DEFENCE CONSTRUCTION CANADA

CONSTRUCTION DE DÉFENSE CANADA

CORPORATE PLAN SUMMARY 2023–2024 TO 2027–2028

INCLUDING THE OPERATING AND CAPITAL BUDGETS FOR 2023–2024

Table of Contents

EXECUTIVE SUMMARY

In the face of a changing world and an evolving defence and security environment, Defence Construction Canada's (DCC's) service delivery continues to be resilient, and its business performance remains strong.

DCC's operating environment is largely shaped by the priorities and planning of its primary Client-Partner, the Department of National Defence (DND), and by the size and focus of DND's infrastructure and environment (IE) program.

The Corporation anticipates that contract expenditures will remain at $1.1 billion in 2023–24, then begin to increase slightly to about $1.5 billion by 2025–26, then begin to normalize to $1.3 billion at the end of the planning period in 2027–28 mainly due to the Canadian Surface Combatant Project, the Future Fighter Capability Project and other Defence Capability Infrastructure (DCI) programs and projects. The Corporation also manages two public-private partnership contracts for the Communications Security Establishment and Shared Services Canada.

The value of DCC's current ongoing project portfolio is about $8.4 billion, and contract expenditures have historically averaged about $1.1 billion per year. DCC generates 3,600 to 4,000 full-time jobs in the Canadian infrastructure and environment industry and injects money into local communities through its payments to contractors and consultants.

DCC expects services revenue to increase by 10.2% in 2023–24, reflecting a 3.5% billing rate increase and a 6.7% increase in demand for DCC services. Revenue is anticipated to increase over the planning period until 2026–27, after which demand from Client-Partners is expected to decrease slightly. If inflation continues to exceed the Bank of Canada's 2% target beyond the planning period, the Corporation's billing rates are expected to increase.

Recent events such as the COVID-19 pandemic, the war in Ukraine and extreme weather over the past several years have caused some supply chain disruptions. These impacts include escalating costs for some materials, and delays in shipping and receipt of goods and materials.

However, in DCC's experience, these disruptions have been variable, sometimes short and difficult to anticipate, so they have been difficult to quantify and mitigate. DCC has been monitoring the situation since March 2020. It has found that, at the macro level, competition has remained mostly healthy, pricing has overall remained affordable with historical trends, and disruptions have been localized and unique. Overall, the impact on project schedules has been manageable. DCC continues to monitor at the macro level and address individual situations on a case-by-case basis.

DCC contributes to Canada's long-term environmental sustainability by supporting DND's efforts to reduce greenhouse gas emissions and energy consumption associated with its infrastructure holdings at the national, regional and site levels. Real property support for SMART building, electric vehicle charging stations and net zero carbon planning, along with energy performance contracts, are a few of the ways DCC will support Canada's green defence initiatives during the planning period.

An updated version of Canada's defence policy, Strong, Secure, Engaged, will likely be released in the second half of 2022–23. As always, DCC will work to ensure seamless delivery of the policy components that relate to its mandate. A recently signed memorandum of understanding between DND and DCC provides a solid foundation for moving the working relationship forward.

Consistent with government recommendations, DCC integrated COVID-19 protocols into its operations in its physical workspaces and implemented a COVID-19 Vaccination and Prevention Policy for its employees, contractors and consultants who enter DCC and DND workspaces. These measures are considered normal operations, and DCC has continued fulfilling the Corporation's obligations to the Client-Partners without disruption.

DCC has an ambitious agenda to build strong partnerships with Indigenous peoples and to create more opportunities for Indigenous businesses throughout the planning period. The Corporation is implementing its Indigenous Relations Policy, based on the three pillars of people, business and community. In the next fiscal year, DCC will launch an outreach program in its Pacific Region. Later, it will review the applicability of this model to community engagement across all regions during the planning period.

DCC seeks to sustain its culture of diversity and respect by including a broad range of voices in governance and decision-making. In November 2022, DCC formed a Pay Equity Committee, and the Corporation is on target to develop a Pay Equity Plan by September 2024.

In December 2022, DCC released its Accessibility Plan in support of the *Accessible Canada Act*, and set up a feedback process for the Plan on its corporate website. The Plan reflects DCC's commitment to fostering accessibility and reducing barriers. The Corporation works to enhance its ability to recruit and retain top talent, including members of the four employment equity groups and members of the 2SLGBTQI+ community. DCC's Diversity and Inclusion Strategy 2021–2026 includes activities such as developing regional diversity and inclusion plans, anti-racism training, and unconscious bias-awareness training. DCC's Harassment and Violence Prevention Policy and associated employee training, will help keep DCC's workplace safe.

To ensure that DCC is on track with these important initiatives, the Corporation will conduct an Employee Engagement Survey early in the coming planning period.

DCC will also continue investing in business modernization—particularly its digital capability—to improve its efficiency and effectiveness and deliver further value to the Crown. Up-to-date technology with robust capacity makes the modern hybrid workplace viable. Employees, senior managers and external stakeholders expect to be able to conduct business in a well-functioning virtual environment. DCC will sustain its information technology (IT) investments to maintain service capability and the organization's viability. With modern IT infrastructure, robust policies and practices, and a dynamic employee cybersecurity awareness program, DCC is well equipped to combat digital attacks.

Over the past two years, the Corporation has launched many major initiatives to reinvest in and rebuild itself in various areas. These include initiatives to foster an equitable, healthy, diverse and inclusive workplace; develop Client-Partner relationships; improve program delivery and green defence; enhance technology for service delivery; modernize procurement; improve information management and digital business capability; and enhance business opportunities for Indigenous peoples. That work will continue into the planning period, and no new initiatives will be added in 2023–24.

Cash to support operations is anticipated to total $39 million as at March 31, 2024. This balance is within the target range of $35 million to $45 million, set in 2022–23. Throughout the planning period, DCC will accumulate cash in reserve accounts to fund investments in its business—particularly in capital projects, innovation and IT initiatives.

OVERVIEW

Mandate

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

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

Government of Canada Priorities and Public Policy Role

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

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

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

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

Mission Statement

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

Vision Statement

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

Service Lines

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

CONTRACT SERVICES

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

CONTRACT MANAGEMENT SERVICES

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

ENVIRONMENTAL SERVICES

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

PROJECT AND PROGRAM MANAGEMENT SERVICES

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

REAL PROPERTY MANAGEMENT SERVICES

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

Business Model

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

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

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

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

Financial Condition

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

Unexpected changes in program services provided to Client-Partners, as well as DCC's success in achieving its own operating efficiencies, can result in margins and cash balances that vary from initial targets. For more information, see DCC's *Annual Report 2021–2022*.

OPERATING ENVIRONMENT

DCC's operating environment is largely shaped by the priorities and planning of its primary Client-Partner, the Department of National Defence (DND), by the size and focus of DND's infrastructure and environment (IE) program, and by the business outlook for the architecture, engineering and construction industry.

External Factors

DND INFRASTRUCTURE AND ENVIRONMENT PROGRAM

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

The Government of Canada's Strong, Secure, Engaged defence policy, released in June 2017, makes modernizing DND infrastructure a priority. Activities DCC is currently supporting or may support in the future include divesting of or demolishing underused or obsolete buildings; improving facilities on bases and wings, such as housing for military personnel; and building new infrastructure for major CAF programs. In the face of an evolving defence and security environment, the Government of Canada is expected to release an update of Strong, Secure, Engaged early in the planning period.

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

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

EXTERNAL ECONOMIC AND BUSINESS ENVIRONMENT

According to Build Force Canada, construction employment opportunities continue to outpace labour force growth, mainly due to a general increase in infrastructure investment and to the aging of the workforce. This industry labour market pressure is expected to continue until 2025 and to moderate by 2027. Canadian investment in construction increased dramatically as the economy recovered from the pandemic and many older construction workers left the workforce.

The Canadian construction industry, of which DCC is a member, is becoming more complex, with fewer firms, more foreign ownership, more service-integrated firms, quicker adoption of technology and greater third-party involvement in activities traditionally done by construction business owners, such as quality control.

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

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

GOVERNMENT OF CANADA REQUIREMENTS

The Strategic Plan Overview chart on page 15 illustrates how DCC's mission, vision, values, strategic objectives and outcomes, initiatives, and key performance indicators flow from Government of Canada priorities.

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

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

Internal Factors

Expectations for workplaces of the future have evolved rapidly since the outset of the COVID-19 pandemic. In fall 2021, DCC's Flexible Workplace Policy came into effect. It provides for arrangements that can help employees meet personal needs while continuing to deliver key services to external and internal clients. By fall 2022, DCC had implemented this policy and employees had returned to the workplace under it.

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

Like many other Canadian organizations, DCC faces the ongoing challenges of recruiting and retaining top talent to ensure it can continue to meet Client-Partner needs, while dealing with generational turnover and varying expectations of employees of different ages. Since DCC largely hires from outside government, it will be affected by the anticipated demographic crunch in the construction industry, with over one-fifth of workers on track to retire in 10 years but fewer people entering the workforce. Moreover, many large construction projects are carried out in remote areas, where young people are less likely to relocate.

Nonetheless, DCC must continue to be able to adapt the size, location and makeup of its workforce, so it can quickly respond to changes in Client-Partner service delivery requirements and priorities. DCC's status as a non-unionized Crown corporation gives it the flexibility to do this.

DCC's compensation structure differs from that of unionized government organizations. Employees participate in the Public Service Pension Plan and have access to fully integrated health and dental, and short-term and long-term disability plans. However, salary increases are based on economic conditions and individual merit-based performance, with no negotiated or stepped increases. To ensure employee compensation continues to be comparable to industry standards, reflect best practices and provide value to the Crown, DCC regularly conducts a benchmarking study of compensation and benefit practices. The most recent study, in 2019–20, confirmed that DCC's job classification and compensation structure complies with pay equity regulations. Within the five-year planning period, DCC plans to conduct a compensation and benefits study. If needed, it may also do focused studies of specific business areas, to ensure DCC remains an employer of choice in the current competitive job market.

