



# GROWTH THROUGH DIVERSIFICATION & INNOVATION

Canadian Commercial Corporation

## CORPORATE PLAN SUMMARY 2018-19 TO 2022-23

OPERATING BUDGET • CAPITAL BUDGET • BORROWING PLAN



Canadian Commercial Corporation  
Corporation Commerciale Canadienne



# Canada's International Government-to-Government Contracting Agency

## MANDATE

CCC is a Crown corporation of the Government of Canada established for the purpose of **assisting in the development of trade** between Canada and other nations.

## MISSION

CCC supports the development of trade by helping Canadian exporters access government procurement markets of other nations through **government-to-government** contracting.

## COMMITMENT

CCC is committed to being a **trusted partner** for acquisitions from Canada on a government-to-government basis. CCC offers its services where market access, risk mitigation and competitiveness benefit from a government-to-government arrangement.



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## CCC'S CORPORATE GOAL IS TO GROW CANADIAN EXPORT BUSINESS

CCC's overarching goal is to grow Canadian export business and support the Government of Canada's progressive trade and investment agenda. CCC's corporate strategy focuses on providing export support to growth sectors in Canada and increasing exporter access to foreign markets. The following objectives support this corporate strategy:

1

### GROWTH THROUGH DIVERSIFICATION AND INNOVATION

CCC is committed to growing its base of Canadian exporters. Innovative strategies will anticipate and respond to the needs of Canadian exporters, thereby securing new trade opportunities across diverse industry sectors and geographic markets.

2

### INTEGRATED BUSINESS DEVELOPMENT WITH THE GOVERNMENT OF CANADA

CCC's business development efforts will continue to embody a whole-of-government approach, leveraging important contributions of other Government of Canada stakeholders, to facilitate export sales on a government-to-government basis.

3

### ENHANCED SERVICES

CCC will deliver the highest quality services in all business dealings at home and abroad. By fostering a uniquely skilled workforce and identifying ways to create capacity, efficiency and value, the Corporation will meet the needs of a growing base of exporters across diverse markets. CCC will also invest in a continuous improvement culture to drive exceptional service for customers.

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## EXECUTIVE SUMMARY

**The Canadian Commercial Corporation (CCC)** is a federal Crown corporation mandated to assist in the development of trade between Canada and other nations. CCC's mandate fully supports the Government of Canada's progressive trade and investment agenda.

**CCC's business model is unique in the world:** As Canada's government-to-government contracting organization, the Corporation's primary service involves the execution of prime contracts with foreign government buyers to provide goods and services available for export from Canada. CCC then enters into contracts with Canadian exporters to fulfill the requirements of these government-to-government contracts. With this approach, CCC guarantees the performance of the terms and conditions of the contracts, mitigating risks for both parties and providing added incentive to procure from Canada.

**CCC is an important player in Canada's whole-of-government approach to facilitating international trade:** The Corporation recognizes how vital international trade is to the Canadian economy. In 2016-17, the Corporation worked with 182 exporters to deliver over \$2.6 billion of Canadian goods and services abroad, supporting approximately 19,900 value-added jobs for Canadians. The Corporation also signed \$843.3 million in contracts in the first three quarters of 2017-18 as a result of focused outreach with Canadian exporters across numerous target markets. By opening new markets for large Canadian multinational firms as well as small and medium-sized enterprises (SMEs), CCC helps to create jobs for Canadians, particularly for the middle class.

**CCC is focused on diversifying to create new opportunities for Canadian exporters:** CCC has made great strides in diversifying its portfolio to ensure a wider range of Canadian exporters benefit from CCC's services. Projects such as the Bermuda Airport redevelopment, smart water meter technology sales to Barbados, and potash deliveries to Bangladesh are examples of the variety of sectors within which

CCC can lend its support to Canadian exporters. In addition, CCC has also been involved in developing infrastructure capacity in the Caribbean, in line with the Government of Canada's on-going reconstruction efforts in the region.

**This Corporate Plan highlights an exciting period for CCC as it emphasizes diversification to expand its reach in key sectors:** Building on its core strengths and sectors which most benefit from the government-to-government model, CCC has positioned itself to focus on key industries that are both growing and reflective of Government of Canada priorities. These sectors include (1) civil aerospace, (2) construction and infrastructure, (3) clean technology (cleantech), environment, and energy, (4) information and communications technology (ICT) and security, and (5) defence. CCC intends to add breadth and depth to the project pipeline while helping Canadian exporters in industries that are strategically important contributors to the Canadian economy in terms of employment, innovation and productivity.

**CCC's continued support for the Canada-United States (U.S.) Defence Production Sharing Agreement (DPSA) on behalf of the Government of Canada:** The DPSA serves to maintain a strong North American defence industrial base, connecting Canadian and U.S. suppliers through an integrated supply chain. It provides opportunities for innovative Canadian companies to showcase their existing technologies while the research and development supported by the DPSA helps firms widen their product lines, making them more likely to export to other international markets. The DPSA acts as a critical access point to the U.S. defence market and a platform for Canadian companies, particularly SMEs, to build their capacity to compete on a global basis.

In 2016-17, CCC delivered \$676 million of contracts with the U.S., resulting in the creation or maintenance of approximately 5,200 value-added jobs. This represents great value for Canada and its exporters considering the Corporation does not receive an appropriation or fees for service to carry on these contracting activities.

**CCC's Services:** CCC delivers on its mandate through two principal areas of business: The first, International Commercial Business (ICB), covers four diversified industry sectors, (1) civil aerospace, (2) construction and infrastructure, (3) cleantech, environment, and energy, and (4) ICT and security. The second area of business, Global Defence and Security (GDS), covers the fifth industry sector, defence, which includes the administration of the Canada-U.S. DPSA as well as defence and security sales around the world. Other activities undertaken by CCC include the sourcing of goods and services on behalf of the Government of Canada's international assistance programs, and managing ten Canadian Trade Offices in China for Global Affairs Canada.

## CCC'S PLANNING ENVIRONMENT

Global growth is expected to remain stable in the coming years. However, individual country growth rates may vary considerably leading to an unpredictable international landscape. The U.S. and Chinese markets will remain the drivers of economic growth throughout the planning period. Economic expansion across key markets in Asia, Latin America and the Middle East will offer new opportunities for Canadian exporters. Government support assists Canadian exporters to be more innovative in this increasingly volatile global landscape. CCC's role helps to provide exporters with a competitive advantage in challenging markets by reducing performance risk for buyers and payment risk for exporters, delivering efficient contracting practices, and potentially reducing tendering costs and shortening contracting timelines.

Megatrends related to technological change, the environment and urbanization, shifting economic power, and demographic changes will open doors for Canadian exporters in areas such as cybersecurity, regional defence and security systems, infrastructure and cleantech. These megatrends will be constant throughout the planning period, allowing more targeted business development strategies to be undertaken in collaboration with other government and industry partners.

People, processes and systems are the key enablers behind CCC's ability to successfully deliver on its mandate and objectives. A significant investment in business development is underway aimed at strengthening skillsets and processes to support CCC's diversification in fast growing industry sectors. CCC's network of foreign representatives will further enable the Corporation to derive optimal benefits from increased access to foreign government buyers. CCC is also undergoing an internal transformation to support sector expansion by ensuring maximum efficiencies are in place to manage the projected increases in business volumes.

## CCC'S CORPORATE STRATEGY

CCC's goal is to grow Canadian export business and support the Government of Canada's progressive trade and investment agenda. To meet this goal, CCC's corporate strategy is to diversify across key growth sectors and increase Canadian exporter access to foreign markets. This strategy is aligned with the direction provided by the Minister of International Trade Diversification and is supported by the following three objectives:

1. **Growth through Diversification and Innovation** - CCC is committed to growing its base of Canadian exporters. Innovative strategies will anticipate and respond to the needs of Canadian exporters, thereby securing new trade opportunities across diverse industry sectors and geographic markets.

2. **Integrated Business Development with the Government of Canada** - CCC's business development efforts will continue to embody a whole-of-government approach, leveraging important contributions of other Government of Canada stakeholders, to facilitate export sales on a government-to-government basis.
3. **Enhanced Services** - CCC will deliver the highest quality services in all business dealings at home and abroad. By fostering a uniquely skilled workforce and identifying ways to create capacity, efficiency and value, the Corporation will meet the needs of a growing base of exporters across diverse markets. CCC will also invest in a continuous improvement culture to drive exceptional service for customers.

CCC is committed to conducting all business dealings at home and abroad in a manner that upholds internationally recognized standards and all applicable laws. Moreover, the Corporation's Corporate Social Responsibility (CSR) Framework supports and guides CCC's approach to environmental, social and ethical business practices.

In 2018-19, CCC will be enhancing policies and procedures to advance its practices in line with the Organization for Economic Co-operation and Development's (OECD) Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

The Corporation's Integrity Compliance Committee (ICC) has aligned its anti-bribery and anti-corruption due diligence with international best practices, and CCC actively encourages the enterprises that it works with to develop and adopt internal controls, ethics and compliance programs for the purpose of preventing and detecting bribery. The Corporation's due diligence process on international transactions also provides comfort that best practices are in place to ensure transactions avoid bribery and corruption while safeguarding human rights.

## CCC'S FINANCIAL PLAN

CCC's 2018-19 to 2022-23 Financial Plan outlines its operating budget, capital budget and borrowing plan as well as the Corporation's proforma financial schedules, financial objectives and five-year key planning assumptions.

Given the high value and long pursuit timelines associated with CCC's business pursuits, there remains a risk that revenues may shift within the reporting period such that deficits could occur in some years while larger surpluses may result in others. The nature of CCC's business relies on the demand and priorities of foreign government buyers and given the absence of an appropriation and inability to charge fees to cover costs related to managing the DPSA program, the risk of CCC's reliance on fee-generated business is increased. For 2018-19, the costs related to running the DPSA program for the Government of Canada is \$11.6 million. Historically, these costs were covered by an appropriation.

While the Corporation has typically generated surpluses in its operations, including substantial surpluses in the most recent three fiscal years, it is forecasting operating deficits of \$5.3 million for 2017-18, \$3.2 million for 2018-19 and \$2.0 million for 2019-20. The deficits reflect changes in the forecasted timing of contracted deliveries, as revenues expected to be earned in those years have been deferred, boosting the revenues anticipated in future years. Going forward, CCC's focus on business development and the sectoral approach to relationship management will increase the depth and quality of projects in CCC's business pipeline. This will result in an increasingly steady stream of transactions and more consistent fee generation.



**Established in 1946**, CCC is a Crown corporation, headquartered in Ottawa, Ontario, that provides international government-to-government contracting services. As a Government of Canada entity authorized to execute commercial contracts with foreign government buyers, CCC is uniquely positioned to support Canadian exporters. CCC is focused on increasing Canada's trade footprint across diverse sectors and priority markets.



### OVERVIEW

In 1956, CCC became the custodian of the Canada-U.S. DPSA and it continues to be responsible for administering the agreement on behalf of the Government of Canada. This agreement is integral to the maintenance of, and Canada's active participation in, a healthy North American defence industrial base.

### SERVICES

CCC's primary service involves the establishment of government-to-government contracts with foreign government buyers to provide goods and services available for export from Canada. CCC then enters into contracts with Canadian exporters to fulfill these requirements. With this approach, CCC guarantees that the terms and conditions of contracts with the foreign government buyers will be satisfied, thereby mitigating the buyers' risks and providing added incentive to procure from Canada. CCC also provides the added benefit of being able to build customized solutions to meet the buyer's acquisition needs. This is often accomplished more efficiently and effectively than through their own internal procurement processes.

CCC also mitigates risks for Canadian exporters by:

1. leveraging its capacity as a Government of Canada organization to monitor progress and bring resolution to issues that may arise during the contract's lifecycle;
2. reducing payment collection risks and business development costs;

3. aids in gaining more advantageous contract and payment terms for Canadian exporters, particularly for SMEs; and
4. promoting ethical business and CSR practices to assist Canadian firms to increase their international sales. CCC also reviews its ethical business practices and helps Canadian exporters to navigate in complex risk environments.

Prior to entering into a transaction, CCC assesses a supplier's technical, managerial and financial capabilities to ensure they can fulfill all contractual obligations.

In addition to government-to-government contracting, CCC provides support in the sourcing of goods and services for international assistance programs run by various departments of the Government of Canada.

