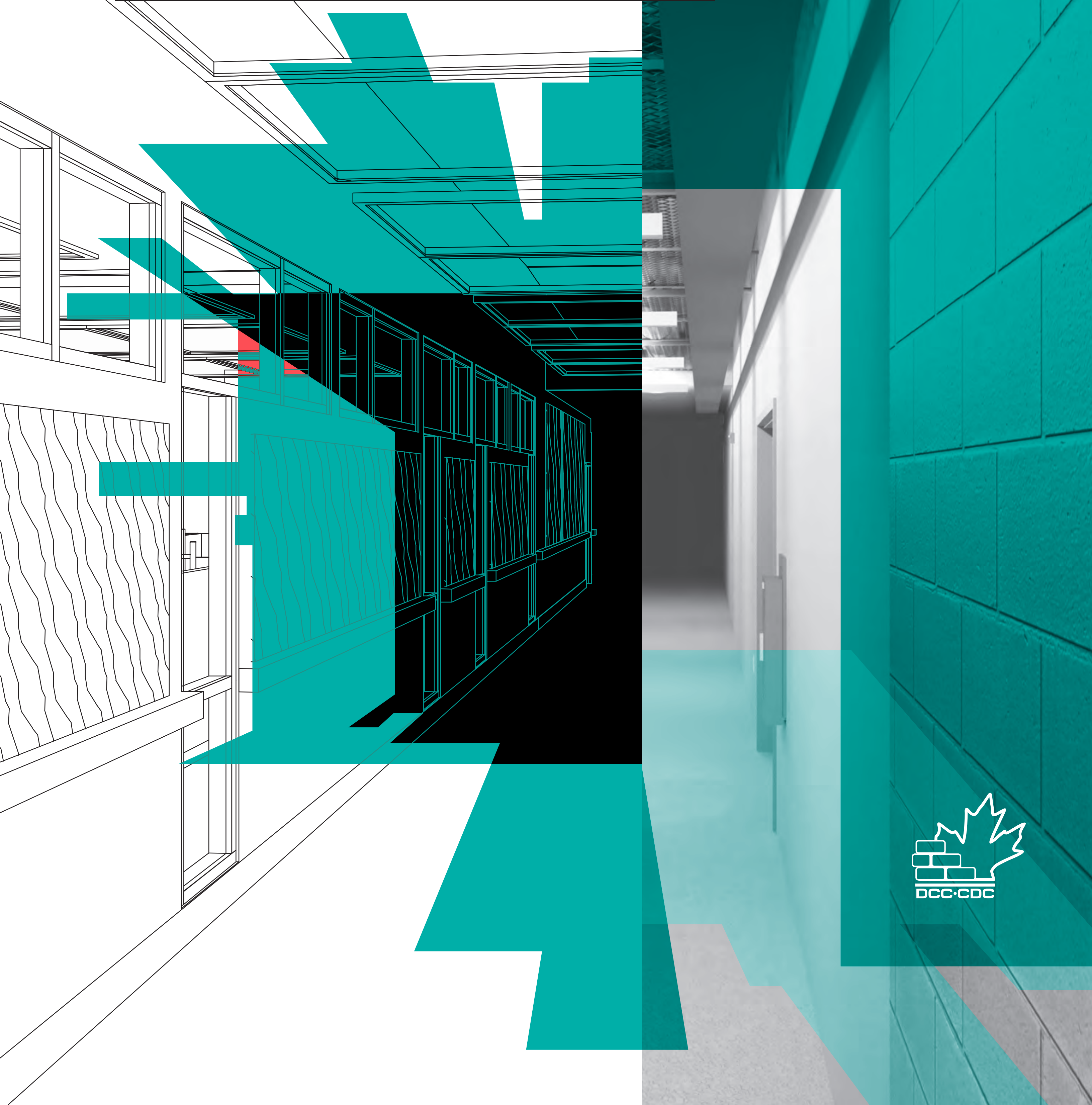
Defence Construction Canada

ANNUAL REPORT 2019–2020

Building Forward



COVER IMAGE depicts a sample of a design using Building Information Modelling (BIM) software for the construction of the Royal Canadian Dragoons facility at CFB Petawawa.

ROYAL CANADIAN DRAGOONS

CFB Petawawa, Ontario

On January 15, 2019, DCC, DND and contractors signed the contract for the first Government of Canada construction project to use the integrated project delivery method. This collaborative lean construction approach enhances efficiency, flexibility, cost predictability and value for the Crown. The $70-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.

TABLE OF CONTENTS

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 for its Enterprise Data Centre at CFB Borden.

DCC's work covers a broad range of activities, from project needs planning to building decommissioning. The Corporation's service delivery resources are divided among five service lines.

CONTRACT SERVICES

The Contract Services Team oversees the planning and procurement of goods and professional, environmental, real property, 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, as well as the management of complex public-private partnership agreements.

ENVIRONMENTAL SERVICES

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

PROJECT AND PROGRAM MANAGEMENT SERVICES

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

REAL PROPERTY MANAGEMENT SERVICES

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

IMAGE: .Exposed wooden columns in the front entrance of the new Integrated Healthcare Centre at CFB Petawawa. DCC is managing the construction of the facility that will bring all necessary healthcare services for military members into one location.

2019–2020 Key Performance Indicator Results

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%	3.1%
		INNOVATION RESULTS	**Employee participation** Percentage of employees who participate in the innoviCulture program	10%	43.2%
			Employee retention rate Percentage of employees who stay with the Corporation from year to year	Minimum of 90%	92.0%
			Employment diversity results Success in meeting requirements for the four designated groups (women, Indigenous peoples, people with disabilities, visible minorities)	No deficiencies in three of the four categories	One deficiency
			Leadership development program results Percentage of program participants who complete a minimum of six modules per year	100%	82%
			Recruitment results Percentage of all job postings filled in the first round of job advertising	85%	93%
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 an overall rating of three or higher on a five-point scale	Minimum of 95%	96%
		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	4.8
			Public access to business opportunities Total value of procurements awarded through public business opportunities	Minimum of 98%	99.7%
		CONTRACT MANAGEMENT RESULTS	Percentage of all contracts completed by the date scheduled for occupancy and readiness for intended use	Minimum of 85%	94.7%
BUSINESS MANAGEMENT	To develop and maintain responsive, integrated business management structures, tools, teams and practices	COST OF SERVICE	**Overall cost of service** DCC's total revenues as a percentage of total contract expenditures	Between 9% and 15%	10.6%
		UTILIZATION RATE	**Corporate utilization rate (time based)** Percentage of employees' total payable hours that DCC can bill to the Client-Partner	Minimum of 70%	72.2%
		FINANCIAL RESULTS	**Corporate financial results** Financial results consistent with DCC's Financial Management Policy	Achievement of budgeted gross margin	Achieved

PLANNING THEME	STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATORS (KPIs)		PERFORMANCE TARGET	RESULTS
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%	100%
		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	3
		Lost-time hours Total lost-time hours as a percentage of total employee hours		0.5%	0.04%
		Security compromises Number of corporate security compromises (operational or industrial)		0	1

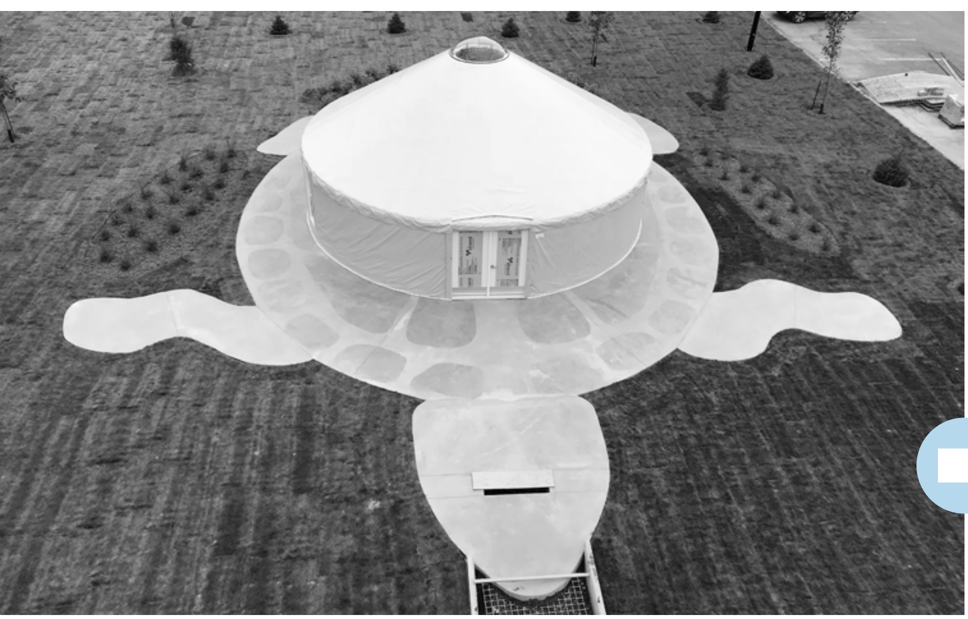


IMAGE: .DCC managed the construction of a multi-faith pavilion located in Saint-Jean, Quebec. The SkenNen Kowa pavilion—which means "haven of peace"—was constructed for Indigenous spirituality. The facility represents a huge turtle and is meant to be a place of reflection.

Performance Highlights 2019–2020

1,183
Contracts Awarded

$635.6
MILLION
Value of Contracts Awarded

$1.08
BILLION
Contract Payments

$1.12
MILLION
Contract Payments per Employee

$945.2
MILLION
Value of Completed Contracts

10.6%
Cost of Service

$114.7
MILLION
Services Revenue

4,000
Estimated Number of Canadian Jobs DCC Creates by Making Contract Payments Worth $1 Billion Per Year

Building Forward

ADVANCING INNOVATION IN THE SERVICE OF CANADA.

In 2019–20, DCC led the federal government's first integrated project delivery (IPD) contract, managing risk, encouraging innovation and optimizing results through collaboration, at CFB Petawawa. We supported DND's first "net-zero ready" building at CFB Gagetown, and implemented the final phase of our e-procurement initiative to professional services, ready for bidders working remotely.

When called upon by our Client-Partners to deliver their critical defence and environmental projects during COVID-19, we found solutions that kept those projects—and their economic investment in Canadian communities—on track.

These results demonstrate that DCC has a solid foundation of operational excellence in place. We are also building forward, advancing innovation to serve Canada's defence and security establishment, and the construction sector. We are anticipating the future, including artificial intelligence, and we are finding opportunities to evolve. This evolution includes leveraging our ingenuity and expertise to ensure DCC remains sustainable and resilient.

Together, these innovations are made possible by our highly engaged workforce, agile service delivery and business management, and robust leadership and governance. Because delivering value to Canadians is how we do business at DCC.

$8.2 BILLION
Value of Current Portfolio

IMAGE: Panorama of the 3,389-m^2 Explosive Ordnance Disposal Training Facility at CFB Gagetown — DND's first "net-zero" building that runs almost completely off the grid.

Building Results

DCC'S FOCUS ON PEOPLE ENSURES THE COMPANY'S VIABILITY FOR DECADES TO COME.

Serving the needs of our Client-Partners begins with DCC's foundation: our people. Our robust human resources practices target recruitment and retention—building a diverse, productive, and results-oriented workforce that reflects Canada and its innovation priorities, including economic growth.

92% Employee Retention Rate

To support our people in 2019–20, we successfully completed our three-year strategies for Diversity and Inclusion, and Workplace Wellness and Mental Health. Programs such as gender-based equality awareness training for all employees, the Virgin Pulse Global Challenge, and workplace accessibility improvements, have set the stage for renewals of these strategies.

To support our business, we introduced a business partner model that pairs each region with its own human resources generalist. Coupled with succession planning, social media outreach, and partnerships with Indigenous communities, we are building our employee base to take DCC into the future.

IMAGE: .Winner of DCC's Diversity and Inclusion Award, Jenelle Ramnath, Coordinator, Environmental Services, was recognized for her outstanding efforts to coordinate diversity-related activities for her colleagues and for being a Positive Space Ambassador in support of the LGBTQ2 community.

Building Value

DCC'S LEGACY OF OPERATIONAL EXCELLENCE SUPPORTS INNOVATION IN SERVICE DELIVERY.

IMAGE: DCC and DND collaborated for more than three years before releasing the IPD request for proposal. Pictured here is the DCC-DND "Tiger Team" as they became known.

DCC is leading innovation in procurement and project management, achieving many "firsts" in the public sector that support Canada's infrastructure goals. In 2019–20, for example, DCC's use of integrated project delivery for the Royal Canadian Dragoon facilities at Petawawa was a federal government first. This shift to a single, collaborative contract with multiple partners, leverages the proficiency of all parties.

In April 2020, we implemented the final phase of our e-procurement initiative to include professional services opportunities. We have also introduced more flexibility into modified design-build contracts, to prepare for the Future Fighter Capability Project.

To ensure value to Canada, DCC actively manages an established vendor performance management program, including robust contractor performance mechanisms, that we have honed over 20 years. As we focus on value-added, innovative service delivery, we stand ready to support our partners by sharing this expertise.

95.9%

Contract Award Success—*Target = 95%*

Building Resilience

DCC'S AGILE, INTEGRATED BUSINESS MANAGEMENT APPROACH FOSTERS AN ENTREPRENEURIAL SPIRIT.

DCC has proven that its resilient operations and processes provide a strong foundation for both rapid response to emerging challenges, and opportunities for development, including for Canadian commerce.

When DCC experienced a cyber incident In September 2019, it accelerated our timeline for migrating DCC's computing infrastructure to the cloud, a project already well underway on our IT strategic journey. This enabled us to recover quickly, enhance our security posture, and efficiently use our expertise and resources. These resulting IT infrastructure improvements allowed DCC to respond quickly to the pandemic in March 2020.

The structure, tools, teams, and practices DCC has developed to manage our business mean that we continue to initiate procurements, award contracts, and ensure prompt payment regardless of the situation. Our innovation, ingenuity, and experience serve our Client-Partners well.

72.2%

Utilization Rate
% of employee time spent on billable work
Target = 70%

BELOW: Navpreet Uppal, Director, Information Technology

ABOVE: The Senior Management Group gathered on October 30, 2019 to thank and recognize employees for their continued commitment to DCC during the cyber incident.

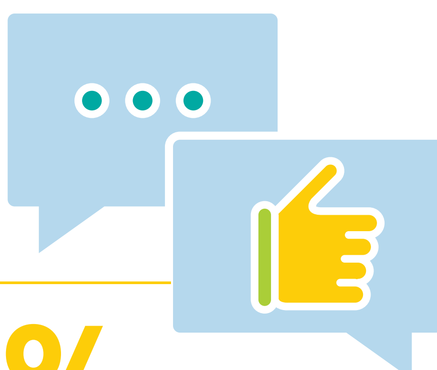
Building Trust

DCC HAS THE LEADERSHIP AND GOVERNANCE IN PLACE TO HELP MOVE CANADA'S DEFENCE INFRASTRUCTURE FORWARD.

DCC is well-positioned to support the Government of Canada's objectives for defence procurement, complex infrastructure and environment projects, and modernization. This is advanced by the diverse background and expertise of our Board and our employees, which also provides a key labour market availability to help fulfill defence procurement and project management needs.

We support our leadership through strong governance and ongoing integrity programs such as fraud awareness, detection and prevention. In 2019–20, related activities included applying digital analytics, maintaining education and awareness, and collaborating with the Competition Bureau to mitigate procurement fraud risk.

Our strength is reflected in the 2018 Fall Report of the Auditor General of Canada, Report 4, Physical Security at Canada's Missions Broad—Global Affairs Canada, which recommended that DCC's advice and support on real property projects could benefit other government entities, such as Global Affairs Canada.



96% Satisfaction Rating
Target = 95%

BELOW: DCC's Board of Directors at CFB Petawawa, March 5, 2020

ABOVE: DCC Gander Site Manager, Tracey Eisan, meets with DND representatives

Message from the Chair

Resilience and Strategy. If there are two concepts that describe all that DCC's success entails, it is these: the resilience of our people, and the strategic approach of our leadership. For close to seven decades, DCC has served Canada's defence and security sector both domestically and internationally. As our Client-Partners have adapted to changing global conditions, so too have we.

The result is that even when faced with the most challenging health and economic conditions, DCC is successfully delivering essential infrastructure and environment projects for our key Client-Partners—the Department of National Defence, Shared Services Canada, and the Communications Security Establishment. This speaks volumes about how effectively DCC is positioned to support the Government of Canada's goals for security and defence procurement, complex construction and environmental sustainability projects, and economic growth.

DCC's heritage of operational excellence, innovation, and unparalleled expertise, combined with a consistent approach to strategy, guides the Board and management's annual review of risks and opportunities. This protects our service delivery capability while creating opportunities for Canadian commerce—particularly in areas such as project management, technology advancements, e-procurement, and environmental sustainability.

The ingenuity and entrepreneurial attitude of our employees make this possible. While we are now meeting virtually due to the COVID-19 pandemic situation, the Board's previous site visits have shown us the commitment and energy with which employees are working. Whether during a cyber incident that occurred this past fall or while navigating the current challenging situation, DCC continues to thrive and reach important procurement and project-related milestones, thus ensuring consistent and essential support to our Client-Partners and the defence of Canada.

I am, therefore, very pleased to welcome Derrick Cheung as DCC's President and CEO. His executive-level experience in the defence and energy sectors, transportation infrastructure, and his strong Client-Partner and people-centric approach, have already proven assets to the DCC team, and I look forward to his continued leadership.

As DCC continues to deliver value to Canadians under the current unprecedented circumstances, I extend deep appreciation for the collaboration and continued support of our Client-Partners, industry colleagues, and most of all, our employees.

ORIGINAL SIGNED BY:
Moreen Miller
Chair of the Board

Message from the President

As I reflect on my first months at DCC, I am truly honoured to have joined this exceptional team. DCC has a strong reputation for delivering both results and innovation, and for making an essential contribution to Canada's defence and security infrastructure. To experience this from inside DCC is to understand how that reputation has been earned: through the agility, business acumen, and—above all—collaborative and innovative spirit with which DCC's people approach their mission.