BUSINESS STRATEGY

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

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

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

DCC ensures performance through a results-based approach to monitoring its business. Specific, measurable, achievable, relevant, and timely strategic objectives and outcomes provide focus for each theme, aligned with DCC's mission. DCC expects that these objectives will not change during the 2023–24 to 2027–28 planning period. With qualitative and quantitative key performance indicators in place for each of them, DCC can gauge the health of any aspect of its business. Rigorous and regular data collection, monitoring and reporting, and continuous improvement are part of daily work at DCC. The most recent key performance indicator results can be found in DCC's *Annual Report 2021–22*.

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

STRATEGIC PLAN OVERVIEW, 2023–2024 TO 2027–2028

GOVERNMENT OF CANADA KEY PRIORITIES SUPPORTED BY DCC

SECURITY AND DEFENCE	ENVIRONMENT	ECONOMIC GROWTH	OPENNESS AND TRANSPARENCY
• Defence Policy: Strong, Secure, Engaged • Support for Canada's North • Support for Canada abroad	• Canada's commitment to a clean environment • Environmental sustainability • Support for DND/CAF in meeting greenhouse gas emission targets	• Investment in infrastructure • Opportunities for Canadians • Support for reconciliation with Indigenous peoples • Innovation	• Modernization of the procurement process • Focus on results and outcomes • Prudence in handling public funds • Commitment to social and cultural diversity and inclusion

MISSION	VISION
To provide timely, effective and efficient program management, project delivery and full lifecycle support for infrastructure and environmental assets required for the defence of Canada	To be a knowledgeable, ethical and innovative leader, and employer of choice, valued by the Government of Canada and industry

VALUES

Dedication: DCC is dedicated to supporting defence infrastructure and environmental requirements. Since 1951, DCC employees have dependably and diligently carried out that mission for Client-Partners.

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

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

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

STRATEGIC OBJECTIVES AND OUTCOMES

PLANNING THEME	PEOPLE	SERVICE DELIVERY	BUSINESS MANAGEMENT	LEADERSHIP AND GOVERNANCE
STRATEGIC OBJECTIVE	To build and sustain a competent, engaged and diverse workforce	To deliver innovative, value-added services that meet Client-Partner requirements	To develop and maintain responsive, integrated business management structures, tools, teams and practices	To provide agile leadership and be responsive to Government of Canada objectives
STRATEGIC OUTCOMES	• A diverse, productive and results-oriented workforce • A healthy, inclusive, accessible and respectful workplace • A culture of innovation • Positive employee engagement	• Delivery of efficient and effective quality services • Collaborative relationships sustained though mutually-aligned objectives and information sharing • Leveraging of industry capacity and innovation	• Business infrastructure, strategies and corporate frameworks that ensure effective and efficient service delivery and strong resource management • Sound internal control systems and practices, and management oversight and audit, that safeguard corporate assets	• A risk-based decision-making culture • High ethical standards, openness and transparency in the management of DCC's business affairs • Demonstration of value, integrity and innovation to stakeholders and Client-Partners
2023–2024 CORPORATE PLAN INITIATIVES	• Implement year five of the Human Resources Strategic Plan, including the Diversity and Inclusion Strategy, the Workplace Wellness and Mental Health Strategy • Develop DCC's Pay Equity Plan	• Enhance DCC's capabilities to support DND in its program delivery and IE strategic portfolio management • Support DND's greening defence and sustainability initiatives • Implement innovative project delivery options • Leverage technology to better support service delivery	• Implement the Information Technology Strategic Plan, including an Information Management Policy, a Cyber Security Awareness Program and a Digital Business Capability Resource Project	• Strengthen collaborative relationships with Client-Partner leadership • Implement DCC's Indigenous Relations Policy
KEY PERFORMANCE INDICATORS	• Employment diversity results • Recruitment results • Employee retention rate • Innovation results • Investment in training and development	• Service delivery rating • Procurement results • Contract management results • Contractor performance evaluations	• Financial results consistent with DCC's Corporate Plan • Cost of services • Utilization rate	• Corporate reporting results, including timeliness of submissions • DCC Code of Business Conduct results • DCC Procurement Code of Conduct results • Environmental, health and safety, and security results

OBJECTIVES, OUTCOMES, INITIATIVES, AND PERFORMANCE INDICATORS

Planning Theme: People

OBJECTIVE

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

OUTCOMES

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

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

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

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

DCC encourages and fosters a culture of innovation.

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

DCC achieves positive employee engagement.

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

INITIATIVES

The Government of Canada has many ambitious objectives related to its commitment to social and cultural diversity and inclusion. Aligned with the *Call to Action on Anti-Racism, Equity and Inclusion in the Federal Public Service*, DCC supports this priority through three strategic initiatives unfolding over the planning period. These people-themed initiatives address the risk associated with DCC's ability to recruit and retain people, such as members of the four employment equity groups (women, visible minorities, persons with disabilities and Indigenous people) and members of the 2SLGBTQI+ community.

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

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

DCC works to maintain pay equity in its job evaluation and classification system. It has a Pay Equity Committee and is on track to develop a Pay Equity Plan by September 2024.

PEOPLE: KEY PERFORMANCE INDICATORS

Employment Diversity Results

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

Recruitment Results

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

Employee Retention Rate

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

Innovation Results

The innoviCulture program is DCC's means of encouraging and tracking innovation in the workplace. A key tool is an online intranet module called the inCubator. This system tracks ideas submitted by employees as they move through the evaluation process and into implementation. The target is to have 20% of all employees use this system.

Investment in Training and Development

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

The target for spending on professional development as a percentage of base salary costs is 4.5%. This target includes spending on both internal and external costs related to training and development. The amount spent on training and development fluctuates from quarter to quarter, and year to year. It depends on the effort required to develop and maintain internal courses, and the timing and delivery method of professional development activities in various regions and nationally.

Planning Theme: Service Delivery

OBJECTIVE

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

OUTCOMES

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

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

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

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

DCC leverages industry capacity and innovation.

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

INITIATIVES

DCC will carry forward four service delivery initiatives in 2023–24: support DND in its program delivery and IE strategic portfolio management; support DND's greening defence and sustainability initiatives; implement innovative procurement and delivery options; and leverage technology to better support service delivery.

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

When collaborating with the Client-Partner in its procurement planning, DCC continues to consider ways to create a positive social impact through purchasing. The planning period will see DCC implement its Indigenous Relations Policy to support DND's efforts to engage Indigenous businesses. In each region, DCC will work to build its stakeholder engagement capacity and commit to building trust with Indigenous communities. This policy aims to help stimulate economic growth, create career opportunities, and contribute to the Indigenous communities where DCC works.

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

DCC continues to seek ways to better support its service delivery in the areas of mobile applications, new work practices and methods, and industry-specific software, such as that used for business information modelling and digital analytics. Employees expect to be able to use mobile applications; Client-Partners want real-time, accessible data and reports; and industry partners want easy and efficient ways to do business with DCC.

SERVICE DELIVERY: KEY PERFORMANCE INDICATORS

Service Delivery Rating

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

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

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

Procurement Results

Procurement award success: DCC wants Client-Partners to have a timely procurement experience and does not want to waste industry's time with false starts, as this reduces competition. DCC works with Client-Partners to make each procurement as viable as possible. The goal is that a minimum of 95% of all procurements result in a contract.

Procurement competition: DCC wants industry to view it as a knowledgeable and fair company to work with, so that as many bidders as possible compete for work. This helps ensure the Corporation gets the best value possible. The Corporation tracks the number of bidders per procurement, one indication of its reputation among contractors and consultants. The goal is to have an average of four bidders per procurement.

Public access to business opportunities: DCC wants to encourage competition and ensure that all enterprises have an equal opportunity to bid on contracts. The goal is to award a minimum of 98% of DCC contracts through public opportunities. DCC conducts procurement in an industry known for incidents of fraud. All successful bidders are verified against DCC's Procurement Code of Conduct before contract award. This reduces the risk of working with non-compliant companies.

Contract Management Results

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

Contractor Performance Evaluations

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

Planning Theme: Business Management

OBJECTIVE

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

OUTCOMES

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

- Business infrastructure relates to business planning, operations policy and procedures, human resources, corporate security, administrative services, finance, IT, and communications. Resource management includes management of staff, materials, money and assets.

- Corporate assets are safeguarded by sound internal control systems and practices, and by management oversight and audit.

INITIATIVES

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

DCC updated the IT Strategic Plan in early 2021, with a focus on a cybersecurity awareness program, an information management policy and a digital business capability resource project. This project includes improvements to DCC's enterprise resource planning (ERP) system. DCC expects to replace its current ERP system within the planning period at a total cost of approximately $20 million plus contingencies.

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

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

BUSINESS MANAGEMENT: KEY PERFORMANCE INDICATORS

Financial Results Consistent with DCC's Corporate Plan

DCC expects to achieve financial results each year that are consistent with its Corporate Plan and Financial Management Policy. Unexpected changes in program services provided to Client-Partners, as well as DCC's success in achieving its own operating efficiencies, can result in margins and cash balances that vary from initial targets. The objective is to generate and maintain sufficient cash to meet the Corporation's anticipated operating and capital requirements, to settle financial obligations as they become due, and to meet contingencies that may arise. Based on various considerations, including increasing DCC's long-term employee benefits liability, DCC's cash management approach will be to maintain its cash and investments level to fund operations at $35 million to $45 million during the planning period. More information on DCC's approach to cash management can be found in the Financial Overview on page 25.

Cost of Services

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

DCC operates as a lean and efficient organization, and its billing rates are significantly lower than those of comparable North American private sector engineering firms, according to Deltek's 43rd Annual Clarity Architecture and Engineering Industry study.

Utilization Rate

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

Planning Theme: Leadership and Governance

OBJECTIVE

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

OUTCOMES

DCC maintains a risk-based decision-making culture.

