DEFENCE CONSTRUCTION CANADA

ACHIEVING OUR GOALS

Annual Report 2018–2019

DCC·CDC

Inside cover: The shop floor of the FMF Cape Breton at CFB Esquimalt. One of the largest enclosed buildings on North America's west coast, the Pacific FMF will handle every aspect of maritime maintenance—including fabrication, maintenance and repair, all to keep the Navy's west coast fleet operational. The final phase is scheduled for completion in 2019.

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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. The Corporation also provides services to Shared Services Canada related to the expansion of the enterprise 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

The Real Property Management Services Team supports the efficient maintenance of DND's infrastructure by providing strategic and tactical support throughout the entire real property lifecycle.

Cover photo: The 35,000-m^2 Royal Canadian Navy Fleet Maintenance Facility (FMF) Cape Breton, at CFB Esquimalt, British Columbia. Started in 1996, DCC staff collaborated with Navy, DND and industry stakeholders to transform the facility to a fully operational, state-of-the-art maritime maintenance facility.

PERFORMANCE HIGHLIGHTS

SERVICE MEASURES

1.02 Billion
CONTRACT PAYMENTS

1.06 Million
CONTRACT PAYMENTS PER EMPLOYEE

1,734
CONTRACTS AWARDED

655.2 Million
VALUE OF CONTRACTS AWARDED

BUSINESS PERFORMANCE

110.4 Million
SERVICES REVENUE

100%
SATISFACTION RATING
Target = 95%

10.8%
COST OF SERVICE

73.6%
UTILIZATION RATE
(% of Employee time spent on billable work)
Target = 70%

958
EMPLOYEES (FTE)

PROCUREMENT RESULTS

95.9%
CONTRACT AWARD SUCCESS
Target = 95%

99.8%
PUBLICLY ACCESSIBLE CONTRACTS
Target = 98%

NUMBER OF BIDDERS PER PROCUREMENT

4.3

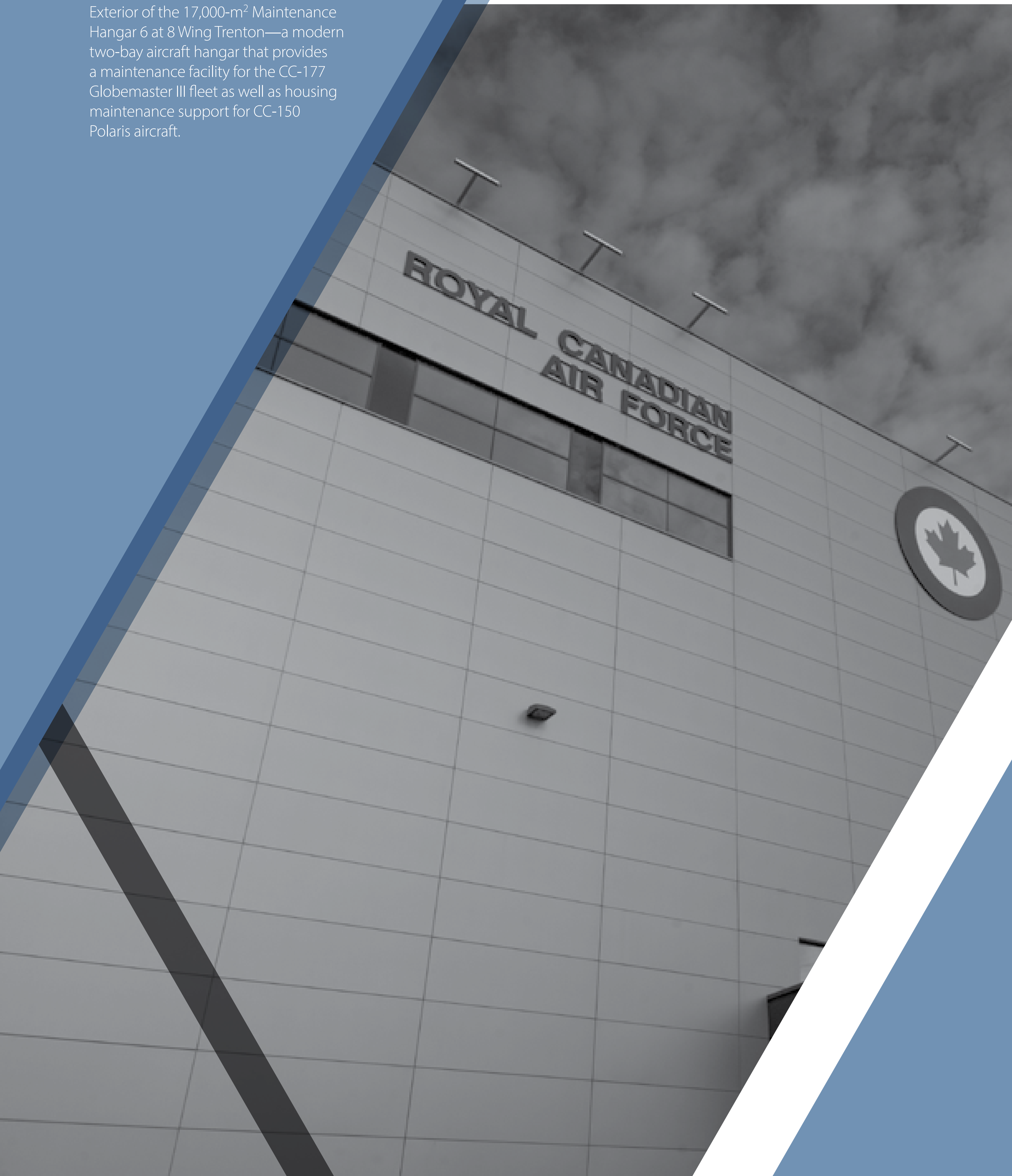
Target = 4

2018–19 KEY PERFORMANCE INDICATOR RESULTS

PLANNING THEME	STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATORS (KPIs)		PERFORMANCE TARGET	RESULTS
BUSINESS MANAGEMENT	To develop and maintain responsive, integrated business management structures, tools, teams and practices	**Cost of Services**	**Overall cost of services** DCC's total revenues as a percentage of total contract expenditures	Between 9% and 15%	10.8%
		Utilization Rate	**Corporate utilization rate (time based)** Percentage of employees' total payable hours that DCC can bill to the Client-Partner	Minimum of 70%	73.6%
		Financial Results	**Corporate financial results** Financial results consistent with DCC's Financial Management Policy	Achievement of budgeted gross margin	Achieved
SERVICE DELIVERY	To deliver innovative, value-added services that meet Client-Partner requirements	**Service Delivery Rating** Client satisfaction, as measured by the percentage of clients who give DCC a rating of 3 or higher on a five-point scale		Minimum of 95%	100%
		Procurement Results	**Award success** Percentage of procurements that result in a contract award	Minimum of 95%	95.9%
			Procurement competition Number of bidders or proponents per procurement	Minimum of four	4.3
			Public access to business opportunities Total value of procurements awarded through public business opportunities	Minimum of 98%	99.8%
		Contract Management Results	Percentage of all contracts completed by the date scheduled for occupancy and readiness for intended use	Minimum of 85%	93.7%

PLANNING THEME	STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATORS (KPIS)		PERFORMANCE TARGET	RESULTS
PEOPLE	To build and sustain a competent, engaged and diverse workforce	**Investment In Training and Development** Cost of training and development, as a percentage of base payroll costs		4%	3.9%
		Innovation Results	**Employee participation** Percentage of employees who participate in the innoviCulture program	10%	23%
		Employee Retention Rate Percentage of employees who stay with the Corporation from year to year		Minimum of 90%	91.1%
		Employment Diversity Results Success in meeting requirements for the four categories of DCC's Employment Equity program (women, Indigenous peoples, people with disabilities, visible minorities)		No deficiencies in three of the four categories	Achieved
		Leadership Development Program Results Percentage of program participants who complete a minimum of six modules per year		100%	88%
		Recruitment Results Percentage of all job postings filled in the first round of job advertising (result is for the second half of 2018–19)		85%	89.5%
LEADERSHIP AND GOVERNANCE	To provide strong leadership and be responsive to Government of Canada requirements	**Corporate Reporting Results**	**Timeliness of corporate reporting** Percentage of corporate reports that are submitted on time	100%	100%
		Overall Business Performance Results	**Corporate initiatives** Percentage of corporate initiatives identified in the Corporate Plan that DCC has completed or achieved	100%	95%
		DCC Procurement Code Of Conduct Results	**Awards** Percentage of awarded contracts made to firms without current restrictions under the PSPC Integrity Regime	100%	100%
		DCC Code Of Business Conduct Results Compliance with the DCC Code of Business Conduct		100%	100%
		Environmental Incidents Number of environmental incidents per year resulting from DCC management actions		0	0
		Health and Safety Accidents and Incidents Number of hazardous occurrences, accidents and safety incidents involving DCC employees that result in lost work time		0 incidents	2
		Lost-time hours add to less than 0.5% of the total number of employee hours		0.5%	0.03%
		Security Compromises Number of corporate security compromises (operational or industrial)		0	0

Exterior of the 17,000-m^2 Maintenance Hangar 6 at 8 Wing Trenton—a modern two-bay aircraft hangar that provides a maintenance facility for the CC-177 Globemaster III fleet as well as housing maintenance support for CC-150 Polaris aircraft.



ACHIEVING OUR GOALS

DCC delivers the performance, and the results, that meet the evolving needs of Canada's security and defence infrastructure.

From cybersecurity to disaster response, overseas missions to new fighter aircraft, the infrastructure required to meet Canada's security and defence objectives demands the highest standards of performance. DCC stands ready to serve, with a singular focus on achieving the Government of Canada's priorities: delivering security and defence projects efficiently and cost-effectively, protecting the environment, supporting our communities and our people, and carrying out our work with the greatest integrity.

These goals define DCC's strong performance, and we are proud of the vision we bring to our work. Everyone in our organization, from employees in the field to the Board of Directors, is guided by four strategic objectives: responsive, integrated business management; innovative, value-added service delivery; competent, engaged and diverse people; and strong leadership and governance.

We demonstrate this by aligning our resources with our Client-Partners' priorities for the benefit of all stakeholders, defining specific objectives for each corporate initiative, tracking and reporting on the progress of our commitments, and continually assessing the effectiveness of our work. We carefully consider lifecycles and long-term planning, while delivering immediate, tactical benefits for our Client-Partners.

We know that achieving these goals is important for Canada as a nation, and for all Canadians. At DCC, this responsibility drives our performance every day.

MESSAGE FROM THE CHAIR

Supporting the infrastructure requirements of Canada's Strong, Secure, Engaged defence policy, and the Defence Energy and Environment Strategy, requires perspective—particularly that of DCC's primary Client-Partner: the Department of National Defence (DND) and the Canadian Armed Forces (CAF).

DCC has that perspective, thanks to more than 65 years of service to Canada's defence and security. We aim to meet the needs of the present, such as modernizing and improving buildings on bases and wings. We focus on delivering our contracting and project management services efficiently and cost-effectively.

We are proud to support DND's green defence initiatives and Canada's long-term environmental goals: energy and emissions reductions, and environmental stewardship. DND has the largest and most complex infrastructure portfolio in government. By 2030, it aims to reduce greenhouse gas emissions by 40% from the 2005 emissions level. To support this goal, DCC put four energy performance contracts in place for DND, with plans for nine more by 2020–21.

And we do all of this work while planning for the future, including supporting the Royal Canadian Air Force's Future Fighter Capability Project—likely with facilities in Cold Lake and Bagotville, and other locations throughout Canada, by 2030.

Specialized work is not the exception for DCC; indeed, it is our norm. It requires agility and innovation like our Client-Partners, and a deep understanding of their operating environments.

It also requires careful attention to another perspective: a strong internal focus that ensures effective governance and leadership of DCC's business. We achieve this goal in various ways, such as limiting cyber threats by upgrading our IT infrastructure to a cloud-based solution, and strengthening internal fraud awareness and detection.

Understanding the expectations of DCC's stakeholders is an important role for the Board of Directors, who represent a wide and thoughtful diversity of business and geographic perspectives. I would like to welcome the Board members who were appointed in 2018–19. It has been a distinct pleasure to work with you over the past year, and I look forward to another year of productive, engaging discussions.

I also offer my sincere thank you to all of DCC's employees. Each day, you fulfil an important mission to serve Canada's defence and security needs, and indeed Canada as a nation. Your achievements are exemplary, and I am proud to call you colleagues.

Finally, I would like to express gratitude to James Paul for his dedication and service during his 10-year career at DCC in the role of President and CEO, ending in July 2019. During Jim's tenure DCC experienced many successes including public-private partnership contracts; the first use of an e-procurement system for federal contracts in Canada; and a record-setting $1 billion of contract expenditures for DCC's Client-Partners. These accomplishments greatly support Canada's defence and security priorities.

Moreen Miller
Chair of the Board

MESSAGE FROM THE PRESIDENT

I am very pleased to annouce a year of significant successes for DCC, as we achieve record revenues in delivering a high DND program, and several key projects for our Client-Partners.

By example, the Fleet Maintenance Facility Cape Breton at CFB Esquimalt is one of the largest buildings on the Pacific coast, handling every aspect of maritime maintenance. Our new Yellowknife office is managing an $85-million facilities maintenance contract for DND facilities in the North. And the new Royal Canadian Electrical and Mechanical Engineering School at CFB Borden features green technologies like geothermal energy and rainwater collection.

This project highlights our strong commitment to DND's Defence Energy and Environment Strategy, as do the energy performance contracts we awarded this year. And we also continue to support CAF operations abroad, in Kuwait and Latvia.

To achieve our goals, DCC drives procurement innovation. We are expanding our e-procurement to the architecture and engineering sectors. We also joined DND to announce the first Government of Canada construction project using Integrated Project Delivery, in which all stakeholders work as true partners to manage the project effectively. And we improved integrity, through our commitment to prompt payment, and a Memorandum of Understanding with the Competition Bureau, to protect against improper bidding practices.

None of this would be possible without DCC's people, our most important resource. I was particularly proud of the DCC Senior Management Group's pledge to better support workplace wellness and mental health. Together, we all acknowledge the responsibility everyone shares for building a healthy and safe workplace. I thank all employees for sharing my personal commitment to this and to our action plan on diversity and inclusion, with initiatives like the Virgin Pulse Global Challenge, our Women's Information Network webcasts, Diversity and Inclusion awards, and gender-based awareness training.

The efforts of DCC's employees were recognized in the awards we received this year. Canada's Top 100 Employers recognized DCC as one of the National Capital Region's Top Employers. We received the federal government's 2018 Employment Equity Award, and an award for Achievement of Excellence in Procurement. DND's Assistant Deputy Minister (Infrastructure and Environment) awarded DCC a Certificate of Recognition for our significant contribution to the successful delivery of DND's Federal Infrastructure Investments Program.

My appointment with DCC ends this summer. As I reflect on a tremendous 10 years with our organization, I am proud of the contributions we have made for our Client-Partners, most notably the members of Canada's Armed Forces, at home and abroad, in helping them achieve their objectives.

This record of achievement is testament to the outstanding efforts of our employees, whose dedication, collaboration, competence and fairness in the delivery of DCC's services are second to none. To all employees, thank you for all that you bring to your work and for the commitment you have shown. I will miss working with you and wish everyone continued success going forward.

James S. Paul
President and Chief Executive Officer

DCC is managing the construction contract for a new 20,850-m^2 facility that will house 5 Combat Engineer Regiment at Valcartier Garrison, Quebec. The contract includes the renovation of two existing temporary shelters and demolition of an outdated building. The new accommodations have been designed for LEED Silver certification.

READY TO SERVE

SECURITY AND DEFENCE

DCC's Client-Partners stand ready to respond, wherever and however called upon. DCC is equally ready to support the infrastructure requirements they depend on.

For DND, operational readiness can never be in question. Neither can the infrastructure required to deliver that readiness. From training facilities to aircraft runways, DCC delivers the infrastructure requirements needed for an agile, multi-purpose and innovative approach to defence.

COLLABORATION AND CONSULTATION

Tight deadlines, unique security capabilities and high standards: DCC meets these Client-Partner needs using a stakeholder-inclusive approach that ensures everyone is focused on delivering the project. The 2018 introduction of Integrated Project Delivery for the Royal Canadian Dragoons' new home at CFB Petawawa, for example, represents three years of collaboration between the key stakeholders. DCC supported DND, the design consultant and the contractor to create a multi-party agreement to make decisions by consensus and share both risks and rewards to optimize the project delivery process.

Similarly, with some 700 workers and 30 months of construction involved in the new accommodations project for 5 Combat Engineer Regiment at CFB Valcartier, DCC set the tone from the beginning, meeting with all stakeholders to share expectations and ways of working.

For CFB Esquimalt's Fleet Maintenance Facility Cape Breton project, which is transforming 60-plus antiquated buildings into a state-of-the-art maritime maintenance facility, DCC collaborated with the Royal Canadian Navy, DND and industry stakeholders to coordinate planning, contracting and project management, environmental and archeological mediation, and consultations with Indigenous peoples.

Based on this consultative approach, DCC is ready to respond, from modernizing existing buildings on bases and wings to supporting the Royal Canadian Air Force with the infrastructure to accommodate the Future Fighter Capability Project.

EXPERIENCE AND EXPERTISE

During the more than 65 years that DCC and DND have worked together, DCC has developed in-depth knowledge and unique expertise related to Canada's military construction at home and abroad, and the infrastructure and environment services associated with it. This organizational memory is helping to deliver highly complex projects, such as the A/B Jetty recapitalization project at CFB Esquimalt. This $781-million project, which includes renewing a 1940s-era wooden jetty, is making use of DCC's experience from other complicated projects in the dockyard, including leveraging expertise in unexploded explosive ordnance and archeology, environmental and marine specialties, and stakeholder communications.

The value of DCC's experience and expertise was recently acknowledged by the Auditor General of Canada. The *2018 Fall Report of the Auditor General of Canada, Report 4, Physical Security at Canada's Missions Abroad—Global Affairs Canada,* recommended that Global Affairs Canada consider partnering with other government entities like Defence Construction Canada for advice and support in its real property projects.

DCC's delivery of infrastructure and environmental projects is essential for the security and defence of Canada.

View of the retaining wall that will support the new B Jetty at CFB Esquimalt, British Columbia. The A/B Jetty project supports Canada's National Shipbuilding Procurement Strategy which will deliver modern ships to the Royal Canadian Navy over the next 30 years.

Built between 1895–99, the North Park Armoury in Halifax, Nova Scotia is a federally-designated heritage building and National Historic Site of Canada. The $9.1-million rehabilitation of the Armoury's west wall is part of the $130-million rehabilitation of the whole facility—all to the LEED silver standard.

INNOVATING TO PROTECT

ENVIRONMENT

DCC contributes to Canada's long-term environmental sustainability by supporting DND's efforts to reduce greenhouse gas emissions and protect our environment.

DND manages one of the largest and most complex infrastructure portfolios in the federal government, and is the single largest contributor to federal greenhouse gas emissions. DND's contributions to emissions reduction are therefore essential to the Government of Canada's environmental commitments—making this work essential to DCC.

