



CORPORATE GOVERNANCE FRAMEWORK

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1. INTRODUCTION

1.1 This Corporate Governance Framework provides an overview of the corporate governance structure, principles and practices for the Board of Directors (Board) of Defence Construction Canada (DCC). A comprehensive Corporate Governance Framework is a key tool for Board efficiency, effectiveness and accountability.

1.2 The objectives of this Framework include defining Board accountabilities and responsibilities, identifying key roles, and providing guidance.

1.3 This Framework is subject to ongoing review, assessment and improvement. All documents referred to herein are to be found on DCC's website or the Board Portal. This Framework was approved by the Board on December 8, 2015 and will be reviewed annually by the Board.

2. MANDATE OF DCC

2.1 The mandate of DCC, pursuant to the *Defence Production Act* (DPA), is to meet the infrastructure and environmental needs of its Client-Partners by providing quality services. DCC's mission is to provide timely, effective and efficient project delivery and full lifecycle support for infrastructure and environmental assets required for the defence of Canada. DCC is an agent of the Crown incorporated for the purpose of carrying out the procurement for and delivering of defence infrastructure projects. The DPA defines a defence contract as a contract with an agent of Her Majesty that in any way relates to defence projects or to the designing, manufacturing, producing, constructing, finishing, assembling, transporting, repairing, maintaining, servicing or storing of, or dealing in, defence projects. DCC's Letters Patent permit DCC to take on, lease, or in exchange, procure, purchase or otherwise acquire, construct, alter, renovate, add to, improve, and to hold, manage, maintain, operate, supervise, repair, heat, sell, salvage, realize or otherwise dispose of real and personal property—and in particular, lands and buildings.

3. GOVERNANCE

3.1 The Board is responsible for the governance of DCC. The Board carries out its corporate governance role firstly by ensuring that the Board's operations are established in such a way as to ensure its members:

- a. represent what is required for DCC in terms of skills and experience;
- b. are independent;
- c. are given appropriate orientation and training;
- d. are able to assess the effectiveness of the Board in carrying out its responsibilities;
- e. are active in succession planning; and
- f. understand their responsibilities and duties.

3.2 The Board's responsibilities include:

- a. approving the strategic direction of the Corporation, as outlined in the Corporate Plan;
- b. ensuring that the principal operational and reputational risks associated with DCC's business have been identified and that appropriate systems are in place to manage them, including DCC's Corporate Risk Management Framework;

- c. ensuring appropriate frameworks and policies are in place, such as DCC's Corporate Performance Management Framework, Corporate Succession Planning Management Framework, and DCC's Travel and related policies;
- d. ensuring that information systems and Management practices meet DCC's needs and foster confidence in the integrity of corporate information and reports; and
- e. maintaining its independence; and encouraging a culture of ethics and integrity at DCC.

3.3 The Board oversees and participates in DCC's strategic planning process and provides input and guidance to DCC on the Corporate Plan. It also provides DCC management with guidance as to such considerations as public policy objectives, as well as relevant private sector business practices and trends, in managing the Corporation's operations. DCC Board and Management seek input from industry on best practices at various opportunities, including at its Annual Public Meeting, and discuss them in DCC's Corporate Plans and Annual Reports, both of which the Board approves.

4. RESPONSIBILITIES

4.1 DCC's Board is responsible for the management of the business, activities and other affairs of the Corporation pursuant to the *Financial Administration Act* (FAA). DCC reports to Parliament through the Minister of Public Services and Procurement (the Minister). The framework for the operation and management of the Corporation are set out in DCC's Bylaws. The Charter of the Board outlines the Standards of Conduct expected of Board members.

4.2 The Board is responsible for overseeing the Corporation's business affairs on behalf of its sole shareholder, the Government of Canada. DCC is governed by the DPA and the FAA. Like other federal Crown corporations, DCC is subject to other federal laws, such as, for example, the *Access to Information Act*, the *Privacy Act*, the *Employment Equity Act*, the Canada Labour Code and the *Official Languages Act*.

4.3 The primary responsibility of Board members is to exercise their judgment to act in what they reasonably believe to be the best interests of the Corporation and its stakeholders. In discharging that obligation, the Board should be entitled to rely on the honesty and integrity of the Corporation's officers and its outside advisors and auditors. The President and Chief Executive Officer (CEO) is accountable to the Board for the day-to-day operations of the Corporation.

DUTY OF CARE

4.4 In fulfilling their responsibilities, Board members are bound by a duty to act in the best interests of DCC, a principle founded on the conviction that decisions taken in the best interests of DCC will also uphold the best interests of DCC's stakeholders and the Government of Canada. Board members are bound by a duty of care, which dictates that they must behave in a way and to a standard that would be reasonably expected from someone having that individual's knowledge and experience.

