

DEFENCE
CONSTRUCTION
CANADA



CONSTRUCTION
DE DÉFENSE
CANADA



FORWARD, TOGETHER

Annual Report | 2021-2022

Contents

Corporate Profile.....	4
Performance Highlights 2021–2022	15
Spotlight on Achievements	16
Message from the Chair	18
Message from the President and CEO	19
Forward, Together: DCC Future Outlook.....	20
Defence Infrastructure and Environment Projects	22
Management's Discussion and Analysis	24
1.0 Operating Environment and Structure	24
2.0 Integrity and Ethical Conduct	28
3.0 DCC Involvement in Industry Activities.....	30
4.0 Strategic Framework	34
5.0 Risk Management.....	51
6.0 Financial Performance	52
Corporate Governance	61
Financial Statements	67



Corporate Profile

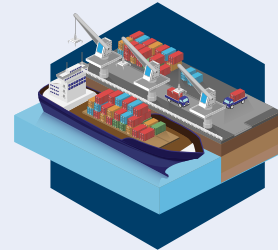
Defence Construction Canada (DCC, or the Corporation) is a Crown corporation that procures and delivers defence infrastructure and environmental projects. Our principal mandate is to meet the infrastructure, real property and environmental needs of the Department of National Defence and the Canadian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

Throughout our history, DCC has supported the Government of Canada, including its departments and agencies, both at home and abroad. We currently 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.

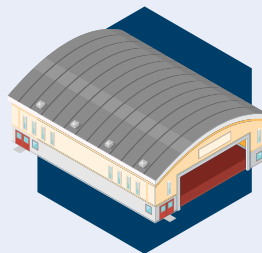
We are proud to have worked with DND since 1951, acquiring the specialized expertise and large knowledge base to manage projects at home and abroad, from traditional to innovative, from simple maintenance work to complex construction projects. Examples include:



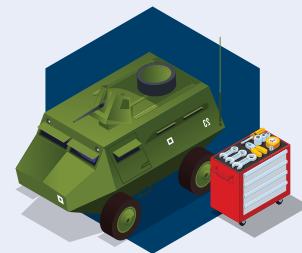
Air traffic control towers



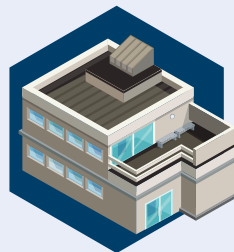
Dockyards



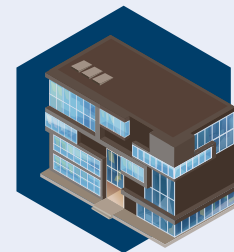
Aircraft hangars



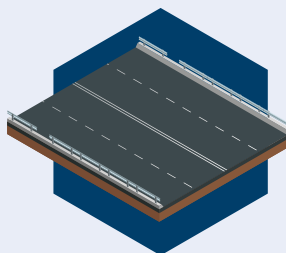
Armoured vehicle maintenance facilities



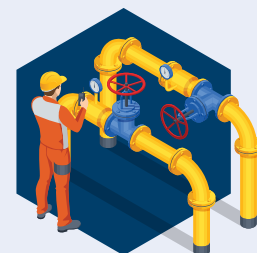
Community centres



Accommodation facilities

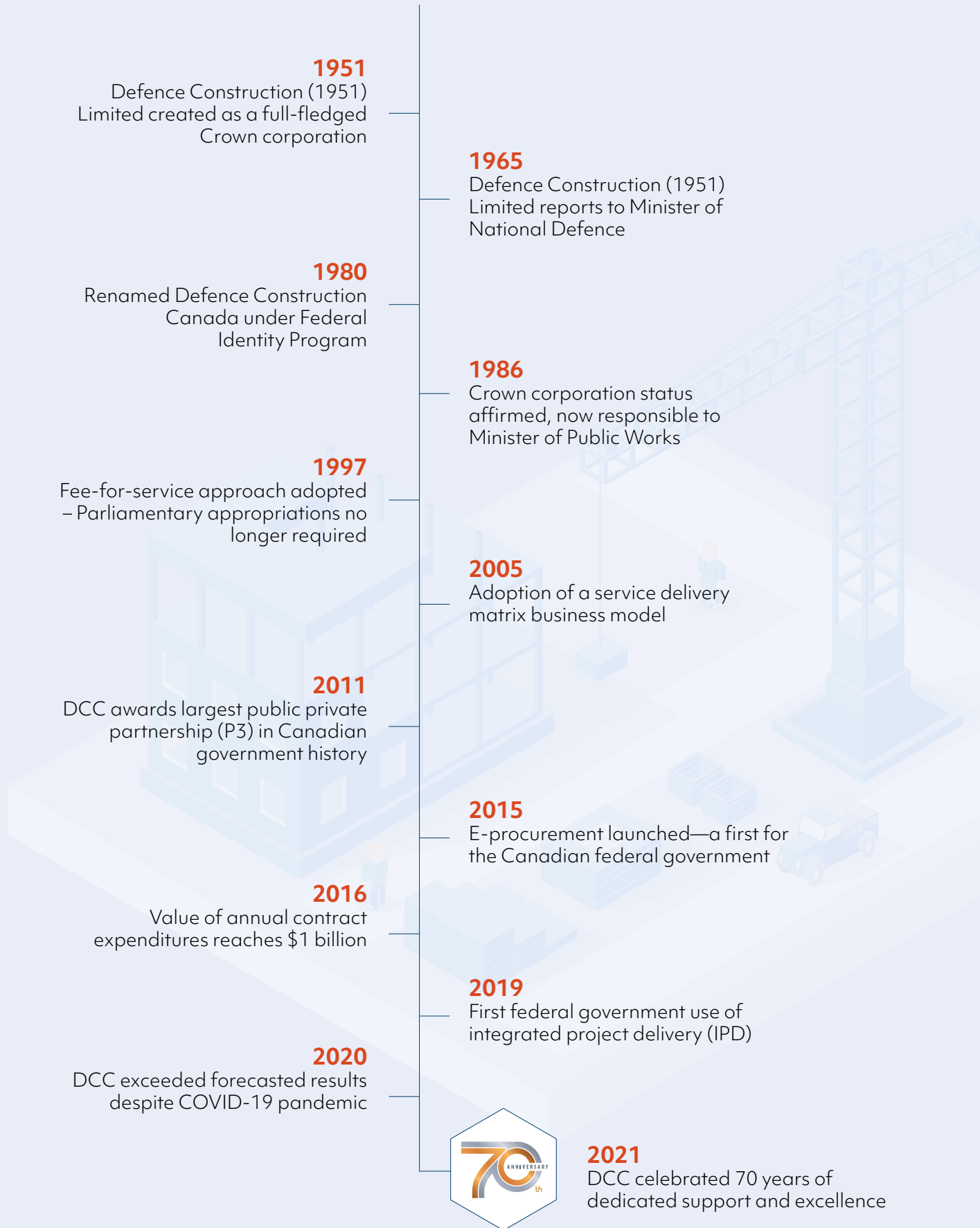


Roads



Sewer and water systems

DCC Timeline



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.

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.

Collaboration

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

Competence

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

Fairness

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



Five Service Lines



Contract Services

Planning and contracting for goods and professional, environmental, real property, construction and maintenance services



Contract Management Services

Creation, renovation and maintenance of facilities for DND's IE program and management of complex P3 agreements



Environmental Services

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



Project and Program Management Services

Advises on matters such as infrastructure requirements, project and program planning, and schedule and document control



Real Property Management Services

The efficient maintenance of DND's infrastructure—from needs planning to facility decommissioning

The best of private and public combined

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

Nadine Pozzobon,
DCC Team Leader,
Construction Services



Supporting Canadian Public Policy

Environmental Sustainability

We support DND's efforts to reduce greenhouse gas emissions and energy consumption associated with its infrastructure holdings.

A Strong, Secure, Engaged Canada

We ensure 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 conduct all business with high ethical standards and integrity, and we comply with the *Public Servants Disclosure Protection Act* and the *Conflict of Interest Act*.

A Fair and Secure Marketplace

We respect internal and international trade agreements, using sound procurement practices, and ensure competition by providing wide access to government business opportunities.

Working with Client-Partners

Operationally and administratively, DCC deals with a number of organizations within DND:

- **The Infrastructure and Environment (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.

DCC also contracts and manages construction and environmental services for:

- **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

- **The North Atlantic Treaty Organization (NATO)**—DCC supports Canada's NATO allies with facilities in Canada and overseas.

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 (June 2017) makes modernizing DND infrastructure a priority. DCC may help the DND:



Divest or demolish

underused or obsolete buildings

Improve facilities

such as housing for military personnel

Construct infrastructure

for Future Fighter Capability Project

Provide new naval infrastructure

to support Canada's National Shipbuilding Strategy

DCC also 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.



DCC has deployed personnel alongside the CAF over the years. On June 15, 2022, DCC staff, along with military members and contractors, attended a ground-breaking ceremony for the continued defence infrastructure needs for Task Force Latvia at Camp Adazi.

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 *42nd 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, transparent, 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, and achieve the best overall value for Canada.



Understanding of the Construction Industry

DCC actively engages and 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 embeds, promotes and inspires innovation with its internal programs such as the innoviCulture program, and performance and leadership management programs.

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 procurement, 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.

Upgrades near completion for historic North Park Armoury

DCC is nearly finished restoring the west wall of a historic Canadian landmark. One of the largest military enclosed spaces in the world when it was built in 1899, the North Park Armoury has been in continuous use by Nova Scotia regiments ever since. Upgrades and repairs on the massive Federal Heritage Property include fixing structural damage caused to the building from the Halifax explosion in 1917.

Together with our Communities

With operations across the country, DCC proudly supports employees as they contribute to their communities through professional and personal volunteerism, workplace giving, and other charitable activities.

Sharing professional insight

DCC team members continually demonstrate a commitment to giving back by contributing their time and professional expertise. Here are a few examples among many:

Derrick Cheung

Derrick is a member of the advisory committee for the University of Waterloo's Waterloo Institute for Sustainable Aeronautics (WISA), bringing together industry, business and academia to pursue sustainable aeronautical initiatives and research.

Amanda North

Amanda is an advocate for women in the construction industry and joined Manitoba Women in Construction—first as a volunteer eight years ago and now as the chair of the board. The 1,000-member group promotes the long-term success of women in construction by providing professional development, networking and mentoring opportunities.

Caitlan Radich

Caitlan volunteers with Engineers of Tomorrow through the Engineer in Residence (EiR) program, promoting all things STEM in the classroom and explaining to kids what engineers actually do.

Richard McNeil

Board member with the Data Management Association International—NCR Chapter, dedicated to advancing the concepts and practices of information and data management.

Giving generously in the workplace

DCC has a national campaign to raise funds for the Government of Canada Workplace Charitable Campaign (GCWCC), which we call DCC Workplace Charitable Campaign (DCCWCC). This year's campaign was highly successful—in part from DCC employees organizing a series of virtual events like:

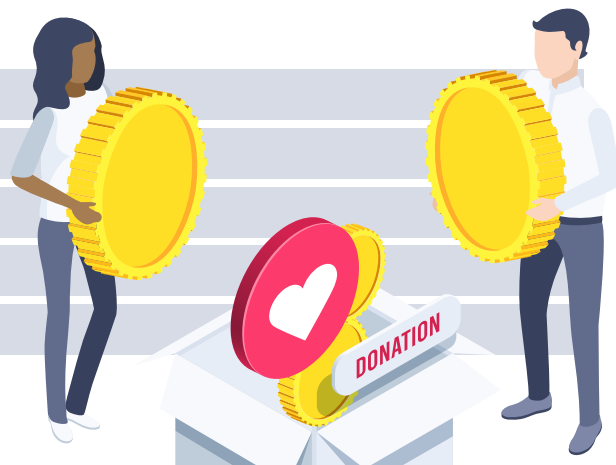
East Indian cooking class

Quiz show

Live folk-rock show

Online silent auction

Trivia contest





\$111,232
total funds raised

139%
of \$80,000 goal raised

Volunteering personal time

DCC actively supports employee efforts to engage in the community. Our personal leave policy includes one day to volunteer for a registered charity, non-profit or community organization. Here are some examples among countless others:

Kevin Petit-Frère

Kevin is a founding member and mentor at Black Ladders Canada Inc., connecting Black professionals with Black mentees across various disciplines and education levels to share expertise and lived experiences.

Luda Lussier

A third-generation Ukrainian-Canadian, Luda volunteered to help a family of Ukrainian war refugees—a mother with two children who were forced to flee their home and escaped to Zagreb, Croatia—come to Canada.

Norman Steele

Norman is a member of the East Coast Prison Justice Society, working to raise awareness of issues affecting criminalized and incarcerated people and the inequalities impacting marginalized people and communities in Nova Scotia and the Atlantic Region.

Maryam Mohammadzadeh

Maryam is a volunteer mentor with Ottawa Community Immigrant Services Organization, helping newcomers to integrate in the job market, build their resume and develop a network.