This "let's get it done" attitude enables DCC to respond quickly to change. The past year brought new challenges, with the cyber incident and COVID-19 pandemic. Our people successfully adjusted to working under vastly different conditions, to ensure our steadfast support for the Government of Canada. I'm very proud of, and grateful for, all that we accomplished under these circumstances. A sincere thank you to our employees, and our contractors, consultants, and Client-Partners, for focusing on health, safety, and communication as they delivered critical projects.

Against this backdrop, our people continue to achieve Client-Partner "firsts," including pioneering Integrated Project Delivery in the Royal Canadian Dragoons' new facilities at CFB Petawawa. By replacing traditional design and construction contracts with one contract, under which all parties work together to manage risks, this could create a paradigm shift for Canadian defence construction.

Other groundbreaking work involves DND's environmental priorities. Along with our energy performance contract program, we supported the Bagotville International Air Show 2019 to become carbon neutral, which earned the International Council of Air Shows' Platinum Pinnacle Award. We also helped DND launch its first "net zero ready" building—the Explosive Ordnance Disposal Training Facility at CFB Gagetown.

DCC is also leveraging leading-edge technology. Building Information Modelling and real-time online collaboration, for instance, increase efficiency and client satisfaction. And during COVID-19 in spring 2020—with many industry partners working remotely, only able to respond electronically—we implemented our e-procurement initiative's final phase, providing greater convenience while enhancing fairness and transparency.

Most important, we continue to support our people through such programs as Diversity and Inclusion, and Workplace Wellness and Mental Health. Connecting with each other, and with our other stakeholders, has never been so important.

ORIGINAL SIGNED BY:
Derrick Cheung
President and Chief Executive Officer

The Organization

IMAGE: .DCC employees Siva Gnananayakan, Site Manager, and Shelley Hawley, Administrative Assistant engaged DCC employees across the country by sharing stories that showcased the ongoing work at CFB Kingston during the COVID-19 pandemic.

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 that includes specialists in finance, human resources, information technology, communications and administration that support the operations workforce.

In 2019–20, DCC increased its number of employees to 964 from 958 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 and environmental (IE) services from the Department of National Defence and the Canadian Armed Forces (DND/CAF). DCC's FTE staff strength increased only slightly due to DND's consistent IE-related program expenditures and the FTE staff strength needed to meet the work volumes.

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 2019–20, 113 employees reached significant service milestones in their career with DCC: 18 employees reached five years of service with DCC, 56 employees marked 10 years of service, 27 employees achieved 15 years of service, eight employees marked 20 years of service, and four employees reached 30 years of service.

During the year, DCC's internal career development practices helped 78 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 2019–20, 17 employees transferred from one region to another, and 61 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 2019–20, nine DCC employees volunteered for deployment, including deployment related to DCC's work in Latvia to support the infrastructure requirements for the Enhanced Forward Presence. DCC also provided support for multiple construction projects at 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 business management, procurement and service delivery activities. The Vice-President, Operations—Business Management is responsible for business management in all regions. The Vice-President, Operations—Procurement is accountable for the leadership, oversight and delivery of procurement services across the Corporation. The Vice-President, Operations—Service Delivery is responsible for service delivery of four of DCC's five service lines, plus oversight of the Information Technology Department, and acts as the Corporate Security Officer.

The Vice-President, Finance and Human Resources and Chief Financial Officer is responsible for the financial affairs of the Corporation and the executive leadership of DCC's finance and human resources function.

Members of the Senior Management Group include regional directors; the national directors for Contract Management and Real Property Management Services,

IMAGE: DCC honoured outstanding employee achievements during its first-ever virtual ceremony on May 28, 2020. DCC's annual National Awards recognize the dedication and commitment of DCC staff across the country in support of the Client-Partners and Government of Canada.

Contract Services, and Project and Program Management 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. The national directors ensure all service line activities meet corporate objectives, and they are accountable for the efficiency and quality of service delivery at the national level. Directors of communications, finance, governance and legal affairs, human resources, and information technology are accountable for the corporate 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 and, for the first time, held its National Awards ceremony virtually, with presenters announcing the winners from home.

The following are the recipients of the 2020 National Awards.

The President's Award is presented annually to an employee who has consistently demonstrated exemplary service to DCC and achieved exceptional results. Sophie Tremblay, Program Leader at CFB Bagotville, received this award for her 34 years of outstanding service to DCC and the Client-Partner. The most recent example of that has been her dedication to a large, high-profile and complex project: the construction of the $50-million Transport, Electrical and Mechanical Engineering (TEME) project at CFB Bagotville.

The Service Development Award went to Jonathan Duclos, Regional Service Line Leader, Real Property Management Services, in the Quebec Regional Office. This award recognizes an employee or group of employees who have made a notable contribution to developing and promoting value-added Client-Partner services. Jonathan received this award for his exemplary service to DND in developing the Quebec Region's first-ever major facilities maintenance and support services contract.

In 2019–20, the Corporation highlighted the importance of innovation at DCC by announcing that the innovation award would include two categories—one to recognize internal practices, and another to recognize innovative Client-Partner service delivery. The first recognizes a DCC employee or team who helped conceive, develop and/or implement an innovative internal practice, process or use of technology. The other celebrates an innovative practice or solution developed while delivering services to the Client-Partner.

The Internal Practices Innovation Award was presented to Robin Entwistle, Team Leader, Contract Services, at CFB Kingston, for developing new inspection, testing and maintenance contracting packages that support DND's needs and provide value to the Crown.

The 2020 recipient of the Client-Partner Service Delivery Innovation Award was the B Jetty Underwater Blasting Team of Eivin Hoy, Doug Kroeker, Jenna MacDonald, Tyler Slobodan, Steve Swonnell and Darrell Teng. The team successfully addressed a unique challenge: conducting underwater rock blasting without disturbing marine life.

The 2020 recipient of the Robert Graham Memorial Award was Deanna Brewster, Coordinator, Environmental Services, at CFB Halifax. This award recognizes an employee or team who makes a special contribution to improving workplace safety or environmental protection. Deanna has demonstrated outstanding achievement in conducting environmental assessments for the Client-Partner.

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 2019–20, DCC presented the Customer Satisfaction Individual Award to Craig Taylor, Team Leader, Programs, at 17 Wing Detachment Dundurn, for his expertise and consistently exceptional performance in overseeing DND's infrastructure projects at Dundurn and associated facilities.

The Customer Satisfaction Team Award went to the Nanisivik Naval Facility Site Team—composed of Eric Andert, Louis Lemay and Steven Poaps—for their outstanding success in shepherding this unique Arctic facility through six years of construction by creating a seamless, goal-oriented working relationship with the Client-Partner.

Jenelle Ramnath, Coordinator, Environmental Services, at CFB Kingston, 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. Jenelle was recognized for her outstanding efforts in coordinating diversity-related activities among employees at the site and for being a Positive Space Ambassador in support of the LGBTQ2 community.

Three president's certificates of recognition were presented in 2020. 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.

- The Contracts Financial Team at Head Office was recognized for providing excellent performance and outstanding service when DCC's information technology (IT) systems were unavailable. Members include Rania Baroud, Louisa Dattilo, Frank Kouloufakos, Donna Lewis, Vesna Lukic, Nathalie McDonald and Chantal Montpetit.
- The National Diversity and Inclusion (DI) Committee of Mark Barbeau, Vincent Bousquet, Yves-Marie Exumé, Robin Fraser, Lori Fudge, Erica Lyle, Ian Quane, Sabrina Rock, Phillip Stafrace and Marie-Claire Wihogora was recognized for strongly supporting the DI Strategy and Action Plan and for promoting cultural diversity and respect among DCC employees.
- Sabrina Girard, Coordinator, Environmental Services, at CFB Bagotville, was recognized for playing a key role in helping CFB Bagotville implement an environmental management system and contributing to the award-winning, carbon-neutral International Air Show.

External Recognition

OUTSTANDING COMMITMENT TO EMPLOYMENT EQUITY

For the third year in a row, Employment and Social Development Canada recognized DCC for its achievements in employment equity. 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. DCC was acknowledged for moving the organization beyond simply being home to members of the four designated employment equity groups to building a welcoming, respectful and inclusive a workplace as possible.

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. In 2019, DCC awarded the construction contract for B Jetty.

EXECUTIVE RECOGNITION FOR EMPLOYMENT EQUITY

DCC Vice-President, Finance & Human Resources and CFO Juliet Woodfield and former President and CEO James Paul were recognized by Employment and Social Development Canada as an employment equity champion in 2019. This award recognizes an executive or executive team of an employer for their proven track record of championing employment equity within their organization, as well as their overall contribution to diversity and inclusiveness in the workplace.

ACHIEVEMENT OF EXCELLENCE IN PROCUREMENT

DCC's exemplary procurement practices were recognized for the sixth year running with the U.S. National Procurement Institute's Achievement of Excellence in Procurement Award. The annual award singles out organizations that demonstrate excellence in the areas of innovation, professionalism, productivity, e-procurement and leadership as they relate to procurement.

HONOURED FOR BEST PRACTICES IN ENVIRONMENTAL SUSTAINABILITY

The Explosive Ordnance Disposal Training Facility at CFB Gagetown was recognized for best practices in environmental sustainability at the Real Property Institute of Canada awards ceremony in Ottawa on November 20, 2019. The Department of National Defence and DCC collaborated with industry to implement advanced technology to ensure maximum energy efficiency. The 3,389-square-metre, $15.7-million facility, located in a remote training area on the base, has nearly all the features required to run completely off the grid, including geothermal heating and its own well and water treatment system. The facility was designed to the LEED Silver standard but is expected to be upgraded to Gold once the solar arrays are in place.

OUTSTANDING LEADER AWARD (SHORTLISTED NOMINEE)

DCC's Vice-President, Operations—Procurement, Mélinda Nycholat, was one of seven women shortlisted from a group of 59 nominees for the national Women's Infrastructure Network (WIN) Outstanding Leader Award. WIN is a dynamic forum that helps women in infrastructure make connections, network, exchange ideas and shape the infrastructure agenda. The Outstanding Leader Award is for female professionals who shape the world we live in through their work in the infrastructure industry, and who are trailblazers for women in the infrastructure sector.

EXCEPTIONAL HUMAN RESOURCES TEAM AWARD (FINALIST)

DCC's Human Resources Compensation Team was one of five finalists among 24 teams in the Human Resources Team category of the 2019 Michelle C. Comeau Leadership Awards. Member of the DCC Team included Shawna Arbuthnot, Lynda Brunet, Sylvie Charbonneau, Nathalie Craig, Nathalie Houle, Kimberly Morgan and Sati Naraine. These awards recognize outstanding contributions and accomplishments made by public servants in the human resources field. The Human Resources Team category recognizes members of a team at any level who have affected the organization through the innovative design and/or implementation of a human resources project or initiative.

Corporate Governance

DCC'S BOARD OF DIRECTORS (THE BOARD) IS RESPONSIBLE FOR THE MANAGEMENT OF THE BUSINESS, ACTIVITIES AND OTHER AFFAIRS OF THE CORPORATION, PURSUANT TO THE *FINANCIAL ADMINISTRATION ACT* (FAA).

DCC's Corporate Governance Framework provides an overview of the expected governance structure, principles and practices of the Board and is used to help clarify the Board's responsibilities. Other documents that the Board also looks to for guidance include the Corporation's by-laws, and the charters of the Board and of its two committees. DCC posts board-related documentation on its website as part of its commitment to openness and transparency.

DCC reports to Parliament through the Minister of Public Services and Procurement (the Minister) and the Government of Canada is the sole shareholder of DCC. DCC's Board plays a role in ensuring that DCC's services are delivered effectively and efficiently through a fair, open, transparent and competitive procurement process. Along with the FAA, DCC is also governed by the *Defence Production Act* as well as other federal legislation, including the *Access to Information Act*, the *Accessible Canada Act*, the *Canada Labour Code*, the *Employment Equity Act*, the *Official Languages Act* and the *Privacy Act*, as well as various free trade agreements.

GOVERNMENT OF CANADA PRIORITIES

The role of the Board includes helping the Corporation align its policies and practices with Government of Canada priorities and expectations that are particularly relevant to DCC. These governmental priorities are articulated in the Mandate Letter that the Minister provides to the Chair of DCC's Board of Directors. In addition to these priorities, DCC's President and CEO, as well as the Executive Management Group (EMG), identify potential areas for improvement for the Corporation.

IMAGE: .DCC and DND representatives conducted an information session for local contractors in Yellowknife, Northwest Territories on March 10, 2020. Meeting with industry stakeholders helps to ensure secure, timely and cost-efficient procurement and contract management services for DND.

GOVERNANCE

DCC's Board oversees the Corporation's management of such matters as integrity, values and ethics, strategic planning, and risk. The Board also provides input into DCC's strategic direction; reviews and assesses the appropriateness of DCC's Risk Management Framework; and ensures that DCC continues to demonstrate high ethical standards, openness and transparency in the management of its business affairs.

The members of DCC's Board are independent of DCC management, except for the President and CEO, and the Privy Council Office (PCO) manages the process for all board appointments.

DCC board members reflect Canada's diverse population and have a mix of industry knowledge, skills and experience. The membership of DCC's Board is aligned with the Corporation's Board Profile and includes five male and two female members from various parts of Canada.

Upon their appointment, all DCC board members receive orientation sessions on DCC's business. And at each quarterly board meeting, they have opportunities to clarify their roles and responsibilities. Board members are also encouraged to keep abreast of matters relevant to DCC and to seek out board governance-related educational opportunities, especially those related to federal Crown corporations. DCC is a member of the Institute of Corporate Directors (ICD), and board members may participate in ICD events in their home province or territory.

To assess how the Board is functioning, the Board uses assessment questionnaires. The results of these questionnaires may lead to changes in governance-related processes or documentation. In 2019, the Board conducted an assessment, shared the results with all board members and proposed changes.

Pursuant to the *Defence Production Act*, the Office of the Auditor General of Canada (OAG) is DCC's auditor. The OAG audits the Corporation's financial statements annually and carries out a Special Examination at least once every 10 years. DCC's last such examination was completed in 2016 and DCC has responded to all of the related OAG recommendations.

INTEGRITY AND ETHICS

The *Conflict of Interest Act* sets out requirements for members of DCC's Board of Directors and to help satisfy related obligations, board members must sign an annual declaration confirming they have read the Act and understand its application to their role. This declaration also requires board members to note their adherence to DCC's Board of Directors' Code of Conduct (Board Code). The Board Code sets out the expected standards of conduct that all board members are to follow in the exercise of their duties.

The Board also supports DCC in its efforts to ensure all business is conducted with high ethical standards and integrity. DCC has established an Integrity Management Framework, which includes both DCC's Code of Business Conduct for employees and DCC's Procurement Code of Conduct (PCC) for suppliers. The PCC outlines how DCC expects suppliers to respond to bid solicitations in an open, honest, fair and comprehensive manner. To ensure that suppliers are aware of their obligations, DCC has incorporated specific PCC clauses into its contract documentation. DCC's President and CEO gives the Board of Directors regular reports on matters arising out of the PCC and on employee compliance with DCC's Code of Business Conduct.

All employees must adhere to DCC's Code of Business Conduct. The Code incorporates the *Public Servants Disclosure Protection Act* (PSDPA) and outlines expected behaviours, as well as procedures for disclosing wrongdoing under the PSDPA. Annually, DCC employees are asked to review their obligations and responsibilities under the Code, and to acknowledge their continued compliance. All new employees must complete an online training module and pass a test on the Code. In 2019–20, 100% of DCC's employees responded to the annual request for review, and all new hires completed the mandatory module and test.

STRATEGIC DIRECTION

DCC is to submit a Corporate Plan to the Minister each year, pursuant to the FAA. DCC has a strategic planning process with required activities, timelines and deliverables. A board member is invited to participate in the Corporation's annual Strategic Planning Session for the Senior Management Group. To obtain a broad environmental scan, DCC also invites other stakeholder representatives from government and industry. Once DCC has established corporate initiatives, it updates the Board on its progress toward implementing them and provides the data for the related performance indicators. In addition to reviewing this regular reporting, the Board discusses other topics of interest and relevance to the Board and invites DCC personnel to present on various topics.

Board Strategic Planning Sessions were held in 2019–20, and the Chair of the Board participated in DCC's annual Strategic Planning Session. In 2019–20, the Board reviewed DCC's draft 2020–21 to 2024–25 Corporate Plan and ensured that it properly identified DCC's ongoing support of Government of Canada priorities and expectations. The Board approved this document at its meeting in December 2019.

RISK MANAGEMENT

The Board receives regular reports on DCC's risk management practices pursuant to the Corporate Risk Management Framework. The Board is responsible for ensuring that principal risks to DCC's business are appropriately identified and prioritized, and that systems and processes are in place to manage them. In 2019–20, the Board reviewed its responsibilities and implemented changes to the way DCC management assessed, identified and reported on risks.

ENGAGEMENT AND COMMUNICATION

Annual public meetings offer a way for the public to communicate with and find out about DCC. DCC held its 2019 Annual Public Meeting on June 6, 2019, after posting a notice on DCC's website 30 days earlier, pursuant to the FAA. Industry association heads and members were invited to participate, and DCC employees were also encouraged to attend. At this meeting, the Chair of the Board and the President and CEO presented information on DCC's activities and financial results.

The Board also engages with DCC employees at DCC offices across Canada. Activities include attending presentations on topics of interest, touring sites and facilities, and pursuing innovative information-sharing opportunities. Through these activities, board members learn more about DCC and how it delivers services

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 with a total contract value of $75 million. The Corporation plans to award an additional five contracts by 2020–21, with a total contract value forecasted to exceed $130 million.

to its Client-Partners, which helps the Board fulfill its responsibilities. In 2019–20, the Board met in Ottawa in June and December 2019; at CFB Halifax in September 2019; and at CFB Petawawa in March 2020. At these meetings, board members also held informal gatherings with DCC staff and with representatives of DCC's Client-Partners.

CEO PERFORMANCE

The Privy Council Office (PCO) is responsible for the Performance Management Program for Chief Executive Officers of Crown Corporations and provides guidance regarding the administration of this program. In following this process and ensuring that performance objectives for DCC's President and CEO are specific, measurable, achievable, relevant and time limited, DCC's Chair of the Board collaborates with members of the Governance and Human Resources Committee and with board members. The entire Board reviews the performance objectives to clearly link them to DCC's Corporate Plan initiatives and to the corporate priorities articulated by PCO.

