maintaining a standard frequency for internal service line verifications; and completing an online register and archive for tracking employee training.

DCC conducted research and consultation on the use of forensic digital analytics and software to spot trends and patterns that typically indicate procurement fraud and collusion. Based on the findings, plus consultation with PSPC and the Competition Bureau, DCC developed specific tools and processes to monitor and detect potential cases of bid-rigging and to determine when further investigation and referral to the Competition Bureau may be appropriate. Monitoring and detection is primarily done through data analytics, which is carried out by applying a series of statistical tests that focus on the concrete behaviour of firms. In the first quarter of 2018–19, DCC will incorporate the data analytics process into its Integrity Management Framework and *Contract Services Policy Manual.*

DCC is negotiating a memorandum of understanding with the Competition Bureau to support ongoing collaboration, as well as opportunities for the Canadian Construction Association and Competition Bureau to conduct national awareness training for industry.

4.0 STRATEGIC AND OPERATIONAL PERFORMANCE INDICATORS

4.1 OPERATIONAL RESULTS AND PERFORMANCE MEASURES

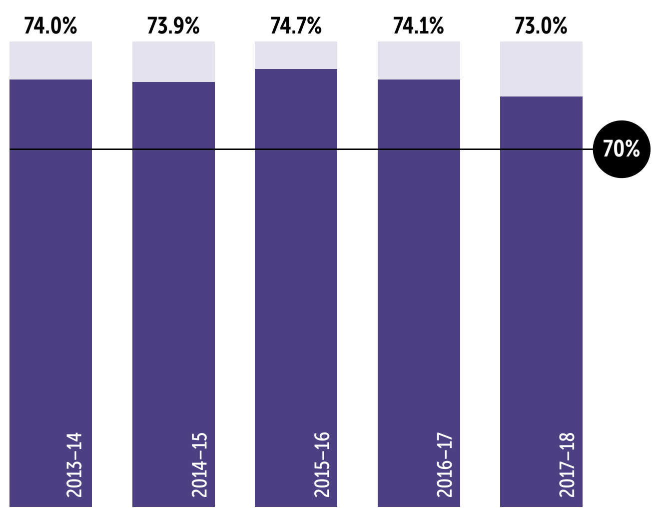
EMPLOYEE UTILIZATION RATE

The utilization rate indicates the hours spent directly on service delivery functions that are billable to the client, as opposed to hours spent on corporate strategic initiatives and administrative functions that are considered overhead support, and on compensated leave. It is an important performance indicator for efficiency and effectiveness, and a key financial management tool. In 2015–16, the Corporation recognized that the utilization rate of 74.7% was significantly above the target of 70%. DCC worked to reduce the rate to help employees focus more on implementing DCC's corporate initiatives. Accordingly, the utilization rate declined in each of the past two fiscal years—to 74.1% in 2016–17 and to 73.0% in 2017–18.

UTILIZATION RATE

(percentage of employee hours spent on billable contract work)

Target = 70%

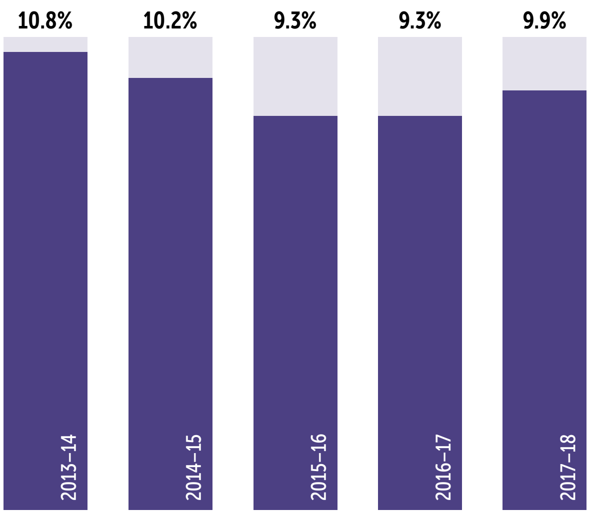


COST OF DCC SERVICES

The indicator of overall costs of DCC services to DND reflects how much of DND's Infrastructure and Environment (IE) program budget is spent on DCC's services—or, in other words, how much DCC services cost DND's IE community. Typically, DCC expects these costs to fall in the range of 10% to 15% of DND's IE program budget. In 2017–18, the cost of service delivery was 9.9%, an increase of 6 percentage points from 9.3% in 2016–17.

COST OF SERVICE DELIVERY

(services revenue as a percentage of contract payments)



FINANCIAL RESULTS

DCC expects to achieve financial results each year that are consistent with its *Financial Management Policy*. The objective 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 March 31, 2018, DCC's financial results were slightly lower than forecasted due to lower demand from DCC's Client-Partner. DCC's cash management approach is to maintain its cash levels at $21 million to $25 million. At year end, DCC's cash and investments were approximately $22.7 million.

4.2 SERVICE DELIVERY

SERVICE DELIVERY RATING

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

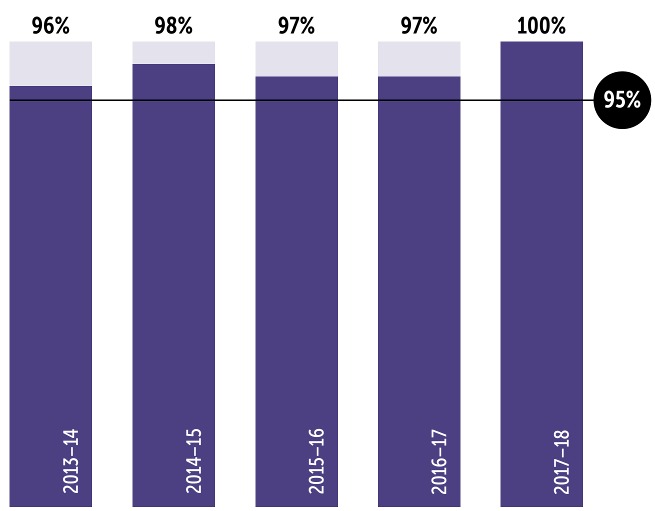
The representatives rate DCC's performance on five factors: quality of services, value added, timeliness, responsiveness and communications. The primary objective is to measure the satisfaction level of our clients. The overall score is measured on a scale from one to five. A score of three indicates that DCC "met service delivery standards" and a score of four or five indicates that the Corporation "exceeded service delivery standards." Scores are weighted according to the value of each SLA.

In 2017–18, DCC conducted 106 service delivery assessments—or 88.5% of all services—covering $87 million worth of services delivered. The Corporation aims to ensure that 95% of assessments achieve an overall SDR of three or higher. Overall, 100% of the overall scores met or exceeded expectations. However, in eight factors out of the 530, the ratings met with a less-than-satisfactory score. Typically, issues relate to specific incidents that fall into categories such as communications issues, administrative problems or staffing concerns. DCC is responsive to all concerns about it service and addresses each in a timely manner.

SERVICE DELIVERY RATING

(client satisfaction)

Target = 95%



DCC INVOLVEMENT IN INDUSTRY ACTIVITIES

DCC monitors employee involvement in all major industry associations. The goal is to have a DCC representative involved in each relevant association 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, innovation, health and safety, sustainable energy, and fire safety. At the national level, DCC executives are active on national committees and professional organizations involved with construction, architecture, real property, consulting engineering, procurement and building information modelling, to name a few areas. 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.

DCC is a founding member of the Institute for Building Information Modelling (BIM) in Canada, which is developing tools and standards to facilitate the coordinated use of BIM in Canada. The Corporation is also a founding member of Canadian Construction Innovations (CCI), an institute focusing on industry-driven research and innovation to solve industry problems. DCC is working with CCI to promote innovation in the construction industry. In 2016–17, the government defined its plan to make Canada a centre of global innovation and reaffirmed its commitment to research, skills and innovation in the 2018 Budget, with a focus on economic growth. DCC supports this commitment by keeping up to date with industry innovations and seeking new ways of working for the benefit of its Client-Partners.

For example, DCC is currently involved in a joint government-industry working group—composed of Public Services and Procurement Canada (PSPC), DCC and the Canadian Construction Association—related to the public disclosure of contractor payments. The working group is currently pursuing its action plan, which would improve the timeliness of payment through the payment chain. On January 30, 2018, the government launched an industry engagement process to seek stakeholders' input and recommendations on federal prompt payment legislation. DCC was an active participant in the consultation process. Recommendations from industry stakeholders are expected by June 2018, and the aim is to initiate prompt payment legislation by late fall 2018.

As well, the Federal/Industry Real Property Advisory Council—of which DCC is a member—is looking at ways Canadian industry can apply BIM, similar to the ways other countries do. DCC also participates in industry-led working groups on initiatives such as guidelines for project management services. DCC sits on the Canadian Construction Documents Committee (CCDC), which develops, produces and reviews standard Canadian construction contract documents. This national joint committee has finished developing a model contract for a new, innovative approach to delivering construction projects called integrated project delivery (IPD), with strong DCC participation. In 2018–19, DCC will also help deliver industry seminars to support the roll-out of IPD and the new CCDC documents.

DCC also participates in the annual Canadian Construction Association–Government of Canada joint meeting typically held at Meech Lake, Quebec. This collaborative meeting is an opportunity for senior leaders of government and industry to discuss current and emerging real property issues of mutual importance.

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. At year end, 96.6% of DCC tender calls had resulted in a contract, a slight increase from last year's rate of 96.3%.

PUBLIC ACCESS TO BUSINESS OPPORTUNITIES

DCC wants to encourage competition and ensure that all enterprises have equal access to DCC procurement opportunities. The goal is to award a minimum of 98% of DCC contracts through public opportunities. In 2017–18, DCC awarded 98.2% of all contract value through public opportunities, a 1.3 percentage point decrease from last year's volume of 99.5%, due to a requirement for DCC to respond to an emergency situation in the North.

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 value possible. DCC 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. DCC had an average of 4.4 bidders per procurement in 2017–18, a decrease from 5.1 in the previous fiscal year. This decrease was expected due to DND's increased security requirements, which requires more effort by bidders to seek and obtain security clearances.

CONTRACT MANAGEMENT RESULTS

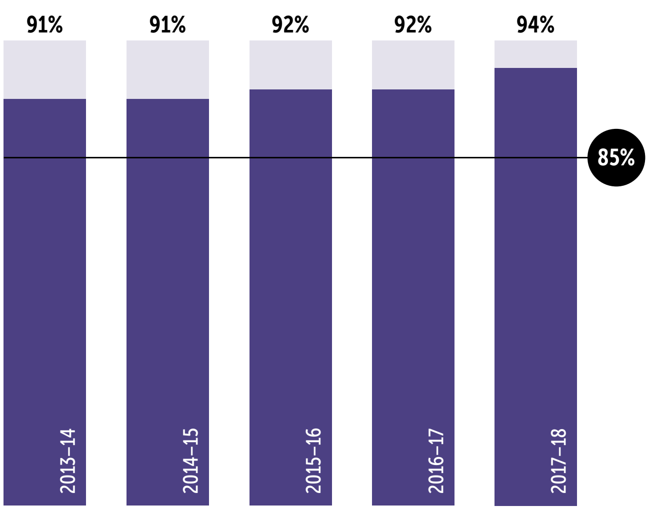
TIMELINESS OF CONSTRUCTION CONTRACT COMPLETION

Timely completion of projects 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 action to ensure that the project is completed as quickly as possible, to minimize the impact on DND. In 2017–18, 94% of construction contracts were completed on time, an increase of 2 percentage points over the results in the previous year.

TIMELINESS OF CONSTRUCTION CONTRACT COMPLETION

(jobs completed on time)

Target = 85%



NEGOTIATED COST SAVINGS FOR CONTRACT CHANGES

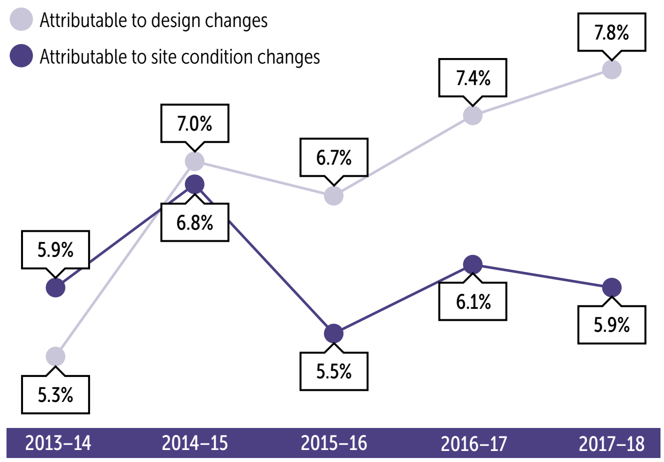
During the lifecycle of a project, a request for work to be added to or deleted from the original scope of work of the contract can occur. The most common reasons for a change order are changes to the original design or changes due to unforeseen site conditions. Depending on the volume, scope and cost of change orders, the original contract amount and completion date can be altered. DCC negotiates requests for change orders with contractors. The cost associated with the change order is verified to determine whether the request is within the scope of the contract or whether it is, in fact, a change. In 2017–18, DCC reviewed 13,034 requests for contract change orders by contractors. The Corporation negotiated with contractors, and the difference between the original quoted amounts and the final settlement amounts totalled $32.3 million.