EMISSIONS REDUCTION

DND is investing $225 million by 2020 in infrastructure projects to help reduce the greenhouse gas emissions of its real property portfolio by 40% from 2005 levels by 2030. DCC is supporting the associated procurement and contract management, including the requirement for new projects to meet the Silver Leadership in Energy and Environmental Design (LEED) standard or equivalent.

The $200- to $500-million project to refurbish heating plant infrastructure at CFB Halifax is one such project. The base represents 17% of DND's greenhouse gas emissions, with the plant upgrades expected to reduce emissions by up to 7%, improving energy efficiency and reducing heating costs.

DCC has also established four energy performance contracts on behalf of DND since 2017–18, and plans to implement nine more by 2020–21. These innovative financing vehicles use the cost savings that will be realized from energy-efficiency projects to fund those projects. Meanwhile, the new 13,000-square-metre Royal Canadian Electrical and Mechanical Engineering School at CFB Borden showcases state-of-the-art green technology, including geothermal heating and cooling, and smart energy usage.

ENVIRONMENTAL STEWARDSHIP

DCC complies with all legislation and regulations related to protecting the environment, including integrating environmental performance into procurement planning. DND's first green demolition range, for example, was completed in 2018. Located at CFB Valcartier, the range is lined with an impermeable membrane connected to a water treatment unit that filters out explosive residue contaminants.

Environmentally focused projects also include the $239-million site remediation at 5 Wing Goose Bay—one of DND's largest-ever contaminated site clean-ups—and the $100-million program to clean up Esquimalt Harbour. At 19 Wing Comox's Kye Bay Beach, meanwhile, DCC and DND worked together to address slope erosion along the steep shoreline, building an armouring wall to mitigate wave impacts, and creating swales and drainage to avoid erosion and improve public safety.

DCC's continuing support for DND includes the ongoing Unexploded Explosive Ordnance and Legacy Sites Program across Canada, at an estimated $15 million annually.

DCC's expertise is helping our Client-Partner achieve its environmental protection goals, including improving energy efficiency and building sustainable real property.

Coordinator, Environmental Services Alissa Byrne is one of the DCC team members supporting one of the largest environmental clean-ups ever undertaken by DND—reducing or eliminating the potential risks of contaminated areas at 5 Wing Goose Bay, Newfoundland and Labrador.

DCC and the Competition Bureau are collaborating to ensure the integrity of the public procurement process. Matthew Boswell, Interim Commissioner of Competition (left) and James Paul, DCC President and CEO, signed a memorandum of understanding on December 20, 2018. This collaboration will enable DCC to further develop its data analytics system to enhance its ability to detect and avoid fraud.

DELIVERING GROWTH

ECONOMIC GROWTH

DCC stimulates the economies of local communities by delivering our projects based on fairness, competition and inclusion.

With every project, we are conscious of the potential for positive economic impact in the communities where we're working. The new four-season Cadet Multi-Purpose Building in Whitehorse is just one example, with the contract awarded to a local Whitehorse firm in July 2018. This 600-square-metre space will allow Cadet groups to conduct meetings and training, and will provide year-round shelter in inclement weather for Cadets and Junior Canadian Rangers.

MARKETPLACE FAIRNESS

It's important to us that DCC is a good owner, encouraging competition, and seen by industry as a knowledgeable and fair company to work with. We support the government's policy objective to create a fair and secure marketplace, by respecting internal and international trade agreements, using sound procurement practices, and providing wide public access to government business opportunities. This encourages as many bidders as possible to compete for work, helping to ensure that our Client-Partners—and by extension, Canadians—receive the best expertise and value possible.

To demonstrate this transparently, we track the number of bidders per procurement, with the goal to have an average of four bidders per procurement. We also support federal prompt payment legislation by publicly disclosing payments to prime contractors on our website, so subcontractors know when they can expect payment.

DCC's modern procurement processes also contribute to fairness, including e-procurement to expand access to opportunities, and our Procurement Code of Conduct, which makes our expectations of suppliers clear. Our December 2018 signing of a Memorandum of Understanding with the Competition Bureau extends this focus, strengthening our mutual efforts to protect public contracts from bid-rigging and other criminal cartel activities.

COMMUNITY INCLUSION

Considering all of our communities includes achieving long-term, sustainable and meaningful economic benefits for Indigenous beneficiaries and Indigenous firms. DCC supports this by sending out advance notice of procurement for contracts. Contracts awarded on behalf of DND for facilities maintenance and support services in Canada's North require the contractor to provide at least 10% of the contract value to Indigenous firms.

In addition, DCC posts career ads on recruiting websites with a focus on Indigenous groups, such as Indigenous Link—the Canadian Indigenous Peoples Job Seekers Portal. In 2018, we also participated in MAMU! Aboriginal Employment Fair organized by the First Nations Human Resources Development Commission of Quebec.

DCC's work creates Canadian jobs and supports local communities, encouraging equal opportunities to bid on contracts.

DCC is supporting CAF infrastructure requirements in the North. Yellowknife team members Gina Vangoietsenoven, Max Hildebrandt and Prachi Negi work to manage a five-year facilities maintenance support services contract covering 80 buildings in forward-operating locations and communities.

DCC Vice-President, Operations—Procurement Mélinda Nycholat leads a team of procurement specialists who provide expert guidance and advice on legal matters associated with procurement, and support the application of data analytics to enhance the integrity of its procurement process.

ARMED WITH INTEGRITY

OPENNESS AND TRANSPARENCY

DCC demonstrates value, integrity and innovation in everything we do, supporting openness and transparency in the management of our own business affairs, and of government.

At DCC, we focus not only on results, but also on how we achieve them. Operating in an ethical, transparent and responsible manner and supporting our people are essential to maintaining our strong reputation with stakeholders, including our Client-Partners, the construction sector, and government agencies such as the Auditor General.

ETHICS AND INTEGRITY

Each day, DCC's people conduct business in an ethical manner—it has been part of our culture for almost 70 years. Moreover, to DCC, integrity means respecting government policies and practices, and ensuring that we are compliant with all relevant legislation, such as the *Access to Information Act*, the *Public Servants Disclosure Protection Act*, and the *Conflict of Interest Act*. It also means employing integrity tools in a spirit of continuous improvement, acting on audit results to demonstrate our high ethical standards.

DCC's Integrity Management Framework reflects this focus, bringing together all the resources and tools we use to foster ethical business practices, including financial administration and reporting, environmental stewardship, and our Procurement Code of Conduct, which provides suppliers with clear expectations of their responsibilities during procurement and the work itself.

We also contribute to the security of Canada, by ensuring that security requirements identified by DND are managed during the procurement and implementation stages of each contract, and pre-screening contracting and consulting firms' applications for security clearances. In addition to an already robust program of prevention measures, DCC is also introducing the application of data analytics to enhance its ability to detect and prevent fraud in its procurement process.

DIVERSITY AND WELLNESS

DCC's employees are integral to our success, and we are committed to supporting them in keeping with our core values. We aim for a workforce that reflects Canada's diverse society—one that fosters an inclusive culture and supports both physical and mental well-being. To further this commitment, we launched two new three-year strategies in 2017, focused on Diversity and Inclusion and on Workplace Wellness and Mental Health. In 2017–18, all DCC senior managers received gender-based awareness training, which was extended to all DCC employees. In March 2019, DCC launched mandatory gender-based (GB) awareness training to promote a workplace culture that embraces equity, diversity and inclusion. A component of DCC's Diversity and Inclusion Strategy, the online training includes a module from the Department of Women and Gender Equality (formerly Status of Women Canada) GB awareness training, and a DCC video that focuses on creating a workplace in which all employees feel included, respected and welcome. Our Diversity and Inclusion Committee and Women's Information Network also foster a workplace culture that embraces equity, diversity and inclusion. We are proud that these efforts have been recognized with 2017 and 2018 Employment Equity Achievement Awards in the sector distinction category.

DCC's Workplace Wellness and Mental Health Strategy, meanwhile, recognizes that employee physical and mental health, safety and well-being create a positive work environment and improve morale and work-life balance. To support this, we joined in the Virgin Pulse Global Challenge last year; with an employee participation rate of 60%, DCC was the most active construction organization in the world, and the second most active organization in Canada. Importantly, results showed that 84% of employees met the recommended 10,000 steps per day compared to 14% pre-challenge, 69% reported a decrease in their stress levels, and 60% reported an increase in their productivity at work.

DCC operates with integrity and adheres to all government regulations and policies, including those dedicated to the diversity and wellness of our people.

Lynn Nassif, Coordinator, Employment Equity and Diversity (left) and Michelle Scheidegger, Team Leader, Staffing participated in the 2018 Virgin Pulse Global Challenge—a team-based activity that supports employee health and wellbeing. DCC was first among construction and engineering businesses in the world who participated in the Challenge.

Located on the shores of Lake Ontario, 8 Wing/CFB Trenton is the hub of Royal Canadian Air Force air mobility operations in Canada. Pictured here are many of DCC's 36 employees that support the infrastructure requirements for this critical military base.

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 2018–19, DCC increased its number of employees to 958 from 913 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 1,001, compared to 942 in 2017–18, 925 in 2016–17, and 830 in 2015–16—an increase of 6.3% in 2018–19 and 1.8% in 2017–18.

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 2018–19, 14 employees reached five years of service with DCC, 90 employees marked 10 years of service, 25 employees achieved 15 years of service, six employees marked 20 years of service, one marked 25 years of service, four employees reached 30 years of service and one employee achieved 35 years of service.

During the year, DCC's internal career development practices helped 110 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 2018–19, 20 employees transferred from one region to another, and 44 employees transferred to a different business unit within the same region.

DCC works with DND/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 2018–19, 11 DCC employees volunteered for deployment, including deployment related to DCC's work in Latvia to support the infrastructure requirements for the

Enhanced Forward Presence and Operation REASSURANCE. DCC also deployed employees on an ongoing basis to the Operational Support Hub—Kuwait.

EXECUTIVE MANAGEMENT STRUCTURE

The President and CEO is accountable to the Board of Directors for the overall management and performance of the Corporation. DCC's President reports to the Chair of the Board. The Executive Team—made up of the President and CEO and four vice-presidents—is located at DCC's Head Office in Ottawa. In addition to their day-to-day interactions, members meet regularly as the Executive Management Group, 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, 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 is responsible for service delivery by DCC's four service lines—Contract Management, Project and Program Management, Real Property Management and Environment. 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 functions.

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 function and group.

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 2019 National Awards.

The President's Award is presented annually to an employee who has consistently demonstrated exemplary service to DCC and achieved exceptional results. Bradley Trann, Team Leader, Programs at CFB Esquimalt received this award for his outstanding service to DCC—most notably, his dedication to a large, high-profile and complex project: the Fleet Maintenance Facility (FMF) Cape Breton at CFB Esquimalt.

The Service Development Award went to the Energy Support Team from the Quebec Region, including Stepan Guiragossian, Andrés Mercado Salomon, Louis-Simon Roy-Turcotte and Jonathan J. Tremblay. The award recognizes an employee or group of employees who have made a notable contribution to developing and promoting value-added Client-Partner services. The team received this award for developing and implementing a regional energy and environmental strategy for DND that supports the government's energy and greening strategies.

The Innovation Award goes to an employee or group of employees who have played an instrumental role in developing and implementing an innovative solution. The 2019 recipient of this award was Ahmad Malik, Technical Analyst, ERP, Information Technology at Head Office. Mr. Malik won the award for his work automating and modifying DCC's legacy software to more efficient and effective applications on the EnterpriseOne platform.

The Esquimalt Environmental Services Team—including Mark Chomik, Rodney Clark, Margot Cooper, Shauna Davis, Carley de Goede-Herlaar, Derek Fraser, Scott Irwin, Rebecca MacInnis, Raenelle Parker and Heather Rock—received the Robert Graham Memorial Award. This award recognizes an employee or team who makes a special contribution to improving workplace safety or environmental protection. Team members were recognized for being responsible for one of the largest environmental services programs at DCC, most notably for their crucial role in mitigating the effects of underwater blasting for the high-profile A/B Jetty project.

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 2018–19, DCC presented the Customer Satisfaction Individual Award to Zita Dove, Team Leader, Project Management in Halifax, for her expertise and consistently exceptional performance building a high level of trust and confidence with her customers.

The Customer Satisfaction Team Award went to the G7 Team from Valcartier and Bagotville—composed of Sébastien Boucher, Jean Brousseau, Simon Flamand, Sabrina Girard, Geneviève Gobeil, Lisa-Gabrielle Plourde and René Routhier—for their outstanding success in supporting DND's infrastructure and environmental requirements for the 2018 G7 Summit in La Malbaie, Quebec.

The DCC Women's Information Network Production Team received the Diversity and Inclusion Award. 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. The team members—Yves-Marie Exumé, Robin Fraser, Lucie Frigon, Lori Fudge, Nicole Gilmore, Erica Lyle, Mousumi Mukherjee and Sabrina Rock—were recognized for their success in delivering three successful web broadcasts that celebrated the professional and personal growth of DCC employees.

Three President's Certificates of Recognition were presented in 2019. 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.

- Tim Summers, Program Leader, Petawawa was recognized for demonstrating outstanding leadership on a number of large, complex construction projects, as well as being a true DCC ambassador to staff, contractors and Client-Partners alike.
- The National Workplace Wellness and Mental Health (WWMH) Team of Karen Hall, Nathalie Houle, Erica Lyle, Kimberly Morgan, Victoria Neary and Scott McRae was recognized for their exemplary support of the WWMH Strategy and Action Plan and the health, safety and well-being of DCC employees.
- Daniel Brassard, Technical Specialist, Project Management, London was recognized for building trust and inclusive relationships with all stakeholders on the Stony Point (formerly Camp Ipperwash) project, including DND, Indigenous Services Canada, and the Kettle and Stony Point First Nation.

During the National Awards ceremony, DCC President and CEO James Paul gave the Friend of DCC Award to Colonel Commandant of the Canadian Military Engineers Steve Irwin. DCC presents this award to formally recognize and thank individuals outside the organization for their collaboration and strong working relationship with DCC over many years. Colonel Commandant Irwin retired from DCC as Vice-President, Operations in 2011, after an outstanding career in the Canadian Armed Forces attaining the rank of Brigadier-General. He was appointed as the 13th Colonel Commandant of the Canadian Military Engineers in 2014.

External Recognition

A TOP EMPLOYER IN CANADA'S CAPITAL REGION

The editors of *Canada's Top 100 Employers* recognized DCC as one of the National Capital Region's Top Employers for 2019, for offering an exceptional place to work. Employers are compared to other organizations in their field to determine which offers the most progressive and forward-thinking programs. DCC was recognized for its emphasis on training and innovation.

OUTSTANDING COMMITMENT TO EMPLOYMENT EQUITY

For the second year in a row, Employment and Social Development Canada recognized DCC for its achievements in employment equity. On October 3, 2018, the Corporation received a 2018 Employment Equity Achievement Award in the sector distinction category. The award recognizes employers that are inspirational role models, that champion employment equity in their sector and that have succeeded notably in implementing employment equity in their organization.

ACHIEVEMENT OF EXCELLENCE IN PROCUREMENT

The high quality of DCC's procurement practices has been recognized for the fifth straight year. The U.S. National Procurement Institute's Achievement of Excellence in Procurement Award recognizes excellence in a number of areas related to procurement, including ethics, innovation, the qualifications of procurement specialists and e-procurement. DCC was one of only six organizations in Canada to win the award in 2018.

HONOURED FOR BEST PRACTICES IN PROJECT MANAGEMENT

The team behind the new Royal Canadian Electrical and Mechanical Engineering School at CFB Borden—including DCC Borden team members, the Client-Partner and others—received the Best Practices–Project Management (Group) Award from the Real Property Institute of Canada (RPIC) on November 20, 2018, in Ottawa. This is the second year in a row that RPIC has recognized DCC for project management excellence.

RECOGNIZED FOR INTEGRITY AND ETHICS BY CONSTRUCTION INDUSTRY

David Burley—DCC's National Service Line Leader, Contract Management and Real Property Management Services—received the General Contractors Association of Ottawa's 2019 Integrity and Ethics Award. The award recognizes an individual who demonstrates a consistently high standard of integrity and ethics in dealing with the local construction industry.

DCC was recognized as one of the National Capital Region's Top Employers for 2019. DCC's President and CEO James Paul (centre) and Vice-President, Finance & Human Resources and CFO Juliet Woodfield (right) accepted the award at a ceremony in Ottawa on January 30, 2019.

PROJECT HIGHLIGHTS 2018–19

DEPLOYED OPERATIONS: KUWAIT AND LATVIA

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 it will contract the build of the Task Force Headquarters Building. DCC is also supporting four construction projects at the Operational Support Hub— Kuwait.

NORTHERN FACILITIES MAINTENANCE AND SUPPORT SERVICES

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

WILLOW PARK ARMOURY: HALIFAX, NOVA SCOTIA

A new armoury at Halifax's Willow Park site is bringing together three Canadian Army Reserve units under one roof, providing modern facilities that will support the units' ability to train, work, and deploy on exercises and operations. The new $36-million, modified design-build project is a LEED Silver facility that reflects DND's focus on meeting operational requirements, while also increasing energy efficiency and reducing DND's environmental footprint. The armoury was completed in August 2018.

JOINT TASK FORCE X: CFB KINGSTON, ONTARIO

On October 5, 2018, the new military intelligence facility for Canadian Forces Joint Task Force X opened in Kingston. The $52-million, 10,000-square-metre facility includes a number of specialized spaces, such as a small-arms training room and simulator system, and an adaptable close-quarters battle range, along with vehicle maintenance bays and classrooms. DCC managed the traditional design-bid-build contract that required a high level of security for contractors due to the facility's highly specialized purpose.

ROYAL CANADIAN DRAGOONS: CFB PETAWAWA, ONTARIO

On January 15, 2019, DCC, DND and contractors signed the first Government of Canada construction project to use the integrated project delivery (IPD) method. The $80.6-million project involves building several single-storey buildings to be used for materiel storage, and vehicle storage and maintenance, as well as offices for the Royal Canadian Dragoons, an armoured reconnaissance regiment.

CANADIAN SPECIAL OPERATIONS REGIMENT: CFB PETAWAWA, ONTARIO

Work is underway on the new $319-million complex for the Canadian Special Operations Regiment (CSOR). The 10-building complex on the Mattawa Plains will include a headquarters building, a gym, an ambulance bay, machine shops, a security hut, vehicle maintenance areas, warehouses, a shooting range and medical facilities. The new CSOR facility is scheduled to open in late fall 2020.

5 COMBAT ENGINEER REGIMENT: VALCARTIER GARRISON, QUEBEC

DCC is managing the construction contract for a new 20,850-square-metre facility that will house 5 Combat Engineer Regiment—the highest-value contract ever awarded at Valcartier Garrison. The design-bid-build contract was awarded in May 2017 with an anticipated completion date of 2020. The contract includes the renovation of two existing temporary shelters and demolition of an outdated building.

JETTY NJ: CFB HALIFAX, NOVA SCOTIA

DCC contracted for and is managing the construction of this new jetty in Halifax Harbour. The new concrete jetty will be approximately 247 metres long and 29 metres wide, with a water depth of approximately 12 metres. It will have a large backup apron area and is being designed as an all-weather jetty for the primary berthing of operational vessels.

