Canadian Commercial Corporation
Corporation Commerciale Canadienne

CORPORATE PLAN SUMMARY

2014-15 to 2018-19

OPERATING BUDGET
CAPITAL BUDGET
BORROWING PLAN

Canada

Canadian Commercial Corporation
Corporation Commerciale Canadienne

CANADA'S INTERNATIONAL CONTRACTING AND PROCUREMENT AGENCY

CCC is a trusted partner with a unique set of trade development services:

Collaborative
A trusted Government of Canada partner in accessing foreign markets.

Credible
A trusted Government of Canada partner in transparent contracting and corporate social responsibility.

Competitive
A trusted Government of Canada partner in mitigating risk.

MANDATE
To assist in the development of trade by helping Canadian exporters access markets abroad and by helping foreign buyers obtain goods and services from Canada.

CORPORATE SOCIAL RESPONSIBILITY
CCC is committed to operating in an environmentally, socially, and ethically responsible manner, and to respect Canada's international commitments, while upholding the Corporation's public policy mandate and acting within its resources.

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CORPORATE PLAN SUMMARY
2014 -15 to 2018 -19

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The 2014-15 to 2018-19 Corporate Plan was approved by CCC's Board of Directors on March 26, 2014. The Plan and its underlying assumptions were developed over the fall of 2013, during a period of ongoing uncertainty in the global economy that may alter the economic landscape and, in some cases, impact the assumptions upon which the Plan is based.

The Corporate Plan Summary excludes commercially sensitive information contained in the 2014-15 to 2018-19 Corporate Plan.

All figures are in Canadian dollars unless otherwise noted.

Print date: October 2014

EXECUTIVE SUMMARY

The Canadian Commercial Corporation's (CCC) five-year Corporate Plan is an integral element of the Corporation's accountability regime and is approved by the Government of Canada on an annual basis. It informs Parliamentarians and Canadians of the Corporation's objectives and strategic priorities for the upcoming planning period and provides an overview of its financial plan, operating and capital budgets as well as borrowing activities.

The Corporation is governed by a Board of Directors and is accountable to Parliament through the Minister of International Trade. In overseeing the activities of the Corporation, the Board of Directors adheres to the requirements of the *Canadian Commercial Corporation Act* and the *Financial Administration Act* (FAA).

The 2014-15 to 2018-19 Corporate Plan responds to ministerial direction from the Minister of International Trade, and was developed to be aligned with key government priorities including the 2013 Global Markets Action Plan, Canada's Strategy for Engagement in the Americas, the upcoming defence procurement strategy, and Budgets 2010 through to 2013.

As the Government of Canada's international contracting and procurement agency, CCC is strongly committed to supporting the enhancement of Canada's trade objectives through its mandated responsibility of assisting Canadian exporters to access international markets with government-to-government contract solutions, primarily in defence, security and infrastructure sectors.

CCC's primary service involves the provision of government-to-government contracts with foreign government buyers to provide goods and services and, in turn, it enters into contracts with Canadian exporters to fulfill the goods and services requirements of the foreign governments. With this approach, CCC guarantees performance of the contracts for the foreign governments, hence, mitigating their risks and providing added incentive to procure from Canada. CCC also mitigates risk for Canadian exporters as the Corporation is able to leverage its capacity as a Government of Canada organization to monitor progress and bring prompt resolution to any issues that may arise in fulfilling the contract requirements. CCC's assistance can reduce payment collection risks and business development costs; can aid in gaining more advantageous contract and payment terms for Canada's relatively smaller exporters; and supports ethical business and Corporate Social Responsibility (CSR) practices as Canadian firms seek international sales.

CCC has continued to improve its five-year business development strategy to grow existing markets and develop new markets. To align with this focus, the Corporation bases its activities on three business lines: Services to the United States Department of Defense (U.S. DoD) and to to the National Aeronautics and Space Administration (NASA) as part of the Defence Production Sharing Agreement (DPSA), Global Defence and Security (GDS), and International Commercial Business (ICB). CCC also offers three services to the Government. These are: Sourcing services to support international government assistance programs, managing Canadian Trade Offices in China with the Department of Foreign Affairs, Trade and Development (DFATD), and providing shared corporate services to Public-Private Partnerships (PPP) Canada Inc. Annex I provides more information on CCC's business lines and their value propositions.

CCC is funded by a combination of fees for service for its non-U.S. business lines, and a parliamentary appropriation which supports the DPSA, a key public policy program which provides Canadian companies with unique access to compete for contracts with the U.S. DoD. U.S. regulations specify that U.S. DoD contracts over $150,000 with Canadian companies must go through CCC. In keeping with the Government of Canada's Budget 2012 savings measures, CCC is committed to finding new and innovative ways to increase operational efficiency and demonstrate cost effectiveness while at the same time directing greater attention to increasing support to Canadian exporters in the markets identified in the Government's Global Markets Action Plan, Canada's Strategy for Engagement in the Americas, and the upcoming defence procurement strategy. CCC's ambitious Corporate Plan is designed to increase business in global markets while reducing costs and maintaining business associated with its Services to the U.S. DoD business line.

Although CCC recovers expenses and generates revenues when working with Canadian exporters, there are many occasions when Canadian companies are not successful in their bid and therefore CCC is not fully remunerated. CCC's ability to assume this risk is critically important to Canadian exporters given the increasingly competitive global marketplace as well as the growing number of governments who are strongly advocating for their national export interests through organizations similar to CCC. Having CCC's support, regardless of the outcome, helps to "level the playing field" for Canadian companies seeking to work abroad.

BUSINESS STRATEGIES

Summary:

The fragility and relatively slow pace of the global economic recovery poses significant challenges for global economic growth. While many traditional markets have become less lucrative for Canadian companies other markets in sectors of key interest are emerging. Canadian export companies, supported by CCC, are diversifying their strategies to compete in these new markets. With the anticipated reduction in DPSA related business volume, CCC has begun to redirect internal resources to provide greater support to Canadian exporters interested in competing beyond the U.S. defence market.

Specific activities:

From 2014-15 to 2018-19 CCC will continue to focus on sales to the U.S. DoD under the DPSA. CCC services help ensure the Canadian defence and security industry remains an important contributor to the maintenance of a strong, integrated North American Defence Industrial Base. These industries contribute towards national security for Canada and its allies, provide benefits to Canada's military capabilities, bolster industrial growth, stimulate domestic research, development and innovation, and create and sustain knowledge-based jobs in Canada. According to the Canadian Association of Defence and Security Industries (CADSI), Canada's defence and security sector employed 109,000 Canadians and generated over $12.6 billion to the Canadian economy in 2011, slightly more than half of which came from international markets. Based on the Economic Impact Model developed by Statistics Canada and used by KPMG in the 2012 E*conomic Impact of the Defence and Security Industry in Canada*, it is estimated that 20% of all jobs in Canada in the defence and security industry are sustained by contracts entered into through the CCC.[1] CCC will maintain annual sales of $550 million under the DPSA from 2014-15 to 2018-19, despite projected reductions in the U.S. defence budget dedicated to procurement of goods and services.

CCC will also continue to leverage sales to the U.S. through its GDS business. This business line, which was launched four years ago, has already resulted in significant contracts in Latin America, the Middle East and Asia. CCC will work with its base of exporters that are export ready in defence and security, leveraging Canadian and U.S. military and security related procurements, to open new markets with allied and like-minded nations. CCC will grow sales under GDS from $235 million in 2014-15 to $255 million in 2018-19. The corresponding revenue, or commercial trading transactions, will grow from $1.26 billion in 2014-15 to $2.77 billion in 2018-19, while fees for service will be $12.6 million in 2014-15 and $24.6 million in 2018-19.

With its ICB business line, CCC will reach out to emerging nations that are embracing democracy, ethical procurement behaviours and the rule of law to support Canadian exporters of infrastructure and commercial products and services. CCC will increase access to complex and difficult markets by offering total solutions containing financing scenarios as undertaken by global, third-party financing institutions, contract structuring, contract management, quality assurance and operational knowledge transfer. CCC will grow its sales under the ICB business line from $366 million in 2014-15 to $400 million in 2018-19. The corresponding revenue, or commercial trading transactions, will grow from $252 million in 2014-15 to $381 million in 2018-19, while fees for service will be $3.0 million in 2014-15 and $6.2 million in 2018-19.

[1] KPMG; "Economic Impact of the Defence and Security Industry in Canada," May 2012. Accessed on May 2013 at: https://www.defenceandsecurity.ca/UserFiles/File/IE/KPMG.html

In addition to these business strategies, CCC will take the following actions to fulfill the Government's agenda over the planning period:

EXPAND CHINA TRADE OFFICES

In recognition of the expansive growth rate of China's second-tier cities, the Government of Canada mandated CCC to help DFATD in the establishment and management of six Canadian Trade Offices in China. Since 2009, the Corporation has been managing offices in Shenzhen, Chengdu, Qingdao, Wuhan, Nanjing and Shenyang with operational support from the Embassy in Beijing. DFATD is now looking to the Corporation to continue in this role and further expand the network with additional offices in more cities.

TRANSFER CUBA TRADE FINANCING ACTIVITIES TO EXPORT DEVELOPMENT CANADA

In September of 2013 the Minister of International Trade directed the Corporation to transfer all trade financing responsibilities for existing and new contracts to Export Development Canada (EDC). In response, CCC and EDC are adopting a "two-contract model" to divide the contracting and trade financing activities between CCC and EDC respectively. CCC will seek insurance of its existing contracts from EDC, and will transfer, upon approval of the Corporate Plan, a dividend of $40 million to the Government as the capital will no longer be required to manage its Cuba trade financing credit exposure.

CCC will achieve these results by implementing the following initiatives in the first year of the planning period:

A. *Grow CCC's Defence-related Business through alignment with Canada's Defence Procurement Strategy*

CCC's business model is focused principally on assisting Canadian companies to compete globally in the defence and security sectors. CCC's model has two interdependent business lines:

1. Canadian companies who wish to sell their products to the U.S. DoD through the DPSA. CCC receives a parliamentary appropriation to manage this public policy program which often becomes the platform for Canadian companies to build their capacity to compete on a global basis. U.S. regulations mandate that Canadian companies use CCC if their contract with the U.S. DoD exceeds $150,000. In 2013-14 CCC is on track to process 2,150 contracts and amendments through the DPSA for an estimated value of $575 million.
2. Canadian companies, often those who built their base through the DPSA, who wish to sell their products to other allies of Canada and like-minded nations. CCC operates its GDS business line on a fee-for-service basis which is projected to grow over the next decade as mature companies seek new markets.

Beyond 2013-14, the international environment in defence, security and infrastructure will remain fiercely competitive as trade patterns continue to change and emerging markets' growth continues to outpace the developed world. Over the next decade the U.S. DoD, a key client of Canadian defence and security exporters supported by CCC, is expecting a reduction in spending by $500 billion. In response, the Corporation will increase its interaction with key U.S. buying commands to ensure Canadian capabilities remain top-of-mind when purchases are considered and to promote the advantages of purchasing through the DPSA.

It is important to note that top defence exporting nations have recognized the value of the government-to-government market in the defence and security sector and have established agencies specifically responsible for promoting, and in some cases executing, defence and security sales. These include the Defense Security Cooperation Agency (DSCA) in the U.S., Rosoboronexport State Corporation in Russia, ODAS in France, the Defence and Security Organization in the United Kingdom, the Defense Export and Cooperation Division of the Israel Ministry of Defense (SIBAT), the Swedish Defence and Security Export Agency (FXM), the Defense Industry Promotion Bureau in South Korea, and the Defence Export Unit in Australia. To counter this increased competition, CCC will augment its business development efforts, aligned to any key industrial capabilities that may be identified in the upcoming defence procurement strategy, and will promote a "whole-of-government" approach to advance Canadian business.

B. ***Further Develop CCC's International Commercial Business through alignment with Canada's Global Markets Action Plan***

Public infrastructure investments worth trillions of dollars are projected to take place in emerging markets over the twenty years, mostly in transportation, power, water, telecommunications and health sectors. Through the execution of CCC's country and exporter strategies, alignment with the Global Markets Action Plan and leveraging enhanced collaboration with DFATD and EDC, CCC will continue to support Canadian exporters ready to access these challenging markets. Further to stakeholder recommendations, and in response to market trends, CCC will work with key Government departments to assess the value of expanding CCC's mandate to allow greater involvement in both the construction of projects and the management of post-commissioning concessions. Currently, CCC's mandate in capital projects is limited to the construction and commissioning phases.

C. ***Finalize and Action a Memorandum of Understanding with the Trade Commissioner Service***

CCC will be working diligently to finalize and execute a Memorandum of Understanding (MOU) with DFATD focused on increasing its collaboration with the Trade Commissioner Service (TCS). This agreement will enhance the alignment of marketing and business development activities by strengthening and formalizing the working relationship between the TCS and CCC's business development officers in priority markets that fall within the Government of Canada's Global Markets Action Plan, and which are open to government-to-government contracting. All parties agree that the MOU will enable more effective support for Canadian companies through the Global Markets Action Plan by ensuring each organization understands and leverages the capacities and competencies of the other.

D. ***Strengthen Business Development***

CCC will continue to increase business development activities in all business lines. Through a whole-of-government approach, CCC will develop new and enhanced trade promotion and contract-closing strategies with DFATD, Canadian Defence Attachés and other government departments in support of the Global Markets Action Plan, Canada's Strategy for Engagement in the Americas and key Canadian industrial capabilities. In an effort to maintain access to the important U.S. DoD market, CCC will reinforce its relationship with, and outreach to, key U.S. DoD organizations, including the major buying commands which make acquisition decisions. Additionally, building on its business development and contract management capacities, CCC will explore the feasibility of the creation of co-located foreign offices linked to specific business lines that will further support Canadian exporters in accessing high potential markets.

E. ***Contribute to the Government's Cost Containment Priorities***

The Corporation will continue to implement and report against its Cost Efficiency Plan. The Plan has been implemented in response to the cost containment measures of Budget 2010, and updated in the spirit and intent of Budgets 2011 through 2013. In assessing potential savings, CCC has focused on achieving efficiencies from its operations, as well as reviewing business processes and service platforms.

The Corporation will reduce and eliminate its appropriation over the course of the five-year planning period. Although the appropriation for 2014-15 will be approved in the Main Estimates at $15.7 million, CCC will reduce the appropriation to $14.24 million in 2014-15, $8.88 million in 2015-16, $3.51 million in 2016-17 and then nil from 2017-18 onward.

CCC has put into effect spending reductions of its administrative expenses from 2012-13 levels with a reduction of 8% in 2013-14, 2% in 2014-15, and a further 4% in 2015-16. Expense reduction and cost-efficiencies will focus on the following activities:

1. CCC will continue to search for additional efficiencies through the optimum alignment of resources and activities during a time of increased revenues generated through expanded growth in GDS and ICB sales. Achieving this alignment will be a significant contribution towards the Government's Budget 2012 savings measures and a demonstration of the sustainable operations business model implemented by the Corporation.
2. Specifically CCC will:

a.
   i. Rationalize non-essential staffing actions, including the back-fill of vacancies created through retirement or resignation;
   ii. Rationalize discretionary, non-reimbursable travel and hospitality expenditures;
   iii. Continue to explore less expensive solutions or alternative service providers, or insource activities with the reallocation of existing resources (e.g. audit services);
   iv. Pursue the patriation of services performed by other government departments to minimize extraordinary overhead and indirect charges incurred by the Corporation (e.g. resources related to light armoured vehicle (LAV) contract performance wholly dedicated and charged to the Corporation); and
   v. In response to the decline in DPSA related volume CCC will continue to pursue initiatives which improve efficiencies and scalability in the allocation of resources within the business line. Having said this, and given global volatility, CCC must remain adaptive to any potential spikes in business volume.

b. The Corporation will continue its shared services with PPP Canada for back office support in information technology, human resources management, and other corporate services. CCC will also continue to assess other shared service possibilities with small organizations of the Government of Canada which could benefit from economies of scale in the delivery of their internal services.

c. CCC's Board of Directors has also engaged in efficiency improvement and cost avoidance with the restructuring of its Board Committees and meetings, and will continue to examine other strategies to save costs.

d. Combining cost management and cost avoidance objectives, CCC will build on efficiencies achieved in 2013-14 by continuing to work with Public Works and Government Services Canada (PWGSC) to identify areas of further savings and efficiencies[2].

e. For its broader administrative expenses, CCC converted to a new payroll system in January 2012 using ADP Canada as its Human Resources (HR) and Payroll solution provider to improve on the reporting capacity and limit the growing cost of the centralized system operated by PWGSC. In addition to annual savings of $100,000, the ADP application and functionality provides efficient and timely reports improving management of CCC's HR and Payroll processes.

f. Following on to the intent of the Budget 2012 savings measures and Treasury Board of Canada Secretariat (TBS) expectations of Crown corporations, CCC has maintained, and will continue to maintain, a clear alignment of its compensation and benefits packages, including pension provisions, for both its unionized employees and its executive cadre. In addition, CCC will absorb all salary and benefit increases through the reallocation of internal resources.

BUSINESS HIGHLIGHTS

2012-13 RESULTS

In 2012-13, CCC's proactive approach to business development and robust contracting services benefited Canadian exporters and contributed to the economic prosperity of Canada and Canadians, as demonstrated in the Corporation's results:

- CCC helped sustain 24,810 jobs in Canada, largely in the defence and security sectors with more than 20% of all defence and security exports linked to CCC sales.[3]
- CCC worked with 210 Canadian companies and was active in over 72 countries with a focus on six key markets.
- CCC assisted both large companies and

[2] CCC continues to insource certain services historically provided by PWGSC. To date this initiative has reduced PWGSC costs from $4.2 million in 2012-13 to approximately $3.7 million in 2013-14.

[3] KPMG; "Economic Impact of the Defence and Security Industry in Canada," May 2012. Accessed on May 2013 at: https://www.defenceandsecurity.ca/UserFiles/File/IE/KPMG.html.

small and medium-sized enterprises (SMEs) to better understand the complex world of international trade to enable them to better prepare themselves to compete globally.

