

DEFENCE CONSTRUCTION CANADA



# Corporate Plan Summary

2017-2018 to 2021-2022

INCLUDING THE OPERATING AND CAPITAL BUDGETS FOR 2017-2018

# AN INTRODUCTION TO DEFENCE CONSTRUCTION CANADA

Defence Construction Canada (DCC) is a unique organization in many ways—not exactly like a government department, but not completely like a private sector firm, either. To draw a comparison, DCC's everyday operations are similar to those of a civil engineering consultancy firm. However, as a Crown corporation, it is governed by Part X of Schedule III to the *Financial Administration Act*. Its key Client-Partners are the Assistant Deputy Minister Infrastructure and Environment (ADM IE) Group at the Department of National Defence (DND) and the Communications Security Establishment (CSE). DCC employees do not do the hands-on, hammer-and-nails construction work at a job site. Instead, as part of an organization that is at arm's length from government, DCC employees manage the procurement process, from awarding tenders to managing the contracts at the job site.

Once a Client-Partner decides to initiate a project, it contacts DCC to procure and manage the associated project contracts on its behalf. These projects range from traditional ones to innovative ones, from control towers to dockyards, from hangars to tank maintenance facilities, from community centres to accommodation facilities, and from roads to sewer and water systems. Some projects may simply involve maintenance work. Others are more complex with high security requirements.

As a Crown corporation, DCC complies with Government of Canada legislation, such as the *Financial Administration Act*, *Official Languages Act*, *Access to Information Act* and *Employment Equity Act*, to name a few. The Corporation also complies with trade agreements such as the North America Free Trade Agreement. It has the flexibility to increase or decrease its workforce depending on project volume. The Corporation earns revenue on a fee-for-service basis and receives no government appropriations. DCC operates as a lean and efficient organization and its billing rates are almost half those of comparable North American private sector engineering firms, according to Deltek's *37th Annual Clarity Architecture and Engineering Industry Study*. DCC's way of doing business is a hybrid of the best characteristics of public and private organizations.



COVER: Michel Poitras and Michel Lalancette, DCC Coordinators, Construction Services conduct an inspection of the newly renovated tarmac at CFB Bagotville, Quebec.

ABOVE: Construction of the Transportation and Electrical and Mechanical Engineering (TEME) facilities at CFB Bagotville. The \$47-million project supports the modernization and functionality of base operations and maintenance.

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Construction of the new Explosives Storage Area (ESA) administration building. The facility is one of two buildings being constructed to support the explosive storage/disposal units at 14 Wing Greenwood. The 280-m<sup>2</sup> building's steel frame construction includes the use of insulated panel cladding. The facility will house offices, meeting rooms, locker room and a training room/classroom.

# Executive Summary

For the 2017–18 to 2021–22 planning period, Defence Construction Canada (DCC) will continue to make positive contributions to Canada’s economic growth, the environment, security and defence, and to keeping Canada’s government open and transparent.

## BUSINESS VOLUME

The factors dominating DCC’s business since late 2014 has been a surge in business volume and DCC’s ability to deliver more infrastructure projects for its Client-Partners. The Department of National Defence (DND) received \$452 million in funding from the Federal Infrastructure Investments Program (FIIP) in November 2014, to repair and upgrade Canadian Armed Forces (CAF) facilities. It must spend this additional funding over two fiscal years. DCC expects to have spent \$423 million of that funding by March 2017 on behalf of DND. The bulk of FIIP-funded projects involve rehabilitation of armouries, airfield and hangar repairs, and military housing improvements. Additionally, Budget 2016 provided \$263 million for defence infrastructure. DCC expects that by the end of 2017–18, it will have spent \$238 million of this amount on behalf of DND. The FIIP and Budget 2016 funding is in addition to DND’s regular annual infrastructure and environment program funding.

Since 2011–12, DCC contract payments have totalled about \$900 million annually, on average. According to Statistics Canada, Canada’s construction industries accounted for 6% of Canada’s gross domestic product in 2010, contributing \$73.8 billion. Non-residential construction contributed \$10.8 billion of that amount. The construction projects that DCC delivers on behalf of DND make a solid contribution to Canada’s economy. According to BuildForce Canada, for every \$1 million spent on non-residential construction in Canada annually, about four direct full-time equivalent jobs are created. Each year, DCC helps create an estimated 3,600 jobs for Canadians.

DCC is very experienced in managing the periodic ebb and flow of its business volume. It can adapt to volatile changes because it has a flexible business model that allows it to easily adjust staffing levels; a deep knowledge of Client-Partner requirements acquired over a 65-year working relationship; a matrix system for service delivery; and robust internal systems that allow it to work in an agile and efficient way.

## DEFENCE INFRASTRUCTURE PROJECTS

DCC will continue to procure and manage contracts for some very high-profile DND projects over the planning period. These include maintaining the Communications Security Establishment (CSE) Long-Term Accommodation Facility in Ottawa, Ontario; building the new Jetty NJ in Halifax, Nova Scotia and Jetty AB in Esquimalt, British Columbia; completing the construction of the Fleet Maintenance Facility Cape Breton Shop Consolidation Project in Esquimalt, British Columbia; and constructing the new naval facility in Nanisivik, Nunavut, 700 kilometres north of the Arctic Circle.

DCC is supporting the design, building, financing, operations and maintenance of the Shared Services Data Centre at Canadian Forces Base (CFB) Borden, a public-private partnership (P3) project valued at \$330 million. This building has unique security requirements and it is located on a military site. This factor, combined with DCC’s recent successful experience in overseeing the CSE P3 project in Ottawa, positioned DCC as the service provider of choice to deliver this project.

DCC is involved with several major projects that help DND preserve and sustain Canada’s environment. These include cleaning up contaminated sites at 5 Wing Goose Bay in Newfoundland and Labrador via the \$239-million Goose Bay Remediation Project; carrying out the ongoing Unexploded Explosive Ordnance (UXO) and Legacy Sites Program at DND sites across Canada, at an estimated cost of \$10 million; and delivering the \$100-million program to clean up Esquimalt Harbour, which is part of the A/B Jetty Recapitalization Project.

The Federal Sustainable Development Strategy requires DND to reduce its greenhouse gas emissions by 40% for its real property portfolio by 2025. DCC expects to provide support for this effort throughout the planning period.

Already, DCC is helping bases and wings nationwide improve their energy efficiency, by helping DND meet its target to establish 20 energy performance contracts (EPCs) in 2017-18. The total investment in EPCs is expected to be between \$100 million and \$175 million, with contracts valued at approximately \$5 to \$15 million each. Some of these upgrades will be taking place at military installations in Greenwood, Nova Scotia; Bagotville, Quebec; Trenton, Ontario; Petawawa, Ontario; Shilo, Manitoba; Cold Lake, Alberta; and Esquimalt, British Columbia.

Over its history, DCC has often supported Canada's defence and security needs by providing its expertise to Canadian Armed Forces (CAF) deployed operations. Currently, DCC is providing such support to Operation Impact in Iraq. The Corporation is overseeing a \$2.2-million construction contract to build accommodations, office buildings, workshops, a medical station and a power generation station.

## A SUSTAINABLE FINANCIAL POSITION

DCC's source of revenue is its Client-Partners. The Corporation invoices its Client-Partners for its services monthly and does not receive any appropriations from the Government of Canada. DCC remains in a positive financial position. Six months into 2016-17, its services revenue is \$46.2 million. The Corporation expects to surpass its services revenue target of \$92.1 million at the end of this fiscal year by 4% with anticipated services revenue of \$96.1 million.

Over the past several years, DCC's cash balance has exceeded its targeted level because of additional revenues due to higher-than-planned work volume combined with workflow optimization efforts over the past several years. By the end of 2016-17, DCC expects to manage its cash balance to the targeted level and will pay a dividend of \$8.5 million to the Receiver General of Canada. In the planning period, DCC intends to maintain its targeted cash levels through the management of billing rates and a continued focus on efficient service delivery.

## KEY STRATEGIC INITIATIVES

DCC can gauge the health of any aspect of its business by using its Corporate Performance Management Framework. Qualitative and key performance indicators track progress and results on all of the Corporation's strategic objectives and business plan initiatives. Rigorous and regular data collection,

monitoring, reporting, and continuous improvement are part of daily work at DCC. The Corporation's performance management approach is aligned with the concept of deliverology, introduced by the Government of Canada this year.

DCC has 12 initiatives planned for 2017-18, five of which continue from last year's plan. Those ongoing initiatives relate to supporting Canada's defence infrastructure renewal and DND's industrial security directives; making progress on e-procurement; promoting a healthy and inclusive workplace; developing a reputation as an employer of choice; and demonstrating DCC's value proposition to its stakeholders.

A new initiative relates to the recent Office of the Auditor General's Special Examination of DCC, which happened in 2016-17. In the coming year, DCC will respond to the recommendations arising out of that Special Examination. They relate to focusing on fraud awareness, detection and prevention; streamlining DCC's system for online document management; maintaining a standard frequency of internal service line verifications; and completing an online register and archive for tracking employee training.

As part of a legislatively required five-year planning cycle, there are initiatives to update two key internal strategies that affect DCC's daily business: the Information Technology Strategic Plan and the Human Resources Strategic Plan. To ensure DCC is seen as an employer of choice, the Corporation has committed to conducting an employee engagement survey in 2017-18.

## BEST PRACTICES FOR A DIGITAL WORKPLACE

DCC is making a much needed investment over the planning period to upgrade its IT infrastructure. This is due to the universal threat of cyber attacks, the Government of Canada's requirement for increased security measures, and the need to modernize and improve the performance of its IT infrastructure.

For the first three years of the planning period, to ensure that DCC remains able to serve its Client-Partners, the existing IT budget will increase by about \$3 million each year, and will be approximately \$2 million annually for the last two years of the planning period.

The dollar value of these annual increases is about 7% of DCC's total revenue. According to Gartner, an IT industry expert

consultant, organizations should spend between 4% and 9% of their revenue on IT systems. Currently, DCC's IT expenditures are about 4% of total revenue. In a survey of other Crown corporations, DCC found that most had IT expenditures in the 9% range and some were even as high as 20%. This investment in IT infrastructure is important to the long-term viability of DCC's business operations.

## **A HEALTHY, INCLUSIVE AND RESPECTFUL WORKPLACE**

At September 30, 2016, DCC had 922 full-time equivalent (FTE) employees: 137 in the Atlantic Region, 145 in the Québec Region, 216 in the Ontario Region, 124 in the National Capital Region, 67 at Head Office in Ottawa and 233 in the Western Region. Due to DCC's varying work volumes typical of the construction industry, staff numbers at the sites must fluctuate.

The Corporation has mechanisms to manage the impact of fluctuating work volumes on its employees. These include sound hiring practices, the ability to deploy people across five service lines, and human resources policies designed to make DCC an employer of choice.

DCC employees are part of the public service pension plan. However, DCC has its own compensation policy and structure, as well as its own employee benefits plan, all modelled on private sector compensation and benefits plans. DCC's sick leave policy is in step with modern practices, and DCC's wellness program is focused on preventative measures and interventions that help to reduce employees' health risk factors.

DCC strives to have an employee population that is reflective of Canada's diverse society and a workplace that fosters an inclusive culture. DCC human resources policies and practices support a barrier-free work environment for all employees and specifically include measures to accommodate those with physical and mental health challenges. DCC's long-standing approach to managing its people has been to build a healthy and respectful workplace with an emphasis on mental health and work-life balance. In the coming year, DCC will continue to promote awareness of employee diversity, workplace mental health and wellness, and the importance of a respectful and inclusive workplace.

Based on the five-year work volume forecasts, DCC expects the number of FTEs to increase by 3% in 2017-18. The number of FTEs is expected to decrease by 3.5% in 2018-19, increase by 1% in 2019-20, then decrease by 4% and 0.5% in

2020-21 and 2021-22 respectively. The nature of DND's work is subject to national and international security concerns. That, combined with very specialized requirements makes planning ahead five years a challenge. Managing fluctuations in DND's infrastructure program and their impact on DCC's human resources capacity will be one of the key issues the Corporation will face during the planning period.

## **OPENNESS AND TRANSPARENCY**

Ethics and integrity remain key concerns in the awarding and management of both public and private sector contracts in the construction industry. Industry favours greater transparency and wants to ensure that procurement processes are neither too restrictive nor so onerous that they discourage contractors and consultants from bidding on opportunities. During the first six months of 2016-17, DCC awarded 96.8% of all its contracts through public opportunities and had an average of 4.9 bidders per contract. DCC believes it has struck the appropriate balance between diligent oversight and efficiency with its Corporate Integrity Management Framework.

In 2016-17, DCC committed to completing the alignment of its travel, hospitality, conference and event expenditure policies, guidelines and practices with those of Treasury Board, and implementing them as appropriate. During the first half of the year, DCC began disclosing on its website the travel and hospitality expenses of the Chair of its Board of Directors, all members of the Board of Directors, and its CEO and Vice-Presidents. This disclosure includes expense information from 2015-16 to the most recent financial quarter. DCC expects to complete this alignment by March 31, 2017.

In the first half of 2016-17, the Office of the Auditor General conducted a Special Examination and information on the recommendations are found throughout this plan.

## **INDUSTRY TIES AND RECOGNITION**

Since its inception, DCC has maintained close ties with industry. This involvement helps keep DCC informed of new trends and developments in industry practices; provides opportunities for DCC to be an industry leader; and strengthens DCC's collaborative relationships with key industry organizations. Examples of these organizations include the Canadian Construction Association, the Royal Architectural Institute of Canada, the Association of Consulting Engineering

Companies, the Institute for BIM in Canada, and the Lean Construction Institute—Canada and Canadian Construction Innovations.

In the first half of 2016–17, three external organizations recognized DCC with industry awards. *Canadian Occupational Safety*, an industry magazine, recognized DCC as Canada’s safest employer in the public/non-profit sector. For the third year in a row, DCC received the National Procurement Institute’s Achievement of Excellence in Procurement Award. The Canadian Institute for Procurement and Materiel Management honoured a DCC employee, Richard Allie, with its 2016 Project Management Award for his leadership in implementing e-procurement at DCC.



Adam Welsh, DCC Coordinator, Construction Services in the mechanical room of the new Tribute Tower, CFB Halifax-Stadacona, Nova Scotia. This Junior Ranks facility involved constructing a LEED Silver, 300-room accommodation, dining and training facility, using a modified design-build approach. The 12-storey, 21,060-m<sup>2</sup> tower opened in 2017.



DCC Coordinator, Construction Services Donnie Gordon is onsite during the construction phase of a lookout feature. The deck was developed as part of a playground project at 12 Wing Shearwater, Nova Scotia—one of four such projects to update playground standards and accessibility for military personnel and their families.

# Planning Environment and Strategic Issues

## THE DEPARTMENT OF NATIONAL DEFENCE

DCC's primary Client-Partner is the Assistant Deputy Minister Infrastructure and Environment (ADM IE) Group at the Department of National Defence (DND). The ADM(IE) Group provides IE functional leadership and services to enable effective, efficient and sustainable management of DND infrastructure and environment in support of Canadian Armed Forces (CAF) missions and DND programs.