PCO articulated the following key 2019–20 corporate priorities for CEOs in relation to healthy and inclusive workplaces: 1) to continue building and sustaining a healthy workplace and specifically demonstrate further progress against all three pillars of the Federal Public Service Workplace Mental Health Strategy; and take meaningful action on harassment and discrimination; and 2) to continue efforts to increase the social and cultural diversity of the workforce, and foster the inclusion of a broad range of voices and views in governance and decision-making. Details on how DCC's President and CEO supported these corporate priorities are provided under the People planning theme, Employee Wellness and Diversity, and Employment Equity sections of this Annual Report.

BOARD COMMITTEES

DCC's Board has two committees that help the Board carry out its responsibilities: an Audit Committee, and a Governance and Human Resources Committee. As required by 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. 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 2019–20 are noted below.

Audit Committee

Chair: Stephen Burbridge
Members: Moreen Miller and Cynthia Ene

This Committee met four times in 2019–20 (June, September, December and March).

Further to its charter, the Audit Committee assists the Board with overseeing DCC financial and management controls, and to ensure that DCC's information systems and management practices are appropriate for the Corporation. These systems and practices should be 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.

DCC's internal audit plans help ensure that internal audits have identified key areas of interest. The Audit Committee reviews these plans and receives regular reports on the status of recommendations arising out of the audits. The Audit Committee also 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

In 2019–20, the Audit Committee's activities included reviewing DCC's financial results; reviewing and approving 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; 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 (until July 12, 2019) (*ex officio*), Mélinda Nycholat (July 13, 2019, to September 8, 2019) (*ex officio*) and Derrick Cheung (as of September 9, 2019) (*ex officio*)

This Committee met five times in 2019–20.

The Charter of the Governance and Human Resources Committee outlines the duties and responsibilities of this Committee, which include: assisting the Board identify best practices related to governance, trends and issues; assessing 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

In 2019–20, the Governance and Human Resources Committee's activities included reviewing DCC's Human Resources Strategic Plan; reviewing updates on the status of DCC's Workplace Wellness and Mental Health Strategy, Diversity and Inclusion Strategy, and various human resources policies; reviewing the results of the Compensation and Benefits Study; updating the board assessment and board evaluation tools; reviewing legislation applicable to DCC; receiving updates on the activities of DCC's Access to Information and Privacy Office; and confirming that its charter and work plan remain appropriate.

Attendance

Chart 1 notes board member attendance at board and committee meetings in 2019–20. 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 for members of the Board of Directors of DCC is set out in the Privy Council Office Orders in Council. Although the President and CEO serves as a board member, he or she receives no additional compensation for this role. 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 includes an annual retainer of between $3,200 and $3,800, and a per diem of 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	12/12	4/4	6/6
Anderson, Steve	12/12	—	6/6
Burbridge, Stephen	11/12	4/4	—
Ene, Cynthia	11/12	4/4	—
Lloyd, Claude	11/12	—	6/6
Watt, Angus	12/12	—	6/6
Cheung, Derrick[1]	4/4	—	2/2
Nycholat, Mélinda[2]	2/2	—	1/1
Paul, James[3]	3/3	—	3/3

[1] Mr. Cheung was appointed DCC's President and CEO effective September 9, 2019.

[2] Ms. Nycholat was appointed DCC's Acting President and CEO effective July 13, 2019, to September 8, 2019.

[3] Mr. Paul departed DCC on July 12, 2019.

Board of Directors

CHAIR OF THE BOARD

MOREEN MILLER

Ms. Miller's career spans over 30 years in various roles in the mining, aggregates and construction industry. 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, community affairs and sustainable development initiatives.

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 Planning with the St. John's Airport Authority. Mr. Burbridge is a retired member of the Canadian Armed Forces 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, and project management and development.

DERRICK CHEUNG

Mr. Cheung is a seasoned executive who has extensive business experience, with expertise in infrastructure, defence and energy industries. He has demonstrated proficiency in maximizing productivity and championing operational excellence. Before his appointment as DCC's President and CEO, Mr. Cheung held high-level positions with multinational companies in various industries, including defence (infrastructure, equipment, materiel, environment and real property), transportation (air, rail, marine and public transportation), infrastructure (roads, bridges and public works), real estate and energy. Mr. Cheung holds a Master of Laws (International Business), a Master of Business Administration and a Master of Arts (Leading Innovation and Change), as well as numerous industry certifications.

CYNTHIA ENE

A professional engineer, Ms. Ene has experience in managing large infrastructure projects in Canada's North. She is currently the managing director of Illu Inc., a Nunavut-based firm in the services industry. In her role, she has been pivotal in the company's expansion into the field of research and development, particularly in renewable energy solutions. She has specialized experience in northern infrastructure projects that strengthen Canadian communities, including expertise in developing strategic financial plans. Ms. Ene holds a Bachelor of Chemical Engineering from McGill University and a Master of Business Administration from the Rotman School of Management at the University of Toronto.

CLAUDE LLOYD

Mr. Lloyd is President of SEE Sustainability Ltd. and has over 25 years' teaching experience. He is a part-time professor in the fields of ethics and environmental engineering. Mr. Lloyd has also served on numerous boards and committees for organizations such as the Ottawa Community Housing Corporation. He has extensive experience overseeing the management of housing, land and infrastructure assets for charity, non-governmental and public organizations. He holds a Bachelor of Environmental Studies from the University of Waterloo and a Mechanical Engineering Technologist diploma from Humber College.

ANGUS WATT

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 of Public Administration from Auburn University and a Master of Business Administration 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

Derrick Cheung, LL.M., MBA, MA

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Mr. Cheung is a seasoned executive who has extensive business experience, with expertise in infrastructure, defence and energy industries. He has demonstrated proficiency in maximizing productivity and championing operational excellence. Before his appointment as DCC's President and CEO, Mr. Cheung held high-level positions with multinational companies in various industries, including defence (infrastructure, equipment, materiel, environment and real property), transportation (air, rail, marine and public transportation), infrastructure (roads, bridges and public works), real estate and energy. Mr. Cheung holds a Master of Laws (International Business), a Master of Business Administration and a Master of Arts (Leading Innovation and Change), as well as numerous industry certifications.

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 as a Junior Engineer at the Gagetown Site Office. Since then, she has served the Corporation in various capacities and locations across the country. She served as Director, Contract Services, prior to her promotion to Vice-President, Operations—Procurement. She holds a Bachelor of Engineering (Civil) from l'Université Laval. She sits on the board of directors of the Canadian Public Procurement Council, is an owner representative on the Canadian Construction Documents Committee, and for several years sat on the steering committee of the Institute for BIM in Canada and as a member of the Treasury Board Advisory Committee for Construction Contracts.

Ross Welsman, P.Eng.

VICE-PRESIDENT, OPERATIONS—BUSINESS MANAGEMENT

Mr. Welsman holds a Bachelor of Science in Mathematics degree and a Bachelor of Engineering (Civil) degree from Memorial University of Newfoundland. He joined DCC in 1983 as a Project Engineer and over a five-year period worked at three different bases including the coast of Labrador. Mr. Welsman left DCC in 1988 and worked 15 years in the private sector in the heavy civil construction and environmental remediation industries. He rejoined DCC in 2003 as the Area Engineer for the Atlantic Region and was appointed the Atlantic Regional Director in 2006. He transferred to Ottawa in 2011 as the Regional Director for the National Capital Region and was promoted to Vice-President, Operations—Business Management in November 2015.

Juliet Woodfield, FCPA, FCA

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

Ms. Woodfield joined DCC's Executive Team in September 2016. She brings more than 20 years of public and private sector experience, and was most recently Vice-President, Corporate Services, and Chief Financial Officer at the Canadian Environmental Assessment Agency. She has worked with a variety of government organizations and has also served as the Deputy Chief Financial Officer of the North Atlantic Treaty Organization (NATO) Security Investment Program in Brussels, Belgium. She is a Chartered Professional Accountant (CPA) Ontario Fellow and holds a Bachelor of Commerce degree from the University of Calgary.

DIRECTOR TEAM

Dave Burley, GSC

NATIONAL DIRECTOR, CONTRACT MANAGEMENT AND REAL PROPERTY MANAGEMENT SERVICES

Mr. Burley joined DCC in 2002 as a Contract Coordinator at CFB Kingston, Ontario. In 2004, he was promoted to Manager, Site Operations, and subsequently held positions as Area Manager and Manager, Construction Services, for the Ontario Region. In 2012, Mr. Burley transferred to Ottawa, where he was appointed National Director, Contract Management and Real Property Management Services. He is a member of a federal prompt payment working group to improve payment practices throughout the construction industry and is an owner representative on the Canadian Construction Documents Committee. Mr. Burley is a Civil Engineering Technologist and holds a Canadian Construction Association Gold Seal Certified designation.

Nicolas Forget, M.Sc.

REGIONAL DIRECTOR, QUEBEC

Mr. Forget, who holds a Master of Science from l'Université de Montréal, joined DCC in 2001 as Coordinator, Environmental Services, in the Quebec Regional Office. With Unexploded Ordnance (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.

Charles Fuller, B.A.Sc., PMP

NATIONAL DIRECTOR, PROJECT AND PROGRAM MANAGEMENT SERVICES

Mr. Fuller joined DCC in 2008 as a Program Support Officer in Ottawa. He was promoted a year later to Team Leader, Program Management, in support of Canadian Army infrastructure. In 2017, he assumed the role of Site Manager for the Ottawa Site. Subsequently, he was appointed Regional Service Line Leader for Project and Program Management Services for the National Capital Region. Mr. Fuller was an infantry soldier in the Canadian Army Reserve for 17 years, and he holds a degree in Industrial Systems Engineering from the University of Regina and a Project Management Professional certificate. He was promoted to National Director, Project and Program Management Services, in 2020.

John Graham, P.Eng., PMP

REGIONAL DIRECTOR, ONTARIO

After graduating from Lakehead University in 1988 with a Bachelor of Engineering (Civil) degree, Mr. Graham joined DCC as a Junior Engineer in the Kingston office. Since that time, he has worked in numerous positions, including Project Engineer in Petawawa and Trenton, and Construction Manager on the DEW Line Clean-Up project in Tuktoyaktuk, Northwest Territories. In 1998, he attained his Project Management Professional designation, becoming the Area Engineer for Ontario Region the following year. In 2008, Mr. Graham assumed the role of Manager, Business Operations, Ontario Region, and he was appointed Regional Director, Ontario, in 2009.

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.

Elizabeth Mah, P.Eng., GSC, PMP

REGIONAL DIRECTOR, NATIONAL CAPITAL REGION

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

Kimberly Morgan, CHRL

ACTING DIRECTOR, HUMAN RESOURCES

Ms. Morgan joined DCC in 2011 following a 25-year career in the private sector in the financial services, health care and professional services industries. Before taking on the role of Acting Director, Human Resources, in 2020, she worked as Advisor and Manager of Compensation and Benefits. Ms. Morgan earned her certificate in Human Resources Management from Fanshawe College in London, Ontario, and holds a Certified Human Resources Leader designation from the Human Resources Professionals Association.

Kevin Petit-Frère, CPA, CA

DIRECTOR, FINANCE

Following 10 years in finance—including audit, financial reporting and financial advisory positions—Mr. Petit-Frère joined DCC in January 2020. He has a strong knowledge of Canadian and international accounting standards, along with solid experience in researching and dealing with complex accounting issues. Mr. Petit-Frère holds a Bachelor of Commerce (Honours) degree in accounting from the Telfer School of Management at the University of Ottawa, and is a Chartered Professional Accountant with the Institute of Chartered Accountants of Ontario. He is a part-time accounting and business professor at the University of Ottawa and Carleton University.

Mélanie Pouliot, P.Eng.

NATIONAL DIRECTOR, CONTRACT SERVICES

Ms. Pouliot began her career in the private sector as an engineer. She joined DCC in 2007 as a Contract Coordinator for the National Capital Region in Ottawa. In 2009, she was promoted to Team Leader, Contract Services, where she led a team responsible for procurement plans for DND's capital infrastructure program. Ms. Pouliot subsequently transferred to Head Office as a Technical Specialist, Procurement, where she focused on delivering public-private partnerships. She was promoted to National Director, Contract Services, in 2017. Ms. Pouliot holds a Bachelor of Applied Science (Chemical Engineering) from the University of Ottawa and is a member of Professional Engineers Ontario.

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.

Grant Sayers, C.E.T.

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, Atlantic, 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 Environmental Services and holds a Bachelor of Engineering degree from the Technical University of Nova Scotia.

Navpreet Uppal, B.Eng.

DIRECTOR, INFORMATION TECHNOLOGY

Ms. Uppal joined DCC in 2005 following an eight-year career in the private sector. She began as an Application Developer and transitioned into the role of Business Analyst. In 2016, Ms. Uppal was promoted to Manager, Applications Support, leading the team supporting the enterprise resource planning and business intelligence applications. In 2019, she was appointed Director, Information Technology. Ms. Uppal holds a Bachelor of Engineering (Mechanical) degree from Punjabi University, Punjab, India.

SECTION OVERVIEW: Corporate Profile + Delivering Value for Canada + Strategic Initiatives + Strategic and Operational Performance Indicators + Risk Management + Financial Performance + Outlook

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, and the Communications Security Establishment. 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.

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 program management, 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. Since 1951, 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 engages 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 36 site offices located at CAF bases, wings and area support units. In 2017, DCC opened an 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 a temporary remote office in the North for the Nanisivik Naval Facility infrastructure project in Nunavut.

In addition to working in Canada's Far North, DCC has deployed personnel alongside the CAF over the years. In 2019–20, DCC deployed employees to Operational Support Hub—Kuwait to meet CAF infrastructure requirements for Operation Impact and to Latvia to support Operation Reassurance.

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 Enterprise Data Centre at Canadian Forces Base (CFB) Borden. Additionally, DCC supports the country's North Atlantic Treaty Organization allies with

NORTHERN FACILITIES MAINTENANCE AND SUPPORT SERVICES

DCC opened a new office in Yellowknife in November 2017 to support CAF infrastructure requirements in the North. The Corporation is managing 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.

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 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 avoid fraud.

In 2019–20, DCC awarded 1,183 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. In 2019–20, DCC made 695 verification requests and successfully verified 100% of the successful bidders on applicable 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 relationships 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, the 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 ensure 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 *40th 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 of Canada'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 improve industry access, increase competitiveness and enhance service delivery. DCC also collaborates with DND and industry to develop and implement innovative solutions to delivering projects.

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: People, Service Delivery, Business Management, and Leadership and Governance. DCC's strategic priorities under those themes are, respectively, to build and sustain an engaged workforce, meet Client-Partner requirements, have robust business management tools, and demonstrate strong leadership. This section summarizes DCC's progress in 2019–20 on initiatives under these themes.

Theme: People
Objective: To build and sustain 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 DCC's ability to recruit and retain people.

There were four initiatives for the 2019–20 planning period: implement the new Human Resources Strategic Plan; implement the Diversity and Inclusion Strategy, and the Workplace Wellness and Mental Health Strategy; implement the employee engagement survey action plan; and conduct a comprehensive compensation survey.

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. DCC began implementing the new five-year Human Resources Strategic Plan in 2019–20 by introducing a new business partner model, where each region has its own human resources generalist who focuses solely on supporting the human resources needs of that region. A recruitment component of the strategy focused on greater social media outreach. In addition, the Corporation launched a new student program dedicated to making DCC an employer of choice while increasing the available future pool of talent on which DCC can draw.

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 Multi-National Headquarters Building, due to be completed in June 2020. DCC is also providing support for multiple construction projects at the Operational Support Hub— Kuwait. Primarily, DCC is contracting for and managing the lease and installation of various power generation services.

DCC's Diversity and Inclusion and Workplace Wellness and Mental Health strategies concluded in 2019–20. The three-year initiatives and their associated activities have had a positive impact on the culture, health and wellness of people at DCC. Participation in activities such as the DCC Women's Information Network, international luncheons at DCC sites across Canada and the Virgin Pulse Global Challenge remained high among employees. For example, DCC ranked first overall among all Canadian government organizations that participated in the Virgin Pulse Global Challenge.

Further, DCC conducted disability management training during the year, and all employees completed the Women and Gender Equality Gender-Based Awareness training. Phase Two of the Diversity and Inclusion and Workplace Wellness and Mental Health strategies and action plans will be developed during the 2020–21 planning period.

Based on results from the 2017 employee engagement survey, the Executive Management Group and regional directors developed action plans that focus on opportunities for improvement on key engagement drivers. Activities such as human resources training for supervisors, an updated new employee orientation, a mentorship program, career management tools, and increased communication of the Corporation's priorities and expectations will be implemented in 2020–21.

DCC conducted a benchmarking study of compensation practices in 2019–20 to help ensure that employee compensation remains comparable with industry standards and provides value to the Crown. Work will progress during the 2020–21 planning period to respond to the results of the study.

Theme: Service Delivery
Objective: To deliver innovative, value-added services that meet Client-Partner requirements.

For the 2019–20 planning period, there were six initiatives related to service delivery: support DND in its program delivery and IE portfolio optimization; support DND's greening defence initiatives; implement e-procurement for requests for proposals; implement innovative procurement and project delivery options; respond to recommendations arising out of the Audit of Contract Management; and integrate new federal prompt payment legislation.

DCC continues to support the defence infrastructure modernization initiative in two ways: by helping develop real property program and procurement plans, and their associated tracking tools; and by working with DND to develop data collection and other tools to improve the consistency of requirements for managing facilities maintenance services.

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. DND aims to reduce the greenhouse gas emissions of its real property portfolio by 40% from 2005 levels by 2030. DCC is supporting DND in meeting its environmental goals. As DND strives to reduce its energy use and environmental impact, DCC's support continues to grow.

The Defence Energy and Environment Strategy includes 18 targets for energy and environmental action, and DCC is supporting programs and projects in all these areas and more. DCC has awarded four energy performance contracts on behalf of DND, with an additional five contracts forecasted for 2020–21.