CEO PERFORMANCE

4.5 The President and CEO's performance evaluation is directly linked to DCC's overall corporate performance. The Privy Council Office Performance Management Program (PCO PMP) provides guidance as to the evaluation of the performance of CEOs of Crown Corporations and the Chair of DCC's Board ensures compliance with this guidance. Each year the PCO has committed to providing a specific



initiative for all such CEOs. The performance of CEOs of Crown corporations will be assessed against this specific initiative as well as against the other initiatives related to the performance of their individual Crown corporations, including those related to policy and program management, shareholder and stakeholder relations, and leadership results.

AUDIT

4.6 The Office of the Auditor General (OAG) is the auditor for DCC, as stipulated in the DPA. The OAG conducts annual audits of the Corporation's financial statements and must carry out a special examination of DCC at least once every 10 years.

4.7 Also in accordance with the FAA, DCC maintains an internal audit function through the services of an external provider. The Board receives regular reports on internal audits, including details on the implementation and status of recommendations through its Audit Committee.

COMMUNICATION

4.8 As part of its efforts to communicate with stakeholders and the public, and in compliance with the FAA, DCC holds an Annual Public Meeting. Notice of this meeting is posted on DCC's website 30 days before the event. At each such meeting, DCC invites the heads of industry associations to attend, along with their members. DCC employees are encouraged to attend, as are DCC's Client-Partners. Along with the Chair of DCC's Board, other board members and DCC's President and CEO are present to answer questions.

4.9 Also, the Chair of DCC's Board and the Minister of Public Services and Procurement seek opportunities to communicate, and the Chair reports any issues raised to the Board members. The Board also receives regular reports on the stakeholder engagement and relationship management activities of DCC's President and CEO, as well as of each member of DCC's Executive Management Group.

RELATIONSHIP MANAGEMENT

4.10 The meetings of DCC's Board are held in Ottawa, as well as in one of DCC's regional offices across Canada (Atlantic, Quebec, Ontario, National Capital, and Western). The Board encourages DCC's Executive Management Group to participate in Board meetings. For example, at each Board meeting, Vice-Presidents, Regional Directors, Directors or other DCC staff members give presentations on such topics as DCC's activities related to corporate initiatives, how DCC is responding to the needs of its Client-Partners and key concerns facing DCC in a specific Region. DCC employees are also given an opportunity to interact with Board members at each Board meeting and to participate in a question-and-answer session with the Chair of the Board so that they can see the role that the Board plays in DCC's corporate governance.

4.11 In conducting its affairs, DCC's Board is committed to ensuring that DCC continues to adhere to the spirit and intent of the initiatives of the Government of Canada. For these initiatives, the Board regularly reviews the Speech from the Throne, the Federal Budget, and the letter of priorities and expectations from the Minister.

5. INTEGRITY AND ETHICS

5.1 Along with its own Code of Conduct, the Board also makes certain that DCC has in place various mechanisms to support ethics and values in the conduct of its business. The Board reviews and approves DCC's Integrity Management Framework, the component parts of which are DCC's Code of Business Conduct and its Procurement Code of Conduct.

BOARD OF DIRECTORS CODE OF CONDUCT

5.2 A Board Code of Conduct is in place for Board members. The Board Code focuses on the *Conflict of Interest Act* and standards of care in setting out the expectations of members of a Board of Directors for a Federal Crown Corporation. It specifically identifies legislation that must be complied with as well as the standard of conduct expected. In addition, Board members annually sign a Declaration regarding the *Conflict of Interest Act*, confirming that they have read this Act, understand its implications, have made all necessary declarations to the Office of the Conflict of Interest and Ethics Commissioner, and have taken any required mitigating action to remain in compliance with this Act. The Board Code of Conduct is separate from the Code of Business Conduct for DCC employees.

CODE OF BUSINESS CONDUCT (EMPLOYEES)

5.3 DCC's Code of Business Conduct (Code) outlines expectations for all DCC employees. When this document is updated or amended, changes are communicated to all DCC employees. The Code outlines DCC's mission, vision and values; expected behaviours and standard of conduct; rules of conduct and procedures to minimize the possibility of conflict of interest situations arising; and the avenues for the resolution of issues. This Code applies to all employees of the Corporation, including those who are casual or temporary, as well as any person who is under a contract of employment with DCC.

5.4 The key areas covered in the Code are standards of conduct and conflicts of interest, including ethical business practices and compliance with legislation, as well as adherence to DCC policies and relevant TBS guidance and policies. The Code was established pursuant to the *Public Servants Disclosure Protection Act* and clearly sets out the procedures for disclosing wrongdoing.

