ACHIEVING RESULTS THROUGH AGILITY AND RESILIENCE

ANNUAL REPORT

2020
2021

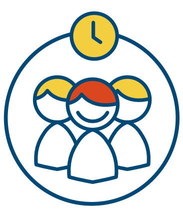
DEFENCE CONSTRUCTION CANADA

CONSTRUCTION DE DÉFENSE CANADA

CONTENTS

CORPORATE OVERVIEW

Defence Construction Canada (DCC, or the Corporation) is a Crown corporation that procures and delivers defence infrastructure and environmental projects. Our principal mandate is to meet the infrastructure, real property and environmental needs of the Department of National Defence and the Canadian Armed Forces (DND/CAF) by advising on, collaboratively planning, procuring and managing defence contracts.



960

Number of Employees

(Full-Time Equivalents)

We have two primary Client-Partners: the infrastructure and environment (IE) community at DND, and the Communications Security Establishment. We also provide services to Shared Services Canada for its Enterprise Data Centre at CFB Borden.

We are proud to have worked with DND since 1951, acquiring the specialized expertise and large knowledge base to manage projects at home and abroad. They range from traditional to innovative, from air traffic control towers to dockyards, from aircraft hangars to armoured vehicle maintenance facilities, from community centres to accommodation facilities, and from roads to sewer and water systems. Some projects may simply involve maintenance work, while others are more complex construction projects with high security requirements.

DEDICATED. COLLABORATIVE. COMPETENT. FAIR.

Vision

To be a knowledgeable, ethical, and innovative leader, and employer of choice, valued by the Government of Canada and industry.

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.

PHOTO *DCC staff (l to r) Sarah Sananikone, Martin Desroches and Michaël Raymond outside the new academic pavilion at the Saint-Jean Garrison in Quebec. The facility includes classrooms, offices, computer rooms, electronic shooting rooms and a parade ground. The facility was designed to achieve LEED Silver certification.*

Values

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.

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.

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.

Fairness

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

SERVICE LINES

Our 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.

This year, we focused on keeping morale up: caring not only for our people but for the communities where we live and work. We expanded the eligibility for employees to volunteer, and contributed funding to food banks, holiday charities and other non-profits that support the community—many of which were struggling due to COVID.

COMBINING THE BEST CHARACTERISTICS OF THE PRIVATE AND PUBLIC SECTORS

DCC's everyday operations are like those of an engineering consultancy firm. However, as a Crown corporation, we are governed by Part X of Schedule III to the *Financial Administration Act*. This means we are able both to be innovative and responsive and to have high standards of accountability.

SUPPORTING CANADIAN PUBLIC POLICY

Environmental Sustainability

- We contribute to Canada's long-term environmental sustainability by supporting DND's efforts to reduce greenhouse gas emissions and energy consumption associated with its infrastructure holdings.

A Strong, Secure, Engaged Canada

- We contribute to the security of Canada by ensuring adherence to the Policy on Government Security, ensuring that security requirements identified by DND are managed during the procurement and management stages of each contract to protect sensitive or classified information and assets. We also pre-screen contracting and consulting firms' applications for security clearances from the Canadian Industrial Security Directorate.

High Ethical Standards

- We employ systems and practices to ensure that we conduct all business with high ethical standards and integrity and that we comply with the *Public Servants Disclosure Protection Act* and the *Conflict of Interest Act*.

A Fair and Secure Marketplace

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

WORKING WITH CLIENT-PARTNERS

Operationally and administratively, DCC deals with many organizations within DND, as follows.

The IE Group at National Defence Headquarters

- This 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.

CAF Operations

- DCC provides support as requested by the Canadian Joint Operations Command.

Other organizations for which DCC also contracts and manages construction and environmental services include the following:

- the Communications Security Establishment, a stand-alone agency within the Minister of National Defence portfolio;
- the Canadian Forces Housing Agency—DCC provides infrastructure-related services that supports the construction and maintenance of accommodation for CAF members and their families at military bases and wings across Canada.
- Canadian Forces Morale and Welfare Services;
- Shared Services Canada—expansion of the Enterprise Data Centre at Canadian Forces Base (CFB) Borden; and
- the North Atlantic Treaty Organization (NATO)—DCC supports Canada's NATO allies with training programs and facilities in Canada.

DCC will respond to requests for support within the scope of its mandate from other organizations within DND.

SUPPORTING DND

The Government of Canada's Strong, Secure, Engaged defence policy, released in June 2017, makes modernizing DND infrastructure a priority. For example, DCC is assisting, or may be called on to assist, DND with activities to:

- divest or demolish underused or obsolete buildings;
- improve facilities on bases and wings, such as housing for military personnel;
- construct infrastructure for Future Fighter Capability Project; and
- provide any new naval infrastructure required to support Canada's National Shipbuilding Strategy.

Similarly, DCC stands ready to help DND implement its Defence Energy and Environment Strategy by, for example, improving energy efficiency and building sustainable real property at installations across Canada. This task includes supporting the development and construction of net-zero building designs, and continued procurement and management of energy performance contracts.

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

A fee-for-service organization, DCC's billing rates are almost half those of comparable North American private sector engineering firms, according to Deltek's *41st* Annual *Clarity Architecture and Engineering Industry Study*. DCC sets a performance target for its cost of service to DND.

Service Delivery Optimization

Risk-based decision-making and a principles-based approach to service delivery and business management activities allow DCC to put efficient and effective solutions in place.

Understanding of the Needs of Client-Partners

DCC understands the special purposes, high security requirements and harsh environmental conditions of its Client-Partners due to expertise developed by working with DND since 1951.

Flexible Procurement Methods

DCC has developed a variety of procurement approaches to best meet Client-Partners' project needs that leverages industry capabilities, fosters collaboration and delivers best overall value to Canada. Through sound procurement practices, DCC helps create a fair, open and secure marketplace.

Integrated Service Delivery

A service line integration matrix delivery model allows access to required expertise across all service lines and activities. 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 participates 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 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. Further, for two decades the Corporation has taken the lead to ensure delivery of quality work and to achieve value for money with the use of its robust supplier management program. Among its employees, DCC promotes and inspires innovation with its internal innoviCulture program.

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. As one of its values, DCC engages externally with its stakeholders and with its employees in a fair and ethical manner, advocating mutual respect and professionalism.

SUPPORT TO THE COMMUNITY

DCC operates from coast to coast to coast in Canada's diverse communities and is proud to continue to be a strong community partner. The Corporation has adopted the Government of Canada Workplace Charitable Campaign (GCWCC) as the primary channel for active charitable fundraising. DCC encourages employees to participate in community and DND activities to raise funds in their community and contribute to registered charities in Canada. During the Pandemic, DCC employees continued their efforts to support those less fortunate and surpassed DCC's GCWCC national goal by almost 40%.

Over the years, DCC has also actively supported the Royal Canadian Legion Poppy Fund, Canadian Blood Services, and the Canadian Military Wives Choir.

In 2020–21, DCC extended its personal leave policy to include one day for each employee to volunteer for a registered charity, non-profit or community organization.

RECOGNITION

Achievement of Excellence in Procurement

DCC's exemplary procurement practices were recognized for the seventh 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.

DCC Employee Recognition

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. This year, DCC held its National Awards ceremony virtually, with presenters announcing the winners from home.

2021 NATIONAL AWARDS RECIPIENTS

AWARD CATEGORY	WINNER
President's Award	**Shawn Helmerson**, Manager, Real Operations Support; Winnipeg, Manitoba
President's Senior Management Leadership Award	**George Theoharopoulos**, Regional Director; Halifax, Nova Scotia
National Leadership Award	**Allison Stroich**, Special Assistant to the Vice-President; Head Office, Ottawa, Ontario
Service Development Award	**Danny Gruner**, Regional Service Line Leader, Real Property; Edmonton, Alberta
Innovation Award—Internal Practices	**Cyril Paris**, Business Analyst; Head Office, Ottawa, Ontario
Innovation Award—Service Delivery	**Marcy Burton**, Kingston, Ontario **Amanda Eid**, Head Office, Ottawa, Ontario **Ryan Maher**, **Anthony Montgomery**, **Mark Stratton**, Petawawa, Ontario
Robert Graham Memorial Award for Workplace Safety or Environmental Protection	**Genny Doherty**, Coordinator, Health and Safety; Gagetown, New Brunswick
Customer Satisfaction Individual Award	**Andy Zieroth**, Technical Specialist, Project Management; London, Ontario
Customer Satisfaction Team Award	**Ron Balchelder**, **Cody Hazlewood**, Kingston, Ontario
Diversity and Inclusion Award	**Vincent Bousquet**, Site Manager; St-Jean, Quebec
President's Certificates of Recognition	**All DCC Employees:** DND's Assistant Deputy Minister (IE) recognized all DCC employees for their innovative delivery and practices **Erica Lyle**, Advisor, Communications; Head Office, Ottawa, Ontario **Laura Seward**, Administrative Assistant; Goose Bay, Newfoundland and Labrador **Nicolas Forget**, Regional Director; Montreal, Quebec

PERFORMANCE HIGHLIGHTS 2020–2021

$128 Million
Services Revenue

$855 Million
Value of Contracts Awarded

$1.1 Billion
Contract Payments

99%
Satisfaction Rating

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

$8.2 Billion
Value of Active Contract Portfolio under DCC Management

MESSAGE FROM THE CHAIR

In many ways, the pandemic that took hold last year changed everything about the way we work. Like other government organizations and businesses, DCC needed to quickly accommodate employees suddenly working from home, while maintaining momentum on critical defence, security and environmental infrastructure projects. At the same time, we saw construction sites shutting down, labour pools shrinking and supply chains disrupted.

“May we regroup this time next year: healthy, safe—and together in person.”

And yet, the pandemic did not change DCC’s fundamental approach to business. Our agility and resilience, developed over decades of responding to the needs of our defence and security Client-Partners, served us well. DCC employees adapted and were able to provide the same, if not better, service delivery, taking advantage of technology such as e-procurement.

Focused on more stringent health and safety protocols, and an increased level of service delivery as our Client-Partners also reacted to the operational and economic implications of COVID-19, DCC’s entrepreneurial nature kept procurements and projects moving—even the delivery of the new Multi-National Headquarters building in Riga, Latvia.

The pandemic highlighted the challenges of a fee-for-service business model, with its requirement to react with extreme flexibility to changes in service delivery pace and method. DCC actually outperformed financially during the year, and employee productivity was higher than usual. This is likely to return to target levels as the demands of the pandemic move behind us.

As we continue to navigate these uncertain times, I extend my deepest thanks to our Board of Directors for their generous guidance and insights, and to DCC’s employees, for their ingenuity and determination. May we regroup this time next year: healthy, safe—and together in person.

Original signed by:
Moreen Miller
Chair of the Board

MESSAGE FROM THE PRESIDENT

Last year at this time, I communicated my pride in the ability of DCC's team to ensure smooth operations under the most difficult circumstances. Today, I could not be more impressed as our people continue to find new ways of achieving the ambitious objectives within our strategic themes of People, Service Delivery, Business Management, and Leadership and Governance.

\\ And to our employees—you have gone above and beyond throughout the year, and I am very grateful for your outstanding efforts to support each other, our Client-Partners, and our industry."

This pace of work for DCC staff during the pandemic has been admirable, and we are very concerned about safeguarding the resilience of our employees. Along with managing workloads, we are providing robust and meaningful health and safety support, including flexible work and new five-year strategies for diversity and inclusion, and workplace wellness and mental health. These measures help us care for our employees until the burden of the pandemic lifts and we can return to a sustainable pace of work.

I am encouraged that the overall economic outlook is good. As we draw on our expertise, experience, and flexibility, we will continue to improve how we serve our Client-Partners. This includes DND's green defence initiatives, from green procurement to net-zero building, along with innovations in service delivery: phased design-build delivery for the Future Fighter Capability Project; substantial completion for the federal government's first use of integrated project delivery; and managing end-of-life infrastructure via the prototype Research and Development Centre at Valcartier.

We are also implementing our dedicated strategy to increase Indigenous participation in the contracts we manage for DND, to create meaningful work, training, and growth for Indigenous people and businesses.

That we have the agility and resilience to accomplish this is thanks to our leadership and our employees. To the Board, thank you for your continued support. And to our employees—you have gone above and beyond throughout the year, and I am very grateful for your outstanding efforts to support each other, our Client-Partners, and our industry.

Original signed by:
Derrick Cheung
President and Chief Executive Officer

PHOTO *Throughout the pandemic period, DCC has been keeping business as close to usual as possible. 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 on-site work. In 2020–21, DCC managed the contract for the construction of the new mega-engineering support facility at CFB Gagetown.*

ACHIEVING RESULTS THROUGH AGILITY AND RESILIENCE

2020–21 has been a year unlike any other. DCC's entrepreneurial flexibility has been a critical factor in its ability to advance essential defence and security projects, working closely with all our valued stakeholders. Our capability to add value for Canadian infrastructure and environment projects is founded in our resilient staff and agile business infrastructure. It is further supported by our approach to collaboration and communication with our Client-Partners and our industry partners. This has never been more important than in the past year, and we thank all of our stakeholders for their contributions to maintaining the focus on advancing critical defence and security projects despite the external circumstances of the pandemic.

KEY PERFORMANCE INDICATOR RESULTS

2020–2021

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	4.0%	2.4%
		Innovation results: Percentage of employees who participate in the innoviCulture program	10%	25%
		Employee retention rate: Percentage of employees who stay with the Corporation from year to year	Minimum of 90%	96%
		Employment diversity results: Success in meeting requirements for the four designated groups (women, Indigenous people, people with disabilities, visible minorities)	No deficiencies in three of the four categories	Two deficiencies
		Recruitment results: Percentage of all job postings filled in the first round of job advertising	85%	95%

DCC is continuing its strong delivery of environmentally sustainable projects to support DND's objectives for greening defence infrastructure. In Phase IV of the 30-year Federal Contaminated Sites Action Plan, we are focusing on remediation at military sites across Canada. And our expertise in energy performance contracts is helping DND reduce greenhouse gas emissions to net-zero by 2050, by leveraging reduced utility costs to pay for energy-saving measures—thus, accelerating infrastructure investments without upfront capital.

2020–2021					
		STRATEGIC OBJECTIVE	**KEY PERFORMANCE INDICATORS (KPIs)**	**PERFORMANCE TARGET**	**RESULTS**
PLANNING THEME	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%	99%
			PROCUREMENT RESULTS **Award success:** Percentage of procurements that result in a contract award	Minimum of 95%	97%
			Procurement competition: Number of bidders or proponents per procurement	Minimum of four	5
			Public access to business opportunities: Percentage of all procurements awarded through public business opportunities	Minimum of 98%	100%
			CONTRACT MANAGEMENT RESULTS Percentage of all contracts completed by the date scheduled for occupancy and readiness for intended use	Minimum of 85%	95%
			Contractor performance evaluation: Percentage of evaluations of contracts that have completed their contracts with DCC	95%	99%
	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%	12%
			UTILIZATION RATE **Corporate utilization rate:** Percentage of employees' total payable hours that DCC can bill to the Client-Partner	Minimum of 70%	74%
			FINANCIAL RESULTS **Corporate financial results:** Financial results consistent with DCC's Financial Management Policy	Achievement of budgeted gross margin	Achieved

2020–2021					
		STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATORS (KPIs)	PERFORMANCE TARGET	RESULTS
PLANNING THEME	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 achieved	100%	100%
			DCC PROCUREMENT CODE OF CONDUCT RESULTS **Awards:** Percentage of contracts awarded to firms without current restrictions under the Public Services and Procurement Canada 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	0
			Lost-time hours: Total lost-time hours as a percentage of total employee hours	0.5%	0.0%
			Security compromises: Number of corporate security compromises (operational or industrial)	0	1

PHOTO *DCC staff at 4 Wing Cold Lake (left) Laurier Jubinville and Arjun Sodhi have been working onsite throughout the pandemic on the Canadian Forces Housing Agency's exterior retrofit project. The work will provide Canadian military personnel and their families with upgraded residential housing units.*

Northern Facilities

DCC is managing a five-year, $80-million facilities maintenance and support services contract covering 80 buildings in forward-operating locations and communities in Canada's North.

