Canadian Commercial Corporation
Corporation Commerciale Canadienne

GROWING CANADIAN EXPORT BUSINESS

Canadian Commercial Corporation
Corporate Plan Summary
2015–16 to 2019–20

OPERATING BUDGET
CAPITAL BUDGET
BORROWING PLAN

Canada

CANADA'S INTERNATIONAL CONTRACTING AND PROCUREMENT AGENCY

MANDATE

To assist in the development of trade by helping Canadian exporters access markets abroad and by helping foreign buyers obtain goods and services from Canada.

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CCC
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The 2015–16 to 2019–20 Corporate Plan and its underlying assumptions were developed over the fall of 2014, during a period of ongoing uncertainty in the global economy that may alter the economic landscape and, in some cases, impact the assumptions upon which the Plan is based.

The Corporate Plan Summary excludes commercially sensitive information contained in the 2015–16 to 2019–20 Corporate Plan.

In seeking to Grow Canadian Export Business, CCC's strategy for this Corporate Plan will remain focused on the following directions:

GOVERNMENT OF CANADA TRADE DIRECTIONS AND PRIORITIES

In a manner which exemplifies the notion of *economic diplomacy* outlined in the Global Markets Action Plan, CCC's business pursuit efforts in target markets will fully embody a whole-of-government approach to facilitating export sales on a government-to-government basis, leveraging important contributions of other Government of Canada stakeholders.

EXPAND CANADIAN EXPORT OPPORTUNITIES THROUGH FOREIGN REPRESENTATION

Establish foreign representation in Latin America and Middle East markets to enable the establishment and maintenance of trusted relationships with foreign government buyers with a view to increasing international sales for Canadian exporters.

SMALL- and MEDIUM-SIZED ENTERPRISES

Enhance CCC's engagement with SMEs to improve their access to foreign government procurement opportunities on a government-to-government basis.

COST CONTAINMENT

Continue making prudent investments in developing business for Canadian exporters while respecting the spirit of the Government of Canada's cost containment initiatives outlined in recent Budgets.

CORPORATE SOCIAL RESPONSIBILITY

CCC is committed to operating in an environmentally, socially and ethically responsible manner, and to respecting Canada's international commitments, while upholding the Corporation's public policy mandate and acting within its resources.

EXECUTIVE SUMMARY

Established in 1946, the Canadian Commercial Corporation (CCC) is a federal Crown corporation mandated to facilitate international trade on behalf of Canadian industry, particularly with governments of foreign countries.

International trade facilitated by the Corporation assists in creating and maintaining jobs in Canada. As such, it is an important contributor to Canada's economic viability. While CCC's mandate supports any industry sector, the Corporation's efforts are primarily focused on the defence and security and infrastructure sectors. A 2012 study by KPMG on the *Economic Impact of the Defence and Security Industry in Canada* noted that every $1 million in defence and security industry revenues creates or sustains 8.68 jobs in the Canadian economy. Similarly, the Economic Impact Model used by KPMG in this analysis is able to link approximately 20% of all jobs in Canada's defence and security industry with contracts entered into through CCC[1].

CCC embarked on a vision four years ago, to assist Canadian companies to export to markets beyond the United States. Today, the Corporation has tremendous momentum following the signing of the largest manufacturing export deal in Canadian history in 2014. With this Corporate Plan, CCC will build on this momentum and strategically assist Canadian exporters to advance sales in numerous markets abroad. CCC will play a key role in the delivery of the Government of Canada's Global Markets Action Plan (GMAP) commitments and in the export component of Canada's Defence Procurement Strategy (DPS). The Corporation is a key contributor to a whole-of-government approach to facilitating international trade, and has signed over $700 million in contracts in the first half of 2014–15 as a result of focused outreach with Canadian exporters in target markets found in Latin America, the Middle East and Asia, 20% more than had been anticipated by mid-year in its 2014–15 through 2018–19 Corporate Plan forecast.

CCC's business model is unique in the world. The Corporation's primary service involves the establishment of government-to-government contracts with foreign government buyers to provide goods and services available for export from Canada. In turn, CCC enters into contracts with Canadian exporters to fulfill the requirements of these government-to-government contracts. With this approach, CCC guarantees the performance of the terms and conditions of the contracts for the foreign government buyers, hence mitigating their risks and providing added incentive to procure from Canada.

CCC's business model also mitigates risks for Canadian exporters as the Corporation is able to leverage its capacity as a Government of Canada organization to monitor progress and bring resolution to any issues that may arise in fulfilling the contract requirements. CCC's involvement can reduce payment collection risks and business development costs; aid in gaining more advantageous contract and payment terms for all Canadian exporters, particularly Small and Medium-sized Enterprises (SMEs); and help increase international awareness through supporting and promoting ethical business and Corporate Social Responsibility (CSR) practices as Canadian firms seek to increase their international sales.

[1] KPMG; "Economic Impact of the Defence and Security Industry in Canada," May 2012. The analysis identified 109,000 jobs in the Canadian defence and security industry, while CCC's GDS contracting activity for 2014–15 is forecasted to be $2.45 billion. Accessed January 2015 at: https://www.defenceandsecurity.ca/UserFiles/File/IE/KPMG.html

CCC delivers its government-to-government contracting services through two core lines of business: Global Defence and Security sales (GDS), which includes administering the Canada – United States Defence Production Sharing Agreement (DPSA), and International Commercial Business sales (ICB).

CCC is actively governed by a Board of Directors which includes a diverse group of members from across Canada who possess a broad range of private and public sector experience. The Board, through the Chairperson, works closely with the Minister of International Trade to guide the Corporation's strategic direction.

CCC'S OPERATING ENVIRONMENT

CCC has identified three significant drivers in its operating environment which impact the planning assumptions for the Corporation's business lines: (1) the global economic context; (2) global spending on defence and security; and, (3) global implications of shifting demographics, increased urbanization and climate change.

Globally, advanced as well as emerging and developing economies are beginning to show signs of growth, although predictions made early in 2014 for global trade growth in 2015 required significant downgrading (from 5.3% to 4%) by leading world economists in the Fall of 2014. Growth in advanced economies in 2015 will be led by the United States, where Gross Domestic Product (GDP) is expected to grow by 3.1%.[2]

Despite U.S. budget reductions, the U.S. will also remain the world's largest defence spender, which continues to bode well for Canadian exporters selling to the U.S. Department of Defense (U.S. DoD) through the DPSA, and for those who continue to seek new international markets through CCC, leveraging the success of CCC's relationships in the long-established U.S. market. Defence spending projections for some allied countries in the Middle East, which represent key markets for CCC and the Government of Canada, are also expected to remain relatively high.

Anticipated economic growth in emerging and developing markets could shift spending priorities toward infrastructure investment. In times of growth, inadequacies in infrastructure are quickly felt— power outages, insufficient water supply, and decrepit roads adversely affect quality of life and present significant barriers to the operation of firms.[3] Infrastructure development is also being influenced by the global shift toward urbanization, as well as by population growth in emerging and developing countries. Moreover, ageing populations in developed nations will require some countries to examine their national health strategies, which could represent an opportunity for Canadian companies with expertise in this area . These, and other global infrastructure trends, will provide opportunities to increase CCC's ICB sales over the five-year Corporate Plan period.

From a security perspective, the world remains an uncertain place. Geopolitical and social tensions continue in many regions of the world. It is anticipated that ongoing tensions in certain geographic regions of the world will encourage some countries to modernize, repair and overhaul defence and security equipment, and to invest in unmanned defence and cyber security technologies, representing an opportunity to export Canadian capability and solutions to allied and like-minded nations.

CORPORATE STRATEGY

The Corporation's strategy for the Corporate Plan period will remain focused on increasing access to foreign government markets for Canadian exporters. The strategy is aligned with the Government of Canada's Global Markets Action Plan (GMAP) and the Export Component of its Defence Procurement Strategy. Accordingly, CCC continues to support the government's broader agenda on trade, competitiveness and job creation, while examining new ways to increase operational effectiveness and contain costs.

[2] IMF, World Economic Outlook, October 2014
[3] IMF, World Economic Outlook, October 2014

The business strategy is built around three strategic objective themes:

- **Focused and Collaborative Business Development** – CCC will focus on developing and managing key relationships both at home and abroad to help build the foundations for successful government-to-government export sales. CCC will increase its representative presence in foreign markets, and strengthen relationships with its international trade portfolio partners, Export Development Canada (EDC) and the Trade Commissioner Service (TCS) of Foreign Affairs, Trade and Development Canada (DFATD). Through enhanced engagement with these and other Government of Canada stakeholders, CCC's efforts in leveraging a whole-of-government approach to winning international export sales for Canadian exporters will lead to more successful business development results. Leadership in bringing the horizontal support of the Government of Canada to bear on key international trade deals and enhancing its engagement with Small and Medium-sized Enterprises (SMEs) will also be critical elements of this component of CCC's business strategy.
- **Aligning with Government of Canada Trade Priorities and Directions** – CCC continues to align with priority markets identified under the GMAP in its business development pursuits. The Corporation also anticipates that it will be able to play an enhanced role in the export component of the DPS, which aims to support the long-term sustainability and growth of Canada's defence and security industry. CCC will continue to make prudent investments in business development for Canadian exporters while respecting the spirit of the Government of Canada's cost containment initiatives featured in Budget 2014. CCC will also build on its whole-of-government approach to facilitating trade, leveraging contributions from important Government of Canada stakeholders from the TCS and the Department of National Defence (DND), among others, doing so in a manner which embodies the notion of *economic diplomacy*.
- **Demonstrating Exemplary Corporate Social Responsibility** – CCC upholds the highest ethical standards in all business dealings at home and abroad. CCC's enhanced focus on combatting bribery and corruption ensures that potential ethical issues may be identified early in the business development process, and ensures that the ethical reputation of the Government of Canada is maintained. CCC commits to operating in an environmentally, socially, and ethically responsible manner, and to respecting Canada's international commitments, while upholding the Corporation's public policy mandate and acting within its resources.

People, Processes and Systems remain the key enabler of CCC's ability to deliver on its Corporate Strategy. CCC seeks to remain a workplace of choice for employees, and the Corporation will continue making strategic workforce and workplace investments over the planning period to ensure ample focus is maintained on optimizing the specialized and unique skill sets required to grow Canadian export business.

THE FINANCIAL PLAN

CCC's ability to grow Canadian export business is dependent on sound financial management. The 2015/16–2019/20 Financial Plan outlines CCC's focus on financial sustainability in the context of a diminishing Parliamentary appropriation during the planning period, and a corresponding commitment to cost effectiveness. CCC's operating budget, capital budget and borrowing plan, as well as the Corporation's proforma financial schedules, financial objectives and five year key planning assumptions, are all included in Section 4.

SECTION ONE

CORPORATE OVERVIEW

CANADA'S EXPORT CONTRACTING AGENCY

Established in 1946, the Canadian Commercial Corporation (CCC) is a federal Crown corporation mandated to facilitate international trade on behalf of Canadian industry, particularly with governments of foreign countries. The Corporation's business lines are structured to support Canadian companies contracting in a variety of industries and sectors.

In 1956, CCC became the custodian of the Canada-United States Defence Production Sharing Agreement (DPSA), responsible for administering the agreement on behalf of the Government of Canada. The United States Department of Defense (U.S. DoD) requires that defence purchases from Canada by their procurement personnel be contracted through CCC when their value exceeds $150,000 (USD). Since 1960 a similar agreement has been in place for the supply of goods and services from Canadian sources to the National Aeronautics and Space Administration (NASA); NASA procures approximately 90% of its Canadian requirements through CCC.

CCC's SERVICES: GOVERNMENT-TO-GOVERNMENT CONTRACTING

CCC's primary service involves the establishment of government-to-government contracts with foreign government buyers to provide goods and services available for export from Canada. In turn, CCC enters into contracts with Canadian exporters to fulfill the requirements of these government-to-government contracts. With this approach, CCC guarantees that the terms and conditions of the contracts with the foreign government buyers will be performed, hence mitigating the buyers' risks and providing added incentive to procure from Canada.

CCC also mitigates risks for Canadian exporters as the Corporation is able to leverage its capacity as a Government of Canada organization to monitor progress and bring resolution to any issues that may arise in fulfilling the contract requirements. CCC's involvement reduces payment collection risks and business development costs; aids in gaining more advantageous contract and payment terms for all Canadian exporters, particularly Small and Medium-sized Enterprises (SMEs); and helps increase international awareness through supporting and promoting ethical business and Corporate Social Responsibility (CSR) practices as Canadian firms seek to increase their international sales.

CCC delivers on its mandate through two principal business lines: Global Defence and Security Sales (GDS), and International Commercial Business Sales (ICB). As a Government of Canada entity authorized, on behalf of the Canadian government, 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. Moreover, the Corporation's presence in foreign countries leads to better awareness regarding the credibility and capabilities of Canadian exporters.

Global Defence and Security Sales

CCC's business model is focused principally on assisting Canadian companies to compete globally and secure sales in defence and security markets. CCC's GDS business has two interdependent components:

- **Sales to the U.S. DoD and NASA under the Canada-U.S. DPSA** – CCC assists Canadian defence and security companies to compete for contracts with the U.S. DoD through the privileged access they have by virtue of the Canada-U.S. DPSA and related U.S. Regulations. Canadian exporters are also able to leverage the U.S. Foreign Military Sales (FMS) program through their access to the DPSA, as they are able to sell into the U.S. DoD inventory where their goods can then be re-exported to third party countries. CCC has historically received a parliamentary appropriation to manage this public policy program. The U.S. DoD market often becomes the platform for Canadian companies to build their capacity to compete internationally and generate other global sales.

  Under the DPSA, CCC acts as Prime Contractor on most U.S. DoD and NASA contracts valued above the acquisition threshold of $150,000 USD. Accordingly, CCC assesses suppliers' technical, managerial and financial capabilities, and on sole source opportunities Public Works and Government Services Canada (PWGSC) provides a fair and reasonable price evaluation on behalf of the Government of Canada. When a bid is won or awarded to a Canadian company, CCC signs the contract directly with the U.S. DoD or NASA, providing the full backing and endorsement of the Canadian government. CCC's active contract monitoring assures the U.S. government buyer that all contract terms and conditions will be met. Moreover, for DPSA activities, the Corporation generally pays its exporters within 30 days of receipt of an invoice and substantiating contract documentation. On those occasions where there are collection delays and payment has not yet been received from the DPSA customer, CCC can make these payments utilizing its own resources while awaiting payment from the U.S. DoD. This CCC policy is aligned with broader Government of Canada direction in this area, and helps to ensure that Canadian exporters, particularly the large number of SMEs that sell through the DPSA program, are able to sustain operations through periods of cash flow fluctuation.