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

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

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

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

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

DCC respects government policies and practices.

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

INITIATIVES

DCC is carrying forward two strategic initiatives from 2023–24 under the theme of leadership and governance: strengthening collaborative relationships with Client-Partner leadership; and implementing DCC's Indigenous Relations Policy.

DCC's stable, long-term relationship with DND allows the Corporation to serve as the corporate memory for its client groups, which often undergo frequent staff changes in key positions. DCC must regularly promote its mandate to new DND staff, so that DND can leverage DCC's expertise fully. DCC's senior management will continue to be very active in engaging the Client-Partner leadership as staffing changes occur. DCC follows a stakeholder engagement matrix to ensure regular communications with DND, to keep knowledge of DCC's mandate top of mind among Client-Partner representatives.

To support the Government of Canada's work on reconciliation with Indigenous peoples, DCC has an Indigenous Relations Policy based on the pillars of people, business and community. In the next fiscal year, the Corporation will launch an outreach program in its Pacific Region. During the planning period, the Corporation will continue to implement the program and will review the applicability of this model for community engagement across all regions.

LEADERSHIP AND GOVERNANCE: KEY PERFORMANCE INDICATORS

Corporate Reporting Results

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

Separate from its corporate reporting requirements, DCC receives inquiries from its government stakeholders each year. These include order paper questions, constituent inquiries and ministerial questions. DCC responds to all requests in a timely manner. The volume of these requests fluctuates, depending on the current business environment. The target is to respond to 100% of all requests on time.

DCC's Code of Business Conduct Results

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

DCC's Procurement Code of Conduct Results

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

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

Environmental Results

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

Health and Safety Results

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

Security Results

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

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

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

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

FINANCIAL OVERVIEW

The Corporation operates on a fee-for-service basis and receives no government appropriations. Its financial management approach is based on the fundamental assumption that the Corporation is a going concern and that its stated mandate will continue in the future. This Corporate Plan contains information based on the most current assumptions as of November 18, 2022. Such information involves known and unknown risks that may cause actual results to differ materially from planned results. DCC senior management believes it has identified any material risk factors that could affect actual results at this time.

Financial Highlights

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

2023–2024 PLANNING YEAR

DCC expects services revenue to increase by 10.2% in 2023–24, reflecting a 3.5% billing rate increase and a 6.7% increase in demand for DCC services. In the 2022–23 Plan, the billing rate increased by 3% to cover planned operating costs at that time.

Salaries and employee benefits are expected to increase by 9.2% in 2023–24, reflecting a 3.0% economic increase and a 2.5% average merit-based salary increase, as well as a combined increase of 3.7% in salaries and benefits.

Part of that latter increase is due to the need to hire more experienced and senior-level people to handle anticipated higher demand for DCC services. It will be offset by increased Client-Partner revenues and additional work volume. The rest of the combined increase is due to salary mix and benefit changes. DCC will leverage any efficiencies gained in salary mix to fund its innovation, IT and capital reserves.

The gross margin on services revenue is expected to decrease slightly to 41% in 2023–24 from a projected 41.4% in 2022–23. It will continue to be sufficient to cover operating and administrative costs, as well as the buildup of cash reserves.

Operating and administrative expenses are expected to increase for several reasons: expected increases in travel and training due to a gradual return to pre-COVID-19 levels of business travel and in-person training; modernization of IT infrastructure and business applications; human resources initiatives; and planned workforce increases to support the projected increase in demand for services from Client-Partners.

Total comprehensive income at the end of 2023–24 is projected to be $7 million. It will be used to fund future capital projects, innovation and research, IT initiatives, and other government priorities.

Cash on hand to support operations is anticipated to total $39 million at March 31, 2024. The goal is to maintain sufficient cash on hand to cover an average of three months of salary costs. This balance is within the target range of $35 million to $45 million, set in 2022–23. Over the planning period, the Corporation will increase its target range for cash on hand to support operations to $39 million to $50 million. It plans to make that increase for two reasons: rising liabilities for employee future benefits, which must be self-funded by the Corporation; and continuing workforce expansion (and associated rising salary costs) related to increased demand for DCC services. Due to the anticipated increase in workforce size, the liability for employee future benefits is expected to reach $48 million by the end of the planning period.

2024–2025 TO 2027–2028 PLANNING YEARS

Revenue is anticipated to increase over the planning period until 2026–27, after which Client-Partner demand is expected to decrease slightly. The billing rate is projected to increase by 3.5% in each year of the planning period. This consistent billing rate increase, the projected increase in demand for DCC services and a consistent regional utilization rate of 77% to 79% will generate surpluses that DCC will hold in cash reserves.

DCC operations—primarily compensation—will also affect billing rate increases. If inflation continues to exceed the Bank of Canada's 2% target beyond the planning period, this will have an impact on future billing rates. The Corporation is also looking at modernizing systems and processes, and at creating and adopting new technologies. DCC assesses these factors annually when finalizing billing rates for the coming year. Here are some assumptions DCC has used in developing the forecasted billing rates above.

- Compensation economic increases will gradually decline each year after 2023–24, as inflation is expected to normalize over time.
- Comprehensive income is planned as a way of accumulating funds for future capital projects, such as the new enterprise resource planning (ERP) system project, which DCC expects to carry out in 2025–26 and 2026–27.
- During the planning period, cash held for operations will be in the $39 million to $50 million range. Cash accumulated for future capital purchases will range from $25 million to $35 million, which is slightly higher than the range of $19 million to $24 million set in 2022–23, to account for the new ERP system project in 2025–26 and 2026–27 and to fund future capital projects. Total accumulated cash and investments may increase to $85 million by the end of the planning period, due to rising compensation requirements driven by inflation and an increase in workforce size. DCC will spend $24 million of the reserve on the new ERP system between 2025–26 and 2026–27. The reserve will be replenished in 2027–28 for future capital projects, investments in innovation and research, investments in IT initiatives, and other government priorities.

KEY ASSUMPTIONS

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

REVENUE ASSUMPTIONS

Revenue assumptions in the 2023–24 to 2027–28 Corporate Plan

	ESTIMATED	PLANNED				
	March 31/23	**March 31/24**	**March 31/25**	**March 31/26**	**March 31/27**	**March 31/28**
Volume change	18.0%	6.7%	16.1%	2.6%	-4.4%	-4.3%
Billing rate change	3.0%	3.5%	3.5%	3.5%	3.5%	3.5%
Total anticipated increase (decrease)	**21.0%**	**10.2%**	**19.6%**	**6.1%**	**-0.9%**	**-0.8%**

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

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

COMPENSATION ASSUMPTIONS

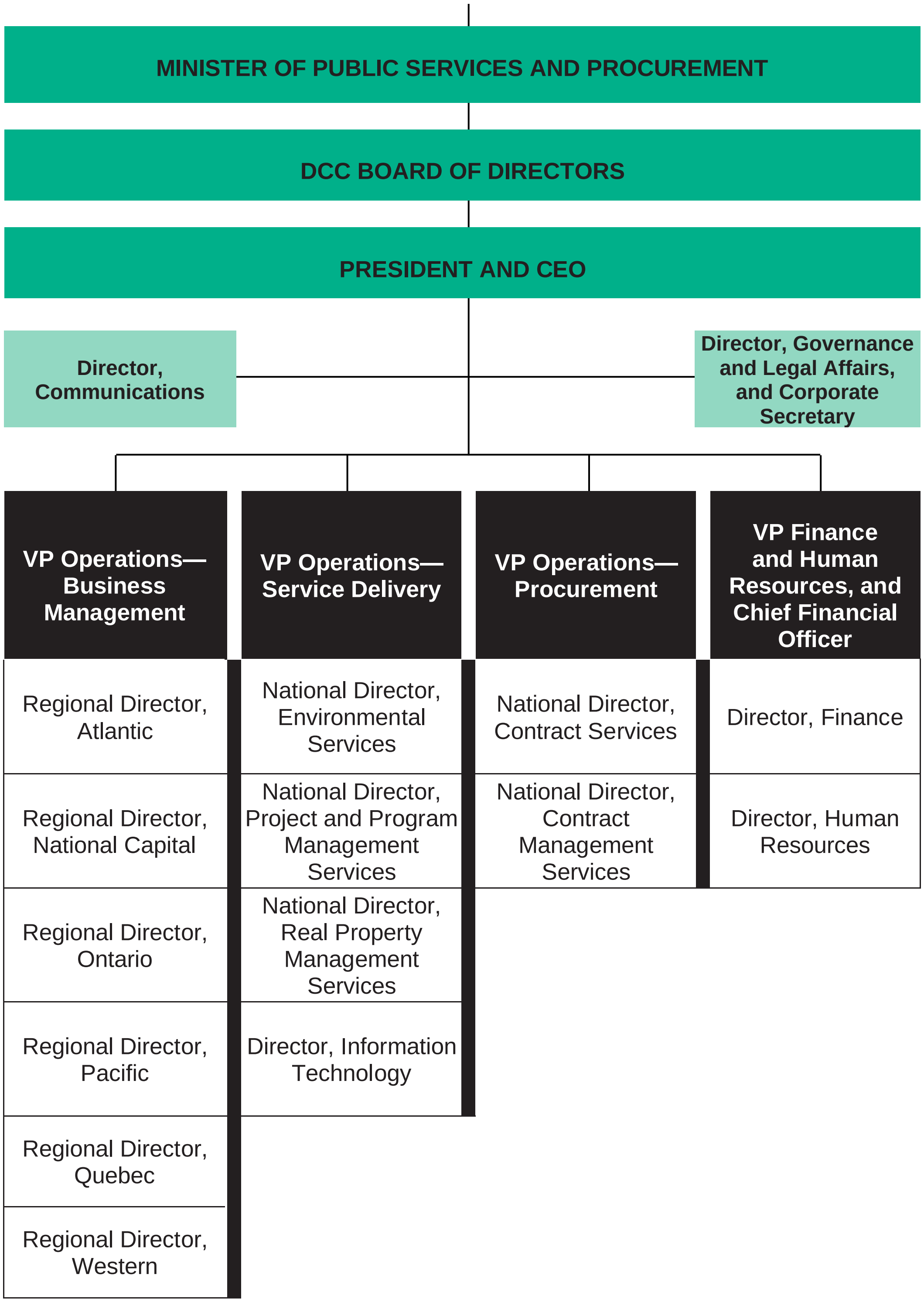
Compensation assumptions in the 2023–24 to 2027–28 Corporate Plan