YELLOWKNIFE, NWT

Future Fighter Capability Project

Under this $743-million project, two new hangars will be constructed to accommodate Canada's next-generation fighter aircraft. DCC will use a phased design-build delivery approach to ensure infrastructure is ready for the first aircraft in 2026.

COLD LAKE, AB

A/B Jetty Recapitalization

The A/B Jetty will be home to the new Arctic/Offshore Patrol Ship and Joint Support Ship. This $743-million project consists of three contracts to demolish the old jetties and to design and construct the new jetty.

ESQUIMALT, BC

Kapyong Demolition Program

DCC is managing the $10.3-million contract for the demolition of the Kapyong Barracks compound. The work involves removing 34 buildings, roads, parking lots, as well as remediation of contaminated soils.

WINNIPEG, MB

DEFENCE INFRASTRUCTURE AND ENVIRONMENT PROJECTS

MULTIPLE LOCATIONS

BAGOTVILLE, QC; PETAWAWA, ON; KINGSTON, ON; GREENWOOD, NS; ESQUIMALT, BC

Energy Performance Contracts

DND aims to reduce the greenhouse gas emissions of its real property portfolio by 40% by 2030. DCC has put five energy performance contracts in place on behalf of DND and plans to implement 11 more by 2022–23.

Deployed Operations

DCC's work in Latvia includes supporting the infrastructure requirements for the Enhanced Forward Presence. DCC is also providing support for multiple construction projects at the Operational Support Hub—South West Asia located in Kuwait.

Edward Drake Building

Built as a landmark public-private partnership project, the $4.1-billion Edward Drake Building in Ottawa provides a modern and efficient facility for the Communications Security Establishment. DCC is involved with the operations and maintenance of the facility as part of the 30-year contract.

Enterprise Data Centre

The expansion of Shared Services Canada's enterprise data centre at CFB Borden helps to modernize and standardize federal IT infrastructure. DCC's second P3 procurement, this $330-million contract supports the design, building, financing, operations and maintenance of the data centre for 25 years.

Defence Research and Development Canada Complex

DCC awarded the contract for the $144-million complex located in Valcartier. The complex will help the region's scientific community strengthen defence capabilities. The new research and development pavilion will include 25,000-m^2 of office, laboratory and support space.

VALCARTIER, QC

Royal Canadian Dragoons

DCC is using an integrated project delivery contract for the $70-million RCD project. This collaborative Lean construction approach helps to minimize waste and maximize efficiency. Construction began in 2020 and is ahead of schedule and on budget.

PETAWAWA, ON

4 Engineer Support Regiment Facility

DCC is constructing a new $73-million facility for the 450-person unit that will now be housed in a single, purpose-built, 20,640-m^2 building. The project is being delivered as a modified design-build and will be built to LEED Silver standards, with a geothermal heating system.

GAGETOWN, NB

MANAGEMENT'S DISCUSSION AND ANALYSIS

$19.2

Million

Value of Contracts Awarded to Indigenous Businesses

1.0 OPERATING ENVIRONMENT AND STRUCTURE

1.1 External Factors

DCC's operating environment is largely shaped by the priorities and planning of DND, by the size and focus of DND's IE program, and by the business outlook for the architecture, engineering and construction industry.

The volume of business DCC receives under the IE program can change significantly from year to year, depending on DND and Government of Canada priorities. The Government of Canada's Strong, Secure, Engaged defence policy makes modernizing DND infrastructure a priority.

Similarly, DCC stands ready to help DND implement its Defence Energy and Environment Strategy. DCC contributes to Canada's long-term environmental sustainability by supporting DND's efforts to reduce greenhouse gas emissions and energy consumption associated with its infrastructure holdings.

In March 2020, the COVID-19 pandemic had an immediate impact on the Canadian construction industry. Contractors and consultants were forced to incorporate new health and safety protocols into their operations and to comply with the safety requirements contained in all DCC contracts; the use of e-procurement for consultants accelerated in order to maintain business operations while bidders were working from home; owners and contractors had to deal with supply chain interruptions; and the timeliness of security clearances changed, affecting some contractors. DCC's management of project work sites and of its return-to-work plan followed all federal and provincial health protocols.

The Canadian construction industry, of which DCC is a member, is becoming more complex, with fewer firms, more foreign ownership, more service-integrated firms, quicker adoption of technology and greater third-party involvement in activities traditionally done by construction business owners, such as quality control. The industry is also in the midst of a labour shortage that is expected to continue for the next 10 years, due to an aging workforce and increased demand for services due too aging infrastructure. It projects a net deficit of 40,638 workers between 2021 and 2030 that will have an impact on the productivity of DCC's construction projects. Construction companies are undertaking efforts to diversify their workforce to cope with their decreasing workforce.

Further, mergers and acquisitions among small and medium-sized enterprises are decreasing the pool of independently-owned businesses eligible and able to bid on DCC contracts. In addition, federal, provincial and municipal governments are all coping with aging infrastructure, which challenges the capacity of industry to respond.

1.2 Internal Factors

In March 2020, DCC employees pivoted to a work-from-home model. Like many workplaces across Canada, DCC has changed its perspective and policies to run its business during a pandemic. This new approach includes enhanced support to employees such as mental health and wellness resources; an updated policy for alternate work arrangements; and an updated ergonomic policy. It is not clear what typical workplaces will look like one, two or even three years from now. Information and technology systems are evolving rapidly to meet the demands of remote working. Shared expectations among employers and employees for the workplace are evolving as well.

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, while dealing with generational turnover and varying expectations of employees of different ages. Since DCC largely hires from outside government, it will be affected by the anticipated demographic crunch in the construction industry, with over one-fifth of workers on track to retire in 10 years but fewer young people entering the workforce. With a more diverse construction industry, DCC continues its efforts to diversify its workforce in order to compete in a labour shortage.

Moreover, many large construction projects are carried out in remote areas, where younger people are less likely to relocate.

Nonetheless, DCC must continue to be able to adapt the size, location and makeup of its workforce, so it can quickly respond to changes in Client-Partner service delivery requirements and priorities. DCC's status as a non-unionized Crown corporation gives it the flexibility to do this. DCC has a comprehensive Human Resources Strategy that addresses this internal business factor with programs that support employee recruitment and retention.

Currently, DCC maintains site offices at all active Canadian Armed Forces (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 35 site offices located at CAF bases, wings and area support units. The latter include an office in Yellowknife, Northwest Territories, to support CAF infrastructure requirements in forward-operating locations in the North. 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

This past year, more than ever, DCC had to ensure that collaborative, strategic relationships were maintained with all of its Client-Partners, at all levels. Planning jointly, aligning our objectives, sharing information, and exchanging lessons learned are a few of the ways that we work to foster strong relationships. Our joint positive results speak for themselves and we look forward to more opportunities to share mutual success stories.

2020–21, DCC deployed employees to Operational Support Hub–Kuwait to meet CAF infrastructure requirements for Operation Impact and to Latvia to support Operation Reassurance.

2.0 INTEGRITY AND ETHICAL CONDUCT

2.1 Procurement Verification

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*.

In 2020–21, DCC awarded 1,663 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 2020–21, DCC made 1,708 verification requests and successfully verified 100% of the successful bidders on applicable contracts.

2.2 Fraud Management

DCC operates in an industry known for fraud. Consequently, fraud detection and awareness are among the Corporation's top priorities. In one of its many efforts to mitigate fraud risk, DCC has been applying in-house developed artificial intelligence (AI) algorithms to develop data analytics to detect procurement fraud. The Corporation is currently in a partnership with data science researchers from Carleton University to develop new AI algorithms for fraud related to contract management and to broaden data analytics to detect procurement fraud. This work, together with DCC's ongoing collaboration with the Competition Bureau through a memorandum of understanding, is helping mitigate the Government of Canada's risk of procurement fraud.

DCC has ensured that its Integrity Management Framework (comprising the Code of Business Conduct for employees and the PCC for suppliers) aligns with the PSPC counterpart, and that the terms of these codes feature in all DCC contract documents. In 2020–21, DCC built on its successful fraud risk management initiatives by adding a section on fraud prevention, detection and reporting to the Operations Manual; developing fraud awareness training for employees; and adding fraud detection and awareness questions to employee exit interview questionnaires.

3.0 DCC INVOLVEMENT IN INDUSTRY ACTIVITIES

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 (FIRPAC), the Lean Construction Institute–Canada, the Canadian Public Procurement Council, the Canadian Construction Documents Committee and the Canadian Design-Build Institute, as

Innovation is the way we do business. Responding to the pandemic, we instituted a new site visit approach for a tender process at CFB Gagetown, allowing bidders to visit the repair project at scheduled times while respecting social distancing. The tender was successful, and the new approach has been used with equal success for subsequent projects.

well as industry organizations for a variety of infrastructure services.

DCC also 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 are effective and 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, and procurement, 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 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 PSPC, DCC and the Canadian Construction Association—related to the prompt payment of federal government construction contracts.

In addition, 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 property. 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 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 shared interest, such as sustainable infrastructure, workforce recruitment and retention, diversity, social procurement and accessibility, Indigenous considerations in procurement, and streamlining and expediting security clearances on federal projects.

4.0 STRATEGIC FRAMEWORK

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 2020–21 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 the planning theme address DCC's ability to recruit and retain people.

There were six initiatives for the 2020–21 planning period.

Implement year two of the new Human Resources Strategic Plan

DCC continued to build and enhance the DCC Human Resources Business Partner model to ensure the Human Resources Department is a strategic partner and provides exceptional client service.

In 2020–21, DCC launched a pilot supervisory training program to give new and existing supervisors opportunities to develop and enhance their people management skills.

Develop phase two of the Diversity and Inclusion (DI) Strategy, and the Workplace Wellness and Mental Health Strategy

DCC's DI Committee developed the new, five-year 2021–2026 DI Strategy to enhance diversity at DCC and help to create a culture of inclusivity.

Regional action plans will embed DI in all business practices, from acquiring talent to managing Client-Partner projects across the organization.

The Workplace Wellness and Mental Health Team continued to promote a healthy, respectful and supportive work environment. It reviewed and updated policies and programs to provide a continuum of care for employees experiencing a physical or mental illness and to support employees during the pandemic.

DCC employees participated in the third Virgin Pulse GO challenge to support their physical and mental health and well-being.

DCC is continuing its journey to wellness with the development of the new 2021–2026 Workplace Wellness and Mental Health Strategy.

Implement the Employee Engagement Survey Action Plan

DCC developed career development and professional growth initiatives to support employees' career development across the organization. The goal is to improve employee engagement and performance.

DCC also developed a mentorship program to ensure the Corporation's overall career growth and development efforts include a focus on inclusivity and enhanced career growth opportunities for DCC's diverse workforce.

Respond to the results of the Comprehensive Compensation and Benefits Survey

DCC reviewed the recommendations contained within the survey and updated policies related to employee community volunteer leave, health and dental benefits, and vacation entitlement program.

Develop an Indigenous People Recruitment and Retention Strategy

The Corporation worked to foster relationships with Indigenous Resource Centres and similar organizations across Canada.

DCC developed meaningful partnerships with Indspire (a scholarship program designed to support Indigenous youth), as well as Indigenous Works, the Native Women's Association of Canada, and the Indigenous Skills and Employment Training Program.

Develop an Employee Pay Equity Plan

DCC developed an effective strategy to ensure the Corporation complies with new federal pay equity legislation. The strategy will help address gender wage gaps by establishing a comprehensive Employee Pay Equity Plan and Policy.

People: Strategic and Operational Performance Indicators

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—including specialists in finance, human resources, information technology, communications and administration—that supports the operations workforce.

In 2020–21, DCC had 960 employees, based on full-time equivalents (FTEs)—a slight decrease from the previous year's number of 964 FTEs. During the most recent year, DCC's internal practices helped 150 employees progress in their careers through promotions, reclassifications and acting assignments.

Also in 2020–21, 29 employees transferred from one region to another, and 100 employees transferred to a different business unit within the same region. DCC and DND benefit from the transfer of skills among operating locations, while employees hone their skills and test themselves.

DCC works with DND/CAF not only across Canada, but also around the world. The Corporation is always standing by, ready to provide short- and long-term procurement, contract management, and project support services to military operations abroad. In 2020–21, seven DCC employees volunteered for deployment, including deployment related to DCC's work in Latvia to support the infrastructure requirements of the Enhanced Forward Presence. DCC also provided support for multiple construction projects at the Operational Support Hub–Kuwait.

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 2020–21, 153 employees reached a significant long-service milestone in their DCC career, including 30 employees with more than 15 years of service.

Diversity and Employment Equity

DCC has built its employment equity program on a solid foundation. Diversity and inclusion (DI) are strategic priorities, and DCC has secured strong senior- and executive-level support for the program.

In 2020–21, with the conclusion of DCC's first DI Strategy, the Corporation developed the five-year 2021–2026 DI Strategy, which aims to achieve even greater progress toward instilling respect, belonging and commitment in DCC's culture. The Corporation broadcast the final segment of the DCC Women's Information Network; created a DCC international cookbook; focused on ways DCC can keep partnering with Indigenous communities and recruit more Indigenous students; introduced online Indigenous awareness training, The Path—Your Journey Through Indigenous Canada, to enhance understanding of history and culture; and updated human resources-related policies and processes that promote greater diversity and apply a gender-based lens.

Further, 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 remove possible barriers in its recruitment, hiring, training, retention and promotion practices.

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

DCC's results against the labour market availability (LMA) outlined in the *Employment Equity Act* of the designated groups in the construction industry are summarized below. In two 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 persons with disabilities and Indigenous people employee populations are below their LMA; however, the representation for both designated groups has advanced during the year. DCC continues to work to strengthen its connections to diverse populations.

REPRESENTATION IN THE DCC EMPLOYEE POPULATION

DESIGNATED GROUP	DCC REPRESENTATION	LABOUR MARKET AVAILABILITY (LMA)
Women	42.8%	14.3%
Persons with disabilities	5.9%	9.1%
Visible minorities	12.3%	9.2%
Indigenous peoples	4.8%	5.6%

Employee Wellness

DCC's value as an employer lies in its people. The organization encourages its employees to incorporate wellness into their daily routine and promotes work-life balance. The Corporation is focused on preventive measures and interventions that reduce employees' health risk factors, as well as on providing a health and wellness program that accommodates employees with physical or mental health challenges. DCC's senior management has been well aware of the ongoing stress employees have faced during the pandemic. Now, more than ever, maintaining good mental and physical health is of the utmost importance.

