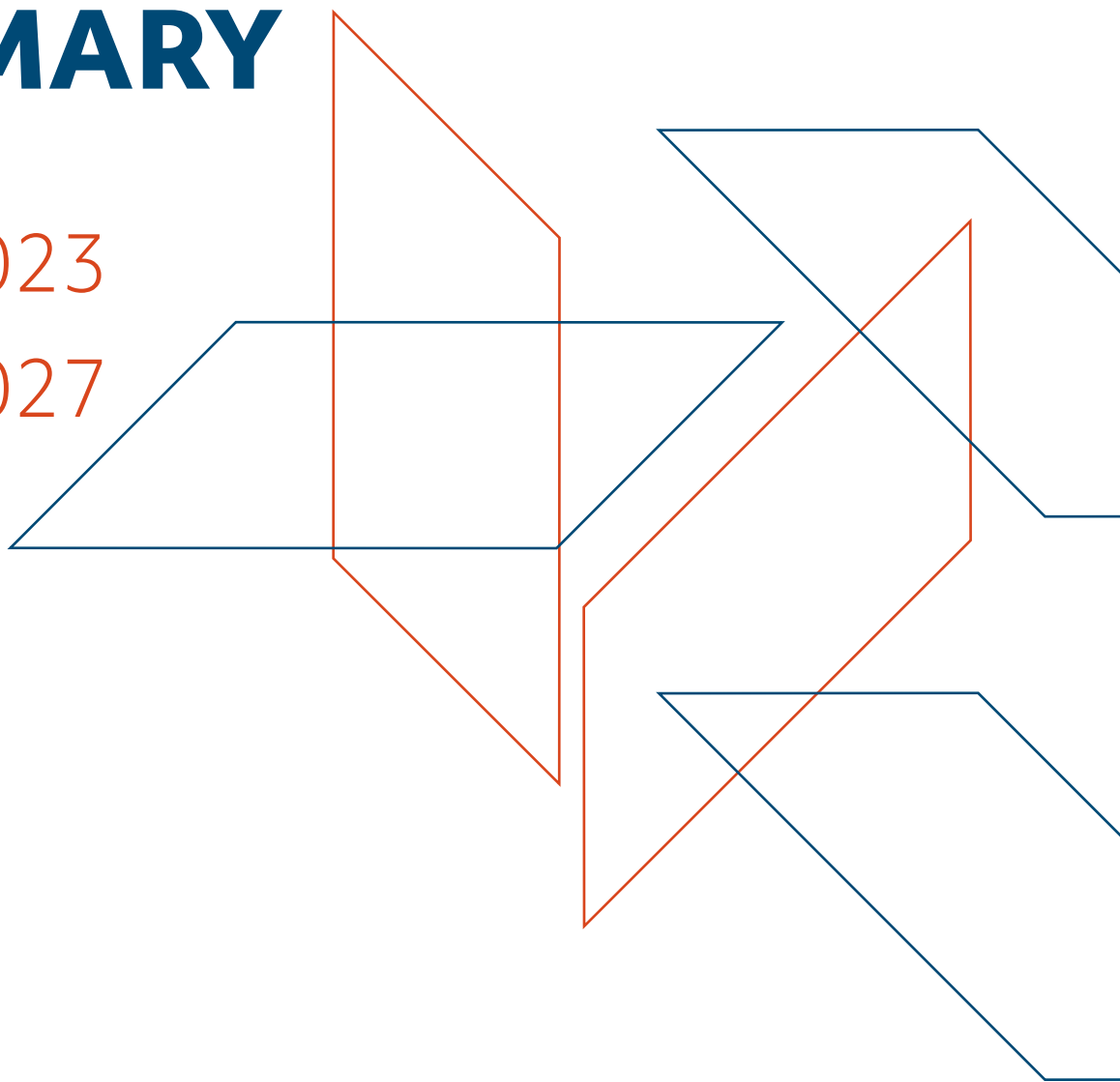




CORPORATE PLAN SUMMARY



2022–2023
TO
2026–2027



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EXECUTIVE SUMMARY

Defence Construction Canada (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.

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 and achieved a near-100% employee compliance rate. Similarly, all contractors and consultants must be fully vaccinated to enter Government of Canada worksites. These requirements have not disrupted DCC's service delivery; however, DCC will be better able to assess their full impact in the fourth quarter of 2021–22. DCC's business performance and its financial position remains strong.

Demand for services from the Department of National Defence (DND), and under two public-private partnership contracts DCC manages for the Communications Security Establishment and Shared Services Canada, is about 13% higher than forecast and is expected to continue to increase during the planning period.

DCC anticipates that contract expenditures will exceed \$1.1 billion in 2022–23, then begin to increase slightly to about \$1.5 billion for each subsequent year of the planning period, due to the Canadian Surface Combatant Project, the Future Fighter Capabilities Project and the A/B Jetty Recapitalization Project. DCC supports DND in its pursuit of opportunities to reduce its energy consumption and greenhouse gas emissions.

DCC's project portfolio is diverse and specialized, and the value of DCC's current ongoing project portfolio is about \$8.2 billion. With past trends of contract expenditures of about \$1.1 billion per year, DCC generates 3,600 to 4,000 full-time jobs in the infrastructure and environment industry, and injects money into local communities through its payments to contractors and consultants.

Looking ahead, the government may require DCC's support for infrastructure investment during the pandemic recovery. DCC must remain agile in resource planning, so it can respond quickly to any government decision to scale up or decrease DCC's capacity. Mitigating the associated risks remains at the forefront of DCC's tactical and strategic planning.

At the end of the first half of 2021–22, DCC's cash level was higher than expected, mainly due to higher demand for DCC's services than planned and accelerated receipt of trade receivables, and lower than anticipated expenses. By the end of the planning period, the Corporation expects its cash will be at its forecasted target level.

In fall 2021, DCC committed to following the Progressive Aboriginal Relations (PAR) certification program developed by the Canadian Council for Aboriginal Business (CCAB). DCC has an ambitious agenda to build strong partnerships with Indigenous peoples and to

create more opportunities for Indigenous businesses. This includes implementing a strategy to increase Indigenous participation in the contracts DCC manages for DND, and to create meaningful work, training, and growth opportunities for Indigenous DCC employees. DCC will continue its National Indigenous Youth Work Experience Program during the planning period. Starting in 2022, DCC will also fund scholarships through Indspire, a national Indigenous charity.

DCC has made solid progress toward achieving the Government of Canada's goal to direct at least 5% of spending for contracts and materials to Indigenous businesses. The value of total procurements awarded to Indigenous companies has doubled since the last fiscal year.

DCC seeks to sustain its culture of diversity and respect by engaging with employees and by including a broad range of voices in governance and decision-making. Over the past 18 months, the organization has been developing an Accessibility Plan, in support of the *Accessible Canada Act*. Due to be released in 2022–23, this plan reflects DCC's commitment to fostering a culture of accessibility and to reducing barriers. DCC's policy on harassment and violence prevention, and associated employee training, will help keep DCC's workplace safe.

The Corporation works to enhance its ability to recruit and retain top talent, including members of the four employment equity groups and members of the LGBTQ2+ community. DCC's Diversity and Inclusion Strategy 2021–2026 includes activities such as developing regional diversity and inclusion plans, anti-racism training, and unconscious bias-awareness training.

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, 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.

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.

The coming planning period will see the Corporation continue to advance on planned initiatives: Client-Partner relationship development; program delivery and green defence initiatives; enhanced technology for service delivery; cyber security and awareness; accessibility; a healthy, diverse and inclusive workplace; transparency; business opportunities for Indigenous peoples; and procurement modernization. A new initiative, stemming from the rapid societal change spurred on by the pandemic—exploring opportunities to

increase flexible work arrangements—is a notable addition that will transform the daily lives of employees.

To meet its objectives for the planning period, DCC will draw on its strengths: expertise, experience and know-how; proven flexibility and agility; and the ability to have the right people in the right job at the right time. DCC will also continue investing in business modernization—particularly its digital capability—to improve its efficiency and effectiveness and deliver further value to the Crown.

OVERVIEW

Mandate

Defence Construction Canada (DCC, or the Corporation) is a Crown corporation that procures and delivers defence infrastructure projects. Its 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.

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

Government of Canada Priorities and Public Policy Role

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

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.

DCC plays a role in meeting the government's policy objective to create a fair and secure marketplace by respecting internal and international trade agreements, using sound procurement practices, and ensuring competition by providing wide access to government business opportunities. The Corporation provides fair, open access to approximately 2,000 contracts annually on behalf of its Client-Partners, thus stimulating **economic growth**.

DCC has systems and practices, such as its Code of Business Conduct and its Procurement Code of Conduct, to ensure all business is carried out with **openness and transparency**, high ethical standards, and integrity. It complies with the *Public Servants Disclosure Protection Act* and the *Conflict of Interest Act*.

Mission Statement

To provide timely, effective and efficient program management, project delivery and full lifecycle support for infrastructure and environmental assets required for the defence of Canada.

Vision Statement

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

Service Lines

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

CONTRACT SERVICES

The Contract Services Team oversees the planning and procurement of goods and professional, environmental, real property, construction and maintenance services to fulfill Canada's domestic and international defence infrastructure needs on behalf of the Department of Defence.

CONTRACT MANAGEMENT SERVICES

The Contract Management Services Team supports the creation, renovation and maintenance of facilities for DND's IE program, as well as the management of complex public-private partnership agreements.

ENVIRONMENTAL SERVICES

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

PROJECT AND PROGRAM MANAGEMENT SERVICES

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

REAL PROPERTY MANAGEMENT SERVICES

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

Business Model

The Corporation's business model combines the best characteristics of the private and public sectors. DCC's everyday operations are like those of an engineering consultancy firm. However, as a Crown corporation, it is governed by Part X of the *Financial Administration Act* and listed in Schedule III.

DCC and DND have worked together since 1951. During that time, DCC has acquired specialized expertise and accumulated a large knowledge base related to Canada's military construction, and associated infrastructure and environment services, at home and abroad.

The projects DCC manages range from traditional ones to innovative ones, from control towers to dockyards, from hangars to armoured vehicle maintenance facilities, from community centres to accommodation facilities, and from roads to sewer and water systems. Some projects may simply involve maintenance work, while others are more complex construction projects with high security requirements.

DCC has no competitors in the traditional sense, but it has a mandate to provide infrastructure and environment services for all defence operational facilities on bases and wings. DND/CAF has the option to use Public Services and Procurement Canada to contract for minor repair and maintenance services at DND/CAF locations for contracts valued at \$100,000 or less, as per the memorandum of understanding, or to request support for other projects, as agreed to by DCC.

Financial Condition

The Corporation earns revenue on a fee-for-service basis and receives no government appropriations. It does not maintain or have access to any lines of credit or other sources of borrowings, although the Corporation plans to review its cash management strategy and explore available options, including investments, lines of credit and other vehicles. DCC manages its office space needs in ways that optimize overall value for the Crown. DCC operates as a lean and efficient organization. The intent 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.

Unexpected changes in program services provided to Client-Partners, as well as DCC's success in achieving its own operating efficiencies, can result in margins and cash balances that vary from initial targets. For more information, see DCC's *Annual Report 2020–2021*.

OPERATING ENVIRONMENT

DCC's operating environment is largely shaped by the priorities and planning of its primary Client-Partner, the Department of National Defence (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.

External Factors

DND INFRASTRUCTURE AND ENVIRONMENT PROGRAM

The volume of business DCC receives under this program can change significantly from year to year, depending on DND priorities, and the amount of Government of Canada funding for defence infrastructure. Typically, DND spends between 9% and 15% of its IE program budget on DCC's service fees.

The Government of Canada's Strong, Secure, Engaged defence policy, released in June 2017, makes modernizing DND infrastructure a priority. Activities with which DCC is assisting or may be called on to assist with in the future, include divesting of or demolishing underused or obsolete buildings; improving facilities on bases and wings, such as housing for military personnel; and building new infrastructure for major Canadian Armed Forces programs.

Similarly, DCC helps DND implement its Defence Energy and Environment Strategy by, for example, improving energy efficiency and building sustainable real property at installations across Canada.

Finally, DCC regularly responds to requests from DND to work in Canada's Far North and to deploy staff overseas, including to current operational locations in Latvia and Kuwait.

EXTERNAL ECONOMIC AND BUSINESS ENVIRONMENT

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 Build Force 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.

For these reasons, DCC must always work to be a preferred business partner, since it relies on contractors and consultants to perform the work under the contracts it manages. DCC must also keep current with industry innovations, including e-procurement, new approaches to project delivery (such as public-private partnerships), integrated project delivery and LEAN methodologies.

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.

GOVERNMENT OF CANADA REQUIREMENTS

The Strategic Plan Overview chart on page 12 illustrates how DCC's mission, vision, values, strategic objectives and outcomes, initiatives, and key performance indicators flow from Government of Canada priorities.

DCC's travel, hospitality, conference and event expenditure policies, guidelines and practices align with those of the Treasury Board of Canada Secretariat, as confirmed by the Office of the Auditor General in its annual financial audits.

DCC developed a COVID-19 Vaccination and Prevention Policy that mirrored the requirement announced for the federal public service. The policy implementation fully aligns with the expectations of the Treasury Board President for the vaccination requirements of Crown corporations.

Internal Factors

Expectations for workplaces of the future have evolved rapidly since the outset of the COVID-19 pandemic. In fall 2021, DCC's Flexible Workplace Policy came into effect. It provides for arrangements that can help employees meet personal needs while continuing to deliver key services to external and internal clients. Efforts to support a gradual return to the workplace in a post-pandemic world will extend into 2022–23.