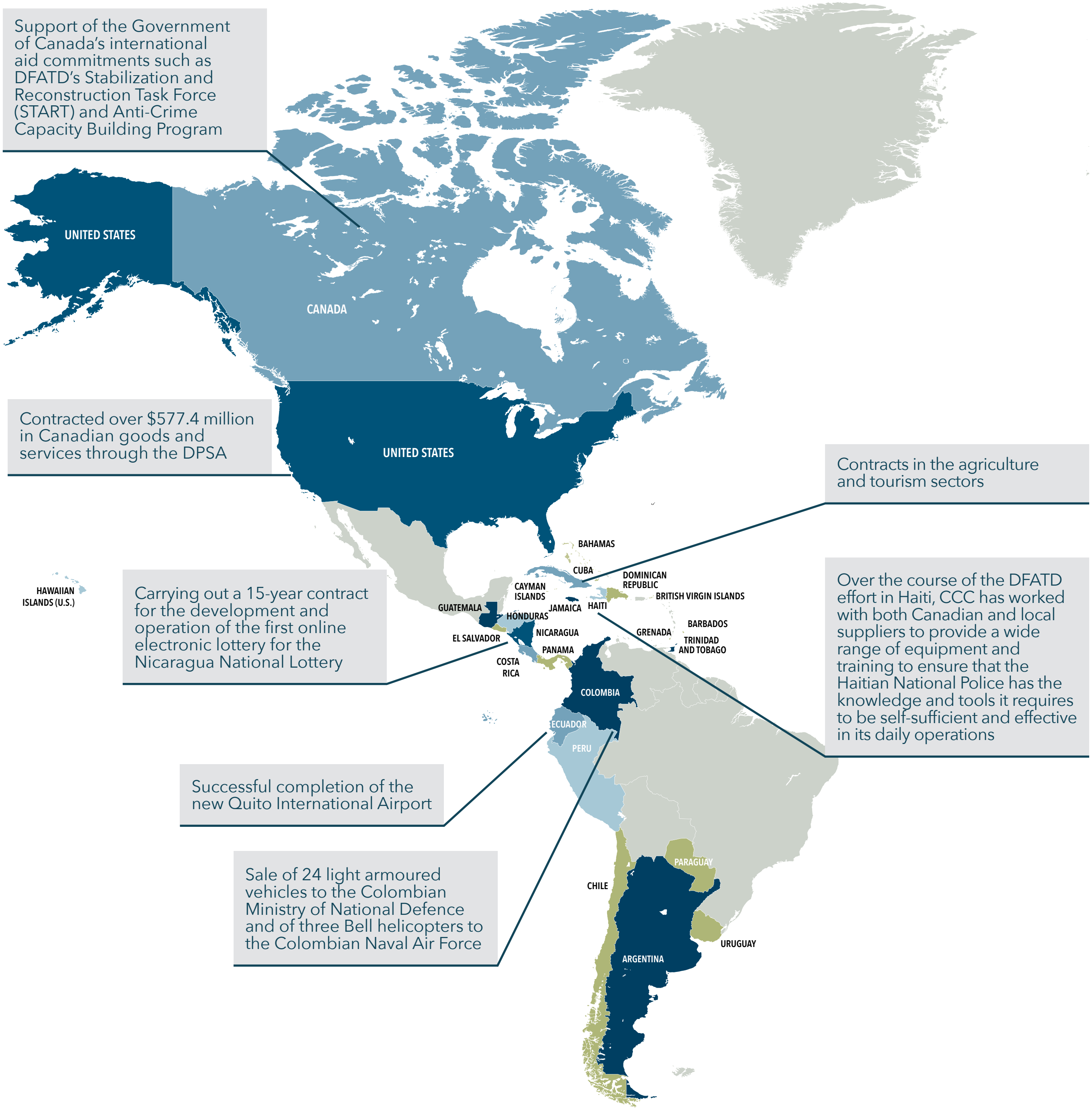
- CCC signed $138.4 million in contracts with Canadian companies under the Corporation's GDS business line.
- CCC signed $169.2 million in contracts with Canadian companies under the Corporation's ICB business line.
- CCC worked with Aecon Construction Group Inc. and Orenda Aerospace Corporation to complete the construction of two large scale infrastructure projects valued at $534.5 million in Quito, Ecuador and $185 million in Takoradi, Ghana.
- CCC fully developed and completed, on a fast track basis, a $70.8 million project in Kenya to respond to the government's need to support democratic advancement through better voter registration.
- CCC continued to facilitate market access for PCS Sales (Canada) Inc. of Saskatoon, Saskatchewan, to sell potash to the Cuban Ministry of Agriculture.
- CCC continued to reach out and work closely with industry associations such as the Canadian Association of Defense and Security Industries (CADSI), the Aerospace Industry Association of Canada (AIAC), and the National Defense Industrial Association (NDIA) in the U.S., to deepen its understanding of Canadian capabilities, trends, opportunities and challenges.
- CCC, with the support of the Department of National Defence (DND) and DFATD, organized marketing and outreach opportunities to Canadian exporters for visiting defence delegations from Peru, Kuwait and the United Arab Emirates, fostering greater visibility of Canadian capabilities and the development of closer networks with potential foreign buyers and exporters.

2013-14 RESULTS

- 2013-14 will be an exceptional year for CCC, first and foremost because of the success in signing Canada's largest ever defence export contract – a multibillion dollar LAV contract that will be delivered by General Dynamics Land Systems-Canada in London, Ontario.
- Contracts signed in 2013-14 in Colombia, Chile, Peru, Argentina, Mexico and Australia, are the results of CCC's GDS business strategy launched four years ago and pave the way for CCC to align itself with Canada's upcoming defence procurement strategy to deliver greater results for Canadian exporters in the future.
- Overall, CCC has active contracts in 25 countries with 150 Canadian companies of which 64% are SMEs.
- In order to achieve this business, CCC has negotiated 29 strategic cooperation agreements[4] with foreign governments to increase access to government procurement markets that Canadian exporters are targeting. Of these agreements, 13 support the acquisition of defence and security solutions in markets such as Argentina, Colombia, Peru, Paraguay, Mexico, United Kingdom, Germany and the Philippines, and 16 support the acquisition of information technology and social and economic infrastructure solutions in markets such as Costa Rica, Dominican Republic, Barbados, Trinidad and Tobago, Ghana, Uganda, Gambia, India, Mongolia, Bhutan and Lebanon.
- In addition, CCC is in the process of negotiating ten new agreements to facilitate the acquisition of defence and security goods and services from Canadian companies on a government-to-government basis, and 23 new agreements to support mostly infrastructure and technology acquisitions from Canada.
- CCC continued its advocacy for Canadian solutions and its leadership of an integrated government presence at major international industry exhibitions, including a renewed Canadian presence at the 2013 Defence Security and Equipment International (DSEI) in London, England.
- Finally, CCC continued to manage the DPSA program with the U.S. DoD., and despite a year of budget uncertainty and dramatic reductions in procurement, will have signed $575 million in new contracts for Canadian exporters.

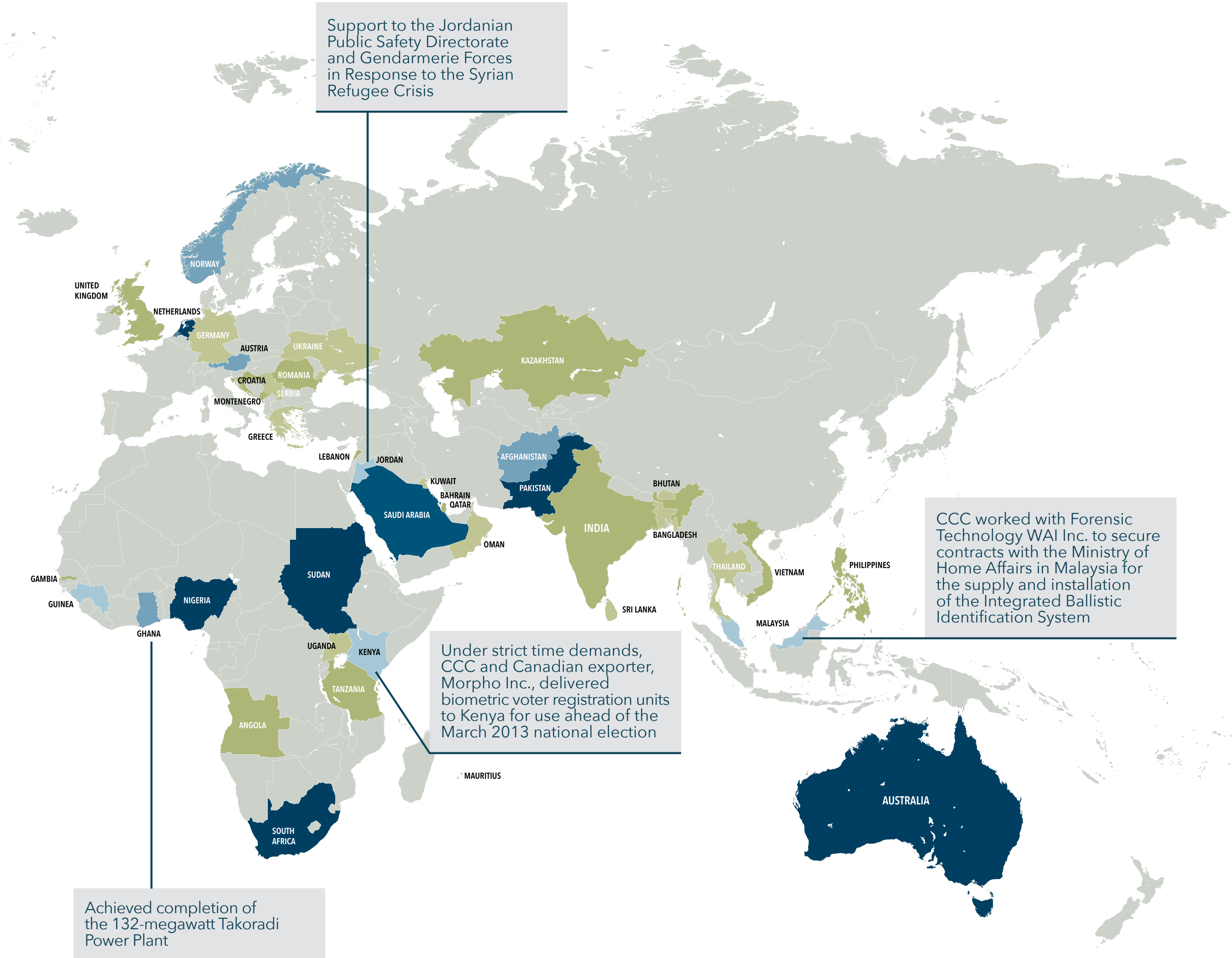
[4] Strategic Cooperation Agreements are defined as MOUs with other countries to facilitate buying from Canada.

AT A GLANCE



COUNTRIES WITH ACTIVE CONTRACTS VIA CCC IN 2011-2012

COUNTRIES IN WHICH CCC WAS ACTIVELY PURSUING CONTRACTS IN 2011-2012


Support to the Jordanian Public Safety Directorate and Gendarmerie Forces in Response to the Syrian Refugee Crisis
NORWAY
UNITED KINGDOM
NETHERLANDS
GERMANY
AUSTRIA
UKRAINE
ROMANIA
CROATIA
SERBIA
MONTENEGRO
GREECE
KAZAKHSTAN
LEBANON
JORDAN
AFGHANISTAN
PAKISTAN
KUWAIT
BAHRAIN
QATAR
SAUDI ARABIA
BHUTAN
INDIA
BANGLADESH
OMAN
GAMBIA
GUINEA
SUDAN
NIGERIA
GHANA
THAILAND
VIETNAM
PHILIPPINES
SRI LANKA
MALAYSIA
UGANDA
KENYA
TANZANIA
ANGOLA
MAURITIUS
SOUTH AFRICA
AUSTRALIA
CCC worked with Forensic Technology WAI Inc. to secure contracts with the Ministry of Home Affairs in Malaysia for the supply and installation of the Integrated Ballistic Identification System
Under strict time demands, CCC and Canadian exporter, Morpho Inc., delivered biometric voter registration units to Kenya for use ahead of the March 2013 national election
Achieved completion of the 132-megawatt Takoradi Power Plant

SOME CCC CLIENTS ACROSS CANADA

BRITISH COLUMBIA

- Marine Canada Acquisition Inc. DBA SEASTAR SOLUTIONS (formerly known as Teleflex Canada) provided a Modern Burner Unit to the Defense Logistics Agency Troop Support in Philadelphia

ALBERTA

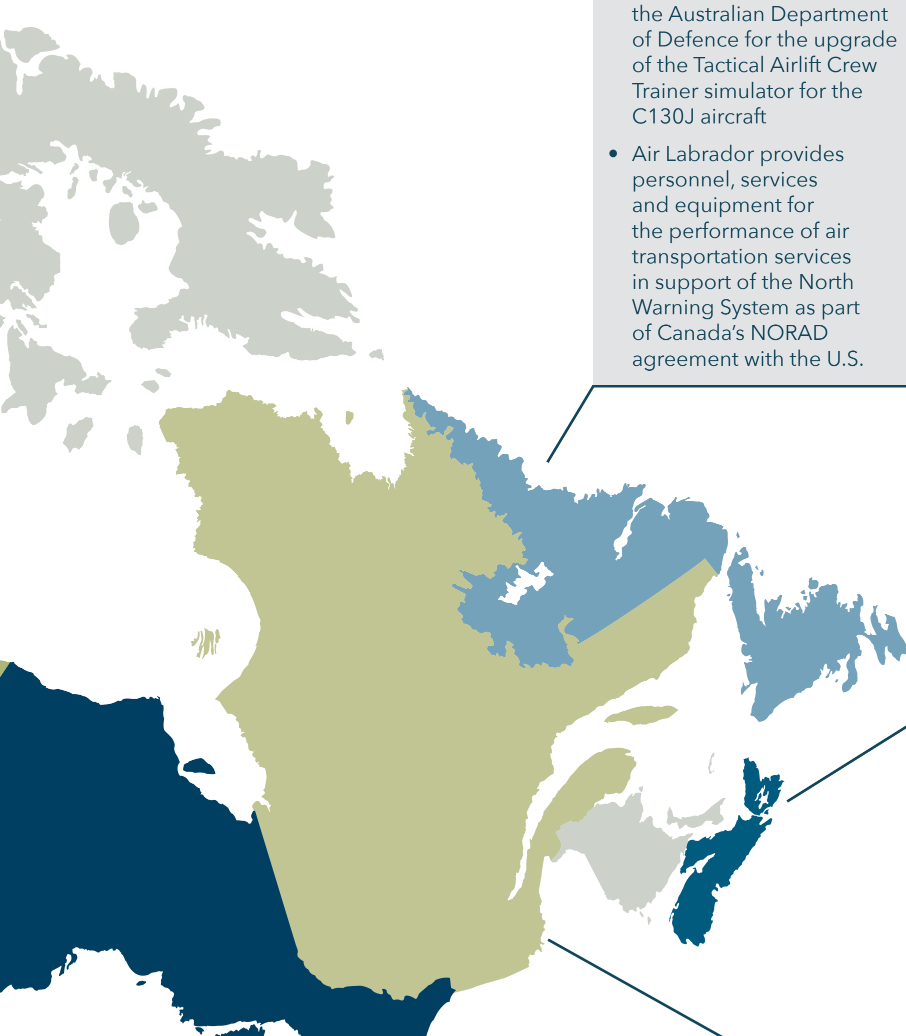
- Canadian Helicopters Limited provides supplemental rotary wing service and rotary wing bulk fuel transfer in support of the North Warning System as part of Canada's North American Aerospace Defense Command (NORAD) agreement with the United States

SASKATCHEWAN

- Delivered on a contract with Azcuba for the supply of 32,800 metric tonnes of potash, supplied by Potash Corp of Saskatchewan from mines in New Brunswick

MANITOBA

- Standard Aero provided engine repair services to the U.S. Naval Inventory Control Point and combustion liners to the U.S. Naval Supply Systems Command



NEWFOUNDLAND AND LABRADOR

- Worked with Bluedrop Performance Learning Inc. to secure a contract with the Australian Department of Defence for the upgrade of the Tactical Airlift Crew Trainer simulator for the C130J aircraft
- Air Labrador provides personnel, services and equipment for the performance of air transportation services in support of the North Warning System as part of Canada's NORAD agreement with the U.S.

NOVA SCOTIA

- Moving Vessel Profiler Base Systems from Rolls-Royce Canada Limited to fulfill requirements of the U.S. Naval Oceanographic Office
- Acoustic fish tags and receivers sold by Vemco to the U.S. Army Corp of Engineers to monitor the aquatic life in areas where the U.S. Government has activity

QUEBEC

- Bell Textron is supplying three Model 412EP 3-axis helicopters to the Colombian Naval Air Force, including a comprehensive training program, tools and spare parts
- Worked with Forensic Technology WAI Inc. to secure a contract with the Ministry of Home Affairs in Malaysia for the delivery and installation of three Integrated Ballistic Identification Systems for the Royal Malaysia Police
- Supplying chemical, biological, radiological, and nuclear footwear by AirBoss-Defense to the Defense Logistics Agency Philadelphia

ONTARIO

- The Canadian Bank Note Company's expert solutions and secure systems for the lottery marketplace has helped the Governments of Honduras and Nicaragua generate funds from the countries' respective national lotteries to fund social programs, including maternal and child health and social care, and educational and social programs for the youth and senior populations
- MX 20 turrets installed on aircraft to collect images by L3-Wescam to the U.S. Army, Navy and Air Force

1.0 BENEFITS FOR CANADIANS

The Corporation is committed to increasing access to foreign government markets for Canadian exporters thereby supporting job creation and long-term economic wealth in Canada. CCC's services support a diverse supplier base situated in all regions of Canada that includes both SMEs as well as large Canadian companies. Support to SMEs is not only direct, through contracting and assistance in preparing to compete internationally, but also indirect considering that most large companies sub-contract portions of their business to SMEs. Consistent with government and academia, CCC identifies SMEs as having up to 500 employees and annual sales of less than $25 million. In line with this definition, in recent years approximately 64% of the companies CCC works with are SMEs.

1.1 VALUE PROPOSITION

UNIQUE AND PRIVILEGED ACCESS TO AMERICAN DEFENCE AND SPACE CONTRACTS

CCC has two interdependent business lines supporting the defence and security sectors. CCC assists Canadian defence and security companies to compete for contracts with the U.S. DoD through the privileged access they have by virtue of the Canada-U.S. DPSA. Canadian exporters are also able to leverage the U.S. Foreign Military Sales (FMS) program through their access to the DPSA, as they are able to sell into the U.S. DoD inventory where their goods are then re-exported to third party countries. Often Canadian companies, and in particular Canadian SME's, use the experience gained through their work within the DPSA to compete on a broader international scale. Once a Canadian exporter is ready to expand into the international markets of allied and like-minded nations, CCC's GDS business line is well-positioned to assist them in formulating Canadian solutions which will afford them the best possible opportunity to succeed.