- **Defence and Security Sales to Global Markets** – CCC launched this business in 2009 to respond to a growing demand from Canadian exporters to expand beyond the U.S. DoD market. This business, which supports Canadian defence and security exporters in markets beyond the U.S. with governments of allied and like-minded nations, builds on the Corporation's experience selling to the U.S. DoD and through the U.S. FMS program. CCC guarantees that the terms and conditions of its contracts will be performed, mitigating performance risk for the foreign government buyer with the added benefit of being able to build a customized solution to meet the foreign government buyer's acquisition needs much faster, and often at a lesser cost than a similar solution purchased directly from the Canadian exporter through other procurement organizations such as U.S. FMS.

International Commercial Business Sales

CCC also helps mitigate risks for Canadian exporters and foreign government buyers in non-defence and security sectors. CCC's government-to-government contracting provides direct access to foreign government procurements for Canadian industry; the Government of Canada brand helps ensure that exporters supported by CCC are credible, ethical and competitive, which helps to generate sales that may have otherwise been out of reach. CCC's government-to-government contracts help enhance the competitiveness of Canadian exporters internationally by:

- Guaranteeing that the terms and conditions of the contract will be performed;
- Permitting the negotiation of a fully customizable solution; and
- Ensuring Government of Canada oversight and management of the contract from signature through contract close-out.

CCC's ICB business has featured projects around the world in the infrastructure, construction, engineering, energy, health, education and information technology sectors.

Sourcing for Other Government Departments, and Shared Services

As a third, but non-core, business focus, CCC supports DFATD in the implementation of the Government of Canada's international aid programs by assisting with the sourcing of goods and services destined for foreign recipients. As part of this assistance, CCC also works with the Government of Canada's international emergency response and reconstruction initiatives. For example, CCC engages closely with DFATD's Security and Emergency Preparedness division, in order to ensure as many Canadian companies as possible can participate in Canada's international emergency response to natural disasters or reconstruction efforts.

CCC also manages a network of 10 Canadian Trade Offices in China. In 2009 and in recognition of the expansive growth of China's second-tier cities, the Government of Canada approached CCC to help DFATD in the establishment and management of six Canadian Trade Offices, located in Shenzen, Chengdu, Wuhan, Qingdao, Nanjing and Shenyang. In 2014, this network was expanded to include four additional offices in Xi'an, Xiamen, Hangzhou and Tianjin.

Finally, CCC has also established a comprehensive shared services arrangement with PPP Canada that generates economies of scale in providing a variety of corporate services to both organizations. This arrangement includes the provision of shared expertise in Human Resource services, Information Technology (IT) services and Legal services, amongst others.

CORPORATE GOVERNANCE

CCC is a parent Crown corporation under Schedule III Part I of the *Financial Administration Act (FAA)*, and reports to Parliament through the Minister of International Trade. It has two main funding sources: appropriations voted by Parliament and fees generated by the provision of services. 2015–16 will mark the second year of a three-year plan to reduce the Parliamentary appropriation to zero by the end of 2016–17, by which time fees for service will constitute CCC's single largest source of funding.

The *Canadian Commercial Corporation Act* governs the Corporation, defining its role and the governance structure of CCC's Board of Directors. The *CCC Act* also provides the Corporation with a range of powers, including the ability to export goods from Canada either as a principal or as agent.

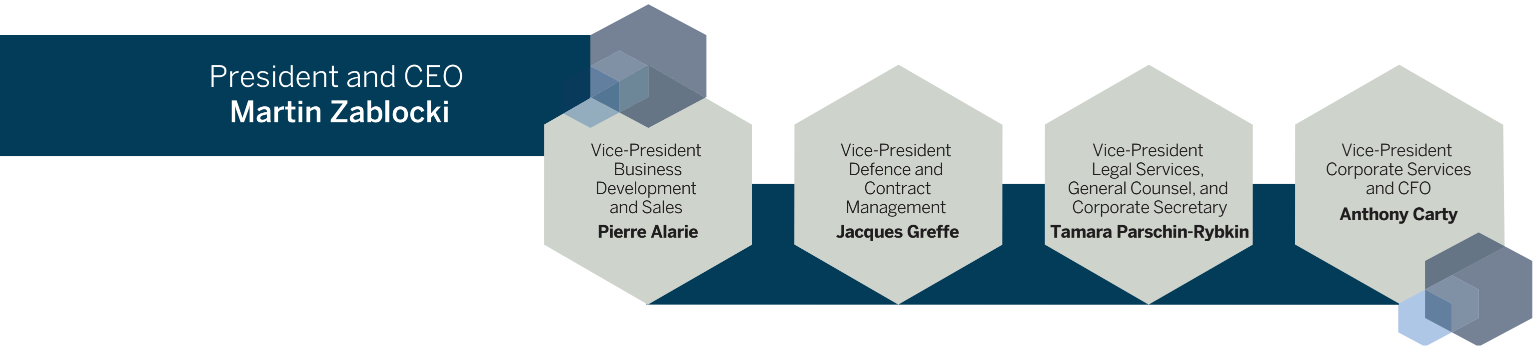
In addition to the *CCC Act*, the operations of the Corporation respect the following federal legislation:

- *Financial Administration Act (FAA)*
- *Corruption of Foreign Public Officials Act (CFPOA)*
- *Canadian Environmental Assessment Act (CEAA)*

CCC also adheres to the *Privacy Act*, the *Access to Information Act*, the *Federal Accountability Act*, the *Public Servants Disclosure Protection Act*, and the *Official Languages Act*, and any new legislation, regulation, or policy which is extended to Crown corporations under Schedule III Part I of the *FAA*.

BOARD OF DIRECTORS

Pursuant to the *CCC Act* and Part X of the *FAA*, the stewardship of the Corporation is the responsibility of the Board of Directors. The Board is accountable for the affairs of the Corporation and ensures the proper delivery of public policy on behalf of the Government of Canada through the provision of leadership and guidance to the Corporation's management team,



and by setting the Corporation's long-term strategic direction, in alignment with the Minister of International Trade's direction expressed in the annual Statement of Priorities and Accountabilities.

The Board is composed of a Chairperson, the President and Chief Executive Officer (CEO), and not more than nine or less than five Directors. The Chairperson and the President and CEO are appointed by the Governor in Council. The remaining Board Directors are appointed by the Minister of International Trade subject to approval of the Governor in Council. Directors hold office for a term not exceeding four years, while the Chair and CEO hold office for such term as the Governor in Council deems appropriate. The Minister of International Trade appoints Board members who represent the Canadian business community and the federal government, striving to balance sector, gender, linguistic and geographical representation.

The Board conducts its oversight function through a number of subcommittees which include: the Operations Committee; the Governance and Human Resources Committee and the Audit Committee. The committees examine matters in their respective areas that come before the Board for consideration. For more information on CCC's Board of Directors and its role, please visit *www.ccc.ca.*

SENIOR MANAGEMENT COMMITTEE

As the CEO, the President is accountable for the direction and management of Corporation's business. With the approval of the Board of Directors, the Senior Management Committee, comprised of the President and four Vice Presidents, sets corporate priorities to achieve strategic objectives consistent with the corporate mandate. Bound by *CCC's Code of Conduct and Business Ethics*, the Senior Management Committee adheres to the highest ethical standards of professional conduct. All senior executives, with the exception of the CEO, are paid within salary ranges which are aligned with the Public Service of Canada Executive salary bands for positions classified at EX-1 to EX-5 levels. Executive compensation policies are approved by the Board of Directors. CEO compensation is governed by the Performance Management Program for OIC appointees and approved by the Governor in Council on recommendation of the Board.

The Corporation has three operational business units and one corporate business unit. The three operational business units are: Business Development and Sales, Defence and Contract Management, and Legal Services. These business units position the Corporation to proactively assist Canadian exporters in generating sales, and enhance the provision of its core contract management services. The Corporation's single Corporate Services business unit ensures ongoing focus on CCC's strategy, and that the Corporation's resources, systems and risk management framework continue to support the operational and strategic needs of the business. Each business unit is led by a Vice-President accountable for corporate performance and results.

RISK AND OPPORTUNITIES COMMITTEE

This committee was established as an advisory body to the CEO to address matters impacting on the overall management and direction of the Corporation through a broad consultative process. The ROC reviews issues at Strategic, Operational and Transactional levels, risk categories defined in CCC's Enterprise Risk Management Framework. The committee has the following roles and responsibilities:

- Promote an appropriate balance between risk management and pursuit of opportunities in the context of CCC's risk appetite, largely through the review and assessment of project pursuits at various stages.

- Make recommendations regarding project pursuits including fees, and ensure resources are aligned with approved strategies.
- Assess and ensure alignment of corporate business objectives with CCC's Enterprise Risk Management (ERM) framework.
- Make recommendations regarding external communication.

INTEGRITY COMPLIANCE COMMITTEE

This committee was established to address ethics and integrity issues that could impact CCC's business dealings with Canadian exporters. The committee is comprised of executives from the Risk, Legal Services, Business Development and Sales, and Corporate Strategy areas of the Corporation. The committee's oversight mandate is closely linked with ROC, and its roles and responsibilities are as follow:

- Promote and uphold the highest ethical business practices in all the Corporation's business dealings.
- Ensure alignment of the Corporation's due diligence framework with international efforts to combat bribery and corruption of foreign government officials.
- Review the ethical and integrity profiles of Canadian exporters in the context of specific export opportunities, and make recommendations to ROC.

HUMAN RESOURCES

CCC is headquartered in Ottawa, Ontario and employs approximately 140 people on a full-time basis. While CCC regularly seeks skilled contracting and procurement professionals to deliver its unique services, normal attrition and nominal turnover have allowed the Corporation's staff complement to remain relatively stable over the last two years. Workforce figures for the planning period are represented in the table below, and are tied to operational requirements stemming from anticipated business growth.

Most of CCC's employees are members of the Professional Institute of the Public Service of Canada's (PIPSC) CCC Group. PIPSC is the only union with members at CCC. The Corporation's workforce is comprised of 104 (73%) unionized employees and 32 (27%) excluded employees and executives. The Corporation's workforce is representative of multi-cultural Canadian society and exhibits a diverse set of skills, knowledge and language capacities that allows CCC to effectively manage contracts with foreign government buyers from many parts of the world.

CCC'S WORKFORCE

2013–14 Actual	2014–15 Forecast	2015–16 Forecast	2016–17 Forecast	2017–18 Forecast	2018–19 Forecast	2019–20 Forecast
142	136	138	138	140	140	140

*Number of full-time employees.

SECTION TWO

THE OPERATING ENVIRONMENT

CCC continually assesses its business environment, giving particular consideration to the overall economic situation as well as specific circumstances that may be affecting the Corporation's target markets and sectors of interest. This section outlines the general global environment in which CCC expects to operate. It is based on ongoing market research, CCC's own business intelligence assessment, continuous media monitoring, expert opinion from CCC and EDC officers, as well as DFATD's TCS (Trade Commissioner Service) and Canadian exporters in the field.

DRIVERS OF CCC'S ENVIRONMENT

For the FY2015–16 to FY2019–20 planning period, CCC identified three major drivers in its operating environment that impact its lines of business. The identification of these drivers is based on analysis of the geopolitical environment, the Corporation's priority markets and business sectors, the government's international trade priorities outlined in platforms such as the Government of Canada's GMAP and DPS. In addition, this Plan is reflective of the Government of Canada's renewed emphasis on the role of CSR and ethical business conduct in all of its operations.

CCC examined broad global economic trends and identified various future scenarios in each of its business lines, assessed the likelihood and impact of the scenarios with the objective of mitigating risks and taking advantage of opportunities.

Three significant drivers of CCC's operating environment are:[4]

- The global economic context;
- Global spending on defence and security; and,
- Global implications of shifting demographics, increased urbanization and climate change.

Global economic context

There is general consensus amongst leading economic organizations and financial institutions (eg., International Monetary Fund, World Trade Organization, the World Bank, and Export Development Canada) that the worldwide recession of 2008 has all but run its course and recovery has begun. While there are signs of growth in many economies, both advanced and emerging, some weaknesses remain and recovery continues at a slower-than-predicted pace, with the pace of recovery becoming more country-specific.[5] In September 2014, the World Trade Organization (WTO) downgraded its 2015 global trade forecast, from the 5.3% projected in April 2014, to 4%.[6]

[4] Notable here is that while the above drivers are considered to have wide-ranging implications for CCC's business over the planning period, arguably the most significant determinant of CCC's success in a given market tends to be the openness of a foreign government buyer to CCC's value proposition. For CCC's business approach to be successful, a foreign government buyer must be willing to politically defend a decision to undertake a directed, sole-source contract with the Government of Canada as an alternative to an open tender process. This requires a combination of (1) legal authority couched in a country's domestic procurement laws; and (2) political will. Without an openness to the Corporation's value proposition, CCC's government-to-government business model has little traction.

[5] IMF. World Economic Outlook, October 2014

[6] World Trade Organization, Press Release, 26 September 2014

International institutions have significantly revised their GDP forecasts after disappointing economic growth in the first half of 2014.[7] The downgrade comes in response to weaker-than-expected GDP growth and muted import demand in the first half of 2014, particularly in natural resource exporting regions such as South and Central America. Beyond this specific downward revision, risks to the WTO's forecast remain predominantly on the downside, as global growth remains uneven and as geopolitical tensions and risks remain high.[8] Of concern for CCC in these altered forecasts is the weak to negative trade growth forecasted by the WTO for the remainder of 2014 in the regions of South and Central America, as well as areas of Africa and the Middle East. All of these regions contain key target markets for CCC. While growth forecasts in these regions improve for 2015, the impacts of ongoing political and civil conflicts in some Middle Eastern countries, combined with the decreasing oil prices that characterized the middle of 2014 and the potential economic implications of an uncontrollable Ebola crisis, all could have diminishing implications for trade with Canada.

According to the IMF, the U.S. economy is expected to grow at 3.1% in 2015, outstripping growth in Canada by 0.6%. This compares sharply to the relatively similar growth rate forecasts of 2.2% and 2.3% for the U.S. and Canada, respectively, for 2014 and demonstrates global expectations for greater continued strengthening of the U.S. economy.

In July 2014, the BRICS countries (Brazil, Russia, India, China and South Africa) announced the formation of a New Development Bank (NDB) funded by member countries which focuses on infrastructure projects and sustainable development projects, especially in Africa. The initial capitalization of the bank was US$50 Billion with a commitment to raise this figure to US$100 Billion. Moreover, since 2000 China has negotiated a series of resource-backed deals with several African nations which feature strong Chinese government support and low-rate financing, the strategic aim of which is to secure future access to resources to power China's continuing rapid economic expansion.[9] In 2014, there were approximately 2,000 Chinese firms operating in Africa building infrastructure and helping to fuel Africa's renewed economic growth.