Further, DCC is helping DND plan and build net-zero buildings that run almost completely off the grid due to geothermal heating and separate water treatment and septic systems. DCC is also working with DND to reduce the number of contaminated DND sites under the next phase of the 30-year Federal Contaminated Sites Action Plan.

DCC has implemented the final phase of its e-procurement initiative, which expands its e-procurement services to requests for proposals. DCC adopted the online electronic bidding capability to enhance industry access and to allow the Corporation to manage the tendering process more accurately and efficiently from beginning to end. The final phase allows architecture and engineering firms to submit their proposals electronically using e-bids. This milestone was the culmination of several years' work for DCC, an industry leader in e-procurement.

Activities to develop and enhance innovative procurement and delivery options continued throughout 2019–20. DCC's first pilot project using integrated project delivery—also a first for the federal government—supports the modernization of procurement practices in Canada. The five-party contract for the construction of the $70-million Royal Canadian Dragoon facilities at 4th Canadian Division Support Base Petawawa is a shift in defence construction that enhances collaboration, flexibility, cost predictability and value for the Crown. The facility has reached key validation, design and costing milestones, and construction is moving forward in spring 2020.

Further, DCC has advanced its modified design-build contract documents to introduce more flexibility to incorporate multiple phases of work, while ensuring greater contract integrity and strengthened provisions for higher-value contracts. DCC made these efforts to prepare for the significant infrastructure procurement contracts that will be needed to help the Royal Canadian Air Force accommodate new aircraft acquired through the Future Fighter Capability Project.

In 2019–20, DCC responded to recommendations arising out of the Audit of Contract Management: Change Management and Issues Resolution (under $100,000). Although the audit identified no specific instances of fraudulent activity, it pinpointed opportunities for DCC to strengthen fraud awareness training within the Contract Management service line and to continue to invest in data analytics. Accordingly, the service line updated its *Contract Management Operations Manual* to include a section on fraud prevention, detection and reporting in contract management. DCC employees who manage contracts were required to complete fraud awareness training to help them understand, prevent and detect fraud vulnerabilities in their day-to-day operations. The Contract Management service line also engaged with industry and academic institutions to start building an artificial intelligence capacity within DCC that will initially focus on identifying potential fraudulent contract management practices.

DCC worked to integrate the requirements of the new *Federal Prompt Payment for Construction Work Act* into its procurement and contract management processes. The Act, which addresses the non-payment of contractors and subcontractors performing construction work for federal construction projects, was passed on June 21, 2019. Subsequently, DCC provided input to an advisory policy working group deliberating potential regulations to support the Act and its implementation. DCC awaits the final announcement of the regulations.

DCC also continued to explore procurement tools and options that will support businesses owned by Indigenous people, in addition to the Aboriginal Procurement Set Aside. DCC will work to develop a joint DCC-DND Indigenous Procurement Strategy in 2020–21 to strengthen DND's efforts to engage Indigenous businesses, and to support the Government of Canada's priority to continue efforts to provide business opportunities for Indigenous peoples and companies.

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

Under the theme of business management, DCC identified four initiatives for the 2019–20 planning period: respond to recommendations arising out of the Audit of Information Management: Records and Document Management; respond to the Audit of the Corporate Performance Management Framework; identify enterprise resource planning (ERP) business requirements; and implement DCC's Information Technology Strategy for cloud computing solution and cyber security.

In 2019–20, DCC continued its efforts to further enhance and optimize its records and document management system by fully embracing a digital workplace. Given the nature of its business and the importance of documentation, accurate record-keeping and easy access to archives are priorities. Refinements to the currently online system, as well as user training, will continue in 2020–21, as this initiative enters its final phase of implementation.

Following the preliminary Audit of the Corporate Performance Management Framework, a third-party audit team determined that DCC has suitable corporate guidance in place to direct measurement and management activities and practices across the organization. Semi-annual reviews of DCC's key performance indicators ensure the effectiveness and efficiency of DCC's performance.

Like many organizations, DCC wants to have up-to-date, reliable, accurate and efficient systems to manage its business. Robust, dependable and easy-to-use information technology (IT) systems are key to a positive work environment. For 2019–20, work began to identify DCC's business requirements for an improved ERP system. Next, DCC will create a resource and governance plan to improve the Corporation's digital business capability. DCC expects to replace its current ERP system over the next five to eight years.

The IT Strategy progressed into the third year of its 10-year planned implementation. During the year, DCC reached a significant milestone when it finished migrating its existing

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.

computing environment to a secure external cloud solution. This plan to modernize DCC's IT infrastructure will ensure that the Corporation keeps pace with its industry and government partners in the use and application of technology for infrastructure and environment services. The schedule for this initiative was accelerated dramatically due to a cyber incident in September 2019 that disrupted DCC's IT systems. DCC was able to recover and restore its IT systems quickly, since most of the project work had already been completed on the secure cloud and managed services project. Subsequent phases of the IT Strategy are proceeding as expected. The Executive Management Group monitors the progress of the IT Strategy and receives reports on it regularly during DCC's monthly IT Steering Committee meetings.

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

For the 2019–20 planning period, the Senior Management Group identified three initiatives under the Leadership and Governance theme that continue from the previous 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 continued to be very active in engaging Client-Partner leaders as staffing changes occurred. 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.

In 2019–20, DCC completed its response to the OAG's Special Examination, which included monitoring DCC's corporate risk register and streamlining DCC's filing system for online document management.

Throughout the planning period, DCC applied continuous improvement measures to its already-robust fraud awareness, detection and prevention activities. In 2019–20, it continued to apply digital analytics to detect incidents of fraud and collusion in procurement as the technology evolved. DCC also maintained education and awareness activities among procurement staffers. DCC continued to collaborate with the Competition Bureau to mitigate the Government of Canada's risk of procurement fraud. The Corporation also published its Fraud Risk Management Strategic Plan, which outlines DCC's current fraud-related systems and practices, and identified specific actions and initiatives to be explored. DCC's Contract service line updated relevant operations manuals with content related to fraud awareness, prevention, controls, processes and procedures.

DCC identified one additional initiative for 2019–20 under this planning theme: respond to recommendations arising out of the Audit of Financial Management: Internal Control Framework. In 2019–20, the Corporation prepared a summary of financial management activities it carried out throughout the year, along with a summary of its financial and internal control environment.

4.0 STRATEGIC AND OPERATIONAL PERFORMANCE INDICATORS

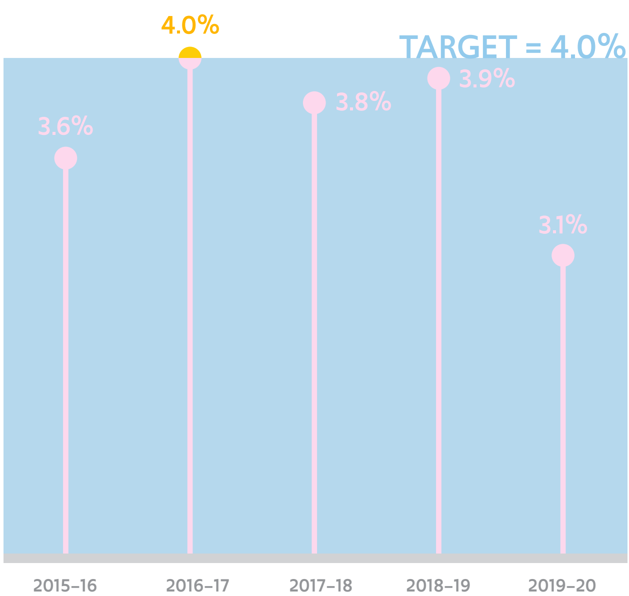
4.1 People

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

In 2019–20, the actual percentage was 3.1%, a decrease from 3.9% in the prior year. The amount spent on training and development fluctuates from year to year, depending on the timing of professional development activities in various regions. Lower-than-expected training and development costs were incurred this year due to the change in the timing of the national Leadership Development Forum to 2020 from 2019, as well as to the effort to recover time lost during the cyber incident..

PROFESSIONAL DEVELOPMENT TO SALARY COST RATIO



INNOVATION RESULTS

For over 10 years, DCC has been promoting and inspiring innovation among employees. The Corporation's innovation program, innoviCulture, encourages and tracks innovation in the workplace. To get a sense of employee engagement in the program, DCC tracks participation. Employees can use an online module called the inCubator to submit their ideas. This system also tracks the flow of ideas submitted by employees, from evaluation through implementation. In 2019–20, employees submitted 142 ideas. DCC has fully carried out 14 of these ideas, with five more in the implementation stage and 58 others under review.

The innoviCulture Committee aimed to have 10% of all employees participate in the innoviCulture program. At fiscal year end, the participation rate was 43.7%, a significant increase from 23% in 2018–19. The 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.

In 2019–20, the committee focused on the number of hours that employees allocate to the innovation program, establishing a national target of 1,950 hours per year. Employees surpassed that target by 9.2%, allocating a total of 2,129 hours to the program. The committee also continued efforts to refine and upgrade the flow of ideas into the inCubator, and it improved reporting functions to allow greater collaboration among site representatives and their teams.

DCC's quarterly *innoviNews* newsletter continued to feature news about innovation and the innovative work DCC employees do.

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.

Since 2017, DCC has been implementing its three-year Workplace Wellness and Mental Health Strategy and accompanying action plan to foster employees' physical and mental health, safety and well-being. During that time, employees have participated in mental health training, and managers received The Working Mind training designed by the Mental Health Commission of Canada, which promotes mental health and reduces the stigma around mental illness in the workplace. In 2019–20, all DCC supervisors received disability management training, which provided an overview of employee health and wellness policies, programs and resources. These include DCC's absence support program, long-term disability, worker's compensation and return to work plans. Further, the Corporation has continued to align itself with the Mental Health Commission's National Standard for Psychological Health and Safety. The standard is a set of voluntary guidelines, tools and resources intended to help organizations promote mental health and prevent psychological harm at work. DCC expects to finish adopting all components of the standard in the next planning period.

For the second year in a row, DCC employees were invited to participate in the Virgin Pulse Global Challenge. Over 60% of DCC employees registered to participate in the team-based adventure, which aims to improve physical and mental health and well-being. Results were extremely positive, with DCC ranking as the most active government organization in Canada. DCC's online mental health pledge also gave employees an opportunity to demonstrate their ongoing commitment to sharing responsibility for building a healthy and safe workplace.

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 2019–20, DCC increased the entitlement available under its bereavement leave for employees and improved flexibility in the timing of that leave; made its compressed work arrangement policy more flexible; improved its compassionate care leave for critically ill or injured adults, and for victims of family violence; eliminated the three-month waiting period for benefits for new employees; and launched a new alternative work arrangement program that allows employees to request a flexible work arrangement.

DCC human resources policies and practices support a barrier-free work environment for all employees and specifically 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 47.3 sick leave hours (6.31 days) per full-time equivalent (FTE), almost no change from 47.4 sick leave hours (6.32 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 2019–20 with a rate of 92.0%. 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

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 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.

designated groups in each occupational group. Each employer reports annually on its progress in achieving a workforce that is representative of the designated groups.

DCC 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. In 2017, the Corporation developed a three-year Diversity and Inclusion Strategy and accompanying action plan to help it meet its commitment to having a diverse workforce that reflects the communities where DCC works and to providing equal opportunities for all employees.

In the final year of the action plan, DCC's diversity-related activities included broadcasting two additional DCC Women's Information Network videos; promoting an international lunch at all DCC sites; attending events focused on ways DCC can keep partnering with Indigenous communities and recruit more Indigenous students; offering training designed by the Mental Health Commission of Canada, the Canadian Centre for Diversity and Inclusion, and the Department of Women and Gender Equality; and updating human resources-related policies and processes that promote greater diversity and apply a gender-based lens. In 2020–21, DCC will be developing the second phase of the Diversity and Inclusion Strategy and action plan to build on the positive results of the program's first phase.

DCC supports the Government of Canada's commitment to gender-based analysis (GBA). In 2019–20, all DCC employees completed gender-based awareness training. This training helped DCC employees develop a broader understanding of sexual diversity and gender; showed them how they can foster a respectful and inclusive workplace; and made them aware of their rights and responsibilities as members of the DCC team. As well, during the year, DCC conducted its annual *Count Yourself In!* campaign. All DCC employees were asked to complete an online employment equity and diversity questionnaire. The data collected will help DCC to increase the accuracy of employment equity information and to target its efforts to remove possible barriers in its recruitment, hiring, training, retention and promotion practices.

DCC's results compare favourably against the labour market availability (LMA) 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. Results indicate that DCC's Indigenous employee population is slightly below the LMA. Consequently, DCC has been engaged in many outreach activities to hire more Indigenous people, especially at the community level, where local site champions lead the effort. Work is underway to develop partnerships with Indigenous organizations and to further engage Indigenous students in DCC's student program.

REPRESENTATION IN THE DCC EMPLOYEE POPULATION

As at March 31, 2020

DESIGNATED GROUP	DCC REPRESENTATION	LABOUR MARKET AVAILABILITY (LMA)
Women	43.4%	12.5%
Visible Minorities	11.4%	9.6%
Persons with Disabilities	5.3%	4.9%
Indigenous Peoples	4.4%	4.5%

LEADERSHIP DEVELOPMENT RESULTS

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

To that end, the Leadership Development Program (LDP) consists of a series of online modules, combined with an in-person forum held once every two years. Participating employees are expected to complete the LDP within five years. To be considered on track to complete the program, they are expected to complete at least six of the online modules in one fiscal year. At year end, 82% of the 197 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. DCC measures the effectiveness of the Corporation's efforts to find and hire the best-qualified candidate for a job. DCC aims to have 85% of all postings filled in the first round of job advertising. In 2019–20, DCC successfully filled 93.0% of job openings using one round of advertising, an increase from 89.5% in the second half of the previous year.

4.2 Service Delivery

SERVICE DELIVERY RATING

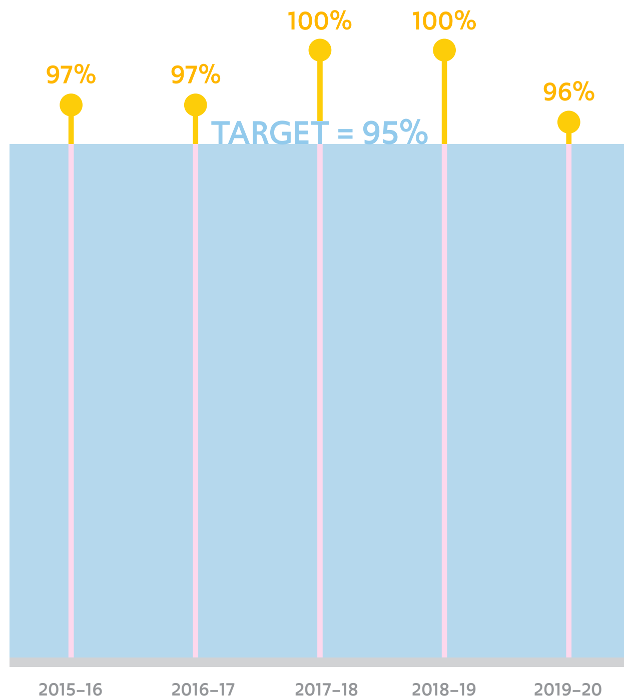
As a service delivery organization, DCC wants to ensure its Client-Partners are satisfied with the quality of its work. Consequently, the Corporation tracks client feedback through a service delivery rating system. DCC administers its work with DND/CAF through service level arrangements (SLAs). Each 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 overall client satisfaction, 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 2019–20, DCC conducted 115 service delivery assessments. The Corporation aims to ensure that 95% of assessments achieve an overall service delivery rating of three or higher. In total, 96% of the overall scores met or exceeded expectations. However, five factors out of the 575 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)



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 provide opportunities for DCC to be an industry leader; keeps DCC informed of new trends and developments in industry practices; offers industry feedback on areas for improvement; and strengthens DCC's collaborative relationships with key industry organizations.

DCC was a founding member of the Institute for Building Information Modelling in Canada (IBC), which has now migrated to buildingSMART Canada (a chapter of buildingSMART International). This organization develops tools and standards to facilitate the coordinated use of building information modelling in Canada. It develops and maintains international standards for building information modelling and works in partnership with community stakeholders. DCC was also a founding member of Canadian Construction Innovations, which amalgamated with the Canadian Construction Association in 2019.

DCC is committed to 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. The *Federal Prompt Payment for Construction Work Act*, which addresses the non-payment of contractors and subcontractors performing construction work for federal construction projects, was passed on June 21, 2019. It will help to ensure the orderly and timely payment of contractors and subcontractors who do construction work related to federal real property. DCC has provided input to an advisory policy working group deliberating potential regulations to support the Act and its implementation. The Corporation will continue to support this legislation.

In addition, the Federal/Industry Real Property Advisory Council (FIRPAC)—of which DCC is a member—provides a forum for the public and private sectors to collaborate 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.

DCC continues to be at the forefront of activities to develop and enhance innovative procurement and delivery options. Announced in January 2019, DCC's first pilot project using integrated project delivery—also a first for the federal government—supports the modernization of procurement practices in Canada. The five-party contract for the construction of the $70-million Royal Canadian Dragoon facilities at 4th Canadian Division Support Base Petawawa is a shift in defence construction that enhances collaboration, flexibility, cost predictability and value for the Crown.

DCC also participates in the semi-annual Canadian Construction Association–Government of Canada joint meeting, typically held at Meech Lake, Quebec. At these meetings, senior leaders of government and industry discuss current and emerging real property issues of mutual importance, such as diversity, social procurement and accessibility, and Indigenous considerations in procurement.

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, the same as last year's rate.

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 2019–20, DCC awarded 99.7% of all contract value through public opportunities, a 0.1 percentage point decrease from last year's volume of 99.8%.

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 4.8 bidders per procurement in 2019–20, an increase from 4.3 bidders in the previous fiscal year.

