# Growing Canadian Export Business

2017–2018 Annual Report

Focused and Collaborative Business Development

Business Diversification

Demonstrating Exemplary Corporate Social Responsibility

CCC
Canadian Commercial Corporation
Corporation Commerciale Canadienne

Canada

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

## MANDATE

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

## MISSION

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

## COMMITMENT

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

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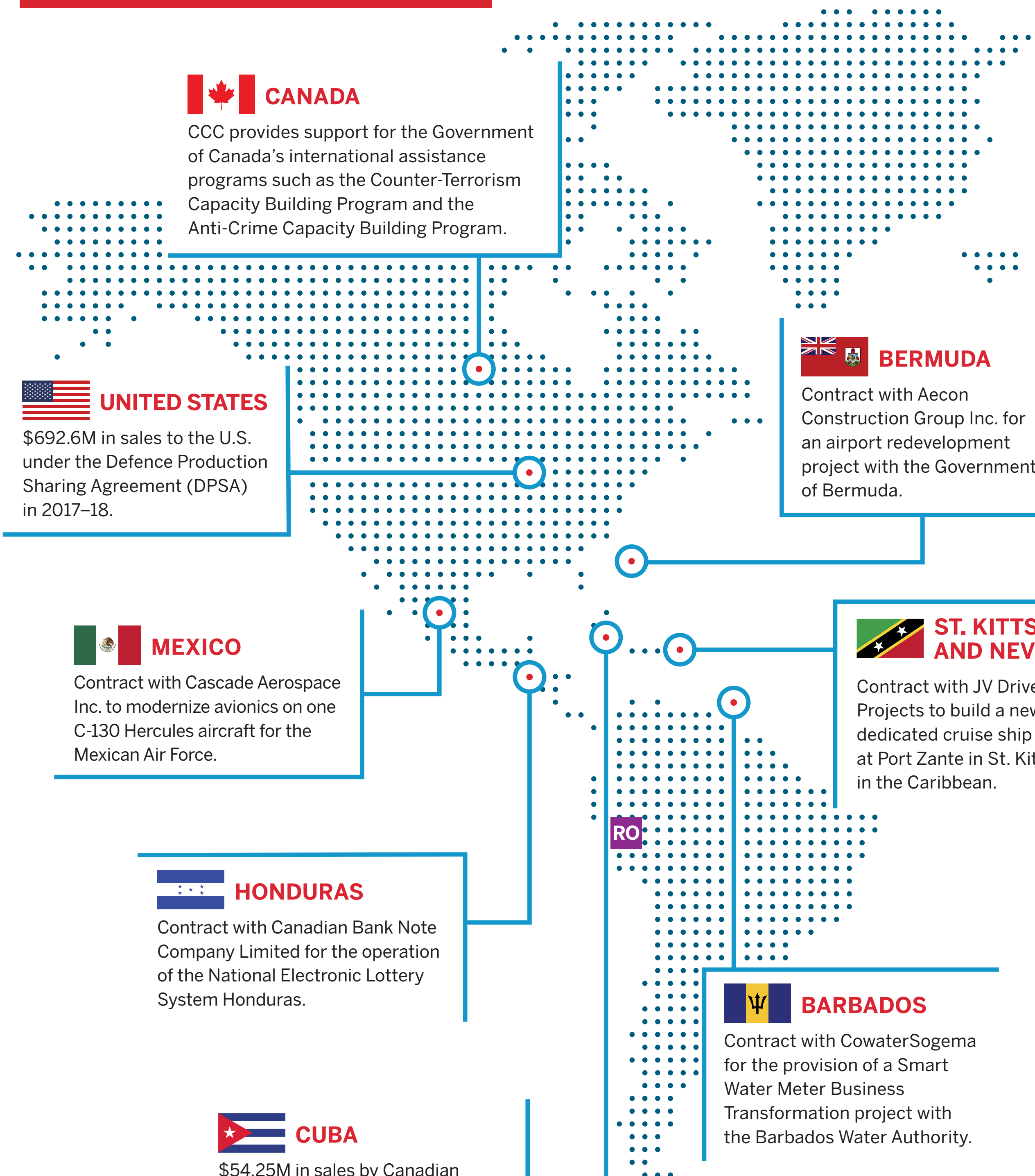
Please note: All figures are in Canadian dollars unless noted otherwise.

# CCC Around the World




## CANADA

CCC provides support for the Government of Canada's international assistance programs such as the Counter-Terrorism Capacity Building Program and the Anti-Crime Capacity Building Program.

## UNITED STATES

$692.6M in sales to the U.S. under the Defence Production Sharing Agreement (DPSA) in 2017–18.

## BERMUDA

Contract with Aecon Construction Group Inc. for an airport redevelopment project with the Government of Bermuda.

## MEXICO

Contract with Cascade Aerospace Inc. to modernize avionics on one C-130 Hercules aircraft for the Mexican Air Force.

## ST. KITTS AND NEVIS

Contract with JV Driver Projects to build a new dedicated cruise ship pier at Port Zante in St. Kitts in the Caribbean.

## HONDURAS

Contract with Canadian Bank Note Company Limited for the operation of the National Electronic Lottery System Honduras.

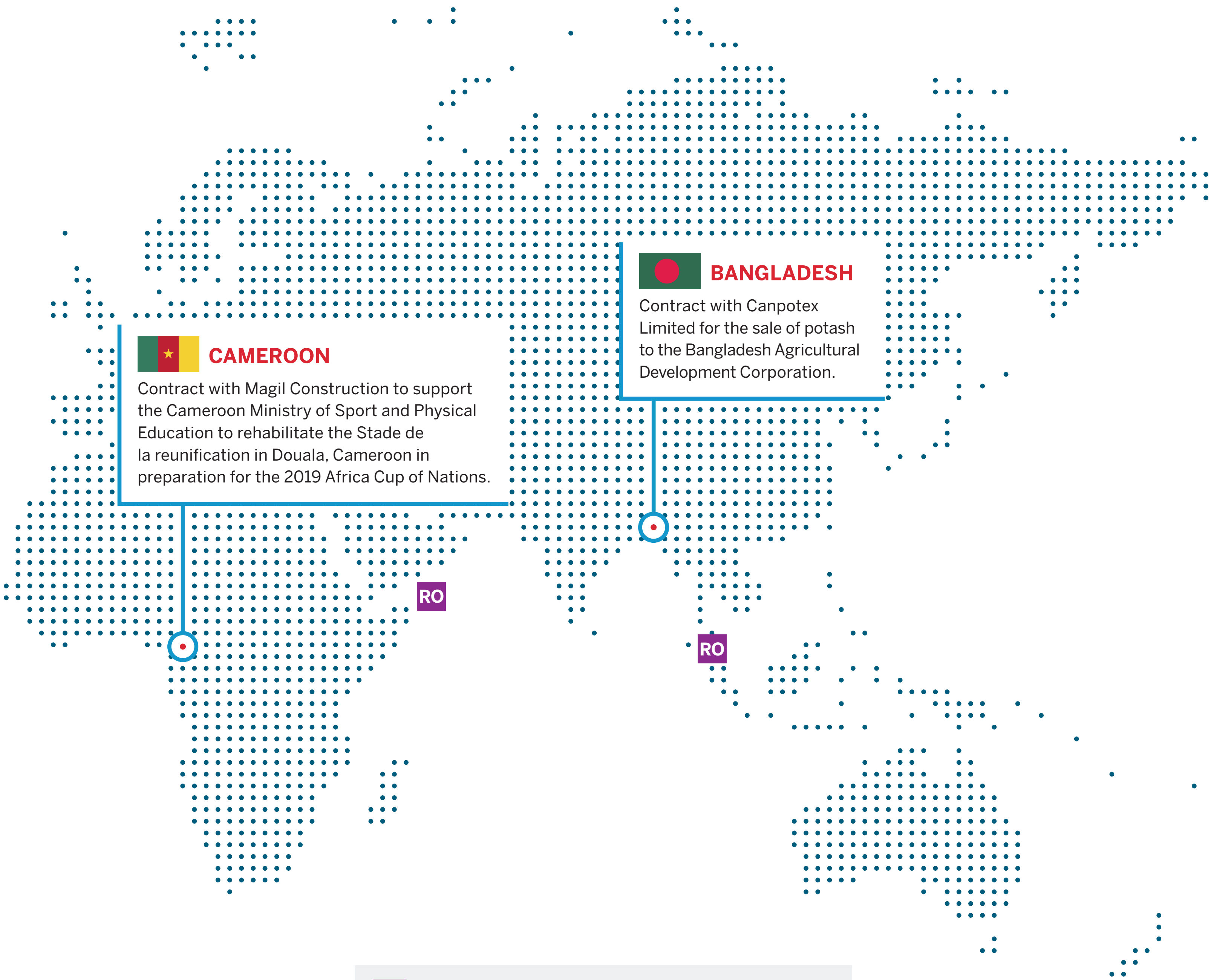
## BARBADOS

Contract with CowaterSogema for the provision of a Smart Water Meter Business Transformation project with the Barbados Water Authority.

## CUBA

$54.25M in sales by Canadian exporters to the Cuban sugar and tourism industries in 2017–18. Over $1B in Cuban sales since 1991.

With foreign representation in three regions and a focus on target markets and sectors, CCC is able to help Canadian exporter's access opportunities all over the world, and was active in 78 countries in 2017–18.




### CAMEROON

Contract with Magil Construction to support the Cameroon Ministry of Sport and Physical Education to rehabilitate the Stade de la reunification in Douala, Cameroon in preparation for the 2019 Africa Cup of Nations.

### BANGLADESH

Contract with Canpotex Limited for the sale of potash to the Bangladesh Agricultural Development Corporation.

### RO REGIONAL OFFICES

CCC has three Regional Directors collocated within Canadian Embassies in Lima (Peru) for South America and Mexico, Abu Dhabi (United Arab Emirates) for the Middle East, and Bangkok (Thailand) for Asia.

# Project Highlights

## BUILDING A NEW CRUISE SHIP PIER IN ST. KITTS AND NEVIS

CCC is working with JV Driver Projects (headquartered in Leduc, Alberta) to enhance tourism infrastructure in St. Kitts and Nevis. Port Zante is a dedicated cruise ship facility and currently has one cruise ship pier, which limits the number of cruise line calls. CCC signed a $54 million contract with the Air and Sea Ports Authority to provide a second dedicated cruise ship pier that will allow the simultaneous docking of two additional 'Oasis' class cruise ships (the world's largest cruise ships), thus welcoming more visitors to the islands and increasing economic activity. This project is in line with the Government of Canada's on-going post-hurricane reconstruction efforts in the region.

## ENSURING FOOD SECURITY IN BANGLADESH

In 2017–18, CCC signed its fourth consecutive contract with the Bangladesh Agricultural Development Corporation for the delivery of potash from Canpotex Limited (headquartered in Saskatoon, Saskatchewan), with a value of approximately $46 million. Canadian potash is a critical export to the Bangladeshi agricultural industry and is a driver for continued economic development. As part of this contract, Canpotex is working with a local company in Bangladesh to teach local farmers to improve crop yields and productivity through balanced fertilizer application, thus contributing to food security in the country.

## ASSISTING CAMEROON IN PREPARING TO HOST THE 2019 AFRICA CUP OF NATIONS

CCC signed a government-to-government contract with the Cameroon Ministry of Sport and Physical Education to rehabilitate the Stade de la reunification in Douala, Cameroon. This is the largest Canadian export contract ever to Cameroon, with a value of $126 million. Work on the open-air stadium is being undertaken to help Cameroon prepare to host the 2019 Africa Cup of Nations, the main international football association competition in Africa. Once complete, the stadium will have the capacity to seat approximately 38,800 people. CCC is working with Magil Construction, a Montreal based construction firm with extensive international construction experience, to deliver the project.

## L.F. WADE INTERNATIONAL AIRPORT WINS 'DEAL OF THE YEAR'

Bermuda's L.F. Wade International Airport project won the *IJ Global* 2017 North American Airport Deal of the Year award for its innovative approach using a hybrid Public-Private Partnership and government-to-government structure. This $274 million USD airport redevelopment project between Aecon Construction Group Inc., CCC and the Government of Bermuda achieved commercial and financial close in March 2017 and has provided Bermuda with a world-class international airport. Key features include a new terminal incorporating the Bermuda "look and feel" along with state of the art energy and water efficiency technologies.