The U.S. DoD and Canadian defence and security exporters benefit considerably by having CCC as the single portal for defence-related contracting from Canada through the DPSA. In addition to the contract oversight and management services that CCC offers, the Corporation provides other services of value to Canadian exporters and to the U.S. DoD, including:

- **Major supplier access:** as a result of its business volume of over $1 billion per year of commercial trading transactions since 2007-08 under the DPSA program, CCC is recognized as one of the U.S. DoD major suppliers. This recognition secures the Corporation's participation to the U.S. Army's Industry Executive Council, providing important senior-level access for representation and advocacy on behalf of Canadian exporters to maintain access to the lucrative U.S. defence market. This is the case also for other important U.S. defence and military organizations, and such a position would not be (and has not been) granted to any other private Canadian company or government organization.
- **Pre-contract support:** Before a Canadian exporter wins a contract with the U.S. DoD, CCC works with the exporter to produce for the U.S. DoD an endorsement of the price and a certification of the exporter's submission. Not every submission is granted a contract award. The more CCC works with a firm, the more capable they become at refining their submission and winning contracts in response to U.S. DoD solicitations.
- **Outreach to Canadian companies about the U.S. DoD procurement system:** CCC reaches out to between 50-100 companies annually, many of whom are SMEs, which need or want information on the DPSA program and sales to the U.S. DoD and to NASA. CCC's outreach specifically concentrates on information about the U.S. buying process, supply logistics, industrial security and facility security clearances.
- **Facilitation of additional Canadian sales to U.S. primes:** Given that CCC is the prime contractor with the U.S. DoD, the Corporation receives on a regular basis requests for information

from American firms looking for quotations on equipment that CCC may have contracted to the U.S. DoD and that they can then buy as part of their project, thereby opening up further markets for Canadian companies.

- **Centre of expertise within government on the North American integrated defence industrial base:** CCC provides awareness sessions, presentations and advice to other government departments, foreign defence attachés and Canadian military attachés on the U.S. defence trade program and the DPSA, and on Canada's defence materiel relationship with the U.S.
- **Issues management and problem resolution:** CCC often interacts to respond to issues with contracts identified by a Canadian firm or that are brought to the Corporation's attention by DFATD or other government departments. CCC's close contacts and liaison within U.S. DoD contracting entities facilitates the development of solutions as well as the early identification of policy or contracting problems.

PROVIDING OPPORTUNITIES AND ACCESS IN INTERNATIONAL DEFENCE AND SECURITY MARKETS

The Government of Canada, through its recent Global Markets Action Plan, Canada's Strategy for Engagement in the Americas and the development of a defence procurement strategy, has signalled an ambitious plan to assist the Canadian defence sector increase their number of sales internationally. CCC's strong history of assisting Canadian companies sell the types of products identified as interim key industrial capabilities for the defence procurement strategy in the 2013 report on military procurement by Tom Jenkins, naturally positions it to be a key contributor to the success of these initiatives. Never content with historical sales levels, CCC will focus greater attention to the markets and commodities identified in the Government of Canada's trade programs to create new opportunities for Canadians in priority markets where government-to-government solutions are sought by foreign government buyers.

The Corporation launched its GDS business line four years ago to respond to the combined effects of the 2008 worldwide recession and projected U.S. DoD spending reductions. This business line builds on the Corporation's experience selling through the U.S. FMS program and assists the Canadian defence industry to diversify its markets beyond the U.S. into priority markets in the European Union, South America, the Middle East and South Asia.

CONTRIBUTING TO GROWTH IN NON-TRADITIONAL MARKETS

With its GDS and ICB business lines, CCC is uniquely positioned to support Canadian exporters and to increase Canada's trade footprint in new and priority markets. CCC's presence in foreign countries leads to better awareness and understanding regarding the credibility and capabilities of Canadian exporters. Moreover, CCC's assistance facilitates expeditious, direct government-to-government contracts; reduces payment risks; saves costs; aids in gaining more advantageous contract and payment terms; and assists in the navigation of foreign laws and risks.

1.2 CORPORATE SOCIAL RESPONSIBILITY

The Corporation's services support high-value, knowledge and technology driven sectors that create quality employment for Canadians and ensures the development of sustainable trade activities in the long-term that contribute to economic prosperity. CSR and good corporate citizenship are important to CCC. Representing the interests of the Government of Canada and Canadian exporters requires CCC to carefully consider all implications of its business activities at home and abroad. CCC is committed to instilling CSR in all of its business practices, and is proud of the CSR policies and practices that have been implemented to date. This focus is exemplified by CCC's ethical business practices, its commitment to environmental sustainability, healthy and safe operations, and through exceptional participation in the Government of Canada's Workplace Charitable Campaign.

CCC's corporate vision for CSR sets the groundwork for the Corporation's CSR Strategy and Framework:

"CCC commits to operating in an environmentally, socially, and ethically responsible manner, and to respect Canada's international commitments, while upholding the Corporation's public policy mandate and acting within its resources."

CCC's CSR framework guides staff in all of the Corporation's work and business practices. In fact, the tenets of CSR are embedded within all of CCC's business practices and serve as an element of the Corporation's value proposition to foreign governments interested in ensuring they are working with an organization that will give proper regard to the environment and to ethical business practices. The Corporation has the following policies in place:

- Code of Conduct Policy
- Code of Business Ethics Policy
- Greening CCC Operations Policy
- Internal Disclosure of Wrongdoing in the Workplace Policy
- Occupational Safety and Health Policy
- Policy for a Harassment-Free Workplace

Before entering into a contract with a foreign government or Canadian company, CCC executes a thorough review of the Canadian company in terms of their financial, managerial and technical capabilities, as well as their commitment to CSR. In 2013, CCC instituted an Enhanced Managerial Review process to be conducted when a CCC supplier, or one of its employees, has been under investigation for, charged with, or convicted of, an offence relating to unethical or illegal business practices.

The Enhanced Managerial Review is a thorough assessment of a company's governance and integrity compliance program and alignment with global best practices, including official guidance and other compliance instruments published by the Organization for Economic Co-operation and Development (OECD), the World Bank, and Transparency International, to ensure ethical business practices and prevent occurrence of corruption and bribery. The Enhanced Managerial Review focuses on the following elements, which have been identified as clear indicators of a company's commitment to ethical business practices:

1. Leadership or "Tone from the Top" – The approach taken by executives in a corporation to emphasize the critical importance of ethical business conduct and practices in all activities of the corporation and behavior of its employees.
2. Policies – Corporate policies that promote ethical business conduct and practices such as a Code of Business Ethics, a Code of Conduct, a policy for the protection of whistleblowers, etc.
3. Internal controls – The ensemble of corporate systems that would ensure that there are sufficient controls pertaining to high-risk areas of the corporation, such as the financial system controls, the relationship with and system of payment of agents, and the contractors' management system.
4. Training programs on CSR – A comprehensive program of training and awareness on CSR practices in terms of business conduct and ethics for management and employees.
5. The company's history of responses and corrective measures implemented in cases of breaches of ethical standards.

2.0

THE OPERATING ENVIRONMENT

CCC continually assesses its business environment, giving particular consideration to the overall economic situation as well as specific issues that may be affecting the Corporation's target markets and sectors of interest. This section outlines the general environment within which CCC operates. It is based on ongoing research, CCC's business intelligence assessments, continuous media monitoring, expert opinion and the experience of CCC and EDC officers, as well as DFATD's TCS and Canadian exporters in the field.

2.1 DRIVERS OF CCC'S ENVIRONMENT

For the 2014-15 to 2018-19 planning period, CCC identified major drivers of our operating environment following an analysis of the geopolitical environment and the Corporation's priority markets and sectors, taking into account Canada's Strategy for Engagement in the Americas, the recent Global Markets Action Plan, and Budget 2013 information about the upcoming defence procurement strategy of the Government of Canada. Following this, CCC identified possible future scenarios with the objective of testing the probability of the scenarios as well as developing plans to mitigate risks or take advantage of opportunities in CCC's future operating environment.

The three major drivers of CCC's operating environment are:

1. A continuing uncertain global economic environment, particularly in the U.S., CCC's most significant established market;
2. The realignment of global governance, power and accountability; and
3. The growing emphasis placed on CSR and ethical business conduct.

1. *An uncertain global economic environment, particularly in the U.S.*

The uncertain nature of the global economic environment is expected to continue going forward as the world remains more vulnerable than usual to adverse fiscal and financial market developments, price shocks, geopolitical disturbances, surprise swings in specific economies and extreme weather and other natural disasters. Yet despite this, there are signs of growing economic momentum.

The Canadian economy has emerged from the 2008 recession in a better position than most developed countries. Canada benefits from a solid banking sector, productive human resources, excellent infrastructure and highly effective markets. The resiliency of the Canadian economy rests on strong fundamentals as well as continued external demand for Canada's natural resources, commodities and services.

Canada's established markets will be characterized by slow economic growth and governance austerity budgets. Most notably for Canadian exporters, the U.S. economic recovery continues at a modest pace. The International Monetary Fund (IMF) is forecasting that growth in the U.S. economy will reach 1.6% in 2013, weighed down by the growth-dampening effects of fiscal withdrawal, but that next year growth will accelerate to 2.6%.[5] While emerging economies have debt challenges and postponed planned public spending, it is broadly assumed that they will overcome these challenges and grow at a significant rate in the next 10 to 15 years.

Government-to-government sales are a significant part of the international defence marketplace. U.S. foreign military sales, for instance, "more than doubled from $34 billion in 2011 to a record $69 billion in 2012 in an effort to boost the ability of allies to counter regional and terror threats on their own."[6] Other top defence exporting nations

[5] IMF. "World Economic Outlook," October 2013. http://www.imf.org/external/pubs/cat/longres.aspx?sk=40432.0

[6] DoD Buzz. "State Department Supports Military Growth." January 29, 2013. http://www.dodbuzz.com/2013/01/29/state-department-supports-foreign-military-sales-growth/

have recognized the value of this marketplace and have established agencies specifically responsible for promoting and in some cases executing defence sales, including the DSCA in the U.S., Rosoboronexport State Corporation in Russia, ODAS in France, the Defence and Security Organization in the United Kingdom, SIBAT in Israel, FXM in Sweden, the Defense Industry Promotion Bureau in South Korea, and the Defence Export Unit in Australia.

With the global retreat in international operations, it is inevitable that the high level of defence and security expenditures over the last decade and the corresponding budget for materiel and equipment will decrease in the coming years thus increasing the value of government agencies that promote and support this part of Canadian industry.

What this means for CCC:

i. For sales of defence and security material to the U.S. DoD and NASA under the DPSA:

- The market will be more competitive, marked by shifts in procurement approaches as decisions to replace or update equipment will be weighed in and subject to more scrutiny. As well, interest to invest in new technologies, particularly in cyber warfare and intelligence, will support the emergence of new exporters that could greatly benefit from CCC's knowledge and ability to access this market.
- While U.S. DoD budget reductions will undoubtedly affect CCC's activity in the DPSA business line, CCC will seek to fully leverage Canada's competitive advantage in this established market by further enhancing its strong relationship and capabilities as a direct contractor with the U.S. DoD and NASA to provide increased support for exporters selling into this strategic market.
- The relationships CCC has built over the years and the continuing advocacy the Corporation has engaged with the U.S. DoD, the U.S. buying commands, and at the Pentagon will become invaluable to maintain Canada's market share for Canadian exporters.
- CCC's representation of the interests of Canadian exporters, in collaboration with DFATD, DND, and CADSI, through the continued execution of the DPSA will continue to bolster the importance of this market and the necessity to maintain the integrated North American defence industrial base for both countries.
- Companies that have developed capacity through sales under the DPSA will be better positioned to compete in other international defence and security markets. CCC's GDS business line is well positioned to provide support for the Canadian companies that seek out these new opportunities.

ii. For Global Defence and Security Sales:

- Austerity budget measures continue to prevail in established markets and fewer acquisitions of platform replacements from these allies may continue, presenting a risk to CCC's revenues.
- However, the need to modernize, repair and overhaul equipment, to invest in unmanned defence, cyber warfare and security technologies may result in an opportunity of equal size. As well, the shifting demand for new equipment from non-traditional like-minded nations could provide further opportunities for CCC.
- As countries reassess their defence industry, protectionism and a desire for local content will require that CCC works closely with its trade policy partners to keep as many government markets and supply chains open to Canadian companies. CCC has entered into arrangements (i.e. MOUs) pertaining to the acquisition of defence and security products and services with governments in Argentina, Colombia, Germany, the Philippines, Serbia, and Mexico, and the Corporation will continue negotiating arrangements with more markets of interest to Canada such as Chile, Kuwait, Peru, Oman, Qatar and Saudi Arabia to provide enhanced market access for Canadian exporters.
- Niche technologies will continue to be in significant demand but the companies producing these technologies will most likely be small and may not fit the definition of a traditional "export-ready" company. CCC's value proposition to facilitate government-to-government contracting and to navigate complex foreign markets will be increasingly appealing to this industry segment and will require CCC to adjust the Corporation's risk management framework and due diligence

processes to accommodate a greater percentage of SMEs that do not possess the financial and experiential capacities of CCC's traditional clientele.

- CCC will continue to make investments in business development and will explore the feasibility of opening foreign offices co-located with DFATD missions to further identify, pursue and win contracts in foreign government public markets with Canadian exporters.
- CCC's moves towards non-traditional markets will require an increased vigilance for responsible and ethical business conduct. The Corporation's CSR framework will support this requirement through its new Enhanced Managerial Review process as part of the project certification, ensuring that the Corporation withholds highest standards of integrity in all its undertakings.

2. *The realignment of global governance, power and accountability*

While large emerging market economies did not grow as much as expected in 2012, they continue to be a driver of global growth. This is changing the structure of the global economy as new markets and players gain economic influence.

Global rebalancing continues to be most prominently marked by a shift in economic and military weight toward China. For instance, while U.S. military spending is still 4.5 times greater, and its technological superiority is unquestioned, China continues to increase defence spending and may eventually surpass U.S. defence spending by 2035. According to U.S. DoD estimates, China spent between $135 billion and $215 billion on military-related expenditures in 2012.[7] The year 2012 also marked the first time military spending among Asian nations, in particular China, exceeded that of Europe.[8]

Demographics and urbanization trends are shifting. In the developing world, an increasing number of younger people are moving to cities and towns to find work which will put pressure on critical infrastructures. In Southern Asia and Sub-Saharan Africa, the rate of urban growth exceeds three percent per year compared to an annual rate of five percent in developed nations. Concurrently, the elderly population in developed nations now surpasses that of the youth population. People under the age of 25 already make up 43% of the world's population, reaching as much as 60% in some countries with many of the young people located in the developing world.[9]

The McKinsey Global Institute estimates that $57 trillion in infrastructure investment will be required between 2013 and 2030. This figure includes the infrastructure investment required for transport, power, water and telecommunications, and is nearly 60% more than the $36 trillion spend globally on infrastructure over the past 18 years.[10] As well, the shift toward the use of renewable energy and energy conservation in construction processes and facilities management will continue to become more important as climate change affects the environment.

What this means for CCC's International Commercial Business:

- Canada and CCC have a significant competitive advantage as nations seeking goods and services will look for broader value propositions including technology transfer, local employment, and environmental sustainability combined with high-quality products and services. The transparent services CCC offers and its greater focus on responsible and ethical business conduct will contribute to strengthen the reputation and credibility of Canadian exporters seeking to enter these emerging markets.
- CCC's ICB business line will continue to see long infrastructure project development cycles and may, over time, need to be adjusted with a different capability mix to respond to evolving foreign requirements. Given stakeholder recommendations, CCC will examine how concessions and PPPs in

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7 Weisgerber, Marcus. DefenseNews, "Annual DoD Report Claims Steady Chinese Military Expansion". May 6, 2013. http://www.defensenews.com/article/20130506/DEFREG02/305060008/Annual-DoD-Report-Claims-Steady-Chinese-Military-Expansion

8 The New York Times. "Shrinking Europe Military Spending Stirs Concern." April 22, 2013. http://www.nytimes.com/2013/04/23/world/europe/europes-shrinking-military-spending-under-scrutiny.html?_r=0

9 United Nations Population Fund, "State of the World Population 2011", 20, p. ii.

10 McKinsey Global Institute, "Infrastructure productivity: How to save $1 trillion a year," p. 1. January 2013.

capital projects could benefit industry. This risk-based assessment will include a review of the government approvals required to support this potential new business line, as CCC's involvement in capital projects is currently limited to the construction and commissioning phases.

- CCC's assistance facilitates expeditious, direct government-to-government contracts; can reduce payment risks and business development costs; can aid in gaining more advantageous contract and payment terms for Canada's relatively smaller exporters and supports Canadian firms ethical business practices as they seek international sales. This increases Canadian exporters' competitive edge in priority markets and directly supports the pro-trade agenda of the Canadian government.
- CCC will continue to make investments in business development and will explore the feasibility of opening foreign offices co-located with DFATD missions. An in-country presence will allow CCC to develop closer relationships with foreign government buyers and invest the time to identify opportunities, pursue projects and win contracts with Canadian exporters. This is particularly important in cultures which place a higher level of importance on face-to-face meetings and strong foundational relationships.

3. *The growing emphasis placed on Corporate Social Responsibility and ethical business conduct*

Global competition places a particular pressure on multinational corporations to examine not only their own labour practices, but those of their entire supply chain. This is extending the positive influence of large companies towards sustainable business practices. In addition, a growing number of companies are now using CSR as a differentiation tactic to gain public support for their presence in global markets and drive sales.

In addition to traditional CSR related principles in terms of environment, knowledge transfer and community fall-outs there have been a global push to address unethical business practices. Canada's February 2013 amendments to strengthen the *Corruption of Foreign Public Officials Act* (CFPOA), and the investigative and enforcement activities of the Royal Canadian Mounted Police, have demonstrated Canada's commitment to fight against international corruption.

What this means for CCC:

- CCC's engagement with Canadian infrastructure firms tends to be in emerging markets where transparency and corruption in contracting are often problematic. The Corporation will continue to reinforce its CSR framework with best practices and in particular will place a greater focus on ensuring ethical business conduct through the implementation of its new Enhanced Managerial Review as part of the project certification process.
- CCC will continue to develop its policies and best practices in coordination with DFATD and EDC to ensure coherence throughout the trade portfolio on this increasingly important initiative to maintain Canada's excellent reputation and credibility abroad.