Kerry Mould

Kerry is secretary for the Ottawa Chapter of the Canadian Association of Veterans in UN Peacekeeping (CAVUNP), lead for the annual Peacekeeping Day Commemoration, and a Big Brother with Big Brothers Big Sisters Ottawa.

Diane Lavery

Diane volunteers with the Pilgrims Hospice Society in Edmonton, supporting caregivers and offering compassionate care and enhancing dignity and quality of life for individuals living with a terminal illness.

Celebrating by living our values

The Summer 70-a-Thon was a coordinated event for DCC employees to commemorate DCC's anniversary in ways that express our core values and priorities—by moving, creating, giving, playing or doing just about anything for 7 or 70 seconds, minutes, hours or days. Those participating under the "Giving" theme incorporated a charitable or community service component. Activities included:

Tree planting

Cleaning beaches

Volunteering at youth camps

Volunteering at an urban garden

Random acts of kindness

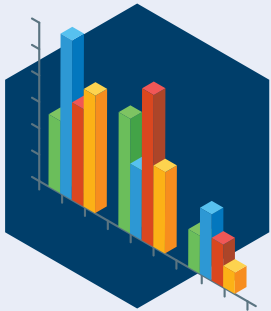
Leading meditation sessions

Donating to local food banks

Donating to the Salvation Army for student backpacks



Performance Highlights 2021–2022



\$148

million
Services revenue



\$636

million
Value of contracts awarded



\$1.2

billion
Contract payments



99%

Satisfaction rating



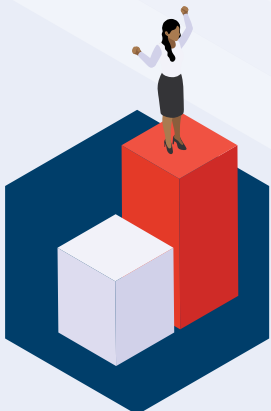
4,000

Estimated number of Canadian
jobs created through contracts



\$8.4

billion
Value of active
contract portfolio
under DCC management



7.3%

Percentage of total contract value
awarded to Indigenous businesses.
The target was 5%.

Spotlight on Achievements



DCC supports DND's emission targets with solar field

DCC puts projects in place to help DND meet its reduced emission targets of 40% by 2030. In 2021–22, the target came one step closer when DCC managed the installation of a new solar field and battery system at 5 CDSB Gagetown's Explosive Ordnance Disposal Training Facility that powers DND's first net-zero building. The solar field's 984 440-watt bifacial panels capture sunlight from above and reflected light from snow below, while the battery system's intelligent technology optimizes energy storage.



DCC reaches milestone on road to enhanced Indigenous relations

DCC reached the first significant milestone in its multi-year journey to Progressive Aboriginal Relations (PAR) certification by the Canadian Council for Aboriginal Business. The PAR program is the premier corporate social responsibility program emphasizing Indigenous relations and providing third-party, independent evaluation of corporate performance in four key areas including leadership actions, employment, business development and community relationships. Working towards PAR certification is one of the steps we are taking to demonstrate to internal and external stakeholders our long-term commitment to enhancing relations with Indigenous peoples and businesses.

DCC's positive impact with Indigenous businesses

Ensuring alignment between DCC and the Client-Partners is crucial not only to our meeting the government's target of awarding 5% of contracts to Indigenous businesses annually, but also to living up to our commitment to support the government's efforts towards Reconciliation. As a result, DND and DCC developed a Joint Indigenous Procurement Strategy and started connecting with Indigenous businesses directly. The impact has been positive, with DCC awarding 7.3% of its contract award values to Indigenous businesses for a total of \$46.4 million and over 90 contracts in 2021–22.

Forbes lists DCC as one of Canada's Best Employers for 2022

DCC was proud to be listed in the top 10% of Canada's best employers on Forbes' prestigious annual list. The list was compiled by surveying more than 10,000 Canadians working for companies with at least 500 employees. Participants rated their willingness to recommend their own employers to friends and family and were asked to nominate organizations other than their own. Employees are DCC's most valuable asset, and the award highlights the organization's record of offering its people opportunities to learn, excel, and engage in exciting and meaningful work.

2022 Excellence in Procurement Team Award

DCC's innovative procurement approach, the Integrated Project Delivery (IPD) model, was recognized by the Canadian Institute for Procurement and Materiel Management. One of the most inclusive and innovative contracting models in the construction industry today, this collaborative, pioneering and lean approach helped the construction of a new \$70-million Royal Canadian Dragoons armoury and training facilities at Canadian Forces Base Petawawa, ON, come in five months ahead of schedule with a savings to the Crown of \$4.9 million.





Message from the Chair



“DCCers have shown incredible resilience in adjusting to stringent health and safety protocols while responding to the shifting needs of our defence and security Client-Partners.”

Milestones like our 70th anniversary are traditionally a time to look back and reflect on where we’ve been and what we’ve done. We can celebrate and learn from the past, but I prefer to look ahead and to keep driving towards our shared vision, together.

It’s the future that excites me—and with good reason!

DCC’s post-pandemic ‘new normal’ is still taking shape. As we continue to support a gradual return to work, we will explore opportunities to increase flexible work arrangements. Having already made great progress, DCC will continue to push forward with our Diversity and Inclusion Strategy and the Workplace Wellness and Mental Health Strategy to create a healthy, diverse and inclusive workplace.

And we’re excited to release an Accessibility Plan to help foster a culture of accessibility and to reduce barriers in the coming year.

Our commitment to excellence in service delivery has never been stronger. DCCers have shown incredible resilience in adjusting to stringent health and safety protocols while responding to the shifting needs of our defence and security Client-Partners. In fact, we’ve created a new Pacific region to allow us to be even more responsive and aligned with them in the years ahead.

We look forward to continuing to support Government of Canada, DND and DCC priorities including green defence initiatives, enhanced cyber security and creating more opportunities for Indigenous businesses.

As we move forward in our 71st year focused on exciting new opportunities and the partnerships that will help us achieve success, I’d like to once again thank the Board of Directors for your thoughtful stewardship and all DCC employees for your ingenuity, tenacity and positivity in the time of great change. You have continually overachieved and shown yourselves to be highly engaged and innovative.

May the year ahead be full of upward trends—for health and wellness, for equity and equality, for the global economy, and for our important work across the country and around the world.


Original signed by:

Moreen Miller

Chair of the Board



Message from the President and CEO

 **“Looking ahead, I know how vital it will be to continue building resilience into our teams, relationships and processes as we deal with the challenges and identify opportunities in a post-pandemic world.”**

Many people have labelled these times “unprecedented”—and I think the word perfectly expresses so much of what I’ve seen. I am very proud of what DCCers have accomplished, and how it sets us up for unprecedented success as we move forward, together.

DCC has put an unprecedented focus on more progressive and accessible health and wellness benefits, enhancing our health and safety policy, and empowering DCCers to achieve greater work-life balance both today and as we look ahead.

Unprecedented describes the dedication to community involvement and volunteerism I have seen from DCC employees through volunteerism and initiatives like the DCC Workplace Charitable Campaign and our 70th anniversary activities. And it describes the commitment we have made to building a fair, respectful and inclusive workplace through continued diversity and inclusion training, awareness activities, events and initiatives that will help strengthen our business in the years to come.

And that commitment extends beyond the workplace. DCC has proudly supported Indigenous businesses and communities in achieving the first step in Progressive Aboriginal Relations (PAR) certification, successfully implementing the Procurement Strategy for Indigenous Business (PSIB), and launching the unprecedented DCC-DND Joint Indigenous Procurement Strategy.

During these unprecedented times, service delivery hasn’t wavered in the least. We continued delivering support to DND’s green defence initiatives including energy performance contracts and net-zero building projects, and enjoyed the success of the first Integrated Project Delivery project—completed ahead of schedule and under budget.

As a measure of our resilience, employee productivity has been higher than usual during the pandemic and the company has outperformed financially. To align with the core public service, and to respond to the Government’s request to mirror its policy, DCC implemented its COVID-19 Vaccination and Prevention Policy.

Looking ahead, I know how vital it will be to continue building resilience into our teams, relationships and processes as we deal with the challenges and identify opportunities in a post-pandemic world. And I see how critical a continued focus on diversity and inclusion will be as we seek to create a positive social impact and build stronger connection and greater unity in our sometimes fractured online and in-person worlds.

I am extremely proud of what we have accomplished this past year and I have the greatest confidence in what we will be able to achieve in what is sure to be an unprecedented time ahead.

I want to express my gratitude to the Board for your continued leadership and support, and to our employees for continuing to go above and beyond for our work, our Client-Partners, our industry and each other. Thank you.

Original signed by:

Derrick Cheung

President and Chief Executive Officer

Forward, Together:

DCC Future Outlook

As we celebrate 70 years and reflect on the successes of the past, we must also consider where we are today and look to the future as we move forward together.

DCC continues to navigate the impact of COVID-19 and we stand ready to support our Client-Partners, if required, due to the ongoing conflict in Ukraine. DCC moves ahead from a position of strength, and we remain optimistic about the financial forecast in the years ahead.

Normal business operations during the pandemic

Consistent with government recommendations, DCC integrated COVID-19 protocols into its operations in its physical workspaces and implemented a COVID-19 Vaccination and Prevention Policy for its employees, contractors and consultants that enter DCC and DND workspaces. These measures are now considered normal operations, and DCC has continued fulfilling the Corporation's obligations to the Client-Partners without disruption. The number of new tenders the Corporation has issued and closed during the pandemic has been steady.

DCC actively engages and communicates 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 local public health authority requirements across Canada and abroad.

The Corporation's operations were not significantly impacted by COVID-19 in 2021–22. As the COVID-19 pandemic continues to evolve, there is still uncertainty on future waves of infection and government interventions, but the Corporation does not believe there will be a significant negative impact on operations—DCC has navigated the COVID-19 pandemic with minimal disruptions and its financial position has remained strong.



These measures are now considered normal operations, and DCC has continued fulfilling the Corporation's obligations to the Client-Partners without disruption.



DCC administrative assistant Deepali Deepali at Area Support Unit in Toronto supports the site by providing high-quality, efficient and effective administrative services.

Monitoring the War in Ukraine

On February 24, 2022, Russian troops invaded Ukraine. The ongoing military attack has led to significant casualties, dislocation of the population, damage to infrastructure and disruption to economic activity in Ukraine. In response, multiple jurisdictions

including Canada have imposed economic sanctions on Russia.

While the Corporation is unable to determine or predict the duration and impact of the war in Ukraine, it continues to monitor its operations and stands ready to provide any incremental support required by

DND. Although the Corporation has incurred minimal supply chain impacts and increases on pricing of its goods and services, it continues to monitor closely the wider effects of the war and increasing inflationary pressures and supply chain disruptions on its operations.



The Corporation continues to monitor its operations and stands ready to provide any incremental support required by DND.

Projecting a Positive Financial Outlook

DCC's financial position remains strong due to projected increased demand for services from its Client-Partners, as it provides support to the Future Fighter Capability Project and oversees construction of infrastructure for the Canadian Surface Combatant Project, among other work.



"With the ever-constant change in global conditions, DCC's strength has always been in the resilience and dedication of its people, and the strategic approach of its leadership."

Moreen Miller

Chair, DCC Board of Directors

Defence Infrastructure and Environment Projects

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



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 jetties.

→ Esquimalt, BC



Future Fighter Capability Project

Under this initial \$270-million project, two new fighter squadron facilities will be constructed to accommodate Canada's next-generation fighter operations. DCC will use a phased design-build delivery approach to ensure infrastructure is ready for the first aircraft in 2026.

→ Cold Lake, AB and Bagotville, QC

Multiple locations

→ Bagotville, QC → Petawawa, ON → Kingston, ON → Greenwood, NS
→ Esquimalt, BC → Valcartier, QC → Comox, BC → Halifax, NS

Energy Performance Contracts

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

Royal Canadian Dragoons

DCC used an innovative integrated project delivery contract for the \$70-million Royal Canadian Dragoon project. This collaborative Lean construction approach helps to minimize waste and maximize efficiency. Construction began in 2020 and came in ahead of schedule and under budget.

→ Petawawa, ON

Accommodations and Training Quarters

DCC is supporting the construction of a new \$42-million, five-storey facility that features 350 sleeping quarters, common lounge areas, study areas, storage and office space. The new facility is being built to LEED Silver standards.

→ Borden, ON

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.

Canadian Surface Combatant, Land-Based Test Facility (LBTF)

DCC awarded a modified design-build contract for the construction of the LBTF that mimics specific combat and platform components of an operational ship for test and evaluation activities for the Royal Canadian Navy. The goal is to achieve LEED Silver certification and net-zero carbon emissions.

→ Shearwater, NS

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 25,000m² of office, laboratory and support space.

→ Valcartier, QC



Management's Discussion and Analysis

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 infrastructure and environment (IE) program, and by the business outlook for the architecture, engineering and construction industry.

Supporting DND Priorities

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.