# 2017–18 Performance Highlights

**182**
Number of Canadian exporters who contracted with CCC

**$1.3B**
Value of Contracts Signed

**$2.4B**
Commercial Trading Transactions*

**78**
Number of countries in which CCC was active

**21**
Number of countries that received in-kind support from the Government of Canada that were facilitated by CCC's Sourcing Services

**96**
Number of Canadian exporters that provided goods and services to the U.S. Department of Defense (U.S. DoD)

**5,300**
Number of Canadian jobs directly supported through contracts with the U.S. DoD

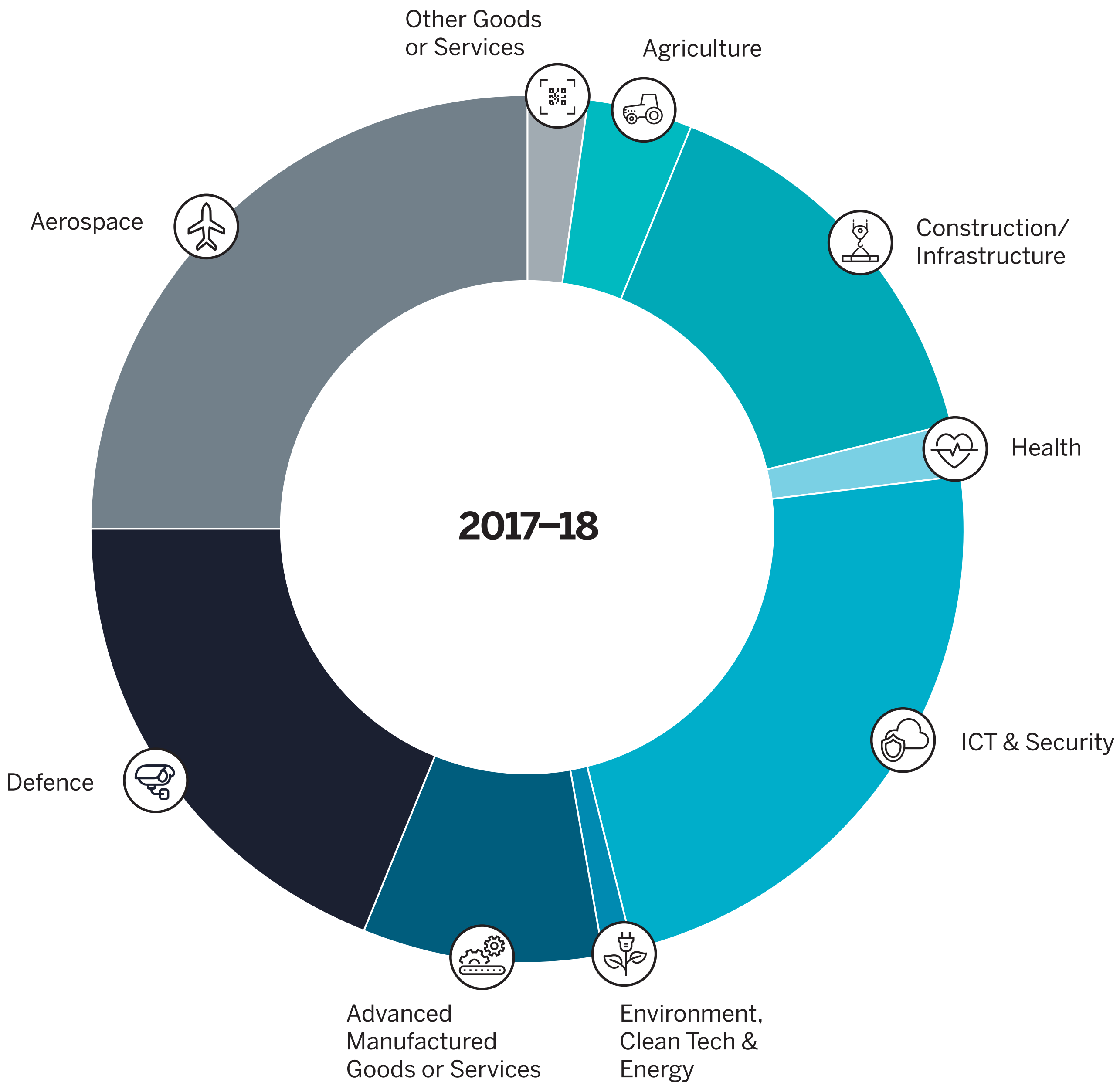
**11,900**
Number of value-added Canadian jobs supported by CCC's activities in all sectors

**33%**
Percentage of small and medium-sized exporters (SMEs) within CCC's exporter base

* Commercial Trading Transactions refer to the value of delivered goods and services

## TOTAL VALUE OF CONTRACTS SIGNED BY INDUSTRY SECTOR

The chart below illustrates the 2017–18 value of contracts signed of $1.3 billion by business line and by Canadian industry sectors that benefit from CCC international sales activity.



# Message from the Chairperson

I am pleased to present the 2017–18 Annual Report of the Canadian Commercial Corporation (CCC). It is well known that international trade is a significant driver of the Canadian economy. As the risks and complexity of global trade increase, so does the importance of CCC's services. Last year the Corporation supported 182 Canadian exporters, delivered $2.4 billion in Canadian goods and services abroad, and supported approximately 11,900 value-added jobs for Canadians. These sales often involved industry leading and world-class technologies created through innovation and investments in Canada. This translates into increased revenues for Canadian exporters, a strengthened Canadian economy, and long-term jobs for Canadians.

It is clear that CCC has a valuable role to play in supporting the Government of Canada's progressive trade and investment agenda, and I am proud to have recently joined CCC as Chairperson of the Board of Directors. I look forward to bringing my experience to bear in helping CCC advance its diversification efforts in support of its mandate. Building on its core strengths and sectors that most benefit from the government-to-government model, CCC has positioned itself to focus on key industries that are both growing and reflective of Government of Canada priorities.

CCC is ideally positioned to leverage the Government of Canada's international reputation to increase Canadian exporter success in competitive foreign markets. CCC operates with the highest integrity and ethical standards, and places great importance on transparency, public reporting and good governance. In this regard, I am pleased with the Corporation's continued focus on anti-bribery and corruption programs to ensure that the positive reputation of the Government of Canada is maintained. CCC is working to augment this focus and will be enhancing policies and procedures to advance its practices in line with the Organization for Economic Co-operation and Development's (OECD) Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights.

A top priority of the Board of Directors is to continue to identify innovative ways to support a broad range of Canadian exporters, while overseeing the management of CCC's affairs and ensuring that the Corporation's core values are reflected in all of its efforts. My colleagues and I take this role seriously, and our work will continue to focus on ensuring that the Corporation's results meet the Government of Canada's expectations.

I want to take this opportunity to thank Mr. Stephen J. Sorocky for acting as interim Chairperson of the Board for the past two years. We are tremendously grateful for his contribution to the evolution in business development that has taken place over that time. I also would like to recognize the dedication and commitment of CCC's Board members who give their time and experience in support of CCC and, ultimately, the government's trade agenda. The Board continues to support the Government's commitment to inclusion and diversity in its transparent and merit-based appointment process to fill vacancies within CCC's Board of Directors.

Finally, on behalf of the Board of Directors, I would like to thank CCC's Senior Management team and all of CCC's employees for their leadership and dedication in delivering outstanding contracting services, enabling CCC to enhance its value as a partner to Canadian exporters in competitive world markets. Together, we look forward to working with new Canadian exporters, deepening our relationship with foreign buyers and government stakeholders, and continuing to bring prosperity and growth for businesses across Canada.

Sincerely,

**Douglas J. Harrison**
Chairperson, Board of Directors

# Message from the President and CEO

As the world becomes more competitive, Canadian businesses face new challenges. Accordingly, CCC's mandate and its ability to provide Canadian exporters with a competitive advantage has become increasingly relevant. CCC's services are inclusive and promote Canada's strong economic brand and global profile while helping to grow Canadian exports.

CCC's business model is unique in the world. The Corporation's government-to-government contracts serve to strengthen bilateral commercial relationships between Canada and other allied nations, help to reduce risk for both foreign buyers and Canadian exporters, and can lead to lower business development costs and shorter timelines to contract for exporters. This provides Canadian exporters with assistance in exporting to complex international markets.

Leveraging our extensive experience in business development, CCC focused on implementing a diversification strategy in 2017. Resources were devoted to identifying export-oriented industries that are strategically important contributors to the Canadian economy in terms of employment, research and development, innovation and productivity. I am pleased to say that we have made great strides in increasing the support we offer Canadian exporters in the following five sectors: (1) civil aerospace, (2) construction and infrastructure, (3) clean technology (cleantech), environment, and energy, (4) information and communications technology (ICT) and security, and (5) defence.

CCC's diversification strategy is leading to a larger number of Canadian exporters, including small and medium-sized enterprises (SMEs), using CCC's services. To accommodate the work volume from this increased customer activity, CCC has focused on promoting a culture of continuous improvement. Over the years, CCC has evolved our processes and systems to reflect changes in our business environment and we have shown ourselves to be willing and able to adapt and become more efficient. We are now enhancing previous efforts by providing staff with better tools and training. Efforts to strengthen and streamline contracting procedures are now being undertaken to ensure customers from across all sectors experience efficient and effective contracting services. I am very proud of the dedication and enthusiasm of CCC staff to make the changes that will strengthen CCC's overall value proposition.

Throughout the year, CCC remained focused on continuing to develop its human resources practices. Significant progress was made on enhancing succession planning, performance management and employee engagement activities with the goal of maintaining and attracting a highly skilled and diverse workforce.

CCC's success last year is measured by its impact in helping innovative Canadian companies compete and win contracts internationally. In this context, the Corporation had numerous successes. From delivering potash to Bangladesh to supporting the construction of a cruise ship pier in St. Kitts and Nevis, CCC's value proposition supports many diverse Canadian industries across foreign markets.

In 2017–18, CCC signed $1.3 billion in export contracts and was active in 78 countries around the world. CCC continues to work hand-in-hand with its International Trade Portfolio partners, Global Affairs Canada and Export Development Canada (EDC), and with other key stakeholders to ensure its efforts to assist Canadian suppliers and international buyers are aligned with the priorities of the Government of Canada.

In particular, CCC has been supporting the Government's progressive trade and investment agenda by delivering support to Canadian exporters in regions and sectors where foreign buyers are interested in government-to-government contracting. CCC's target markets—the U.S., the Middle East, Latin America, the Caribbean, Asia and Africa complement the government's focus on expanding trade with large fast-growing markets while deepening trade links with traditional partners. In addition, CCC's foreign representation in Peru, the United Arab Emirates and Thailand further strengthens the position of Canadian exporters in these regions.

CCC is fortunate to have a dedicated Board of Directors who are passionate about CCC's mandate and value proposition. At this time, I would like to welcome our new Chairperson of the Board of Directors, Mr. Douglas J. Harrison. Appointed in February 2018, Mr. Harrison has a compelling vision for CCC that builds on the progress that the Corporation has achieved to date. He brings a clear focus on risk management and good governance, and I am confident that this will equip CCC to continue to achieve superior results and execute effectively on its mandate of supporting Canadian exporters.

From a leadership perspective, CCC continued to evolve and strengthen in 2017–18. In January 2018, the Corporation welcomed Ms. Michelle Taylor as Vice-President, Legal Services, General Counsel and Corporate Secretary. Ms. Taylor brings with her a wealth of experience from private practice and corporate industry. In May 2018, Mr. Ian McLeod joined CCC as Vice-President, Business Development and Sales. Mr. McLeod brings with him 22 years of business development and business leadership experience focusing on complex government and commercial sales. I would like to thank Ms. Tamara Parschin-Rybkin and Mr. Jacques Greffe who both retired from CCC in 2017–18 following many years of service in the Government of Canada. Ms. Parschin-Rybkin joined CCC in September 2006 as Vice-President, Legal Services, General Counsel and Corporate Secretary, while Mr. Greffe joined CCC in November 2009 as Vice-President, Defence Contract Management and Procurement. Mr. Cameron McKenzie, who joined CCC in October 2015 as Vice-President, Business Development and Sales, also left the Corporation this past year to pursue opportunities in the private sector. All three individuals brought energy and expert guidance to the Corporation, and leave CCC at a time when we have a clear and established business development strategy to push for a more diversified portfolio of Canadian exporters working with CCC.

In closing, I would like to thank CCC staff, the Board of Directors and the Minister of International Trade, the Honourable François-Philippe Champagne, and his staff for the guidance they have provided in advancing trade for Canada and for their continued support of CCC. I look forward to building upon our recent successes in the years to come.

Sincerely,

**Martin Zablocki**
President and CEO

**I am pleased to say that we have made great strides in increasing the support we offer Canadian exporters in the following five sectors:**

- civil aerospace
- construction and infrastructure
- cleantech, environment, and energy
- ICT and security
- defence

# Growing Canadian Export Business

2017–18 was a tremendous year for CCC. With the launch of a diversification strategy, the Corporation broadened its reach to Canadian exporters by identifying four new industry sectors. This positioned CCC to meet its top priority to grow Canadian export business.

## CCC'S SERVICES

As Canada's government-to-government contracting organization, CCC's primary service involves reducing the risk in transactions for Canadian exporters and for Government organizations. The Corporation does this through the execution of prime contracts with foreign government buyers to provide goods and services available for export from Canada. CCC then 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 satisfied, thereby mitigating the buyers' risks and providing an added incentive to procure from Canada.