3.0

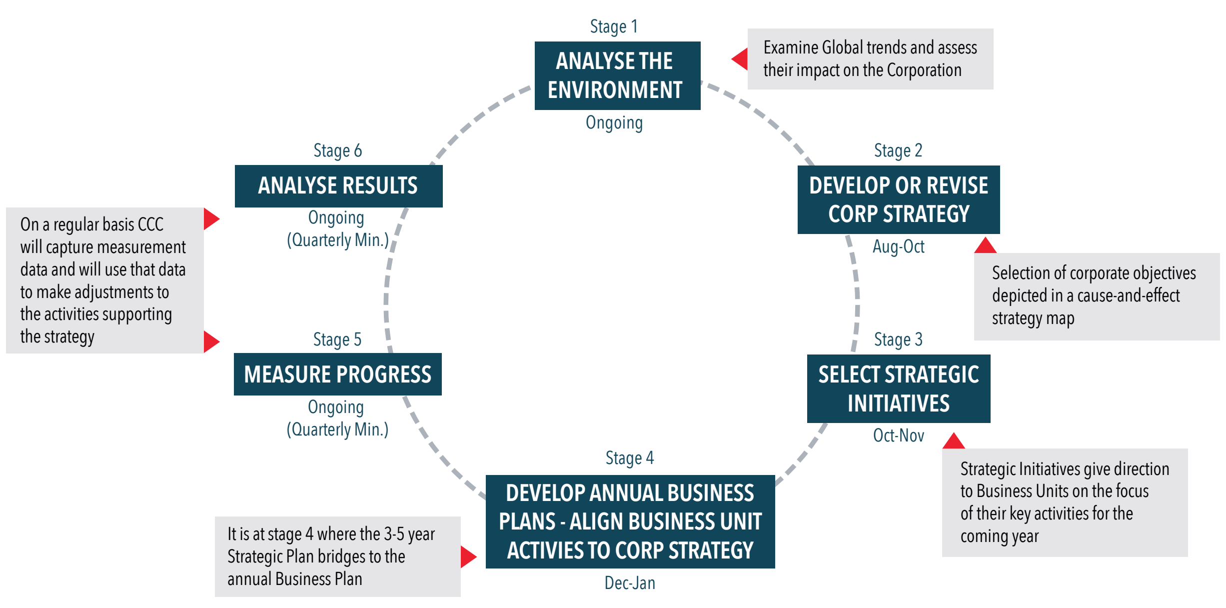
STRATEGIC OBJECTIVES, INITIATIVES AND PERFORMANCE MEASURES

3.1 STRATEGIC PLANNING

Three years ago CCC adopted the *Balanced Scorecard* system of performance management to drive better resource alignment with its strategic priorities. These first three years focused on increasing internal capacity to use the performance system to redefine how the corporation develops and executes its corporate plan.

For the 2014-15 fiscal year, CCC will continue to further refine its use of the Balanced Scorecard to provide performance metrics linked to each of the Corporation's business lines. These clear performance targets and measures will serve the basis on which the corporation's success will be measured. Through the enhanced tracking of its performance, the Corporation will ensure its human and financial resources are reviewed on a continuous basis and are allocated to deliver functions that are critical to the execution of its strategy and its mandate.

HOW WE EXECUTE - THE PLANNING CYCLE



3.2 ENTERPRISE RISK MANAGEMENT

Risk management is a key consideration when implementing strategies to achieve corporate objectives. The Corporation has a mature Enterprise Risk Management (ERM) framework in place that defines the risk management process as the identification, assessment, mitigation, monitoring, communication and training of risk management issues. This framework is a collaborative document which is reviewed and updated annually in discussion with the Board of Directors, CCC's senior management and experts in the field of risk management.

The framework outlines risks across three broad risk categories: strategic, operational, and transactional. These risks are identified and managed to stay within the Corporation's risk appetite and tolerance. The ERM framework also identifies risk owners and risk roles within the Corporation. Responsibility for risk management is cascaded throughout the Corporation beginning with the Board of Directors and its Audit and Operations Committees that ensure CCC's risk management program is current, effective and reviewed regularly. CCC's Management creates and maintains the Corporation's risk structures, policies and procedures. These are managed under the stewardship of the Corporation's Risk and Opportunities Committee (ROC).

Risks related to this corporate planning period can be summarized as follows:

3.2.1 STRATEGIC RISKS (MANDATE, ORGANIZATIONAL, REPUTATIONAL, BUSINESS ENVIRONMENT AND FINANCIAL)

The key strategic risk facing CCC continues to be related to the business environment as reflected through global economic uncertainty. U.S. budget and debt ceiling issues along with the threat of further debt problems in Europe have kept markets tense. Global demand has suffered and predictions are conservative on growth rates for both emerging and developed country economies.

As an export nation, Canada relies upon foreign market economies to demand goods and services from Canadian exporters. The financial strength of Canada's exporters is dependent upon continued demand. The uncertain business environment is a risk relevant to CCC both in terms of its potential impact on CCC's projected project revenues, and in terms of the possible erosion of the financial strength of CCC's supplier base.

CCC's transactions with the U.S. DoD have been impacted by reduced U.S. DoD spending. Downward spending appears to be the trend for the U.S. DoD and other national defence departments. Also, certain increases in repair and overhaul programs are in question that were once seen by Management as a buffer against diminishing spending on new programs within the U.S. DoD. The Corporation closely monitors the U.S. DoD's plans to understand their buying behaviour and requirements. Ensuring that CCC's value proposition is well understood is another key risk mitigation strategy used by the Corporation to maintain U.S. DoD transactions.

To mitigate business environment risk, the Corporation focuses on countries whose economic or political climate offer real opportunities wherein project financing can be achieved.

3.2.2 OPERATIONAL RISKS (INFORMATION MANAGEMENT, INFORMATION SYSTEMS, PEOPLE, POLICIES AND PROCESSES AND BUSINESS CONTINUITY PLANNING)

While operational risk remains low for the Corporation, efforts are being focused on updating CCC's information management regime. This update ensures that CCC will continue to have systems in place to deal effectively with designated and classified information received from other government departments. CCC also intends to improve project information management with an Electronic Document and Records Management System project and will continue to update its Enterprise Resource Planning system.

Another operational risk facing the Corporation relates to ensuring that its human resource capacity is appropriate (in terms of size and skill sets) to reflect the changing business needs of the Corporation. Aligned with the Government of Canada's Economic Action Plan 2013 operating freeze, CCC is required to absorb all salary and benefit increases awarded to its employees. This risk is being addressed through internal reallocation of funds from fee generating business lines. CCC has made significant investments in its people, processes and systems over the past years, including the development of a Learning and Development Framework and the renewal of its human resource policies. Striving towards a high performance culture over the planning period, CCC will continuously assess its current culture in order to define the elements of a high performance culture for the corporation; to better assist Canadian exporters; and, become increasingly more collaborative with its government partners and stakeholders.

CCC has, over the years, invested a significant level of effort in the development of a very comprehensive Policy suite that governs all areas of its activities. CCC will continue to ensure its internal policies are maintained through cyclical review, coordination with other government departments, and adhered to through active compliance monitoring. Over the years, CCC has developed a strong ERM framework, which has been praised by the Office of the Auditor General of Canada (OAG) during its annual reviews. CCC will continue to maintain its ERM and will keep it evergreen and relevant to both recognized best practices in the domain and the business environment in which CCC operates.

3.2.3 TRANSACTIONAL RISKS (SUPPLIER PERFORMANCE, FOREIGN ENVIRONMENT, CONTRACT, FOREIGN EXCHANGE, FRAUD, CORPORATE SOCIAL RESPONSIBILITY)

Foreign environment risk has historically been driven by CCC's credit exposure with Cuba. When the transitioning of these exposures to EDC is complete, risk will effectively have been removed from CCC's balance sheet and foreign environment risk will likely return to a "low" level. Local politics, interest groups and government stakeholders will all have to be managed carefully.

Another transactional risk area of concern relates to foreign exchange risk. This risk impacts the competitiveness/profitability of Canadian exporters and CCC's revenues as most CCC fees are earned in U.S. dollars and, therefore, subject to exchange fluctuation. Recent weakness in the Canadian dollar has had positive effects in these areas, thereby diminishing the overall foreign exchange risk. However, in an uncertain economic environment, this trend could reverse quickly, the impact of which would be felt against CCC's corporate targets for export growth and fee generation. CCC regularly monitors exporter financial strength and foreign exchange trends and may require exporters to have in place foreign exchange risk mitigation programs as part of its contracting practices.

Introduction of Canadian legislation and the evolution of like-minded regulations throughout the world have resulted in more pro-active measures being taken by government and the private sector to reduce the threat of corruption in business. Although CCC has historically emphasized a zero tolerance for any unethical business practice, it was quick to implement much more stringent procedures aligned to new federal legislation and the recommendations of global leaders in CSR. CCC continues to liaise with subject matter experts, including the Royal Canadian Mounted Police, to ensure operational currency in this quickly evolving area. CCC's new procedures include the provision of an Enhanced Managerial Review process that is triggered when dealing with any Canadian exporter who is of greater CSR risk based on previous incidents for which they were investigated for, or convicted of.

3.3 CCC'S CORPORATE STRATEGIC PLAN

CCC's strategic goal for the period of 2014-15 to 2017-18 will remain focused on increasing access to foreign government markets for Canadian exporters, in line with the Global Markets Action Plan and the upcoming defence procurement strategy, to continue to support the government's broader agenda on trade and competitiveness, while finding new ways to increase operational efficiencies and reduce costs.

3.3.1 2014-15 TO 2018-19 STRATEGY MAP

Over the next five years, CCC will deliver its services along a focused set of strategic objectives entrenched in its Balanced Scorecard Strategy Map. Each of these objectives are designed and governed at the corporate level and their implementation is guided with specific initiatives and performance measures that are tracked on a quarterly basis to allow a continuous realignment of resources to achieve results.

Note: The following map contains outcome statements (in light blue), themes of work to be undertaken (in dark grey), strategic objectives (in navy) and activities supporting the objectives in text. The map should be reviewed from the bottom up as the "Exceptional Work Experience" theme is foundational to work required in the "Excellence in Enterprise Resource, Risk, and Opportunity Management".

CCC CORPORATE STRATEGY 2014-15 TO 2018-19

INCREASE ACCESS TO FOREIGN GOVERNMENT MARKETS FOR CANADIAN EXPORTERS

The Government of Canada expects CCC to be **credible**, effective and efficient in meeting its mandate of assisting in the development of trade by helping Canadian exporters access markets abroad and helping foreign government buyers obtain goods and services from Canada	Canadian exporters rely on CCC to enhance their competitiveness by helping them access foreign government markets through government-to-government contracting at a **competitive** price	As a Crown Corporation of the Government of Canada, foreign government buyers rely on CCC to be **collaborative** in developing government-to-government solutions with Canadian exporters

EXCELLENCE IN ENTERPRISE RESOURCE, RISK, AND OPPORTUNITY MANAGEMENT

GROW CANADIAN EXPORT BUSINESS

1. Contribute to the development and delivery of Government of Canada international trade initiatives
2. Enhance relationships with foreign government buyers and Canadian exporters
3. Grow Canadian export business in existing markets and develop new markets while remaining within CCC's risk tolerance
4. Improve trade portfolio collaboration and business intelligence
5. Continue to develop business development capacity and systems

BE PRODUCTIVE AND EFFICIENT

1. Broaden confidence in CCC's value proposition
2. Ensure transparent and competitive pricing
3. Deliver timely and strategic project assessment, selection and decision-making
4. Continue to demonstrate organizational discipline – policy adherence, probity and robust risk management practices
5. Ensure CCC's internal capacity and the ratio of expenses to revenue are optimal

DELIVER QUALITY SERVICES

1. Adhering to accepted international business ethical standards, CCC will work with Canadian exporters to develop innovative solutions to meet the requirements of foreign government buyers
2. Apply rigorous risk management and international contracting expertise in structuring and drafting contracts
3. Provide robust contract management to ensure goods, services and project delivery are in compliance with contractual terms and conditions
4. Deliver exceptional customer experience
5. Expand CCC's Brand

EXCEPTIONAL WORK EXPERIENCE

HIGH PERFORMANCE CULTURE

1. Align CCC's culture with the Corporation's mandate
2. Eliminate cultural gaps at CCC
3. Integrate top leadership behaviours into CCC's Learning and Development Framework

EMPLOYEE ENGAGEMENT

1. Create an exceptional employee experience
2. Better understand our working environment
3. Provide employees with the tools required to do their jobs efficiently and effectively

LEADERSHIP

1. Identify CCC's "Top Leadership Behaviours"
2. Recognize and reward those who model CCC's top leadership behaviours
3. Build CCC's internal leadership capacity

3.4 CCC TARGETED BUSINESS STRATEGY FOR 2014-15

The aftermath of the 2008 recession continues to see the emergence of new government-supported defence export organizations around the world. This means that Canadian exporters need every tool at their disposal in order to be competitive. The Government of Canada is responding to these needs with strong support for international trade and, particularly, for Canada's defence industries, and for more focused and effective trade promotion tools. The upcoming defence procurement strategy, while aimed largely at fully leveraging defence procurement projects to support economic opportunities for Canadians, also will have an export component. Likewise, the 2013 Global Markets Action Plan emphasises the importance of better focusing Government of Canada resources and services to enhance the government's suite of trade promotion tools.

Key elements of the Corporate Strategy:

SALES TO THE U.S. DOD AND NASA UNDER THE DPSA

The reality of this element of CCC's public policy mandate is that the world's largest purchaser of military equipment, the U.S., has implemented an aggressive fiscal restraint policy which targets the reduction of military spending by approximately $500 billion over the next ten years.[11] Although turmoil in the world could quickly alter this course, it is anticipated that DPSA business volumes will not see historical high-levels for a number of years. Notwithstanding this projection, U.S. military spending will continue to provide Canadian defence and security exporters with significant revenue. Although the current environment of fiscal restraint is challenging, CCC will respond by increasing communications efforts with major U.S. Military Buying Commands to ensure they remain current with respect to Canada's defense and security industrial capabilities. By keeping Canadian capabilities "top-of-mind" Canadian exporters are in the best position possible to compete successfully for diminishing U.S. business. Going forward, CCC will seek a means of scaling resourcing requirements within this business line, again being mindful of the potential for dramatic swings caused by global volatility. Additionally, CCC will continue to work with PWGSC to identify further savings within the audit component of the program.

GLOBAL DEFENCE AND SECURITY SALES

CCC's investment in its GDS business line since 2009 has achieved growth from $70.1 million in 2010-11 to $138.4 million in 2012-13 in contracts signed for Canadian exporters. This year's strategy builds on CCC's successes, mainly in support of Canada's Strategy for Engagement in the Americas, and will be aligned with the upcoming defence procurement strategy once it is launched, and with the recent Global Markets Action Plan to further support Canadian exporters in accessing the defence and security markets.

In particular, CCC will:

- Align its country and exporter strategies to priority markets contained within the Global Markets Action Plan and Canada's Strategy for Engagement in the Americas, and which favour government-to-government contracting.
- Develop new collaborative approaches with DFATD and DND's Canadian Defence Attachés by working more closely in the development of opportunities and sharing information that supports targeting of promising markets.
- Promote the development of, and actively participate in, a whole-of-government approach to international events that showcase Canadian capabilities to foreign government buyers.
- Actively support foreign delegations visits to Canada and participate to trade missions abroad that promote Canadian exporters products and help level the playing field with competing foreign exporters.
- Work cooperatively with sector associations like CADSI, AIAC, and NDIA in the U.S. to maintain a comprehensive knowledge of exporter's challenges and leverage common opportunities for advocacy and marketing.

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11 U.S. DoD. "Pentagon review reveals best, worst case, says Hagel," July 31, 2013. http://www.defense.gov/News/newsarticle.aspx?ID=120559

The signing of a significant LAV contract in 2014 will contribute to the credibility and reputation of defence Canadian exporters providing equipment and services that can respond to highly complex needs of foreign government buyers. CCC will leverage this achievement to further promote Canadian capabilities in defence and security and will explore the feasibility of establishing in-country presence in priority markets to provide additional on-location support to Canadian exporters and to develop the relationships and intelligence that enable more effective development of business opportunities to contract.

INTERNATIONAL COMMERCIAL BUSINESS SALES

Since 2009, CCC's ICB business line has grown from $58.3 million in 2010-11 to $169.2 million in 2012-13 in the value of contracts signed for Canadian exporters. Going forward, CCC will leverage the Global Markets Action Plan and Canada's Strategy for Engagement in the Americas to focus on priority markets to enhance its collaboration with DFATD and in particular work in partnership with the TCS to maintain a strong focus on pursuing infrastructure projects that require multi-year development cycles. The Corporation also plans to specifically pursue the following:

- CCC will work more closely with international financing institutions, including chartered banks, to increase their awareness of the role CCC plays in facilitating trade between Canada and other nationals, with a particular view to forging relationships that could increase financing options for purchasers and exporters involved in capital projects. As requested by some Canadian exporters and aligned with international trends, CCC will explore the potential and feasibility of a role in concessions and PPPs of capital projects. The current Capital Project Guidelines limit CCC's direct involvement to the construction and commissioning phase of a capital project. This exploration will also examine the need for such support and the approval process which would be required for the Corporation to enter into such roles. This seeks to determine how CCC may provide increased support to Canadian exporters while mitigating risks and protecting the interests of the Corporation.

TRANSFER OF CUBA TRADE FINANCING ACTIVITIES TO EDC

CCC will complete the process of transitioning all trade financing responsibilities for existing and new contracts to EDC by the end of 2013-14. The Corporation will also work with EDC to transition to a two-contract model over a one-year period, to continue to support Canadian exporters with interest in this market with contracting services.

This transfer of responsibilities will allow the payment of a dividend of $40 million to the Government of Canada upon approval of the Corporate Plan, as up to such an amount was used to backstop the Corporation credit risk exposure with Cuban buyers.

INVESTMENT IN BUSINESS DEVELOPMENT

This plan is focused on increasing GDS and ICB revenues through increased interoperability with Government of Canada trade partners as well as through increased business development capacity focused on high-potential markets interested in the key industrial capabilities of Canada. To support a strengthened relationship with the TCS, CCC will work closely with DFATD in the development of an MOU focused on establishing mechanisms to identify an increased number of export opportunities.

CCC is also actively developing rationale to support the posting of two business development officers abroad per year over the last four years of the planning period for a total of eight people co-located with DFATD missions. In-country presence could improve the development of significant new opportunities for Canadian exporters. This development work is focused on generating new business for Canadian exporters as well as an associated increase in CCC's revenue base.

CCC's current five-year business development strategy is focused on growing existing markets and developing new markets. At its core are the following elements:

- 'Country and Supplier Strategies', prepositioned by the signing of arrangements with foreign buyers on one hand and with master services agreements with suppliers on the other hand, CCC will focus on collaborative approaches and will build upon a sound qualification process and robust risk management (including enhanced due diligence where a greater potential for corruption might exist). The strategies further establish a tiering process where engagement and investment is calibrated to identify prospects, pursue opportunities and engage in strategic collaboration. Under continuous review to react to global developments, they are also scrutinized so as to remain aligned with Canadian interests. For instance Colombia, Peru and the Kingdom of Saudi Arabia for the GDS business line, and Ghana and Kenya for the ICB business lines have been identified in the Tier 1 of the Country Strategy, and will be re-assessed along other countries throughout the five-year period of the Corporate Plan.