DCC is committed to supporting DND in its defence strategy by, for example, meeting infrastructure support requirements under the National Shipbuilding Strategy (NSS). The NSS includes the Royal Canadian Navy's Arctic/Offshore Patrol Ship Project and relates to marine projects such as the Nanisivik Naval Facility in Nunavut; the Jetty NJ in Halifax, Nova Scotia; and the A and B jetties in Esquimalt, British Columbia.

For 2016-17, 2017-18, and 2018-19, DND IE-related capital program expenditures are expected to be approximately \$1 billion each year. Expenditures are expected to begin to decrease each year starting in 2019-20 to \$980 million, further to \$930 million in 2020-21 and to \$920 million in 2021-22. The volume of DND's program workload is volatile and can be affected by a variety of circumstances, including changes to DND's internal approval process for projects or any change in Canada's defence budget.

### DEFENCE RENEWAL: INFRASTRUCTURE AND ENVIRONMENT

Like all of DND, the ADM(IE) Group is adjusting to meet today's requirements. DCC is aiding in this transformation by, among other things, providing support for the following activities: developing real property management plans; developing and implementing a procurement strategy for enhanced infrastructure maintenance service delivery; and improving real property project delivery, a task that includes developing a preferred procurement methodology.

DND administers one of the largest federal real property portfolios, comprising some 21,000 buildings, 13,500 public works (including 5,500 kilometres of roads, jetties, runways and training areas), and more than 1,000 parcels of land covering 2.2 million hectares. Managing this portfolio includes handling new construction projects; recapitalization of, maintenance of and repairs to existing buildings; and disposal and remediation of outdated facilities. Over half of DND's infrastructure assets are over 60 years old, and much of this portfolio was not designed for today's defence operational requirements.

As of April 1, 2016, significant transformation has already happened with DND's real property management, with the establishment of a one-custodian model. The approach to real property management is leaner, more responsive and more focused on areas critical to supporting modern capabilities.

Construction project delivery is evolving. The focus will be on using standardized design concepts and more strategic procurement strategies to reduce duplication of work and make better use of new construction and recapitalization funding.

Defence Renewal aims to establish the conditions for continuous improvement, seek better ways to work, and reinvest resulting savings into DND capabilities and readiness.

### Canadian Arctic Sovereignty

The areas in and around the Northwest Passage are experiencing unusually mild weather periodically throughout

the year, allowing foreign ships to use this passage more frequently. Consequently, the Government of Canada is firmly exercising Canada's sovereignty over Arctic land and waters. Growing shipping traffic may also increase demand for search and rescue ships, especially if accidents occur. The Canadian government is building a naval facility in Nanisivik, 700 kilometres north of the Arctic Circle in Nunavut. The project is scheduled for completion in 2018.

This project will allow DCC to apply the lessons learned through many years of Arctic experience it acquired while installing and decommissioning the Distant Early Warning (DEW) Line. DCC stands ready to support any infrastructure or environmental project arising from the Government of Canada's focus on surveillance and control of this important Canadian region.

## Canada's International Role

In addition to working in Canada's Far North, DCC has deployed personnel alongside the CAF over the years. In the past year, DCC has deployed employees to Iraq in support of Operation Impact. There, DCC is overseeing a \$2.2-million construction contract to build accommodations, office buildings, workshops, a medical station and a power generation station.

New conflicts are always emerging across the globe. Whether by supporting peacekeeping operations or by helping Canada support the United Nations as it works to respond more quickly to emerging and escalating conflicts, DCC stands ready to deploy in theatre or as required during the coming planning period.

## Information Technology and Cyber Security

New information technology applications are advancing rapidly not only in the construction industry, but also in the current workplace. DCC must continue to keep up-to-date with the technology innovations affecting its employees, industry partners and its Client-Partners. These innovations range from creating a digital-first workplace and client service environment, to the use of building information modelling and e-procurement.

At the same time as information technology is advancing, so is the potential for threats to critical high-tech systems. According to *The Global Risks Report 2016 11th Edition* published by the World Economic Forum, cyber-attacks are one of the highest security risks for North America. This is a key factor affecting the

need for DCC to update its strategy for its internal IT systems, one of its corporate initiatives for the planning period.

## THE CANADIAN CONSTRUCTION INDUSTRY

Private sector consultants and contractors perform the work covered by the contracts that DCC administers on Client-Partners' behalf. Not only does DCC maintain close ties with industry, but it also gauges the impact that industry changes and trends could have on its business. The Canadian construction industry is becoming more complex, with fewer construction firms, more foreign ownership, more service-integrated firms, quicker adoption of technology and greater third-party, private sector involvement in traditional business owner activities.

## Construction Labour Market and Investment

Construction employment in Canada currently stands at just over 1.3 million people, according to the Canadian Construction Association. The Canadian construction market faces workforce challenges. According to BuildForce Canada, the industry will need 261,400 new workers by 2025, just to replace those who have retired. Many large construction projects are being carried out in remote areas, where younger people are less likely to relocate. DCC needs to be an employer of choice in a competitive labour market, as well as a preferred business partner for industry contractors and consultants.

Mergers and acquisitions are happening among small and medium-sized enterprises, decreasing the pool of independently-owned contractors eligible to bid on contracts. Governments at the federal, provincial and municipal levels are all facing challenging financial realities related to aging infrastructure. Public-private partnerships (P3s) are increasingly seen as an economical and efficient way to navigate these challenges.

## Innovation

The construction industry is innovating in response to increasing and changing client demands, the pressure of global competition, and reduced human resources capacity. Procurement and project delivery methods are evolving, and clients are relying on the private sector to provide more deliverables. For example, the Government of Canada is considering full lifecycle cost procurement strategies that include long-term facility maintenance and repairs. Many

jurisdictions are also adopting e-procurement methods and practices, and other technological innovations. This wave of innovation continues to influence DCC's e-procurement. Other innovations affecting the industry are advanced building materials—developments with construction materials once only thought of as science fiction. Research and development have led to the creation of unique materials like self-repairing concrete, ultra-strong nanomaterial that could replace steel, and innovations in solar panel technology that can change how buildings are heated and cooled. DCC strives to keep current with all types of innovations that could have an impact on its business. DCC is a founding member of Canadian Construction Innovations, an institute established by the Canadian Construction Association to instill a culture of innovation in the Canadian construction industry.



DCC provided contracting and contract management services for a 32-foot tower that was constructed to support rappel training of Canadian Forces reservists.

# Strategic Plan Overview

**2017-2018 TO 2021-2022**

## GOVERNMENT OF CANADA KEY PRIORITIES SUPPORTED BY DCC

ECONOMIC GROWTH	ENVIRONMENT	SECURITY AND DEFENCE	OPENNESS AND TRANSPARENCY
<ul style="list-style-type: none"> <li>Sustainable economic growth</li> <li>Opportunities for Canadians</li> <li>Investment in infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Canada's commitment to a clean environment</li> <li>Helping Canada meet environmental requirements</li> <li>Greenhouse gas reduction</li> </ul>	<ul style="list-style-type: none"> <li>Defence renewal and strengthening security</li> <li>Defence policy review</li> <li>Support for Canada abroad</li> </ul>	<ul style="list-style-type: none"> <li>Modernization of procurement practices</li> <li>Focus on results</li> <li>Prudence in handling public funds</li> </ul>

## MISSION

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

## VISION

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

## VALUES

**DEDICATION:** DCC is dedicated to supporting defence infrastructure and environmental requirements. For 65 years, 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 has created a dynamic working environment in which the qualifications, experience and expertise of employees are focused on developing innovative solutions to Client-Partner needs.

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

## STRATEGIC OBJECTIVES AND OUTCOMES

PLANNING THEME	BUSINESS MANAGEMENT	SERVICE DELIVERY	PEOPLE	LEADERSHIP AND GOVERNANCE
<b>STRATEGIC OBJECTIVE</b>	To develop and maintain responsive, integrated business management structures, tools, teams and practices	To meet Client-Partner requirements and to demonstrate value for money	To recruit, develop, support and retain a competent, engaged and diverse workforce	To provide strong leadership and be responsive to Government of Canada requirements
<b>STRATEGIC OUTCOMES</b>	<ul style="list-style-type: none"> <li>Business infrastructure and corporate frameworks ensure effective and efficient service delivery and strong resource management</li> <li>Corporate assets are safeguarded by sound internal control systems and practices, and management oversight and audit</li> </ul>	<ul style="list-style-type: none"> <li>Service lines deliver optimal, efficient and effective service throughout the asset lifecycle</li> <li>Relationships remain strong through mutually-aligned objectives and information sharing</li> <li>Collaboration with industry to leverage its capacity</li> </ul>	<ul style="list-style-type: none"> <li>A healthy, productive and respectful work environment</li> <li>A culture of innovation</li> <li>Positive employee engagement</li> </ul>	<ul style="list-style-type: none"> <li>A risk-based decision-making culture</li> <li>High ethical standards, openness and transparency in the management of its business affairs</li> <li>Respect government policies and practices</li> <li>Demonstrate integrity to stakeholders and Client-Partners</li> </ul>
<b>2017-2018 CORPORATE PLAN INITIATIVES</b>	<ul style="list-style-type: none"> <li>Update the information technology strategic plan</li> <li>Improve the filing structure for electronic document management</li> </ul>	<ul style="list-style-type: none"> <li>Support DND with its defence infrastructure renewal initiatives</li> <li>Expand the scope of e-procurement</li> <li>Support Client-Partners and industry as the new security directives are implemented</li> <li>Support DND in meeting its environmental objectives</li> </ul>	<ul style="list-style-type: none"> <li>Promote diversity, wellness, mental health and a respectful workplace</li> <li>Conduct an employee engagement survey</li> <li>Update the human resources strategic plan</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrate value, integrity and innovation to stakeholders and Client-Partners</li> <li>Respond to recommendations arising out of the Office of the Auditor General's Special Examination of DCC</li> <li>Support ongoing integrity programs, with a focus on fraud awareness, detection and prevention</li> </ul>
<b>KEY PERFORMANCE INDICATORS</b>	<ul style="list-style-type: none"> <li>Operational results and performance measures</li> <li>Financial results consistent with DCC's corporate financial management policy</li> </ul>	<ul style="list-style-type: none"> <li>Service delivery rating</li> <li>Procurement results</li> <li>Service line performance results</li> </ul>	<ul style="list-style-type: none"> <li>Investment in training and development</li> <li>Innovation results</li> <li>Employee retention rate</li> <li>Employment diversity results</li> <li>Leadership Development Program results</li> </ul>	<ul style="list-style-type: none"> <li>Corporate reporting results</li> <li>Overall business performance results</li> <li>DCC Code of Business Conduct results</li> <li>DCC Procurement Code of Conduct results</li> <li>Environmental, health and safety, and security results</li> </ul>



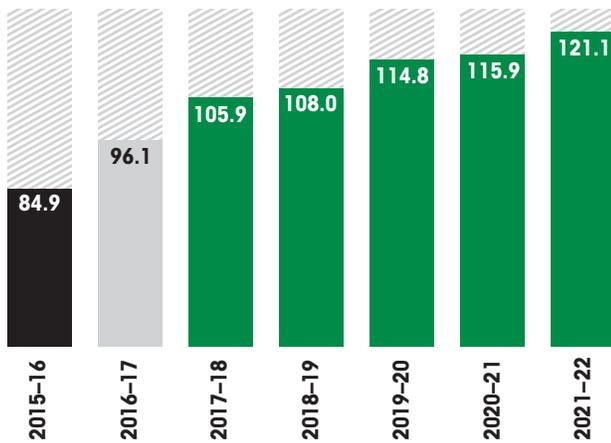
Exterior of module 2 of the Sawyer Girouard complex at CFB Kingston, Ontario. DCC is supporting the overhaul of the 40-year-old academic complex at Kingston's Royal Military College (RMC). Inside the renovated buildings are extensive mechanical, seismic and electrical upgrades. The \$135-million construction management project is scheduled for completion in 2017.

# Planning Highlights

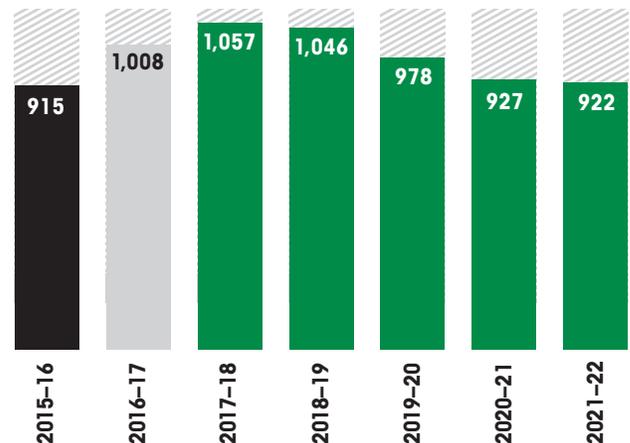
2015-16 TO 2021-2022

■ Actual ■ Forecast ■ Projected

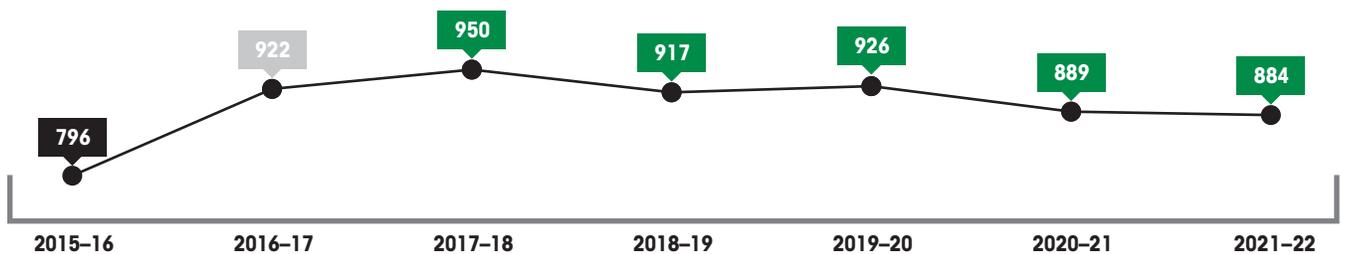
**SERVICES REVENUE** (\$ millions)



**CONTRACT EXPENDITURES** (\$ millions)



**DCC EMPLOYEES** (full-time equivalents)



DCC CORPORATE PLAN SUMMARY 2017-18 TO 2021-22

**five**

The number of new or updated DCC talent management initiatives including workplace wellness and mental health & diversity and inclusion

A&E firms know there is a limited set of available talent. Talent management is the #1 challenge for 62% of companies.\*

\*Source: Deltek Clarity—2017 Architecture & Engineering Industry Study

**DCC'S VISION INCLUDES BEING AN EMPLOYER OF CHOICE.**



DCC Coordinator, Construction Services Scott Mayoh checks progress on Hangar 16's door repair project at 17 Wing Winnipeg. The project included replacing the existing door rail system and installation of a hydronic heating system.