Information technology (IT) systems are evolving rapidly to meet the demands of remote working. Employees, senior managers and external stakeholders alike expect to have a well-functioning, reliable and secure virtual environment.

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 people entering the workforce. Moreover, many large construction projects are carried out in remote areas, where young 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.

BUSINESS STRATEGY

DCC has a clear and consistent approach to its business, being always ready to provide timely, knowledgeable, effective and efficient service to its Client-Partners. The needs of DCC's defence and security Client-Partners have the greatest influence on the Corporation's business strategy, and it is DCC's mission to tactically deploy its services to meet those needs.

Each fall, DCC holds a strategic planning session that includes a strengths, weaknesses, opportunities and threats (SWOT) analysis. This leads to a review of the Corporate Risk Register, to ensure that all risks are addressed. The Board of Directors, the Senior Management Group, Client-Partners and industry representatives provide input to the review, based on consultations with their stakeholders.

DCC has built its business strategy on four planning themes: People, Service Delivery, Business Management, and Leadership and Governance. DCC's strategic objectives under those themes are to engage the workforce, meet Client-Partner requirements, have robust business management tools and demonstrate strong leadership. DCC provides a service and support function to its Client-Partners, and these objectives are focused on maintaining and improving its service delivery capability.

DCC ensures performance through a results-based approach to monitoring its business. Specific, measurable, achievable, relevant, and timely strategic objectives and outcomes provide focus for each theme, aligned with DCC's mission. DCC expects that these objectives will not change during the 2022–23 to 2026–27 planning period. With qualitative and quantitative key performance indicators in place for each of them, DCC can gauge the health of any aspect of its business. Rigorous and regular data collection, monitoring and reporting, and continuous improvement are part of daily work at DCC. The most recent key performance indicator results can be found in DCC's Annual Report 2020–21.

Although DCC's business strategy has remained consistent over the decades, the operating environment changes and influences the specific supporting activities DCC pursues each year. Nonetheless, the initiatives DCC undertakes typically relate to service delivery, or to the management of its human, capital or financial resources, in areas such as employee engagement, IT infrastructure and reduction of business costs. Details on the specific objectives of each initiative for the current fiscal year are noted in the following discussion section under the corresponding planning theme.

STRATEGIC PLAN OVERVIEW, 2022–2023 TO 2026–2027

GOVERNMENT OF CANADA KEY PRIORITIES SUPPORTED BY DCC

SECURITY AND DEFENCE	ENVIRONMENT	ECONOMIC GROWTH	OPENNESS AND TRANSPARENCY
<ul style="list-style-type: none"> Defence Policy: Strong, Secure, Engaged Support for Canada's North Support for Canada abroad 	<ul style="list-style-type: none"> Canada's commitment to a clean environment Environmental sustainability Support for DND/CAF in meeting greenhouse gas emission targets 	<ul style="list-style-type: none"> Investment in infrastructure Opportunities for Canadians Support for reconciliation with Indigenous peoples Innovation 	<ul style="list-style-type: none"> Modernization of the procurement process Focus on results and outcomes Prudence in handling public funds Commitment to social and cultural diversity and inclusion

MISSION

To provide timely, effective and efficient program management, project delivery and full lifecycle support for infrastructure and environmental assets required for the defence of Canada.

VISION

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

VALUES

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 everyone in a fair and ethical manner, embraces equity and inclusion, and advocates for mutual respect and professionalism throughout its business.

STRATEGIC OBJECTIVES AND OUTCOMES

PLANNING THEME	PEOPLE	SERVICE DELIVERY	BUSINESS MANAGEMENT	LEADERSHIP AND GOVERNANCE
STRATEGIC OBJECTIVE	To build and sustain a competent, engaged and diverse workforce.	To deliver innovative, value-added services that meet Client-Partner requirements.	To develop and maintain responsive, integrated business management structures, tools, teams and practices.	To provide agile leadership and be responsive to Government of Canada objectives.
STRATEGIC OUTCOMES	<ul style="list-style-type: none"> A diverse, productive and results-oriented workforce A healthy, inclusive, accessible and respectful workplace A culture of innovation Positive employee engagement 	<ul style="list-style-type: none"> Delivery of efficient and effective quality services throughout the asset lifecycle Collaborative relationships sustained through mutually aligned objectives and information-sharing Leveraging of industry capacity and innovation 	<ul style="list-style-type: none"> Business infrastructure, strategies and corporate frameworks that ensure effective and efficient service delivery and strong resource management Sound internal control systems and practices, and management oversight and audit, that safeguard corporate assets 	<ul style="list-style-type: none"> A risk-based decision-making culture High ethical standards, openness and transparency in the management of DCC's business affairs Demonstration of value, integrity and innovation to stakeholders and Client-Partners
2022–23 CORPORATE PLAN INITIATIVES	<ul style="list-style-type: none"> Implement year four of the Human Resources Strategic Plan, including the Diversity and Inclusion Strategy, and the Workplace Wellness and Mental Health Strategy Explore opportunities to increase flexibility in work arrangements Develop DCC's Pay Equity Plan 	<ul style="list-style-type: none"> Enhance DCC's capabilities to support DND in its program delivery and IE strategic portfolio management Support DND's greening defence initiatives Implement innovative project delivery options Leverage technology to better support service delivery 	<ul style="list-style-type: none"> Implement the Information Technology Strategic Plan, including the development of a cyber security awareness program and a digital business capability resource project 	<ul style="list-style-type: none"> Strengthen collaborative relationships with Client-Partner leadership Support the Government of Canada's accessibility objectives Implement DCC's Indigenous Strategic Plan, including a Procurement Strategy and a Recruitment and Retention Strategy
KEY PERFORMANCE INDICATORS	<ul style="list-style-type: none"> Employment diversity results Recruitment results Employee retention rate Innovation results Investment in training and development 	<ul style="list-style-type: none"> Service delivery rating Procurement results Contract management results Contractor performance evaluations 	<ul style="list-style-type: none"> Financial results consistent with DCC's Corporate Plan Cost of services Utilization rate 	<ul style="list-style-type: none"> Corporate reporting results, including timeliness of submissions DCC Code of Business Conduct results DCC Procurement Code of Conduct results Environmental, health and safety, and security results

OBJECTIVES, OUTCOMES, INITIATIVES AND PERFORMANCE INDICATORS

Planning Theme: People

OBJECTIVE

To build and sustain a competent, engaged and diverse workforce.

OUTCOMES

DCC provides a healthy, inclusive, accessible and respectful workplace.

- Hallmarks of DCC's workplace include a commitment to diversity and inclusion, workplace wellness, accessibility, fair compensation and benefits, pay equity, and corporate social responsibility.

DCC's culture promotes a diverse, productive and results-oriented workforce.

- DCC's workplace offers opportunities for results-oriented people who want to take ownership of their work. They can grow through professional development opportunities, collaboration and leadership initiatives, knowledge retention and transfer activities, and career development exercises.

DCC encourages and fosters a culture of innovation.

- DCC wants its employees across the country to develop more efficient ways of working—the essence of innovation. Innovation in day-to-day operations will lead to resource savings, more efficient service delivery and greater value for the Crown.

DCC achieves positive employee engagement.

- The unique DCC culture is a combination of team awareness, collegiality, ingenuity and patriotism, and it attracts people who have these attributes, who are results oriented, and who are personally aligned with the corporate values of dedication, collaboration, competence and fairness. DCC strives to keep employee engagement high through initiatives that appeal to the hearts and minds of its employees.

INITIATIVES

The Government of Canada has many ambitious objectives related to its commitment to social and cultural diversity and inclusion. Aligned with the *Call to Action on Anti-Racism, Equity and Inclusion in the Federal Public Service*, DCC supports this priority through three strategic initiatives unfolding over the planning period. These people-themed initiatives address the risk associated with DCC's ability to recruit and retain people, such as members of the four employment equity groups (women, visible minorities, persons with disabilities and Indigenous peoples); and members of the LGBTQ2+ community.

The Human Resources Strategic Plan 2019–20 to 2023–24—which includes a robust Diversity and Inclusion Strategy, and a Workplace Wellness and Mental Health Strategy—will continue to build on the significant accomplishments of the past several years. The two strategies contain meaningful activities, milestones and objectives that span the planning period—most notably, the development and rolling out of regional implementation plans.

Within three to five years, DCC expects to have an employee population that reflects the diversity of the communities where it operates within a target range between the labour market availability mix of the construction and architecture and engineering sectors and other federally regulated employers.

A second initiative explores opportunities to increase flexible work arrangements. In late 2021, DCC implemented a Flexible Workplace Policy, along with associated policies that support modern work arrangements. Efforts to manage the transition back to a flexible, hybrid workplace in a post-pandemic world will continue well into the planning period. DCC will help its employees to handle this transition, to equip safe and healthy home office spaces, and to foster their mental health and wellness. The Corporation will also provide a mentoring program for career growth and professional development.

DCC continues moving forward to ensure that it maintains pay equity in its job evaluation and classification system. In the coming year, the Corporation will form a pay equity committee and commence development of DCC's Pay Equity Plan.

PEOPLE: KEY PERFORMANCE INDICATORS

Employment Diversity Results

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

Recruitment Results

This indicator measures the effectiveness of the Corporation's recruitment process. DCC strives to have a minimum of 85% of all job postings filled in the first round of job advertising, within 60 days of posting a position.

Employee Retention Rate

DCC regularly reviews the percentage of employees who voluntarily leave the Corporation for other career opportunities. Monitoring this percentage allows senior managers to analyze the Corporation's performance in the context of relevant labour market trends. DCC strives to retain a minimum of 90% of its employees each year.

Innovation Results

The innoviCulture program is DCC's means of encouraging and tracking innovation in the workplace. A key tool is an online intranet module called the inCubator. This system

tracks ideas submitted by employees as they move through the evaluation process and into implementation. The target is to have 20% of all employees use this system.

Investment in Training and Development

DCC's ability to serve DND is heavily dependent on the skills of its employees. DCC believes that by providing training to its employees, it is not only investing in their career development; it is also making the entire Corporation stronger.

The target for spending on professional development as a percentage of base salary costs is 3%. This target includes spending on both internal and external costs related to training and development. The amount spent on training and development fluctuates from quarter to quarter, and year to year. It depends on the effort required to develop and maintain internal courses, and the timing and delivery method of professional development activities in various regions and nationally.

Planning Theme: Service Delivery

OBJECTIVE

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

OUTCOMES

Service lines deliver efficient and effective quality services throughout the asset lifecycle.

- A matrix organization, a principles-based operating model, a risk-based decision-making approach and a results-oriented culture give DCC the flexibility that its Client-Partners need to run their organizations and to build, manage and maintain their assets.

DCC sustains collaborative relationships through mutually aligned objectives and information-sharing.

- To fulfill its mission, DCC needs high-quality relationships with its defence and security Client-Partners. Planning jointly, sharing information, developing new support services and exchanging lessons learned are examples of activities DCC undertakes to sustain mutually beneficial relationships.

DCC leverages industry capacity and innovation.

- Since 1951, DCC has been engaged with industry associations and has been collaborating on many initiatives. DCC strives to be a bridge between industry and Client-Partners to help them achieve mutual goals and to foster innovative practices.

INITIATIVES

DCC will carry forward four service delivery initiatives in 2022–23: support DND in its program delivery and IE strategic portfolio management; support DND's greening defence initiatives; implement innovative procurement and delivery options; and leverage technology to better support service delivery.

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.

When collaborating with the Client-Partner in its procurement planning, DCC continues to consider ways to create a positive social impact through purchasing. DCC continues to work on a joint DCC-DND Indigenous Procurement Strategy, seeking to strengthen DND's efforts to engage Indigenous businesses. In 2020–21, DCC awarded more than 50 contracts, equivalent to 2.24% of the total value of procurements, to Indigenous companies—an increase of 100% from the last fiscal year.

A clear indicator of DCC's success in supporting green defence initiatives is the fact that DCC has put eight energy performance contracts in place since 2018, three are in the procurement stage, five are in the planning stage and a further eight will undergo an opportunity assessment during the planning period.

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.

SERVICE DELIVERY: KEY PERFORMANCE INDICATORS

Service Delivery Rating

DCC wants to maintain high-quality service delivery. Consequently, it seeks continuous improvement through a service delivery rating and feedback system.

DCC administers its work through service-level arrangements (SLAs). Each SLA may comprise many projects, and there is one primary Client-Partner representative for each SLA. Each representative is interviewed annually and has the opportunity to comment on the service DCC provided on all projects in which they were involved.

The representatives rate DCC's performance on a scale from one to five, with a score of three indicating that DCC "met expectations" and a score of four or five indicating that the Corporation "surpassed expectations." Scores are weighted according to the value of each SLA. DCC defines satisfied clients as those who provide an overall rating of three or higher.

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, as this reduces competition. 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.

Procurement competition: DCC wants industry to view it as a knowledgeable and fair company to work with, so that as many bidders as possible compete for work. This helps ensure the Corporation gets the best value possible. The Corporation 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.

Public access to business opportunities: DCC wants to encourage competition and ensure that all enterprises have an equal opportunity to bid on contracts. The goal is to award a minimum of 98% of DCC contracts through public opportunities. DCC conducts

procurement in an industry known for incidents of fraud. All successful bidders are verified against DCC's Procurement Code of Conduct before contract award. This reduces the risk of working with non-compliant companies.

Contract Management Results

DCC's Contract Management service line measures its on-time completion rate for construction contracts. The business performance target is to have 85% of all contracts completed by the date scheduled for occupancy and readiness for intended use.

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.

Planning Theme: Business Management

OBJECTIVE

To develop and maintain responsive, integrated business management structures, tools, teams and practices.

OUTCOMES

Business infrastructure, strategies and corporate frameworks ensure effective and efficient service delivery and strong resource management.