CONSTRUCTION CHANGE ORDER VALUES

The change in construction award value for 2017–18 was 13.7%, a slight increase from the 2016–17 figure of 13.5%. Of the 13.7% change in value, 7.8 percentage points related to design changes and 5.9 percentage points related to site condition changes. Although DCC does not set formal targets for this indicator, it tracks this information to inform the client about project and budget status. Additionally, this information helps both DCC and the client monitor the impact of scheduling risks associated with construction.

CHANGE ORDER VALUES

(proportion of total award value)



LEGAL CLAIMS

The Corporation's efforts to resolve contract disputes are reflected in the number and value of contract claims before the courts. As at March 31, 2018, there were eight ongoing claims totalling $2.26 million. These figures compare with eight ongoing claims totalling $1.94 million in the previous year. There were no claims or Canadian International Trade Tribunal challenges related to procurements.

In accordance with the memorandum of understanding between the Corporation and DND, DND accepts the legal and financial risks associated with claims resulting from third-party contracts put in place by the Corporation. 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.

4.3 PEOPLE

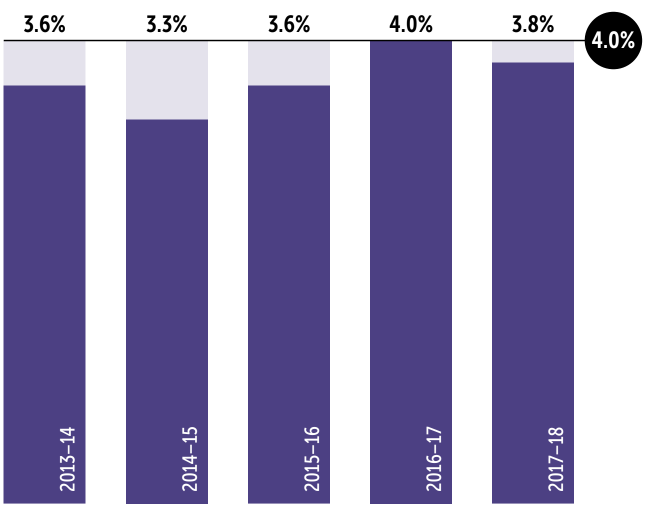
INVESTMENT IN TRAINING AND DEVELOPMENT

DCC's ability to serve DND is heavily dependent on the skills of its employees, and maintaining a skilled and professional workforce is a key corporate objective. DCC's performance indicator for training and development is based on the total annual investment in professional development, defined as the combination of direct expenditures and the cost of staff time spent on training and development activities, expressed as a percentage of base salary cost. In 2017–18, DCC established an annual overall corporate target for spending on training and development of 4.0% of base salary costs.

In 2017–18, the actual percentage decreased by 0.2 percentage points to 3.8%, from 4.0% in 2016–17. The amount spent on training and development fluctuates from year to year. The amount of training is dependent on the effort required to develop and maintain internal courses, and the timing of professional development activities in various regions.

PROFESSIONAL DEVELOPMENT TO SALARY COST RATIO

Target = 4.0%



INNOVATION RESULTS

The innoviCulture program is DCC's means of encouraging and tracking innovation in the workplace. To get a sense of the level of employee engagement in the program, DCC tracks employee participation in it. In February 2017, DCC's innoviCulture committee launched a new online module called the inCubator. This system tracks ideas submitted by employees, from evaluation through implementation. In 2017–18, employees submitted 269 ideas. DCC has carried out 39 of these ideas, with 31 more in the implementation stage and 98 under review.

The committee aimed to have 5% of all employees using this system. At fiscal year end, the participation rate was 22%, an outstanding increase from 8.1% in 2016–17. These positive results demonstrate the ongoing efforts of the committee, plus the regional and site representatives, to promote the innoviCulture program and to foster the culture of innovation at DCC. A quarterly newsletter called *innoviNews* has also featured news about innovation and ideas from across the country.

EMPLOYEE WELLNESS

DCC's value as an employer lies in its people. The organization is strongly committed to encouraging its employees to incorporate wellness into their daily routine and to promoting work-life balance. The Corporation is focused on preventive measures and interventions that reduce employees' health risk factors, as well as on providing a health and wellness program that accommodates employees with physical or mental health challenges. In March 2018, DCC introduced its policy on Alcohol and Drugs in the Workplace. The objective of the new policy is to provide a safe and healthy workplace, free from inappropriate use of alcohol or drugs.

DCC demonstrates its commitment to wellness by providing financial assistance; access to benefits and resources, such as lifestyle modification programs; fitness memberships and recreational programs; an employee assistance program; an absence support program; flexible working arrangements; and compressed workweeks. DCC human resources policies and practices support a barrier-free work environment for all employees and specifically include measures to accommodate those with physical and mental health challenges. Having employees who are healthy, on the job every day and able to fulfill their duties is important to DCC's success.

During the year, DCC reported an average of 46.9 sick leave hours (6.25 days) per full-time equivalent (FTE), an increase from 43.6 sick leave hours (5.81 days) per FTE in the previous year.

EMPLOYEE RETENTION RATE

DCC's success depends on its ability to maintain a skilled, professional and motivated workforce to meet business requirements. To that end, it is critical to recruit and retain the types of employees needed to guarantee a high level of client service. It is normal for DCC to experience some staff turnover, due to the seasonal and geographically cyclical nature of its work. DCC again surpassed its retention rate target of 90% in 2017–18, with a rate of 93.8%. DCC has surpassed its target in each of the past five years.

DIVERSITY AND EMPLOYMENT EQUITY

Under the *Employment Equity Act*, federally regulated employers, such as DCC, analyze their workforce to determine the degree of under-representation of designated groups in each occupational group. Each employer reports annually on its progress in achieving a workforce that is representative of the designated groups.

DCC received the 2017 Outstanding Commitment to Employment Equity Award on October 5, 2017. The award from Employment and Social Development Canada recognizes the efforts of employers who implement employment equity, including removing barriers for members of the four designated groups. These employers fall under the Legislated Employment Equity Program and the Federal Contractors Program. DCC was one of two Crown corporations to receive the award.

DCC was singled out for unique initiatives that support employment equity. These include the library of competency-based interview questions all hiring managers use, targeted recruitment efforts for members of employment equity groups and the Harvard ManageMentor diversity training program all employees can access.

DCC has built its employment equity program on a solid foundation. Diversity and inclusion are strategic priorities, and DCC has secured strong senior- and executive-level support for the program. The Corporation has developed a Diversity and Inclusion Strategy and three-year Action Plan to help it meet its commitment to having a diverse workforce that reflects the communities where DCC works and to provide equal opportunities for all employees.

In October 2017, the organization conducted its annual *Count Yourself In!* campaign. All DCC employees were asked to complete the enhanced online employment equity and diversity questionnaire, which included more detailed descriptions to help employees more accurately self-identify. The data collected will help DCC to increase the accuracy of employment equity information and to target its efforts to remove possible barriers in its recruitment, hiring, training, retention and promotion practices.

DCC's results compare favourably against the labour market availability (LMA) in the *Employment Equity Act* of the designated groups in the construction industry. In all four cases, the representation of a designated group in DCC's employee population meets or exceeds the LMA of that group.

REPRESENTATION IN THE DCC EMPLOYEE POPULATION

As at March 31, 2018

Designated group	Percentage of total DCC employee population	Labour market availability (LMA) in the construction industry
Women	42.1%	12.5%
Persons with disabilities	5.4%	4.9%
Indigenous peoples	4.5%	4.5%
Visible minorities	10.8%	9.6%

DCC supports the Government of Canada's commitment to gender-based analysis (GBA). In the first half of 2017–18, DCC senior managers received GBA training. The Corporation has also partnered with the Canadian Centre for Diversity and Inclusion (CCDI) to provide all employees with access to the CCDI training modules. On March 8, 2018, the DCC Women's Information Network was launched—a new forum for employees to focus on diversity and inclusion, and to celebrate and foster the professional growth and career development of women and men alike at DCC.

In March 2017, DCC updated the Corporation's *Duty to Accommodate Policy* for assessing and providing accommodations for both employees and candidates. The aim of the renewed approach is to continue providing a work environment to DCC employees that is inclusive, accessible and non-discriminatory.

LEADERSHIP DEVELOPMENT RESULTS

DCC has a leadership development program to groom employees with high potential to be the DCC leaders of tomorrow. To keep the Corporation viable, DCC must consistently cultivate quality leadership. It strives to foster the performance, competencies and skills of strong leaders.

To that end, the Leadership Development Program (LDP) consists of a series of online modules, combined with an in-person forum held once every two years. Participating employees are expected to complete the LDP within five years. To be considered on track to complete the program, they are expected to complete at least six of the online modules in one fiscal year. At year end, 82% of the 188 employees enrolled in the LDP were on track to complete the program within the five-year window.

4.4 LEADERSHIP AND GOVERNANCE

CORPORATE REPORTING RESULTS

DCC is accountable to both the federal government and Parliament through Part X of the *Financial Administration Act* (FAA), which outlines the control and accountability framework for Crown corporations. Accordingly, DCC must submit its Corporate Plan, including its operating budget and capital budget, and its Annual Report, as regulations dictate. DCC submitted its 2018–19 Corporate Plan to the Minister of Public Services and Procurement on time, as per sections 122 and 125 of the FAA.

In addition to the FAA, other key pieces of legislation to which DCC is subject include the *Public Servants Disclosure Protection Act, Access to Information Act, Privacy Act, Employment Equity Act, Official Languages Act and Canadian Multiculturalism Act.* In 2017–18, DCC complied with all reporting requirements under each of these pieces of legislation.

Separate from DCC corporate reporting requirements, DCC receives a variety of inquiries from its government stakeholders each year. These include order paper questions, constituent inquiries and ministerial questions, to name a few. DCC responds to all requests in a timely manner. In 2017–18, DCC responded to 42 inquiries. The volume of these requests fluctuates, depending on the current business environment. DCC stands ready to respond to these inquiries in a timely manner.

OVERALL BUSINESS PERFORMANCE RESULTS

DCC's business results have been positive in an environment of fluctuating Client-Partner program volume and evolving business circumstances. As at March 31, 2018, DCC had been able to increase the volume of projects delivered to its main Client-Partner at no additional cost of service and with no compromises in project quality. This is indicative of DCC's strong management capability and leadership.

DCC CODE OF BUSINESS CONDUCT RESULTS

As mentioned previously in the Governance section of this report (page 31), DCC's Code of Business Conduct (the Code) outlines expectations for standards of conduct for all DCC employees. The Code covers ethical practices, and compliance with legislation and DCC policies. In 2017–18, 100% of DCC employees responded to the annual requirement to review the Code and all new hires completed the required test related to the Code.

DCC PROCUREMENT CODE OF CONDUCT RESULTS

The Procurement Code of Conduct (PCC) ensures that DCC's industry partners meet the expected integrity requirements for doing business with the Government of Canada. The PCC complements the Code of Business Conduct. In the past, DCC has aimed 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 2017–18, DCC verified 1,196 firms—100% of the firms that required verification. PSPC no longer requires DCC to verify firms that bid on contracts valued at less than $10,000.

ENVIRONMENTAL RESULTS

To mitigate DCC's impact on the environment, DCC's Board of Directors and Senior Management Group are committed to the principles of environmental sustainability and stewardship, including the principles of sustainable development, pollution prevention, environmental protection and enhancement, and due diligence. DCC contributes to Canada's long-term environmental sustainability by supporting the efforts of its Client-Partners to reduce the greenhouse gas emissions, solid and hazardous waste, and energy consumption of their infrastructure holdings. These efforts are supported by a range of policies and guidelines, including the Federal Sustainable Development Strategy, Canada's new Defence Policy, and the Defence Energy and Environment Strategy.

The Corporation's operational policies and procedures are designed to minimize environmental impacts on all worksites and to specify the significance of environmental incidents that employees must report. DCC strives to have zero incidents due to the actions of DCC personnel. In 2017–18, no worksite environmental incidents resulting from actions of DCC personnel were reported. In total, 10 environmental incidents were reported involving refrigerant leaks, spills and contaminated waste disposal—three as a result of contractor activities and seven refrigerant releases due to equipment wear and tear. None of the incidents occurred as a result of DCC activities. DCC employees reported all 10 incidents in a timely manner and appropriate follow-up action was taken. This number was slightly higher than the number of environmental incidents that occurred in previous years, with seven occurring in 2016–17 and seven in 2015–16.

DCC is also committed to environmental protection and sustainability as it delivers infrastructure and environmental projects for the defence of Canada. This commitment is outlined in DCC's renewed Environmental Management Policy Statement and its corporate Environmental Management Framework, which describes the Corporation's environmental management principles, policies and key processes. The Framework provides all DCC employees with strategic direction related to managing the environmental aspects of DCC's day-to-day business activities. DCC will provide updated corporate environmental awareness training for all DCC employees in 2018–19, as well as a revised incident reporting system.

HEALTH AND SAFETY RESULTS

Occupational and operational health and safety excellence remains a priority for DCC—both in the workplace and on job sites. The Corporation maintains an occupational health and safety program focused on continual improvement to ensure the Corporation is protecting the health and safety of its employees.

A network of certified professionals and health and safety representatives in DCC offices nationwide manages and supports this program, including safety committees at sites with more than 20 employees. They meet monthly by teleconference to review collective compliance and reporting requirements and to share lessons learned from events that have occurred, so that preventive measures can be implemented. DCC also collaborates with other Crown corporations and the Client-Partners to share best practices and health and safety programs.