5.5 DCC employees are to perform their work-related duties and arrange their private affairs in such a manner that public confidence and trust in the integrity, objectivity and impartiality of DCC are conserved and enhanced. In this manner, the public will have continued confidence and trust in the integrity, objectivity and impartiality of DCC. DCC's Board monitors compliance with the Code through regular reports by the President and CEO to the Governance and Human Resources Committee.

5.6 Annually, DCC employees are required to review their obligations and responsibilities under the Code and to reply to an electronic reminder. This electronic system allows DCC to keep accurate records of all responses and to ensure that there is appropriate follow-up. New employees must pass an online test on the Code shortly after they are hired. The President reports to the Board on matters related to compliance with the Code as they arise and provides an update to the Board on the annual renewal process. In this way, the Board is ensured that DCC maintains its best practices regarding programs and policies related to values, ethics and integrity.

PROCUREMENT CODE OF CONDUCT (SUPPLIERS)

5.7 The Board is also kept apprised of matters related to DCC's Procurement Code of Conduct (PCC) for suppliers. DCC expects suppliers to respond to bid solicitations in an honest, fair and comprehensive manner, and the PCC provides suppliers with a clear statement of expectations to ensure a basic understanding of their responsibilities during the procurement process, as well as throughout the implementation of the work. To demonstrate its importance, DCC has incorporated the PCC into its contract documents. DCC's President and CEO provides reports to the Board on matters arising out of the PCC.

6. PROFILE

6.1 DCC's Board uses the PCO guidelines for Crown Corporations to establish a Board of Directors Profile. This Profile helps to identify and clarify the roles and responsibilities of the Board and its committees. It is also used to identify the core attributes, competencies and experience expected of DCC's Board members and to define the optimal mix of specific skills, knowledge and experience needed for the Board to function effectively. The key roles and responsibilities of DCC's board members include governance, strategic planning, risk assessment and management, internal controls, performance management and evaluation, and management continuity. DCC's Board strives to appropriately represent Canada, including in relation to gender equity and Regional representation.

7. INDEPENDENCE

7.1 Each of DCC's seven board members is independent of DCC management, except for DCC's President and CEO. The Chair of the Board ensures the effective functioning of the Board as it carries out its responsibilities and duties.

7.2 The roles of the Chair of the Board and of the President and CEO are separate, and no employees or Corporate Officers of DCC serve on DCC's Board. The Minister appoints board members, with the approval of the Governor in Council. Board members may hold office for up to four years, or for a term set by the Governor in Council, after which time they may continue in office until a successor is appointed, should they wish to do so. The Governor in Council appoints the Chair of the Board, as well as the President and CEO, for such terms as the Governor in Council considers appropriate. All members are part time, except for DCC's President and CEO.

7.3 The Board meets at least quarterly and, to demonstrate fiscal restraint, manage expenses, and respect the time constraints of members, Committee meetings are scheduled around Board meetings. Private *in camera* sessions are regularly held at each Board and Committee meeting so that members of the Board may meet as a group without DCC management present. The Board also meets regularly with DCC's external and internal auditors. The Office of the Auditor General is DCC's external auditor, and DCC uses the services of a third party for internal audit services.

8. ORIENTATION

8.1 It is important that all members of DCC's Board understand how DCC functions, as well as the role the Board plays in managing the business, activities and other affairs of the Corporation. Upon their appointment, new Board members participate in DCC's full-day intensive orientation program.

Supplemental orientation sessions are scheduled to cover any further or other information required. Continuing education opportunities for all Board members are available throughout the year. When the Corporation adapts to new requirements or follows new guidelines, such as International Financial Reporting Standards (IFRS), relevant information is provided immediately. Also, at Board meetings, members receive regular briefings on DCC's services and programs. Board members may request information on specific issues at any time. DCC is a member of the Institute of Corporate Directors (ICD), and encourages Board members to participate in ICD events and to review ICD publications.

9. ASSESSMENT

9.1 To assess and ensure the Board's continued effectiveness, all Board members are regularly asked to complete a Board Assessment Questionnaire, which also includes questions designed to evaluate the performance of committees and individual board members. The Board and Committee Charters are used as guides in the assessment process. The Board also uses guidance provided by Treasury Board of Canada Secretariat (TBS) on such assessments, to comment on the performance of the Chair of the Board and the Chairs of the committees, and to acknowledge areas that are working well. They also evaluate their own contributions as a self-development tool.

10. SUCCESSION

10.1 The Board reviews and approves the Succession Planning Management Framework for the Corporation. Also, the Board reviews the succession plan for DCC's executive management to assess how DCC is able to identify, attract and retain employees with the appropriate skills and knowledge. The Governance and Human Resources Committee also reviews the succession planning requirements for the Board positions using the Board Profile.