- Business infrastructure relates to business planning, operations policy and procedures, human resources, corporate security, administrative services, finance, IT, and communications. Resource management includes management of staff, materials, money and assets.
- Corporate assets are safeguarded by sound internal control systems and practices, and by management oversight and audit.

INITIATIVES

One initiative related to DCC's digital capability and the effort to modernize DCC's internal business systems has been carried forward into the planning period from last year.

DCC updated the IT Strategic Plan in early 2021, with a focus on a cyber security awareness program and a digital capability resource project. This project includes improvements to DCC's enterprise resource planning (ERP) system. DCC expects to replace its current ERP system over the next four to seven years at a total cost of approximately \$20 million plus contingencies.

The Executive Management Group monitors the progress of the IT Strategic Plan and receives reports on it regularly during DCC's IT Steering Committee monthly meetings.

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.

BUSINESS MANAGEMENT: KEY PERFORMANCE INDICATORS

Financial Results Consistent with DCC's Corporate Plan

DCC expects to achieve financial results each year that are consistent with its Corporate Plan and Financial Management Policy. Unexpected changes in program services provided to Client-Partners, as well as DCC's success in achieving its own operating efficiencies, can result in margins and cash balances that vary from initial targets. The objective is to generate and maintain sufficient cash to meet the Corporation's anticipated operating and capital requirements, to settle financial obligations as they become due, and to meet contingencies

that may arise. Based on various considerations, including increasing DCC's long-term employee benefits liability, DCC's cash management approach will be to maintain its cash and investments level to fund operations at \$35 million to \$45 million during the planning period. More information on DCC's approach to cash management can be found in the Financial Overview on page 24.

Cost of Services

The indicator of overall cost of services to DND reflects how much of DND's infrastructure and environment (IE) program budget is spent on DCC's services—or, in other words, how much DCC services cost DND's IE community. Typically, DCC expects these costs to fall in the range of 9% to 15%.

DCC operates as a lean and efficient organization, and its billing rates are significantly lower than those of comparable North American private sector engineering firms, according to Deltek's 42nd Annual Clarity Architecture and Engineering Industry study.

Utilization Rate

DCC manages its business soundly by maintaining low internal overhead costs, keeping costs to DND low and meeting the terms of its own Financial Management Policy. As DCC is a service organization, its largest overhead cost is employee salaries. The Corporation sets a target to recover 70% of employee salaries through its monthly invoices to its Client-Partners.

Planning Theme: Leadership and Governance

OBJECTIVE

To provide agile leadership and be responsive to Government of Canada requirements.

OUTCOMES

DCC maintains a risk-based decision-making culture.

- To be efficient, comply with Government of Canada requirements and meet urgent needs, DCC uses a risk-based decision-making process. This allows the Corporation to carry out the complex and specialized defence construction projects that Client-Partners require.

DCC demonstrates high ethical standards, openness and transparency in the management of its business affairs.

- DCC seeks to operate in an ethical, transparent and responsible manner, and to ensure appropriate oversight of its daily operations.

DCC demonstrates value, integrity and innovation to stakeholders and Client-Partners.

- DCC wants to ensure that it maintains a credible reputation.

DCC respects government policies and practices.

- DCC abides by Government of Canada regulatory and policy requirements, including policies related to diversity and inclusion; official languages; environmental stewardship; health and safety; security; access to information; and financial administration and reporting.

INITIATIVES

DCC is carrying forward three strategic initiatives from 2021–22 under the theme of leadership and governance: strengthening collaborative relationships with Client-Partner leadership; supporting the government's accessibility objectives; and implementing DCC's Indigenous Strategic Plan.

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 must regularly promote its mandate to new DND staff, so that DND can leverage DCC's expertise fully. DCC's senior management will continue to be very active in engaging the Client-Partner leadership as staffing changes occur. DCC follows a stakeholder engagement matrix to ensure regular communications with DND, to keep knowledge of DCC's mandate top of mind among Client-Partner representatives.

A DCC working group reviews matters related to DCC's compliance with the *Accessible Canada Act*—including strategies, initiatives, and policies—and moves them forward. DCC will be releasing its Accessibility Plan in 2022–23.

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

LEADERSHIP AND GOVERNANCE: KEY PERFORMANCE INDICATORS

Corporate Reporting Results

Reports that the Corporation produces to meet legislative requirements include the *Annual Report*, the *Corporate Plan Summary*, the quarterly financial reports, and the annual reports on the administration of the *Access to Information Act* and the *Privacy Act*. DCC also provides reports to other government entities, such as Employment and Social Development Canada. The Corporation's success in meeting these reporting requirements—including timeliness of submissions, as well as the results contained in these reports—reflects DCC's success in meeting the objectives of the leadership and governance theme.

Separate from its corporate reporting requirements, DCC receives 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. The volume of these requests fluctuates, depending on the current business environment. The target is to respond to 100% of all requests on time.

DCC's Code of Business Conduct Results

DCC's Code of Business Conduct (the Code) supports DCC's strategic objectives of integrity and ethical business conduct. DCC employees are to perform their duties and arrange their private affairs so that public confidence and trust in the integrity, objectivity and impartiality of DCC are preserved and enhanced. The Corporation requires all employees to review the Code each fall.

DCC's Procurement Code of Conduct Results

DCC's Procurement Code of Conduct ensures that DCC's contractors and consultants meet the expected integrity requirements for doing business with the Government of Canada.

DCC aims to verify all firms before awarding contracts, to ensure that all contractors and consultants comply with the Procurement Code of Conduct.

Environmental Results

DCC tracks environmental incidents resulting from DCC personnel actions and reports them to its Board of Directors. Incidents that involve third-party contracted activities are also recorded. DCC strives to have zero incidents related to the actions of DCC personnel.

Health and Safety Results

Under its Corporate Health and Safety Program, DCC tracks, reports on and follows up on hazardous occurrences, accidents and safety incidents involving its employees that result in lost work time. Annually, DCC reports the number, severity and outcome of these events to Employment and Social Development Canada. DCC strives to have no safety accidents or incidents that result in lost time.

Security Results

In its Corporate Security Policy, DCC refers to industrial security requirements and corporate security requirements. “Industrial security requirements” are the security requirements that a Client-Partner has for one of its projects. Client-Partners communicate these requirements to DCC during the procurement phase of a project. DCC ensures that these requirements are met and managed appropriately. The Corporation tracks all instances of non-compliance.

When there is an incident of non-compliance, DCC ensures that corrective actions are implemented. DCC coordinates all efforts with applicable stakeholders, such as the deputy security officer, the Canadian and International Industrial Security Directorate, and/or other local security authorities, as appropriate.

“Corporate security requirements” are DCC’s internal security requirements for its corporate information, assets and employees. DCC reviews and manages all incidents and takes required corrective measures with respect to its own assets and employees.

DCC strives to have no compromises of either corporate or industrial security requirements.

FINANCIAL OVERVIEW

The Corporation operates on a fee-for-service basis and receives no government appropriations. Its financial management approach is based on the fundamental assumption that the Corporation is a going concern and that its stated mandate will continue in the future. This Corporate Plan contains information based on the most current assumptions as of November 20, 2021. Such information involves known and unknown risks that may cause actual results to differ materially from planned results. DCC senior management believes it has identified any material risk factors that could affect actual results at this time.

Financial Highlights

DCC's financial position remains strong due to projected increased demand for services from its Client-Partner, as it provides support to the Future Fighter Capability Project and oversees construction of infrastructure for the Canadian surface combatant ships, among other work. The Financial Plan reflects an increase in billing rates in order to meet DCC's operational and future capital requirements. Throughout the planning period, DCC will accumulate cash in reserve accounts to fund investments in its business—particularly in IT capital projects and innovation.

2022–2023 PLANNING YEAR

DCC expects services revenue to increase by 10.1% in 2022–23, reflecting a 3.0% billing rate increase and a 7.1% increase in demand for DCC services. In the 2021–22 Plan, the billing rate increased by 4.5% to cover planned operating costs at that time.

Salaries and employee benefits are expected to increase by 8.9% in 2022–23, reflecting a 2.0% economic increase and a 2.5% average merit-based salary increase, as well as a combined increase of 4.4% in salaries and benefits, due to anticipated higher demand for DCC services and to salary mix and benefit changes. Any efficiencies gained in salary mix will be leveraged to fund our innovation and capital fund.

Part of the increase in salary amounts is due to the need to hire more experienced and senior-level people to handle the continuing high volume of project work. These salary amounts will be offset by increased Client-Partner revenues and additional work volume.

The gross margin on services revenue is expected to decrease slightly to 40.2% in 2022–23 from a projected 41.0% in 2021–22. It will continue to be sufficient to cover operating and administrative costs, as well as the buildup of reserves to fund future capital projects and innovation.

Operating and administrative expenses are expected to increase for several reasons: expected increases in travel and training due to the lifting of pandemic-related restrictions; IT infrastructure and business applications modernization; various human resources initiatives; and planned workforce increases to support the projected increase in demand for services from our Client-Partner.

Total comprehensive income at the end of 2022–23 is projected to be \$6.4 million. It will be used to fund future capital projects, innovation and research, and other government priorities.

Cash and investments on hand to support operations are anticipated to total \$35 million at March 31, 2023. The goal is to maintain sufficient cash on hand to cover an average of three months of salary costs. This balance is slightly above our target range of \$26 million to \$34 million, set in 2021–22, since DCC expects to expand its workforce to support increased demand from the Client-Partner. Over the planning period, the Corporation will increase its target range for cash on hand to support operations to \$35 million to \$45 million. It plans to make that increase for two reasons: rising liabilities for employee future benefits, which must be self-funded by the Corporation; and continuing workforce expansion (and associated rising salary costs) related to increased demand for our services. Due to the anticipated increase in workforce, the liability for employee future benefits is expected to reach \$55.2 million by the end of the planning period.

2023–2024 TO 2026–2027 PLANNING YEARS

Revenue is anticipated to increase over the planning period until 2025–26, after which demand from the Client-Partner is expected to decrease slightly. The billing rate is projected to increase by 3.0% in each year of the planning period. This consistent billing rate increase, the projected increase in demand for DCC services by the Client-Partner and a consistent regional utilization rate of 77% to 79% will generate profits that DCC will hold in cash reserves to fund future capital projects, investments in innovation and research, and other government priorities.

DCC operations—primarily compensation—will also affect the billing rate increases. If inflation increases faster than the Bank of Canada’s 2.0% target, this will have an impact on future billing rates. The Corporation is also looking at modernizing systems and processes, and at creating and adopting new technologies. DCC assesses these factors annually when finalizing the billing rates for the coming year. Here are some assumptions DCC has used in developing the forecasted billing rates above.

- Compensation increases will remain mostly consistent from 2023–24 to 2025–26, with a decrease anticipated in 2026–27.
- Comprehensive income is planned in most years as a way of accumulating funds for future capital projects, such as the new enterprise resource planning (ERP) system project, which DCC expects to carry out in 2025–26 and 2026–27.
- During the planning period, cash held for operations will be in the \$35 million to \$45 million range. Cash accumulated for future capital purchases will range from \$19 million to \$24 million, which is slightly higher than the range of \$18 million to \$23 million set in 2021–22, to account for contingencies. During the planning period, total accumulated cash and investments may increase to \$66 million but decrease to \$47.5 million at the end of the planning period due to the timing of capital expenditures in 2026 and 2027 for the new ERP system.

KEY ASSUMPTIONS

The following tables summarize the key assumptions in this Corporate Plan, compared to those in the prior year's Corporate Plan.

REVENUE ASSUMPTIONS

Revenue assumptions in the 2022–23 to 2026–27 Corporate Plan

	ESTIMATED	PLANNED				
	March 31/22	March 31/23	March 31/24	March 31/25	March 31/26	March 31/27
Volume change	13.1%	7.1%	4.3%	2.3%	3.1%	-5.0%
Billing rate change	4.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Total anticipated increase or decrease	17.6%	10.1%	7.3%	5.3%	6.1%	-2.0%

Revenue assumptions in the 2021–22 to 2025–26 Corporate Plan

	ESTIMATED	PLANNED				
	March 31/21	March 31/22	March 31/23	March 31/24	March 31/25	March 31/26
Volume change	0.7%	1.8%	1.1%	0.0%	0.0%	0.0%
Billing rate change	7.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Total anticipated increase or decrease	8.2%	6.3%	5.6%	4.5%	4.5%	4.5%

