

Growing and Diversifying Canadian Exports

2019–2020 to 2023–2024
Corporate Plan Summary

**GROWTH
THROUGH
DIVERSIFICATION**

**CREATE NEW
MARKET
OPPORTUNITIES**

**TRUSTED
PARTNER IN
INTERNATIONAL
TRADE**



```

<?php
//check user
require dirname(__FILE__).'/includes/checkUser.php';

require dirname(__FILE__).'/includes/require.php';

//make sure menu.xml is writable
if (!is_writable($menu_xml)) {
    //open the file
    if (!$handle = fopen($menu_xml, 'a')) {
        error("Cannot open file");
        exit;
    }

    //writing new xml
    if (!fwrite($handle, $xml) === FALSE) {
        error("Cannot write to file");
        exit;
    }

    fclose($handle);
} else {
    error("menu.xml does not seem to be writable. Check that you have the correct permissions");
}

//go back to gallery admin main page
header("Location:page_galleries.php");
?>

```

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 Canadian global competitiveness benefit from a government-to-government arrangement.

350 Albert Street, Suite 700
Ottawa, Ontario, K1A 0S6

Tel.: 1-613-996-0034

Fax: 1-613-995-2121

Toll-free in Canada and United States:
1-800-748-8191

www.ccc.ca

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Canadian Commercial Corporation
Corporation Commerciale Canadienne



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Executive Summary



Canada is an exporting nation, and accordingly, many Canadian companies rely on global exports to survive and thrive. Most industries would assert that international investment and trade drive innovation. While the importance of exports to Canada's economy is clear, the significant challenges that come with exporting into today's highly complex and competitive global markets cannot be overstated. To assist Canadian companies in exporting abroad, the Government of Canada has established a variety of tools, each unique in addressing significant export challenges. The Canadian Commercial Corporation ("CCC") is a fundamental component of this toolset. This Corporate Plan, entitled *Growing and Diversifying Canadian Exports*, outlines a renewed and exciting strategy aimed at achieving ambitious results for Canada.

Although CCC has been successfully working with Canadian businesses since 1946, the Corporation must regularly adjust its strategies to adapt to the changing global environment. Underpinning CCC's value proposition is its ability to mitigate risks for Canadian exporters. It does this through its unique government-to-government ("G2G") contracting model, which assists Canadian exporters in securing contracts in new markets and global opportunities with foreign government buyers. For the buyer, a G2G structure reduces the risk of buying from a Canadian exporter, providing an incentive to buy from Canada. For the Canadian exporter, CCC's risk-mitigating support enables entry into new markets that they might not otherwise enter. The end result is that a greater number of exports occur because of CCC's trade mandate.

This Corporate Plan outlines a fundamental shift in the execution of a Diversification Strategy aimed at broadening the number of sectors and the number of Canadian companies in CCC's portfolio. Following an in-depth analysis of the needs of Canadian industry, a renewed understanding of the global economic landscape, and benefiting from an early foray into new sectors of interest and regional representation, the Corporation is launching a new strategy centered on the following strategic objectives:

1. Growth Through Diversification – CCC will launch a Diversification Strategy to generate exports for the infrastructure, aerospace, clean technology (“cleantech”) and information communications technology (“ICT”) sectors, in addition to the defence sector. Each of these sectors are rife with opportunities for Canadian exporters looking to export to riskier markets outside of North America.

2. Create New Market Opportunities – CCC is focused on increasing the number of exporters it serves. In particular, the infrastructure sector has seen significant potential in emerging and developing nations and will be a priority for the Corporation. Additionally, CCC is exploring new ways of supporting small and medium-sized enterprises (“SMEs”). SMEs are a key component of the Canadian economy. The Corporation will establish a focus on SMEs, initially within the cleantech sector wherein the Corporation already has key prospects, and will work with other Crown corporations and government departments to identify ways to more holistically and directly support SMEs through combined efforts. Pilot efforts in that regard will occur in the first quarter of 2019-20.

3. Trusted Partner in International Trade – CCC is already world-class in its approach to anti-bribery and anti-corruption. However, within this Corporate Plan period, CCC is adjusting and improving its practices related to human rights. In particular, the Corporation's practices will fully align with Canada's implementation of the Arms Trade Treaty through Bill C-47, An Act to amend the *Export and Import Permits Act* and the Criminal Code.

A key initiative that will substantially support the new strategic direction, is a refreshed Marketing Strategy centered on how CCC can best meet stakeholder needs to drive sales for Canadian exporters and assist Canadian partners. This foundational exercise will have two goals:

- to align CCC practices with stakeholder needs; and
- to broaden stakeholder awareness of CCC, the Diversification Strategy and how the Corporation can help them grow their exports.

Ultimately, this initiative will enable CCC to remain relevant and build greater understanding of its value proposition and the positive impact it has on the Canadian economy. It will greatly support the achievement of the Corporation's diversification objectives.

Canada and CCC have both established important and ambitious export targets. The Government of Canada's recently announced Export Diversification Strategy seeks to increase Canada's overseas exports by 50% by 2025. CCC is a key partner to achieving this goal, and is targeting a 67% increase in international export contracts signed in its fee generating business lines by 2024. To achieve this growth and optimize the support it provides to Canadian exporters, CCC is shifting its strategic direction and enhancing its corporate processes to better align with exporter needs, changing business drivers, and Government of Canada priorities.

This strategy provides a solid foundation for growth, and while the value of contracts signed (“VCS”) targets are ambitious, they are achievable. CCC currently has a pipeline of approximately 100 opportunities totaling over \$18 billion. The pursuit cycle is typically six (6) to thirty (30) months, and the pursuits in the pipeline are at various stages of maturity. Typically about half of the leads become qualified opportunities, and of those qualified opportunities about 13% result in a contract. This supports the achievability of the Corporate Plan VCS targets of \$550 million rising to \$920 million in five (5) years. As these opportunities mature and awareness of CCC’s G2G value proposition grows, CCC is confident that past experience, combined with a whole-of-government approach to business development, will enable it to help an increasing number of Canadian exporters succeed in complex markets.

CCC’s renewed vision, anchored in its Diversification Strategy, will leverage the Corporation’s core contract and risk management strengths to focus on sectors where the G2G model is most relevant. Investments in regional and sector expertise and in risk mitigation and evaluation techniques have positioned CCC as a strategic partner to Canadian exporters in complex markets. Specifically, the planning period will see the Corporation focus not only on diversifying key markets and growing exports, but also on diversifying the types of exporters that comprise CCC’s customer base. This includes strengthening

CCC’s role in key growth sectors, such as infrastructure, cleantech and energy, as well as exploring ways to provide better direct support to SMEs. Moreover, recognizing the growing importance of responsible business conduct in the international ecosystem, CCC is dedicated to positioning itself as a trusted partner.

Finally, CCC holds responsibility, on behalf of the Government of Canada, for administering the Defense Production Sharing Agreement (“DPSA”), an important bilateral agreement between Canada and the United States (“U.S.”) for defence procurement. Last year, approximately 5,300 Canadian jobs were directly supported through contracts under the DPSA. While the DPSA is an important economic engine for Canadian exporters, it is administered on a no-cost basis to exporters and to the U.S. Department of Defense (“U.S. DoD”).

While a successful implementation of this renewed direction will require the Corporation to invest in its people, processes and systems, it will enable CCC to deliver greater value and remain a relevant support mechanism for Canadian exporters in the years to come. By the end of the planning period, CCC aims to deliver over \$2.5 billion annually on CCC contracts around the world, creating or sustaining over 16,000 Canadian jobs annually.¹

¹ Based on Canadian aerospace industry estimates as noted in “The State of Canada’s Aerospace Industry,” 2018 Report available at: https://www.ic.gc.ca/eic/site/ad-ad.nsf/eng/h_ad03964.html

Corporate Overview



Mandate

Established in 1946, CCC was created by articles of incorporation under the *Canadian Commercial Corporation Act* (“CCC Act”) for the purpose of assisting in the development of trade between Canada and other nations. The CCC Act² defines this role and provides the Corporation with a range of powers, particularly the ability to export goods from Canada either as a principal or as agent.

The Corporation is established for the following purposes:

- a. to assist in the development of trade between Canada and other nations;*
- b. to assist persons in Canada*
 - i. to obtain goods and commodities from outside Canada, and*
 - ii. to dispose of goods and commodities that are available for export from Canada;*

- c. to exercise or perform, on behalf and under the direction of the Minister, any powers or functions vested in the Minister by any other Act that authorizes the Minister to employ the Corporation to exercise or perform them; and*
- d. to exercise or perform any other powers or functions conferred on it by any other Act or for the exercise or performance of which it may be employed under any other Act.*

CCC 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. As a Government of Canada entity authorized to execute commercial contracts with foreign government buyers, CCC is uniquely positioned to support Canadian exporters, and is focused on increasing Canada’s trade footprint across diverse sectors and priority markets. CCC is headquartered in Ottawa, Ontario.

² *Canadian Commercial Corporation Act*. Accessed at: <http://laws-lois.justice.gc.ca/eng/acts/C-14/page-1.html>

Mission and Statement of Commitment

CCC assists Canadian corporations in the development of trade. CCC does this principally by helping Canadian exporters access government procurement markets of other nations through G2G contracting.

CCC is committed to being a trusted partner for acquisitions from Canada on a G2G basis. CCC offers its services where market access, risk mitigation and Canadian global competitiveness benefit from a G2G arrangement.

Services

As Canada's G2G contracting organization, CCC's primary service involves reducing risk in complex international transactions. The Corporation does this through the execution of prime contracts with foreign government buyers to provide goods and services available for export from Canada. CCC guarantees the terms and conditions of the contracts with the foreign government buyers, mitigating the buyers' risk and providing an added incentive to procure from Canada. CCC then enters into contracts with Canadian exporters to fulfill the requirements of these G2G contracts.

Prior to entering into a transaction, CCC assesses the transaction's overall risk profile. This includes an in-depth analysis of the exporter's technical, managerial and financial capabilities to ensure it can fulfill all contractual obligations. CCC also reviews the exporter's ethical business practices. With respect to other risk drivers related to the transaction, CCC reviews human rights issues, environmental impacts and the buyer's risk profile, as applicable. This holistic approach ensures that the transaction fits within CCC's risk tolerance and is aligned with Government of Canada policies.

This risk analysis also sets the foundation for CCC's ongoing risk monitoring and contract management. In this regard, CCC is able to leverage its capacity as a Government of Canada organization to monitor progress and bring resolution to issues that may arise during the contract's lifecycle. CCC's involvement in contracts reduces payment collection risks and business development costs, aids in gaining more advantageous contract and payment terms for Canadian exporters, and promotes responsible business practices within Canadian industry and the buying nation.

Business Lines

1. INTERNATIONAL COMMERCIAL BUSINESS

CCC's new strategic thrust is designed to capitalize on significant opportunities across a broader set of industry sectors. These sectors are specifically targeted because they reflect industries that are positioned for substantial growth through exports and are well matched to global opportunities in the G2G marketplace. These sectors comprise CCC's International Commercial Business ("ICB") business line as outlined below:

- i. aerospace,
- ii. infrastructure,
- iii. clean technology ("cleantech"), environment, and energy, and
- iv. information and communications technology ("ICT").

These growth sectors reflect priority areas for foreign buyers and align with the Government of Canada's Export Diversification Strategy.