A/B JETTY RECAPITALIZATION: CFB ESQUIMALT, BRITISH COLUMBIA

The A/B Jetty project supports Canada's National Shipbuilding Procurement Strategy, which will deliver modern ships to the Royal Canadian Navy over the next 30 years. It will be home to several of the Canadian-built vessels, including the new Arctic/Offshore Patrol Ship and Joint Support Ship. This $743-million project to replace aging 70-year-old jetties consists of three contracts for the design, demolition and construction of the new jetty. Work includes extending the utility corridor, dredging the seabed, demolishing B Jetty, preparing the site and constructing the new B jetty portion.

UXO AND LEGACY SITES PROGRAM

DCC helps DND manage public safety on properties 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. 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.

ENERGY PERFORMANCE CONTRACTS: BAGOTVILLE, QUEBEC; PETAWAWA, ONTARIO; GREENWOOD, NOVA SCOTIA; ESQUIMALT, BRITISH COLUMBIA

DND aims to reduce the greenhouse gas emissions of its real property portfolio by 40% from 2005 levels by 2030. DCC has put four energy performance contracts in place on behalf of DND since 2017–18 and plans to implement nine more by 2020–21.

ESQUIMALT HARBOUR REMEDIATION PROGRAM: CFB ESQUIMALT, BRITISH COLUMBIA

The environmental remediation of contaminated sediments in Esquimalt Harbour from legacy commercial and military operations is a DND priority. DCC is helping DND dredge contaminated sediments from the seabed to reduce the exposure of marine life to contaminated sediments. All dredged materials will be disposed of in an environmentally safe manner. Public Services and Procurement Canada is also carrying out a separate remediation project in the harbour, next to the Esquimalt Graving Dock.

GOOSE BAY REMEDIATION: 5 WING GOOSE BAY, NEWFOUNDLAND AND LABRADOR

DCC is helping manage one of the largest environmental clean-ups ever undertaken by DND—reducing or eliminating the potential risks of contaminated areas at 5 Wing Goose Bay. Most of the contamination can be attributed to past storage and handling of such materials as hydrocarbons, heavy metals, polychlorinated biphenyls, pesticides, and household and commercial waste. Nearing the project's completion in 2020, more than 50 contracts have been awarded to address in excess of 100 individual contamination sites.

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 CAF members and their families at military bases and wings across Canada. DCC managed design-build contracts for new low-rise, multi-unit apartment complexes at CFB Shilo, Manitoba and 4 Wing Cold Lake, Alberta.

THE EDWARD DRAKE BUILDING: OTTAWA, ONTARIO

Built as a public–private partnership (P3), the $4.1-billion Edward Drake Building provides a modern and efficient facility for the Communications Security Establishment. The building spans over 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.

ENTERPRISE DATA CENTRE: CFB BORDEN, ONTARIO

The expanded enterprise data centre (EDC) for Shared Services Canada is a state-of-the-art facility that helps to provide modern, reliable and secure online Government of Canada services. DCC's second P3 procurement, the $330-million EDC Borden centre was completed in May 2018. As part of a consortium, DCC will support the design, building, financing, operations and maintenance of the data centre for 25 years.

Moreen Miller, Chair of DCC's Board of Directors, spoke with industry stakeholders and DCC staff at the Annual Public Meeting held in Ottawa on June 6, 2019.

CORPORATE GOVERNANCE

STEWARDSHIP

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. To assist in further defining the Board's responsibilities, DCC's Corporate Governance Framework provides an overview of the expected governance structure, principles and practices of the Board. The Board also looks to the Corporation's bylaws, and the charters of the Board and of its two committees, for guidance. As part of DCC's commitment to openness and transparency, board-related documentation is available on DCC's website.

DCC reports to Parliament through the Minister of Public Services and Procurement and Accessibility (the Minister) and the Government of Canada is the sole shareholder of DCC. Part of the role of DCC's Board is to ensure that DCC's services are delivered efficiently through an open, transparent and competitive procurement process. In addition to the FAA, the *Defence Production Act* also governs DCC's activities. Other federal legislation is also applicable to DCC, including the *Access to Information Act,* the *Privacy Act,* the *Employment Equity Act,* the *Canada Labour Code* and the *Official Languages Act.*

GOVERNMENT OF CANADA PRIORITIES

The Board assists DCC in its efforts to align its policies, guidelines and practices with the priorities and expectations of the Government of Canada. Guidance regarding these priorities comes mainly from the Minister's letter of expectations. The Board also relies on DCC's President and CEO, as well as the Executive Management Group, to identify potential areas for improvement, propose changes, implement these changes and follow up on their progress through the use of key performance indicators, then report on them to the Board.

GOVERNANCE

The Office of the Auditor General of Canada (OAG) is DCC's auditor pursuant to the *Defence Production Act*, and the OAG audits the Corporation's financial statements annually. At least once every 10 years, the OAG must carry out a Special Examination of each federal Crown corporation. DCC's last such examination was completed in 2016.

As part of its responsibilities, DCC's Board oversees how the Corporation manages such matters as integrity, values and ethics, strategic planning, and risk management. The Board must also provide guidance on the Corporation's strategic direction; assess the appropriateness of DCC's Risk Management Framework; and ensure that DCC's business practices foster openness, transparency, integrity and ethics.

All seven members of DCC's Board are independent of DCC management, except for DCC's President and CEO. In 2018–19, five new appointments were made to DCC's Board: Steve Anderson from Shelburne, Ontario; Stephen Burbridge from Gander, Newfoundland and Labrador; Cynthia Ene from Cambridge Bay, Nunavut; Claude Lloyd from Ashton, Ontario; and Angus Watt from Ottawa, Ontario. The Privy Council Office (PCO) manages the process for all board appointments.

As well as having industry knowledge and experience, it is important that DCC's Board should reflect Canada's diverse population, especially with regard to gender, language, employment equity and Canada's geographic regions. DCC's Board is currently made up of five male and two female members from various parts of Canada who match DCC's Board Profile.

In 2018–19, early in their tenure, all of DCC's new board members participated in DCC's two-day orientation session. All DCC board members also receive ongoing learning opportunities at each meeting to help them understand their roles and responsibilities. They are encouraged to seek out board governance-related educational opportunities, especially those related to federal Crown corporations, and to keep abreast of matters relevant to DCC. 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.

An assessment questionnaire is one tool boards can use to learn how their members are functioning. Through it, members may suggest improvements to aspects of board operations and governance. Given the recent appointments, the Board did not conduct a board assessment in 2018–19. Instead, short questionnaires were completed by board members after board meetings to evaluate how that meeting went and to solicit ideas for improving future meetings. The results were shared with all board members and proposed changes were implemented.

INTEGRITY AND ETHICS

Members of DCC's Board of Directors must comply with the *Conflict of Interest Act*. To help meet this obligation, they must sign an annual declaration confirming they have read the Act and understand its application to their role. As part of this declaration, they must also note their adherence to DCC's Board of Directors' Code of Conduct (Board Code). The Board Code outlines the standards of conduct that all board members are expected to follow as they exercise their duties. The Board Code was revised in 2018–19. The Board of Directors approved the updated version on March 7, 2019.

To support the Board in its efforts to ensure that DCC conducts all business with high ethical standards and integrity, the Board monitors DCC's frameworks and policies related to values and ethics. These include DCC's Integrity Management Framework, which includes both DCC's Code of Business Conduct for employees and DCC's Procurement Code of Conduct for suppliers.

Complying with DCC's Code of Business Conduct for employees, which incorporates the *Public Servants Disclosure Protection Act (PSDPA)*, is a condition of employment. The Code outlines expected behaviours, as well as procedures for disclosing wrongdoing under the PSDPA. Each year, DCC employees must review their obligations and responsibilities under the Code, and acknowledge their continued compliance. DCC conducts this annual process electronically so that the Corporation can keep accurate records and take appropriate follow-up action. Shortly after new employees are hired, they must complete and pass a mandatory online test regarding the Code. In 2018–19, 100% of DCC's employees responded to the annual request for review and all new hires completed the mandatory test.

DCC's Procurement Code of Conduct (PCC) sets out what DCC expects 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 remain compliant as they carry out their work. DCC has incorporated specific PCC clauses into its contract documentation to further ensure that suppliers are aware of their obligations. As part of the regular reporting to the Board of Directors, DCC's 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.

STRATEGIC DIRECTION

The FAA requires DCC to submit a Corporate Plan to the Minister each year. To meet the FAA deadlines, DCC has established a strategic and corporate planning process, which includes a chart of activities, timelines and deliverables. As part of this process, DCC welcomes one board member to participate in DCC's annual strategic planning session, which includes the Corporation's entire Senior Management Group. Other invitees include stakeholder representatives from government and industry. In addition, at each meeting, the President and CEO updates the Board on the status of DCC's strategic initiatives, including actions taken and progress made toward meeting the related performance indicators. Also, outside of regular board meetings, the Board dedicates time for discussions on various topics of interest and relevance to the Board, and invites DCC personnel to present on these topics.

In September 2018, the Board held strategic discussions and the Chair of the Board participated in DCC management's regularly scheduled strategic planning session. Also in 2018–19, the Board helped DCC ensure that the Corporate Plan clearly articulated the Corporation's ongoing compliance with Government of Canada priorities and expectations. The Board then reviewed and approved DCC's draft 2019–20 to 2023–24 Corporate Plan at its meeting in December 2018.

RISK MANAGEMENT

Regarding DCC's Corporate Risk Management Framework, the Board receives regular reports on DCC's risk management practices to ensure that 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. In 2018–19, the Board clarified its expectations of DCC management regarding risk reporting. It also implemented changes to the design of DCC's Corporate Risk Register to focus more on strategic risks to the Corporation. With these changes, the Board is better able to perform its due diligence.

ENGAGEMENT AND COMMUNICATION

At DCC's Annual Public Meeting (APM), the Board is able to engage with external stakeholders as well as with DCC staff. At this event, Board members are available to respond to questions from the public, external stakeholders and DCC personnel. DCC held its 2018 Annual Public Meeting on June 7, 2018, after posting a notice on DCC's website 30 days earlier, pursuant to the FAA. DCC invited heads and members of industry associations to participate in this event in an effort to encourage collaboration. DCC employees were also encouraged to attend. The Chair of the Board, board members, and DCC's President and CEO were all present to answer questions. The Chair and the President and CEO presented information on DCC's activities and financial results, and sought feedback from attendees. A summary of the proceedings of this meeting is available on DCC's website.

Touring sites and facilities, and engaging with DCC employees across Canada, also helps board members understand and appreciate how DCC delivers its services to its Client-Partners. In turn, this helps board members to fulfil their responsibilities. The Board is able to meet in different DCC regions across Canada—Atlantic, Quebec, Ontario, National Capital or Western. No matter where a board meeting is taking place, a DCC representative is invited to present information on topics of interest, and board members meet informally with DCC staff. In 2018–19, the Board met in Ottawa in June, September and December 2018, and at CFB Esquimalt, British Columbia, in March 2019. Board members also held informal meetings with DCC staff and with representatives of DCC's Client-Partners.

CEO PERFORMANCE

DCC adheres to PCO's Performance Management Program for Chief Executive Officers of Crown Corporations. Pursuant 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. The whole Board reviews these objectives to ensure they are clearly linked to DCC's Corporate Plan initiatives, as well as to the Government of Canada's corporate priorities, which are articulated by PCO.

For 2018–19, PCO articulated two key expected results: for CEOs to continue to demonstrate their commitment to promoting a healthy workplace, with a continued focus on supporting the Federal Public Service Workplace Mental

Health Strategy and a new emphasis on implementing DCC-specific initiatives to prevent harassment and discrimination in the workplace; and to continue to identify recruitment and development activities to increase the social and cultural diversity of DCC's workforce, in order to better reflect Canada's population and improve decision-making. This includes defining diversity goals with respect to the needs of DCC, implementing the appropriate recruitment and development activities, and measuring progress on these initiatives. Activities related to how DCC's President and CEO supported these corporate results may be found under the People Planning Theme and in the Employee Wellness section of this Annual Report.

BOARD COMMITTEES

To assist the Board in carrying out its responsibilities, two committees have been established: the Audit Committee, and the Governance and Human Resources Committee. Each of these committees has its own charter. Further to the FAA, all Audit Committee members are independent of DCC management, in that none of them are officers of the Corporation 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 2018–19 are noted below.

Audit Committee

Chair: Stephen Burbridge
Members: Moreen Miller and Cynthia Ene
The Committee met four times in 2018–19 (June, September, December and March).

The responsibilities of the Audit Committee are set out in its charter. They centre on helping the Board oversee DCC management's maintenance of appropriate financial and management controls, as well as information systems and management practices. The Committee focused on systems and practices designed to 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 Committee relies on DCC's internal audit plan to ensure that key areas have been identified for internal audits and that DCC is following up appropriately on recommendations arising out of those audits. The Audit Committee receives reports from DCC's internal auditor at each meeting, and notifies the Board of the status of audit-related matters and any key issues. *In camera* sessions are held as required.

Key Activities
During 2018–19, the Audit Committee's activities included reviewing DCC's financial results; reviewing and approving amendments to DCC's internal audit plan; reviewing the status of the recommendations arising out of completed internal audits, the previous year's OAG annual audit and the OAG's 2016 Special Examination of DCC; reviewing and supporting amendments to DCC's Financial Management Policy and Process Manual related to cash management; and confirming that its charter and work plan remain appropriate.

Governance and Human Resources Committee

Chair: Angus Watt
Members: Moreen Miller, Claude Lloyd, Steve Anderson and James Paul (*ex officio*)
The Committee met three times in 2018–19 (September, October and March).

The Governance and Human Resources Committee is mainly responsible for matters related to governance and to human resources. Its charter articulates the Committee's duties and responsibilities, which include: assisting the Board to identify governance-related best practices, trends and issues for DCC to consider; reviewing and proposing revisions to corporate governance documentation; reviewing DCC's human resources strategic plan; and advising DCC on the strategic alignment of its human resources policies with related corporate objectives and initiatives. The Committee holds *in camera* sessions as required.

Key Activities
During 2018–19, the Governance and Human Resources Committee's activities included: ensuring that newly-appointed Board members received the appropriate orientation; reviewing and proposing amendments to the Board's Code of Conduct and to its charter; and reviewing and supporting DCC's new Human Resources Strategic Plan.

ATTENDANCE

Chart 1 notes board members' attendance at all board and committee meetings in 2018–19. It does not show the attendance of board members who participate in committee meetings as observers.

SEE CHART 1

Board Compensation

Compensation for the Chair of the Board and the President and CEO is set out in their respective Orders in Council. The President and CEO receives an annual salary as a senior executive of the Corporation, with no additional compensation to serve as a member of the Board. The Chair of the Board receives an annual retainer of between $6,400 to $7,500 and a *per diem* of between $200 and $300. The remuneration for members of the Board is also determined by the terms of their Orders in Council, with their annual retainer being between $3,200 to $3,800 and their *per diem* being between $200 and $300. *Per diems* are provided for such activities as meetings and special executive, analytical or representational responsibilities. Directors receive only one *per diem* for each day of work (24 hours), regardless of the number of activities in which they participate.

CHART 1: **ATTENDANCE**

	BOARD	AUDIT COMMITTEE	GOVERNANCE AND HUMAN RESOURCES COMMITTEE
Miller, Moreen	5/5	4/4	3/3
Anderson, Steve[1]	1/1	—	1/1
Boyd, John	1/1	—	—
Burbridge, Stephen[2]	4/4	3/3	—
Cataford, Paul	1/1	1/1	—
Ene, Cynthia[3]	3/4	3/3	—
Lloyd, Claude[4]	4/4	—	3/3
McClellan, Shirley	1/1	1/1	—
O'Neill, Lori	1/1	1/1	—
Ouellet, Marc	1/1	1/1	—
Watt, Angus[5]	4/4	—	3/3
Paul, James	5/5	—	3/3

1 Mr. Anderson was appointed as a board member effective January 2, 2019, replacing Shirley McClellan, whose term had expired.
2 Mr. Burbridge was appointed as a board member effective June 11, 2018, replacing Lori O'Neill, whose term had expired.
3 Ms. Ene was appointed as a board member effective June 11, 2018, replacing John Boyd, whose term had expired.
4 Mr. Lloyd was appointed as a board member effective June 11, 2018, replacing Paul Cataford, whose term had expired.
5 Mr. Watt was appointed as a board member effective June 11, 2018, replacing Marc Ouellet, whose term had expired.

BOARD OF DIRECTORS

MOREEN MILLER

CHAIR OF THE BOARD

Ms. Miller's career spans over 30 years in various roles in the mining, aggregates and construction industries. She has served on several commissions and boards, and is currently a member of the Muskoka Algonquin Health Care Board of Directors. Ms. Miller has an academic background in geology and landscape architecture. She has worked in Canada and internationally on construction, land rehabilitation initiatives, community affairs and sustainable development.

STEVE ANDERSON

Mr. Anderson currently serves as the deputy mayor of the town of Shelburne, Ontario, and has over 15 years' experience as a senior litigation lawyer with the Toronto Transit Commission. He has served on numerous boards and committees, including those of the College of Kinesiologists of Ontario, Prologue to the Performing Arts and the Community Care Access Centre—Brampton. Mr. Anderson has extensive experience in municipal politics, which includes overseeing initiatives related to accessibility. He graduated from the University of Windsor with a Bachelor of Arts (Honours) in Criminology and earned his Law degree from the University of Ottawa.

STEPHEN BURBRIDGE

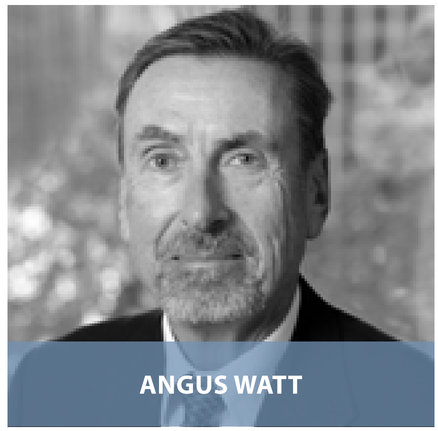
Mr. Burbridge is a professional engineer, with 25 years of operations and engineering experience. He is currently Director of Infrastructure and Operations with the Gander International Airport Authority. Mr. Burbridge is a retired member of the CAF, and holds a Bachelor of Engineering (Civil) from the Royal Military College of Canada and a Master of Engineering (Geodesy and Geomatics) from the University of New Brunswick. His work in the municipal, federal and aviation sectors has given him extensive knowledge of asset lifecycle management, project management and development.

CYNTHIA ENE

Ms. Ene is Executive Director of the Kitikmeot Chamber of Commerce in Nunavut. In her role with the Chamber, Ms. Ene works on northern infrastructure projects that strengthen Canadian communities. Her experience includes developing strategic financial plans for the Chamber and the Nunavut Water Board, in her role as acting director of technical services. As a licensed professional engineer, Ms. Ene has managed multi-million-dollar construction projects around the world. She holds a Bachelor of Chemical Engineering from McGill University and an MBA from the Rotman School of Management at the University of Toronto.