# Defence Infrastructure and Environment Projects



## BUDGET 2016 INFRASTRUCTURE INVESTMENT

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**LOCATIONS:** Bases and Wings across Canada

**PROJECT COST:** \$263 million **COMPLETION DATE:** 2016-18

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In Budget 2016, the Government of Canada announced it would invest \$263 million over two years in infrastructure at CAF bases and other defence properties across Canada. The investments will allow the repair of airfields, hangars, live-fire ranges, jetties, armouries and military housing, as well as improvements to northern infrastructure.



## HANGAR 6

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**LOCATION:** Trenton, Ontario

**PROJECT COST:** \$78 million

**COMPLETION DATE:** December 2016

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The two-bay Hangar 6 facility was built over four years for 8 Wing's fleet of CC-177 Globemaster and CC-150 Polaris aircraft. The 17,000-m<sup>2</sup> hangar contains more than 4,000 tonnes of steel, and the 16 roof trusses weight more than 50,000 kg each. The facility includes two maintenance bays, supply parts and storage areas, as well as various workshops.



## ARMOURY REPAIR

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**LOCATION:** Locations across Canada

**PROJECT COST:** \$131 million **COMPLETION DATE:** March 2017

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DCC is supporting DND's initiative to improve the condition of armouries in 57 communities across Canada. The work includes managing contracts for the repair of roofs, siding, windows, doors, plumbing, flooring and painting, as well as heating, ventilation, air conditioning and electrical systems.



## RENOVATION OF SAWYER GIROUARD FACILITIES

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**LOCATION:** Royal Military College of Canada, CFB Kingston, Ontario

**PROJECT COST:** \$127 million **COMPLETION DATE:** September 2017

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DCC has applied a construction management approach to renovate six academic buildings at the Royal Military College of Canada. The project includes a swing space to relocate all personnel and equipment while each building is being renovated. The renovation consists of extensive seismic upgrades, new building envelopes, and mechanical and electrical upgrades.



## CFHA MAINTENANCE SERVICES

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**LOCATION:** Petawawa, Ontario

**PROJECT COST:** \$18 million **COMPLETION DATE:** 2017-18

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The Canadian Forces Housing Agency (CFHA) maintains, manages and allocates residential housing units for DND. The Corporation and DND have piloted a new amalgamated maintenance and service contract at Petawawa Garrison to ensure time and financial resources are used more efficiently. The move has replaced more than 30 contracts, streamlining them into one three-year contract that covers repair and replacement, scheduled maintenance, unit prices, and alternate work requests.



## TACTICAL ARMOURED PATROL VEHICLE FACILITIES

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**LOCATION:** Gagetown, New Brunswick; Petawawa, Ontario; Edmonton, Alberta; and Valcartier, Quebec

**PROJECT COST:** \$86 million **COMPLETION DATE:** 2018

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This project involves constructing facilities to store and maintain a fleet of armoured vehicles. DCC is managing the construction of these modified design-build projects, which will be delivered more quickly than similar facilities constructed using a design-bid-build process.



## DEPLOYED OPERATIONS

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**LOCATION:** Iraq and Kuwait

**PROJECT COST:** \$2.2 million **COMPLETION DATE:** Ongoing

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DCC deployed staff to Erbil, Iraq to manage the \$2.2-million construction contract to build accommodations, office buildings, workshops, a medical station and a power generation station, as part of the CAF's contribution to the multinational coalition combatting ISIL. Success in Erbil generated work in Kuwait.



## NANISIVIK NAVAL FACILITY

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**LOCATION:** Nanisivik, Nunavut

**PROJECT COST:** \$56 million **COMPLETION DATE:** September 2018

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DCC is contracting and managing construction of the Nanisivik Naval Facility, located in Nunavut along the north shore of Baffin Island. The \$56-million facility will serve as a docking and refueling station for military, civilian and Government of Canada vessels during the Northern shipping season. It is expected to be ready to support Arctic/Offshore Patrol Ships in 2018.



## NJ JETTY

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**LOCATION:** CFB Halifax, Nova Scotia

**PROJECT COST:** \$83 million **COMPLETION DATE:** 2018

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DCC is contracting for and managing the construction of this new jetty, which provides full-service berthing for the new Canadian Arctic Offshore Patrol Ships (AOPS) and advanced logistical support carriers. It occupies the former space of timber jetties NJ and NK in Halifax Harbour.



## MODERNIZATION OF FLEET MAINTENANCE FACILITY (CAPE BRETON), PHASE V

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**LOCATION:** CFB Esquimalt, British Columbia

**PROJECT COST:** \$197 million **COMPLETION DATE:** Fall 2018

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Over the past 15 years, DCC has been delivering on the five phases of this project, which consolidates and modernizes the industrial facilities at CFB Esquimalt's dockyard. Phase V is the last phase and it will involve continued efforts to replace outdated and deficient industrial facilities. It is expected to be completed by Fall 2018.



## ESQUIMALT HARBOUR REMEDIATION PROGRAM

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**LOCATION:** CFB Esquimalt, British Columbia

**PROJECT COST:** \$100 million **COMPLETION DATE:** 2019–20

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The environmental remediation of contaminated soils in Esquimalt Harbour is a DND priority. DCC is collaborating with Public Services and Procurement Canada to support extensive remediation of the seabed, which involves dredging these areas to remove contaminated sediments, then capping the areas with clean fill. This will considerably reduce the exposure of marine life to contaminated sediments and provide a diverse habitat for marine communities.



## AB JETTY RECAPITALIZATION

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**LOCATION:** CFB Esquimalt, British Columbia

**PROJECT COST:** \$743 million **COMPLETION DATE:** 2024

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This \$743-million project to replace aging 70-year-old jetties consists of three contracts. The first contract valued at \$55.5 million was awarded on January 11, 2017. This portion of the multi-year project involves extending the utility corridor, dredging the seabed, demolishing B Jetty, preparing the site, building a new seawall and relocating several elements of the Oily Water Waste Treatment Plant.



## ACCELERATED ASSESSMENT PROGRAM

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**LOCATIONS:** Alberta, British Columbia, Saskatchewan, Manitoba, Ontario and New Brunswick

**PROJECT COST:** \$16 million **COMPLETION DATE:** 2017-19

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This national program assesses contaminated sites in preparation for remediation work. Under FIIP and Budget 2016, DND received \$16 million in funding over two years to assess suspected sites. DCC is currently involved in 50 contracts in support of this program across all regions.



## GOOSE BAY REMEDIATION

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**LOCATION:** Goose Bay, Newfoundland and Labrador

**PROJECT COST:** \$239 million **COMPLETION DATE:** 2020

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DCC is committed to operating in ways that conserve resources and protect the environment. It is helping DND manage contaminated areas at 5 Wing Goose Bay to reduce or eliminate potential risks. Most of the contamination can be attributed to past storage and handling of materials such as hydrocarbons, heavy metals, polychlorinated biphenyls (PCBs), pesticides and household and commercial waste.



## UXO AND LEGACY SITES PROGRAM

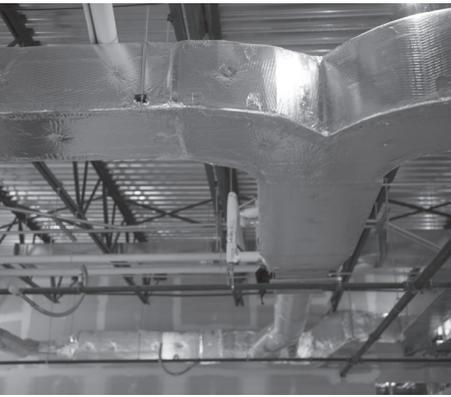
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**LOCATION:** Sites across Canada

**PROJECT COST:** \$10 million **COMPLETION DATE:** Ongoing

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DCC helps DND manage public safety on properties that may contain unexploded explosive ordnance (UXO). DCC provides planning, procurement, technical and contract management services for UXO projects on active and inactive (legacy) military sites across Canada. DND has identified more than 1,000 locations with potential UXO impact. These sites are in varying stages of remediation, with many supported by DCC's in-house teams of contract managers, geophysicists, UXO technicians and geographic information system (GIS) specialists.



## ENERGY PERFORMANCE CONTRACTS PROGRAM

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**LOCATIONS:** Greenwood, Nova Scotia; Bagotville, Quebec; Defence Research and Development Canada Valcartier, Quebec; Trenton, Ontario; Petawawa, Ontario; Cold Lake, Alberta; Esquimalt, British Columbia; plus other sites that may be identified

**PROJECT COST:** \$68 million **COMPLETION DATE:** Ongoing

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The Federal Sustainable Development Strategy requires DND to reduce its greenhouse gas emissions by 40% for its real property portfolio by 2025. DCC's innovative Energy Performance Contracts Program, in which savings from energy-saving upgrades are used to fund those upgrades, are helping facilities nationwide improve energy efficiency.



## NORTH PARK ARMOURY REHABILITATION AND FIT-UP

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**LOCATION:** Halifax, Nova Scotia

**PROJECT COST:** \$115 million **COMPLETION DATE:** 2025

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The North Park Armoury is a federally-designated heritage building and National Historic Site of Canada. This rehabilitation and fit-up project will provide facilities to meet the operational requirements of two Canadian Army Reserve units, the CFB Halifax Base Clothing Stores Detachment and two cadet units.



## CSE LONG-TERM ACCOMMODATION FACILITY

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**LOCATION:** Ottawa, Ontario

**PROJECT COST:** \$4.1 billion **CONTRACT COMPLETION DATE:** 2040

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Built using a public-private partnership, the \$4.1-billion CSE LTAP facility spans more than 72,000 m<sup>2</sup>. The associated design-build-finance-maintain contract included 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

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**LOCATION:** CFB Borden, Ontario

**PROJECT COST:** \$330 million **CONTRACT COMPLETION DATE:** 2041

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The expansion of Shared Services Canada's enterprise data centre will help to modernize and standardize federal IT infrastructure. DCC's second P3 procurement, this \$330-million contract was announced on May 25, 2016. As part of a consortium, DCC will support the design, building, financing, operations and maintenance of the data centre for 25 years. The first of four phases of the new facility is expected to be completed in fall 2017.



The expansion of Shared Services Canada's enterprise data centre will help to modernize and standardize federal IT infrastructure. DCC's second P3 procurement, the project includes the design, build, finance, operate and maintenance of the data centre for 25 years. Award of the \$330-million construction contract announced in May 2016 was the first of four phases.

# Business Strategy

## PLANNING THEMES, OUTCOMES, INITIATIVES AND PERFORMANCE MEASURES

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 define the Corporation's destiny, 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 strength, weakness, opportunity and threat (SWOT) analysis. Subsequently, this leads to a review of the corporate risk register, enabling risk-based decision making in a principle-based service delivery approach. Contributions include input from the Board of Directors, the Executive Management Group, Senior Management Team, Client-Partners, and industry representatives, all of whom have consulted their stakeholders to present an analysis of their operating environment.

DCC has built its business strategy on four planning themes: Business Management, Service Delivery, People, and Leadership and Governance. DCC's strategic priorities under those themes are to have robust business management tools, meet Client-Partner requirements, engage the workforce and demonstrate strong leadership.

DCC ensures performance through a deliverology 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 2017-18 to 2021-22 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, reporting and continuous improvement are part of daily work at DCC.

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 managing its human, capital or financial resources, in areas such as employee engagement, IT security 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.



DCC was tasked with managing the installation of two 25-metre towers and two 30-metre towers to support Defence Research Development Canada's research on the effects of fuel/air mixture and other blast weapons. The project included creating two hoist systems that hold high resolution cameras that shoot 20,000 frames per second directly over the explosion.

# Strategic Initiatives and Performance

Four themes guide DCC's strategic planning approach, and each has a set of strategic objectives, outcomes and performance measures associated with it. The themes of Business Management, Service Delivery, People, and Leadership and Governance provide a way to organize DCC's path toward fulfilling its mission. At the annual planning session, the Senior Management Group bases its discussion on these themes. That discussion, together with an analysis of the current operating environment, helps DCC identify a way forward for the Corporation for the next fiscal year. The following section presents the details of that path for 2017-18. For a quick summary of this section, see the Strategic Plan Overview chart on page 13.

## PLANNING THEME: BUSINESS MANAGEMENT

To deliver value to Canadians, DCC must run a successful business. To do that effectively, business units need a corporate infrastructure and systems. The objective is to develop and maintain responsive, integrated business management structures, tools, teams and practices. Two outcomes define DCC's success under this planning theme.

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

DCC needs up-to-date, reliable, accurate and efficient systems to manage its business. This infrastructure relates to business planning, operations policy and procedures, human resources, corporate security, administrative services, finance, information technology, and communications. Resource management includes management of staff, materials, money and assets.

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

This is an important outcome that reflects DCC's value and integrity of work. The Corporation's control systems are well established and have been proven reliable. The Auditor General of Canada has found no significant deficiencies in its 2016 Special Examination of DCC.

### Status: Business Management Initiatives 2016-2017

Last year, one initiative was to respond to the recommendations arising from the Business Planning and Resource Management internal audit. A third-party auditor regularly conducts internal audits to foster continuous improvement. This audit happened during the second half of 2015-16. It assessed the adequacy and effectiveness of business management systems and processes, to ensure that they are reliable, up to date and efficient, and that they allow DCC to manage its business efficiently.

In June 2016, the internal auditor had no recommendations for action as DCC's governance structure, business planning and resource management processes, ability to manage unexpected business events, and structures for corporate performance management are sound.

### Business Management Initiatives 2017-2018

Like many organizations, DCC wants to have modern, efficient business practices that make it easy for employees to get the job done. Strong, reliable and easy-to-use information technology (IT) systems are key to a positive work environment. For 2017-18, DCC has committed to two IT-related initiatives to make information more accessible to employees. Two results

will emerge from work in this area: senior management will have an updated IT strategy to provide a roadmap for the corporate IT vision; and employees will have a user-friendly filing structure for electronic records management. DCC is eager to provide a digital first work environment. In this vein, DCC also plans to deliver to managers and employees an online system that tracks individual employee training history and future required training.

## Business Management Initiatives Key Performance Indicators

### OPERATIONAL RESULTS AND PERFORMANCE MEASURES

DCC has a comprehensive Corporate Performance Management Framework that defines appropriate performance measures at the corporate strategic planning level and at the business planning level. The Strategic Plan Overview chart on page 13 summarizes the corporate key performance indicators. At the business planning level, approximately 30 tactical indicators cover activities such as service costs, timeliness of procurement, quality, timing of accounts receivable and contractor performance. All of these are monitored quarterly to review performance against the target indicators.

### EMPLOYEE UTILIZATION RATE

At the corporate level, the Corporation provides sound business management by maintaining low internal overhead costs, keeping costs to DND low and meeting the terms of its own financial policy. As it is a service organization, DCC's 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. For the six-month period ended September 30, 2016, DCC surpassed this target with 74.5% of employee salaries recovered through Client-Partner billing. This is slightly higher than the figure for the same period in 2015-16, which was 74.2%.