CCC mitigates risks for Canadian exporters. The Corporation is able to leverage its capacity as a Government of Canada organization to monitor progress and bring resolution to issues that may arise during the contract's lifecycle. CCC's involvement in contracts reduces payment collection risks and business development costs; aids in gaining more advantageous contract and payment terms for Canadian exporters, particularly for SMEs; and promotes ethical business and CSR practices within Canadian industry. Prior to entering into a transaction, CCC assesses a supplier's technical, managerial and financial capabilities to ensure they can fulfill all contractual obligations. CCC also reviews its ethical business practices.

## BUSINESS LINES

### International Commercial Business (ICB)

The ICB team is focused on four key sectors: (1) civil aerospace, (2) construction and infrastructure, (3) cleantech, environment, and energy, and (4) ICT and security. These growth sectors reflect priority areas for foreign buyers and align with the Government of Canada's progressive trade and investment agenda. CCC's ICB business line also includes the Cuba Contracting and the Electronic Lottery System Programs.

**CUBA CONTRACTING PROGRAM** – Since 1991, CCC's cumulative value of contracts with the Cuban Sugar and Tourism industries has reached more than $1 billion. Canadian exporters using CCC's Cuba Contracting Program benefit greatly from CCC's government-to-government contracting mechanism. The program streamlines the procurement processes by effectively matching Cuban procurement needs with Canadian sources of supply; transfers Cuban payment risk to Canadian financial institutions, and; helps resolve contractual issues that may arise.

#### SUPPLYING POTASH TO SUPPORT THE CUBAN SUGAR INDUSTRY

**While CCC has worked with Canpotex (headquartered in Saskatoon, Saskatchewan) in other regions, it is a relatively new supplier to Cuba. In 2017, this Canadian exporter signed a contract with CCC with a potential value of approximately $11 million USD for the delivery of potash to Cuba. Potash is key to increasing Cuban sugar yields, and therefore is a strategically important procurement for Cuba.**

**ELECTRONIC LOTTERY SYSTEM PROGRAM** – CCC's involvement brings transparency and credibility to the operation of the national electronic lotteries in Honduras and Nicaragua. These lotteries help generate funds for local social programs including healthcare and education.

## Global Defence and Security (GDS)

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

**SALES TO THE U.S. DOD UNDER THE CANADA–U.S. DPSA** – CCC assists Canadian companies to compete for contracts with the U.S. DoD in accordance with the terms and conditions of the DPSA and U.S. defence procurement regulations. Canadian exporters are also able to leverage the U.S. Foreign Military Sales program through access to the DPSA, which enables them to sell into the U.S. DoD inventory.

**AEROSPACE, DEFENCE AND SECURITY SALES TO GLOBAL MARKETS** – CCC assists Canadian exporters in the aerospace, defence and security sectors to further sales with foreign governments and North Atlantic Treaty Organization (NATO) allies. It also builds on the Corporation's experience selling to the U.S. DoD and its Foreign Military Sales program.

## Other Business Activities

**SOURCING SERVICES** – CCC assists Canadian government departments and agencies in efficiently and effectively sourcing goods and services destined for recipients of Canada's international assistance programs. In this regard, CCC has undertaken a wide array of sourcing projects including the provision of training services, the delivery of communications systems, border control items, biocontainment infrastructure, and related equipment.

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

### MODERNIZING THE MEXICAN AIR FORCE'S C-130 HERCULES AIRCRAFT

**CCC is working with Cascade Aerospace Inc. (headquartered in Abbotsford, British Columbia) to modernize a C-130 Hercules aircraft for the Mexican Air Force. The contract, valued at $8.1 million, follows a Memorandum of Understanding (MOU) signed between the Canadian and Mexican governments. The modernization program includes the installation and integration of an advanced avionics suite, as well as operational and technical training for Mexican Air Force personnel.**

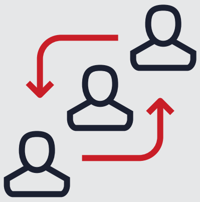
### SUPPORTING LOCAL GROWTH – ARNPRIOR AEROSPACE INC.

**Headquartered in Arnprior, Ontario, Arnprior Aerospace has 350 employees and specializes in the design, production and support of structural components for aerospace and defence applications.**

**Formerly a part of Boeing Canada, Arnprior Aerospace was incorporated in 2005. After selling to the U.S. primes for a number of years, they were awarded their first CCC contract for a direct sale to the U.S. DoD in 2013. In 2015, Arnprior Aerospace was awarded a second 3-year contract through CCC for $8 million USD to provide the U.S. DOD with Sonobuoy storage racks for the P-8 Poseidon aircraft. Orders valuing $2.5 million USD under this contract were placed in fiscal year 2017–18, with more expected in 2018–19. They are currently overhauling their Canadian facilities to be able to offer more solutions to buyers in the U.S. and abroad.**

# Highlights by Objective

CCC continued to grow its exporter base in 2017–18, supporting 182 Canadian companies while signing $1.3 billion worth of contracts with foreign buyers across diverse markets and sectors. Last year was significant in that the Corporation signed several contracts in new global markets for CCC, specifically Cameroon, Montenegro and St. Kitts and Nevis. These accomplishments were achieved by executing on a corporate strategy focused on diversification. This strategy is supported by three objectives that reflect the direction given by the Minister of International Trade in the annual Statement of Priorities and Accountabilities (SPA).



**OBJECTIVE 1**

## Focused and Collaborative Business Development

CCC's business development efforts in target markets will continue to embody a whole-of-government approach to facilitating export sales on a government-to-government basis while continuing to leverage important contributions of other Government of Canada stakeholders.

**OBJECTIVE 2**

## Business Diversification

CCC will seek to secure opportunities for Canadian companies across a wider and more diverse set of sectors and geographic markets. CCC's business development activities will support and align with the Government of Canada's progressive trade and investment agenda.

**OBJECTIVE 3**

## Demonstrating Exemplary Corporate Social Responsibility

CCC is committed to the highest ethical standards in all business dealings at home and abroad. CCC will continue to operate in an environmentally, socially and ethically responsible manner while upholding the Corporation's public policy mandate and acting within its resources.

OBJECTIVE 1

# Focused and Collaborative Business Development

As Canada's government-to-government contracting agency, CCC's business development efforts embody a whole-of-government approach, leveraging important contributions of other Government of Canada stakeholders. Over the course of 2017–18, CCC focused on developing and managing key relationships within Canada and abroad with the goal of improving Canadian exporter access to international markets.

## Promoting a Whole-of-Government Approach to International Trade

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

As a member of Canada's International Trade Portfolio, CCC works to ensure that its role complements the services provided by EDC and Global Affairs Canada's TCS. Each partner brings an important core competency that when combined together, offers an effective package for supporting Canadian exporters to win contracts with foreign government buyers. CCC brings the government-to-government contracting mechanism and contracting expertise with foreign governments. EDC brings financing and financing partners who are critical to moving forward many government purchases. The TCS brings its international footprint that gives it the ideal position to gather reliable commercial and political intelligence to facilitate the identification and development of viable opportunities for Canadian exporters.

Over the course of 2017–18, CCC continued to provide specialized training on its government-to-government contracting model to key partners. The training aimed at broadening understanding of CCC's value proposition through a consistent, whole-of-government approach and included training for Trade Commissioners and Defence Attachés in priority markets, embedded training in the TCS Advanced Core Training Program, and briefings to newly appointed Canadian Heads of Mission on how CCC collaborates with mission employees to support Canadian exporters.

### "EXPORT TO THE EU" CROSS CANADA ROAD SHOW

**In support of the Government of Canada's focus on implementing the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union (EU), CCC participated in the TCS "Export to the EU" cross Canada road show to promote exports to the EU. As part of the road show, a CCC representative participated in outreach activities to seven provinces, providing an overview of services available to Canadian exporters.**

In 2017–18, CCC renewed the existing MOU with the TCS for an additional year while a strategic review of the TCS is undertaken. CCC is supporting the TCS review to ensure that all needs related to future collaboration are considered. The MOU will be updated in 2018–19 to reflect the refreshed TCS mandate.

Supporting CCC's diversification strategy, cooperative marketing initiatives were aimed at priority sectors and markets. In 2017–18, CCC and the TCS worked together to promote Canadian goods and services at key international trade shows and to collaborate with industry associations. In addition, CCC played a leadership role with the TCS at the CANSEC tradeshow by participating in the Government of Canada Pavilion and managing the foreign delegation program. This approach enabled buyers to be presented with a whole-of-government approach to trade development. CCC will continue these collaborative efforts in pursuit of opportunities for our Canadian client base.

Sector expansion is key to CCC's growth and diversification strategy. By extending its network of Government of Canada partners and by targeting specific sectors, it is expected that a greater number of innovative and export ready Canadian companies will be identified. In 2017–18, CCC collaborated with EDC, the Business Development Bank of Canada (BDC), Sustainable Development Technology Canada (SDTC) and Global Affairs Canada at both domestic and international events including the Canadian Council for Public Private Partnerships Annual Conference, the Africa Energy Forum, SDTC's Climate Leadership Summit, and GLOBE Forum.

**GLOBE FORUM**
**MARCH 14–16, 2018**
**Vancouver,**
**British Columbia**

**CCC's integration into the federal cleantech ecosystem was put into action at the 2018 Globe Forum. Federal services available to Canadian cleantech exporters were showcased through the joint presence of CCC, EDC, the TCS, BDC, and SDTC. This coordinated, whole-of-government approach to supporting cleantech exporters was reinforced through the participation in an Executive Panel CCC's CEO, Martin Zablocki, along with counterparts from the partnering organizations. This joint approach is seen as a model for future collaboration with federal export partners.**

On behalf of Global Affairs Canada, CCC continued to operate ten Canadian Trade Offices in China. These offices are a strategic element of the Government of Canada's approach to supporting Canadian companies active in China. Last year, CCC managed these offices efficiently and economically, providing value to Canadian companies and Global Affairs Canada.

CCC also continued to provide Sourcing Services to Global Affairs Canada and other government departments. These services assist in the implementation of Canada's international assistance programs by providing efficient sourcing of goods and services destined to foreign recipients. Last year, the Corporation signed sourcing agreements with 43 exporters from across Canada. These agreements facilitated deliveries to 21 recipient countries in Africa, Asia, Central America and the Caribbean.

## Supporting the DPSA

While CCC's focus is diversified across a wide array of sectors, its roots lie in its role as the custodian of the Canada-U.S. DPSA on behalf of the Government of Canada. Canadian sales to the U.S. DoD through the DPSA represent a unique element of a strong defence cooperation relationship. The Canadian and American governments recognize the need for an integrated North American defence industrial base. Canada's defence industry provides some of the world's leading technologies to which the U.S. DoD has direct access to through the DPSA. This helps sustain a strong Canadian defence industry beyond what could be supported solely through domestic procurement.

The impacts of the DPSA are felt beyond the immediate benefits received by companies selling through this platform. Large Canadian multinational firms with DPSA contracts have extended supply chains that source goods and services from companies (including SMEs) across all parts of Canada. This integrated supply chain strengthens Canada's overall economy and sustains the North American defence industrial base. The DPSA, and the access it grants to the U.S. DoD market, provides added incentive for foreign multinationals to invest directly in Canada, bringing new jobs into the economy. The DPSA also serves as an initial entry point to exporting where SMEs can build their capacity to compete globally.

In 2017–18, 96 Canadian companies received contracts through CCC via the DPSA. Many of these are located in large urban centers, including Montreal, Edmonton, Vancouver, Halifax and Toronto but smaller centers (Delta–British Columbia, Goose Bay–Newfoundland, and Maple–Ontario) also have world-class companies working on U.S. DoD opportunities through CCC. Last year, these exporters signed $692.6 million of new contracts with U.S. DoD buyers that will directly support 5,300 Canadian jobs. This represents great value for Canadian exporters as CCC does not charge fees for these contracting services.

The DPSA is one of a number of Canada–U.S. trade agreements. It complements other multilateral trade agreements like NAFTA, which normally do not cover defence goods and services. The agreement has effectively reduced trade barriers, increased the depth of the Canadian defence industry and provided high-value jobs for Canadians. Given the importance of the DPSA to the Canadian defence and security industry, CCC continued monitoring the U.S. political environment and maintained its relationship building program in the U.S. to enhance relationships with key U. S. DoD buying commands and various departments in the Pentagon. For example, CCC coordinated presentations on the importance of the DPSA to U.S. DoD buying commands to help ensure access to this critical market remains open.

**OBJECTIVE 2**

# Business Diversification

CCC's recent investments in business development activities support the Corporation's focus on diversifying its portfolio to achieve growth and sector expansion. While CCC's primary focus has traditionally been in aerospace, defence, security and infrastructure, the Corporation's implementation of a growth and diversification strategy has led to new and innovative business opportunities. CCC was active in 78 countries in 2017-18, and newly appointed regional directors have increased business focus into new markets.

## Supporting Canada's Progressive Trade and Investment Agenda

The Government set out an ambitious trade and investment agenda in 2017 with the objective of achieving a 30% increase in the value of Canadian exports by 2025. To do so, it will focus on deepening trade ties with traditional partners while expanding trade in large, fast-growing markets and industry sectors. CCC's target markets, sector expansion, and continued focus on U.S. DoD procurement opportunities align well with these trade priorities.