### BUSINESS LINES

The Corporation's business lines support Canadian companies in a variety of industries and sectors in order to gain access to markets around the globe.

#### International Commercial Business (ICB)

Reflecting the Corporation's diversification strategy, the ICB team is focused on four key sectors: (1) civil aerospace, (2) construction and infrastructure, (3) cleantech, environment, and energy, and (4) ICT and security. These growth sectors reflect priority areas for foreign buyers and align with the Government of Canada's progressive trade and investment agenda.

CCC's ICB business line also includes the Cuba Contracting and the Electronic Lottery System Programs.

**Cuba Contracting Program** - CCC's support for Canadian exporters has resulted in a cumulative value of contracts signed with the Cuban Sugar and Tourism industries of more than \$1 billion since 1991. The program streamlines the procurement processes by effectively matching Cuban procurement needs with Canadian sources of supply; transfers Cuban customer payment risk to Canadian financial institutions, and helps resolve contractual issues that may arise.

**Electronic Lottery System Program** - CCC's involvement brings transparency and credibility to the operation of the national electronic lotteries in Honduras and Nicaragua. Moreover, it is worth noting that these national lotteries help generate funds for local social programs such as healthcare and education.

### **Global Defence and Security (GDS)**

CCC's GDS business line focuses on assisting Canadian companies to compete and secure sales in global defence markets. This business line has two components: (1) sales to the U.S. DoD under the Canada-U.S. DPSA and (2) aerospace, defence and security sales to other global markets.

**Sales to the U.S. DoD under the Canada-U.S. DPSA** - CCC assists Canadian companies to compete for contracts with the U.S. DoD through the unconstrained access that flows from the Canada-U.S. DPSA and related U.S. procurement regulations. Canadian exporters are also able to leverage the U.S. Foreign Military Sales program through their access to the DPSA, as they are able to sell into the U.S. DoD inventory where their goods can then be re-sold to third party countries. CCC uses Public Services and Procurement Canada (PSPC) to provide fair and reasonable price certifications to the U.S. DoD on behalf of the Government of Canada on all sole source opportunities.

Over the past 61 years, CCC's value of contracts signed under the DPSA have totaled more than \$30 billion, and both Canada and the U.S. have recognized the DPSA as being vitally important to the North American defence industrial base. The U.S. DoD market is often the platform for Canadian companies to build their capacity to compete internationally and generate other global sales. Under the DPSA, all U.S. DoD purchases from Canada are to be contracted through CCC when their procurement value exceeds \$250,000 USD.<sup>1</sup>

**Aerospace, Defence and Security Sales to Global Markets** - CCC assists Canadian exporters in the aerospace, defence and security sectors to further sales with its international public sector partners and North Atlantic Treaty Organization (NATO) allies. It also builds on the Corporation's experience selling to the U.S. DoD and its Foreign Military Sales program.

### **Other Business Activities**

**Sourcing Services** - CCC assists Canadian government departments and agencies in the sourcing and delivery of goods and services destined for recipients of Canada's international assistance programs. In this regard, CCC has undertaken a wide array of sourcing projects including the provision of training services, the delivery of communications systems, border control items, biocontainment infrastructure, and related equipment. CCC's assistance results in goods and services being acquired in a cost effective and efficient manner.

**Canadian Trade Offices** - In recognition of the expansive growth in China, the Government of Canada approached CCC in 2009 to help establish and manage six Canadian Trade Offices in its rapidly developing second-tier cities. Following the initial success of the business model, four more cities were later added and CCC works to manage all ten offices efficiently and cost effectively.

<sup>1</sup>The U.S. Government raised the threshold from \$150,000 USD in 2017 and this change is expected to have little effect on CCC operations as the majority of contracts exceed the new amount.

## CORPORATE GOVERNANCE

CCC is a parent Crown corporation under Schedule III Part I of the *Financial Administration Act* (FAA), and reports to Parliament through the Minister of International Trade Diversification. Its main funding source consists of fees for service generated by its business lines.

The Government of Canada primarily regulates Crown corporations through their enabling legislation and through the FAA. The *Canadian Commercial Corporation Act* (CCC Act) defines its role and the governance structure of the Board of Directors. It also provides the Corporation with a range of powers, particularly the ability to export goods from Canada either as a principal or as agent. Under the FAA, CCC is required to, among other things:

- Submit an Annual Report, a Corporate Plan and an Operating Budget to the responsible Minister;
- Make public the quarterly financial report within 60 days of quarter-end; and
- Undergo regular audits by the Office of the Auditor General.

In addition to the CCC Act and the FAA, the Corporation is subject to the following federal legislation as well as any new legislation, regulation, or policy that is extended to Crown corporations:

- *Privacy Act*
- *Access to Information Act*
- *Federal Accountability Act*
- *Corruption of Foreign Public Officials Act*
- *Public Servants Disclosure Protection Act*
- *Canadian Environmental Assessment Act*
- *Official Languages Act*

### Board of Directors

Pursuant to the CCC Act and Part X of the FAA, the stewardship of the Corporation is the responsibility of the Board of Directors. The Board is accountable for the affairs of the Corporation and ensures the

proper delivery of public policy on behalf of the Government of Canada. The Board of Directors provides leadership and guidance to the Corporation's management team. It also approves the Corporation's long-term strategic objectives ensuring alignment with direction provided by the Minister of International Trade Diversification.

The Board is composed of a Chairperson, the President (who also acts as the Chief Executive Officer (CEO)), and not more than nine or less than five Directors. The Chairperson and the President are appointed by the Governor in Council. The remaining Directors are appointed by the Minister of International Trade Diversification subject to approval by the Governor in Council. Director appointments extend for terms of up to four years. These appointments are renewable and there are no term limits. The Chairperson and the President hold office for such term as the Governor in Council deems appropriate. CCC will work to support the Government's commitment to inclusion and diversity as it implements new transparent and merit-based appointment processes to fill vacancies within CCC's Board of Directors.

The Board conducts its oversight function through a number of subcommittees, which include the Operations Committee, the Governance and Human Resources Committee and the Audit Committee. The committees examine matters in their respective areas that come before the Board for consideration. The Board has developed position descriptions for the CEO, Board Chair and Directors, as well as a matrix of skillsets required for Board composition. For more information on CCC's Board of Directors, please visit [www.ccc.ca](http://www.ccc.ca).

### Business Structure

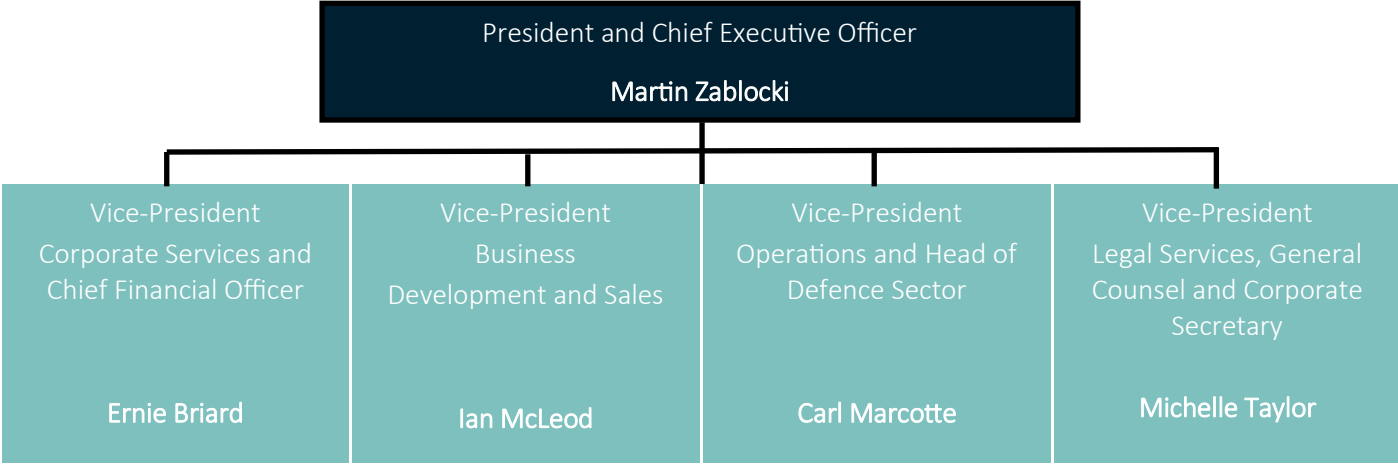
The Corporation has three operational business units and one corporate services unit. The operational business units consist of Business Development and Sales, Operations and Defence, and Legal Services. These business units provide support to exporters through the entire project lifecycle in a professional and ethical manner.

The Corporate Services unit ensures that functions related to Corporate Strategy, Human Resources, Information Technology, Risk Management and Finance support the operational and strategic needs of the business. Each business unit is led by a Vice-President accountable for corporate performance and results.

**Senior Management Committee**

The President is accountable for the direction and management of the Corporation’s business. The Senior Management Committee is comprised of the President and four Vice-Presidents. With the approval of the Board of Directors, the Senior Management Committee sets the corporate strategy and related strategic objectives in support of the corporate mandate. Bound by CCC’s *Code of Conduct and Business Ethics*, the Senior Management Committee

adheres to the highest ethical standards of professional conduct. All senior executives, with the exception of the President, are paid within salary ranges that are aligned with the Public Service of Canada Executive salary bands for positions classified at EX-1 to EX-5 levels. Executive compensation policies are approved by the Board of Directors. The President’s compensation is governed by the Performance Management Program for Order in Council appointees and is approved by the Governor in Council on recommendation of the Board.



## Risk Management, Business Integrity and Key Organizational Structures

### Risk and Opportunities Committee

The Risk and Opportunities Committee (ROC) was established as an advisory body to the President to ensure that prudent risk management practices are in place and reflective of the operational needs of the Corporation. It balances business opportunities against the risks they present and provides a forum for open discussion. The committee reviews issues at the strategic, operational and transactional risk levels as defined by the Corporation's Enterprise Risk Management (ERM) Framework. The committee has the following key roles and responsibilities:

- Ensures the Corporation's ERM Framework remains relevant and reflects leading industry practices;
- Reviews and assesses export pursuits at various stages to ensure risk and opportunities are balanced and the Corporation's risk tolerance is respected; and
- Reviews all fee generating export transactions to ensure that proposed fees cover expected resource requirements and risks.

### Integrity Compliance Committee

CCC continues to evolve its approach to CSR and its due diligence process to align with best practices. The Integrity Compliance Committee's (ICC) procedures help ensure the identification of ethical issues at the earliest stage of business engagement between a foreign buyer and a potential Canadian exporter leveraging CCC's value proposition. The ICC's roles and responsibilities are as follows:

- Ensures alignment of the Corporation's integrity framework with corporate best practices;
- Maintains the Corporation's integrity compliance due diligence processes to ensure it effectively combats bribery and corruption of foreign public officials from occurring on CCC transactions; and
- Reviews the ethical and integrity profiles of Canadian exporters and foreign buyers in the context of specific export opportunities, and makes recommendations to the ROC.

In addition, and in keeping with the OECD Guidelines for Multinational Enterprises as adopted by the Government of Canada, the ICC encourages Canadian exporters to develop and adopt adequate measures for preventing and detecting bribery, corruption and human rights violations, and to promote employee awareness of and compliance with policies through training programs.

To ensure that CCC's staff embody and understand the importance of ethical behavior, CCC has developed a *Code of Conduct and Business Ethics*, which clearly articulates ethical expectations for all CCC employees. Each employee is required to review this policy annually and sign a form attesting that the policy was read and understood. Additionally, employees are required to complete anti-bribery and anti-corruption training. The Corporation also has policies in place regarding whistleblowing and anti-harassment.

CCC is a contributor to the Annual Report submitted to Parliament as required under the *Corruption of Foreign Public Officials Act*. The Annual Report outlines activities undertaken by government departments and agencies in support of the Act's requirements.

Building on its strengths in ethical business practices, CCC will develop a human rights policy with associated practices to advance the Corporation's approach in this area to be in line with the OECD guidance. This policy will integrate the human rights context into the decision making process for CCC support of transactions.

## HUMAN RESOURCES

CCC currently employs approximately 140 people on a full-time basis.

Seventy-five percent (75%) of CCC's employees are members of the Professional Institute of the Public Service of Canada. The balance of employees are non-unionized.





**This section outlines** the general global environment in which CCC expects to operate. It is based on ongoing market research, the Corporation's own business intelligence, media monitoring, and experienced views from Government of Canada partners and Canadian exporters.