DCC strives to have no lost-time safety accidents or incidents. The goal, however, is to have less than 0.5% of the total number of employee hours in lost-time incidents. In 2017–18, the number of lost-time incidents was six, resulting in a total of 375 lost-time hours. This result is 0.02% of total employee hours and accounted for 50 days of lost time—compared to three incidents and 13 days of lost time in 2016–17.

The Corporation will focus on several health and safety initiatives in 2018–19. It will continue to implement the Canadian Standards Association's psychological safety standard, by incorporating psychological safety into DCC's hazard awareness and health and safety program; continue to promote ergonomics in the workplace; and review and revise DCC's incident reporting process to provide a more user-friendly system, enhance the effectiveness of data and analysis, and help DCC target safety program upgrades more precisely.

SECURITY RESULTS

DCC strives to comply with the Policy on Government Security, 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 a Client-Partner's security requirements for a project, which it communicates to DCC during the procurement planning phase. DCC ensures that these requirements are met and managed appropriately. The Corporation tracks all instances of non-compliance. When non-compliance occurs, DCC ensures that corrective actions are implemented. DCC coordinates all efforts with applicable stakeholders, such as the Deputy Corporate 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 own corporate information, assets and employees. The Corporation reviews and manages all non-compliance and takes corrective measures, where applicable.

The target is to have no compromises of either corporate or industrial security requirements. In 2017–18, there were four occurrences related to DCC's corporate security requirements, with no compromise in security—a decrease from six occurrences in 2016–17. Regarding industrial security, there were 12 occurrences without compromise, an increase from eight occurrences in 2016–17, due to a continued increase in contracts that include security requirements. In fiscal 2017–18, the Corporation included its fraud risk assessment to include all legal aspects of DCC's business. The risks were categorized and assigned to each director who oversees their respective areas of business. The risks due to fraud will be analyzed in further detail in 2018–19, and integrated into each unit's overall risk register. A summary of these risks will be incorporated into the Corporate Risk Register for action and tracking.

5.0 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 has 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, and the Framework supports better integration with the Corporation's strategic planning process.

The Framework ensures that management's direction on risks is clearly communicated, understood and applied throughout DCC; that risk management is integrated into DCC's existing 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.

Project risk assessments are based on the Project Complexity Risk Assessment (PCRA) process approved by Treasury Board of Canada Secretariat, and on the reputational risk DCC will face if the related contracts are improperly procured and managed, or if the work is not delivered on time and on budget. Risk response strategies can be classified as follows: high (mitigate), medium (monitor) and low (accept).

Each risk assessment is based on the likelihood of the risk occurring, and its impact or consequences. These risks include circumstances beyond DCC'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. In 2017–18, DCC regularly updated the risk register and successfully managed all identified risks in accordance with the risk mitigation strategies.

6.0 FINANCIAL PERFORMANCE

6.1 REVENUE

SERVICES REVENUE

Services revenue for all activities combined was $98.9 million in 2017–18, an increase of $5.1 million or approximately 5.5% from the previous fiscal year. The increase was mainly due to an increase in billing rates of 4.5% for the year. In general, services revenue has a direct correlation to DND's spending on infrastructure and environmental projects. Services revenue increases when the number and dollar value of DND projects increase, and decreases when the opposite occurs. The cyclical nature of DND funding has a direct impact on demand for the Corporation's services and its services revenue. See Table 1

CONTRACT MANAGEMENT

Revenue from Contract Management in 2017–18 represented 46% of total revenue, compared to 47% in the previous year. Contract management revenue increased by 2.9% over the previous fiscal year. The higher revenue is a result of the increase in billing rates of 4.5%, and offset

TABLE 1

REVENUE, BY ACTIVITY

(in thousands of $)	2017–18	2016–17	Change $	Change %
Contract Management	$ 45,157	$ 43,866	1,291	2.9%
Project Planning	24,937	22,944	1,993	8.7%
Real Property Technical Support	8,575	8,003	572	7.1%
Construction Technical Support	7,320	6,873	447	6.5%
Procurement	6,888	6,610	278	4.2%
Environmental Technical Support	5,981	5,415	566	10.5%
	$98,858	**$ 93,711**	**5,147**	**5.5%**

by 1.6% related to lower demand for this service by the Client-Partner. The lower demand reflects the variability of services used by the Client-Partner as projects move through the various stages from planning to procurement and to contract management.

PROJECT PLANNING

Project Planning revenue increased by 8.7% in 2017–18. The increase over the prior fiscal year was due to the billing rate increase of 4.5% and 4.2% due to higher DND demand for this service related to the volume of projects in the planning stage.

REAL PROPERTY TECHNICAL SUPPORT

Real Property Technical Support revenue increased by 7.1% in 2017–18, due to the billing rate increase of 4.5% and 2.6% due to higher demand for services related to management services for facility and portfolio management.

CONSTRUCTION TECHNICAL SUPPORT

Revenue from Construction Technical Support in 2017–18 increased by 6.5% over the previous fiscal year, due to the billing rate increase of 4.5% and 2% due to higher demand from DND for these services.

PROCUREMENT

Revenue from Procurement increased in 2017–18 by 4.2% over the previous fiscal year, due to the billing rate increase of 4.5%. The volume of work was similar to the prior year.

ENVIRONMENTAL TECHNICAL SUPPORT

Environmental Technical Support revenue increased in 2017–18 by 10.5% over the previous fiscal year, due to the billing rate increase of 4.5% and driven by an increase of 6% in demand for these services.

TRAVEL AND DISBURSEMENT REVENUE

Travel and disbursement revenue represents the amount recovered from DND for travel and expenses incurred by the Corporation related to work performed on their behalf. Travel and disbursement revenue totalled $2.8 million for the year, an increase of $539,000 or approximately 24% over the prior year.

TRAVEL AND DISBURSEMENT REVENUE

(in thousands of $)	2017–18	2016–17	Change $	Change %
Travel and disbursement revenue	$2,773	$2,234	539	24%

INVESTMENT REVENUE

Investment revenue, which is generated from the Corporation's average cash balance in the bank and from investments, decreased in 2017–18 by $12,000 or approximately 2% over the previous fiscal year. The average rate of return generated in 2017–18 from cash and investments was 2.9%, which was an increase from the prior year of 2%. This decrease in investment revenue is due to the cash balance held in the bank that earned significantly less interest than the prior year as the cash position in the bank decreased by $11.4 million in fiscal 2016–17, as a result of the dividend payment in the prior year and use of cash in the current year.

INVESTMENT REVENUE

(in thousands of $)	2017–18	2016–17	Change $	Change %
Investment revenue	$728	$740	(12)	-2%

6.2 EXPENSES

SALARIES AND EMPLOYEE BENEFITS

Salaries totalled $74.8 million in 2017–18, an increase of $2.5 million or approximately 3% over the previous fiscal year. The 3% increase can be explained by an increase in salaries for the year, as all other factors—including number of full-time equivalent and salary levels—remained constant year over year.

Employee benefits totalled $17.6 million in 2017–18, a decrease of $1.4 million or approximately 7% over the previous fiscal year. This decrease was due to two main factors: lower current-year service costs for employee future benefits when compared to the prior year; and changes in eligibility for new hires under the Public Service Pension Plan, resulting in a lower employer cost of pension benefits.

SALARIES AND EMPLOYEE BENEFITS

(in thousands of $)	2017–18	2016–17	Change $	Change %
Salaries	$74,828	$72,341	2,487	3%
Employee benefits	17,640	18,996	(1,356)	-7%
	$92,468	$91,337	1,131	1%
Employee benefits as a percentage of salaries	23.57%	26.26%		

OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses were $9.0 million in 2017–18, an increase of $1.2 million or approximately 16% over the previous fiscal year. A variety of factors influenced these expenses.

OPERATING AND ADMINISTRATIVE EXPENSES

(in thousands of $)	2017–18	2016–17	Change $	Change %	Variance analysis
Rent	$ 1,891	$ 1,824	67	4%	The increase was due to higher operating and maintenance costs at certain leased locations.
Training and development	1,179	1,168	11	1%	The increase in training and development was due to higher external costs for training and development. The 1% increase should be higher as the prior year includes hospitality which is now reported in the hospitality account.
Information technology (IT) maintenance agreements	1,522	1,052	470	45%	The increase was due to increased use of cyber security solutions, office productivity solutions and storage solutions that require annual maintenance payments.
Professional services	1,497	931	566	61%	The increase was due to higher fees related to services for IT and HR initiatives, such as augmenting cyber security support for the employee engagement survey, and Workplace Wellness, and Diversity and Inclusion initiatives.
Telephone and communications	957	805	152	19%	The increase was due to increased costs related to improvements to network communications for DCC offices across Canada.
Travel	501	529	(28)	-5%	The decrease is due to more efficient use of the travel budget to meet corporate requirements.
Office supplies	286	461	(175)	-38%	The decrease was due to a prior year program to purchase ergonomic equipment for staff.
Relocation	224	261	(37)	-14%	The decrease relates to lower demand for relocation in the current year.
Hospitality	189	31	158	510%	The increase was due to the reclassification of hospitality for internal training events, previously included in employee training and development.
Communications	188	132	56	42%	The increase was due to a combination of the timing of expenses and increased communications activity in support of corporate initiatives.
IT hardware	138	130	8	6%	The variance is not material.
Office furniture and equipment	97	64	33	52%	The increase was due to purchases related to office furniture at certain sites.
Printing and stationery	87	102	(15)	-15%	The decrease was due to greater use of electronic document management and signature solutions, which decrease the need for printed documents.
IT software	62	55	7	13%	The increase was due to purchases of office productivity software that were below the capitalization threshold.
Subscriptions	59	42	17	40%	The increase was due to higher expenditures for corporate memberships.
Postage, freight and courier	34	36	(2)	-6%	The variance is not material.
Recruiting	18	49	(31)	-63%	The decrease was due to a lower requirement to recruit in the current year.
Other	26	37	(11)	-30%	The decrease was due to lower expense for the write-off of fixed assets in the current year.
	$8,955	**$7,709**	**1,246**	**16%**	

TRAVEL AND DISBURSEMENT EXPENSE

Travel and disbursement expense represents the amount for travel and expenses incurred by the Corporation related to the work performed on DND's behalf. These expenses are recovered by billing the Client-Partner at no mark-up. Travel and disbursement expense totalled $2.8 million for the year, an increase of $539,000 or approximately 24% over the prior year.

TRAVEL AND DISBURSEMENT EXPENSE

(in thousands of $)	2017–18	2016–17	Change $	Change %
Travel and disbursement expense	$ 2,773	$ 2,234	539	24%

DEPRECIATION AND AMORTIZATION

Depreciation and amortization combined were similar to the prior year. Depreciation of property, plant and equipment increased by 5% or $51,000 due to increased acquisitions of computer equipment related to the cyber security strategy. The decrease in depreciation of assets under finance lease occurred due to DCC replacing some of the leased asset fleet with less expensive units. The decrease in amortization of intangible assets was due to lower investment in productivity software for the document management system.

DEPRECIATION AND AMORTIZATION

(in thousands of $)	2017–18	2016–17	Change $	Change %
Depreciation of property, plant and equipment	$ 1,033	$ 982	51	5%
Depreciation of assets under finance lease	99	106	(7)	-7%
Amortization of intangible assets	196	236	(40)	-17%
	$1,328	**$1,324**	**4**	**0%**

6.3 TOTAL COMPREHENSIVE LOSS

The total comprehensive loss of the Corporation for the year ended March 31, 2018, was $11.3 million, compared with a total comprehensive loss of $5.6 million in the previous fiscal year—an increase of 103% or $5.7 million.

The decrease in the net loss of $2.8 million or 46% was due mainly to the billing rates increase in fiscal 2017–18 by 4.5% the first time in six years which resulted in a higher gross margin. Another factor in the decreased net loss was due to $1 million in IT expenditures being deferred to 2018–19 and 2019–20 related to the modernization of the Corporation network infrastructure. The decrease in net loss led to a better result than was anticipated in the Corporate Plan, which estimated the loss for the year at $6.4 million.

Other comprehensive income decreased from a gain of $371,000 in 2016–17 to a loss of $8.1 million in 2017–18. The actuarial loss in 2017–18 was the result of changes in: 1) the financial assumptions for claim costs, which are estimated to increase $6.7 million due to an increase in costs related to the health and dental benefit provider; and 2) the change in the discount rate used in the projection, which resulted in an actuarial loss of $1.4 million.

TOTAL COMPREHENSIVE LOSS

(in thousands of $)	2017–18	2016–17	Change $	Change %
Loss for the year	$ (3,173)	$ (5,927)	2,754	-46%
Other comprehensive loss				
Actuarial gain (loss) on employee benefit obligations	(8,128)	371	(8,499)	-2,291%
TOTAL COMPREHENSIVE LOSS	**$(11,301)**	**$(5,556)**	**(5,745)**	**103%**

6.4 LIQUIDITY AND CAPITAL RESOURCES

DCC's financial management approach 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-Partner, primarily DND, for services provided.

The longer term intent of the Corporation is to operate on a slightly better than break-even basis. The Corporation sets billing rates based on expected program and operating costs. However, unexpected increases in program services provided to DND, as well as DCC's success in achieving its own operating efficiencies, can result in margins that exceed its initial targets. Cash levels are constantly monitored and any cash surpluses judged to exceed operating requirements are reduced through future operating plans and budgets, particularly through the setting of billing rates for services provided to DND.