DCC demonstrates its commitment to wellness by providing access to benefits and resources, such as lifestyle modification programs; fitness memberships and recreational programs; an employee assistance program; an absence support program; flexible working arrangements; and compressed workweeks.

DCC improved its Wellness Allowance Policy and the psychological services available through employee health care benefits; invited employees to participate in the employer-paid Virgin Pulse GO challenge, which aims to improve physical and mental health and well-being; provided a pandemic allowance to alleviate some of the costs associated with working from home; awarded employees three additional days of vacation leave during the holiday break at the end of the calendar year; and improved coverage for mental health services. These investments in employee health during this challenging period demonstrated DCC's commitment to ensuring the continued health and wellness of its employees.

In the upcoming 2021–2026 Workplace Wellness and Mental Health (WWMH) Strategy and Action Plan, DCC plans to enhance the foundation established in the first strategy. For example, the Corporation will continue to align itself with the Mental Health Commission's National Standard for Psychological Health and Safety, to provide mental health training to all employees, and to provide an engaging and activity-driven wellness passport.

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 26.4 sick leave hours (3.5 days) per full-time equivalent (FTE), a significant decrease from the previous year of 47.3 sick leave hours (6.3 days) per FTE. This decrease most likely resulted from the lower than usual cases of influenza and colds due to the public health measures taken to keep the COVID virus from spreading.

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, ensuring the Corporation can 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 2020–21, DCC successfully filled 95% of job openings using one round of advertising, an increase from 93% 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 2020–21 with a rate of 96%, an increase from 92% in the previous year.

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 2020–21, employees submitted 154 ideas. DCC has fully carried out 53 of these ideas, with 50 more in the implementation stage and the remainder under review. However, the innoviCulture Committee has shifted its focus from the quantity of ideas received to the quality of ideas received and the impact of the ideas once they have been implemented.

The Committee aimed to have 10% of all employees participate in the innoviCulture program. At fiscal year end, the participation rate was 25%, well above the targeted rate. The Committee also established a national target of 1,950 total hours per year that employees allocate to the innovation program. In 2020–21, the program reached 95% of its target, with a total of 1,857 hours.

The Committee continued its efforts to refine the flow of ideas into the inCubator. Upgrades such as improved notifications, increased tracking ability, a comments feature and a search capability should foster collaboration and improve the system's functionality. The Committee expects to complete these changes during the next fiscal year.

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

Investment in Training and Development

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

In 2020–21, the actual percentage was 2.4%, a decrease from 3.1% from the prior year. The amount of training is dependent on the effort required to develop and maintain internal courses, and the timing and delivery of professional development activities in various regions. The decrease occurred as many training events were held virtually, due to public health restrictions related to the COVID-19 pandemic.

Leadership Development Results

To keep the Corporation viable, DCC must consistently cultivate quality leadership by fostering the performance, competencies and skills of strong leaders.

To that end, the Corporation's Leadership Development Program (LDP) grooms employees with high potential to be the DCC leaders of tomorrow. It consists of a series of online modules, combined with a forum held once every two years—the most recent held virtually. Participating employees are expected to complete at least six of the online modules in each fiscal year and to complete the entire LDP within five years. At year end, 59% of the 102 employees enrolled in the LDP were on track to complete the program within the five-year window.

In 2020–21, DCC introduced an Advanced Leadership Program (ALP), designed to reinforce the competencies that successful leaders need. Over the past year, due to the pandemic, DCC has relied heavily on the strength of its leaders to be innovative and flexible. The advancement of the almost half of LDP participants who had completed the program to the new ALP resulted in lower program completion rates. The majority of remaining LDP participants were new to the program and, as a result, did not complete the full yearly program curriculum. Moreover, DCC acquired a new online learning platform, and the transition slowed progress for many participants.

We continually focus on improving service delivery—even during the pandemic. New site visit routines, for example, protected health and safety while ensuring fairness for contractors during project tendering. Our people worked overtime and remotely to adapt tender documents for the Future Fighter Capability project's super hangars, so that that industry could access the requirements easily and efficiently. And through our joint DCC-DND Indigenous Procurement Strategy, we are strengthening efforts to engage Indigenous businesses.

Theme: Service Delivery

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

There were seven initiatives related to service delivery in 2020–21.

Enhance DCC's capabilities to support DND in its program delivery and IE strategic portfolio management

DCC enhanced its capabilities to better support DND in its program delivery and IE portfolio management by monitoring, documenting and reporting on the condition of DND's infrastructure assets. Service level agreements were negotiated to help DCC procure the services to inspect, document and upload information related to the condition of the assets, and to provide the support to document, track and report on this data. DCC also developed the necessary internal training to provide employees with the skills and knowledge to support this important initiative.

In addition, DCC is aligning its procurement documents as it adopts new asset management software. This complex initiative will be rolled out in the next planning period.

Support DND's greening defence initiatives

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.

DND is aiming to reduce the greenhouse gas emissions of its real property portfolio by 40% from 2005 levels by 2030. As DND strives to reduce its energy use and environmental impact, DCC is helping in the following ways.

- DCC supports programs and projects related to the 18 targets under the Defence Energy and Environment Strategy.
- DCC has awarded five energy performance contracts on behalf of DND, and expects to award an additional 11 by 2022–23. All will contribute to DND's efforts to reduce greenhouse gas emissions to net zero by 2050.
- In 2020–21, work under the Government of Canada's multi-year Federal Contaminated Sites Action Plan moved into a new phase that focuses on remediation. DCC awarded over $35 million in new contracts in support of the plan.

Implement the final phase of e-procurement for requests for proposals

DCC introduced the final phase of its electronic bid capabilities on April 6, 2020. With this final phase, DCC now accepts e-bids for all types of opportunities, including those that require bid security. The implementation was fast tracked to increase online access for bidders working remotely during the pandemic. E-procurement is an important aspect of DCC's ongoing efforts to increase industry access to DCC contracts; ensure secure, efficient, fair and transparent procurements; and manage defence and security infrastructure projects efficiently and effectively. No delays to DCC procurements were experienced throughout the pandemic year.

Implement innovative procurement and project delivery options

DCC's first pilot project using integrated project delivery (IPD)—also a first for the federal government—supports the modernization of procurement practices in Canada. The six-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, timeliness, cost predictability and value for the Crown.

In 2020–21, this IPD project entered the construction phase while the pandemic was beginning. However, the collaborative nature of the contract enabled all parties to carry on without disruption. The construction at year end was roughly 65% complete, two months ahead of schedule and on budget.

DCC also made significant changes in 2020–21 to its modified design-build suite of documents, which makes the contractual model even more flexible. A contract can now accommodate projects that require multiple phases of work, while ensuring greater contract integrity and strengthened provisions for higher-value contracts. This model provides the needed flexibility to design and build the infrastructure that supports the Future Fighter Capability Project.

DCC is developing new documents to procure innovative, cleaner heating solutions for a facility in Kingston. This work was done under DND's Innovation for Defence Excellence and Security (IDEaS) program, which posts challenges for the Canadian innovation community. IDEaS supports the development of solutions from initial concept through prototype testing and capability development, to address some of Canada's toughest defence and security challenges.

Integrate new federal prompt payment legislation

DCC has 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 working on federal construction projects, was passed on June 21, 2019. DCC awaits the final announcement of the regulations.

Leverage technology to better support construction delivery

DCC continues to seek ways to better support its service delivery in the areas of mobile applications, new work practices and methods, and industry-specific software, such as that for business information modelling and digital analytics.

Using mobile applications will help DCC track and monitor contract management more efficiently. It will also increase productivity, and enhance communication between service lines and DCC's Client-Partner. DCC identified its operation and technical requirements, developed procurement documents and posted a request for proposal to procure the services of a mobile applications service provider with the aim of rolling out this new capability in the coming year.

Develop a joint DCC-DND Indigenous Procurement Strategy

DCC continued its efforts to support the Government of Canada's focus on providing business opportunities to Indigenous people and companies. Over several years, DCC has participated on several federal government committees; conducted an extensive market assessment of local Indigenous business capabilities for each military base and wing across Canada; created three joint DCC-DND working groups to determine the most effective ways to include Indigenous procurement opportunities in DND infrastructure programs; and carried out 21 information sessions across the country to help Indigenous businesses learn about regional projects and ways to seek the required security clearances.

Service Delivery: Strategic and Operational Performance Indicators

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 2020–21, DCC conducted 146 service delivery assessments. The Corporation aims to ensure that 95% of assessments achieve an overall service delivery rating of three or higher. In total, 99% of the overall scores met or exceeded expectations. However, 15 factors out of the 730 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.

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, 97% of DCC procurements had resulted in a contract, a slight increase from last year's rate of 96%.

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 by value through public opportunities. In 2020–21, DCC awarded 100% of all contract value through public opportunities, consistent with the previous year's results.

Procurement Competition

DCC wants industry to view it as an attractive organization to work with, to foster 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 5 bidders per procurement in 2020–21, an increase from 4.8 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 2020–21, 95% of construction contracts were completed on time, consistent with results from the previous year.

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 2020–21, DCC reviewed 12,407 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 $36 million.

Construction Change Order Values

The change in construction award value for 2020–21 was 9.9%, a decrease from the 2019–20 figure of 13.7%. Of the 9.9% change in value, 3.7 percentage points related to design changes and 6.2 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.

Contractor Performance Evalulations

To satisfy its Client-Partners, DCC wants to have the job done right. To satisfy the industry, DCC wants to provide useful and fair performance feedback to the contractors and consultants that perform the work. For two decades, DCC has used its contractor performance evaluation report form to ensure delivery of quality work and to achieve value for the Crown. This vendor management tool holds contractors accountable for poor performance or unacceptable behaviour. The goal is to evaluate 95% of all contractors that have completed their contracts with DCC. In 2020–21, 99% of contractors were evaluated.

Indigenous Outreach

When collaborating with the Client-Partner in its procurement planning, DCC continues to consider how to create a positive social impact through purchasing. In 2020–21, DCC helped to strengthen DND's efforts to engage Indigenous businesses, and to support the Government of Canada's focus on providing business opportunities for Indigenous people and companies. For example, for any contracts due to be posted in a geographic area where there are Indigenous Land Claims Agreement beneficiaries, DCC sends out an advance notice of procurement.

The Corporation also helps support Indigenous businesses by providing procurement opportunities under the Procurement Strategy for Aboriginal Business (PSAB). PSAB helps to address the under-representation of Indigenous businesses in the federal procurement process, and enhances the creation, growth and long-term viability of Indigenous businesses by helping them compete for federal procurement opportunities. Under PSAB, DCC awarded 55 contracts to Indigenous businesses with an award value of $19.2 million in 2020–21—which represents over 2% of the value of all contracts awarded.

Further, DCC began to include an Indigenous Benefit Plan in its major capital construction contracts to create further opportunities for indigenous businesses. This plan is in line with the government's mandate to target 5% of spending for contracts and materials to Indigenous businesses. Under this plan, DCC asks non-Indigenous contractors who are awarded contracts to include provisions for sub-contracting a portion of the awarded value to Indigenous businesses. This approach resulted in the award of three contracts that will contribute to long-term, sustainable and meaningful economic benefits for Indigenous people.

DCC also conducted 21 outreach sessions for Indigenous communities to stimulate interest in DCC business opportunities. The sessions covered electronic bidding processes, the security aspects of military contracts and the support DCC provides to help businesses get security clearances. Seven more information sessions are planned for spring and summer 2021.

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 three initiatives for the 2020–21 planning period.

Enhance and optimize the electronic document management system

DCC has made significant progress in enhancing and optimizing its electronic document management system. Staff can efficiently and effectively use the system. Going forward, any improvements to the system will be monitored and implemented as identified.

Identify digital business capability requirements

A major component of the digital capability resource plan includes improvements to DCC's enterprise resource planning system (ERP). DCC expects to replace its current system over the next four to seven years.

Implement the Information Technology Strategy for the cloud computing solution and cyber security

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.

The IT Strategy progressed into the fourth year of its 10-year planned implementation. The IT cyber security policy, standards and training were developed and approved during the year. The Executive Management Group monitors the progress of the IT Strategy on a monthly basis and receives reports on it regularly during DCC's monthly IT Steering Committee meetings.

Business Management: Strategic and Operational Performance Indicators

Overall Business Performance Results

During 2020–21, DCC conducted its operations under its Business Continuity Plan during the global COVID-19 pandemic. The Corporation's business results have been positive in an environment of uncertainty, which included various operating restrictions imposed by provincial health authorities, combined virtual and on-site business delivery, increased Client-Partner demand, and a fluctuating rollout of the DND program throughout the year. Despite these challenges, DCC delivered more projects to its main Client-Partner than it had in the previous fiscal year, with a minimal increase in cost of service and no compromise in project quality. This is indicative of DCC's strong management capability and the dedication of its workforce. As a result of these factors, DCC's financial results exceeded prior year and Corporate Plan forecasts.

Cost of DCC Service Delivery

This indicator reflects how much of DND's 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 2020–21, the cost of service delivery was 12%, an increase of one percentage point from 11% in 2019–20. This increase was due to a 3% increase in the program delivered by DCC.

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 corporate strategic initiatives and administrative functions that are considered overhead support, and on compensated leave. It is an important performance indicator for efficiency and effectiveness, and a key financial management tool.

The Corporation sets a target to recover 70% of employee salaries through its monthly invoices to its Client-Partners. In 2020–21, the utilization rate was 74%—an increase of two percentage points from the prior year's rate. The utilization rate increased primarily due to higher demand by the Client-Partner.

Our human resources practices take care of people now—and for the long term. In 2021, we developed the second phases for our Diversity and Inclusion Strategy and Workplace Wellness and Mental Health Strategy. And we expanded our wellness program to help employees stay active, including virtual health and wellness activities such as Virgin Pulse GO and the Army Run, and an increased wellness allowance for new fitness gear.

Demand for DCC's services from the Client-Partner fluctuated throughout the year due to the timing of provincial restrictions during the pandemic and the delivery of the IE program.

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 and working capital 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, 2021, DCC's overall cash balance was higher than its 2020–21 targeted operating reserve level of $26 to $33 million, primarily due to faster receipt of receivables than normal (leading to a $10-million increase in cash), combined with higher demand for services and lower-than-anticipated operating costs.

The Corporation adjusts its billing rate annually so that it can support operating costs for subsequent years and achieve its target operating cash balance range as approved by the Board of Directors in the Corporate Plan. Consistent with the 2021–22 Plan, cash in excess of the operating reserve range will be accumulating within the range of $33.5 million to $54 million, in order to fund long-term capital projects and the advancement of innovation and research.

Theme: Leadership and Governance

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

For the 2020−21 planning period, the Senior Management Group identified four initiatives under the leadership and governance theme.

Strengthen collaborative relationships with Client-Partner leadership

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.