## GLOBAL ECONOMIC OUTLOOK

Global growth is expected to remain stable in the coming years. Advanced economies will continue to be led by the performance of the U.S. economy. Forecasts for U.S. growth have been reduced to 2.1% for 2017 (down from 2.3%) and are expected to remain there in 2018. This reduction reflects uncertainty around the timing and impact of U.S. fiscal policy changes.<sup>2</sup> Where the U.S. may be limiting global growth, many countries in the Eurozone, including France, Germany, and Italy will likely surpass growth expectations.

The size of the Chinese economy is the key driver of emerging market growth rates. Predicted growth rates are 6.7% in 2017 and then declining to 6.4% in 2018. The Asean-5 (Indonesia, Malaysia, Philippines, Thailand and Vietnam) will maintain growth at around 5%, and India is on track to surpass its targets. These growth rates assume continued high levels of public sector spending within their respective economies.

Latin America should see a gradual recovery in 2017 and 2018 based on improved economic performance by Brazil and Argentina. Mexico is also outperforming expectations and the International Monetary Fund (IMF) has increased its growth forecast in 2017 from 1.7% to 1.9%. Most other countries in the region have seen reductions in growth forecasts resulting from

their continued exposure to low commodity prices.<sup>3</sup>

Expected growth in Sub-Saharan Africa of 2.6% in 2017 and 3.4% in 2018 is based on moderate commodity prices increases going forward.<sup>4</sup> As sovereign debt levels are high throughout the region, interest rate exposure is a threat to growth. While the majority of countries in Africa are net commodity exporters, countries such as Egypt, Kenya, Tanzania and Botswana could provide new opportunities as they are net commodity importers and benefit from low commodity prices that are currently in place.

The Middle East, North Africa, Afghanistan and Pakistan will likely have reduced growth rates in 2017 before recovering in 2018. Regional tensions and oil prices are key influencers on this region's expected economic activity. Oil prices are expected to rise in 2018, which should help the region to stabilize.<sup>5</sup> Increasing protectionism is a key risk factor facing global economic growth.<sup>6</sup>

While international trade agreements continue to be negotiated, the withdrawal of the U.S. from the Trans-Pacific Partnership agreement in January 2017 and the re-opening of the North American Free Trade Agreement (NAFTA) has highlighted this growing challenge.

<sup>2</sup>IMF, "World Economic Outlook," July 2017. <https://www.imf.org/en/Publications/WEO/Issues/2017/07/07/world-economic-outlook-update-july-2017> (accessed on November 22, 2017)

<sup>3</sup>ibid

<sup>4</sup>ibid

<sup>5</sup>EDC, "Global Export Forecast," Spring 2017. <http://www.edc.ca/EN/Knowledge-Centre/Economic-Analysis-and-Research/Pages/global-export-forecast.aspx> (accessed on November 22, 2017)

<sup>6</sup>ibid



## THE GEOPOLITICAL ENVIRONMENT

A number of geopolitical factors will affect CCC's business environment. These include China's relationship with its neighbours in the South China Sea, open conflicts in the Middle East region, tensions between Qatar and other Gulf Cooperation Council members, increasing global presence of Russia in the defence sphere and China's presence abroad. In Latin America, the outcomes of presidential elections in Mexico, Colombia and Brazil may have significant impacts on government policies. In addition, the increasing frequency and severity of natural disasters as a result of climate change are impacting particularly vulnerable regions such as the Caribbean.

## THE CANADIAN CONTEXT

The Canadian economy has remained strong and the OECD has raised its expectations for economic performance in Canada. It now expects growth of 3.2% in 2017 which will outperform every other economy in the G7 (i.e. France, Germany, Italy, Japan, the U.K., and the U.S.).<sup>7</sup>

Given Canada's relatively small domestic economy, exports play a critical role in its economic outlook. Canada's total exports are projected to increase by 6% in 2017 reflecting expected increases in commodity prices.<sup>8</sup> A main driver of export growth this year will be energy, with exports rising by 18% in part due to price increases and a return to normal export volumes following Alberta's wildfires in 2016. In 2018, aerospace is expected to be the leading growth sector with forecasted increases of 17%.<sup>9</sup> Export growth could be negatively influenced if trade barriers in key trading partners increase. For example, the renegotiation of NAFTA or further increases in specific barriers such as duties recently imposed by the U.S. on Canadian softwood lumber will impact Canada's export volumes.

New sectors that combine innovation, research and development will help drive domestic growth and employment. Canada's cleantech industry currently has 774 firms which is higher than either the aerospace or the automotive industries.<sup>10</sup> It employs more Canadians than the forestry, pharmaceutical or the medical device industries and is a priority sector in the Government of Canada's progressive trade and investment agenda.<sup>11</sup> Similarly, the Canadian aerospace industry contributed more than \$28 billion to Canada's gross domestic product in 2015 and directly employed almost 90,000 people in high paying, high skilled jobs, with an additional 120,000 jobs supported across the country.<sup>12</sup>

Increasing global competition continues to impact Canadian exporters. This challenge is heightened by support other governments provide that is designed to increase the competitiveness of their domestic export firms and to sustain domestic industries. These support mechanisms range from advantageous financing arrangements to the provision of extensive political advocacy by governments on behalf of their domestic companies.

## OPPORTUNITIES AND CHALLENGES

### Megatrends and Impacts on CCC

Megatrends are large transformative global forces that have far-reaching impacts on business, economies, industries and individuals. Three leading organizations (Price Waterhouse Coopers, Hay Group and EY) have identified the following trends as having a global reach: (1) technological and environmental change; (2) urbanization; (3) shifting balance of economic power; and (4) demographic changes.

<sup>7</sup>OECD, "Interim Economic Outlook," September 20, 2017. <http://www.oecd.org/eco/outlook/economic-outlook/> (accessed November 22, 2017)

<sup>8</sup>EDC, "Global Export Forecast," Spring 2017. <http://www.edc.ca/EN/Knowledge-Centre/Economic-Analysis-and-Research/Pages/global-export-forecast.aspx> (accessed November 22, 2017)

<sup>9</sup>ibid

<sup>10</sup>Niedoba, Sara, *Canadian Business*, "Canada's Cleantech Industry is Bigger than you Think." May, 19, 2016. <http://www.canadianbusiness.com/innovation/canadas-cleantech-industry-is-bigger-than-you-think/> (Accessed November 22, 2017)

<sup>11</sup>ibid

<sup>12</sup>ISED and AIAC, "The State of Canada's Aerospace Industry," 2017 Report. [https://www.ic.gc.ca/eic/site/ad-ad.nsf/eng/h\\_ad03964.html](https://www.ic.gc.ca/eic/site/ad-ad.nsf/eng/h_ad03964.html) (accessed November 22, 2017)

*Technological and environmental change* - As technology becomes increasingly prevalent in all manner of goods, technology companies are more able to influence and potentially compete in non-traditional markets. This brings new competition into play and can lead to disruptive and transformative change within these markets (e.g. Uber). Climate change is having impacts on agricultural productivity (particularly with desertification), the intensity and frequency of natural disasters and rising sea levels. It is expected that these changes could lead to further displacements of populations, increased refugee levels and related humanitarian crises.

*Urbanization* - The environment and urbanization are closely linked as the ever-increasing size of cities influences all types of natural resource requirements. Water and food security become critical issues as population density and consumption increase. Cities account for between 60-80% of all energy consumption and create 70% of all greenhouse emissions.<sup>13</sup> Increased energy consumption will result in higher carbon emissions and create a growing need for cleantech and other solutions that will lead to smarter cities.

*Shifting balance of economic power* - The shifting of economic power away from the West continues. However, Chinese growth rates, while still high relative to the West, have fallen. This has resulted in lower demand for commodities and lower commodity prices worldwide.<sup>14</sup> India has benefited from these lower prices and has coupled it with economic reforms to enhance its growth over the last two years. In contrast, Africa has been particularly hard hit by these lower commodity prices.<sup>15</sup> As emerging markets expand, opportunities for Canadian exporters will grow.

*Demographic changes* - Demographic shifts will continue in years to come. Aging populations in Europe, North America and parts of Asia will require higher workplace participation rates and immigration to increase labour availability. Companies will need to value their employees and find creative ways to attract and retain workers who will become increasingly transient.

### **Military expenditure**

Global defence spending should remain stable in 2018. The possibility of regional conflicts and internal security concerns impact and drive local military procurements in South-East Asia, South America and Africa. The U.S. increased its military spending in 2016 by 1.7%, a trend expected to continue given the new administration's focus on defence.<sup>16</sup>

Despite a relatively stable global military spending pattern, individual country spending can fluctuate significantly from year to year. The recent rise in the price of oil may help overcome areas such as the Middle East and other oil export dependent countries like Ecuador and Peru to refocus on military spending.

<sup>13</sup>United Nations, "World Cities Report 2016 – Urbanization and Development," 2016. <https://unhabitat.org/world-cities-report> (accessed November 22, 2017)

<sup>14</sup>PWC, "Megatrends," n.d. <https://www.pwc.co.uk/issues/megatrends.html> (accessed November 22, 2017)

<sup>15</sup>Ibid

<sup>16</sup>Stockholm International Peace Research Institute, "Trends in Military Expenditure," 2016. <https://www.sipri.org/sites/default/files/Trends-world-military-expenditure-2016.pdf>

## WHAT DOES THIS MEAN FOR CCC?

*Increased relevance for CCC* - As the risk and complexity of international trade intensifies, Canadian exporters will benefit from CCC's support in order to increase competitiveness within the global marketplace. CCC's unique model provides a competitive advantage by:

- 1) reducing performance risk for buyers and payment risk for suppliers;
- 2) providing efficient contracting practices; and
- 3) potentially reducing tendering costs and shortened contracting timelines.

The competitive advantage offered by the CCC model helps to offset the support provided to foreign exporters by their respective governments aimed at promoting their commercial interests. This includes political advocacy, credit and insurance programs, financing for feasibility studies etc.

CCC's participation in a whole-of-government approach to facilitating international trade brings together the important contributions of other Government of Canada stakeholders (Ministers and senior government officials, Export Development Canada (EDC), the Trade Commissioner Service (TCS), the network of Canadian Forces Defence Attachés, and others).

CCC's support of the Canada-U.S. DPSA is essential to ensuring that Canadian exporters remain an integral part of the North American defence industrial base. The whole-of-government approach further supports CCC's relationship building efforts in Washington D.C. to ensure that Canada remains enshrined in American defence procurement legislation. This strategy seeks to continue Canadian exporters' access to U.S. DoD procurements by virtue of the continuation of the DPSA.

While growth in global economic activity has generally been slow, certain key markets in Asia, South America, and the Middle East are poised to expand. CCC's foreign representation in these key regions, coupled with its new sectoral approach to growth and emphasis on innovation, will help ensure Canadian exporters have strengthened access to new and emerging markets.

Trends related to technological and environmental change, urbanization, demographic shifts, and military expenditure will provide opportunities for innovative Canadian exporters in areas such as cybersecurity, infrastructure and cleantech, as well as regional defence and security systems. These trends should remain constant throughout the planning period, allowing for more targeted business development strategies. This includes sector expansion in collaboration with other government and industry partners. CCC's role as a prime contractor will continue to assist exporters by providing them with a competitive advantage in dynamic markets.





**As Canada's government-to-government contracting organization**, CCC's overarching goal is to grow Canadian export business and support the Government of Canada's progressive trade and investment agenda. To do so, CCC is continually exploring new ways to support Canadian exporters while also aligning with key priorities of the Government of Canada.

## OVERVIEW

CCC is focused on diversifying its portfolio thus ensuring a wider range of Canadian exporters benefit from CCC's unique model. Projects such as the Bermuda Airport redevelopment project, smart water meter technology sales to Barbados, and potash deliveries to Bangladesh are examples of the variety of sectors that CCC operates within. In addition, CCC has been involved in developing infrastructure capacity in the Caribbean, in line with the Government of Canada's on-going reconstruction efforts in the region.

CCC signed \$843.3 million in contracts with Canadian exporters in the first three quarters of 2017-18, while operating in countries around the world, including those in Latin America, the Caribbean, the Middle East, Africa and Asia. This success resulted from a more diversified approach to business development, and will continue during the planning period through a focus on growth and innovation. While CCC's primary markets have traditionally been in aerospace, defence, security and infrastructure, the Corporation's efforts will now also include civil aerospace, cleantech, environment, energy, and ICT and security. These growth sectors are reflective of Government of Canada priorities. This focus will provide a robust project pipeline and signifies an exciting period for the Corporation. CCC has positioned itself for rapid growth in its exporter base and the resulting foreign contracts.