CCC made great strides in 2017-18 to diversify its portfolio to create new opportunities for Canadian exporters in line with the Government of Canada's progressive trade and investment agenda. The Corporation positioned itself to focus on key industry sectors that include: (1) civil aerospace, (2) construction and infrastructure, (3) cleantech, environment, and energy, (4) ICT and security, and (5) defence. CCC appointed industry experts to lead this new sectoral approach. The outcome of these investments will widen the list of Canadian exporters, industries supported by CCC and the number of foreign buyers with whom CCC contracts. This will drive job creation and innovation.

### A COMMITMENT TO CONTINUOUS IMPROVEMENT

**The Corporation initiated a cultural shift in 2017–18 towards one focused on continuous improvement to ensure that efficient contracting services remain a pillar of CCC's value proposition. CCC is strengthening and streamlining contracting procedures in preparation for increased business volumes resulting from diversification into new sectors.**

CCC has increased outreach in these priority sectors, often in collaboration with the TCS, EDC and BDC. This has led to new relationships with industry associations and TCS regional officials in Canada, and will help identify new Canadian exporters in target sectors. CCC's membership in the Clean Growth Hub is an example of this heightened outreach. Last year, the Corporation participated in 42 outreach programs targeting priority sectors to promote CCC's foreign contracting services.

The Corporation's government-to-government contracts serve to strengthen bilateral commercial relationships between Canada and other allied nations, helping to foster trade links with both new and traditional partners. CCC's target market regions—the U.S., the Middle East, Latin America, the Caribbean, Asia and Africa complement the government's priority markets. Last year, CCC participated in Government of Canada Trade Missions to China, Uruguay and India. In addition, in support of the government's focus on negotiating international trade agreements, CCC participated in the TCS "Export to the EU" cross Canada road show to promote exports through the new Canada EU CETA.

As the Government refines Canada's progressive trade and investment agenda, CCC will work closely with Global Affairs Canada to support its implementation. CCC helps both multinational firms as well as SMEs. These SMEs may be owned by women, Indigenous people, youth and new immigrants from all parts of Canada. Innovation created by these companies drives employment that creates opportunities for all Canadians.

## CCC Foreign Representation

Regional representation is now a key pillar in CCC's strategy to diversify export markets and to grow CCC's business to provide support to a greater number of Canadian exporters. CCC established foreign representation in Lima (Peru) and Abu Dhabi (United Arab Emirates) in response to the strong success that Canadian businesses have experienced in these markets. With the addition of Bangkok (Thailand) in 2017–18, CCC is now better able to serve markets in South America and Mexico, the Middle East and Asia. By co-locating within the Canadian Embassies in these markets, CCC is leveraging the support of other Government of Canada stakeholders in international trade, in particular the TCS, EDC and Canadian Defence Attachés.

### DIA CONSEILS IN CUBA

**Many SMEs use CCC's services around the world. Among them, Dia Conseils, has grown its business through CCC's Cuba business line from roughly $400,000 in 2013 to more than $2 million in annual exports. This SME is based in Roxton Falls, Quebec, and sells golf carts and related goods to the Cuban tourism sector.**

This regional presence has significantly increased the frequency and depth of CCC's engagement with foreign government buyers and Canadian suppliers in target regions.

CCC's foreign representation strengthens commercial knowledge and establishes local contacts. Both elements are important for CCC to diversify its business opportunities and for Canadian exporters to succeed in penetrating new markets. SMEs are particularly well served by this model as their capacity to have in-country representation is limited and travel costs are often prohibitive for routine follow-up with foreign buyers while pursuing leads.

## Making More Effective Use of Market Intelligence

Timely and high-quality information, analysis and advice helps exporters when entering a foreign market and provides a strategic advantage over the competition. CCC is able to gather this important information through relationships within the Government of Canada, including with its International Trade Portfolio partners, as well as foreign government buyers and Canadian exporters.

In 2017–18, CCC continued to build on the strength of its relationships with key partners to identify and develop market opportunities. Of the 42 outreach programs CCC participated in last year, 20 were international events where CCC played a role in presentations and/or event management. CCC also joined a number of Government of Canada trade missions to increase market awareness, connect with new partners, and provide on-the-ground support to Canadian exporters.

In 2017–18, CCC widened its linkages with cleantech experts within the Government of Canada. The Corporation joined the Clean Growth Hub with Innovation, Science, and Economic Development Canada (ISED), SDTC, Natural Resources Canada, EDC and BDC who have experience working with companies and exporters in this sector. This collaboration supports access to CCC in the cleantech sector by building awareness of the Corporation in a cleantech context and leveraging the network as a source of exporter referrals. In addition, this collaboration leverages the Climate Technology Centre and Network to explore opportunities in foreign government procurement markets.

OBJECTIVE 3

# Demonstrating Exemplary Corporate Social Responsibility

As an agent representing the Government of Canada, CCC prioritizes the values of integrity and honesty in all its business dealings. CCC's *Code of Conduct and Business Ethics* clearly define the Corporation's expectations in these areas.

## Combatting Bribery, Corruption and Fraud

Canadian companies increasingly recognize the importance of CSR to their employees, customers, investors and the communities in which they operate. CCC's *Code of Conduct and Business Ethics* reflect both the refreshed Values and Ethics Code for the Public Sector established by the Treasury Board as well as an organization-specific set of common values and ethics. The Code outlines CCC's commitment with respect to the environment, bribery and corruption, human rights, conflict of interest and confidentiality of information. In 2017–18, all CCC employees signed an annual statement confirming their compliance with the Corporation's ethical standards as outlined in the *Code of Conduct and Business Ethics*.

CCC actively encourages the companies it works with to develop and adopt internal controls, policies and compliance programs for the purpose of preventing and detecting bribery. The Corporation's involvement provides both Canadian exporters and foreign buyers with comfort that all business dealings adhere to best practices in regards to bribery and corruption.

In 2017–18, CCC took steps to enhance its integrity compliance processes to ensure that its anti-bribery and anti-corruption due diligence remains aligned with international best practices. The Corporation continued its membership with Trace International, a leader in the field of anti-bribery and corruption measures for corporations. In addition, the Integrity Compliance Committee (ICC) led corporate-wide mandatory training for anti-bribery and corruption compliance, and specialized training sessions on the completion of CCC's due diligence process on Canadian exporters. Last year, the ICC completed 157 integrity reviews related to CCC's export opportunities.

## Aligning with Government of Canada Direction

The Government of Canada has taken significant steps to solidify its internal approach to dealing with bribery and corruption within its contracting practices. The Corporation's due diligence efforts focus on bribery and corruption risks related to its projects at the outset, while contract management activities also help to identify ethical issues throughout the project lifecycle. Over the course of 2017–18, CCC updated its internal policies dealing with bribery and corruption to take into account the Integrity Regime administered by Public Services and Procurement Canada (PSPC) and to ensure that CCC's practices align with those of the Government of Canada.

In 2017–18, CCC initiated a review of its approach with respect to human rights due diligence for its projects to ensure its policies and practices are aligned with the Government of Canada and OECD guidelines. As part of this process, CCC is considering how to assess political risk and human rights implications in its practices, and is in regular contact with Global Affairs Canada and other departments and agencies to ensure alignment with the Government's direction in these areas. CCC has also incorporated into its policies and practices reference to the Global Affairs Canada National Contact Point for the OECD Guidelines for Multinational Enterprises.

# Performance Against Objectives

## CCC'S SCORECARD

CCC's 2017–18 performance measurement includes a series of high-level indicators that help track the Corporation's progress against the implementation of its strategy.

### Value of Contracts Signed

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

### Project Lead Identification

This measure represents the number of new project leads opened in CCC's Customer Relationship Management (CRM) system for the reporting period.

### Net Promoter Score (NPS)

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

### Administrative Expenses to Budget

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

### Employee Engagement Score

This measure of the level of engagement the employee has to the organization and its goals.

### SME Transactions

This measure represents the number of SMEs with contracts via CCC in a given period. This SME-specific measure helps CCC to better understand its impact on SMEs that sell to foreign governments.

| PERFORMANCE MEASUREMENT | 2016–17 ACTUAL | 2017–18 TARGET | 2017–18 ACTUAL |
|---|---|---|---|
| VALUE OF CONTRACTS SIGNED | $1.62B | $1.35B | $1.26B |
| PROJECT LEAD IDENTIFICATION | 96 | 100 | 78 |
| NET PROMOTER SCORE | 89.5% | >70% | 84.5% |
| ADMINISTRATIVE EXPENSES TO BUDGET | $29.95M (92%) | $32.54M (100%) | $30.70M (94%) |
| EMPLOYEE ENGAGEMENT SCORE | 62% | >75% | 67% |
| SME TRANSACTIONS | 52 | 55 | 54 |

# Financial Performance

# Management's Discussion and Analysis

## Financial Highlights

CCC delivers government-to-government contracting services through two core lines of business:

(1) ICB; and
(2) GDS, which includes the administration of the Canada–US DPSA

In addition to its core business line operations, CCC performs activities related to sourcing and other Government of Canada priorities. This includes the maintenance and administration, on behalf of Global Affairs Canada, of trade development offices in China, providing sourcing services to Government of Canada departments and a shared services arrangement with another Crown corporation.

Historically, large contracts have materially affected the Corporation's financial statements and have caused significant variations in certain year-over-year amounts on the Statement of Financial Position and the Statement of Comprehensive Income (Loss).

In late 2013–14, the Armoured Brigades Program (ABP), a historic multi-billion dollar 14-year contract, was signed for the supply of light armored vehicles and associated equipment, training and support services. Because of the magnitude of this transaction, this activity may result in significant variations from period-to-period on certain accounts. The accounts impacted would most notably be receivables, payables, advances to Canadian exporters and from foreign buyers and others, progress work by Canadian exporters and for foreign buyers as well as revenue accounts.

A discussion of CCC's 2017–18 financial highlights follows:

Note that financial results reported in the MD&A are rounded to the nearest million, while related percentages are based on numbers rounded to the nearest thousand.

## STATEMENT OF COMPREHENSIVE INCOME (LOSS) DISCUSSION

| SUMMARY NET PROFIT (LOSS) (in millions of dollars) | FOR THE YEAR ENDED MARCH 31 | | | |
|---|---|---|---|---|
| | 2018 | 2017 | INCREASE (DECREASE) | |
| Revenues | $ 25.4 | $ 26.7 | $ (1.3) | (5%) |
| Expenses | (30.7) | (30.0) | (0.7) | (3%) |
| Parliamentary appropriation | – | 3.5 | (3.5) | (100%) |
| **Net profit (loss)** | **$ (5.3)** | **$ 0.2** | **$ (5.5)** | **<(100%)** |

For 2017–18, the overall net loss was due to a combination of lower revenues paired with slightly increased expenses and the elimination of the parliamentary appropriation, which was completely phased out at the end of the 2016–17 fiscal year. The reduction in revenues for the period is driven by a decrease in fees for service discussed later in the report. This reduction in revenues is partially offset by an increase in other income, derived from early payment discounts made by the Corporation, as well as higher net finance income. Higher expenses, discussed in the administration expense section of the report, and the elimination of the parliamentary appropriation explain the remainder of the net loss.

# REVENUES

| **REVENUES** (in millions of dollars) | FOR THE YEAR ENDED MARCH 31 | | | | |
|---|---|---|---|---|---|
| | **2018** | **2017** | **INCREASE (DECREASE)** | | **% OF TOTAL 2018** |
| Commercial trading transactions - prime contracts | $ 2,387.8 | $ 2,627.0 | $ (239.2) | (9%) | |
| Cost of commercial trading transactions - prime contracts | (2,387.8) | (2,627.0) | 239.2 | 9% | |
| Fees for service | 23.1 | 25.3 | (2.2) | (9%) | 92% |
| Other income | 1.8 | 1.0 | 0.8 | 91% | 7% |
| Finance income, net | 0.6 | 0.4 | 0.2 | 28% | 2% |
| Loss on foreign exchange | (0.1) | – | (0.1) | <(100%) | (1%) |
| **Total Revenues** | **$ 25.4** | **$ 26.7** | **$ (1.3)** | **(5%)** | **100%** |

For 2017–18, after offsetting commercial trading transactions with the cost of commercial trading transactions, revenues were lower by $1.3 or 5% compared to the previous year. The reduction in revenues is primarily attributable to lower fees for service, partially offset by increases in other income and net finance income. The increase in other income was mainly derived from discounts for early payments to Canadian exporters.

## Commercial trading transactions

| **COMMERCIAL TRADING TRANSACTIONS (CTT)** (in millions of dollars) | FOR THE YEAR ENDED MARCH 31 | | | | |
|---|---|---|---|---|---|
| | **2018** | **2017** | **INCREASE (DECREASE)** | | **% OF TOTAL 2018** |
| **GDS** | | | | | |
| DPSA | $ 705.5 | $ 675.7 | $ 29.8 | 4% | 30% |
| Non-DPSA GDS | 1,268.4 | 1,582.7 | (314.3) | (20%) | 53% |
| **Total GDS** | **$ 1,973.9** | **$ 2,258.4** | **$ (284.5)** | **(13%)** | **83%** |
| **ICB** | **413.9** | **368.6** | **45.3** | **12%** | **17%** |
| **Total CTT** | **$ 2,387.8** | **$ 2,627.0** | **$ (239.2)** | **(9%)** | **100%** |

Commercial trading transactions measure the value of goods or services delivered or progress work performed during the period. Since CCC acts as an international trade intermediary, revenues from commercial trading transactions on prime contracts are fully offset by the cost of commercial trading transactions on prime contracts.