### COSTS OF DCC SERVICES TO DND

The indicator of overall costs of DCC services to DND reflects how much of DND's infrastructure and environment (IE) program budget is spent on DCC's services—or, in other words,

how much DCC services cost DND's IE community. Typically, DCC expects these costs to fall in the range of 10% to 15% of DND's IE program budget. For 2015-16, the cost of service delivery was 9.3%. At the end of 2014-15, the cost of service delivery was 10.2%. DCC forecasts that costs of services to DND will be about 10% at the end of 2016-17.

### FINANCIAL RESULTS

DCC expects to achieve financial results each year that are consistent with its financial management policy. That policy 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. As at September 30, 2016, DCC's financial results were consistent with the forecast for this period, with the exception of its forecasted cash level, which was higher than planned.

DCC's cash management approach is to maintain its cash levels at \$21 million to \$24 million. As at September 30, 2016, DCC's cash level was approximately \$35.9 million.

DCC's primary way to reduce its cash reserve is by freezing billing rates, which it has done for the past four years. DCC's cash reserve did not decrease as quickly as expected during 2015-16, mainly due to higher-than-planned work volume combined with workflow optimization efforts over the past several years. Services revenue is also increasing due to the increase in project volume associated with the Federal Infrastructure Investments Program and the Budget 2016 infrastructure investment. With further consolidation of small maintenance contracts, DCC is also working more efficiently with fewer employees.

DCC expects to manage its cash reserve within the targeted level by the end of 2017-18 with the payment of a dividend of \$8.5 million to the Receiver General of Canada in the last quarter of fiscal 2016-17, and with improved management of its billing rates.

## PLANNING THEME: SERVICE DELIVERY

Being able to provide innovative, cost-effective and efficient solutions is key to DCC's viability as an organization. The objective of this theme is to meet Client-Partner requirements and to demonstrate value for money.

Three outcomes define DCC's success under this planning theme.

1. Service lines deliver optimal, efficient and effective service 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 build and maintain their holdings.

2. Relationships remain strong through mutually aligned objectives and information sharing.

The fulfillment of DCC's mission relies on the quality of its relationship with its defence and security Client-Partners. Planning jointly, sharing information, developing new support services and exchanging lessons learned are all examples of activities that DCC undertakes to contribute to a mutually beneficial relationship.

3. DCC collaborates with industry to leverage industry's capacity.

For 65 years, DCC has been involved with industry associations. DCC strives to be a bridge between industry and DND/CAF to help them achieve mutual goals.

### Status: Service Delivery Initiatives 2016-2017

For the 2016-17 planning period, the management group identified three initiatives under the Service Delivery theme. DCC will support DND in its defence infrastructure renewal initiatives; continue implementing e-procurement; and support the Client-Partners' implementation of and industry's compliance to the new security requirements.

DCC continues to aid the defence infrastructure renewal initiative by providing support for the following activities: developing portfolio and real property management plans; developing and implementing a procurement strategy for enhanced infrastructure maintenance service delivery; and

improving real property project delivery, a task that includes developing a preferred procurement methodology. Specifically, DCC is supporting work for the Infrastructure Environment Business Modernization (IEBM) project. When completed, there will be a centralized hub for all of DND's records for real property maintenance, portfolio and investment planning, spatial integration and reporting. The other priority for DCC with this initiative, is delivering the balance of projects funded under FIIP to DND and the additional projects funded under Budget 2016 infrastructure investment by March 31, 2017.

DCC often acts as a liaison between industry and DND. The Corporation is continuing its work in this area in two ways: by carrying out its e-procurement initiative, which is proving to be a faster, cheaper option for administering DCC's tender calls and contract awards than its current paper-based manual process; and by pre-screening contracting and consulting firms' applications for security clearances. Prime contractors and their sub-contractors need security clearances from the Canadian and International Industrial Security Directorate (CIISD) before being awarded a job. DCC's assistance has shortened the wait time for such clearances from six months to four for level one clearances, and from 12 months to nine months for level two clearances. Both of these DCC-led initiatives foster industry competition for contract awards.

### Service Delivery Initiatives 2017-2018

For the 2017-18 planning period, the management group has identified four initiatives under the Service Delivery theme, several of which will continue from the past year. Support for defence infrastructure renewal, expanding the scope of e-procurement beyond construction services to other categories of services, and supporting Client-Partners and industry as the new security directives are implemented all remain key initiatives. Demand for DCC's environmental services may increase, so the Corporation has added a new initiative: support for DND in meeting its environmental objectives.

For example, DCC provides procurement support for the tendering of DND energy performance contracts that have the potential to help DND reduce its greenhouse gas emissions by 17%.

## Service Delivery Key Performance Indicators

### SERVICE DELIVERY RATING

As a service delivery organization, DCC wants to ensure its Client-Partners are satisfied with the quality of its work. Consequently, the Corporation seeks feedback through a service delivery rating system.

DCC administers its work with DND/CAF through service level arrangements (SLAs). Each SLA may comprise many projects, and there is one primary DND representative for each SLA. DCC interviews these representatives individually each year. Each representative has the opportunity to comment on the service DCC provided on all projects in which he or she was 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.

The Corporation typically receives service delivery rating results in the second half of each fiscal year, when most projects are completed. In 2015-16, DCC conducted 99 service delivery assessments. The Corporation's target is to have 95% of assessments result in an overall rating of three or higher. DCC has met or exceeded that target for each of the past five fiscal years, with a rating of 97% in 2015-16. Of those 99 assessments, 96 met or exceeded service delivery standards, and three received a less-than-satisfactory score. Typically, issues relate to specific incidents that fall into one of several categories, such as communications issues, administrative problems or staffing concerns. DCC is responsive to all concerns about its service and addresses each in a timely manner.

### PROCUREMENT RESULTS

In 2015-16, DCC awarded 2,440 contracts valued at a total of \$647 million. For the first six months of 2016-17, DCC awarded 1,180 contracts for a total value of \$552.5 million. DCC predicts that it will award 2,000 contracts with a total value of about \$800 million by the end of 2016-17. Through its competitive and open procurement processes, DCC encourages competition and fair value.

**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. During the first six months of 2016-17, DCC awarded contracts for 97.0% of its requested procurements.

**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. During the first six months of 2016-17, DCC awarded 99.4% of all 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 prior to the contract award. This reduces the risk of working with non-compliant companies.

**Procurement competition:** DCC wants industry to view it as a knowledgeable and fair company to work with, so that there are as many bidders as possible competing 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. During the first six months of 2016-17, DCC had an average of 4.9 bidders per procurement.

**Recognition:** DCC works regularly with different associations, at both the local and national levels, to help develop national standards and to keep up with industry trends such as e-procurement. In the first half of 2016-17, DCC received the National Procurement Institute's Achievement of Excellence in Procurement Award, which honours excellence in public procurement. This is the third year in a row that DCC has won this award.

A leading industry group has recognized DCC's work to bring e-procurement to the federal public sector. The Canadian Institute for Procurement and Materiel Management honoured recent DCC retiree Richard Allie with its 2016 Project Management Award. This award recognizes an individual's innovation, achievement and leadership when carrying out a procurement project.

### SERVICE LINE PERFORMANCE RESULTS

DCC's Corporate Performance Management Framework provides guidance on developing, measuring, and reporting key performance indicators (KPIs) and business performance indicators (BPIs). The Corporation evaluates service line performance quarterly based on the BPIs. These tactical

indicators include timeliness of tenders and awards, number of change orders and amendments, and timeliness of construction completions. DCC monitors these quarterly and reports on them at the senior management level. It uses this information to foster continuous improvement and to update Client-Partners on project progress. In the first half of 2016-17, DCC completed these quarterly reports and reviews according to the terms of its Corporate Performance Management Framework.



DCC supports the Canadian Forces Housing Agency in maintaining residential housing units for DND. A new pilot program at Garrison Petawawa, Ontario amalgamated maintenance and service contracts into one contract that covers the repair and maintenance work for 1,656 housing units at the base.

## PLANNING THEME: PEOPLE

Since the Corporation is a knowledge-based professional services organization, its primary value is vested in its people. The objective of this theme is to recruit, develop, support and retain a competent, engaged and diverse workforce.

Three outcomes define DCC's success under this planning theme.

1. DCC provides a healthy, productive and respectful work environment.

Hallmarks of DCC's workplace include collaboration and leadership, fair compensation and benefits, and pay equity; professional development opportunities; knowledge retention and transfer; workforce and succession planning; and community involvement.

2. 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 and increased efficiency in service delivery.

3. DCC achieves positive employee engagement and is seen as an employer of choice.

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

### Status: People Initiatives 2016–2017

For the 2016–17 planning period, there were two initiatives under the People theme: implement internal communications initiatives, and promote awareness of employee diversity and inclusion, and workplace wellness and mental health. Work has progressed steadily on both of these initiatives in the first half of 2016–17.

DCC has launched new standards and workflow for issuing internal communications. The Corporation also updated online training modules for both employee and manager communications. During the second half of the year, DCC will promote these tools and systems, and monitor their use.

The Human Resources Department allocated resources to, and began research and planning for, initiatives to promote awareness of employee diversity and inclusion, and workplace health. It hired two additional employees—one for the diversity and inclusion program, and the other for the workplace wellness and mental health program. The department is surveying employees on each of these areas, and developing three-year strategies for each with action plans.

### People Initiatives 2017–2018

For the 2017–18 planning period, there are several initiatives that support DCC's workplace culture. Work will continue in the areas of promoting diversity and inclusion, workplace wellness, mental health and a respectful workplace. DCC has long been committed to having a diverse, healthy and respectful workplace. Through careful planning and analysis, this initiative will gauge what activities are working well and what new efforts could make DCC even stronger in these areas. The Diversity and Inclusion Strategy and the Workplace Wellness and Mental Health Strategy will be created by the end of 2016–17 and they will be implemented throughout 2017–20.

DCC will conduct an employee engagement survey in 2017–18 to assess the perceptions of its people and to ensure DCC is thought of as an employer of choice among its employees. Finally, an initiative is planned that is similar to the strategic planning that is happening in DCC's IT Department. The Human Resources Department will provide senior management with a five-year human resources strategic plan for DCC's people.

### People Key Performance Indicators

#### INVESTMENT IN TRAINING AND DEVELOPMENT

DCC's ability to serve DND is heavily dependent on the skills of its employees. Maintaining a skilled and professional workforce is a key corporate objective. In 2015–16, spending on professional development as a percentage of base salary costs was 3.6%. For 2016–17, DCC established an annual overall corporate target for spending on training and development of 4.0% of base salary costs. This target includes spending on both internal and external costs related to training and development.

Year-to-date expenditures for the six-month period ended September 30, 2016, were 4.0%, meeting the annual target amount, compared to 2.8% for the comparable period in 2015–16. This higher amount is due to the increase in work

volume associated with the FIIP program and the related increase in the workforce, which resulted in more employees taking training, such as the mandatory three-hour Government of Canada security awareness training module.

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 of professional development activities in various regions. DCC expects that the amount spent on professional development will also meet the 4.0% target at the end of 2016-17.

### **INNOVATION RESULTS**

The innoviCulture program is DCC's means of encouraging and tracking innovation in the workplace. In the first six months of the year, DCC's innoviCulture committee developed a new online module called the inCubator. This system will track ideas submitted by employees through the evaluation process to implementation. The committee has set a target to have 5% of all employees use this system. The first results will be gathered in the second half of the year, once the system is up and running.

### **EMPLOYEE WELLNESS**

DCC is strongly committed to creating a workplace environment that encourages its employees to incorporate self-care and mental health and wellness into their daily routine and promotes work-life balance. The Corporation is focused on preventative measures that reduce employees' health risk factors. DCC demonstrates this commitment by providing financial assistance for, as well as access to, such benefits and resources as lifestyle modification programs, fitness memberships and programs, an employee assistance program, flexible working arrangements, and compressed workweeks. At the same time, DCC's health and wellness program can accommodate employees with physical or mental health challenges, as well as focus on preventative measures.

In 2015-16, DCC reported an average of 38.6 sick leave hours (5.15 days) per full-time equivalent (FTE). In the first half of 2016-17, DCC reported an average of 19 sick leave hours (2.5 days) per FTE, compared with 17 hours (2.3 days) for the same period in 2015-16. In the coming planning period, the implementation of DCC's Workplace Wellness and Mental Health Strategy is anticipated to make a positive contribution to sick-leave management.

### **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.

In 2015-16, DCC's retention rate was 95.3%, higher than its annual target of 90%. For the six-month period ended September 30, 2016, DCC's retention rate stood at 97.7%, which is slightly lower than the 98.1% rate that it reported for the same six-month period in 2015-16.

### **EMPLOYMENT EQUITY**

Until 2015-16, DCC reported on its performance in the area of diversity and employment equity through its results from Employment and Social Development Canada's (ESDC's) Performance Ratings and Report Compliance Index (RCI). In 2015-16, ESDC informed DCC that it will no longer be using the Performance Ratings and RCI to demonstrate employers' success in meeting their reporting obligations.

ESDC continues to collect employment equity information through its new program, the Employment Equity Achievement Awards. DCC made a submission to this program in the first half of 2016-17 and will report on those results when they become available.

DCC will work steadily to improve the diversity of its employee population and the inclusivity of its workplace. Upcoming actions to improve include developing a diversity and inclusion strategy and action plan, which will include developing tools and training materials for hiring managers.

### **LEADERSHIP DEVELOPMENT RESULTS**

DCC has a leadership development program to groom employees with high potential to be the DCC leaders of tomorrow. To keep the Corporation viable, DCC must consistently cultivate quality leadership. It strives to foster the performance, competencies and skills of strong leaders.

To that end, the Leadership Development Program (LDP) consists of a series of online modules, combined with an in-person forum held once every two years. It is expected that participating employees complete the LDP within five years. To be considered on track to complete the program, they are expected to complete at least six of the online modules in one fiscal year. At the end of the first half of 2016-17, 51 per cent of the 168 employees enrolled in the LDP were on track to complete the program within the five-year window.

## PLANNING THEME: LEADERSHIP AND GOVERNANCE

Vision, capability and stewardship practices are all critical to DCC's success in fulfilling its mission. The objective is to provide strong leadership and be responsive to Government of Canada requirements.

There are four strategic outcomes under this planning theme.

1. DCC maintains a risk-based decision-making culture.

To be efficient, comply with Government of Canada requirements and meet urgent needs, DCC uses risk-based decision making so that it can carry out the complex and specialized defence construction projects that DND/CAF requires.

2. 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 ensure appropriate oversight of its daily operations.

3. 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.

4. DCC demonstrates integrity to stakeholders and Client-Partners.

DCC wants to ensure that it maintains a credible reputation among its stakeholders.

### Status: Leadership and Governance Initiatives 2016–2017

For the 2016–17 planning period, the management group identified four initiatives under the Leadership and Governance theme. DCC will continue to demonstrate value, integrity and innovation to stakeholders and Client-Partners; it will support the Office of the Auditor General in its Special Examination of DCC; it will comply with the Government of Canada's directive related to travel and other expenditure policies; and, finally, it will respond to the recommendations arising from the internal Audit of Values and Ethics.