For 2018-19 to 2022-23, CCC has identified three objectives that support this focus on sector diversification:

1. **Growth through Diversification and Innovation** – CCC is committed to growing its base of Canadian exporters. Innovative strategies will anticipate and respond to the needs of Canadian exporters, thereby securing new trade opportunities across diverse industry sectors and geographic markets.
2. **Integrated Business Development with the Government of Canada** – CCC's business development efforts will continue to embody a whole-of-government approach, leveraging important contributions of other Government of Canada stakeholders, to facilitate export sales on a government-to-government basis.
3. **Enhanced Services** – CCC will deliver the highest quality services in all business dealings at home and abroad. By fostering a uniquely skilled workforce and identifying ways to create capacity, efficiency and value, the Corporation will meet the needs of a growing base of exporters across diverse markets. CCC will also invest in a continuous improvement culture to drive exceptional service for customers.

# CORPORATE STRATEGY

Grow Canadian export business and support the Government of Canada's progressive trade and investment agenda.

## OBJECTIVES

1. Growth through Diversification and Innovation
2. Integrated Business Development with the Government of Canada
3. Enhanced Services

## BUSINESS LINES

International Commercial Business  
Global Defence and Security

## TARGET SECTORS

Cleantech, Environment and Energy  
Construction and Infrastructure  
Information Communication Technology and Security  
Civil Aerospace  
Defence

## TARGET COUNTRIES



Achieving these objectives requires CCC's commitment to excellence in its people, processes and systems. CCC employs sound financial and contract management practices and ensures that CSR is a priority. CCC's activities within each of the three objectives follows.

## **OBJECTIVE 1 – GROWTH THROUGH DIVERSIFICATION AND INNOVATION**

By anticipating and responding to the needs of Canadian exporters and by securing new trade opportunities across diverse industry sectors and geographic markets, CCC will support and accelerate growth in exports and innovation.

### **Growth and Sector Expansion**

CCC has positioned itself through recent investments in its business development team to take advantage of the rising wave of economic activity in the key industry sectors that are a priority for the Government of Canada. The focus on diversification will provide both breadth and depth to the Corporation's project pipeline, and allow more Canadian exporters to leverage CCC's services. These sectors include (1) civil aerospace, (2) construction and infrastructure, (3) cleantech, environment, and energy, (4) ICT and security, and (5) defence.

The diversification initiative, led by sectoral experts, will widen the list of Canadian exporters, industries supported and the number of foreign buyers with which CCC contracts. This will drive job creation and innovation, and help Canadian companies win new Government business abroad. While a formal diversification strategy is now in place, a historical view of CCC's sales by sector is provided in Annex I. It shows that CCC is already active in many non-defence sectors and with the current focus on intensifying activity in these industries, added diversification will be achieved.

Emerging markets constitute a relatively small percentage of Canada's exports but offer high growth potential in the future. However, many of these markets pose unique challenges for Canadian exporters, including complex and uncertain regulatory frameworks and financial risks such as

non-payment. They are also often high-cost environments in which to do business. CCC's support in these regions can help mitigate risks and reduce costs for Canadian exporters. Over the course of the planning cycle, CCC's focus will be on the following target regions in addition to its traditional U.S. sales: Africa, Central America and the Caribbean, South America, the Middle East, Asia and Oceania.

CCC will focus on developing its channels and partnerships to grow its market and reach a greater number of Canadian exporters. For example, based on a comprehensive review of Canadian suppliers in the target sectors, CCC will directly engage with those who are export ready in order to identify projects where CCC can bring added value. In addition to other marketing strategies, the Corporation also reaches Canadian exporters through leadership roles in tradeshows, conferences and trade missions. Over the course of the planning period, CCC will work to strengthen these channels and build on the networks and knowledge of recently hired Sector Directors. This will increase industry awareness of CCC's value proposition as well as the number of referrals to CCC from non-traditional partners that are active in the Corporation's priority sectors, including provincial governments and industry associations.

### **Foreign Representation**

Establishing and maintaining trusted relationships with key foreign stakeholders and buyers is crucial to CCC's success in competitive international markets. Being available and responsive to buyer requests plays a key role in establishing trust. An on-the-ground presence also helps further CCC's understanding of regional requirements. CCC's foreign representation strengthens commercial knowledge and establishes local contacts in target markets. Both elements are important for CCC to diversify its business opportunities and for Canadian exporters to succeed in penetrating new markets. SMEs are particularly well served by this model as their capacity to have in-country representation is limited and travel costs are often prohibitive for routine follow-up with foreign buyers while pursuing leads.



By co-locating within the Canadian Embassies in Lima (Peru), Abu Dhabi (United Arab Emirates), and Bangkok (Thailand), CCC is leveraging the support of other Government of Canada stakeholders in international trade. This helps to build strong relationships with foreign government buyers to the point where they come to CCC for specific needs. CCC will continue to enhance its presence in these target markets by growing its pipeline of regional projects. CCC will examine and assess the business rationale for increasing foreign presence in other regions and countries with a view to possibly opening two more representative offices within the planning period.

### **Innovation**

The Government's support for innovation is aimed at creating long-term economic growth and employment. Over the course of the planning period, CCC will explore supporting Innovation, Science and Economic Development Canada (ISED) and the Government of Canada's Innovation Superclusters Initiative to identify export ready firms, including SMEs, seeking to diversify into new markets.

Adding to its value proposition, CCC will continue to work with Global Affairs Canada and Central Agencies to redraft policies to allow for CCC's participation in both construction and operational phases of capital projects. CCC's current policy framework allows for either construction or operational phases of capital projects, but not both. Having the ability undertake both sides will better position the Corporation to enter into innovative project structures such as Public-Private Partnerships (PPPs). A wider service offering will allow for the pursuit of new opportunities that were not previously available.

CCC's ROC will adjust its processes and practices to address volumes and risk profiles related to the new industry sectors of focus.

## **OBJECTIVE 2 - INTEGRATED BUSINESS DEVELOPMENT WITH THE GOVERNMENT OF CANADA**

As Canada's export contracting agency, CCC's business development efforts will continue to

embody a whole-of-government approach, leveraging important contributions of other Government of Canada stakeholders, to facilitate export sales on a government-to-government basis.

### **Promoting a whole-of-government approach to international trade**

CCC believes that strong coordination and collaboration is essential for providing effective support to Canadian exporters so that they can compete globally. As such, the Corporation's business strategy embodies a whole-of-government approach. As a member of Canada's International Trade Portfolio, the Corporation works closely with EDC and Global Affairs Canada's TCS, as well as our Ambassadors and High Commissioners abroad, Canadian Forces Defence Attachés and other Government of Canada stakeholders to promote Canadian capabilities and expertise in global markets.

As noted above, sector expansion is key to CCC's growth and diversification strategy. By extending its network of Government of Canada partners and targeting specific sectors, it is expected that a greater number of innovative and export ready Canadian companies will be identified. Over the course of the planning period, CCC will seek to strengthen its outreach activities with such entities as ISED, Environment Canada, Natural Resources Canada, Sustainable Development Technology Canada and regional development agencies to help access new suppliers in key sectors.

CCC will also seek to strengthen its relationship with key partners. By working closely with Global Affairs Canada and EDC, synergies will be created to develop export markets. CCC and EDC often support mutual clients and thus have an important role to play in enabling firms to better navigate global markets. As financing is critical for most projects in CCC's target sectors, CCC will work closely with EDC and the Business Development Bank of Canada over the planning period to examine areas for more innovative collaboration and seamless service provision.

CCC will continue to provide Global Affairs Canada's TCS with training and marketing tools that support their mandate and ensure their understanding of CCC's government-to-government contracting

platform and value proposition. Cooperative marketing with the TCS aims to identify opportunities that are aligned with Canadian capabilities in priority sectors and markets. Going forward, CCC and the TCS will continue these collaborative efforts and ongoing engagement in pursuit of opportunities for our Canadian client base. In addition, CCC will work with Global Affairs Canada to maintain a Memorandum of Understanding (MOU) to advance coordination and collaboration between the two organizations.

CCC will seek to enhance its relationship with the network of Canadian Forces Defence Attachés that operate in Canada's diplomatic missions abroad. CCC also works with the Department of National Defence (DND) to provide briefings and build awareness of CCC's role. This cooperation ensures that the Corporation is able to leverage important military-to-military relationships in key markets.

On behalf of Global Affairs Canada, CCC operates ten Canadian Trade Offices in China. These offices are a strategic element of the Government of Canada's approach to supporting Canadian companies who are active in China. CCC will continue to manage these offices as efficiently and economically as possible, providing value to Canadian companies and Global Affairs Canada.

CCC will also continue to provide Sourcing Services to Global Affairs Canada and other government departments. These services assist in the implementation of Canada's international assistance program by providing fast and efficient sourcing of goods and services destined to foreign recipients.

### **Connecting with the market**

CCC will focus on developing its channels and partnerships to grow its market and reach a greater number of Canadian exporters. For example, based on a comprehensive review of Canadian suppliers in the new target sectors, CCC will directly engage with those who are export ready in order to identify projects where CCC can bring added value. In addition to other marketing strategies, the Corporation also reaches Canadian exporters through leadership roles in tradeshows, conferences and trade missions. Over the course of the planning period, CCC will work to strengthen these channels

and build on the networks and knowledge of recently hired Sector Directors. This will increase industry awareness of CCC's value proposition as well as the number of referrals to CCC from non-traditional partners that are active in the Corporation's priority sectors, including provincial governments and industry associations.

Timely and high-quality information, analysis and advice helps exporters when entering a foreign market and provides a strategic advantage over their competition. CCC is able to gather this important information through relationships with its International Trade Portfolio partners, foreign government buyers and other exporters. CCC will continue to work with these partners to identify and develop market opportunities for Canadian exporters.

### **Aligning with Canada's progressive trade and investment agenda**

The Government has set out an ambitious trade and investment agenda, with the objective of achieving a 30% increase in the value of Canadian exports by 2025. To do so, it will focus on deepening trade links with traditional partners while expanding trade with large, fast-growing markets and industry sectors. CCC's target markets, sector expansion, aligns well with these trade priorities.

As the Government refines Canada's progressive trade and investment agenda, CCC will work closely with Global Affairs Canada to support its implementation. CCC's role supports both multinational firms and SMEs that may be owned by women, Indigenous people, youth and new immigrants from all parts of Canada. Innovation created by these companies drives employment that creates opportunities for all Canadians. CCC's services are inclusive, promote Canada's strong economic brand and global profile while helping to grow Canadian exports.

### **Supporting the DPSA**

The U.S. is, and will remain, Canada's most important commercial partner. CCC's role supports access to this market through the DPSA and the Corporation's forward strategy seeks to enhance relationships with U.S. DoD buyers.

*Defence Cooperation and an Integrated North American Defence Industrial Base* - The Canadian and American governments recognize the need for an integrated North American defence industrial base. Canadian sales to the U.S. DoD through the DPSA represent a unique element of a strong defence cooperation relationship. The DPSA is one of a number of Canada-U.S. trade agreements; however it is exceptional as it relates specifically to trade in defence goods and services, an area which typically falls outside of trade agreements, including NAFTA. The agreement has effectively reduced trade barriers, increased the depth and breadth of the Canadian defence industry and provided high-value jobs for Canadians.

*Direct Access for Canadian Exporters and Strengthening the Canadian Economy* - Canada's defence industry provides some of the world's leading technologies which the U.S. DoD has direct access to through the DPSA. This helps sustain a strong Canadian defence industry beyond what could be supported solely through domestic procurement with DND. The impacts of the DPSA are felt beyond the immediate benefits received by companies selling through this platform. Large multinational firms with DPSA contracts have extended supply chains that source goods and services from companies (including SMEs) across all parts of Canada. This integrated supply chain strengthens Canada's overall economy. The DPSA and the access it grants to the U.S. DoD market provides added incentive for foreign multinationals to invest directly in Canada bringing new jobs into the economy. The DPSA also serves as an initial entry point to exporting where SMEs can build their capacity to compete globally.