Mr. Lloyd is President of SEE Sustainability Ltd. with over 25 years of experience in infrastructure, risk mitigation, energy and global financial markets. He is a part-time professor in the areas of ethics and environmental engineering. Mr. Lloyd also served on numerous boards and committees, and has extensive experience in overseeing the management of housing, land and infrastructure assets and supporting non-governmental and Indigenous organizations. He holds a Bachelor of Environmental Studies from the University of Waterloo and a Mechanical Engineering Technologist diploma from Humber College.

Mr. Paul was appointed to the position of President and CEO of DCC in September 2009. His career has spanned over 30 years and includes senior management roles in large Canadian technology firms. Mr. Paul has worked extensively on managing major infrastructure projects—from the proposal stage through to contract award and delivery—in particular, for critical infrastructure projects in the civilian, government and defence sectors. Prior to his appointment with DCC, he was president of a video networking company, as well as serving as Chair of the Canada Science and Technology Museum Corporation's Board of Trustees. An Ontario lawyer, he earned a Law degree from the University of Ottawa after studying in the business program at Carleton University.



A retired Royal Canadian Air Force lieutenant-general, Mr. Watt most recently served as CEO of the Canadian Air Transport Security Authority, responsible for passenger security screening at 89 Canadian airports. A graduate of the Royal Military College Saint-Jean, he holds a Master in Public Administration from Auburn University and an MBA from the University of Ottawa. Mr. Watt has extensive leadership experience and held several command appointments, both domestic and international, including Commander of the Royal Canadian Air Force (Chief of the Air Staff).

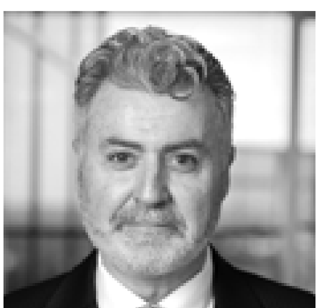
SENIOR MANAGEMENT GROUP

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 Law degree from the University of Ottawa.



KARL MCQUILLAN, P.ENG

VICE-PRESIDENT, OPERATIONS—SERVICE DELIVERY

Mr. McQuillan joined DCC in June 2018 following a 36-year career with the Canadian Armed Forces, including positions with the British Army and the U.S. Army in Afghanistan, and at the NATO Joint Force Headquarters in the Netherlands. A graduate of the Royal Military College in civil engineering, he subsequently earned a Master of Strategic Studies from the U.S. Army War College. With his extensive experience in defence infrastructure and environment in Canada and abroad, Mr. McQuillan attained the position of Canada's Chief Military Engineer and Chief of Staff (Infrastructure and Environment). He retired from the military at the rank of Major-General.

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 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, and previously sat on the steering committee of the Institute for Building Information Modelling in Canada and 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 and a Bachelor of Engineering (Civil) 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.

EXECUTIVE TEAM

JULIET WOODFIELD, CPA, CA

VICE-PRESIDENT, FINANCE & HUMAN RESOURCES, AND CHIEF FINANCIAL OFFICER

Ms. Woodfield joined DCC in September 2016. With more than 20 years of public and private sector experience, she has worked with a variety of government organizations and 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 from the University of Calgary. Ms. Woodfield sits on the advisory committee of CPA Canada's Public Sector Conference and participates in the Canadian Construction Association's Diversity Working Committee.

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) from the University of Ottawa.

REGIONAL DIRECTORS

NICOLAS FORGET, M.SC.

REGIONAL DIRECTOR, QUEBEC

Mr. Forget, who holds a Master of Science 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. In 2017, he was promoted to Regional Director, Quebec, and in 2018 he 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). 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

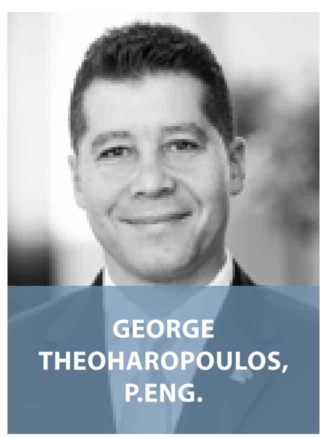
REGIONAL DIRECTOR, NATIONAL CAPITAL REGION

Following her graduation from the University of Manitoba with a Bachelor of Science (Civil Engineering), 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.

DIRECTORS

RICHARD M. DANIS, CPA, CA

DIRECTOR, FINANCE

Mr. Danis holds a Bachelor of Commerce from Laurentian University and a Master of Business Administration 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 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

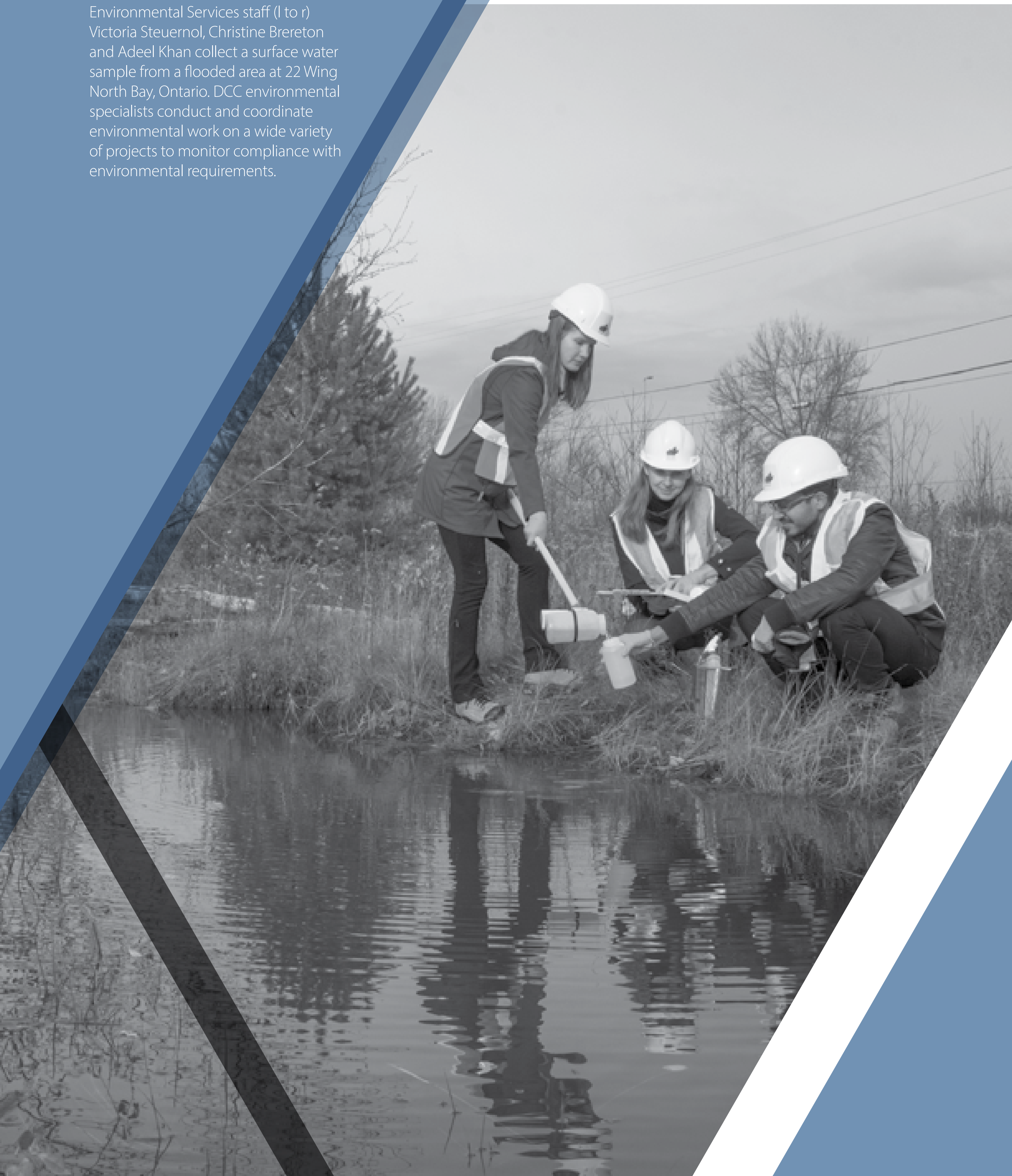
DIRECTOR, COMMUNICATIONS

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) 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.



Environmental Services staff (l to r) Victoria Steuernol, Christine Brereton and Adeel Khan collect a surface water sample from a flooded area at 22 Wing North Bay, Ontario. DCC environmental specialists conduct and coordinate environmental work on a wide variety of projects to monitor compliance with environmental requirements.

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. The Corporation also provides services to Shared Services Canada related to the enterprise data centre at CFB Borden. DCC is accountable to Parliament through the Minister of Public Services and Procurement and Accessibility.

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 defence infrastructure and environmental 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, including forward operating locations in Inuvik, Northwest Territories, and in Rankin Inlet and Iqaluit in Nunavut. DCC also maintains temporary remote offices in the North, such as offices for the Nanisivik Naval Facility infrastructure project in Nunavut and for the Cadet Multi-Purpose Building in Whitehorse, Yukon.

In addition to working in Canada's Far North, DCC has deployed personnel alongside the CAF over the years. In 2018–19, DCC has deployed employees to Operational Support Hub—Kuwait to meet CAF infrastructure requirements for Operation IMPACT, to Latvia to support Operation REASSURANCE and to Jordan to support 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 (IE) 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.

Other organizations for which DCC also contracts for—and manages—construction and environmental services include the Communications Security Establishment, a stand-alone agency within the Minister of National Defence portfolio; and the Canadian Forces Morale and Welfare Services. 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 of this report, 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's *Integrity Regime, Ineligibility and Suspension Policy*.

On December 20, 2018, DCC and the Competition Bureau signed a memorandum of understanding to set out a framework for collaboration in detecting and addressing threats to integrity of the public procurement process. This collaboration will enable DCC to further develop its data analytics system to enhance its ability to detect and avoid fraud.

In 2018–19, DCC awarded 1,734 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. 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. In 2018–19, DCC made 1,198 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, Canadian Construction Documents 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 that ensures cost-effective service delivery. 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 *39th Annual Clarity Architecture and Engineering Industry Study*.

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 plays a role in meeting the Government's policy objective to create a fair, open and secure marketplace by using sound procurement practices. However, DCC is also flexible in adapting these to specific situations or opportunities, as required.

Integrated service delivery: DCC uses a service line integration matrix delivery model to access required expertise across all service lines and activities. This model ensures that DCC is able to develop a highly knowledgeable and coordinated workforce that is ready to deliver high-quality services. 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 2018–19 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 2018–19, DCC committed to two IT-related initiatives to make information more accessible to employees.

The Information Technology Strategy, first conceived in 2016–17, progressed into the second year of its 10-year planned implementation. This strategy enables DCC to respond to the universal threat of cyber attacks and adhere to the Government of Canada's requirement for increased IT security measures. During the year, it reached a significant milestone, with the implementation of the largest IT infrastructure change in DCC's history—migrating the existing computing environment to a secure external cloud solution. Moving to the cloud means that DCC's computing services will better support its business with faster, more secure and more efficient new tools on a more responsive platform.

Improving DCC's information management system was another key activity in 2018–19. Work during the year included training administrators and creating a streamlined filing structure to classify documentation efficiently and systematically. This will ensure that all required documents can be obtained, monitored and verified as complete.

DCC also responded to its internal auditor's recommendations related to business continuity planning for disruptive events. Recommendations included doing a business impact analysis, holding regular team meetings and conducting a comprehensive review of the Business Continuity Plan. In the third quarter, DCC launched its Business Continuity Management Program to ensure that the Corporation can continue to deliver an acceptable level of critical services if business is disrupted. Program elements include the Policy on Business Continuity, a business impact assessment, the Business Continuity Plan and the Business Continuity Readiness Plan, which were tested prior to implementation.

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

For the 2018–19 planning period, there were four initiatives related to service delivery: support DND in its IE transformation and program delivery; support DND greening initiatives; expand the scope of e-procurement to include architectural and engineering services; and develop innovative procurement and delivery options.

DCC continues to aid the defence infrastructure transformation and 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. In 2018–19, a wide range of DCC and DND employees gathered in Ottawa for joint national collaborations focused on developing consistent, effective and efficient program delivery mechanisms for DND projects.

DCC released its new Operations and Maintenance Procurement Strategy. It resulted from a request by DND to create a national procurement strategy to ensure consistency, predictability and, where possible, the consolidation of contracts across the country.

Collaborating with DND in its procurement planning means DCC must determine how to integrate environmental performance considerations and how to create a positive social impact with existing purchasing. DND manages one of the largest and most complex infrastructure portfolios in the federal government. As a result, it is the single largest contributor to federal greenhouse gas emissions, and the Government of Canada cannot meet its greenhouse gas emission targets without DND's help. DCC is supporting DND in meeting its environmental goals.

DND aims to reduce the greenhouse gas emissions of its real property portfolio by 40% from 2005 levels by 2030. DCC has put four energy performance contracts in place on behalf of DND since 2017–18, and plans to implement nine more by 2020–21.

DND plans to invest $225 million by 2020 in infrastructure projects to reduce its carbon footprint. New projects must meet the Silver Leadership in Energy and Environmental Design (LEED) standard or equivalent. DCC stands ready to support the procurement and contract management of these projects. The Corporation held consultations during the year with the architectural and engineering industry to expand DCC's e-procurement service to architecture and engineering services. Following the consultations, DCC developed its statement of requirements and issued the request for proposal from its service provider. Negotiations are currently under way.

Activities to develop innovative procurement and delivery options were ongoing throughout 2018–19. For example, DCC reached a significant milestone on January 15, 2019, with the announcement of the first Government of Canada construction project to use the integrated project delivery (IPD) method. Under the IPD approach, parties will increase efficiencies, improve value and cost certainty, reduce the cost of risk management, and decrease the possibility of disputes, thereby ensuring that the project is delivered on time and on budget.

Together with the Client-Partner, DCC continued to explore procurement tools and options that will support businesses owned by Indigenous people. For any contracts due to be posted in an indigenous community, DCC sends out an advance notice of procurement. Contracts awarded on behalf of DND for facilities maintenance and support services in Canada's North require the contractor to provide at least 10% of the contract value to Indigenous firms. The objective is to achieve long-term, sustainable and meaningful economic benefits for Indigenous beneficiaries and Indigenous firms. DCC is in the process of developing a more robust procurement strategy to meet DND's goals for opportunities for Indigenous peoples.

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

Since DCC is a knowledge-based, professional services organization, its primary value is vested in its people. All activities under this planning theme address the risk associated with DCC's ability to recruit and retain people.

There were four initiatives for the 2018–19 planning period: complete and implement the new Human Resources Strategic Plan; implement the Diversity and Inclusion Strategy, and the Workplace Wellness and Mental Health Strategy; respond to employee engagement survey results; and respond to recommendations arising out of the Audit on Onboarding: The First 24 Months.

These initiatives are a mixture of one-year and multi-year efforts to ensure DCC is able to attract and retain a skilled workforce and is seen as an employer of choice among its stakeholders. The new Human Resources Strategic Plan will unfold over five years and includes the development and implementation of updated Diversity and Inclusion and Workplace Wellness and Mental Health Strategies.

In 2018–19, DCC has carried out many activities described in the plans for diversity and inclusion, and workplace wellness and mental health, including the following: producing two internal national webcasts for the DCC Women's Information Network; offering training designed by the Mental Health Commission of Canada, Canadian Centre for Diversity and Inclusion, and Department for Women and Gender Equality (formerly Status of Women Canada) Gender-Based Awareness; promoting a new international lunch across all DCC sites to celebrate all cultures; updating human resources-related policies and processes that promote greater diversity and wellness; and participating in the international Virgin Pulse Global Challenge.

The overall results of DCC's employee engagement survey were extremely positive. Feedback from the survey and focus groups indicated opportunities for improvement on key engagement drivers: professional growth; organizational mission, vision and values; senior leadership; and diversity and inclusion. Based on this, the Executive Management Group and the regional directors have developed action plans, which will be implemented within the planning period.

DCC responded to the Audit on Onboarding: The First 24 Months in 2018–19. The audit found that employees and managers are satisfied with the onboarding process and that they feel engaged in it when they start working at DCC. Opportunities for improvement include identifying ways to further enhance and optimize the program, and providing DCC supervisors with guidelines to ensure that probationary appraisals are completed in a timely manner.

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

For the 2018–19 planning period, the Senior Management Group identified three initiatives under the Leadership and Governance theme that continue from last year: strengthen collaborative relationships with Client-Partner leadership; respond to recommendations arising out of the Office of the Auditor General's (OAG's) Special Examination of DCC; and support ongoing integrity programs, with a focus on fraud awareness, detection and prevention.

DCC's stable, long-term relationship with DND allows the Corporation to serve as the corporate memory for its client groups, which often undergo frequent staff changes in key positions. DCC's mandate must be promoted regularly to new DND staff, so that DND can leverage DCC's expertise fully. DCC's senior management will continue to be very active in engaging its Client-Partner leadership as staffing changes occur. DCC follows a stakeholder engagement matrix to ensure regular communications with DND, to keep knowledge of DCC's exclusive mandate top of mind among Client-Partner representatives. As such, DCC holds regular executive-level DND-DCC joint planning sessions and senior management tactical meetings to facilitate integration, planning, relationship development and issues resolution.

DCC's response to the OAG's Special Examination includes monitoring DCC's corporate risk register and streamlining DCC's filing system for online document management.

Throughout 2018–19, DCC applied continuous improvement measures to its already-robust fraud awareness, detection and prevention activities. As well as continuing to apply evolving digital analytics technologies to detect incidents of fraud and collusion in procurement, the Corporation also completed a corporate-wide fraud risk assessment and established a new fraud risk register; and carried out education and awareness activities among procurement staffers. In 2018–19, under a memorandum of understanding, DCC and the Competition Bureau set out a framework for collaborating to detect and address threats to the integrity of the public procurement process. This collaboration will enable DCC to further develop its data analytics system, to enhance its ability to detect and prevent fraud.

4.0 STRATEGIC AND OPERATIONAL PERFORMANCE INDICATORS

4.1 Operational Results and Performance Measures

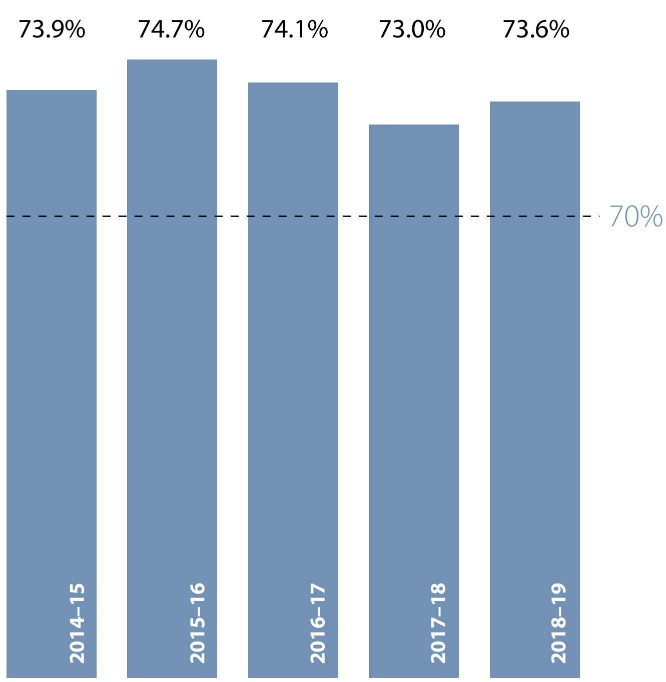
EMPLOYEE UTILIZATION RATE

The utilization rate indicates the hours spent directly on service delivery functions that are billable to the Client-Partner, as opposed to hours spent on other matters, such as corporate strategic initiatives and administrative functions that are considered overhead support. 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 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 has been below 74.7% in each of the past three fiscal years—74.1% in 2016–17, 73.0% in 2017–18 and 73.6% in 2018–19.