	ESTIMATED	PLANNED				
	March 31/23	**March 31/24**	**March 31/25**	**March 31/26**	**March 31/27**	**March 31/28**
Economic increase	2.5%	3.0%	2.8%	2.5%	2.3%	2.0%
Merit-based salary increases	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%
Increased (decreased) workforce and changes due to salary mix, efficiency and other factors	10.1%	3.7%	14.0%	2.5%	-4.7%	-4.5%
Total salaries and employee benefits increase	**14.9%**	**9.2%**	**19.2%**	**7.5%**	**0.1%**	**0.0%**

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

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

APPENDIX I
CORPORATE GOVERNANCE AND STRUCTURE



Board of Directors

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

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

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

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

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

DCC'S BOARD OF DIRECTORS

BOARD MEMBER	APPOINTED	LENGTH OF TERM	EXPIRY DATE OF TERM
Moreen Miller[1,2]	November 22, 2022	Five-year term	November 21, 2027
Derrick Cheung[2]	September 8, 2019	Five-year term	September 7, 2024
Steve Anderson[2]	January 2, 2019	Four-year term	January 1, 2023
Stephen Burbridge[2]	June 11, 2022	Three-year term	June 10, 2025
Cynthia Ene[1]	June 11, 2022	Two-year term	June 10, 2024
Claude Lloyd[2,]	June 11, 2022	One-year term	June 10, 2023
Angus Watt[1,]	June 11, 2022	Two-year term	June 10, 2024

1 Audit Committee: Cynthia Ene (Chair), Moreen Miller and Angus Watt.
2 Governance and Human Resources Committee: Stephen Burbridge (Chair), Moreen Miller, Claude Lloyd, Steve Anderson and Derrick Cheung.

Committee Structure

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

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

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

Executive Management Structure

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

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

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

Members of the Senior Management Group include regional directors; the national directors for Contract Management Services, Contract Services, Real Property Management Services, and Project and Program Management Services; and corporate services directors. Regional directors manage activities in the Pacific, Western, Ontario, National Capital, Quebec and Atlantic regions through regional offices located in Victoria, Edmonton, Kingston, Ottawa, Montréal and Halifax, respectively.

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

The Corporate Secretary is responsible for governance-related matters; oversees DCC's compliance with relevant legislation, regulations and government policies; supports the Board of Directors; and communicates with the Corporation's stakeholders.

APPENDIX II
FINANCIAL STATEMENTS AND BUDGET

Cash Management and Financial Statements

CASH MANAGEMENT APPROACH

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

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

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

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

CASH REQUIREMENTS AND USES

The Corporation considers several factors when determining the amount of cash reserves to maintain, including the planning and operating risks inherent in its operations. In particular, the risks associated with potential and unanticipated changes to the amount or timing of the Client-Partner's construction project expenditures directly affect the amount or timing of DCC services and the cash generated. The COVID-19 pandemic has not significantly affected DCC operations. As the pandemic continues to evolve, uncertainty regarding future waves of infection and government interventions remains. However, DCC does not believe there will be a negative impact on operations, as DCC has navigated the COVID-19 pandemic with minimal disruptions and maintained its strong financial position.

By the end of the planning period, the estimated cash reserves for operating purposes should be between $39 million and $50 million. During the planning period, cash reserves to fund long-term capital projects, the advancement of innovation and research, and IT initiatives should be between $25 million and $35 million, with $24 million of that balance expected to be spent in 2025–26 and 2026–27 to acquire the new ERP system. The total current cash reserve level that DCC management deems necessary is between $67 million and $85 million which will be needed by 2027–28, mainly due to $50 million in operating funds for short-term obligations and $24 million for the new ERP system. These amounts will change over time as DCC's financial position changes. The total reserve levels are based on the increase in long-term unfunded liabilities for employee future benefits, increased compensation costs, and to fund long-term capital projects, the advancement of research and innovation, and IT initiatives. The following factors help DCC determine adequate cash reserves.

- Payables: DCC typically has $19 million to $24 million in trade payables, increasing each year due to inflation and increases in compensation, which it manages on a timely basis.

- Payroll: The Corporation's monthly payroll costs will reach $17 million by the end of the planning period. The cash reserves should be sufficient to cover approximately three months of payroll. This is seen as an appropriate amount for a viable business to have on hand.

- Receivables collection risk: Although DCC has a secure client base from which it regularly collects receivables, several things can affect the timing of those collections. These include delays in Client-Partner approvals and processing of invoices, and changes in Government of Canada cash payment terms. Greater risks occur in the situations below, which DCC manages through cash planning.

    – Election periods: During a writ period, Client-Partners rely on special funding mechanisms (warrants), which allow payments to continue in a 45-day cycle. There can be uncertainty about the timing of these mechanisms. The Client-Partners' ability to pay receivables could easily be affected for a single cycle, which is equivalent to half of the 90-day payroll coverage period.

    – Forecast uncertainty: DCC has not received a firm forecast of expected infrastructure program expenditures for 2023–24 and beyond. This uncertainty increases the risk of material fluctuations in demand for DCC services, which could require unanticipated investments to add or reduce resources. Such costs might include recruiting, relocation and training expenses—or, conversely, severance and other termination costs. DCC self-funds such costs and must keep sufficient cash reserves on hand.

    – Long-term obligations: In 2022–23, DCC must self-fund over $36 million in employee future benefits, including retirement, health and sick leave benefits. Due to an expected workforce increase during the planning period, these obligations are expected to grow to $48 million over the next five years. The Corporation must also fulfill other commitments, such as paying for lease obligations. DCC cannot predict with certainty when it may be required to pay for its long-term liabilities and must ensure that sufficient cash is available for these purposes when needed.

- Capital expenditures: DCC must self-fund all capital expenditures, such as the costs of modernizing its information management systems and ERP system. DCC plans to replace its ERP system in 2026–27 at an estimated cost of $24 million, inclusive of contingencies, so the Corporation is accumulating cash during the planning period to fund this future requirement.

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

There are no external restrictions on the use of the Corporation’s funds, and no legal or statutory obligations to segregate funds for any current or future liabilities, including employee future benefits. Cash in excess of short-term operational and capital requirements is invested in accordance with its Investment Policy approved by the Board of Directors.

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

- Fixed-fee arrangements: There are relatively few of these arrangements; however, they represent approximately 61% of services revenue. Going forward, when DCC approaches its planned operating target for the year, the Corporation can adjust the gross margin on its fixed-fee arrangements by varying the payroll gross-up factor (fixed-fee multiplier) to affect the amount of revenue generated. Changes can be made quickly with little disruption, while minimizing the administrative burden and costs to DCC and Client-Partners.

- Time-based arrangements: DCC will maintain consistent billing rates for time-based arrangements during the year. This will help Client-Partner representatives avoid the administrative burden, costs and uncertainty associated with amending them. When setting billing rates for time-based arrangements each year, DCC will establish a higher or lower billing rate, as needed, to achieve its target results. Among other factors, it will consider the prior year’s results, the current-year program forecast from the Client-Partner, and the gross margin required to fund DCC’s operating and capital requirements.

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

FINANCIAL STATEMENTS, BUDGETS AND NOTES

This financial projection reflects the Corporation's sustainable financial position in 2023–24. As a result, DCC plans to increase billing rates by 3.5% every year from 2023–24 to 2027–28. However, the following factors could affect the projected billing rates:

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

Operating expenses include investments planned from 2023–24 to 2027–28 to continue modernizing DCC's operational IT infrastructure and network security. These investments will be required to respond to an ever-changing security environment, as well as to the expiry of DCC's current ERP system in 2026–27.

These projections reflect the current most-likely scenario for demand from Client-Partners, based on information available as of November 2022, and related spending requirements to meet operational needs. The Corporation has projected surpluses for all of the planning period. In line with the cash management approach, after adjusting for funds needed for future capital projects and innovative research, the Corporation expects to achieve break-even operations.