For 2017–18, the overall decrease of $239.2 or 9% in commercial trading transactions is mostly attributable to changes in timing related to the execution and deliveries of the ABP contract, which is included in the non-DPSA GDS business line. The decrease was partially offset by increased activity of $61.8 related to the expansion and rehabilitation of an international airport in Bermuda, included in the ICB Business line.

## Fees for service

| FEES FOR SERVICE (in millions of dollars) | FOR THE YEAR ENDED MARCH 31 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | INCREASE (DECREASE) | | | % OF TOTAL 2018 |
| **GDS** | | | | | | | | |
| Non-DPSA GDS | $ | 11.1 | $ | 13.6 | $ | (2.5) | (19%) | 48% |
| **Total GDS** | **$** | **11.1** | **$** | **13.6** | **$** | **(2.5)** | **(19%)** | **48%** |
| **ICB** | | **6.4** | | **6.4** | | **–** | **–** | **28%** |
| **Sourcing and other Government of Canada priorities** | | **5.6** | | **5.3** | | **0.3** | **7%** | **24%** |
| **Total Fees for service** | **$** | **23.1** | **$** | **25.3** | **$** | **(2.2)** | **(9%)** | **100%** |

The Corporation charges fees for service on non-DPSA GDS and ICB business lines and other services, generally calculated as a percentage of the contract value. The rates for services provided, or fees for service are negotiated on a contract-by-contract basis. Fees are recognized as revenue when commercial trading transactions related to prime contracts and international sourcing services agreements are recorded and from other international and domestic activities when services are rendered. Pursuant to the DPSA agreement, CCC does not charge fees for service on the DPSA program. In addition to fees for service recorded from the non-DPSA core operations business line, CCC earns fees related to sourcing services transactions and other initiatives of Government of Canada departments and agencies.

For 2017–18, the overall reduction in fees of $2.2 or 9% is primarily attributable to changes in timing of deliveries and work performed on the ABP contract in the GDS business line ($2.1), combined with lower activity in the Cuba program ($0.7). These reductions in fees for service were partially offset by increased activity in the expansion and rehabilitation of an airport in Bermuda ($0.7) and the management of business offices in China for Global Affairs Canada ($0.3).

# EXPENSES

| **EXPENSES** (in millions of dollars) | FOR THE YEAR ENDED MARCH 31 | | | | |
|---|---|---|---|---|---|
| | **2018** | **2017** | **INCREASE (DECREASE)** | | **% OF TOTAL 2018** |
| **Administrative expenses** | | | | | |
| Workforce compensation and related expenses | $ 20.6 | $ 20.8 | $ (0.2) | (1%) | 68% |
| Contract management services | 2.5 | 2.7 | (0.2) | (9%) | 8% |
| Travel and hospitality | 2.0 | 1.6 | 0.4 | 19% | 6% |
| Rent and related expenses | 1.8 | 1.7 | 0.1 | 7% | 6% |
| Consultants | 1.6 | 1.5 | 0.1 | 9% | 5% |
| Communications | 0.7 | 0.4 | 0.3 | 94% | 2% |
| Software, hardware and support | 0.6 | 0.5 | 0.1 | 22% | 2% |
| Depreciation | 0.4 | 0.4 | – | – | 1% |
| Other expenses | 0.5 | 0.4 | 0.1 | 26% | 2% |
| **Total Administrative expenses** | **$ 30.7** | **$ 30.0** | **$ 0.7** | **3%** | **100%** |
| **Contract remediation expenses** | **–** | **–** | **–** | **–** | **0%** |
| **Total Expenses** | **$ 30.7** | **$ 30.0** | **$ 0.7** | **3%** | **100%** |

## Administrative expenses

For 2017–18, expenses increased by $0.7 or 3%. The increase in administrative expenses is primarily related to increases in travel ($0.4 or 19% increase) for initiatives in business development to deliver on the strategic plan of the Corporation. Additionally, increased efforts in communications ($0.3 or 94% increase) added to current expenditures supporting the diversification initiatives within a broader set of sectors and geographic regions.

### Contract remediation expenses

Contract remediation expenses are recorded as actual amounts are incurred or can be reasonably estimated. For 2017–18, no contract remediation expenses were recorded. The result reflects the Corporation's robust contract management and Enterprise Risk Management (ERM) practices.

## SOURCING SERVICES FOR SUPPORT OF INTERNATIONAL GOVERNMENT ASSISTANCE PROGRAMS

| SOURCING SERVICES TRANSACTIONS (in millions of dollars) | FOR THE YEAR ENDED MARCH 31 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | INCREASE (DECREASE) | | |
| Sourcing services transactions | $ | 22.7 | $ | 27.8 | $ | (5.1) | (18%) |
| Less: Cost of sourcing services transactions | | (22.7) | | (27.8) | | 5.1 | 18% |
| | **$** | **–** | **$** | **–** | **$** | **–** | **–** |

Sourcing services transactions are generally in support of international assistance programs, where the Corporation is not the prime contractor, but rather acts as an agent on behalf of Global Affairs Canada in accordance with an MOU signed in 2007.

CCC also has sourcing services agreements with the National Research Council (NRC) and the Department of National Defence since 2016–17. For 2017–18, the decrease in activity of $5.1 or 18% is mostly related to the completion of aerospace work in Norway for the Department of National Defence, partially offset by new international aid initiatives in the middle east on behalf of Global Affairs Canada.

## PARLIAMENTARY APPROPRIATION

| PARLIAMENTARY APPROPRIATION (in millions of dollars) | FOR THE YEAR ENDED MARCH 31 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | INCREASE (DECREASE) | | |
| Parliamentary appropriation | $ | – | $ | 3.5 | $ | (3.5) | (100%) |
| **Total Parliamentary appropriation** | **$** | **–** | **$** | **3.5** | **$** | **(3.5)** | **(100%)** |

CCC did not receive an appropriation for the 2017–18 fiscal year. The Corporation's appropriation was phased out in accordance with the direction detailed in its 2014–15 Corporate Plan.

# STATEMENT OF FINANCIAL POSITION DISCUSSION

## SUMMARY

| SUMMARY – STATEMENT OF FINANCIAL POSITION (in millions of dollars) | AS AT MARCH 31 | | | |
|---|---|---|---|---|
| | 2018 | 2017 | INCREASE (DECREASE) | |
| **Assets** | **$ 7,135.2** | **$ 5,664.6** | **$ 1,470.6** | **26%** |
| **Liabilities** | **$ 7,111.6** | **$ 5,635.7** | **$ 1,475.9** | **26%** |
| **Shareholder's equity** | | | | |
| Contributed surplus | 10.0 | 10.0 | – | – |
| Retained earnings | 13.6 | 18.9 | (5.3) | (28%) |
| **Total Shareholder's equity** | **$ 23.6** | **$ 28.9** | **$ (5.3)** | **(18%)** |

As an international trade intermediary, CCC's trade-related assets are offset with matching liabilities. Therefore, trade receivables, advances to Canadian exporters and progress work by Canadian exporters are normally offset by trade payables and accrued liabilities, advances from foreign buyers and others and progress work for foreign buyers, respectively.

## ASSETS

| ASSETS (in millions of dollars) | AS AT MARCH 31 | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | INCREASE (DECREASE) | | % OF TOTAL |
| Cash and cash equivalents | $ 43.4 | $ 76.4 | $ (33.0) | (43%) | 1% |
| Trade receivables | 1,212.7 | 741.2 | 471.5 | 64% | 17% |
| Advances to Canadian exporters | 144.3 | 175.4 | (31.1) | (18%) | 2% |
| Progress work by Canadian exporters | 5,731.7 | 4,668.2 | 1,063.5 | 23% | 80% |
| Property and equipment | 3.1 | 3.4 | (0.3) | (10%) | <1% |
| **Total Assets** | **$ 7,135.2** | **$ 5,664.6** | **$ 1,470.6** | **26%** | **100%** |

The net increase in assets, compared to March 31, 2017 was primarily related to the amount of progress work by Canadian exporters and trade receivables, partially offset by a decrease in advances to Canadian exporters and a decrease in cash and cash equivalent balances. The net increase in assets is mostly due to an increase in progress work related to the ABP for a value of $1,043.1 and, to a lesser extent an aerospace project in Peru and several contracts under the DPSA line of business.

# LIABILITIES

| LIABILITIES (in millions of dollars) | AS AT MARCH 31 | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | INCREASE (DECREASE) | | % OF TOTAL |
| Trade payables and accrued liabilities | $ 1,191.3 | $ 760.4 | $ 430.9 | 57% | 17% |
| Advances from foreign buyers and others | 183.4 | 201.3 | (17.9) | (9%) | 3% |
| Progress work for foreign buyers | 5,731.7 | 4,668.2 | 1,063.5 | 23% | 80% |
| Deferred lease incentives | 3.6 | 3.9 | (0.3) | (7%) | <1% |
| Employee benefits | 1.6 | 1.9 | (0.3) | (20%) | <1% |
| **Total Liabilities** | **$ 7,111.6** | **$ 5,635.7** | **$ 1,475.9** | **26%** | **100%** |

The net increase in liabilities compared to March 31, 2017 was due to increases in the amount of progress work for foreign buyers and trade payables and accrued liabilities partially offset by a decrease in advances from foreign buyers and others. The net change to the liabilities is directly related to the change in assets discussed earlier, due to the back-to-back nature of CCC's business model.

# SIGNIFICANT TRANSACTIONS IN ASSETS AND LIABILITIES

Given the back-to-back nature of CCC's contracting with foreign buyers and Canadian exporters, movements in assets and liabilities are closely related and are mostly offsetting.

The increases in trade receivables and trade payables and accrued liabilities when compared to March 31, 2017 were due primarily to the recording of accrued receivable and payable transactions related to the ABP contract to reflect progress work performed during the year.

Of the total progress work by Canadian exporters and for foreign buyers, $5,574.9 or 97% was related to continued progress work on the ABP contract.

Of the advances from foreign buyers and others and advances to Canadian exporters, over 70% can be attributed to four projects: ABP, an aerospace project in Peru, the construction of a parking complex in Ghana and the rehabilitation of a football stadium in Cameroon.

Of the $183.4 advances from foreign buyers and others, $144.3 or 79% were passed on to Canadian exporters. Contractually, advances are not offered on DPSA contracts. For some non-DPSA contracts, CCC may hold back some advance payments made by foreign buyers as a risk mitigation practice and release them to Canadian exporters as delivery obligations are fulfilled. Additionally, CCC receives advances related to sourcing services for Government of Canada departments prior to making sourcing payments. As a result, there are period-over-period variations due to the timing of collection and payments.

# STATEMENT OF CASH FLOWS DISCUSSION

| SUMMARY STATEMENT OF CASH FLOWS (in millions of dollars) | FOR THE YEAR ENDED MARCH 31 | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | INCREASE (DECREASE) | | % OF TOTAL 2018 |
| Operating activities | $ (33.1) | $ (10.0) | $ (23.1) | > (100%) | 100% |
| Investing activities | (0.1) | (0.1) | – | – | <1% |
| Effect of exchange rate changes on cash and cash equivalents | 0.1 | 0.9 | (0.8) | (91%) | >(1%) |
| **Net decrease in cash and cash equivalents** | **$ (33.1)** | **$ (9.2)** | **$ (23.9)** | **> (100%)** | **100%** |

Under the DPSA program, the Corporation generally pays its Canadian exporters within thirty days of receipt of an invoice and substantiating documentation according to the terms and conditions of the contract. Consequently, the Corporation may use its own cash to pay Canadian exporters on the 30th day funding its trade receivables in instances where there are collection delays and payment is not received from the DPSA buyer until beyond the thirty days. On certain contracts (generally outside of the DPSA program), the Corporation pays its Canadian exporters within five business days after CCC receives payment from the foreign buyer. Depending on the timing of receipts compared to payments, these transactions often cross reporting periods and can cause variations in cash flows from one period to the next. In these instances, cash is provided to the Corporation at the end of one period until the payment is made to the Canadian exporter, as stipulated in the contract, early in the next period.

The decrease in cash is primarily due to operating activities combined with the effect of exchange rate fluctuations on cash. The decrease in cash from operating activities is primarily related to accelerated payments at discounted amounts made by the Corporation, to assist Canadian exporters. The receipts of cash from foreign buyers to cover these payments are expected to occur in the next reporting period.