The objective of DCC's cash management approach is to keep available sufficient cash reserves to meet DCC's obligations, recognizing the potential for short-term interruptions in collections of receivables. Potential obligations considered include salaries, benefits and other current operating costs; long-term employee benefits; and other obligations that may arise in relation to Government of Canada directives.

The Corporation considers several factors when determining the amount of cash reserves to maintain, including the planning and operating risk inherent in its operations. In particular, the risk associated with potential and unanticipated changes to the amount or timing of DND construction project expenditures has a direct impact on the amount or timing of services DCC provides and on the cash generated.

Although DCC has a secure client base from which it regularly collects receivables, several incidents can affect the timing of those collections. Routine delays in Client-Partners' approvals and processing of invoices can affect some collections from time to time.

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 REQUIREMENTS AND USES

Some of the more significant working capital cash requirements include payments for salaries, wages and benefits, leased office space, employee training and development, professional services, telecommunications, office supplies, and business travel. DCC also maintains and uses cash to buy computer hardware and software, as well as office furniture and equipment, and to pay for leasehold improvements.

Cash may also be required for costs associated with workforce adjustments, including relocations, if such adjustments are required as a result of unexpected fluctuations or changes in DND's Infrastructure and Environment program.

CASH AND INVESTMENTS

Cash and investments totalled $22.7 million at March 31, 2018, a decrease of $4.6 million or 17% from the previous year.

The cash balance at March 31, 2018, was $4.0 million, a decrease of $3.0 million or 43% from the previous year. In 2017–18, the Corporation used $3.9 million in cash in operating activities, spent $464,000 on capital expenditures, liquidated investments in a net amount of $1.4 million and paid $97,000 on finance lease obligations.

Investments (both current and long term) at March 31, 2018, were $18.7 million, a decrease of $1.5 million or 7% from the previous year. The decrease was due to DCC transferring funds into the cash balance for liquidity purposes. Investments consist of non-derivative financial assets with fixed or determinable payments and fixed maturity. The Corporation currently invests in listed bonds, guaranteed investment certificates and mutual funds that 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.

As at March 31, 2018, DCC's overall cash balance was within its targeted reserve level of $21 to $24 million. The remaining excess cash balance will be used to support operating costs in subsequent years as the Corporation achieves its target cash balance range.

TRADE RECEIVABLES

Trade receivables are due from the Corporation's clients, mainly DND. At March 31, 2018, trade receivables were $22.2 million, which represented an increase of $3.6 million or 19% over the previous fiscal year. The increase was due to higher revenue in 2017–18 and to the timing of receipts. All of the trade receivables are assessed to be fully collectible.

CURRENT LIABILITIES

Current liabilities were $16.0 million at March 31, 2018, an increase of $271,000 or 2% from March 31, 2017. The increase in current liabilities was due to the increase in accounts payable at year end, related to payroll deduction remittances, the vacation and overtime accrual, and the timing of payments of accounts payable.

LIQUIDITY AND CAPITAL RESOURCES

(in thousands of $)	2017–18	2016–17	Change $	Change %
Cash	$ 3,972	$ 7,022	$(3,050)	-43%
Investments	18,729	20,230	(1,501)	-7%
Cash and investments	22,701	27,252	(4,551)	-17%
Trade receivables	22,196	18,596	3,600	19%
Current liabilities	$ 15,992	$ 15,721	$ 271	2%

6.5 EMPLOYEE BENEFITS

The Corporation records a liability for the estimated cost of sick leave and retirement allowance for active employees, and health and dental care and life insurance benefits for its retirees. This estimate is actuarially determined. The accrual for employee benefits at March 31, 2018, was $32.5 million, an increase of $9.8 million or approximately 43% from the previous fiscal year.

The liability increased due to a number of factors, including current service costs of $2.2 million; $914,000 in the interest on the current value of the obligation; less benefits paid of $1.3 million; and an actuarial loss of $8.2 million. The actuarial loss of $8.2 million for the year relates mainly to two items: 1) $1.3 million related mainly to changes in the discount rate; and 2) $6.7 million related primarily to the increases in health care cost projections.

The liability for employee benefits fluctuates from year to year due to a combination of factors, including the inflation rate; the benefit rate; workforce changes; changes in the discount rate, which is determined by reference to market interest rates; changes in the average rate of salary increases; and changes in the average expected remaining service lifetime of active employees, due to changing demographics. Note 11 to the financial statements describes the actuarial assumptions used in determining the liability. This liability is primarily a non-current one and the Corporation estimates the current payout amount based on the best information available. Although the Corporation has not specifically segregated funds for this obligation, it has sufficient capital resources to meet its employee benefit payment obligations as they become due.

EMPLOYEE BENEFITS

(in thousands of $)	2017–18	2016–17	Change $	Change %
Current portion	$ 2,502	$ 2,277	$ 225	10%
Long-term portion	29,963	20,433	9,530	47%
TOTAL EMPLOYEE BENEFITS	**$32,465**	**$22,710**	**$9,755**	**43%**

6.6 CAPITAL EXPENDITURES

The Corporation's capital expenditures for 2017–18 totalled $464,000, a decrease of $431,000 or 48% from the previous fiscal year. The decrease was mainly due to a reduction in capital purchases of computer equipment and furniture and equipment categories, due to staff levels remaining constant year over year. The reduction in computer equipment purchases was due mainly to the replacement schedule for existing equipment. DCC did not need to replace many personal computing devices or any of the data centre technology during the fiscal year. DCC did make capitalized leasehold improvements for existing space at Head Office to increase the efficiency of the space to accommodate more personnel.

CAPITAL EXPENDITURES

(in thousands of $)	2017–18	2016–17	Change $	Change %
Intangible assets	$ 50	$ 33	$ 17	52%
Computer equipment	245	687	(442)	-64%
Furniture and equipment	97	175	(78)	-45%
Leasehold improvements	72	–	72	100%
	$464	**$895**	**$(431)**	**-48%**

6.7 ACTUAL PERFORMANCE VERSUS PLAN

The following table compares the Corporation's actual performance in 2017–18 with the projections in the Corporate Plan (the Plan). The Corporation's actual performance compared to the Plan was lower than reported.

Services revenue was $7.1 million or 7% below the Plan, due mainly to the lower-than-anticipated demand for services. In addition, the Corporation's staff achieved a slightly lower utilization rate than the rate forecasted in the Plan. This decrease was due to lower activity levels in the first half of the year resulting from changes to the Client-Partner's funding processes; the Client-Partner's timing of project implementation; and the near completion of FIIP projects at the end of fiscal 2016–17.

The resulting lower revenue also had the effect of lowering salary and benefit costs. Salaries and benefits were 8% lower than the Plan. The decrease occurred because DCC hired fewer new employees than expected, due to lower-than-anticipated activity.

Investment revenue was higher than anticipated in the Plan due to a higher-than-expected return on investment and better-than-expected net loss, which reduced the anticipated decrease in cash.

Travel and disbursement revenue and expenses were 35% higher than projected in the Plan due to timing of the expenses for travel and disbursements related to work performed by the Corporation on DND's behalf.

Operating and administrative costs were 21% lower than projected, due to the timing of the implementation of the Corporation's cyber strategy and other operating expenses, primarily training, development and travel costs.

The net loss was 50% lower than in the Plan due to lower employee benefit expenses than planned and lower operating and administrative costs.

Depreciation and amortization were 8% lower than the Plan, due to the timing of acquisitions in 2017–18.

Capital expenditures were 76% lower than projected, due to the timing of planned acquisitions related to the cyber strategy and to lower requirements than anticipated being made in 2016–17 for IT and acquisition and renewal of hardware.

ACTUAL PERFORMANCE VERSUS PLAN

(in thousands of $)	Actual	Plan	Change $	Change %
Revenue				
Services revenue	$ 98,858	$105,908	(7,050)	-7%
Travel and disbursement revenue	2,773	2,051	722	35%
Investment revenue	728	475	253	53%
	102,359	**108,434**	**(6,075)**	**-6%**
Expenses				
Salaries and employee benefits	92,468	99,991	(7,523)	-8%
Operating and administrative expenses	8,963	11,351	(2,388)	-21%
Travel and disbursement expenses	2,773	2,051	722	35%
Depreciation and amortization	1,328	1,450	(122)	-8%
	105,532	**114,843**	**(9,311)**	**-8%**
Loss for the year	(3,173)	(6,409)	3,236	-50%
Items of other comprehensive loss	(8,128)	–	(8,128)	100%
Total comprehensive loss	**$(11,301)**	**$ (6,409)**	**(4,892)**	**76%**
CAPITAL EXPENDITURES	**$ 464**	**$ 1, 933**	**(1,469)**	**-76%**

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

(in thousands of $)	2017–18	2016–17	2015–16	2014–15	2013–14
Revenue					
Services revenue	$ 98,858	$ 93,711	$ 84,905	$ 80,531	$ 92,909
Travel and disbursement revenue	2,773	2,234	2,278	2,052	2,882
Investment revenue	728	740	788	780	641
	102,359	**96,685**	**87,971**	**83,363**	**96,432**
Expenses					
Salaries and employee benefits	92,468	91,337	82,007	77,294	85,288
Operating and administrative expenses	8,955	7,709	6,784	6,172	7,054
Travel and disbursement expenses	2,773	2,234	2,277	2,052	2,882
Depreciation and amortization	1,328	1,324	1,248	1,111	1,321

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

(in thousands of $)	2017–18	2016–17	2015–16	2014–15	2013–14
Finance costs	8	8	12	17	20
	105,532	**102,612**	**92,328**	**86,646**	**96,565**
Profit for the year	**(3,173)**	**(5,927)**	**(4,357)**	**(3,283)**	**(133)**
Other comprehensive income (loss)	(8,128)	371	3,906	(2,551)	1,322
Total comprehensive income (loss)	**$(11,301)**	**$ (5,556)**	**$ (451)**	**$ (5,834)**	**$ 1,189**
Retained earnings, beginning of year	16,499	30,555	31,006	36,840	35,651
Dividend	–	(8,500)	–	–	–
Retained earnings, end of year	**$ 5,198**	**$ 16,499**	**$ 30,555**	**$ 31,006**	**$ 36,840**
Assets					
Cash	$ 3,972	$ 7,022	$ 18,378	$ 19,630	$ 29,568
Investments	18,729	20,230	19,790	19,256	10,420
Trade receivables, prepaids and advances	24,535	20,547	17,433	16,499	17,234
Other receivables	1,954	2,124	2,263	–	–
Property, plant and equipment, and assets under finance lease	1,858	2,551	2,662	2,412	1,806
Intangible assets	252	398	601	557	559
Total assets	**$ 51,300**	**$ 52,872**	**$ 61,127**	**$ 58,354**	**$ 59,587**
Liabilities					
Trade and other payables	$ 13,394	$ 13,349	$ 10,404	$ 5,454	$ 6,900
Finance lease obligation	243	314	289	242	255
Employee benefits	32,465	22,710	19,879	21,652	15,592
Total liabilities	**46,102**	**36,373**	**30,572**	**27,348**	**22,747**
Equity					
Share capital	–	–	–	–	–
Retained earnings	5,198	16,499	30,555	31,006	36,840
Total equity	**5,198**	**16,499**	**30,555**	**31,006**	**36,840**
Total liabilities and equity	**$ 51,300**	**$ 52,872**	**$ 61,127**	**$ 58,354**	**$ 59,587**
Cash flows from (used in):					
Operating activities	$ (3,894)	$ (1,290)	$ 972	$ 785	$ 5,095
Acquisition of property, plant and equipment, and intangibles	(464)	(895)	(1,418)	(1,605)	(803)
Acquisition of investments	(2,163)	(1,059)	(1,668)	(10,458)	(1,299)
Redemption of investments	3,568	500	1,000	1,500	900
Financial activities	(97)	(112)	(138)	(160)	(154)
Dividend paid	–	(8,500)	–	–	–
Increase (decrease) in cash during the year	**(3,050)**	**(11,356)**	**(1,252)**	**(9,938)**	**3,739**
Cash, beginning of the year	**7,022**	**18,378**	**19,630**	**29,568**	**25,829**
CASH, END OF THE YEAR	**$ 3,972**	**$ 7,022**	**$18,378**	**$19,630**	**$29,568**

7.0 OUTLOOK

With forecasted contract expenditures in the range of $1 billion each year of the planning period, DCC will continue to make positive contributions to Canada's security and defence, the environment, and economic growth, and to keeping Canada's government open and transparent.

DCC is working on projects in support of DND's Defence Energy and Environment Strategy. DND's environmental goals related to infrastructure include improving energy efficiency, conducting sustainable operations and building sustainable real property. DND aims to reduce the greenhouse gas emissions of its real property portfolio by 40% by 2025. DCC expects to support this effort and has 11 employees across Canada who are working with the bases and wings to develop initiatives and projects to reduce energy consumption.

Already, DCC is helping bases and wings nationwide improve their energy efficiency, with about 10 energy performance contracts (EPCs) in progress. The total investment in EPCs is expected to be between $100 million and $150 million over the planning period, with an estimated 20 contracts valued at approximately $5 to $25 million each.

DCC is supporting the following DND green infrastructure initiatives:

- the accelerated assessment program—a national assessment of suspected contaminated sites—under which DND will spend $16 million to assess suspected sites related to former military operations and sites on active bases;
- the $239-million site remediation at 5 Wing Goose Bay—one of the largest contaminated site clean-ups ever undertaken by DND—due to be completed in 2020;
- the ongoing Unexploded Explosive Ordnance (UXO) and Legacy Sites Program at DND sites across Canada, at an estimated cost of $15 million;
- the $100-million program to clean up Esquimalt Harbour; and
- the LEED silver and bronze designed and constructed new buildings.