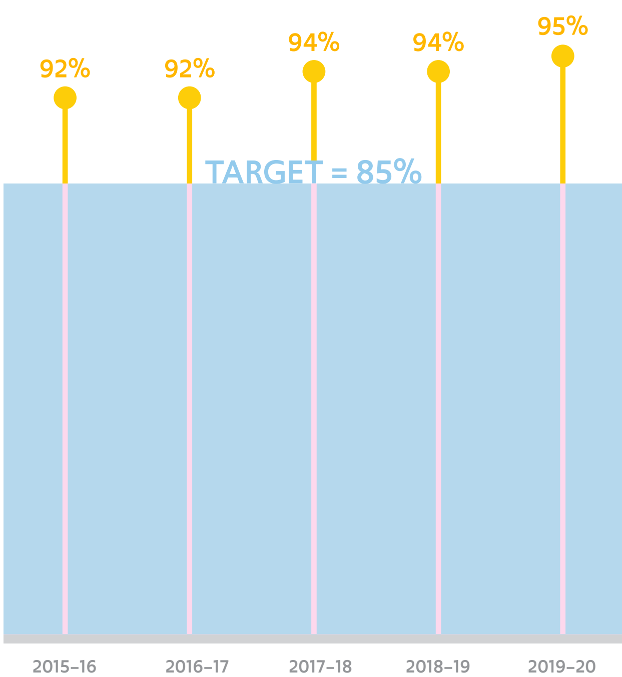
CONTRACT MANAGEMENT RESULTS

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 2019–20, 94.7% of construction contracts were completed on time, consistent with results from the previous year.

TIMELINESS OF CONSTRUCTION CONTRACT COMPLETION

(jobs completed on time)



Negotiated Cost Savings for Contract Changes

During the lifecycle of a project, a request for work to be added to or deleted from the contract's original scope of work 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 2019–20, DCC reviewed 12,739 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 $44.6 million.

Construction Change Order Values

The change in construction award value for 2019–20 was 13.7%, a decrease from the 2018–19 figure of 16.4%. Of the 13.7% change in value, 5.0 percentage points related to design changes and 8.7 percentage points related to site condition changes. Although DCC does not set formal targets for this indicator, it tracks this information to inform clients about project and budget status. Additionally, this information helps both DCC and clients 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	TOTAL CONSTRUCTION CHANGE ORDER VALUES
2015–16	6.7%	5.5%	12.2%
2016–17	7.4%	6.1%	13.5%
2017–18	7.8%	5.9%	13.7%
2018–19	6.5%	9.9%	16.4%
2019–20	5.0%	8.7%	13.7%

LEGAL CLAIMS

The Corporation's efforts to resolve disputes are reflected in the number and value of claims before the courts. As at March 31, 2020, there were 10 ongoing claims totaling $10.3 million and these are related to contracts DCC has put in place on behalf of its Client-Partners. These figures can be compared with 13 ongoing claims totaling $10.4 million as at March 31, 2019.

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. Therefore, the financial risk associated with settling these contractual claims does not have any financial impact on the Corporation, so DCC does not consider it necessary to record any provision in its financial statements relating to these particular legal claims. In addition, as at March 31, 2020, there was one other ongoing legal claim in relation to a grievance with significant monetary damages. Due to uncertainties surrounding the claim, the outcome, timing and extent of settlement, if any, cannot be determined at this time given the early stages of the claim's evaluation. No amount for this claim has been recognized at March 31, 2020.

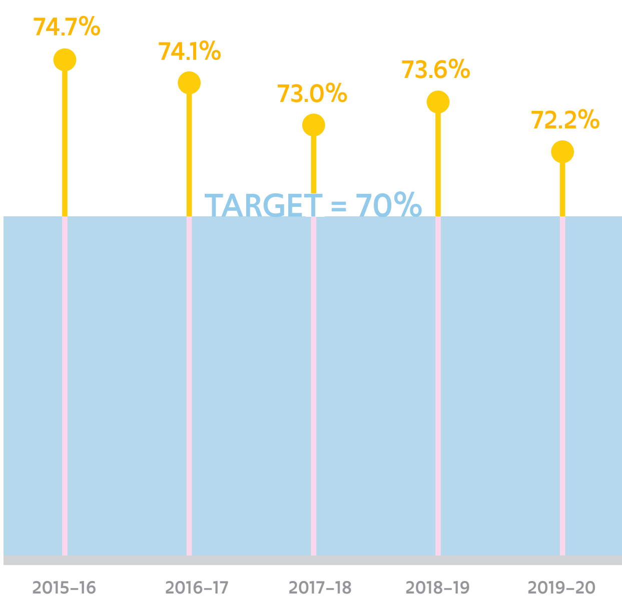
4.3 Business Management

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. The Corporation sets a target to recover 70% of employee salaries through its monthly invoices to its Client-Partners. In 2019–20, the utilization rate was 72.2%—2.2 percentage points above the target, but somewhat below previous years' rates.

UTILIZATION RATE

(percentage of employee hours spent on billable contract work)

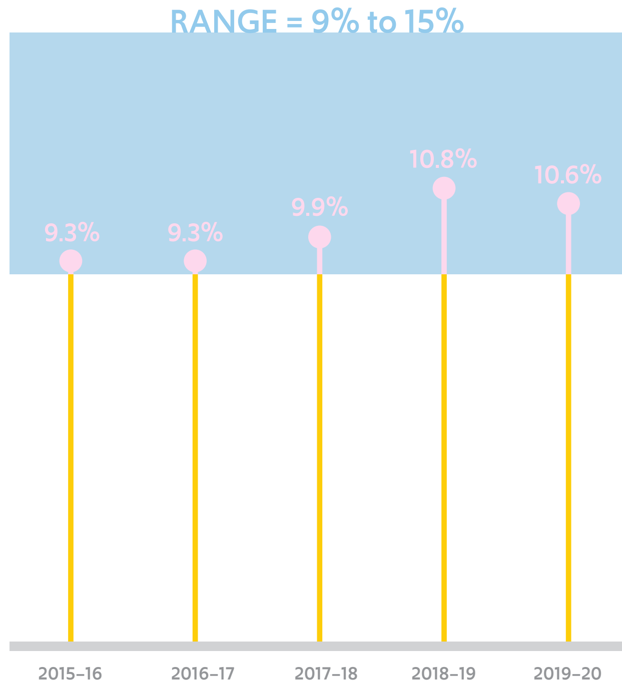


COST OF DCC SERVICE DELIVERY

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 9% to 15% of DND's IE program budget. In 2019–20, the cost of service delivery was 10.6%, a slight decrease of 0.2 percentage points from 10.8% in 2018–19.

COST OF SERVICE DELIVERY

(DCC services revenue as a percentage of contract payments)



OVERALL BUSINESS PERFORMANCE RESULTS

DCC's business results have been positive in an environment of fluctuating Client-Partner program volume, increased project complexity, and evolving business circumstances. In 2019–20, DCC's volume of projects delivered to its main Client-Partner remained consistent from the previous year with no additional cost of service and no compromises in project quality. This is indicative of DCC's strong management capability and leadership.

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, 2020, DCC's overall cash balance was lower than its 2019–20 targeted reserve level of $26 to $29 million, primarily due to lower demand for services, partially offset by lower-than-anticipated costs. The Corporation will increase its billing rate so that it can

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 them. 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.

support operating costs in subsequent years and achieve its 2020–21 target cash balance range of $26 to $33 million, as approved by the Board of Directors in the 2020–21 Corporate Plan.

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 2020–21 Corporate Plan to the Minister of Public Services and Procurement on time, as per sections 122 and 125 of the FAA.

In addition to the FAA, other key pieces of legislation to which DCC is subject include the *Public Servants Disclosure Protection Act, Access to Information Act, Privacy Act, Employment Equity Act, Official Languages Act* and *Canadian Multiculturalism Act.* In 2019–20, 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. DCC responds to all requests in a timely manner. In 2019–20, 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.

DCC CODE OF BUSINESS CONDUCT RESULTS

As mentioned previously in the Governance section of this report (page 20), 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 2019–20, 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 2019–20, DCC verified 695 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 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 2019–20, no worksite environmental incidents resulting from actions of DCC personnel were reported. In total, four environmental incidents were reported—three as a result of contractor activities that involved the accidental release of chemicals and one involving a halocarbon release as a result of equipment wear and tear. None of the incidents occurred as a result of DCC activities. DCC employees reported all four incidents in a timely manner and appropriate follow-up action was taken. This number was considerably lower than the 11 environmental incidents that occurred in 2018–19.

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 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 2019–20, DCC further refined its new consolidated online tool for environmental, health and safety, and security incident reporting. The project team conducted final testing of the tool and expects to roll it out in the upcoming planning period.

In 2019–20, DCC supported DND in its commitment to long-term environmental sustainability by awarding energy performance contracts; providing technical input regarding halocarbon management; supporting the construction of DND's first net-zero-ready facility at CFB Gagetown; helping DND's meet its commitment to reducing its inventory of contaminated sites; and supporting DND's goals related to waste management, in keeping with its greening strategy.

HEALTH AND SAFETY RESULTS

Occupational and operational health and safety excellence remains a priority for DCC. The Corporation continues to maintain an occupational health and safety program focused on continual improvement to ensure that DCC is taking all reasonable precautions to protect the health and safety of its employees.

DCC continues to employ a network of safety professionals across all regions, including employee representatives at each site, and adheres to the Canada Labour Code by maintaining safety committees at DCC sites with more than 20 employees. These committees meet monthly by teleconference to review collective compliance and reporting requirements and to review recent incident reports, 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.

CANADIAN SPECIAL OPERATIONS REGIMENT

CFB Petawawa, Ontario

DCC is contracting for and managing the new $319-million complex for the Canadian Special Operations Regiment (CSOR). The 10-building complex on the Mattawa Plains will provide modern, robust training facilities needed for CSOR to conduct and support a broad range of special operations missions. Facilities include a headquarters building, a gym, an ambulance bay, machine shops, a security hut, vehicle maintenance areas, warehouses, a shooting range and medical facilities.

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 2019–20, there were three lost-time incidents that resulted in a total of 75 lost-time hours (10 days), the equivalent of 0.04% of total employee hours.

DCC continued to implement the Canadian Standards Association's psychological safety standard in 2019–20, by incorporating psychological safety into DCC's hazard awareness and health and safety program. The Corporation will focus on prevention-based ergonomics in the coming year to ensure DCC is providing a healthy and safe work environment for employees. Further, DCC will launch its new incident reporting system to enhance the effectiveness of data and analysis, and help DCC target safety program improvements 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 the Client-Partner's security requirements for a project, which it communicates to DCC during the procurement planning phase. DCC ensures that the industrial security requirements are included in all its procurements and managed appropriately, and 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 industrial or corporate security requirements. In 2019–20, there were five industrial security incidents with one compromise– an increase from zero occurrences in 2018–19; and one corporate security incident with no compromise—the same as the previous year.

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 process approved by Treasury Board of Canada Secretariat, and on the reputational risk DCC will face if the related contracts are improperly procured or managed, or if the work is not delivered on time or 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 2019–20, DCC regularly updated its Corporate Risk Register and successfully managed all identified risks in accordance with the risk mitigation strategies.

6.0 FINANCIAL PERFORMANCE

6.1 Revenue

SERVICES REVENUE

Services revenue for all activities combined was $114.7 million in 2019–20, an increase of $4.3 million or approximately 4% from the previous fiscal year. The increase was mainly due to an increase in billing rates of 3.5% for the year, which was partially countered by a decrease in demand for services from the Client-Partner—DCC had planned for an increase of 6.3% in billing volume that did not materialize. In general, services revenue has a direct correlation to DND's spending on infrastructure and environmental projects. Services revenue increases when the number and dollar value of DND projects increase and decreases when the opposite occurs. The cyclical nature of DND funding has a direct impact on demand for the Corporation's services and its services revenue.

See Table 1

Contract Management

Revenue from Contract Management in 2019–20 represented 43% of total revenue, compared to 44% in the previous year. Contract Management revenue increased by 2% over the previous fiscal year. The higher revenue is a result of the increase in billing rates (which accounted for 3.5 percentage points of the increase), offset partially by lower demand for this service by the Client-Partner (which accounted for 1.5% percentage point decrease). The lower 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.

TABLE 1: REVENUE, BY ACTIVITY

(in thousands of dollars)

	2019–20	2018–19	CHANGE $	CHANGE %
Contract Management	$ 49,600	$ 48,449	1,151	2%
Project Planning	31,446	29,687	1,759	6%
Real Property Technical Support	9,849	9,623	226	2%
Procurement	8,455	8,399	56	1%
Construction Technical Support	8,722	7,835	887	11%
Environmental Technical Support	6,659	6,396	263	4%
	$114,731	**$110,389**	**4,342**	**4%**

Project Planning
Project Planning revenue increased by 6% in 2019–20. The increase over the prior fiscal year was due to the billing rate increase (which accounted for 3.5 percentage points of the rise) and to higher DND demand for this service related to the volume of projects in the planning stage (which accounted for 2.5 percentage points of the rise).

Real Property Technical Support
Real Property Technical Support revenue increased by 2% in 2019–20, due to the billing rate increase of 3.5%, offset partially by decreased demand for services related to facility and portfolio management (which accounted for a 2.5% decrease).

Procurement
Revenue from Procurement increased by 1% in 2019–20, due to the billing rate increase (which accounted for 3.5 percentage points of the rise), offset partially by decreased demand from the Client-Partner of (which accounted for a 2.5 percentage point decrease).

Construction Technical Support
Revenue from Construction Technical Support in 2019–20 increased by 11% over the previous fiscal year, due to the billing rate increase (which accounted for 3.5 percentage points of the rise) and an increase in demand for these services from DND (which accounted for 7.5 percentage points of the rise).

Environmental Technical Support
Environmental Technical Support revenue increased in 2019–20 by 4% over the previous fiscal year, due to the billing rate increase (which accounted for 3.5 percentage points of the increase) and an increase in demand for these services (which accounted for 0.5 percentage points of the increase).

TRAVEL AND DISBURSEMENT REVENUE
Travel and disbursement revenue is the amount the Corporation recovers from DND for travel and expenses DCC incurs related to work it does on DND's behalf. The amount varies, depending on the nature of the work the Corporation is performing for the Client-Partner. Travel and disbursement revenue totalled $3.6 million in 2019–20, a decrease of $281,000 or approximately 7% from the prior year.

TRAVEL AND DISBURSEMENT REVENUE

(in thousands of dollars)

	2019–20	2018–19	CHANGE $	CHANGE %
Travel and disbursement revenue	**$3,550**	**$3,831**	**(281)**	**-7%**

INVESTMENT REVENUE
Investment revenue, which is generated from the Corporation's average cash balance in the bank and from investments, increased in 2019–20 by $326,000 or approximately 46% over the previous fiscal year. The average rate of return generated in 2019–20 from cash and investments was 2.3%, slightly lower than the prior year's average of 2.7%. The increase in investment revenue was mainly due to the gain recognized on the disposition of investments that were used to fund DCC's operations following the cyber incident.

INVESTMENT REVENUE

(in thousands of dollars)

	2019–20	2018–19	CHANGE $	CHANGE %
Investment revenue	**$1,034**	**$708**	**326**	**46%**

6.2 Expenses

SALARIES AND EMPLOYEE BENEFITS
Salaries totalled $83.1 million in 2019-20, an increase of $3.2 million or approximately 4% over the previous fiscal year. The 4% increase was due to an increase in salaries for the year of 3.5% on average, and an increase in the number of full-time equivalents to meet demand from Client-Partners.

Employee benefits totaled $22.4 million in 2019-20, an increase of $1.5 million or approximately 7% over the previous fiscal year. This change was due primarily to changes in the actuarial valuation of employee benefits.

SALARIES AND EMPLOYEE BENEFITS

(in thousands of dollars)

	2019–20	2018–19	CHANGE $	CHANGE %
Salaries	$ 83,063	$ 79,866	3,197	4%
Employee benefits	22,420	20,958	1,462	7%
	$ 105,483	**$100,824**	**4,659**	**5%**
Employee benefits as a percentage of salaries	**26.99%**	**26.24%**		

OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses were $11.2 million in 2019–20, an increase of $1.9 million or approximately 20% over the previous fiscal year. A variety of factors influenced these expenses.

OPERATING AND ADMINISTRATIVE EXPENSES

(in thousands of dollars)

	2019–20	2018–19	CHANGE $	CHANGE %	VARIANCE ANALYSIS
Professional services	2,744	1,637	1,107	68%	The increase was due to the costs of migrating the IT server to the cloud.
Software maintenance	1,155	1,551	(396)	-26%	The decrease occurred mainly because cloud computing was moved to a separate category.
Employee training and development	1,082	1,189	(107)	-9%	Lower-than-planned training and development costs were incurred this year due to the change in the timing of the National Leadership Development Forum to 2020 from 2019 and to the effort to recover time lost during the cyber incident.
Cloud computing services	1,005	96	909	947%	The increase was due to the migration of the DCC servers to the cloud.
Lease location operating costs	1,002	—	1,002	100%	With the adoption of IFRS 16—Leases, accounting for rent and operating costs for 2019–20 changed. Rent expense in prior years included basic rent plus operating costs and taxes. Starting with the current year, basic rent is accounted for as a right-of-use asset with a corresponding liability. The asset is depreciated and no longer included in operating and administrative expenses. The only portions included in operating and administrative expenses are operating costs and taxes.
Telephone and data communications	943	855	88	10%	The increase was primarily due to a higher number of cellular telephone users.
Equipment rental	755	219	536	245%	The increase was due to the fact that DCC now leases employee computing devices instead of purchasing and capitalizing them.
Travel	529	529	0	0%	No difference.
Furniture and equipment	436	161	275	171%	The increase was due to increased purchases of new furniture for the Western, Ontario and Atlantic offices.
Staff relocation	431	120	311	259%	The increase was due to DCC relocating staff to temporary or permanent assignments to meet client demand.
Office services, supplies and equipment	371	280	91	33%	The increase was due to higher requirements for office services, supplies and equipment.
Hospitality	211	200	11	6%	The variance was not material.