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

Cuba Contracting Program – This program streamlines the procurement processes by matching Cuban procurement needs with Canadian sources of supply, transfers Cuban payment risk to Canadian financial institutions, and helps resolve contractual issues that may arise.³

Electronic Lottery System Program – CCC's involvement brings transparency and credibility to the operation of the two *good cause* national electronic lotteries in Central America. These lotteries help generate funds to relieve poverty and provide educational and social support to youth and senior citizen populations, including through the establishment of a nationwide network of community computer access centers.



2. GLOBAL DEFENCE AND SECURITY

CCC's Global Defence and Security ("GDS") business line focuses on assisting Canadian companies to compete and secure sales in global defence markets. Sales to customers in this business line are comprised of goods from a broad spectrum of Canadian companies. Canada has developed a highly innovative defence industry base leveraging its relationship with the U.S. as part of the North American Defence Industrial Base. This business line has two components: (1) sales to the U.S. DoD under the DPSA and (2) defence and security sales to other global markets.

Sales to the U.S. DoD under the DPSA – CCC assists Canadian companies from a variety of sectors to compete for contracts with the U.S. DoD in accordance with the terms and conditions of the DPSA and U.S. defence procurement regulations.⁴ Canadian exporters are also able to leverage the U.S. Foreign Military Sales program through access to the DPSA, which enables them to sell into the U.S. DoD inventory. CCC incurs significant costs to operate this public policy program on behalf of the Government of Canada, for which the Corporation does not charge fees or receive other funding.

Defence and Security Sales to Global Markets – Where there is alignment with the broader Government of Canada policies and initiatives, CCC assists Canadian companies in the defence and security sectors to achieve sales with select foreign governments and North Atlantic Treaty Organization ("NATO") allies. These sales build on the Corporation's experience selling to the U.S. DoD and its Foreign Military Sales program.

³ Since 1991, CCC's cumulative value of contracts with the Cuban Sugar and Tourism industries has reached more than \$1 billion. Canadian exporters using CCC's Cuba Contracting Program benefit greatly from CCC's G2G contracting mechanism.

⁴ Last year, approximately 5,300 Canadian jobs were directly supported through contracts with the U.S. DoD under the DPSA.

3. OTHER BUSINESS ACTIVITIES

Sourcing Services – CCC assists Government of Canada departments and agencies in efficiently and effectively sourcing goods and services to meet a variety of international commitments or programming needs. In this regard, CCC has supported a wide range of contribution and capacity building programs: providing urgent disaster relief support; helping foreign governments in their efforts to fight cross-border crime (i.e. fraud, corruption, human trafficking); supporting anti-terrorism efforts (both domestic and international); and facilitating Canada's contributions in other international endeavours (i.e. scientific or other collaborations). The expertise and support CCC provides varies by program and includes contracting services, contract structuring, contract management, project coordination, and project management. In this context, CCC's services can assist in the expeditious and cost-effective sourcing of goods and services for the benefit of Canada's international emergency response efforts.

Canadian Trade Offices – On behalf of Global Affairs Canada, CCC manages ten Canadian Trade Offices in China. These offices, located in China's rapidly developing second-tier cities, provide support to Canadian companies as they seek to enter the Chinese market. CCC's services provide a cost-effective solution for Global Affairs Canada.

International Trade Portfolio

CCC is a member of the Government of Canada's International Trade Portfolio. The Corporation's contracting and procurement expertise complements the advisory services of Global Affairs Canada's Trade Commissioner Service ("TCS") and the financial services provided by Export Development Canada ("EDC"). CCC is critical in helping Canadian exporters win contracts in complex international government procurement markets. It is able to target more specific projects and exporters, and works in tandem with those exporters, principally in the G2G contracting space, to secure contract opportunities. CCC's niche focus allows it to be strategic in its scope and to deliver exceptional direct support to its customers. CCC's status as a contracting party to projects also provides a tangible opportunity to advance Canadian trade while concurrently achieving policy objectives such as strengthening innovative sectors, assisting SMEs, and promoting and entrenching responsible business conduct.⁵

In addition to working with portfolio partners, CCC is embarking on a new strategy to partner with other government organizations such as the Business Development Bank of Canada ("BDC") and Sustainable Development Technology Canada ("SDTC") to bring greater support to the SME community of exporters. The goal of this initiative is to provide cross-organizational exporter support to SMEs, while also finding a means to backstop financial risk. Initial efforts in this area will focus on the cleantech sector in the first quarter of 2019-20.

⁵ In this context, responsible business conduct refers to doing business abroad in an economic, social and environmentally responsible manner. More information can be found at <https://www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/other-autre/csr-rse.aspx?lang=eng#RBC>

Financial Position

While the DPSA is an important economic engine for Canadian exporters, it represents a significant cost to CCC as the services provided under this public policy program are administered on a no-cost basis to exporters and to the U.S. DoD. In the absence of any funding source or fees attached to this specific program, the Corporation utilizes revenues generated through its other fee-based business lines to cover the cost of the DPSA.⁶

CCC's renewed strategic direction recognizes the inherent challenges and volatility of G2G contracting, wherein contract pursuits often take years to culminate and wherein numerous variables beyond the control of the Corporation can derail an otherwise promising opportunity. Examples of such variables include the diversion of budgets to address emergencies like natural disasters, changes in the priorities of buying nation governments following national elections, geopolitical stresses between various levels of government, and changes in commodity prices.

To offset these business risks, CCC is building a larger pipeline of business with greater sector and transactional diversity. Over the planning period, the Diversification Strategy is expected to generate sufficient annual revenues to offset the significant costs of the DPSA public policy program and generate an operating surplus. Key to this success is a focused approach to signing high-value export contracts with large Canadian companies.

In 2017-18, the Corporation worked with 182 exporters to deliver \$2.4 billion of Canadian goods and services abroad and posted an operating deficit. The forecast for 2018-19 also anticipates a deficit with a succession of smaller deficits in the first three years of this Corporate Plan timeline. Breakeven results are forecasted for the final two years, predicated on the achievement of the growth assumed in the Corporate Plan.

The 2017-18 Annual Report is posted at <https://www.ccc.ca/en/ccc/about-ccc/corporate-reports>.



⁶ CCC continues to fulfill its DPSA obligations without charging fees and at no cost to the Government of Canada. The annual cost of operating this program is approximately \$12 million. An alternate funding mechanism for the operation of this public policy program would significantly reduce CCC's financial risk.

01 Operating Environment



The global environment continues to change at a fast pace, and is being driven by a number of forces including: the global rise of protectionism; changing political landscapes; new free trade agreements and changes to existing agreements; the surge of emerging markets like China and India; climate change; sustainability and technology. This global environment continues to offer significant opportunities for Canadian exporters, but also considerable risk. Looking ahead, the only certainty is more change, and CCC must be prepared to adapt and evolve in order to effectively deliver on its mandate.

External Environment

Global Affairs Canada reports that one in every five Canadian jobs is directly linked to exports. As the world becomes more complex, Canadian exporters will face challenges in accessing both traditional

and new markets. The Government of Canada's *Fall Economic Statement* for 2018 recognized these challenges and announced the Government's intention to significantly bolster export opportunities for Canadian businesses, and diversify Canada's overseas trade.⁷ To that end, the Government is launching an Export Diversification Strategy that will focus on three key components: investing in infrastructure to support trade, providing Canadian businesses with resources to execute their export plans, and enhancing trade services for Canadian exporters. In this context, CCC's mandate and the targeted support it provides to Canadian exporters has heightened relevance. The new corporate strategy will seize on that relevance in diversifying into new industry sectors, increasing the number of Canadian exporter customers, and driving greater trade results and job creation for Canada.

⁷ Government of Canada. Fall Economic Statement 2018. Accessed at: https://budget.gc.ca/fes-eea/2018/docs/nrc/2018-11-21_2-en.html

STRATEGIC ISSUES

The key strategic issues faced by the Corporation over the Plan period include (1) global economic conditions, (2) the geopolitical environment, and (3) technological advances and climate change.

1. Global Economic Conditions: While global economic growth continues to face uncertainty, Canadian exports are forecast to increase in the near-term.⁸ Governments are placing renewed attention on bilateral agreements and multilateral agreements to ensure continued market access. As a Government of Canada entity authorized to execute commercial contracts with foreign government buyers, CCC is uniquely positioned to support Canadian exporters and to increase Canada's trade footprint in new and priority markets. Trade diversification is now seen as critical for Canadian exporters to mitigate long-term market concentration risk; however, a broadening of trade partners away from traditional partners, such as the U.S., introduces new risks. As a result, Canadian exporters require support from Government agencies, including CCC, to prosper in international markets.

2. Geopolitical Environment: The emergence of populist and protectionist government policies in some nations have resulted in the imposition of increased barriers to world trade. This creates new risks and uncertainties including: rising military tensions, economic and commercial disruptions, fast changing international relations, and impacts to domestic political conditions in some countries. Implications for CCC include reduced demand in key regions of the world, and greater tariffs or other restrictions in certain export markets. In addition, there may be a greater need for CCC's expertise and involvement to bring to resolution complex issues that arise during a contract's lifecycle.

The emergence of political risks linked to responsible business practises and human rights remains a focus within the international community. Businesses have an increasing responsibility to ensure that exports are used in a responsible manner which safeguards human rights. CCC is working with Canadian agencies to become a leader in responsible business conduct, including respect for human rights, and seeks to use trade as a vehicle to promote and entrench these values.

3. Technological Advances and

Climate Change: A precipitous decrease in the cost of renewable energy technologies, innovative climate policies, and strong electricity demand have thrust developing countries to the forefront of the global transition to low carbon energy. This sector is expected to become a key economic driver of the future, with the global clean growth economy estimated to be worth \$26 trillion over the next 12 years.⁹ Canada's Export Diversification Strategy will help Canadian exporters seize these market opportunities in emerging markets.

CCC, along with its Government of Canada partners, continues to support efforts in the renewable technology sector including the Joint Account Management Group Mechanism and the Cleantech Global campaign. This collaboration will help CCC leverage Canadian expertise in these emerging sectors.

⁸ EDC, Global Export Forecast, Fall 2018.

⁹ Government of Canada. Speech by the Honourable Bill Morneau – *Fall Economic Statement 2018: Investing in Middle Class Jobs*. Accessed at: <https://budget.gc.ca/fes-eea/2018/docs/speech-discours/2018-11-21-en.html>

CANADIAN EXPORTERS

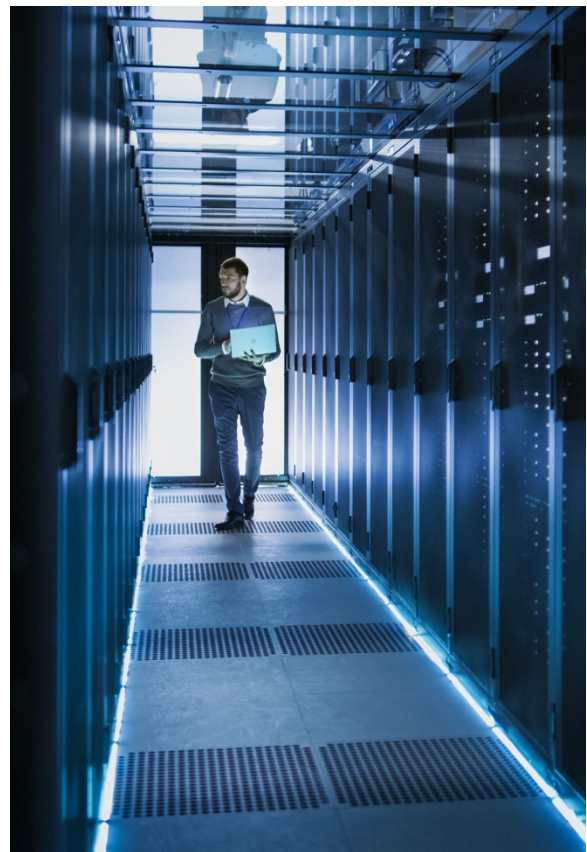
CCC's services are best suited to Canadian exporters who have products and services fit for foreign government buyers. While CCC's support is extended to all Canadian exporters, both large and small, CCC's risk management requirements and corporate strategy have traditionally narrowed its focus to large and medium-sized Canadian exporters. These larger firms, however, have extended supply chains that source goods and services from companies (including SMEs) across all parts of Canada. This integrated supply chain, and its positive indirect SME impacts, strengthen Canada's overall economy, contributing to jobs and growth.