COMPENSATION ASSUMPTIONS

Compensation assumptions in the 2022–23 to 2026–27 Corporate Plan

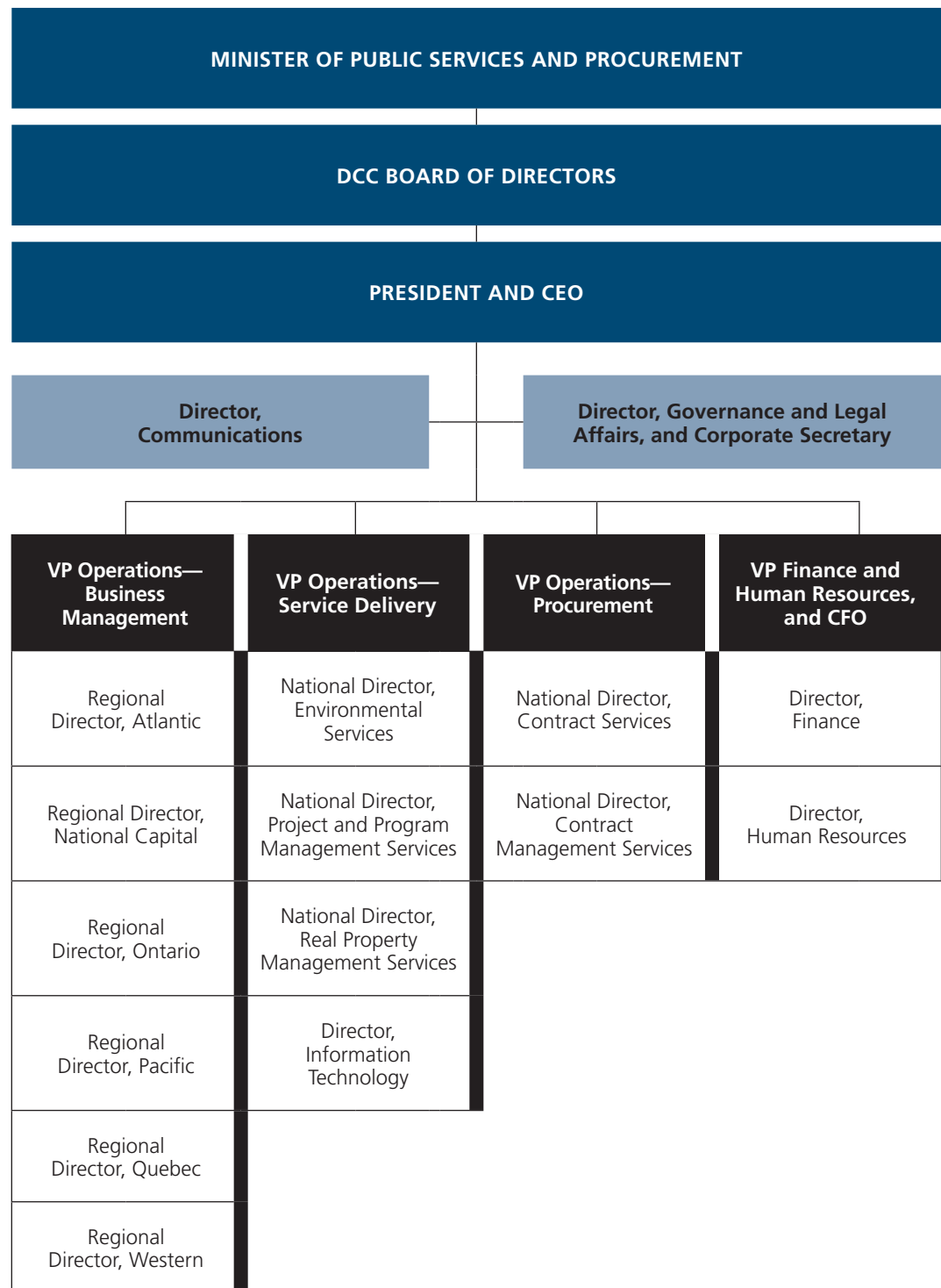
	ESTIMATED	PLANNED				
	March 31/22	March 31/23	March 31/24	March 31/25	March 31/26	March 31/27
Economic increase	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Merit-based salary increases	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%
Increased workforce and changes due to salary mix, efficiency and other	15.8%	4.4%	5.7%	2.1%	3.4%	-5.3%
Total salary and employee benefit increase assumption	19.4%	8.9%	10.2%	6.6%	7.9%	-0.8%

COMPENSATION ASSUMPTIONS (CONT'D)

Compensation assumptions in the 2021–22 to 2025–26 Corporate Plan

	ESTIMATED	PLANNED				
	March 31/21	March 31/22	March 31/23	March 31/24	March 31/25	March 31/26
Economic increase	2.0%	1.5%	1.5%	1.5%	1.5%	1.5%
Merit-based salary increases	1.9%	2.0%	2.0%	2.0%	2.0%	2.0%
Other changes due to salary mix, benefit changes and efficiency difference	0.4%	2.3%	0.5%	0.0%	0.0%	0.0%
Total salary and employee benefit increase assumption	4.3%	5.8%	4.0%	3.5%	3.5%	3.5%

APPENDIX I CORPORATE GOVERNANCE AND STRUCTURE



Board of Directors

DCC's Corporate Governance Framework summarizes the corporate governance structure, principles and practices for DCC and its Board of Directors. It defines board accountabilities and responsibilities, identifies key roles, and provides guidance.

DCC is ultimately accountable, through the Minister of Public Services and Procurement, to Parliament for the conduct of its affairs. The Board participates, as required, in the Government of Canada's Governor in Council appointments process, which ensures open, transparent and merit-based appointments to commissions, boards, Crown corporations, agencies and tribunals.

The Chair of the Board of Directors, and the President and Chief Executive Officer, are appointed by the Governor in Council, upon the recommendation of the Minister of Public Services and Procurement. All other members of the Board of Directors are appointed by the Minister of Public Services and Procurement with the approval of the Governor in Council. Members of DCC's Board hold office during pleasure of the Governor in Council and are eligible for reappointment. The allowable number of members on DCC's Board is seven, including the Chair.

The Chair of the Board is a separate position from that of the President and CEO, and the Board conducts its business independently of DCC management. The Chair is responsible for the effective functioning of the Board. The Board is responsible for the management of the businesses, activities and other affairs of the Corporation, pursuant to the *Financial Administration Act*. The Board provides oversight on matters such as strategic planning, corporate risk management and internal controls. The Board Charter outlines how board members are expected to oversee the Corporation. The Board meets quarterly.

The table below lists the current members of DCC's Board of Directors and their terms of office.

DCC'S BOARD OF DIRECTORS			
BOARD MEMBER	APPOINTED	LENGTH OF TERM	EXPIRY DATE OF TERM
Moreen Miller ^{1,2}	November 22, 2017	Five-year term	November 21, 2022
Derrick Cheung ²	September 8, 2019	Five-year term	September 7, 2024
Steve Anderson ²	January 2, 2019	Four-year term	January 1, 2023
Stephen Burbridge ²	June 11, 2018	Four-year term	June 10, 2022
Cynthia Ene ¹	June 11, 2018	Four-year term	June 10, 2022
Claude Lloyd ^{2,3}	June 11, 2018	Three-year term	June 10, 2021
Angus Watt ^{1,3}	June 11, 2018	Three-year term	June 10, 2021

¹ Audit Committee: Cynthia Ene (Chair), Moreen Miller and Angus Watt.

² Governance and Human Resources Committee: Stephen Burbridge (Chair), Moreen Miller, Claude Lloyd, Steve Anderson and Derrick Cheung.

³ Section 105(4) of the FAA permits an incumbent director of a Crown corporation to continue in office until a successor is appointed.

Committee Structure

To help it fulfill its oversight functions, the Board relies on two committees: the Audit Committee, and the Governance and Human Resources Committee, each of which has its own charter. Changes were made to the composition and Chairs of both Committees that were effective as of December 2021.

The Audit Committee oversees DCC management's maintenance of appropriate financial and management controls, ensures that DCC's assets are safeguarded, and ensures that DCC's transactions comply with the appropriate legislation and policies. The Committee also oversees matters related to financial reporting, and the Office of the Auditor General's annual financial audits and special examinations, as well as DCC's internal audits. Pursuant to the *Financial Administration Act*, all members of the Audit Committee are independent of DCC management, in that no corporate officers or employees of DCC are members of the Committee.

The Governance and Human Resources Committee develops DCC's approach to corporate governance; evaluates DCC's corporate governance practices, including its Code of Business Conduct for employees, to ensure they reflect current best practices; and assesses the Board's effectiveness. The Committee ensures that DCC's human resources policies are appropriate for the Corporation and that related processes are in place. It also oversees the performance management process for DCC's President and CEO, pursuant to the Privy Council Office's Performance Management Program, and ensures that DCC has an appropriate succession plan for its corporate officers.

Executive Management Structure

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

Three vice-presidents, operations, are responsible for DCC service delivery, business management and procurement activities. The Vice-President, Operations—Business Management is responsible for business management in all regions. The Vice-President, Operations—Service Delivery is responsible for service delivery for three of DCC's five service lines, plus oversight of the Information Technology Department, and acts as the Corporate Security Officer. The Vice-President, Operations—Procurement is accountable for the leadership and oversight of the Contract Services and the Contract Management Service lines.

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

Members of the Senior Management Group include regional directors; the national directors for Contract Management Services, Contract Services, Real Property Management Services, and Project and Program Management Services; and directors. Regional directors manage activities in the Western, Ontario, National Capital, Quebec and Atlantic regions through regional offices located in Edmonton, Kingston, Ottawa, Montréal and Halifax, respectively. In the last quarter of 2021–22, DCC created a sixth region to accommodate Client-Partner program growth in western Canada. The Pacific Region will better align DCC’s operations with those of DND’s Real Property Operations.

The national directors ensure all service line activities meet corporate objectives, and they are accountable for the efficiency and quality of service delivery at the national level. Directors of communications, finance, governance and legal affairs, human resources, and information technology are accountable for the corporate leadership and management of their respective function and group.

The Corporate Secretary is responsible for governance-related matters; ensures that DCC complies with all relevant legislation, regulations and government policies; supports the Board of Directors; and communicates with the Corporation’s stakeholders.

APPENDIX II FINANCIAL STATEMENTS AND BUDGET

Cash Management and Financial Statements

CASH MANAGEMENT APPROACH

DCC's Financial Management Policy is to generate and maintain sufficient cash reserves to meet the Corporation's anticipated operating and capital requirements, to settle its financial obligations as they become due, and to meet contingencies that may arise. To that end, the Corporation holds operating bank accounts to fund normal operations, future capital projects, and investments in innovation and research.

The Corporation operates on a fee-for-service basis and receives no cash funding through government appropriations. Thus, the Corporation's cash is generated solely from fees collected from its Client-Partners for services provided. DCC continues to review options—such as lines of credit or other vehicles—to support short-term cash level fluctuations due to the timing of receivables and the optimization of its investment portfolio.

The intent of the Corporation is to operate on a slightly better than break-even basis after setting aside 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 changes in program services provided to Client-Partners, as well as DCC's success in achieving its own operating efficiencies, can result in margins and cash balances that vary from initial targets. Cash levels are constantly monitored, and any cash surpluses judged to exceed operating requirements are reduced through future operating plans and budgets, particularly through the setting of billing rates for services provided and/or through the extraordinary payment of a dividend to the Government of Canada.

In preparing its operating plans, the Corporation prudently allows for reasonable levels of cash reserves in its financial projections to ensure that it can continue to fulfill its mandate and serve its Client-Partners in an effective and timely manner. The objective of the cash management approach is to keep sufficient cash reserves available—recognizing the potential for short-term interruptions in collections of receivables—to meet DCC's obligations. Potential obligations considered in the cash management approach include salaries, benefits and other current operating costs for a period of 60 to 90 days; payments of long-term employee benefits, which include health and life insurance benefits for DCC retirees; the collection of trade receivables; and other items, which could include costs associated with personnel adjustments, relocation costs and additional capital costs to comply with new Government of Canada directives.

CASH REQUIREMENTS AND USES

The Corporation considers several factors in determining the amount of cash reserves to maintain, including the planning and operating risks inherent in its operations. In particular, the risks associated with potential and unanticipated changes to the amount or timing of DND's construction project expenditures directly affect the amount or timing of DCC services

and the cash generated. The COVID-19 pandemic has not had, and is still not expected to have, a material impact on DCC's cash requirements in 2022–23, based on the best information currently available.

By the end of the planning period, the estimated cash reserves for operating purposes should be between \$35 million and \$45 million. During the planning period, cash reserves to fund long-term capital projects and the advancement of innovation and research should be between \$19 million and \$24 million, decreasing to \$3 million at the end of the planning period. The total current cash reserve level that DCC management deems necessary during the planning period is between \$47 million and \$66 million, falling to \$47.5 million by 2026–27, from the capital expenditures for the new ERP system. These amounts will change over time as DCC's financial position changes. The total reserve levels are based on the increase in long-term unfunded liabilities for employee future benefits, increased compensation costs, and the setup of reserve funds to fund long-term capital projects and the advancement of research and innovation. The following factors help DCC determine adequate cash reserves.

- Payables: DCC typically has \$16 million to \$19 million in trade payables, which it manages on a timely basis.
- Payroll: The Corporation's monthly payroll costs will reach \$15.0 million by the end of the planning period. The cash reserves should be sufficient to cover approximately three months of payroll. This is seen as an appropriate amount for a viable business to have on hand.
- Receivables collection risk: Although DCC has a secure client base from which it regularly collects receivables, several things can affect the timing of those collections. These include delays in Client-Partner approvals and processing of invoices, and changes in Government of Canada cash payment terms. Greater risks occur in the situations below, which DCC manages through cash planning.
 - Election periods: During a writ period, DND relies on special funding mechanisms (warrants), which allow payments to continue in a 45-day cycle. There can be uncertainty about the timing of these mechanisms. DND's ability to pay receivables could easily be affected for a single cycle, which is equivalent to half of the 90-day payroll coverage period.
 - Forecast uncertainty: DCC has not received a firm forecast of expected infrastructure program expenditures for 2022–23 and beyond. This uncertainty increases the risk of material fluctuations in demand for DCC services, which could require unanticipated investments to add or reduce resources. Such costs might include recruiting, relocation and training expenses—or, conversely, severance and other termination costs. DCC self-funds such costs and must keep sufficient cash reserves on hand.

- Long-term obligations: In 2021–22, DCC must self-fund over \$40.1 million in employee future benefits, including retirement, health and sick leave benefits. Due to an expected workforce increase during the planning period, these obligations are expected to grow to \$55.2 million over the next five years. The Corporation must also fulfill other commitments, such as paying for facility leases. DCC cannot predict with certainty when it may be required to pay for its long-term liabilities and must ensure that sufficient cash is available for these purposes when needed.
- Capital expenditures: DCC must self-fund all capital expenditures, such as the costs of modernizing its information management systems and ERP system. DCC plans to replace its ERP system in 2026–27 at an estimated cost of \$24 million, inclusive of contingencies, so the Corporation is accumulating cash during the planning period to fund this future requirement.