OPERATING AND ADMINISTRATIVE EXPENSES (CONT'D)

(in thousands of dollars)

	2019–20	2018–19	CHANGE $	CHANGE %	VARIANCE ANALYSIS
Client services and communications	153	187	(34)	-18%	The decrease was due to timing of communications expenses.
Other	121	62	59	95%	The variance is due to the disposition in the current year of computer assets related to the introduction of the lease program for personal computing devices and the disposition of all site office servers.
Printing and stationery	91	93	(2)	-2%	The variance was not material.
Memberships and subscriptions	63	67	(4)	-6%	The variance was not material.
Recruiting	45	47	(2)	-4%	The variance was not material.
Postage and freight	37	31	6	19%	The variance was not material.
Computer software	30	85	(55)	-65%	The decrease was due to the fact that DCC now leases most employee computing devices, which are pre-loaded with software.
Computer equipment	27	83	(56)	-67%	The decrease was due to lower hardware requirements, since DCC is now leasing computers.
Leasehold improvements	2	10	(8)	-80%	The variance was not material.
Rent	—	1,860	(1,860)	-100%	With the adoption of IFRS 16—Leases, accounting for rent and operating costs for 2019–20 changed. Rent expense in prior years included basic rent plus operating costs and taxes. Starting with the current year, basic rent is accounted for as a right-of-use asset with a corresponding liability. The asset is depreciated and no longer included in operating and administrative expenses. The only portions included in operating and administrative expenses are operating costs and taxes.
	$11,233	**$9,362**	**1,871**	**20%**	

TRAVEL AND DISBURSEMENT EXPENSES

Travel and disbursement expenses are incurred by the Corporation for work it performs on DND's behalf. DCC recovers these expenses by billing the Client-Partner at no mark-up. Travel and disbursement expenses totalled $3.6 million for the year, a decrease of $281,000 or approximately 7% from the prior year.

TRAVEL AND DISBURSEMENT EXPENSES

(in thousands of dollars)

	2019–20	2018–19	CHANGE $	CHANGE %
Travel and disbursement expenses	**$3,550**	**$3,831**	**(281)**	**-7%**

DEPRECIATION AND AMORTIZATION

Depreciation and amortization combined increased by $1.7 million or 152% over the prior year. Depreciation of property, plant and equipment decreased by 49% or $425,000 because the Corporation began leasing personal computing devices instead of purchasing them. The increase of $2.1 million in depreciation of right-of-use assets occurred because DCC adopted IFRS 16 in the current fiscal year. The decrease in amortization of intangible assets was due to lower investment in productivity software for the document management system.

See Table 2

6.3 Net Loss and Total Comprehensive Income (Loss)

The net loss in the current period was $3 million compared with a net loss of $181,000 in the previous fiscal year—an increase of $2.8 million or 1,570%. This loss was mainly due to an increase in salaries and overhead expenses that was only partially countered by an increase in revenue.

TABLE 2: DEPRECIATION AND AMORTIZATION

(in thousands of dollars)

	2019–20	2018–19	CHANGE $	CHANGE %
Depreciation of property, plant and equipment	$ 437	$ 862	(425)	-49%
Depreciation of right-of-use assets	2,221	91	2,130	2,341%
Amortization of intangible assets	81	134	(53)	-40%
	$2,739	**$1,087**	**1,652**	**152%**

Given that the demand for DCC's services decreased from the previous period, the increase in revenue was mainly driven by a 3.5% increase in the billing rate. The increase in net loss led to a lower result than was anticipated in the Corporate Plan, which estimated the loss for the year at $185,000. The decrease in revenue compared to the forecast in the Corporate Plan, was mostly driven by a lower-than-expected demand for DCC's services from the Client-Partner and a lower-than-expected infrastructure and environmental program.

Other comprehensive income decreased from a gain of $6.9 million in 2018–19 to a gain of $457,000 in 2019–20. The actuarial gain in 2019–20 was mainly due to the retirees' increased participation rate in DCC's healthcare plans countered by an increase in the discount rate and a decrease in our premiums.

The total comprehensive loss of the Corporation for the year ended March 31, 2020, was $2.6 million, compared with a total comprehensive income of $6.7 million in the previous fiscal year—a decrease of $9.3 million.

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. Conversely, unexpected decrease in program services could result in margins that are lower than initial targets. Cash levels are constantly monitored, and any cash surpluses judged to exceed operating

TOTAL COMPREHENSIVE INCOME (LOSS)

(in thousands of dollars)

	2019–20	2018–19	CHANGE $	CHANGE %
Net loss	$ (3,023)	$ (181)	(2,842)	1,570%
Other comprehensive income (loss)				
Actuarial gain on employee benefit obligations	457	6,867	(6,410)	-93%
Total comprehensive income (loss)	**$(2,566)**	**$6,686**	**(9,252)**	*****

* The variance was not meaningful.

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, leased equipment, employee training and development, professional services, telecommunications, office supplies, and business travel. DCC also maintains and uses cash to buy computer hardware and software, as well as office furniture and equipment, and to pay for leasehold improvements.

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

CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and investments totalled $25.3 million at March 31, 2020, a decrease of $2.8 million or 10% from the previous year.

The cash balance at March 31, 2020, was $15.7 million, an increase of $5.7 million or 56% from the previous year. In 2019–20, the Corporation spent $152,000 on operating activities, spent $388,000 on capital expenditures, liquidated investments in a net amount of $8.8 million and paid $2.3 million for lease obligations.

Investments (both current and long term) at March 31, 2020, were $9.6 million, a decrease of $8.5 million or 47% from the previous year. The decrease was due to the sale of investments and transfer of the proceeds 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, 2020, DCC's overall cash balance was slightly lower than its 2019–20 targeted reserve level of $26 to $29 million, primarily due to lower-than-anticipated demand for the Corporation's services. With the planned increases in billing rates over the planning period, DCC expects to meet its targeted reserve levels before the end of the planning period.

TRADE RECEIVABLES

Trade receivables are due from the Corporation's clients, mainly DND. At March 31, 2020, trade receivables were $23.7 million, which represented an increase of $2.4 million or 11% over the previous fiscal year. The increase was due to the timing of receipts. All of the trade receivables are assessed to be fully collectible.

CURRENT LIABILITIES

Current liabilities were $20.2 million at March 31, 2020, an increase of $3.6 million or 22% above the March 31, 2019, balance. The increase in current liabilities was due to the timing of payments of suppliers and to the recording of the short-term portion of the lease obligation related to the adoption of IFRS 16 in the current year.

LIQUIDITY AND CAPITAL RESOURCES

(in thousands of dollars)

	2019–20	2018–19	CHANGE $	CHANGE %
Cash and cash equivalents	$ 15,738	$ 10,066	5,672	56%
Investments	9,602	18,104	(8,502)	-47%
Cash, cash equivalents and investments	25,340	28,170	(2,830)	-10%
Trade receivables	23,679	21,321	2,358	11%
Current liabilities	**$20,182**	**$16,607**	**3,575**	**22%**

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. Beginning in April 2021, the sick leave program will be curtailed. Current employees' accumulated sick leave banks will be frozen and they may use them in the future. Sick leave will be replaced by a short-term disability program. The accrual for employee benefits at March 31, 2020, was $30.9 million, an increase of $2.7 million or approximately 10% from the previous fiscal year.

Overall, the liability increased due to current service, interest and curtailment costs being higher than the benefit payments and the actuarial gain. Current service costs and interest charges for the period were $3.3 million and benefits paid were $1.1 million. The actuarial gain was $258,100, due mainly to an increase in retirees' participation in DCC's health care plans and to the curtailment of the sick leave benefits program, offset by lower premiums and higher discount rates.

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 12 to the financial statements describes the actuarial assumptions used in determining the liability. This liability is primarily a non-current one and the Corporation estimates the current payout amount based on the best information available. Although the Corporation has not specifically segregated funds for this obligation, it has sufficient capital resources to meet its employee benefit payment obligations as they become due.

EMPLOYEE BENEFITS

(in thousands of dollars)

	2019–20	2018–19	CHANGE $	CHANGE %
Long-term portion	$ 27,247	$ 25,335	1,912	8%
Less: Current portion	3,666	2,863	803	28%
Total employee benefits	**$30,913**	**$28,198**	**2,715**	**10%**

6.6 Capital Expenditures

The Corporation's capital expenditures for 2019–20 totalled $12.2 million, an increase of $12.1 million or 9,525% from the previous fiscal year. The increase was mainly due to the capitalization of right-of-use assets resulting from the adoption of IFRS 16, an increase in capital purchases of computer equipment and leasehold improvements. The leasehold improvements related mainly to the new Ontario, Western and Atlantic offices.

CAPITAL EXPENDITURES

(in thousands of dollars)

	2019–20	2018–19	CHANGE $	CHANGE %
Right-of-use assets	$ 11,677	$ —	11,677	100%
Intangible assets	13	13	0	0%
Computer equipment	127	41	86	210%
Furniture and equipment	61	68	(7)	-10%
Leasehold improvements	346	5	341	6,820%
	$12,224	**$127**	**12,097**	**9,525%**

6.7 Actual Performance Versus Plan

The following table compares the Corporation's actual performance in 2019–20 with the projections in the Corporate Plan (the Plan). The Corporation's actual performance compared to the Plan was lower than anticipated.

Services revenue for the year was 8% lower than expected, due mainly to a decrease in forecasted demand.

Investment revenue was higher than anticipated in the Plan, due to gains realized from redeeming investments during the year to fund cash shortfalls caused by lower-than-expected demand. Travel and disbursement revenue and expenses were 37% higher than projected in the Plan, due to the timing of expenses for travel and disbursements related to work the Corporation performed on DND's behalf.

Salaries and employee benefits were 5% lower than projected because DCC employed fewer full-time equivalents than anticipated, due to lower-than-expected demand for the Corporation's services.

Operating and administrative costs were 7% higher than projected, due primarily to higher-than-expected costs related to relocation and to implementation of DCC's cloud computing migration.

The net loss was 1,534% larger than forecasted in the Plan, due to the above factors.

Depreciation and amortization were 7% lower than the Plan, due to the timing of acquisition of capital assets in 2019–20.

Capital expenditures were 2% higher than projected, due to the timing of leasehold improvements in 2019–20.

ACTUAL PERFORMANCE VERSUS PLAN

(in thousands of dollars)

	ACTUAL	CORPORATE PLAN	CHANGE $	CHANGE %
REVENUE				
Services revenue	$ 114,731	$ 124,198	(9,467)	-8%
Travel and disbursement revenue	3,550	2,587	963	37%
Investment revenue	1,034	650	384	59%
Lease revenue	885	—	885	100%
Total revenue	**$120,200**	**$127,435**	**(7,235)**	**-6%**
EXPENSES				
Salaries and employee benefits	105,483	111,283	(5,800)	-5%
Operating and administrative expenses	11,233	10,481	752	7%
Travel and disbursement expenses	3,550	2,587	963	37%
Finance costs	218	329	(111)	-34%
Depreciation and amortization	2,739	2,940	(201)	-7%
Total expenses	**$ 123,223**	**$127,620**	**(4,397)**	**-3%**
Loss for the year	(3,023)	(185)	(2,838)	-1,534%
Items of other comprehensive income	457	—	457	100%
Total comprehensive loss	**$ (2,566)**	**$ (185)**	**(2,381)**	**-1,287%**
Capital expenditures	**$ 12,224**	**$ 11,678**	**546**	**5%**

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

(in thousands of dollars)

	2019–20	2018–19	2017–18	2016–17	2015–16
REVENUE					
Services revenue	$ 114,731	$ 110,389	$ 98,858	$ 93,711	$ 84,905
Travel and disbursement revenue	3,550	3,831	2,773	2,234	2,278
Lease revenue	885	—	—	—	—
Investment revenue	1,034	708	728	740	788
	120,200	**114,928**	**102,359**	**96,685**	**87,971**
EXPENSES					
Salaries and employee benefits	105,483	100,824	92,468	91,337	82,007
Operating and administrative expenses	11,233	9,362	8,955	7,709	6,784
Travel and disbursement expenses	3,550	3,831	2,773	2,234	2,277
Depreciation and amortization	2,739	1,087	1,328	1,324	1,248
Finance costs	218	5	8	8	12
	123,223	**115,109**	**105,532**	**102,612**	**92,328**
Loss for the year	**(3,023)**	**(181)**	**(3,173)**	**(5,927)**	**(4,357)**
Other comprehensive income (loss)	457	6,867	(8,128)	371	3,906
Total comprehensive income (loss)	**(2,566)**	**6,686**	**(11,301)**	**(5,556)**	**(451)**
Retained earnings, beginning of the year	11,884	5,198	16,499	30,555	31,006
Dividend	—	—	—	(8,500)	—
Retained earnings, end of the year	**$ 9,318**	**$ 11,884**	**$ 5,198**	**$ 16,499**	**$30,555**
ASSETS					
Cash and cash equivalents	$ 15,738	$ 10,066	$ 3,972	$ 7,022	$ 18,378
Investments	9,602	18,104	18,729	20,230	19,790
Trade receivables, prepaids and advances	25,021	22,808	24,535	20,547	17,433
Other receivables	4,552	1,805	1,954	2,124	2,263
Right-of-use assets	9,456	—	—	—	—
Property, plant and equipment, and assets under finance lease	815	979	1,858	2,551	2,662
Intangible assets	63	131	252	398	601
	$ 65,247	**$ 53,893**	**$ 51,300**	**$ 52,872**	**$ 61,127**
LIABILITIES					
Trade and other payables	$ 15,393	$ 13,664	$ 13,394	$ 13,349	$ 10,404
Lease obligation	9,623	—	—	—	—
Finance lease obligation	—	147	243	314	289
Employee benefits	30,913	28,198	32,465	22,710	19,879
	55,929	**42,009**	**46,102**	**36,373**	**30,572**
EQUITY					
Share capital	—	—	—	—	—
Retained earnings	9,318	11,884	5,198	16,499	30,555
	9,318	**11,884**	**5,198**	**16,499**	**30,555**
	$ 65,247	**$ 53,893**	**$ 51,300**	**$ 52,872**	**$ 61,127**

FIVE-YEAR SUMMARY FINANCIAL INFORMATION (CONT'D)

(in thousands of dollars)

	2019–20	2018–19	2017–18	2016–17	2015–16
CASH FLOWS FROM (USED IN):					
Operating activities	$ (152)	$ 5,782	$ (3,894)	$ (1,290)	$ 972
Acquisition of property, plant and equipment, and intangibles	(388)	(127)	(464)	(895)	(1,418)
Acquisition of investments	—	(3,249)	(2,163)	(1,059)	(1,668)
Redemption and disposition of investments	8,487	3,784	3,568	500	1,000
Financial activities	(2,275)	(96)	(97)	(112)	(138)
Dividend paid	—	—	—	(8,500)	—
Increase (decrease) in cash during the year	5,672	6,094	(3,050)	(11,356)	(1,252)
Cash, beginning of the year	10,066	3,972	7,022	18,378	19,630
Cash and cash equivalents, end of the year	**$ 15,738**	**$10,066**	**$ 3,972**	**$ 7,022**	**$18,378**

6.8 DND Infrastructure and Environment Program

The biggest external factor shaping DCC's operating environment continues to be the size and focus of DND's infrastructure and environment (IE) program. The volume of business DCC receives under this program can change significantly from year to year, depending on DND and Government of Canada priorities. Typically, DCC's service fees amount to approximately 10% of the program it delivers to DND. DCC also manages two public-private partnership (P3) contracts on behalf of Communications Security Establishment and Shared Services Canada.

The Corporation's financial position remains strong due to projected constant demand for services from its Client-Partners. DCC's billing rates, including year to year changes, are based on the organization meeting its operational and capital requirements in line with its Financial Management Policy.

See Table 3

7.0 OUTLOOK

With demand for services from DCC's Client-Partners projected to be strong in the coming year, 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. Although DCC's business strategy has remained consistent over the decades, the Corporation continues to be able to respond to changes in Client-Partner service delivery requirements and priorities.

In the coming year, DCC will respond to the changing global economic environment and the subsequent impact that it will have on our industry. Throughout the COVID-19 pandemic, DCC has committed to keeping its business operations running while keeping its contractors, its consultants and CAF members healthy and safe. Moving

TABLE 3: INFRASTRUCTURE AND ENVIRONMENT PROGRAM

(in thousands of dollars)

	2019–20	2018–19	2017–18	2016–17	2015–16
DND program	$ 932,189	$1,022,220	$ 997,361	$1,007,742	$ 914,578
P3 program	146,270	155,374	139,531	126,971	125,735
Total IE program delivered by DCC	**$1,078,459**	**$1,177,594**	**$1,136,892**	**$1,134,713**	**$1,040,313**
Billing rate change	**3.5%**	**4.5%**	**4.5%**	**0.0%**	**0.0%**

forward, DCC is equally committed to supporting the infrastructure requirements our Client-Partner depends on, and is prepared to respond to this changing environment. Since 1951, the organization has adapted and evolved based on our Client-Partners' needs. This commitment will remain consistent in the coming years and DCC will strive to meet the mutual goals of its Client-Partners and industry by enhancing its innovative practices and strengthening its stakeholder relationships. The Corporation will continue to provide a vital service to Canada's defence and security community.

DCC stands ready to support the Government of Canada's Strong, Secure, Engaged defence policy, which makes modernizing DND infrastructure a priority. Activities with which DCC is assisting, or may be called on to assist with in the future, include divesting of or demolishing underused or obsolete buildings; improving facilities on bases and wings, such as housing for military personnel; constructing infrastructure for 88 new aircraft; and providing any new naval infrastructure required to support Canada's National Shipbuilding Strategy.

Similarly, DCC is committed to helping DND implement its Defence Energy and Environment Strategy by, for example, improving energy efficiency and building sustainable real property at installations across Canada. 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 helping DND meet its environmental goals by, for example, supporting the development and construction of net-zero building designs associated with the Greening Government Fund, and by procuring and managing energy performance contracts.

DCC will continue to support Canada's security and defence needs by providing its expertise to CAF deployed operations. DCC regularly responds to requests from DND to work in Canada's Far North and to deploy staff overseas, including to current operational locations in Latvia and Kuwait.

Technology advancements and business innovations are having an impact on DCC's business. Current and new employees have expectations for working online and with mobile applications; Client-Partners want real-time, accessible data and reports; and industry partners want an easy and efficient way to do business with DCC. To remain a progressive, valuable and competitive organization throughout the planning period and beyond, DCC will accelerate its investment in business innovations—particularly in its digital business capability—to improve efficiency and effectiveness and to deliver further value to the Crown.