In countries with infrastructure needs, 2014 was an opportune time to make much-needed global investments in infrastructure projects. Borrowing costs remained low and demand was weak in advanced economies, and infrastructure bottlenecks persist in many emerging and developing economies.[10] Debt-financed projects could have large output effects, without increasing a country's debt-to-GDP ratio, if clearly identified needs are met through efficient investment. In other words, public infrastructure investment could pay for itself if done correctly.[11]

Worldwide, emphasis continues to grow regarding Corporate Social Responsibility (CSR) and the international community's upholding of ethical business standards. In February of 2013, the Government of Canada amended the *Corruption of Foreign Public Officials Act (CFPOA)* to combat bribery and corruption by Canadian companies engaged in international business. By May of 2014, the Organization for Economic Cooperation and Development's (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions had been ratified by 41 countries including Canada.

Looking ahead to 2015, anti-bribery and anti-corruption compliance remains a key focus for most developed countries, causing a significant expenditure of effort in the investigation and prosecution of those who engage in bribery in order to secure business. Globally, there has been a notable increase in the number of high-profile companies and senior executives charged and convicted of bribery-related offenses in the past several years. In Canada, the United States and the United Kingdom, the importance of combatting bribery and corruption continues to increase relative to other international business priorities.

What this means for CCC:

i. Challenges:

- CCC's move toward non-traditional defence and security markets will require an increased vigilance for responsible and ethical business conduct. The Corporation's CSR framework supports this requirement through its enhanced due diligence process, which flags potential ethical issues early in the exporter qualification process,

[7] Roberto Azevêdo, President of the World Trade Organization, September 23, 2014
[8] WTO, Press Release, 26 September 2014
[9] Global Trends, "The New Colonization of Africa, BRIC-style."
http://www.globaltrends.com/component/content/article/56/121-the-new-colonization-of-africa-bric-style
[10] IMF. World Economic Outlook, October 2014
[11] IMF. World Economic Outlook, October 2014

ensuring that the Corporation continues to uphold the highest integrity standards in all its undertakings.

- A continued run on oil prices for exporting nations in key CCC markets in Latin America and the Middle East could slow infrastructure spending, leading to even longer infrastructure project development cycles. This may warrant an examination of CCC's ICB business to ensure it remains capable of responding to evolving foreign requirements.
- The introduction of the NDB by the BRICS countries could challenge CCC's past successes in facilitating competitive financing offerings for large projects in Africa. CCC will work closely with EDC to determine how best to align efforts to support Canadian exporters in African markets.
- The concessional nature of China's engagement in infrastructure development in many African countries often precludes the ability to offer a higher-quality, albeit typically more expensive, Canadian solution.
- The extent of alignment of emerging and developing countries' efforts to combat bribery and corruption with those of the broader international community could challenge ethical Canadian exporters' abilities to compete successfully in foreign government procurement opportunities. It is hoped that CCC's support of ethical Canadian exporters seeking to win contracts in some of these markets will help win business which may have otherwise been out of reach.

ii. Opportunities:

- Strengthening growth projections for Canada's largest trading partner, combined with ongoing geopolitical tensions in other parts of the world, may have positive implications for Canada-U.S. defence trade, from which CCC could benefit in its role as the Government of Canada's custodian of the Canada-U.S. DPSA.
- Ongoing geopolitical tension in certain regions could encourage certain countries to modernize, repair and overhaul defence and security equipment, and to invest in unmanned defence and cyber security technologies, representing an opportunity to export Canadian capability and solutions to allied and like-minded nations.
- While borrowing costs remain low, emerging and developing countries should continue prioritizing investments in infrastructure projects. CCC could see a rise in the number of Canadian exporters of infrastructure-related products and services who will find value in CCC's government-to-government contracts in these markets.
- CCC will examine how concessions and public-private partnerships (PPPs) in capital projects could benefit Canadian exporters. CCC will work with key Government departments to assess the value of expanding CCC's mandate to allow greater involvement in PPP-type projects which include a construction component and a post-commissioning concession component. CCC's involvement in capital projects is currently limited to the construction and commissioning phases.
- Canada and CCC have a significant competitive advantage as nations seeking goods and services will look for broader value propositions including technology transfer, local employment, and environmental sustainability combined with high-quality products and services. The services CCC offers and the Corporation's greater focus on responsible and ethical business conduct will contribute to strengthening the reputation and credibility of Canadian exporters seeking to enter emerging markets.
- CCC will continue to make investments in business development and will explore the feasibility of foreign representation in key target markets. An in-country presence will allow CCC to develop closer relationships with foreign government buyers and invest the time to identify opportunities, pursue projects and win contracts with Canadian exporters. This is particularly important in cultures that place a higher level of importance on face-to-face meetings and strong foundational relationships, and key to assisting SMEs who cannot travel to foreign markets as frequently as is often required to establish relationships, trust, and win contracts.
- The Corporation's CSR framework supports the enhanced worldwide requirement for increased vigilance in combatting bribery and corruption. Through its enhanced due diligence process, CCC is able to flag potential ethical issues early in the exporter qualification process, ensuring that the Corporation continues to uphold the highest integrity standards in all its undertakings.

Global spending on defence and security

Global defence spending reached $1.7 trillion – roughly 2.4% of global GDP – in 2013, falling 1.9% in real terms from levels witnessed in 2012.[12] Saudi Arabia (moving to 4th place globally, from 7th in 2012) and the United Arab Emirates (remaining at 15th) were among the world's top 15 spenders; the United States, the UK and Canada all saw decreases in their defence spending in 2013, though the U.S. remained the largest spender by a margin of more than $450 billion.[13] Defence expenditures in Latin America grew by over 2% in 2013, and grew in Mexico by more than 5%, key markets where CCC and Canadian exporters have enjoyed much success in 2013–14 and 2014–15. Defence spending also grew by 4% in the Middle East in 2013, attributable to continued civil unrest and the withdrawal of the international community from Afghanistan.

It is anticipated that most developed nations will strategically reduce their defence expenditures and seek to shift the level of military engagement more towards limited interventions and burden-sharing through participation in alliances, conflict prevention and contracted security services. At the same time, it is expected that emerging market countries will move to grow their defence and security capacity.

Defence spending in the US has decreased due to constrained budgets, winding down of action in Iraq and Afghanistan, and changing domestic priorities. In 2013, US defence spending declined by $52 billion to $619 billion, representing approximately 3.8% of GDP.[14] Along with this reduction in defence spending, the US may adopt a new type of diplomacy wherein the US will provide leadership while not actively participating in military missions. Moreover, the political dynamic in the United States continues to evolve with the Republicans expected to assert more control over political process through the latter half of President Obama's term to 2016. How this may affect defence and security budgets in the U.S. could have implications for Canadian exporters that sell to the U.S. DoD and into its FMS inventory through CCC.

The rise of international terrorism, especially radical Islamism, is viewed as a threat to global security. The rise of the Islamic State of Iraq and the Levant (ISIL) in 2014 has heightened security concerns all over the world and has focused the eyes of the international community on creating effective coalitions to combat terrorism. Indeed, in every country where a material rise in defence spending has occurred since 2004, one of the identified drivers of the increase in spending has been attributed to the involvement of that nation in significant armed conflict or other violence.[15]

Organized crime, too, has restructured itself. By creating global networks that support international operations for drug trafficking, the movement of illicit firearms, money laundering, and kidnapping, the ability of transnational terror networks to cause harm remains on the rise. With the world financial and market systems becoming more interconnected and technology dependent, cybercrime, cyber espionage and other malicious cyber activities are also seen as worrisome security threats.

Globally, competition for defence business is steadily increasing. Moreover, several countries, including Canada and the UK, have introduced strategic policy tools designed to strengthen their domestic defence and security industries. Canada's Defence Procurement Strategy and the UK's Defence Growth Partnership are examples of such policy tools which recognize the critical importance of the domestic defence industrial base and which seek to leverage and nurture technology and skills development, and to maximize innovation and collaboration through fostering targeted investment in the defence and security industry for the benefit of the economy. Bolstered by the government's continued success in negotiating Free-trade Agreements (FTAs), Foreign Investment Protection Agreements (FIPAs), and Defence Cooperation Agreements (DCAs) with strategic export markets, these policy tools also strengthen the value added to bilateral commercial relationships by government organizations like CCC. Enabled by these framework agreements, CCC's successful positioning in several target markets has led to an increase in the number of Canadian exporters seeking to leverage CCC's government-to-government

[12] SIPRI Fact Sheet – April 2014
[13] SIPRI Fact Sheet – April 2014
[14] Dinah Walker, "Trends in Military Spending", Council on Foreign Relations. *http://www.cfr.org/defence-budget/trends-us-military-spending/[11]p28855. July 14, 2014*
[15] SIPRI Fact Sheet – April 2014

contracting product. As further evidence of CCC's success, some countries, including Australia and South Korea, have looked to Canada and CCC in creating their own version of government contracting support mechanisms for companies seeking to expand their presence in international markets.

What this means for CCC:

i. Challenges:

- While U.S. DoD budget reductions will undoubtedly affect CCC's level of transactional effort in the DPSA business line, CCC will continue to work hard to maintain and fully leverage Canada's competitive advantage in this established market. It will do so by enhancing its strong relationship with the U.S. DoD and NASA, seeking to provide increased opportunity for Canadian exporters in this strategic market.
- The global defence and security market will continue to be highly competitive, marked by shifts in procurement approaches as decisions to replace or update equipment continue to be weighed and scrutinized. This increases the importance of continuing to make prudent investments in business development so that foreign government awareness of CCC's unique value proposition continues to grow.

ii. Opportunities:

- The relationships CCC has built with the U.S. DoD, the U.S. buying commands, and with key stakeholders at the Pentagon, have heightened in importance in the context of declining defence budgets and a sustained ability to maintain a foothold on the important U.S. DoD market.
- CCC's representation of the interests of Canadian exporters, in collaboration with DFATD and DND, as well as with the Canadian Association of Defence and Security Industries (CADSI), through the continued execution of the DPSA, will continue to bolster the importance of this market and the necessity to maintain the integrated North American defence industrial base for both countries.
- CCC's continuing support of Canadian exporters, especially SMEs, through sales under the DPSA, assists these companies to develop capacity to compete in broader global defence and security markets.
- The need to modernize, repair and overhaul equipment, and to invest in new technologies, particularly in cyber-security and electronic intelligence gathering, will likely support the market entry of new Canadian exporters that could greatly benefit from CCC's knowledge and ability to access foreign government procurement markets.
- As countries beyond the U.S. reassess their own defence industries, protectionism and a desire for local content will require that CCC work closely with its trade policy partners to keep government markets and supply chains open to Canadian exporters. CCC will continue to work with colleagues in the TCS and DND, to identify opportunities in foreign government markets that would benefit from a Canadian solution, or where there is a preference for Canadian capabilities or expertise.
- CCC will continue establishing Memorandum of Understanding (MOUs) with foreign government buyers pertaining to the acquisition of defence and security products and services, with a focus on establishing these framework agreements in GMAP countries. The existence of broader bilateral framework agreements, such as Free-Trade Agreements (FTAs), Foreign Investment Protection Agreements (FIPAs), and Defence Cooperation Agreements (DCAs) with foreign governments helps facilitate the negotiation of MOUs for strategic government-to-government commercial collaboration.
- Niche technologies (eg., 'wearable computers' integrated into soldiers' uniforms that, among other things, measure stress levels; others that capture solar energy and replace the need for heavy backpack batteries to power equipment) will continue to be in significant demand, particularly as countries increasingly look to counter illegal activities and terrorism. However, the companies producing these technologies are often small and may not fit the definition of a traditional

'export-ready' company. CCC's value proposition will be increasingly appealing to this industry segment, requiring CCC to examine its risk management framework and due diligence processes in view of accommodating a greater percentage of SMEs that sell directly to foreign governments.

- CCC will continue to lead a whole-of-government approach to ensuring a focused Canadian presence at major international defence and security exhibitions and events. CCC's presence at these events assists Canadian exporters in accessing foreign government decision makers.
- In addition to valuable contributions from other Government of Canada stakeholders, such as DFATD and DND, CCC's participation in and support of the export component of Canada's DPS will help ensure sustained strategic alignment of this important policy lever with international business needs of Canadian defence and security exporters.
- The cyber-protection market represents a relatively new market for CCC's Global Defence and Security line of business. CCC will engage with the cyber-protection industry organizations and associations to build greater awareness of CCC's value proposition and to explore potential government-to-government export opportunities.

Demographics, Urbanization and Climate Change

The world's population will continue growing with an expected peak nearing 9 billion people as early as 2045. Aging populations will constrain the economic growth of many countries especially in advanced OECD countries. The growth in this segment of the population will see increasing burdens placed on social and health care systems. An aging demographic will create global needs for services provided across the health care spectrum, from the development and implementation of national level health strategies to the treatment and care of patients and the equipment and education required to meet the health needs of aging populations worldwide. Canada's experience with developing and implementing a national e-health strategy continues to be considered a best practice example around the world, particularly by countries in the Middle East. Countries such as Saudi Arabia and Kuwait send scores of PhD students to Canada every year for advanced studies in medicine. Over the multi-year terms of their studies, these students develop an in-depth knowledge of the Canadian health care system and, once their studies are complete, return to their home countries seeking to implement the best practices they have acquired in Canada.

Emerging nations will see the greatest population growth and those with labour surpluses will continue to experience high levels of youth unemployment (especially throughout the Middle East and Africa). Countries with growing populations, especially those experiencing the "youth bulge" and without established, viable economies to support this segment of the population may face political unrest and high levels of migration across sovereign boundaries.

The move towards urbanization continues on a global basis. By 2030, it is estimated that 60% of the world's population will live in cities, an increase of 6% over the 54% that lived in cities in July 2014.[16] This will give rise to growth of 'megacities', considered to be those cities that have more than 10 million residents. By 2023, the number of 'megacities' in the world will reach 30 with half of them being located in emerging countries. These new megacities will require huge investments in infrastructure, to support new trade flows and logistics networks (e.g. airports, sea ports), and to address growing education, health, security, and employment demands. For example, India is expected to invest over US$20 billion in sewage treatment, irrigation and recycling initiatives over the period covered by this Corporate Plan.