It is unlikely that all of these financial contingencies would occur at the same time. If they did, the Corporation's current reserves would be grossly inadequate. To mitigate this financial risk, DCC conducts prudent forward planning of its resource levels and ongoing active business operations. It is also planning to review its cash management strategy and options, including lines of credit and other vehicles.

There are no external 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 employee future benefits. Cash in excess of short-term operational and capital requirements is invested in accordance with the Investment Policy approved by the Board of Directors.

DCC has adopted a proactive approach to its ongoing fee arrangements to ensure that it manages cash levels going forward. Traditionally, DCC establishes fee arrangements with Client-Partners at the start of each fiscal year through several hundred service level arrangements (SLAs). There are two types of fee arrangements: fixed-fee and time-based.

- Fixed-fee arrangements: There are relatively few of these arrangements; however, they represent approximately 63% of services revenue. Going forward, when DCC approaches its planned operating target for the year, the Corporation can adjust the gross margin on its fixed-fee arrangements by varying the payroll gross-up factor (fixed-fee multiplier) to affect the amount of revenue generated. Changes can be made quickly with little disruption, while minimizing the administrative burden and costs to DCC and Client-Partners.
- Time-based arrangements: DCC will maintain consistent billing rates for time-based arrangements during the year. This will help Client-Partner representatives avoid the administrative burden, costs and uncertainty associated with amending them. When setting billing rates for time-based arrangements each year, DCC will establish a higher or lower billing rate, as needed, to achieve its target results. Among other factors, it will consider the prior year's results, the current year program forecast from the Client-Partner, and the gross margin required to fund DCC's operating and capital requirements.

Client-Partner representatives have been reluctant to revisit these arrangements during the year due to the administrative burden and costs involved, as well as the fact that amendments could create uncertainty around billing rates. However, with the increase in volume of services delivered through fixed-fee arrangements (versus the more numerous time-based arrangements), DCC could address this issue by taking different approaches for each type of arrangement. DCC will continue to review its monthly cash, break-even profit and gross margin results when deciding actions to take regarding its cash level.

FINANCIAL STATEMENTS, BUDGETS AND NOTES

This financial projection reflects the Corporation's sustainable financial position in 2022–23. As a result, DCC plans to increase billing rates by 3% every year from 2022–23 to 2026–27. However, the following factors could affect the projected billing rates:

- significant variances in program spending or demand for services from the Client-Partner;
- changes in the inflation rate, which would directly affect compensation; and
- DCC's investments in process and system improvements, capital expenditures, and research and innovation to meet operational requirements.

Operating expenses include investments planned from 2022–23 to 2026–27 to continue modernizing the Corporation's IT infrastructure by making operational and network security improvements. These investments will be required to respond to an ever-changing security environment, as well as to the expiry of DCC's current ERP system in 2026–27.

These projections reflect the current most likely scenario for demand from Client-Partners, based on information available as of November 2021, and related spending requirements to meet operational needs. The Corporation has projected gains for most of the planning period. In line with the cash management approach, after adjusting for funds needed for future capital projects and innovative research, the Corporation expects to achieve break-even operations.

STATEMENT OF FINANCIAL POSITION

For the years ending March 31, 2021, to March 31, 2027

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in \$ thousands)	March 31/21	March 31/22	March 31/22	March 31/23	March 31/24	March 31/25	March 31/26	March 31/27
Assets								
Cash and cash equivalents	\$ 35,632	\$ 22,948	\$ 39,199	\$ 35,467	\$ 39,089	\$ 41,666	\$ 44,972	\$ 44,590
Investments	2,925	2,021	2,134	4,457	4,662	6,974	15,683	2,729
Trade receivables	15,156	24,541	19,046	26,568	29,249	29,517	32,015	32,026
Prepays and other assets	1,515	1,203	1,296	1,727	1,470	1,440	1,716	1,681
Other receivables	1,729	1,979	1,586	1,522	1,426	1,340	1,215	1,094
Current assets	56,957	52,692	63,261	69,741	75,896	80,937	95,601	82,120
Investments	7,379	8,495	11,154	14,517	14,931	17,020	1,928	—
Right-of-use assets	7,981	6,638	7,037	5,910	7,665	6,943	5,568	4,625
Property, plant and equipment	2,014	2,622	2,219	1,803	2,210	1,485	948	688
Intangible assets	17	3	9	2	—	—	4,958	23,300
Non-current assets	17,391	17,758	20,419	22,232	24,806	25,448	13,402	28,613
TOTAL ASSETS	\$ 74,348	\$ 70,450	\$ 83,680	\$ 91,973	\$ 100,702	\$ 106,385	\$ 109,003	\$ 110,733
Liabilities and equity								
Trade and other payables	\$ 16,453	\$ 16,303	\$ 16,718	\$ 17,219	\$ 17,736	\$ 18,268	\$ 18,816	\$ 19,381
Deferred revenue	—	—	1,050	525	—	—	—	—
Lease obligations	1,232	1,232	1,327	1,312	1,349	1,406	1,456	1,463
Employee benefits	3,667	3,884	3,719	3,667	3,667	3,667	3,667	3,667
Current liabilities	21,352	21,419	22, 814	22,723	22,752	23,341	23,939	24,511
Lease obligations	7,112	5,859	6,083	5,021	6,800	6,046	4,591	3,566
Employee benefits	33,430	30,174	36,365	39,434	42,451	45,468	48,485	51,502
Total long-term liabilities	40,542	36,033	42,448	44,455	49,251	51,514	53,076	55,068
Equity								
Retained earnings	12,454	12,998	18,418	24,795	28,699	31,530	31,988	31,154
Total equity	12,454	12,998	18,418	24,795	28,699	31,530	31,988	31,154
TOTAL LIABILITIES AND EQUITY	\$ 74,348	\$ 70,450	\$ 83,680	\$ 91,973	\$ 100,702	\$ 106,385	\$ 109,003	\$ 110,733

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME AND LOSS

For the years ending March 31, 2021, to March 31, 2027

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in \$ thousands)	March 31/21	March 31/22	March 31/22	March 31/23	March 31/24	March 31/25	March 31/26	March 31/27
Services revenue	\$127,710	\$132,901	\$150,155	\$165,252	\$177,304	\$186,763	\$198,123	\$194,231
Travel and disbursement revenue	1,600	1,766	2,515	2,344	2,344	2,344	2,344	2,344
Lease revenue	74	—	—	—	—	—	—	—
Investment revenue	445	700	455	500	600	670	600	510
TOTAL REVENUE	\$129,829	\$135,367	\$153,125	\$168,096	\$180,248	\$189,777	\$201,067	\$197,085
Salaries and employee benefits	109,154	115,924	130,270	141,867	156,357	166,664	179,888	178,360
Operating and administrative expenses	10,167	13,723	12,389	15,510	15,260	15,646	16,059	14,784
Travel and disbursement expenses	1,600	1,766	2,515	2,344	2,344	2,344	2,344	2,344
Depreciation of right-of-use assets	1,475	1,342	1,346	1,377	1,373	1,374	1,375	1,381
Depreciation of property, plant and equipment	244	525	407	416	793	725	737	260
Amortization of intangible assets	55	6	8	7	2	—	42	658
Finance costs	254	264	226	198	215	193	164	132
TOTAL EXPENSES	\$122,949	\$133,550	\$147,161	\$161,719	\$176,344	\$186,946	\$200,609	\$197,919
Profit (loss)	6,880	1,817	5,964	6,377	3,904	2,831	458	(834)
Other comprehensive loss								
Actuarial loss on employee benefit obligations	(3,744)	—	—	—	—	—	—	—
COMPREHENSIVE INCOME (LOSS)	\$ 3,136	\$ 1,817	\$ 5,964	\$ 6,377	\$ 3,904	\$ 2,831	\$ 458	\$ (834)

STATEMENT OF CASH FLOWS

For the years ending March 31, 2021, to March 31, 2027

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in \$ thousands)	March 31/21	March 31/22	March 31/22	March 31/23	March 31/24	March 31/25	March 31/26	March 31/27
Cash flows from (used in) operating activities								
Comprehensive income (loss)	\$ 6,880	\$ 1,817	\$ 5,964	\$ 6,377	\$ 3,904	\$ 2,831	\$ 458	\$ (834)
Adjustments to reconcile comprehensive income (loss) to cash provided by (used in) operating activities								
Employee benefits expensed	3,099	—	3,353	3,353	3,353	3,353	3,353	3,353
Employee benefits paid	(659)	—	(366)	(336)	(336)	(336)	(336)	(336)
Loss on disposition of investments	(359)	—	—	—	—	—	—	—
Depreciation of property, plant and equipment	244	525	407	416	793	725	737	260
Depreciation of right-of-use assets	1,475	1,342	1,346	1,377	1,373	1,374	1,375	1,381
Amortization of intangible assets	55	6	8	7	2	—	42	658
Amortization of investment premiums	25	50	33	45	45	35	30	25
Loss on disposal of property, plant and equipment	10	—	—	—	—	—	—	—
Loss on disposal of intangible assets	1	—	—	—	—	—	—	—
Change in non-cash operating working capital	11,723	(2,349)	(2,213)	(7,913)	(2,336)	380	(2,101)	710
Net cash flows provided by operating activities	\$22,494	\$ 1,391	\$ 8,532	\$ 3,326	\$ 6,798	\$ 8,362	\$ 3,558	\$ 5,217
Cash flows from (used in) investing activities								
Redemption (acquisition) of investments	(368)	(205)	(3,017)	(5,731)	(664)	(4,436)	6,353	14,857

STATEMENT OF CASH FLOWS (CONT'D)

For the years ending March 31, 2021, to March 31, 2027

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in \$ thousands)	March 31/21	March 31/22	March 31/22	March 31/23	March 31/24	March 31/25	March 31/26	March 31/27
Acquisition of property, plant and equipment	(943)	(200)	(612)	—	(1,200)	—	(200)	—
Acquisition of intangible assets	(10)	—	—	—	—	—	(5,000)	(19,000)
Net cash flows provided by (used in) investing activities	\$ (1,321)	\$ (405)	\$ (3,629)	\$ (5,731)	\$ (1,864)	\$ (4,436)	\$ 1,153	\$ (4,143)
Cash flows used in financial activities								
Repayment of lease obligations	(1,279)	(1,232)	(1,336)	(1,327)	(1,312)	(1,349)	(1,405)	(1,456)
Net cash flows used in financial activities	\$ (1,279)	\$ (1,232)	\$ (1,336)	\$ (1,327)	\$ (1,312)	\$ (1,349)	\$ (1,405)	\$ (1,456)
Increase (decrease) in cash and cash equivalents during the year	19,894	(246)	3,567	(3,732)	3,622	2,577	3,306	(382)
Cash and cash equivalents at the beginning of the year	15,738	23,194	35,632	39,199	35,467	39,089	41,666	44,972
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$35,632	\$22,948	\$39,199	\$35,467	\$39,089	\$41,666	\$44,972	\$44,590

STATEMENT OF CHANGES IN EQUITY

For the years ending March 31, 2021, to March 31, 2027

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in \$ thousands)	March 31/21	March 31/22	March 31/22	March 31/23	March 31/24	March 31/25	March 31/26	March 31/27
Opening retained earnings	\$ 9,318	\$11,181	\$12,454	\$18,418	\$24,795	\$28,699	\$31,530	\$31,988
Profit (loss)	6,880	1,817	5,964	6,377	3,904	2,831	458	(834)
Actuarial loss on employee benefit obligations	(3,744)	—	—	—	—	—	—	—
Closing retained earnings	12,454	12,998	18,418	24,795	28,699	31,530	31,988	31,154
TOTAL EQUITY	\$12,454	\$12,998	\$18,418	\$24,795	\$28,699	\$31,530	\$31,988	\$31,154

2021–22 Corporate Plan Versus 2021–22 Estimated Results

STATEMENT OF FINANCIAL POSITION

When one compares the estimated results for the year ending March 31, 2022, in the Statement of Financial Position to the 2021–22 Corporate Plan forecast for the year ending March 31, 2022, the variances are primarily due to a higher-than-anticipated demand for services, combined with earlier-than-typical receipt of trade receivables from the Client-Partner, due to more timely payments introduced by the Government of Canada as a mechanism to support Canadian suppliers during the COVID-19 pandemic. These factors were combined with decreased travel, hospitality and training costs due to COVID-19 restrictions and lower-than-anticipated costs for the construction management mobile application. The Corporation is on track to exceed the remaining Plan forecasts, assuming it collects trade receivables as anticipated and pays trade payables at the appropriate time, as is normal.

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

Services revenue for 2021–22 is estimated to be \$150.2 million, compared to the Corporate Plan amount of \$132.9 million, an increase of \$17.3 million or 13.0% from the Corporate Plan. The increase is due to higher-than-planned demand for services from the Client-Partner.

Salaries and benefits are expected to total \$130.3 million, an increase of \$14.3 million or 12.4% from the Corporate Plan, due to higher-than-anticipated demand for services from the Client-Partner.

Operating and administrative expenses for the period ending March 31, 2022, are estimated to be \$12.4 million, compared to \$13.7 million in the Corporate Plan. The decrease is due mainly to decreased travel, hospitality and training costs related to COVID-19 restrictions, lower-than-planned legal fees, lower-than-anticipated costs for the construction management mobile application, and pandemic savings in facility operating costs. These decreases were partially offset by more-extensive-than-planned communications initiatives, and increased recruiting and office equipment rental costs related to the increase in DCC's workforce to keep up with the increased demand from the Client-Partner.