Adjusting to Protocols

COVID-19 pandemic protocols have been integrated fully into DCC's business and are considered normal operations. All contractors and consultants must abide by the Government of Canada's and our Client-Partners' COVID-19 policies and protocols when entering worksites. These requirements have not disrupted DCC's service delivery and DCC's business performance and its financial position remains strong.

Industry Impacts

Construction employment opportunities continue to outpace labour force growth, mainly due to a general increase in infrastructure investment and to an aging workforce. According to BuildForce Canada, employment has been either at or above historic levels throughout 2021, and recruiting is expected to be an obstacle for over one-third of construction businesses.

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.

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.

Supply Chain Disruptions

The construction industry has experienced some supply chain disruptions since the outset of the COVID-19 pandemic and there may be some further disruptions in the short-term. However, in DCC's experience the disruptions have been variable, sometimes of short duration, difficult to anticipate and therefore difficult to quantify and mitigate. DCC has been monitoring the

situation since March 2020 and it has found that at the macro level competition has remained mostly healthy, pricing has overall been consistent with historical trends, and disruptions have been localised and unique. Overall, the impact on project schedules has been minimal. DCC continues to address individual situations as they occur on a case-by-case basis.



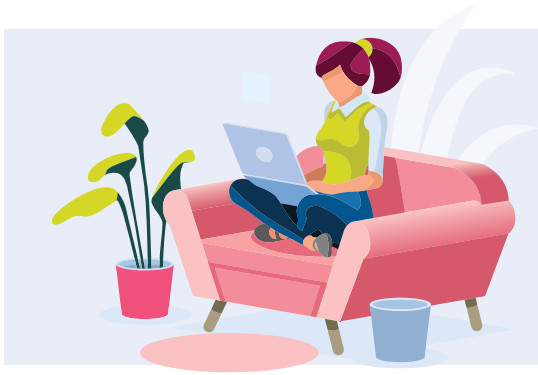
“Over the years, we have built and maintained a truly collaborative relationship—one based on mutual respect and the sharing of valuable industry-related knowledge. I can certainly say that among public sector clients there are very few that are as knowledgeable, as pragmatic, and as practical as Defence Construction Canada.”

John Gamble

President and CEO, Association of Consulting Engineering Companies—Canada



Representatives of the six parties to the Integrated Project Delivery (IPD) contract at the entrance of the Royal Canadian Dragoon facility at CFB Petawawa. Source: Department of National Defence.



DCC offers: Flexible Workplace Policy

1.2 Internal Factors

As we celebrate 70 years, DCC operations are impacted by factors both established and emerging, including where and how we work, and the ongoing need to recruit and retain talent across our many locations.

An Inspiring Milestone

DCC reached a significant milestone in 2021–22, as it marked 70 years of delivering infrastructure and environment services to Canada's defence and security family. Although the world is in the second year of a global pandemic, celebrating this anniversary raised the spirits of employees and stakeholders alike.

Adjusting Workplace Models and Policies

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.

DCC acknowledges that employees want options regarding where they work. At the same time, service delivery remains paramount. Responding to this new reality, DCC has introduced a Flexible Workplace

Policy that provides for arrangements that can help employees meet personal needs while continuing to deliver key services to external and internal clients. This approach allows DCC to offer its employees a workplace that fosters work-life balance, good mental health and productivity, while sustaining the Corporation's reputation as a high-quality service provider.

Up-to-date technology with robust capacity makes the modern hybrid workplace viable. Employees, senior managers, and external stakeholders expect to be able to conduct business in a well-functioning virtual environment. DCC will sustain its information technology investments to maintain service capability and the organization's viability.

Aligning with the federal government, DCC developed and implemented a COVID-19 Vaccination and Prevention Policy.

Recruiting and Retaining Talent

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.

Operating across Canada and anywhere the CAF deploys



** During the year, DCC announced that it will be creating a new Pacific Region effective April 1, 2022 to allow the company to align operations and provide dedicated service to the Client-Partners in British Columbia. With the recent program growth on the West Coast expected to continue in the coming years, the decision to create the new region was timely and will enhance DCC's service delivery on the ground in B.C.*

In addition to working in Canada's Far North, DCC has deployed personnel alongside the CAF over the years. In 2021–22, DCC deployed employees to Operational Support Hub – Kuwait to meet CAF infrastructure requirements for Operation Impact and to Latvia to support Operation Reassurance.



“DCC’s innovative and “get it done” attitude is recognized by our military engineers at bases and wings from coast to coast to coast. And when required, you deploy abroad right alongside our military members. Chimo!”

Major-General Kevin G. Horgan

Chief of Staff to the Assistant Deputy Minister
and Chief Military Engineer

2.0 Integrity and Ethical Conduct

2.1 Procurement Verification

DCC treats the integrity of the procurement process seriously. Accordingly, the Corporation aligns with Government of Canada contracting regulations ensuring a secure, transparent, 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.

In 2021–22, DCC awarded 1,424 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 2021–22, DCC made 1,489 verification requests and successfully verified 100% of the successful bidders on applicable contracts.



1,424

contracts awarded
to contractors,
consultants or suppliers



1,489

verification requests



100%

verification rate
of successful
bidders

DCC embraces inclusion, diversity and respect

Having already made great strides, DCC continued its diversity and inclusion journey that supports the government's commitment to building an inclusive, diverse and respectful workforce. Over the next five years, DCC's key commitments are to attract and retain diverse talent, to evolve a culture of increasing inclusivity through education and awareness building, to celebrate diversity, and to integrate diversity and inclusion into DCC business practices.



“DCC is certainly at the forefront of the public procurement community in Canada, and we at CPPC consider it a privilege to exchange ideas and information about our profession with professionals who deal with the most current issues and challenges.”

Kimberley Murphy

President, Canadian Public Procurement Council

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 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.

DCC's work in Latvia includes supporting the infrastructure requirements for the Enhanced Forward Presence. The new Multi-National Headquarters building in Riga, Latvia – a 2,000 m² building provides command and control for Canadian Armed Forces deployed personnel.



3.0 DCC Involvement in Industry Activities

DCC works closely with private sector consultants and contractors, so it is vital that the Corporation stay on top of trends and contribute to the construction industry. We do this in a number of ways, including:

Formal exchanges with the Canadian Construction Association and its provincial counterparts



Maintaining relationships with professional groups

➤ Association of Consulting Engineering Companies Canada

➤ Royal Architectural Institute of Canada

➤ Federal/Industry Real Property Advisory Council (FIRPAC),

➤ Lean Construction Institute-Canada

➤ Canadian Public Procurement Council

➤ Canadian Construction Documents Committee

➤ Canadian Design-Build Institute

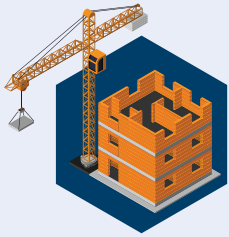


Interactions between DCC employees and contractors on job sites every day

Maintaining relationships with industry organizations for infrastructure services

Aiming to have DCC employee involvement in all major industry associations

DCC employee involvement in professional organizations related to their areas of expertise, including:



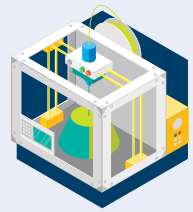
Construction



Architecture



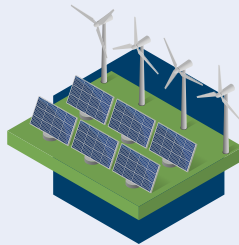
Project management



Innovation



Health and safety



Sustainable energy



Fire safety

DCC executives being active on national committees and professional organizations to:

Provide opportunities for DCC to be an industry leader

Keep DCC informed of new trends and developments in industry practices

Accept industry feedback on areas for improvement

Strengthen DCC's collaborative relationships with key industry organizations



Participating in the semi-annual Canadian Construction Association–Government of Canada joint meeting to 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



Security clearances on federal projects

Keeping up to date with industry innovations and seeking new ways of working for the benefit of our Client-Partners

→ DCC is involved in a joint government-industry working group, composed of representatives from PSPC, DCC and the Canadian Construction Association (CCA), related to the prompt payment of federal government construction contracts.

→ DCC's membership in FIRPAC provides a forum for the public and private sectors to collaborate on issues pertaining to the planning and management of federal real property.

→ DCC 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 participates annually in the evaluation of CCA Innovation Award nominations.



“CCA appreciates the strong partnership we have with DCC and the engagement of many of your exceptional leaders in supporting advancing many of our initiatives.”

Mary Van Buren

President, Canadian Construction Association

DCC's commitment to Canada's Indigenous peoples



At DCC we are dedicated to building transformative partnerships with Indigenous peoples. We strive to collaborate with respect, understanding, and in a spirit of shared responsibility. We aim to grow our competence through outreach, engagement, and education. And we work to earn trust through practices that are fair, open, and transparent. We know that we are on a journey, not simply heading to a destination.

Across DCC, we are proud to be taking steps, within the scope of our business operations, to support the Government of Canada's priorities to advance reconciliation and renew relationships with First Nations, Inuit, and Métis.

There are four pillars to DCC's Indigenous Relations work:

- A commitment to Progressive Aboriginal Relations (PAR) certification through the Canadian Council for Aboriginal Business (CCAB)
- A Joint Indigenous Procurement Strategy with DND
- An Indigenous People Recruitment and Retention Strategy
- Training and development in Intercultural and cultural awareness

To help communicate DCC's commitment, we worked closely with a local, Indigenous-owned creative agency to develop a striking logo that incorporates elements of an Indigenous world view with elements of the DCC corporate logo. It includes a circle representing the interdependence of all things, geometric shapes reminiscent of a turtle shell and, therefore, Turtle Island, and a plant-like stem that grows from the earth—the land on which DCC works and builds. The three coloured leaves represent Canada's First Nations, Inuit and Métis peoples, with shapes that echo the leaf in DCC's corporate logo. Together, the elements of the Indigenous Relations logo reflect DCC's authentic commitment to diversity, inclusion and equity, care and stewardship of the environment, and community.

The scene at CFB Esquimalt is a busy one as crews work to install 273 piles for the new B Jetty. The jetties are being built to very high seismic standards, which means each pile is anchored in bedrock. The B Jetty project is critical upgrade work to accommodate the new Arctic and Offshore Patrol Ships in 2023.



4.0 Strategic Framework

People

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGET	RESULTS
To build and sustain a competent, engaged and diverse workforce	Investment in training and development: Cost of training and development, as a percentage of base payroll costs	4%	3%
	Innovation results: Percentage of employees who participate in the innoviCulture program	10%	40%
	Employee retention rate: Percentage of employees who stay with the Corporation from year to year	Minimum of 90%	93%
	Employment diversity results: Success in meeting requirements for the four designated groups (women, Indigenous peoples, people with disabilities, visible minorities)	No deficiencies in three of the four categories	Two deficiencies
	Recruitment results: Percentage of all job postings filled in the first round of job advertising	85%	86%

Strategic and Operational Performance Indicators

Employees

DCC has a dedicated workforce of professional, technical and administrative people that supports the operations workforce, including specialists in finance, human resources, information technology, communications and administration.

In 2021–22, DCC had 1,079 full-time equivalent (FTE) employees, an increase from 960 the previous year.

DCC works with DND/CAF not only across Canada, but also around the world. The Corporation stands ready to provide short- and long-term procurement, contract management, and project support services to military operations abroad.

This year, five DCC employees volunteered for deployment including deployment related to DCC's work in Latvia to support the infrastructure requirements of the Enhanced Forward Presence and multiple construction projects at the Operational Support Hub – Kuwait.

Diversity and Employment Equity

DCC has built its employment equity program on a solid foundation. In year two of the five-year Diversity and Inclusion Strategy 2021–2026, DCC included activities such as developing regional diversity and inclusion plans, anti-racism training, and unconscious bias-awareness training.

We celebrated Black History Month by broadcasting "A Courageous Conversation on Black History Month" with DCC's board director Steve Anderson, and provided employees with a comprehensive list of books, movies and other resources to help reflect on the contributions made by Black people. DCC was also proud to share an inspiring International Women's Day message from Minister of Public Services and Procurement Filomena Tassi on how we can work toward a more gender equal world.

DCC also implemented a strategy to create meaningful work, training and growth opportunities for Indigenous employees. DCC continues to engage with the Indigenous community by a National Indigenous Youth Work

Experience Program and funding scholarships through Indspire, a national Indigenous charity.

And we conducted our annual *Count Yourself In!* online employment equity and diversity questionnaire—with 98% participation. Results help to

identify possible barriers in DCC's recruitment, hiring, training, retention and promotion practices.



Members of DCC's Human Resources team (l to r) Kimberly Morgan, Alexandre Lecompte, Djibril Ka, and Andrea Copeland

The Corporation works diligently to enhance its ability to recruit and retain top talent, including members of four employment equity groups and the LGBTQ2+ community. In 2021–22, DCC raised the bar by deciding to evaluate and report its progress against Workplace Equity Information Management System

(WEIMS) targets, which more accurately reflect the labour market in which DCC works. Although the WEIMS targets are overall significantly more ambitious than the previous Statistics Canada-based targets, DCC exceeded these new targets for two of the identified groups, and made advances in representation in both

other groups this year. Note that DCC is reporting representation well above last year's target for visible minorities and is making inroads for both visible minorities and persons with disabilities against the newly identified WEIMS targets.