# COMPARISON OF FINANCIAL RESULTS TO THE 2017–18 TO 2021–22 CORPORATE PLAN

| STATEMENT OF COMPREHENSIVE INCOME (in millions of dollars) | FOR THE TWELVE MONTHS ENDED MARCH 31, 2018 | | | |
|---|---|---|---|---|
| | ACTUAL | CORPORATE PLAN | VARIANCE | % VARIANCE |
| **Revenues** | | | | |
| Commercial trading transactions - prime contracts | $ 2,387.8 | $ 3,301.3 | $ (913.5) | (28%) |
| Less: cost of commercial trading transactions - prime contracts | (2,387.8) | (3,301.3) | 913.5 | 28% |
| Fees for service | 23.1 | 31.6 | (8.5) | (27%) |
| Other income | 1.8 | 0.4 | 1.4 | > 100% |
| Finance income, net | 0.6 | 0.6 | – | – |
| Loss on foreign exchange | (0.1) | – | (0.1) | (100%) |
| | 25.4 | 32.6 | (7.2) | (22%) |
| **Expenses** | | | | |
| Administrative expenses | 30.7 | 32.5 | (1.8) | (6%) |
| Contract remediation expenses | – | 0.1 | (0.1) | (100%) |
| | 30.7 | 32.6 | (1.9) | (6%) |
| **Sourcing services for support of international Government assistance programs** | | | | |
| Sourcing services transactions | 22.7 | 20.1 | 2.6 | 13% |
| Less: Cost of sourcing services transactions | (22.7) | (20.1) | (2.6) | (13%) |
| | – | – | – | – |
| Net profit (loss) before Parliamentary appropriation | (5.3) | – | (5.3) | (100%) |
| Parliamentary appropriation | – | – | – | – |
| **Net profit (loss)** | **$ (5.3)** | **$ –** | **$ (5.3)** | **(100%)** |

The unfavorable variance of $5.3 in Net profit (loss), compared to the Corporate Plan is due to a lower than budgeted level of fees for service earned for the period ended March 31 2018, partially offset by higher other income and by cost saving efficiencies in administrative expenses.

The $913.5 or 28% unfavorable variance related to commercial trading transactions was mostly due to a change in the timing of ABP progress work to future periods of $840.8 and variances across all other business lines and programs of $72.7.

Fees for service are earned as contract work is delivered or completed and are largely commensurate with commercial trading transactions, leading to similar results. The $8.5 or 27% unfavorable variance was due primarily to ABP fees for service earned on the progress work that was $6.1 under budget, unfavorable variances of $2.6 in ICB and other GDS projects accounting for the remaining variance.

The Corporation manages exchange gains and losses through monitoring and maintaining its foreign currency balances at an adequate level to eliminate liabilities in that currency and does not budget for gains or losses on foreign exchange. At March 31, 2018, the Corporation held cash in Euros (EUR), Chinese Renminbi (CNY) and USD in various bank accounts. The amount exposed to currency risk in Euros and Chinese Renminbi were negligible, while the exposed USD currency balance of $1.04 only represents a little over 0.02% of its U.S. denominated assets.

Administrative expenses are paid primarily in Canadian dollars and, as such, are not impacted by foreign exchange fluctuations. The favorable variance of $1.8 related to administrative expenses resulted primarily from savings realized due to staff vacancies during the year.

# 2018–19 CORPORATE PLAN DISCUSSION

The CCC 2018–19 to 2022–23 Corporate Plan has not yet been approved by the Government of Canada.

Net revenues are expected to grow from the current report's year-end results, largely from projects signed in 2017–18 and contracts expected to be signed in 2018–19 in the ICB and GDS business lines. The increase in signed projects reflects enhanced awareness of CCC's value proposition, resulting from investments in business development in key markets for its five sectors of focus:

- **civil aerospace**
- **cleantech, energy and the environment**
- **construction and infrastructure**
- **ICT and security**
- **defence**

Administrative expenses are also expected to increase from the current report's year-end results in the following areas:

- Investments in relationship management professionals to support growth in CCC's government-to-government initiatives across the five sectors of focus;
- Heightened travel requirements to secure and manage new contracts; and
- Increase in workforce compensation from collective bargaining and staffing to the full complement of the corporate budgeted workforce.

CCC is confident that its low level of contract remediation expenses will continue due to its robust risk and contract management practices.

# CCC's Commitment to Risk Management

## RISK MANAGEMENT

Consistent with the Treasury Board Secretariat's Framework for the Management of Risk and the Financial Risk Management Guidelines for Crown Corporations as determined by the Minister of Finance, CCC's ERM Framework manages a wide variety of risks while assisting the Corporation in fulfilling its mandate to facilitate international trade on behalf of Canadian exporters. The Framework segments key risks facing CCC within three risk categories: Strategic, Operational and Transactional. It identifies robust risk management processes, procedures, and practices which include: risk identification, assessment, response, control, monitoring, reporting and communication/training.

Balancing risk and opportunities is a key tenet of the ERM Framework. CCC's capital allocation model is combined with strong governance oversight from the Risk and Opportunities Committee (ROC) to ensure that risks are appropriately managed. This approach provides support for the achievement of the Corporation's strategic objectives and long-term financial viability.

## RISK GOVERNANCE

Risk management is a shared process within the Corporation. Ensuring that the Corporation's risk management program is current and effective is a key role of the Board of Directors. The structures, policies and procedures related to risk management are developed by Senior Management and reviewed by the ROC. Subsequent to the review, Senior Management makes recommendations to the President for approval. On an annual basis, the Audit Committee reviews the ERM program and recommends proposed changes to the Board of Directors for approval.

CCC's risk management culture encourages a collaborative effort. Each employee plays an important role in the management of enterprise risks and is part of the extended risk management team.

## CATEGORIES OF RISKS

### Strategic Risks

Strategic risks are those that may impede the Corporation's ability to meet its overall objectives. These include:

#### *Mandate Risk:*

This risk relates to ensuring the Corporation a) engages only in activities that are consistent with its mandate, and b) fulfils its mandate through the services provided.

To mitigate this risk, the Corporation's Corporate Plan identifies all proposed business lines and activities to be undertaken in the upcoming planning period. Further, the ROC reviews proposed transactions within the contract pipeline to ensure that CCC's mandate is respected.

### *Business Environment Risk:*

This risk relates to changing economic, social, legal or environmental conditions that could result in decreased demand for CCC's services. The Corporation monitors environmental changes to manage this risk and adapts processes as necessary. Corporate Plan targets are set within the context of the expected business environment. Major influences over CCC's business environment in 2017-18 included shifts in U.S. trade policy, continued impacts of relatively low global oil prices and shifting levels of purchasing power internationally.

### *Financial Risk:*

This risk relates to the Corporation's financial capacity (as measured through its capital) to undertake its mandate and manage its financial obligations. The Corporation's Capital Allocation Model tracks exposures across Operational, Performance and Credit risks and ensures there is an appropriate level of available capital to backstop risks. Results are reported to the Board of Directors on a quarterly basis. During the year, the Corporation met its capital requirements.

### *Reputational Risk:*

This risk relates to ensuring that the Corporation's fulfillment of its corporate activities does not tarnish its brand image with its shareholder and stakeholders. This risk is mitigated through strong transactional due diligence and focusing on business integrity issues. The Corporation provides regular and open communication with all of its stakeholders, which is essential to managing reputational risk.

## Operational Risks

This is the second major risk category managed by CCC. It refers to those risks directly related to the Corporation's information management, information systems, people, policies/procedures and business continuity planning. Operational risks are managed at the business and functional unit level and are the responsibility of the Vice-Presidents. These include:

### *Information Management Risk:*

This risk encompasses the Corporation's necessity to acquire timely and appropriate information for the purposes of business decision making. Information that is gathered to inform the decision-making process is carefully maintained. During the year, Library and Archives Canada approved a disposition authority for the Corporation, allowing it to move forward on eliminating dated documentation.

### *Information System Risk:*

This risk relates to the Corporation's information system being able to generate relevant data in an efficient and effective manner. The Corporation continued to focus on cyber risk throughout the year, strengthening its long-term approach through the approval and release of a five year Information Technology strategic Plan.

### *Security Risk:*

This risk relates to the possibility of a negative event affecting CCC's employees, valued assets and capacity to deliver essential services. During the year, a sub-committee of the ROC was established to focus on security issues within CCC. This led to 1) the signing of a mutual aid agreement with a Government of Canada Agency, 2) improved third party support for emergency communications and IT services, and 3) a full test of CCC's business continuity plan.

### *Policies and Processes Risk:*

This risk relates to the possibility of financial losses or inefficient use of resources that may develop because of not having appropriate policies, systems and processes in place. The Internal Audit function reviews key areas of the Corporation to ensure that controls and practices are being followed as per approved policies and procedures. During the year, a focus on key internal practices was undertaken in support of CCC's continuous improvement initiative. Efficiencies were brought into play through streamlined delegations of authorities and a review of internal approval processes.

### *Human Resources Risk:*

Human resources risk reflects the importance of having the right corporate structure along with sufficient human resources and skill sets in place to meet both client expectations and to achieve overall corporate objectives. The staffing plan for 2017–18 provided for appropriate staffing levels across the Corporation and into the future.

CCC monitors its employee engagement level through annual employee surveys. These assist in the development of human resource strategies to ensure employee needs are met and that turnover remains low.

### *Contracting Risk:*

This risk relates to improperly structured or managed contracts that could lead to financial losses, low client satisfaction ratings and fewer repeat clients. Each foreign buyer and domestic supplier contract must be carefully negotiated and drafted to establish appropriate terms and conditions to mitigate the Corporation's risk. CCC has an experienced workforce comprised of contract professionals and legal counsellors who adeptly manage contract risks.

During the year, the Corporation continued to focus on areas of bribery and corruption while looking at enhancing its approach to human rights due diligence.

## Transactional Risks

This is the third major category of risk managed by CCC and reflects those risks that deal with export transactions. The Corporation is sensitive to the need for protecting its shareholder by effectively and prudently managing these risks. Prior to entering into export contracts, the following transactional risks are evaluated:

### *Supplier Performance Risk:*

This risk relates to the timely delivery of contracted goods and services and to ensure an exporter's failure to perform is mitigated. The Corporation's due diligence process reviews all companies to ensure that their financial, managerial, and technical capabilities are strong and that no integrity issues are present. Once under contract, CCC undertakes quarterly reviews of key exporters to monitor the financial condition of its supplier portfolio. The results are communicated to the Board of Directors.

### *Foreign Environment Risk:*

This risk relates to the possibility of a foreign buyer defaulting on its contractual obligations with the Corporation and the intricacies of operating in a foreign environment.

The major subset of this risk relates to buyer credit. The Corporation accepts unsecured credit from AAA rated foreign governments and commercial parties, thereby minimizing buyer credit risk. CCC may accept securities to back up payment obligations of foreign buyers where their credit rating is below that of AAA. In all other cases, the Corporation passes the credit risk to the Canadian exporters. This is achieved through a back-to-back payment mechanism that only allows the Canadian exporter to be paid once CCC has received the relevant payment from the foreign buyer. Often, the exporter will use the services of EDC to mitigate foreign buyer credit risk.

### *Corporate Social Responsibility Risk:*

CSR refers to the way a company balances its economic, environmental, and social objectives while addressing stakeholder expectations and enhancing shareholder value. To address CSR issues related to the business integrity of the Corporation's existing and potential supplier base, a senior level ICC reviews export transactions to ensure that CCC's participation in an export transaction does not include bribery or corruption issues.

During the year, management committed to enhancing CCC's approach to human rights and political risk due diligence.

### *Fraud Risk:*

This risk relates to the possibility that the Corporation is the subject of internal or external fraud. Policies and procedures have been established along with internal controls to ensure that this risk is minimized. CCC's Internal Audit function reviews these practices and recommends improvements where warranted. During the year, management updated its annual Fraud Risk Assessment and presented findings to the ROC which did not identify any new fraud risk concerns.

# Management Responsibility for Financial Statements

The financial statements of the Canadian Commercial Corporation and all information presented in this annual report are the responsibility of management. The financial statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments, where appropriate. Financial information presented elsewhere in the annual report is consistent with the financial statements.

In support of its responsibility, management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the integrity and reliability of financial information, that assets are safeguarded and controlled, and that transactions of the Corporation are in accordance with the *Financial Administration Act* ("FAA") and regulations and, as appropriate, the *Canadian Commercial Corporation Act* ("Act"), the by-laws of the Corporation, and the directives issued pursuant to Section 89 of the FAA.

The Audit Committee oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Audit Committee meets with management and the internal and external auditors to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Board of Directors. The Board of Directors has reviewed and, on recommendation by the Audit Committee, has approved the financial statements. The Corporation's external auditor, the Auditor General of Canada, audits the financial statements in accordance with Canadian generally accepted auditing standards, and expresses an opinion on the financial statements.