UTILIZATION RATE

(percentage of employee hours spent on billable contract work)

Target = 70%

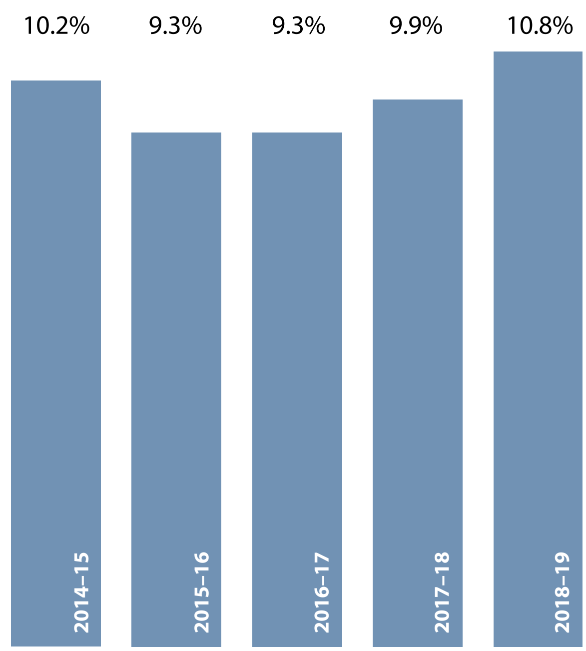


COST OF DCC SERVICE DELIVERY

This indicator reflects how much of DND's Infrastructure and Environment (IE) program budget is spent on DCC's services. Typically, DCC expects these costs to fall in the range of 10% to 15% of DND's IE program budget. In 2018–19, the cost of service delivery was 10.8%, an increase of 0.9 percentage points from 9.9% in 2017–18.

COST OF SERVICE DELIVERY

(DCC 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, 2019, DCC's overall cash balance was higher than its 2018–19 targeted reserve level of $21 to $24 million, primarily due to higher demand for services, offset by lower-than-anticipated costs. The remaining excess cash balance will be used to support operating costs in subsequent years as the Corporation achieves its 2019–20 target cash balance range of $26 to $29 million, as approved by the Board of Directors in the 2019–20 Corporate Plan.

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.

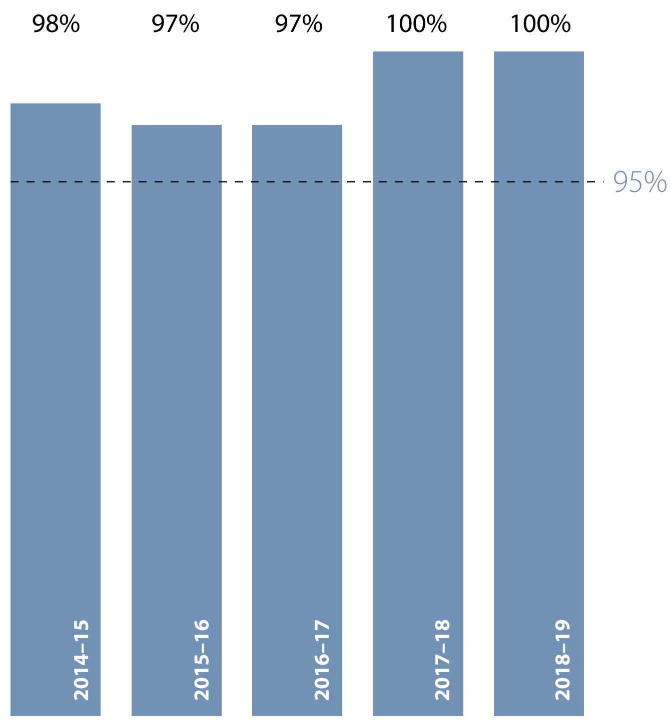
The representatives rate DCC's performance on five factors: quality of services, value added, timeliness, responsiveness and communications. The primary objective is to measure the satisfaction level of our clients. The overall score is measured on a scale from one to five. A score of three indicates 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 2018–19, DCC conducted 98 service delivery assessments. The Corporation aims to ensure that 95% of assessments achieve an overall service delivery rating of three or higher. In total, 100% of the overall scores met or exceeded expectations. However, 12 factors out of the 490 assessed received a less-than-satisfactory score. Typically, issues relate to specific incidents that fall into categories such as communication issues, administrative problems or staffing concerns. DCC addresses all concerns about its service 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; offers industry feedback on areas for improvement; and strengthens DCC's collaborative relationships with key industry organizations.

DCC is a founding member of the Institute for Building Information Modelling in Canada (IBC), which is developing tools and standards to facilitate the coordinated use of building information modelling in Canada. IBC also successfully established a Canadian chapter within buildingSMART International. This organization develops and maintains international standards for BIM and works in partnership with community stakeholders.

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. It 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 involved in a joint government-industry working group—composed of representatives from Public Services and Procurement Canada (PSPC), DCC and the Canadian Construction Association—related to the prompt payment of federal government construction contracts. In 2018, DCC participated in the consultation process and provided stakeholders' input and recommendations on federal prompt payment legislation. On April 8, 2019, the first reading of Bill-97, the *Federal Prompt Payment for Construction Work Act,* occurred. This Act would help ensure the orderly and timely payment of contractors and subcontractors who do construction work related to federal real property. DCC will continue to support this legislation.

As well, the Federal/Industry Real Property Advisory Council (FIRPAC)—of which DCC is a member—provides a forum for enhanced collaboration for public and private sectors on issues pertaining to the planning and management of federal real properties. 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.

On January 15, 2019, DCC achieved a significant milestone when DND announced the first Government of Canada construction project to use the integrated project delivery (IPD) method—a new, innovative approach to delivering construction projects. Under the IPD method, DCC, DND, the general contractor, the architect and the consulting engineering firm will work together to manage the project.

DCC also participates in the semi-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, 95.9% of DCC procurements had resulted in a contract, a slight decrease from last year's rate of 96.6%.

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 2018–19, DCC awarded 99.8% of all contract value through public opportunities, a 1.6 percentage point increase from last year's volume of 98.2%.

Procurement Competition

DCC wants industry to view it as an attractive organization to work with, so that there is greater competition and wider access to government opportunities. 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 4.3 bidders per procurement in 2018–19, consistent with 4.4 in the previous fiscal year.

CONTRACT MANAGEMENT RESULTS

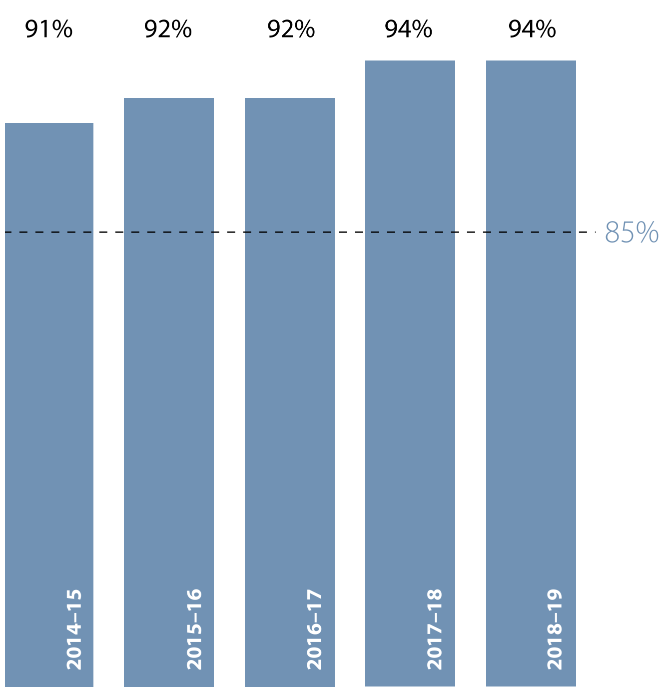
Timeliness of Construction Contract Completion

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 2018–19, 93.7% of construction contracts were completed on time, consistent with results from 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 2018–19, DCC reviewed 15,246 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 $40.6 million.

Construction Change Order Values

The change in construction award value for 2018–19 was 16.4%, an increase from the 2017–18 figure of 13.7%. Of the 16.4% change in value, 6.5 percentage points related to design changes and 9.9 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)

	DUE TO DESIGN CHANGES	DUE TO SITE CONDITION CHANGES
2014–15	7.0%	6.8%
2015–16	6.7%	5.5%
2016–17	7.4%	6.1%
2017–18	7.8%	5.9%
2018–19	6.5%	9.9%

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, 2019, there were 13 ongoing claims totalling $10.4 million. These figures compare with eight ongoing claims totalling $2.26 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

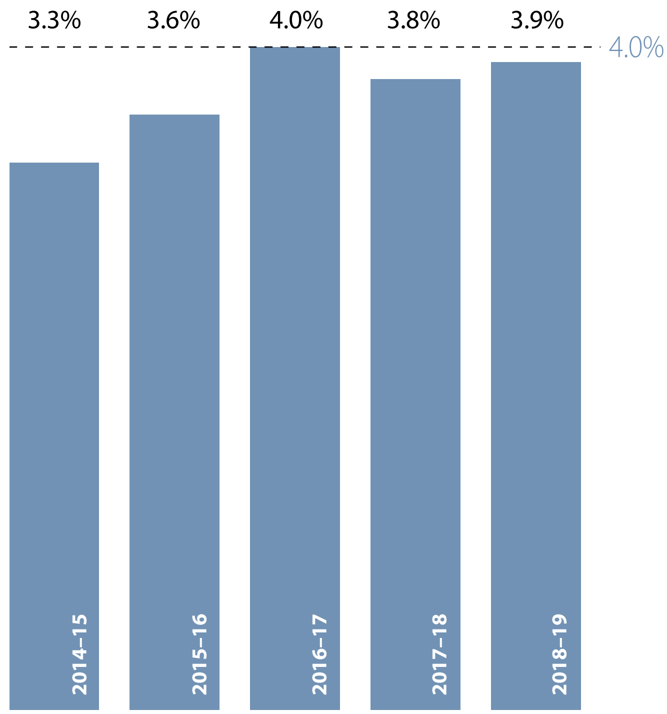
INVESTMENT IN TRAINING AND DEVELOPMENT

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 2018–19, DCC established an annual overall corporate target for spending on training and development of 4.0% of base salary costs.

In 2018–19, the actual percentage was 3.9%, a slight increase from 3.8% in the prior year. 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

In 2018–19, DCC celebrated its tenth year of promoting and inspiring innovation among employees. DCC's innovation program, or innoviCulture, is a 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 2017–18, DCC's innoviCulture committee launched a new online module called the inCubator. This system tracks ideas submitted by employees, from evaluation through implementation. In 2018–19, DCC refined and enhanced it to allow for more clear innovation descriptions. The committee also developed a new communications plan to promote the program and broaden its reach. During the year, employees submitted 168 ideas. DCC has fully carried out 15 of these ideas, with 21 in the implementation stage and 56 under review.

The committee aimed to have 10% of all employees using innoviCulture. At fiscal year end, the participation rate was 23%, a slight increase from the 2017–18 participation of 22%. These positive results demonstrate the ongoing efforts of the committee, plus the regional and site representatives, to promote the program and to foster the culture of innovation at DCC.

A quarterly newsletter called *innoviNews* features news about innovation and the innovative work DCC employees do day to day.

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.

DCC has developed a Workplace Wellness and Mental Health Strategy and a three-year Action Plan to promote and support employee physical and mental health, safety and well-being. In 2018–19, DCC launched an online mental health pledge to acknowledge the responsibility everyone shares for building a healthy and safe workplace. The Corporation also participated in the international Virgin Pulse Global Challenge—a team-based activity that equips employees with the knowledge, tools and support they need to build healthy lifestyle habits that increase activity levels, improve nutrition and enhance sleep habits, to name a few.

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. In 2018–19, DCC extended the eligibility of the annual employee Wellness Allowance to term employees. This allowance can be applied to a wellness-related program or activity that supports physical or mental health and well-being. DCC also changed its Compressed Work and Special Leave Policies to help employees achieve greater work-life balance.

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 47.4 sick leave hours (6.32 days) per full-time equivalent (FTE), an increase from 46.9 sick leave hours (6.25 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 2018–19, with a rate of 91.1%. 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.

On October 3, 2018, Employment and Social Development Canada recognized DCC for its achievements in employment equity for the second year in a row. DCC received a 2018 Employment Equity Achievement Award in the sector distinction category. This award recognizes the efforts of employers who implement employment equity, including by removing barriers for members of the four designated groups.

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 improved representation of all designated groups in DCC's workforce over the last two years.

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 2018–19, DCC's diversity-related activities included broadcasting two national webcasts for the DCC Women's Information Network; promoting an international lunch at all DCC sites; attending events focused on ways DCC can keep partnering with Indigenous communities and recruiting more Indigenous students; offering training designed by the Mental Health Commission of Canada, Canadian Centre for Diversity and Inclusion, and Department of Women and Gender Equality (formerly Status of Women Canada) Gender-Based Awareness; promoting a new international lunch at all DCC sites to celebrate all cultures; and updating human resources-related policies and processes that promote greater diversity.

In October 2018, 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 includes detailed descriptions to help employees more accurately self-identify. The data collected will help DCC 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) outlined in the *Employment Equity Act* of the designated groups in the construction industry. In three of the four cases, the representation of a designated group in DCC's employee population meets or exceeds the LMA of that group.

SEE TABLE 2

DCC supports the Government of Canada's commitment to gender-based analysis (GBA). In 2017–18, all DCC senior managers received GBA+ training. In March 2019, gender-based awareness training was launched for all employees. Through this training, DCC will help its employees develop a broader understanding of sexual diversity and gender; show how they can foster a respectful and inclusive workplace; and make them aware of their rights and responsibilities as members of the DCC team. The Corporation has also partnered with the Canadian Centre for Diversity and Inclusion (CCDI) to provide all employees with access to CCDI training modules.

In March 2019, DCC updated the Corporation's Regular Special Leave and Extended Special Leave Policy to expand the list of reasons for which an employee may be granted leave—specifically, to add religious and cultural celebrations and holidays. It also clarified dress definitions in the DCC Policy on Standard Dress to demonstrate support and flexibility to employees who wear clothing associated with their culture, religion, or gender expression or identity, as long as it shows DCC to be a professional service provider and does not interfere with safety or the need to wear personal protective equipment.

TABLE 2: **REPRESENTATION IN THE DCC EMPLOYEE POPULATION**
As at March 31, 2019

DESIGNATED GROUP	PERCENTAGE OF TOTAL DCC EMPLOYEE POPULATION	LABOUR MARKET AVAILABILITY (LMA) IN THE CONSTRUCTION INDUSTRY
Women	42.4%	12.5%
Persons with disabilities	5.3%	4.9%
Indigenous people	4.4%	4.5%
Visible minorities	11.2%	9.6%

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, 88% of the 206 employees enrolled in the LDP were on track to complete the program within the five-year window.

RECRUITMENT RESULTS

Like many other Canadian organizations, DCC faces the ongoing challenges of recruiting and retaining top talent to ensure it can continue to meet Client-Partner needs. Consequently, the Corporation's ability to recruit and retain the right people to deliver services is a priority. At the fall 2018 planning session, DCC identified a need to create an indicator to measure the effectiveness of the Corporation's recruitment process. The process of advertising to find and hire the best-qualified candidate for a job provides a measure of recruitment results. DCC aims to have 85% of all postings filled in the first round of job advertising. In the last half of 2018–19, DCC successfully filled 89.5% of job openings using one round of advertising.

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 2019–20 Corporate Plan to the Minister of Public Services and Procurement and Accessibility 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 2018–19, 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 2018–19, DCC responded to 50 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, 2019, 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 40), 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 2018–19, 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 2018–19, DCC verified

1,198 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 2018–19, no worksite environmental incidents resulting from actions of DCC personnel were reported. In total, 11 environmental incidents were reported involving oil spills, refrigerant leakage, and issues with or failure of mechanical equipment—three as a result of contractor activities and eight refrigerant leakages due to equipment wear and tear. None of the incidents occurred as a result of DCC activities. DCC employees reported all 11 incidents in a timely manner and appropriate follow-up action was taken. This number was marginally higher than the 10 environmental incidents that occurred in 2017–18.

DCC is also committed to ensuring 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.

In 2018–19, DCC undertook an initiative to develop a new consolidated, online tool for environmental, health and safety, and security incident reporting. The project team is currently testing the reporting tool and expects to roll it out in the first half of 2019–20. Further, DCC will provide updated corporate environmental awareness training for all DCC employees in the first quarter of the fiscal year.

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 continues to maintain 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, as prescribed by the Canada Labour Code. They meet monthly by teleconference to review collective compliance and reporting requirements and to share lessons learned from recent incidents, 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 lost-time hours add up to less than 0.5% of the total number of employee hours. In 2018–19, there were two lost-time incidents that resulted in a total of 64 lost-time hours (8.6 days), the equivalent of 0.03% of total employee hours.

The Corporation focused on several health and safety initiatives in 2018–19. It continued to implement the Canadian Standards Association's psychological safety standard, by incorporating psychological safety into DCC's hazard awareness and health and safety program; implemented a new ergonomic policy in the workplace to ensure DCC is providing a healthy and safe work environment for employees; and implemented DCC's revised incident reporting process to 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 2018–19, there were zero occurrences related to DCC's corporate security requirements—a decrease from four occurrences in 2017–18. Regarding industrial security, there were five occurrences without compromise, a decrease from 12 occurrences in 2017–18.

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. It 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 fiscal 2018–19, DCC regularly updated its Corporate Risk Register and successfully managed all identified risks in accordance with the risk mitigation strategies. Also, fraud risk assessments were categorized and analyzed to include all legal aspects of DCC's business, including each business unit's risk register. These risks were incorporated into the Corporate Risk Register for action and tracking.

6.0 FINANCIAL PERFORMANCE

6.1 Revenue

SERVICES REVENUE

Services revenue for all activities combined was $110.4 million in 2018–19, an increase of $11.5 million or approximately 12% from the previous fiscal year. The increase was mainly due to an increase in billing rates of 4.5% for the year and an increase in demand for services from the Client-Partner. 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 on its services revenue.

SEE TABLE 3

CONTRACT MANAGEMENT

Revenue from Contract Management in 2018–19 represented 44% of total revenue, compared to 46% in the previous year. Contract Management revenue increased by 7% over the previous fiscal year. The higher revenue was a result of two factors: the increase in billing rates, which accounted for 4.5 percentage points of the rise; and higher demand for this service by the Client-Partner, which accounted for 2.5 percentage points. The higher demand reflects the variability of services used by the Client-Partner as projects move through the various stages, from planning and procurement to contract management.