Employment Equity Designated Group	DCC Representation	Labour Market Availability Target (WEIMS) 2021–2022	Labour Market Availability Target (Statistics Canada) 2020–2021
Women	41.5%	34.1%	14.3%
Visible Minorities	13.7%	17.8%	9.2%
Persons with Disabilities	5.5%	8.1%	9.1%
Indigenous Peoples	4.3%	3.4%	5.6%

Employee Wellness

DCC 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. We provide access to benefits and resources, such as lifestyle modification programs, fitness memberships and recreational programs, as well as an employee assistance program, absence support program, flexible working arrangements and compressed workweeks.

DCC's senior management has been well aware of the ongoing stress employees have faced during the pandemic. This year, DCC made some key updates to ensure its human resources approach aligns with best practices, including enhanced mental health training, a new flexible workplace arrangement, a framework for the safe return to the workplace, access to virtual health care, mental health webinars, a more robust employee assistance program, and a short-term disability program.

Employee Recruitment and Retention

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. DCC aims to have 85% of all postings filled in the first round of job advertising. In 2021–22, we filled 86%. DCC again surpassed its retention rate target of 90% with a rate of 93%.

Top-quality service in Kuwait recognized

Max Hildebrandt, Coordinator, Construction Services, received the Joint Task Force–Iraq Commander's Coin for his hard work and sound contract management while ensuring quality and superior outcomes for the Client-Partner. Through his experience and hard work, Max made a significant contribution to making sure the Fitness Facility project stayed on track.



CWO Martin, Sgt Weiler, Max, Pvt Forsythe and Col Facticeau, who presented the award on behalf of the Commander at the holiday party at Camp Kuwait.



Innovation

For over 10 years, DCC has been promoting and inspiring innovation among employees. DCC's innovation program, *innoviCulture*, encourages and tracks innovation in the workplace. Employees can use an online module called the *inCubator* to submit their ideas. Tracking showed that employees submitted 185 ideas in 2021–22, and the participation rate was 40%, well above the targeted rate. The Committee continued its efforts to upgrade the innovation software and to develop an updated communications strategy with new priorities and updated targets.

Investment in Training and Development

DCC's ability to serve DND is heavily dependent on the skills of its employees and maintaining a skilled and professional workforce is a key corporate objective. DCC's performance indicator for training and development is based on the total annual investment in professional development, defined as the combination of direct expenditures

and the cost of staff time spent on training and development activities, expressed as a percentage of base salary cost. Our annual overall corporate target is 4%. In 2021–22, the actual percentage was 3%, an increase from 2% from the prior year.

The amount of training is dependent on the effort required to develop and maintain internal courses, and the time and delivery model of professional development activities in various regions. The increase from the previous year occurred because training initiatives that had been deferred due to COVID-19 pandemic restrictions took place. DCC was also able to save costs related to the increased amount of virtual training initiatives and the savings due to less travel time and costs.

Corporate Strategic Initiatives

There were two initiatives for the 2021–22 planning period.

Implement year three of the five-year Human Resources Strategic Plan, including the updated Diversity and Inclusion Strategy

and Workplace Wellness and Mental Health Strategy

The two strategies contain meaningful activities, milestones and objectives that spanned the planning period. Notable actions this year included the development and rolling out of regional diversity and inclusion plans, a new diversity and inclusion training program, numerous recognition and celebration activities, access to virtual health care, and a new employee assistance service provider.

Implement DCC's plan related to its compensation and benefits study, including pay equity

In response to a 2019 third-party benchmarking study, DCC continued modernization of its compensation and benefits program. In the past year, DCC has introduced flexible and alternative work arrangements, volunteer leave, increased health and dental benefits, expanded salary ranges, and a new annual sick leave and short-term disability program. In the coming year, we will form a pay equity committee and commence development of DCC's Pay Equity Plan.

Service Delivery

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGET	RESULTS
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%
	Award success: Percentage of procurements that result in a contract award	Minimum of 95%	96%
	PROCUREMENT RESULTS 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%	98%
	CONTRACT MANAGEMENT RESULTS Percentage of all contracts completed by the date scheduled for occupancy and readiness for intended use	Minimum of 85%	93%
	Contractor performance evaluation: Percentage of evaluations of contractors that have completed their contracts with DCC	95%	98%

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). DCC interviews the primary representative for each SLA individually each year.

The representatives rate DCC's performance on five factors: quality of services, value added, timeliness, responsiveness and communications on a scale from one to five.

The Corporation aims to ensure that 95% of assessments achieve a rating of three (met service delivery standards) or higher (exceeded service delivery standards). In 2021–22, DCC conducted 132 service delivery assessments. 99% of the overall scores met or exceeded expectations.



99% of service delivery ratings met or exceeded expectations



DCC staff at 3 Wing Bagotville, Quebec supported the construction of the Transportation, Electrical and Mechanical Engineering (TEME) building. The nearly \$60-million project was completed in 2021.

Procurement Results

Procurement Award Success

DCC wants Client-Partners to have a timely procurement experience and does not want to waste industry's time with false starts. DCC works with Client-Partners to make each procurement as viable as possible. The goal is that a minimum of 95% of all procurements result in a contract. At year end, 96% of DCC procurements had resulted in a contract, a slight decrease from last year's rate of 97%.

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 2021–22, DCC awarded 98% of all contract value through public opportunities.

Procurement Competition

DCC wants industry to view it as an attractive organization to work with, to foster competition and wider access to government opportunities to help ensure 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 five bidders per procurement in 2021–22, consistent with last year's results.

Contract Management Results

Timeliness of Construction

Contract Completion

Timely completion of projects is a key component of client satisfaction. DCC monitors this 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 minimize the impact on DND. In 2021–22, 93% of construction contracts were completed on time, a two percentage point decrease from last year.

Contractor Performance Evaluations

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 2021–22, 98% 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. During 2021–22, 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. In 2021–22, DCC awarded more than 90 contracts for a total of \$46.4 million, equivalent to 7.3% of the total value of contract awards, to Indigenous companies—

more than three times that of the previous year.

DCC also continued to conduct 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.

Corporate Strategic Initiatives

There were four initiatives for the 2021–22 planning period.

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

DCC is supporting DND in modernizing its infrastructure in two ways. First, the Corporation supports the development of real property program and procurement plans, and their associated tracking tools, to help its Client-Partners acquire and lease sites and carry out other transactions. Second, DCC works with DND to make requirements for facilities maintenance more consistent, as well as to reform joint procurement methods so that they encourage innovation.

Staff at DCC's Quebec Regional Office in Montréal support DCC business and service line operations at bases and wings in Quebec.



Collaborating with DND, DCC continues to consider ways to create a positive social impact through purchasing. In February 2022, DCC and DND signed a Joint Indigenous Procurement Strategy to seek to strengthen DND's efforts to engage Indigenous businesses.

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. The Department is aiming to reduce the greenhouse gas emissions of its real property portfolio by 40% from 2005 levels by 2030. DCC supports greening defence directives at the national, regional and site level.

For example, DCC has:

- Put eight energy performance contracts in place since 2018 to help DND reduce the greenhouse gas emissions to net zero by 2050
- Supported real property operations that involve SMART building, electric vehicle charging stations, and net zero carbon planning
- Developed and refined tools to support the lifecycle assessment and carbon management in project planning
- Implemented projects involving greening and sustainability-related building standards, such as LEED, Green Globes, and Net Zero Carbon

- Delivered Phase IV of the multi-year Federal Contaminated Sites Action Plan

Implement innovative procurement and project delivery options

DCC's first pilot project using integrated project delivery (IPD) was a success. 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. Each party shares equally in the risks and the rewards, providing inherent incentives for everyone to work together for the benefit of all. The IPD project came in five months ahead of schedule and almost \$5 million under budget.



5 months ahead of schedule
Constructing Royal Canadian Dragoon facilities

DCC also developed 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.

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 used for business information modelling and digital analytics. Employees expect to be able to use mobile applications, Client-Partners want real-time, accessible data and reports, and industry partners want easy and efficient ways to do business with DCC.

Using mobile applications will help DCC track and monitor contract management more efficiently. In 2021–22, DCC procured and awarded a mobile app contract that will increase productivity, and enhance communication between service lines and DCC's Client-Partner. The new app will be implemented across DCC's regions throughout the next fiscal year.

DCC is also including Building Information Modelling evaluation criteria in a number of its requests for proposals.

Business Management

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATORS		PERFORMANCE TARGET	RESULTS
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%	13%
	UTILIZATION RATE	Corporate utilization rate: Percentage of employees' total payable hours that DCC can bill to the Client-Partner	Minimum of 70%	73%
	FINANCIAL RESULTS	Corporate financial results: Financial results consistent with DCC's Financial Management Policy	Achievement of budgeted gross margin	Achieved

Strategic and Operational Performance Indicators

Cost of DCC Service Delivery

This indicator reflects the cost of DCC's services to its Client-Partners in relation to the amount of the infrastructure and environment program. Typically, DCC expects these costs to fall in the range of 9% to 15% of DND's IE program expenditure. In 2021–22, DCC delivered an increased program size of 5% higher than the prior year. As a result, the cost of service delivery was 13%, an increase from 12% in the previous year. This increase was due to an unplanned

increase in non-program related services to DCC's Client-Partner.

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 2021–22, the utilization rate was 73%—a decrease of one percentage point from the prior year. The utilization rate decreased primarily due to increased training and vacation taken by employees throughout the year as a result of the lifting of pandemic-related restrictions in some locations.



73% employee hours recoverable from the Client-Partner

Financial Results

DCC expects to achieve financial results in the 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, 2022, DCC's overall cash balance was higher than its 2021–22 targeted operating reserve level of \$26 to \$34 million, primarily due to faster receipt of receivables than normal (leading to a \$13-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 \$44 to \$57 million in order to fund long-term capital projects and the advancement of innovation and research.



DCC Coordinator, Construction Services Jonathan Fullarton at 5 CDSB Gagetown, N.B.

Corporate Strategic Initiatives

Under the theme of business management, DCC identified one initiative for the 2021–22 planning period.

Implement the Information Technology Strategic Plan, including the development of a Cyber Security Awareness Program and a Digital Business Capability Plan

Like many organizations, DCC aims 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.

DCC updated the IT Strategic Plan in early 2021, with a focus on a cyber security awareness program and a digital business capability (DBC) project. The DBC project includes improvements to DCC's enterprise resource planning (ERP) system. DBC will streamline processes and workflows, enable DCC's future capabilities, improve performance measurement, provide higher quality

service and experience to our Client-Partners and employees. DCC expects to replace its current system over the next four to seven years.

This plan to modernize DCC's IT infrastructure will ensure that the Corporation keeps pace with its industry and government partners in its use of technology to provide infrastructure and environment services, as well as to meet employee expectations for a hybrid, virtual work environment.

Leadership and Governance

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATORS		PERFORMANCE TARGET	RESULTS
To provide agile leadership and be responsive to Government of Canada objectives	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	1
	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	0



Regional Service Line Leader, Construction Services Danny Bielesch in Edmonton, Alberta supports the Client-Partners in the successful delivery of contract management services in the Western Region.

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 2022–2023 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 2021–22, 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 2021–22, DCC responded to 40 inquiries. The volume of these requests fluctuates, depending on the current business environment. DCC stands ready to respond to these inquiries in a timely manner.

Overall Business Performance Results

In 2021–22, DCC conducted its operations under its Business Continuity Plan during the global COVID-19 pandemic. DCC'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 slow and unpredictable rollout of the DND program throughout the year. Despite these challenges, DCC delivered a higher volume of projects to its main Client-Partner with a minimal increase in cost of service and no compromise in project quality. This is indicative of DCC's strong management capability and dedication of its workforce. As a result of these factors, DCC's financial results exceeded the prior year and Corporate Plan forecasts.



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 2021–22, DCC verified 1,489 firms—100% of the firms that required verification.

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 2021–22, 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.

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.

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, a goal we met in 2021–22. In total, nine environmental incidents were reported—three as a result of contractor activities and six as a result of equipment malfunction. None of the incidents occurred as a result of DCC activities and all were mitigated with corrective actions.



(l to r) Annick G  linas, Tessa Hermelin and Ahmad Malik of the Information Technology team oversee the delivery and management of IT projects at Head Office in Ottawa.

DCC is also committed to ensuring environmental protection and sustainability as it delivers infrastructure and environmental projects for the defence of Canada.

In 2021–22, DCC participated in Greening Government Strategy committees and communities of practice for Crown corporations. The Corporation also continued to collaborate with Client-Partners and other government departments that support key environmental and greening capabilities such as lifecycle assessment, feasibility studies, SMART building management, energy management, waste management, contaminated sites management and renewable energy projects.