[16] United Nations (UN), World Urbanization Prospects, 2014

Public infrastructure is an indispensable input in an economy's production, one that is highly complementary to other inputs such as labor and private (non-infrastructure) capital. Inadequacies in infrastructure are quickly felt— power outages, insufficient water supply, and decrepit roads adversely affect people's quality of life and present significant barriers to the operation of firms.[17] Many countries around the world are considering investing in "smart cities", considered to be 'smart' when investments in human and social capital, traditional transport and modern communication infrastructure fuel sustainable economic development, a high quality of life, and wise management of natural resources through participatory action and engagement.[18] Frost and Sullivan, a global research and marketing firm, posit that market potential for smart city investments is approximately $1.5 trillion between now and 2020, with multiple opportunities related to infrastructure development, technology integration, and energy and security services. The efficiency and effectiveness of public investment in infrastructure will determine the extent to which the full benefits of such infrastructure initiatives will be realized.

Population growth and climate change will elevate pressure on the need for food and water resources. The global demand for energy is forecast to increase by as much as 50% by 2030, particularly in emerging market countries. The impacts of climate change may include increases in extreme weather and rising sea levels which could make traditional methods of farming, hunting, and fishing difficult or impossible in some places. The need for sustainable solutions may well be at odds with the need for resources to fuel growth and feed populations. Securing natural resources domestically and internationally via strategic relationships is expected to become more critical for governments and business in general.

What this means for CCC:

i. Challenges:

- As emerging market countries around the world seek to strengthen their public investment processes through elements such as better project appraisal, selection, execution and rigorous cost-benefit analysis – all factors key to successful public-private partnerships (PPPs) – CCC will examine how concessions and PPPs in capital projects could benefit Canadian exporters. This risk-based assessment will need to include a review of the government approvals required to support this potential new business line, as CCC's involvement in capital projects is limited to the construction and commissioning phases.

ii. Opportunities:

- Health requirements in countries with aging populations, combined with the need for efficient, sustainable technologies in emerging market countries may offer considerable potential for CCC to capitalize on Canadian companies' successes in these areas.
- Canada and CCC have a significant competitive advantage as nations seeking goods and services will look for broader value propositions including technology transfer, local employment, and environmental sustainability combined with high-quality products and services. The transparent services CCC offers and its greater focus on responsible and ethical business conduct will contribute to strengthening the reputation and credibility of Canadian exporters seeking to enter these emerging markets.

[17] IMF, World Economic Outlook, October 2014
[18] Journal of Urban Technology, 18 (2): 65-82

SECTION THREE

CORPORATE STRATEGY

The Corporation's strategy for the planning period will remain focused on increasing access to foreign government markets for Canadian exporters. The strategy is aligned with the Government of Canada's GMAP and the Export Component of its DPS. Accordingly, CCC continues to support the government's broader agenda on trade, competitiveness and job creation, while examining new ways to increase operational effectiveness and contain costs.

STRATEGIC PRIORITY

GROW CANADIAN EXPORT BUSINESS

Guided by Canadian Government trade priorities, CCC will execute focused business development strategies utilizing a whole-of-government approach and enhanced relationships with exporters, buyers and other government departments to increase access for, and the competitiveness of, Canadian exporters in foreign government procurement markets on a government-to-government basis.

CCC's single strategic priority, "Grow Canadian Export Business", is based on three corporate objective themes that group related business initiatives to enable a more focused approach to strategic planning, resource allocation and measuring performance.

1. *Focused and Collaborative Business Development* – strengthening relationships with partners, stakeholders and Canadian exporters, with an emphasis on target markets, to leverage business development investments and increase the seamlessness with which international trade support is provided.
2. *Aligned with Government of Canada Trade Priorities and Directions* – ensuring alignment with the government's GMAP, continuing to support the export component of Canada's DPS, and managing growth by making prudent investments that respect the spirit of the government's cost containment measures.
3. *Exemplary Corporate Social Responsibility* – a focal point for CCC on its responsibility to maintain and protect Canada's reputation in international business dealings.

Success in each of the above themes is enabled by CCC's continuous pursuit of excellence in its People, Processes and Systems, and by fostering an environment of innovation and collaboration internally, with stakeholders and partners, and with Canadian exporters. This pursuit of excellence touches all of CCC's business areas, including its significant contract management capability and corporate service areas.

OBJECTIVE THEME 1

FOCUSED AND COLLABORATIVE BUSINESS DEVELOPMENT

As the Government of Canada's international contracting and procurement agency, CCC is committed to supporting Canadian exporters in developing and accessing international markets. CCC will focus on developing and managing key relationships at home and abroad to help build the foundations for successful government-to-government export sales. In the first year of the planning period, CCC will undertake several business initiatives with a view to enhancing international opportunities for Canadian exporters.

Establish CCC Foreign Representation

Critical to success in competitive international markets is establishing and maintaining trusted relationships with key stakeholders and clients. It is also important to be responsive to client requests and to be available to exchange ideas, amend plans or meet with buyers. Accordingly, having an on the ground presence is fundamental to generating international business sales. For CCC this need is compounded by the reality that the Corporation supports a broad spectrum of business markets.

As proof of concept, CCC will invest in establishing foreign representation in two markets, anticipated for the Middle East and Latin American regions, to demonstrate the value of foreign representation to increasing opportunities for Canadian exporters in foreign government markets. Concurrently and with results expected to flow from the early days of foreign representation, CCC will continue to examine and assess the business rationale for increasing the breadth of its foreign presence in other regions and countries.

Through the establishment of representation abroad, CCC expects to achieve increased sales for Canadian exports in regions that align with the Government of Canada's GMAP. Foreign representation will also amplify CCC's effectiveness in supporting the export component of the DPS. Also, CCC's presence in foreign markets may be most important to export-ready SMEs who sell to foreign government buyers. These exporters are unlikely to maintain their own presence abroad and may be unable to optimize results without the presence of CCC in markets to pursue business on their behalf.

Making More Effective Use of Market Intelligence

Over the last two years, CCC has made great strides in strengthening relationships with its International Trade Portfolio partners, the TCS, EDC, as well as the Defence Attaché network of the Canadian Forces. From a market intelligence perspective, CCC will continue building on the strength of its Portfolio relationships, and engage with other Government of Canada stakeholders when and where appropriate, to ensure that CCC's business development strategies and decisions are informed by the most accurate, shared views on markets, specific opportunities and potential areas for enhanced support.

Promoting a Whole of Government Approach to International Trade

CCC's business pursuit efforts in target markets will fully embody a whole of government approach to facilitating Canadian export sales on a government-to-government basis, leveraging important contributions of other Government of Canada stakeholders including trade commissioners, defence attachés, EDC, and political advocacy where and when appropriate. This will all be done in a manner which exemplifies the notion of economic diplomacy outlined in the government's GMAP.

CCC and the TCS will continue collaborative efforts to develop tools and messages to promote the government-to-government procurement approach in foreign markets in a manner that consistently articulates the benefits of a strengthened trade relationship with Canada. These important tools, together with other collaborative efforts to meet the needs of Canadian exporters in foreign markets, are key components of the Memorandum of Understanding (MOU) signed in 2014–15 between CCC and the TCS.

CCC will also work closely with EDC to examine areas for more collaboration and seamless service provision. The two Crown corporations often find themselves supporting the same clients on select opportunities, and expect the frequency of this scenario to increase with both organizations' increasing focus on GMAP and the DPS. CCC will explore ways to formalize information sharing between the two organizations where complementary roles are in demand on particular opportunities, and seek to increasingly leverage respective market analytics and CSR efforts in view of providing a consistent set of services to Canadian exporters.

Team Approach to Pursuing Global Deals

CCC's leadership of a whole-of-government approach was critical to signing the largest manufacturing export deal in Canadian history in early–2014. Accordingly, CCC is advancing this best practice to focus international business development resources of the Government of Canada on effectively and intensely supporting key CCC contract opportunities abroad. The approach will maximize contributions from key Government of Canada stakeholders involved in international trade, namely the TCS, Canadian defence attachés, and EDC, as well as senior bureaucratic and political resources where necessary.

Small and Medium-sized Enterprises (SMEs)

CCC supported over 117 SMEs in all parts of Canada in 2013–14, constituting over 64% of CCC's client base that year. Most of this support was provided to SMEs in the defence and security sector, and largely through the DPSA business with the United States. According to Industry Canada, there are over 1.1 million SMEs in Canada, accounting for the largest section of job creation in the Canadian economy. SMEs also accounted for over 40% of Canada's exports in 2011, the impressiveness of which is highlighted even further when considering that only a very small percentage of SMEs (approximately 10% in 2011) are actually able to export (i.e., considered 'export ready'); an even smaller percentage are able to sell directly to foreign governments.

While CCC's intent to optimize Canadian content in all of its transactions touches many Canadian SMEs, the corporation will enhance its support for this important sector of Canada's economy through increased engagement with SMEs. Through whole-of-government leadership at major international defence and security trade shows and exhibitions, CCC is able to ensure SMEs have access to foreign government decision makers. CCC's in-market knowledge of opportunities in target countries, combined with its knowledge of Canadian industry, helps connect SMEs to international opportunities both directly or indirectly as a supplier to a larger firm in a transaction. CCC's increased involvement in important SME groups such as the Minister of International Trade's SME Advisory Council will also better inform CCC as to the challenges and opportunities that SMEs face.

Sustaining Access to United States Department of Defense (U.S. DoD) and National Aeronautics and Space Administration (NASA) Procurement Opportunities

CCC's role as the Government of Canada's custodian of the Canada-United States DPSA ensures Canadian defence and security exporters are able to compete for U.S. DoD and NASA procurements on a level playing field with their American counterparts. CCC's work in this area allows for the US to procure goods and services from Canada in a fair and efficient manner. The effectiveness of CCC's presence is advantageous to U.S. procurement needs and remains a key component to maintaining access to this important market for Canadian corporations. CCC's DPSA work traditionally facilitates between $550 million and $600 million in defence and security exports annually to the United States. Often, Canadian companies, many of which are SMEs, use the experience gained through their work within the DPSA to expand business into other international markets.

By fiscal year 2017–18, the Parliamentary appropriation that CCC has historically received for this public policy program will be eliminated. CCC's defence activities in other markets are planned to generate sufficient funds for CCC to continue its important DPSA work. Given the strategic importance of both the Canada-U.S. defence relationship, and the importance of the DPSA as a platform for Canadian companies to build their capacity to compete on a global basis, CCC will continue supporting the Canadian defence and security commercial relationship through the DPSA for the foreseeable future.

OBJECTIVE THEME 2

ALIGNING WITH GOVERNMENT OF CANADA TRADE PRIORITIES AND DIRECTIONS

CCC remains an increasingly important tool in the Government of Canada's suite of support resources for Canadian exporters. The Corporation's approach to facilitating international trade on a government-to-government basis fully embodies the whole of government approach outlined in the government's GMAP. CCC also remains committed to containing costs while making prudent investments in growing its business, continuing to respect the spirit of the government's cost containment measures outlined in recent Budgets. In the first year of the planning period, CCC will align its business in several ways, all of which seek to leverage government priorities and directions in international trade.

Global Markets Action Plan

CCC's target market regions – the Middle East, Latin America and Southeast Asia – contain many countries outlined in the government's GMAP, launched in November 2013. CCC will seek to strengthen its engagement with trade commissioners and defence attachés in GMAP countries to build stronger relationships and in-market intelligence networks in support of Canadian export opportunities.

Defence Procurement Strategy – Export Component

CCC has been supporting and facilitating exports within the defence and security sectors for many years. Accordingly, CCC's involvement with the planning and implementation of the export component of the DPS is critical to its success. CCC will continue to work in collaboration with stakeholders and partners to support the development of the export component of the DPS, the government's strategy for strengthening and increasing the competitiveness of Canada's defence and security industry. Working with colleagues from Industry Canada, DND, DFATD, PWGSC, CCC will support the assessment of the export element of Value Propositions under the Industrial and Technological Benefits Policy. More specifically, CCC will support DFATD's evaluation of economic benefits to Canada by helping to understand a bid's foreign market potential.

Respecting the Spirit of the Government's Cost Containment Initiatives

CCC's primary focus is on growing its business for Canadian exporters. In the context of a declining Parliamentary appropriation which will decrease to zero by year three of the planning period, CCC continues to make investments in its business development approaches and capacity to ensure the Corporation remains financially sustainable through its revenue-generating business activities well into the future. CCC commits to making these and other investments in a prudent manner, and to controlling discretionary costs in a manner that continues to respect the spirit of the government's cost containment initiatives outlined in Budget 2014 as they apply to Crown corporations, as well as the measures included in the 2013 Speech from the Throne.

OBJECTIVE THEME 3

EXEMPLARY CORPORATE SOCIAL RESPONSIBILITY

In order to meet the expectations of Canadians and foreign governments around the world, CCC strives to uphold its values of integrity and honesty in all business dealings at home and abroad. These values reflect Canadian values, and the Corporation's commitment to them ensures continuous leveling of the playing field to help Canadian exporters compete in challenging international markets. The Corporation continuously evaluates its CSR framework, and has strengthened its policies and guidance in this area over the last two years. An enhanced approach to combatting bribery and corruption in 2014–15 will be fully implemented in CCC's due diligence process.

Combatting Bribery and Corruption

In February 2013, the Government of Canada tabled amendments to the *Corruption of Foreign Public Officials Act (CFPOA)* to further deter and prevent Canadian companies from bribing foreign officials.

Over the past two years, CCC has focused its internal policy guidance into a *Code of Conduct and Business Ethics,* which clearly and consistently articulates ethical expectations for all CCC employees. In addition, CCC enhanced its due diligence framework in the areas of anti-corruption and bribery. These enhancements were developed in collaboration with private sector legal organizations as well as Government of Canada law enforcement and security authorities, and seek to identify potential ethical issues at the earliest stage of business engagement with a potential Canadian exporter.

CCC will continue its efforts to combat bribery and corruption in all its business dealings, building a shared awareness internally and within the exporter community of the importance of high ethical behavior. Throughout the planning period, CCC will undertake regular staff training, ongoing consultation with other Government of Canada partners and stakeholders, and will enhance its engagement with Canadian exporters on these important matters.

PEOPLE, PROCESSES AND SYSTEMS

The strength of CCC's people, processes and systems continues to drive efficiency and effectiveness gains on a year-over-year basis. CCC is also committed to ensuring it remains an employer of choice, and in the context of Canada's constantly changing demographics, the Corporation recognizes the need to focus on the strategic recruitment and development of its specialized workforce.

The Corporation's survey of its workforce of approximately 140 people indicates that employees are satisfied with their work and pleased with the Corporation's direction. Process improvements continue to occur through a culture of continuous business improvement. CCC's systems are continually updated to ensure that they align with CCC's business and reporting requirements and also that employees continue to have access to the right tools to do their jobs effectively and efficiently. CCC strives to embody a culture of success founded on continuous business improvement.