CCC is committed to increasing the number of Canadian exporters it supports both in terms of helping Canadian companies in the "lead" or pre-closing stages of project development and through to contract signature. Moreover, as part of its SME focus, CCC is reviewing how it can partner with other government organizations to enable more SMEs, both directly and indirectly, to benefit from the Corporation's G2G model. Initial efforts in this area are focused on the cleantech sector with the aim to broaden the program to other sectors in the future.

While SMEs are of critical importance to the Canadian economy, contributing over 30% of Canada's gross domestic product ("GDP"), SMEs struggle to participate successfully in complex international contracts, including public procurement, and may not have the legal or administrative capacity to effectively engage foreign buyers without support. CCC will examine ways to assist in bridging those gaps, while also keeping in mind that smaller deals mean greater cost, lower fees and higher performance risk.¹⁰

GOVERNMENT BUYERS

CCC targets foreign government buyers at the national, sub-national and government-owned enterprise level. CCC's model works best where foreign government procurement rules allow for G2G contracts and CCC's risk mitigation advantage is most valuable, namely in complex emerging markets particularly in Latin America, Africa and Asia-Pacific.



¹⁰ These small SME deals do not generate sufficient fees to cover the cost of service, but utilize almost identical resources when compared to large deals.

The decision to purchase Canadian products rests with the foreign government buyer who is required to balance priorities with budgetary spending. Given that these acquisitions are highly complex, politically sensitive, and require significant budget dollars, the timing and certainty of contract signing is difficult to forecast. The gestation period for contracts in the government marketplace from the initial pursuit stage to contract signature can extend multiple years. Pursuits nearing finalization can be suddenly delayed or cancelled due to a myriad of reasons including natural disasters, elections or fluctuating commodity prices.

COMPETITION

Canada's export economy is largely based on primary resources and manufacturing inputs as opposed to turn-key integrated offerings. In addition to this, increasing global competition continues to impact Canadian exporters. This challenge is heightened by support other governments provide to their domestic companies that is designed to increase the competitiveness of their domestic export firms and industries. While CCC is not aware of any corresponding government entity equivalent to CCC, foreign governments use support mechanisms that range from advantageous financing arrangements to the provision of extensive political advocacy to support export trade. Foreign governments have also established specific entities to help key sectors sell abroad.

Internal Environment

CCC is committed to being an employer of choice and recognizes the need to focus on strategic recruitment and development of its workforce.

HUMAN RESOURCES OVERVIEW

With a staff of 127 people, CCC is proud of its contribution to the growth in Canada's international trade to date.



Approximately 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. A new collective bargaining agreement has been reached. Pending ratification, CCC will continue to operate under the agreement that expired June 19, 2018.

NOTABLE OPERATIONAL INITIATIVES

Diversification Strategy

This Corporate Plan outlines a fundamental shift in the execution of a Diversification Strategy aimed at broadening the number of sectors and the number of Canadian companies in CCC's portfolio. The approach entails marketing CCC's value proposition to a broad spectrum of companies and industry sectors to generate business opportunities. However, given CCC's presence abroad and its close partnership with the TCS, the Corporation is launching an intensified initiative to proactively identify opportunities abroad and match those opportunities to Canadian exporter capabilities. This approach will drive significant growth in VCS, leveraging an overall pipeline valued at over \$18 billion. The strategy provides a two-pronged approach to identify new business and provides a solid foundation for growth.

Given the importance of the new Diversification Strategy, significant resources are being devoted to its execution with the goal of expanding the number of Canadian exporters and industries CCC supports, as well as the number of foreign buyers with whom CCC contracts. In this context, CCC is identifying ways to meet the needs of a growing base of exporters across diverse markets. This includes ensuring the Corporation has a skilled workforce that is able to evolve.

CCC's Diversification Strategy identifies export-oriented industries with a potential for G2G demand, and a strategic importance to the Canadian economy in terms of employment, research and development, innovation and productivity. The five sectors are: (1) aerospace, (2) infrastructure, (3) cleantech, environment, and energy, (4) ICT and (5) defence.

In considering the relative size of the market opportunities in each sector, CCC is anticipating that the infrastructure sector will drive the greatest proportion of ICB business in the early years of the planning period. During this period, awareness of CCC's value proposition will also increase across ICT and cleantech sectors, such that their proportionate share of ICB business increases gradually to more than 25% in the final years of the plan.

Recognizing CCC's renewed vision, strategic objectives, feedback from key industry players, and the distribution of opportunities within the Corporation's pipeline, the infrastructure sector has been identified as a priority sector within the Diversification Strategy. As such, additional resources with specialized skill sets are being targeted with a focus on engineering and infrastructure financing expertise. These resources will be in addition to the initiatives summarized below. Specifically, CCC has recently hired a Director of Business Development Operations with significant infrastructure expertise and is accelerating plans to grow the prospective customer base in infrastructure sub-sectors through new lead generating activities. At the current time, the infrastructure sector accounts for 37% of the \$18 billion qualified pipeline, and 31% of the 45 prospective new customers with whom CCC is actively engaged in new contract opportunities in target markets.

Brief overviews of the five sectors are below:

- ICT: A global market estimated at greater than \$4 trillion; smart city and cybersecurity programs are key target areas.
- Infrastructure: A global market estimated at greater than \$2.5 trillion, driven significantly by demand in emerging and developing markets, where government investments are connected to a large proportion of transportation and energy infrastructure development.
- Cleantech: A global market estimated at greater than \$1 trillion and growing rapidly; public utilities and transportation authorities are driving much of the market internationally; water and wastewater expertise and carbon capture/storage are two exportable Canadian specialty areas.
- Aerospace: A global market estimated at greater than \$800 billion, wherein Canada is internationally recognized as an aerospace leader; 75% of Canada's aerospace products and services market (\$25 billion) is exported annually.
- Defence: A global market estimated at \$1.7 trillion; defence/security remains an important budget item for most allied and like-minded nations, particularly the U.S.; Canadian expertise is renowned to the point where 60% of Canada's \$10 billion market is exported.

Processes and Systems

To help more Canadian exporters succeed, CCC is investing in a culture of continuous improvement to identify process changes and efficiencies, allowing resources to be redistributed and overall capacity increased. These changes will lead to optimized workflows, organizational structures, and improved information and security systems. The goal is to ensure maximum efficiency to manage future business growth and provide CCC's client base with enhanced service.

CCC has also increased its focus on risk, and is adjusting its processes and practices to address growing business volumes and risk profiles related to the new industry sectors of focus. In this context, the Corporation has expanded the scope of the Risk and Opportunities Committee ("ROC") and improved its operating practices and reporting. A new Contract Risk Management ("CRM") Framework has been implemented to focus on early stage risk management and mitigation across all CCC contracts. The Corporation's risk culture has grown to better incorporate a progressive approach to managing human rights on its international transactions. A Human Rights Committee ("HRC") has been established and the Enterprise Risk Management ("ERM") Framework has been updated to include human rights as a specific risk facing the Corporation. The HRC makes policy recommendations to the ROC that enhance and standardize CCC's approach to human rights due diligence. The HRC will provide recommendations related to human rights risk on a transactional basis to the ROC. This process seeks to identify, analyze, engage and monitor human rights issues by aligning with the United Nations Guiding Principles for Business and Human Rights. A key aspect of CCC's human rights process is collaborating with Global Affairs Canada to ensure broader expert views and information are considered as part of CCC's overall assessment.

Financial

As stated earlier in the Corporate Plan, CCC's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). In May 2014, the IASB issued *IFRS 15 – Revenue from contracts with customers* ("IFRS 15"). Further amendments were issued in April 2016, establishing a comprehensive framework to identify customers and performance obligations, determine if entities are acting as agents or principals, and for the recognition, measurement and disclosure of revenue. IFRS 15 must be applied retroactively for annual periods beginning on or after January 1, 2018.

IFRS 15 will have a significant impact on the financial statements of the Corporation due to a change in classification from principal to agent¹¹ for purposes of revenue recognition. The Statement of Comprehensive Income will be significantly impacted as Commercial Trading Transactions ("CTTs"), and their offsetting costs, will no longer be presented in the Revenue section of the Statement (\$2.5 billion in the 2018-19 forecast). Additionally, asset and liability balances related to accounts receivable and payable, advances and progress work on the Statement of Financial Position will be significantly reduced. The changes related to the adoption of IFRS 15 will first be reported as at March 31, 2019 and are not yet reflected in the Corporate Plan.

Audits and Reviews

The most recent audit conducted by the Office of the Auditor General ("OAG") was for the year ended March 31, 2018, and resulted in an unqualified audit opinion. In addition to regular audits by the OAG, CCC is undergoing a Special Examination to be completed in 2019.

ALIGNMENT WITH GOVERNMENT PRIORITIES

1. Minister of International Trade Diversification's Mandate Letter

The Minister's mandate letter defines the Government of Canada's priorities as growth for the middle class; open and transparent governance; a clean environment and a strong economy; strength through diversity; and security and opportunity.¹² CCC supports these policy goals. The Corporation's contracting services expand international trade and lead to growth for the middle class. CCC services also lower transaction risks associated with international trade, enabling Canadian exporters to pursue opportunities, they might not otherwise pursue. Further, as a Crown corporation, CCC follows government standards in open and transparent governance, and provides support to multinational firms as well as SMEs, which drives employment and creates opportunities for all Canadians. These companies may be broadly held, or owned by women, Indigenous people, youth and new immigrants from all parts of Canada.

¹¹ CCC's classification as "agent" is pursuant to the IFRS for accounting and revenue recognition purposes.

¹² Minister of International Trade Diversification Mandate Letter (August 28, 2018). Accessed at: <https://pm.gc.ca/eng/minister-international-trade-diversification-mandate-letter-august-28-2018>

2. Fall Economic Statement

The Government of Canada's *Fall Economic Statement* for 2018 announced its intention to significantly bolster export opportunities for Canadian businesses, and diversify Canada's overseas trade. To that end, the Government will launch an Export Diversification Strategy, with a target of increasing Canada's overseas exports by 50% by 2025.¹³ The strategy focuses on three components:

- Strengthening trade corridors to Asia and Europe,
- Enhancing help for companies exploring new markets; and
- Providing more trade services for exporters.

CCC is well positioned to help achieve these trade priorities. In fact, the growth in exports for CCC's fee-based business lines are forecasted to grow by 67% during this corporate plan period ending in 2024. The Corporation's Diversification Strategy includes a focus on helping companies explore new markets including in Asia and Europe. Further, CCC provides tangible help and trade services for exporters through its unique G2G contracting service for Canadian exporters, and CCC is looking at ways to do more by increasing engagement with SMEs.