**MARTIN ZABLOCKI**
President and
Chief Executive Officer

**ERNIE BRIARD**
Vice-President, Corporate Services and
Chief Financial Officer

Ottawa, Canada
May 29, 2018

Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

## INDEPENDENT AUDITOR'S REPORT

To the Minister of International Trade

### Report on the Financial Statements

I have audited the accompanying financial statements of the Canadian Commercial Corporation, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income (loss), statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Commercial Corporation as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on Other Legal and Regulatory Requirements**

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Canadian Commercial Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Commercial Corporation Act,* the by-laws of the Canadian Commercial Corporation, and the directives issued pursuant to section 89 of the *Financial Administration Act.*

MK Kerrigan

Mary Katie Kerrigan, CPA, CA
Principal
for the Auditor General of Canada

29 May 2018
Ottawa, Canada

# Financial Statements and Notes

## Statement of Financial Position

| AS AT MARCH 31 (in thousands of Canadian dollars) | 2018 | 2017 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents (note 4) | **$ 43,355** | $ 76,430 |
| Trade receivables (notes 5 and 7) | **1,212,712** | 741,193 |
| Advances to Canadian exporters (note 6) | **144,294** | 175,367 |
| Progress work by Canadian exporters (note 6) | **5,731,733** | 4,668,186 |
| | **7,132,094** | 5,661,176 |
| **Non-current assets** | | |
| Property and equipment (note 8) | **3,096** | 3,432 |
| | **$ 7,135,190** | $ 5,664,608 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Trade payables and accrued liabilities (notes 5 and 7) | **$ 1,191,322** | $ 760,346 |
| Advances from foreign buyers and others (note 6) | **183,401** | 201,338 |
| Progress work for foreign buyers (note 6) | **5,731,733** | 4,668,186 |
| Employee benefits | **206** | 292 |
| | **7,106,662** | 5,630,162 |
| **Non-current liabilities** | | |
| Deferred lease incentives | **3,621** | 3,886 |
| Employee benefits | **1,336** | 1,646 |
| | **7,111,619** | 5,635,694 |
| **SHAREHOLDER'S EQUITY** | | |
| Contributed surplus | **10,000** | 10,000 |
| Retained earnings | **13,571** | 18,914 |
| | **23,571** | 28,914 |
| | **$ 7,135,190** | $ 5,664,608 |

Lease commitments (note 15)
Contingencies and guarantees (note 16)

*The accompanying notes are an integral part of the financial statements.*

Authorized for issue by the Board of Directors on May 29, 2018

**Douglas J. Harrison**
Chair, Board of Directors

**Scott Player**
Chair, Audit Committee

## Statement of Comprehensive Income (Loss)

| **FOR THE YEAR ENDED MARCH 31** (in thousands of Canadian dollars) | | **2018** | | **2017** |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Commercial trading transactions – prime contracts (note 10) | | **$ 2,387,827** | | $ 2,627,041 |
| Less: cost of commercial trading transactions – prime contracts | | **(2,387,827)** | | (2,627,041) |
| Fees for service (note 10) | | **23,062** | | 25,269 |
| Other income (note 10) | | **1,837** | | 963 |
| Finance income, net (note 11) | | **609** | | 477 |
| Loss on foreign exchange | | **(156)** | | (29) |
| | | **25,352** | | 26,680 |
| **EXPENSES** | | | | |
| Administrative expenses (note 12) | | **30,698** | | 29,946 |
| | | **30,698** | | 29,946 |
| **SOURCING SERVICES FOR SUPPORT OF INTERNATIONAL GOVERNMENT ASSISTANCE PROGRAMS** | | | | |
| Sourcing services transactions (note 10) | **$ 22,676** | | $ 27,802 | |
| Less: cost of sourcing services transactions | **(22,676)** | | (27,802) | |
| | | **–** | | – |
| Net loss before Parliamentary appropriation | | **(5,346)** | | (3,266) |
| Parliamentary appropriation (note 13) | | **–** | | 3,510 |
| **NET PROFIT (LOSS)** | | **$ (5,346)** | | $ 244 |
| **OTHER COMPREHENSIVE INCOME ITEMS THAT WILL NOT BE RECLASSIFIED TO NET PROFIT (LOSS)** | | | | |
| Actuarial gain on employee benefits obligation | | **3** | | 1 |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | | **$ (5,343)** | | $ 245 |

*The accompanying notes are an integral part of the financial statements.*

## Statement of Changes in Equity

| **FOR THE YEAR ENDED MARCH 31, 2018** (in thousands of Canadian dollars) | **CONTRIBUTED SURPLUS** | **RETAINED EARNINGS** | **TOTAL** |
|---|---|---|---|
| **BALANCE MARCH 31, 2017** | **$ 10,000** | **$ 18,914** | **$ 28,914** |
| Net loss | **–** | **(5,346)** | **(5,346)** |
| Actuarial gain on employee benefits obligation | **–** | **3** | **3** |
| Total comprehensive loss | **–** | **(5,343)** | **(5,343)** |
| **BALANCE MARCH 31, 2018** | **$ 10,000** | **$ 13,571** | **$ 23,571** |

| **FOR THE YEAR ENDED MARCH 31, 2017** (in thousands of Canadian dollars) | **CONTRIBUTED SURPLUS** | **RETAINED EARNINGS** | **TOTAL** |
|---|---|---|---|
| **BALANCE MARCH 31, 2016** | $ 10,000 | $ 18,669 | $ 28,669 |
| Net profit | – | 244 | 244 |
| Actuarial gain on employee benefits obligation | – | 1 | 1 |
| Total comprehensive income | – | 245 | 245 |
| **BALANCE MARCH 31, 2017** | $ 10,000 | $ 18,914 | $ 28,914 |

*The accompanying notes are an integral part of the financial statements.*

## Statement of Cash Flows

| FOR THE YEAR ENDED MARCH 31 (in thousands of Canadian dollars) | 2018 | 2017 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net profit (loss) | **$ (5,346)** | $ 244 |
| Adjustments to determine net cash from (used in) operating activities: | | |
| Depreciation | **446** | 414 |
| Employee benefit expense | **4** | 42 |
| Employee benefit payments | **(397)** | (113) |
| Gain on foreign exchange | **(78)** | (843) |
| Deferred lease incentives | **(265)** | 801 |
| Change in working capital from: | | |
| Trade receivables | **(471,519)** | (610,414) |
| Advances to Canadian exporters | **31,073** | 298,242 |
| Trade payables and accrued liabilities | **430,976** | 597,874 |
| Advances from foreign buyers and others | **(17,937)** | (296,259) |
| Cash used in operating activities | **(33,043)** | (10,012) |
| **INVESTING ACTIVITIES** | | |
| Acquisitions of property and equipment | **(110)** | (71) |
| Cash used in investing activities | **(110)** | (71) |
| Effect of exchange rate changes on cash and cash equivalents | **78** | 843 |
| Net decrease in cash and cash equivalents | **(33,075)** | (9,240) |
| Cash and cash equivalents at the beginning of the period | **76,430** | 85,670 |
| Cash and cash equivalents at the end of the period | **$ 43,355** | $ 76,430 |

*The accompanying notes are an integral part of the financial statements.*

# Notes to Financial Statements

## MARCH 31, 2018

## 1. NATURE, ORGANIZATION AND FUNDING

The Canadian Commercial Corporation (the "Corporation") was established in 1946 by the *Canadian Commercial Corporation Act* ("Act"), is wholly owned by the Government of Canada and is an agent Crown corporation listed in Part I of Schedule III of the *Financial Administration Act* ("FAA"). The Corporation is domiciled in Canada with a head office located at 350 Albert Street, Ottawa, Ontario. The Corporation operates primarily in Canada with representation in Asia and South America.

The Corporation acts as the prime contracting agency when foreign governments, international organizations, or foreign private sector buyers wish to purchase products and services from Canada through the Government of Canada. The Corporation enters into contracts with these foreign buyers and into corresponding supply contracts with Canadian exporters. Additionally, the Corporation enters into sourcing services agreements to procure goods and services for international end use on behalf of the Government of Canada and foreign governments.

The Corporation's operations are funded primarily by fees for service.

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

In July 2015, the Corporation was issued a directive (P.C. 2015-1110) pursuant to section 89 of the *FAA* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Corporation's next corporate plan. The Corporation implemented the directive in August 2016 and has remained compliant with the directive since then.

The Corporation is not subject to the provisions of the *Income Tax Act*.

## 2. BASIS OF PREPARATION

### Compliance with International Financial Reporting Standards (IFRS)

These financial statements have been prepared in accordance with IFRS as issued in the CPA Canada Handbook – Accounting as at and for the year ended March 31, 2018.

### Basis of measurement

The financial statements have been prepared on the historical cost basis, except for as permitted by IFRS and to the extent material, the following items:

- Derivative financial instruments are measured at fair value through profit or loss.
- Accrued employee benefit liabilities for post-employment benefit plans are recognized at the present value of the defined benefit obligations.

### Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ significantly from estimates resulting in significant differences in the related financial statement balances.

Estimates and underlying assumptions are reviewed on an ongoing basis and in detail as at the date of the financial statements. Any changes in estimates are reflected in the financial statements in the period in which they become known and in any future periods affected. Management has used estimates to determine the useful lives of property and equipment, to account for employee benefits liabilities, provisions, lease commitments and contingencies and used judgment in determining whether a provision for contract remediation expenses should be recognized or disclosed.

Information about areas where management has exercised judgment and made significant use of estimates and assumptions are included in the following notes:

Note 8 – property and equipment

Note 15 – lease commitments

Note 16 – contingencies and guarantees

### Functional and presentation currency

The Corporation's functional and presentation currency is the Canadian dollar.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Corporation are summarized below. These policies have been consistently applied to all periods presented, unless otherwise stated.

### (a) Contracts

**Commercial trading transactions, sourcing services transactions**, and their offsetting costs, are recorded when a delivery has taken place, title to the purchased goods has been transferred to the foreign buyer or a service has been rendered, in accordance with the contractual terms. However, in the case where the contract provides for payments for progress work, commercial trading transactions and sourcing services transactions are recorded as the work is performed by the exporter. Commercial trading transactions related to prime contracts are included in **revenues**, and sourcing services transactions, whereby the Corporation acts as an agent for another government or government department, are not included in revenues and as such, are disclosed separately under **sourcing services for support of international government assistance programs,** net of the related costs.

**Fees for service** from commercial trading transactions related to prime contracts and international sourcing services agreements, and fees from other international and domestic activities are recognized in **revenues** when services are rendered.

**Progress work by Canadian exporters** and **progress work for foreign buyers**, represent the payments or payments to be made on a percentage-of-completion basis associated with the progress work performed on a contract leading up to delivery. Under the terms of the contracts, the goods have not yet been delivered by Canadian exporters for work performed to date. These balances exclude infrastructure projects being undertaken within the foreign buyer country as they are considered delivered as the project progresses.

The Corporation recognizes the progress work by Canadian exporters as an asset and the progress work for foreign buyers as a liability. These balances are reduced upon delivery and acceptance by the foreign buyer. Progress work items are treated as non-monetary items, measured at historical cost and not retranslated on the Statement of Financial Position.

**Advances from foreign buyers and others** and **advances to Canadian exporters** represent a down payment usually made at the outset of the contract before any work has been performed. The Corporation recognizes the advances made to Canadian exporters as an asset and the advances received from foreign buyers as a liability. Advances made and received are reduced as the work is performed or upon delivery and acceptance by the foreign buyer in the normal course of business. These advances are treated as non-monetary items, measured at historical cost and not retranslated on the Statement of Financial Position.

The operating cycle, or duration, of many of the Corporation's contracts exceeds one year. All contract related assets and liabilities are classified as current when expected to be realized or satisfied within the operating cycle of the contract.

**Other income** is comprised of early payment discounts received on payments to Canadian exporters and are recognized when the services related to the early payment are rendered by the Corporation. Discounts are determined by applying a set percentage ranging from 0.03%, for one day of advance payment, to 0.96%, for 29 days of advance payment.

**Contract remediation expenses** may be incurred for commercial trading transactions related to prime contracts if the Canadian exporter fails to fulfill its domestic contract obligations to the Corporation. The Corporation is responsible for ensuring that the terms of the contract with the foreign buyer are fulfilled regardless of the performance by the Canadian exporter. Contract remediation expenses and the associated provision are determined on a contract-by-contract basis, and include completion, re-procurement, associated legal and other costs that are based on quotes or reliable estimates. These costs are recorded in the Statement of comprehensive income (loss) in the period in which they are identified as probable and can be reasonably estimated.

## (b) Parliamentary appropriation

A parliamentary appropriation that is not in the nature of contributed surplus is recorded as funding in the year for which it is appropriated. An appropriation that is restricted by legislation and related to expenses of future periods is deferred and recognized as funding in the period in which the related expenses are incurred. An appropriation designated for the purchase of property and equipment is deferred and amortized into the Statement of comprehensive income (loss) on the same basis as the related asset.

## (c) Finance income, net

Finance income is recorded on an accrual basis and represents interest earned on cash and cash equivalent balances and investments held throughout the year, and interest charged to foreign buyers related to late payments. Finance costs are incurred as a result of payments of the interest earned on cash and cash equivalent balances held from buyers or exporters as per the terms and conditions of the underlying contract with the Corporation, interest charges related to the Corporation's revolving credit facility or charged by exporters for late payments.