CCC seeks to remain a workplace of choice for employees. The Corporation recognizes that its workforce needs to be particularly and uniquely skilled to help Canadian exporters compete in foreign government procurement markets and in order to effectively manage a broad portfolio of complex contracts. Succession planning, organizational flexibility, and ensuring the right people are in the right jobs, are key strategic human resource initiatives, along with a continued focus on leadership development.

Over this Corporate Plan period, CCC will undertake an analysis of its specialized workforce in the evolving international business context and the requirement for continuous business growth. This analysis will assist the corporation to identify workforce-related risks to ongoing business delivery and outcomes achievement. CCC will also examine its attraction and retention strategies, with a view to strengthening the alignment of its workforce with the over-riding business development component of its corporate strategy. Finally, the corporation will continue to focus on leadership development and the evolution toward a leadership culture at CCC, strengthening the foundation for sustained productivity and business growth.

Enterprise Resource Planning (ERP) system modernization – CCC implemented an Agresso ERP system in 2009–10. The system is updated on a regular basis to maintain pace with business requirements, and in 2016–17 will undergo the addition of an expanded Human Resources module.

Client Relationship Management – the Corporation implemented a CRM system in 2014–15, the objective of which was to increase CCC's ability to focus its business development efforts. The system achieves this by allowing the tracking of key performance indicators intended to drive desired sales behaviour and maximize the return on CCC's business development investment. The system will be completely rolled out across the Corporation by 2015–16.

Employee learning and development – CCC strongly supports employee learning and development with an innovative benefit that encourages employees to direct a portion of their own learning and professional development towards learning objectives of their choice. This benefit, which implies a shared responsibility for career planning between employees and their supervisors, fosters an overall learning culture across the Corporation and is unique within a public sector setting. A new collective agreement will be negotiated with CCC's unionized workforce, which will continue to feature innovative approaches to fostering employee learning and development.

Employee rewards and recognition – an important component of CCC's retention strategy, the Corporation's rewards and recognition framework encourages regular recognition of employees who continually strive for excellence in helping CCC achieve its objectives in support of Canadian exporters. Employee achievements are celebrated through events such as the annual rewards and recognition ceremony, an annual staff activity day, an annual holiday gathering and in regular townhall addresses by the President and CEO. Supervisors also have access to 'spot awards', permitting the immediate recognition of an employee's achievement outside the annual rewards and recognition cycle.

Planned move to a new headquarters location – the move planned for summer 2015 is an exceptional opportunity for the Corporation to modernize its work environment and positively impact the culture of the organization. It will also allow the designing of workflow processes directly into office accommodations, modernizing the Corporation's business approaches and ensuring alignment with business requirements anticipated in future years.

MEASURING SUCCESS: CCC'S SCORECARD

CCC's 2015–16 performance measurement strategy incorporates a scorecard which includes high level indicators that help track the corporation's progress against the implementation of its strategy.

CCC first introduced a scorecard-based performance framework in its 2013–14 Corporate Plan, which remained intact through 2014–15. For this and future Corporate Plans, CCC has streamlined its performance framework to enhance focus on seven key, high-level indicators of CCC's ongoing success.

Value of Contracts Signed (VCS)

This measure provides an order of magnitude of the amount of international business CCC has facilitated or won with Canadian exporters. The Corporation tracks VCS by business line, by region and country, and by exporter as an indicator of effectiveness, and in order to identify and learn from trends. CCC expects VCS to grow by 3–5% on a year-over-year basis in the early years of the planning period, and more substantially in later years as the establishment of foreign representation matures.

GMAP Activity

A measure of the number of priority markets identified in the government's GMAP in which CCC was pursuing business or had contracts in place. While the GMAP includes a host of countries in which CCC's value proposition would have little if any traction, the Corporation would expect this number to increase moderately over time. It can be interpreted as an indicator of CCC's efforts to strengthen its relationships with the TCS and EDC in target countries aligning with the GMAP, a proxy for the value the Corporation's foreign representation network brings to business in GMAP countries, and an overall effectiveness indicator of certain elements within the GMAP platform itself, such as the ability to open doors and generate new leads for Canadian business.

SME Transactions

Consistent with CCC's enhanced engagement with SMEs to improve its support for this target business audience, the Corporation has chosen this SME-specific measure to better understand our impact on Canadian SMEs in the exporting context. This data will be important to the ongoing development of SME strategies.

The measure represents the number of SMEs with contracts via CCC in a given period. CCC expects this figure to grow moderately over time as the Corporation continues to develop and implement strategies to more effectively serve this target group of exporters.

Exporter Confidence

CCC's domestic outreach strategy introduced in 2014–15 has led to an increased number of Canadian exporters seeking the Corporation's services. This measures the number of Canadian exporters in a given period who have sought CCC's government-to-government export support, determined by the number of new leads opened in CCC's CRM system for that period.

CCC expects this measure to grow moderately on a year-over-year basis, but recognizes that it is susceptible to the state of the global economy (export opportunities are likely to diminish in years of recession or stagnation) and the size and export readiness of Canadian defence and security suppliers (who form the largest percentage of CCC's client base).

Net Promoter Score (NPS)

Similar to the manner in which some businesses track client confidence, this is a net measure of CCC's reputation and the likelihood that a Canadian exporter would recommend CCC's services to another company. CCC considers an NPS result of between 74 and 80 strong on this important client feedback indicator.

Efficiency Ratio

Stemming from CCC's efforts to contain costs and continuously seek more efficient means of conducting its business, this measure tracks how well CCC uses its resources. It is a ratio of core administrative expenses against net revenues and the Corporation's appropriation. Over the course of the planning period, CCC expects this ratio to gradually decrease, approaching 65% in 2019–20 as revenues grow and efforts to control costs continue.

Net Employee Satisfaction Score

This is an aggregate measure of the extent to which employees believe the Corporation succeeds in four areas: Fostering innovation; Facilitating learning and development; Rewarding leadership; and Supporting healthy work/life balance. A result >85 is considered reflective of strong performance across these four areas.

CCC'S PERFORMANCE SCORECARD – 2015–16 THROUGH 2019–20

Performance Measure	2013–14 Actual	2014–15 Plan	2014–15 Forecast	2015–16 Forecast	2019–20 Forecast
Value of Contracts Signed	$ 15.76B	$ 1.17B	$1.33B	$ 1.26B	$ 1.94B
GMAP Business[1]	27	N/A	33	35	35
SME Transactions[1]	89	N/A	60	65	80
Exporter Confidence[2]	N/A	N/A	95	>=100	>=100
Net Promoter Score[3]	75.5	N/A	N/A	74–80	74–80
Efficiency Ratio	93.4%	89.6%	68.5%	77.7%	63.9%
Net Employee Satisfaction Score[1]	88.5	N/A	86.5	87.5	90

[1] Measure is new for 2015–16 and therefore, figures for 2014–15 Plan are not included. 'Actual' figures for 2013–14 have been calculated using results information for the year ended March 31, 2014.

[2] CCC's Client Relationship Management (CRM) system was launched in 2014–15, and therefore, Exporter Confidence measures for 2013–14 and 2014–15 Plan are unavailable. The 2014–15 launch was only partial, however, and therefore, 'lead' information captured by this measure and reflected in the above chart includes only non-DPSA activity.

[3] A client survey was not undertaken in 2014–15 and therefore, a Net Promoter Score is unavailable. A client survey will be conducted on an annual basis beginning in 2015–16

SECTION FOUR

FINANCIAL PLAN

4.1 OPERATING BUDGET, CAPITAL BUDGET AND BORROWING PLAN

This section of the Corporate Plan outlines CCC's operating budget, capital budget and borrowing plan. It also includes the Corporation's proforma financial schedules, financial objectives and Five-year key planning assumptions. It concludes with the Corporation's forecast for the remainder of 2014–15.

4.2 OPERATING BUDGET FOR 2015–16

The planning objectives and assumptions used to forecast the Operating Budget for 2015–16 and in subsequent years are detailed and discussed in Section 4.5 – Financial Objectives as well as in Section 4.6 – Five-year Key Planning Assumptions.

CCC is budgeting for an operating surplus of $1.2 million in 2015–16 with net revenues of $27.3 million.

In 2015–16, net revenues (which exclude the Parliamentary appropriation) will increase to $27.3 million from $25.5 million in the 2014–15 forecast, an increase of $1.8 million or 7%. The Armoured Brigades Program (ABP) contract signed in 2014 will account for approximately 11% of the overall $1.8 million increase in net revenues, while the largest proportion of the increase in fees for service will come from contracts that have been signed in 2014–15 and others that are expected to be signed in the early stages of 2015–16 related to GDS sales. The GDS business line contributed signed contracts in excess of $460.0 million in Latin America and Asia in 2014–15. A large portion of these contracts will be delivered in 2015–16, on which fees for service are earned. This recent success is directly attributed to a growth in awareness of CCC's value proposition, made possible through the redeployment of resources in business development over the last two years.

Average annual revenues are forecast to grow substantially over the five-year period of the Corporate Plan, growing from $27.3 million in 2015–16 to $45.5 million in 2019–20, a 67% increase with the most notable growth occurring in years four and five of the Plan.

The Corporation's appropriation will be gradually phased out in accordance with the plan which commenced in 2014–15. Over the course of the five-year planning period, CCC will reduce the appropriation to $8.9 million in 2015–16, $3.5 million in 2016–17 and then nil from 2017–18 and ongoing, reaching its planned objective of self-sufficiency.

Overall administrative expenses will increase to $34.3 million in 2015–16 from $30.0 million in 2014–15, an increase of $4.3 million or 14%. Of the $4.3 million increase in administrative expenses, $1.6 million is related to the increased cost in the effort and associated expenses required to manage the ABP contract. Another $0.4 million is related to direct expenses for regional staff, rent of premises and other operational requirements to manage the additional offices in China on behalf of DFATD (the latter being fully offset and recoverable through DFATD). Both the ABP and the setting up of additional offices in China on behalf of DFATD experienced delays upon implementation, and, as a result, expenses did not materialize to the levels anticipated in CCC's original 2014–15 forecast. The $4.3 million increase to administrative expenses also reflects one-time costs of approximately $1.3 million related to the negotiation of a new lease for office space. The incursion of these expenses in 2015–16 will contribute to future cost reduction goals. The bulk of the remaining $1.0 million is related to the establishment of foreign representation commencing in mid-2015–16.

Administrative expenses are forecast to increase over the five-year period of the Corporate Plan, from $34.3 million in 2015–16 to $35.8 million in 2019–20, an increase of $1.5 million or less than 1% per year on average.

In 2015–16, contract remediation expenses are budgeted at $0.7 million, lower than the $1.3 million average annual contract remediation expenses incurred over the past ten years. CCC's confidence in this low level of budgeted contract remediation expenses stems from its robust risk and contract management practices.

Contract remediation expenses are budgeted to increase over the five-year period of the Corporate Plan, from $0.7 million in 2015–16 to $1.0 million in 2019–20, an increase of $0.3 million. The increase in contract remediation expenses is commensurate with growth related to commercial trading transactions.

A more fulsome discussion follows under Section 4.5 – Financial Objectives and Section 4.6 – Five-year Key Planning Assumptions.

4.3 CAPITAL BUDGET FOR 2015–16 TO 2019–20

Management has negotiated a new lease for office space to achieve future cost reduction goals. As a result, the Corporation will move its office to another location which will involve an extensive renovation of floor space to satisfy operational requirements. During 2015–16, $164,000 will be capitalized and amortized over the fifteen year term of the lease, representing the amount of the renovation expenses net of renovation allowances offered by the new landlord.

Other expenses related to the termination of CCC's current leasing agreement and relocation to the new premises will be expensed over the latter stages of 2014–15 and the first half of 2015–16 as they are deemed to have no future benefit. A more fulsome discussion related to this initiative can be found under the portion of Section 4.5 – Financial Objectives specifically pertaining to Cost Efficiency Initiatives.

The acquisition of intangible assets in year 2017–18 represents the capitalization of the investment costs to upgrade and overhaul financial systems after 10 years. The capitalized amount will be amortized over the course of five years deemed to be the useful life-span.

In addition, standard purchases of equipment, furniture and fixtures required by CCC annually which approximate $250,000 are included in the Corporation's Operating Budget.

A table identifying capital budget needs for CCC for the period 2015–16 to 2019–20 follows:

Description	2015–16	2016–17	2017–18	2018–19	2019–20
Acquisition of property and equipment – Leasehold improvements	$164K	$–	$–	$–	$–
Acquisition of intangible assets – IT investment	$–	$–	$3,500K	$–	$–
Total capital budget request	$164K	$–	$3,500K	$–	$–

4.4 BORROWING PLAN FOR 2015–16 TO 2019–20

In this Corporate Plan, CCC is seeking Ministerial approval to borrow up to $40,0 million or its U.S. dollar equivalent from various financial institutions.

The Corporation has working capital requirements to facilitate the DPSA and NASA programs. CCC pays Canadian exporters on a select portion of DPSA and NASA 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 or NASA does not pay their invoices within the same time period. For 2015–16, the Corporation requests $40 million in Canadian currency or its U.S. dollar equivalent as CCC borrows in U.S. currency to avoid foreign exchange risks. Consistent with previous years, CCC is requesting up to 120 day repayment terms per invoice against which it has borrowed. The Corporation expects to borrow Canadian currency at the Canadian prime rate and U.S. currency at the U.S. prime rate.

A table identifying borrowing needs for CCC for the period 2015–16 to 2019–20 follows:

Description	2015–16	2016–17	2017–18	2018–19	2019–20
Short-term borrowing for DPSA and NASA (up to 120 days)	$40M	$40M	$40M	$40M	$40M
Total borrowing request	$40M	$40M	$40M	$40M	$40M

4.5 FINANCIAL OBJECTIVES

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

Enterprise Risk Management

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

The framework focuses on three broad risk categories: strategic, operational, and transactional. The Corporation's risk appetite and tolerance statements provide the appropriate guidance to ensure that risks are identified and managed to stay within these limits. The ERM framework also identifies risk owners and risk roles within the Corporation.

Responsibility for risk management is cascaded throughout the Corporation commencing with the Board of Directors and its Audit and Operations Committees, who ensure that CCC's risk management strategy is current, effective and reviewed regularly. CCC's Management creates and maintains the Corporation's risk structures, policies and procedures. These are managed under the stewardship of the Corporation's Risk and Opportunities Committee.

Risks related to this corporate planning period can be summarized as follows:

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

  The key strategic risks facing CCC relate to the business environment and reputational issues.