On an annual basis, approximately 100 Canadian companies are awarded contracts through CCC via the DPSA. Many of these world class companies working on U.S. DoD opportunities through CCC are located in smaller centers (Delta, British Columbia, Goose Bay, Newfoundland, and Maple, Ontario) and provide critical local employment opportunities. For the majority of U.S. DoD contracts, the Corporation generally pays its Canadian suppliers and invoices the U.S. buyers with net 30-day terms. Supplier

payments are not dependent upon the receipt of buyer funds and CCC may pay suppliers in advance of receiving corresponding funds from the U.S. buyer. This helps to ensure that Canadian exporters (particularly SMEs) are paid in a timely fashion and minimizes their reliance on accounts receivable financing.

Given the importance of the DPSA to the Canadian defence and security industry, CCC will continue its advocacy and legislative monitoring efforts, while also enhancing its relationships with key buying commands, to ensure access to this important market remains open.

### **OBJECTIVE 3 – ENHANCED SERVICES**

CCC will deliver the highest quality services in all business dealings at home and abroad. By fostering a uniquely skilled workforce and identifying ways to create capacity, efficiency and value, the Corporation will meet the needs of new exporters in diverse markets. CCC will also invest in a continuous improvement culture to drive exceptional service for customers.

#### **Employee Engagement**

CCC is committed to being an employer of choice. In this regard, CCC is engaged in the following initiatives:

1. Diversity and Inclusion - CCC recognizes the need to focus on inclusion and diversity in the development of its workforce. The Corporation's initiatives in this area include targeted workshops and online tutorials, awareness and understanding initiatives along with a communication plan.
2. Employee Recognition - CCC believes that an employee recognition program is important as it provides employees with positive feedback and encouragement while promoting the Corporation's goals, values and initiatives. In line with the continuous improvements initiative, CCC will continue to utilize the program to reward achievements and recognize results and performance throughout the year.

3. Skills Development - Engaged and knowledgeable employees are critical to the Corporation's ability to achieve its mandate and grow its business. CCC is working to enhance the skills of its employees to both improve the service currently provided to customers and to create capacity to handle growth across the newly identified sectors. CCC remains committed to supporting the engagement of its employees through flexible and tailored learning and development plans and measures employee engagement on an annual basis through the Employee Engagement indicator. This performance measure was introduced in 2017-18.

### **Client Focus**

CCC is focussed on meeting the needs of Canadian exporters in diverse markets. In order to ensure it is meeting these needs, CCC will examine its approach to seeking customer feedback. Continually seeking useful feedback will lead to improved service quality, better relationships and enhanced value for CCC's customer, the Canadian exporter.

A "voice of the customer" process will be initiated to increase the frequency and opportunity for exporters to provide feedback to CCC's business development team on the quality of service. Tracking results through the Customer Relationship Management (CRM) system will provide data upon which process improvements can be made.

### **Continuous Improvement**

The Corporation is undertaking a cultural shift towards one focused on continuous improvement to ensure that efficient contracting services remain a pillar of CCC's value proposition. As such, CCC is strengthening and streamlining contracting procedures in preparation for increased business volumes resulting from diversification into new sectors. Another example of continuous improvement is the planned revision of CCC's CRM system to better capture information related to export transactions. During the planning period, employees will receive training on continuous improvement concepts while contracting

procedures continue to be refined thereby creating capacity to service exporters in new sectors and markets around the world.

### **Combatting Bribery, Corruption, and Fraud while Safeguarding Human Rights**

CCC is committed to demonstrating exemplary CSR in all business dealings at home and abroad. The Corporation's CSR Framework commits CCC to operating in an environmentally, socially and ethically responsible manner. The Corporation protects the integrity of its export contracts through adherence to its policies aimed at reducing the risk of unethical business practices. Bribery, corruption and fraud undermine fair competition, threaten the integrity of the markets and reduce public confidence in government institutions, both in Canada and abroad.

CCC's internal policies and processes align with global best practices in combatting bribery and corruption. CCC's due diligence efforts focus on bribery and corruption risks related to its projects at the outset, while contract management activities also help to identify ethical issues throughout the project lifecycle. CCC is in regular contact with Global Affairs Canada to ensure alignment with the Government's direction in these areas.

Throughout the planning period, CCC will continue to improve its integrity compliance processes and provide regular staff training. CCC will also undertake a review of its approach with respect to human rights due diligence for its projects to ensure its policies and practices are aligned with the rest of Government and OECD guidelines. CCC will also enhance its political risk analysis framework consisting of both a country-specific risk assessment (including human rights and governance) and transaction-specific risk analysis to ensure a robust due diligence practice is maintained.

## MEASURING SUCCESS – CCC’S SCORECARD

CCC’s performance scorecard highlights key measures that support the Corporation’s specified objectives. The scorecard is routinely examined to ensure it has the right mix of indicators.

### Value of Contracts Signed

This measure represents the amount of international business CCC has signed with foreign buyers and Canadian exporters. The Corporation tracks the value of contracts signed by business line, region, country and exporter. This data provides an indication of the Corporation’s effectiveness and allows for trend analysis of its portfolio.

### SME Transactions

This measure represents the number of SMEs with contracts via CCC in a given period. This measure helps CCC to better understand its impact on SMEs that sell to foreign governments. The Corporation will enhance this measure to include SMEs who form part of the supply chain of CCC’s larger supplier base, and will investigate a means by which groups previously underrepresented in trade, such as businesses owned or led by Indigenous peoples and women, can be supported and tracked.

### Project Lead Identification

This measure represents the number of new project leads opened in CCC’s CRM system for the reporting period.

### Net Promoter Score (NPS)

This is a measure of CCC’s reputation and the likelihood that a Canadian exporter would recommend CCC’s services to another company. Consistent with international benchmarks, an NPS result of 70% or greater is considered a strong result for this client feedback indicator.

### Administrative Expenses to Budget

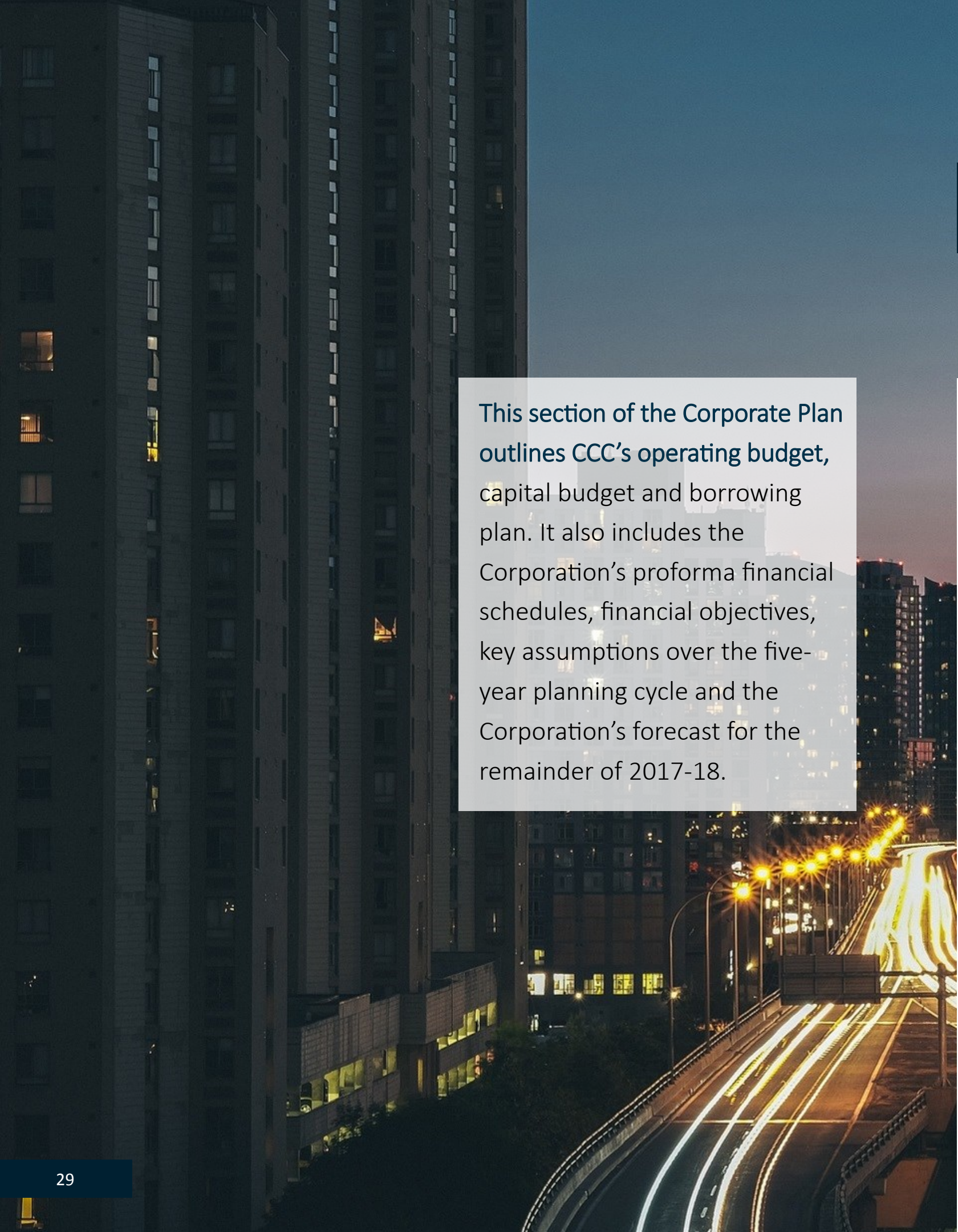
This measure tracks the Corporation’s ability to control its administrative expenses and highlights both over and under spending variances.

### Employee Engagement Score

This measure represents the level of engagement the employee has to the organization and its goals. An employee engagement survey will be conducted annually.

CCC'S PERFORMANCE SCORECARD – 2018-19 THROUGH 2022-23

Performance Measurement	2016-17 Actual	2017-18 Plan	2017-18 Forecast	2018-19 Target
Value of Contracts Signed	\$1.62B	\$1.35B	\$1.26B	\$1.52B
SME Transactions	52	55	54	150
Project Lead Identification	96	100	70	110
Net Promoter Score	89.5%	>70%	>70%	>70%
Administrative Expenses to Budget	92%	100%	94%	100%
Employee Engagement Score	62%	>75%	>75%	>75%

A nighttime photograph of a cityscape. On the left, a tall, dark building with many windows, some of which are lit. In the foreground, a multi-lane highway with light trails from cars. Streetlights line the highway. The sky is dark blue.

This section of the Corporate Plan outlines CCC's operating budget, capital budget and borrowing plan. It also includes the Corporation's proforma financial schedules, financial objectives, key assumptions over the five-year planning cycle and the Corporation's forecast for the remainder of 2017-18.

The financial statements and related information that follow were prepared in accordance with current International Financial Reporting Standards (IFRS). The impact of IFRS 15 – “Revenue from contracts with customers”, which will come into effect in fiscal 2018-19, is currently being assessed by the Corporation. Its implementation will result in changes to the way the Corporation reports its revenues in future years.

#### 4.1 OPERATING BUDGET FOR 2018-19

The planning objectives and assumptions used to forecast the Operating Budget for 2018-19 and in subsequent years are detailed and discussed in Section 4.4 Financial Objectives as well as in Section 4.5 Five-year Key Planning Assumptions.

CCC is budgeting for an operating deficit of \$3.2 million in 2018-19 with net revenues of \$30.6 million.

In 2018-19, net revenues are expected to increase to \$30.6 million from \$25.4 million in the 2017-18 forecast, an increase of \$5.2 million or 21%. The increase is due to higher fees for services earned on projects signed and expected to be signed in 2017-18 and early 2018-19 related to the GDS and ICB business lines. A significant portion of these contracts will be delivered in 2018-19, contributing fees for service and resulting in the year-over-year net revenue increase. This increase is attributed to a growth in awareness of CCC’s value proposition, made possible by investments in the business development team and its activities in key regions and sectors.

The Corporation is financially self-sustaining and no longer receives an appropriation in accordance with the three-year phase out plan which began in 2014-15.

Overall administrative expenses are budgeted to increase to \$33.7 million in 2018-19 from \$30.7 million in 2017-18, a net increase of \$3.0 million, or 10%. The net increase results primarily from: an increase of \$0.8 million related to the investment in relationship management professionals that will help grow CCC’s government-to-government business across five industry sectors which were identified as part of CCC’s focus on diversification; an increase of \$0.4 million related to the heightened travel requirements to secure new contracts and manage them once signed; and an increase of \$0.7 million related to collective bargaining and staffing to the full complement of the corporate budgeted workforce.