- Clarifying and enhancing the value proposition for each business line. Communications focus on outlining the benefits for foreign buyers, as well as for Canadian suppliers, in terms of enhanced access to markets, cradle-to-grave contracting solutions inclusive of advocacy and representation of interests, robust contract performance management, and cost avoidance due to strong risk management and simplified administration.
- CCC will build upon the "Canada brand" inherent in the 2013 Global Markets Action Plan by expanding its own brand as a trusted government partner which is credible, competitive and collaborative while promoting its unique value propositions through its business lines.
- Ensuring CCC's pricing policy is transparent, consistent and competitive. The Policy outlines CCC's fee structure, and the ability to discount the fee in the event of a competitive bid or lower risk level. The Policy and its application are integral to CCC's sound risk management approach. CCC's pricing strategy rests on evaluations in function of the value and risks specific to each project and on the guiding principle that fees always exceed the full costs estimated for each project.
- Being responsive to the results of annual client surveys. Since 2010 CCC has implemented annual client surveys to ensure it not only meets, but strives to exceed, the product support expectations of its clients. The Corporation will continue this quality management practice by dynamically reviewing and improving itself based upon client feedback and internal corporate monitoring controls.

SERVICES ALIGNED WITH GOVERNMENT OF CANADA PRIORITIES

The Corporation successfully established six Canadian Trade Offices in China at the request of the Government of Canada in 2009. This arrangement has worked well and the offices in Shenzhen, Chengdu, Qingdao, Wuhan, Nanjing and Shenyang an integral role in the commercial success of Canadian firms in China.

In 2014, CCC will continue in this role and work with DFATD to expand the China Trade Office network to promote the continued success of Canadian firms, particularly SMEs, in this priority market.

In addition to the foregoing, CCC contributes directly to Government of Canada trade priorities including:

- ***The Global Markets Action Plan:***
  - Priority markets align very well with those set out in the Global Markets Action Plan. In many cases, CCC has an established trade history with these countries and therefore is well positioned to begin advancing the goals of the Global Markets Action Plan immediately when there is a demand for government-to-government contracts.
  - Notwithstanding CCC trade history with the Global Markets Action Plan countries, it will:
    - Engage with key government partners, including the TCS and Defence Attachés, to increase collaboration to provide Canadian exporters with an integrated suite of trade promotion and development services that will strengthen their ability to access opportunities in defence and security, and infrastructure in emerging markets.
    - Deepen Canada's competitive advantage in the established U.S. market and maintain access to U.S. DoD and NASA opportunities under the DPSA.
    - Continue to develop its base of exporters in global defence and security markets, to leverage Canadian and U.S. military and security related procurements with

export-ready goods and services that can respond to the requirements of allied countries and like-minded nations, hence accessing new priority markets.

- Increase business development activities with like-minded nations, with a medium-term market focus on South America the Middle East, and Asia, in order to penetrate lucrative international defence and security markets.
- Increase business development activities in emerging nations in Africa, Asia and South Asia to further support Canadian exporter's access to public infrastructure markets.
- Continue to develop exporter strategies that support SMEs, a segment of industry which already represents 64% of the CCC exporter base, to access foreign government contracts.

- CCC's business development efforts since 2009 have increased awareness of the Corporation's services with both foreign government buyers as well as with Canadian exporters. CCC will work with DFATD and other Government of Canada trade partners to identify opportunities which would benefit from Ministerial participation, will participate in trade missions led by the Minister of International Trade in priority markets, and will continue to proactively identify and support visits by foreign delegations to the benefit of Canadian exporters in the defence and security, and infrastructure sectors.

- ***Defence Procurement Strategy:***
  - As the defence and security export sales organization of the Government of Canada, CCC is well-placed to support the upcoming defence procurement strategy.
  - Although CCC currently supports many Canadian companies who fall within the interim key industrial capabilities proposed in the 2013 Jenkins report on military procurement, it will enhance its outreach programs to identify and assist emerging companies who are interested in developing their international business practice.
  - In support of the export component of the upcoming defence procurement strategy, CCC will build on the unique market access granted by the DPSA and will develop a focused approach to collaborating with Government of Canada trade partners, including DFATD, PWGSC, DND, EDC, and IC, on a variety of initiatives, including:
    - Fostering a closer working relationship with Canadian Defence Attachés to identify the defence procurement needs of other nations.
    - Enhancing the promotion of Canadian capabilities at international trade shows and through foreign delegations' visits in concert with defence and security associations.
    - Identifying potential joint procurement opportunities such as assisting in the creation of international opportunities for the Canadian shipbuilding industry through the identification of international buyers who are interested in vessels built through the Government's National Shipbuilding Plan.

- ***DND's Global Engagement Strategy and the Canada First Defence Strategy:***
  - The Global Engagement Strategy forms the foundation for the development of military to military relationship between Canada and allied and like-minded nations, while the Canada First Defence Strategy involves focused and significant investment in the defence and security industry.
  - These clear, long-term plans yield the opportunity to better position Canadian exporters to compete for defence contracts in Canada and in the global marketplace. Leveraging its considerable expertise, gained through the DPSA and GDS business lines, CCC will work closely with DND to facilitate the execution of these Strategies for the benefit of Canadian exporters in the defence and security sector.

- ***Canada's Strategy for Engagement in the Americas***
  - Through CCC's success in the project to construct the new Quito International Airport, and in the development and advancement of key relationships with like-minded hemispheric partners including Colombia, Peru and Chile, and in the Caribbean, the clear priority in the Americas region for CCC naturally aligns with the Government of Canada's objectives in this area.
  - CCC's role in partnerships with governments in the hemisphere contributes to the cascading effect of Canada's bilateral engagement through FTA's, Foreign Investment Protection Agreements, Defence Cooperation Agreements and CCC MOUs with Ministries looking to Canada for cost-effective, robust and tailored technical solutions that enhance their security, their economic development and their local capacity.
  - CCC's efforts to stimulate and support defence trade and its pursuit of security-related and infrastructure contracts in the Caribbean on behalf of Canadian suppliers creates economic opportunity and enhanced security, both in the region and at home.

SOURCING SERVICES TO SUPPORT INTERNATIONAL GOVERNMENT ASSISTANCE PROGRAMS

CCC supports DFATD in the implementation of the Government of Canada's international aid programs by assisting with the sourcing of goods and services destined for foreign recipients. As part of this assistance, CCC also works with the Government of Canada's international emergency response and reconstruction initiatives. For example, CCC engages closely with DFATD's Security and Emergency Preparedness division, in order to ensure as many Canadian companies as possible can participate in Canada's international emergency response to natural disasters or reconstruction efforts.

Going forward, the Corporation will continue to support the department with its sourcing and contracting expertise on an as-required basis.

SHARED CORPORATE SERVICES WITH PUBLIC-PRIVATE PARTNERSHIP CANADA INC.

CCC has established a comprehensive shared services arrangement with PPP Canada that generates economies of scale in providing a variety of corporate services to both organizations. This arrangement includes the provision of shared expertise in human resources services, Information Technology (IT) services and legal services amongst others.

Going forward, CCC will continue to nurture this arrangement with PPP Canada to ensure both organizations benefit from improved efficiencies. The Corporation will also examine the potential to expand this type of arrangement to other government organizations which could benefit from similar economies of scale and cost avoidance in the provision of their corporate services.

COST CONTAINMENT AND BUDGET 2012 SAVINGS MEASURES

In the spirit of the Government's Budget 2012 savings measures, CCC has carefully managed its financial resources and has generated operating surpluses in each of the past eight fiscal years. Going forward, CCC is committed to an on-going review of its operating model and related expenditures to ensure continued efficiency gains. Specific initiatives or measures have been identified already including the following:

- The Corporation will reduce and eliminate its appropriation over the course of the five-year planning period. Although the appropriation for 2014-15 will be approved in the Main Estimates at $15.7 million, CCC will reduce the appropriation to $14.24 million in 2014-15, $8.88 million in 2015-16, $3.51 million in 2016-17 and then nil from 2017-18 and ongoing.
- CCC has put into effect spending reductions of its core administrative expenses of 14% over three fiscal years: 8% in 2013-14, an additional 2% in 2014-15, and a further 4% in 2015-16. This will be achieved by:
  - Rationalizing non-essential staffing actions, including the back-fill of vacancies created through retirement or resignation;

  - Rationalize discretionary, non-reimbursable travel and hospitality expenditures;
  - Continuing to explore less expensive solutions or alternative service providers or insource activities with the reallocation of existing resources (e.g. post-contract audit services); and
  - Patriation of services performed by other government departments to minimize extraordinary overhead and indirect charges incurred by the Corporation (e.g. resources related to LAV contract performance wholly dedicated and charged to the Corporation).
- Certain increases to non-core administrative costs will occur when new contracts require additional resources and expenses for proper contract management, specifically in the GDS and ICB business lines. These may include specific personnel or resources required at the Corporation's corporate offices in addition to specific in-country resources and their related costs for items such as domestic and/or international travel and accommodation to satisfy terms of the contract.
- Renewed attention on the initiative started in 2010 to search for efficiencies in the delivery of its DPSA contracting with the review of services provided by PWGSC. By improving the delivery model between the two organizations, CCC achieved $2.4 million in cost avoidance in fiscal year 2012-13 and $2.3 million in 2013-14. The Corporation will, over the planning period, continue to search for further efficiencies which could benefit both organizations with the review of the DPSA cost audit model.
- CCC will review its alignment of resources, management structure and future activities to identify specific initiatives or measures that could be undertaken to ensure continuous cost containment.
- CCC will continue to provide detailed financial information by business line, including revenues and expenses, with sufficient detail to substantiate and defend financial projections.

Should revenues attributed to additional contracts not currently contemplated in the Plan exceed the forecasts in this Plan, CCC will adjust expenditure levels as necessary and consistent with contract terms (for example when specific contract management and monitoring resources and related expenses such as travel or accommodation are required), ensuring they remain commensurate with resources required to sustain the increased level of business and are effectively recouped through the application of fees associated with additional revenues.

3.5 BALANCED SCORECARD STRATEGIC OBJECTIVES/MEASURES/TARGETS

STRATEGIC OBJECTIVES	MEASURE(S)	ACTUAL 2012-13	FORECAST 2013-14	TARGET 2014-15 (YEAR 1)	TARGET 2015-16 (YEAR 2)	TARGET 2016-17 (YEAR 3)	TARGET 2017-18 (YEAR 4)	TARGET 2018-19 (YEAR 5)
Grow Canadian Export Business	**1. DPSA Business Line** Sales to the U.S. DoD under the Canada-U.S. DPSA and to NASA							
	a. Value of Contracts Signed	$0.58B	$0.58B	$0.55B	$0.55B	$0.55B	$0.55B	$0.55B
	b. Value of Commercial Trading & Sourcing Services Transactions	$1.84B	$1.04B	$0.58B	$0.57B	$0.54B	$0.55B	$0.55B
	c. Number of Canadian exporters with contracts and/or pursuits via CCC	109	97	95	95	95	95	95
	2. GDS Business Line GDS sales to allies and like-minded nations							
	a. Value of Contracts Signed	$138.0M	$14.3B	$235.2M	$220.7M	$231.7M	$243.3M	$255.5M
	b. Value of Commercial Trading & Sourcing Services Transactions	$77.3M	$471.4M	$1.26B	$1.97B	$2.33B	$2.80B	$2.77B
	c. Number of Canadian exporters with contracts and/or pursuits via CCC	11	21	18	22	26	31	36
	3. ICB Business Line ICB Sales to government buyers in emerging and developing markets							
	a. Value of Contracts Signed	$208.2M	$270.0M	$365.5M	$395.6M	$366.4M	$382.9M	$400.2M
	b. Value of Commercial Trading & Sourcing Services Transactions	$326.8M	$227.7M	$251.7M	$288.3M	$352.5M	$381.8M	$380.6M
	c. Number of Canadian exporters with contracts and/or pursuits via CCC	25	27	15	18	22	26	30

STRATEGIC OBJECTIVES	MEASURE(S)	ACTUAL 2012-13	FORECAST 2013-14	TARGET 2014-15 (YEAR 1)	TARGET 2015-16 (YEAR 2)	TARGET 2016-17 (YEAR 3)	TARGET 2017-18 (YEAR 4)	TARGET 2018-19 (YEAR 5)
Be Productive and Efficient	**1.** Operating Results: Surplus/(Deficit)	$1.33M	$1.74M	$2.14M	$5.58M	$3.83M	$3.72M	$2.29M
	2. Administrative expenses as a percentage of Commercial Trading & Sourcing Services Transactions	1.35%	1.61%	1.49%	1.06%	0.95%	0.85%	0.89%
	3. Administrative expenses as a percentage of net revenues and appropriation	95.8%	93.6%	89.6%	82.8%	86.9%	87.2%	91.1%
	4. Implementation of OAG audit recommendations	100%	100%	100%	100%	100%	100%	100%
	5. Adherence to Commercial Contract payment terms	100%	98%	99%	99%	99%	99%	100%
Deliver Quality Services	**1.** Client satisfaction (Client Survey results)[12]	80%	82%	83%	84%	85%	86%	87%
	2. Number of Strategic Partnerships[13]	78	80	80	80	80	80	80
	3. Fees for Service	$15.2M	$13.7M	$20.1M	$27.1M	$31.5M	$35.8M	$35.5M
	4. Contract remediation expenses as a percentage of Commercial Trading & Sourcing Services Transactions	0%	0%	<0.05%	<0.05%	<0.05%	<0.05%	<0.05%
Exceptional Work Experience	**1.** Percentage of employees who have signed the Code of Conduct and Code of Business Ethics	100%	100%	100%	100%	100%	100%	100%
	2. Employee retention rate	91.1%	97.3%	≥90%	≥90%	≥90%	≥90%	≥95%
	3. Percentage of employees with learning plans	95%	90%	90%	90%	90%	90%	95%
	4. Average sick days/year/employee	3.7 days	<5 days	<5 days	<5 days	<5 days	<5 days	<5 days

[12] There are nine quality service dimensions that make up the Client Satisfaction percentage. It is the average of these nine quality service dimensions where the response is "Strongly Agree" or "Agree" that are include in the outcome.

[13] Strategic Partnerships are defined as signed agreements that express a shared line of action or understanding (i.e. signed MOUs, cooperation agreements and service level agreements).

4.0

CCC'S FINANCIAL PLAN

4.1 OPERATING BUDGET, CAPITAL BUDGET AND BORROWING PLAN

This section of the Corporate Plan outlines CCC's operating budget, capital budget and borrowing plan. It also includes the Corporation's proforma financial schedules, financial objectives and five-year key planning assumptions. It concludes with the Corporation's forecast for 2013-14.

4.2 OPERATING BUDGET FOR 2014-15

The planning objectives and assumptions used to forecast the Operating Budget for 2014-15 and in subsequent years are detailed and discussed in the Financial Objectives section 4.5 and Five-Year Key Planning Assumptions section 4.6.

CCC is budgeting for an operating surplus of $2.1 million in 2014-15 with net revenues of $20.7 million.

In 2014-15, net revenues (which exclude the parliamentary appropriation) will increase to $20.7 million from $14.5 million in the 2013-14 forecast, an increase of $6.2 million or 43%. This increase is largely attributed to fees for service earned and recognized on the commencement of progress work related to the significant LAV contract signed and effective in 2014. In addition to the impact of the significant LAV contract, GDS and ICB fees for service are also expected to grow in the outer years due to increased business resulting from a growth in awareness of CCC's value proposition, made possible through the redeployment of resources in business development.

Average annual revenues are forecast to grow substantially over the five-year period of the Corporate Plan, growing from $20.7 million in 2014-15 to $36.2 million in 2018-19 or approximately 19% average per year. The Corporation will reduce and eliminate its appropriation over the course of the five-year planning period. Although the appropriation for 2014-15 will be approved in the Main Estimates at $15.7 million, CCC will reduce the appropriation to $14.24 million in 2014-15, $8.88 million in 2015-16, $3.51 million in 2016-17 and then nil from 2017-18 and ongoing.

In 2014-15, contract remediation expenses are budgeted at $527,000 significantly lower than the average contract remediation expenses incurred over the past ten years of $1.9 million per year. This low level of budgeted contract remediation expenses results from CCC's robust risk and contract management practices.

Administrative expenses will increase to $31.3 million in 2014-15 from $28.2 million in 2013-14, an increase of $3.0 million or 11%. The increase is due entirely to the sizeable effort required to manage the significant LAV contract signed and effective in 2013-14, along with direct expenses related to the start-up and operation of additional offices in China. Otherwise, CCC core headquarter total administrative expenses will be slightly reduced as part of the second year of Management's initiative to better align the Corporation's resources with future activities. CCC has put into effect spending reductions of its core administrative expenses of 14% over three fiscal years: 8% in 2013-14, an additional 2% in 2014-15, and a further 4% in 2015-16 through prudent management and rationalization of costs including staffing actions, discretionary and non-reimbursable travel and hospitality and certain out-sourced services. A more fulsome discussion follows under Section 4.5 Financial Objectives and Section 4.6 Five-year Key Planning Assumptions.

The budget for 2014-15 includes a $1.0 million expense for Cuba Contracting Program insurance. The amount represents the expense incurred for 11 months. The total insurance premium of $1.14 million is amortized over 12 months (the duration of the coverage) on an estimated weighted average basis of the loan balances outstanding. The expense was required in order to transfer the risk exposure of CCC's entire Cuba portfolio to EDC as part of the transition of the financial management of the Cuba program to EDC.

4.3 CAPITAL BUDGET FOR 2014-15

The Corporation is not anticipating any material or significant capital expenditures in 2014-15. Standard purchases of equipment, furniture and fixtures required by CCC during 2014-15 will approximate $250,000 and are included in the Corporation's Operating Budget.

4.4 BORROWING PLAN FOR 2014-15 TO 2018-19

In this Corporate Plan, CCC is seeking Ministerial approval to borrow up to $40 million or its U.S. dollar equivalent from various financial institutions.

The Corporation has working capital requirements to facilitate the DPSA and NASA programs. CCC pays Canadian exporters on DPSA and NASA contracts within 30 days of receipt of invoices, and requires access to an operating line of credit as a prudent safeguard in the event that the U.S. DoD or NASA does not pay their invoices within the same time period. For 2014-15, the Corporation requests $40 million, the same amount as last year, in Canadian currency or its U.S. dollar equivalent as CCC borrows in U.S. currency to avoid foreign exchange risks. Consistent with previous years, CCC is requesting up to 120 day repayment terms per invoice against which it has borrowed. The Corporation expects to borrow Canadian currency at the Canadian prime rate and U.S. currency at the U.S. prime rate.

A table identifying borrowing needs for CCC for the period 2014-15 to 2018-19 follows:

4.5 FINANCIAL OBJECTIVES

For CCC to achieve its overall business objectives, the following financial objectives will be pursued:

GROWING COMMERCIAL TRADING TRANSACTIONS AND FEES FOR SERVICE

Commercial trading transactions reflect the deliveries and work performed by CCC's suppliers (Canadian exporters). The Corporation will continue its efforts to develop a solid pipeline of business opportunities in order to grow commercial trading transactions and fees for service in the future. CCC will take steps toward this objective by executing its five-year business development strategy including increasing its foreign buyer and exporter pools through established relationships, implementing country and supplier strategies, building on its enhanced value proposition and leveraging its strong partnerships approach with key government collaborators.