Depreciation and amortization are expected to decrease due to lower-than-anticipated costs for Head Office renovations and the IBM servers.

The Corporation is estimating a total comprehensive gain of \$6.0 million, compared to a planned total comprehensive gain of \$1.8 million in the prior-year Plan. The higher estimated gain is due to a number of factors, including higher revenue due to increased demand from the Client-Partner, coupled with decreased travel, hospitality and training expenses, and lower-than-anticipated costs related to the mobile application procurement noted previously.

CAPITAL BUDGET

For the year ending March 31, 2022

(in \$ thousands)	ESTIMATED	PLANNED	VARIANCE
Computer systems hardware	\$ 124	\$200	\$ (76)
Intangible assets	—	—	—
Office furniture and equipment	275	—	275
Leasehold improvements	213	—	213
Right-of-use assets	457	—	457
	\$1,069	\$200	\$869

Overall, capital expenditures for 2021–22 are estimated to be 434.3% above Plan. The increase is mainly due to the unplanned renewal of a regional office lease and to the fact that certain expected 2020–21 expenditures for Head Office renovations occurred in 2021–22, due to delays related to COVID-19 restrictions.

2022–23 to 2027–28 Planning Periods

SERVICES REVENUE

For the period ending March 31, 2022, services revenue is estimated to total \$150.2 million, representing an increase of approximately \$22.4 million or 17.6% over the previous fiscal year. The increase in services revenue from 2020–21 to 2021–22 is due to the planned increase in billing rates, coupled with an unplanned increase in demand for services from the Client-Partner.

For 2022–23, the Corporation forecasts that demand for DCC’s services will be higher than it was in 2021–22. This increase, combined with the anticipated billing rate increase, will lead to a rise in services revenue of \$15.1 million or 10.1% above the estimate for 2021–22, to \$165.3 million.

The Corporation is anticipating an increase in billing rates of 3.0% in 2022–23. This is in line with the Corporation’s Financial Management Policy, under which DCC aims to maintain a sustainable financial position while operating at a slightly better than break-even position basis, after adjusting for reserve funds for future capital projects and for innovation and research.

The Corporation estimates that the gross margin required for sustainability at the projected revenue levels discussed earlier is between 36% and 40%, which it expects to achieve in the planning period. The planned billing rate increases reflect anticipated demand from Client-Partners, anticipated inflation, and requirements to invest in operations, capital projects and innovative research. DCC evaluates billing rates annually and may raise or lower them, based on these factors. DCC’s Client-Partner representatives are aware of the planned billing rate increases and will incorporate them into their annual project budgets.

The following table illustrates the impact of billing rates on the gross margin percentage, profit and loss, equity, cash and cash equivalents, and investments from 2016–17 to 2026–27.

BILLING RATE, PROFIT AND LOSS, RETAINED EARNINGS AND CASH HISTORY, COMPARED TO PLAN

	ACTUAL					FORECAST	PLANNED				
	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
Billing rate increase*	0.0%	4.5%	4.5%	3.5%	7.5%	4.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Gross margin percentage	30.8%	33.1%	35.5%	36.9%	40.1%	41.0%	40.2%	38.8%	37.7%	36.5%	36.0%
(in \$ thousands)											
Comprehensive income (loss)	\$ (5,556)	\$ (11,301)	\$ 6,686	\$ (2,566)	\$ 3,136	\$ 5,964	\$ 6,377	\$ 3,904	\$ 2,831	\$ 458	\$ (834)
Equity	\$16,499	\$ 5,198	\$11,884	\$ 9,318	\$12,454	\$18,418	\$24,795	\$28,699	\$31,530	\$31,988	\$31,154
Cash and cash equivalents and investments	\$27,252	\$22,701	\$28,170	\$25,340	\$45,936	\$52,487	\$54,441	\$58,682	\$65,660	\$62,583	\$47,319

*DCC planned for operating losses from 2012–13 to 2016–17, resulting in no billing rate increase and a lower gross margin percentage than was required to cover the cost of normal DCC operations.

The Corporation is forecasting an increase in volume in the first four years of the planning period, followed by a decrease in the last year of the planning period. The anticipated billing rate rises will be held steady at 3% throughout the planning years, as shown in the following table.

REVENUE INCREASE ASSUMPTIONS

	ESTIMATED	PLANNED				
	March 31/22	March 31/23	March 31/24	March 31/25	March 31/26	March 31/27
Business volume change	13.1%	7.1%	4.3%	2.3%	3.1%	(5.0)%
Billing rate change	4.5%	3.0%	3.0%	3.0%	3.0%	3.0%
TOTAL ANTICIPATED INCREASE (DECREASE)	17.6%	10.1%	7.3%	5.3%	6.1%	(2.0)%

INVESTMENT REVENUE

Investment revenue is generated from cash reserves held in bank accounts and from the Corporation's investment portfolio. During the planning period, investment revenue will fluctuate in relation to cash reserves and investments.

SALARIES AND EMPLOYEE BENEFITS

For the period ending March 31, 2022, salaries and employee benefits are estimated to total \$130.3 million, representing an increase of approximately \$21.1 million or 19.4% over the previous fiscal year. The increase from 2020–21 to 2021–22 is due to two factors; 15.8 percentage points of the increase is due to an increase in Client-Partner demand for services and a change in salary mix, and 3.6 percentage points of the increase is due to combined economic and merit-based salary increases. DCC calculates billing rates based on the maximum amount for each of its job profile salary ranges. Often, employees take advantage of internal or external opportunities and transition to new positions. The total salary amount is affected by the fluctuating mix of individual salary amounts within each range due to new hires or employee movement between ranges. Revenue increased faster than salaries and employee benefits, mainly because of the increased billing rate of 4.5% required to support other planned operating costs.

In 2022–23, salaries and employee benefits are anticipated to increase by \$11.6 million or 8.9%; of that increase, 4.4 percentage points is due to an increase in Client-Partner demand for services and a change in salary mix; 2.0 percentage points is due to the economic increase; and 2.5 percentage points is due to merit-based salary increases. The increase in salaries and benefits of 8.9% is lower than the anticipated increase in services revenue of 10.1%, due to increased demand from the Client-Partner. However, for the remainder of the planning period, billing rates will continue to increase at a slower pace than salaries and benefits. This is to recognize the fact that, due to increased demand from the Client-Partner, DCC will generate enough revenue to cover operating and administrative expenses and maintain the gross margin required to recognize sufficient gains for future capital projects, innovation and research.

SALARIES AND EMPLOYEE BENEFIT INCREASE ASSUMPTIONS

	ESTIMATED			PLANNED		
	March 31/22	March 31/23	March 31/24	March 31/25	March 31/26	March 31/27
Economic increase	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Merit-based salary increases	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%
Increased workforce and changes due to salary mix, efficiency and other	15.8%	4.4%	5.7%	2.1%	3.4%	-5.3%
TOTAL SALARIES AND EMPLOYEE BENEFITS INCREASE ASSUMPTION	19.4%	8.9%	10.2%	6.6%	7.9%	-0.8%

For the remainder of the planning period, the Corporation has assumed that the annual economic increase, based on an estimate of the change in the consumer price index (CPI) year over year, will be 2.0%. A difference in the actual CPI change will affect this assumption. Merit-based salary increases are forecasted to remain constant at 2.5% over the 2023–24 to 2026–27 periods, based on historical and current market trends.

OPERATING AND ADMINISTRATIVE EXPENSES

For the period ending March 31, 2022, operating and administrative expenses are estimated to total \$12.4 million, representing an increase of approximately \$2.2 million or 21.9% over the previous fiscal year. This increase was due mainly to the following factors:

- an increase in professional services costs of \$633,773, due to human resources initiatives to support DCCs employees, IT's expansion of the data warehouse for more effective reporting and a return to in person Board of Directors meetings;
- an increase in cloud services costs of \$550,857, due to higher monthly managed cloud services costs related to an increased scope in services and to the planned implementation of the construction management mobile application; and
- an increase in travel and employee training and development costs of \$704,948, due to the lifting of pandemic-related restrictions and the increase in DCC's workforce.

The aforementioned increases are partially offset by a decrease in furniture and equipment costs of \$526,511, due to the completion in 2021–22 of the Head Office renovations, which were done to modernize the space and make more efficient use of it.

For 2022–23, the Corporation has forecasted operating and administrative expenses of \$15.5 million, an increase of 25.2% over the estimate for 2021–22. The increase is partly due to an expected increase in post-COVID-19 travel, training and hospitality costs, due to more in-person meetings. Also playing a role are continued investments in IT infrastructure and business applications, such as DCC's intranet; some carry-over of the implementation of the construction management mobile application; an information management governance review; human resources (HR) initiatives, such as new employee wellness and recruiting platforms; and one-time costs for furniture and equipment in various regions to accommodate an increase in DCC's workforce.

In 2023–24, the Corporation's operating and administrative expenses are forecasted to decrease by 1.6%, due to the completion of the HR and IT initiatives from 2022–23, and the fact that furniture and equipment costs in 2022–23 were one-time expenditures. In 2024–25 and 2025–26, operating and administrative expenses are anticipated to increase annually by 2.5% and 2.6%, respectively, due to inflation and to investments in IT infrastructure and innovation. They will then decrease by 7.9% in 2026–27, due to the expected decrease in demand for DCC services from the Client-Partner.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization—including amortization of intangible assets, depreciation of right-of-use assets, and depreciation of property, plant and equipment—are estimated to total \$1.8 million in the year ending March 31, 2022, representing a decrease of \$13,000, or

approximately 0.7% from the previous fiscal year. This decrease occurred because DCC did not renew a co-located lease with the Client-Partner. This is partially offset by an increase in property, plant and equipment depreciation, due to Head Office renovations completed in 2021–22.

For the year ending March 31, 2023, depreciation and amortization are expected to total \$1.8 million, representing an increase of \$39,000 or 2.2% from the current fiscal year estimate. This increase is mainly due to a full year of depreciation for the Head Office renovations and to the set-up of virtual boardrooms in the National Capital and Quebec regions in the last quarter of 2021–22.

Future annual projections of capital expenditures, highlighted in the Capital Budget section, will also affect the fluctuations in depreciation and amortization over the remaining years of the Plan.

PROFIT AND LOSS AND TOTAL COMPREHENSIVE INCOME (LOSS)

A profit of \$6 million, or 4.0% of services revenue, is estimated for the year ending March 31, 2022, compared with a profit of \$6.9 million or 5.4% of revenue, and a comprehensive income of \$3.1 million, or 2.5% of services revenue, in the previous fiscal year. The estimated gain in 2021–22 is due primarily to the planned increase in billing rates and to higher demand for DCC's services. This increase is countered partially by an increase in salary costs, related to the workforce increases made to support higher demand for services; higher professional fees for HR and IT initiatives; and higher travel and training costs, related to the lifting of pandemic-related restrictions and the increase in DCC's workforce.

For the year ending March 31, 2023, a comprehensive income of \$6.4 million is projected, which represents an increase of about 6.9% from comprehensive income estimated for the current fiscal year. There is a profit planned for each year from 2023–24 to 2025–26, with a small loss in the final year of the planning period, due to DCC's efforts to keep cash in the \$35 million to \$45 million range for operating purposes and in the \$19 million to \$24 million range to fund capital projects in 2025–26 and in 2026–27.

CASH AND INVESTMENTS

In 2021–22, the Corporation started accumulating cash to fund future long-term capital projects and the advancement of innovation and research. The amounts of these cash reserves will change over the planning period, as DCC's financial position changes. Over the planning period, cash reserves to fund long-term capital projects and the advancement of research and innovation should total between \$19 million to \$24 million decreasing to \$3 million by the end of the planning period. Cash held for operations should be in the \$35 million to \$45 million range. During the planning period, total accumulated cash may rise to \$66 million, prior to expenditures in 2025–26 and 2026–27 for the new ERP system.

Currently, the Corporation's liquidity and capital resources position, represented by its cash and investments balances, is strong. These balances normally allow DCC to meet its operating and future capital needs, although the balances vary widely, based on the timing of receipt of trade receivables. Cash and investments are estimated to be \$52.5 million at

March 31, 2022. This balance represents \$32.6 million for operations and \$19.9 million for future capital purchases.

DCC expects its total cash reserves to be between \$47 million and \$66 million annually, throughout the planning period. Cash and investments will continue to increase over the years of the Plan, as the Corporation increases its cash reserves to take into account the large unfunded liability for employee future benefits, and funding for future capital projects (to be spent in 2025–26 and 2026–27) and for innovation and research.

TRADE RECEIVABLES

Trade receivables are expected to vary during the planning period in direct proportion to the fluctuations in services revenue from year to year and to the usual variations in the timeliness of payments by Client-Partners.

PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, AND RIGHT-OF-USE ASSETS

The amount for property, plant and equipment represents the net book value of purchased computer equipment, office furniture and equipment, and leasehold improvements. The amount for intangible assets represents the net book value of purchased software licences for desktop computers and for the planned purchase of the ERP system. The amount for right-of-use assets represents office space, IT facilities (data warehouses), equipment and multifunction copiers.

The estimated value of property, plant and equipment, and intangible assets for the current year ending March 31, 2022, is expected to increase by \$197,000 or 9.7% from the previous fiscal year. The increase occurred because some leasehold improvements, forecasted for the Corporation's Head Office in 2020–21, occurred in 2021–22, due to renovation delays. For the year ending March 31, 2023, the value of property, plant and equipment, and intangible assets is expected to decrease by 19% from the previous fiscal year, mostly due to normal depreciation and amortization expense.