3. Other Policy Priorities

Expanding trade with China – CCC continues to operate ten (10) Canadian Trade Offices in China on behalf of Global Affairs Canada. These offices form a strategic element of the Government of Canada's approach to supporting Canadian companies active in the region. CCC manages these offices efficiently and economically, providing value to Canadian companies and Global Affairs Canada.

Supporting Government contracts – CCC's sourcing services provide contracting capacity to Government agencies in support of Government programming, particularly in support of Canada's disaster relief efforts. CCC support is provided through dedicated memoranda of understanding ("MOUs") with Government of Canada departments and agencies. Last year, these agreements facilitated contributions to 21 recipient countries and international agencies for projects ranging from off-the-shelf goods, professional and training services, procurement and installation of specialty equipment, and construction of facilities.

Respecting Responsible Business Conduct – CCC is aligning with the direction received from the Minister of International Trade Diversification in his letter dated September 24, 2018, wherein CCC was asked to ensure that human rights, transparency, and responsible business conduct are core guiding principles.¹⁴ CCC is building on its current strengths in integrity compliance to enhance its responsible business conduct framework, and ensure implementation of the Minister's direction by June 2019. This framework will align with the United Nations Guiding Principles on Business and Human Rights, the Organization for Economic Co-operation and Development ("OECD") Guidelines for Multilateral Organizations and Bill C-47 which will enable Canada's accession to the Arms Trade Treaty. This internal process will complement the Government of Canada's export control regime defined by the *Export and Import Permits Act* ("EIPA") and associated policies and regulations.

¹³ Government of Canada. Fall Economic Statement 2018. Accessed at: https://budget.gc.ca/fes-eea/2018/docs/nrc/2018-11-21_2-en.html

¹⁴ Letter from the Minister of International Trade Diversification to the Canadian Commercial Corporation Chair of the Board of Directors (September 24, 2018). Accessed at: <https://www.international.gc.ca/global-affaires-affaires-mondiales/partners-partenaires/cc/letter-lettre.aspx?lang=eng>

02 Strategic Objectives, Activities and Results



The global environment is dynamic, creating both opportunities and challenges for Canadian exporters. The Government of Canada's trade agenda is grounded in free trade agreements, which set the stage for international trade and assistance in removing barriers and uncertainty in a broad variety of markets. Government trade enablers such as CCC, are critical tools helping exporters navigate complex markets and mitigating the risks of doing business abroad. As such, the Corporation is continually evolving to meet the needs of the Canadian exporters of the future in line with the Government of Canada's trade agenda.

Through this Corporate Plan, CCC seeks to amplify its impact on trade through a renewed Diversification Strategy, which intensifies the Corporation's efforts in key industry sectors, particularly in the infrastructure sector, and by

embarking on a new SME strategy to more directly support the SME export community. Underpinning the ambitious growth objectives is an advancement of CCC's approach to Responsible Business Conduct. Already positioned as best-in-class with respect to anti-bribery and anti-corruption, CCC is implementing a refreshed approach to human rights assessments to further guide the Corporation in making export support decisions.

The renewed direction outlined in this Corporate Plan has benefited from a focused strategy development forum conducted by CCC's Board of Directors and Management. In reviewing its strategic direction against the key priorities in the Government of Canada's trade agenda, as well as its own fiscal and organizational enablers and constraints, key contextual realities were identified to assist in shaping the strategy. These contextual realities are reflected in the following table:

Trade Diversification	Growing global protectionism and uncertainty in traditional export markets, underscores the need for Canadian exporters to broaden their horizons and expand into developing markets.
New Growth Sectors and Support for SMEs	To ensure Canada's continued prosperity as an exporting nation in a changing world, new growth sectors, such as cleantech must be a focus. Moreover, there needs to be a focus on supporting SMEs to ensure they can grow and prosper through international trade.
Corporate Citizenship and Trade	Canada seeks to be a leader in Responsible Business Conduct and respect for human rights, and seeks to use trade as a vehicle to promote and entrench these values.

CCC's key objective is to *Grow Canadian exports through diversification*. To date, CCC's efforts to diversify are showing promise in generating more leads and a more robust pipeline. However, due to the volatility and nature of G2G contracting, the long pursuit gestation cycle and the time required to broadly implement CCC's Diversification Strategy, the full realization of results from this Strategy will take several years to materialize.

CORPORATE STRATEGIC GOALS

Based on the areas of focus noted above, CCC has established corporate objectives to deliver: (1) greater opportunities for Canadian exporters

through key sector focus and a sustained effort on diversification; (2) a focus on infrastructure as well as SME growth by exploring news ways to engage directly with SME customers; and (3) heightened awareness of CCC as a trusted partner in international trade, with a broader view to helping Canadian exporters secure greater opportunities as a partner of choice. Through these objectives, CCC will provide targeted support to Canadian exporters in line with the Government of Canada's trade agenda.

A summary of CCC's Objectives and Performance Measures are shown below:

Area	Description	CCC Objective	Performance Metric
Trade Diversification	Growing global protectionism and uncertainty in traditional export markets, underscores the need for Canadian exporters to broaden their horizons and expand into developing markets.	Growth Through Diversification	Growth in Value of Contracts Signed ("VCS") and Operating Results.
New Growth Sectors and Support for SMEs	To ensure Canada's continued prosperity as an exporting nation in a changing world, growth sectors, such as infrastructure, and cleantech must be a focus. Moreover, there needs to be a focus on supporting SMEs to ensure they can grow and prosper through international trade.	Create New Market Opportunities	Growth in the number of Canadian exporters CCC serves, including a focus on SMEs.
Corporate Citizenship and Trade	Canada seeks to be a leader in Responsible Business Conduct and respect for human rights, and seeks to use trade as a vehicle to promote and entrench these values.	Trusted Partner in International Trade	Application of the Net Promoter Score and CCC's Employee Engagement Score.

PLANNED MAJOR ACTIVITIES

Strategic investments in people, processes and systems in recent years have positioned CCC to execute on this new and ambitious Corporate Plan. Key investments in better understanding customer needs and on collaborating in a whole-of-government manner to identify and win business for Canadian exporters, will further the Corporation in achieving success.

While CCC's traditional focus on larger exporters has also yielded substantial positive impacts for Canadian SMEs who gained new business through the supply chain. In 2018-19, CCC supported over 1300 SMEs through indirect business. Notwithstanding these positive indirect impacts on SMEs, CCC will actively explore ways to partner with EDC, BDC and other government organizations to amplify its ability to assist SMEs in exporting abroad. Initial efforts in this area will focus on the cleantech sector in the first quarter of 2019-20.

Leveraging its best-in-class capability in the integrity compliance and anti-bribery area and CCC's capability in comprehensive risk assessment and proactive mitigation, CCC is enhancing its Responsible Business Conduct Framework by evolving its human rights review practices to better position CCC in making business pursuit decisions. This will also add to CCC's value proposition by encouraging Canadian exporters to adopt such practices into their own decision making and corporate processes. This is consistent with Canada's broader vision of using international trade as a vehicle to promote core values.

At the intersection of CCC's efforts is the emergence of a unique value proposition for prospective customers. More specifically, exporters who might otherwise be deterred by the many risks, including reputational risk, associated with a complex export opportunity in an unknown country can work with CCC to reduce those risks. This approach is opening new avenues for exporters to succeed in higher risk markets and in promoting Canadian values.



Based on CCC's objectives, the following key strategic activities are anticipated:

Objectives	Activities	Path to Achievement
1. Growth Through Diversification		
<i>Growing Demand and Awareness for CCC Services</i>	<p>Leveraging momentum from existing relationships and establishing new relationships with exporters and foreign government buyers to grow demand in the following sectors:</p> <ul style="list-style-type: none"> • Aerospace • Infrastructure • Cleantech, Environment and Energy • ICT • Defence 	<p>Establish and execute sector strategies to build relationships and the transaction pipeline in the specified sectors.</p> <p>Allocate resources to provide greater focus on the infrastructure sector and more rapidly grow the pipeline of opportunities.</p> <p>Establish and execute regional strategies to build relationships and the transaction pipeline in key markets.</p> <p>Broaden CCC's sector focus to include other sectors.</p>
<i>Industry and Exporter Outreach to Ensure Awareness of CCC's Value Proposition</i>	<p>Create a formal stakeholder roundtable.</p>	<p>Establish and execute industry and exporter outreach programs.</p> <p>Attend trade missions and other events to increase awareness of CCC's value proposition.</p> <p>Explore business possibilities created by the Joint Account Management group for cleantech.¹⁵</p>
<i>Continued Commitment to Existing Customers and Business Services</i>	<p>Continuing to provide client-focused collaborative support to Canadian exporters.</p> <p>Supporting continued access to the U.S. market through the DPSA and assisting DPSA customers in sales to other foreign markets.</p>	<p>Pursue a number of activities to achieve excellence in existing business lines including:</p> <ul style="list-style-type: none"> • Implementation of a refreshed Contract Management Risk Review process. • Strengthening of Risk Management Processes. • Implementation of an Information Management system to streamline internal collaboration. • Obtain targeted and proactive customer feedback, through a newly created "voice of the customer" process, to build on CCC's value proposition.

Objectives	Activities	Path to Achievement
2. Create New Market Opportunities		
<i>Exploration of Direct Support to SMEs</i>	<p>Leveraging existing experience with SMEs through supply chain, particularly in the cleantech sector, to explore pilot opportunities with government partners.</p>	<p>Explore opportunities to partner with EDC and BDC on innovative pilot initiatives with a view to providing cross-organizational exporter support to SMEs and finding means to backstop financial risk.</p>

¹⁵ The Joint Account Management group currently includes EDC, BDC, SDTC, and TCS.

Objectives	Activities	Path to Achievement
3. Trusted Partner in International Trade		
<i>Enhanced Responsible Business Conduct Framework</i>	Building on CCC's experience in integrity compliance, review CCC policies and procedures, including project due diligence, to ensure CCC is a leader in this area.	<p>Implementation of new policies and procedures to govern CCC's risk assessments and due diligence based on the United Nations Guiding Principles on Business and Human Rights.</p> <p>Use of the newly created HRC to make recommendations and oversee policies and process.</p>
<i>Optimized and Sustainable Organization</i>	<p>Continuing to focus on the implementation of a Continuous Improvement Initiative and fostering a lean organization to ensure a better exporter experience and more efficient processes.</p> <p>CCC to focus on the enhancement of skills sets to enable the organization to better support the exporters of tomorrow.</p>	<p>Ongoing training to create a culture of continuous improvement and develop a measurement system.</p> <p>Advancement of a financial sustainability model to ensure CCC's long-term viability.</p>
<i>Refresh CCC's Marketing Strategy</i>	Refreshing CCC's Marketing Strategy to create greater awareness of CCC's value proposition and deeper engagement through proactive business development.	<p>Engage external consultants to assess stakeholder awareness of CCC and develop an approach to educate stakeholders and customers about CCC's value proposition.</p> <p>Devise a content and outreach program to ensure CCC's value proposition is clear and widely known.</p> <p>Obtain targeted and proactive customer feedback, through a newly created "voice of the customer" process, to build on CCC's value proposition.</p> <p>Improve dialogue and communication between CCC and the whole-of-government to ensure a collaborative approach to exporter trade support.</p>

ONGOING OPERATIONAL PRIORITIES

Achieving these objectives requires CCC's commitment to the following operational priorities:

- Alignment with Government of Canada Priorities
- Clear stage-gating to focus on leads and pursuits
- Strengthened risk management
- Sound contract management practices
- Investment in people and skills
- Collaborative approach to projects
- Continued Financial Discipline

CORPORATE PERFORMANCE SCORECARD

Strategic Goal	
1. Growth through diversification	Growth in Value of Contracts Signed (VCS) and Operating Results
2. Create new market opportunities	Growth in the number of Canadian exporters CCC serves, including a focus on SMEs
3. Trusted partner in international trade	Application of the Net Promoter Score and CCC's Employee Engagement Score

Value of Contracts Signed				People and Financial			
Performance Measure	Forecast 2018-19	Target 2019-20	Plan Period Target 2023-34	Performance Measure	Forecast 2018-19	Target 2019-20	Plan Period Target 2023-34
Value of Contracts Signed - \$M	\$1,649	\$1,495	\$1,890	Operating Result (Deficit) Surplus - \$K	(\$2,945)	(\$5,451)	\$433
Diversification and Growth ¹ - \$M	\$698	\$550	\$920	Employee Engagement Score*	67	70	>75

Customer Focus				Public Policy			
Performance Measure	Forecast 2018-19	Target 2019-20	Plan Period Target 2023-34	Performance Measure	Forecast 2018-19	Target 2019-20	Plan Period Target 2023-34
Net Promoter Score ²	38	42	>50	DPSA VCS - \$M	\$680	\$675	\$700
Exporters Served: ⁴				SMEs Served: ⁵			
Customers ³	163	175	>200	Direct ⁶	75	80	>100
Exporters with Leads	40	65	>100	Indirect ⁷	1390	1400	>2000

1 The impact of the Diversification Strategy on growth related to GDS and ICB (excluding Cuba and Lottery Programs) fee generating VCS. 67% increase over the planning period.