STATEMENT OF FINANCIAL POSITION

For the years ending March 31, 2022, to March 31, 2028

(in thousands of dollars)	ACTUAL March 31/22	CORPORATE PLAN March 31/23	ESTIMATED March 31/23	PLANNED March 31/24	PLANNED March 31/25	PLANNED March 31/26	PLANNED March 31/27	PLANNED March 31/28
Assets								
Cash and cash equivalents	$ 36,918	$ 35,467	$ 36,620	$ 39,337	$ 46,247	$ 49,735	$ 49,790	$ 49,803
Investments	2,134	4,457	4,457	5,740	7,383	12,811	9,490	3,971
Trade receivables	16,676	26,568	25,654	28,271	33,816	35,882	35,556	35,269
Prepaid and other assets	1,096	1,727	1,092	1,135	1,174	1,209	1,240	1,266
Other receivables	1,793	1,522	1,531	1,456	1,386	1,320	1,258	1,200
Current assets	**58,617**	**69,741**	**69,354**	**75,939**	**90,006**	**100,957**	**97,334**	**91,509**
Investments	18,466	14,517	19,016	22,183	22,348	20,292	15,754	30,747
Property, plant and equipment	2,064	1,803	2,146	2,672	2,965	2,245	1,394	990
Intangible assets	37	2	27	9	-	4,958	23,300	20,900
Right-of-use assets	7,033	5,910	5,716	5,730	7,014	5,629	4,652	3,263
Non-current assets	**27,600**	**22,232**	**26,905**	**30,594**	**32,327**	**33,124**	**45,100**	**55,900**
TOTAL ASSETS	**$ 86,217**	**$ 91,973**	**$ 96,259**	**$ 106,533**	**$ 122,333**	**$ 134,081**	**$ 142,434**	**$ 147,409**
Liabilities								
Trade and other payables	$ 14,227	$ 17,219	$ 18,270	$ 19,814	$ 21,760	$ 23,110	$ 23,737	$ 24,382
Deferred revenue	1,285	525	1,077	535	-	-	-	-
Employee benefits	1,803	3,667	1,882	1,957	2,025	2,086	2,138	2,181
Lease obligations	1,278	1,312	1,380	1,324	1,390	1,452	1,520	1,438
Current liabilities	**18,593**	**22,723**	**22,609**	**23,630**	**25,175**	**26,648**	**27,395**	**28,001**
Employee benefits	31,529	39,434	33,772	36,112	38,543	41,056	43,643	46,292
Lease obligations	6,135	5,021	4,754	4,875	6,153	4,704	3,597	2,164
Non-current liabilities	**37,664**	**44,455**	**38,526**	**40,987**	**44,696**	**45,760**	**47,240**	**48,456**
Total liabilities	**56,257**	**67,178**	**61,135**	**64,617**	**69,871**	**72,408**	**74,635**	**76,457**
Equity								
Retained earnings	29,960	24,795	35,124	41,916	52,462	61,673	67,799	70,952
Total equity	**29,960**	**24,795**	**35,124**	**41,916**	**52,462**	**61,673**	**67,799**	**70,952**
TOTAL LIABILITIES AND EQUITY	**$ 86,217**	**$ 91,973**	**$ 96,259**	**$ 106,533**	**$ 122,333**	**$ 134,081**	**$ 142,434**	**$ 147,409**

STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME

For the years ending March 31, 2022, to March 31, 2028

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in thousands of dollars)	**March 31/22**	**March 31/23**	**March 31/23**	**March 31/24**	**March 31/25**	**March 31/26**	**March 31/27**	**March 31/28**
Services revenue	**$** 148,157	**$** 165,252	**$** 162,686	**$** 179,282	**$** 214,442	**$** 227,543	**$** 225,478	**$** 223,659
Travel and disbursement revenue	2,678	2,344	2,459	1,464	1,464	1,464	1,464	1,464
Investment revenue	482	500	1,522	1,892	2,118	2,299	1,910	1,939
Total revenue	**$ 151,317**	**$ 168,096**	**$ 166,667**	**$ 182,638**	**$ 218,024**	**$ 231,306**	**$ 228,852**	**$ 227,062**
Salaries and employee benefits	$ 123,749	$ 141,867	$ 142,170	$ 155,208	$ 184,990	$ 198,940	$ 199,160	$ 199,212
Operating and administrative expenses	10,065	15,510	14,901	16,952	18,447	19,106	19,010	18,889
Travel and disbursement expenses	2,678	2,344	2,459	1,464	1,464	1,464	1,464	1,464
Depreciation of property, plant and equipment	415	416	432	562	907	920	851	404
Depreciation of right-of-use assets	1,345	1,377	1,324	1,429	1,391	1,385	1,387	1,389
Amortization of intangible assets	13	7	22	18	9	42	658	2,400
Lease interest expense	226	198	195	213	270	238	196	151
Total expenses	**$ 138,491**	**$ 161,719**	**$ 161,503**	**$ 175,846**	**$ 207,478**	**$ 222,095**	**$ 222,726**	**$ 223,909**
Net income	**$ 12,826**	**$ 6,377**	**$ 5,164**	**$ 6,792**	**$ 10,546**	**$ 9,211**	**$ 6,126**	**$ 3,153**
Other comprehensive income								
Actuarial gain on employee benefit obligation	4,680	-	-	-	-	-	-	-
Total comprehensive income	**$ 17,506**	**$ 6,377**	**$ 5,164**	**$ 6,792**	**$ 10,546**	**$ 9,211**	**$ 6,126**	**$ 3,153**

STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME

(in thousands of dollars)	ACTUAL March 31/22	CORPORATE PLAN March 31/23	ESTIMATED March 31/23	PLANNED March 31/24	PLANNED March 31/25	PLANNED March 31/26	PLANNED March 31/27	PLANNED March 31/28
Cash flow provided by (used in) operating activities								
Net income	$ 12,826	$ 6,377	$ 5,164	$ 6,792	$ 10,546	$ 9,211	$ 6,126	$ 3,153
Adjustments to reconcile net income to cash provided by (used in) operating activities								
Employee benefits expensed	1,621	3,353	3,088	3,212	3,324	3,424	3,510	3,580
Employee benefits paid	(706)	(336)	(766)	(797)	(825)	(850)	(871)	(888)
Depreciation of property, plant and equipment	415	416	432	562	907	920	851	404
Depreciation of right-of-use assets	1,345	1,377	1,324	1,429	1,391	1,385	1,387	1,389
Amortization of intangible assets	13	7	22	18	9	42	658	2,400
Amortization of investment premiums	34	45	38	40	40	40	40	40
Loss on disposal of property, plant and equipment	1	-	-	-	-	-	-	-
Loss on disposal of right-of-use assets	4	-	-	-	-	-	-	-
Increase (decrease) in non-working capital balances related to operating activities	(1,598)	(7,913)	(4,877)	(1,583)	(4,103)	(685)	984	964
Net cash flows provided by operating activities	13,955	3,326	4,425	9,673	11,289	13,487	12,685	11,042
Cash flows provided by (used in) investing activities								
Redemption (acquisition) of investments	(10,330)	(5,731)	(2,911)	(4,490	(1,848)	(3,412)	7,819	(9,514)
Acquisition of property, plant and equipment	(974)	-	(514)	(1,088)	(1,200)	(200)	-	-
Acquisition of intangible assets	(33)	-	(12)	-	-	(5,000)	(19,000)	-
Net cash flows used in investing activities	(11,337)	(5,731)	(3,437)	(5,578)	(3,048)	(8,612)	(11,181)	(9,514)
Cash flows used in financing activities								
Repayment of lease obligations	(1,332)	(1,327)	(1,286)	(1,378)	(1,331)	(1,387)	(1,449)	(1,515)
Net cash flows used in financial activities	(1,332)	(1,327)	(1,286)	(1,378)	(1,331)	(1,387)	(1,449)	(1,515)
Decrease in cash and cash equivalents during the year	1,286	(3,732)	(298)	2,717	6,910	3,488	55	13
Cash and cash equivalents at the beginning of the year	35,632	39,199	36,918	36,620	39,337	46,247	49,735	49,790
Cash and cash equivalents at the end of the year	**$ 36,918**	**$ 35,467**	**$ 36,620**	**$ 39,337**	**$ 46,247**	**$ 49,735**	**$ 49,790**	**$ 49,803**

STATEMENT OF CHANGES IN EQUITY

For the years ending March 31, 2022, to March 31, 2028

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in thousands of dollars)	**March 31/22**	**March 31/23**	**March 31/23**	**March 31/24**	**March 31/25**	**March 31/26**	**March 31/27**	**March 31/28**
Share capital	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Opening retained earnings	12,454	18,418	29,960	35,124	41,916	52,462	61,673	67,799
Net income	12,826	6,377	5,164	6,792	10,546	9,211	6,126	3,153
Actuarial gain on employee benefit obligation	4,680	-	-	-	-	-	-	-
Closing retained earnings	**29,960**	**24,795**	**35,124**	**41,916**	**52,462**	**61,673**	**67,799**	**70,952**
Total equity	**$ 29,960**	**$ 24,795**	**$ 35,124**	**$ 41,916**	**$ 52,462**	**$ 61,673**	**$ 67,799**	**$ 70,952**

2022–23 Corporate Plan Versus 2022–23 Estimated Results

STATEMENT OF FINANCIAL POSITION

When one compares the estimated results for the year ending March 31, 2023, in the Statement of Financial Position to the 2022–23 Corporate Plan forecast for the year ending March 31, 2023, the variances are primarily due to lower-than-anticipated employee benefit costs as a result of DCC amending its sick leave program effective April 1, 2022, partially offset by lower-than-expected demand from Client-Partners, resulting in a lower gross margin than planned. These factors were combined with decreased cloud services costs, lower-than-expected professional services costs and lower training costs. The Corporation is on track to exceed the remaining Plan forecasts, assuming it collects trade receivables as anticipated and pays trade payables at the appropriate time, as is normal.

STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME

Services revenue for 2022–23 is estimated to be $163 million, compared to the Corporate Plan amount of $165 million, a decrease of $2 million or 2% from the Corporate Plan. The decrease is due to lower-than-planned demand for services from the Client-Partners.

Salaries and benefits are expected to total $142 million, an increase of $303,000 or 0.2% from the Corporate Plan, due to higher-than-anticipated economic and merit increases, offset by lower-than-planned workforce size due to lower demand from Client-Partners.

Operating and administrative expenses for the period ending March 31, 2023, are estimated to be $15 million, compared to $16 million in the Corporate Plan. The decrease is due mainly to decreased cloud services costs; lower-than-planned professional services costs; lower-than-planned training costs with the transition of many courses to a hybrid model and an increase of role-specific training delivered in house; lower-than-anticipated costs for the construction management mobile application; and pandemic-related savings in facility operating costs. These decreases were partially offset by higher-than-planned computer hardware costs, due to a one-time buyout of leased computer peripherals in order to extend the life of the accessories and reduce future costs, and increased travel as a result of the gradual return to pre-pandemic levels of business travel.

Depreciation and amortization are expected to decrease due to extended negotiations of the Pacific Regional Office lease, extended local government timelines and office fit-up contractor project schedule.

The Corporation is estimating a total comprehensive income of $5 million, compared to a planned total comprehensive income of $6 million in the prior-year Plan. The lower estimated income is mainly due to lower revenue as a result of decreased demand from Client-Partners.