For the current year ending March 31, 2022, the estimated value of right-of-use assets is expected to decrease by 11.8% from the previous fiscal year, due to depreciation, countered partially by renewal of office leases. For the year ending March 31, 2023, the value of right-of-use assets is expected to decrease by 16%, mostly due to depreciation.

These fluctuations, and those for the remaining Plan years, are directly tied to projected levels of capital spending, as highlighted in the Capital Budget section, and to the amortization amount incurred from year to year, based on the Corporation's amortization policies, as described in its *Annual Report*.

TRADE AND OTHER PAYABLES

Trade and other payables for the year ending March 31, 2022, are expected to increase by 1.6% from the year ending March 31, 2021. These fluctuations, and those of the subsequent Plan years, are largely tied to changes in operating expenditures from year to year and to the anticipated timing of payments to creditors.

EMPLOYEE FUTURE BENEFITS

The figure for employee future benefits represents the Corporation's liability for the estimated costs of severance for its employees and health care benefits for its retirees. This amount is actuarially determined and fluctuates from year to year based on a number of factors, including staff changes and the actuarial assumptions used.

Employee future benefits, including the current portion, are expected to total \$40.1 million at March 31, 2022, representing an increase of approximately 8.1% over the figure in the previous fiscal year, due to the increase in workforce and related accrual of sick leave and other benefits. At March 31, 2023, employee future benefits are expected to be \$43.1 million. For the remaining Plan years, the amount is expected to increase between 6% to 7%, year over year. Although the actuary projects a current payout amount for each year, the exact timing of payouts is not determinable. The Corporation is under no obligation to segregate funds for this liability and does not do so.

However, the Corporation's Financial Management Policy and planning ensure that sufficient funds are available to meet future benefits payments for employees as they become due. The assumptions the actuary uses to calculate these benefits are summarized in the Corporation's *Annual Report*.

LEASE OBLIGATION

The lease obligation is expected to decrease by \$934,000 in 2021–22, compared to March 31, 2021, due to the non-renewal of a co-located lease with the Client-Partner, along with continued repayment of the lease obligation, partially offset by the unplanned renewal of the National Capital Region lease.

STAFF STRENGTH

STAFF STRENGTH

For the years ending March 31, 2021, to March 31, 2027

	ACTUAL	ESTIMATED	PLANNED				
	March 31/21	March 31/22	March 31/23	March 31/24	March 31/25	March 31/26	March 31/27
Employees based on full-time equivalents (FTEs)	960	1,082	1,181	1,244	1,271	1,309	1,247

Staff strength, presented on a full-time equivalent (FTE) basis, is estimated to be 1,082 for the year ending March 31, 2022. For the year ending March 31, 2023, it is forecasted to be 1,181. This figure represents an increase of approximately 12.7% from the previous fiscal year, to support increased demand for DCC services from the Client-Partner.

FTE staff strength for the remaining planning years is expected to fluctuate in relation to expected demand from the Client-Partner.

CAPITAL BUDGET

CAPITAL BUDGET

For the years ending March 31, 2021, to March 31, 2027

(in \$ thousands)	ACTUAL	ESTIMATED	PLANNED				
	March 31/21	March 31/22	March 31/23	March 31/24	March 31/25	March 31/26	March 31/27
Office furniture and equipment	\$ 359	\$ 275	\$ —	\$ —	\$ —	\$ —	\$ —
Computer systems hardware	—	124	—	1,200	—	200	—
Leasehold improvements	1,094	213	—	—	—	—	—
Intangible assets	10	—	—	—	—	5,000	19,000
Right-of-use assets	—	457	250	3,128	652	—	438
	\$1,463	\$1,069	\$250	\$4,328	\$652	\$5,200	\$19,438

The Corporation is expecting capital expenditures for the fiscal year ending March 31, 2022, to be \$1.1 million, a decrease of \$394,000 or 26.9% from the previous fiscal year. This is mainly due to the fact that most of the Head Office renovations were completed in 2020–21. This decrease is partially countered by the renewal of the National Capital Region lease and by the costs of upgrading the Corporation's IBM servers and infrastructure.

In the 2022–23 planning period and beyond, DCC will incur costs to upgrade its site firewalls and computer switches, and it will incur additional costs to upgrade its IBM servers in 2025–26. The \$5-million planned expenditure for intangible assets in 2025–26 is the first installment payment for the new ERP system. DCC expects to pay the remaining costs for the system in 2026–27, funded through the cash accumulated to that end over the planning period. In the 2022–23 planning period and beyond, the Corporation will also incur various lease renewal costs.

TRAVEL, HOSPITALITY AND CONFERENCES

The Corporation's total annual expenditures on travel, hospitality and conference fees are disclosed on DCC's website. For 2020–21, DCC forecasted expenditures for travel, hospitality and conferences to be \$529,000. However, due to COVID-19 restrictions on travel, the actual expenditures were \$56,000. The increase in hospitality expenditures from 2020–21 to 2021–22 is the result of resumed travel activities as some pandemic restrictions lifted. Increases are forecasted for later years of the Plan, which are assumed to be post-COVID years.

TRAVEL, HOSPITALITY AND CONFERENCE

For the years ending March 31, 2021, to March 31, 2027

	ACTUAL	ESTIMATED	PLANNED				
(in \$ thousands)	March 31/21	March 31/22	March 31/23	March 31/24	March 31/25	March 31/26	March 31/27
Travel	\$ 20	\$ 272	\$ 571	\$ 613	\$ 637	\$ 668	\$ 606
Hospitality	\$ 36	\$ 130	\$ 248	\$ 269	\$ 277	\$ 290	\$ 263
Conferences	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

LEASES

DCC will not be entering into any leases in 2022–23 or 2023–24 that will require ministerial approval.

APPENDIX III

COMPLIANCE WITH LEGISLATIVE AND POLICY REQUIREMENTS

DCC was created as an agent Crown corporation under a clause of the *Defence Production Act* to provide infrastructure and environmental services for the defence of Canada. It fulfills this mandate through the daily operation of its five service lines: Contract Services, Contract Management Services, Environmental Services, Project and Program Management Services, and Real Property Management Services.

DCC is governed by the provisions of Part X of the *Financial Administration Act*. DCC's Board of Directors adheres to the governance, planning, reporting and audit practices established in that legislation.

In compliance with the *Access to Information Act* and the *Privacy Act*, DCC responds to access to information and privacy requests. Similarly, DCC adheres to the requirements of the *Privacy Act* in the way it collects, uses and discloses employees' personal information. DCC submits its *Access to Information Act Annual Report* and *Privacy Act Annual Report* on time each year. Both are available to the public on DCC's website.

DCC's employees are aware of the expectations placed on them in such areas as ethics, conflict of interest, disclosure of wrongdoing, and compliance with legislation and governmental policies.

DCC's Integrity Management Framework includes both the Code of Business Conduct for employees and the Procurement Code of Conduct for suppliers. In addition to obligations under the *Public Servants Disclosure Protection Act*, DCC employees must comply with the Code of Business Conduct. DCC's Board of Directors monitors compliance with that code, as well as with policies and legislation related to employee conduct, through regular reports. DCC's Procurement Code of Conduct for suppliers is aligned with Public Services and Procurement Canada's Code of Conduct for Procurement. It ensures that DCC's suppliers know what is required of them in order to do business with DCC and that DCC adheres to the Government of Canada's Ineligibility and Suspension Policy.

Board members comply with the *Conflict of Interest Act* and DCC's Board Code of Conduct. All board members must sign a declaration that they are aware of the requirements of both and that they will continue to comply with them. All new board members signed the declaration upon appointment.

In compliance with the *Canadian Human Rights Act*, DCC ensures that its policies and practices reflect the concepts of respect and value in the workplace. The Corporation has specific policies on harassment, duty to accommodate, and health and wellness, to name a few. In 2021–22, all employees took workplace violence and harassment prevention training. New employees take this training during their orientation, and all employees take similar training once every three years.

Depending on Client-Partner requirements, a few DCC employees are deployed abroad each year in support of CAF missions. Like all DCC employees, they must sign and adhere to DCC's Code of Business Conduct, which supports their compliance with the *Corruption of Foreign Public Officials Act*.

DCC has built its employment equity program on a solid foundation and complies with Canada's *Employment Equity Act*. Together, diversity and inclusion are a strategic initiative in the Corporate Plan. DCC has secured strong senior- and executive-level support for the program and is in the second phase of implementing its Diversity and Inclusion Strategy and Action Plan, which builds on the progress and positive results of the program's first phase. In addition, DCC's job classification and compensation structure complies with Canada's *Pay Equity Act*, which ensures equal compensation for work of equal value.

Numerous policies, tools and resources enable the Corporation to comply with the *Official Languages Act*. For instance, the Hello! Bonjour! program helps ensure that DCC serves all Canadians in their chosen official language at their first point of contact with DCC. Other resources that help employees comply with the *Official Languages Act* include the Official Languages Accountability Framework, and an internal Translation Portal that makes translation services and resources accessible to all DCC offices. Each year DCC reports on its activities that support Part VII of the *Official Languages Act* to Canadian Heritage for use in the preparation of the Annual Report on Official Languages.

In 2019, a contractor filed a complaint with the Office of the Commissioner of Official Languages as well as a Federal Court application. This matter is before the courts. DCC is assessing the next steps, pending the outcome of the litigation.

Directive on Travel, Hospitality, Conference and Event Expenditures

DCC complies with the Treasury Board of Canada Secretariat's Directive on Travel, Hospitality, Conference and Event expenditures. In its 2017–18 financial audit and all subsequent audits, the Office of the Auditor General reviewed DCC's new travel, hospitality, conference and event expenditure directive and policies for compliance with the Treasury Board of Canada Secretariat directive and found no significant items to report. On its website, DCC voluntarily discloses the travel and hospitality expenses of the Chair and all members of the Board of Directors, as well as its CEO and all vice-presidents.

Trade Agreements

DCC plays a role in meeting the government's policy objective to create a fair and secure marketplace by respecting internal and international trade agreements, using sound procurement practices, and ensuring competition by providing wide access to government business opportunities. The Corporation also complies with trade agreements, such as the Canada–United States–Mexico Agreement.

APPENDIX IV GOVERNMENT PRIORITIES AND DIRECTION

Transparency and Open Government

DCC wants to encourage open and transparent competition, and to ensure that all enterprises have equal access to DCC procurement opportunities. DCC was the first Canadian federal organization to establish an e-procurement system and it has a long-standing contractor performance evaluation system.

DCC sets a key performance indicator to award a minimum of 98% of DCC contracts through public opportunities. During the first half of 2021–22, it awarded 99.7% of all procurements through public business opportunities.

DCC also receives inquiries from its government stakeholders each year, including order paper questions, constituent inquiries and ministerial questions. DCC responds to all requests in a timely manner. In 2020–21, DCC responded to 48 inquiries. The volume of these requests fluctuates, depending on the business environment. During the first six months of 2021–22, DCC received and responded to 18 requests.

Gender-Based Analysis Plus

DCC supports the Government of Canada's commitment to gender-based analysis plus (GBA+). DCC released an all-employee mandatory GBA+ training package in March 2019. This training was in addition to the GBA+ training that all DCC senior managers received in 2017–18.

Through this training, DCC will help its employees develop a broader understanding of how groups of women, men and gender-diverse people may experience policies, programs and initiatives; show how employees can foster a respectful and inclusive workplace; and make them aware of their rights and responsibilities as members of the DCC team.

All Human Resources policies and initiatives are undertaken in alignment with the Government of Canada approach to GBA+. Throughout this work, assumptions are challenged by asking some basic questions and challenging personal assumptions about diverse groups of women, men and gender diverse people.

Diversity and Employment Equity

In 2020, for the third year in a row, Employment and Social Development Canada recognized DCC for its achievements in employment equity. The award recognizes employers that are inspirational role models, that champion employment equity in their sector and that have succeeded notably in implementing employment equity in their organization. DCC was acknowledged for moving the organization beyond simply being home to members of the four designated employment equity groups and the LGBTQ2+ community to building as welcoming, respectful and inclusive a workplace as possible.

Work continues into the planning period to ensure that DCC's workplace is diverse and inclusive. For example, DCC is reaching out and developing partnerships with national and local organizations who can help DCC recruit and retain employees who identify as persons with disabilities. These national organizations, Ready, Willing & Able, and Hire for Talent are willing to partner with DCC, as are about 25 other local organizations across Canada, in order to help the Corporation build an inclusive workforce.

Through the close attention of senior management, DCC is closing the employment equity gaps in representation and retention at leadership levels throughout the Corporation. Regional diversity and inclusion plans will identify gaps and address them at the local level. DCC will use a diversity and inclusion lens to analyze the entire employee lifecycle: advertising for new hires; interview, selection and onboarding procedures; succession planning and retention; career growth and development; and ways in which we can celebrate and recognize the diversity of our employees.

DIVERSITY OF THE DCC EMPLOYEE POPULATION		
DESIGNATED GROUP	PERCENTAGE OF THE TOTAL EMPLOYEE POPULATION	LABOUR MARKET AVAILABILITY IN THE CONSTRUCTION INDUSTRY
Women	42.8%	14.3%
Persons with disabilities	5.9%	9.1%
Indigenous peoples	4.8%	5.6%
Visible minorities	12.3%	9.2%

Supporting Business Opportunities for Indigenous Peoples

For any contracts due to be posted in a geographic area where there are Indigenous Land Claims Agreement beneficiaries, DCC sends out an advance notice of procurement. Contracts awarded on behalf of DND for facilities maintenance and support services in Canada's North require the contractor to provide at least 10% of the contract value by hiring Indigenous peoples and subcontracting with Indigenous firms. The objective is to achieve long-term, sustainable and meaningful economic benefits for Indigenous peoples.