PROJECT PLANNING

Project Planning revenue increased by 19% in 2018–19. The increase over the prior fiscal year was due to two factors: the billing rate increase, which accounted for 4.5 percentage points of the change; and higher DND demand for this service related to the volume of projects in the planning stage, which accounted for 14.5 percentage points.

REAL PROPERTY TECHNICAL SUPPORT

Real Property Technical Support revenue increased by 12% in 2018–19, due to the billing rate increase (which accounted for 4.5 percentage points of the rise) and to higher demand for services related to management services for facility and portfolio management (which accounted for 7.5 percentage points).

PROCUREMENT

Revenue from Procurement increased by 22% in 2018–19. Of that rise, 4.5 percentage points was due to the billing rate increase, while 17.5 percentage points was due to an increase in the volume of work related to rising demand from the Client-Partner and increased effort in procurement planning to ensure more efficient procurement delivery.

CONSTRUCTION TECHNICAL SUPPORT

Revenue from Construction Technical Support in 2018–19 increased by 7% over the previous fiscal year, due to the billing rate increase (which accounted for 4.5 percentage points of the rise) and higher demand from DND for these services (which accounted for 2.5 percentage points).

ENVIRONMENTAL TECHNICAL SUPPORT

Environmental Technical Support revenue increased in 2018–19 by 7% over the previous fiscal year. Of this rise, 4.5 percentage points was due to the billing rate increase and 2.5 percentage points was driven by an increase in demand for these services.

TABLE 3: **REVENUE, BY ACTIVITY**

(in thousands of $)

	2018–19	2017–18	CHANGE $	CHANGE %
Contract Management	$ 48,449	$ 45,157	3,292	7%
Project Planning	29,687	24,936	4,751	19%
Real Property Technical Support	9,623	8,575	1,048	12%
Procurement	8,399	6,888	1,511	22%
Construction Technical Support	7,835	7,320	515	7%
Environmental Technical Support	6,396	5,982	414	7%
	$110,389	**$98,858**	**11,531**	**12%**

TRAVEL AND DISBURSEMENT REVENUE

Travel and disbursement revenue represents the amount the Corporation recovers from DND for travel and expenses DCC has incurred related to its work for DND. The amount can vary, depending on the nature of the work the Corporation is performing for the Client-Partner. Travel and disbursement revenue totalled $3.8 million for the year, an increase of $1.1 million or approximately 38% over the prior year.

SEE TABLE 4

INVESTMENT REVENUE

Investment revenue, which is generated from the Corporation's average cash balance in the bank and from investments, decreased in 2018–19 by $20,000 or approximately 3% over the previous fiscal year. The average rate of return generated in 2018–19 from cash and investments was 2.7%, which was a decrease from the prior year's figure of 2.9%. This decrease in investment revenue was due to the Corporation shifting investments from corporate and government bonds as they matured to guaranteed investment certificates, which earned less interest.

SEE TABLE 5

6.2 Expenses

SALARIES AND EMPLOYEE BENEFITS

Salaries totalled $79.9 million in 2018–19, an increase of $5.0 million or approximately 7% over the previous fiscal year. The 7% increase can be explained by an annual increase in salaries of 3.4% and an increase in the number of full-time equivalents to meet demand from Client-Partners.

Employee benefits totalled $21.0 million in 2018–19, an increase of $3.3 million or approximately 19% over the previous fiscal year. This increase was due to two main factors: higher 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 higher employer cost of pension benefits.

SEE TABLE 6

TABLE 4: **TRAVEL AND DISBURSEMENT REVENUE**

(in thousands of $)

	2018–19	2017–18	CHANGE $	CHANGE%
Travel and disbursement revenue	$3,831	$2,773	1,058	38%

TABLE 5: **INVESTMENT REVENUE**

(in thousands of $)

	2018–19	2017–18	CHANGE $	CHANGE %
Investment revenue	$708	$728	(20)	-3%

TABLE 6: **SALARIES AND EMPLOYEE BENEFITS**

(in thousands of $)

	2018–19	2017–18	CHANGE $	CHANGE %
Salaries	$ 79,866	$ 74,858	5,008	7%
Employee benefits	20,958	17,610	3,348	19%
	$100,824	**$ 92,468**	**8,356**	**9%**
Employee benefits as a percentage of salaries	26.24%	23.52%		

OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses were $9.4 million in 2018–19, an increase of $407,000 or approximately 5% over the previous fiscal year. A variety of factors influenced these expenses.

OPERATING AND ADMINISTRATIVE EXPENSES

(in thousands of $)

	2018–19	2017–18	CHANGE $	CHANGE %	VARIANCE ANALYSIS
Rent	$ 1,860	$ 1,891	(31)	-2%	The decrease was due to refunds from a landlord related to a real estate tax reassessment in the current fiscal year.
Professional services	1,637	1,497	140	9%	The increase was due to costs incurred to migrate the information technology (IT) server to the cloud.
IT maintenance agreements	1,551	1,522	29	2%	The increase was due to the renewal of maintenance agreements related to office productivity software, partially offset when DCC reclassified cloud computing to a separate expense category.
Training and development	1,189	1,179	10	1%	The variance was not material.
Telephone and communications	855	957	(102)	-11%	The decrease was primarily due to a refund in the current fiscal year for past services received and to lower negotiated telecom costs.
Travel	529	501	28	6%	The increase was due to higher travel requirements related to corporate initiatives.
Office supplies	280	286	(6)	-2%	The variance was not material.
Office equipment rental	219	2	217	10,850%	The increase occurred because DCC now leases employee computing devices instead of purchasing and capitalizing them.
Hospitality	200	189	11	6%	The increase was due to an increase in the number of internal meetings and training forums where hospitality was provided.
Communications	187	188	(1)	-1%	The variance was not material.
Office furniture and equipment	161	97	64	66%	The increase was due to increased purchases of ergonomic and security equipment.
Relocation	120	224	(104)	-46%	The decrease occurred because DCC needed to relocate fewer employees to other locations to meet operational needs.
Cloud services	96	—	96	100%	The increase occurred because DCC began reporting cloud computing services separately from software maintenance contracts in this fiscal year.
Printing and stationery	93	87	6	7%	The increase was due to greater needs for documents related to increased business volume.
IT software	85	62	23	37%	The increase occurred because DCC made more purchases of productivity software that fell below the capitalization threshold.
IT hardware	83	138	(55)	-40%	The decrease occurred because DCC bought fewer computing items below the capitalization threshold; it started leasing computers instead.
Subscriptions	67	59	8	14%	The increase was due to the timing of purchases of memberships and subscriptions.
Recruiting	47	18	29	161%	The increase was due to higher demand for external recruiting services.

OPERATING AND ADMINISTRATIVE EXPENSES (CONT'D)

(in thousands of $)

	2018–19	2017–18	CHANGE $	CHANGE %	VARIANCE ANALYSIS
Postage, freight and courier	31	34	(3)	-9%	The variance was not material.
Leasehold improvements	10	3	7	233%	The increase was due to leasehold improvements at Head Office.
Sundry	62	21	41	195%	The increase was due to costs associated with the disposition of computer assets related to the introduction of the lease program for employee computing devices.
	$9,362	**$8,955**	**407**	**5%**	

TRAVEL AND DISBURSEMENT EXPENSES

Travel and disbursement expenses represent the amount the Corporation incurs for travel and expenses related to its work for DND. These expenses are recovered by billing the Client-Partner at no mark-up. Travel and disbursement expenses totalled $3.8 million for the year, an increase of $1.1 million or approximately 38% over the prior year.

SEE TABLE 7

DEPRECIATION AND AMORTIZATION

Depreciation and amortization combined decreased by $241,000 or 18% over the prior year. Depreciation of property, plant and equipment decreased by 17% or $171,000 because the Corporation started leasing employee computing devices instead of buying them. The decrease in depreciation of assets under finance lease occurred because DCC replaced 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.

SEE TABLE 8

6.3 Total Comprehensive Income (Loss)

The total comprehensive income of the Corporation for the year ended March 31, 2019, was $6.7 million, compared with a total comprehensive loss of $11.3 million in the previous fiscal year—an increase of 159% or $18.0 million.

The decrease in the net loss by $3.0 million or 94% was due mainly to the work volume increase and the 4.5% billing rate increase in fiscal 2018–19, which resulted in a higher gross margin.

TABLE 7: **TRAVEL AND DISBURSEMENT EXPENSES**

(in thousands of $)

	2018–19	2017–18	CHANGE $	CHANGE %
Travel and disbursement expenses	$3,831	$2,773	1,058	38%

TABLE 8: **DEPRECIATION AND AMORTIZATION**

(in thousands of $)

	2018–19	2017–18	CHANGE $	CHANGE %
Depreciation of property, plant and equipment	$ 862	$ 1,033	(171)	-17%
Depreciation of assets under finance lease	91	99	(8)	-8%
Amortization of intangible assets	134	196	(62)	-32%
	$1,087	**$1,328**	**(241)**	**-18%**

Other comprehensive income increased from a loss of $11.3 million in 2017–18 to a gain of $6.7 million in 2018–19. The actuarial gain in 2018–19 was mainly the result of changes in the financial assumptions for health claim costs. These costs were estimated to have decreased by $6.9 million, primarily due to a decrease in health care cost projections based on actual experience ratings.

SEE TABLE 9

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 Corporation's objective 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

TABLE 9: **TOTAL COMPREHENSIVE INCOME**

(in thousands of $)

	2018–19	2017–18	CHANGE $	CHANGE %
Net loss	$ (181)	$ (3,173)	2,992	94%
Other comprehensive income (loss)				
Actuarial gain (loss) on employee benefit obligations	6,867	(8,128)	14,995	184%
Total comprehensive income (loss)	**$6,686**	**$(11,301)**	**17,987**	**159%**

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 $28.2 million at March 31, 2019, an increase of $5.5 million or 24% from the previous year.

The cash balance at March 31, 2019, was $10.1 million, an Increase of $6.1 million or 153% from the previous year. In 2018–19, the Corporation generated $5.8 million in cash from operating activities, spent $127,000 on capital expenditures, liquidated investments for a net amount of $535,000 and paid $96,000 on finance lease obligations.

Investments (both current and long term) at March 31, 2019, were $18.1 million, a decrease of $625,000 or 3% 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, 2019, DCC's overall cash balance was higher than its 2018–19 targeted reserve level of $21 to $24 million, primarily due to higher demand for services, offset by lower-than-anticipated costs. The remaining excess cash balance will be used to support operating costs in subsequent years as the Corporation achieves its 2019–20 target cash balance range of $26 to $29 million, as approved by the Board of Directors in the 2019–20 Corporate Plan.

TRADE RECEIVABLES

Trade receivables are due from the Corporation's clients, mainly DND. At March 31, 2019, trade receivables were $21.3 million, which represented a decrease of $875,000 or 4% over the previous fiscal year. The decrease was due to the timing of receipts. All of the trade receivables are assessed to be fully collectible.

CURRENT LIABILITIES

Current liabilities were $16.6 million at March 31, 2019, an increase of $615,000 or 4% from March 31, 2018. 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.

SEE TABLE 10

TABLE 10: **LIQUIDITY AND CAPITAL RESOURCES**

(in thousands of $)

	2018–19	2017–18	CHANGE $	CHANGE %
Cash	$ 10,066	$ 3,972	6,094	153%
Investments	18,104	18,729	(625)	-3%
Cash and investments	**28,170**	**22,701**	**5,469**	**24%**
Trade receivables	**21,321**	**22,196**	**(875)**	**-4%**
Current liabilities	**$ 16,607**	**$ 15,992**	**615**	**4%**

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, 2019, was $28.2 million, a decrease of $4.3 million or approximately 13% from the previous fiscal year.

Overall, the liability decreased because benefit payments and the actuarial gain were higher than current service and interest costs. Current service costs and interest charges for the period totalled $3.9 million and benefits paid were $1.3 million; and the actuarial gain was $6.8 million. The actuarial gain of $6.8 million for the year relates mainly to decreases 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.

SEE TABLE 11

6.6 Capital Expenditures

The Corporation's capital expenditures for 2018–19 totalled $127,000, a decrease of $337,000 or 73% from the previous fiscal year. The decrease was mainly due to reductions in furniture and equipment purchases and in leasehold improvements, due to staff levels remaining constant year over year; and reductions in capital purchases of computer equipment, because DCC started leasing employee computing devices.

SEE TABLE 12

TABLE 11: **EMPLOYEE BENEFITS**

(in thousands of $)

	2018–19	2017–18	CHANGE $	CHANGE %
Long-term portion	$ 25,335	$ 29,963	(4,628)	-15%
Less: Current portion	2,863	2,502	361	14%
Total employee benefits	**$28,198**	**$32,465**	**(4,267)**	**-13%**

TABLE 12: **CAPITAL EXPENDITURES**

(in thousands of $)

	2018–19	2017–18	CHANGE $	CHANGE %
Intangible assets	$ 13	$ 50	(37)	-74%
Computer equipment	41	245	(204)	-83%
Furniture and equipment	68	97	(29)	-30%
Leasehold improvements	5	72	(67)	-93%
	$127	**$464**	**(337)**	**-73%**

6.7 Actual Performance Versus Plan

The following table compares the Corporation's actual performance in 2018–19 with the projections in the Corporate Plan (the Plan). The Corporation's actual performance compared to the Plan was higher than projected.

Services revenue for the year was consistent with the Plan, due mainly to demand for services reflecting the forecast. Salaries and benefits were 1% lower than the Plan. The decrease occurred because the Corporation achieved a higher utilization rate, which decreased overhead costs.

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 82% higher than projected in the Plan due to the timing of travel and disbursement expenses related to DCC's work for DND.

Salaries and employee benefits were 1% lower than projected amounts, due to a higher-than-expected utilization rate.

Operating and administrative costs were 31% lower than projected, due primarily to lower-than-expected costs for DCC's cloud computing migration and lower-than-projected rent expenses.

The net loss was 97% lower than forecast in the Plan due to the above factors.

Depreciation and amortization were 6% lower than projected in the Plan, due to the timing of acquisitions in 2018–19.

Capital expenditures were 99% lower than projected, because the Corporation did not adopt IFRS 16 in the fiscal year and did adopt a leasing model for employee computing devices.

SEE TABLE 13

TABLE 13: **ACTUAL PERFORMANCE VERSUS PLAN**

(in thousands of $)

	2018–19 ACTUAL	2018–19 REVISED PLAN*	CHANGE $	CHANGE %
Revenue				
Services revenue	$110,389	$110,144	245	0%
Travel and disbursement revenue	3,831	2,106	1,725	82%
Investment revenue	708	500	208	42%
	114,928	112,750	2,178	2%
Expenses				
Salaries and employee benefits	100,824	101,547	(723)	-1%
Operating and administrative expenses	9,367	13,506	(4,139)	-31%
Travel and disbursement expenses	3,831	2,106	1,725	82%
Depreciation and amortization	1,087	1,155	(68)	-6%
	115,109	118,314	(3,205)	-3%
Loss for the year	(181)	(5,564)	5,383	-97%
Other comprehensive income	6,867	—	6,867	100%
Total comprehensive income (loss)	**$ 6,686**	**$ (5,564)**	**12,250**	**-220%**
Capital expenditures	**$ 127**	**$13,109**	**(12,982)**	**-99%**

*DCC revised the 2018–19 Corporate Plan because the Corporation did not adopt IFRS 16 early.

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

(in thousands of $)	2018–19	2017–18	2016–17	2015–16	2014–15
Revenue					
Services revenue	$ 110,389	$ 98,858	$ 93,711	$ 84,905	$ 80,531
Travel and disbursement revenue	3,831	2,773	2,234	2,278	2,052
Investment revenue	708	728	740	788	780
	114,928	**102,359**	**96,685**	**87,971**	**83,363**
Expenses					
Salaries and employee benefits	100,824	92,468	91,337	82,007	77,294
Operating and administrative expenses	9,362	8,955	7,709	6,784	6,172
Travel and disbursement expenses	3,831	2,773	2,234	2,277	2,052
Depreciation and amortization	1,087	1,328	1,324	1,248	1,111
Finance costs	5	8	8	12	17
	115,109	**105,532**	**102,612**	**92,328**	**86,646**
Loss for the year	**(181)**	**(3,173)**	**(5,927)**	**(4,357)**	**(3,283)**
Other comprehensive income (loss)	6,867	(8,128)	371	3,906	(2,551)
Total comprehensive income (loss)	**$ 6,686**	**$ (11,301)**	**$ (5,556)**	**$ (451)**	**$ (5,834)**
Retained earnings, beginning of the year	5,198	16,499	30,555	31,006	36,840
Dividend	—	—	(8,500)	—	—
Retained earnings, end of the year	**$ 11,884**	**$ 5,198**	**$ 16,499**	**$ 30,555**	**$ 31,006**
Assets					
Cash	$ 10,066	$ 3,972	$ 7,022	$ 18,378	$ 19,630
Investments	18,104	18,729	20,230	19,790	19,256
Trade receivables, prepaids and advances	22,808	24,535	20,547	17,433	16,499
Other receivables	1,805	1,954	2,124	2,263	—
Property, plant and equipment, and assets under finance lease	979	1,858	2,551	2,662	2,412
Intangible assets	131	252	398	601	557
	$ 53,893	**$ 51,300**	**$ 52,872**	**$ 61,127**	**$ 58,354**
Liabilities					
Trade and other payables	$ 13,664	$ 13,394	$ 13,349	$ 10,404	$ 5,454
Finance lease obligation	147	243	314	289	242
Employee benefits	28,198	32,465	22,710	19,879	21,652
	42,009	**46,102**	**36,373**	**30,572**	**27,348**
Equity					
Share capital	—	—	—	—	—
Retained earnings	11,884	5,198	16,499	30,555	31,006
	11,884	**5,198**	**16,499**	**30,555**	**31,006**
	$ 53,893	**$ 51,300**	**$ 52,872**	**$ 61,127**	**$ 58,354**

FIVE-YEAR SUMMARY FINANCIAL INFORMATION (CONT'D)

(in thousands of $)	2018–19	2017–18	2016–17	2015–16	2014–15
Cash flows from (used in):					
Operating activities	$ 5,782	$ (3,894)	$ (1,290)	$ 972	$ 785
Acquisition of property, plant and equipment, and intangibles	(127)	(464)	(895)	(1,418)	(1,605)
Acquisition of investments	(3,249)	(2,163)	(1,059)	(1,668)	(10,458)
Redemption of investments	3,784	3,568	500	1,000	1,500
Financial activities	(96)	(97)	(112)	(138)	(160)
Dividend paid	—	—	(8,500)	—	—
Increase (decrease) in cash during the year	**6,094**	**(3,050)**	**(11,356)**	**(1,252)**	**(9,938)**
Cash, beginning of the year	**3,972**	**7,022**	**18,378**	**19,630**	**29,568**
Cash, end of the year	**$ 10,066**	**$ 3,972**	**$ 7,022**	**$18,378**	**$19,630**

7.0 OUTLOOK

With demand for services from DCC's Client-Partners projected to remain strong, DCC forecasts contract expenditures in the range of $1 billion in each year of the planning period. As a result, 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 supports the infrastructure requirements of Canada's Strong, Secure, Engaged defence policy and the Defence Energy and Environment Strategy. This support includes modernizing or improving buildings on bases and wings; supporting the Royal Canadian Air Force with any infrastructure it needs to accommodate the new aircraft it will receive through the Future Fighter Capability Project; and helping DND meet its environmental goals of improving energy efficiency, reducing its greenhouse gas emissions, conducting sustainable operations and building sustainable real property.