In 2020–21, DCC and DND executive teams agreed to postpone their regular executive-level DND-DCC joint planning sessions, so they could focus on their respective organizations' response to COVID-19, thereby ensuring the health and safety of employees while continuing to deliver on DCC-DND programs. Quarterly joint DCC-DND Steering Committee meetings were held virtually and were focused on tracking joint initiatives and deliverables.

Finalize implementation of the Fraud Risk Management Strategic Plan

In 2020−21, DCC continued to apply digital analytics to detect incidents of fraud and collusion in procurement as the technology evolved. More case scenarios were developed to detect an incident of fraud and/or collusion. DCC performed a trend analysis for directed contracts and reported on it at the end of the fiscal year. The Corporation also put investigation protocols and processes in place for both internal and external fraud-related incidents.

DCC's growing expertise in this area of fraud detection was recognized by the Competition Bureau when the Corporation was invited to participate in the development of recorded training webinars on the detection and reporting of bid-rigging and collusion.

Going forward, DCC will conduct biannual reviews and modifications of the Plan, as needed.

Develop a new five-year internal audit plan

The overarching objective of the internal audit function is to provide reasonable assurance that the systems of internal control put in place by DCC's management are both adequate and effective, and that they will help to ensure that the Corporation achieves its organizational objectives and manages risk.

In 2020–21, DCC engaged an external consultant to develop a new multi-year internal audit plan. The audit plan identified high-priority, high-risk areas to be audited.

Develop a plan to respond to the *Accessible Canada Act*

In 2020–21, DCC's Accessibility Plan Working Group continued its work related to DCC's compliance with the *Accessible Canada Act*—including strategies, initiatives and policies. The working group undertook accessibility law compliance training; engaged with other public sector organizations to gather resources and identify lessons learned in complying with accessibility laws; and approved a draft work plan to meet the Act's current requirements. DCC is on schedule to have its Accessibility Plan in place by January 2023.

Leadership and Governance: Strategic and Operational Performance Indicators

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 2021–2022 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 2020–21, 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 2020–21, DCC responded to 43 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

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 2020–21, 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 2020–21, DCC verified 1,708 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, the Greening Government Strategy, the Defence Energy and Environment Strategy, and the Greening Government Community of Practice for Crown Corporations.

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 2020–21, no worksite environmental incidents resulting from actions of DCC personnel were reported. In total, seven environmental incidents were reported—four as a result of contractor activities that involved accidental spills and release of contaminants; two involving a halocarbon release as a result of equipment malfunction; and one involving the release of firefighting system foam. None of the incidents occurred as a result of DCC activities and all were mitigated with corrective actions. DCC employees reported all seven incidents in a timely manner and appropriate follow-up action was taken. This number was an increase from the four environmental incidents that occurred in 2019–20.

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 2020–21, DCC continued to collaborate with its Client-Partners and other government departments to ensure it supports key capabilities, such as lifecycle assessment, feasibility studies, Smart building management, energy management, waste management and renewable energy management. DCC is working with DND across all service lines and in all regions to develop and maintain tools and databases that support environment projects and programs.

In 2020–21, DCC supported DND in its commitment to long-term environmental sustainability through various activities, including the following:

- awarding and implementing energy performance contracts in Kingston, Esquimalt, Petawawa, Bagotville and Greenwood;
- awarding contracts for renewable energy projects, including the installation of solar street lighting in Halifax;
- providing feasibility studies for a heating plant decentralization project in Comox;
- supporting the construction of Green Globes/LEED infrastructure projects;
- helping DND meet its commitment to reducing its inventory of contaminated sites; and
- supporting DND's goals related to waste management and fuel consumption tracking, 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 employs 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. The safety professionals meet by teleconference monthly to ensure the Corporation is meeting its compliance and reporting requirements. During those teleconferences, they also discuss lessons learned from events that have occurred, including safety monitoring and inspection challenges, so that DCC can implement preventative measures and decrease the likelihood of similar events occurring in the future. DCC also shares best practices and health and safety programs with other Crown corporations and the Client-Partners.

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 2020–21, there were no lost-time incidents.

DCC continued to implement the Canadian Standards Association's psychological safety standard in 2020–21, by incorporating psychological safety into DCC's hazard awareness and health and safety program.

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 2020–21, there were 12 industrial security incidents with one compromise (an increase from five occurrences in 2019–20) and two corporate security incidents with no compromise (one more incident than in the previous year).

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, 2021, there were 13 ongoing claims totalling $19.5 million. These were related to contracts DCC had put in place on behalf of its Client-Partners. These figures can be compared with 10 ongoing claims totalling $10.3 million as at March 31, 2020.

In accordance with the memorandum of understanding between DND and the Corporation, 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 legal claims. In addition, as at March 31, 2021, there was one other ongoing legal claim in relation to a grievance with significant monetary damages. Due to uncertainties surrounding the claim and the early stage of the claim's evaluation, the outcome, timing and extent of the settlement, if any, cannot be determined at this time. No amount for this claim has been recognized as at March 31, 2021.

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 2020–21, DCC updated it Corporate Risk Register on a quarterly basis 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 $127.7 million in 2020–21, an increase of $13.0 million or approximately 11% from the previous fiscal year. The increase was due to an unanticipated increase in demand for services from the Client-Partner, particularly in relation to the COVID-19 response, combined with a planned billing rate increase for the year.

In general, services revenue has a direct correlation to DND's spending on infrastructure and environmental projects. Services revenue increases when the number and dollar value of DND projects increase and decreases when the opposite occurs.

The cyclical nature of DND funding has a direct impact on demand for the Corporation's services and its services revenue. DCC payments to project contractors on behalf of Client-Partners were $29.1 million in 2020–21, or 13% higher than forecasted in the 2020–21 Corporate Plan. Forecasts were based on information provided by the Client-Partners at the time of forecasting, prior to the COVID-19 pandemic.

REVENUE, BY ACTIVITY *(in thousands of dollars)*

	2020–21	2019–20	CHANGE	
Contract Management	$ 52,329	$ 49,600	$ 2,729	6%
Project Planning	35,761	31,446	4,315	14%
Real Property Technical Support	11,355	9,849	1,506	15%
Procurement	10,341	8,455	1,886	22%
Construction Technical Support	10,171	8,722	1,449	17%
Environmental Technical Support	7,753	6,659	1,094	16%
	$127,710	$114,731	$12,979	11%

Contract Management

Revenue from Contract Management in 2020–21 represented 41% of total revenue, compared to 43% in the previous year. Contract Management revenue increased by 6% over the previous fiscal year. The higher revenue is a result of the increase in billing rates (which accounted for 7.5 percentage points of the increase), offset partially by lower demand for this service by the Client-Partner (which accounted for a 1.5 percentage point decrease). The lower demand reflects the variability of services used by the Client-Partner as projects move through various stages, from planning and procurement to contract management.

Project Planning

Project Planning revenue increased by 14% in 2020–21. The increase over the prior fiscal year was due to the billing rate increase (which accounted for 7.5 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 6.5 percentage points of the rise).

Real Property Technical Support

Real Property Technical Support revenue increased by 15% in 2020–21, due to the billing rate increase (which accounted for 7.5 percentage points of the rise) and to increased demand for services related to facility and portfolio management (which accounted for a 7.5 percentage point increase).

Procurement

Revenue from Procurement increased by 22% in 2020–21, due to the billing rate increase (which accounted for 7.5 percentage points of the rise) and increased demand from the Client-Partner (which accounted for 14.5 percentage points of the rise).

Construction Technical Support

Revenue from Construction Technical Support in 2020–21 increased by 17% over the previous fiscal year, due to the billing rate increase (which accounted for 7.5 percentage points of the rise) and an increase in demand for these services from DND (which accounted for 9.5 percentage points of the rise).

Environmental Technical Support

Environmental Technical Support revenue increased in 2020–21 by 16% over the previous fiscal year, due to the billing rate increase (which accounted for 7.5 percentage points of the increase) and an increase in demand for these services (which accounted for 8.5 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 $1.6 million in 2020–21, a decrease of $1.9 million or approximately 55% from the prior year. The decrease was due to COVID-19 travel restrictions.

TRAVEL AND DISBURSEMENT REVENUE
(in thousands of dollars)

2020–21	$ 1,600
2019–20	$ 3,550
CHANGE	$(1,950) -55%

Investment Revenue

Investment revenue, which is generated from the Corporation's average cash balance in the bank and from investments, decreased in 2020–21 by $589,000 or approximately 57% over the previous fiscal year. The average rate of return generated in 2020–21 from cash and investments was 2.4%, slightly higher than the prior year's average of 2.3%. The decrease in investment revenue was mainly due to the gain recognized on the disposition of investments in the prior period that were used to fund DCC's operations following the cyber incident.

INVESTMENT REVENUE
(in thousands of dollars)

2020–21	$ 445
2019–20	$1,034
CHANGE	$ (589) -57%

6.2 Expenses

Salaries and Employee Benefits

Salaries totalled $86.6 million in 2020–21, an increase of $3.5 million or approximately 4% over the previous fiscal year. The 4% increase was mainly due to an increase in salaries for the year of 3.9%, on average, related to the cost of living factor and performance pay.

Employee benefits totalled $22.5 million in 2020–21, an increase of $124,000 or approximately 1% over the previous fiscal year. The figure for employee benefits as a percentage of salaries was lower than normal, due to premium rebates offered by the medical benefit provider during the COVID-19 period for services that were not available for part of the year.

··· SEE TABLE 1

Operating and Administrative Expenses

Operating and administrative expenses were $10.2 million in 2020–21, a decrease of $1.1 million or approximately 9% over the previous fiscal year. A variety of factors influenced these expenses.

Table 1
SALARIES AND EMPLOYEE BENEFITS *(in thousands of dollars)*

	2020–21	2019–20	CHANGE	
Salaries	$ 86,610	$ 83,063	$3,547	4%
Employee benefits	22,544	22,420	124	1%
	$109,154	$105,483	$3,671	3%
EMPLOYEE BENEFITS AS A PERCENTAGE OF SALARIES	**26.03%**	**26.99%**		

OPERATING AND ADMINISTRATIVE EXPENSES *(in thousands of dollars)*					
	2020–21	2019–20	CHANGE		VARIANCE ANALYSIS
Cloud computing services	$ 1,717	$ 1,005	$ 712	71%	The increase was due to higher monthly managed cloud service costs after full migration of the information technology (IT) servers to the cloud.
Professional services	1,481	2,744	(1,263)	-46%	The decrease was due to the completion of the migration of the IT servers to the cloud, resulting in lower related professional services costs and the deferral of some IT projects to the next fiscal year.
Software maintenance	1,287	1,155	132	11%	The increase was due to additional cyber security support, such as remote verification of user network access, and increased costs and maintenance requirements for additional software deployed.
Equipment rental	1,141	755	386	51%	The increase occurred because, as of April 1, 2020, DCC now leases employee computing devices instead of purchasing them, and because there was an increase in the number of employees during the year.
Leased location operating costs	1,043	1,002	41	4%	The increase was due to higher taxes and operating costs, in addition to annual rate increases.
Telephone and data communications	883	943	(60)	-6%	The decrease was due to a lower number of cellular telephone costs during COVID-19.
Furniture and equipment	854	436	418	96%	The increase was due to support provided to employees to facilitate their transition to working from home, as well as to furniture expenses related to the Head Office renovations.
Employee training and development	608	1,082	(474)	-44%	The decrease was due to a reduction in in-person training as a result of the ongoing COVID-19 pandemic.
Office services, supplies and equipment	412	371	41	11%	The increase was mostly due to the purchase of personal protective equipment related to COVID-19.
Client services and communications	305	153	152	99%	The increase was due to an increase in communications initiatives.

cont'd

OPERATING AND ADMINISTRATIVE EXPENSES *(in thousands of dollars)*

	2020–21	2019–20	CHANGE		VARIANCE ANALYSIS
Computer software	87	30	57	190%	The increase was due to costs related to upgrading DCC's enterprise resource planning (ERP) system and to the costs of implementing mobile and remote authentication software.
Memberships and subscriptions	82	63	19	30%	The variance was not material.
Staff relocation	74	431	(357)	-83%	The decrease was due to a high retention rate and a resulting decrease in business requirements to relocate current and new staff during the COVID-19 pandemic.
Printing and stationery	45	91	(46)	-51%	The variance was not material.
Hospitality	36	211	(175)	-83%	The decrease was due to a decrease in the number of internal physical meetings due to the COVID-19 pandemic.
Other	35	121	(86)	-71%	The decrease was due to a decrease in loss on disposal of property, plant and equipment.
Postage and freight	25	37	(12)	-32%	The variance was not material.
Travel	20	529	(509)	-96%	The decrease was due to travel restrictions related to the COVID-19 pandemic.
Recruiting	16	45	(29)	-64%	The variance was not material.
Computer hardware	13	27	(14)	-52%	The variance was not material.
Leasehold improvements	3	2	1	50%	The variance was not material.
	$10,167	$11,233	$(1,066)	9%	

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 markup. Travel and disbursement expenses totalled $1.6 million for the year, a decrease of $1.9 million or approximately 55% from the prior year. The decrease in these expenses was due to COVID-19 travel restrictions.

TRAVEL AND DISBURSEMENT EXPENSES
(in thousands of dollars)

2020–21	$ 1,600
2019–20	$ 3,550
CHANGE	$(1,950) -55%

Depreciation and Amortization

Depreciation and amortization combined decreased by $965,000 or 35% over the prior year. Depreciation of property, plant and equipment decreased by 44% or $193,000 because the Corporation began leasing personal computing devices instead of purchasing them. The decrease of $746,000 in depreciation of right-of-use assets occurred because of the non-renewal of the co-location lease. The decrease in amortization of intangible assets was due to lower investment in productivity software for the electronic document management system.

··· SEE TABLE 2

6.3 Net Income (Loss) and Total Comprehensive Income (Loss)

The net income in the current period was $6.9 million, compared with a net loss of $3.0 million in the previous fiscal year—an increase of $9.9 million. The higher net income in the period was due mainly to increased productivity, driven by higher demand for DCC's services, as well as the billing rate increase and spending reductions related to COVID-19 pandemic restrictions.

The increase in income led to a higher result than was anticipated in the Corporate Plan, which estimated the loss for the year at $70,000. The difference was due mainly to increased productivity, driven by higher demand for DCC's services, and spending reductions due mainly to decreased travel and training costs related to COVID-19 restrictions, lower-than-planned professional fees due to the deferral of some IT projects, and DCC's decision to defer procurement of a construction management mobile application until 2021–22.

Other comprehensive loss in 2020–21 was $3.7 million, compared with other comprehensive income of $457,000 in 2019–20. The actuarial loss in 2020–21 was mainly due to a decrease in the discount rate used to estimate employee future benefits.

Total comprehensive income of the Corporation for the year ended March 31, 2021, was $3.1 million, compared with a total comprehensive loss of $2.6 million in the previous fiscal year—an increase of $5.7 million.

··· SEE TABLE 3

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.