11. COMMITTEES

11.1 Two committees assist the Board in fulfilling its responsibilities: the Audit Committee, and the Governance and Human Resources Committee. Board members serve on these committees, as required. The Charter of each committee sets out their respective roles and responsibilities, and these committees manage their agendas by referring to their respective work plans.

AUDIT COMMITTEE

11.2 The key functions of the Audit Committee are to review the financial statements included in DCC's Annual Report and the annual auditor's report, and to advise the Board with respect to them; to oversee all internal audits of DCC; and to perform other functions assigned to it by the Board, pursuant to the bylaws of the Corporation and under the Audit Committee Charter, such as ensuring that internal controls are in place, and that the appropriate financial accounting principles and policies are followed. The Audit Committee also reports to the Board on the timeliness of DCC's legislative filings, including DCC's annual financial statements filing and quarterly reporting requirements.

11.3 All Audit Committee members are independent of management, as per FAA requirements. The Audit Committee meets regularly *in camera* with committee members only, as well as with representatives from the OAG, DCC's internal auditors, and the Chief Financial Officer (CFO).

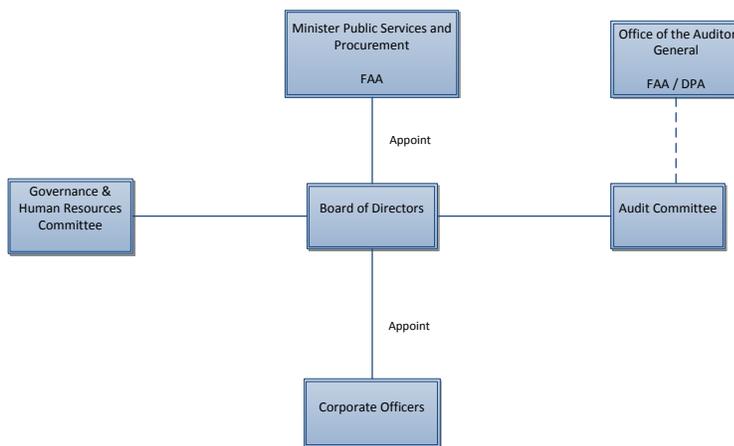
GOVERNANCE AND HUMAN RESOURCES COMMITTEE

11.4 The key function of the Governance and Human Resources Committee is to help DCC develop the Corporation’s approach to corporate governance. This includes evaluating DCC’s practices to see how they are in line with relevant and current best practices, as well as with relevant TBS guidance. The Committee also oversees the board assessment process, which includes questions related to the functioning of committees as well as to individual Board members.

11.5 In relation to human resources matters, the Committee reviews DCC’s core human resources policies and provides input as to their soundness and appropriateness and that related processes are in place within the Corporation. It also oversees the performance management process for the President and CEO, as set out by the PCO, as well as the annual performance assessments of members of DCC’s Executive Team, and reviews and recommends the appointment and reappointment of corporate officers.

11.6 The Committee also participates in the nomination and appointment process for Order in Council appointments, as appropriate, and ensures that the Board Profile remains relevant.

12. STRUCTURE



13. COMPENSATION

13.1 The PCO’s document, *Remuneration Guidelines for Part-Time Governor in Council Appointees in Crown Corporations*, dated October 2000, sets out the guidance for retainer and per diem amounts for Crown Corporation Board members. In the PCO’s 2015 document, *Performance Management Program Guidelines for Chief Executive Officers of Crown Corporations*, DCC is listed in Group 3. The compensation for DCC’s board members is set by Order in Council and is found in a blanket Order in Council.



Appendix I

Defence Production Act

Financial Administration Act

Conflict of Interest Act

Letters Patent

DCC By-laws

Memorandum of Understanding:

- a. Department of National Defence (June 2, 2008)
- b. Communications Security Establishment (September 24, 2013)
- c. Shared Services Canada (February 13, 2014)
- d. Public Works and Government Services Canada for Integrity Database Verifications (May 24, 2013)
- e. Public Works and Government Services Canada for Personnel Security Services (November 28, 2017)

Appendix II

Board of Director Profile

Board of Director Charter

Board of Director Work plan

Audit Committee Charter

Audit Committee Work plan

Governance and Human Resources Committee Charter

Governance and Human Resources Committee Work plan

Board of Director Orientation

Board of Director Assessment Questionnaire

Board Evaluation

PCO Performance Management Plan for CEO

Conflict of Interest Declaration

Remuneration Policy

Meeting Planner

Annual Public Meeting Agenda

Terms Chart

Recurring Action Items List

Appendix III

Corporate Risk Management Framework

Financial Management Policy

Succession Planning Management Framework

Travel, Hospitality, Training, and Conference & Event Policies

Appendix IV

Board Code of Conduct

Integrity Management Framework

Code of Business Conduct for employees

Procurement Code of Conduct for suppliers