The Corporation continued its stakeholder relations and outreach efforts throughout the planning period to sustain productive and effective relations for the benefit of DCC. This task included Client-Partner relationship management at all levels, as well as outreach to local industry at DCC sites across Canada, particularly for e-procurement. DCC held 49 public orientation and training sessions for industry across the country.

The Office of the Auditor General conducted a Special Examination of DCC, starting in late 2015–16. A final report was issued in December 2016 and the results of the Special Examination found no significant deficiencies. The report contained four recommendations in the following two areas: corporate management practices related to defining fraud risks and ensuring that DCC puts in place the systems and processes that are needed to assess, monitor and address these risks; and management of contracts and services related to document input, service line verifications and tracking employee training. DCC has identified a corporate strategic initiative to respond to these recommendations.

DCC is on schedule to complete the alignment of its travel, hospitality, conference and event expenditure policies, guidelines and practices with those of Treasury Board, in a manner consistent with its legal obligations as a Crown corporation. The Executive Management Group and DCC's Board of Directors are currently reviewing a draft of the new policies, which the Corporation is on target to complete by March 31, 2017.

DCC has a robust expenditure management policy, based upon Treasury Board guidance. There are well-defined limits for spending and there is a thorough approval process in place through DCC's levels of delegated authority, up to the President and Chief Executive Officer. Those who hold delegated signing authority scrutinize expenditures for travel, hospitality, training and events.

The number of conferences that DCC employees attend is low, and approval to attend is only granted if there is a training and development component to the conference. This data is reported as part of training and development, not as conference expenses.

The 2016–17 forecasted amounts for travel and hospitality have increased by 28% and 41% respectively, due to a combination

of unspent budget amounts from 2015–16, and an 18% increase in FTEs for 2016–17. (See Table 1)

Three recommendations emerged from the Audit on Values and Ethics: improve awareness and training activities, augment a follow-up process for employee disclosure, and expand performance measurement for values and ethics training. At the end of the first half of 2016–17, an improved feedback loop had been established for employees who report a potential conflict to their manager. Both the training activities and options for enhancing performance measures for training are under review for improvements.

## Leadership and Governance Initiatives 2017–2018

For the 2017–18 planning period, the management group has identified three initiatives under the Leadership and Governance theme. DCC will continue to demonstrate value, integrity and innovation to stakeholders and Client-Partners by building working relationships; it will respond to recommendations arising out of the Office of the Auditor General's Special Examination of DCC; and it will support ongoing integrity programs, with a focus on fraud awareness, detection and prevention.

Additional business activities in support of DCC's response to the Special Examination will also include: streamlining DCC's system for online document management; maintaining a standard frequency of internal service line verifications; and completing an online register and archive for tracking employee training.

## 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 (ESDC). The Corporation's success in meeting these reporting requirements, including timeliness of submissions, as well as the results contained in these reports, reflect DCC's success in meeting the objectives of the Leadership and Governance theme. As at September 30, 2016, DCC had met all of its submission requirements.

Separate from DCC corporate reporting requirements, each year DCC receives a variety of inquiries from its government stakeholders. These include order paper questions, constituent inquiries and ministerial questions, to name a few. DCC responds to all requests in a timely manner. In 2015–16, DCC responded to 24 such inquiries. The volume of these requests fluctuates, depending on the current business environment. During the first six months of 2016–17, DCC received and responded to 41 requests. DCC stands ready to respond to these inquiries in a timely manner.

### OVERALL BUSINESS PERFORMANCE RESULTS

DCC's business results have been positive in an environment of fluctuating Client-Partner program volume and evolving business circumstances. As at September 30, 2016, DCC had been able to increase the volume of projects delivered to its main Client-Partner at no increased cost in billing rates and with no compromises in project quality. This is indicative of DCC's strong management capability and leadership.

### DCC CODE OF BUSINESS CONDUCT RESULTS

The Code of Business Conduct (the Code) is a key document that 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.

DCC's enforcement of and adherence to the Code is an example of its management integrity and leadership. The Corporation requires all of its employees to review the Code each fall. As of the last review in fall 2016, 100% of DCC employees met this requirement.

**TABLE 1: ANNUAL EXPENDITURES FOR TRAVEL, HOSPITALITY, AND CONFERENCES**

	ACTUAL		PLANNED				
	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22
Travel	\$394,000	\$505,000	\$516,000	\$526,000	\$537,000	\$547,000	\$550,000
Hospitality	\$ 22,000	\$ 31,000	\$ 31,500	\$ 32,000	\$ 32,500	\$ 33,000	\$ 33,500
Conference	N/A	N/A	\$ 50,000	\$ 52,000	\$ 53,000	\$ 54,000	\$ 54,000

### DCC PROCUREMENT CODE OF CONDUCT RESULTS

DCC's Procurement Code of Conduct (PCC) ensures that DCC's contractors and consultants meet the expected integrity requirements for doing business with the Government of Canada. DCC aims to verify all firms before awarding contracts to ensure that all contractors and consultants comply with the PCC. In the first half of 2016-17, DCC verified 100% of the successful bidders on contracts, as per its procurement process. DCC ensured no contracts were awarded to non-compliant firms.

The Government of Canada updated its Integrity Regime on July 3, 2015, and again in April 2016. In the first half of 2016-17, DCC began a review to ensure that its PCC is aligned with the changes made to the Government of Canada's Integrity Regime. This is expected to be completed by March 31, 2017.

### ENVIRONMENTAL RESULTS

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

For the six-month period ended September 30, 2016, there were no worksite environmental incidents resulting from DCC personnel actions to report. This result maintains the record of zero incidents over the past several years.

### 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 ESDC.

DCC strives to have no lost-time safety accidents or incidents. For the six-month period ended September 30, 2016, there were three DCC employee incidents, which resulted in 11 days of lost time. In 2015-16, there were four incidents, which accounted for a total of 15.5 days of lost time.

*Canadian Occupational Safety*, an industry magazine, recognized DCC as Canada's safest employer in the public—non-profit sector. DCC's Hazard Awareness and Health and Safety Program won the Gold Award. Canada's Safest Employers Awards recognize organizations from across Canada with outstanding accomplishments in promoting the health and safety of their workers.

### SECURITY RESULTS

DCC adheres to the Policy on Government Security in order to protect government information and assets from compromise. In its Corporate Security Policy, DCC refers to industrial security requirements and corporate security requirements.

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

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

"Corporate security requirements" are DCC's internal security requirements for its corporate information, assets and employees. DCC reviews and manages all incidents, and takes required corrective measures.

DCC strives to have no compromises of either corporate or industrial security requirements. In the first half of 2016-17, there were five corporate security incidents and two industrial security incidents, with no compromise in security.



Stéphanie Magnan, DCC Communications Coordinator and Alain Schneider, Coordinator, Construction Services at the construction site for the new \$19.5-million St-Hubert Armoury at Garrison Montreal in Quebec.



DCC is supporting DND's initiative to improve the condition of armouries in 57 communities across Canada. The work on the armouries includes construction contract management for the repair of roofs, siding, windows, doors, plumbing, HVAC and electrical systems, flooring and painting.

# Financial Plan

The Corporation's financial management approach is based on a fundamental assumption that the Corporation is a going concern and that its stated mandate will continue in the future. The Corporation operates on a fee-for-service basis and receives no funding through government appropriations. Its financial management approach is to generate sufficient cash to meet its anticipated operating and capital requirements, to settle its financial obligations as they become due, and to maintain sufficient cash reserves to meet operating contingencies that may arise (see Cash Management Approach, page 43). The Corporation prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) and has met all reporting obligations.

This plan contains information based upon the most current assumptions as of January 15, 2017. Such information involves known and unknown risks that may cause actual results to be materially different from planned results. DCC senior management believes it has identified any material risk factors that could affect actual results as of this time.

The following plan, based on the assumptions in this approach, reflects the Corporation's objectives to ensure value for money for its Client-Partners by capitalizing on DCC's optimization initiatives; adjust DCC operations in a timely and effective manner to reflect changes in the Client-Partners' program requirements; ensure the sustainability of the Corporation, as per its cash management approach; and adjust DCC operations to keep accumulated earnings and cash balances within targeted levels.

The financial projections below reflect the Corporation's anticipated gradual return to a slightly better than break-even financial position over the next five years. Previous to this planning period, losses occurred from 2012-13 to 2016-17 for two reasons. DCC committed to reducing the costs of DCC services to DND for 2012-13 to 2014-15 as part of its own contribution to the Deficit Reduction Action Plan. The billing rate freeze combined with DCC's optimized business practices contributed \$9.4 million in savings to the Client-Partner. The billing rate freeze was also intended to reduce the amount of cash held by the Corporation to the targeted levels.

This financial projection reflects the Corporation's reversal of operating below the break-even level. As a result, the Corporation has planned to increase the billing rates by 4.5% in the first year of the plan and will continue to increase them so that the Corporation can achieve a slightly better than break-even gross margin. Investments planned in the first two years to modernize the Corporation's information technology (IT) infrastructure by making operational improvements and improving network security are also included in operating expenses. These investments in IT will reduce the requirement for capital investments in the future.

## FINANCIAL PROJECTIONS

These projections currently reflect the most anticipated scenario for demand from the Corporation's Client-Partners, and related spending requirements to meet operational needs. In line with the cash management approach, the Corporation has projected losses from 2017-18 to 2020-21 to maintain cash reserves to a level considered appropriate to its operational needs, while gradually increasing the billing rate with a return to profitability in the final year of the plan. The Corporation expects to return to a positive cash flow in the fourth year of the plan in order to meet its operating and cash management targets.

## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the years ending March 31, 2016, to March 31, 2022

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in thousands of Canadian dollars)	2016	2017	2017	2018	2019	2020	2021	2022
Services revenue	\$84,905	\$ 92,123	\$ 96,117	\$ 105,908	\$ 108,027	\$114,779	\$115,927	\$121,144
Travel and disbursement revenue	2,278	1,703	2,179	2,051	2,072	2,092	2,113	2,134
Investment revenue	788	650	621	475	380	330	340	350
<b>Total revenue</b>	<b>87,971</b>	<b>94,476</b>	<b>98,917</b>	<b>108,434</b>	<b>110,479</b>	<b>117,201</b>	<b>118,380</b>	<b>123,628</b>
Salaries and employee benefits	82,007	88,947	92,409	99,991	101,025	105,265	106,005	109,349
Operating and administrative expenses	6,776	7,895	7,894	11,323	11,435	10,548	10,153	10,253
Travel and disbursement expenses	2,277	1,703	2,179	2,051	2,072	2,092	2,113	2,134
Depreciation of property, plant and equipment	912	630	967	1,055	1,123	1,134	911	877
Depreciation of assets under finance lease	110	180	170	180	185	190	195	200
Amortization of intangible assets	226	215	208	215	218	221	120	100
Finance costs	20	28	25	28	30	32	33	35
<b>Total expenses</b>	<b>92,328</b>	<b>99,598</b>	<b>103,852</b>	<b>114,843</b>	<b>116,088</b>	<b>119,482</b>	<b>119,530</b>	<b>122,948</b>
Gain (loss) for the year	(4,357)	(5,122)	(4,935)	(6,409)	(5,609)	(2,281)	(1,150)	680
Other comprehensive income								
Actuarial gain on employee benefit obligations	3,906	—	—	—	—	—	—	—
<b>Total comprehensive income (loss)</b>	<b>\$ (451)</b>	<b>\$ (5,122)</b>	<b>\$ (4,935)</b>	<b>\$ (6,409)</b>	<b>\$ (5,609)</b>	<b>\$ (2,281)</b>	<b>\$ (1,150)</b>	<b>\$ 680</b>

## STATEMENT OF CHANGES IN EQUITY

For the years ending March 31, 2016, to March 31, 2022

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in thousands of Canadian dollars)	2016	2017	2017	2018	2019	2020	2021	2022
Opening retained earnings	\$31,006	\$26,265	\$30,555	\$17,120	\$10,711	\$5,102	\$2,821	\$1,671
Gain (loss) for the year	(4,357)	(5,122)	(4,935)	(6,409)	(5,609)	(2,281)	(1,150)	680
Dividend paid	—	—	(8,500)	—	—	—	—	—
Actuarial gain on employee benefit obligations	3,906	—	—	—	—	—	—	—
<b>Ending retained earnings</b>	<b>\$30,555</b>	<b>\$21,143</b>	<b>\$17,120</b>	<b>\$10,711</b>	<b>\$ 5,102</b>	<b>\$2,821</b>	<b>\$1,671</b>	<b>\$2,351</b>

## 2016-17 Corporate Plan Versus 2016-17 Estimated Results

Services revenue for 2016-17 is \$96.1 million compared to the forecasted amount of \$92.1 million. Between the planning period and actual fiscal year end, the Government of Canada announced increased defence infrastructure spending in Budget 2016. The types of projects associated with this additional spending include smaller projects and maintenance activities such as utility upgrades, installation of fire suppression systems, and paving of runways. The funding was not intended for the construction of larger, complex projects such as control towers or dockyards. This was the primary reason for the 4.3% variance from the plan amount.

In order to deliver the work associated with this additional funding, DCC had to hire more people than originally forecast. Consequently, the total estimated expenses are \$4.3 million or 4.3% higher than stated in the Corporate Plan. This is primarily due to salaries and employee benefits which are \$3.5 million or 3.9% higher than stated in the Corporate Plan, a result of the increase in the number of employees.

There is no significant variance in operating expenses which is attributed to DCC's ability to plan and manage budgets.

Depreciation and amortization are expected to be approximately 31% or \$320,000 above plan. The increase in depreciation and amortization is due to the higher-than-expected amount of actual assets capitalized in the prior year.

The Corporation is estimating a net loss of \$4.9 million compared to a planned net loss of \$5.1 million in the Corporate Plan for the fiscal year ending March 31, 2017.

### Services Revenue

The Corporation is forecasting services revenue of approximately \$96.1 million for the current year ending March 31, 2017, which represents an increase of approximately 13% from the previous fiscal year. All of the increase is due to

an increased volume of work related to the FIIP and Budget 2016, resulting in higher demand for DCC services than in the prior year. As per the application of its cash management approach, the Corporation did not increase billing rates in 2016-17.

For the planning period, the Corporation has made the following assumptions in relation to the anticipated changes in the volume of services revenue, based on the anticipated Client-Partner program volume and projected billing rate increases each year from 2017-18 to 2021-22. (See Table 2)

In the first year of the plan ending March 31, 2018, the Corporation forecasts that demand for DCC's services will increase over that in the current year. This increase in demand will result in revenue increasing by \$9.8 million or 10% to \$105.9 million over the estimate for the year ended March 31, 2017. For the remaining years of the planning period, the Corporation is forecasting a modest decrease in volume for 2018-19 followed by a modest increase in 2019-20. For 2020-21 and 2021-22, volume is expected to decrease during the final years of the plan.