Other major infrastructure projects include the following:

- the $82-million transportation, electrical and mechanical engineering accommodation building in Bagotville, Quebec;
- the House 5 Combat Engineer Regiment facility in Valcartier, Quebec;
- the new Jetty NJ in Halifax, Nova Scotia;
- the Special Forces infrastructure in Petawawa, Ontario;
- the A/B Jetty in Esquimalt, British Columbia; and
- the new naval facility in Nanisivik, Nunavut, 700 kilometres north of the Arctic Circle.

DCC's work in contracting for and managing public-private partnership (P3) contracts includes contracts for the maintenance of the Communications Security Establishment Long-Term Accommodation Facility in Ottawa, Ontario, as well as for the design, building, financing, operations and maintenance of the Shared Services Data Centre at Canadian Forces Base (CFB) Borden.

Over its history, DCC has often supported Canada's defence and security needs by providing its expertise to Canadian Armed Forces (CAF) deployed operations. DCC will continue to provide support for four construction projects at the Operational Support Hub—Kuwait. DCC's work in Latvia includes supporting the infrastructure requirements for the Enhanced Forward Presence and Operation Reassurance, as well as support in Jordan to the CAF Task Force Middle East.

DCC will continue its initiatives related to supporting Canada's defence infrastructure renewal and DND's environmental objectives; progressing on e-procurement; maintaining a healthy and inclusive workplace by implementing a human resources strategic plan; improving IT and information management; enhancing fraud awareness and prevention measures; and strengthening relationships with Client-Partner leaders.

DCC has two new initiatives for the coming year: responding to recommendations arising out of the Audit of Business Continuity Planning and the Audit on Onboarding: The First 24 Months; and developing innovative procurement and delivery options for various Client-Partner requirements. The Corporation will also explore joint initiatives with external stakeholders to increase fraud awareness in the bidding community, and it will continue to demonstrate its commitment to prompt payment by helping improve the timeliness of payments to industry.

7.1 FINANCIAL OUTLOOK

The Corporation has traditionally taken a conservative approach to forecasting future growth. The 2018–19

Corporate Plan shows an increase in services revenue of approximately 10% in 2018–19, driven by an anticipated 6.9% revenue increase related to business volume, due to DND's plans to spend more on infrastructure, and a 4.5% increase in billing rates for 2018–19.

For the remaining plan years, revenue is forecasted to increase each year. The following table shows the annual changes to the billing rates and in revenue related to business volumes anticipated from 2018–19 to 2022–23. Billing rate increases continue to the end of the planning period to achieve the Corporation's objective of slightly better than break-even operating income. Business volumes will fluctuate over the planning period, based on anticipated demand. **See Table 2**

Salary and benefits expenses for 2018–19 are forecasted to increase by approximately 9.8%, due to a number of factors, including the expected 6.9% increase in revenue related to volume, along with inflation and performance-based merit increases. The expected increases in salary and benefits expenses due to increases in economic and merit pay and volume of work in 2019–20, 2020–21, 2021–22 and 2022–23 are 3.5%, 4.7%, 4.4% and 4.4% respectively.

Operating and administrative expenses for 2018–19 are projected to increase by 46% from those in 2017–18. This is due to increases related to significant IT initiatives to strengthen the Corporation's IT and cyber strategies, as well as increases related to inflation and ongoing corporate initiatives. There are also higher costs for items such as training and development, and professional services. Operating and administrative expenses are forecasted to decrease by 18% for 2019–20 as IFRS 16 comes into effect. The impact will be to reduce the office rent expenses and increase depreciation by a similar amount. For 2020–21 and 2021–22, operating expenses are expected to decrease, as the implementation of the IT and cyber strategies are completed. The increase in the last year of the Plan is related to inflation.

Depreciation and amortization are expected to increase by 11% in 2018–19 over the prior fiscal year. This increase is due to higher depreciation for computer equipment and assets under finance lease. For 2019–20, depreciation increases 208% due to the implementation of IFRS 16, which will result in office space leases being capitalized on the statement of financial position. Depreciation will remain high for the remainder of the planning period as a result of IFRS 16 implementation.

A loss of $5.6 million is forecasted for 2018–19, an increase of 75% from the loss of $3.2 million in 2017–18. The increase in loss is due to the fact that DCC is recovering from the billing rate freeze from 2011–12 to 2016–17, which decreased the amount of revenue earned to cover costs. Also, salary and benefits expenses, and operating and administrative expenses, are expected to increase over the prior year. The loss is expected to drop to $4.4 million in 2019–20 and change to a profit of $4.5 million by the end of the planning period. The losses were planned as a way to reduce cash and investments to the optimal level, based on the Corporation's cash management objectives. The objective of the current plan is to return to a near break-even operating level.

TABLE 2

	PLANNED				
	2018–19	2019–20	2020–21	2021–22	2022–23
Volume change	5.33%	0.00%	1.50%	1.25%	1.25%
Billing rate change	4.50%	5.25%	5.25%	4.50%	4.00%
TOTAL ANTICIPATED INCREASE OR DECREASE	**9.83%**	**5.25%**	**6.75%**	**5.75%**	**5.25%**

FINANCIAL OUTLOOK

	ACTUAL	PLANNED REVISED*		PLANNED		
(in thousands of $)	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23
Services revenue	**$98,858**	$110,144	$115,927	$123,752	$130,868	$137,739
Travel and disbursement revenue	**2,773**	2,106	2,127	2,148	2,170	2,192
Investment revenue	**728**	500	380	330	340	350
Total revenue	**102,359**	**112,750**	**118,434**	**126,230**	**133,378**	**140,281**
Salaries and employee benefits	**92,468**	101,547	105,102	109,893	114,712	119,746
Operating and administrative expenses	**8,955**	13,071	10,678	9,786	9,385	9,480
Travel and disbursement revenue	**2,773**	2,106	2,127	2,148	2,170	2,192
Depreciation of property, plant and equipment	**1,033**	1,155	4,507	4,394	4,244	3,967
Depreciation of assets under finance lease	**99**	180	160	150	150	145
Amortization of intangible assets	**196**	135	135	130	130	120
Finance costs	**8**	120	120	120	120	120
	105,532	118,314	122,829	126,621	130,911	135,770
(Loss) for the year	**(3,173)**	(5,564)	(4,395)	(391)	2,467	4,511
Other comprehensive income	**(8,128)**	–	–	–	–	–
Total comprehensive loss	**(11,301)**	**(5,564)**	**(4,395)**	**(391)**	**2,467**	**4,511**
CAPITAL EXPENDITURES	**$ 464**	**$13,109**	**$ 4,960**	**$ 1,600**	**$ 1,225**	**$ 1,225**

** Revised 2018–19 Corporate Plan due to the Corporation not early adopting IFRS I6.*

Engineering summer students Carter Williams (l) and Cole White provide support to the Construction Services team at CFB Cold Lake on the health care facility and utility upgrade capital projects. DCC is currently developing a formal co-op and student program to provide a meaningful work experience for students and help increase the pool of talent from which DCC can draw across the country.

FINANCIAL STATEMENTS

DCC Finance staff (l to r) Chantal Montpetit, Alice Boame and Francine Aubin carry out a variety of financial activities, including managing accounts payable and receivable, and service billing. They are also responsible for recording project and contract budgets and expenditures, processing payments and preparing financial reports.

FINANCIAL STATEMENTS

MANAGEMENT RESPONSIBILITY STATEMENT

The management of the Corporation is responsible for the performance of the duties delegated to it by the Board of Directors. These include the preparation of an Annual Report and the production of its contents, together with the financial statements. These statements, approved by the Board of Directors, were prepared in accordance with International Financial Reporting Standards using management's best estimates and judgements, where appropriate. Financial and operating information appearing in the Annual Report is consistent with that contained in the financial statements.

Management relies on internal accounting control systems designed to provide reasonable assurance that relevant and reliable financial information is produced and that transactions comply with the relevant authorities.

Management also maintains financial and management control systems and practices designed to ensure the transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Defence Production Act*, the *Canada Business Corporations Act*, and the articles and bylaws of the Corporation. These systems and practices are also designed to ensure that assets are safeguarded and controlled, and that the operations of the Corporation are carried out effectively. In addition, the Audit Committee, appointed by the Board of Directors, oversees the internal audit activities of the Corporation and performs other such functions as are assigned to it.

The Corporation's external auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing his report thereon.

James S. Paul
President and Chief Executive Officer

Juliet S. Woodfield, CPA, CA
Vice-President, Finance & Human Resources and
Chief Financial Officer

June 7, 2018

Office of the Auditor General of Canada | Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC SERVICES AND PROCUREMENT

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Defence Construction (1951) Limited, which comprise the statement of financial position as at 31 March 2018, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of Defence Construction (1951) Limited as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of Defence Construction (1951) Limited that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Defence Production Act*, the *Canada Business Corporations Act*, the articles and by-laws of Defence Construction (1951) Limited, and the directive issued pursuant to section 89 of the *Financial Administration Act*.

Marise Bédard

Marise Bédard, CPA, CA
Principal for the Auditor General of Canada

7 June, 2018
Ottawa, Canada

DEFENCE CONSTRUCTION (1951) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2018

(in thousands of Canadian dollars)	Notes	2018	2017
Assets			
Cash	3	**$ 3,972**	$ 7,022
Investments	7	**2,178**	3,100
Trade receivables	4, 18	**22,196**	18,596
Prepaid and other current assets	5	**2,339**	1,951
Other receivables	6	**1,954**	2,124
Current assets		**32,639**	32,793
Investments	7	**16,551**	17,130
Property, plant and equipment	8	**1,623**	2,242
Intangible assets	9	**252**	398
Assets under finance lease		**235**	309
Non-current assets		**18,661**	20,079
Total assets		**$ 51,300**	$ 52,872
Liabilities			
Trade and other payables	10	**$ 13,394**	$ 13,349
Current portion—finance lease obligation	15	**96**	95
Current portion—employee benefits	11	**2,502**	2,277
Current liabilities		**15,992**	15,721
Finance lease obligation	15	**147**	219
Employee benefits	11	**29,963**	20,433
Non-current liabilities		**30,110**	20,652
Total liabilities		**46,102**	36,373
Equity			
Share capital—Authorized—1,000 common shares of no par value—Issued, 32 common shares		**–**	–
Retained earnings		**5,198**	16,499
Total equity		**5,198**	16,499
TOTAL LIABILITIES AND EQUITY		**$ 51,300**	$ 52,872

Commitments: see note 17
Contingent liabilities: see note 21
The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors on June 7, 2018

Moreen Miller, Chair of the Board

Lori O'Neill, Chair of the Audit Committee

DEFENCE CONSTRUCTION (1951) LIMITED

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2018

(in thousands of Canadian dollars)	Notes	2018	2017
Services revenue	12	**$ 98,858**	$ 93,711
Travel and disbursement revenue	12	**2,773**	2,234
Investment revenue	13	**728**	740
Total revenue		**102,359**	96,685
Salaries and employee benefits		**92,468**	91,337
Operating and administrative expenses	14	**8,955**	7,709
Travel and disbursement expenses		**2,773**	2,234
Depreciation of property, plant and equipment	8	**1,033**	982
Depreciation of assets under finance lease		**99**	106
Amortization of intangible assets	9	**196**	236
Finance costs	15	**8**	8
Total expenses		**105,532**	102,612
Loss for the year		**(3,173)**	(5,927)
Other comprehensive loss			
Actuarial gain (loss) on employee benefit obligation[1]	11	**(8,128)**	371
TOTAL COMPREHENSIVE LOSS		**$ (11,301)**	$ (5,556)

The accompanying notes are an integral part of these financial statements.

[1] *This item of other comprehensive income will not be reclassified to profit (loss).*

DEFENCE CONSTRUCTION (1951) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2018

(in thousands of Canadian dollars)	Share Capital	Retained Earnings	Total Equity
Balance as at March 31, 2017		$ 16,499	$ 16,499
Loss for the year	$ –	(3,173)	(3,173)
Actuarial loss on employee benefit obligation		(8,128)	(8,128)
Total comprehensive loss		(11,301)	(11,301)
BALANCE AS AT MARCH 31, 2018	**$ –**	**$ 5,198**	**$ 5,198**

(in thousands of Canadian dollars)	Share Capital	Retained Earnings	Total Equity
Balance as at March 31, 2016		$ 30,555	$ 30,555
Loss for the year	$ –	(5,927)	(5,927)
Actuarial gain on employee benefit obligation		371	371
Total comprehensive loss		(5,556)	(5,556)
Dividend		(8,500)	(8,500)
BALANCE AS AT MARCH 31, 2017	**$ –**	**$16,499**	**$16,499**

The accompanying notes are an integral part of these financial statements.