  The uncertainty in the business environment continues to be of concern to the Corporation. While Management believes that the risk has diminished, the remaining uncertainty impacts the ability to successfully forecast business outcomes. To reduce this risk, targets have been set for the Corporate Plan period while considering the current business environment and reflect what Management believes to be manageable and achievable outcomes in the longer term.

  The uncertainty in the business environment also impacts the Corporation's supplier base. Fluctuating sales levels make cash flow forecasting difficult and could lead to the possible erosion of the financial strength of CCC's supplier base. To mitigate business environment risk, the Corporation focuses on countries whose economic or political climate offer real opportunities wherein government funding priorities or project financing can be achieved.

  The Corporation's success in markets is also largely dependent upon its reputation and brand awareness. Unforeseen economic or political events in foreign markets could affect CCC's brand thereby making it more difficult to meet corporate objectives, impacting its ability to secure or engage in project work and bringing negative attention to the Corporation.

  Financial risk remains low for the near-term given the absence of financial claims against the Corporation and significant revenue levels being generated. To further strengthen financial management, a review of the Corporation's capital allocation methodology is underway to ensure that capital is available to offset any potential exposures should they occur.

- **Operational Risks (Information Management, Information Systems, People, Policies and Processes and Business Continuity Planning)**

  While operational risk remains low for the Corporation, focus for the next year is on the re-location of the Corporation's headquarters before September 2015. Given the narrow time frames, project management and attention to the critical path will be required to ensure an orderly transition into the new facility. Related to this risk is the possible impact of the move on the Corporation's staff and Management is undertaking efforts to have such impacts minimized.

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

  With the completion of the transition of the Cuba program, shifting financing to EDC, foreign environment risk is now considered low. The only significant accounts receivable exposure held by the Corporation is to that of the U.S. federal government. However, the combination of the U.S. federal government being a AAA, risk free creditor and the U.S. Prompt Payment Act (PPA) federal legislation, means that there is no risk of loss to CCC and no bad debt experience with the U.S. DoD/NASA buyer.

  Foreign exchange risk continues to remain elevated due to the volatility of currency swings. This risk impacts the competitiveness and profitability of Canadian suppliers. It also impacts CCC's revenue earned in USD$ which are subject to exchange fluctuation. Continued weakness in the CAD$ has had positive effects in relation to CCC's fees. In the current uncertain economic environment the foreign exchange trend could reverse quickly. This would have impacts on CCC's VCS and related fee generation. Management minimizes foreign exchange risk by minimizing the USD cash balances held by the Corporation for the Corporation's own operational purposes.

  Finally, the unexpected 2014 decline in the world price of oil could pose risks to the viability of the financial forecasting model on which this Corporate Plan is based, should price declines continue unabated for the foreseeable future, or if prolonged oil price lows begin to materially impact budgets in countries identified by CCC and Canadian exporters as target markets.

Growing Commercial Trading Transactions and Fees for Service

Commercial trading transactions reflect the deliveries and work performed by Canadian exporters contracted by CCC. The Corporation will continue making prudent investments in business development in order to develop a robust pipeline of business opportunities linked to growth in commercial trading transactions and fees for service in future years. This business objective is paramount given the decision to reduce CCC's Parliamentary appropriation to nil in the interest of financial sustainability by 2017–18.

In CCCs Statement of Priorities and Accountabilities (SPA), the Minister of International Trade recognizes the uniqueness of CCC within the International Trade portfolio and in order to sustain a model of self-sufficiency beyond 2019–20 (when fees for service related to the ABP contract are expected to decrease substantially), supports the Corporation's need to make investments in business development now to generate sufficient revenues over the medium and long term. Accordingly, CCC's 2015–16 Corporate Plan includes the estimated financial implications of establishing foreign representation in four select markets. Detailed assumptions are included in Section 4.6 – Five-year Key Planning Assumptions.

CCC's five-year business development strategy utilizes a whole-of-government approach that leverages the important contribution of defence attachés, trade commissioners and political advocacy when appropriate to win business. These business development efforts are aligned with the Government's GMAP and DPS initiatives and fully embody the concept of "economic diplomacy."

In defence markets, CCC will focus efforts to increase access for Canadian exporters to the U.S. DoD and NASA markets under the DPSA (where fees are not charged), and to identify new clients and markets that would benefit from the Corporation's services.

Engaging new exporters and foreign customers will expand the Corporation's client base and afford opportunities for revenue growth while maintaining focus on the U.S. DoD and NASA markets despite ongoing defence budget reductions. CCC will work with its base of exporters that are export ready in global defence and security markets, including export-ready SMEs, leveraging Canadian and U.S. defence and security related procurements to open new markets with allied and like-minded nations.

In emerging and developing markets, CCC will support Canadian exporters in infrastructure and commercial products and services, and increase access to complex and difficult markets by offering a more fulsome solution, inclusive of links to financing relationships, contract structuring, contract management, quality assurance and operational knowledge transfer.

Capital Requirements

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

The Corporation's capital base was reduced to $12.5 million after a payment was made to the Government of Canada on March 31, 2014.

The Corporation's capital base is expected to grow through the Corporate Plan period from $12.5 million at the beginning of 2014–15 to $38.2 million by the end of 2019–20. CCC will continue to strengthen its financial position by growing its capital base through prudent investment strategies, including, but not limited to: reviewing its alignment of resources, management structure and future activities to identify specific initiatives or measures that could be undertaken to ensure continuous cost containment; keeping contract remediation costs at a minimum and exploring ways to utilize CCC's capital to support innovation.

Cost Efficiency Initiatives

In line with the Government's Budget initiatives in recent years related to cost containment, CCC has implemented cost efficiency initiatives to ensure services are delivered to Canadians at best value. In assessing potential savings, CCC has focused on achieving efficiencies from its operations, as well as reviewing business processes and service platforms.

Specifically:

- CCC will continue to assess staff levels and achieve related cost efficiencies where possible by continuously reviewing and improving its alignment between the Corporation's resources and operational activities. In 2014–15, the Corporation decreased its senior management contingent, contributing to overall savings in excess of $0.5 million.
- Combining cost management and cost avoidance objectives, CCC continues to insource certain services historically provided by PWGSC. Implications from achieving these objectives have been twofold. First, the annual amount paid directly to PWGSC decreased from $4.2 million in 2012–13 to approximately $3.3 million in 2015–16 and onward; and second, CCC's DPSA Business Process Improvement Initiative resulted in the avoidance of several million dollars more over the same period (for example, PWGSC's cost recovery methodology had estimated future costs of their services to increase from $6.2 million starting in 2011–12).
- As referred to under Sections 4.2 – Operating Budget for 2015–16 and 4.3 – Capital Budget for 2015–16, Management has negotiated a new lease for office space to achieve future cost reduction goals. In order to do so, the Corporation exercised its right to terminate its current lease. This decision required a one-time payment of $1.8 million. Had CCC remained in its previous lease arrangement, which would have expired in 2019–20, it would have paid in excess of $2.0 million annually for the next five years. Under the new lease, CCC's rent will decrease to approximately $1.4 million per year, notwithstanding the one-time payment in year one, with additional savings to accrue beyond the five-year planning period.
- CCC has established a shared services arrangement with PPP Canada to generate economies of scale in providing a variety of corporate services to both organizations. CCC recovers $750,000 annually to cover related direct and indirect costs.
- In this Corporate Plan, CCC will control general non-business development travel, hospitality and conference expenses by maintaining them at 2014–15 levels. Excluding travel required for the Corporation's Board of Directors, the total of these expenses is approximately $200,000 per year.

CCC will continue to develop and implement cost efficiencies to ensure they remain in step with increases in fee-based revenues, consistent with the Government's cost containment measures. This commitment has guided the manner in which CCC has responded to the challenges of the past year and signifies ongoing efforts to position CCC for future success and growth.

4.6 FIVE-YEAR KEY PLANNING ASSUMPTIONS

The Corporation has made the following five-year planning assumptions in projecting the major components of its operating budget.

The single most significant planning assumption used in the development of the five-year Corporate Plan is the establishment of foreign representation in select markets, a concept fully supported by the Minister of International Trade. The initial plan calls for representation in two markets to be established by mid-2015–16 as proofs of concept, and in two additional markets (for a total of four) by the beginning of 2017–18.

The contribution to the value of contracts signed, commercial trading transactions and fees for service are based on the following assumptions:

- New projects are not signed and effective until two years after representation is established;
- An established representative contributes one large and two small GDS projects per year;

- An established representative contributes one small ICB project per year;
- An established representative contributes one large ICB project once every three years, though from a conservative perspective, only one such project is forecast in 2019–20 as a result of foreign representation;
- Project sizes are defined as: large GDS= $75 million; small GDS= $10 million; large ICB= $125 million; and small ICB= $10 million. The project sizes were based on a review of all current pipeline projects and signed projects over the last several years.

Value of Contracts Signed (VCS)

- GDS includes sales made under CCC's DPSA program to the U.S. DoD and NASA, as well as Global sales activity with other international governments. Contributions to the value of contracts signed by each program within the GDS business line are forecast as follows:
  - DPSA – The value of contracts signed related to CCC's DPSA program including major LAV projects, is planned to remain at traditional DPSA core activity of $600,0 million annually, amounts which were prevalent before the extraordinary LAV sales to foreign governments through the U.S. DoD FMS, which commenced in 2001–02 and for which deliveries and their related commercial trading transactions are expected to continue through 2015–16. Although the U.S. government has reduced spending on defence, it is anticipated that the procurement components of this spending will remain constant and stable throughout the five-year planning cycle.
  - Global – Based on the Corporation's current pool of leads and potential projects and the establishment of foreign representation, CCC is planning for its value of contracts signed to grow from $300.0 million in 2015–16 to $717.6 million in 2019–20. Quality leads have been developed and continue to emerge in Latin America, Asia and several countries throughout the Middle East. In 2019–20 of the $717.6 million in value of contracts signed, $380.0 million in total is estimated to be contributed by the establishment of foreign representation in 2015–16 and 2017–18, an average of $95.0 million per market.
- ICB – Based on the Corporation's current pool of leads and potential projects and the establishment of foreign representation, CCC is planning for its value of contracts signed to grow from $350.0 million in 2015–16 to $571.9 million in 2019–20. Quality leads have been developed and continue to emerge in Latin America, the Caribbean, the Middle East and Africa. In regards to lottery system management projects, the value of contracts signed are recorded at 100% of the value of lottery sales made during the course of the year and are forecast at approximately $175.0 million annually throughout the five-year planning cycle based on current levels. With respect to the Cuba contracting program, the value of contracts signed are forecast at $40.0 million annually throughout the five-year planning cycle based on traditional core activity and capped due to risk related financial restrictions. In 2019–20 of the $571.9 million in value of contracts signed, $185.0 million in total is estimated to be contributed by the establishment of foreign representation in 2015–16 and 2017–18, an average of $46.3 million per market.
- Sourcing Services – In 2007, CCC signed an MOU with DFATD to deliver goods and services for international programs and assist the Department in meeting its global stabilization and reconstruction priorities. This activity is dependent exclusively upon DFATD and other Government of Canada requirements with a large majority of the forecast activity based on the Corporation's involvement with DFATD's Global Partnership Program (GPP), Anti-Crime Capacity Building Program (ACCBP), Global Peace and Security Fund (GPSF) and the Counter-Terrorism Capacity Building Program (CTCBP). CCC is planning for its value of contracts signed to remain constant and stable throughout the five-year planning cycle at around the $10.0 million level. Generally, these transactions tend to be smaller in value and scope, however, on occasion, larger construction projects may transpire.

Commercial Trading Transactions (CTTs)

Commercial trading transactions measure the value of delivery of a good or service or the progress of work once a contract is signed and becomes effective. Fees for service are earned as deliveries are made or as work is performed. As such, the assumptions made to estimate the timing of when deliveries are made and work is performed are important considerations in building the CTT forecast. Several factors are considered when determining the average rate of completion of all contracts signed in a given year. Factors such as the duration of the contract, the number of specific deliverables or milestones and at what point in time during the year the contract is signed and effective. All of these factors are weighed by business line to determine an average rate to apply to the forecasted VCS value.

Based on an analysis of delivery and work completion trends, the following assumptions are applied to the forecasted VCS value to derive commercial trading transactions and fees for service, where applicable:

- Contributions to commercial trading transactions by the two programs within the GDS business line are forecast as follows:
    - DPSA – Once a contract is signed and effective, on average 65% of contractual obligations (primarily deliveries) are completed in the first year or the year in which the contract is signed and effective, 20% in the second year and 15% in the third year. DPSA commercial trading transactions are expected to be stable throughout the five-year planning cycle approximating $600 million annually.
    - Global – Generally, once a contract is signed and effective, on average 25% of contractual obligations are completed in the first year, 40% in the second year and 35% in the third year. Commercial trading transactions related to the ABP contract are included as specified in the contract. GDS commercial trading transactions are expected to grow from $2.5 billion in 2015–16 to $3.6 billion in 2019–20, of which the ABP contract represents an average of more than 80% per year. In 2019–20 of the $3.6 billion in commercial trading transactions, $304.3 million in total is estimated to be contributed by the establishment of foreign representation in 2015–16 and 2017–18, an average of $76.1 million per market.
- ICB – For most infrastructure projects, once a contract is signed and effective, on average 25% of contractual obligations are completed in the first year, 40% in the second year, 30% in the third year and 5% in the fourth year. The Corporation has signed lottery system management projects in Nicaragua and Honduras which continue to contribute to value of contracts signed, commercial trading transactions and fees for service for the foreseeable future. Commercial trading transactions are recorded at 100% of the value of lottery sales made during the course of the year and are forecast at approximately $175.0 million annually throughout the five-year planning cycle based on current levels. For contracts the Corporation has with Cuba, once signed and effective, on average 70% of contractual obligations are completed in the first year, 25% in the second year and 5% in the third year. ICB commercial trading transactions are expected to grow from $261.9 million in 2015–16 to $435.1 million in 2019–20. In 2019–20 of the $435.1 million in commercial trading transactions, $73.3 million in total is estimated to be contributed by the establishment of foreign representation in 2015–16 and 2017–18, an average of $18.3 million per market.
- Sourcing Services – Once a contract is signed and effective, on average 70% of contractual obligations are completed in the first year, 20% in the second year and 10% in the third year. Sourcing Services commercial trading transactions are expected to be stable throughout the five-year planning cycle approximating $10,0 million annually.