Table 2
DEPRECIATION AND AMORTIZATION *(in thousands of dollars)*

	2020–21	2019–20	CHANGE	
Depreciation of property, plant and equipment	$ 244	$ 437	$(193)	-44%
Depreciation of right-of-use assets	1,475	2,221	(746)	-34%
Amortization of intangible assets	55	81	(26)	-32%
	$1,774	**$2,739**	**$(965)**	**-35%**

Table 3
TOTAL COMPREHENSIVE INCOME (LOSS) *(in thousands of dollars)*

	2020–21	2019–20	CHANGE	
Income (loss) for the year	$6,880	$(3,023)	$9,903	*
Other comprehensive income (loss)				
Actuarial gain (loss) on employee benefit obligations	(3,744)	457	(4,201)	*
TOTAL COMPREHENSIVE INCOME (LOSS)	**$3,136**	**$(2,566)**	**$5,702**	*****

**The variance was not meaningful.*

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

The Corporation's objective is to operate on a slightly better than break-even basis, after adjusting for reserve funds for future capital projects and for innovation and research. 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 decreases 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 the requirements to fund operating, capital project, and innovation and research expenses 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 types of 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 DCC's 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 IE program.

Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments totalled $45.9 million at March 31, 2021, an increase of $20.6 million or 81% from the previous year.

The cash balance at March 31, 2021, was $35.6 million, an increase of $19.9 million or 126% from the previous year. In 2020–21, the Corporation generated $22.5 million through operating activities, spent $953,000 on capital expenditures, acquired investments in a net amount of $368,000 and paid $1.3 million for lease obligations.

As at March 31, 2021, DCC's overall cash balance was higher than its 2020–21 targeted reserve level of $26 to $33 million, primarily due to higher-than-anticipated demand for the Corporation's services, lower-than-anticipated operating costs, and faster collection of trade receivables due to a change in the Government of Canada's payment policy during the COVID-19 pandemic.

Investments (both current and long term) at March 31, 2021, were $10.3 million, an increase of $702,000 or 7% from the previous year. The rise was due to an increase in the net acquisition of investments compared to the previous fiscal year, when investments were sold and the proceeds transferred 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.

Trade Receivables

Trade receivables are due from the Corporation's Client-Partners, mainly DND. At March 31, 2021, trade receivables were $15.2 million, which represented a decrease of $8.5 million or 36% over the previous fiscal year. The decrease was due to the quicker collection of receivables from DND due to a change in payment approach during the COVID-19 pandemic. Normally, the trade receivables balance is greater than 20% of the revenue balance. At March 31, 2021, the trade receivables balance was 12% of services revenue or $10 million lower than would normally be anticipated. All of the trade receivables were assessed to be fully collectible.

Current Liabilities

Current liabilities were $21.4 million at March 31, 2021, an increase of $1.2 million or 6% above the March 31, 2020, balance. The increase in current liabilities was due to the timing of payments of suppliers.

··· SEE TABLE 4

6.5 Employee Benefits

The Corporation records a liability for the estimated cost of sick leave and retirement allowance for active employees, and health and dental care and life insurance benefits for its retirees. This estimate is actuarially determined. Beginning in April 2022, the sick leave program will

Table 4
LIQUIDITY AND CAPITAL RESOURCES *(in thousands of dollars)*

	2020–21	2019–20	CHANGE	
Cash and cash equivalents	$35,632	$15,738	$19,894	126%
Investments	10,304	9,602	702	7%
Cash, cash equivalents and investments	**45,936**	**25,340**	**20,596**	**81%**
Trade receivables	**15,156**	**23,679**	**(8,523)**	**-36%**
Current liabilities	**$21,352**	**$20,182**	**$ 1,170**	**6%**

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, 2021, was $37.1 million, an increase of $6.2 million or approximately 20% from the previous fiscal year.

Overall, the liability increased due to current service costs, interest, and the actuarial loss being higher than the benefit payments. Current service costs and interest charges for the period were $2.9 million and benefits paid were $659,600. The actuarial loss was $3.9 million, due mainly to a decrease in discount rate.

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.

··· SEE TABLE 5

6.6 Capital Expenditures

The Corporation's capital expenditures for 2020–21 totalled $1.5 million, a decrease of $10.8 million or 88% from the previous fiscal year. The decrease was mainly due to the capitalization of right-of-use assets in the previous fiscal year, resulting from the adoption of International Financial Reporting Standards (IFRS) 16. The decrease was mitigated by current-year leasehold improvements and purchases of furniture related to the Head Office renovations.

··· SEE TABLE 6

Table 5
EMPLOYEE BENEFITS *(in thousands of dollars)*

	2020–21	2019–20	CHANGE	
Long-term portion	$33,430	$27,247	$6,183	23%
Current portion	3,667	3,666	1	0%
TOTAL EMPLOYEE BENEFITS	**$37,097**	**$30,913**	**$6,184**	**20%**

Table 6
CAPITAL EXPENDITURES *(in thousands of dollars)*

	2020–21	2019–20	CHANGE	
Right-of-use assets	$ —	$11,680	$(11,680)	-100%
Intangible assets	10	13	(3)	-23%
Computer equipment	—	127	(127)	-100%
Furniture and equipment	359	61	298	489%
Leasehold improvements	1,094	346	748	216%
	$1,463	**$12,227**	**$(10,764)**	**-88%**

6.7 Actual Performance Versus Plan

The following table compares the Corporation's actual performance in 2020–21 with the projections in the Corporate Plan (the Plan). The Corporation's actual performance compared to the Plan was better than anticipated. The Corporate Plan was developed prior to the COVID-19 global pandemic.

Services revenue for the year was 6% higher than projected in the Plan. The increase was due to higher-than-anticipated demand for services from DND, partially in relation to additional support requested during the COVID-19 pandemic. Demand for DCC's services varied unevenly throughout the year, due to the uncertainties across Canada associated with the pandemic and to late-in-the-year delivery of the IE program related to Client-Partner timing of program rollout. As a result, DCC provided additional services as requested with slightly more employees, resulting in greater revenue and a higher utilization rate than planned.

Investment revenue was lower than anticipated in the Plan, due to lower interest rates than anticipated on new investments.

Travel and disbursement revenue and expenses were 15% lower than forecasted in the Plan, due to the impact of COVID-19 on travel.

Salaries and employee benefits were 4% higher than projected in the Plan, due to higher-than-expected demand from the Client-Partner of 6%. In response to this increased demand, DCC increased its full-time equivalents by 2% more than planned and provided services with a higher-level mix of employees than anticipated.

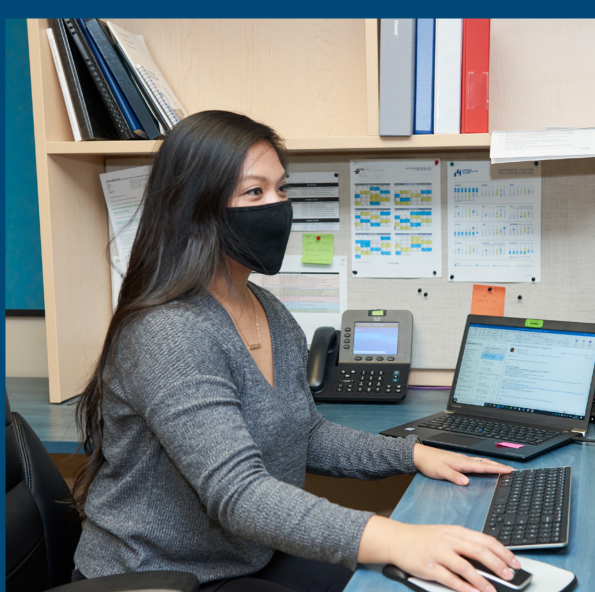
Operating and administrative costs were 26% lower than projected. The decrease was due mainly to decreased travel and training costs related to COVID-19 restrictions, lower-than-planned professional fees, and DCC's decision to defer the procurement of a construction management mobile application and other IT initiatives until 2021–22.

Depreciation and amortization were 13% lower than anticipated in the Plan, mainly due to delays in the 2020–21 Head Office renovations as a result of the COVID-19 pandemic.

Income for the year was $7.0 million higher than forecasted in the Plan, due to higher demand for services and lower-than-anticipated operating expenses.

Cash and investments were higher than anticipated, due to higher-than-expected income for the year and quicker-than-usual receipt of trade receivables from DCC's Client-Partners.

Capital expenditures were 57% lower than projected, due to the timing of new leasehold arrangements and lower-than-expected overall costs incurred for Head Office renovations, as well as a delay of some of those expenditures due to the COVID-19 pandemic.



DCC is meeting our forecasted commitments despite the pandemic, while investing in future capabilities that add value for Canada. In 2020–2021, we advanced our Information Technology strategy to meet new expectations from our operating environment. DCC employees accelerated our capacity to accept electronic bids and technical proposals: we brought e-bidding for professional services contracts online in just one week, and our universal e-bidding capability maintained the tendering process while serving industry partners working remotely.

ACTUAL PERFORMANCE VERSUS PLANNED *(in thousands of dollars)*

	ACTUAL	CORPORATE PLAN	CHANGE	
Revenue				
Services revenue	$127,710	$120,502	$ 7,208	6%
Travel and disbursement revenue	1,600	1,892	(292)	-15%
Investment revenue	445	500	(55)	-11%
Lease revenue	74	—	74	100%
Total revenue	129,829	122,894	6,935	6%
Expenses				
Salaries and employee benefits	109,154	104,965	4,189	4%
Operating and administrative expenses	10,167	13,775	(3,608)	-26%
Travel and disbursement expenses	1,600	1,892	(292)	-15%
Finance costs	254	299	(45)	-15%
Depreciation and amortization	1,774	2,033	(259)	-13%
Total expenses	122,949	122,964	(15)	0%
Income (loss) for the year	6,880	(70)	6,950	*
Other comprehensive loss	(3,744)	—	(3,744)	*
Total comprehensive income (loss)	$ 3,136	$ (70)	$ 3,206	*
CAPITAL EXPENDITURES	**$ 1,463**	**$ 3,404**	**$(1,941)**	**-57%**

**The variance was not meaningful.*

FIVE-YEAR SUMMARY OF FINANCIAL INFORMATION *(in thousands of dollars)*

	2020–21	2019–20	2018–19	2017–18	2016–17
Revenue					
Services revenue	$127,710	$114,731	$110,389	$ 98,858	$ 93,711
Travel and disbursement revenue	1,600	3,550	3,831	2,773	2,234
Lease revenue	74	885	—	—	—
Investment revenue	445	1,034	708	728	740
	$129,829	**$120,200**	**$114,928**	**$102,359**	**$ 96,685**
Expenses					
Salaries and employee benefits	$109,154	$105,483	$100,824	$ 92,468	$ 91,337
Operating and administrative expenses	10,167	11,233	9,362	8,955	7,709
Travel and disbursement expenses	1,600	3,550	3,831	2,773	2,234
Depreciation and amortization	1,774	2,739	1,087	1,328	1,324
Finance costs	254	218	5	8	8
	$122,949	**$123,223**	**$115,109**	**$105,532**	**$102,612**
Income (loss) for the year	6,880	(3,023)	(181)	(3,173)	(5,927)
Other comprehensive income (loss)	(3,744)	457	6,867	(8,128)	371
Total comprehensive income (loss)	**$ 3,136**	**$ (2,566)**	**$ 6,686**	**$ (11,301)**	**$ (5,556)**
Retained earnings, beginning of the year	9,318	11,884	5,198	16,499	30,555
Dividend	—	—	—	—	(8,500)
Retained earnings, end of the year	$ 12,454	$ 9,318	$ 11,884	$ 5,198	$ 16,499
Assets					
Cash and cash equivalents	$ 35,632	$ 15,738	$ 10,066	$ 3,972	$ 7,022
Investments	10,304	9,602	18,104	18,729	20,230
Trade receivables, prepaids and other assets	16,671	25,021	22,808	24,535	20,547
Other receivables	1,729	4,552	1,805	1,954	2,124
Right-of-use assets	7,981	9,456	—	—	—
Property, plant and equipment, and assets under finance lease	2,014	815	979	1,858	2,551
Intangible assets	17	63	131	252	398
	$ 74,348	**$ 65,247**	**$ 53,893**	**$ 51,300**	**$ 52,872**

cont'd

FIVE-YEAR SUMMARY OF FINANCIAL INFORMATION *(in thousands of dollars)*

	2020–21	2019–20	2018–19	2017–18	2016–17
Liabilities					
Trade and other payables	$ 16,453	$ 15,393	$ 13,664	$ 13,394	$ 13,349
Lease obligation	8,344	9,623	—	—	—
Finance lease obligation	—	—	147	243	314
Employee benefits	37,097	30,913	28,198	32,465	22,710
	$ 61,894	**$ 55,929**	**$ 42,009**	**$ 46,102**	**$ 36,373**
Equity					
Share capital	—	—	—	—	—
Retained earnings	12,454	9,318	11,884	5,198	16,499
	12,454	**9,318**	**11,884**	**5,198**	**16,499**
	$ 74,348	$ 65,247	$ 53,893	$ 51,300	$ 52,872
Cash flows from (used in):					
Operating activities	$ 22,494	$ (398)	$ 5,782	$ (3,894)	$ (1,290)
Acquisition of property, plant and equipment, and intangibles	(953)	(388)	(127)	(464)	(895)
Acquisition of investments	(3,600)	—	(3,249)	(2,163)	(1,059)
Redemption and disposition of investments	3,232	8,733	3,784	3,568	500
Financial activities	(1,279)	(2,275)	(96)	(97)	(112)
Dividend paid	—	—	—	—	(8,500)
Increase (decrease) in cash during the year	**19,894**	**5,672**	**6,094**	**(3,050)**	**(11,356)**
Cash, beginning of the year	**15,738**	**10,066**	**3,972**	**7,022**	**18,378**
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**$ 35,632**	**$ 15,738**	**$ 10,066**	**$ 3,972**	**$ 7,022**

7.0 OUTLOOK

The COVID-19 pandemic has been the defining factor of 2020–21, and its effects are expected to continue into next year.

In March 2020, DCC took significant emergency actions to protect its employees and their families, and to lessen the impact of the pandemic on its business. As a result, DCC's performance was consistent with targets and, in some cases, surpassed expectations.

Demand for services from DCC's primary Client-Partner, DND, and under two public-private partnership contracts DCC manages for the Communications Security Establishment and Shared Services Canada, was higher during 2020–21 and is expected to continue at current rates. DCC anticipates that contract expenditures will be close to $1 billion each year over the next five planning years, as it provides support to the Future Fighter Capability Project, oversees construction of infrastructure for the Canadian surface combatant ships, and manages energy performance contracts at bases and wings across Canada, among other work.

Looking ahead, the government may require DCC's support during the pandemic recovery in the area of infrastructure investment. With contract expenditures of between $900 million and $1 billion per year, DCC already generates 3,600 to 4,000 full-time jobs in the IE industry and injects money into local communities through its payments to contractors and consultants.

Although the pandemic has changed how DCC works, the Corporation continues to progress on planned initiatives: Client-Partner relationship development; program delivery and green defence initiatives; enhanced technology for service delivery; cyber security and awareness; accessibility; a healthy, diverse and inclusive workplace; gender balance and pay equity; transparency; business opportunities for Indigenous people; and procurement modernization.

In addition, DCC has identified a new corporate strategic initiative: managing the impact of the pandemic on its business operations. Senior management remains vigilant about monitoring the mental and physical health of staff, acknowledging that the pace employees set in 2020–21 is not sustainable. To mitigate the risk of burnout, DCC is providing extensive support to staff—including health and safety education, and mental health and wellness education and resources—and offering flexible work arrangements.