DEFENCE CONSTRUCTION (1951) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2018

(In thousands of Canadian dollars)	Notes	2018	2017
Cash flow from (used in) operating activities			
Loss for the year		**$(3,173)**	$(5,927)
Adjustments to reconcile loss for the year to cash provided by operating activities			
Employee benefits expensed	11	**2,944**	3,599
Employee benefits paid	11	**(1,317)**	(397)
Depreciation of property, plant and equipment	8	**1,033**	982
Depreciation of assets under finance lease		**99**	106
Amortization of intangible assets	9	**196**	236
Amortization of investment premiums		**96**	119
Loss on disposal of property, plant and equipment		**–**	21
Loss on disposal of assets under finance lease		**1**	1
Change in non-cash operating working capital			
Trade receivables		**(3,600)**	(2,630)
Other receivables		**170**	139
Prepaids and other current assets		**(388)**	(484)
Trade and other payables		**45**	2,945
Net cash flows provided by (used in) operating activities		**(3,894)**	(1,290)
Cash flows from (used in) investing activities			
Acquisition of investments		**(2,163)**	(1,059)
Redemption of investments		**3,568**	500
Acquisition of property, plant and equipment	8	**(414)**	(862)
Acquisition of intangible assets	9	**(50)**	(33)
Net cash flows provided by (used in) investing activities		**941**	(1,454)
Cash flows used in financing activities			
Dividend paid		**–**	(8,500)
Repayment of finance lease obligations		**(97)**	(112)
Net cash flows used in financial activities		**(97)**	(8,612)
Decrease in cash during the year		**(3,050)**	(11,356)
Cash at the beginning of the year		**7,022**	18,378
CASH AT THE END OF THE YEAR		**$ 3,972**	$ 7,022

Supplemental Cash Flow information: see note 15
The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Unless otherwise stated, all amounts are in thousands of Canadian dollars

MARCH 31, 2018

NOTE 1: DESCRIPTION OF BUSINESS AND OBJECTIVES

Defence Construction (1951) Limited (the "Corporation") was incorporated under the *Companies Act* in 1951 pursuant to the authority of the *Defence Production Act* and continued under the *Canada Business Corporations Act*. The Corporation's Head Office is located at 350 Albert Street, Ottawa, Ontario, Canada. The Corporation is an agent Crown corporation named in Part 1 of Schedule III to the *Financial Administration Act* (FAA). Since 1996, responsibility for the Corporation has rested with the Minister of Public Services and Procurement.

The mandate of the Corporation is to provide procurement, construction, professional, operations and maintenance services in support of the defence of Canada. The prime, but not exclusive, beneficiary of the Corporation's services has always been the Department of National Defence (DND). The Corporation also provides services to Canadian Forces Housing Agency, Communications Security Establishment, Shared Services Canada and Public Services and Procurement Canada. Revenue is generated from fees charged for specific services provided.

In July 2015, the Corporation was issued a directive (P.C. 2015-1113) pursuant to Section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of the directive in the Corporation's next Corporate Plan. The Corporation completed the implementation of aligning the Corporation's policies to Treasury Board policies March 31, 2017. DCC has subsequently updated its policies to align with revised version of the Treasury Board policies.

NOTE 2: BASIS OF PREPARATION AND PRESENTATION

These financial statements are prepared by the Corporation in accordance with the International Financial Reporting Standards (IFRS) issued by the Accounting Standards Board (AcSB). These financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Corporation.

The financial statements have been prepared based on the historical cost except for financial instruments at fair value through profit and loss. They have also been prepared using accounting policies specified by IFRS that were in effect at the end of the reporting period (March 31, 2018).

The significant accounting policies, estimates and judgements that the Corporation applied in preparing these financial statements are in the appropriate section of these notes. These accounting policies have been used throughout all periods presented in the financial statements.

Under the Corporation's accounting policies described in the notes, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

The judgements, estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTE 3: CASH

ACCOUNTING POLICY

Cash is cash held in banks. Cash is managed on a fair value basis and its performance is actively monitored. Cash not immediately required for working capital is invested as per the Corporation's investment policy. There are no restrictions on the use of cash.

NOTE 4: TRADE RECEIVABLES

ACCOUNTING POLICY

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. Trade receivables are classified as current assets if payment is due within one year or less. Trade receivables are recognized initially at fair value. Subsequent measurement of trade receivables is at amortized cost.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Corporation does not maintain an allowance for doubtful accounts, as all trade receivables are receivable from the Government of Canada and deemed to be all collectable.

SUPPORTING INFORMATION

Trade receivables are due entirely from related parties (see Note 18). The usual credit period for trade receivables is 30 days.

	As at March 31, 2018	As at March 31, 2017
TRADE RECEIVABLES	**$22,196**	$18,596

The aging of the trade receivables was as follows:

	As at March 31, 2018	As at March 31, 2017
Current	**$ 9,966**	$ 8,965
Past due 0–30 days	**11,685**	9,582
Past due 31–60 days	**305**	30
Past due 61–90 days	**–**	–
Past due 91 plus days	**240**	19
	$22,196	$18,596

NOTE 5: PREPAID AND OTHER CURRENT ASSETS

ACCOUNTING POLICY

Prepaid expenses relate to items that have a value to the Corporation for services paid for but not yet consumed. These prepaid expenses are included in the statement of profit and loss and other comprehensive income in the period they are consumed.

SUPPORTING INFORMATION

The following table is the detailed summary of items making up the prepaids and other current assets:

	As at March 31, 2018	As at March 31, 2017
Prepaid expenses	**$ 2,001**	$1,675
Other receivables	**332**	270
Employee advances	**3**	6
Travel advances	**3**	–
	$ 2,339	$1,951

NOTE 6: OTHER RECEIVABLES

The Corporation implemented salary payments in arrears in 2015–2016 for all employees paid on a bi-weekly basis. As a result, a one-time payment was issued to employees who are paid every two weeks on a "current" basis. These payments did not represent a salary expense in 2015–2016 and were recorded as a receivable by the Corporation as they will be recovered from employees in the future.

NOTE 7: INVESTMENTS

ACCOUNTING POLICY

Investments consist of non-derivative financial assets with fixed or determinable payments and fixed maturities. The Corporation currently holds listed bonds, guaranteed investment certificates and mutual fund accounts that are recorded at cost and amortized using the effective interest method. The investments held are consistent with the investment policy approved by the Board of Directors. Interest income is accrued when earned and included in income for the year.

SUPPORTING INFORMATION

Investments consist of Canadian, provincial and corporate bonds with effective interest rates ranging from 2.65% to 4.92% (coupon rates ranging from 2.85% to 7.22%), guaranteed investment certificates (GIC) ranging from 1.8% to 2.3%, and mutual funds with variable interest rates. The maturity dates of the bonds vary from 2019 to 2031 and GIC vary from 2019 to 2022 and are intended to be held to maturity. The mutual fund accounts can be liquidated on demand. The carrying amounts, measured at the amortized cost and fair value of these investments, are shown in the table below.

The fair value of the investments can be determined by: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The fair values of the investments are not quoted in an active market, but rather are determined from quoted prices from a decentralized, over the counter market, which is considered Level 2 in the fair value hierarchy.

The current portion of investments consists of instruments maturing in the next 12 months.

	As at March 31, 2018	As at March 31, 2017
Current portion	**$ 2,178**	$ 3,100
Long-term portion	**16,551**	17,130
	$18,729	$20,230

Carrying amount at amortized cost:	As at March 31, 2018	As at March 31, 2017
Bonds		
Federal	**$ 504**	$ 506
Provincial	**8,032**	9,086
Corporate	**4,290**	4,321
Total bonds	**12,826**	13,913
Guaranteed Investment Certificate	**5,725**	5,925
Mutual funds	**178**	392
	$18,729	$20,230

Fair value:	As at March 31, 2018	As at March 31, 2017
Bonds		
Federal	**$ 519**	$ 539
Provincial	**8,283**	9,583
Corporate	**4,423**	4,540
Total bonds	**13,225**	14,662
Guaranteed Investment Certificate	**5,744**	5,947
Mutual funds	**178**	392
	$19,147	$21,001

RATE AND MATURITY DATES

AS AT MARCH 31, 2018

	Effective interest rate	Coupon interest rate	Less than one year	Later than one year and not later than five years	Later than five years	Total
Obligations						
Federal	3.30%	3.75%	$ –	$ 504	$ –	$ 504
Provincial	2.65% to 3.74%	2.85% to 6.60%		2,145	5,888	8,033
Corporate	2.94% to 4.92%	3.00% to 7.22%	–	707	3,582	4,289
Guaranteed Investment Certificate	1.80% to 2.30%	1.80% to 2.30%	2,000	3,725	–	5,725
Mutual funds	1.00%		178	–	–	178
			$ 2,178	**$ 7,081**	**$9,470**	**$18,729**

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Computer equipment, furniture and fixtures, leasehold improvements, and assets under finance lease are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged so as to write off the cost over the estimated useful life of such assets, using the straight-line method. The following useful lives are used to calculate depreciation:

Computer equipment	3 to 5 years
Furniture and fixtures	5 years
Leasehold improvements	length of the lease
Assets under finance lease	5 years

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant or equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognized in profit and loss.

Items of property, plant and equipment, and assets under finance lease measured at cost less depreciation and impairment losses are assessed for impairment at each reporting period. Assets are impaired when the recoverable amount is less than the carrying amount. An estimate of the recoverable amount is made when indicators of impairment are present. The recoverable amount is the greater of the fair value less cost to sell and the value in use.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Capital assets with finite useful lives are required to be tested for impairment only when indication of impairment exists. Management is required to make a judgement with respect to the existence of impairment indicators at the end of each reporting period. Some indicators of impairment that management may consider include changes in the current and expected future use of the asset and obsolescence or physical damage to the asset.

The impairment test compares the carrying value to the asset's recoverable amount, which is the higher of the asset's fair value less costs of disposal and its value in use. Determining both the fair value less costs to sell and its value in use requires management to make estimates, either regarding the asset's market value and selling costs or the future cash flows related to the asset or cash-generating unit, discounted at the appropriate rate to reflect the time value of money. Differences from estimates in determining any of these variables could materially affect the financial statements, both in determining the existence of any impairment and in determining the amount of impairment.

Key sources of estimation uncertainty:
The following are key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the financial statements within the next 12 months:

- Capital assets, comprising of property, plant and equipment and intangible assets with finite useful lives, are depreciated or amortized over their useful lives.
- Useful lives are based on management's best estimates of the periods of service provided by the assets.
- The appropriateness of useful lives of these assets is assessed annually.
- Changes to useful life estimates would affect future depreciation or amortization expenses and future carrying values of assets.

SUPPORTING INFORMATION

	As at March 31, 2018	As at March 31, 2017
Cost	**$6,940**	$7,208
Less: Accumulated depreciation	**5,317**	4,966
Net book value	**$ 1,623**	$2,242
Net book value by asset class		
Computer equipment	**$ 1,317**	$1,979
Furniture and fixtures	**240**	209
Leasehold improvements	**66**	54
NET BOOK VALUE	**$1,623**	$2,242

The changes in property, plant and equipment are shown in the following table:

	Computer Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost				
Balance as at March 31, 2016	$ 4,572	$ 672	$ 2,024	$ 7,268
Plus: Additions	687	175	–	862
Less: Disposals	864	58	–	922
Balance as at March 31, 2017	$ 4,395	$ 789	$ 2,024	$ 7,208
Plus: Additions	245	97	72	414
Less: Disposals	143	–	539	682
BALANCE AS AT MARCH 31, 2018	**$4,497**	**$886**	**$1,557**	**$6,940**

The changes in accumulated depreciation are shown in the following table:

	Computer Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Accumulated depreciation				
Balance as at March 31, 2016	$ 2,354	$ 595	$ 1,936	$ 4,885
Plus: Depreciation	905	43	34	982
Less: Disposals	843	58	–	901
Balance as at March 31, 2017	$ 2,416	$ 580	$ 1,970	$ 4,966
Plus: Depreciation	907	66	60	1,033
Less: Disposals	143	–	539	682
BALANCE AS AT MARCH 31, 2018	**$3,180**	**$646**	**$1,491**	**$ 5,317**

There is no impairment of property, plant and equipment.

NOTE 9: INTANGIBLE ASSETS

ACCOUNTING POLICY

Intangible assets consist of software used in business operations. When the software does not form an integral part of the machinery or computer hardware to which it relates, it is separately accounted as an intangible asset. Intangible assets are accounted for using the cost model, whereby capitalized costs are amortized on a straight-line basis over their estimated useful life. The estimated useful life of software is 3 to 10 years.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Intangible assets are assessed for impairment at each reporting period. Assets are impaired when the recoverable amount is less than the carrying amount. An estimate of the recoverable amount is made when indicators of impairment are present. The recoverable amount is the greater of fair value less cost to sell and value in use.

SUPPORTING INFORMATION

Intangible assets consist of software purchased by the Corporation.

	As at March 31, 2018	As at March 31, 2017
Cost	**$1,446**	$ 1,396
Less: Accumulated amortization	**1,194**	998
NET BOOK VALUE	**$ 252**	$ 398

Changes to intangible assets are detailed in the following table:

	Total
Cost	
Balance as at March 31, 2016	$ 1,398
Plus: Additions	33
Less: Disposals	35
Balance as at March 31, 2017	$ 1,396
Plus: Additions	50
Less: Disposals	–
BALANCE AS AT MARCH 31, 2018	**$1,446**

Changes to accumulated amortization are detailed in the following table:

	Total
Accumulated amortization	
Balance as at March 31, 2016	$ 797
Plus: Amortization	236
Less: Disposals	35
Balance as at March 31, 2017	$ 998
Plus: Amortization	196
Less: Disposals	–
BALANCE AS AT MARCH 31, 2018	**$1,194**

There is no impairment of intangible assets.

NOTE 10: TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost.

SUPPORTING INFORMATION

Trade and other payables of the Corporation principally comprise amounts outstanding for purchases relating to corporate activities, accruals for employee vacations and overtime, and payroll and commodity taxes. The usual credit period for trade purchases is 30 days.