Fees for Service

- Contributions to fees for service by the two programs within the GDS business line are forecast as follows:
    - DPSA – CCC does not receive fees for service for this business. This business was fully funded by an annual parliamentary appropriation. Given the three-year phased-in plan to eliminate the appropriation commencing in 2015–16, the Corporation will use revenues generated from the GDS business line to pay for the DPSA business line. This approach would leverage many of the same Canadian exporters benefitting from both business lines. The Corporation's Parliamentary appropriation will be reduced and eliminated over the course of the five-year planning period. The appropriation will be $8.9 million in 2015–16, $3.5 million in 2016–17 and nil from 2017–18 and ongoing.
    - Global – As a result of the expected growth in commercial trading transactions discussed previously, fees for service are expected to grow in a commensurate proportion. Fees are established based on CCC's pricing model which includes consideration for risks. Fees are recognized as revenue by applying a fee rate (negotiated and specific to each contract) to the value of the recorded commercial trading transactions, that

is as goods and services are delivered or progress work is performed. For forecast purposes, an average fee rate is applied to the Corporation's expected GDS commercial trading transactions over the five-year planning period. GDS fees are expected to grow from $19.4 million in 2015–16 to $32.2 million in 2019–20. In 2019–20 of the $32.2 million in fees, $5.1 million in total is estimated to be contributed by the establishment of foreign representation in 2015–16 and 2017–18, an average of $1.3 million per market.

- ICB – Fees are established based on CCC's pricing model which includes consideration for risks. Fees are recognized as revenue when goods and services are delivered. ICB transactions include fixed fees for the annual contract management of the lottery systems program; contract management and administration fees applied to approximately $40.0 million of deliveries under contracts with Cuba; and an average fee rate applied on all other ICB activity, including infrastructure projects. ICB fees are expected to grow from $2.6 million in 2015–16 to $7.0 million in 2019–20. In 2019–20 of the $7.0 million in fees, $1.8 million in total is estimated to be contributed by the establishment of foreign representation in 2015–16 and 2017–18, an average of $0.5 million per market.
- Sourcing Services – For the last several years CCC has charged a fixed fee of approximately $1.0 million annually and a variable fee of on average 2% on all projects depending on the size of the project to cover all direct and indirect CCC administration costs of in excess of $1.6 million. These rates are negotiated with DFATD on an annual basis and are subject to fluctuations in international assistance obligations. As a result, CCC has conservatively capped fees for this program at $1.0 million per year for the duration of this Plan. Over the planning period, CCC will assess the sustainability of this service and, in the interest of efficiency, may make changes to how it gets delivered.
- Other Government Services – In recognition of the expansive growth rate of China's second-tier cities, the Government of Canada mandated CCC to help DFATD in the establishment and management of Canadian Trade Offices in China. Since 2009, the Corporation has been supporting the management of offices in Shenzhen, Chengdu, Qingdao, Wuhan, Nanjing and Shenyang with operational support from the Embassy in Beijing. During 2014–15, the Corporation continued in this role and working with DFATD further expanded the network with addition of four new offices in Hangzhou, Tianjin, Xiamen and Xi'an. As agreed under the MOU between CCC and DFATD, the Corporation will receive approximately $2.5 million in 2014–15 to cover the direct costs of regionally employed personnel, rent, travel and other related costs in addition to the direct and indirect costs of CCC's staff to administer the China Trade offices from its headquarters. On this basis, approximately $2.9 million is forecast in 2015–16 increasing annually at approximately 5% throughout the Corporate Plan period as fees earned for the administration of the ten offices.
- Other Government Services – With the ongoing focus on cost containment and the search for improved efficiencies, the Corporation will continue its agreement for shared services with PPP Canada for back office support in information technology, human resources management, and other corporate services. Although CCC and PPP Canada review and agree to MOU terms and related fee amounts on an annual basis, for purposes of the Corporate Plan, CCC is forecasting $750,000 per year, consistent with the amount agreed to for 2014–15.

Interest Income

Interest is earned on excess cash flows generated from daily business transactions.

Actual interest rates earned on corporate balances are subject to the current banking agreement with the Bank of Nova Scotia. CCC may make certain conservative investments but will only invest in cases where the investment rate exceeds rates earned in accordance with its banking agreements.

After a review of several publications the consensus points to a growth in interest rates throughout the five-year planning cycle. Based on the consensus and for purposes of the Corporate Plan, an average yield rate of 1.5% was used in 2015–16, 2.0% in 2016–17 and 3% in 2017–18 and ongoing.

Gain (loss) on Foreign Exchange

No gains or losses on foreign exchange are budgeted although the Canadian dollar is expected to strengthen slightly in comparison to its U.S. dollar counterpart over the five-year planning period. The Corporation's contracts with foreign buyers are matched to offsetting contracts with Canadian exporters. CCC's contracts require receipts and payments to be made in the same currency. As a result, CCC has a natural hedge against foreign exchange gains or losses that would otherwise impact the net results of operations and comprehensive income. Unhedged foreign exchange balances are monitored and kept at negligible levels. As of October 31, 2014, the Corporation's unhedged U.S. currency balance of $1.3 million represents less than 0.1% of its U.S. denominated assets.

Parliamentary Appropriation

The Corporation's appropriation will be gradually phased out in accordance with the plan that commenced in 2014–15. Over the course of the planning period, CCC will reduce the appropriation to $8.9 million in 2015–16, $3.5 million in 2016–17 and then nil from 2017–18 and ongoing.

Contract Remediation Expenses

Contract remediation expenses are budgeted at $0.7 million in 2015–16 and increase to $1.0 million in 2019–20. The amounts represent approximately 0.025% of commercial trading transactions. The Corporation has achieved exceptional results over the last five years which include the reversal of earlier provisions.

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

Operating Expenses

Administrative expenses are forecast to increase over the five-year period of the Corporate Plan, from $34.3 million in 2015–16 to $35.8 million in 2019–20, an increase of $1.5 million or less than 1% per year on average.

Administrative expenses are categorized as core and incremental. Incremental expenses are expenses that must be incurred to manage or facilitate certain extra-ordinary programs or initiatives. These may be one-time in nature depending on the initiative generating the expense. Specific nuances and distinctions include: (1) China headquarters staff and related expenses are categorized as "core" and China Regional Offices staff, rent and related expenses for operation of the ten offices are categorized as "incremental"; (2) additional ABP expenses over and above the current complement of employees that is required to contract manage this unique program are categorized as "incremental." As such, expenses related to executives and staff included in the current complement of employees are categorized as "core" given their other corporate roles and responsibilities. However, specific resources hired to manage the ABP contract are categorized as "incremental," (3) and finally, one-time expenses required to facilitate the move to the new premises are categorized as "incremental."

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

Core Administrative Expenses:

Specific initiatives have been detailed under the Financial Objectives Section 4.5 – Cost Efficiency Initiatives.

As discussed under Section 4.6 – Five-year Key Planning Assumptions, the Plan calls for foreign representation in two markets to be established by mid-2015–16, and in two additional markets (for a total of four) by the beginning of 2017–18. Annual expenses are estimated at approximately $550,000 per representative location required to cover expenses for salaries, benefits, Foreign Service Allowances (FSA), rent and maintenance for staff quarters, travel and other related expenses. In addition, a one-time fit-up expense of $100,000 per representative location is included in the first year representation is established, which includes renovations required to staff quarters and related relocation costs.

Core administrative expenses are forecast to increase from $28.2 million in 2015–16 to $32.1 million in 2019–20, an increase of $3.9 million. Of the overall $3.9 million increase, $2.6 million or 67% is due to the establishment of foreign representation in four select markets. The remaining $1.3 million increase is due to collective bargaining and annual incremental increases, which total more than $2 million over the five-year period but are offset by savings in other areas.

Incremental Administrative Expenses:

Incremental administrative expense increases related to the ABP contract and China trade offices are covered by the revenues from these programs.

Related to ABP contract signed in 2014–15, forecast expenses include direct and indirect salaries for the staffing of dedicated contract management personnel at CCC headquarters, the supplier's manufacturing plant in Canada and the international buyer's facilities abroad, travel, living and other related costs over the life of the contract. Also as part of the ABP contract, in 2015–16 the Department of National Defence (DND) will be required perform quality assurance services which have been estimated at approximately $0.7 million annually over the first four years of the Corporate Plan but is expected to decrease to less than $0.1 million in 2019–20 as the actual production of the vehicles winds down. Over the course of the Corporate Plan period, incremental expenses are forecast to decrease from $1.9 million in 2015–16 to $1.4 million in 2019–20, the decrease $0.6 million resulting from the reduction in quality assurance services in the last year of the Plan.

Since 2009 the Government of Canada has mandated the Corporation to assist DFATD by supporting the establishment and operation of trade offices in Shenzhen, Chengdu, Qingdao, Wuhan, Nanjing and Shenyang with operational support from the Embassy in Beijing. During 2014–15, the Corporation worked with DFATD to expand the trade office network with addition of four new offices in Hangzhou, Tianjin, Xiamen and Xi'an. DFATD pays a total annual amount to CCC for the direct cost of operating the ten regional offices in China, in addition to a fee for CCC headquarters staff to facilitate and manage the operation of the trade office network. The direct cost of operating the ten regional offices, including the cost of regionally employed personnel, rent, travel, regional taxes and other related costs, will total $1.6 million in 2014–15 compared to a pre-approved budget of $2.0 million. The favourable variance was due to delays in the expansion and implementation of the four new offices. The budget assumed all four new offices would be fully operational at the beginning of 2014–15. As a result, the direct operating expenses for the ten offices will approximate $2.0 million in total or an average of $200,000 per office annually. Using economies of scale and other cost reducing measures, CCC was able to lower the cost of managing each regional office from an average of $268,000 when the program was first launched in 2009 to the current $200,000. Direct expenses will increase by 5% throughout the Corporate Plan period.

4.7 FORECAST FOR 2014–15

The Corporation is forecasting a surplus of $9.4 million for 2014–15, $7.3 million or 340% higher than the budgeted surplus of $2.1 million.

Net revenues stemming from fees for service, interest income on cash balances and other sources are forecasted to be $25.4 million, 29% higher than the budgeted net revenues of $19.7 million, resulting in a favourable variance of $5.7 million. The following factors will contribute to the result:

1. Fees for service are forecasted to be higher than budget by $5.4 million representing the most significant proportion of the overall favourable variance of $5.7 million. This increase is largely attributed to fees for service earned and recognized on the commencement of progress work related to the ABP contract which was signed and became effective at the end of fiscal 2013–14.
2. Finance income is forecasted to be $332 thousand, $68 thousand or 17% lower than the budget of $400 thousand. The unfavourable variance is the result of lower-than-planned Canadian cash balances available for investment. The budget was based on the assumption that a significant advance payment would have been received by April 1, 2014 and CCC's fee portion on the advance payment would have been retained in CCC's cash balances. The advance payment was not received until mid-July 2014.
3. Other income is forecasted to be $458 thousand, $223 thousand or 95% higher than the budget of $235 thousand. A favourable variance is forecast, as more exporters used CCC's trade receivable discounting services than originally forecast.
4. CCC is expecting to realize a foreign exchange translation gain of $135 thousand due to the Canadian dollar weakening compared to its U.S. dollar counterpart over the course of the fiscal year. The Corporation does not budget for gains or losses on foreign exchange.

Expenses will be $30.3 million, $1.6 million or 5% lower than the budget of $31.8 million as follows:

1. Administrative expenses including services provided by PWGSC and amortization expenses are forecasted to be $30.0 million, $1.3 million or 4% lower than budget as a result of Management's continued effort to control expenditures relative to revenues earned. (1) A $0.9 million unfavourable budget variance resulting from a payment that was required for the Corporation to exercise its right to terminate its current lease in order to renegotiate a new lease for office space to achieve future cost reduction goals and (2) a $0.3 million unfavourable variance resulting from the accelerated amortization of capitalized leasehold improvements related to the existing lease as the Corporation is required to vacate its existing premises by September 30, 2015, was offset by: (1) a $1.4 million favourable budget variance as budgeted incremental expenses to manage the ABP contract did not materialize as originally expected due to program implementation delays; (2) a $0.6 million favourable variance related to workforce compensation and related expenses primarily due to a number of vacancies that were not staffed until later in the year; (3) a $0.3 million favourable variance related to lower than anticipated user fees paid to PWGSC who perform certain core contract management services on behalf of the Corporation in carrying out requirements under the DPSA; (4) a $0.1 million favourable variance due to the delays related to the expansion and implementation of the four new China offices; and (5) a $0.1 million favourable variance spread across several other categories of expenditure.
2. Contract remediation expenses are forecasted to be $0.2 million, $0.3 million or 57% lower than the $0.5 million budget. This reflects the Corporation's continued robust risk and contract management practices and Management's confidence in its ERM framework.

The Corporation's approved annual Parliamentary appropriation as tabled in the 2014–15 Main Estimates of $15.7 million will be limited to $14.2 million consistent with the recently approved 2014–15 Corporate Plan.

4.8 FINANCIAL SCHEDULES

SCHEDULE A – STATEMENT OF FINANCIAL POSITION ($000's)

	Actual	Forecast	Corporate Plan 2015–16 to 2019–20				
	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
ASSETS							
Current Assets							
Cash and cash equivalents	$ 89,538	$ 96,295	$ 88,415	$ 90,178	$ 93,780	$ 102,913	$ 114,831
Trade receivables	$ 302,901	$ 271,307	$ 275,816	$ 290,325	$ 345,777	$ 387,344	$ 410,805
Advances to Canadian exporters	$ 53,999	$ 1,165,860	$ 115,543	$ 135,983	$ 156,488	$ 185,970	$ 247,945
Progress payments to Canadian exporters	$ 592,559	$ 1,670,248	$ 3,114,989	$ 4,205,056	$ 3,401,070	$ 2,061,134	$ 520,107
	$ 1,038,997	$ 3,203,711	$ 3,594,763	$ 4,721,542	$ 3,997,116	$ 2,737,361	$ 1,293,687
Non-current assets							
Property and equipment	$ 877	$ 425	$ 164	$ 153	$ 142	$ 131	$ 120
Intangible assets*	$ –	$ –	$ –	$ –	$ 3,500	$ 2,800	$ 2,100
TOTAL ASSETS	$ 1,039,874	$ 3,204,136	$ 3,594,927	$ 4,721,694	$ 4,000,758	$ 2,740,292	$ 1,295,907
LIABILITIES							
Current Liabilities							
Trade payables and accrued liabilities	$ 327,398	$ 306,826	$ 303,397	$ 319,357	$ 380,355	$ 426,079	$ 451,885
Advances from foreign customers	$ 105,399	$ 1,203,007	$ 151,179	$ 170,598	$ 191,617	$ 220,970	$ 282,945
Progress payments from foreign customers	$ 592,559	$ 1,670,248	$ 3,114,989	$ 4,205,056	$ 3,401,070	$ 2,061,134	$ 520,107
Employee benefits	$ 209	$ 225	$ 236	$ 248	$ 260	$ 273	$ 287
	$ 1,025,565	$ 3,180,307	$ 3,569,801	$ 4,695,259	$ 3,973,303	$ 2,708,456	$ 1,255,224
Non–current liabilities							
Employee benefits	$ 1,800	$ 1,900	$ 1,995	$ 2,095	$ 2,199	$ 2,309	$ 2,425
TOTAL LIABILITIES	$ 1,027,365	$ 3,182,207	$ 3,571,796	$ 4,697,354	$ 3,975,503	$ 2,710,766	$ 1,257,649
SHAREHOLDER'S EQUITY							
Contributed surplus	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Retained earnings	$ 2,509	$ 11,929	$ 13,130	$ 14,340	$ 15,255	$ 19,525	$ 28,257
TOTAL EQUITY	$ 12,509	$ 21,929	$ 23,130	$ 24,340	$ 25,255	$ 29,525	$ 38,257
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 1,039,874	$ 3,204,136	$ 3,594,927	$ 4,721,694	$ 4,000,758	$ 2,740,292	$ 1,295,907

(*) Increase related to intangible assets in year 2017–18 is due to the capitalization of the investment costs to upgrade and overhaul financial systems after 10 years. The capitalized amount will be amortized over the course of five years deemed to be the useful life-span.