In 2018-19, contract remediation expenses are budgeted at \$50 thousand. CCC’s confidence in this low level of budgeted contract remediation expenses stems from its robust risk and contract management practices.

A more fulsome discussion follows under Section 4.4 Financial Objectives and Section 4.5 Five-year Key Planning Assumptions.



**4.2 CAPITAL BUDGET FOR 2018-19 TO 2022-23**

The acquisition of intangible assets in years 2018-19 to 2022-23 represent the capitalization of the investment costs to upgrade and enhance information and financial systems on an on-going annual basis. These amounts will be funded internally and be amortized over the deemed useful life-span of five years.

Specifically in 2018-19 and 2019-20, CCC is planning annual investments of \$1.0 million representing the estimated cost of implementing an Electronic Document and Records Management System. The

system is crucial to CCC’s growth, maturity and ability to do business in the ever-growing digital landscape and will provide long-term organizational efficiencies.

In the outer years, a capital budget of \$250,000 annually is required for normal maintenance of IT infrastructure and other capital costs such as standard purchases of equipment, furniture and fixtures.

A table identifying anticipated capital budget investments for CCC for the period 2018-19 to 2022-23 follows:

Description	2018-19	2019-20	2020-21	2021-22	2022-23
Acquisition of property and equipment – Leasehold improvements	\$ -	\$ -	\$250k	\$250k	\$250k
Acquisition of intangible assets – IT investment	\$1,000k	\$1,000k	\$ -	\$ -	\$ -
<b>Total capital budget request</b>	<b>\$1,000k</b>	<b>\$1,000k</b>	<b>\$250k</b>	<b>\$250k</b>	<b>\$250k</b>

**4.3 BORROWING PLAN FOR 2018-19 TO 2022-23**

CCC’s funding activities are governed by section 11 of the CCC Act and section 127 of the FAA.

Under subsection 11(1.1) of the CCC Act, CCC is subject to a statutory borrowing authority constraint which limits the total amount outstanding at any time at \$90 million, or an amount as may be specified in an Appropriation Act.

In accordance with subsection 127(3) of the FAA, CCC requires the approval of the Minister of Finance to enter into a borrowing facility. The approval sets out the key terms and conditions that must be reflected in any resulting borrowing arrangement. In this Corporate Plan, CCC is seeking Ministerial approval to borrow up to \$40.0 million in Canadian currency or its U.S. dollar equivalent from various financial institutions to finance temporary working

capital requirements. Consistent with previous years, CCC is requesting up to 120-day repayment terms. The Corporation expects to borrow Canadian currency at the Canadian prime rate and U.S. currency at the U.S. prime rate.

The Corporation’s working capital requirements result primarily from its facilitation of the DPSA program. CCC pays Canadian exporters on a select portion of DPSA contracts within 30 days of receipt of invoices, and requires access to an operating line of credit as a prudent safeguard in the event that the U.S. DoD does not pay their invoices from CCC within the same time period.

A table identifying borrowing needs for CCC for the period 2018-19 to 2022-23 follows:

Description	2018-19	2019-20	2020-21	2021-22	2022-23
Short-term borrowing (up to 120 days)	\$40M	\$40M	\$40M	\$40M	\$40M
Total borrowing request	\$40M	\$40M	\$40M	\$40M	\$40M

The impact on borrowing requirements, if any, of the new IFRS 16 – Leases (coming into effect in 2019-20) is currently being assessed by the Corporation.

#### 4.4 FINANCIAL OBJECTIVES

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

##### Prudent Risk Management

The Corporation’s risk management strategy recognizes and balances risk in the context of meeting corporate objectives. The Corporation’s ERM framework defines the risk management process as the identification, assessment, mitigation, monitoring, communication and training of risk management issues. This framework is updated annually and submitted to the Board of Directors for approval.

Specific ERM risks managed under the program include:

- Strategic Risks (Mandate, Reputational, Business Environment and Financial)

The key strategic risk facing CCC relates to the irregularity of its contracting cycle and resulting variability in fees for service that are generated. This coupled with a highly fixed-cost base may lead to surpluses and deficits over any given planning period.

Historically, large export contracts have materially impacted the Corporation’s financial statements and can often cause significant variations year-over-year. The Corporation’s main source of income relates to fees from its prime contractor service. These fees are earned upon the delivery of Canadian exports abroad. CCC’s sales cycle is long and the resulting delivery schedules can be subject to change if buyers and exporters agree to amend the terms of their contracts. This situation

occurred in 2017-18 where expected deliveries on key projects were postponed into the outer years of this plan and beyond. The resulting forecasted deficit of \$5.3 million will reduce retained earnings in 2017-18. However, as the postponed orders get delivered in the outer years, fees for service will increase and replenish the retained earnings account.

Long-term financial risk is mitigated through a strengthened approach to business development via the new sector model and the continuation of CCC’s foreign offices. Both of these efforts will contribute new levels of business and related fees, ensuring financial sustainability.

- Operational Risks (Information Management, Information Systems, Human Resources, Policies and Processes and Security)

Key operational risks include cyber security threats and the retirement of aging staff across key areas of the Corporation.

CCC’s is highly focused on how it manages and secures its information. New monitoring and reporting frameworks continue to be implemented around cyber security. An electronic document and records management system will also be established during the planning cycle, along with a new strategic plan covering information management and related technologies.

Human Resources has focused on succession planning and has developed strategies for filling key positions across the Corporation. In parallel with succession planning, employee engagement strategies have been developed to ensure employee retention.

- Transactional Risks (Supplier Performance, Foreign Environment, Corporate Social Responsibility, Fraud)

The key transactional risk facing the Corporation is the failure of an exporter to deliver on its contract with CCC.

CCC's project due diligence process focuses to a large degree on an exporter's ability to complete the proposed project. CCC will continue to use high standards to ensure that contract remediation expenses remain low. CCC's ICC also reviews the transaction to ensure that bribery and corruption concerns have been addressed.

### **Ensuring Capital Adequacy**

The Corporation determines its required capital by assessing the operational, performance and credit risk of its individual business and service lines.

The Corporation uses a Capital Allocation Model to determine minimum levels of equity required to backstop the risks the Corporation faces in its day-to-day activities. During the planning cycle, the Corporation expects this amount to rise from \$14.0 million to approximately \$15.0 million. These amounts could change subject to the level of confidence used in the analysis as directed by CCC's Board of Directors.

The Corporation's equity base was reduced to \$12.5 million after a dividend was made to the Government of Canada on March 31, 2014. Since then, the Corporation's equity base has grown to \$28.9 million as at March 31, 2017.

CCC is forecasting an operating deficit of \$5.3 million in 2017-18, which will reduce the Corporation's equity base to \$23.6 million. A detailed discussion follows in section 4.6 – Forecast for 2017-18.

The Corporation's equity base is expected to decrease through the early planning cycle from \$23.6 million at the beginning of 2018-19 to \$18.4 million at the end of 2019-20 before recovering to \$23.8 million by the end of 2022-23 as investments in business development and diversification start to produce a steadier stream of transactions and fees.

### **Cost Efficiency Initiatives**

CCC has implemented cost efficiency initiatives to ensure services are delivered to Canadian companies at the best value. In assessing potential savings, CCC has focused on achieving efficiencies from its operations, as well as reviewing business processes and service platforms.

#### **Specifically:**

- CCC is moving towards a culture of continuous improvement that will identify process changes in favour of efficiencies, allowing resources to be redistributed and overall capacity increased.
- In this Corporate Plan, CCC will budget general corporate travel (not specifically related to business development/contract management), hospitality and conference expenses in line with 2017-18 levels.
- On behalf of Global Affairs Canada, CCC will continue to manage Canada's network of trade offices in China as efficiently and economically as possible.

## **4.5 FIVE-YEAR KEY PLANNING ASSUMPTIONS**

A significant planning assumption used in the development of the five-year Corporate Plan is the level of expected contribution from CCC's foreign representation in select markets. Foreign representation was established in South America in 2015-16; the Middle East in 2016-17; and Asia in 2017-18. Two additional locations will be considered for implementation in 2020-21. One of these offices was planned to be established in 2018-19 in the previous Corporate Plan. However, the Corporation will wait to gather results and further evaluate the contributions of its regional representation before committing to further investment in new regional offices.

The purpose of the establishment of foreign representation is two-fold: (1) to have a constant presence in the respective regions to develop leads and opportunities generated by all areas of the Corporation. This will increase the Corporation's lead conversion rate in support of the value of contracts signed amounts forecasted over the five-year planning cycle and beyond; and (2) as a result of CCC's constant regional presence, incremental

transactions will be identified through enhanced buyer relationships.

### Value of Contracts Signed

With the establishment of foreign representation and focus on key sectors, high quality leads are anticipated in a number of target regions. Based on the Corporation's current and anticipated pipeline of leads and opportunities, the value of contracts signed over the planning period are forecast as follows:

- **ICB** - The value of contracts signed is expected to grow from \$643.1 million in 2018-19 to \$1,043.0 million in 2022-23. ICB includes the lottery system management program and the Cuba contracting program which combine to generate approximately \$275 million in contracting volumes.
- **GDS** - This business line includes both sales made under CCC's DPSA program as well as global defence and security sales activity with other international clients. Contributions to the value of contracts signed by each program within the GDS business line are as follows:
  - **Global** - The value of contracts signed is expected to grow from \$271.2 million in 2018-19 to \$397.7 million in 2022-23.
  - **DPSA** - The value of contracts signed related to CCC's DPSA program is expected to exceed its traditional core activity of \$550.0 million annually. Given the direction communicated by the new U.S. administration in regards to growth in defence spending, it is anticipated that the procurement component of defence spending in the U.S. will remain at least consistent with trends of the last couple of years. Initiatives related to the Buy American Act are not expected to have any significant impact on activity under the DPSA. As such, CCC is planning for its value of contracts signed to grow from \$600.0 million in 2018-19 and 2019-20 annually to \$650.0 million in 2020-21 to 2022-23 annually.
- **Sourcing Services** - The majority of these services are provided to Global Affairs Canada in

accordance with an MOU that was signed in 2007 related to supply programming. CCC assists the Government of Canada in meeting its global priorities by delivering goods and services for international programs. CCC is planning for its value of contracts signed to remain at \$10.0 million per year throughout the five-year planning cycle. This activity is dependent exclusively on Government of Canada requirements. Generally, these transactions tend to be smaller in value and scope than CCC's prime contracts.

### Commercial Trading Transactions

Commercial trading transactions measure the value of delivered good or service or the progress of work once a contract is signed and becomes effective. As such, the assumptions made to estimate the timing of when deliveries occur and work is performed are important in building the commercial trading transactions forecast. Other influencing factors include the duration of the contract, the number of specific deliverables or milestones and at what point in time during the year the contract is signed and effective.

Based on an analysis of historical delivery, work completion trends and the other factors discussed above, the following commercial trading transactions are forecasted:

- **ICB** - The value of commercial trading transactions are expected to grow from \$686.9 million in 2018-19 to \$931.0 million in 2022-23.
- **GDS** - The value of commercial trading transactions generated by each program within the GDS business line are as follows:
  - **Global** - Global commercial trading transactions excluding a significant project are expected to increase from \$212.1 million in 2018-19 to \$360.1 million in 2022-23.
  - **DPSA** - DPSA commercial trading transactions are expected to grow from \$600 million in 2018-19 to \$650 million in 2020-21 to an average of \$645 million annually through the five-year planning cycle.

- **Sourcing Services** - In 2018-19, Sourcing Services transactions include projected activity from two significant projects (with Natural Resources Canada and DND) that will generate \$19.2 million in commercial trading transactions. These projects are not expected to be replaced once completed. For 2019-20 and beyond, traditional levels of approximately \$10.0 million annually are planned.

### Fees for Service

Generally, growth in fees for service is commensurate with the expected growth in commercial trading transactions. Fees for individual projects are established based on CCC's pricing model which includes consideration for a variety of risk factors. Fee rates are applied to the value of the recorded commercial trading transactions as goods and services are delivered or progress work is performed.