	As at March 31, 2018	As at March 31, 2017
Accounts payable	**$ 2,824**	$ 2,048
Accrued vacation and overtime	**3,711**	3,632
Accrued liabilities	**6,103**	7,019
Commodity taxes payable	**756**	650
	$13,394	$13,349

The following is an aged analysis of the accounts payable.

	As at March 31, 2018	As at March 31, 2017
Less than 1 month	**$ 2,797**	$2,029
1 to 3 months	**20**	11
3 to 6 months	**7**	8
	$ 2,824	$2,048

Accounts payable include balances with related parties (see also Note 18).

	As at March 31, 2018	As at March 31, 2017
Third-party balances	**$ 2,815**	$2,036
Related-party balances	**9**	12
	$2,824	$2,048

NOTE 11: EMPLOYEE BENEFITS

ACCOUNTING POLICY

Employees are entitled to specific non-pension post-employment allowances and benefits. Each year, independent actuaries use the projected unit credit method to actuarially determine the employee benefit expense. To do so, they make assumptions about such factors as the discount rate for obligations, expected mortality, the expected rate of future compensation and the expected health care cost trend rate. All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation are recognized immediately in other comprehensive income and included in the statement of profit and loss and other comprehensive income.

The Corporation provides post-employment benefits payable after completion of employment. The types of post-employment benefits include extended health care, dental care, and paid-up life insurance.

The Corporation provides sick leave as other employee benefits. Sick leave is accumulated by employees and available in case of absence from work. Accumulated sick leave is not paid out when the employee leaves the Corporation.

Substantially all of the employees of the Corporation are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Under current legislation, the Corporation has no legal or constructive obligation to make further contributions for any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Post-employment and other long-term benefit obligations to be settled in the future require assumptions to establish the benefit obligations. Defined benefit accounting is intended to reflect the recognition of the benefit costs over the employee's approximate service period or when the event triggering the benefit entitlement occurs based on the terms of the plan. The significant actuarial assumptions used by the Corporation in measuring the benefit obligations and benefit costs are the discount rates, mortality tables, health care costs trend rates and inflation rate, which has an impact on the long-term rates of compensation increase. The Corporation consults with external actuaries regarding these assumptions at least annually. Changes in these key assumptions can have a significant impact on defined benefit obligations, funding requirements and pension, other post-employment and other long-term benefit costs.

SUPPORTING INFORMATION

11.1 Post-Employment and Other Long-Term Employee Benefits

Post-employment and other long-term employee benefits represent the Corporation's liability for the estimated costs of sick leave for employees, retirement allowance for certain employees at retirement as well as health, dental and life insurance benefits for its retirees. The benefit plan is not funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

	As at March 31, 2018	As at March 31, 2017
Current portion employee benefits	**2,502**	2,277
Long-term portion employee benefits	**$ 29,963**	$20,433
TOTAL EMPLOYEE BENEFITS	**$32,465**	$22,710

The measurement date for the last actuarial valuation of the provision for employee benefits was March 31, 2017. The next actuarial valuation is planned for March 2020 or sooner as required.

The significant actuarial assumptions adopted in measuring the Corporation's retirement allowance and non-pension benefits are as follows:

	2018	2017
Discount rate for projected benefit obligation	**3.60%**	3.80%
Rate of general salary increases	**3.25%**	3.25%
Initial weighted average health care cost trend rate	**5.30%**	5.40%
Ultimate weighted average health care cost trend rate	**4.50%**	4.50%
Year ultimate health care cost trend rate is reached	**2029**	2029
Mortality rate table	**CPM2014**	CPM2014
Mortality rate table improvement scale	**CPM-B**	CPM-B
Retirement age	**62**	62

Movements in the present value of the defined benefits obligation during the year are as follows:

	2018	2017
Opening value of obligation	**$ 22,710**	$19,879
Current service cost	**2,000**	1,418
Interest on present value of obligation	**914**	844
Actuarial loss (gains)	**8,158**	966
Employee benefit payments	**(1,317)**	(397)
CLOSING VALUE OF BENEFITS OBLIGATION	**$32,465**	$22,710

Included in the actuarial gains and losses from financial assumptions are the adjustments due to the effect of the discount rate applied to the employee benefits obligation, adjustments to usage trends and changes in premium and drug cost assumptions.

Amounts recognized in the statement of profit and loss and other comprehensive income for the year in respect of this benefit plan are as follows:

	2018	2017
Current service cost	**$ 2,000**	$1,418
Interest on present value of obligation	**914**	844
Actuarial loss (gain) recognized in year	**30**	1,337
Past service cost	**–**	–
EMPLOYEE BENEFIT EXPENSES	**$ 2,944**	$3,599

The amount recognized in the statement of profit and loss and other comprehensive income for the actuarial gain or loss is made up of the following elements:

	2018	2017
Actuarial gains (losses) from financial assumptions	**$ (8,158)**	$(966)
Less: Actuarial loss recognized in year	**30**	1,337
ACTUARIAL GAIN (LOSS) ON EMPLOYEE BENEFIT OBLIGATION	**$(8,128)**	$ 371

SENSITIVITY ANALYSIS

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the key assumptions shown. If all other assumptions are held constant, a hypothetical increase of one percentage point in the following assumed rates will increase (decrease) the defined benefit obligation by the amount in the table below. The effect of a hypothetical decrease of one percentage point in the assumed rates will have approximately the opposite result. Changes in one factor may result in changes in another, which could amplify or reduce certain sensitivities. Methods used in determining the sensitivity are consistent with those used to determine the benefit obligations and with the methods used in 2017 at our last full actuarial valuation.

See Table 3

The Corporation expects to expense $3,869 in 2019 for current service costs related to employee benefits.

11.2 Pension Benefits

Almost all of the employees of the Corporation are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Employees and the Corporation must both contribute. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was 9.89% (2017—10.35%). Total contributions of $7,398 (2017—$7,435) were recognized as expense in the current year.

The Government of Canada has a statutory obligation to pay benefits under the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Quebec Pension Plan benefits and are indexed to inflation.

NOTE 12: REVENUE RECOGNITION

ACCOUNTING POLICY

SERVICE REVENUE

The Corporation derives its revenue from the delivery of services related to contract management, project planning, procurement, and real property management activities. Revenue is recognized after the service is rendered. The Corporation receives payments from its clients based on a monthly billing cycle, as established in service level arrangements (SLAs). All SLAs have a duration equivalent to the fiscal year and are renegotiated and signed annually based on the nature of the funding for the clients. As the need arises during the fiscal year, the SLAs can be modified and new SLAs signed.

SLAs can be on a time-based fee or fixed fee basis. For time-based SLAs, the clients and the Corporation agree to a number of service hours that the Corporation's personnel will perform over the year. On a monthly basis, services for the month are invoiced to the client using actual time and the agreed billing rates in the SLAs. For fixed-fee SLAs, a fixed amount is invoiced to the client on a monthly basis as agreed in the SLAs.

As there are new SLAs annually, there are no liabilities related to payments received in advance of performance or assets related to performance rendered in advance

TABLE 3

EFFECT ON DEFINED BENEFIT OBLIGATION AT FISCAL YEAR END	INCREASE (DECREASE) IN THE BENEFIT OBLIGATION	
	Increase of 1%	Decrease of 1%
Effect of change in discount rate assumption	$(6,122)	$ 8,317
Effect of change in salary scale assumption	$ 202	$ (181)
Effect of change in health care cost trend rate assumption	$ 7,746	$(5,814)

of payments. There is no collection uncertainty with the amounts billed to the client as they are for services already performed under the SLA and as government entities are required to pay under the *Financial Administration Act* for all valid services invoiced.

TRAVEL AND DISBURSEMENT REVENUE

The Corporation recovers the cost of travel and disbursements related to service delivery from the client as part of the SLAs. The costs incurred for these expenses are recovered at cost and no mark-up is added.

INVESTMENT REVENUE

Investment revenue is recognized on an accrual basis using the effective interest method.

ACCOMMODATIONS

As per the memorandum of understanding between DND and the Corporation, DND provides the Corporation with office accommodations free of charge for personnel at DND-owned bases and wings and other locations. Where space is not provided, the Corporation has established hourly billing rates to recover the accommodation charge. If the accommodation cost is recovered as an out-of-pocket reimbursement, the disbursement reduces the charged amount.

The Corporation does not generate revenue from the sale of goods, from dividends or from royalties.

NOTE 13: INVESTMENT REVENUE

Investment revenue is mainly derived from the cash in bank and investments.

	2018	2017
Interest from:		
Bank deposits	**$ 82**	$156
Investments	**637**	567
Other interest	**9**	17
	$728	$740

NOTE 14: OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses for the period are detailed in the table below:

	2018	2017
Rent	**$ 1,891**	$1,824
IT maintenance agreements	**1,522**	1,052
Professional services	**1,497**	931
Training and development	**1,179**	1,168
Telephone and communications	**957**	805
Travel	**501**	529
Office supplies	**286**	461
Relocation	**224**	261
Hospitality	**189**	31
Communications	**188**	132
IT hardware	**138**	130
Office furniture and equipment	**97**	64
Printing and stationery	**87**	102
IT software	**62**	55
Subscriptions	**59**	42
Postage, freight and courier	**34**	36
Recruiting	**18**	49
Sundry	**26**	37
	$8,955	$7,709

NOTE 15: SUPPLEMENTAL OPERATING CASH FLOW INFORMATION

15.1 Supplemental Cash Flow Information

	2018	2017
Interest charges on finance leases	**$ 8**	$ 8
Interest received from bank deposits	**$ 82**	$ 156
Interest received from investments	**$668**	$685
Income taxes	**$ –**	$ –

15.2 Financing Activities

The Corporation has liabilities from financing activities related to finance leases for equipment. For 2017–18, the amount related to the financing activities was:

	2018	2017
Finance lease obligation, beginning of the year	**$314**	$289
Debt provided by additional financing	**26**	137
Cash used for debt payments	**97**	112
Finance lease obligation, end of the year	**$243**	$314

	2018	2017
Finance lease obligation: Current	**$ 96**	$ 95
Finance lease obligation: Long-term	**147**	219
Finance lease obligation	**$243**	$314

NOTE 16: FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

ACCOUNTING POLICY

RECOGNITION AND INITIAL MEASUREMENT

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

CLASSIFICATION OF FINANCIAL ASSETS

At inception, a financial asset is classified at amortized cost or fair value.

A financial asset qualifies for amortized cost measurement only if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Corporation assesses the business model at an asset level, as this best reflects the way the business is managed and information is provided to management.

In assessing whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Corporation considers the following:

- management's stated policies and objectives for the asset, and the operation of those policies in practice;
- how management evaluates the performance of the asset;
- the frequency of any expected asset sales; and
- whether assets that are sold are held for an extended period relative to their contractual maturity or are sold shortly after acquisition.

Financial assets held for trading are not held within a business model whose objective is to hold the assets in order to collect contractual cash flows.

DERECOGNITION OF FINANCIAL ASSETS

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

CLASSIFICATION OF FINANCIAL LIABILITIES

The Corporation classifies its financial liabilities as measured at amortized cost or fair value through profit and loss.

Financial liabilities are classified at fair value through profit and loss when the financial liability is either held for trading or it is designated as at fair value through profit and loss.

The Corporation has not designated any financial liability as fair value through profit and loss as at the end of the reporting period.

A financial liability is classified as held for trading using the same criteria described for a financial asset classified as held for trading.

Financial liabilities at fair value through profit and loss are presented at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described below.

DERECOGNITION OF FINANCIAL LIABILITIES

The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire.

FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Corporation measures the fair value using quoted prices in an active market, when available. If the market is not active, the Corporation establishes fair value using valuation techniques, including recent arm's-length transactions between knowledgeable, willing parties, if available.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price—that is, the fair value of consideration given or received. When the transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at that price.

IDENTIFICATION AND MEASUREMENT OF IMPAIRMENT

At each reporting date, the Corporation determines whether there is objective evidence that financial assets carried at amortized cost are impaired. A financial asset is impaired when objective evidence demonstrates a loss has occurred after the initial recognition of the asset.

Except for investments, the carrying amounts financial assets and financial liabilities approximate the fair values due to the short term to maturity of the items. Fair value for investments is disclosed in Note 9.

Financial instruments, other than those that are not subsequently measured at fair value and for which fair value approximates carrying value, must be disclosed at their fair value and be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurement of cash is classified as level 1 of the fair value hierarchy as at March 31, 2018 and 2017.

SUPPORTING INFORMATION

16.1 Credit Risk

Credit risk is the risk that one party to a financial instrument might not meet its obligations under the terms of the financial instrument. The carrying value of financial assets subject to credit risk as at March 31, 2018, was $46,857 (as at March 31, 2017, it was $47,978) and represented the Corporation's maximum exposure to credit risk. The Corporation does not use credit derivatives or similar instruments to mitigate this risk and, as such, the maximum exposure is the full carrying value or face value of the financial asset. The Corporation minimizes credit risk on cash by depositing the cash only with reputable and high-quality financial institutions. The Corporation has no significant exposure to credit risk on trade receivables, as all of the trade receivables are due from the Government of Canada. With the exception of amounts due from the Department of National Defence and other government departments as in Note 18, there is no concentration of trade receivables with any one customer. Based on historic default rates and the aging analysis in Note 4, Trade Receivables, the Corporation believes that there are no requirements for an allowance for doubtful accounts. Other current assets consist of balances related to travel advances to employees and computer loans to employees. Prepaids are not included in other current assets.