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. 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, with the goal to have lost-time hours add up to less than 0.5% of total employee hours. In 2021–22, there was one lost-time incident.

DCC continues to implement the Canadian Standards Association's psychological safety standard in 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, "industrial security requirements" are the Client-Partner's security requirements for a project. DCC ensures these are included in all its procurements and managed

appropriately, tracking 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.

"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 2021–22, there were 18 industrial security incidents with no compromises (an increase from 12 occurrences in 2020–21) and five corporate security incidents with no compromise (three more than in the previous year).

Corporate Strategic Initiatives

There were four initiatives identified for the 2021–22 planning period under the leadership and governance theme.



Coordinators, Contract Services
Anne McCuaig and Justin Bennett
prepare contracts for DCC's Client-Partners and provide advice on the appropriate procurement approach.



Members of DCC's Finance Department (l to r) Kevin Petit-Frère, Carolle Joseph, Jimi Dairo, Brandon Wills and Vesna Lukic meet at DCC's newly renovated Head Office in Ottawa.

Strengthen collaborative relationships with Client-Partner leadership

The first new memorandum of understanding (MOU) between DND and DCC since 2008 was signed in 2021–22. The new MOU emphasizes the intent of both DCC and the Client-Partner to pursue and sustain a strategic relationship characterized by collaborative planning and information sharing, and joint

promotion of projects. In addition, the document outlines the shared responsibility of the two organizations to provide healthy, respectful and safe work environments for each other's employees, free from harassment and violence of any kind.

Further, 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 follows a stakeholder engagement matrix to ensure regular communications with DND, to keep knowledge of DCC's mandate top of mind among Client-Partner representatives. As such, DCC holds regular executive-level DND-DCC joint planning sessions and senior management forums and workshops to strengthen collaborative relationships and facilitate integration, planning, and issues resolution.

Support the Government of Canada's accessibility objectives

In 2021–22, DCC's Accessibility Plan Working Group continued its work related to DCC's compliance with the *Accessible Canada Act*—including strategies, initiatives and policies. DCC and other federally-regulated entities must develop a plan to remove barriers and increase access and opportunities for persons with physical and mental health-related limitations. During the year, DCC developed the plan and is set to embark in the consultation process with accessibility stakeholders across Canada. DCC will be releasing its Accessibility Plan in 2022–23.

Implement DCC's Indigenous Strategic Plan, including a Procurement Strategy and a Recruitment and Retention Strategy

To support the Government of Canada's work on reconciliation with Indigenous peoples, DCC has an Indigenous Strategic Plan that comprises a joint DCC-DND Indigenous Procurement Strategy, and an Indigenous Peoples Recruitment and Retention Strategy.

In February 2022, DCC and DND signed a new strategy that will guide efforts by DCC and DND to award a 5% value of all contracts to Indigenous businesses. The Joint Indigenous Procurement Strategy was nearly

two years in the making, as DCC-DND working groups determined the best way to meet this goal.

In 2021–22, DCC successfully implemented the Indigenous Student Recruitment Program and National Indigenous Youth Work Experience Program resulting in the hiring of 18 Indigenous students across the country. Further, to support Canada's commitment towards embracing reconciliation, the Corporation has explored a partnership with Indspire to create two Indigenous student scholarships, and attended three virtual Indigenous recruitment events.



Respond to the COVID-19 pandemic

Since March 2020, DCC has conducted its operations under its Business Continuity Plan and COVID-19 pandemic protocols have been integrated fully into DCC's business and are considered normal operations. Aligning with the federal government, DCC developed and

implemented a COVID-19 Vaccination and Prevention Policy. Similarly, all contractors and consultants must be fully vaccinated to enter Government of Canada worksites. These requirements have not disrupted DCC's service delivery and DCC's business performance and its financial position remains strong.

DCC has introduced a Flexible Workplace Policy, along with policies that support modern work arrangements. This approach allows DCC to offer its employees a workplace that fosters work-life balance, good mental health and productivity, while sustaining the Corporation's reputation as a high-quality service provider.

5.0 Risk Management

A key aspect of DCC's corporate governance is its ability to manage all forms of risk and liability.

Sound Risk Management Practices

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.

Assessing Risk

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
- 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
- Industry-related labour issues

In 2021–22, DCC updated its Corporate Risk Register on a quarterly basis and successfully managed all identified risks in accordance with the risk mitigation strategies.



Wind and solar powered lights installed at CFB Halifax

Six new off-grid wind and solar light fixtures are making areas of CFB Halifax, HMCS Stadacona and the Halifax Dockyard brighter at night. The \$138,000 contract was awarded in early March 2021 and completed in the late fall, overcoming COVID-19, supply-chain and other challenges to deliver the lighting solution that will also help DCC's Client-Partner achieve its commitments under the Defence Energy and Environment Strategy (DEES).

6.0 Financial Performance

6.1 Revenue

Services Revenue

Services revenue for all activities combined was \$148 million in 2021–22, an increase of \$20 million or approximately 16% from the previous fiscal year. The increase was due to an increase in demand for services from the Client-Partner, 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. Payments to project contractors made by DCC on behalf of Its Client-Partners DND were \$106 million, or 10% higher than forecasted in the 2021–22 Corporate Plan. Forecasts are based on information provided by the Client-Partners at the time of forecasting.

Revenue, by activity	2021–22	2020–21	Change	
<i>(in thousands of dollars)</i>			\$	%
Contract management	\$ 59,463	\$ 52,329	\$ 7,134	14%
Project planning	40,746	35,761	4,985	14%
Real property technical support	14,232	11,355	2,877	25%
Procurement	11,675	10,341	1,334	13%
Construction technical support	11,956	10,171	1,785	18%
Environmental technical support	10,085	7,753	2,332	30%
Total services revenue	\$ 148,157	\$ 127,710	\$ 20,447	16%

Contract Management

Contract Management revenue increased by 14% over the previous fiscal year. The higher revenue is a result of increased demand from the Client-Partner (which accounted for 9.5 percentage point of the increase) and the increase in billing rates (which accounted for 4.5 percentage points of the increase). The higher demand reflects the variability of services used by the Client-Partner as projects move through the various stages from planning and procurement to contract management.

Project Planning

Project Planning revenue increased by 14% in 2021–22. The increase over the prior fiscal year was due to the billing rate increase (which accounted for 4.5 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 9.5 percentage points of the rise).

Real Property Technical Support

Real Property Technical Support revenue increased by 25% in 2021–22, due to the billing rate increase of 4.5%, and increased demand for services related to facility and portfolio management (which accounted for a 20.5% increase).

Procurement

Revenue from Procurement increased by 13% in 2021–22, due to the billing rate increase (which accounted for 4.5 percentage points of the rise) and increased demand from the Client-Partner (which accounted for 8.5 percentage points of the rise).

Construction Technical Support

Revenue from Construction Technical Support in 2021–22 increased by 18% over the previous fiscal year, due to the billing rate increase (which accounted for 4.5 percentage points of the rise) and an increase in demand for these services from DND (which accounted for 13.5 percentage points of the rise).

Environmental Technical Support

Environmental Technical Support revenue increased in 2021–22 by 30% over the previous fiscal year, due to the billing rate increase (which accounted for 4.5 percentage points of the increase) and an increase in demand for these services (which accounted

for 25.5 percentage points of the increase).

Investment Revenue

Investment revenue, which is generated from the Corporation's average cash balance in the bank and from investments, increased in 2021–22 by \$37,000 or approximately

8% over the previous fiscal year. The average rate of return generated in 2021–22 from cash and investments was 1%, lower than the prior year's average of 2%. Although there was a decrease in the average rate of return, investment revenue increased due to the acquisition of new investments.

	2021–22	2020–21	Change	
<i>(in thousands of dollars)</i>			\$	%
Investment revenue	\$ 482	\$ 445	37	8%

6.2 Expenses

Salaries and Employee Benefits

Salaries totaled \$100 million in 2021–22, an increase of \$13 million or approximately 15% over the previous fiscal year. The 15% increase was mainly due to an increase of approximately 12% or 119 full-time equivalents during the year as a

result of increased demand from the Client-Partner. The remaining increase related to a planned annual increase in salary, related to cost of living and performance pay.

Employee benefits totaled \$24 million in 2021–22, an increase of \$2 million or approximately 7% over the previous fiscal year. The employee benefits as

a percentage of salaries were lower than normal due to the Corporation amending its sick leave program. This resulted in a one-time past service cost adjustment on the employee future benefit obligation. Excluding the one-time adjustment, the Corporation's employee benefit as a percentage of salaries was in line with the prior year.

	2021–22	2020–21	Change	
<i>(in thousands of dollars)</i>			\$	%
Salaries	\$ 99,653	\$ 86,610	\$ 13,043	15%
Employee benefits	24,096	22,544	1,552	7%
Total salaries and employee benefits	\$ 123,749	\$ 109,154	\$ 14,595	13%
Employee benefits as a % of Salaries	24%	26%		



Jean-Alexandre Casgrain, DCC
Coordinator, Construction Services
at 3 Wing Bagotville.

Operating and Administrative Expenses

Operating and administrative expenses were \$10 million in 2021–22, a decrease of \$102,000 or approximately 1% over the previous fiscal year. A variety of factors influenced these expenses.

	2021–22	2020–21	Change		
<i>(in thousands of dollars)</i>			\$	%	Variance Analysis
Cloud computing services	\$ 1,850	\$ 1,717	\$ 133	8%	The increase was due to higher monthly managed cloud service costs, due to an increased scope of services.
Professional services	1,478	1,481	(3)	0%	The variance was not material.
Software maintenance	1,430	1,287	143	11%	The increase was due to a higher number of information technology (IT) maintenance contracts to increase DCC's digital capabilities.
Equipment rental	1,063	1,141	(78)	-7%	The decrease was due to lower printer rental costs, from a reduction in printing requirements.
Leased location operating costs	855	1,043	(188)	-18%	The decrease was due to lower operating and parking costs in DCC's regional offices.
Telephone and data communications	846	883	(37)	-4%	The decrease was due to a reduction in data and teleconferencing systems usage due to the ongoing COVID-19 pandemic restrictions for workplaces.
Employee training and development	688	608	80	13%	The increase occurred because employees took training that had been deferred due to COVID-19 pandemic restrictions.
Office services, supplies and equipment	540	457	83	18%	The increase was due to an increase in insurance costs and the deployment of rapid tests for employees working on sites.
Client services and communications	430	305	125	41%	The increase was due to a higher number of communications initiatives completed during the year.
Furniture and equipment	225	854	(629)	-74%	The decrease was due to furniture expenses related to the Head Office renovations which occurred in the prior year.
Staff relocation	170	74	96	130%	The increase was due to increased business requirements to relocate current and new staff.
Computer software	135	87	48	55%	The increases were due to the purchase of additional software licenses related to the increase in full-time equivalents.
Recruiting	105	16	89	556%	The increase was due to higher demand for external recruiting services.
Memberships and subscriptions	94	82	12	15%	The increase was due to a higher volume of annual subscriptions.
Computer hardware	46	13	33	254%	The increase was due to the purchase of additional hardware to accommodate the increase in full-time equivalents.

	2021-22	2020-21	Change		
Hospitality	30	36	(6)	-17%	The decrease was due to a decrease in the number of internal physical meetings.
Postage and freight	26	25	1	4%	The variance was not material.
Travel	26	20	6	30%	The increase was due to reduced COVID-19 travel restrictions.
Other	21	35	(14)	-40%	The variance was due to one-time IT disruption costs in the prior period.
Leasehold improvements	7	3	4	133%	The increase was due to leasehold improvement at a regional office.
Total operating and administrative expenses	\$ 10,065	\$ 10,167	\$ (102)	-1%	

Depreciation and Amortization

Depreciation and amortization combined decreased by \$1,000 over the prior year. Depreciation of property, plant and equipment increased by 70% or \$171,000 due to the depreciation of new furniture and leasehold improvement costs related to the Head Office renovations. The decrease of \$130,000 in depreciation of right-of-use assets was mostly due to the non-renewal of the co-location lease. No new major investments have been made in intangible assets which has led to a decrease in amortization of intangible assets.

	2021-22	2020-21	Change	
<i>(in thousands of dollars)</i>			\$	%
Depreciation of right-of-use assets	\$ 1,345	\$ 1,475	\$ (130)	-9%
Depreciation of property, plant and equipment	415	244	171	70%
Amortization of intangible assets	13	55	(42)	-76%
Total depreciation and amortization	\$ 1,773	\$ 1,774	\$ (1)	0%

6.3 Net Income and Total Comprehensive Income

The net income in the current period was \$13 million compared with a net income of \$7 million in the previous fiscal year—an increase of \$6 million. The higher net income in the year was driven by higher demand for DCC's services, as well as a planned billing rate increase.

The increase in net income led to a higher result than was anticipated in the Corporate Plan, which estimated the net income for the year at \$2 million. The higher net income than the Corporate Plan was due mainly to increased productivity, driven by higher demand for our services, professional services and information technology expenditures delayed to the next fiscal year, lower-than-planned information technology expenditures, and lower-than-planned travel and training costs related to COVID-19 restrictions on travel.