In defence markets, CCC will focus efforts on the examination of its operational environment to increase access to the U.S. DoD and NASA markets under the DPSA and to identify new clients and markets that would benefit from the Corporation's services. Engaging new suppliers and buyers will expand the Corporation's client base and afford opportunities for revenue growth while maintaining focus on the U.S. DoD and NASA markets during looming defence budget reductions. CCC will work with its base of exporters that are export ready in global defence and security markets, leveraging Canadian and U.S. military and security related procurements to open new markets with allied nations.

In emerging and developing markets, CCC will support Canadian exporters in infrastructure and commercial products and services, and increase access to complex and difficult markets by offering a more fulsome solution, inclusive of financing scenarios, contract structuring, contract management, quality assurance and operational knowledge transfer.

DESCRIPTION	2014-15	2015-16	2016-17	2017-18	2018-19
Short-term borrowing for DPSA and NASA (up to 120 days)	$40M	$40M	$40M	$40M	$40M
Total borrowing request	$40M	$40M	$40M	$40M	$40M

CAPITAL REQUIREMENTS

The Corporation will make a dividend payment to the Government of Canada in the amount of $40 million upon approval of the Corporate Plan. As a result of the dividend payment, the Corporation forecasts that it will be in a small capital deficit position relative to its required capital. The Corporation considers this capital deficit to be short-term and manageable, effectively representing only a few weeks of working capital.

The Corporation determines its required capital by assessing the operational and performance risk of its individual business and service lines as well as the residual risk for Cuba credit. However, in addition to the dividend payment of $40 million, the Corporation will transition all financing of new and existing contracts with Cuba to EDC at the end of 2013-14. As a result, the residual risk for Cuba credit will be eliminated as a component of the Corporation's required capital. With the transfer of all credit risk exposure to EDC, an additional cost of approximately $1.14 million will be borne by CCC and amortized over 12 months starting in March 2014 to secure insurance from EDC (or a 4% charge on the Corporation's current Cuba financing portfolio balance). While the insurance protects the Corporation in the event of default, the Corporation's capital is expected to be replenished over the course of 2014-15 as Cuba pays down credit balances.

The Corporation's capital base is expected to grow through the Corporate Plan period from $12.1 million at the beginning of 2014-15 to $29.7 million by the end of 2018-19. CCC will continue to strengthen its financial position by growing its capital base through continued investment strategies. Strategies to achieve this goal include: reviewing its alignment of resources, management structure and future activities to identify specific initiatives or measures that could be undertaken to ensure continuous cost containment; keeping contract remediation costs at a minimum and exploring ways to utilize CCC's capital to support innovation.

COST EFFICIENCY PLAN

The federal government introduced a Strategic and Operating Review in Budget 2011 to examine direct program spending as appropriated by Parliament and has continued to focus on deficit reduction in Budget 2012. In line with the Government's direction, CCC has implemented a Cost Efficiency Plan which ensures services are delivered to Canadians at best value. In assessing potential savings, CCC has focused on achieving efficiencies from its operations, as well as reviewing business processes and service platforms.

Specifically:

- CCC will continue to assess staff levels and achieve related cost efficiencies where possible by continuously reviewing and improving its alignment between the Corporation's resources and operational activities. Through the duration of the Plan, CCC will achieve savings of $2.2 million from base year 2012-13.
- Combining cost management and cost avoidance objectives, CCC continues to insource certain services historically provided by with PWGSC. This not only had the effect of reducing PWGSC costs from $4.2 million in 2012-13 to approximately $3.7 million in 2013-14 but CCC's Board-approved DPSA Business Process Improvement Initiative generated significant cost avoidance or savings over multiple years from PWGSC's prescribed levels in which annual charges were to increase to approximately $6.2 million per year commencing 2011-12.
- CCC has established a shared services arrangement with PPP Canada to generate economies of scale in providing a variety of corporate services to both organizations. CCC recovers $750,000 annually to cover related direct and indirect costs.
- CCC's Board of Directors has also engaged in efficiency improvement and cost avoidance with the restructuring of its Board Committees and meetings, and will continue to examine other strategies to save costs. Savings in

2013-14 and ongoing are estimated at a minimum to be $100,000 based on nine active Board members annually.

- For its broader administrative expenses, CCC converted to a new payroll system in January 2012 using ADP Canada as its HR and Payroll solution provider to improve on the reporting capacity and limit the growing cost of the centralized system operated by PWGSC. This generated annual savings of $100,000. In addition, the ADP application and functionality provides efficient and timely reports improving management of CCC's HR and Payroll processes.
- Following on to the intent of the Budget 2012 savings measures and TBS expectations of Crown corporations, CCC has maintained, and will continue to maintain, a clear alignment of its compensation and benefits packages, including pension provisions, for both its unionized employees and its executive cadre. In addition, CCC will absorb all salary and benefit increases through the reallocation of internal resources. Elimination of the voluntary severance benefit generated savings of approximately $150,000 per year.
- CCC controls general travel, hospitality and conference expenses by maintaining them at 2009-10 levels.

CCC will continue to develop and implement cost efficiencies to ensure they remain in step with increases in fee-based revenues, consistent with the Government's cost containment measures. This commitment has guided the manner in which CCC has responded to the challenges of the past year and signifies ongoing efforts to position CCC for future success and growth.

4.6 FIVE-YEAR KEY PLANNING ASSUMPTIONS

The Corporation has made the following five-year planning assumptions in projecting the major components of its operating budget.

- DPSA – The value of contracts signed related to CCC's DPSA program including major LAV projects, is planned to return to traditional DPSA core activity of $550 million annually, amounts which were prevalent before the extraordinary LAV sales to foreign governments through the U.S. DoD FMS, which commenced in 2001-02 and for which deliveries and their related commercial trading transactions are expected to continue through 2014-2015. Although the U.S. government has reduced spending on defence, it is anticipated that the procurement components of this spending will remain constant and stable throughout the five-year planning cycle.
- GDS – Based on the Corporation's current pool of leads and potential projects with a win probability of 40% or greater, CCC is planning for its value of contracts signed to grow from $235.2 million in 2014-15 to $255.5 million in 2018-19. In this regard, quality leads have been developed and continue to emerge in Argentina, Colombia, Peru, Philippines and several countries throughout the Middle East.
- ICB – Based on the Corporation's current pool of leads and potential projects with a win probability of 40% greater, CCC is planning for its value of contracts signed to grow from $365.5 million in 2014-15 to $400.2 million in 2018-19. In this regard, quality leads have been developed and continue to emerge in Dominican Republic, Bangladesh, Peru, El Salvador, Ghana and Trinidad and Tobago.
- Sourcing Services – In 2007, CCC signed an MOU with DFATD to deliver goods and services for international programs and assist the Department in meeting its global stabilization and reconstruction priorities. This business line is dependent exclusively upon DFATD and other Government of Canada requirements with a large majority of the forecast activity is based on the Corporation's involvement with DFATD's Global Partnership Program, ACCBP, Global Peace and Security Fund and the Counter-Terrorism Capacity Building Program. CCC is planning for its value of contracts signed to remain constant and stable throughout the five-year planning cycle at around the $16.0 million level. Generally, these transactions tend to be smaller in value and scope, however, on occasion, larger construction projects may transpire.

COMMERCIAL TRADING TRANSACTIONS

Commercial trading transactions measure the value of delivery of a good or service or progress work once a contract is signed and becomes effective. Fees for service are earned as deliveries are made or work is being performed. As such, the assumptions made to estimate the timing of when deliveries are made and work is performed are important to consider. Several factors are considered when determining the average rate of completion of all contracts signed in a given year. Factors such as the duration of the contract, the number of specific deliverables or milestones and at what point of time during the year the contract is signed and effective. All of these factors are weighed by business line to determine an average rate to apply to the forecast value of contracts signed.

Based on an analysis of delivery and work completion trends, the following assumptions are applied to the value of contracts signed to derive commercial trading transactions and fees for service, where applicable:

- DPSA – Once a contract is signed and effective, on average 65% of contractual obligations (primarily deliveries) are completed in the first year or the year in which the contract is signed and effective, 20% in the second year and 15% in the third year. DPSA commercial trading transactions are expected to be stable throughout the five-year planning cycle approximating $550 million annually.
- GDS – Generally, once a contract is signed and effective, on average 35% of contractual obligations are completed in the first year, 40% in the second year and 25% in the third year. However, for the significant LAV transaction GDS commercial trading transactions were developed for the Plan based on direct and detailed input developed for the project. GDS commercial trading transactions are expected to grow from $1.26 billion in 2014-15 to $2.77 billion in 2018-19, of which the significant LAV transaction represents an average of approximately 90% of the GDS amounts per year.
- ICB – For most infrastructure projects, once a contract is signed and effective, on average 15% of contractual obligations are completed in the first year, 20% in the second year, 45% in the third year and 20% in the fourth year. The Corporation has signed lottery system management projects in Nicaragua and Honduras which continue to contribute to value of contracts signed, commercial trading transactions and fees for service for the foreseeable future. Value of contracts signed and commercial trading transactions are recorded at 100% of the value of lottery sales made during the course of the year and are forecast at approximately $156 million annually throughout the five-year planning cycle based on current levels. For contracts the Corporation has with Cuba, once signed and effective, on average 70% of contractual obligations are completed in the first year, 25% in the second year and 5% in the third year. ICB commercial trading transactions are expected to grow from $251.7 million in 2014-15 to $380.6 million in 2018-19.
- Sourcing Services – Once a contract is signed and effective, on average 70% of contractual obligations are completed in the first year, 20% in the second year and 10% in the third year. Sourcing Services commercial trading transactions are expected to be stable throughout the five-year planning cycle approximating $16 million annually.

FEES FOR SERVICE

- DPSA – CCC does not receive fees for service for this business line. This business line was fully funded by an annual parliamentary appropriation. Given the three-year phased-in plan to eliminate the appropriation commencing in 2014-15, the Corporation will use revenues generated from the significant LAV contract and the GDS business line to pay for the DPSA business line. This approach would leverage many of the same Canadian exporters benefitting from both business lines. The Corporation will reduce and eliminate its appropriation over the course of the five-year planning period. Although the appropriation for 2014-15 will be approved in the Main Estimates at $15.7 million, CCC will reduce the appropriation to $14.24 million in 2014-15, $8.88 million in 2015-16, $3.51 million in 2016-17 and then nil from 2017-18 and ongoing.

- GDS – As a result of the expected growth in commercial trading transactions discussed previously, fees for service are expected to grow in a commensurate proportion. Fees are established based on CCC's pricing model which includes consideration for risks. Fees are recognized as revenue by applying a fee rate (negotiated and specific to each contract) to the value of the recorded commercial trading transactions, that is as goods and services are delivered or progress work is performed. For forecast purposes, an average fee rate of 2.5% is applied to the Corporation's expected GDS commercial trading transactions over the five-year planning period. GDS fees are expected to grow from $12.5 million in 2014-15 to $24.8 million in 2018-19, of which the significant LAV transaction represents an average of approximately 73% of the GDS amounts per year.
- ICB – Fees are established based on CCC's pricing model which includes consideration for risks. Fees are recognized as revenue when goods and services are delivered. ICB transactions include fixed fees of $360,000 annually for the contract management of lottery systems in Nicaragua and Honduras; 3% contract management and administration fees applied to approximately $36 million of deliveries under contracts with Cuba; and an average of 2.5% on all other ICB activity, including infrastructure projects. ICB fees are expected to grow from $3.0 million in 2014-15 to $6.2 million in 2018-19.
- Sourcing Services – For the last several years CCC has charged a fixed fee of approximately $1.0 million annually and a variable fee of on average 2% on all projects depending on the size of the project to cover all direct and indirect CCC administration costs of in excess of $1.6 million. These rates are negotiated on an annual basis. An agreement for 2013-14 funding was recently reached, however, given the uncertainty of DFATD funding related to international assistance programs, DFATD can only guarantee to pay CCC a limit of $1.17 million. As a result, CCC anticipates that this amount will be further limited in the future and has conservatively capped fees for this program at $1.0 million per year for the duration of this Plan. CCC will have to access the sustainability of this service and, accordingly, make changes as to how it may be delivered.
- Other Government Services - In recognition of the expansive growth rate of China's second-tier cities, the Government of Canada mandated CCC to help DFATD in the establishment and management of six Canadian Trade Offices in China. Since 2009, the Corporation has been supporting the management of offices in Shenzhen, Chengdu, Qingdao, Wuhan, Nanjing and Shenyang with operational support from the Embassy in Beijing. DFATD is now exploring options for the Corporation to continue in this role and to work with DFATD to further expand the network with additional offices. As agreed under the MOU between CCC and DFATD, the Corporation will receive $1.6 million in 2013-14 to cover the direct costs of regionally employed personnel, rent, travel and other related costs in addition to the direct and indirect costs of CCC's staff to administer the China Trade offices from its headquarters. On this basis, $1.6 million is forecast annually throughout the Corporate Plan period as fees earned for the administration of the original six offices. Also, an additional agreed upon $1.0 million is forecast annually throughout the five-year planning period as fees received for the administration of additional offices.
- Other Government Services - With the ongoing focus on cost containment and the search for improved efficiencies, the Corporation will continue its agreement for shared services with PPP Canada for back office support in information technology, human resources management, and other corporate services. Although CCC and PPP Canada review and agree to MOU terms and related fee amounts on an annual basis, for purposes of the Corporate Plan, CCC is forecasting $750,000 per year, consistent with the amount agreed to for 2013-14.

INTEREST INCOME

Interest is earned on excess cash flows generated from daily business transactions. Actual interest rates earned on corporate balances are subject to the current banking agreement with the Bank of

Nova Scotia. CCC may make certain conservative investments but will only invest in cases where the investment rate exceeds rates earned in accordance with its banking agreements.

After a review of several publications the consensus points to a continued low interest rate environment while the global economy recovers. For purposes of the Corporate Plan, an average yield rate of 1.5% was used in all years of the five-year planning period on cash balances.

Further, as a result of $40 million capital being paid as a dividend payment to the Government of Canada, Canadian cash balances that were available for investment are expected to be significantly lower throughout the Corporate Plan five-year period. The $40 million represents an amount in excess of average cash balances that were used in prior years to facilitate certain transactions under the Cuba Contracting Program.

GAIN (LOSS) ON FOREIGN EXCHANGE

No gains or losses on foreign exchange are budgeted although the Canadian dollar is expected to strengthen slightly in comparison to its U.S. dollar counterpart over the five-year planning period. The Corporation's contracts with foreign buyers are matched to equal and offsetting contracts with Canadian exporters. CCC's contracts require receipts and payments to be made in the same currency. As a result, CCC has a natural hedge against foreign exchange gains or losses that would otherwise impact the net results of operations and comprehensive income. Unhedged foreign exchange balances are monitored and kept at negligible levels. As December 11, 2013, the Corporation's unhedged U.S. currency balance of $4.2 million represents 0.6% of its U.S. denominated assets.

PARLIAMENTARY APPROPRIATION

The Corporation will reduce and eliminate its appropriation over the course of the five-year planning period. Although the appropriation for 2014-15 will be approved in the Main Estimates at $15.7 million, CCC will reduce the appropriation to $14.24 million in 2014-15, $8.88 million in 2015-16, $3.51 million in 2016-17 and then nil from 2017-18 and ongoing.

CONTRACT REMEDIATION EXPENSES

Contract remediation expenses are budgeted at $0.5 million in 2014-15 to $0.9 million in 2018-19, significantly lower than the average contract remediation expenses incurred over the past ten years of $1.9 million per year. The amounts represent approximately 0.025% of commercial trading transactions. This low level of budgeted contract remediation expenses results from CCC's robust risk and contract management practices. The Corporation has achieved exceptional results over the last five years which includes the reversal of earlier provisions.

OPERATING EXPENSES

Consistent with the spirit of the Government's Budget 2012 savings measures, the Corporation continues to identify areas of expense to be controlled and reduced. Recent initiatives commenced in 2013-14 and form the basis of CCC's 2014-15 Corporate Plan. The majority of reductions correspond with the declining DPSA commercial trading transactions activity through the remaining delivery period of the $2.1 billion LAV contract signed with the U.S. DoD FMS in 2009. This LAV contract was the largest contract signed by the Corporation in its history and has contributed to significantly higher levels of commercial trading transactions for the last several years. Other reductions are planned to achieve improved alignment between CCC's resources and operational activities. Anticipated reductions over the period will approximate $4.5 million to offset inherent increases in the expenditure base such as the effects of collective bargaining on annual salaries and increases on rent in accordance with lease agreements. Reductions will mainly impact staffing levels. Specific initiatives have been described under the Cost Efficiency Plan section under Financial Objectives Section 4.5.

Over and above the 2013-14 expenditure core base, certain administrative expenses will increase starting in 2014-15 to manage the two key operational programs that have been discussed in other sections of the Corporate Plan. The two programs include the management of the significant new, non-DPSA LAV contract signed in 2013-14, and the expansion of the Canadian Trade Offices in China at the direction of DFATD. These administrative expense increases are covered by the revenues from these programs.

Related to the significant new, non-DPSA LAV contract signed in 2013-14, CCC has been provided with a quarterly breakdown of forecast costs for direct and indirect labour, travel, living and other related costs over the life of the contract. Over the course of the Corporate Plan period, expenses are forecast to range from $2.6 million in 2014-15 to $3.8 million in 2018-19, the increase corresponding with the peak delivery period of LAV units per contract terms.

At the direction of the Government of Canada, CCC will facilitate the expansion and subsequent management of new Canadian Trade Offices in China in 2014-15 Funding of $1.2 million was allocated to CCC in fiscal year 2007-08 and on-going through DFATD to open six offices in China and an additional funding allocation of $1 million in fiscal year 2014-15 and on-going to expand the existing network in China by four additional offices. Due to increased inflation in China, the cost of managing the original six offices has exceeded its original allocation of $1.2 million by $400,000 for a total of $1.6 million in fiscal year 2013-14, which DFATD has compensated CCC through its existing reference levels. Using economies of scale, the cost per office for the additional four offices will be lower than the cost per office for the original six. As such, the total cost per office will be reduced from $268,000 to $250,000 per year.

The Corporation will explore the feasibility of the creation of co-located foreign offices to further support Canadian exporters in accessing high potential markets for its GDS and ICB business lines.

A detailed breakdown of expenses depicting the impacts of the specific initiatives is presented in Annex IV.

4.7 FORECAST FOR 2013-14

NOTE: 2013-14 Forecast numbers are compared to the budget developed three years ago. Year 3 of the 2011-12 to 2015-16 Corporate Plan was the last operating budget approved by TBS.

The Corporation is forecasting a surplus of $1.7 million for 2013-14, which is an improvement of $0.8 million over the budgeted surplus of $0.9 million.