2 Computed under a new Net Promoter Score calculation approach, which is consistent with the broader Net Promoter Score calculation.

3 Customers are defined as Canadian companies with active contracts under management.

4 Aggregate of customers and Canadian exporters with leads.

5 For CCC, a SME is defined as a Canadian business that: i) employs less than five hundred (500) employees, and ii) generates less than fifty million dollars (\$50,000,000) in annual sales.

6 SMEs classified as Direct are those with contracts directly with CCC.

7 SMEs classified as Indirect are those that are integrated into CCC's contracts with larger Canadian exporters.

* Benchmarks: Net Promoter Score (range -100 to +100) a positive score is considered good, >50 is excellent, and >70 is considered world class; an Employee Engagement Score of >75 for a small public sector organization is considered excellent (source: TalentMap 2017)

Risk Assessment

CCC RISK OVERVIEW

CCC uses a two-pronged approach to risk management for export transactions. First, key risk factors are evaluated prior to acceptance of a Canadian exporter as a customer. CCC conducts due diligence on the exporter's technical, managerial and financial capacity to perform the project, and assesses Responsible Business Conduct elements of the transaction, including human rights. Second, all performance risk related to a project is transferred to the Canadian exporter using contractual mechanisms. In terms of the contractual obligations, CCC relies on the underlying financial strength of its exporters' balance sheet to make good on the exporter's obligation to indemnify CCC in the event of any loss suffered by the Corporation because of its participation in a project. That is to say, CCC ensures that the exporter has the financial means to indemnify CCC for any contractual non-performance in the delivery of the project.

Based on the above, the key residual risks owned by CCC relate to reputational risk with foreign buyers if project delays or terminations occur as a result of CCC's exporter failing to perform its contractual obligations.

CORPORATE PLAN RISKS

CCC considers the following to be the key risks to achieving the Corporate Plan objectives:

- **Financial risks:**
 - **Concentration risk:** This risk arises due to CCC's relative reliance on fees earned from a small number of large dollar value transactions. As a result, changes in scope or delivery expectations may result in changes to CCC's revenues.
 - **Structural risk:** The DPSA services are delivered by CCC on a no-fee basis with all associated costs being funded by CCC.
 - **Capital adequacy:** CCC's capital adequacy model measures the financial risk of unexpected losses related to its export transactions, operational risk and credit risk. As of October 31, 2018, the model's calculated risk exposure is adequately covered by CCC's equity position of approximately \$23 million.
- **Business environment risk:** Given that the Corporation operates in challenging markets where government budgets are dynamic, subject to frequent change, and political risk, achieving G2G export sales is a challenging objective. Moreover, with the global trade environment under pressure as a result of protectionism and polarization, the relevance of the G2G model and Canada's desirability as a partner of choice may fluctuate in some markets.
- **Strategy execution risk:** CCC's Diversification Strategy marks an ambitious change in direction. Changes of this magnitude always involve some risk. As a result, CCC views the following risks as inherent in the Corporate Plan: Implementation risk, changing conditions and uncertainty, and ensuring sufficient financial and organizational capability to deliver the strategy.

03 Financial Overview



Planning Assumptions

Context and Planning Assumptions for the 2019-20 to 2023-24 Corporate Plan

- **International Relations:** As G2G contracting is dependent upon Canada's international relations with other nations, changes in diplomatic relations may have a material impact on key pursuits and contracts.
- **Global Economic and Geopolitical Conditions:** Evolving market conditions, availability of financing, geopolitical considerations, and leadership changes may impact the tenable pipeline in certain key countries. These influences are exacerbated where there is pipeline concentration.
- **Regulatory Considerations:** Increased Canadian regulatory requirements, including with respect to Bill C-47, and enhanced CCC risk due diligence may result in uncertainty for Canadian exporters in the defence and aerospace sectors.
- **Reputational Impacts:** Recent media coverage of key CCC contracts may cause Canadian exporters to reconsider the G2G model.
- **CCC's Dual Role:** Balancing CCC's public policy mandate with operating on a purely commercial basis hinders CCC's ability to achieve financial sustainability.
- **No Parliamentary Appropriation:** Historically, CCC received an appropriation for work conducted to fulfill Canada's obligations under the DPSA. This appropriation was phased out in accordance with Ministerial direction and detailed in the 2014-15 Corporate Plan. As such, the financial model assumes no Parliamentary appropriation.
- **Financial Concentration:** The financial model assumes no impairment to significant contracts.
- **Significant cost controls:** Beyond normal inflation, incremental investments have been restricted to Business Development and Risk Governance functions that support incremental revenues over the planning period.

Nature of CCC's Business and Financial Implications

The DPSA is a public policy program administered by CCC on behalf of the Government of Canada. Last year, approximately 5,300 Canadian jobs were directly supported through contracts with the U.S. DoD under the DPSA program. Canada's defence industry provides some of the world's leading technologies, to which the U.S. DoD has direct access through the DPSA. This helps sustain a strong Canadian defence industry beyond what could be supported solely through domestic procurement. The U.S. DoD market is often the platform for Canadian companies to build their capacity to compete internationally and generate other global sales. CCC does not charge any fees for its services to administer the DPSA. Accordingly, the Corporation bears approximately \$12 million in costs annually which it must cover through other fee-based services. The DPSA is an intrinsic component of the bilateral trade relationship with the U.S. and helps to uphold and sustain the integrated North American Defence Industrial Base. As such, CCC's role in the administration of the DPSA forms part of the Corporation's public policy purpose.

The niche nature of CCC's services means that its business volume can fluctuate widely, making financial modelling challenging. As noted above, G2G contracts often involve export and capital projects that are highly complex, politically sensitive, and require a significant financial commitment. As such, the timing and certainty of contract signing is difficult to forecast. It is not uncommon for sales to take several years, from the point where a lead is identified, through to when a contract is signed. Election cycles, natural disasters, and global events all have implications on a foreign government's ability to successfully conclude a large G2G transaction. Moreover, the markets in which Canadian exporters need support tend to be those where corruption, human rights, and the effectiveness of the local legal system pose significant challenges to doing business,

highlighting the importance of CCC's value proposition.

Given the niche nature of CCC's business, sales tend to be unique, and repeat year-over-year business is the exception rather than the rule. Given that few projects share common characteristics, an assessment of the risks and opportunities on a project's individual and specific merits is required.

The viability of CCC's financial model rests squarely on the Corporation's ability to secure large, longer-term export contracts with larger Canadian exporters. CCC's two-pronged risk management approach, which focuses first on reducing exporter performance risk and secondly on transferring all uncovered risks of a transaction to the Canadian exporter through the domestic contract, results in the unintended consequence of reducing the number of SMEs able to conduct business through CCC. While CCC does foster SME growth, SME involvement in CCC contracts is in the supply chains of the larger exporters that form CCC's customer base. As noted above, and within the context of a new corporate strategy, CCC is looking at new ways to broaden its assistance to SMEs.

VALUE OF CONTRACTS SIGNED

Value of Contracts Signed ("VCS") represents the value of contracts and amendments signed in a given fiscal year. It measures the total value of goods or services to be delivered over the entire duration of a contract and hence, includes the full contract value at the time of signature. An analysis of recent trends indicates that only 10% of leads result in a signed contract, emphasizing the importance of relationship-building and lead generation. Business growth assumptions are anchored in CCC's VCS estimates, which are forecasted to grow from \$1.5 billion in 2019-20 to \$1.9 billion in 2023-24.

COMMERCIAL TRADING TRANSACTIONS

Commercial Trading Transactions (“CTT”) measure CCC’s throughput: the value of contracted goods and services delivered in a given period. As such, the CTT forecast is based on a series of aggregated assumptions, which consider factors associated with the timing of contract signing, contract duration and the number of specific deliverables or milestones contemplated by the contract. CTTs are expected to grow from \$2.4 billion in 2019-20 to \$2.8 billion in 2022-23. The last year sees CTTs decrease by \$275 million, largely related to a reduction in deliveries anticipated on a significant contract.

FEES FOR SERVICE

Fees for individual projects are established based on CCC’s Pricing Policy for a given business line. Fee rates are applied to the estimated value of goods and services to be delivered or progress work to be performed, which aligns with the CTT forecast. The model forecasts fees for service to grow from \$26.2 million in 2019-20 to \$36.1 million in 2023-24.

OTHER INCOME

Other income is comprised of fees earned on discounted early payments, payment wiring to Canadian exporters and other miscellaneous activities. The relatively high-level of discounting activity that occurred in 2018-19 is not expected to reoccur in 2019-20. Accordingly, other income is budgeted at traditional levels of \$0.5 million annually.

INTEREST INCOME

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

GAIN (LOSS) ON FOREIGN EXCHANGE

No gains or losses on foreign exchange are budgeted, although the Canadian dollar is expected to strengthen slightly against the U.S. dollar counterpart over the planning period. The Corporation’s contracts with foreign buyers are currency matched to offset contracts with Canadian exporters. CCC’s contracts require receipts and payments to be made in the same currency to avoid foreign exchange risk. 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.

CONTRACT REMEDIATION EXPENSES

Contract remediation expenses are budgeted at approximately \$50,000 per annum from 2019-20 to 2023-24. The annual forecast amount is lower than the three-year average of costs incurred. CCC has achieved exceptional results over the last several years, primarily due to the Corporation’s focus on risk management.

ADMINISTRATIVE EXPENSES

Over the past several years, CCC has made a series of investments in business development – in people, processes and systems – to drive growth in the level of export transactions consistent with its Diversification Strategy.

In the 2019-20 Corporate Plan, administrative expenses increase from \$32.8 million in 2019-20 to \$36.6 million in 2023-24 over the course of the planning period. This represents a total increase of approximately 11% over the duration of the Corporate Plan or less than 3% annually. The increases are due largely to inflation and increases related to salaries and benefits, and investments restricted to business development and risk governance functions in year one of the planning period.

Compared to the 2017-18 Corporate Plan, planned administrative expenses have been reduced by a total of over \$10 million over the planning period from 2017-18 to 2021-22, or an average of \$2 million per year.