Other comprehensive income in 2021-22 was \$5 million compared to other comprehensive loss of \$4 million in 2020-21. The actuarial gain in 2021-22 was mainly due to an increase in the discount rate used to estimate the employee future benefits.

The total comprehensive income of the Corporation for the year ended March 31, 2022, was \$18 million, compared with a total comprehensive income of \$3 million in the previous fiscal year—an increase of \$14 million.

	2021-22	2020-21	Change	
(in thousands of dollars)			\$	%
Net income	\$ 12,826	\$ 6,880	\$ 5,946	86%
Other comprehensive income (loss)				
Actuarial gain (loss) on employee benefit obligation	4,680	(3,744)	8,424	*
Total comprehensive income	\$ 17,506	\$ 3,136	\$ 14,370	458%

*The variance was not meaningful.

6.4 Liquidity and Capital Resources

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

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

The Corporation's objective is to operate on a slightly better than break-even basis, 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 decrease in program services could result in margin

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 incidents can affect the timing of those collections. Routine delays in Client-Partners' approvals and processing of invoices can affect some collections from time to time.

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

Cash Requirements and Uses

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

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

Cash, Cash Equivalents and Investments

Cash and investments totalled \$58 million at March 31, 2022, an increase of \$12 million or 25% from the previous year.

The cash balance at March 31, 2022, was \$37 million, an increase of \$1 million or 4% from the previous year. In 2021–22, the Corporation generated \$14 million on operating activities, spent \$1 million on capital expenditures, acquired investments in a net amount of \$10 million and paid \$1 million for lease obligations.

As at March 31, 2022, DCC's overall cash balance was higher than its 2021–22 targeted reserve level of \$26 to \$34 million, primarily due to higher-than-anticipated demand for the Corporation's services, lower operating costs than anticipated, and faster collection of trade receivables due to a change in Government of Canada payment policy during the COVID-19 pandemic.

Investments (both current and long term) at March 31, 2022, were \$21 million, an increase of \$10 million or 100% from the previous year. The increase was due to the \$10 million net acquisition of investments as part of the Corporation's planned reserve requirements to fund long-term capital projects and the advancement of innovation and research. 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 clients, mainly DND. At March 31, 2022, trade receivables were \$17 million, which represented an increase of \$2 million or 10% over the previous fiscal year. The increase was due to increased revenue from DND, offset by a reduction in the time needed to collect those receivables. All of the trade receivables are assessed to be fully collectible.

Current Liabilities

Current liabilities were \$19 million at March 31, 2022, a decrease of \$3 million or 13% from March 31, 2021. The decrease in current liabilities was due to a decrease in short-term employee benefit obligation and timing of payment for employee salaries compared to the prior period.

Liquidity and capital resources	2021–22	2020–21	Change	
<i>(in thousands of dollars)</i>			\$	%
Cash and cash equivalents	\$ 36,918	\$ 35,632	\$ 1,286	4%
Investments	20,600	10,304	10,296	100%
Cash and cash equivalents and investments	\$ 57,518	\$ 45,936	\$ 11,582	25%
Trade receivables	\$ 16,676	\$ 15,156	\$ 1,520	10%
Current liabilities	\$ 18,593	\$ 21,352	\$ (2,759)	-13%

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 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, 2022, was \$33 million, a decrease of \$4 million or approximately 10% from the previous fiscal year.

Overall, the liability decreased due to the actuarial gain and one-time past service cost adjustment being higher than the current service cost and interest charges net of benefits paid. Current service costs and interest charges for the period were \$3 million and benefits paid were \$705,900.

The actuarial gain was \$5 million, due mainly to an increase in discount rate. Past service cost was \$2 million, due mainly to a change in the short-term disability program from 5 to 10 days of paid leave which is expected to decrease the usage of employees' accumulated sick leave in future years.

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.

	2021-22	2020-21	Change	
<i>(in thousands of dollars)</i>			\$	%
Current portion	\$ 1,803	\$ 3,667	\$ (1,864)	-51%
Long-term portion	31,529	33,430	(1,901)	-6%
Total employee benefits	\$ 33,332	\$ 37,097	\$ (3,765)	-10%

6.6 Capital Expenditures

The Corporation's capital expenditures for 2021-22 totalled \$955,000, a decrease of \$508,000 or 35% from the previous fiscal year. The decrease was mainly due to the one-time leasehold improvement costs incurred in 2020-21 related to the Head Office renovations.



Chrisel Brako, Team Leader, Real Property Management at Area Support Unit Chilliwack, B.C. oversees multiple real property projects and focuses on the quality and timelines of DCC's real property deliverables.

	2021-22		2020-21		Change	
<i>(in thousands of dollars)</i>					\$	%
Computer equipment	\$	124	\$	—	\$	124 100%
Furniture and equipment		167		359	(192)	-53%
Leasehold improvements		175		1,094	(919)	-84%
Intangible assets		33		10	23	230%
Right-of-use-assets		456		—	456	100%
Total capital expenditures	\$	955	\$	1,463	\$ (508)	-35%

6.7 Actual Performance Versus Plan

The following table compares the Corporation's actual performance in 2021-22 with the projections in the Corporate Plan (the Plan). The Corporation's actual performance compared to the Plan was better than anticipated.

Services revenue for the year was 11% higher than projected in the Plan. The increase was due to higher-than-anticipated demand for services from DND. As a result, DCC provided additional services as requested and hired additional full-time equivalents during the year, resulting in a higher revenue than planned.

Travel and disbursement revenue and expenses were 52% higher than the Plan due to the reduction in COVID-19 restrictions.

Investment revenue was 31% lower than anticipated in the Plan, due to lower interest rates than anticipated on new investments.

Salaries and employee benefits were 7% higher than projected in the Plan due to higher-than-expected demand from the Client-Partner, which resulted in 7% more full-time equivalents than planned.

Operating and administrative expenses were 27% lower than projected. The decrease is due mainly to professional services and information technology expenditures delayed to the next fiscal year due to changing operational priorities, lower than expected information technology expenditures, and COVID-19's impact on travel and training.

Depreciation and amortization were 5% lower than the Plan, mainly due to delays in the 2020-21 Head Office renovations as a result of the COVID-19 pandemic.

Net income was \$11 million higher than forecasted in the Plan, due to higher demand for services, unplanned gain on past service cost for DCC's change in sick leave program, and lower-than-anticipated operating expenses.

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

Capital expenditures were 378% higher than projected, due to the unplanned renewal of a lease and to the fact that certain expected 2020-21 expenditures for Head Office leasehold renovations occurred in 2021-22, due to aforementioned renovation delays.

Actual Performance Versus Planned				
	Actual	Corporate Plan	Change	
<i>(in thousands of dollars)</i>			\$	%
Revenue				
Services revenue	\$ 148,157	\$ 132,901	\$ 15,256	11%
Travel and disbursement revenue	2,678	1,766	912	52%
Investment revenue	482	700	(218)	-31%
Total revenue	151,317	135,367	15,950	12%
Expenses				
Salaries and employee benefits	123,749	115,924	7,825	7%
Operating and administrative expenses	10,065	13,723	(3,658)	-27%
Travel and disbursement expenses	2,678	1,766	912	52%
Depreciation and amortization	1,773	1,873	(100)	-5%
Finance costs	226	264	(38)	-14%
Total expenses	138,491	133,550	4,941	4%
Net income	12,826	1,817	11,009	606%
Other comprehensive income	4,680	—	4,680	*
Total comprehensive income	\$ 17,506	\$ 1,817	\$ 15,689	863%
 Capital expenditures	 \$ 955	 \$ 200	 \$ 755	 378%

Corporate Governance

DCC's Corporate Governance Framework articulates and clarifies the responsibilities of DCC's Board of Directors. Other documents are also relied upon for guidance, such as the Corporation's by-laws, the charters and the *Financial Administration Act*.

Overview

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). The Government of Canada is the sole shareholder of DCC and DCC is accountable, through the Minister of Public Services and Procurement (the Minister), to Parliament for the conduct of its affairs.

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*, *Accessible Canada Act*, *Canada Labour Code*, *Employment Equity Act*, *Official Languages Act* and *Privacy Act*.

DCC aligns its policies and practices with the Government of Canada priorities and expectations, in particular those that are articulated in the Mandate Letter from the Minister to the Chair of DCC's Board of Directors.

The Board:

- Provides input into DCC's strategic direction
- Reviews and assesses the appropriateness of DCC's Risk Management Framework
- Ensures that DCC continues to demonstrate high ethical standards, openness and transparency in the management of its business affairs

Governance

Appointments to DCC's Board is managed by the Privy Council Office (PCO). DCC provides a profile to assist PCO in this regard that identifies what characteristics potential Board members should have, including a mix of industry knowledge, skills and experience, and diversity.

Members of DCC's Board are independent of DCC management, except for the President and CEO. All DCC board members undergo orientation sessions as soon as possible after they are appointed, as well as ongoing opportunities for training and development.

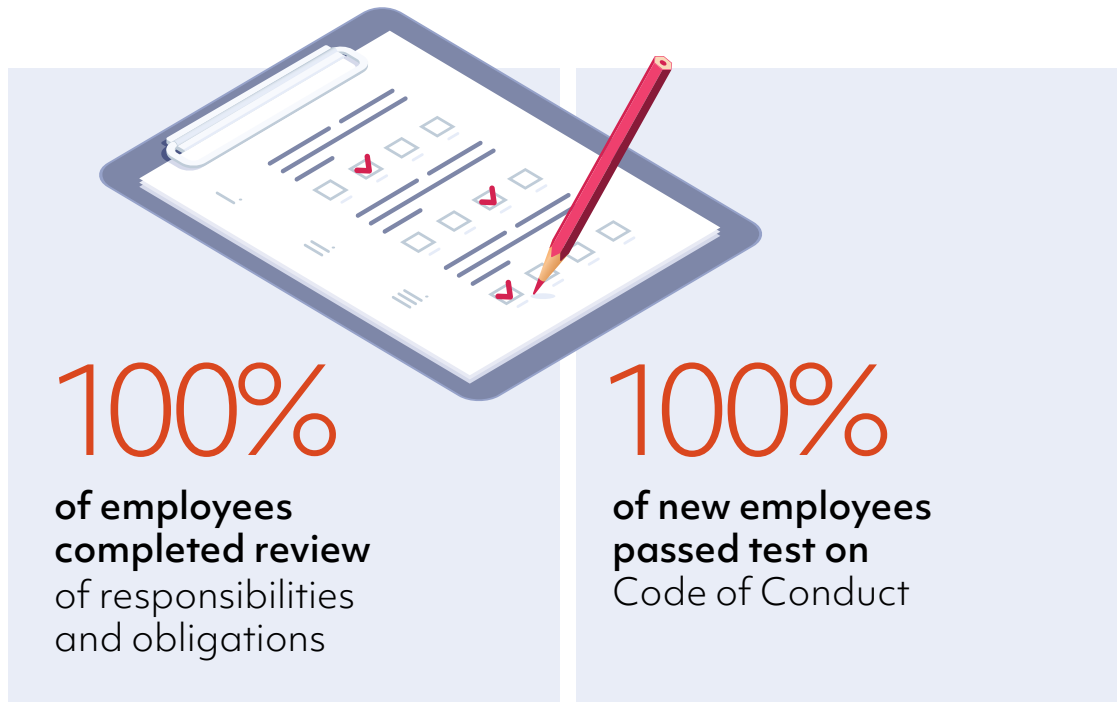
The Office of the Auditor General of Canada (OAG) is DCC's auditor. The OAG audits the Corporation's financial statements annually and carries out a Special Examination at least once every 10 years.

Integrity and Ethics

The *Conflict of Interest Act* sets expectations and requirements for members of DCC's Board of Directors and board members sign an annual declaration confirming they have read the Act and understand its application to their role. In addition, board members must comply with DCC's Board of Directors' Code of Conduct (Board Code), which sets out the standards of conduct that board members are expected to follow in the exercise of their duties.

DCC's Integrity Management Framework includes both DCC's Code of Business Conduct for employees and DCC's Procurement Code of Conduct (PCC) for suppliers and outlines DCC's expectations for suppliers.

- DCC's Code of Business Conduct (the Code) incorporates the *Public Servants Disclosure Protection Act (PSDPA)* and sets out expected behaviours and processes for disclosing wrongdoing. All DCC employees must comply with the Code and review their obligations and responsibilities on a regular basis. All new employees must complete online training on the Code and pass a related test. In 2021, 100% of DCC's employees responded to the annual request for review, and all new hires completed the mandatory module and test.



Strategic Direction

DCC's annual strategic planning process includes input from DCC's Board, as well as its Senior Management Group. DCC seeks information from various representatives from government and industry as part of an environmental scan. This work culminates in the creation of a Corporate Plan that includes corporate initiatives, activities and key performance indicators. DCC's Corporate Plan is submitted to the Minister annually.