As for the billing rate increase assumption, the Corporation has ended its five years of billing rate freezes. In 2017-18, the Corporation is anticipating an increase in billing rates of 4.5%. The billing rate will rise by 5.5% in 2018-19, 5.25% in 2019-20, and 5.0% in 2020-21 and 2021-22. The billing rate increases are needed to maintain operations at a sustainable level. The billing rate freeze from 2012-13 to 2016-17 reduced the gross margin from 38.6% at the beginning of the freeze period to 31.5% in 2016-17. Reducing the gross margin from 2012-13 to 2016-17 and declaring a dividend of \$8.5 million in 2016-17 allowed the Corporation to reduce its cash to an appropriate operating level. However, higher margins will be required in the future to maintain a sustainable financial position and to allow the Corporation to return to a slightly better than break-even operating position. The Corporation estimates that the gross margin required for sustainability at the projected revenue

**TABLE 2: CHANGE IN SERVICE REVENUE**

For the years ending March 31

	ESTIMATED			PLANNED		
	2017	2018	2019	2020	2021	2022
Volume change	13.2%	5.7%	-3.5%	1.0%	-4.0%	-0.5%
Billing rate change	0.0%	4.5%	5.5%	5.25%	5.0%	5.0%
<b>Total anticipated increase</b>	<b>13.2%</b>	<b>10.2%</b>	<b>2.0%</b>	<b>6.25%</b>	<b>1.0%</b>	<b>4.5%</b>

levels discussed earlier is approximately 38%, which it expects to achieve by 2021-22.

DCC's Client-Partner representatives are aware of the planned billing rate increases and will incorporate them into their annual project budget plans.

The following table illustrates the impact of the billing rate freeze on the gross margin percentage, profit and loss, retained earnings, and the cash and investment balance for the fiscal years 2013-14 to 2021-22. (See Table 3)

## Investment Revenue

Investment revenue, which is generated from cash reserves held in bank accounts and from the Corporation's investment portfolio, is forecasted to total approximately \$621,000 for the current year ending March 31, 2017, which is approximately 21% lower than the amount earned in the previous fiscal year of \$788,000. The decrease is due to lower interest revenue generated from cash held in the bank, due to lower interest paid and a lower average monthly cash balance.

For the remaining years of the plan, investment revenue is expected to fall annually from the forecasted \$475,000 at March 31, 2018, to \$350,000 at March 31, 2022. The annual decrease is due to the decreasing cash balance forecasted over the planning period. The interest rate assumptions used for investment revenue are 0.9% for cash held in the bank and 3.0% for the investment portfolio.

## Salaries and Employee Benefits

Salaries and employee benefits are forecasted to total approximately \$92.4 million for the current year ending March 31, 2017, representing an increase of approximately \$10.4 million or 13% over the previous fiscal year. The increase in salaries and benefits from 2015-16 to 2016-17 comprises

an increase of approximately 13 percentage points related to workforce growth, due to higher demand for services; plus a 3.3 percentage point increase in salaries; and a 3.2 percentage point decrease due to salary mix and efficiency gains. The expected number of full-time equivalent (FTE) employees in 2016-17 is 922, an increase of 126 FTEs or 16% from the number in 2015-16.

For 2017-18, salaries are anticipated to increase by 8.2%. This is a result of planned salary increases of 3.5% and an increase in demand for services of 5.7%.

For the remainder of the planning period, the Corporation has assumed that the annual economic factor increase, based on an estimate of the change in the consumer price index (CPI) year over year, will be 1.0%. This assumption may be affected by a difference in the actual CPI change. Performance-based increases are forecasted to remain constant at 2.5% over the planning period, based on historical trends.

For 2017-18, the Corporation will see revenue grow faster than salary expenses, due to billing rates increasing faster than salaries and employee benefits. The result of revenue increasing faster than salaries and benefits is an increasing gross margin. For the five years of the plan, the assumptions support billing rates increasing faster than salary expenses in order to increase the gross margin required to achieve a break-even position.

## Operating and Administrative Expenses

Operating and administrative expenses are forecasted to total \$7.9 million for the current year ending March 31, 2017, representing an increase of approximately \$1.1 million or 16% over the previous fiscal year. This increase is due mainly to the following factors: an increase in software maintenance costs

**TABLE 3: EFFECT OF BILLING RATE CHANGE**

For the years ending March 31

	ACTUAL			FORECAST			PLANNED		
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Billing rate increase	0.00%	0.00%	0.00%	0.00%	4.50%	5.50%	5.25%	5.00%	5.00%
Gross margin percentage	36.24%	32.87%	31.20%	31.46%	33.48%	34.78%	35.86%	36.81%	37.72%
Total comprehensive income (loss)	\$1,189	(\$5,834)	(\$451)	(\$4,935)	(\$6,409)	(\$5,609)	(\$2,281)	(\$1,150)	\$680
Retained earnings	\$36,840	\$31,006	\$30,555	\$17,120	\$10,711	\$ 5,102	\$ 2,821	\$ 1,671	\$ 2,351
Cash and investments	\$39,988	\$38,886	\$38,168	\$27,951	\$21,192	\$18,336	\$17,817	\$19,758	\$20,833

of \$119,000 to support enterprise storage and productivity improvements; an increase in professional services costs of \$218,000, mainly related to human resources and information technology needs; an increase in employee development costs of \$351,000, due to increases in staff levels in the current year and training initiatives; and an increase in office equipment and supplies costs of \$210,000, due to an ergonomic desk program to support employee health and wellness.

For 2017-18, the Corporation has forecasted an increase in operating expenses of 43%. This increase is due to a significant additional investment of about \$3 million in IT infrastructure for the first three years of the planning period. This investment is due to the universal threat of cyber attacks, the Government of Canada's requirement for increased security measures, and the need to modernize and improve the performance of its IT infrastructure.

The Corporation is modernizing its approach to data centre management by transitioning from an on-premise data centre to a platform-as-a-service (PAAS) model. This transition is meant to increase operational efficiency and network security by transforming the IT service from a reactive model to a proactive delivery model to meet the Corporation's operational requirements. This IT investment in the PAAS model will take two years. The forecasted operating expenses for 2018-19 reflect the continued effort in this area with expenses increasing 1% for inflation. The PAAS replaces ongoing capital upgrade requirements for the on-premise data centre, thereby resulting in a decrease in future capital costs and depreciation expense.

For the 2019-20 planning year, the Corporation's expenses decrease 7.8% to reflect the anticipated completion of the IT initiative to a PAAS model for the data centre. For the 2020-21 planning year, expenses are anticipated to decrease a further 3.7% as a result of operational savings from the IT implementation. In the final year of the plan, operating expenses increase by 1% for inflation.

## Depreciation and Amortization

Depreciation and amortization—which include depreciation of property, plant and equipment; depreciation of assets under finance lease; and amortization of intangible assets—are forecasted to total \$1.3 million in the year ending March 31, 2017, representing an increase of approximately 7.8% from the previous fiscal year. This increase is related to higher capital

expenditures in the prior fiscal year, mainly related to computer hardware for new employees.

For the year ending March 31, 2018, depreciation and amortization are expected to total approximately \$1.5 million, representing an increase of approximately 7.8% from the current fiscal year forecast. This increase is mainly due to higher purchases of computer hardware and office furniture and fixtures in 2016-17 to meet operational requirements. Future annual projections of capital expenditures, highlighted under Capital Budgets, will also affect the fluctuation in depreciation and amortization over the remaining years of the plan.

## Profit and Loss and Total Comprehensive (Loss) Income

For the five-year planning period, the Corporation is planning a gradual return to profitability when it achieves a slightly better than break-even position as per its cash management approach.

A loss of \$4.9 million, or 5.1% of services revenue, is forecasted for the year ending March 31, 2017, compared with a loss of \$4.4 million or 5.1% of services revenue in the previous fiscal year. The loss in 2016-17 is projected to increase by \$578,000. This is a 13% increase in the loss amount from fiscal 2015-16. It is the result of higher expenses of \$1.1 million, due to higher staffing levels.

The total comprehensive loss for the current year has increased by \$4.5 million in comparison to the previous year mainly due to the gain of \$3.9 million related to the change in the liability for employee benefits recognized in 2015-16.

For the year ending March 31, 2018, a total comprehensive loss of \$6.4 million or 6.1% of services revenue is projected, which represents an increase of about 30% from the expected total comprehensive loss for the current fiscal year. The loss in 2017-18 is due to having a gross margin that is less than required to achieve a break even result and to increased investments in IT as noted earlier. Losses continue from 2018-19 to 2020-21 as the Corporation increases billing rates to reestablish the gross margin required to achieve a slightly better than break-even position. The Corporation achieves the desired slightly better than break-even position in the final year of the plan with a total comprehensive income of \$680,000.

## STATEMENT OF FINANCIAL POSITION

For the years ending March 31, 2016, to March 31, 2022

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in thousands of Canadian dollars)	2016	2017	2017	2018	2019	2020	2021	2022
<b>Assets</b>								
Cash	\$ 18,378	\$ 11,821	\$ 7,941	\$ 5,672	\$ 6,801	\$ 8,072	\$ 9,807	\$ 10,683
Investments	560	1,500	1,210	2,700	2,500	3,500	500	1,343
Trade receivables	15,966	16,696	16,878	19,194	19,578	20,802	20,675	22,304
Other receivables	2,263	—	2,150	2,000	1,850	1,800	1,750	1,700
Prepays and other current assets	1,467	3,399	1,661	1,830	1,867	1,984	2,004	2,094
<b>Current assets</b>	<b>38,634</b>	<b>33,416</b>	<b>29,840</b>	<b>31,396</b>	<b>32,596</b>	<b>36,158</b>	<b>34,736</b>	<b>38,124</b>
Investments	19,230	18,671	18,800	12,820	9,035	6,245	9,451	8,807
Property, plant and equipment	2,383	2,400	2,323	3,101	3,103	3,094	3,108	3,156
Assets under finance lease	279	300	275	285	290	300	305	285
Intangible assets	601	553	457	342	224	103	83	83
<b>Non-current assets</b>	<b>22,493</b>	<b>21,924</b>	<b>21,855</b>	<b>16,548</b>	<b>12,652</b>	<b>9,742</b>	<b>12,947</b>	<b>12,331</b>
<b>Total assets</b>	<b>\$61,127</b>	<b>\$55,340</b>	<b>\$51,695</b>	<b>\$47,944</b>	<b>\$45,248</b>	<b>\$45,900</b>	<b>\$47,683</b>	<b>\$50,455</b>
<b>Liabilities and equity</b>								
Trade and other payables	\$ 10,404	\$ 7,508	\$ 12,242	\$ 12,362	\$ 12,740	\$ 13,129	\$ 13,530	\$ 13,117
Current portion—finance lease obligation	93	107	107	107	107	107	107	107
Current portion—employee benefits	946	500	946	950	975	1,000	1,025	1,050
<b>Current liabilities</b>	<b>11,443</b>	<b>8,115</b>	<b>13,295</b>	<b>13,419</b>	<b>13,822</b>	<b>14,236</b>	<b>14,662</b>	<b>14,274</b>
Finance lease obligation	196	250	247	285	320	364	396	401
Employee benefits	18,933	25,832	21,033	23,529	26,004	28,479	30,954	33,429
<b>Non-current liabilities</b>	<b>19,129</b>	<b>26,082</b>	<b>21,280</b>	<b>23,814</b>	<b>26,324</b>	<b>28,843</b>	<b>31,350</b>	<b>33,830</b>
<b>Total liabilities</b>	<b>30,572</b>	<b>34,197</b>	<b>34,575</b>	<b>37,233</b>	<b>40,146</b>	<b>43,079</b>	<b>46,012</b>	<b>48,104</b>
Authorized—1,000 shares at no par value	—	—	—	—	—	—	—	—
Issued—32 shares	—	—	—	—	—	—	—	—
Retained earnings	30,555	21,143	17,120	10,711	5,102	2,821	1,671	2,351
<b>Total equity</b>	<b>30,555</b>	<b>21,143</b>	<b>17,120</b>	<b>10,711</b>	<b>5,102</b>	<b>2,821</b>	<b>1,671</b>	<b>2,351</b>
<b>Total liabilities and equity</b>	<b>\$61,127</b>	<b>\$55,340</b>	<b>\$51,695</b>	<b>\$47,944</b>	<b>\$45,248</b>	<b>\$45,900</b>	<b>\$47,683</b>	<b>\$50,455</b>

## 2016-17 Corporate Plan versus 2016-17 Estimated Results

The following section provides context for the significant variances that are found when comparing the actual amounts in the statement of financial position from the 2016-17 Corporate Plan to the estimated amounts for the end of 2016-17:

- cash and investments are estimated to be \$28 million at March 31, 2017, a decrease of \$4.0 million from the planned \$32 million. The lower-than-forecasted amount is primarily due to the decision approved by the Board of Directors of the Corporation to declare and pay a dividend to the Government of Canada of \$8.5 million as part of its cash management approach;
- prepaid and other current assets and other receivables are estimated to be \$412,000 higher than the planned amount, due to the Corporation advancing two weeks' salary for most employees with the implementation of pay in arrears in 2016-17 and timing of payments related to prepaid services;
- trade and other payables are higher than the planned amount by \$4.7 million, due the accrual of salaries related to the adoption of pay in arrears and to the timing of payments;
- employee benefits are estimated to be \$4.4 million lower than forecasted in the Corporate Plan, due to the gain on employee benefits recorded at the end of the last fiscal year which reduced the related liability; and
- total liabilities are expected to increase from \$37.2 million to \$48.1 million over the planning period. This is due to an estimated increase in employee future benefits.

### 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.

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

The intent of the Corporation is to operate on a slightly better than break-even basis. The Corporation sets billing rates based on expected program and operating costs.

However, unexpected increases in program services provided to Client-Partners, as well as DCC's success in achieving its own operating efficiencies, can result in margins that exceed 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 its 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 employee sick leave costs, and health and life insurance benefits for DCC retirees; and other areas, which could include costs associated with personnel adjustments, relocation costs and additional capital costs to comply with new Government of Canada directives.

### Cash Requirements and Uses

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

The current ideal cash reserve level is estimated to be between \$21 million and \$24 million. These amounts may change over time as DCC's financial position changes. The following factors help DCC determine adequate cash reserves:

**Working capital:** DCC typically has \$10 million to \$12 million in current liabilities, which it has to manage on a timely basis.

**Payroll:** The Corporation currently has monthly payroll costs of \$7.5 million. The cash reserves are 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. Routine delays in Client-Partner approvals and processing of invoices can sometimes affect collections of some receivables. Greater risks occur in the situations described below, which DCC manages through sufficient cash planning.

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

Forecast uncertainty: DCC has not received a firm forecast of expected infrastructure program expenditures for 2017-18 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: DCC must fund over \$22 million in employee future benefits, including retirement, health and sick leave benefits. These obligations are expected to grow to \$34.5 million over the next five years. The Corporation must also fulfill other commitments, such as paying for facility leases. DCC cannot predict with certainty when it may be required to pay for these liabilities and must ensure that sufficient cash is available for these purposes.

Capital expenditures: DCC must self-fund all capital expenditures, such as the costs of modernizing its information management systems.

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 to help ensure that it can meet its obligations. This is another element of DCC's risk management program.