Net revenues stemming from fees for service, the receivable discounting service, interest income on cash balances and other miscellaneous sources are forecasted to be $14.5 million, lower than the budgeted net revenues of $23.9 million, resulting in an unfavourable variance of $9.4 million. The following factors will contribute to the result:

1. Fees for service are forecasted to be lower than budget by $8.5 million. An unfavourable variance is forecast, compared to the budget developed three years ago, as lower than planned deliveries related to the GDS business line were recorded. Significant contracts and amendments for search and rescue helicopter services and flight training did not materialize, and the anticipated sale of additional LAVs was only just signed.
2. Finance income is forecasted to be $1.0 million, lower than the budget of $1.2 million. The unfavourable variance is forecast, compared to the budget developed three years ago, primarily due to lower than forecasted investment yield rates. At the time, Scotia Economics Long-term Forecast of November 2010 cited investment rates of approximately 3.0% for Canadian balances and in excess of 1.5% on U.S. Balances. Actual investment rates for the fiscal year were approximately 1.0% on Canadian balances and far less than 1.0% on U.S. balances.
3. Other income is forecasted to be $0.2 million, lower than the budget of $0.4 million. An unfavourable variance is forecast, compared to the budget developed three years ago, as less suppliers used CCC's trade receivable discounting services than forecast three years based on the trend at the time. Fees recovered for this service are also proportionate to the expected growth in commercial trading transactions which did not materialize.
4. CCC is expecting to realize a foreign exchange translation gain of $0.3 million due to the Canadian dollar weakening compared to its U.S. dollar counterpart over the course of the fiscal year.

Expenses will be $10.0 million lower than the budget of $38.4 million as follows:

1. Administrative expenses including services provided by PWGSC and amortization expenses are forecasted to be below budget by $9.7 million as a result of Management's continued effort to control expenditures relative to revenues earned, while also respecting the spirit of the Government of Canada's cost containment measures and deficit reduction set out in the Government's Budgets of 2010, 2011 and 2012.
2. No contract remediation expenses are forecasted in 2013-14 and as a result will be $0.5 million below budget. This reflects the Corporation's continued robust risk and contract management practices and Management's confidence in its ERM framework.
3. The Forecast for 2013-14 includes a $0.2 million expense for Cuba Contracting Program insurance. The amount represents the expense incurred for one month. The total insurance premium of $1.14 million is amortized over 12 months (the duration of the coverage) on an estimated weighted average basis of the loan balances outstanding. The expense was required in order to transfer the risk exposure of CCC's entire Cuba portfolio to EDC as part of the transition of the financial management of the Cuba program to EDC.

The parliamentary appropriation will be $0.2 million higher than the budget of $15.5 million. The favourable variance reflects the amount calculated and distributed by TBS for collective agreements signed or other compensation adjustments made between August 1, 2012 and July 31, 2013.

4.8 FINANCIAL SCHEDULES

SCHEDULE A - STATEMENT OF FINANCIAL POSITION ($000s)

	ACTUAL 2012-13	FORECAST 2013-14	CORPORATE PLAN 2014-15 TO 2018-19				
			2014-15	2015-16	2016-17	2017-18	2018-19
ASSETS							
Cash and cash equivalents	$ 61,068	$ 52,039	$ 52,276	$ 49,599	$ 54,546	$ 57,653	$ 56,620
Trade receivables	$ 146,907	$ 166,515	$ 200,203	$ 270,571	$ 308,527	$ 356,348	$ 353,429
Advances to Canadian exporters	$ 123,436	$ 2,179,292	$ 1,906,792	$ 778,906	$ 881,233	$ 1,213,283	$ 645,484
Progress payments to Canadian exporters	$ 840,148	$ 1,008,193	$ 1,668,228	$ 2,704,343	$ 2,313,206	$ 941,036	$ 294,648
	$ 1,171,559	$ 3,406,038	$ 3,827,499	$ 3,803,418	$ 3,557,512	$ 2,568,320	$ 1,350,182
Non-current assets	$ 1,046	$ 878	$ 710	$ 550	$ 390	$ 3,730	$ 2,870
TOTAL ASSETS	$ 1,172,605	$ 3,406,916	$ 3,828,209	$ 3,803,968	$ 3,557,902	$ 2,572,050	$ 1,353,052
LIABILITIES							
Trade payable and accrued liabilities	$ 120,961	$ 156,355	$ 190,043	$ 260,411	$ 298,367	$ 346,188	$ 343,269
Advances from foreign customers	$ 154,799	$ 2,226,413	$ 1,951,171	$ 814,541	$ 917,564	$ 1,252,052	$ 679,912
Progress payments from foreign customers	$ 842,769	$ 1,008,193	$ 1,668,228	$ 2,704,343	$ 2,313,206	$ 941,036	$ 294,648
	$ 1,118,529	$ 3,390,960	$ 3,809,443	$ 3,779,294	$ 3,529,138	$ 2,539,276	$ 1,317,830
Provision for contract remediation expenses	$ 296	$ 296	$ 823	$ 1,008	$ 1,108	$ 1,234	$ 1,226
Long and short term employee future benefits	$ 3,412	$ 3,548	$ 3,690	$ 3,838	$ 3,992	$ 4,151	$ 4,317
TOTAL LIABILITIES	$ 1,122,237	$ 3,394,805	$ 3,813,956	$ 3,784,140	$ 3,534,237	$ 2,544,661	$ 1,323,373
SHAREHOLDER'S EQUITY							
Contributed surplus	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Retained earnings	$ 40,368	$ 2,111	$ 4,253	$ 9,828	$ 13,665	$ 17,389	$ 19,678
TOTAL EQUITY	$ 50,368	$ 12,111	$ 14,253	$ 19,828	$ 23,665	$ 27,389	$ 29,678
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 1,172,605	$ 3,406,916	$ 3,828,209	$ 3,803,968	$ 3,557,902	$ 2,572,050	$ 1,353,052

SCHEDULE B - STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN EQUITY ($000s)

	ACTUAL 2012-13	FORECAST 2013-14	CORPORATE PLAN 2014-15 TO 2018-19				
			2014-15	2015-16	2016-17	2017-18	2018-19
REVENUES							
Commercial trading and sourcing services transactions	$ 2,255,363	$1,752,785	$2,107,404	$2,848,114	$3,247,656	$3,751,028	$3,720,310
Less: Cost of commercial trading and sourcing services transactions	$(2,255,363)	$(1,752,785)	$(2,107,404)	$(2,848,114)	$(3,247,656)	$(3,751,028)	$(3,720,310)
Fees for service	$ 15,254	$ 13,728	$ 20,070	$ 27,134	$ 31,503	$ 35,812	$ 35,479
Other income	$ 655	$ 235	$ 235	$ 235	$ 235	$ 235	$ 235
Finance income	$ 323	$ 243	$ 400	$ 333	$ 371	$ 398	$ 439
Gain (loss) on foreign exchange	$ 95	$ 302	$ -	$ -	$ -	$ -	$ -
Net Revenues	$ 16,327	$ 14,508	$ 20,706	$ 27,702	$ 32,109	$ 36,445	$ 36,153
EXPENSES							
Contract remediation expenses	-	-	527	712	812	938	930
Administrative expenses:							
Operating expenses	$ 29,270	$ 28,019	$ 31,071	$ 30,078	$ 30,737	$ 31,604	$ 32,054
Cuba Contracting Program Insurance expense	$ -	$ 175	$ 963	$ -	$ -	$ -	$ -
Amortization expense	$ 835	$168	$ 168	$ 160	$ 160	$ 160	$ 860
Other	$ 379	$58	$ 75	$ 75	$ 75	$ 75	$ 75
Expenses	$ 30,484	$ 28,420	$ 32,804	$ 31,025	$ 31,784	$ 32,776	$ 33,919
Net results of operations before parliamentary appropriation	$ (14,157)	$ (13,912)	$ (12,098)	$ (3,305)	$ 327	$ 3,723	$ 2,290
Parliamentary appropriation	$ 15,482	$ 15,655	$ 14,240	$ 8,880	$ 3,510	$ -	$ -
Operating surplus (deficit) for the year	**$ 1,325**	**$ 1,743**	**$ 2,142**	**$ 5,575**	**$ 3,837**	**$ 3,723**	**$ 2,290**
Actuarial loss on employee benefits obligation	$ (148)	$ -	$ -	$ -	$ -	$ -	$ -
Equity at beginning of the year	**$ 49,191**	**$ 50,368**	**$ 12,111**	**$ 14,253**	**$ 19,828**	**$ 23,665**	**$ 27,389**
Equity at year end	$ 50,368	$ 52,111	$ 14,253	$ 19,828	$ 23,665	$ 27,389	$ 29,678
Dividend Paid to Government- From RE	$ -	$ (40,000)	$ -	$ -	$ -	$ -	$ -
Equity (restated) at year end	**$ 50,368**	**$ 12,111**	**$ 14,253**	**$ 19,828**	**$ 23,665**	**$ 27,389**	**$ 29,678**

SCHEDULE C - STATEMENT OF CASH FLOW ($000s)

	ACTUAL 2012-13	FORECAST 2013-14	CORPORATE PLAN 2014-15 TO 2018-19				
			2014-15	2015-16	2016-17	2017-18	2018-19
Cash and Short-Term Deposits at the beginning of the year	$ 58,485	$ 61,068	$ 52,039	$ 52,276	$ 49,599	$ 54,546	$ 57,653
Cash flows from operating activities:							
Receipts from foreign customers	$ 2,843,380	$ 3,970,215	$ 2,458,509	$ 2,677,231	$ 2,921,586	$ 2,665,526	$ 2,504,701
Fees for service, finance and other income received	$ 16,232	$ 14,206	$ 20,706	$ 27,721	$ 32,111	$ 36,500	$ 36,209
Payments to Canadian exporters	$(2,843,147)	$(3,941,292)	$(2,461,250)	$(2,686,502)	$(2,921,602)	$(2,663,900)	$(2,509,979)
Administrative payments	$ (29,373)	$ (27,941)	$ (31,004)	$ (30,006)	$ (30,658)	$ (31,519)	$ (31,963)
Cuba Contracting Program Insurance expense	$ -	$ (175)	$ (963)	$ -	$ -	$ -	$ -
Parliamentary appropriation-operating	$ 15,482	$ 15,655	$ 14,240	$ 8,880	$ 3,510	$ -	$ -
	$ 2,574	$ 30,669	$ 237	$ (2,677)	$ 4,947	$ 6,607	$ (1,032)
Cash flows from investing activities:							
Acquisition of property and equipment, and intangible assets	$ (86)	$ -	$ -	$ -	$ -	$ (3,500)	$ -
Increase (Decrease) in Cash	$ 2,488	$ 30,669	$ 237	$ (2,677)	$ 4,947	$ 3,107	$ (1,032)
Effect of exchange rate changes on cash and cash equivalents	$ 95	$ 302	$ -	$ -	$ -	$ -	$ -
Return of Shareholder's Equity to Government	$ -	$ (40,000)	$ -	$ -	$ -	$ -	$ -
Cash and Short-Term Deposits at the end of the year	$ 61,068	$ 52,039	$ 52,276	$ 49,599	$ 54,546	$ 57,653	$ 56,620

SCHEDULE D - VARIANCE ANALYSIS, FORECAST COMPARED TO OPERATING BUDGET FOR THE YEAR ENDED MARCH 31, 2014 ($000s)

	2013-2014			EXPLANATIONS
	FORECAST	BUDGET*	VARIANCE	
REVENUES				
Commercial trading and sourcing services transactions	$ 1,752,785	$ 2,863,930	$(1,111,145)	An unfavourable variance is forecast, compared to the budget developed three years ago, as lower than planned deliveries related to the GDS business line were recorded. Significant contracts and amendments for search and rescue helicopter services and flight training did not materialize, and the anticipated sale of additional LAVs was only just signed.
Less: Cost of commercial trading and sourcing services transactions	$(1,752,785)	$(2,863,930)	$ 1,111,145	Corresponds to commercial trading and sourcing services transactions due to the "back-to-back" nature of CCC's contracts.
Fees for service	$ 13,728	$ 22,244	$ (8,516)	An unfavourable variance is forecast, compared to the budget developed three years ago, as fees for services are commensurate with commercial trading transactions discussed above. Fees for service are earned on deliveries and work performed which are recorded.
Other income	$ 235	$ 418	$ (183)	An unfavourable variance is forecast, compared to the budget developed three years ago, as less suppliers used CCC's trade receivable discounting services than forecast three years based on the trend at the time. Fees recovered for this service are also proportionate to the expected growth in commercial trading transactions which did not materialize.
Finance income	$ 243	$ 1,200	$ (957)	The unfavourable variance is forecast, compared to the budget developed three years ago, primarily due to lower than forecasted investment yield rates. At the time, Scotia Economics Long-term Forecast of November 2010 cited investment rates of approximately 3.0% for Canadian balances and in excess of 1.5% on U.S. Balances. Actual investment rates for the fiscal year were approximately 1.0% on Canadian balances and far less than 1.0% on U.S. balances.
Gain (loss) on foreign exchange	$ 302	$ -	$ 302	CCC is expecting to realize a foreign exchange translation gain due to the Canadian dollar movement compared to its US dollar counterpart over the course of the fiscal year. Gains or losses on foreign exchange are not budgeted.
Net revenues	$ 14,508	$ 23,862	$ (9,354)	
EXPENSES				
Contract remediation expenses	$ -	$ 500	$ 500	The favourable forecast variance reflects the Corporation's robust risk and contract management practices and ERM framework.
Administrative expenses	$ 28,245	$ 37,948	$ 9,703	The favourable variance is forecast, compared to the budget developed three years ago. This reflects Management's continued effort to control expenditures relative to revenues earned, while also respecting the spirit of the Government of Canada's cost containment measures set out in Budgets 2010 and 2011.
Cuba Contracting Program Insurance expense	$ 175	$ -	$ (175)	The expense was required in order to transfer the risk exposure of CCC's entire Cuba portfolio to EDC as part of the transition of the financial management of the Cuba program to EDC. The amount represents the expense incurred for one month. The total insurance premium of $1.14 million is amortized over 12 months (the duration of the coverage) on an estimated weighted average basis of loan balances outstanding.
Total expenses	$ 28,420	$ 38,448	$ 10,028	
Net results of operations before parliamentary appropriation	$ (13,912)	$ (14,586)	$ 674	
Parliamentary appropriation	$ 15,655	$ 15,482	$ 173	The favourable variance reflects the amount calculated and distributed by TBS for collective agreements signed or other compensation adjustments made between August 1, 2012 and July 31, 2013.
Operating surplus (deficit) for the year	$ 1,743	$ 896	$ 847	

(*) 2013-14 Forecast numbers are compared to the budget developed three years ago. YEAR 3 of the 2011-12 to 2015-16 Corporate Plan was the last operating budget approved by Treasury Board.

SCHEDULE E - VARIANCE ANALYSIS, 2014-15 PROPOSED BUDGET COMPARED TO 2013-14 FORECAST ($000s)

	2014-15 PROPOSED BUDGET	2013-14 FORECAST	INCREASE (DECREASE)	EXPLANATIONS
REVENUES				
Commercial trading and sourcing services transactions	$ 2,107,404	$ 1,752,785	$ 354,619	Commercial trading and acquisition services transactions are expected to increase, as progress work commences related to the significant LAV contract signed in 2013-14.
Less: Cost of commercial trading and sourcing services transactions	$(2,107,404)	$(1,752,785)	$ (354,619)	Corresponds to commercial trading and sourcing services transactions due to the "back-to-back" nature of CCC's contracts.
Fees for service	$ 20,070	$ 13,728	$ 6,342	The increase is largely attributed to fees earned and recognized on the commencement of progress work related to the significant LAV contract signed in 2013-14.
Other income	$ 235	$ 235	$ -	
Finance income	$ 400	$ 243	$ 157	The increase is due to primarily higher planned cash balances.
Gain (loss) on foreign exchange	$ -	$ 302	$ (302)	No gains or losses on foreign exchange are budgeted. Unhedged foreign exchange balances are monitored and kept at negligible levels.
Net revenues	$ 20,706	$ 14,508	$ 6,198	
EXPENSES				
Contract remediation expenses	$ 527	$ -	$ 527	In 2014-15, contract remediation expenses are budgeted at $522,000, significantly lower than the average contract remediation expenses incurred over the past 10 years of $1.9 million per year. This low level of budgeted contract remediation expenses results from CCC's robust risk and contract management practices.
Administrative expenses	$ 31,314	$ 28,245	$ 3,069	The increase is due entirely to the sizeable effort required to contract manage the significant LAV contract signed and effective in 2013-14, along with direct expenses related to the start up and operation of additional offices in China. Otherwise, CCC core headquarter total administrative expenses will be slightly reduced as part of the second year of Management's two-year initiative to better align the Corporation's resources with future activities.
Cuba Contracting Program Insurance expense	$ 963	$ 175	$ 788	The expense was required in order to transfer the risk exposure of CCC's entire Cuba portfolio to EDC as part of the transition of the financial management of the Cuba program to EDC. The amount represents the expense incurred for eleven months. The total insurance premium of $1.14 million is amortized over 12 months (the duration of the coverage) on an estimated weighted average basis of loan balances outstanding.
Total expenses	$ 32,804	$ 28,420	$ 4,384	
Net results of operations before parliamentary appropriation	$ (12,098)	$ (13,912)	$ 1,814	
Parliamentary appropriation	$ 14,240	$ 15,655	$ (1,415)	The decrease reflects the first year of a three-year phased in reduction of parliamentary appropriation which will result in the Corporation being self-sufficient by 2017-18 and on.
Operating surplus (deficit) for the year	$ 2,142	$ 1,743	$ 399	

ANNEX I

BUSINESS LINES AND VALUE PROPOSITIONS

GOVERNMENT-TO-GOVERNMENT CONTRACTING BUSINESS LINES

DPSA	GLOBAL DEFENCE AND SECURITY	INTERNATIONAL COMMERCIAL BUSINESS
CCC VALUE PROPOSITION FOR CANADIAN EXPORTERS		
• Access to U.S. DoD acquisitions – Canadian suppliers working though CCC are exempt from most "Buy America" provisions by U.S. regulations • Contract administration and payment through CCC is less complex • No cost service • As a sub-contractor to the CCC, the Canadian exporter is represented by the Government of Canada	• Government of Canada partner enhances credibility, mitigates risk and removes onerous foreign government buyer conditions • Frequently allows the foreign government buyer to award a directed contract • Enhances access to opportunities with foreign government buyers • Enhances access to support from Canadian Government, including Embassies	• Government of Canada partner enhances credibility, mitigates risk and removes onerous foreign government buyer conditions • Frequently allows the foreign government buyer to award a directed contract • Enhances access to opportunities with foreign government buyers • Enhances access to support from Canadian Government, including Embassies
CCC VALUE PROPOSITION FOR FOREIGN GOVERNMENT BUYERS		
• Assurance that the Canadian exporter has passed CCC's technical, financial and managerial review • Certification of fair and reasonable price in accordance with the Government of Canada cost and pricing regulations • Guarantee of contract performance – enshrined in the Defense Federal Acquisition Regulation Supplement (DFARS) • Contract management – issues management, quality assurance and risk mitigation • Contract management services for the U.S. DoD	• Direct contracting government-to-government mechanism • Government of Canada assurance that contractual terms and conditions will be satisfied • Robust risk mitigation process ensures that only competent Canadian exporters are backed by CCC • Credible, transparent and ethical business processes • Active project monitoring and quality assurance • Any product or service from a Canadian exporter can be supplied and tailored to meet the foreign government buyer's requirements • Faster and less costly than U.S. FMS	• Direct contracting government-to-government mechanism • Government of Canada assurance that contractual terms and conditions will be satisfied • Robust risk mitigation process ensures that only competent Canadian exporters are backed by CCC • Credible, transparent and ethical business processes • Active project monitoring and quality assurance
CCC SERVICES ALIGNED WITH GOVERNMENT OF CANADA PRIORITIES		
SOURCING SERVICES TO SUPPORT INTERNATIONAL GOVERNMENT ASSISTANCE PROGRAMS	CHINA TRADE OFFICES WITH DFATD	SHARED CORPORATE SERVICES WITH PPP CANADA

ANNEX II

MANDATE, CORPORATE PROFILE AND GOVERNANCE

As the Government of Canada's international contracting and procurement agency, the role of CCC is to assist Canadian companies' in accessing international markets by facilitating sales to foreign governments through government-to-government contracts, primarily in defence and security and infrastructure.