Another key risk relates to the Corporation's ability to recruit and retain top talent in a competitive labour market, including members of the four employment equity groups. DCC will launch its renewed Diversity and Inclusion Strategy, which focuses on anti-racism training and unconscious bias awareness training for all employees, in 2021–22. DCC will also continue its Indigenous Work Experience Program during the planning period.

Technology is becoming ever-more important, especially in the virtual environments that form part of the pandemic workplace. DCC is mindful that falling behind in IT investments will put service capability and the organization's overall viability at risk.

DCC must remain agile in resource planning, so it can respond quickly to any government decision to scale up or decrease DCC's capacity. Mitigating the associated risks remains at the forefront of DCC's tactical and strategic planning.

To meet its ambitious objectives for the next fiscal year, DCC will draw on its strengths: expertise, experience and know-how; proven flexibility and agility; and the ability to have the right people in the right job at the right time. The Corporation will also accelerate its investment in business innovations—particularly its digital capability—to improve its efficiency and effectiveness and deliver further value to the Crown.

The pandemic is changing societal norms, employee expectations, the economic outlook and the way collaboration occurs. In the future workplace—likely a hybrid of on-site and remote environments—DCC will continue to improve the ways it serves its Client-Partners, while engaging and supporting its workforce.

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. Extraordinary measures have been taken by all levels of government to help contain and combat the outbreak.

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

Throughout the pandemic period, the Corporation has been keeping business as close to usual as possible, aligning operations with local public health authorities' requirements. The number of new tenders the Corporation has issued and closed during the pandemic has been steady.

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

While the Corporation is unable to predict the exact nature and scope of the impact of COVID-19 on its business and operations, it believes at the time of this filing that its cash reserves, its accounts receivable and the service level arrangements in place with its Client-Partners will provide sufficient liquidity to fund its operations.

7.2 Financial Outlook

When DCC developed the 2021–2022 Corporate Plan in fall 2020 and at the date of this report, there was still a high level of uncertainty surrounding the extent of the impact of the COVID-19 pandemic.

The Corporation has traditionally taken a conservative approach to forecasting future growth. The 2021–2022 Corporate Plan shows an increase in services revenue of approximately 6.3% in 2021–22, driven by an anticipated 4.5% increase in billing rates and by an expected increase in business volume from Client-Partners, which will account for 1.8 percentage points of the revenue increase.

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 2021–22 to 2025–26. 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 forecast demand from DCC's Client-Partner, from 2023–24 to 2025–26.

··· SEE TABLE 7

Salary and employee benefits expenses for 2021–22 are forecasted to increase by approximately 6.2%, with an increase in expected full-time equivalents accounting for 4.8 percentage points of the rise, and an increase for merit and inflation of current salary costs accounting for 1.4 percentage points. Salary and benefits expenses are expected to rise by 3.5% annually from 2022–23 to 2025–26, due to increases in economic and merit pay and in volume of work.

Table 7
REVENUE ASSUMPTIONS

	PLANNED				
	2021–22	2022–23	2023–24	2024–25	2025–26
Volume change	1.80%	1.10%	0.00%	0.00%	0.00%
Billing rate change	4.50%	4.50%	4.50%	4.50%	4.50%
TOTAL ANTICIPATED INCREASE OR DECREASE	**6.30%**	**5.60%**	**4.50%**	**4.50%**	**4.50%**

Operating and administrative expenses for 2021–22 are projected to increase by 35% from those in 2020–21. This rise is due to increases related to continued 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 increase by 6% in 2021–22 over the prior fiscal year. This increase is mainly due to Head Office renovations to be completed in the first quarter of 2021–22 and other capital expenditures. Depreciation and amortization are expected to remain relatively stable for the remainder of the reporting period with an increase starting in 2022–23 to match planned capital expenditures.

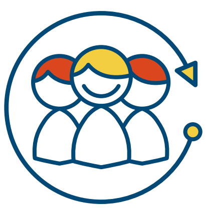
Income of $1.8 million is forecasted for 2021–22, which is much lower than the income in 2020–21. The objective of the current plan is to remain at a near break-even operating level, after taking into account funding required for future capital projects.

FINANCIAL OUTLOOK *(in thousands of dollars)*

	ACTUAL	PLANNED				
	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26
Services revenue	**$127,710**	$132,901	$140,383	$146,704	$153,309	$160,202
Travel and disbursement revenue	**1,600**	1,766	1,766	1,766	1,766	1,766
Investment revenue	**445**	700	714	728	743	758
Lease revenue	**74**	—	—	—	—	—
Total revenue	129,829	135,367	142,863	149,198	155,818	162,726
Salaries and employee benefits	**109,154**	115,924	120,507	124,705	129,050	133,550
Operating and administrative expenses	**10,167**	13,723	14,464	14,811	14,906	15,072
Travel and disbursement revenue	**1,600**	1,766	1,766	1,766	1,766	1,766
Depreciation of right-of-use assets	**1,475**	1,342	1,335	1,333	1,334	1,335
Depreciation of property, plant and equipment	**244**	525	495	867	828	856
Amortization of intangible assets	**55**	6	3	—	—	3,000
Finance costs	**254**	264	269	275	280	286
	122,949	133,550	138,839	143,757	148,164	155,865
Income for the year	**6,880**	1,817	4,024	5,441	7,654	6,861
Other comprehensive loss	**(3,744)**	—	—	—	—	—
Total comprehensive income	$ 3,136	$ 1,817	$ 4,024	$ 5,441	$ 7,654	$ 6,861
CAPITAL EXPENDITURES	**$ 1,463**	**$ 200**	**$ 3,378**	**$ 1,200**	**$ 623**	**$ 9,200**

CORPORATE GOVERNANCE

DCC's Corporate Governance Framework provides an overview of the governance structure, principles and practices of DCC's Board of Directors (the Board). It is also used to help articulate and clarify the Board's responsibilities. The Board also looks to other documents for guidance, including the Corporation's by-laws, and the charters of the Board and of its two committees. As part of its commitment to openness and transparency, DCC posts documentation related to its governance practices on its website.



96%

Employee Retention Rate

DCC's Board of Directors is responsible for the management of the businesses, activities and other affairs of the Corporation, pursuant to the *Financial Administration Act* (FAA). DCC is accountable, through the Minister of Public Services and Procurement (the Minister), to Parliament for the conduct of its affairs. 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. In addition to the FAA, DCC is governed by the *Defence Production Act,* as well as other federal legislation, such as 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

It is important that DCC aligns its policies and practices with the Government of Canada priorities and expectations that are particularly relevant to DCC. The Board of Directors plays a role in this by ensuring that these governmental priorities, which are typically articulated in the Mandate Letter from the Minister to the Chair of DCC's Board of Directors, are appropriately addressed by the Corporation. As part of DCC's strategic planning process, DCC's President and CEO and the Executive Management Group (EMG) conduct environmental scans to help identify other potential areas of relevance to DCC.

GOVERNANCE

The Corporation's management of such matters as integrity, values and ethics, strategic planning, and risk come under the purview of the Board. In addition, the Board 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 Privy Council Office (PCO) manages the process for all board appointments. Members of DCC's Board are independent of DCC management, except for the President and CEO.

Canada's diverse population is reflected in DCC's board membership. Board members also have a mix of industry knowledge, skills and experience. This diversity is aligned with the Corporation's Board Profile and includes five male and two female members from across Canada.

All DCC board members receive orientation sessions as soon as possible after they are appointed. These sessions cover topics such as relevant legislation, portfolio integration, machinery of government and DCC's business. Also, at each quarterly board meeting, they have opportunities to further understand and clarify their roles and responsibilities through various learning tools, including presentations on various governance topics. Board members are encouraged to keep themselves abreast of matters that are relevant to DCC, especially those related to federal Crown corporations. DCC is a member of the Institute of Corporate Directors (ICD), which permits board members to participate in ICD events in their home province or territory.

The Office of the Auditor General of Canada (OAG) is DCC's auditor, pursuant to the *Defence Production Act*. The OAG audits the Corporation's financial statements annually and carries out a Special Examination at least once every 10 years.

INTEGRITY AND ETHICS

The *Conflict of Interest Act* articulates expectations and requirements for members of DCC's Board of Directors. As part of their orientation, board members are to review the reference material available on the website of the Office of the Conflict of Interest and Ethics Commissioner. To help satisfy their obligations, board members must sign an annual declaration confirming they have read the Act and understand its application to their role. In addition to the *Conflict of Interest Act*, this declaration also requires board members to note their compliance with DCC's Board of Directors' Code of Conduct (Board Code). The Board Code sets out the standards of conduct that all board members are expected to follow in the exercise of their duties.

The Board 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 DCC's expectations for suppliers, including how to respond to bid solicitations in an open, honest, fair and comprehensive manner. DCC has incorporated specific PCC clauses into its contract documentation in order to ensure that suppliers are aware of their obligations. DCC's President and CEO provides regular reports to the Board of Directors on matters arising out of the PCC and on employee compliance with DCC's Code of Business Conduct.

DCC's Code of Business Conduct (Code) incorporates the *Public Servants Disclosure Protection Act* (PSDPA) and outlines expected behaviours, as well as procedures for disclosing wrongdoing under the PSDPA. All DCC employees are expected to comply with the Code. DCC employees must review their obligations and responsibilities under the Code, and acknowledge their continued compliance, on a regular basis. All new employees must complete online training on the Code and pass a related test. In 2020–21, 100% of DCC's employees responded to the annual request for review, and all new hires completed the mandatory module and test.

STRATEGIC DIRECTION

Annually, DCC submits a Corporate Plan to the Minister, who recommends it for approval by the Governor in Council, pursuant to the FAA. The Corporation's strategic planning process includes preparatory activities, timelines and deliverables. DCC's annual strategic planning session incorporates ideas from DCC's Board, as well as its Senior Management Group. DCC also invites other stakeholder representatives from government and industry to participate, in order to obtain a broad environmental scan. This session results in the establishment of corporate initiatives, and DCC regularly updates the Board on the progress made in implementing these initiatives.

A hybrid in-person-virtual board strategic planning session was held in 2020–21, and the Chair of the Board participated in DCC's annual strategic planning session virtually, due to the COVID-19 pandemic. In 2020–21, the Board reviewed DCC's draft 2021–2022 to 2025–2026 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 2020.

RISK MANAGEMENT

DCC's risk management practices are based on its 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. To help the Board fulfill this responsibility, DCC provides regular reports on its risk management.

ENGAGEMENT AND COMMUNICATION

Given the COVID-19 pandemic, DCC held its Annual Public Meeting virtually on July 9, 2020, after posting a notice on DCC's website 30 days earlier, pursuant to the FAA. Annual public meetings offer a way for the public to communicate with and find out about DCC. Industry association heads and members and DCC employees were encouraged to send questions ahead of the event and to view it virtually. At this meeting, the Chair of the Board, the President and CEO, and the Vice-President, Finance & Human Resources, and Chief Financial Officer, presented information on DCC's activities and financial results.

Board engagement with DCC employees is an important way for board members to learn more about DCC and how it delivers services to its Client-Partners, which, in turn, helps the Board fulfill its responsibilities. The Board engages with DCC employees at DCC offices across Canada through such activities as attending presentations on topics of interest, touring sites and facilities, and pursuing innovative information-sharing opportunities. In 2020–21, the Board met virtually 11 times.

BOARD COMMITTEES

DCC's Board has two committees that help the Board carry out its responsibilities: the Audit Committee, and the Governance and Human Resources Committee. All Audit Committee members are independent of DCC management, in that none of them are officers of the Corporation or employees of DCC, as required by the FAA.

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 2020–21 are noted below.

Audit Committee

Chair: Stephen Burbridge
Members: Moreen Miller and Cynthia Ene

The Committee met five times in 2020–21.

Further to its charter, the Audit Committee assists the Board in overseeing DCC's financial and management controls, and in ensuring 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 identify 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 2020–21, 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, and the previous year's OAG annual audit; 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 Derrick Cheung (*ex officio*)

The Committee met five times in 2020–21.

The Charter of the Governance and Human Resources Committee outlines the duties and responsibilities of the Committee, which include helping 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 2020–21, 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 2020–21. It does not show the attendance of board members who participated in committee meetings as observers.

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.

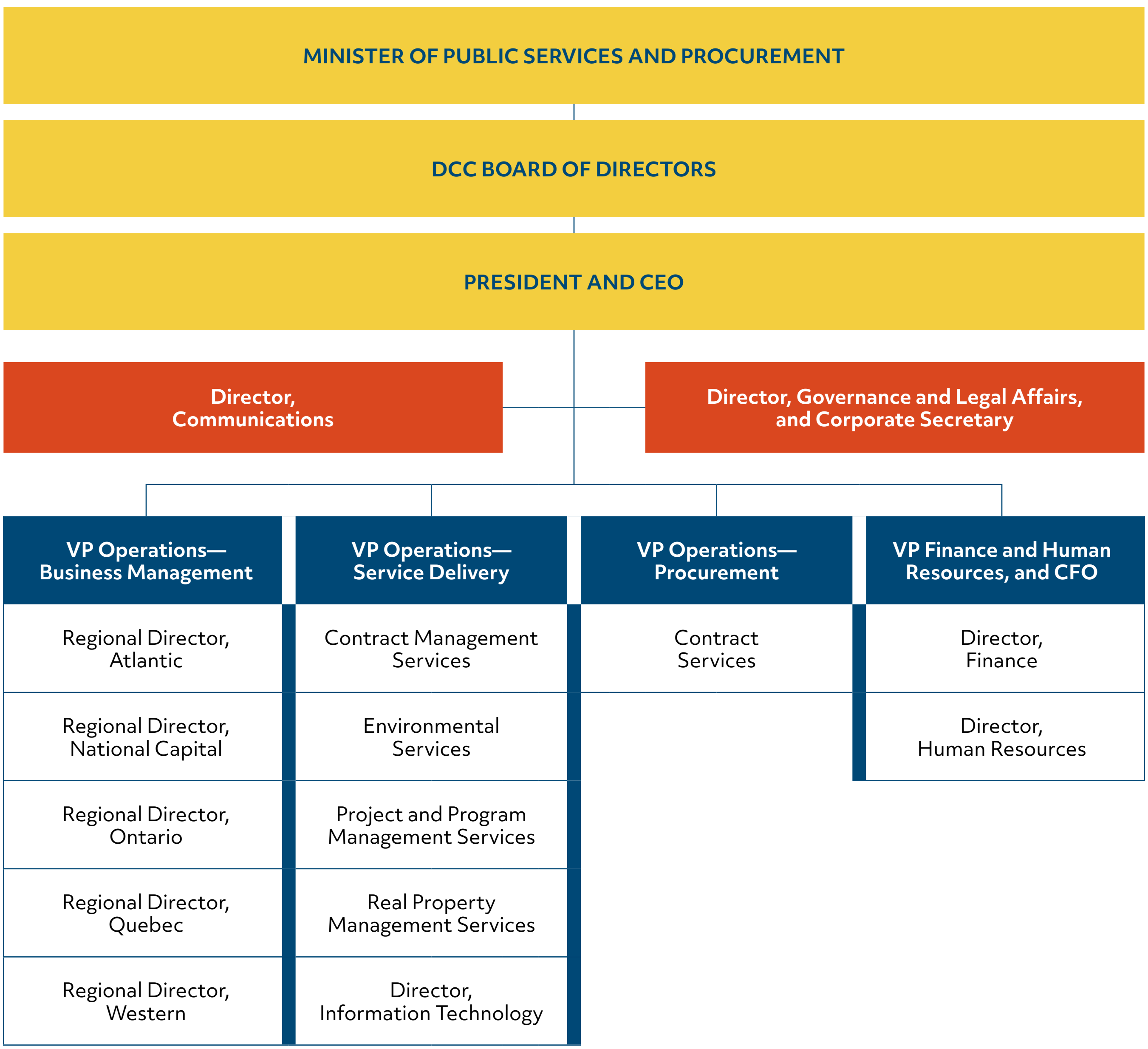
Chart 1:
ATTENDANCE

	BOARD	AUDIT COMMITTEE	GOVERNANCE AND HUMAN RESOURCES COMMITTEE
Miller, Moreen	11/11	5/5	5/5
Anderson, Steve	11/11	—	5/5
Burbridge, Stephen	11/11	5/5	—
Ene, Cynthia	11/11	5/5	—
Lloyd, Claude	11/11	—	5/5
Watt, Angus	11/11	—	5/5
Cheung, Derrick	11/11	—	5/5

BOARD OF DIRECTORS

The following are the members of DCC's Board of Directors. To see their full biographies, please visit the DCC website.