CAPITAL BUDGET						
For the year ending March 31, 2023						
(in thousands of dollars)		**ESTIMATED**		**PLANNED**		**VARIANCE**
Computer equipment	$	-	$	-	$	-
Intangible assets		12		-		12
Furniture and fixtures		141		-		141
Leasehold improvements		373		-		373
Right-of-use assets		7		250		(243)
	$	**533**	**$**	**250**	**$**	**283**

Overall, capital expenditures for 2022–23 are estimated to be 113% above Plan. The increase is mainly due to renovations and furnishings required to retrofit the new Pacific Regional Office space to meet DCC's business requirements, and the audio-visual boardroom fit-up in two regional offices to accommodate the DCC hybrid work environment.

2023–24 to 2027–28 Planning Periods

SERVICES REVENUE

For the period ending March 31, 2023, services revenue is estimated to total $163 million, representing an increase of approximately $15 million or 10% over the previous fiscal year. The increase in services revenue from 2021–22 to 2022–23 is due to a higher-than-expected increase in demand for services from the Client-Partners, coupled with the planned increase in billing rates.

For 2023–24, the Corporation forecasts that demand for DCC's services will be higher than it was in 2022–23. This increase, combined with the anticipated billing rate increase, will lead to a rise in services revenue of $17 million or 10% above the estimate for 2022–23, to $179 million.

The Corporation is anticipating an increase in billing rates of 3.5% in 2023–24. This is in line with the Corporation's Financial Management Policy, under which DCC aims to maintain a sustainable financial position while operating at a slightly better than break-even position basis, after adjusting for reserve funds for future capital projects, innovation and research, and IT initiatives.

The Corporation estimates that the gross margin required for sustainability at the projected revenue levels discussed earlier is between 38% and 41%, which it expects to achieve in the planning period. The planned billing rate increases reflect anticipated demand from Client-Partners, anticipated inflation, and requirements to invest in operations, training, capital projects, innovation and research, and IT initiatives. DCC evaluates billing rates annually and may raise or lower them, based on these factors. DCC's Client-Partner representatives are aware of the planned billing rate increases and will incorporate them into their annual project budgets.

The following table illustrates the impact of billing rates on the gross margin percentage, comprehensive income (loss), equity, cash and cash equivalents, and investments from 2017–18 to 2027–28.

BILLING RATE, COMPREHENSIVE INCOME (LOSS), RETAINED EARNINGS AND CASH HISTORY, COMPARED TO PLAN

For the years ending March 31, 2018, to March 31, 2028

	ACTUAL				FORECAST			PLANNED			
	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28
Billing rate increase	4.5%	4.5%	3.5%	4.5%	4.5%	3.0%	3.5%	3.5%	3.5%	3.5%	3.5%
Gross margin percentage	33.1%	35.5%	36.9%	40.1%	40.9%	41.4%	41.0%	39.6%	38.6%	38.3%	38.1%
(in thousands of dollars)											
Comprehensive income (loss)	$(11,301)	$6,686	$(2,566)	$3,136	$17,506	$5,164	$6,792	$10,546	$9,211	$6,126	$3,153
Equity	5,198	11,884	9,318	12,454	29,960	35,124	41,916	52,462	61,673	67,799	70,952
Cash and cash equivalents, and investments	$22,701	$28,170	$25,340	$45,936	$57,518	$60,093	$67,260	$75,978	$82,838	$75,034	$84,521

The Corporation is forecasting an increase in volume in the first three years of the planning period, followed by a decrease in the last two years of the planning period. The anticipated billing rate rises will be held steady at 3.5% throughout the planning years, as shown in the following table.

REVENUE ASSUMPTIONS

Revenue assumptions in the 2023–24 to 2027–28 Corporate Plan

	ESTIMATED	PLANNED				
	March 31/23	March 31/24	March 31/25	March 31/26	March 31/27	March 31/28
Volume change	18.0%	6.7%	16.1%	2.6%	-4.4%	-4.3%
Billing rate change	3.0%	3.5%	3.5%	3.5%	3.5%	3.5%
Total anticipated increase (decrease)	**21.0%**	**10.2%**	**19.6%**	**6.1%**	**-0.9%**	**-0.8%**

INVESTMENT REVENUE

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

SALARIES AND EMPLOYEE BENEFITS

For the period ending March 31, 2023, salaries and employee benefits are estimated to total $142 million, representing an increase of approximately $18 million or 15% over the previous fiscal year. The increase from 2021–22 to 2022–23 is due to two factors: 10 percentage points of the increase is due to an increase in Client-Partner demand for services and a change in salary mix; and 5 percentage points of the increase is due to combined economic and merit-based salary increases.

DCC calculates billing rates based on the maximum amount for each of its job profile salary ranges. Often, employees take advantage of internal or external opportunities and transition to new positions. The total salary amount is affected by the fluctuating mix of individual salary amounts within each range, due to new hires or employee movement between ranges. Salaries and employee benefits increased faster than revenues, mainly due to an increase in workforce size to support other planned corporate initiatives, coupled with salary increases that exceeded the billing rate increase.

In 2023–24, salaries and employee benefits are anticipated to increase by $13 million or 9%; of that increase, 3.7 percentage points is due to an increase in Client-Partner demand for services and a change in salary mix; 3 percentage points is due to the economic increase; and 2.5 percentage points is due to merit-based salary increases. The increase in salaries and benefits of 9% is lower than the anticipated increase in services revenue of 10%, due to lower than anticipated utilization rates in the Western and Pacific Regions, resulting from the need to backfill some key leadership roles. Billing rates will continue to increase at a slower pace than economic and merit-based salary and benefit increases. This is to recognize the fact that, due to changes in demand from Client-Partners, DCC will generate enough revenue to cover operating and administrative expenses and maintain the gross margin required to recognize sufficient surpluses for future capital projects, innovation and research, IT initiatives and other government priorities.

SALARIES AND EMPLOYEE BENEFIT INCREASE (DECREASE) ASSUMPTIONS

	ESTIMATED	PLANNED				
	March 31/23	**March 31/24**	**March 31/25**	**March 31/26**	**March 31/27**	**March 31/28**
Economic increase	2.5%	3.0%	2.8%	2.5%	2.3%	2.0%
Merit-based salary increases	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%
Increased (decreased) workforce and changes due to salary mix, efficiency and other	10.1%	3.7%	14.0%	2.5%	-4.7%	-4.5%
Total salaries and employee benefits increase assumption	**14.9%**	**9.2%**	**19.2%**	**7.5%**	**0.1%**	**0.0%**

For the remainder of the planning period, the Corporation has assumed that the annual economic increase, based on an estimate of the change in the consumer price index (CPI) year over year, will be between 2% and 3%. A difference in the actual CPI change will affect this assumption. Merit-based salary increases are forecasted to remain constant at 2.5% from 2024–25 to 2027–28, based on historical and current market trends.

OPERATING AND ADMINISTRATIVE EXPENSES

For the year ending March 31, 2023, operating and administrative expenses are estimated to total $15 million, representing an increase of approximately $5 million or 48% over the previous fiscal year. This increase is due mainly to the following factors:

- an increase in travel and employee training and development costs of $2 million, due to the lifting of pandemic-related restrictions and the increase in DCC's workforce;
- an increase in professional services costs of $627,000, due to human resources initiatives to support DCC's employees and additional IT consultant costs to support service line capability enhancement;
- an increase in cloud computing services and software maintenance costs of $462,000, due to IT initiatives for virtual collaboration tools and engineering design software support; and
- an increase in computer hardware costs of $453,000, due an initial buyout of computer accessories previously rented, which will reduce future equipment rental costs.

For 2023–24, the Corporation has forecasted operating and administrative expenses of $17 million, an increase of 14% over the estimate for 2022–23. The increase is partly due to continued investments in IT infrastructure and business applications, such as DCC's intranet; some carry-over of the implementation of the construction management mobile application; an information management governance review; an increase in post-COVID-19 travel, training and hospitality costs, coupled with increases in workforce size and in human resources (HR) initiatives, such as new employee recruiting campaigns.

In 2024–25, the Corporation's operating and administrative expenses are forecasted to increase by 9%, due mainly to equipment rental and employee training and development as a result of workforce increases. In 2025–26, operating and administrative expenses are anticipated to increase by 4%, due to inflation and to an increase in workforce size to meet anticipated demand from Client-Partners. They will then decrease by 1% in 2026–27 and in 2027–28, due to the expected decrease in demand for DCC services from the Client-Partners.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization—including amortization of intangible assets, depreciation of right-of-use assets, and depreciation of property, plant and equipment—are estimated to total $2 million in the year ending March 31, 2023, which is consistent with the previous fiscal year.

For the year ending March 31, 2024, depreciation and amortization are expected to total $2 million, representing an increase of $230,000 or 13% from the current fiscal year estimate. This increase is mainly due to the depreciation on leasehold improvements, furnishings and leases relating to the new Pacific Regional Office.

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

NET INCOME AND TOTAL COMPREHENSIVE INCOME

A net income of $5 million, or 3% of services revenue, is estimated for the year ending March 31, 2023, compared with a net income of $13 million or 9% of services revenue, and a comprehensive income of $18 million or 12% of services revenue, in the previous fiscal year. The estimated net income in 2022–23 is due primarily to the planned increase in billing rates and to higher demand for DCC's services. These increases are countered partially by an increase in salary costs, related to the workforce increases made to support higher demand for services; higher professional fees for HR and IT initiatives; and higher travel and training costs related the increase in DCC's workforce and increases in post-COVID-19 business travel and training.

For the year ending March 31, 2024, total comprehensive income of $7 million is projected, which represents an increase of about 32% from total comprehensive income estimated for the current fiscal year. Net income is planned for each year from 2024–25 to 2027–28.

CASH AND INVESTMENTS

In 2021–22, the Corporation started accumulating cash to fund future long-term capital projects and the advancement of innovation and research. The amounts of these cash reserves will change over the planning period, as DCC's financial position changes. Over the planning period, cash reserves to fund long-term capital projects, the advancement of research and innovation, and IT initiatives should total between $25 million to $35 million. Cash held for operations should be in the $39-million to $50-million range. During the planning period, total accumulated cash and investments may rise to $85 million.