SCHEDULE B – STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN EQUITY ($000's)

	Actual	Forecast	Corporate Plan 2015–16 to 2019–20				
	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
REVENUES							
Commercial trading and sourcing services transactions	$ 1,712,170	$ $2,713,073	$ 2,758,158	$ 2,903,249	$ 3,457,772	$ 3,873,445	$ 4,108,048
Less: Cost of commercial trading and sourcing services transactions	$ (1,712,170)	$ (2,713,073)	$ (2,758,158)	$ (2,903,249)	$ (3,457,772)	$ (3,873,445)	$ (4,108,048)
Fees for service	$ 13,653	$ 24,524	$ 26,630	$ 30,018	$ 35,181	$ 39,830	$ 44,341
Other income	$ 318	$ 458	$ 300	$ 300	$ 300	$ 300	$ 300
Finance income, net	$ 267	$ 332	$ 389	$ 463	$ 730	$ 758	$ 886
Gain (loss) on foreign exchange	$ 482	$ 135	$ –	$ –	$ –	$ –	$ –
Net Revenues	$ 14,720	$ 25,449	$ 27,319	$ 30,781	$ 36,211	$ 40,888	$ 45,527
EXPENSES							
Administrative expenses:							
Operating expenses	$ 24,814	$ 24,374	$ 27,492	$ 28,420	$ 30,398	$ 30,827	$ 30,851
Lease expenses	$ 1,875	$ 1,924	$ 1,636	$ 1,356	$ 1,370	$ 1,384	$ 1,399
Lease termination/ moving expenses	$ –	$ 917	$ 2,254	$ –	$ –	$ –	$ –
China office program expenses	$ 1,435	$ 2,252	$ 2,420	$ 2,489	$ 2,564	$ 2,644	$ 2,727
Amortization expense	$ 168	$ 452	$ 430	$ 11	$ 11	$ 711	$ 711
Other	$ 71	$ 123	$ 76	$ 79	$ 89	$ 84	$ 80
	$ 28,363	$ 30,042	$ 34,308	$ 32,355	$ 34,432	$ 35,650	$ 35,768
Contract remediation expenses	$ (220)	$ 227	$ 690	$ 726	$ 864	$ 968	$ 1,027
Expenses	**$ 28,143**	**$ 30,269**	**$ 34,998**	**$ 33,081**	**$ 35,296**	**$ 36,618**	**$ 36,795**
Net results of operations before parliamentary appropriation	$ (13,423)	$ (4,820)	$ (7,679)	$ (2,300)	$ 915	$ 4,270	$ 8,732
Parliamentary appropriation	$ 15,656	$ 14,240	$ 8,880	$ 3,510	$ –	$ **–**	$ **–**
Net results of operations	**$ 2,233**	**$ 9,420**	**$ 1,201**	**$ 1,210**	**$ 915**	**$ 4,270**	**$ 8,732**
Actuarial loss on employee benefits obligation	$ (92)	$ –	$ –	$ –	$ –	$ –	$ –
Total comprehensive income	**$ 2,141**	**$ 9,420**	**$ 1,201**	**$ 1,210**	**$ 915**	**$ 4,270**	**$ 8,732**
Equity at beginning of the year	$ 50,368	$ 12,509	$ 21,929	$ 23,130	$ 24,340	$ 25,255	$ 29,525
Equity at year end	$ 52,509	$ 21,929	$ 23,130	$ 24,340	$ 25,255	$ 29,525	$ 38,257
Transfer to the receiver General for Canada	$ (40,000)	$ –	$ –	$ –	$ –	$ –	$ –
Equity at year end	**$ 12,509**	**$ 21,929**	**$ 23,130**	**$ 24,340**	**$ 25,255**	**$ 29,525**	**$ 38,257**

SCHEDULE C – STATEMENT OF CASH FLOW ($000's)

	Actual	Forecast	Corporate Plan 2015–16 to 2019–20				
	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from foreign customers	$ 1,504,156	$ 4,919,964	$ 3,146,562	$ 3,998,226	$ 2,619,353	$ 2,521,294	$ 2,605,536
Finance income, net	$ 267	$ –	$ –	$ –	$ –	$ –	$ –
Fees for service and other income received	$ 13,971	$ 25,314	$ 27,319	$ 30,781	$ 36,211	$ 40,888	$ 45,526
Payments to Canadian exporters	$(1,436,372)	$(4,923,422)	$(3,156,701)	$(3,998,522)	$ (2,614,159)	$ (2,518,234)	$ (2,604,217)
Administrative payments	$ (29,690)	$ (29,474)	$ (33,777)	$ (32,232)	$ (34,304)	$ (34,816)	$ (34,928)
Parliamentary appropriation	$ 15,656	$ 14,240	$ 8,880	$ 3,510	$ –	$ –	$ –
Cash provided (used) by operating activities	**$ 67,988**	**$ 6,622**	**$ (7,716)**	**$ 1,762**	**$ 7,103**	**$ 9,133**	**$ 11,918**
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition of property and equipment	$ –	$ –	$ (164)	$ –	$ –	$ –	$ –
Acquisition of intangible assets*	$ –	$ –	$ –	$ –	$ (3,500)	$ –	$ –
Cash provided (used) by investing activities	**$ –**	**$ –**	**$ (164)**	**$ –**	**$ (3,500)**	**$ –**	**$ –**
CASH FLOWS FROM FINANCING ACTIVITIES:							
Transfer to the Receiver General for Canada	$ (40,000)	$ –	$ –	$ –	$ –	$ –	$ –
Cash provided (used) by financing activities	**$ (40,000)**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Effect of exchange rate changes on cash and cash equivalents	$ 482	$ 135	$ –	$ –	$ –	$ –	$ –
Increase (decrease) in cash and cash equivalents	$ 28,470	$ 6,757	$ (7,880)	$ 1,762	$ 3,603	$ 9,133	$ 11,918
Cash and cash equivalents at the beginning of the year	$ 61,068	$ 89,538	$ 96,295	$ 88,415	$ 90,178	$ 93,780	$ 102,913
Cash and cash equivalents at the end of the year	**$ 89,538**	**$ 96,295**	**$ 88,415**	**$ 90,178**	**$ 93,780**	**$ 102,913**	**$ 114,830**

(*) Increase related to intangible assets in year 2017–18 is due to the capitalization of the investment costs to upgrade and overhaul financial systems after 10 years. The capitalized amount will be amortized over the course of five years deemed to be the useful life-span.

SCHEDULE D – VARIANCE ANALYSIS, FORECAST COMPARED TO OPERATING BUDGET FOR THE YEAR ENDED MARCH 31, 2015 ($000's)

	2014–15			Explanations
	Forecast	Budget	Variance	
REVENUES				
Commercial trading and sourcing services transactions	$ 2,713,073	$ 2,107,403	$ 605,670	A favourable variance is forecast compared to the budget. Planned deliveries and progress work under the GDS business line were substantially higher than planned due primarily to the accelerated recording of progress work related to the ABP contract.
Less: Cost of commercial trading and sourcing services transactions	$(2,713,073)	$(2,107,403)	$ (605,670)	Corresponds to commercial trading and acquisition services transactions due to the "back-to-back" nature of CCC's contracts.
Fees for service	$ 24,524	$ 19,108	$ 5,416	A favourable variance is forecast compared to the budget. Fees for services are commensurate with commercial trading transactions discussed above. Fees for service are earned on deliveries and work performed which are recorded.
Other income	$ 458	$ 235	$ 223	A favourable variance is forecast, as exporters used CCC's trade receivable discounting services to a greater extent than originally forecast.
Finance income, net	$ 332	$ 400	$ (68)	The unfavourable variance is the result of lower than planned Canadian cash balances available for investment. The budget was based on the assumption that the advance payment on the ABP would have been received by April 1, 2014 and CCC's fee portion on the advance payment would have been retained in CCC's cash balances. The advance payment was not received until mid-July 2014.
Gain (loss) on foreign exchange	$ 135	$ –	$ 135	CCC is expecting to realize a foreign exchange translation gain due to the Canadian dollar weakening compared to its US dollar counterpart over the course of the fiscal year. Gains or losses on foreign exchange are not budgeted.
Net revenues	**$ 25,449**	**$ 19,743**	**$ 5,706**	
EXPENSES				
Administrative expenses	$ 30,042	$ 31,314	$ 1,272	A favourable variance is forecast compared to the budget. Expenses to contract manage the ABP contract and estbalish four new China offices did not materialize as originally expected due to program implementation delays.
Contract remediation expenses	$ 227	$ 527	$ 300	The favourable forecast variance reflects the Corporation's robust risk and contract management practices and ERM framework.
Total expenses	**$ 30,269**	**$ 31,841**	**$ 1,572**	
Net results of operations before paliamentary appropriation	$ (4,820)	$ (12,098)	$ 7,278	
Parliamentary appropriation	$ 14,240	$ 14,240	$ –	
Total comprehensive income	**$ 9,420**	**$ 2,142**	**$ 7,278**	

SCHEDULE E – VARIANCE ANALYSIS, 2015–16 PROPOSED BUDGET COMPARED TO 2014–2015 FORECAST

($000's)

	2015–16 Proposed Budget	2014–15 Forecast	Increase (Decrease)	Explanations
REVENUES				
Commercial trading and sourcing services transactions	$ 2,758,158	$ 2,713,073	$ 45,085	The increase will come from contracts that have been signed in 2014–15 and that are expected to be signed in the early stages of 2015–16 related to GDS and ICB business lines. The GDS business line contributed signed contracts in excess of $450.0 million in Latin America and Asia in 2014–15. A large portion of these contracts will be delivered in 2015–16.
Less: Cost of commercial trading and sourcing services transactions	$ (2,758,158)	$ (2,713,073)	$ (45,085)	Corresponds to commercial trading and acquisition services transactions due to the "back-to-back" nature of CCC's contracts.
Fees for service	$ 26,630	$ 24,524	$ 2,106	Fees for services are commensurate with commercial trading transactions discussed above. Fees for service are earned on deliveries and work performed which are recorded.
Other income	$ 300	$ 458	$ (158)	
Finance income, net	$ 389	$ 332	$ 57	The increase is due to slightly higher usable cash balances and average interest rate yields.
Gain (loss) on foreign exchange	$ –	$ 135	$ (135)	The Corporation does not budget for Foreign exchange gains and losses. Unhedged foreign exchange balances are monitored and kept at negligible levels.
Net revenues	**$ 27,319**	**$ 25,449**	**$ 1,870**	
EXPENSES				
Administrative expenses	$ 34,308	$ 30,042	$ 4,266	The increase in administrative expenses is due to: (1) $1.5 million are related to the increase cost in the effort and associated expenses required to contract manage the ABP contract; (2) $0.4 million are related to direct expenses for regional staff, rent of premises and other operational requirements to manage the additional offices in China on behalf of DFTAD; (3) Management has negotiated a new lease for office space to achieve future cost reduction goals and as a result the Corporation will incur one-time expenses in 2015–16 related for the move to new premises which are estimated at $1.3 million; and (4)$0.6 million is related to the establishment of foreign representation commencing with two offices abroad implemented by mid-2015–16.
Contract remediation expenses	$ 690	$ 227	$ 463	The amounts represent approximately 0.025% of commercial trading transactions. The Corporation has achieved exceptional results over the last five years which includes the reversal of earlier provisions.
Total expenses	**$ 34,998**	**$ 30,269**	**$ 4,729**	
Net results of operations before paliamentary appropriation	$ (7,679)	$ (4,820)	$ (2,859)	
Parliamentary appropriation	$ 8,880	$ 14,240	$ (5,360)	The decrease reflects the second year of a three-year phased in reduction of parliamentary appropriation which will result in the Corporation being self-sufficient by 2017–18 and on.
Total comprehensive income	**$ $1,201**	**$ $9,420**	**$ $(8,219)**	

ANNEX ONE

GLOSSARY OF TERMS

ACCBP	Anti-Crime Capacity Building Program
ABP	Armoured Brigades Program
CADSI	Canadian Association of Defence and Security Industries
CCC	Canadian Commercial Corporation
CEO	Chief Executive Officer
CFPOA	*Corruption of Foreign Public Officials Act*
CSR	Corporate Social Responsibility
CTCBP	Counter-Terrorism Capacity Building Program
DFATD	Foreign Affairs, Trade and Development Canada
DND	Department of National Defence
DPS	Defence Procurement Strategy
DPSA	Defence Production Sharing Agreement
EDC	Export Development Canada
ERM	Enterprise Risk Management
FAA	*Financial Administration Act*
FMS	Foreign Military Sales
FTA	Free Trade Agreement
GPSF	Global Peace and Security Fund
GDS	Global Defence and Security
GMAP	Global Markets Action Plan
GPP	Global Partnership Program
ICB	International Commercial Business
IMF	International Monetary Fund
LAV	Light Armoured Vehicles
MOU	Memorandum of Understanding

NASA	National Aeronautics and Space Administration
OAG	Office of the Auditor General of Canada
OECD	Organization for Economic Co-operation and Development
PIPSC	Professional Institute of the Public Service of Canada
PPP	Public-Private Partnerships Canada
PPPs	Public-Private partnerships
PWGSC	Public Works and Government Services Canada
ROC	Risk and Opportunities Committee
SMEs	Small and medium-sized enterprises
TCS	Trade Commissioner Service
USD	United States Dollars
U.S. DoD	United States Department of Defense
VCS	Value of contracts signed
WTO	World Trade Organization