- **ICB** - ICB fees are expected to grow from \$13.3 million in 2018-19 to \$21.6 million in 2022-23.
- **GDS** - Contributions to fees for service by each program within the GDS business line are as follows:
  - **Global** - GDS fees excluding a significant project are expected to grow from \$4.6 million in 2018-19 to \$8.7 million in 2022-23.
  - **DPSA** - CCC does not receive fees for service for this business. This business was historically funded by an annual Parliamentary appropriation, which was fully phased-out.
- **Sourcing Services** - For the last several years CCC has charged a fixed fee of approximately \$0.5 million annually and a variable fee on all projects. The variable fee is determined by the size of the project. These fees offset the direct costs and a portion of indirect administration costs related to the level of effort to manage Global Affairs Canada requirements. These rates are negotiated on an annual basis and the collection of the variable fee portion is subject to fluctuations in Canada's spending on international assistance programs. CCC's forecast for sourcing fees is conservatively capped at \$1.1 million per year after 2018-19 for the duration of this Plan. Over the planning

cycle, CCC will assess the sustainability of this service and, in the interest of efficiency, may make changes to how services are delivered. CCC also participates in sourcing activities with other government departments as required. Given the ad hoc nature of these requirements, no impact is included in the Plan beyond 2018-19.

- **Other Government Services** - Since 2009, the Corporation has been supporting the management of six Canadian Trade Offices in China with operational support from the Embassy in Beijing. During 2014-15, the network was further expanded with the addition of four new offices. As agreed under the MOU between CCC and Global Affairs Canada, the Corporation will receive approximately \$3.0 million annually to cover the direct costs of regionally employed personnel, rent, travel and other related costs as well as the direct and indirect costs of CCC's staff to administer the Canadian Trade Offices. On this basis, approximately \$3.0 million in fees are forecast in 2018-19.
- **Other Government Services** - With the ongoing focus on cost containment and the search for improved efficiencies, the Corporation had an agreement (in previous years) for shared services with PPP Canada for back office support in information technology, human resources management, and other corporate services. With the closure of PPP Canada, the agreement will come to an end resulting in a reduction in future revenues of \$0.625 million per year that had been anticipated in the previous Corporate Plan.

### Other Income

Other income is comprised of fees earned from providing discounted early payments, payment wiring to Canadian exporters and other miscellaneous amounts. Discount early payment activity was significantly higher in 2017-18 compared to previous years and is expected to return to more historic levels in 2018-19. Revenue due to miscellaneous recoveries stemming from the reconciliation and close out of legacy contracts and accounts is not expected to reoccur in 2018-19 and as a result is not reflected.

## Interest Income

Interest is earned on excess cash flows generated from daily business transactions. Actual interest rates earned on corporate balances are subject to the current banking agreement with the Bank of Nova Scotia. CCC may make certain conservative investments but will only invest in cases where the investment rate exceeds rates earned in accordance with its banking agreements.

After a review of related publications, the consensus indicates a small growth in interest rates throughout the five-year planning cycle. Based on current banking agreements and the interest rate consensus, the Corporate Plan assumes: (1) an average yield rate of 1.3% annually throughout the five-year planning cycle for investments in Canadian dollars, and (2) an average yield rate of 1.0% for investments in U.S. dollars.

## Gain (loss) on Foreign Exchange

No gains or losses on foreign exchange are budgeted although the Canadian dollar is expected to strengthen slightly in comparison to its U.S. dollar counterpart over the five-year planning period. The Corporation's contracts with foreign buyers are matched to offsetting contracts with Canadian exporters. CCC's contracts require receipts and payments to be made in the same currency. As a result, CCC has a natural hedge against foreign exchange gains or losses that would otherwise impact the net results of operations and comprehensive income. Unhedged foreign exchange balances are monitored and kept at negligible levels. On average, the Corporation's unhedged U.S. currency balance represents less than 0.1% of its U.S. denominated assets.

## Parliamentary Appropriation

The Corporation's appropriation has been phased out in accordance with the three-year directed plan that commenced in 2014-15. Over the course of the last several years, CCC's appropriation reduced from \$15.7 million in 2013-14 to \$3.5 million in 2016-17 and to zero in 2017-18 and forward.

## Contract Remediation Expenses

Contract remediation expenses are budgeted at

approximately \$50 thousand annually from 2018-19 to 2022-23. The annual forecast amount is lower than the three-year average of costs incurred. The Corporation has achieved exceptional results over the last several years, which include the reversal of earlier provisions.

For purposes of the Corporate Plan, contract remediation expenses are assumed to be entirely paid out in the year they are incurred, therefore, there are no provision balances on the Statement of Financial Position.

## Administrative Expenses

Administrative expenses are forecast to increase over the five-year period of the Corporate Plan, from \$33.7 million in 2018-19 to \$38.6 million in 2022-23, an average increase of \$1.2 million or 3.7% per year.

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

### Core Administrative Expenses:

As discussed previously, the Plan reflects the establishment of foreign representation in three regions at the end of 2017-18, and the possible addition two more offices by the end of 2020-21. Annual expenses are estimated at approximately \$600 thousand per representative location by 2022-23. This covers expenses for salaries, benefits, Foreign Service Allowances, rent, chancery and staff quarter maintenance, travel and other related expenses including locally engaged staff.

Core administrative expenses (that include the foreign representative offices) are forecast to increase from \$30.2 million in 2018-19 to \$35.0 million in 2022-23, an increase of \$4.8 million over the five-year period. Of the overall \$4.8 million increase, \$2.0 million or 41% is due to the establishment of CCC's additional foreign offices and continued investments in business development. The remaining \$2.8 million increase from 2018-19 to 2022-23 (an average of \$716 thousand or 3.2% annually) is primarily due to inflation and in-band incremental increases for employees not at their maximum salary level.

#### Incremental Administrative Expenses:

Incremental expenses are those that must be incurred to manage or facilitate certain extraordinary programs or initiatives. Incremental administrative expense increases related to a significant project and Canadian Trade offices in China are covered by the revenues from these programs.

Incremental expenses for the contract management of a significant project are forecast to increase from \$802 thousand in 2018-19 to \$853 thousand in 2022-23. Related expenses associated with the significant project in previous Corporate Plans were considerably higher. Management has determined that the significant project can be effectively managed from CCC headquarters and will not require on the ground oversight at the manufacturers facility or abroad, and will therefore not incur related incremental expenses.

The cost of operating the ten Canadian Trade Offices are forecasted at \$2.7 million in 2018-19 and on. This includes the cost of regionally employed personnel, rent, travel, regional taxes and other related costs.

#### **4.6 FORECAST FOR 2017-18**

The Corporation is forecasting an operating deficit of \$5.3 million for 2017-18 versus a budgeted surplus of \$11 thousand.

Net revenues from fees for service, interest income on cash balances and other sources are forecasted to be \$25.4 million, 22% lower than the budgeted net revenues of \$32.6 million, resulting in an unfavourable variance of \$7.2 million. The following factors contribute to the result:

1. Fees for service are forecast to be \$23.1 million, \$8.6 million or 27% lower than budget. The unfavourable variance is due to delayed contract signings and deliveries. Of the \$8.6 million shortfall, \$6.1 million is due to lower significant project fees for service in 2017-18 than originally expected. This reduction is the reflection of timing

changes to delivery schedules, which result in reducing fees for service in 2017-18, and increasing fees for service in future years. The remaining \$1.8 million shortfall is due primarily to contract signing delays. Given the government-to-government nature of CCC's business, many variables impact the Corporation's ability to sign contracts and CCC adeptly partners with Canadian suppliers to manage these variables in the interest of generating exports.

2. Finance income is forecast to be \$609 thousand, \$35 thousand or 6% higher than the budget. During the year, CCC was able to negotiate an investment strategy with its principal banking provider related to U.S. held funds in order to maximize interest yields.
3. Other income is forecast to be \$1.8 million, \$1.4 million or 359% higher than the budget. The favourable variance is due to increased income from significant discounted early payment activity and miscellaneous long-standing net legacy balances which were taken into revenue upon final reconciliation of contracts and sub-ledger accounts.
4. CCC is expecting to realize a foreign exchange translation loss of \$156 thousand based on currency projections and the level of exposed U.S. funds. Gains or losses on foreign exchange are not budgeted.

Expenses will be \$30.7 million, \$1.9 million or 6% lower than the budget of \$32.5 million as follows:

1. Administrative expenses including services provided by PSPC and amortization expenses are forecasted to be \$30.7 million, \$1.8 million or 6% lower than budget. The favourable variance is due to targeted cost containment measures and savings due to staff vacancies.
2. CCC is not expecting to record any contract remediation expenses. The favourable variance reflects the Corporation's robust risk and contract management practices and ERM framework.

## 4.7 FINANCIAL SCHEDULES

### Schedule A – Statement of Financial Position (in thousands of Canadian dollars)

	Actual	Forecast	Corporate Plan 2018-2019 to 2022-2023				
	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash	\$ 76,430	\$ 43,355	\$ 64,440	\$ 62,648	\$ 63,618	\$ 65,139	\$ 68,876
Trade receivables	741,193	1,212,712	206,967	220,518	236,445	235,411	245,508
Advances to Canadian exporters	175,367	144,294	155,345	163,708	199,879	222,488	254,025
Progress payments to Canadian exporters	4,668,186	5,731,733	3,454,158	2,817,152	2,133,392	1,533,678	1,119,045
	5,661,176	7,132,094	3,880,910	3,264,025	2,633,334	2,056,717	1,687,453
<b>Non-current assets</b>							
Property and equipment	3,432	3,096	4,158	3,735	2,514	2,336	2,186
<b>TOTAL ASSETS</b>	<b>\$ 5,664,608</b>	<b>\$ 7,135,190</b>	<b>\$ 3,885,068</b>	<b>\$ 3,267,760</b>	<b>\$ 2,635,848</b>	<b>\$ 2,059,053</b>	<b>\$ 1,689,639</b>
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Trade payables and accrued liabilities	\$ 760,346	\$ 1,191,322	\$ 220,528	\$ 234,114	\$ 249,577	\$ 248,822	\$ 259,050
Advances from foreign customers	201,338	183,401	185,344	193,708	229,879	252,488	284,025
Progress payments from foreign customers	4,668,186	5,731,733	3,454,158	2,817,152	2,133,392	1,533,678	1,119,045
Employee benefits	292	206	216	227	238	250	263
	5,630,162	7,106,662	3,860,247	3,245,201	2,613,086	2,035,240	1,662,383
<b>Non-current liabilities</b>							
Deferred lease incentives	3,886	3,621	3,043	2,783	2,523	2,263	2,003
Employee benefits	1,646	1,336	1,356	1,370	1,383	1,397	1,411
<b>TOTAL LIABILITIES</b>	<b>5,635,694</b>	<b>7,111,619</b>	<b>3,864,646</b>	<b>3,249,353</b>	<b>2,616,993</b>	<b>2,038,900</b>	<b>1,665,797</b>
<b>SHAREHOLDER'S EQUITY</b>							
Contributed surplus	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Retained earnings	18,914	13,571	10,421	8,406	8,855	10,153	13,843
<b>TOTAL EQUITY</b>	<b>28,914</b>	<b>23,571</b>	<b>20,421</b>	<b>18,406</b>	<b>18,855</b>	<b>20,153</b>	<b>23,843</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>\$ 5,664,608</b>	<b>\$ 7,135,190</b>	<b>\$ 3,885,068</b>	<b>\$ 3,267,760</b>	<b>\$ 2,635,848</b>	<b>\$ 2,059,053</b>	<b>\$ 1,689,639</b>



Schedule B – Statement of Comprehensive Income and Changes in Equity  
(in thousands of Canadian dollars)