DND manages one of the largest and most complex infrastructure portfolios in the federal government, As a result, it is the single largest contributor to federal greenhouse gas emissions, and the Government of Canada cannot meet its greenhouse gas emission targets without DND's help. DCC is supporting DND in meeting its environmental goals.

DND aims to reduce the greenhouse gas emissions of its real property portfolio by 40% from 2005 levels by 2030. DCC has put four energy performance contracts in place on behalf of DND since 2017–18, and plans to implement nine more by 2020–21.

DND plans to invest $225 million by 2020 in infrastructure projects to reduce its carbon footprint. New projects must meet the Silver Leadership in Energy and Environmental Design (LEED) standard or equivalent. DCC stands ready to support the procurement and contract management of these projects.

Additionally, DCC is supporting the following DND green infrastructure initiatives:

- 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 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 $200- to $500-million project to refurbish heating plant infrastructure at CFB Halifax, which includes rehabilitating attached buildings and distribution systems to reduce emissions (CFB Halifax represents 17% of DND's greenhouse gas emissions, and the upgrades at the plant will reduce emissions by up to 7%, improve energy efficiency and reduce heating costs).

Other major infrastructure projects include the following:

- the $82-million transportation, electrical and mechanical engineering accommodation building in Bagotville, Quebec;
- the 5 Combat Engineer Regiment facility in Valcartier, Quebec;
- the new Jetty NJ in Halifax, Nova Scotia;
- 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 contracts includes contracts for the maintenance of the Edward Drake Building for the Communications Security Establishment in Ottawa, Ontario, as well as for the design, building, financing, operations and maintenance of the Shared Services Data Centre at Canadian Forces Base Borden.

DCC will continue to support Canada's security and defence needs by providing its expertise to Canadian Armed Forces (CAF) deployed operations. DCC is supporting three construction projects at the Operational Support Hub—South West Asia; infrastructure requirements for the Enhanced Forward Presence in Latvia; and the CAF Task Force Middle East in Jordan.

DCC supports federal prompt payment legislation and publicly discloses payments to prime contractors on its website, so subcontractors know when they can expect payment. In the coming year, DCC will work to integrate the proposed new *Federal Prompt Payment for Construction Work Act* (Bill C-97) into its procurement processes. Additionally, DCC is assessing the impact of the proposed *Accessible Canada Act* on its operations.

DCC operates in an industry known for fraud, so fraud awareness, detection and prevention are top priorities. DCC has been applying digital analytics to detect procurement fraud and has a memorandum of understanding with the Competition Bureau to mitigate the Government of Canada's risk of procurement fraud.

DCC will continue to invest in its business—particularly in information technology (IT) and process improvements—to improve efficiency. Its progressive Workplace Wellness and Mental Health Strategy, and Diversity and Inclusion Strategy, will continue to ensure the Corporation's work environments are free of harassment and violence.

DCC also seeks ways to stimulate business opportunities for Indigenous communities through the contracts it puts in place on behalf of DND. For example, contracts awarded for facilities maintenance and support services in Canada's North require the contractor to provide at least 10% of the contract to Indigenous firms.

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; implementing the IT Strategy and improving the information management system; focusing on fraud awareness, detection and prevention measures; and strengthening relationships with Client-Partner leaders.

7.1 Financial Outlook

The Corporation takes a conservative approach to forecasting future growth. The 2019–20 Corporate Plan shows an increase in services revenue compared to 2018–19 actuals of approximately 12.5%, driven by an anticipated 9.0% revenue increase related to business volume, due to DND's plans to spend more on infrastructure, and a 3.5% increase in billing rates for 2019–20. Business volumes are anticipated to remain stable, based on forecast demand from DCC's Client-Partners from 2021–21 to 2023–24.

For the remaining plan years, demand for services is expected to remain stable. Revenue is forecasted to increase each of these years to offset increases in cost inflation. The following table shows the anticipated annual changes in revenue related to billing rates and to business volumes from 2019–20 to 2023–24. Billing rates increase have been planned to the end of the planning period to achieve the Corporation's objective of slightly better than break-even operating income. Billing rates are reviewed and determined on an annual basis and are based on a number of different factors.

SEE TABLE 14

Salary and benefits expenses for 2019–20 are forecasted to increase by approximately 10.4%, due to a number of factors, including the expected increase in in services demand from Client-Partners, along with projected inflation of 1.5% and average performance-based merit increases of 2%. Salary and benefits expenses are expected to rise by 3.5% annually from 2020–21 to 2023–24, due to projected inflation and performance-based merit pay.

Operating and administrative expenses for 2019–20 are projected to increase by 12% from those in 2018–19. This is due to increases related to significant IT initiatives, as well as increases related to inflation and ongoing corporate initiatives. Costs will also rise for items such as training and development, and professional services. Operating and administrative expenses are forecasted to decrease by 4% in 2020–21, due to the effects of the IT cloud implementation. From 2021–22 to 2023–24, operating expenses are expected to rise in tandem with inflation.

Capital expenditures and depreciation and amortization are expected to increase in 2019–20 over the prior fiscal year. This increase is due to the implementation of International Financial Reporting Standards (IFRS) 16 and the resulting change in accounting treatment of operating leases. Depreciation and amortization will stay relatively stable for the remainder of the reporting period.

A loss of $185,000 is forecasted for 2019–20, which is consistent with the results of 2018–19. The objective of the current plan is to remain at a near break-even operating level.

SEE TABLE 15

TABLE 14: **REVENUE ASSUMPTIONS**

	PLANNED				
	2019–20	2020–21	2021–22	2022–23	2023–24
Revenue increase related to work volume change	9.0%	0.0%	0.0%	0.0%	0.0%
Revenue increase related to billing rate change	3.5%	3.3%	3.3%	3.0%	3.0%
Total anticipated revenue increase	**12.5%**	**3.3%**	**3.3%**	**3.0%**	**3.0%**

TABLE 15: **FINANCIAL OUTLOOK**

(in thousands of $)	ACTUAL	PLANNED				
	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24
Services revenue	**$110,389**	$124,198	$ 128,234	$ 132,402	$ 136,374	$ 140,465
Travel and disbursement revenue	**3,831**	2,587	2,613	2,639	2,665	2,692
Investment revenue	**708**	650	655	660	665	670
Total revenue	**114,928**	**127,435**	**131,502**	**135,701**	**139,704**	**143,827**
Salaries and employee benefits	**100,824**	111,283	115,178	119,209	123,381	127,700
Operating and administrative expenses	**9,362**	10,481	10,023	10,233	10,447	10,640
Travel and disbursement expenses	**3,831**	2,587	2,613	2,639	2,665	2,692
Depreciation RoU assets	**-**	2,034	1,929	1,928	1,929	2,188
Depreciation of property, plant and equipment	**862**	756	373	417	327	362
Depreciation of assets under finance lease	**91**	—	—	—	—	—
Amortization of intangible assets	**134**	150	133	267	400	400
Finance costs	**5**	329	247	191	133	98
Total expenses	**115,109**	127,620	130,496	134,884	139,282	144,080
Profit (loss) for the year	**(181)**	(185)	1,006	817	422	(253)
Other comprehensive income	**6,867**	—	—	—	—	—
Total comprehensive income (loss)	**6,686**	**(185)**	**1,006**	**817**	**422**	**(253)**
Capital expenditures	**$ 127**	**$ 11,678**	**$ 800**	**$ 800**	**$ 800**	**$ 2,335**

Karine Dupont, Coordinator, Construction Services, at Valcartier Garrison, Quebec. Karine is responsible for managing construction, professional services and service contracts during construction projects, to ensure work complies with contract requirements.

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, 2019

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

INDEPENDENT AUDITOR'S REPORT

To the Minister of Public Services and Procurement and Accessibility

Report on the Audit of the Financial Statements

OPINION

We have audited the financial statements of Defence Construction (1951) Limited (the Corporation), which comprise the statement of financial position as at 31 March 2019, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

OPINION

In conjunction with the audit of the financial statements, we have audited transactions of Defence Construction (1951) Limited coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are 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*.

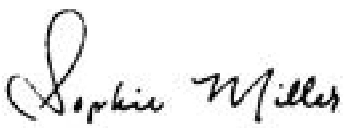
In our opinion, the transactions of Defence Construction (1951) Limited that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE WITH SPECIFIED AUTHORITIES

Management is responsible for Defence Construction (1951) Limited's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Defence Construction (1951) Limited to comply with the specified authorities.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF COMPLIANCE WITH SPECIFIED AUTHORITIES

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



Sophie Miller, CPA, CA
Principal
for the Interim Auditor General of Canada

Ottawa, Canada
7 June 2019

DEFENCE CONSTRUCTION (1951) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

(in thousands of Canadian dollars)	NOTES	2019	2018
Assets			
Cash	3	**$10,066**	$ 3,972
Investments	7	**2,502**	2,178
Trade receivables	4, 18	**21,321**	22,196
Prepaid and other current assets	5	**1,487**	2,339
Other receivables	6	**1,805**	1,954
Current assets		**37,181**	32,639
Investments	7	**15,602**	16,551
Property, plant and equipment	8	**838**	1,623
Intangible assets	9	**131**	252
Assets under finance lease		**141**	235
Non-current assets		**16,712**	18,661
Total assets		**$53,893**	$51,300
Liabilities			
Trade and other payables	10	**13,664**	13,394
Current portion—employee benefits	11	**2,863**	2,502
Current portion—finance lease obligation	15	**80**	96
Current liabilities		**16,607**	15,992
Employee benefits	11	**25,335**	29,963
Finance lease obligation	15	**67**	147
Non-current liabilities		**25,402**	30,110
Total liabilities		**42,009**	46,102
Equity			
Share Capital—Authorized—1,000 common shares of no par value—Issued, 32 common shares		**—**	—
Retained earnings		**11,884**	5,198
Total equity		**11,884**	5,198
Total liabilities and equity		**$53,893**	$51,300

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, 2019

Moreen Miller, Chair of the Board

Stephen Burbridge, Chair of the Audit Committee

DEFENCE CONSTRUCTION (1951) LIMITED

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2019

(in thousands of Canadian dollars)	NOTES	2019	2018
Services revenue	12	**$110,389**	$ 98,858
Travel and disbursement revenue		**3,831**	2,773
Investment revenue	13	**708**	728
Total revenue		**114,928**	102,359
Salaries and employee benefits		**100,824**	92,468
Operating and administrative expenses	14	**9,362**	8,955
Travel and disbursement expenses		**3,831**	2,773
Depreciation of property, plant and equipment	8	**862**	1,033
Depreciation of assets under finance lease		**91**	99
Amortization of intangible assets	9	**134**	196
Finance costs	15	**5**	8
Total expenses		**115,109**	105,532
Loss for the year		**(181)**	(3,173)
Other comprehensive income (loss)			
Actuarial gain (loss) on employee benefit obligation[1]	11	**6,867**	(8,128)
Total comprehensive income (loss)		**$ 6,686**	$ (11,301)

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

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

DEFENCE CONSTRUCTION (1951) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2019

(in thousands of Canadian dollars)	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
Balance as at March 31, 2018	$ —	$ 5,198	$ 5,198
Loss for the year	—	(181)	(181)
Actuarial gain on employee benefit obligation	—	6,867	6,867
Total comprehensive income	—	6,686	6,686
Balance as at March 31, 2019	**$ —**	**$11,884**	**$11,884**

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**

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, 2019

(In thousands of Canadian dollars)	NOTES	2019	2018
Cash flow from (used in) operating activities			
Loss for the year		**$ (181)**	$(3,173)
Adjustments to reconcile loss for the year to cash provided by operating activities			
Employee benefits expensed	11	**3,897**	2,944
Employee benefits paid	11	**(1,297)**	(1,317)
Depreciation of property, plant and equipment	8	**862**	1,033
Depreciation of assets under finance lease		**91**	99
Amortization of intangible assets	9	**134**	196
Amortization of investment premiums		**90**	96
Loss on disposal of property, plant and equipment		**37**	—
Loss on disposal of assets under finance lease		**3**	1
Change in non-cash operating working capital			
Trade receivables		**875**	(3,600)
Other receivables		**149**	170
Prepaids and other current assets		**852**	(388)
Trade and other payables		**270**	45
Net cash flows provided by (used in) operating activities		**5,782**	(3,894)
Cash flows from (used in) investing activities			
Acquisition of investments		**(3,249)**	(2,163)
Redemption of investments		**3,802**	3,568
Gain on disposition of investments		**(18)**	—
Acquisition of property, plant and equipment	8	**(114)**	(414)
Acquisition of intangible assets	9	**(13)**	(50)
Net cash flows provided by investing activities		**408**	941
Cash flows used in financing activities			
Repayment of finance lease obligations		**(96)**	(97)
Net cash flows used in financial activities		**(96)**	(97)
Increase (decrease) in cash during the year		**6,094**	(3,050)
Cash at the beginning of the year		**3,972**	7,022
Cash at the end of the year		**$10,066**	$ 3,972

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, 2019

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 is 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. The Corporation has subsequently updated its policies to align with the 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, 2019).

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, 2019	AS AT MARCH 31, 2018
Trade receivables	**$21,321**	$22,196

The aging of the trade receivables are as follows:

	AS AT MARCH 31, 2019	AS AT MARCH 31, 2018
Current	**$11,014**	$ 9,966
Past due 0–30 days	**9,948**	11,685
Past due 31–60 days	**124**	305
Past due 61–90 days	**—**	—
Past due 91 plus days	**235**	240
	$21,321	$22,196

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, 2019	AS AT MARCH 31, 2018
Prepaid expenses	**$1,136**	$2,001
Other receivables	**330**	332
Travel advances	**12**	3
Employee advances	**9**	3
	$1,487	$2,339

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 2.82%, and mutual funds with variable interest rates. The maturity dates of the bonds vary from 2020 to 2031 and GIC vary from 2020 to 2024 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, 2019	AS AT MARCH 31, 2018
Current portion	**$ 2,502**	$ 2,178
Long term portion	**15,602**	16,551
	$18,104	$18,729

Carrying amount at amortized cost:	AS AT MARCH 31, 2019	AS AT MARCH 31, 2018
Bonds		
Federal	**$ 502**	$ 504
Provincial	**6,972**	8,032
Corporate	**3,755**	4,290
Total bonds	**11,229**	12,826
Guaranteed Investment Certificate	**6,875**	5,725
Mutual funds	**—**	178
	$18,104	$18,729

Fair value:	AS AT MARCH 31, 2019	AS AT MARCH 31, 2018
Bonds		
Federal	**$ 510**	$ 519
Provincial	**7,332**	8,283
Corporate	**3,977**	4,423
Total bonds	**11,819**	13,225
Guaranteed Investment Certificate	**6,912**	5,744
Mutual funds	**—**	178
	$18,731	$19,147

RATE AND MATURITY DATES

As at March 31, 2019

	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%	$ 502	$ —	$ —	$ 502
Provincial	2.65% to 3.74%	2.85% to 6.60%	—	2,138	4,833	6,971
Corporate	2.94% to 4.92%	3.00% to 7.22%	—	709	3,047	3,756
Guaranteed Investment Certificate	1.80% to 2.82%	1.80% to 2.82%	2,000	4,875	—	6,875
Mutual funds	1.00%		—	—	—	—
			$2,502	**$7,722**	**$7,880**	**$18,104**

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 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.

	AS AT MARCH 31, 2019	AS AT MARCH 31, 2018
Cost	**$5,158**	$6,940
Less: Accumulated depreciation	**4,320**	5,317
Net book value	**$ 838**	$1,623
Net book value by asset class		
Computer equipment	**$ 590**	$1,317
Furniture and fixtures	**239**	240
Leasehold improvements	**9**	66
Net book value	**$ 838**	$1,623

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, 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
Plus: Additions	41	68	5	114
Less: Disposals	1,895	1	—	1,896
Balance as at March 31, 2019	**$2,643**	**$953**	**$1,562**	**$5,158**

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, 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
Plus: Depreciation	732	68	62	862
Less: Disposals	1,859	—	—	1,859
Balance as at March 31, 2019	**$2,053**	**$714**	**$1,553**	**$4,320**

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, 2019	AS AT MARCH 31, 2018
Cost	**$1,459**	$1,446
Less: Accumulated amortization	**1,328**	1,194
Net book value	**$ 131**	$ 252

Changes to intangible assets are detailed in the following table:

	TOTAL
Cost	
Balance as at March 31, 2017	$ 1,396
Plus: Additions	50
Less: Disposals	—
Balance as at March 31, 2018	1,446
Plus: Additions	13
Less: Disposals	—
Balance as at March 31, 2019	**$1,459**

Changes to accumulated amortization are detailed in the following table:

	TOTAL
Accumulated amortization	
Balance as at March 31, 2017	$ 998
Plus: Amortization	196
Less: Disposals	—
Balance as at March 31, 2018	1,194
Plus: Amortization	134
Less: Disposals	—
Balance as at March 31, 2019	**$1,328**

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, 2019	AS AT MARCH 31, 2018
Accounts payable	**$ 2,587**	$ 2,824
Accrued vacation and overtime	**3,919**	3,711
Accrued liabilities	**6,326**	6,103
Commodity taxes payable	**832**	756
	$13,664	$13,394

The following is an aged analysis of the accounts payable.

	AS AT MARCH 31, 2019	AS AT MARCH 31, 2018
Less than 1 month	**$2,530**	$2,797
1 to 3 months	**34**	20
3 to 6 months	**23**	7
	$2,587	$2,824

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

	AS AT MARCH 31, 2019	AS AT MARCH 31, 2018
Third-party balances	**$2,579**	$2,685
Related-party balances	**8**	139
	$2,587	$2,824

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 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, 2019	AS AT MARCH 31, 2018
Long-term portion employee benefits	**$25,335**	$29,963
Current portion employee benefits	**2,863**	2,502
Total employee benefits	**$28,198**	$32,465

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:

	2019	2018
Discount rate for projected benefit obligation	**3.40%**	3.60%
Rate of general salary increases	**3.25%**	3.25%
Initial weighted average health care cost trend rate	**5.00%**	5.30%
Ultimate weighted average health care cost trend rate	**4.00%**	4.50%
Year ultimate health care cost trend rate is reached	**2040**	2029
Mortality rate table	**CPM2014**	CPM2014
Mortality rate table improvement scale	**MI-2017**	CPM-B
Retirement age	**62**	62

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

	2019	2018
Opening value of obligation	**$32,465**	$22,710
Current service cost	**2,625**	2,000
Interest on present value of obligation	**1,240**	914
Actuarial loss (gains)	**(6,835)**	8,158
Employee benefit payments	**(1,297)**	(1,317)
Closing value of benefits obligation	**$28,198**	$32,465

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:

	2019	2018
Current service cost	**$2,625**	$2,000
Interest on present value of obligation	**1,240**	914
Actuarial loss (gain) recognized in year	**32**	30
Past service cost	**—**	—
Employee benefit expenses	**$3,897**	$2,944

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:

	2019	2018
Actuarial gains (losses) from financial assumptions	**$ 6,835**	$(8,158)
Less: Actuarial gain (loss) recognized in year	**(32)**	30
Actuarial gain (loss) on employee benefit obligation	**$ 6,867**	$(8,128)

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.