Currently, the Corporation's liquidity and capital resources position, represented by its cash and investments balances, is strong. These balances normally allow DCC to meet its operating and future capital needs, although the balances vary widely, based on the timing of receipt of trade receivables. Cash and investments are estimated to be $60 million at March 31, 2023. This balance represents $37 million for operations and $23 million for future capital purchases.

DCC expects its total cash reserves to be between $67 million and $85 million annually, throughout the planning period. Cash and investments will continue to increase over the years of the Plan, as the Corporation increases its cash reserves to take into account the large unfunded liability for employee future benefits and funding for future capital projects (to be spent in 2025–26 and 2026–27) and for innovation and research.

TRADE RECEIVABLES

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

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

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

The estimated value of property, plant and equipment, and intangible assets for the current year ending March 31, 2023, is expected to increase by $72,000 or 3% from the previous fiscal year. The increase is due to renovations and furnishings required to retrofit the new Pacific Regional Office space, and upgrades to two regional office boardrooms to accommodate the DCC hybrid, flexible work environment. For the year ending March 31, 2024, the value of property, plant and equipment, and intangible assets is expected to increase by 23% from the previous fiscal year due to continued leasehold improvements to the new Pacific Regional Office.

For the current year ending March 31, 2023, the estimated value of right-of-use assets is expected to decrease by 19% from the previous fiscal year, due to depreciation. For the year ending March 31, 2024, the value of right-of-use assets is expected to remain similar to that at March 31, 2023, due to the renewal of a regional lease and the new Pacific regional lease, offset by depreciation.

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

TRADE AND OTHER PAYABLES

Trade and other payables for the year ending March 31, 2023, are expected to increase by 28% from the year ending March 31, 2022. These fluctuations, and those of the subsequent Plan years, are largely tied to changes in operating expenditures from year to year and to the anticipated timing of payments to creditors.

EMPLOYEE FUTURE BENEFITS

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

Employee future benefits, including the current portion, are expected to total $36 million at March 31, 2023, representing an increase of approximately 7% over the figure in the previous fiscal year, due to the increase in workforce size and related accrual of sick leave and other benefits. At March 31, 2024, employee future benefits are expected to be $38 million. For the remaining Plan years, the amount is expected to increase between 6% to 7%, year over year. Although the actuary projects a current payout amount for each year, the exact timing of payouts is not determinable. The Corporation is under no obligation to segregate funds for this liability and does not do so.

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

LEASE OBLIGATION

The lease obligation is expected to decrease by $1 million in 2022–23, compared to March 31, 2022, due to the continued repayment of the lease obligation.

STAFF STRENGTH

STAFF STRENGTH							
For the years ending March 31, 2022, to March 31, 2028	ACTUAL	ESTIMATED	PLANNED				
	March 31/22	March 31/23	March 31/24	March 31/25	March 31/26	March 31/27	March 31/28
Employees based on full-time equivalents	1,080	1,159	1,257	1,395	1,436	1,378	1,322

Staff strength, presented on a full-time equivalent (FTE) basis, is estimated to be 1,159 for the year ending March 31, 2023. For the year ending March 31, 2024, it is forecasted to be 1,257. This figure represents an increase of approximately 8% from the previous fiscal year, to support increased demand for DCC services from the Client-Partner.

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

CAPITAL BUDGET

CAPITAL BUDGET								
For the years ending March 31, 2022, to March 31, 2028	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in thousands of dollars)	March 31/22	March 31/23	March 31/23	March 31/24	March 31/25	March 31/26	March 31/27	March 31/28
Computer equipment	$ 124	$ -	$ -	$ -	$ 1,200	$ 200	$ -	$ -
Intangible assets	33	-	12	-	-	5,000	19,000	-
Furniture and equipment	167	-	141	80	-	-	-	-
Leasehold improvements	175	-	373	1,008	-	-	-	-
Right-of-use assets	456	250	7	1,443	2,675	-	410	-
	$ 955	**$ 250**	**$ 533**	**$ 2,531**	**$ 3,875**	**$ 5,200**	**$ 19,410**	**$ -**

The Corporation is expecting capital expenditures for the fiscal year ending March 31, 2023, to be $533,000, a decrease of $422,000 or 44% from the previous fiscal year. This is mainly due to the renewal of a regional office lease and an upgrade to the IT infrastructure in the previous fiscal year and leasehold improvements for the Pacific Regional Office.

In the 2023–24 planning period and beyond, DCC will incur costs to upgrade its site firewalls and current ERP infrastructure, and it will incur additional costs to upgrade its IBM servers in 2025–26. The $5-million planned expenditure for intangible assets in 2025–26 is the first installment payment for the new ERP system. DCC expects to pay the remaining costs for the system in 2026–27, funded through the cash accumulated to that end over the planning period. In the 2023–24 planning period and beyond, the Corporation will also incur leasehold improvements and new lease costs for the Pacific Regional Office and lease renewal costs for existing regional offices.

TRAVEL, HOSPITALITY AND CONFERENCES

The Corporation's total annual expenditures on travel, hospitality and conference fees are disclosed on DCC's website. For 2021–22, DCC forecasted expenditures for travel, hospitality and conferences to be $402,000. However, due to COVID-19 restrictions on travel, the actual expenditures were $56,000. The increase in hospitality expenditures from 2021–22 to 2022–23 is the result of a return to pre-pandemic business travel activities. Increases are forecasted for 2024–25 through to 2026–27, which are assumed to be post-COVID years and then decreases are forecasted to reflect the decrease in workforce size related to the expected normalization of demand for DCC services.

TRAVEL, HOSPITALITY AND CONFERENCE

For the years ending March 31, 2022, to March 31, 2028

	ACTUAL	**ESTIMATED**	**PLANNED**				
(in thousands of dollars)	**March 31/22**	**March 31/23**	**March 31/24**	**March 31/25**	**March 31/26**	**March 31/27**	**March 31/28**
Travel	$26	$1,057	$1,168	$1,344	$1,423	$1,411	$1,395
Hospitality	30		320	368	390	387	382
Conferences	-	-	-	-	-	-	-
	$56	**$1,057**	**$1,488**	**$1,712**	**$1,813**	**$1,798**	**$1,777**

LEASES

DCC will not be entering into any leases in 2023–24 or 2024–25 that will require ministerial approval.

APPENDIX III
COMPLIANCE WITH LEGISLATIVE AND POLICY REQUIREMENTS

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

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

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

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

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

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

In compliance with the *Canadian Human Rights Act*, DCC ensures that its policies and practices reflect the concepts of respect and value in the workplace. The Corporation has specific policies on harassment, duty to accommodate, and health and wellness, to name a few. In 2022–23, all employees took workplace violence and harassment prevention training. New employees take this training during their orientation, and all employees take similar training once every three years.

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

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

Numerous policies, tools and resources enable the Corporation to comply with the *Official Languages Act*. To ensure contractors and consultants receive contract documents in the language of their choice, DCC offices have established local, open-source lists for contractors and consultants that want to bid on construction contracts worth $10 million or less. To qualify for the source list, potential bidders provide the legal name of their company and their language preference for the tender documents, the contract documents and communication during the execution of the contract. Tender documents are issued in both official languages unless all potential bidders at that site have indicated the same language preference.

Resources that help employees comply with the *Official* Languages *Act* include the Official Languages Accountability Framework, as well as an internal Translation Portal that makes translation services and resources accessible to all DCC offices. Each year, DCC reports to Canadian Heritage on its activities that support Part VII of the *Official Languages Act*, for use in the preparation of the *Annual Report on Official Languages*.

DIRECTIVE ON TRAVEL, HOSPITALITY, CONFERENCE AND EVENT EXPENDITURES

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

TRADE AGREEMENTS

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

APPENDIX IV
GOVERNMENT PRIORITIES AND DIRECTION

TRANSPARENCY AND OPEN GOVERNMENT

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

DCC sets a key performance indicator to award a minimum of 98% of DCC contracts through public opportunities. During the first half of 2022–23, it awarded 99% of all procurements through public business opportunities.

DCC also receives inquiries from its government stakeholders each year, including order paper questions, constituent inquiries and ministerial questions. DCC responds to all requests in a timely manner. The volume of these requests fluctuates, depending on the business environment. During the first six months of 2022–23, DCC received and responded to 18 requests.

GENDER-BASED ANALYSIS PLUS

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

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

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

DIVERSITY AND EMPLOYMENT EQUITY

In 2020, for the third year in a row, Employment and Social Development Canada recognized DCC for its achievements in employment equity. The award recognizes employers that are inspirational role models, that champion employment equity in their sector and that have succeeded notably in implementing employment equity in their organization. DCC was acknowledged for moving the organization beyond simply being home to members of the four designated employment equity groups and the 2SLGBTQI+ community to building as welcoming, respectful and inclusive a workplace as possible.

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

Through the close attention of senior management, DCC is closing the employment equity gaps in representation and retention at leadership levels throughout the Corporation.

Regional diversity and inclusion plans will identify gaps and address them at the local level. DCC will use a diversity and inclusion lens to analyze the entire employee lifecycle: advertising for new hires; interview, selection and onboarding procedures; succession planning and retention; career growth and development; and ways in which we can celebrate and recognize the diversity of our employees.

DIVERSITY OF THE DCC EMPLOYEE POPULATION

DESIGNATED GROUP	PERCENTAGE OF THE TOTAL EMPLOYEE POPULATION	LABOUR MARKET AVAILABILITY TARGET (WEIMS)
Women	41.5%	34.1%
Persons with disabilities	5.5%	8.1%
Indigenous peoples	4.3%	3.4%
Visible minorities	13.7%	17.8%

Results reported as of December 31, 2021

SUPPORTING BUSINESS OPPORTUNITIES FOR INDIGENOUS PEOPLES

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

DCC developed a joint DCC-DND Indigenous Procurement Strategy to strengthen DND's efforts to engage Indigenous businesses, and to support the Government of Canada's focus on providing business opportunities for Indigenous people and companies. The Corporation conducts ongoing outreach to Indigenous communities to stimulate interest in DCC business opportunities and offers Indigenous cultural awareness training for DCC employees. In 2021–22, DCC awarded 7.3% of its contract values to Indigenous businesses, for a total of $46.4 million and more than 90 contracts.