The Government of Canada has many ambitious objectives related to diversity, inclusion, workplace wellness and mental health. In 2020–21, DCC will have the opportunity to evaluate and measure the impact of the three-year Diversity and Inclusion and Workplace Wellness and Mental Health strategies and action plans it developed in 2016–17. Led by DCC's Senior Management Group, this impact assessment will determine DCC's future approach to diversity, inclusion, wellness and mental health, and associated activities. In 2020–21, DCC will be developing the second phase of its Diversity and Inclusion and Workplace Wellness and Mental Health strategies. It will also keep working to ensure that its employee compensation is comparable to that offered by similar employers and to develop a formal pay equity plan.

DCC will continue to invest in its business—particularly in IT and process improvements—to improve efficiency. Under its IT Strategy, DCC will proceed with its plan to modernize its IT infrastructure and will ensure that the Corporation keeps pace with its industry and government partners in the use of IT for infrastructure and environment services. DCC will build on the work done last year to identify its business requirements for an improved enterprise resource planning system. In addition, the Corporation will continue its efforts to create a resource and governance plan to improve DCC's digital business capability.

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 value to Indigenous firms. The objective is to achieve long-term, sustainable and meaningful economic benefits for Indigenous people. In the upcoming planning period, DCC will develop a joint DCC-DND Indigenous Procurement Strategy and a DCC Indigenous Peoples Recruitment and Retention Strategy.

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 continue to integrate related new federal legislation into its procurement processes. Additionally, DCC is assessing the impact of the proposed *Accessible Canada Act* on its operations. The Corporation has established a working group to review matters related to DCC's compliance with this Act—including strategies, initiatives and policies—and move them forward.

7.1 Global Pandemic

On March 11, 2020, the World Health Organization characterized the COVID-19 outbreak as a global pandemic and recommended containment and mitigation measures. All levels of government have taken extraordinary measures to help contain and combat the outbreak.

Consistent with government recommendations, DCC began minimum staffing of its operations in its physical workspaces. Most employees were able to work from home, and critical staff members were able to safely continue visiting sites and fulfilling their obligations to the Client-Partners.

The Corporation is in close contact with DND and other Client-Partners to ensure essential projects continue. DCC is also communicating regularly with industry associations to share information and solicit their collaboration in these unusual circumstances. On the front lines, project teams are on the job at bases and wings across Canada, managing contracts through a combination of remote and critical onsite work while taking all the necessary precautions.

The Corporation cannot predict the exact nature of COVID-19's impact on its business. However, when the Board of Directors approved these financial statements, DCC believed its cash reserves, accounts receivable and service level arrangements with its Client-Partners would provide sufficient liquidity to fund its operations for at least the next 12 months. The Corporation does not believe there are any current indications that would warrant an impairment test of its assets.

7.2 Financial Outlook

Given the high level of uncertainty surrounding the extent of the impact of the COVID-19 pandemic, the Corporation did not revisit the financial outlook below, which was developed in March 2020 before the outbreak of the pandemic.

The Corporation has traditionally taken a conservative approach to forecasting future growth. The 2020–21 Corporate Plan shows an increase in services revenue of approximately 5.6% in 2020–21, with 7.5 percentage points of the increase due to a rise in billing rates, offset partially by an expected drop in expected business volume from Client-Partners (leading to a 1.9-percentage-point decrease).

For the remaining plan years, revenue is forecasted to increase each year. The following table shows the annual changes to the billing rates and in revenue related to business volumes anticipated from 2020–21 to 2024–25. Billing rate increases will continue to the end of the planning period to achieve the Corporation's objective of slightly better than break-even operating income. Business volumes are anticipated to remain stable, based on forecasted demand from DCC's Client-Partner from 2021–22 to 2024–25.

See Table 4

Salary and benefits expenses for 2020–21 are forecasted to decrease by approximately 1%, due to a decrease of 3% related to a change in salary mix, offset partially by merit

TABLE 4: REVENUE ASSUMPTIONS

(in thousands of dollars)

	PLANNED				
	2020–21	**2021–22**	**2022–23**	**2023–24**	**2024–25**
Volume change	-1.9%	0.0%	0.0%	0.0%	0.0%
Billing rate change	7.5%	5.2%	3.5%	3.5%	3.5%
Total anticipated increase or decrease	**5.6%**	**5.2%**	**3.5%**	**3.5%**	**3.5%**

increases of 2% and inflation of 1.5%. Salary and benefits expenses are expected to rise by 3.5% annually from 2021–22 to 2024–25, due to increases in economic and merit pay and in volume of work.

Operating and administrative expenses for 2020–21 are projected to increase by 23% from those in 2019–20. This rise is due to increases related to the cloud migration and to ongoing corporate initiatives. Costs will also rise for items such as training and development, and professional services. Operating and administrative expenses are forecasted to flatten by 2022–23 after the cloud migration is finished and to rise by the rate of inflation thereafter.

Depreciation and amortization are expected to decrease by 26% in 2020–21 over the prior fiscal year. This decrease is mainly due to the non-renewal of the co-location leases with DND for 2020–21. Depreciation and amortization are expected to remain relatively stable for the remainder of the reporting period.

A loss of $70,000 is forecasted for 2020–21, which is much lower than the loss in 2019–20. The objective of the current plan is to remain at a near break-even operating level.

FINANCIAL OUTLOOK

(in thousands of dollars)

	ACTUAL	PLANNED				
	2019–20	**2020–21**	**2021–22**	**2022–23**	**2023–24**	**2024–25**
Services revenue	**$ 114,731**	$120,502	$ 126,714	$ 131,148	$ 135,740	$140,488
Travel and disbursement revenue	**3,550**	1,892	1,892	1,892	1,892	1,892
Investment revenue	**1,034**	500	500	500	500	500
Lease revenue	**885**	—	—	—	—	—
Total revenue	**120,200**	**122,894**	**129,106**	**133,540**	**138,132**	**142,880**
Salaries and employee benefits	**105,483**	104,965	109,956	113,805	117,788	121,911
Operating and administrative expenses	**11,233**	13,775	15,071	15,422	15,722	16,238
Travel and disbursement revenue	**3,550**	1,892	1,892	1,892	1,892	1,892
Depreciation of right-of-use assets	**2,221**	1,439	1,313	1,313	1,313	1,313
Depreciation of property, plant and equipment	**437**	544	321	272	265	265
Depreciation of assets under finance lease	**—**	—	—	—	—	—
Amortization of intangible assets	**81**	50	—	—	—	—
Finance costs	**218**	299	277	240	201	162
Total expense	**123,223**	**122,964**	**128,830**	**132,944**	**137,181**	**141,781**
Gain (loss) for the year	**(3,023)**	(70)	276	596	951	1,099
Other comprehensive income	**457**	**—**	**—**	**—**	**—**	**—**
Total comprehensive income (loss)	**(2,566)**	(70)	276	596	951	1,099
Capital expenditures	**$ 12,224**	**$ 3,404**	**$ 250**	**$ —**	**$ —**	**$ —**

Management Responsibility Statement

The management of Defence Construction Canada 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.

ORIGINAL SIGNED BY:
Derrick Cheung
President and Chief Executive Officer

ORIGINAL SIGNED BY:
Juliet S. Woodfield, FCPA, FCA
Vice-President, Finance & Human Resources and
Chief Financial Officer

June 19, 2020

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

INDEPENDENT AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC SERVICES AND PROCUREMENT

REPORT ON THE 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 2020, 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 2020, 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, except for the change in the method of accounting for leases as explained in Note 3 to the financial statements, 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 Auditor General of Canada

Ottawa, Canada
19 June 2020

DEFENCE CONSTRUCTION (1951) LIMITED

Statement of Financial Position

AS AT MARCH 31, 2020

(in thousands of Canadian dollars)

	NOTES	2020	2019
ASSETS			
Cash and cash equivalents		**$ 15,738**	$ 10,066
Investments	8	**—**	2,502
Trade receivables	5, 18	**23,679**	21,321
Prepaid and other current assets	6	**1,342**	1,157
Other receivables	7	**4,552**	2,135
Current assets		**45,311**	37,181
Investments	8	**9,602**	15,602
Property, plant and equipment	9	**815**	838
Intangible assets	10	**63**	131
Right-of-use assets	17	**9,456**	—
Asset under finance lease		**—**	141
Non-current assets		**19,936**	16,712
Total assets		**$ 65,247**	$ 53,893
LIABILITIES			
Trade and other payables	11	**$ 15,393**	$ 13,664
Current portion—employee benefits	12	**3,666**	2,863
Current portion—lease obligations	17	**1,123**	—
Current portion—finance lease obligation		**—**	80
Current liabilities		**20,182**	16,607
Employee benefits	12	**27,247**	25,335
Lease obligations	17	**8,500**	—
Finance lease obligation		**—**	67
Non-current liabilities		**35,747**	25,402
Total liabilities		**$ 55,929**	$ 42,009
EQUITY			
Share Capital—Authorized—1,000 common shares of no par value—Issued, 32 common shares		**—**	—
Retained earnings		**9,318**	11,884
Total equity		**$ 9,318**	$ 11,884
Total liabilities and equity		**$65,247**	**$53,893**

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 19, 2020

ORIGINAL SIGNED BY:
Moreen Miller, Chair of the Board

ORIGINAL SIGNED BY:
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, 2020

(in thousands of Canadian dollars)

	NOTES	2020	2019
Services revenue	13	**$ 114,731**	$ 110,389
Travel and disbursement revenue		**3,550**	3,831
Investment revenue	13	**1,034**	708
Lease revenue	17	**885**	—
Total revenue		**120,200**	114,928
Salaries and employee benefits		**105,483**	100,824
Operating and administrative expenses	14	**11,233**	9,362
Travel and disbursement expenses		**3,550**	3,831
Depreciation of property, plant and equipment	9	**437**	862
Depreciation of right-of-use assets	17	**2,221**	91
Amortization of intangible assets	10	**81**	134
Finance costs	15	**218**	5
Total expenses		**123,223**	115,109
Loss for the year		**(3,023)**	**(181)**
Other comprehensive income (loss)			
Actuarial gain (loss) on employee benefit obligation[1]	12	**457**	6,867
Total comprehensive income (loss)		**$ (2,566)**	**$ 6,686**

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, 2020

(in thousands of Canadian dollars)

	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
Balance as at March 31, 2019	$—	$11,884	$11,884
Loss for the year	—	(3,023)	**(3,023)**
Actuarial gain on employee benefit obligation	—	457	**457**
Total comprehensive loss		(2,566)	(2,566)
Balance as at March 31, 2020	**$—**	**$9,318**	**$9,318**

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 loss 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**

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, 2020

(in thousands of Canadian dollars)

	NOTES	2020	2019
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES			
Loss for the year		**$(3,023)**	$ (181)
ADJUSTMENTS TO RECONCILE LOSS FOR THE YEAR TO CASH PROVIDED BY OPERATING ACTIVITIES			
Employee benefits expensed	12	**4,266**	3,897
Employee benefits paid	12	**(1,094)**	(1,297)
Depreciation of property, plant and equipment	9	**437**	862
Depreciation of right-of-use assets	17	**2,221**	—
Depreciation of assets under finance lease		**—**	91
Amortization of intangible assets	10	**81**	134
Amortization of investment premiums		**89**	90
Loss on disposal of property, plant and equipment		**99**	37
Loss on disposal of assets under finance lease		**4**	3
CHANGE IN NON-CASH OPERATING WORKING CAPITAL			
Trade receivables		**(2,358)**	875
Other receivables		**(2,417)**	(181)
Prepaids and other current assets		**(185)**	1,182
Trade and other payables		**1,728**	270
Net cash flows provided by operating activities		**(152)**	5,782
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments		**—**	(3,249)
Redemption and disposition of investments		**8,733**	3,802
Gain on disposition of investments		**(246)**	(18)
Acquisition of property, plant and equipment	9	**(375)**	(114)
Acquisition of intangible assets	10	**(13)**	(13)
Net cash flows provided by investing activities		**8,099**	408
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payment of lease obligations		**(2,275)**	(96)
Net cash flows used in financial activities		**(2,275)**	(96)
Increase in cash during the year		**5,672**	6,094
Cash at the beginning of the year		**10,066**	3,972
Cash and cash equivalents at the end of the year		**$15,738**	**$10,066**

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, 2020

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 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.

Global Pandemic

On March 11, 2020, the World Health Organization characterized the COVID-19 outbreak as a global pandemic and recommended containment and mitigation measures. All levels of government have taken extraordinary measures to help contain and combat the outbreak.

Consistent with government recommendations, DCC began minimum staffing of its operations in its physical workspaces. Most employees were able to work from home, and critical staff members were able to safely continue visiting sites and fulfilling their obligations to the Client-Partners.

The Corporation is in close contact with DND and other Client-Partners to ensure essential projects continue. DCC is also communicating regularly with industry associations to share information and solicit their collaboration in these unusual circumstances. On the front lines, project teams are on the job at bases and wings across Canada, managing contracts through a combination of remote and critical onsite work while taking all the necessary precautions.

The Corporation cannot predict the exact nature of COVID-19's impact on its business. However, when the Board of Directors approved these financial statements, DCC believed its cash reserves, accounts receivable and service level arrangements with its Client-Partners would provide sufficient liquidity to fund its operations for at least the next 12 months. The Corporation does not believe there are any current indications that would warrant an impairment test of its assets.

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 the lease liability, and 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, 2020).

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: 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, 2019. The Corporation adopted the following standards on April 1, 2019.

3.1 IAS 19, Employee Benefits

In the period ended March 31, 2020, the Corporation has applied the amendments to IAS 19, Employee Benefits. The amendments to IAS 19 "Employee Benefits" addressed the accounting for a plan amendment, curtailment or settlement that occur during a period. Although there was a curtailment in the current year, our actuarial valuation was performed concurrently and the impacts were reflected in the current year expense and the expense for the next fiscal as disclosed in Note 12.

3.2 IFRS 16, Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. Effective April 1, 2019, the Corporation adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018–2019 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On initial application, the Corporation has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations of $8,500 were recorded as of April 1, 2019, with no net impact on retained earnings. When measuring lease liabilities, the Corporation discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted-average rate applied is 3.09%.

Due to the adoption of IFRS 16, the Corporation's interest and depreciation have increased, while rent expense has decreased to reflect only the operating expenses of the leases related to office space.

The Corporation's leasing activities mainly relate to office space and multifunction copiers.

As a lessee, the Corporation previously classified leases as operating or finance, based on its assessment of whether the lease significantly transferred all of the risk and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16, the Corporation recognized right-of-use assets and lease liabilities for most of its leases.

At transition, the Corporation had leases classified as finance leases under the previous lease standard, IAS 17, for multi-use copiers. Upon transition, these immaterial amounts were added to the opening balance and are included in the total. DCC added $141 in finance lease assets to the right-of-use asset, for a total of $8,642, and added $147 in finance lease obligations to the lease obligation, for a total of $8,648.

Office space and data warehouses were classified as operating leases. Other than short-term or low-value leases, these operating leases were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at April 1, 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, any lease incentives, any initial direct cost incurred, and any estimated costs to be incurred in restoring the site or dismantling and removing the underlying asset.

The Corporation had 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. In this case, it acts as an intermediate lessor. Under IAS 17, these leases were classified as finance leases. Under IFRS 16, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as an operating lease given that substantially all the risks and rewards of ownership are not transferred to DND. The Corporation will record lease income from operating leases. Under IFRS 16, a right-of-use asset and lease obligation were recorded for the main lease.

The Corporation used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exception not to recognize right-of-use assets and liabilities with lease terms of fewer than 12 months;
- applied the exception not to reassess whether a contract contains a lease at the date of application;
- applied the exception not to recognize right-of-use assets and liabilities for low-value leases with individual asset values of under $5; and
- used hindsight when determining the lease term if the contract contained options to extend or terminate the lease.

The table on page 73 shows the impact of the adoption of IFRS 16 of the opening statement of financial position:

See Table 5

The table below reconciles the Corporation's operating lease obligations at March 31, 2019, as previously disclosed in the Corporation's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 at April 1, 2019.

Operating lease commitments at March 31, 2019	**$10,569**
Discounted using the incremental borrowing rate at April 1, 2019	9,902
Variable lease payment that do not depend on an index or rate	(4,261)
Recognition exemption for short-term leases	(1,564)
Extension options reasonably certain to be exercised	4,424
Lease obligations recognized at April 1, 2019	**$ 8,501**

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 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

TABLE 5

(in thousands of Canadian dollars)

	AS AT MARCH 31, 2019	IFRS 16 ADJUSTMENT	AS AT APRIL 1, 2019
ASSETS			
Current assets	$ 37,181	$ —	$ 37,181
Right-of-use assets	—	8,501	8,501
Non-current assets	16,712	8,501	25,213
Total assets	**$ 53,893**	**$ 8,501**	**$ 62,394**
LIABILITIES			
Current portion: Right-of-use lease liability	—	1,779	1,779
Current liabilities	16,607	1,779	18,386
Right-of-use lease liability	—	6,722	6,722
Non-current liabilities	25,402	6,722	32,124
Total liabilities	**$42,009**	**$ 8,501**	**$ 50,510**
EQUITY			
Retained earnings	11,884	—	11,884
Total equity	**$ 11,884**	**$ —**	**$ 11,884**
Total liabilities and equity	**$53,893**	**$8,501**	**$62,394**

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 regarding the definition of materiality. The amendments clarify the definition of material, explain how the definition should be applied and improve the explanations accompanying the definition. The amendments also ensure that the definition is consistent across all IFRS standards. The amendments are effective from January 1, 2020 but may be applied earlier. The Corporation does not expect any impact from the adoption of these amendments.

The Corporation will adopt the new standards when they are required.

NOTE 4: CASH AND CASH EQUIVALENTS

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. Cash equivalents include cash investments in interest-bearing accounts and term deposits which can readily be redeemed for cash without penalty or are issued for terms of three months or less from the date of acquisition.

NOTE 5: 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 all be collectable. We do not believe at this point that COVID-19 will hinder the capacity of the Government of Canada to pay our invoices.

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, 2020	AS AT MARCH 31, 2019
Trade receivables	**$23,679**	**$21,321**

The aging of the trade receivables are as follows:

	AS AT MARCH 31, 2020	AS AT MARCH 31, 2019
Current	$ 11,849	$ 11,014
Outstanding for 31–60 days	11,493	9,948
Outstanding for 61–90 days	—	124
Outstanding for 91 plus days	337	235
	$23,679	**$21,321**

NOTE 6: 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, 2020	AS AT MARCH 31, 2019
Prepaid expenses	$ 1,305	$ 1,136
Travel advances	30	12
Employee advances	7	9
	$1,342	**$1,157**

* Prior period has been reclassified to reflect current year presentation.