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	$ (5,346)	$ 7,270
Effect of change in salary scale assumption	230	(205)
Effect of change in health care cost trend rate assumption	$ 6,654	$(5,030)

The Corporation expects to expense $3,326 in 2020 for current service costs related to employee benefits.

11.2 PENSION BENEFITS

Almost all 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 10.7% (2018—9.89%). Total contributions of $8,545 (2018—$7,398) 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 generates revenue from the delivery of services to its Client-Partners. There are 6 main categories of services that the Corporation delivers, they are:

- Procurement which is responsible for procurement and solicitation planning, preparing tender documents,

soliciting and evaluating bids, awarding contracts and conducting market assessments.
- Contract management which is responsible for contract payment administration, change management, risk management, document and schedule control, quality assurance, quality audit, dispute mitigation and resolution, claims management, performance assessment and warranty management.
- Construction technical support which is responsible for activities such as commissioning and payment processing services.
- Project planning which is responsible for services that range from specific tasks to support DND project managers to turnkey project services and program management.
- Environmental technical support which is responsible for performing activities related to energy performance contracts, environmental assessments, environmental management systems, work on contaminated sites and sites with unexploded explosive ordnance.
- Real property technical support which is responsible for operational support functions to ensure the efficient oversight of DND's properties and buildings. This includes the delivery of facility management and technical support services, and real property acquisition and disposal services.

Revenue is recognized after the service is rendered. The Corporation invoices its Client-Partners monthly, 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 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 provide over the year. Each month, 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 each month as agreed in the SLAs. Most SLAs have standard 30-day payment terms.

The Corporation has no liabilities related to payments received in advance of performance as it receives no customer deposits. There are no assets related to performance rendered in advance of payments at year end as all SLAs are renegotiated annually.

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

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. No mark-up is added.

INVESTMENT REVENUE

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

Accounting Estimates and Judgements

Performance obligations are satisfied as the service is rendered to the Client-Partner who simultaneously receives and consumes the benefits provided. For travel and disbursements, the performance obligations are satisfied as the expenses are incurred. The select method to measurement for obligation satisfied over time is the output method (survey of performance to date).

The transaction price for services rendered and travel and disbursement are the hourly rate established by the Corporation annually for services and agreed to with the clients annually for time-based arrangements. The fixed fee-based arrangements are annual agreements and the price for services and related travel and disbursement is agreed to in the arrangement. There is no variable consideration, no obligations for returns, refunds or other similar obligations.

When a change to the arrangement (change over or amendment) for price, scope of work or travel and disbursement, the new arrangement will be accounted for as a new arrangement prospectively.

There are no costs to obtain or fulfill a contract with a customer that requires capitalization. There is no sales commission or other costs that would not be already incurred.

There is no financing component to any revenue arrangement the Corporation enters into with a customer.

Supporting Information

SEGMENTED AND DISAGGREGATED REVENUE INFORMATION

In reviewing the performance of the Corporation, management analyzes revenue by region, by activity and by type of contract (fixed fee vs. time based). The following table disaggregates revenue by major sources and by region.

Period ended March 31, 2019	ACTIVITIES						
	CONTRACT MANAGEMENT	PROJECT PLANNING	REAL PROPERTY TECHNICAL SUPPORT	PROCUREMENT	CONSTRUCTION TECHNICAL SUPPORT	ENVIRONMENTAL TECHNICAL SUPPORT	TOTAL REVENUE BY REGION
Regions							
Atlantic Region	$ 9,135	$ 4,036	$ 1,150	$ 1,303	$ 656	$ 1,099	$ 17,379
Quebec Region	8,628	4,863	1,641	1,540	1,205	1,296	19,173
National Capital Region	3,294	7,734	4,542	1,156	526	1,294	18,546
Ontario Region	13,262	5,200	1,219	1,940	2,604	1,684	25,909
Western Region	14,406	7,850	1,065	2,320	1,800	1,023	28,464
Head Office	(276)	4	6	140	1,044	—	918
Total revenue by activity	**$48,449**	**$29,687**	**$9,623**	**$8,399**	**$7,835**	**$ 6,396**	**$110,389**

Period ended March 31, 2018	ACTIVITIES						
	CONTRACT MANAGEMENT	PROJECT PLANNING	REAL PROPERTY TECHNICAL SUPPORT	PROCUREMENT	CONSTRUCTION TECHNICAL SUPPORT	ENVIRONMENTAL TECHNICAL SUPPORT	TOTAL REVENUE BY REGION
Regions							
Atlantic Region	$ 8,568	$ 3,358	$ 1,304	$ 1,141	$ 670	$ 929	$ 15,970
Quebec Region	8,219	4,131	1,663	1,197	867	1,140	17,217
National Capital Region	2,446	6,548	3,304	1,228	571	1,291	15,388
Ontario Region	12,578	4,316	1,071	1,487	2,624	1,553	23,629
Western Region	12,817	6,582	1,216	1,798	1,682	1,069	25,164
Head Office	529	1	17	37	906	—	1,490
Total revenue by activity	**$45,157**	**$24,936**	**$8,575**	**$6,888**	**$7,320**	**$ 5,982**	**$98,858**

The following table disaggregates revenue by region and contract type.

TIME-BASED REVENUE

	PERIOD ENDED MARCH 31, 2019	PERIOD ENDED MARCH 31, 2018
Regions		
Atlantic Region	**$ 5,743**	$ 6,128
Quebec Region	**4,784**	5,019
National Capital Region/Head Office	**19,368**	15,736
Ontario Region	**7,193**	7,653
Western Region	**6,591**	6,922
Total time-based revenue	**$ 43,679**	$41,458

FIXED-FEE REVENUE

Regions		
Atlantic Region	**$ 11,636**	$ 9,842
Quebec Region	**14,389**	12,198
National Capital Region/Head Office	**96**	1,142
Ontario Region	**18,716**	15,976
Western Region	**21,873**	18,242
Total fixed-fee revenue	**$ 66,710**	$57,400
Total revenue	**$110,389**	$98,858

NOTE 13: INVESTMENT REVENUE

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

	2019	2018
Interest from:		
Bank deposits	**$165**	$ 82
Investments	**532**	637
Other interest	**11**	9
	$708	$728

NOTE 14: OPERATING AND ADMINISTRATIVE EXPENSES

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

	2019	2018
Rent	**$1,860**	$1,891
Professional services	**1,637**	1,497
IT maintenance agreements	**1,551**	1,522
Training and development	**1,189**	1,179
Telephone and communications	**855**	957
Travel	**529**	501
Office supplies	**280**	286
Office equipment rental	**219**	2
Hospitality	**200**	189
Communications	**187**	188
Office furniture and equipment	**161**	97
Relocation	**120**	224
Cloud service	**96**	—
Printing and stationery	**93**	87
IT software	**85**	62
IT hardware	**83**	138
Subscriptions	**67**	59
Recruiting	**47**	18
Postage, freight and courier	**31**	34
Leasehold improvements	**10**	3
Sundry	**62**	21
	$9,362	$8,955

NOTE 15: SUPPLEMENTAL OPERATING CASH FLOW INFORMATION

15.1 Supplemental Cash Flow Information

	2019	2018
Interest charges on finance leases	**$ 5**	$ 8
Interest received from bank deposits	**$165**	$ 82
Interest received from investments	**$602**	$668
Income taxes	**$ —**	$ —

15.2 Financing Activities

The Corporation has liabilities from financing activities related to finance leases for equipment. For 2018–19, the amount related to the financing activities was:

	2019	2018
Finance lease obligation, beginning of the year	**$243**	$314
Debt provided by additional financing	**—**	26
Cash used for debt payments	**96**	97
Finance lease obligation, end of the year	**$147**	$243

	2019	2018
Finance lease obligation—Current	**$ 80**	$ 96
Finance lease obligation—Long-term	**67**	147
Finance lease obligation	**$147**	$243

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 (FVTPL) 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.

CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

In respect to the application of IFRS 9, the Corporation did not require a restatement of comparative figures. The classifications list in the table below remained consistent for the years presented in this financial statement.

	CLASSIFICATION	SUBSEQUENT MEASUREMENT
Cash	FVTPL	FVTPL
Investments	Amortized cost	Amortized cost
Trade receivables	Amortized cost	Amortized cost
Other receivables	Amortized cost	Amortized cost
Other current assets	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost
Accrued liabilities	Amortized cost	Amortized cost

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.

IFRS 9 applies to financial assets measured at amortized cost and to contract assets and requires the Corporation to consider factors such as historical, current and forward-looking information when measuring expected credit loss (ECL) receivables. The ECL allowance for trade and other receivables is estimated using the simplified approach, which requires the use of lifetime expected credit losses. The Corporation estimates the lifetime expected credit losses from a combination of historical write-off percentages and forward-looking information used to identify a deterioration of credit, either at company level or macroeconomic level. The amount of the allowance is the difference between the receivable's gross carrying amount and the estimated future cash flows. Credit losses and subsequent recoveries are recognized in other operating costs. The Corporation does not expect credit losses from assets such as trade receivables, as its historical write-offs are $0, and the credit worthiness of the clients is rated as AAA by the rating agency DBRS. Therefore, the Corporation concluded that no impairment of financial assets is required by IFRS 9. The Corporation will review the expected credit loss provision annually.

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 7.

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, 2019 and 2018.

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, 2019, was $51,316 (as at March 31, 2018, it was $46,857) 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. Except for 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, 2019

	FAIR VALUE THROUGH PROFIT AND LOSS	AMORTIZED COST	TOTAL CARRYING AMOUNT
Cash	**$10,066**	**$ —**	**$10,066**
Investments	**—**	**18,104**	**18,104**
Trade receivables	**—**	**21,321**	**21,321**
Other receivables	**—**	**1,805**	**1,805**
Other current assets	**—**	**20**	**20**
Total financial assets	**$10,066**	**$41,250**	**$51,316**
Accounts payable	**$ —**	**$ 2,587**	**$ 2,587**
Accrued liabilities	**—**	**6,326**	**6,326**
Total financial liabilities	**$ —**	**$ 8,913**	**$ 8,913**

AS AT MARCH 31, 2018

	FAIR VALUE THROUGH PROFIT AND LOSS	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**

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, 2019, was $8,913 (as at March 31, 2018, it was $8,927) 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, 2019, the Corporation's financial assets exceeded its financial liabilities by $42,403 (as at March 31, 2018, its financial assets exceeded its financial liabilities by $37,930).

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, 2019, all of the investments ($18,104) were in fixed interest-bearing instruments (as at March 31, 2018, the comparable figure was $18,729). 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 market risk is not significant.

SEE TABLE 1

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

TABLE 1

As at March 31, 2019

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MONTHS OR LESS	MORE THAN 6 MONTHS
Accounts payable	**$ 2,587**	**$ 2,587**	**$ 2,587**	**$ —**
Accrued liabilities	**6,326**	**6,326**	**6,326**	**—**
Financial liabilities	**$8,913**	**$8,913**	**$8,913**	**$ —**

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**	**$8,927**	**$ —**

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 and personal computing devices 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.

	CORPORATION LEASES	CO-LOCATION LEASES	TOTAL
Lease Period			
April 1, 2019 to March 31, 2020	$ 2,641	$ 1,632	$ 4,273
April 1, 2020 to March 31, 2021	1,792	136	1,928
April 1, 2021 to March 31, 2022	1,490	—	1,490
April 1, 2022 to March 31, 2023	1,141	—	1,141
After April 1, 2023	1,737	—	1,737
	$8,801	**$1,768**	**$10,569**

	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**

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 $110,389 (2018—$98,858) 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, 2019	AS AT MARCH 31, 2018
Due from:		
Department of National Defence (DND)	**$19,522**	$20,186
Canadian Forces Housing Agency	**1,667**	1,702
Communications Security Establishment Canada	**137**	210
Public Services and Procurement Canada	**1**	(2)
Shared Services Canada	**(6)**	100
	$21,321	$22,196
Due to:		
Shared Services Canada	**$ 5**	$ 9
Public Services and Procurement Canada	**3**	—
Department of Justice	**—**	130
	$ 8	$ 139

The Corporation incurred expenses with other departments of the Government of Canada. These transactions totalled $101 (2018—$254) less a recovery of $130 related to 2017–18. In accordance with the 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:

	2019	2018
Short-term benefits	**$3,367**	$3,418
Post-employment benefits	**543**	441
Severance payment	**—**	83
	$3,910	$3,942

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, 2019, there were 13 ongoing contract claims totaling $10,418, all of which relate to DND. These figures can be compare with eight ongoing claims totaling $2,259 as at March 31, 2018 all of which related to DND. 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 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

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee have issued certain pronouncements with mandatory effective dates of annual periods beginning on or after January 1, 2018. The Corporation adopted the following standards on April 1, 2018.

22.1 IFRS 9, Financial Instruments

In the period ending March 31, 2019, the Corporation has applied IFRS 9, Financial Instruments (as revised in July 2014). IFRS 9 introduces new requirements for the following: the classification and measurement of financial assets and liabilities; impairment of financial assets; and hedge accounting. The application of IFRS 9 did not have significant impact and no adjustment was made to the financial statements. The Corporation's accounting policies and details about financial instruments were updated accordingly and described in Note 16.

FINANCIAL ASSETS: CLASSIFICATION AND MEASUREMENT

IFRS 9 replaces the classification and measurement models in IAS 39, Financial Instruments: Recognition and Measurement, with a single model. In that single model, financial assets are classified and measured at amortized cost, at fair value through profit or loss (FVTPL), or at fair value through other comprehensive income (FVTOCI). This classification is based on a business model in which a financial asset is managed by its contractual cash flows characteristics and eliminates the IAS 39 categories of held-to-maturity, loans and receivables, and available-for-sale. The adoption of IFRS 9 did not change the measurement base of the Corporation's financial assets.

IMPAIRMENT OF FINANCIAL ASSETS

The impairment of financial assets under IFRS 9 is based on an expected credit loss (ECL) model, as opposed to the incurred credit loss model used under IAS 39.

IFRS 9 applies to financial assets measured at amortized cost and to contract assets and requires the Corporation to consider factors such as historical, current and forward-looking information when measuring ECL receivables. The ECL allowance for trade and other receivables is estimated using the simplified approach, which requires the use of lifetime expected credit losses. The Corporation estimates the lifetime expected credit losses from a combination of historical write-off percentages and forward-looking information used to identify a deterioration of credit, either at company level or macroeconomic level. The amount of the allowance is the difference between the receivable's gross carrying amount and the estimated future cash flows. Credit losses and subsequent recoveries are recognized in other operating costs. The Corporation does not expect credit losses from assets such as trade receivables, as its historical write-offs are $0 and the credit worthiness of the client is rated as AAA by the rating agency DBRS. Therefore, the Corporation concluded that no impairment of financial assets is required by IFRS 9. The Corporation will review the expected credit loss provision annually.

FINANCIAL LIABILITIES: CLASSIFICATION AND MEASUREMENT

IFRS 9 introduced the classification and measurement of financial liabilities to account for changes in the fair value of a financial liability designated as at FVTPL that are attributable to changes in the credit risk of the issuer.

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Corporation's financial assets and financial liabilities were classified and subsequently measured as follows in the financial statements for the year ended March 31, 2018. In respect to the application of IFRS 9, the Corporation did not require a restatement of comparative figures. The classifications list in the table below remained consistent for the years presented in this financial statement.

	CLASSIFICATION	SUBSEQUENT MEASUREMENT
Cash	FVTPL	FVTPL
Investments	Amortized cost	Amortized cost
Trade receivables	Amortized cost	Amortized cost
Other receivables	Amortized cost	Amortized cost
Other current assets	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost
Accrued liabilities	Amortized cost	Amortized cost

HEDGE ACCOUNTING

The Corporation does not have any hedges therefore hedge accounting does not apply.

22.2 IFRS 15, Revenue From Contracts With Customers

In the current period, the Corporation has applied IFRS 15, Revenue From Contracts With Customers. The Standard specifies how and when revenue should be recognized and requires entities to provide more informative and relevant disclosures to users. The application of IFRS 15 did not change how revenue is recognized. The Standard—which supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations—applies to nearly all contracts with customers, unless the contracts are within the scope of other IFRS, such as IFRS 16, Leases. The application of IRFS 15 did not have significant impact and no adjustment was made to the financial statements. The Corporation's accounting policies and details about disaggregate revenues were presented accordingly and described in Note 12.

IFRS 15 introduces a five-step approach to revenue recognition. Under the basic principle of IFRS 15, for a corporation to recognize revenue, it must identify when it provides the goods or services promised to customers and describe what amount of consideration the entity expects to receive in exchange for such goods or services. In particular, the standard proposes a five-step model for recognizing revenue: identifying contracts with a customer; identifying obligation in the contract; determining the transaction price; allocating transaction price between the various contractual obligations; and recognizing revenue when the entity has fulfilled a performance obligation.

Under IFRS 15, the Corporation recognizes revenue when a benefit obligation is fulfilled (or as it is met)—that is, when control of the underlying goods or services covered by this obligation of service is transferred to the client.

The Corporation's accounting policies for its revenue streams are disclosed in detail in Note 12. Apart from providing more extensive disclosures regarding the Corporation's revenue transactions, the application of IFRS 15 has no significant impact on the financial position and/or financial performance of the Corporation and requires no adjustments to comparative periods.

The Corporation has disaggregated revenue recognized from contracts with customers into categories that identify the nature of the services rendered. Refer to Note 12 for disclosure of disaggregated revenue.

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. The following standards, amendments and interpretations issued by the IASB or the IFRS Interpretations Committee have been assessed as having a possible effect on the Corporation in the future:

IAS 19 Employee Benefits

February 2018, the IASB issued amendments to IAS 19 "Employee Benefits" addressing the accounting for a plan amendment, curtailment or settlement that occurs during a period. The use of updated actuarial assumptions is required to determine current service cost and net interest for the remainder of the reporting period after such events. The amendments apply prospectively to plan amendments, curtailments or settlements that occur on or after January 1, 2019, with earlier adoption permitted. The Corporation is not expecting any impact from the adoption of these amendments.

IFRS 16 LEASES

STANDARD	DESCRIPTION	IMPACT	EFFECTIVE DATE[1]
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 will adopt the standard as of April 1, 2019. 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 has made the following election: • The Corporation elects to use the modified retrospective approach in IFRS 16.C5(b), to apply IFRS 16 with no restatement of comparative information; • In IFRS 16.C8, the liability will be recognized at the date of initial application for leases previously classified as operating under IAS 17 by measuring the liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate; • The right-of-use (RoU) asset will be an amount equal to the lease liability with any necessary adjustments as per IFRS 16.C8(b)(ii); • The Corporation will not use the practical expedient in IFRS 167.C10(a) but will calculate a discount rate for each lease; • None of the leases that will be converted as part of IFRS 16 are onerous; • The Corporation will capitalize all of the options to extend as there is a history of exercising these options; • Leases will not be recognized as an asset or liability if the lease is 1 year or less or considered a low value lease with a threshold of $5. The estimated value of the RoU asset and liability to be recognized April 1, 2019 is $8,450.	January 1, 2019, applied retrospectively with certain practical expedients available.

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