DCC posts its career ads on recruiting websites that target Indigenous groups, such as Indigenous Link—the Canadian Indigenous Peoples Job Seekers Portal. Where possible, DCC participates in Indigenous employment fairs. DCC has developed an Indigenous Peoples Recruitment and Retention Strategy that will include an Indigenous student recruitment program. In August 2022, DCC started to fund a scholarship program for two Indigenous students—one engineering student and one environmental science student—through Indspire, a national Indigenous charity. In December 2022 DCC awarded two bursaries of $2,500 each for students in their third or fourth year of studies. The recipients are a student in the Civil Engineering Technician program at Niagara College and another in Engineering at Memorial University in Newfoundland.

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

SUSTAINABLE DEVELOPMENT AND GREENING GOVERNMENT OPERATIONS

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

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

- the development of net-zero residential building designs for the Canadian Forces Housing Agency;
- additional assessment and remediation activities at 5 Wing Goose Bay, expected to continue until 2026 with a total estimated value of $35 million (the initial $141-million site remediation—one of the largest contaminated site clean-ups ever undertaken by DND—was completed in 2020);
- the $100-million program to clean up Esquimalt Harbour;
- the $200- to $500-million project to refurbish heating plant infrastructure at CFB Halifax, which includes rehabilitating attached buildings and distribution systems to reduce emissions (CFB Halifax represents 17% of DND’s greenhouse gas emissions, and the upgrades at the plant will reduce emissions by up to 7%, improve energy efficiency and reduce heating costs);
- the 18 energy performance contracts, to be put in place by 2024–25 at a project cost of about $485 million, at locations including Bagotville, Quebec; Petawawa, Kingston and Borden, Ontario; Halifax and Greenwood, Nova Scotia; and Comox and Esquimalt, British Columbia (these will help DND reduce the greenhouse gas emissions of its real property portfolio by 40% from 2005 levels by 2030);
- the Genet Building Green Heat Project at CFB Kingston, valued at $5 million (due to be completed in 2025–26, this project will test a design-build team’s ability to design, install, operate and test a low-cost, low-carbon energy generation and transfer system using innovative engineering or emerging technology, and to integrate it with existing systems); and
- the $10-million remediation of the Highbury Complex—a military vehicle assembly complex during the Second World War—in London, Ontario (due to be finished in 2023–24, the project involves designing and implementing a site-specific program to remediate chlorinated volatile organic compounds in both soil and groundwater, so that levels fall below provincial limits).

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

DCC is aware of the requirement for Crown corporations to adopt the Task Force on Climate-related Financial Disclosures (TCFD) standards. As described in the standards, since DCC owns less than $1-billion worth of assets, it expects to start reporting in the 2024 calendar year. Since DCC is a professional services provider, a key opportunity area for environmental improvement is in business-related travel and potential reductions in associated greenhouse gas emissions.

SAFE WORKSPACES

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

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

ACCESSIBILITY

DCC has been working toward implementing the requirements of the *Accessible Canada Act* since 2019. The Vice-President, Operations—Procurement leads the Corporation's Accessibility Working Group, composed of Senior Management Group members. In December 2022, DCC published its Accessibility Plan on its website, which includes a mechanism for gathering feedback.

PAY EQUITY

DCC has built its employment equity program on a solid foundation. Its compensation structure and job evaluation system complies with Canada's *Employment Equity Act*, which ensures equal compensation for work of equal value. In December 2022, DCC established a Pay Equity Committee and is on track to develop and publish its Pay Equity Plan by September 2024.

APPENDIX V
DEFENCE INFRASTRUCTURE AND ENVIRONMENT PROJECTS, 2023–2024 TO 2027–2028

DEPLOYED OPERATIONS

LOCATIONS:	Latvia and Kuwait, Germany, Jamaica
PROGRAM COST:	$53.9 million
COMPLETION DATE:	2022–23

DCC's work in Latvia includes supporting the infrastructure requirements for the Enhanced Forward Presence in Camp Adazi. Following the completion of the Multi-National Headquarters Building, DCC plans to procure a facility management contract for this same facility. In addition, the Corporation will manage construction of compounds supporting nations (Canada, Italy, Spain, and other sending nations) operating in Latvia. DCC is also supporting multiple construction projects at the Operational Support Hub—South West Asia in Kuwait. Primarily, DCC is contracting for, and managing the leasing and installation of power generation services, as well as constructing several facilities such as accommodation, civil works, electro-mechanical upgrades, warehouses, fitness facility and modular offices. Additionally, DCC is in the initiation phase to provide project and program management, contract management and contract services in Germany and Jamaica to support two warehouses.

NORTHERN FACILITIES

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

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

ACCOMMODATIONS AND TRAINING QUARTERS

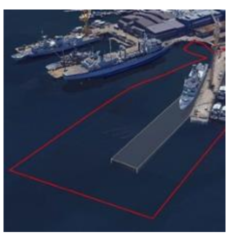
LOCATION:	CFB Borden, Ontario
PROJECT COST:	$46.5 million
COMPLETION DATE:	2023

This new five-storey, 15,500-square-metre accommodations facility, built to LEED Silver standards, will feature 346 sleeping quarters, common lounge areas, study areas, laundry rooms, and storage and office space.

DEFENCE RESEARCH AND DEVELOPMENT CANADA COMPLEX

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

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



A/B JETTY RECAPITALIZATION

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

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

HEALTH SERVICES CENTRE EXPANSION

LOCATION:	Valcartier Garrison, Quebec
PROJECT COST:	$34 million
COMPLETION DATE:	2024

DCC awarded the contract for Phase 1 of the expansion of the Health Services Centre at Valcartier Garrison in November 2021. This long-awaited, $34-million contract will help consolidate all dental and medical services into one integrated, central facility. The new facility will include an expansion of approximately 6,800 square metres to the existing centre.

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

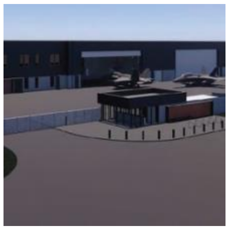
LOCATION:	Hartlen Point, CFB Halifax
PROGRAM COST:	$64 million
COMPLETION DATE:	2025

The Land-Based Test Facility (LBTF) will mimic specific combat and platform components of an operational ship for test and evaluation activities. The LBTF is a new capability that DCC is developing for the CAF. The Royal Canadian Navy and contractors on the Atlantic coast are expected to occupy the 11,000-square-metre facility. It is intended to accommodate approximately 150 full-time staff members. The goal is to achieve a LEED Silver certification and net-zero carbon emissions, to support the government's greening strategy. DCC has awarded the initial $485,000 modified design-build contract, which includes costs for the development phase.

QUINTE WEST TRAINING CENTRE (QWTC)

LOCATION:	8 Wing Trenton, Ontario
PROJECT COST:	$204 million
COMPLETION DATE:	2026

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



NEW QUICK REACTION AREA (QRA)

LOCATION:	CFB Bagotville, Quebec
PROJECT COST:	$80 million
COMPLETION DATE:	2026

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

VC31 GENET BUILDING

LOCATION:	CFB Kingston
PROJECT COST:	$5.5 million
COMPLETION DATE:	2025–26

The VC31 Genet Building has been chosen as the test building for an innovative green heating solution to reduce DND/CAF's greenhouse gas emissions.

DCC is managing the project and the design-build team to design, install, operate and test an integrated, low-cost, low-carbon energy generation and transfer system. The project is currently in the design phase, with implementation planned to start in 2023.

AIR FORCE EXPEDITIONARY CAPABILITY (AFEC) PROGRAM

LOCATION:	CFB Bagotville, Quebec
PROJECT COST:	$110 million
COMPLETION DATE:	2027

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

REMOTELY PILOTED AIRCRAFT SYSTEM (RPAS) INFRASTRUCTURE

LOCATION:	14 Wing Greenwood, Nova Scotia
PROJECT COST:	$100 million
COMPLETION DATE:	2028

The Remotely Piloted Aircraft System is a new capability being developed by the CAF and the Air Maintenance Detachment East, and 14 Wing Greenwood will be its primary operating base. Tendered in 2022, this modified design-build contract provides for the construction of a new 9,939-square-metre hangar and 16,000-square-metre exterior apron and parking. Designed to LEED Silver standards, the maintenance facility will house eight remotely piloted aircraft and will include workshops, offices, administrative spaces, meeting rooms, classrooms, maintenance bay facilities, specialty aircraft maintenance labs, shops, and spaces for communications, IT and storage.

FUTURE FIGHTER CAPABILITY PROJECT

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

New fighter squadron facilities will be constructed at 3 Wing Bagotville and 4 Wing Cold Lake to accommodate Canada's next-generation fighter aircraft. DCC will use a phased design-build delivery approach to ensure infrastructure is ready for the first aircraft and will be ready to respond to additional requirements once the Future Fighter aircraft is selected.

EDWARD DRAKE BUILDING

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

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

SHARED SERVICES DATA CENTRE

LOCATION:	CFB Borden, Ontario
PROJECT COST:	$332 million
COMPLETION DATE:	2042 (contract)

The expansion of Shared Services Canada's enterprise data centre will help to modernize and standardize federal IT infrastructure. DCC's second P3 procurement, this $332-million contract was announced in May 2016. As part of a consortium, DCC committed to supporting the design, building, financing, operations and maintenance of the data centre for 25 years. With construction complete, the data centre achieved LEED Silver certification in 2019, and the contract is currently in the maintenance phase.