NOTE 7: OTHER RECEIVABLES

The following table is the detail summary of items making up the other receivables. The salary receivables resulted from when the Corporation implemented salary payments in arrears in 2015–16 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 2015–16 and were recorded as a receivable by the Corporation as they will be recovered from employees in the future. The insurance proceeds receivables resulted from the cyber incident that occurred in September 2019. The Corporation has filed insurance claims which are expected to be recovered.

	AS AT MARCH 31, 2020	AS AT MARCH 31, 2019
Salary receivable	$ 1,675	$1,805
Insurance proceeds receivable	2,299	—
Other receivables	578	330
	$4,552	**$2,135**

* Prior period has been reclassified to reflect current year presentation.

NOTE 8: 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 1.81% to 2.82%, and mutual funds with variable interest rates. The maturity dates of the bonds vary from June 2022 to July 2030 and GIC vary from June 2021 to February 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, 2020	AS AT MARCH 31, 2019
Current portion	$ —	$ 2,502
Long-term portion	9,602	15,602
	$9,602	**$18,104**

CARRYING AMOUNT AT AMORTIZED COST

	AS AT MARCH 31, 2020	AS AT MARCH 31, 2019
BONDS		
Federal	$ —	$ 502
Provincial	3,868	6,972
Corporate	859	3,755
Total bonds	**4,727**	**11,229**
Guaranteed Investment Certificate	4,875	6,875
Mutual funds	—	—
	$9,602	**$18,104**

FAIR VALUE

	AS AT MARCH 31, 2020	AS AT MARCH 31, 2019
BONDS		
Federal	$ —	$ 510
Provincial	4,191	7,332
Corporate	895	3,977
Total bonds	**5,086**	**11,819**
Guaranteed Investment Certificate	4,909	6,912
Mutual funds	—	—
	$9,995	**$18,731**

See Table 6

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Computer equipment, furniture and fixtures and leasehold improvements 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

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.

TABLE 6: RATE AND MATURITY DATES

As at March 31, 2020

	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						
Provincial	2.65% to 3.32%	2.85% to 6.60%	$—	$ 1,292	$ 2,576	$ 3,868
Corporate	3.01% to 4.92%	6.10% to 7.22%	—	—	859	859
Guaranteed Investment Certificate	1.81% to 2.82%	1.81% to 2.82%	—	4,875	—	4,875
			$—	**$6,167**	**$3,435**	**$9,602**

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 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, 2020	AS AT MARCH 31, 2019
Cost	**$4,545**	$5,158
Less: Accumulated depreciation	**3,730**	4,320
Net book value	**$ 815**	**$ 838**
NET BOOK VALUE BY ASSET CLASS		
Computer equipment	**$ 262**	$ 590
Furniture and fixtures	**221**	239
Leasehold improvements	**332**	9
Net book value	**$ 815**	**$ 838**

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

COST	COMPUTER EQUIPMENT	FURNITURE AND FIXTURES	LEASEHOLD IMPROVEMENTS	TOTAL
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
Plus: Additions	127	61	346	534
Less: Disposals	1,139	8	—	1,147
Balance as at March 31, 2020	**$1,631**	**$1,006**	**$1,908**	**$4,545**

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

ACCUMULATED DEPRECIATION	COMPUTER EQUIPMENT	FURNITURE AND FIXTURES	LEASEHOLD IMPROVEMENTS	TOTAL
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
Plus: Depreciation	335	79	23	437
Less: Disposals	1,019	8	—	1,027
Balance as at March 31, 2020	**$1,369**	**$ 785**	**$1,576**	**$3,730**

Proceeds associated with the disposals that occurred in the period were immaterial. There is no impairment of property, plant and equipment.

NOTE 10: 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, 2020	AS AT MARCH 31, 2019
Cost	**$1,472**	$1,459
Less: Accumulated amortization	**1,409**	1,328
Net book value	**$ 63**	**$ 131**

Changes to intangible assets are detailed in the following table:

	TOTAL
COST	
Balance as at March 31, 2018	$ 1,446
Plus: Additions	13
Less: Disposals	—
Balance as at March 31, 2019	1,459
Plus: Additions	13
Less: Disposals	—
Balance as at March 31, 2020	**$ 1,472**

Changes to accumulated amortization are detailed in the following table:

	TOTAL
ACCUMULATED AMORTIZATION	
Balance as at March 31, 2018	$ 1,194
Plus: Amortization	134
Less: Disposals	—
Balance as at March 31, 2019	1,328
Plus: Amortization	81
Less: Disposals	—
Balance as at March 31, 2020	**$1,409**

There is no impairment of intangible assets.

NOTE 11: 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, 2020	AS AT MARCH 31, 2019
Accounts payable	**$ 2,564**	$ 2,587
Accrued vacation and overtime	**4,334**	3,919
Accrued liabilities	**7,649**	6,326
Commodity taxes payable	**846**	832
	$15,393	**$13,664**

The following is an aged analysis of the accounts payable:

	AS AT MARCH 31, 2020	AS AT MARCH 31, 2019
Less than 1 month	**$ 2,379**	$ 2,530
1 to 3 months	**177**	34
3 to 6 months	**8**	23
	$2,564	**$2,587**

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

	AS AT MARCH 31, 2020	AS AT MARCH 31, 2019
Third-party balances	**$ 2,562**	$ 2,579
Related-party balances	**2**	8
	$2,564	**$2,587**

NOTE 12: 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. Starting April 2021, the sick leave program will be curtailed. Current employee's current accumulated sick leave bank will be frozen and may be used in the future. This will be replaced by a short-term disability program. 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

12.1 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, 2020	AS AT MARCH 31, 2019
Long-term portion employee benefits	**$ 27,247**	$ 25,335
Current portion employee benefits	**3,666**	2,863
Total employee benefits	**$30,913**	**$ 28,198**

The measurement date for the last actuarial valuation of the provision for employee benefits was March 31, 2020. The next actuarial valuation is planned for March 2023 or sooner as required.

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

	2020	2019
Discount rate for projected benefit obligation	**3.80%**	3.40%
Rate of general salary increases	**3.25%**	3.25%
Initial weighted average health care cost trend rate	**4.90%**	5.00%
Ultimate weighted average health care cost trend rate	**4.00%**	4.00%
Year ultimate health care cost trend rate is reached	**2040**	2040
Mortality rate table	**CPM2014**	CPM2014
Mortality rate table improvement scale	**MI-2017**	MI-2017
Retirement age	**65**	62

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

	2020	2019
Opening value of obligation	**$28,198**	$ 32,465
Current service cost	**2,306**	2,625
Interest on present value of obligation	**1,018**	1,240
Actuarial loss (gains)	**(258)**	(6,835)
Curtailment	**743**	—
Employee benefit payments	**(1,094)**	(1,297)
Closing value of benefits obligation	**$ 30,913**	**$28,198**

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, participation rates 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:

	2020	2019
Current service cost	**$2,306**	$ 2,625
Interest on present value of obligation	**1,018**	1,240
Actuarial loss (gain) recognized in year	**199**	32
Curtailment	**743**	—
Past service cost	**—**	—
Employee benefit expenses	**$4,266**	**$3,897**

The curtailment loss relates to the planned discontinuation in April 2021 of the sick leave program. Current employee's current accumulated sick leave bank will be frozen and may be used in the future.

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:

	2020	2019
Actuarial gains from financial assumptions	**$ 258**	$ 6,835
Less: Actuarial loss recognized in year	**(199)**	(32)
Actuarial gain on employee benefit obligation	**$457**	**$6,867**

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.

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	$(5,597)	$ 7,554
Effect of change in salary scale assumption	300	(266)
Effect of change in health care cost trend rate assumption	**$6,865**	**$(5,174)**

The Corporation expects to expense $2,908 in 2021 for current service costs related to employee benefits.

12.2 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 9.72% (2019—10.7%). Total contributions of $8,001 (2019—$8,545) 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 13: REVENUE RECOGNITION

Accounting Policy

SERVICE REVENUE

The Corporation generates revenue from the delivery of services to its Client-Partners. There are six 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 ranging 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). SLAs have a duration equivalent to the fiscal year or less 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

13.1 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, 2020

	ACTIVITIES						
REGIONS	CONTRACT MANAGEMENT	PROJECT PLANNING	REAL PROPERTY TECHNICAL SUPPORT	PROCUREMENT	CONSTRUCTION TECHNICAL SUPPORT	ENVIRONMENTAL TECHNICAL SUPPORT	TOTAL REVENUE BY REGION
Atlantic Region	$ 8,677	$ 4,289	$ 1,273	$ 1,227	$ 618	$ 1,205	$ 17,289
Quebec Region	8,471	5,054	1,313	1,330	1,057	1,239	18,464
National Capital Region	4,293	8,261	4,578	611	362	1,202	19,307
Ontario Region	12,290	5,690	2,138	1,827	4,003	1,690	27,638
Western Region	15,393	8,147	544	2,715	1,521	1,323	29,643
Head Office	476	5	3	745	1,161	—	2,390
Total revenue by activity	**$49,600**	**$31,446**	**$9,849**	**$8,455**	**$8,722**	**$6,659**	**$114,731**

Period ended March 31, 2019

	ACTIVITIES						
REGIONS	CONTRACT MANAGEMENT	PROJECT PLANNING	REAL PROPERTY TECHNICAL SUPPORT	PROCUREMENT	CONSTRUCTION TECHNICAL SUPPORT	ENVIRONMENTAL TECHNICAL SUPPORT	TOTAL REVENUE BY REGION
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**

* Prior period has been reclassified to reflect current year presentation.

The following table disaggregates revenue by region and contract type:

TIME BASED REVENUE

REGION	PERIOD ENDED MARCH 31, 2020	PERIOD ENDED MARCH 31, 2019
Atlantic Region	$ 5,406	$ 5,743
Quebec Region	5,920	4,784
National Capital Region/ Head Office	20,826	19,368
Ontario Region	7,730	7,193
Western Region	6,308	6,591
Total time-based revenue	**$ 46,190**	**$ 43,679**

FIXED FEE REVENUE

Atlantic Region	$ 11,883	$ 11,636
Quebec Region	12,544	14,389
National Capital Region/ Head Office	871	96
Ontario Region	19,908	18,716
Western Region	23,335	21,873
Total fixed fee revenue	**$ 68,541**	**$ 66,710**
Total revenue	**$114,731**	**$110,389**

13.2 INVESTMENT REVENUE

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

	2020	2019
Interest from: Bank deposits	**$ 221**	$ 165
Investments	**655**	532
Other interest	**158**	11
	$1,034	**$708**

NOTE 14: OPERATING AND ADMINISTRATIVE EXPENSES

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

	2020	2019
Professional services	$ 2,744	$ 1,637
Software maintenance	1,155	1,551
Employee training and development	1,082	1,189
Cloud computing services	1,005	96
Leased location operating costs	1,002	—
Telephone and data communications	943	855
Equipment rental	755	219
Travel	529	529
Furniture and equipment	436	161
Staff relocation	431	120
Office services, supplies and equipment	371	280
Hospitality	211	200
Client services and communications	153	187
Other	121	62
Printing and stationery	91	93
Memberships and subscriptions	63	67
Recruiting	45	47
Postage and freight	37	31
Computer software	30	85
Computer equipment	27	83
Leasehold improvements	2	10
Rent	—	1,860
	$11,233	**$9,362**

NOTE 15: SUPPLEMENTAL OPERATING CASH FLOW INFORMATION

15.1 Supplemental Cash Flow Information

	2020	2019
Interest charges on finance leases	$ —	$ 5
Interest charges on lease obligations	$ 218	$ —
Interest received from bank deposits	$ 221	$ 165
Interest received from investments	$655	$602

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 of 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 8.

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, 2020 and 2019.

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, 2020, was $54,913 (as at March 31, 2019, it was $51,316) 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 5, 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, 2020

	FAIR VALUE THROUGH PROFIT AND LOSS	AMORTIZED COST	TOTAL CARRYING AMOUNT
Cash	**$15,738**	**$ —**	**$ 15,738**
Investments	**—**	**9,602**	**9,602**
Trade receivables	**—**	**23,679**	**23,679**
Other receivables	**—**	**4,219**	**4,219**
Other current assets	**—**	**1,675**	**1,675**
Total financial assets	**$15,738**	**$39,175**	**$54,913**
Accounts payable	**$ —**	**$ 2,563**	**$ 2,563**
Accrued liabilities	**—**	**7,649**	**7,649**
Total financial liabilities	**$ —**	**$10,212**	**$ 10,212**

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**

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, 2020, was $10,212 (as at March 31, 2019, it was $8,913) 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 11. In addition, as at March 31, 2020, the Corporation's financial assets exceeded its financial liabilities by $44,701 (as at March 31, 2019, its financial assets exceeded its financial liabilities by $42,403).

Refer to the 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, 2020, all of the investments ($9,602) were in fixed interest-bearing instruments (as at March 31, 2019, the comparable figure was $18,104). 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.

As at March 31, 2020

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MONTHS OR LESS	MORE THAN 6 MONTHS
Accounts payable	**$ 2,563**	**$ 2,563**	**$ 2,563**	**$—**
Accrued liabilities	**7,649**	**7,649**	**7,649**	**—**
Financial liabilities	**$10,212**	**$10,212**	**$10,212**	**$—**

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**	**$—**

NOTE 17: LEASE COMMITMENTS

Current Accounting Policy

LESSEE

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component. The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Corporation is reasonably certain to exercise that option. Lease terms (including renewal options) range from 2 to 17 years for offices and co-location spaces. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate. The weighted average incremental borrowing rate as of March 31, 2020 was 2.86%.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option or a change in term. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

LESSOR

Leases for which the Corporation is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the lessor is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Classification is reassessed if the terms of the lease change.

Accounting Policy Prior to April 1, 2019

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

Operating Lease

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

Finance Lease

Assets held under finance leases are initially recognized as assets of the Corporation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between the finance expenses and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit and loss.

Accounting Estimates and Judgements

The Corporation is party to certain arrangements, which requires management to determine whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation determines its incremental borrowing rate by adjusting the risk-free-rate to reflect the length of the lease and the regional property yield. The incremental borrowing rate is updated at least annually or when there are indications that it could have changed materially from the last assessment.

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.

RIGHT-OF-USE ASSETS

The Corporation's right-of-use assets comprise office space, facilities for information technology (data warehouses), equipment and multifunction copiers. Items related to assets under finance lease from the prior year are added to the opening balance and are included in the total. We have included extension options in the measurements of our lease liability when it is reasonably certain we will exercise the extension option. During the year, changes to our right-of-use assets were as follows:

See Table 7

LEASE OBLIGATIONS

	AS AT MARCH 31, 2020	AS AT APRIL 1, 2019
Current portion	$ 1,123	$ 1,859
Long-term portion	8,500	6,789
Total lease obligations	**$ 9,623**	**$8,648**
Balance as at April 1, 2019	$ 8,648	$ —
Plus: Additions	3,032	—
Less: Payments	2,275	—
Plus: Interest expense	218	—
Balance as at March 31, 2020	**$9,623**	**$ —**

TABLE 7

	OFFICE SPACE LEASES	CO-LOCATION LEASES	DATA WAREHOUSE LEASES	TOTAL RIGHT-OF-USE ASSETS
Balance as at April 1, 2019	$ 7,061	$935	$646	$ 8,642
Plus: Additions	3,035	—	—	3,035
Less: Amortization	1,241	863	117	2,221
Less: Disposals	—	—	—	—
Balance as at March 31, 2020	**$8,855**	**$ 72**	**$529**	**$9,456**

The following represents the contractual undiscounted cash flows for lease obligations as at March 31, 2020:

One year or less	$ 1,375
Between one and two years	1,573
Between two and five years	3,935
Over five years	4,105
Total	**$10,988**

The expense relating to variable lease payments not included in the measurement of lease obligations was $1,002. This consists of variable lease payments for operating costs, property taxes, and insurance. There were no expenses relating to short-term leases and expenses relating to leases of low value assets were immaterial. Total cash outflow for leases was $3,492 including $2,275 of principal payments on lease obligations. Income from sub-leasing was $885 for the period.

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 $114,731 (2019—$110,389) 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, 2020	AS AT MARCH 31, 2019
DUE FROM:		
Department of National Defence (DND)	**$21,660**	$19,522
Canadian Forces Housing Agency	**1,600**	1,667
Communications Security Establishment Canada	**368**	137
Public Services and Procurement Canada	**1**	1
Shared Services Canada	**50**	(6)
	$23,679	$ 21,321
DUE TO:		
Shared Services Canada	**$ 2**	$ 5
Public Services and Procurement Canada	**—**	3
Department of Justice	**—**	—
	$ 2	**$ 8**

The Corporation incurred expenses with other Government of Canada departments. These transactions totaled $842 (2019—$101 less a recovery of $130 related to 2018–19) including $441 which relates to 2018–19. Of these expenses, the Corporation recovered $757 from DND.

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:

	2020	2019
Short-term benefits	**$ 3,717**	$ 3,367
Post-employment benefits	**469**	543
Severance payment	**—**	—
	$4,186	**$3,910**

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. As detailed in Note 1, the Corporation does not expect COVID-19 to impede its ability to continue as a going concern.

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 disputes are reflected in the number and value of claims before the courts. As at March 31, 2020, there were 10 ongoing claims totaling $10,319 and these are related to contracts DCC has put in place on behalf of its Client-Partners. These figures can be compared with 13 ongoing claims totaling $10,418 as at March 31, 2019.

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. Therefore, the financial risk associated with settling these contractual claims does not have any financial impact on the Corporation, so DCC does not consider it necessary to record any provision in its financial statements relating to these particular legal claims. In addition, as at March 31, 2020, there was one other ongoing legal claim in relation to a grievance with significant monetary damages. Due to uncertainties surrounding the claim, the outcome, timing and extent of settlement, if any, cannot be determined at this time given the early stages of the claim's evaluation. No amount for this claim has been recognized at March 31, 2020.