Risk Management

The Board is responsible for ensuring that principal risks to DCC's business are appropriately identified and prioritized, pursuant to DCC's Corporate Risk Management Framework, and that systems and processes are in place to manage them.

Engagement and Communication

Annual public meetings offer a way for the public to communicate with and find out about DCC. DCC holds its Annual Public Meeting virtually, and conducted one in July 2021.

Along with external parties, DCC's Board seeks opportunities to engage with DCC employees at DCC offices across Canada through such activities as presentations on topics of interest, tours of sites and facilities, and innovative information-sharing opportunities.

Board Committees

Two committees support the Board carry out its responsibilities: the Audit Committee, and the Governance and Human Resources Committee. Pursuant to the FAA, all Audit Committee members are independent of DCC management.

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 2021–22 are noted below.

Audit Committee

Chair: Stephen Burbridge until September 17, 2021, when Cynthia Ene was named Chair.

Members: Moreen Miller, Cynthia Ene, and Angus Watt as of September 17, 2021.

The Committee met four times in 2021–22. The work of the Audit Committee is set out in its charter and includes overseeing DCC's financial and management controls, and ensuring that DCC's information systems and management practices are appropriate for the Corporation.

The Audit Committee reviews internal audit plans and receives regular reports on the status of recommendations arising out of the audits from DCC's internal auditor. This committee keeps the Board abreast of the status of audit-related matters and key issues. *In camera* sessions are held as required.

Key Activities reviewed in 2021–22

DCC's financial results

DCC's internal audit plan

Status of the recommendations arising out of completed internal audits

OAG's annual audit

Charter

Work Plan

Governance and Human Resources Committee

Chair: Angus Watt, until September 17, 2021 when Stephen Burbridge was named Chair

Members: Moreen Miller, Claude Lloyd, Steve Anderson and Derrick Cheung (ex officio)

The Committee met four times in 2021–22. The Charter of the Governance and Human Resources Committee sets out the duties and responsibilities of the Committee, and include identifying best practices, trends and issues related to governance and assessing the strategic alignment of DCC's human resources policies with related corporate objectives and initiatives. The Committee holds in camera sessions as required.

Key Activities reviewed in 2021–22

DCC's Human Resources Strategic Plan

Implementation of initiatives under DCC's Workplace Wellness and Mental Health Strategy

Implementation of initiatives under DCC's Diversity and Inclusion Strategy

Results of the Compensation and Benefits Study

Committee Charters

Work Plan

Chart 1: Attendance

	Board	Audit Committee	Governance and Human Resources Committee
Miller, Moreen	6/6	4/4	4/4
Anderson, Steve	6/6	—	4/4
Burbridge, Stephen	6/6	2/2	2/2
Ene, Cynthia	6/6	4/4	—
Lloyd, Claude	5/6	—	4/4
Watt, Angus	6/6	2/2	2/2
Cheung, Derrick	6/6	—	4/4

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

Board Compensation

The PCO sets out the compensation for the Chair of the Board and for members of the Board of Directors of DCC. 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.

Executive Management Structure

Executive Team

Made up of the President and CEO and four vice-presidents, the Executive Team meets regularly as the Executive Management Group to review strategic, operational, financial and human resources matters for the Corporation.

President and CEO

Reports to the Board of Directors and is accountable to the Board for the overall management and performance of the Corporation.

Vice-President, Operations – Service Delivery

Responsible for service delivery for three of DCC's five service lines, plus oversight of the Information Technology Department, and acts as the Corporate Security Officer.

Vice-President, Operations – Business Management

Responsible for business management in all regions.

Vice-President, Operations – Procurement

Accountable for the leadership, oversight and delivery of contracting and contract management services across the Corporation.

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

Responsible for the financial affairs of the Corporation and the executive leadership of DCC's finance and human resources function.

Senior Management Group

Regional Directors

Manage activities in the Pacific, Western, Ontario, National Capital, Quebec and Atlantic regions through regional offices located in Victoria, Edmonton, Kingston, Ottawa, Montréal and Halifax, respectively.

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

Accountable for the corporate leadership and management of the communications, finance, governance and legal affairs, human resources, and information technology functions and groups.

Corporate Secretary

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.

Senior Management Members

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

Executive Team

Derrick Cheung, LL.M., MBA, MA

President and Chief Executive Officer

Karl McQuillan, P.Eng.

Vice-President, Operations—Service Delivery

Acting Vice-President, Human Resources

Mélinda Nycholat, P.Eng.

Vice-President, Operations—Procurement

Ross Welsman, P.Eng.

Vice-President, Operations—Business Management

Kevin Petit-Frère, CPA, CA

Acting Vice-President, Finance and Chief Financial Officer

Director Team

Dave Burley, GSC

National Director, Contract Management Services

Marcy Burton, B.Sc., P.Eng.

Regional Director, Ontario

Nicolas Forget, M.Sc.

Regional Director, Quebec

Charles Fuller, B.A.Sc., PMP, PgMP

National Director, Project and Program
Management Services

Danny Gruner, B.Sc., MBA

Regional Director, Pacific

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

Heather Tesselaar, MBA, P.Eng., PMP

National Director, Real Property Management Services

George Theoharopoulos, P.Eng.

Regional Director, Atlantic

Navpreet Uppal, B.Eng.

Director, Information Technology

Financial Statements



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:

Kevin Petit-Frère, CPA, CA
Acting Vice-President,
Finance and Chief Financial Officer

June 8, 2022



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 2022, and the statement of profit and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2022, 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*.

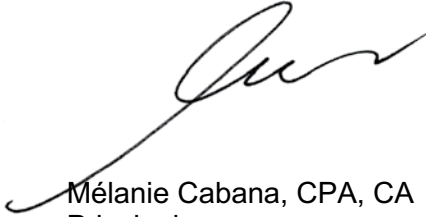
In our opinion, the transactions of Defence Construction (1951) Limited that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report 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
8 June 2022

Statement of Financial Position

As at March 31, 2022

(in thousands of Canadian dollars)

	Notes	2022	2021
Assets			
Cash and cash equivalents		\$ 36,918	\$ 35,632
Investments	8, 18	2,134	2,925
Trade receivables	5, 18	16,676	15,156
Prepaid and other assets	6	1,096	1,515
Other receivables	7	1,793	1,729
Current assets		58,617	56,957
Investments	8, 18	18,466	7,379
Property, plant and equipment	9	2,064	2,014
Intangible assets	10	37	17
Right-of-use assets	17	7,033	7,981
Non-current assets		27,600	17,391
Total assets		\$ 86,217	\$ 74,348
Liabilities			
Trade and other payables	11, 18	\$ 14,227	\$ 16,453
Deferred revenue	13	1,285	—
Employee benefits	12	1,803	3,667
Lease obligations	17	1,278	1,232
Current liabilities		18,593	21,352
Employee benefits	12	31,529	33,430
Lease obligations	17	6,135	7,112
Non-current liabilities		37,664	40,542
Total liabilities		56,257	61,894
Equity			
Share Capital – Authorized – 1,000 common shares of no par value – Issued, 32 common shares		—	—
Retained earnings		29,960	12,454
Total equity		29,960	12,454
Total liabilities and equity		\$ 86,217	\$ 74,348

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 8, 2022

Original signed by:

Moreen Miller, Chair of the Board

Original signed by:

Cynthia Ene, Chair of the Audit Committee

Statement of Profit and Comprehensive Income

For the year ended March 31, 2022

(in thousands of Canadian dollars)	Notes	2022	2021
Services revenue	13	\$ 148,157	\$ 127,710
Travel and disbursement revenue		2,678	1,600
Investment revenue	13	482	445
Lease revenue	17	—	74
Total revenue		151,317	129,829
Salaries and employee benefits		123,749	109,154
Operating and administrative expenses	14	10,065	10,167
Travel and disbursement expenses		2,678	1,600
Depreciation of property, plant and equipment	9	415	244
Depreciation of right-of-use assets	17	1,345	1,475
Amortization of intangible assets	10	13	55
Finance costs	15	226	254
Total expenses		138,491	122,949
Net income		12,826	6,880
Other comprehensive income (loss)			
Actuarial gain (loss) on employee benefit obligation ¹	12	4,680	(3,744)
Total comprehensive income		\$ 17,506	\$ 3,136

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

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

Statement of Changes in Equity

For the year ended March 31, 2022

(in thousands of Canadian dollars)	Share Capital	Retained earnings	Total equity
Balance as at March 31, 2020	\$ —	\$ 9,318	\$ 9,318
Net income	—	6,880	6,880
Other comprehensive loss	—	(3,744)	(3,744)
Balance as at March 31, 2021	\$ —	\$ 12,454	\$ 12,454
Net income	—	12,826	12,826
Other comprehensive income	—	4,680	4,680
Balance as at March 31, 2022	\$ —	\$ 29,960	\$ 29,960

Statement of Cash Flows

For the year ended March 31, 2022

(in thousands of Canadian dollars)

	Notes	2022	2021
Cash flow provided by operating activities			
Net income		\$ 12,826	\$ 6,880
Adjustments to reconcile net income to cash provided by (used in) operating activities			
Employee benefits expensed	12	1,621	3,099
Employee benefits paid	12	(706)	(659)
Gain on disposition of investments		—	(359)
Depreciation of property, plant and equipment	9	415	244
Depreciation of right-of-use assets	17	1,345	1,475
Amortization of intangible assets	10	13	55
Amortization of investment premiums		34	25
Loss on disposal of property, plant and equipment		1	10
Loss on disposal of intangible assets		—	1
Loss on disposal of right-of-use assets		4	—
Change in non-cash operating working capital			
Trade receivables		(1,520)	8,523
Other receivables		(64)	2,823
Prepays and other assets		419	(173)
Trade and other payables		(1,718)	550
Deferred revenue		1,285	—
Net cash flows provided by operating activities		13,955	22,494
Cash flows provided by (used in) investing activities			
Acquisition of investments		(13,255)	(3,600)
Redemption and disposition of investments		2,925	3,232
Acquisition of property, plant and equipment	9	(974)	(943)
Acquisition of intangible assets	10	(33)	(10)
Net cash flows used in investing activities		(11,337)	(1,321)
Cash flows used in financing activities			
Repayment of lease obligations	17	(1,332)	(1,279)
Net cash flows used in financial activities		(1,332)	(1,279)
Increase in cash and cash equivalents during the year		1,286	19,894
Cash and cash equivalents at the beginning of the year		35,632	15,738
Cash and cash equivalents at the end of the year		\$ 36,918	\$ 35,632

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, 2022

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 Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of the directive in the Corporation's next Corporate Plan. The Corporation completed the implementation of aligning the Corporation's policies to Treasury Board policies on 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 integrated COVID-19 protocols into its operations in its physical workspaces and these are now considered normal operations. Aligning with the federal government, DCC implemented a COVID-19 Vaccination and Prevention Policy for its employees and contractors and consultants that enter DCC worksites. DCC has not been disrupted by these new requirements and has continued fulfilling the Corporation's obligations to the Client-Partners.

DCC is 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's operations were not significantly impacted by COVID-19 in 2020 and 2021. As the COVID-19 pandemic continues to evolve, there is still uncertainty on future waves of infection and government interventions, but the Corporation does not believe there will be a negative impact on operations as DCC has navigated the COVID-19 pandemic with minimal disruptions and its financial position has remained strong.

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 policies 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, 2021. No issued or amended standard as of the date of these financial statements is expected to have an impact on the 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. At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments

to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Corporation.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Corporation's financial statements.

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.

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 is as follows:

	2022	2021
Current	\$ 14,832	\$ 12,860
Outstanding for 31–60 days	1,792	2,296
Outstanding for 61–90 days	48	—
Outstanding for 91 plus days	4	—
	\$ 16,676	\$ 15,156

Note 6: Prepaid and Other Assets

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

	2022	2021
Prepaid expenses	\$ 1,086	\$ 1,509
Travel advances	4	—
Employee advances	6	6
	\$ 1,096	\$ 1,515

Note 7: Other Receivables

The following table is the detailed 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.

	2022	2021
Salary receivable	\$ 1,511	\$ 1,575
Other receivables	282	154
	\$ 1,793	\$ 1,729

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 federal bonds with effective interest rates ranging from 0.4% to 3% (coupon rates ranging from 0.5% to 4.4%), guaranteed investment certificates (GIC) ranging from 0.8% to 2.8%, and mutual funds with variable interest rates. The maturity dates of the bonds vary from June 2022 to June 2027 and those of the GIC vary from July 2022 to March 2027, and the Corporation intends to hold all of them 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.