There are no restrictions on the use of the Corporation's funds, and no legal or statutory obligations to segregate funds for any current or future liabilities, including future benefits

for employees. As such, the Corporation does not have any segregated or restricted funds, and cash in excess of short-term operational and capital requirements is invested in accordance with the investment policy approved by the Board of Directors.

## Cash and Investment Balances

Currently, the Corporation's liquidity and capital resources position, represented by its cash and investment balances, is strong, and the Corporation has determined that its current cash and investment balances exceed its operating needs. As such, in accordance with its financial management policy and cash management approach, DCC will reduce the cash balance over the planning period to target levels, as illustrated above.

DCC is adopting a new 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.

Client-Partner representatives have been reluctant to revisit these arrangements during the year due to the administrative burden and costs involved in potentially amending these many arrangements, as well as creating uncertainty around billing rates.

With the increase in volume of services delivered through a relatively small number of fixed-fee arrangements (versus the more common time-based arrangements), there is an opportunity to address this in a less disruptive way by taking different approaches for each type of arrangement. DCC will continue to review its monthly cash, break-even profit and gross margin results, as it does currently in deciding actions to be taken regarding its cash level.

Fixed-fee arrangements: There is a relatively small number of these arrangements (90/550 in 2016-17), however they represent approximately 50% of service revenue. Going forward, when DCC approaches its planned operating target for the year, DCC will lower the gross margin on its fixed-fee arrangements by lowering payroll gross up factor (fixed-fee multiplier) to reduce the amount of cash generated by the additional revenue dollars. Changes can be made quickly

with little disruption to the processes in place and minimize the administrative burden and costs to DCC and the Client-Partner.

**Time-based arrangements:** DCC will continue to maintain consistent billing rates for time-based arrangements during the year. This will help the Client-Partner representative avoid the administrative burden, costs and uncertainty associated with amending this type of SLA during the year. DCC's approach of freezing billing rates for the past four years has yielded a return to a manageable gross margin that is close to the required break-even point and maintained a stable fee arrangement environment. For each subsequent year, when setting billing rates for time-based arrangements, DCC will establish a higher or lower billing rate based on all of the relevant factors to achieve our target results. The factors considered include the prior year's actual results, the current year program forecast from the Client-Partner, and the gross margin required to fund operating and capital requirements of the Corporation.

Cash and investments are forecasted to be \$28 million at March 31, 2017 after the Corporation pays a dividend to the Government of Canada of \$8.5 million in March 2017. Cash and investments will continue to decrease in the later years of the plan as the Corporation gradually adjusts its gross margin to a sustainable break-even level. Cash and investments are expected to total \$20.8 million at the end of the planning period.

## Trade Receivables

Trade receivables are expected to vary during the plan years in direct proportion to the fluctuations in services revenue from year to year.

## Property, Plant and Equipment, Assets under Finance Lease, and Intangible 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 figure for assets under finance lease represents the net book value of copiers and printers purchased under finance leases. The amount for intangible assets represents the net book value of purchased software licenses for desktop computers and for the enterprise resource planning system.

The value of property, plant and equipment, assets under finance lease, and intangible assets for the current year ending March 31, 2017, is expected to decrease from the value in the previous fiscal year by 6.4%. For the year ending March 31, 2018, the value of property, plant and equipment,

assets under finance lease, and intangible assets is expected to increase by 22%. These fluctuations, and those for the remaining plan years, are directly tied to projected levels of capital spending, as highlighted in the Capital Budgets section, and to the amortization amount from year to year, based on the Corporation's amortization policies, as described in its Annual Report.

## Trade and Other Payables

Trade and other payables for the year ending March 31, 2017, are expected to increase by 18% from the year ending March 31, 2016. These fluctuations, and those of the subsequent plan years, are largely tied to changes in the level of operating expenditures from year to year and to the anticipated timing of payments to creditors.

## Employee Benefits

The figure for employee 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 benefits, including the current portion, are expected to total \$22 million at March 31, 2017, representing an increase of approximately 11% over the figure in the previous fiscal year, due to the accrual of benefits. For the remaining plan years, the amount is expected to increase year over year by rates varying from 8% to 11%. 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 benefit payments for employees as they become due. The assumptions the actuary uses to calculate these benefits are summarized in the Corporation's Annual Report.

## Finance Lease Obligation

The finance lease obligation is expected to fluctuate over the planning period due to the anticipated changes in business activity and to additional and renewals of lease copier equipment. The replacement rate is expected to rise as required over the planning period.

## STATEMENT OF CASH FLOWS

For the years ending March 31, 2016, to March 31, 2022

	ACTUAL	CORPORATE PLAN	ESTIMATED	PLANNED				
(in thousands of Canadian dollars)	2016	2017	2017	2018	2019	2020	2021	2022
<b>Cash flows from (used in) operating activities</b>								
Profit (loss) for the year	\$ (4,357)	\$ (5,122)	\$ (4,935)	\$ (6,409)	\$ (5,609)	\$ (2,281)	\$ (1,150)	\$ 680
Adjustments to reconcile profit for the year to cash provided by operating activities								
Depreciation of property, plant and equipment	912	630	967	1,055	1,123	1,134	911	877
Depreciation of assets under finance lease	110	180	170	180	185	190	195	200
Amortization of intangible assets	226	215	208	215	218	221	120	100
Amortization of investment premiums	134	130	130	130	135	140	145	150
Loss on sale of property, plant and equipment	61	—	—	—	—	—	—	—
Increase in non-cash working capital balances related to operating activities	3,886	171	2,994	285	2,607	1,598	3,057	419
<b>Net cash flows provided by (used in) operating activities</b>	<b>972</b>	<b>(3,796)</b>	<b>(466)</b>	<b>(4,544)</b>	<b>(1,341)</b>	<b>1,002</b>	<b>3,278</b>	<b>2,426</b>
<b>Cash flows from (used in) investing activities</b>								
Disposition (acquisition) of investments	(668)	(350)	(350)	4,360	3,850	1,650	(350)	(350)
Acquisition of property, plant and equipment	(1,148)	(675)	(907)	(1,833)	(1,125)	(1,125)	(925)	(925)
Acquisition of intangible assets	(270)	(250)	(64)	(100)	(100)	(100)	(100)	(100)
<b>Net cash flows from (used in) investing activities</b>	<b>(2,086)</b>	<b>(1,275)</b>	<b>(1,321)</b>	<b>2,427</b>	<b>2,625</b>	<b>425</b>	<b>(1,375)</b>	<b>(1,375)</b>
<b>Cash flows used in financing activities</b>								
Repayment of finance lease obligations	(138)	(152)	(150)	(152)	(155)	(156)	(168)	(175)
Dividend paid	—	—	(8,500)	—	—	—	—	—
<b>Net cash flows used in financing activities</b>	<b>(138)</b>	<b>(152)</b>	<b>(8,650)</b>	<b>(152)</b>	<b>(155)</b>	<b>(156)</b>	<b>(168)</b>	<b>(175)</b>
Increase (decrease) in cash during the period	(1,252)	(5,223)	(10,437)	(2,269)	1,129	1,271	1,735	876
Cash at the beginning of the period	19,630	17,044	18,378	7,941	5,672	6,801	8,072	9,807
<b>Cash at the end of the period</b>	<b>\$18,378</b>	<b>\$11,821</b>	<b>\$ 7,941</b>	<b>\$ 5,672</b>	<b>\$ 6,801</b>	<b>\$ 8,072</b>	<b>\$ 9,807</b>	<b>\$10,683</b>

The Statement of Cash Flows details the sources and uses of cash from the Corporation's operating, investing and financing activities, as well as the overall net change in the Corporation's cash balance from year to year. Non-cash expenses included in earnings (such as depreciation and amortization, and the provision for employee benefits) are added back, and cash disbursements not included in earnings (such as assets under

finance lease, intangible assets, acquisition of investments, and acquisition of property, plant and equipment) are subtracted, to arrive at the net change in cash during each fiscal year. (See Table 4)

Staff strength, presented on an FTE basis, is projected to be 922 for the current year ending March 31, 2017. This figure

represents an increase of approximately 16% from the previous fiscal year. Staff levels are expected to increase to support the increases in work volume forecasted for the current year.

The FTE staff strength for the remaining planning years is expected to fluctuate due to changing work volumes.

## Capital Budgets

### CAPITAL BUDGET

For the year ending March 31, 2017

	ESTIMATED	PLANNED	VARIANCE
<i>(in thousands of Canadian dollars)</i>			
Computer systems hardware	\$738	\$600	\$138
Intangible assets	64	100	(36)
Office furniture and equipment	159	150	9
Leasehold improvements	10	75	(65)
	<b>\$971</b>	<b>\$925</b>	<b>\$46</b>

Overall, capital expenditures for 2016–17 are estimated to be 5% above plan. Variations and adjustments within categories of capital expenditures are due to changing requirements.

DCC is making a much needed investment to upgrade its IT infrastructure. This is due to the universal threat of cyber attacks, the Government of Canada's requirement for increased security measures, and the need to modernize and improve DCC's overall IT performance. Consequently, higher expenditures are forecasted for computer hardware,

IT hardware projects and replacements, and for more robust network security.

Intangible asset costs related to IT projects are expected to be lower than planned due to changing requirements. Spending on office furniture and equipment is expected to be slightly higher than planned. The number of employees has increased in order for DCC to deliver the additional Client-Partner work associated with the Budget 2016 investment in infrastructure. The additional forecasted amount of \$9,000 is to be spent on accommodating those new employees in existing office space. Leasehold improvements are projected to be lower than planned due to changing requirements. (See Table 5)

The Corporation is expecting capital expenditures for the fiscal year ending March 31, 2017 to be \$971,000, a decrease of \$447,000 or 32% from the previous fiscal year. The decrease is mainly due to lower spending on computer hardware. In 2015–16, the Corporation invested in the computer network and purchased a large number of personal computing devices to accommodate the growth in employees in response to FIIP and Budget 2016.

For the 2017–18 planning period and beyond, the Corporation will need to continue to replace computer hardware and intangible assets at the end of their lifecycles, as well as to meet additional operational requirements. Continued improvements to the Corporation's enterprise resource planning and document management software systems

### TABLE 4: STAFF STRENGTH

For the years ending March 31, 2016, to March 31, 2022

	ACTUAL	ESTIMATED	PLANNED				
	2016	2017	2018	2019	2020	2021	2022
Employees based on full-time equivalents	796	922	950	917	926	889	884

### TABLE 5: CAPITAL BUDGET FORECAST

For the years ending March 31, 2016, to March 31, 2022

<i>(in thousands of Canadian dollars)</i>	ACTUAL	ESTIMATED	PLANNED				
	2016	2017	2018	2019	2020	2021	2022
Office furniture and equipment	\$ 46	\$ 159	\$ 781	\$ 150	\$ 150	\$ 150	\$ 150
Computer systems hardware	1,049	738	1,042	900	900	700	700
Leasehold improvements	53	10	10	75	75	75	75
Intangible assets	270	64	100	100	100	100	100
	<b>\$1,418</b>	<b>\$971</b>	<b>\$1,933</b>	<b>\$1,225</b>	<b>\$1,225</b>	<b>\$1,025</b>	<b>\$1,025</b>

are also forecasted over the planning period as part of the increase in intangible assets. The costs of computer hardware fluctuations over the planning period are in anticipation of moving the Corporation's data centre to a PAAS model which will reduce capital requirements in the future offset by an increase in operating costs in 2017-18 and 2018-19.

During the planning period, the Corporation also expects to replace office furniture and equipment, and renovate leased offices as required to meet operational needs. For 2017-18, the

Corporation is planning a renovation to the corporate Head Office to increase space utilization.

In the capital budget, DCC forecasts that the replacement rate will remain steady year over year, but it may need to be adjusted if Client-Partner demands change. None of the costs incorporated in the capital budget this year were part of the previous year's operating budget. DCC's financial policies clearly define capital expenditures and operating expenses.

# Appendix

## CORPORATE PROFILE

### Mandate

The principal mandate of DCC is to meet the infrastructure and environmental needs of DND/CAF by providing quality services. DCC's mission is to provide timely, effective and efficient project delivery and full lifecycle support for infrastructure and environmental assets required for the defence of Canada.

DCC is an agent of the Crown incorporated for the purpose of carrying out the procurement for and delivering of defence infrastructure projects. The *Defence Production Act* defines a defence contract as a contract with an agent of Her Majesty that in any way relates to defence projects or to the designing, manufacturing, producing, constructing, finishing, assembling, transporting, repairing, maintaining, servicing or storing of or dealing in defence projects.

DCC is permitted to perform and/or contract out real property duties—in particular, to manufacture or otherwise produce, finish, assemble, process, develop, repair, maintain or service defence supplies; or to manage and operate facilities; and to arrange for the performance of professional or commercial services.

The *Defence Production Act* also mandates DCC to do all such things that are incidental to, or necessary to, or expedient for, the matters referred to in the above paragraphs, with respect to the procurement, construction, or disposal of defence projects.

DCC's Letters Patent permit DCC to take on, lease, or in exchange, procure, purchase or otherwise acquire, construct, alter, renovate, add to, improve, and to hold, manage, maintain, operate, supervise, repair, heat, lease, sell, salvage, realize or otherwise dispose of real and personal property—and in particular, lands and buildings.

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. DCC's Board of Directors is

accountable to Parliament through the Minister of Public Services and Procurement for the conduct of its affairs.

### Relationship With DND/CAF

DCC and DND have worked together for more than 65 years. 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, including knowledge related to its support of the CAF mission in Afghanistan as well as Iraq, and to DCC's work in Canada's Far North.

DCC has two primary Client-Partners: the Infrastructure and Environment (IE) community at DND; and the Communications Security Establishment (CSE). The Corporation provides services to Shared Services Canada relating to the expansion of the data centre at CFB Borden.

Since 1951, the working relationship between DND and DCC has been defined in a continuous series of memoranda of understanding (MOUs). The MOUs describe the operational, administrative and financial framework within which the two organizations do business.

### Operating Structure

DCC maintains site offices at all active CAF establishments in Canada and abroad, as required, and its Head Office is located in Ottawa. The Corporation maintains five regional offices (Atlantic, Quebec, Ontario, Western and National Capital Region), as well as 30 site offices located at CAF bases, wings and area support units. In addition, DCC maintains a temporary remote unit in Nanisivik, as required for the Nanisivik Naval Facility Infrastructure project in Nunavut.

### BUSINESS MODEL

Operating on a fee-for-service basis, DCC does not receive any appropriations from the Government of Canada. It generates revenue through fees charged to its Client-Partners for infrastructure and environmental support services linked to the full lifecycle management of Crown assets of which DND/CAF is the custodian. Private sector contractors and

consultants perform the actual work to execute the contracts that DCC administers.

## Corporate Performance Management

Measuring performance is key to running efficient operations within DCC. DCC's Corporate Performance Management Framework (CPMF) was developed to ensure that the Corporation defines appropriate performance measures that support the effective management of corporate resources in achieving planned results; that systems, procedures and processes used to collect, analyze and report performance measurements are adequate and functioning as intended; and that senior management receives timely information to monitor performance against planned results.