CCC continuously assesses staff levels to achieve cost efficiencies where possible. It does this by reviewing and improving its alignment between the Corporation's resources and operational activities. Budgets are set with assumptions regarding capacity required to deliver the Corporation's forecasted business volume. Budgets are managed on a continuous basis from the outset of the year with a view to controlling expenditures relative to revenues earned throughout the year.

CCC continues to strengthen its culture of continuous improvement, implementing process changes which favour efficiencies and allow resources to be redistributed, having an increasing effect on overall capacity.

Compliance with International Financial Reporting Standards

As stated earlier in the Corporate Plan, CCC's financial statements are prepared in accordance with IFRS. In May 2014, the IASB issued IFRS 15. Further amendments were issued in April 2016, establishing a comprehensive framework to identify customers and performance obligations, determine if entities are acting as agents or principals and for the recognition, measurement and disclosure of revenue. IFRS 15 must be applied retrospectively for annual periods beginning on or after January 1, 2018.

IFRS 15 will have a significant impact on the financial statements of the Corporation due to a change in classification from principal to agent for purposes of revenue recognition. The Statement of Comprehensive Income will be significantly impacted in that the CTTs and their offsetting costs will no longer be presented in the Revenue section of the Statement (\$2.5 billion in the 2018-19 forecast). Additionally, asset and liability balances related to accounts receivable and payable, advances and progress work on the Statement of Financial Position will be significantly reduced. The changes related to the adoption of IFRS 15 will first be reported as at March 31, 2019 and are not yet reflected in the Corporate Plan.

Audits and Reviews

The most recent audit conducted by the OAG was for the year ended March 31, 2018, and resulted in an unqualified audit opinion. In addition to the regular audits by the OAG, CCC is undergoing a Special Examination to be completed in 2019.

Appendices



APPENDIX A: MINISTERIAL MANDATE LETTER

CCC is operating in accordance with the guidance expressed in the Minister of International Trade Diversification's Statement of Priorities and Accountabilities ("SPA") for CCC dated December 22, 2017. CCC has not yet received a SPA for 2018.

Minister of
International Trade



Ministre du
Commerce international

Ottawa, Canada K1A 0G2

REC'D
CCC

JAN 17 2018

DEC 22 2017

Mr. Stephen Sorocky
Interim Chairperson, Board of Directors
Canadian Commercial Corporation
700-350 Albert Street
Ottawa ON K1A 0S6

Dear Mr. Sorocky:

All Canadians benefit from international trade. It creates well-paying jobs for the middle class, opens up new markets, increases choice for consumers and lowers prices by reducing tariffs.

The Canadian Commercial Corporation (CCC) plays an important role in supporting the Government of Canada's trade objectives by helping Canadian companies access public sector procurement markets. I commend the efforts that CCC has made to diversify its portfolio to create new opportunities for Canadian exporters, such as the Bermuda Airport redevelopment project, smart meter business transformation in Barbados and potash sales to Bangladesh. I further note CCC's ongoing reconstruction efforts in the Caribbean, including a recent contract for a new cruise ship port in St. Kitts. Furthermore, I would like to recognize CCC's efforts in establishing foreign representation offices abroad in Peru, the United Arab Emirates and Thailand. I also congratulate CCC for securing over \$1 billion in contracts with the Cuban sugar and tourism industries since 1991.

With the objective of having CCC contribute further to increased Canadian exports, I am pleased to provide you with CCC's *Statement of Priorities and Accountabilities (SPA)* for 2018-2019 for the attention of CCC's Board of Directors and management. The SPA confirms CCC's mandate to support Canada's trade and investment agenda, and provides guidance for the corporation's strategic orientation in order to reflect the government's policy objectives for the coming year.

Alignment with Canada's progressive trade and investment agenda

The government has set out an ambitious progressive trade and investment agenda with the objective of achieving a 30 percent increase in the value of exports by 2025. I expect CCC to apply a progressive and inclusive lens to its business, adding consideration for groups previously under-represented in trade, such as Indigenous peoples, women, newcomers, new Canadians and youth. This should also include a focus on the needs of small and medium-sized enterprises (SMEs), and fostering an environment where they can thrive and grow.

.../2

Canada

As Minister of International Trade and in my role as Chief Marketing Officer, my overarching goal is to increase trade and attract investment to Canada as a means to create jobs. To that end, I look to CCC to participate in efforts to pursue new opportunities abroad, support the growth of firms to become global companies. Additionally, my focus remains on implementing the Comprehensive Economic and Trade Agreement between Canada and the European Union, expanding trade with large and fast-growing markets, and deepening our trade links with traditional partners. I ask that CCC work collaboratively with the Trade Commissioner Service (TCS) and Canadian exporters to further opportunities with foreign buyers taking advantage of the benefits of our trade agreements. I also ask that CCC give particular attention to Canadian firms pursuing business in emerging markets (i.e. China and India) and sectors identified as key Canadian priorities, including civil aviation, clean technology, information and communication technology, energy and defence. Lastly, I encourage CCC to consider the pursuit of infrastructure redevelopment projects in the Caribbean, which are of particular relevance given recent natural disasters in that region.

As the government refines Canada's progressive trade and investment agenda, I ask CCC to work closely with Global Affairs Canada to support its implementation. I ask that CCC continue to align its activities with government trade programs, prioritizing information sharing with the TCS and working together to enable exporters to succeed in international markets.

Advance CCC's focus on growth and innovation

CCC is seeking to diversify its portfolio to widen its list of Canadian exporters, the number of industries it supports and the number of foreign buyers with which it contracts. I encourage CCC to continue its focus on growth and innovation, and building upon the foreign representation that CCC has established to date. I further support its efforts in diversifying across a diverse set of sectors, including renewable energy, consistent with your 2017-2018 to 2021-2022 Corporate Plan. This will contribute to CCC's medium-term diversification objectives to expand to new geographic markets, including in Asia. In these efforts, I request that CCC continue to ensure that Canadian SMEs benefit from CCC's contracting opportunities, thereby helping SME's scale up through international trade. I request that CCC provide me with a report on CCC's activities related to growth and innovation by March 31, 2018.

Continue to secure market access in the United States

CCC is a key partner for Canadian companies under the Canada-U.S. Defence Production Sharing Agreement. I would encourage CCC to continue recognizing the importance of the U.S. market to Canadian companies and that CCC continue to promote Canada as a key partner and source of expertise in the U.S. defence and security sector. I understand the U.S. defence bill *National Defence Authorization Act* (NDAA) will have little effect on CCC operations as virtually all CCC contracts exceed the new NDAA threshold of US\$250,000.

I further encourage CCC's continued interagency cooperation and coordination efforts with the TCS, National Defence and Global Affairs Canada to maintain and expand Canadian defence and security commercial opportunities within the United States.

.../3

Ensure that CCC remains fiscally sustainable

I understand that CCC is undertaking best efforts to ensure fiscal sustainability over the medium term. I invite CCC to work with partners on solutions and to continue diversifying its portfolio with the objective of ensuring the corporation's financial growth. I ask that CCC continue to provide officials from Global Affairs Canada with quarterly updates on its planning, activities and results.

Continue to advance Canada trade offices network in China

I appreciate and commend CCC's efforts in working with Global Affairs Canada to operate and administer the 10 Canadian trade offices in China, a strategic element of the government's trade and export agenda. Global Affairs Canada is undertaking a review of options to ensure long-term sustainability of these offices, and I ask for CCC's continued support for our efforts to identify a long-term sustainable solution while operating these offices as efficiently and economically as possible.

Negotiate a new CCC-Global Affairs Canada Memorandum of Understanding (MOU) on collaboration and coordination of services

On May 22, 2014, Global Affairs Canada and CCC signed a MOU to enhance collaboration and coordination between CCC and the TCS. During the term of the MOU, CCC and Global Affairs Canada provided each other with tools, training and information to enhance engagement with foreign government decision-makers. I request that CCC continue to engage with departmental officials with an aim to create a new MOU by March 31, 2018.

Complete the new significant projects instruction

The 2017-2018 SPA directed CCC to prepare a contract instruction that includes both goods and services, in consultation with officials from Global Affairs Canada and the Department of Finance Canada. The new instruction will enhance oversight on all projects, for which the Crown remains ultimately responsible, and thereby improves accountability to Canadians. As this new document combines all previous oversight documents, I understand it may be attached to CCC's 2018-2019 to 2022-2023 Corporate Plan Treasury Board submission, if directed by Privy Council Office. CCC should continue its work on the instruction document. I look forward to receiving and reviewing this new instruction in the coming months.

Ensure transparent, merit-based appointments reflective of Canada's diversity

Canada's progressive trade agenda is reflective of the government's broader commitment to inclusion and diversity. This commitment is also evident in the government's desire to implement transparent and merit-based appointment processes which advance gender parity, and where Indigenous peoples and under-represented groups are better reflected in positions of leadership. I thank CCC for the support it has already given to the government in this regard.

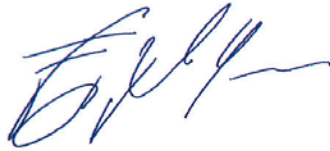
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- 4 -

I trust that the newly appointed CCC chairperson will work closely with departmental officials and those at the Privy Council Office to implement this new transparent and merit-based process to fill vacancies within its Board of Directors.

Canadians rightly expect to hold the government accountable for delivering on its commitments. I know that CCC has a key role to play in supporting economic growth, job creation and broad based prosperity. I trust that CCC will keep these objectives front and centre as it moves forward.

Sincerely,

A handwritten signature in blue ink, appearing to read 'F. Champagne', with a long horizontal flourish extending to the right.

The Honourable François-Philippe Champagne, P.C., M.P.

c.c. Mr. Martin Zablocki
President and Chief Executive Officer
Canadian Commercial Corporation

APPENDIX B: FINANCIAL STATEMENTS AND BUDGETS

SCHEDULE A – STATEMENT OF FINANCIAL POSITION

(in thousands of Canadian dollars)

	Actual 2017-2018	Forecast 2018-2019	2019-2020	Corporate Plan 2019-2020 to 2023-2024			
				2020-2021	2021-2022	2022-2023	2023-2024
ASSETS							
<i>Current Assets</i>							
Cash	\$ 43,355	\$ 67,683	\$ 66,872	\$ 56,220	\$ 55,931	\$ 56,391	\$ 57,185
Trade receivables	1,212,712	204,025	203,377	214,981	223,091	232,803	209,774
Advances to Canadian exporters	144,294	120,209	123,543	135,142	175,800	194,536	219,010
Progress payments to Canadian exporters	5,731,733	3,419,149	2,844,773	2,213,407	1,639,982	1,182,162	833,212
	7,132,094	3,811,066	3,238,564	2,619,751	2,094,804	1,665,891	1,319,181
<i>Non-current assets</i>							
Property and equipment	3,096	2,895	3,394	3,769	3,195	2,570	1,945
TOTAL ASSETS	\$ 7,135,190	\$ 3,813,961	\$ 3,241,958	\$ 2,623,520	\$ 2,097,999	\$ 1,668,461	\$ 1,321,127
LIABILITIES							
<i>Current Liabilities</i>							
Trade payables and accrued liabilities	\$ 1,191,322	\$ 218,926	\$ 217,827	\$ 229,366	\$ 237,807	\$ 247,396	\$ 224,358
Advances from foreign customers	183,401	150,346	159,527	165,142	205,800	224,536	249,010
Progress payments from foreign customers	5,731,733	3,419,149	2,844,773	2,213,407	1,639,982	1,182,162	833,212
Employee benefits	206	216	227	238	250	263	276
	7,106,662	3,788,637	3,222,353	2,608,154	2,083,840	1,654,357	1,306,856
<i>Non-current liabilities</i>							
Deferred lease incentives	3,621	3,340	3,059	2,778	2,497	2,216	1,935
Employee benefits	1,336	1,356	1,370	1,383	1,397	1,411	1,425
TOTAL LIABILITIES	7,111,619	3,793,333	3,226,782	2,612,315	2,087,735	1,657,985	1,310,216
SHAREHOLDER'S EQUITY							
Contributed surplus	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Retained earnings	13,571	10,626	5,175	1,205	264	477	910
TOTAL EQUITY	23,571	20,626	15,175	11,205	10,264	10,477	10,910
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 7,135,190	\$ 3,813,961	\$ 3,241,958	\$ 2,623,520	\$ 2,097,999	\$ 1,668,461	\$ 1,321,127