	Actual	Forecast	Corporate Plan 2018-2019 to 2022-2023				
	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
<b>VALUE OF CONTRACTS SIGNED</b>	<b>\$ 1 615 858</b>	<b>\$ 1 265 251</b>	<b>\$ 1 524 250</b>	<b>\$ 1 688 928</b>	<b>\$ 1 825 045</b>	<b>\$ 2 005 617</b>	<b>\$ 2 100 655</b>
<b>REVENUES</b>							
Commercial trading and sourcing services transactions	\$ 2 654 843	\$ 2 410 503	\$ 2 492 837	\$ 2 646 212	\$ 2 837 345	\$ 2 824 936	\$ 2 946 098
Less: Cost of commercial trading and sourcing services transactions	(2 654 843)	(2 410 503)	(2 492 837)	(2 646 212)	(2 837 345)	(2 824 936)	(2 946 098)
Fees for service	25 269	23 062	29 232	31 184	35 950	37 948	41 017
Other income	963	1 837	500	500	500	500	500
Finance income, net	477	609	842	809	793	799	823
Gain (loss) on foreign exchange	(29)	(156)	-	-	-	-	-
<b>Net Revenues</b>	<b>26 680</b>	<b>25 352</b>	<b>30 574</b>	<b>32 494</b>	<b>37 243</b>	<b>39 247</b>	<b>42 339</b>
<b>EXPENSES</b>							
<i>Administrative expenses</i>							
Operating expenses	25 664	26 388	29 245	29 752	31 761	32 966	33 599
Lease expenses	1 219	1 179	1 240	1 253	1 267	1 303	1 339
Lease termination/ moving expenses	-	-	-	-	-	-	-
China office program expenses	2 579	2 474	2 675	2 687	2 697	2 703	2 708
Amortization expense	417	446	445	695	943	850	872
Other	67	211	68	72	77	77	81
	29 946	30 698	33 673	34 459	36 744	37 899	38 599
Contract remediation expenses	-	-	50	50	50	50	50
<b>Expenses</b>	<b>29 946</b>	<b>30 698</b>	<b>33 723</b>	<b>34 509</b>	<b>36 794</b>	<b>37 949</b>	<b>38 649</b>
Net results of operations before parliamentary appropriation	(3 266)	(5 346)	(3 150)	(2 016)	449	1 298	3 690
Parliamentary appropriation	3 510	-	-	-	-	-	-
<b>Net results of operations</b>	<b>\$ 244</b>	<b>\$ (5 346)</b>	<b>\$ (3 150)</b>	<b>\$ (2 016)</b>	<b>\$ 449</b>	<b>\$ 1 298</b>	<b>\$ 3 690</b>
Actuarial loss on employee benefits obligation	1	3	-	-	-	-	-
<b>Total comprehensive income</b>	<b>245</b>	<b>(5 343)</b>	<b>(3 150)</b>	<b>(2 016)</b>	<b>449</b>	<b>1 298</b>	<b>3 690</b>
Equity at beginning of the year	28 669	28 914	23 571	20 421	18 406	18 855	20 153
<b>Equity at year end</b>	<b>\$ 28 914</b>	<b>\$ 23 571</b>	<b>\$ 20 421</b>	<b>\$ 18 406</b>	<b>\$ 18 855</b>	<b>\$ 20 153</b>	<b>\$ 23 843</b>

Schedule C - Statement of Cash Flow  
(in thousands of Canadian dollars)

	Actual	Forecast	Corporate Plan 2018-2019 to 2022-2023				
	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
<b>OPERATING ACTIVITIES</b>							
Net profit	\$ 244	\$ (5,346)	\$ (3,150)	\$ (2,016)	\$ 449	\$ 1,298	\$ 3,690
<i>Adjustments to determine net cash from (used in) operating activities:</i>							
Depreciation	414	446	(62)	1,423	1,471	428	400
Employee benefit expense	42	4	30	24	25	26	26
Employee benefit payments	(113)	(397)	-	-	-	-	-
Gain on foreign exchange	(843)	(78)	(156)	-	-	-	-
Deferred lease incentives	801	(265)	(578)	(260)	(260)	(260)	(260)
<i>Change in working capital from:</i>							
Decrease (increase) in trade and other receivables	(610,414)	(471,519)	1,005,746	(13,550)	(15,929)	1,034	(10,097)
Decrease (increase) in advances to Canadian exporters	298,242	31,073	(11,051)	(8,363)	(36,171)	(22,609)	(31,536)
Increase (decrease) in trade payables and accrued liabilities	597,874	430,976	(970,794)	13,586	15,463	(755)	10,227
Increase (decrease) in advances from foreign customers	(296,259)	(17,937)	1,943	8,363	36,171	22,609	31,536
<b>Cash provided by (used in) operating activities</b>	<b>(10,012)</b>	<b>(33,043)</b>	<b>21,929</b>	<b>(792)</b>	<b>1,220</b>	<b>1,771</b>	<b>3,987</b>
<b>INVESTING ACTIVITIES</b>							
Acquisition of property and equipment	(71)	(110)	(1,000)	(1,000)	(250)	(250)	(250)
<b>Cash used in investing activities</b>	<b>(71)</b>	<b>(110)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(250)</b>	<b>(250)</b>	<b>(250)</b>
<b>Effect of exchange rate changes on cash</b>	<b>843</b>	<b>78</b>	<b>156</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net increase (decrease) in cash	(9,240)	(33,075)	21,085	(1,792)	970	1,521	3,737
Cash at the beginning of period	85,670	76,430	43,355	64,440	62,648	63,618	65,139
<b>Cash at the end of the period</b>	<b>\$ 76,430</b>	<b>\$ 43,355</b>	<b>\$ 64,440</b>	<b>\$ 62,648</b>	<b>\$ 63,618</b>	<b>\$ 65,139</b>	<b>\$ 68,876</b>

Schedule D - Variance Analysis, Forecast Compared to Operating Budget For the Year Ending  
March 31, 2018 (in thousands of Canadian dollars)

	2017-2018			Explanations
	Forecast	Budget	Variance	
<b>REVENUES</b>				
Commercial trading and sourcing services transactions	\$ 2 410 503	\$ 3 321 448	\$ (910 945)	The unfavourable variance is due to contract signing and delivery delays encountered. Delivery delays were related primarily to changes to delivery schedules for significant projects. Contract signing delays result from the government-to-government nature of CCC's business, many variables impact the Corporation's ability to sign contracts and CCC adeptly partners with Canadian suppliers to manage these variables in the interest of generating exports.
Less: Cost of commercial trading and sourcing services transactions	(2 410 503)	(3 321 448)	910 945	Corresponds to commercial trading and acquisition services transactions due to the "back-to-back" nature of CCC's contracts.
Fees for service	23 062	31 626	(8 563)	Fees for service are earned on deliveries and work performed which are recorded. The unfavourable variance results as fees for services are commensurate with commercial trading transactions discussed above.
Other income	1 837	400	1 437	Other income is comprised of fees earned for providing discounted early payment and payment wiring to Canadian exporters, and other miscellaneous amounts. The favourable variance is due to significantly greater discounted early payment activity and miscellaneous long standing legacy balances which were taken into revenue upon final reconciliation of contract and sub-ledger accounts.
Finance income, net	609	574	35	Finance income earned on the Corporation's cash balances are forecast to exceed the budget. During the year, CCC was able to negotiate an investment strategy with its principal banking provider related to U.S. held funds in order to maximize interest yields.
Gain (loss) on foreign exchange	<u>(156)</u>	<u>-</u>	<u>(156)</u>	CCC will realize a foreign exchange translation loss of \$156 thousand based on currency projections and the level of exposed U.S. funds. Gains or losses on foreign exchange are not budgeted.
<b>Net revenues</b>	<b><u>25 352</u></b>	<b><u>32 600</u></b>	<b><u>(7 247)</u></b>	
<b>EXPENSES</b>				
Administrative expenses	30 698	32 538	1 840	The favourable variance results primarily from (1) savings realized due to staff vacancies at various times during the year; and (2) expenses that have not occurred to date as originally planned related to managing a significant project.
Contract remediation expenses	<u>-</u>	<u>50</u>	<u>50</u>	CCC will not record any contract remediation expenses. The favourable forecast variance reflects the Corporation's robust risk and contract management practices and ERM framework.
<b>Total expenses</b>	<b><u>30 698</u></b>	<b><u>32 588</u></b>	<b><u>1 890</u></b>	
Net results of operations before parliamentary appropriation	(5 346)	11	(5 357)	
Parliamentary appropriation	<u>-</u>	<u>-</u>	<u>-</u>	The Corporation no longer receives a parliamentary appropriation.
<b>Total comprehensive income</b>	<b><u>\$ (5 346)</u></b>	<b><u>\$ 11</u></b>	<b><u>\$ (5 357)</u></b>	

Schedule E - Variance Analysis, 2018-19 Proposed Budget Compared to 2017-18 Forecast (in thousands of Canadian dollars)

	2018-2019			Explanations
	Proposed Budget	2017-2018 Forecast	Increase (Decrease)	
<b>REVENUES</b>				
Commercial trading and sourcing services transactions	\$ 2 492 837	\$ 2 410 503	\$ 82 334	The increase will come from contracts that have been signed in 2017-18 and early in 2018-19 related primarily to the ICB business lines. A large portion of these contracts will commence deliveries and progress work in 2018-19.
Less: Cost of commercial trading and sourcing services transactions	(2 492 837)	(2 410 503)	(82 334)	Corresponds to commercial trading and acquisition services transactions due to the "back-to-back" nature of CCC's contracts.
Fees for service	29 232	23 062	6 169	Fees for services are commensurate with commercial trading transactions discussed above. Fees for service are earned on deliveries and work performed which are recorded.
Other income	500	1 837	(1 337)	Discounted early payment activity is expected to return to more historic levels in 2018-19. Also, significant miscellaneous recoveries into revenue from the reconciliation and close out legacy contracts are not expected in 2018-19.
Finance income, net	842	609	233	The increase is due to higher usable cash balances and average interest rate yields.
Gain (loss) on foreign exchange	-	(156)	156	The Corporation does not budget for foreign exchange gains and losses. Unhedged foreign exchange balances are monitored and kept at negligible levels.
<b>Net revenues</b>	<b>30 574</b>	<b>25 352</b>	<b>5 221</b>	
<b>EXPENSES</b>				
Administrative expenses	33 673	30 698	2 975	The net increase will result primarily from: an increase of \$0.9 million related to the investment in relationship management professionals that will help grow CCC's government-to-government business across five industry sectors which were identified as part of CCC's innovation, diversification and growth strategy analysis; an increase of \$0.4 million related to the increased travel requirements in order to secure new projects and manage the contracts once they are signed; and an increase of \$0.8 million related to collective bargaining and the staffing to the full complement of the corporate budgeted workforce.
Contract remediation expenses	50	-	50	The amount is lower than the average of expenses incurred over the last years. The Corporation has achieved exceptional results over the last several years which includes the reversal of earlier provisions and final settlement of a long standing dispute.
<b>Total expenses</b>	<b>33 723</b>	<b>30 698</b>	<b>3 025</b>	
Net results of operations before parliamentary appropriation	(3 150)	(5 346)	2 196	
Parliamentary appropriation	-	-	-	The Corporation no longer receives a parliamentary appropriation.
<b>Total comprehensive income</b>	<b>\$ (3 150)</b>	<b>\$ (5 346)</b>	<b>\$ 2 196</b>	

## GLOSSARY OF TERMS

<b>CCC</b>	Canadian Commercial Corporation	<b>MOU</b>	Memorandum of Understanding
<b>CEO</b>	Chief Executive Officer	<b>NAFTA</b>	North American Free Trade Agreement
<b>CRM</b>	Customer Relationship Management	<b>NATO</b>	North Atlantic Treaty Organization
<b>CSR</b>	Corporate Social Responsibility	<b>NPS</b>	Net Promoter Score
<b>DND</b>	Department of National Defence	<b>OECD</b>	Organization for Economic
<b>DPSA</b>	Defence Production Sharing Agreement	<b>OGD</b>	Other Government Departments
<b>EDC</b>	Export Development Canada	<b>PIPSC</b>	Professional Institute of the Public Service of Canada
<b>ERM</b>	Enterprise Risk Management	<b>PPP</b>	Public Private Partnership
<b>FAA</b>	Financial Administration Act	<b>PSPC</b>	Public Services and Procurement
<b>GDS</b>	Global Defence and Security	<b>ROC</b>	Risk and Opportunities Committee
<b>GDP</b>	Gross domestic product	<b>SMEs</b>	Small and Medium-sized Enterprises
<b>ICB</b>	International Commercial Business	<b>TCS</b>	Trade Commissioner Service
<b>ICT</b>	Information and Communications Technology	<b>UAE</b>	United Arab Emirates
<b>ICC</b>	Integrity Compliance Committee	<b>UN</b>	United Nations
<b>IFRS</b>	International Financial Reporting Standards	<b>UNGPs</b>	United Nations Guiding Principles on Business and Human Rights
<b>IMF</b>	International Monetary Fund	<b>USD</b>	United States Dollars
<b>ISED</b>	Innovation, Science and Economic	<b>U.S. DoD</b>	United States Department of Defense