The main purpose of the CPMF is to provide a structure for DCC's performance management practices. DCC's Operations Coordination Team (OCT) leads and coordinates the implementation of the corporate performance management (CPM) cycle. Each member of the Executive Group has specific metrics that they are accountable for managing. The team reports statistics to DCC's Vice-Presidents and President for review and assessment. With this structure, CPM leadership is clearly established with and directly linked to the Corporation's executives.

DCC uses two sets of performance indicators to measure success. Key performance indicators (KPIs) measure DCC's success in meeting high-level strategic objectives, such as leadership and governance. Executive management is accountable for the KPIs, and KPI results are published externally in the Annual Report and the Corporate Plan Summary. Business performance indicators (BPIs) measure DCC's success in meeting more tactical objectives, such as the timeliness of contract completions and scheduling of internal service line verifications. The Senior Management Team is accountable for the BPIs, and BPI results are published internally.

The CPM cycle takes place over 24 consecutive months, across three fiscal years. It is rolled out in two phases: strategic planning (10 months) and monitoring (14 months). During the strategic planning phase, DCC defines and implements the Corporation's strategy, a task that includes reviewing the KPIs. Two documents are produced further to this phase: the Corporate Plan, which focuses on strategy; and the Operations Business Plan, which is an operational response to the Corporate Plan. During the monitoring phase, DCC reports on its performance results, then develops and implements

optimization measures to improve these results. Various internal documents are produced to report on the results, such as the monthly Executive Management Group operations reports. DCC also reports on these results externally, in the Annual Report and the Quarterly Financial Reports, as well as in the Corporate Plan.

## Risk Management

A key aspect of DCC's corporate governance is its ability to manage all forms of risk and liability. Under the direction of the Board of Directors, senior management established a comprehensive Corporate Risk Management Framework. The framework is based on the risk management methodology used by DND and many other government organizations.

The DCC Corporate Risk Management Framework ensures that management's direction on risk is clearly communicated, understood and applied throughout DCC; that risk management is integrated into DCC's decision-making and planning tools; and that there is a consistent means to effectively and regularly apply risk management to corporate and project-related activities.

DCC classifies risks as being high, medium or low. Each risk assessment is based on the likelihood of the risk occurring, and its impact or consequences. The Corporation's classified risk response strategies can be summarized as follows: high (mitigate), medium (monitor) and low (accept).

## Legislative Powers and Obligations

### LEGISLATIVE FRAMEWORK

Defence Construction (1951) Limited was created pursuant to the *Defence Production Act* for the specific purpose of procuring and delivering defence infrastructure projects. It was incorporated pursuant to the *Companies Act* of 1934 and was granted continuance under the *Canada Business Corporations Act* of 1978. Its year end is March 31. When the Federal Identity Program came into effect, the Corporation became known as Defence Construction Canada or, simply, DCC. The Corporation is listed in Schedule III to the *Financial Administration Act*. Like most Crown corporations, DCC is governed by the provisions of Part X of the *Financial Administration Act*. DCC adheres to the governance, planning, reporting and audit practices established in Part X of that legislation. DCC is accountable for the conduct of its affairs to Parliament through the Minister of Public Services and Procurement.

## PUBLIC POLICY ROLE

Crown corporations are important instruments of public policy and DCC plays a role in advancing a number of the government's objectives. DCC contributes to the results of DND/CAF in the defence of Canada by supporting CAF operations, in Canada and overseas, in the areas of construction, maintenance, facility operation and specialized professional services to support project and program delivery.

The Corporation contributes to Canada's long-term environmental sustainability by supporting DND's efforts to reduce greenhouse gas emissions, solid and hazardous wastes, and energy consumption associated with its infrastructure holdings. DCC supports DND's sustainable building targets by implementing green procurement practices. Furthermore, DCC complies with legislation and regulations related to protecting the environment, including the *Canadian Environmental Protection Act*, *Canadian Environmental Assessment Act*, *Fisheries Act* and *Species at Risk Act*. The Corporation's Environmental Management Framework ensures that DCC incorporates environmental considerations into its business and administrative activities.

DCC contributes to the security of Canada by ensuring adherence to the Policy on Government Security. It does so by ensuring that security requirements identified by DND are managed during the procurement and implementation stages of each contract, with the goal of protecting sensitive or classified information and assets.

Also, 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 benefactors of these business opportunities are the Canadian architectural, engineering and construction industries. These industries compete for government contracts through DCC and they rely on DCC to ensure that the procurement process is transparent and fair. In recent years, DCC contract expenditures on behalf of DND have been valued at approximately \$800 million to \$900 million annually. As the conduit for these opportunities, DCC helps to stimulate the Canadian economy and create jobs for Canadians.

Although not directly subject to the Treasury Board Policy on Communications and Federal Identity which came into effect in May 2016, DCC's internal and external communications

activities are conducted in the spirit and intent of this policy. Typically DCC's advertising expenditures relate to operational business need and are non-partisan in nature. Examples of typical advertising expenditures include notices for employee recruitment or for project procurement.

## CONTRACTING POLICIES

DCC is committed to ensuring security for Canadians, and open, efficient and fair processes for procuring and managing projects.

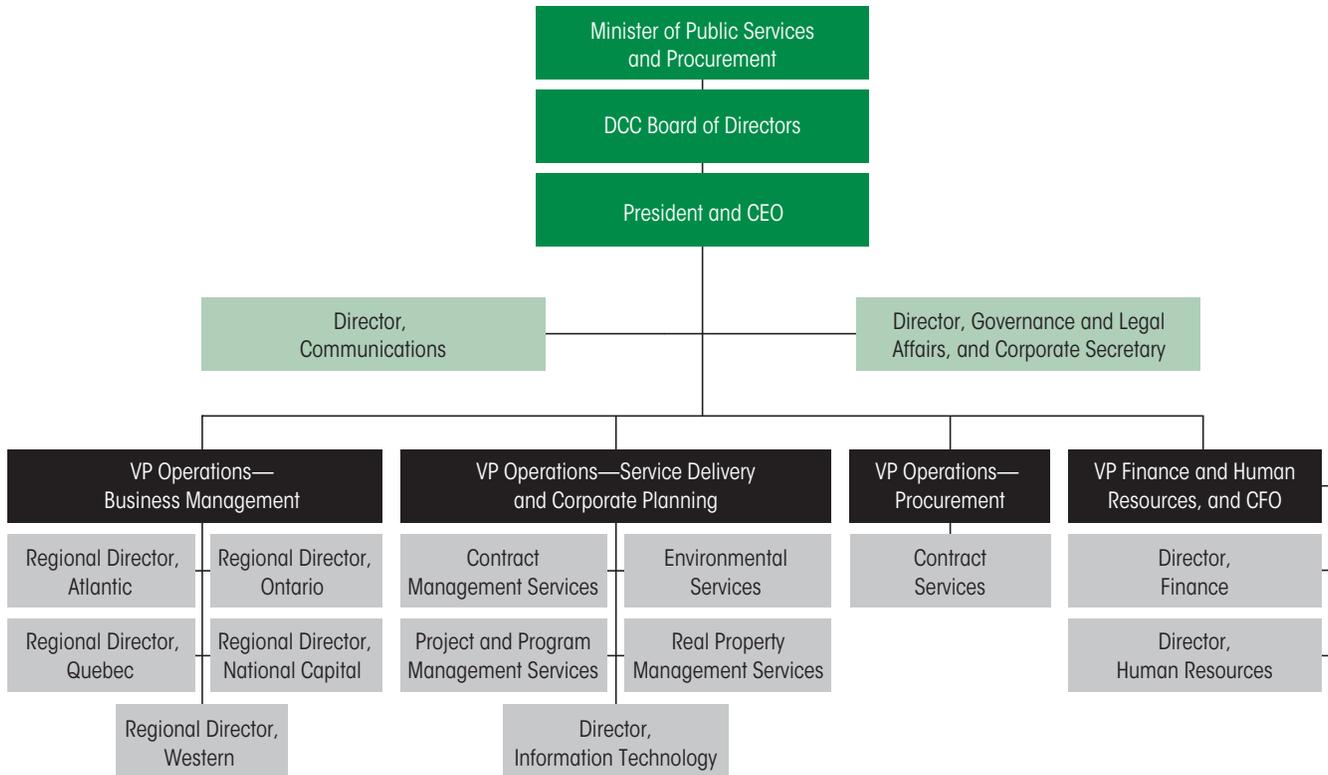
DCC's procurement practices enhance access, competition and fairness, and that results in best value or, if appropriate, the optimal balance of overall benefits to the Crown and the Canadian people, while meeting the essential operational requirements of DCC's Client-Partners.

## LEGAL CLAIMS

In accordance with the memorandum of understanding between DCC and DND, DND accepts the legal and financial risks associated with claims resulting from third-party contracts put in place by DCC. Thus, the financial risk associated with settling these contractual claims does not have any financial impact on DCC. As a result, the Corporation does not consider it necessary to record any provision in its financial statements relating to legal claims.

In 2016-17, DCC was involved in one legal claim that was filed by a third party, pursuant to the *Access to Information Act*, regarding access to records that belonged to another third party. The matter was heard by the Federal Court of Appeal on November 1, 2016. The outcome of this matter has not been determined as at the submission of this Corporate Plan. DCC will respond appropriately to the decision of the Court of Appeal.

## Corporate Governance and Structure



### ETHICAL BUSINESS CONDUCT

DCC operates in an industry known for incidents of fraud. Internal controls are often a first line of defence against wrongdoings, corrupt conduct or fraudulent activities. DCC maintains a strong internal control system. The Corporation promotes and monitors the use of effective internal controls for fraud awareness, detection and prevention.

DCC's employees are aware of expectations placed on them in such areas as ethics, conflict of interest, disclosure of wrongdoing, and compliance with legislation and governmental policies. In addition to complying with the *Public Servants Disclosure Protection Act*, DCC has its own Code of Business Conduct for employees. DCC's Board of Directors monitors compliance with the Code, as well as policies and legislation related to business and employee conduct, through regular reports.

Each year, DCC employees are required to review their obligations under the Code and to reply to an annual electronic reminder of their responsibilities. This electronic system ensures that DCC keeps accurate records of responses and follows up appropriately. New employees must pass an online test on the Code shortly after they are hired. The President reports to the Board regarding Code compliance

matters as they arise and provides an annual update as well. In this way, the Board ensures that DCC maintains its good practices regarding programs and policies related to values and ethics. In 2015-16, all DCC personnel responded to the annual request for review and all new hires completed the required test.

Board members comply with the *Conflict of Interest Act* and comply with the Treasury Board of Canada Secretariat's guidelines for the functioning of an effective board. DCC's Board has its own Code of Conduct, which outlines the expectations for members as Governor in Council appointees. This Code of Conduct requires the Board to sign a declaration regarding the Act, which ensures they are aware of the Act's requirements and confirms they will continue to comply with them. In September 2015, all board members signed the declaration.

DCC's Procurement Code of Conduct (PCC) sets out expectations for contractor conduct to ensure integrity in defence infrastructure contracts and outlines the ethical responsibilities of contractors who offer goods and services to the Corporation. It ensures transparency, accountability and the highest standards of ethical conduct in DCC's procurement of goods and services.

## BOARD OF DIRECTORS

DCC has a comprehensive Corporate Governance Framework that provides an overview of the corporate governance structure, principles and practices for DCC's Board of Directors. This is a key tool for the Board as it defines board accountabilities and responsibilities; identifies key roles; and provides guidance.

DCC's Board of Directors is accountable to Parliament, through the Minister of Public Services and Procurement for the conduct of its affairs. Members of DCC's Board of Directors sign an annual declaration regarding their obligations under the *Conflict of Interest Act*.

DCC's Board of Directors will participate in the Government of Canada's new approach to Governor in Council appointments, which ensures open, transparent and merit-based appointments to commissions, boards, Crown corporations, agencies and tribunals across the country.

The Chair of DCC's Board of Directors, and the President and CEO, are appointed by the Governor in Council to hold office for such term as the Governor in Council may determine. Other members are appointed by the Minister of Public Services and Procurement, with the approval of the Governor in Council. As Directors of a Crown corporation and pursuant to the *Financial Administration Act*, members of DCC's Board hold office at the pleasure of the Governor in Council, usually for a minimum of four years, after which time they may remain as board members until successors are appointed, should they wish to do so.

The Chair of the Board is a separate position from that of the President and CEO, and the Board is able to conduct its business independently of DCC management. The Chair is responsible for the effective functioning of the Board as it carries out its duties and responsibilities. The Board is responsible for the management of the business, activities and other affairs of the Corporation, pursuant to the *Financial Administration Act*, and provides oversight on matters such as corporate risk management.

Along with the requirements set out in the *Financial Administration Act*, the Board has articulated its duties and responsibilities in a Board Charter. This document outlines how board members are expected to oversee the Corporation, and it is regularly reviewed to ensure that it remains appropriate.

## BOARD AND 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.

The Audit Committee assists the Board in its oversight responsibilities, particularly those related to DCC's annual financial statements and reporting, internal controls, financial accounting principles and policies, internal and external audit processes, and compliance programs. 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 officers or employees of DCC are members of the Committee. As per the Treasury Board of Canada Secretariat *Guidelines for Audit Committees of Crown Corporations and Other Public Enterprises*, the Chair of this committee is a financial expert who holds a recognized accounting designation, and members are financially literate.

The mandate of the Governance and Human Resources Committee encompasses three main areas: governance, human resources and nominations for Governor in Council appointments. The Committee develops DCC's approach to corporate governance, evaluates DCC's corporate governance practices to ensure they reflect current best practices and oversees the Board's self-assessment process.

Regarding human resources matters, 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, as well as ensuring that DCC has and operates according to a succession plan.

## 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 Management Team—made up of the President and CEO and four Vice-Presidents—is located at DCC's Head Office in Ottawa. In addition to their day-to-day interactions, [they meet regularly as the Executive Management Group (EMG)], 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, corporate planning, 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 and Corporate Planning is responsible for service delivery for the Contract Management Services, Environmental Services, Project and Program Management Services, and Real Property Management Services service lines, as well as corporate planning activities that support the strategic initiatives set out in DCC's Corporate Plan. This Vice-President also acts as the Corporate Security Officer and is the Chair of the Information Technology Steering Committee.

The Vice-President, Operations—Procurement is accountable for the leadership and oversight of the procurement function across the Corporation, as part of the Executive Team.

The Vice-President, Finance & Human Resources and Chief Financial Officer is responsible for the financial affairs of the

Corporation and the executive leadership for DCC's finance and human resources function.

Members of the Senior Management Team include regional directors, the National Service Line Leader for Contract Management and Real Property Management Services, and directors. Regional directors manage activities in the Western, Ontario, National Capital, Quebec and Atlantic regions through regional offices located in Edmonton, Kingston, Ottawa, Montréal and Halifax, respectively. Directors of communications, finance, governance and legal affairs, human resources, and information technology are accountable for the corporate strategic leadership and management of their respective function and group.

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