SCHEDULE B – STATEMENT OF COMPREHENSIVE INCOME (LOSS) AND CHANGES IN EQUITY

(in thousands of Canadian dollars)

	Actual	Forecast	Corporate Plan 2019-2020 to 2023-2024				
	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
VALUE OF CONTRACTS SIGNED	\$ 1,265,251	\$ 1,648,809	\$ 1,495,000	\$ 1,575,000	\$ 1,665,750	\$ 1,770,113	\$ 1,890,129
REVENUES							
Commercial trading and sourcing services transactions	\$ 2,410,503	\$ 2,457,526	\$ 2,440,523	\$ 2,579,773	\$ 2,677,088	\$ 2,793,633	\$ 2,517,291
Less: Cost of commercial trading and sourcing services transactions	(2,410,503)	(2,457,526)	(2,440,523)	(2,579,773)	(2,677,088)	(2,793,633)	(2,517,291)
Fees for service	23,062	26,442	26,280	28,751	32,851	35,014	36,141
Other income	1,837	1,572	500	500	500	500	500
Finance income, net	609	616	618	477	432	426	413
Gain (loss) on foreign exchange	(156)	150	-	-	-	-	-
Net Revenues	25,352	28,780	27,398	29,728	33,783	35,940	37,055
EXPENSES							
<i>Administrative expenses</i>							
Operating expenses excluding DPSA and China office program	16,781	17,285	18,349	18,949	19,628	20,333	20,966
DPSA expenses	11,429	12,004	11,723	11,963	12,298	12,585	12,847
China office program expenses	2,488	2,436	2,728	2,737	2,748	2,759	2,759
Contract remediation expenses	30,698	31,725	32,799	33,648	34,674	35,677	36,571
	-	-	50	50	50	50	50
Expenses	30,698	31,725	32,849	33,698	34,724	35,727	36,621
Net results of operations before parliamentary appropriation	(5,346)	(2,945)	(5,451)	(3,970)	(941)	213	433
Parliamentary appropriation	-	-	-	-	-	-	-
Net results of operations	\$ (5,346)	\$ (2,945)	\$ (5,451)	\$ (3,970)	\$ (941)	\$ 213	\$ 433
Actuarial loss on employee benefits obligation	3	-	-	-	-	-	-
Total comprehensive income (loss)	(5,343)	(2,945)	(5,451)	(3,970)	(941)	213	433
Equity at beginning of the year	28,914	23,571	20,626	15,176	11,205	10,264	10,477
Equity at year end	\$ 23,571	\$ 20,626	\$ 15,176	\$ 11,205	\$ 10,264	\$ 10,477	\$ 10,911

SCHEDULE C – STATEMENT OF CASH FLOW

(in thousands of Canadian dollars)

	Actual	Forecast	Corporate Plan 2019-2020 to 2023-2024				
	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
OPERATING ACTIVITIES							
Net profit	\$ (5,346)	\$ (2,945)	\$ (5,451)	\$ (3,970)	\$ (941)	\$ 213	\$ 433
<i>Adjustments to determine net cash from (used in) operating activities:</i>							
Depreciation	446	451	501	625	825	875	875
Employee benefit expense	4	30	24	25	26	26	27
Employee benefit payments	(397)	-	-	-	-	-	-
Gain on foreign exchange	(78)	(306)	150	-	-	-	-
Deferred lease incentives	(265)	(281)	(281)	(281)	(281)	(281)	(281)
<i>Change in working capital from:</i>							
Decrease (increase) in trade and other receivables	(471,520)	1,008,689	648	(11,605)	(8,110)	(9,712)	23,028
Decrease (increase) in advances to Canadian exporters	31,073	24,085	(3,334)	(11,600)	(40,658)	(18,736)	(24,474)
Increase (decrease) in trade payables and accrued liabilities	430,976	(972,396)	(1,099)	11,539	8,442	9,589	(23,039)
Increase (decrease) in advances from foreign customers	(17,937)	(33,055)	9,181	5,616	40,658	18,736	24,474
Cash provided by (used in) operating activities	(33,044)	24,273	339	(9,652)	(39)	710	1,044
INVESTING ACTIVITIES							
Acquisition of property and equipment	(110)	(250)	(1,000)	(1,000)	(250)	(250)	(250)
Cash used in investing activities	(110)	(250)	(1,000)	(1,000)	(250)	(250)	(250)
Effect of exchange rate changes on cash	78	306	(150)	-	-	-	-
Net increase (decrease) in cash	(33,076)	24,329	(811)	(10,652)	(289)	460	794
Cash at the beginning of period	76,430	43,355	67,683	66,872	56,220	55,931	56,391
Cash at the end of the period	\$ 43,355	\$ 67,683	\$ 66,872	\$ 56,220	\$ 55,931	\$ 56,391	\$ 57,185

SCHEDULE D - VARIANCE ANALYSIS, FORECAST COMPARED TO OPERATING BUDGET FOR THE YEAR ENDING MARCH 31, 2019

(in thousands of Canadian dollars)

	2018-2019*			Explanations
	Forecast	Budget	Variance	
REVENUES				
Commercial trading and sourcing services transactions	\$ 2,457,526	\$ 3,470,870	\$ (1,013,344)	The unfavourable variance is due to contract signing and delivery delays encountered. Delivery delays were related primarily to changes in the delivery schedule of a significant project. Contract signing delays result from the government-to-government nature of CCC's business, many uncontrollable variables impact the Corporation's ability to sign contracts.
Less: Cost of commercial trading and sourcing services transactions	(2,457,526)	(3,470,870)	1,013,344	Corresponds to commercial trading and acquisition services transactions due to the "back-to-back" nature of CCC's contracts.
Fees for service	26,442	38,030	(11,588)	Fees for service are earned on deliveries and work performed. The unfavourable variance results as fees for services mirror commercial trading transactions discussed above.
Other income	1,572	400	1,172	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 a rise in discounted early payment activity in 2018-19.
Finance income, net	616	639	(23)	Finance income earned on the Corporation's cash balances are forecast to be negligibly lower than the budget.
Gain (loss) on foreign exchange	150	-	150	CCC will realize a foreign exchange translation gain of \$150,000 based on currency projections and the level of exposed U.S. funds. Gains or losses on foreign exchange are not budgeted.
Net revenues	28,780	39,069	(10,289)	
EXPENSES				
Administrative expenses	31,725	34,836	3,111	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	-	50	50	CCC will not incur any contract remediation expenses in 2018-19. The favourable forecast variance reflects the Corporation's robust risk and contract management practices and ERM framework.
Total expenses	31,725	34,886	3,161	
Net results of operations before parliamentary appropriation	(2,945)	4,183	(7,128)	
Parliamentary appropriation	-	-	-	
Total comprehensive income	\$ (2,945)	\$ 4,183	\$ (7,128)	

(*) The 2018-19 Forecast is compared to the budget developed two years ago. Year two (2) of the 2017-18 to 2021-22 Corporate Plan was the last operating budget approved by Treasury Board.

SCHEDULE E – VARIANCE ANALYSIS, 2019-20 PROPOSED BUDGET COMPARED TO 2018-19 FORECAST

(in thousands of Canadian dollars)

	2019-2020		Increase	Explanations
	Proposed Budget	2018-2019 Forecast	(Decrease)	
REVENUES				
Commercial trading and sourcing services transactions	\$ 2,440,523	\$ 2,457,526	\$ (17,003)	The decrease is due to a lower level of ICB Infrastructure sector activity signed in 2018-19 and 2019-20.
Less: Cost of commercial trading and sourcing services transactions	(2,440,523)	(2,457,526)	17,003	Corresponds to commercial trading and acquisition services transactions due to the "back-to-back" nature of CCC's contracts.
Fees for service	26,280	26,442	(162)	Fees for services mirror commercial trading transactions discussed above. Fees for service are earned on deliveries and work performed.
Other income	500	1,572	(1,072)	Discounted early payment activity is expected to return to historic levels in 2018-19.
Finance income, net	618	616	2	The increase is due to higher usable cash balances and average interest rate yields.
Gain (loss) on foreign exchange	-	150	(150)	The Corporation does not budget for foreign exchange gains and losses. Unhedged foreign exchange balances are monitored and maintained at negligible levels.
Net revenues	27,398	28,780	(1,382)	
EXPENSES				
Administrative expenses	32,799	31,725	1,074	Increase due to: (1) inflation and incremental in pay scale increases related to salaries and benefits (\$0.5M); (2) travel with or on behalf of its client Canadian exporters for business development or to secure and manage the over \$2 billion in international contract activity (\$0.3M); (3) inflation related to China regional workforce compensation, office rental, taxes, etc. (\$0.2M); and (4) amortization and other items (\$0.1M).
Contract remediation expenses	50	-	50	Contract remediation expenses are budgeted at approximately \$50 thousand. The annual forecast amount is lower than the three-year average of costs incurred. CCC has achieved exceptional results over the last several years.
Total expenses	32,849	31,725	1,124	
Net results of operations before parliamentary appropriation	(5,451)	(2,945)	(2,506)	
Parliamentary appropriation	-	-	-	
Total comprehensive income	\$ (5,451)	\$ (2,945)	\$ (2,506)	

CAPITAL BUDGET

The acquisition of intangible assets in years 2019-20 to 2023-24 represent the capitalization of the investment costs to upgrade and enhance information and financial systems on an on-going basis. These amounts will be funded internally and amortized over the deemed useful lifespan of five years.

Specifically, in 2019-20 and 2020-21, CCC is planning annual investments of \$1.0 million representing the estimated cost of implementing an Electronic Document and Records Management System (“EDRMS”). 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.

At present, CCC documents are stored in various drives on its network, absent workflow and version control governance. Investments required to remedy this critical situation have been stalled by the unavailability of funds. This important investment is expected to generate immediate and lasting efficiencies in areas related to workflow, transparency and information accuracy, and will have cost-saving implications for information security.