- Moreen Miller, Chair of the Board
- Steve Anderson
- Stephen Burbridge
- Derrick Cheung, DCC President and CEO
- Cynthia Ene
- Claude Lloyd
- Angus Watt



EXECUTIVE MANAGEMENT STRUCTURE

The President and CEO reports to the Board of Directors and is accountable to the Board for the overall management and performance of the Corporation. The Executive Team—made up of the President and CEO and four vice-presidents—is located at DCC's Head Office in Ottawa. In addition to their day-to-day interactions, members meet regularly as the Executive Management Group, supported by the Corporate Secretary, to review strategic, operational, financial and human resources matters for the Corporation.

Three vice-presidents, operations, are responsible for DCC service delivery, business management and procurement activities. The Vice-President, Operations—Service Delivery is responsible for service delivery for four of DCC's five service lines, plus oversight of the Information Technology Department, and acts as the Corporate Security Officer. 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, 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, 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.

The following are members of DCC's Senior Management Group. To see their full biographies, please visit the DCC website.

Our resilient operations and processes ensured an agile and speedy response to the pandemic while remaining focused on our industry partners. That included adapting payment processes to ensure continued timely payments to contractors, communicating early and often with Client-Partners and industry partners to navigate COVID-related restrictions, moving industry outreach sessions seamlessly online, and creating quarantine and long-term care centre support—even creating workstations in tents!

EXECUTIVE TEAM

Derrick Cheung, LL.M., MBA, MA
President and Chief Executive Officer

Karl McQuillan, P.Eng.
Vice-President, Operations—Service Delivery

Mélinda Nycholat, P.Eng.
Vice-President, Operations—Procurement

Ross Welsman, P.Eng.
Vice-President, Operations—Business Management

Juliet Woodfield, FCPA, FCA
Vice-President, Finance & Human Resources, and Chief Financial Officer

DIRECTOR TEAM

Dave Burley, GSC
National Director, Contract Management and Real Property Management Services

Nicolas Forget, M.Sc.
Regional Director, Quebec

Charles Fuller, B.A.Sc., PMP
National Director, Project and Program Management Services

John Graham, P.Eng., PMP
Regional Director, Ontario

Alison Lawford, LL.B., LL.M.
Director, Governance and Legal Affairs, and Corporate Secretary

Elizabeth Mah, P.Eng., GSC, PMP
Regional Director, National Capital Region

Kimberly Morgan, CHRL
Director, Human Resources

Kevin Petit-Frère, CPA, CA
Director, Finance

Mélanie Pouliot, P.Eng.
National Director, Contract Services

Stephanie Ryan, B.A. (Hons.), ABC
Director, Communications

Grant Sayers, C.E.T.
Regional Director, Western

George Theoharopoulos, P.Eng.
Regional Director, Atlantic

Navpreet Uppal, B.Eng.
Director, Information Technology

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 her 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 10, 2021

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 2021, and the statement of profit and loss and other comprehensive income (loss), 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 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of Defence Construction (1951) Limited coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Defence Production Act*, *the Canada Business Corporations Act*, the articles and by-laws of Defence Construction (1951) Limited, and the directive issued pursuant to section 89 of the *Financial Administration Act*.

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

Responsibilities of Management for Compliance with Specified Authorities

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

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

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

Mélanie Cabana, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
10 June 2021

Defence Construction (1951) Limited

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2021

(in thousands of Canadian dollars)

	NOTES	2021	2020
Assets			
Cash and cash equivalents		**$35,632**	$15,738
Investments	8	**2,925**	—
Trade receivables	5, 18	**15,156**	23,679
Prepaid and other assets	6	**1,515**	1,342
Other receivables	7	**1,729**	4,552
Current assets		**56,957**	45,311
Investments	8	**7,379**	9,602
Property, plant and equipment	9	**2,014**	815
Intangible assets	10	**17**	63
Right-of-use assets	17	**7,981**	9,456
Non-current assets		**17,391**	19,936
TOTAL ASSETS		**$74,348**	**$65,247**
Liabilities			
Trade and other payables	11, 18	**$16,453**	$15,393
Current portion—employee benefits	12	**3,667**	3,666
Current portion—lease obligations	17	**1,232**	1,123
Current liabilities		**21,352**	20,182
Employee benefits	12	**33,430**	27,247
Lease obligations	17	**7,112**	8,500
Non-current liabilities		**40,542**	35,747
Total liabilities		**$61,894**	$55,929
Equity			
Share Capital—Authorized—1,000 common shares of no par value—Issued, 32 common shares		**—**	—
Retained earnings		**$12,454**	$ 9,318
Total equity		**$12,454**	$ 9,318
TOTAL LIABILITIES AND EQUITY		**$74,348**	**$65,247**

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 10, 2021

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 (LOSS)

FOR THE YEAR ENDED MARCH 31, 2021

(in thousands of Canadian dollars)

	NOTES	2021	2020
Services revenue	13	**$127,710**	$114,731
Travel and disbursement revenue		**1,600**	3,550
Investment revenue	13	**445**	1,034
Lease revenue	17	**74**	885
Total revenue		**129,829**	120,200
Salaries and employee benefits		**109,154**	105,483
Operating and administrative expenses	14	**10,167**	11,233
Travel and disbursement expenses		**1,600**	3,550
Depreciation of property, plant and equipment	9	**244**	437
Depreciation of right-of-use assets	17	**1,475**	2,221
Amortization of intangible assets	10	**55**	81
Finance costs	15	**254**	218
Total expenses		**122,949**	123,223
Income (loss) for the year		**6,880**	(3,023)
Other comprehensive income (loss)			
Actuarial gain (loss) on employee benefit obligation[1]	12	**(3,744)**	457
TOTAL COMPREHENSIVE INCOME (LOSS)		**$ 3,136**	**$ (2,566)**

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, 2021

(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)
Other comprehensive income	—	457	457
Balance as at March 31, 2020	—	$ 9,318	$ 9,318
Income for the year	—	6,880	6,880
Other comprehensive loss	—	(3,744)	(3,744)
Balance as at March 31, 2021	—	$12,454	$12,454

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, 2021

(in thousands of Canadian dollars)

	NOTES	2021	2020
Cash flow provided by (used in) operating activities			
Income (loss) for the year		**$ 6,880**	$ (3,023)
Adjustments to reconcile income (loss) for the year to cash provided by (used in) operating activities			
Employee benefits expensed	12	**3,099**	4,266
Employee benefits paid	12	**(659)**	(1,094)
Gain on disposition of investments		**(359)**	(246)
Depreciation of property, plant and equipment	9	**244**	437
Depreciation of right-of-use assets	17	**1,475**	2,221
Amortization of intangible assets	10	**55**	81
Amortization of investment premiums		**25**	89
Loss on disposal of property, plant and equipment		**10**	99
Loss on disposal of intangible assets		**1**	—
Loss on disposal of assets under finance lease		**—**	4
Change in non-cash operating working capital			
Trade receivables		**8,523**	(2,358)
Other receivables		**2,823**	(2,417)
Prepaids and other assets		**(173)**	(185)
Trade and other payables		**550**	1,728
Net cash flows provided by (used in) operating activities		**22,494**	(398)
Cash flows from investing activities			
Acquisition of investments		**(3,600)**	—
Redemption and disposition of investments		**3,232**	8,733
Acquisition of property, plant and equipment	9	**(943)**	(375)
Acquisition of intangible assets	10	**(10)**	(13)
Net cash flows provided by (used in) investing activities		**(1,321)**	8,345
Cash flows used in financing activities			
Repayment of lease obligations	17	**(1,279)**	(2,275)
Net cash flows used in financial activities		**(1,279)**	(2,275)
Increase in cash during the year		**19,894**	5,672
Cash at the beginning of the year		**15,738**	10,066
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**$35,632**	**$15,738**

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, 2021

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 the Department of 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.

1.1 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 the 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 in compliance with the various local public health authorities requirements across Canada and abroad where DCC conducts its work.

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 a historical cost basis as set out in the accounting polices below, except as permitted by IFRS and as otherwise indicated within these notes.

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, 2020. The Corporation adopted the following standards on April 1, 2020:

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

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 adoption of these amendments had no impact on these financial statements.

3.1 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:

IFRS 16—Leases

This standard has been revised to incorporate an amendment, COVID-19-Related Rent Concessions, issued by the International Accounting Standards Board (IASB) in May 2020.

Under this amendment, lessees are not required to assess whether particular COVID-19-related rent concessions are lease modifications. Instead, lessees are permitted to account for those rent concessions as if they were not lease modifications. In addition, the amendment to IFRS 16 provides specific disclosure requirements regarding COVID-19-related rent concessions.

The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at May 28, 2020. The Corporation does not expect any impact from the adoption of this amendment.

IFRS 9 and IFRS 16—Interest Rate Benchmark Reform

There is a global reform of interest rate benchmarks. Part of this reform is the replacement of some interbank rates with alternative benchmark rates. According to the existing guidance in IFRS 9, changes in interest rates are a modification of a financial contract which may result in the recognition of a significant gain or loss in the statement of profit and loss and other comprehensive income (loss). However, a practical expedient has been introduced. Under this expedient, the entity will account for changes in the interest rate by updating the effective interest rate. The entity does not have to recognize a gain or loss in the statement of profit and loss and other comprehensive income (loss). This expedient can only be used if the changes in the financial contract result directly from interbank offered rate (IBOR) reform and the change occurs on an economically equivalent basis.

When lease payments are based on an interest rate benchmark, and the benchmark is changed as a result of IBOR reform, a practical expedient exists under IFRS 16. This expedient can be used if the benchmark is changed on an economically equivalent basis. The practical expedient allows the entity to account for the change in the interest by prospectively applying IFRS 16.42.

These amendments are effective for annual reporting periods beginning on or after January 1, 2021. The Corporation does not expect any impact from the adoption of this amendment.

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 applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. As all trade receivables are receivable from the Government of Canada and deemed recoverable based on the payment profile of the customer. The Corporation does not believe at this point that COVID-19 will hinder the capacity of the Government of Canada to pay outstanding invoices.

Supporting Information

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

The aging of the trade receivables are as follows:

	AS AT MARCH 31, 2021	AS AT MARCH 31, 2020
Current	**$12,860**	$11,849
Outstanding for 31–60 days	**2,296**	11,493
Outstanding for 61–90 days	**—**	—
Outstanding for 91 plus days	**—**	337
TRADE RECEIVABLES	**$15,156**	**$23,679**

NOTE 6: PREPAID AND OTHER ASSETS

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

	AS AT MARCH 31, 2021	AS AT MARCH 31, 2020
Prepaid expenses	**$1,509**	$1,305
Travel advances	**—**	30
Employee advances	**6**	7
	$1,515	**$1,342**

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

	AS AT MARCH 31, 2021	AS AT MARCH 31, 2020
Salary receivable	**$1,575**	$1,675
Insurance proceeds receivable	**—**	2,299
Other receivables	**154**	578
	$1,729	**$4,552**

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 3% (coupon rates ranging from 2.85% to 4.4%), guaranteed investment certificates (GIC) ranging from 0.68% to 2.82%, and mutual funds with variable interest rates. The maturity dates of the bonds vary from June 2022 to September 2025 and GIC vary from June 2021 to July 2025 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, 2021	AS AT MARCH 31, 2020
Current portion	**$ 2,925**	$ —
Long-term portion	**7,379**	9,602
	$10,304	$9,602

CARRYING AMOUNT AT AMORTIZED COST

	AS AT MARCH 31, 2021	AS AT MARCH 31, 2020
Bonds		
Provincial	**$ 1,829**	$3,868
Corporate	**—**	859
Total bonds	**1,829**	4,727
Guaranteed Investment Certificate	**8,475**	4,875
	$10,304	$9,602

FAIR VALUE

	AS AT MARCH 31, 2021	AS AT MARCH 31, 2020
Bonds		
Provincial	**$ 1,951**	$4,191
Corporate	**—**	895
Total bonds	**1,951**	5,086
Guaranteed Investment Certificate	**8,531**	4,909
	$10,482	$9,995

AS AT MARCH 31, 2021	EFFECTIVE INTEREST RATE	COUPON INTEREST RATE	LESS THAN ONE YEAR	LATER THAN ONE YEAR AND NOT LATER THAN FIVE YEARS	TOTAL
Obligations					
Provincial	2.65% to 3%	2.85% to 4.4%	$ —	$1,829	$ 1,829
Guaranteed Investment Certificate	0.68% to 2.82%	0.68% to 2.82%	2,925	5,550	8,475
			$2,925	$7,379	$10,304

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 recognized on a straight-line basis to write down the cost less estimated residual value of such assets. Depreciation on assets under construction does not commence until they are complete and available for use. The following useful lives are applied:

Computer equipment
3 to 5 years
Furniture and fixtures
5 years
Leasehold improvements
Remaining 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.

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 operating and administrative expenses.

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

Property, plant and equipment 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.