As at March 31, 2018	Fair value through profit and loss	Fair value through other comprehensive income	Amortized cost	Total carrying amount
Cash	$3,972	$ –	$ –	$ 3,972
Investments	–	–	18,729	18,729
Trade receivables	–	–	22,196	22,196
Other receivables	–	–	1,954	1,954
Other current assets	–	–	6	6
TOTAL FINANCIAL ASSETS	**$3,972**	**$ –**	**$42,885**	**$46,857**
Accounts payable	–	–	2,824	2,824
Accrued liabilities	–	–	6,103	6,103
TOTAL FINANCIAL LIABILITIES	**$ –**	**$ –**	**$ 8,927**	**$ 8,927**

As at March 31, 2017	Fair value through profit and loss	Fair value through other comprehensive income	Amortized cost	Total carrying amount
Cash	$7,022	$ –	$ –	$ 7,022
Investments	–	–	20,230	20,230
Trade receivables	–	–	18,596	18,596
Other receivables	–	–	2,124	2,124
Other current assets	–	–	6	6
TOTAL FINANCIAL ASSETS	**$7,022**	**$ –**	**$40,956**	**$47,978**
Accounts Payable	–	–	2,048	2,048
Accrued liabilities			7,019	7,019
TOTAL FINANCIAL LIABILITIES	**$ –**	**$ –**	**$ 9,067**	**$ 9,067**

16.2 Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. The carrying value of financial liabilities for trade and other payables as at March 31, 2018, was $8,927 (as at March 31, 2017, it was $9,067) and represented the maximum exposure of the Corporation. The Corporation manages its liquidity risk by monitoring and managing its cash flow from operations and anticipated investing activities. The liquidity risk is low, since the Corporation does not have debt instruments and derives its cash flow from services offered to the Government of Canada. Refer to the maturity analysis for accounts payable in Note 10. In addition, as at March 31, 2018, the Corporation's financial assets exceeded its financial liabilities by $37,930 (as at March 31, 2017, its financial assets exceeded its financial liabilities by $38,911).

Refer to table in Note 16.3 for the contractual maturities of financial liabilities, including estimated interest payments.

16.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It comprises three types of risk: currency risk, interest rate risk and other price risk. The Corporation's financial assets and financial liabilities are not exposed to fluctuations in currency risk and other price risk, given their underlying nature and characteristics.

The Corporation is exposed to fluctuations in interest rates on its investments. As at March 31, 2018, all of the investments ($18,729) were in fixed interest-bearing instruments (as at March 31, 2017, the comparable figure was $20,230). Fluctuations in the interest rate would affect the fair value of the instruments. Management intends to hold these instruments until maturity. The Corporation has determined that the risk is not significant.

As at March 31, 2018	Carrying amount	Contractual cash flows	6 months or less	More than 6 months
Accounts payable	**$2,824**	**$2,824**	**$2,824**	**$ –**
Accrued liabilities	**6,103**	**6,103**	**6,103**	**–**
FINANCIAL LIABILITIES	**$8,927**	**$8,927**	**$8,927**	**$ –**

As at March 31, 2017	Carrying amount	Contractual cash flows	6 months or less	More than 6 months
Accounts payable	$2,048	$2,048	$2,048	$ –
Accrued liabilities	7,019	7,019	7,019	–
FINANCIAL LIABILITIES	**$9,067**	**$9,067**	**$9,067**	**$ –**

NOTE 17: LEASE COMMITMENTS

ACCOUNTING POLICY

Leases are classified as either operating or finance, based on the substance of the transaction at the inception of the lease. Classification is reassessed if the terms of the lease change.

OPERATING LEASE

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments under an operating lease (net of any incentive received by the lessee) are recognized in the statement of profit and loss and other comprehensive income on a straight-line basis over the period of the lease.

FINANCE LEASE

Assets held under finance leases are initially recognized as assets of the Corporation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between the finance expenses and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit and loss.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Corporation is party to certain leasing arrangements, which requires management to determine whether the lease is a finance lease or an operating lease by assessing if substantially all the risks and rewards of ownership have passed to the Corporation. Factors used by management in determining whether a lease is a finance or an operating lease include, but are not limited to, whether there is a transfer of ownership at the end of the lease term, whether the lease term is for the major part of the economic life of the leased asset and whether at the inception of the lease the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset.

SUPPORTING INFORMATION

The Corporation leases office space for its operations to meet client requirements. The Corporation has also entered into leases for the co-location of DND and Corporation staff to jointly deliver services. These co-location leases are recoverable from DND. The tables show the future minimum lease payments.

As at March 31, 2018	Corporation leases	Co-location leases	Total
Lease Period			
April 1, 2018 to March 31, 2019	$ 1,907	$ 1,598	$ 3,505
April 1, 2019 to March 31, 2020	1,238	1,598	2,836
April 1, 2020 to March 31, 2021	976	133	1,109
April 1, 2021 to March 31, 2022	881	–	881
After April 1, 2022	1,574	–	1,574
	$6,576	**$3,329**	**$9,905**

As at March 31, 2017	Corporation leases	Co-location leases	Total
Lease Period			
April 1, 2017 to March 31, 2018	$ 2,080	$ 1,668	$ 3,748
April 1, 2018 to March 31, 2019	1,188	139	1,327
April 1, 2019 to March 31, 2020	303	–	303
April 1, 2020 to March 31, 2021	92	–	92
After April 1, 2021	46	–	46
	$3,709	**$1,807**	**$5,516**

NOTE 18: RELATED-PARTY TRANSACTIONS AND BALANCES

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business under its stated mandate. These transactions are measured at the fair value, which is the actual amount of the consideration given or received for the services provided. The Corporation's entire services revenue of $98,858 (2017—$93,711) was generated from services provided to entities owned by the Government of Canada. The amounts due to and from related parties are as follows:

	As at March 31, 2018	As at March 31, 2017
Due from:		
Department of National Defence	**$20,186**	$ 17,325
Canadian Forces Housing Agency	**1,702**	1,087
Shares Services Canada	**100**	119
Communication Security Establishment Canada	**210**	65
Public Services and Procurement Canada	**(2)**	–
	$22,196	$18,596
Due to:		
Shared Services Canada	**$ 9**	$ 12
Department of Justice	**130**	–
	$ 139	$ 12

The Corporation incurred expenses with other departments of the Government of Canada. These transactions totalled $254 (2017—$131).

In accordance with a memorandum of understanding between DND and the Corporation, DND is to provide office accommodations free of charge to the Corporation's service delivery personnel at DND-owned bases and wings and at other locations. Where office space is not provided, and for the Corporation's service delivery personnel who cannot be accommodated at a DND-owned facility, accommodation costs are recovered either as an out-of-pocket reimbursable disbursement or through the hourly billing rates established for the services provided.

18.1 COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are those persons (including members of the Board of Directors) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The remuneration of key management personnel was as follows:

	2018	2017
Short-term benefits	**$3,418**	$2,839
Post-employment benefits	**441**	424
Severance payment	**83**	–
	$3,942	$3,263

NOTE 19: CAPITAL MANAGEMENT

The Corporation's objectives in managing capital are to safeguard the Corporation's ability to continue as a going concern and fulfill its stated mandate, generate sufficient cash to meet its anticipated operating and capital requirements, and settle its financial obligations as they come due.

In determining the amount of cash reserves carried for operating needs, the Corporation considers the planning and operating risks inherent in its operations, particularly the risk associated with potential and unanticipated changes to the amount or timing of construction project expenditures by the Department of National Defence. Cash levels are constantly monitored, and any surpluses or shortfalls that may occur from time to time during certain operating periods are taken into account in the determination of billing rates for future services. The Corporation's capital consists of its retained earnings.

NOTE 20: TAXATION

The Corporation is not subject to corporate taxation under section 149(1)(d) of the *Income Tax Act.*

NOTE 21: CONTINGENT LIABILITIES

ACCOUNTING POLICY

Provisions are liabilities to the Corporation for which the amount or timing is uncertain. Provisions are recognized when: (a) the Corporation has a current legal or constructive obligation as a result of past events; (b) an outflow of resources will likely be required to settle the obligation; and (c) the amount can be reliably estimated. If any of these conditions are not met, no provision shall be recognized and a contingent liability will be disclosed.

ACCOUNTING ESTIMATES AND JUDGEMENTS

In determining whether a liability should be recorded in the form of a provision, management is required to exercise judgement in assessing whether the Corporation has a present legal or constructive obligation as a result of a past event, whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and whether a reasonable estimate can be made of the amount of the obligation.

In making this determination, management may use past experience, prior external precedents and the opinions and views of legal counsel. If management determines that the above three conditions are met, a provision is recorded for the obligation. Alternatively, a contingent liability is disclosed in the notes to the financial statements if management determines that any one of the above three conditions is not met, unless the possibility of outflow in settlement is considered to be remote.

When it has been determined by management that the Corporation has a present legal or constructive obligation as a result of a past event, that it is probable an outflow of resources embodying economic benefits will be required to settle the obligation and that a reliable estimate of the obligation can be made, a provision is accrued.

In determining a reliable estimate of the obligation, management makes assumptions about the amount and likelihood of outflows, the timing of outflows, as well as the appropriate discount rate to use. Factors affecting these assumptions include the nature of the provision, the existence of a claim amount, opinions or views of legal counsel and other advisers, experience in similar circumstances, and any decision of management as to how the Corporation intends to handle the obligation. The actual amount and timing of outflows may deviate from assumptions, and the difference might materially affect future financial statements, with a potentially adverse impact on the results of operations, financial position and liquidity.

21.1 Legal Claims

The Corporation's efforts to resolve contract disputes are reflected in the number and value of contract claims before the courts. As at March 31, 2018, there were eight ongoing claims totaling $2,259. As at March 31, 2017, these figures compare with eight ongoing claims totaling $1,944.

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

NOTE 22: STANDARDS, AMENDMENTS AND INTERPRETATIONS

3 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE APRIL 1, 2017

Certain pronouncements were issued by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee (Interpretations Committee) that were mandatory for accounting periods beginning on or after April 1, 2017 that affect the Corporation's financial statements.

Effective January 1, 2017, the Corporation adopted the amended IAS7, "Statement of Cash Flows". The adoption of this amended standard resulted in additional disclosure regarding changes in liabilities arising from financing activities.

STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET IN EFFECT

The Corporation reviews new and revised accounting pronouncements that have been issued by the IASB but are not yet effective and have not been early adopted, to determine the impact on the Corporation. Based on our review to date, none of the standards issued are expected to have a material impact on the financial statements of the Corporation except for IFRS 16 "Leases" which is expected to add a significant asset and liability on the statement of financial position. The Corporation will adopt the new standards when they are required.

Standard	Description	Impact	Effective date[1]
IFRS 9 "Financial Instruments"	Issued to replace IAS 39, provides guidance on classification and measurement, impairment and hedge accounting.	The Corporation has reviewed the Standard and determined that it will have a minimal impact on the financial statements due to classification and measurement, hedging and expected credit loss.	January 1, 2018, applied retrospectively.
IFRS 15 "Revenue from Contracts with Customers"	Issued to provide guidance on recognition of revenue from contracts with customers, including multiple-element arrangements and transactions not previously addressed and enhances disclosure about revenue.	The Corporation has performed an analysis of its contracts with customers and determined that the impact of this Standard is minimal on its revenue recognition. Due to the nature of the Corporation's services to customers, professional services billed on a time and material or fixed fee basis, and the right of both parties to cancel the contract with 90 days' notice, there is no change to the Corporation's revenue recognition related to the adoption of this Standard. The Standard does specify additional disclosures related to revenue that will be included in the Corporation's Financial Statement notes upon adoption.	January 1, 2018, applied retrospectively with certain practical expedients available.
IFRS 16 "Leases"	Issued to supersede IAS17, IFRIC 4, SIC-15 and SIC027, provides the principles for the recognition, measurement, presentation and disclosure of leases. Lessees are required to recognize assets and liabilities for the rights and obligations created by the leases. Lessors accounting is substantially the same as the superseded standard but with enhanced disclosure related to risk exposure.	The Corporation is currently evaluating the impact of IFRS 16 on its financial statements, therefore, the impact of its adoption is not yet determined. Based on the assessment work completed to date, the Corporation expects the most significant impact of the new standard to be on its property, plant and equipment and the associated liability as existing and future leases will be capitalized on the statement of financial position under IFRS 16. The Corporation expects to elect to use the modified retrospective approach with no restatement of prior year balances and the opening value of the right of use asset will equal the liability. The Standard does specify additional disclosures related to revenue that will be included in the Corporation's Financial Statement notes upon adoption.	January 1, 2019, applied retrospectively with certain practical expedients available.

[1] *Effective date for annual periods beginning on or after the stated date.*

DCC provided contract management support to the 403 Squadron heliport (Griffin Field) upgrade project at 5 CDSB Gagetown. Equipped with CH-146 Griffons, the 403 Helicopter Operational Training Squadron provides operational aircrew training to the crews who will fly the helicopter.

CDC a fourni un soutien en matière de gestion des marchés pour le projet de mise à niveau de l'héliport du 403e Escadron à la BS 5 Div CA Gagetown. Équipé d'hélicoptères CH-146 Griffon, le 403e Escadron d'entraînement opérationnel d'hélicoptères dispense l'entraînement opérationnel aux équipages aériens qui seront affectés à l'hélicoptère.