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 2019-20 to 2023-24 follows:

(in thousands of Canadian dollars)	Corporate Plan 2019-2020 to 2023-2024				
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Acquisition of intangible assets – IT investment	\$ 1,000	\$ 1,000	\$ -	\$ -	\$ -
Acquisition of property and equipment – Including Facilities & Equipment, Leasehold Improvements and Information Systems	\$ -	\$ -	\$ 250	\$ 250	\$ 250
Total Capital Budget Request	\$ 1,000	\$ 1,000	\$ 250	\$ 250	\$ 250

APPENDIX C: BORROWING PLAN

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 to \$90 million, or such 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 for 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 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 2019-20 to 2023-24 follows:

(in millions of Canadian dollars)	Corporate Plan 2019-2020 to 2023-2024				
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Short-term borrowing (up to 120 days)	\$ 40	\$ 40	\$ 40	\$ 40	\$ 40
Total borrowing request	\$ 40	\$ 40	\$ 40	\$ 40	\$ 40

APPENDIX D: COMPLIANCE WITH LEGISLATIVE AND POLICY REQUIREMENTS

The Government of Canada regulates CCC primarily through its enabling legislation, the CCC Act, and through the FAA. In addition, the Corporation is subject to the following federal legislation as well as any new legislation, regulation, or policy that is extended to Crown corporations:

ACCESS TO INFORMATION ACT

CCC is subject to the provisions of the *Access to Information Act*. In accordance with section 72 of the Act, CCC's "Annual Report to Parliament on the *Access to Information Act*" is tabled in Parliament annually and is made available on CCC's website at: <https://www.ccc.ca/en/ccc/about-ccc/disclosure>. In addition, summaries of completed access to information requests by CCC are posted on the Government of Canada Open Government Portal.

PRIVACY ACT

CCC is subject to the provisions of both the *Privacy Act*. In accordance with section 72 of the Act, CCC's Annual Report to Parliament on the Administration of the *Privacy Act* is tabled in Parliament annually and is made available on CCC's website at: <https://www.ccc.ca/en/ccc/about-ccc/disclosure>.

CONFLICT OF INTEREST ACT

The *Conflict of Interest Act*, created through the *Federal Accountability Act*, establishes the regime that governs the ethical conduct of public office holders, both during and after employment. CCC requires its employees to conduct business with honesty, integrity and fairness. CCC's *Code of Conduct and Business Ethics* defines the Corporation's commitment to ethical conduct, the environment and human rights. It also spells out the policies and procedures that govern the behaviour of employees of the Corporation including conflict of interest. All employees sign an annual statement confirming they are in compliance with the requirements set out in this Code.

CANADIAN HUMAN RIGHTS ACT

CCC complies with the *Canadian Human Rights Act* by promoting a workplace free from discrimination and harassment as noted in its *Code of Conduct and Business Ethics* and Anti-Harassment Policy.

CORRUPTION OF FOREIGN PUBLIC OFFICIALS ACT

CCC views business ethics as fundamental to successful business practices as outlined in its *Code of Conduct and Business Ethics*, which reflects both the refreshed Values and Ethics Code for the Public Sector established by the Treasury Board as well as an organization-specific set of common values and ethics. Operating ethically means, at a minimum, conducting its affairs in accordance with the letter and spirit of the applicable laws of the countries in which CCC does business and complying with the *Canadian Corruption of Foreign Public Officials Act*. 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.

CANADIAN ENVIRONMENTAL ASSESSMENT ACT

The Act requires federal departments, including Environment Canada, agencies, and Crown corporations to conduct environmental assessments for proposed projects where the federal government is the proponent or where the project involves federal funding, permits, or licensing. The purposes of the Act were set out as follows: (1) to achieve sustainable development that conserves environmental quality by integrating environmental factors into planning and decision-making process, (2) exercise leadership within Canada and internationally, and (3) to provide access to information and to facilitating public participation. CCC ensures compliance with the Act and reports on its activities annually in its Annual Reports.

EMPLOYMENT EQUITY ACT

CCC is committed to establishing equal opportunities in employment and has the goal of achieving and maintaining a representative workforce. To that end, CCC seeks to identify and remove any barriers in employment including its recruitment, hiring, training, and promotion practices.

OFFICIAL LANGUAGES ACT

In keeping with the *Official Languages Act* requirements, CCC has an Official Languages Policy that applies to all employees. CCC seeks to provide quality services to the general public and to its clients in both English and French and gives its employees the opportunity to work in the official language of their choice.

OFFICIAL LANGUAGES POLICY INSTRUMENTS

To facilitate the achievement of the objectives of its Official Languages Policy, CCC intends to provide for the appropriate operational environment by assigning linguistic requirements to all its positions in the spirit of the Policy on Official Languages issued by the Treasury Board of Canada.

DIRECTIVE ON TRAVEL, HOSPITALITY, CONFERENCE AND EVENT EXPENDITURES

The Corporation's approach to travel and hospitality is aligned with the Directive on Travel, Hospitality, Conference and Event Expenditures that took effect on April 1, 2017. The purpose of these directives is to provide for the reimbursement of reasonable expenses incurred during travel on government business. The rules and principles outlined in the CCC Travel, Hospitality, Conference and Event Expenditures Policy provide for the application of these directives.

CCC voluntarily reports, through its website, annual aggregate corporate expenses related to travel and business development activities as well as the travel and hospitality expenses for the President and CEO and senior executives. Expenses are reported by fiscal quarter and are reflected in the period during which they were reimbursed. Details on CCC's disclosure can be found here: <https://www.ccc.ca/en/ccc/about-ccc/disclosure>

PENSION PLAN REFORM DIRECTIVES

CCC is not subject to the Ministerial directive to comply with s.89 of the FAA. The Corporation has a defined benefit pension plan that is in line with the Public Service Pension Plan.

INTEGRITY DIRECTIVE

In September 2008, the Corporation, together with a number of other Crown corporations, was issued a directive (P.C. 2008-1598) pursuant to Section 89 of the Financial Administration Act, entitled *Order giving a direction to parent Crown corporations involved in commercial lending to give due consideration to the personal integrity of those they lend to or provide benefits to in accordance with Government's policy to improve the accountability and integrity of federal institutions*. The Corporation implemented the directive effective January 1, 2010.

TRADE AGREEMENTS

As a Government of Canada entity and authorized to execute commercial contracts with foreign government buyers, CCC is uniquely positioned to support Canadian exporters and to increase Canada's trade footprint in new and priority markets. While CCC is not involved in activities directly related to trade agreements, the Corporation does act as the custodian of the DPSA, which is one of a number of Canada-U.S. trade agreements. It complements other multilateral trade agreements, which normally do not cover defence goods and services. The agreement has effectively reduced trade barriers, increased the depth of the Canadian defence industry and provided high-value jobs for Canadians.

With respect to CCC's procurement practices and trade agreements, it should be noted that CCC operates in a niche space that must be assessed on a case-by-case basis looking at the specific treaty commitments and procurement rules applicable to the foreign country. In this regard, for World Trade Organization ("WTO") members, while the General Agreement on Tariffs and Trade and General Agreement on Trade in Service establish the rules for government procurement, each signatory to the WTO lists its own exemptions for non-defence goods. Moreover, many foreign buyer countries, who are party to the WTO, are not parties to the Agreement on Government Procurement. Finally, the WTO rules make exceptions for certain situations, including where there are urgent needs, a unique technical offering or where there have been unsuccessful tenders.

EXPORT AND IMPORT PERMITS ACT

The *Export and Import Permits Act* ("EIPA") governs transactions undertaken by commercial entities in Canada.¹⁶ As a result, Canadian exporters, even when working in conjunction with CCC, must comply with the export control regime established by the EIPA. In terms of responsibility for obtaining export permits, pursuant to s.7 of EIPA, it is the exporter of record who is responsible for obtaining all required export permits. CCC does not obtain export permits on behalf of Canadian exporters.

¹⁶ Export and Import Permits Act (R.S.C., 1985, c. E-19)

APPENDIX E: GOVERNMENT PRIORITIES AND DIRECTION

Government-wide priorities are outlined in the Speech from the Throne and the Budget Plan.¹⁷ This appendix describes how CCC's priorities and activities align with government-wide priorities and highlights any notable activities in the following key areas:

TRANSPARENCY AND OPEN GOVERNMENT

Within the required timeframes, CCC openly publishes its public reports such as Annual and Quarterly reports, Summary Corporate Plans, Proactive Disclosure and Access to Information Act inquiries. The Corporation aims to respond in a timely manner to all information requests as well as reasonably address any associated concerns.

GENDER-BASED ANALYSIS PLUS / DIVERSITY AND EMPLOYMENT EQUITY

CCC is committed to building a diverse workforce and an inclusive environment. As part of the Government of Canada, CCC actively encourages employees to express themselves in both official languages, and all staff are provided access to financial resources and support to develop their abilities in this area. CCC's human resources employment policies and practices build on a commitment to employment equity, and encourage applications from women, Indigenous people, persons with disabilities and visible minorities. In order to promote and sustain a positive and inclusive workplace, CCC instituted an employee-led Diversity and Inclusion Committee. This Committee organizes training, information sessions, and activities, while also being a source of information and advice for employees and executive management. CCC also supports the Government of Canada's commitment to inclusion and diversity through its transparent and merit-based appointment processes to fill vacancies within CCC's Board of Directors. In this regard, CCC is fully supportive of the amendments proposed in Bill C-25, An Act to amend the *Canada Business Corporations Act*, the *Canada Cooperatives Act*, the *Canada Not-for-profit Corporations Act* and the *Competition Act*, which seek to expand diversity disclosure.¹⁸

INDIGENOUS ISSUES

As a Government of Canada entity authorized to execute commercial contracts with foreign government buyers, CCC is aware of the obligations outlined in the United Nations Declaration on the Rights of Indigenous Peoples and seeks to ensure that the concept of Free, Prior and Informed Consent is upheld when indigenous populations are impacted by a project.

¹⁷ Government of Canada, Government priorities. Accessed at: https://www.canada.ca/en/government/system/priorities.html?_ga=2.73732242.1878693409.1510164989-216074105.1505315235

¹⁸ Parliament of Canada, C-25. Accessed at: <https://www.parl.ca/LegisInfo/BillDetails.aspx?Language=E&billId=8433563>

SUSTAINABLE DEVELOPMENT AND GREENING GOVERNMENT OPERATIONS

Through its Greening CCC Policy and activities related to sustainable development, the Corporation promotes responsible activities respectful of the environment and the impact of its operations. In this regard, the Greening CCC Policy forms part of a “Responsible Business Conduct Framework” and suite of supporting policies and serves to guide all staff in fulfilling their duties in a manner that is responsive to this goal. All CCC staff are encouraged to be mindful of the environment and consider a “greener” approach to work. Principles such as “reduce, reuse and recycle” reflect the spirit of this policy. Through innovative thinking and leveraging the advantages of a modern office environment a significant reduction in energy usage, demand for traditional office supplies and real task efficiencies can be enjoyed without compromising the quality of meaningful work executed daily by CCC employees. In more measurable business terms, operating expenses can be reduced and new fiscal efficiencies can be realized, all while reducing the impact on the environment in which CCC operates.



Glossary



BDC	Business Development Bank of Canada	ICT	Information and Communications Technology
CCC	Canadian Commercial Corporation	ICC	Integrity Compliance Committee
CEO	Chief Executive Officer	IFRS	International Financial Reporting Standards
CRM	Customer Relationship Management	MOU	Memorandum of Understanding
CTTs	Commercial Trading Transactions	NATO	North Atlantic Treaty Organization
DPSA	Defence Production Sharing Agreement	OAG	Office of the Auditor General
EDC	Export Development Canada	OECD	Organization for Economic Co-operation and Development
ERM	Enterprise Risk Management	ROC	Risk and Opportunities Committee
EIPA	<i>Export and Import Permits Act</i>	SMEs	Small and Medium-sized Enterprises
FAA	<i>Financial Administration Act</i>	TCS	Trade Commissioner Service
G2G	Government-to-government	USD	United States Dollar
GDS	Global Defence and Security	U.S. DoD	United States Department of Defense
HRC	Human Rights Committee International	VCS	Value of Contracts Signed
ICB	Commercial Business	WTO	World Trade Organization