	2022	2021
Current portion	\$ 2,134	\$ 2,925
Long-term portion	18,466	7,379
	\$ 20,600	\$ 10,304

Carrying amount at amortized cost:	2022	2021
Provincial Bonds	\$ 6,503	\$ 1,829
Federal Bonds (Note 18)	1,001	—
Guaranteed Investment Certificate	13,096	8,475
	\$ 20,600	\$ 10,304

Fair value:	2022	2021
Provincial Bonds	\$ 6,344	\$ 1,951
Federal Bonds	986	—
Guaranteed Investment Certificate	13,155	8,531
	\$ 20,485	\$ 10,482

As at March 31, 2022	Effective interest rate	Coupon interest rate	< 1 year	1 to 5 years	> 5 years	Total
<i>Obligations</i>						
Federal Bonds (Note 18)	1.7%	1.8%	\$ —	\$ 1,001	\$ —	\$ 1,001
Provincial Bonds	0.4% – 3%	0.5% – 4.4%	1,434	3,046	2,023	6,503
Guaranteed Investment Certificate	0.8% – 2.8%	0.8% – 2.8%	700	12,396	—	13,096
			\$ 2,134	\$ 16,443	\$ 2,023	\$ 20,600

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 of, 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, 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
Additions	124	167	175	466
Disposals	(147)	(7)	—	(154)
Balance as at March 31, 2022	\$ 649	\$ 1,327	\$ 1,711	\$ 3,687

Accumulated depreciation				
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
Depreciation	115	138	162	415
Disposals	(147)	(6)	—	(153)
Balance as at March 31, 2022	\$ 494	\$ 815	\$ 314	\$ 1,623

Net Book Value by Asset Class

Net Book Value as at March 31, 2021	\$ 146	\$ 484	\$ 1,384	\$ 2,014
Net Book Value as at March 31, 2022	\$ 155	\$ 512	\$ 1,397	\$ 2,064

Proceeds associated with the disposals that occurred in the years ended were immaterial. There was 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:

Cost	
Balance as at March 31, 2020	\$ 1,472
Additions	10
Disposals	(531)
Balance as at March 31, 2021	951
Additions	33
Disposals	—
Balance as at March 31, 2022	\$ 984
Accumulated amortization	
Balance as at March 31, 2020	\$ 1,409
Amortization	55
Disposals	(530)
Balance as at March 31, 2021	934
Amortization	13
Disposals	—
Balance as at March 31, 2022	\$ 947
Net Book Value	
Net Book Value as at March 31, 2021	\$ 17
Net Book Value as at March 31, 2022	\$ 37

There were no disposals in 2022 and there were no proceeds from the disposals in 2021. 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.

	2022	2021
Accounts payable (Note 18)	\$ 788	\$ 853
Accrued vacation and overtime	6,704	5,797
Accrued liabilities	5,463	8,903
Commodity taxes payable	1,272	900
	\$ 14,227	\$ 16,453

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 (loss) and included in the statement of profit and comprehensive income.

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

The Corporation provides sick leave as other employee benefits. Sick leave is accumulated by employees and available in case of absence from work. Accumulated sick leave is not paid out when the employee leaves the Corporation. Starting April 2022, the sick leave program will be curtailed. Current employees' 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.

	2022	2021
Current portion	\$ 1,803	\$ 3,667
Long-term portion	31,529	33,430
Total employee benefits	\$ 33,332	\$ 37,097

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:

	2022	2021
Discount rate for projected benefit obligation	4.00%	3.40%
Rate of general salary increases	3.25%	3.25%
Initial weighted average health care cost trend rate	4.80%	4.80%
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:

	2022	2021
Opening value of obligation	\$ 37,097	\$ 30,913
Current service cost	2,034	1,682
Interest on present value of obligation	1,318	1,227
Actuarial loss (gains)	(4,831)	3,855
Past service cost	(1,580)	79
Employee benefit payments	(706)	(659)
Closing value of benefits obligation	\$ 33,332	\$ 37,097

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 19 years (2021–21 years).

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

	2022	2021
Current service cost	\$ 2,034	\$ 1,682
Interest on present value of obligation	1,318	1,227
Actuarial loss (gain) recognized in year	(151)	111
Past service cost	(1,580)	79
Employee benefit expenses	\$ 1,621	\$ 3,099

The amount recognized in the Statement of Profit and Comprehensive Income for the actuarial gain or loss is made up of the following elements:

	2022	2021
Actuarial gain (loss) from financial assumptions	\$ 4,831	\$ (3,855)
Less: Actuarial gain (loss) recognized in year	151	(111)
Actuarial gain (loss) on employee benefit obligation	\$ 4,680	\$ (3,744)

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	\$ (6,075)	\$ 8,172
Effect of change in salary scale assumption	\$ 164	\$ (144)
Effect of change in health care cost trend rate assumption	\$ 7,835	\$ (5,923)

The Corporation expects to expense \$3,139 in 2023 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 employee's required contribution. The general contribution rate effective at year end was 9.5% (2021 – 9.8%). Total contributions of \$9,440 (2021 – \$8,499) 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 typically have a duration equivalent to the fiscal year or less and all SLAs 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.

Deferred revenue arises when the amount invoiced to the Client-Partners exceeds the services delivered through fixed-fee service level arrangements. The Corporation has an unconditional right to payment when it has invoiced in accordance with fixed-fee SLAs. The amounts in excess will be recognized in revenue as services are delivered. 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 output method (survey of performance to date) is used to measure the obligation satisfied over time.

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 is made, 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 are 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:

2022		Activities					
Regions	Contract Management	Project Planning	Real Property Technical Support	Procurement	Construction Technical Support	Environmental Technical Support	Total revenue by region
Atlantic	\$ 9,727	\$ 5,762	\$ 1,729	\$ 1,766	\$ 987	\$ 2,503	\$ 22,474
Quebec	10,233	5,269	1,659	1,668	1,291	1,744	21,864
National Capital	5,096	13,845	6,613	284	479	1,868	28,185
Ontario	12,944	5,825	2,873	2,284	6,147	2,175	32,248
Western	20,907	9,887	1,335	3,963	1,561	1,795	39,448
Head Office	556	158	23	1,710	1,491	—	3,938
Total revenue by activity	\$ 59,463	\$ 40,746	\$ 14,232	\$ 11,675	\$ 11,956	\$ 10,085	\$ 148,157

2021		Activities					
Regions	Contract Management	Project Planning	Real Property Technical Support	Procurement	Construction Technical Support	Environmental Technical Support	Total revenue by region
Atlantic	\$ 8,077	\$ 5,610	\$ 1,492	\$ 1,709	\$ 693	\$ 1,564	\$ 19,145
Quebec	9,075	5,391	1,484	1,426	1,279	1,428	20,083
National Capital	4,492	9,420	5,298	280	449	1,448	21,387
Ontario	12,633	5,725	2,394	2,177	4,721	1,929	29,579
Western	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

The following table disaggregates revenue by region and contract type:

Time-Based Revenue

Region	2022	2021
Atlantic	\$ 4,699	\$ 3,144
Quebec	7,396	6,634
National Capital*	24,103	18,106
Ontario	9,711	8,843
Western	10,237	8,663
Head Office*	2,438	2,310
Total time-based revenue	\$ 58,584	\$ 47,700

Fixed-Fee Revenue

Region	2022	2021
Atlantic	\$ 17,775	\$ 16,000
Quebec	14,468	13,450
National Capital*	4,082	3,280
Ontario	22,537	20,737
Western	29,211	24,791
Head Office*	1,500	1,752
Total fixed-fee revenue	\$ 89,573	\$ 80,010

Total revenue	\$ 148,157	\$ 127,710
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*The Corporation has reclassified comparative information to be consistent with current year presentation.

As at March 31, 2022, \$1,285 (2021 – \$Nil) in deferred revenue relates to unsatisfied performance obligations. Management expects the balance to be recognized as revenue during the next reporting period.

13.2 Investment Revenue

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

Income from:	2022	2021
Bank deposit interest	\$ 231	\$ 153
Investment interest including gain on disposition	239	284
Other interest	12	8
	\$ 482	\$ 445

Note 14: Operating and Administrative Expenses

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

	2022	2021
Cloud computing services	\$ 1,850	\$ 1,717
Professional services	1,478	1,481
Software maintenance	1,430	1,287
Equipment rental	1,063	1,141
Leased location operating costs	855	1,043
Telephone and data communications	846	883
Employee training and development	688	608
Office services, supplies and equipment*	540	457
Client services and communications	430	305
Furniture and equipment	225	854
Staff relocation	170	74
Computer software	135	87
Recruiting	105	16
Memberships and subscriptions	94	82
Computer hardware	46	13
Hospitality	30	36
Postage and freight	26	25
Travel	26	20
Other	21	35
Leasehold improvements	7	3
	\$ 10,065	\$ 10,167

*The Corporation has reclassified comparative information to be consistent with current year presentation.

Note 15: Supplemental Operating Cash Flow Information

	2022	2021
Interest charges on lease obligations	\$ 226	\$ 254
Interest received from bank deposits	\$ 231	\$ 153
Interest received from investments	\$ 239	\$ 284
Acquisition of property, plant and equipment not paid	\$ 2	\$ 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, 2022 and 2021.

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, 2022, was \$75,997 (2021 – \$62,827) 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.

2022	FVTPL	Amortized cost	Total carrying amount
Cash and cash equivalents	\$ 36,918	\$ —	\$ 36,918
Investments	—	20,600	20,600
Trade receivables	—	16,676	16,676
Other receivables	—	1,793	1,793
Other assets	—	10	10
Total financial assets	\$ 36,918	\$ 39,079	\$ 75,997

2021	FVTPL	Amortized cost	Total carrying amount
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

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, 2022, was \$6,251 (2021 – \$9,756) 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. 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. In addition, as at March 31, 2022, the Corporation's financial assets exceeded its financial liabilities by \$69,746 (2021 – \$53,071).

The contractual maturities of financial liabilities, including estimated interest payments are shown in the following table:

2022	Carrying amount	Contractual cash flows	<6 months	>6 months
Trade and other payables	\$ 6,251	\$ 6,251	\$ 6,251	\$ —
Financial liabilities	\$ 6,251	\$ 6,251	\$ 6,251	\$ —
2021	Carrying amount	Contractual cash flows	<6 months	>6 months
Trade and other payables	\$ 9,756	\$ 9,756	\$ 9,756	\$ —
Financial liabilities	\$ 9,756	\$ 9,756	\$ 9,756	\$ —

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, 2022, all of the investments (\$20,600) were in fixed interest-bearing instruments (2021 – \$10,304). 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 18 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, 2022 was 2.83% (2021 – 2.88%).

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. 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 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
Additions	456	—	—	456
Depreciation	(1,223)	—	(122)	(1,345)
Disposals	(59)	—	—	(59)
Balance as at March 31, 2022	\$ 6,748	\$ —	\$ 285	\$ 7,033

17.2 Lease Obligations

	2022	2021
Current portion	\$ 1,278	\$ 1,232
Long-term portion	6,135	7,112
Total	\$ 7,413	\$ 8,344

Balance as at March 31, 2020	\$ 9,623
Additions	—
Payments	(1,533)
Interest expense	254
Balance as at March 31, 2021	\$ 8,344
Additions	456
Disposals	(55)
Payments	(1,558)
Interest expense	226
Balance as at March 31, 2022	\$ 7,413

The following represents the contractual undiscounted cash flows for lease obligations as at March 31, 2022:

One year or less	\$ 1,471
Between one and two years	\$ 1,016
Between two and five years	\$ 2,704
Over five years	\$ 3,144
Total	\$ 8,335

The expense relating to variable lease payments not included in the measurement of lease obligations was \$855 (2021 – \$1,043). 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 \$2,413 (2021 – \$2,576) including \$1,332 (2021 – \$1,279) of principal payments on lease obligations. There was no income from subleasing in 2022 (2021 – \$74).

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 \$148,157 (2021 – \$127,710) was generated from services provided to entities owned by the Government of Canada. The amounts due to and from related parties, included in trade receivable and trade and other payables respectively, are as follows:

	2022	2021
Due from:		
Department of National Defence (DND)	\$ 15,423	\$ 13,987
Canadian Forces Housing Agency	1,045	1,016
Communications Security Establishment	171	133
Shared Services Canada	37	20
	\$ 16,676	\$ 15,156

Due to:		
Shared Services Canada	\$ 7	\$ 17
Department of Justice	393	86
	\$ 400	\$ 103

The Corporation incurred expenses with other Government of Canada departments. These transactions totaled \$1,321 (2021 – \$752) and no portion of this amount relates to the prior year. Of these expenses, the Corporation recovered \$1,206 (2021 – \$604) 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.

The Corporation purchased a bond on March 2, 2022 for \$1,002 issued by the Canadian Mortgage and Housing Corporation (CMHC). The Corporation earned investment revenue of \$5 during the year.

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:

	2022	2021
Short-term benefits	\$ 4,429	\$ 4,002
Post-employment benefits	473	556
	\$ 4,902	\$ 4,558

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 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, 2022, there were 15 ongoing claims totalling \$21,338. These were related to contracts DCC had put in place on behalf of its Client-Partners. These figures can be compared with 13 ongoing claims totalling \$19,538 as at March 31, 2021. 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, 2022, there were other ongoing legal claims, not related to DND, for which the outflow of resources to settle the obligation either cannot be estimated or is not probable at this time. No amount for these claims has been recognized as at March 31, 2022.