CCC's strategic goal for the period of 2014-15 to 2018-19 will remain focused on *increasing access to foreign government markets for Canadian exporters* through the following three interdependent value statements:

- the Government of Canada expects CCC to be **credible**, **effective** and **efficient** in meeting its mandate of assisting in the development of trade by helping Canadian exporters access priority markets abroad and helping foreign government buyers obtain goods and services from Canada;
- Canadian exporters rely on CCC to enhance their competitiveness by helping them access foreign government markets through government-to-government contracting at a **competitive** price; and
- As a Crown Corporation of the Government of Canada, foreign government buyers rely on CCC to be **collaborative** in developing government-to-government solutions with Canadian exporters.

CCC's mandate is described in the CCC Act as follows:

The Corporation is established for the following purposes:

a. *to assist in the development of trade between Canada and other nations;*

b. *to assist persons in Canada*

  i. *to obtain goods and commodities from outside Canada, and*

  ii. *to dispose of goods and commodities that are available for export from Canada;*

c. *to exercise or perform, on behalf and under the direction of the Minister, any powers or functions vested in the Minister by any other Act that authorizes the Minister to employ the Corporation to exercise or perform them; and*

d. *to exercise or perform any other powers or functions conferred on it by any other Act or for the exercise or performance of which it may be employed under any other Act.*

CCC was established in 1946 to support reconstruction efforts undertaken following the Second World War to help the Government of Canada channel aid to European countries and facilitate access to products and services from Canada. CCC's broad mandate led to the Corporation being designated as the Government of Canada's custodian of the Canada-U.S. DPSA. In 1956, CCC was given responsibility, on behalf of the Government of Canada, for administering the DPSA. The DPSA stipulates that defence purchases from Canada by the U.S. DoD must be contracted through CCC when their value exceeds $150,000 (USD). Since 1960 a similar approach has been in place for the supply of goods and services to NASA, however, unlike the DPSA program, while not mandatory for NASA to use CCC, it has chosen to place 90% of their Canadian purchases through the Corporation.

THE INTERNATIONAL TRADE PORTFOLIO

The International Trade Portfolio offers services to meet the needs of Canadian companies seeking to do business abroad, including the provision of market advice, business contact information, and advocacy through DFATD's TCS; financing, guarantees, and insurance through EDC; arrangements with foreign governments that enable contract structuring, negotiations, government-to-government contracting, and procurement from Canada through CCC.

CCC's contracting and procurement expertise complements the trade promotion services provided by DFATD and the financial products offered by EDC with its expertise and ability to enter into government-to-government contracts with foreign buyers in the sectors of defence and security, and infrastructure in emerging markets.

With the objective of achieving results against the 2013 Global Markets Action Plan, CCC is in the process of establishing an MOU with DFATD with the aim of strengthening cooperation in markets abroad. The two organizations will collaborate in implementing information sharing, business development activities, cooperative marketing and coordinated support to the export component of the upcoming defence procurement strategy that will offer enhanced support to Canadian exporters.

With the same focus on enhancing collaborative approaches, CCC and EDC will continue to work together to entrench their relationship and focus on areas of common interest in an MOU to provide Canadian exporters with a coordinated suite of support services.

The Government of Canada has an ambitious trade agenda and is deeply committed to increasing the number of free trade agreements (FTAs) with foreign countries. The 2013 Speech from the Throne noted the clear direction to "expand trade with emerging markets in Asia and the Americas through the Trans-Pacific Partnership". The November 2013 Global Markets Action Plan targets markets that matter to Canadian businesses and ensures that Canada's interests are advanced in those markets by giving priority to trade activities and harnessing all of Government of Canada trade tools to achieve commercial success. CCC acts as a complementary trade organization in the execution of these policies as it maintains or creates market access in areas that are typically excluded from trade agreements, such as defence and security, as well as in new markets with which Canada does not yet have an FTA.

CCC supports the priorities of the Government of Canada by fulfilling its mandate of assisting in the development of trade by increasing access to foreign government markets for Canadian exporters through government-to-government contracting. As a Crown corporation, CCC is in a unique position to simultaneously inform the development of, and execute on, public policies of the Government of Canada. As a result of the Corporation's extensive work with Canadian companies in public sector markets, CCC has developed a deep knowledge of the opportunities and challenges these companies face and is able to bring this insight directly to Canadian government policymakers.

CCC's contracting and procurement expertise complements the trade promotion and financial services provided by DFATD and EDC respectively, and concretely supports trade through the execution of government-to-government contracts in priority markets. CCC, working collaboratively with these stakeholders, enhances Canadian exporters' competitive edge and maximizes success in opening new markets with high potential.

MANDATE REVIEW

Consistent with all Canadian Crown Corporations, CCC's mandate is reviewed periodically by the Government of Canada to ensure it remains relevant to broader government policies and is optimally designed to meet government objectives. Accordingly, in early 2011 DFATD initiated a review of how CCC delivers on its mandate. The Review was performed by an external consultant with the objective of assessing CCC's role in global public sector procurement markets, evaluating how CCC's current business lines are meeting the evolving needs of Canadian exporters and fulfilling Canada's policy objectives. CCC, along with other government stakeholders, has taken into account the findings from the Review to ensure it continues to optimally deliver on its mandate.

The Review findings noted the unique role played by CCC to successfully open and enter markets that would otherwise have been difficult to access by Canadian exporters. The findings further confirmed that CCC's business model reduces risk for both the Canadian exporter and the foreign government buyer, while decreasing transaction costs. Most importantly, the Review identified that Canadian exporters' want and need CCC to continue in its present role and to expand involvement in public procurement markets wherever possible.

These exporters understand the value proposition delivered by CCC's mandate and recognize the Corporation's importance to their future business success as well as to the maintenance and creation of jobs in Canada.

The Corporation responded to the review by continuing to improve its services and business operations. Specifically, CCC implemented the following initiatives.

First, to ensure there is no overlap and duplication within the International Trade Portfolio, CCC developed protocols with DFATD's TCS and EDC to define areas of focus and collaboration. These new protocols will ensure greater collaboration and coordination efforts in helping Canadian exporters access foreign government markets in defence and security as well as infrastructure sectors. As well, working with EDC, the Corporation has developed an approach to transfer its Cuba trade financing activities in a manner that will improve the balance of risks while continuing to ensure support to the Canadian exporters that CCC has been in business with over the past twenty years and to other Canadian exporters present in this market.

Second, the Corporation increased the transparency of its Pricing Strategy for the GDS and ICB business lines, with its Pricing Policy being available on CCC's website. The Pricing Strategy is risk based and anchored in a robust supplier due diligence process to assess managerial, financial and technical strengths and capacity to deliver international projects.

Third, CCC continued to improve its detailed expenditure tracking system that captures revenues and expenses by contract, supports financial analysis and forecasting by business lines, and enables the development of cost benchmarks for future projects.

Fourth, CCC has been developing a tracking system to capture data on exporter client size to improve reporting on CCC's support to SMEs.

Fifth, CCC refined its methodology for determining Canadian benefits for each of its business lines. This includes a detailed financial analysis of expenditures incurred with respect to the management of Canada-U.S. DPSA contracts to clearly outline the operational cost of managing the existing agreement relative to the appropriation received and benefits to Canadian exporters.

CORPORATE GOVERNANCE

CCC is a parent Crown Corporation under Schedule III Part I of the FAA, and reports to Parliament through the Minister of International Trade. It has two main funding sources: appropriations voted by the Parliament of Canada and fees generated by service offerings.

CCC is headquartered in Ottawa, Ontario, and employs approximately 140 people. The Corporation strengthens Canada's international trade results by pursuing real business transactions with foreign governments and Canadian exporters to generate economic activity and jobs in Canada. The Corporation does this through its prime contracting service wherein CCC enters into a contract with a foreign government for the purchase of products and services from Canada and, in turn, enters into a contract with a Canadian supplier to fulfill the obligations of the foreign government contract. CCC also offers sourcing services to foreign governments to acquire products and services from Canada.

CCC is governed by its enacting legislation, the CCC Act. The legislation also provides CCC with a range of powers, including the ability to export goods from Canada either as principal or as agent. As a result, CCC negotiates and executes bilateral government-to-government contracting arrangements, facilitating export transactions for Canadian exporters. The Minister of International Trade annually provides direction to CCC in a Statement of Priorities and Accountabilities, directing CCC to play an integral role to support the enhancement of Canada's trade objectives.

In addition to the CCC Act, the Corporation also adheres to the following federal legislation:

1) *Financial Administration Act*
2) *Corruption of Foreign Public Officials Act*
3) *Public Servant Disclosure Protection Act*
4) *Canadian Environmental Assessment Act*

CCC maintains a high standard of corporate governance in order to ensure prudent management of resources entrusted to it by the Government of Canada. As a Crown corporation, CCC is wholly owned by the Government of Canada and is governed by an independent Board of Directors. In addition, CCC adheres to the *Privacy Act*, the *Access to Information Act*, the *Federal Accountability Act*, the *Public Servants Disclosure Protection Act*, and the *Official Languages Act*, and any new legislation, regulation, or policy which is extended to corporations under Schedule III Part I of the FAA.

BOARD OF DIRECTORS

The Board of Directors exercises its responsibilities in keeping with the general provisions of the CCC Act and Part X of the FAA. It is accountable for the affairs of the Corporation and ensures the proper delivery of public policy on behalf of the Government of Canada through the provision of leadership and guidance to the Corporation's Management team, and by setting the Corporation's long-term strategic direction, in alignment with the Minister of International Trade's direction as expressed in its annual Statement of Priorities and Accountabilities.

The Board reviews the five-year Corporate Plan and the Annual Report, both of which are approved by the Minister of International Trade and tabled in Parliament. The Board also meets quarterly to review the Corporation's overall operations, receive Committee reports and discuss CCC's performance against objectives.

CCC's Board of Directors is composed of a Chairperson and the President and Chief Executive Officer (CEO), who are appointed by the Governor in Council to hold office for such term as the Governor in Council deems appropriate and nine Directors who are appointed by the Minister of International Trade with the approval of the Governor in Council. Directors hold office for a term not exceeding four years. The Minister of International Trade appoints Board members who represent the Canadian business community and the federal government, striving to balance sector, gender, linguistic and geographical representation.

In 2013, the Board of Directors responded to the government's engagement towards deficit reduction by reviewing its governance to identify efficiency opportunities. As a result the Board of Directors eliminated one of its committees (the Priority Committee), integrated the work of the Governance and Human Resources committees, and moved to hold its committee meetings and full Board meeting in one single session thereby reducing travel and related expenditures. As well the Board of Directors reviewed its outreach program to further leverage participation at key international events that promote Canadian capabilities and the Corporation's trade support services.

CCC's Board of Directors conducts its oversight functions through the following Board Committees:

Operations Committee: oversees the Corporation's procurement and international contracting business. All capital projects, all projects valued in excess of $100 million or significant amendments to such projects and any other projects that are referred by Management to the Committee for consideration must be reviewed by the Committee which makes its recommendation to the Board of Directors for approval. It also reviews ongoing risk analyses of projects, approves proposed new business lines and products and, in conjunction with the Audit Committee, monitors operating processes.

Governance and Human Resources Committee: develops and implements practices and procedures to ensure that the Board of Directors and the Corporation operate effectively and in accordance with a high standard of corporate governance. The Committee oversees the governance strategy and processes for the development of significant corporate priorities including the communications strategy, CCC's approach to corporate social responsibility and corporate performance management. As well, the Committee conducts an annual Board self-assessment, which helps to strengthen the Board of Director's governance and effectiveness. The Committee also identifies and recommends, as may be requested, profiles and candidates for appointment to the Board of Directors, including Chairperson of the Board and President and CEO, for consideration by the Minister of

International Trade. The Committee reviews and makes recommendations on corporate officer appointments and compensation. The Chairperson, with the support of the Committee, reviews the performance of the President and CEO and makes recommendations to the Minister of International Trade on compensation. Finally, the Committee examines and makes recommendations on human resources policies to ensure the well-being of the Corporation and its employees.

Audit Committee: deals primarily with matters related to sound financial and risk management practices, audit functions, accurate reporting, and ethical conduct of the Corporation. With respect to its audit activities, the Committee oversees the annual financial audit, the internal audit function and the requirements of the Office of the Auditor General (OAG). The Director of Internal Audit and representatives from the OAG attend all Audit Committee meetings.

The Board undertakes regular assessments of its own effectiveness and the contributions of each Director by means of an annual peer-review exercise designed to improve individual and collective performance. In addition, CCC's Internal Audit Group reports to the Audit Committee of the Board of Directors.

In monitoring and auditing the financial management, reporting and operation of the Corporation, CCC's performance, governance and accountability structures are reinforced. A testament to CCC's investment in governance and policies can be found in the OAG's 2009 comprehensive Special Examination of the Corporation, wherein CCC's processes and systems were recognized by the OAG as being designed and operated in a way that provides efficient and effective services for Canadian exporters.

In addition to the governance practices above, CCC also establishes policies and processes to guide the work of its employees and to aid in achieving continued high-grade performance. As such, CCC abides by the Government of Canada's best practices by holding annual public meetings to provide another avenue for the public to learn more about, and interact with, the Corporation.

SENIOR MANAGEMENT COMMITTEE

The President is the CEO and, on behalf of the Board of Directors, is accountable for the direction and management of the business of the Corporation. With the approval of the Board of Directors, the Senior Management Committee comprised of the President and Vice-Presidents, sets corporate priorities to achieve strategic objectives consistent with the corporate mandate. The CCC Act and FAA serve to guide decision-making and business activities. Bound by CCC's *Code of Conduct* and *Code of Business Ethics*, the Senior Management Committee adheres to the highest ethical standards of professional conduct. All Senior Management, with the exception of the CEO, are paid within the salary ranges and compensation policies approved by the Board of Directors. CEO compensation is determined by the Governor in Council.

PRESIDENT & CEO
Marc Whittingham

- **EXECUTIVE VICE-PRESIDENT & COO** — Martin Zablocki
- **VICE-PRESIDENT BUSINESS DEVELOPMENT & SALES** — Pierre Alarie
- **VICE-PRESIDENT DEFENCE & CONTRACT MANAGEMENT** — Jacques Greffe
- **VICE-PRESIDENT LEGAL SERVICES, GENERAL COUNSEL, & CORPORATE SECRETARY** — Tamara Parschin-Rybkin Q.C.
- **VICE-PRESIDENT STRATEGY & ORGANIZATIONAL DEVELOPMENT** — Mariette Fyfe-Fortin
- **VICE-PRESIDENT RISK AND FINANCE & CFO** — Anthony Carty

The Corporation has four operational business units: the office of the Chief Operating Officer (COO), Business Development and Sales, Defence and Contract Management and Legal Services. These business units position the Corporation to more proactively assist Canadian exporters in generating sales, and enhance the provision of its core contract management and procurement services. The Corporation also has two corporate business units: Strategy and Organizational Development and Risk and Finance. Each business unit is led by a Vice-President accountable for corporate performance and results.

RISK AND OPPORTUNITIES COMMITTEE

This committee was established to address issues/matters impacting on the overall management and direction of the Corporation through a horizontal/vertical consultative process. The ROC reviews issues at Strategic, Operational and Transactional levels. The committee has the following roles and responsibilities:

- Promote the Risk and Opportunities Management organizational culture at CCC.
- Review business proposals at select stages, analyze results and assess the levels of both risk and opportunity.
- Make recommendations regarding business proposals including price recommendations and ensuring appropriate allocation of resources is aligned with approved strategies.
- Assess and ensure alignment of corporate business objectives with risk strategy.
- Make recommendations regarding external communication.

Annex III

Glossary of Terms

ACCBP	Anti-Crime Capacity Building Program
AIAC	Aerospace Industries Association of Canada
CADSI	Canadian Association of Defence and Security Industries
CCC	Canadian Commercial Corporation
CEO	Chief Executive Officer
CIIC	China International Intellectech Corporation
COO	Chief Operating Officer
CSR	Corporate Social Responsibility
DFATD	Foreign Affairs, Trade and Development Canada
DND	Department of National Defence
DPSA	Defence Production Sharing Agreement
DSCA	Defense Security Cooperation Agency
EDC	Export Development Canada
ERM	Enterprise Risk Management
FAA	*Financial Administration Act*
FESCO	Foreign Enterprise Service Company
FMS	Foreign Military Sales
FTA	Free Trade Agreement
FXM	Swedish Defence and Security Export Agency
GDS	Global Defence and Security
HR	Human Resources
ICB	International Commercial Business
IMF	International Monetary Fund
LAV	Light Armoured Vehicles
MOU	Memorandum of Understanding
NASA	National Aeronautics and Space Administration
NBC	National Bank of Canada
NORAD	North American Aerospace Defense Command
OAG	Office of the Auditor General of Canada
OECD	Organization for Economic Co-operation and Development
PIPSC	Professional Institute of the Public Service of Canada
PPP	Public-Private Partnerships Canada
PPPs	public-private partnerships
PWGSC	Public Works and Government Services Canada
ROC	Risk and Opportunities Committee
ROs	Regional Offices
SIBAT	Defense Export and Cooperation Division of the Israel Ministry of Defense
SMEs	Small and medium-sized enterprises
TBS	Treasury Board of Canada Secretariat
TCS	Trade Commissioner Service
USD	United States Dollars
U.S. DoD	United States Department of Defense