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

	COMPUTER EQUIPMENT	FURNITURE AND FIXTURES	LEASEHOLD IMPROVEMENTS	TOTAL
Cost				
Balance as at March 31, 2019	$2,643	$ 953	$1,562	$5,158
Additions	127	61	346	534
Disposals	(1,139)	(8)	—	(1,147)
Balance as at March 31, 2020	$1,631	$1,006	$1,908	$4,545
Additions	—	359	1,094	1,453
Disposals	(959)	(198)	(1,466)	(2,623)
BALANCE AS AT MARCH 31, 2021	**$ 672**	**$1,167**	**$1,536**	**$3,375**

	COMPUTER EQUIPMENT	FURNITURE AND FIXTURES	LEASEHOLD IMPROVEMENTS	TOTAL
Accumulated depreciation				
Balance as at March 31, 2019	$2,053	$714	$1,553	$4,320
Depreciation	335	79	23	437
Disposals	(1,019)	(8)	—	(1,027)
Balance as at March 31, 2020	$1,369	$785	$1,576	$3,730
Depreciation	116	90	38	244
Disposals	(959)	(192)	(1,462)	(2,613)
BALANCE AS AT MARCH 31, 2021	**$ 526**	**$683**	**$ 152**	**$1,361**

	COMPUTER EQUIPMENT	FURNITURE AND FIXTURES	LEASEHOLD IMPROVEMENTS	TOTAL
Net Book Value by Asset Class				
Net Book Value as at March 31, 2020	$262	$221	$ 332	$ 815
Net Book Value as at March 31, 2021	$146	$484	$1,384	$2,014

Included in furniture and fixtures and leasehold improvements is $301 and $1.1 million, respectively in assets under construction which are not in use as of March 31, 2021.

Proceeds associated with the disposals that occurred in the years ended 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.

Changes to intangible assets are shown in the following table:

	TOTAL
Cost	
Balance as at March 31, 2019	$1,459
Additions	13
Disposals	—
Balance as at March 31, 2020	1,472
Additions	10
Disposals	(531)
BALANCE AS AT MARCH 31, 2021	**$ 951**

Accumulated amortization	TOTAL
Balance as at March 31, 2019	$1,328
Amortization	81
Disposals	—
Balance as at March 31, 2020	1,409
Amortization	55
Disposals	(530)
BALANCE AS AT MARCH 31, 2021	$ 934

Net Book Value	TOTAL
Net Book Value as at March 31, 2020	$63
Net Book Value as at March 31, 2021	$17

Proceeds associated with the disposals that occurred in the years ended were $Nil (2020—$Nil). There is no impairment of intangible assets.

NOTE 11: TRADE AND OTHER PAYABLES

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, 2021	AS AT MARCH 31, 2020
Accounts payable (Note 18)	**$ 853**	$ 2,564
Accrued vacation and overtime	**5,797**	4,334
Accrued liabilities	**8,903**	7,649
Commodity taxes payable	**900**	846
	$16,453	$15,393

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 (loss).

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 2022, 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, 2021	AS AT MARCH 31, 2020
Long-term portion employee benefits	**$33,430**	$27,247
Current portion employee benefits	**3,667**	3,666
TOTAL EMPLOYEE BENEFITS	**$37,097**	**$30,913**

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:

	2021	2020
Discount rate for projected benefit obligation	**3.40%**	3.80%
Rate of general salary increases	**3.25%**	3.25%
Initial weighted average health care cost trend rate	**4.80%**	4.90%
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**	65

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

	2021	2020
Opening value of obligation	**$30,913**	$28,198
Current service cost	**1,682**	2,306
Interest on present value of obligation	**1,227**	1,018
Actuarial loss (gains)	**3,855**	(258)
Past service cost	**79**	—
Curtailment	**—**	743
Employee benefit payments	**(659)**	(1,094)
CLOSING VALUE OF BENEFITS OBLIGATION	**$37,097**	**$30,913**

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.

The weighted average duration of the defined benefits obligation is 21 years (2020 – 22 years).

Amounts recognized in the Statement of Profit and Loss and Other Comprehensive Income (Loss) for the year in respect of this benefit plan are as follows:

	2021	2020
Current service cost	**$1,682**	$ 2,306
Interest on present value of obligation	**1,227**	1,018
Actuarial loss (gain) recognized in year	**111**	199
Curtailment	**—**	743
Past service cost	**79**	—
EMPLOYEE BENEFIT EXPENSES	**$3,099**	**$4,266**

The Curtailment loss in 2020 relates to the planned discontinuation in April 2022 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 (Loss) for the actuarial gain or loss is made up of the following elements:

	2021	2020
Actuarial gains (loss) from financial assumptions	**$(3,855)**	$ 258
Less: Actuarial loss recognized in year	**(111)**	(199)
ACTUARIAL GAIN (LOSS) ON EMPLOYEE BENEFIT OBLIGATION	**$(3,744)**	**$ 457**

12.2 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	$(6,934)	$ 9,416
Effect of change in salary scale assumption	$ 345	$ (303)
Effect of change in health care cost trend rate assumption	$ 8,706	$(6,523)

The Corporation expects to expense $3,353 in 2022 for current service costs related to employee benefits.

12.3 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 9.80% (2020—9.72%). Total contributions of $8,499 (2020—$8,001) 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:

Year ended March 31, 2021

	ACTIVITIES						
Regions	**Contract Management**	**Project Planning**	**Real Property Technical Support**	**Procurement**	**Construction Technical Support**	**Environmental Technical Support**	**Total Revenue By Region**
Atlantic Region	$ 8,077	$ 5,610	$ 1,492	$ 1,709	$ 693	$1,564	$ 19,145
Quebec Region	9,075	5,391	1,484	1,426	1,279	1,428	20,083
National Capital Region	4,492	9,420	5,298	280	449	1,448	21,387
Ontario Region	12,633	5,725	2,394	2,177	4,721	1,929	29,579
Western Region	16,971	9,327	674	3,428	1,670	1,384	33,454
Head Office	1,081	288	13	1,321	1,359	—	4,062
TOTAL REVENUE BY ACTIVITY	**$52,329**	**$35,761**	**$11,355**	**$10,341**	**$10,171**	**$7,753**	**$127,710**

Year 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**

The following table disaggregates revenue by region and contract type:

	YEAR ENDED MARCH 31, 2021	YEAR ENDED MARCH 31, 2020
Time Based Revenue		
Atlantic Region	**$ 3,144**	**$ 5,406**
Quebec Region	**6,634**	**5,920**
National Capital Region/ Head Office	**20,416**	**20,826**
Ontario Region	**8,843**	**7,730**
Western Region	**8,663**	**6,308**
Total time-based revenue	**$ 47,700**	**$ 46,190**
Fixed Fee Revenue		
Atlantic Region	$ 16,000	$ 11,883
Quebec Region	13,450	12,544
National Capital Region/ Head Office	5,032	871
Ontario Region	20,737	19,908
Western Region	24,791	23,335
Total fixed-fee revenue	$ 80,010	$ 68,541
TOTAL REVENUE	**$127,710**	**$114,731**

13.2 Investment Revenue

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

	2021	2020
Income from:		
Bank deposit interest	**$153**	$ 221
Investment interest including gain on disposition	**284**	655
Other interest	**8**	158
	$445	**$1,034**

NOTE 14: OPERATING AND ADMINISTRATIVE EXPENSES

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

	2021	2020
Cloud computing services	$ 1,717	$ 1,005
Professional services	1,481	2,744
Software maintenance	1,287	1,155
Equipment rental	1,141	755
Leased location operating costs	1,043	1,002
Telephone and data communications	883	943
Furniture and equipment	854	436
Employee training and development	608	1,082
Office services, supplies and equipment	412	371
Client services and communications	305	153
Computer software	87	30
Memberships and subscriptions	82	63
Staff relocation	74	431
Printing and stationery	45	91
Hospitality	36	211
Other	35	121
Postage and freight	25	37
Travel	20	529
Recruiting	16	45
Computer hardware	13	27
Leasehold improvements	3	2
	$10,167	$11,233

NOTE 15: SUPPLEMENTAL OPERATING CASH FLOW INFORMATION

	2021	2020
Interest charges on lease obligations	$254	$218
Interest received from bank deposits	$153	$221
Interest received from investments	$284	$655
Acquisition of property, plant and equipment not paid	$510	$ —

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

The classifications list in the table below remained consistent for the years presented in this financial statement.

	CLASSIFICATION	SUBSEQUENT MEASUREMENT
Cash and cash equivalents	FVTPL	FVTPL
Investments	Amortized cost	Amortized cost
Trade receivables	Amortized cost	Amortized cost
Other receivables	Amortized cost	Amortized cost
Other assets	Amortized cost	Amortized cost
Trade and other payables	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 operating and administrative expenses. 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 reviews 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, 2021 and 2020.

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, 2021, was $62,827 (as at March 31, 2020, it was $54,913) 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 departments of the Government of Canada. The Corporation is exposed to concentration risk of trade receivables with Department of National Defence as described in Note 18. Based on historic default rates and the aging analysis in Note 5, Trade Receivables, the Corporation believes that there are no requirements for an ECL. Other assets consist of balances related to travel advances to employees and computer loans to employees. Prepaids are not included in other assets. Trade and other payables consist of balances owed to suppliers. Commodity taxes payable and accrued vacation and overtime are not included in trade and other payables.

	FAIR VALUE THROUGH PROFIT AND LOSS	AMORTIZED COST	TOTAL CARRYING AMOUNT
As at March 31, 2021			
Cash	**$35,632**	**$ —**	**$35,632**
Investments	**—**	**10,304**	**10,304**
Trade receivables	**—**	**15,156**	**15,156**
Other receivables	**—**	**1,729**	**1,729**
Other assets	**—**	**6**	**6**
Total financial assets	**$35,632**	**$27,195**	**$62,827**
Trade and other payables	**—**	**9,756**	**9,756**
Total financial liabilities	**$ —**	**$ 9,756**	**$ 9,756**
As at March 31, 2020			
Cash	$15,738	$ —	$15,738
Investments	—	9,602	9,602
Trade receivables	—	23,679	23,679
Other receivables	—	4,219	4,219
Other assets	—	1,675	1,675
Total financial assets	$15,738	$39,175	$54,913
Trade and other payables	—	10,213	10,213
Total financial liabilities	$ —	$10,213	$10,213

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, 2021, was $9,756 (2020—$10,213) 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. All trade and other payables mature within 6 months or less. In addition, as at March 31, 2021, the Corporation's financial assets exceeded its financial liabilities by $53,071 (2020—$44,700).

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

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MONTHS OR LESS	MORE THAN 6 MONTHS
As at March 31, 2021				
Trade and other payables	**$ 9,756**	**$ 9,756**	**$ 9,756**	**$—**
Financial liabilities	**$ 9,756**	**$ 9,756**	**$ 9,756**	**$—**
As at March 31, 2020				
Trade and other payables	$10,213	$10,213	$10,213	$—
Financial liabilities	$10,213	$10,213	$10,213	$—

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, 2021, all of the investments ($10,304) were in fixed interest-bearing instruments (2020—$9,602). 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.

NOTE 17: LEASES

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, 2021 was 2.88% (2020—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.

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 recognized 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 recognized on a straight-line basis over the lease term.

Classification is reassessed if the terms of the lease change.

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 when there are modifications to the lease and adjusted for each new lease.

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. In this case, it acts as an intermediate lessor and accounts for the head lease and the sublease as two separate contracts. The sublease 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 co-location leases arrangement ended on April 30, 2020.

17.1 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 as at April 1, 2019 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.

The changes in right-of-use assets are shown in the following table:

	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
Additions	3,035	—	—	3,035
Depreciation	(1,241)	(863)	(117)	(2,221)
Disposals	—	—	—	—
Balance as at March 31, 2020	$8,855	$ 72	$529	$9,456
Additions	—	—	—	—
Depreciation	(1,281)	(72)	(122)	(1,475)
Disposals	—	—	—	—
BALANCE AS AT MARCH 31, 2021	**$7,574**	**$ —**	**$407**	**$7,981**

17.2 Lease Obligations

	AS AT MARCH 31, 2021	AS AT MARCH 31, 2020
Current portion	$1,232	$1,123
Long-term portion	7,112	8,500
TOTAL LEASE OBLIGATIONS	**$8,344**	**$9,623**

Balance as at April 1, 2019	$ 8,648
Additions	3,032
Payments	(2,275)
Interest expense	218
Balance as at March 31, 2020	$ 9,623
Additions	—
Payments	(1,533)
Interest expense	254
Balance as at March 31, 2021	$ 8,344

The following represents the contractual undiscounted cash flows for lease obligations as at March 31, 2021:

One year or less	$ 1,453
Between one and two years	1,047
Between two and five years	2,887
Over five years	4,106
TOTAL	**$ 9,493**

The expense relating to variable lease payments not included in the measurement of lease obligations was $1,043 (2020—$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 $2,576 (2020—$3,495) including $1,279 (2020—$2,275) of principal payments on lease obligations. Income from subleasing was $74 (2020-$885) for the year.

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 $127,710 (2020—$114,731) was generated from services provided to entities owned by the Government of Canada. The amounts due to and from related parties and are included in trade receivable and trade and other payables, respectively, are as follows:

	AS AT MARCH 31, 2021	AS AT MARCH 31, 2020
Due from:		
Department of National Defence (DND)	$13,987	$21,660
Canadian Forces Housing Agency	1,016	1,600
Communications Security Establishment	133	368
Public Services and Procurement	—	1
Shared Services Canada	20	50
	$15,156	$23,679
Due to:		
Shared Services Canada	$ 17	$ 2
Department of Justice	86	—
	$ 103	$ 2

The Corporation incurred expenses with other Government of Canada departments. These transactions totaled $752 (2020—$842 including an amount of $441 related to 2018–19). Of these expenses, the Corporation recovered $604 (2020—$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:

	2021	2020
Short-term benefits	**$4,002**	$3,717
Post-employment benefits	**556**	469
	$4,558	**$4,186**

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.

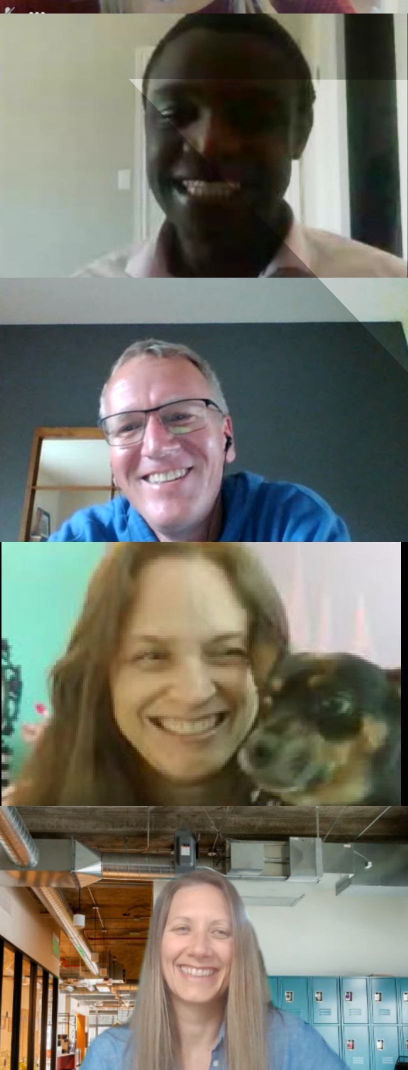
In making this determination, management may use past experience, prior external precedents and the opinions and views of legal counsel. If management determines that the above three conditions are met, a provision is recorded for the obligation. Alternatively, a contingent liability is disclosed in 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, 2021, there were 13 ongoing claims totaling $19,538 and these are related to contracts DCC has put in place on behalf of its Clients-Partners. These figures can be compared with 10 ongoing claims totaling $10,319 as at March 31, 2020. 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, 2021, 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, 2021.



TO ALL OUR REMARKABLE EMPLOYEES THANK YOU!


Wilson, Kiel