Last year, DCC developed a joint DCC-DND Indigenous Procurement Strategy to strengthen DND's efforts to engage Indigenous businesses, and to support the Government of Canada's focus on providing business opportunities for Indigenous peoples and companies. The Corporation conducts ongoing outreach to Indigenous communities to stimulate interest in DCC business opportunities and offers Indigenous cultural awareness training for DCC employees. In recent years, DCC has made significant progress in this area. Here are some examples.

- By holding 21 outreach sessions between March 2020 and June 2021, DCC added 90 Indigenous firms to its market research database.

- Before those sessions, DCC received an average of 2.6 bids per Procurement Strategy for Indigenous Business (PSIB) set-aside opportunity. After the sessions, DCC received an average of 4.2 bids per PSIB opportunity.
- The number of failed PSIB set-aside tenders has dropped. Before the sessions, DCC had six PSIB set-aside tenders fail, either because no bids were received or because the bids received were non-compliant. After the sessions, DCC had only two PSIB set-aside tenders fail due to lack of bids or to compliance issues.
- More than 20 Indigenous firms have applied for a Public Services and Procurement Canada security clearance through DCC's Industrial Security Sponsorship Program.
- The average attendance over all events was 21 people.
- This engagement has reaped other benefits. DCC has been able to make connections with other government departments and non-profit organizations engaged in similar outreach campaigns. This has led to numerous invitations for DCC to attend other events.

DCC posts its career ads on recruiting websites that target Indigenous groups, such as Indigenous Link—the Canadian Indigenous Peoples Job Seekers Portal. Where possible, DCC participates in Indigenous employment fairs. DCC has developed an Indigenous Peoples Recruitment and Retention Strategy that will include an Indigenous student recruitment program. In August 2022, DCC will begin funding a scholarship program for two Indigenous students—one engineering student and one environmental science student—through Indspire, a national Indigenous charity. DCC will provide two bursaries of \$2,500 each for students in their third or fourth year of studies.

In September 2021, DCC announced its commitment to the Progressive Aboriginal Relations (PAR) Program, developed by the Canadian Council for Aboriginal Business (CCAB). This program emphasizes Indigenous relations and provides third-party, independent evaluation of corporate performance in four key areas including leadership actions, employment, business development and community relationships.

Sustainable Development and Greening Government Operations

DND manages one of the largest and most complex infrastructure portfolios in the federal government. As a result, it is the single largest contributor to federal greenhouse gas emissions, and the Government of Canada cannot meet its greenhouse gas emission targets without reducing these defence-related emissions. DND is pursuing opportunities to use clean power at all bases and wings by 2025.

DCC is supporting the following DND green infrastructure initiatives in the planning period:

- the development of net-zero residential building designs for the Canadian Forces Housing Agency;

- the \$73-million mega-engineering support facility at CFB Gagetown, which will consolidate four regimental sub-units into a single LEED Silver-certified facility, expected to be completed in 2022;
- additional assessment and remediation activities at 5 Wing Goose Bay, expected to continue until 2026 with a total estimated value of \$35 million (the initial \$141-million site remediation—one of the largest contaminated site clean-ups ever undertaken by DND—was completed in 2020);
- the \$100-million program to clean up Esquimalt Harbour;
- the \$200- to \$500-million project to refurbish heating plant infrastructure at CFB Halifax, which includes rehabilitating attached buildings and distribution systems to reduce emissions (CFB Halifax represents 17% of DND's greenhouse gas emissions, and the upgrades at the plant will reduce emissions by up to 7%, improve energy efficiency and reduce heating costs);
- the 15 energy performance contracts, to be put in place by 2023–24 at a project cost of about \$230 million, at locations including Bagotville, Quebec; Petawawa, Kingston and Borden, Ontario; Halifax and Greenwood, Nova Scotia; Comox and Esquimalt, British Columbia (these will help DND reduce the greenhouse gas emissions of its real property portfolio by 40% from 2005 levels by 2030);
- the Genet Building Green Heat Project at CFB Kingston, valued at \$5 million (due to be completed in 2025–26, this project will test a design-build team's ability to design, install, operate and test a low-cost, low-carbon energy generation and transfer system using innovative engineering or emerging technology, and to integrate it with existing systems); and
- the \$10-million remediation of the Highbury Complex—a military vehicle assembly complex during the Second World War—in London, Ontario (due to be finished in 2023–24, the project involves designing and implementing a site-specific program to remediate chlorinated volatile organic compounds in both soil and groundwater, so that levels fall below provincial limits).

For its own operations, DCC has an Environmental Management Framework that provides its employees with guidance on managing the environmental aspects of DCC's day-to-day business activities. This guidance helps DCC minimize environmental effects, track environmental performance, promote sustainable practices and set out requirements for environmental incident reporting for employees. DCC provides all employees with education and training on environmental policies, procedures and practices to help them respect the environment and their community.

DCC is aware of the commitment for Crown corporations to adopt the Task Force on Climate-related Financial Disclosures (TCFD) standards. Since DCC owns less than \$1B worth

of assets, it expects to start reporting in the 2024 calendar year. Since DCC is an organization that operates as professional services provider, a key opportunity area for environmental improvement is in business-related travel and potential reductions in associated greenhouse gas emissions.

Safe Workspaces

DCC is committed to providing all individuals in its workplaces with an environment and a culture that embrace equity, inclusion and respect, free from harassment and violence. The Corporation keeps its workplaces safe and respectful through many programs and activities, such as mandatory respectful workplace training, the Workplace Violence Prevention Survey, the Family Services Employee Assistance Program, and a conflict prevention and resolution process.

In 2021, DCC issued an updated policy on harassment and violence prevention, with content aligned with the new regulations in Bill C-65 on the prevention of harassment and violence in the workplace.

Accessibility

DCC has been working to plan for and to implement the requirements of the *Accessible Canada Act* since 2019. The Vice-President, Operations—Procurement leads the Corporation's Accessibility Working Group (AWG), composed of senior management group members. Since 2020–21, despite the operational constraints presented by the COVID-19 pandemic, the AWG made progress on its objectives. It met regularly, trained AWG members on the subject of accessibility, did outreach to similar organizations and reviewed their accessibility plans, and developed an approach that DCC will use to prepare its own accessibility plan.

Pay Equity

DCC has built its employment equity program on a solid foundation and its compensation structure complies with Canada's *Employment Equity Act* which ensures equal compensation for work of equal value. In the first three years of the planning period, DCC will develop and publish its pay equity plan, starting with its Notice to Employees in fall 2021. In 2022–23, DCC will create a pay equity committee as part of this work.

APPENDIX V
DEFENCE INFRASTRUCTURE AND ENVIRONMENT PROJECTS,
2022–2023 TO 2026–2027



4 ENGINEER SUPPORT REGIMENT FACILITY

LOCATION: 5CDSB Gagetown, New Brunswick
PROGRAM COST: \$73 million
COMPLETION DATE: 2022

DCC is constructing a new facility for Gagetown’s 4 Engineer Support Regiment. The 450-person unit, which includes four sub-units, will now be housed in a single, purpose-built, 20,640-square-metre building. The project is being delivered as a modified design-build and will include a vehicle storage barn, various support shops, offices, classrooms, meeting rooms, storage areas and parking, as well as a maintenance area for vehicles and equipment with a 25-ton overhead crane. The new facility will be built to LEED Silver standards, with a geothermal heating system.



DEPLOYED OPERATIONS

LOCATIONS: Latvia and Kuwait
PROGRAM COST: \$7.5 million
COMPLETION DATE: 2022–23

DCC’s work in Latvia includes supporting the infrastructure requirements for the Enhanced Forward Presence. Following the completion of the Multi-National Headquarters Building, DCC plans to procure a facility management contract for this same facility in 2022. In addition, the Corporation will manage construction of compounds supporting three nations (Canada, Italy and Spain) operating in Latvia.

DCC is also supporting multiple construction projects at the Operational Support Hub—South West Asia in Kuwait. Primarily, DCC is contracting for, and managing the leasing and installation of, power generation services, as well as constructing a fitness facility and modular offices.



NORTHERN FACILITIES

LOCATIONS:	Inuvik, Northwest Territories; Rankin Inlet and Iqaluit, Nunavut
PROJECT COST:	\$80 million
COMPLETION DATE:	2023

DCC is managing a five-year facilities maintenance and support services contract covering 80 buildings in forward-operating locations and communities. The Corporation will also handle various capital construction, minor new construction, maintenance and repair, and environmental projects.



ACCOMMODATIONS AND TRAINING QUARTERS

LOCATION:	CFB Borden, Ontario
PROJECT COST:	\$42 million
COMPLETION DATE:	2023

This new five-storey, 15,500-square-metre accommodations facility, built to LEED Silver standards, will feature 350 sleeping quarters, common lounge areas, study areas, laundry rooms, storage and office space.



DEFENCE RESEARCH AND DEVELOPMENT CANADA COMPLEX

LOCATION:	DRDC Valcartier, Quebec
PROGRAM COST:	\$144 million
COMPLETION DATE:	2024

DCC awarded the contract for Phase 1 of the renewed research infrastructure at Valcartier on August 31, 2020. This long-awaited \$144-million contract will help the region's scientific community strengthen defence capabilities. The new research and development pavilion will be built on DRDC Valcartier land and will include approximately 25,000 square metres of office, laboratory and support space.



A/B JETTY RECAPITALIZATION

LOCATION: CFB Esquimalt, British Columbia
PROJECT COST: \$743 million
COMPLETION DATE: 2024

The A/B Jetty project supports Canada's National Shipbuilding Procurement Strategy, which will deliver modern ships to the Royal Canadian Navy over the next 30 years. The jetty will be home to the new Arctic/Offshore Patrol Ship and Joint Support Ship. This \$743-million project to replace aging 70-year-old jetties consists of three contracts to demolish the old jetties and to design and construct the new jetty. Work includes extending the utility corridor, dredging the seabed, preparing the site, building a new seawall and relocating several elements of the Oily Water Waste Treatment Plant.



CANADIAN JOINT INCIDENT RESPONSE UNIT (CJIRU) FACILITY

LOCATION: 8 Wing Trenton, Ontario
PROJECT COST: \$150 million
COMPLETION DATE: 2025

This modified design-build project will provide the necessary infrastructure for the full operational capability of the CJIRU at 8 Wing Trenton. DCC is contracting for and managing the site development and construction of the 30,000-square-metre facility that will accommodate the CJIRU. The new facility will consist of office areas, planning areas, technical workshops, vehicle maintenance areas, meeting rooms, a wash bay, training facilities and warehousing.



CANADIAN SURFACE COMBATANT, LAND-BASED TEST FACILITY (LBTF)

LOCATION: Hartlen Point, CFB Halifax
PROGRAM COST: \$64 million
COMPLETION DATE: 2025

The LBTF will mimic specific combat and platform components of an operational ship for test and evaluation activities. The LBTF is a new capability being developed for the CAF. The Royal Canadian Navy and contractors on the Atlantic coast are expected to occupy the 9,000-square-metre facility. It is intended to accommodate approximately 150 full-time staff members. The goal is to achieve a LEED Silver certification and net-zero-carbon emissions, to support the government's greening strategy. DCC has awarded the \$485,000 modified-design-build contract, which includes costs for the development phase.



NEW QUICK REACTION AREA (QRA)

LOCATION: 3 Wing Bagotville, Quebec
PROJECT COST: \$80 million
COMPLETION DATE: 2026

The New QRA project will include an aircraft shelter, mission-planning facilities, housing and security. The new facility will help 3 Wing Bagotville continue to meet its air defence contingency commitments, in accordance with Defence Command directives.



AIR FORCE EXPEDITIONARY CAPABILITY (AFEC) PROGRAM

LOCATION: 2 Wing Bagotville, Quebec
PROJECT COST: \$110 million
COMPLETION DATE: 2027

The AFEC Main Facility Project involves construction of a facility to accommodate the administrative and operational requirements of 2 Wing Bagotville, the Royal Canadian Air Force's dedicated, high-readiness, air expeditionary support unit.



FUTURE FIGHTER CAPABILITY PROJECT

LOCATIONS:	4 Wing Cold Lake, Alberta, and 3 Wing Bagotville, Quebec
INITIAL PROJECT COST:	\$270 million
COMPLETION DATE:	2030

DCC supports the Royal Canadian Air Force's infrastructure needs related to the new aircraft it will receive through the Future Fighter Capability Project. New fighter squadron facilities will be constructed at 3 Wing Bagotville and 4 Wing Cold Lake to accommodate Canada's next-generation fighter aircraft. DCC will use a phased design-build delivery approach to ensure infrastructure is ready for the first aircraft in 2026 and will be ready to respond to additional requirements once the Future Fighter aircraft is selected in 2022.



EDWARD DRAKE BUILDING

LOCATION:	Ottawa, Ontario
PROJECT COST:	\$4.1 billion
COMPLETION DATE:	2040 (contract)

Built as a P3 project, the \$4.1-billion Edward Drake Building is a modern and efficient facility for the Communications Security Establishment, spanning over 72,000 square metres. The associated design-build-finance-maintain contract includes unique security, infrastructure and financing arrangements. DCC is involved with the operations and maintenance of the facility as part of the 30-year contract.



SHARED SERVICES DATA CENTRE

LOCATION: CFB Borden, Ontario

PROJECT COST: \$330 million

COMPLETION DATE: 2041 (contract)

The expansion of Shared Services Canada's enterprise data centre will help to modernize and standardize federal IT infrastructure. DCC's second P3 procurement, this \$330-million contract was announced in May 2016. As part of a consortium, DCC committed to supporting the design, building, financing, operations and maintenance of the data centre for 25 years. With construction complete, the contract is in the maintenance phase now.