## (d) Foreign currency translation

Monetary assets, liabilities and period-end accruals denominated in foreign currencies are translated into Canadian dollars at the period-end exchange rates. Revenues and expenses are translated at the average monthly exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost using the exchange rate at the date of the transaction are not retranslated. Revenues and expenses recognized from the derecognition of non-monetary assets and liabilities are translated using exchange rate in effect at the time the related non-monetary assets and liabilities were recognized. Any gains or losses on foreign currencies are recorded as a gain or loss on foreign exchange in the Statement of comprehensive income (loss).

## (e) Fair value measurement

All financial and non-financial assets and liabilities are initially recognized on the Statement of Financial Position at fair value. The fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date. Subsequent to initial recognition, fair value is determined by using observable market data based on a three level hierarchy as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable as a result of little if any market activity. Inputs into the determination of fair value that require significant management judgment or estimation.

The carrying amount of trade receivables and trade payables and accrued liabilities approximates fair value due to their relatively short-term nature.

## (f) Financial instruments

The term "financial instrument" is defined as any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

Loans and receivables and all other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to receive the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount is presented in the Statement of Financial Position only when the Corporation has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

### *Non-derivative financial instruments*

**i) Cash and cash equivalents**

Cash and cash equivalents include cash, demand deposits and temporary investments, maturing in less than three months from acquisition date and are recorded at fair value net of any bank overdrafts. Cash equivalents are considered to be highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. All interest income, gains and losses are recognized in net finance income in the period in which they arise. The fair value of cash and cash equivalents approximates their carrying value, due to their short-term maturity, and are held to manage cash flow requirements. This allows some return on cash balances not required for immediate operational needs. The Corporation has designated its cash and cash equivalents as financial assets at fair value through profit or loss. The changes in fair value of cash and cash equivalents denominated in foreign currencies are recognized in the period incurred as a gain or loss on foreign exchange in the Statement of comprehensive income (loss).

**ii) Trade receivables**

Trade receivables are classified as loans and receivables, which are initially recognized at fair value. Subsequent to initial recognition the carrying value of trade receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Corporation has contractual recourse, in all material respects, whereby the Canadian exporter assumes the risk of non-payment from the foreign buyer for goods and services on contracts.

In the unlikely event a foreign buyer would default on contractual payments, the Corporation would not collect fees from Canadian exporters until a favourable settlement has been received from the foreign buyers. As a Crown corporation created to support Canadian exporters, the Corporation does share the risk of non-payment from foreign buyers with the Canadian exporters that directly impacts the corporation's collectability of its fees for service. The Corporation monitors ageing of receivables and should a provision become necessary, it would be recognized in the Corporation's financial statements.

**iii) Trade payables and accrued liabilities**

Trade payables and accrued liabilities are classified as other financial liabilities and are initially recognized at fair value. Subsequent to initial recognition the carrying value of trade payables and accrued liabilities are measured at amortized cost using the effective interest method. Deferred revenues included in trade payables and accrued liabilities are not classified as financial instruments and are treated as non-monetary items, measured at historical cost and not retranslated on the Statement of Financial Position.

### *Derivative financial instruments*

The Corporation may enter into forward contracts to reduce its exposure to fluctuations in foreign exchange rates. The Corporation does not use derivative financial instruments for speculative purposes. The Corporation does not account for these forward contracts using hedge accounting. Therefore, these instruments are classified as financial assets or financial liabilities at fair value through profit or loss, and measured at fair value using quoted forward prices. The changes in fair value are recognized in the Statement of comprehensive income (loss) in the period in which they occur as a gain or loss on foreign exchange. Derivatives are recognized on the Statement of Financial Position as an asset in trade receivables, or as a liability in trade payables and accrued liabilities.

## (g) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. When components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Property and equipment includes costs associated with information systems hardware and operating systems, leasehold improvements and furniture and equipment. These amounts include any costs directly attributable to bringing the asset to the Corporation and in the condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual amount. Information systems hardware and operating systems as well as furniture and equipment are depreciated, once available for use, on a straight-line basis over their estimated useful life of four years and five years respectively. Leasehold improvements are depreciated on a straight-line basis over the lesser of the useful life and the remaining term of the lease agreement.

Gains and losses on the disposal of an item of property and equipment are determined by comparing the proceeds with the carrying amount and are recognized in the Statement of comprehensive income (loss) for the period.

The useful life and depreciation method of an asset is reviewed at each fiscal year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate.

## (h) Impairment

**i) Impairment of financial assets**

For financial assets that are not classified as fair value through profit or loss, the Corporation assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of assets is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

Once impaired, financial assets not classified as fair value through profit or loss are re-valued and the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate with the amount of the impairment recognized in net profit or loss.

**ii) Impairment of non-financial assets**

Non-financial assets, including property and equipment with finite useful lives are reviewed for impairment at each reporting date to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognized to the extent the carrying amount of the asset exceeds the estimated recoverable amount. The recoverable amount is calculated as the higher of an asset's fair value less costs to sell and its value in use.

Impairment losses recognized in prior periods are assessed at the end of each reporting period to determine if there is any indication that the impairment no longer exists or has decreased. If there is indication that it decreased or is eliminated then the Corporation will estimate the new recoverable amount and an impairment reversal will be recognized. The increased carrying amount attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset(s) in prior years. This reversal amount will be recognized in net profit or loss.

## (i) Provision and contingent liabilities

The need for a provision for contract remediation expenses is analyzed as at the date of the Statement of Financial Position. It is recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

Management uses judgment in determining whether a provision should be recognized, or a contingent liability disclosed, considering the probability that a payment will be required to settle the obligation and that a reliable estimate of the amount can be made. Management's estimate of the provision is subject to many uncertainties, including the timing and the actual amount of the payment.

To the extent material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. If it is determined that an outflow of resources is no longer probable to settle the obligation, then the provision will be reversed.

**i) Contract re-procurement**

The Corporation may incur contract re-procurement expenses should Canadian exporters fail to fulfill the terms and conditions of their contracts. The provision for contract re-procurement expenses represents the Corporation's best estimate of the incremental costs to fulfill the outstanding contractual obligations under the contract.

**ii) Legal claims and expenses**

The Corporation may be subject to legal claims and expenses as a result of lawsuits arising from its contracting activities. The provision for legal claims and expenses represents the Corporation's best estimate of the expenditure to settle the present obligation. The risks and uncertainties that surround the underlying event are considered in determining the provision.

**iii) Onerous contracts**

A provision is recognized if the expected economic benefits to be received by the Corporation under a contract are lower than the unavoidable costs of meeting the obligations of the contract. The provision for onerous contracts is recognized and measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Corporation will recognize any impairment loss on the assets associated with that contract.

## (j) Deferred lease incentives

Lease incentives representing a rent-free period and allowances for leasehold improvements are deferred as a liability and recognized on a straight-line basis over the term of the lease as a reduction of administrative expenses.

## (k) Pension and employee benefits

### i) Pension benefits

Substantially all of the employees of the Corporation are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an administrative expense in the Statement of comprehensive income (loss) in the year when employees have rendered service.

### ii) Employee severance benefits

As of 2013, the Corporation no longer provides its employee severance benefits upon resignation or retirement and consequently, employees and executives no longer accumulate these severance benefits. The collective agreement entitled employees who had less than ten years of continuous service as of the date of cessation of severance benefits to an immediate lump-sum payment of the previously accumulated total severance benefits. For employees with more than ten years of continuous service and for the executive group, employees were provided the option of receiving a single payment of all or part of the previously accumulated severance benefits, or leaving the balance to be paid upon retirement or resignation. Employees are still entitled to benefits if terminated for incapacity or upon death and consequently continue to accrue for these severance benefits.

The cost of the obligation for the benefits earned and not yet paid to employees is actuarially determined using the projected unit credit method prorated on services. The valuation of the liability is based on a discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Actuarial gains (losses) on employee severance benefits are recognized through other comprehensive income (loss) and immediately transferred to retained earnings.

A full actuarial valuation of the outstanding severance benefits obligation is performed annually.

### iii) Employee sick leave benefits

As provided under labour contracts and conditions of employment, employees are permitted to accumulate unused sick leave. However, such leave entitlements are non-vesting and can only be used in the event of illness. The cost of this other long-term employee benefit is accrued as employees render the services necessary to earn them. The valuation of the liability is based on a discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Actuarial gains or losses are considered workforce compensation and related expenses and are recognized as incurred in administrative expenses in the Statement of comprehensive income (loss).

A full actuarial valuation of the outstanding sick leave benefits obligation is performed annually.

### iv) Other employee benefits

The federal government sponsors a variety of other future benefit plans from which employees and former employees may benefit during employment or upon retirement. The Public Service Health Care Plan and the Corporation's Dental Plan are the two principal plans available to employees and retirees of the Corporation. The Corporation's responsibility with regard to these two plans is limited to its contributions, which are considered workforce compensation and related expenses and are recorded as administrative expenses in the Statement of comprehensive income (loss).

## (l) Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Those leases in which substantially all the risks and rewards of ownership are not retained by the lessor are classified as finance leases. The Corporation classifies all of its leases as operating since the risks and rewards incidental to ownership remain with the lessor. The expenses incurred under its operating leases are recognized in the Statement of comprehensive income (loss) for the reporting period on a straight-line basis over the term of the lease, net of the reduction of deferred lease incentives.

## (m) Application of new and revised International Financial Reporting Standards

### i) Standards adopted effective April 1, 2017

No new standards were adopted effective April 1, 2017.

### ii) Standards and amendments not yet in effect

The following new standards, amendments and annual improvements issued by the International Accounting Standards Board (IASB) have been assessed as having a potential effect on the Corporation in the future.

In May 2014, the IASB issued *IFRS 15 – Revenue from contracts with customers* (IFRS 15), with further amendments issued in April 2016, establishing a comprehensive framework to identify customers and performance obligations, determine if entities are acting as agents or principals and for the recognition, measurement and disclosure of revenue. The new standard supersedes the requirements in *IAS 11 – Construction Contracts*, *IAS 18 – Revenue*, *IFRIC 13 – Customer Loyalty Programmes*, *IFRIC 15 – Agreements for the Construction of Real Estate*, *IFRIC 18 – Transfers of Assets from Customers*, and *SIC 31 – Revenue — Barter Transactions Involving Advertising Services*. IFRS 15 must be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 will have a significant impact on the Corporation due to a change in classification from principal to agent for purposes of revenue recognition.

The change in classification results from a shift of focus towards the notion of control of the goods or services prior to transfer to the customer as opposed to the risks and rewards concept under the current standard. The notion of control of the goods or services requires consideration of the performance obligation of the Corporation. More specifically, whether the Corporation will provide the specific goods or services itself or arrange for them to be provided by another party. The role of the Corporation is to arrange for goods or services to be transferred directly from the Canadian exporters to the foreign buyers.

The Corporation's Statement of comprehensive income (loss) will be significantly impacted as the commercial trading transactions will no longer be considered a source of revenue for the Corporation, resulting in commercial trading transactions and their offsetting costs no longer being presented in the revenues section of the statement. This will have no impact on the total comprehensive income due to their offsetting amounts. The Corporation is currently assessing the impact of the change in accounting classification from principal to agent, as well as other aspects of IFRS 15, on the remainder of its financial statements.

At transition, the Corporation will adopt the new standard using the retrospective method, which requires restatement of each period before the date of initial application presented in the financial statements. The Corporation will recognize the cumulative effect of applying the new standard in equity at the start of the earliest comparative period presented. The Corporation will also consider the use of permitted practical expedients for contracts started and completed in the same annual reporting period, variable consideration requirements, contract modifications before the earliest period presented and disclosure for reporting periods presented before the date of initial application. These practical expedients are permitted by the standard, and will be applied consistently for all services and periods presented.

(*in thousands of Canadian dollars, unless otherwise indicated*)

In July 2014, IASB published the final version of *IFRS 9 – Financial instruments* (IFRS 9) containing accounting requirements for financial instruments, replacing *IAS 39 – Financial Instruments: Recognition and Measurement* (IAS 39) and all previous versions of IFRS 9. The standard contains requirements for the classification and measurement of financial instruments, impairment of financial assets, hedge accounting and derecognition of financial assets and financial liabilities. IFRS 9 must be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. The adoption of IFRS 9 is currently being assessed and is not expected to have a significant impact on the Corporation's financial statements.

In January 2016, the IASB issued *IFRS 16 – Leases* (IFRS 16) that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes *IAS 17 – Leases* and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted for companies that have also adopted *IFRS 15 – Revenue from Contracts with Customers*. The Corporation`s preliminary assessment of IFRS 16 implementation is the recognition of a right-of-use asset and a corresponding lease liability to be presented on the Statement of Financial Position. The Corporation also expects further disclosure of amounts such as the depreciation charge for right of use assets, interest expense on lease liabilities, total cash outflow for leases and the carrying amount of right of use assets. The Corporation is continuing to evaluate the impact of the new standard on the financial statements.

In December 2016, the IASB issued the *IFRIC 22 – Foreign Currency Transactions and Advance Consideration*: an interpretation which clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation's current accounting treatment for non-monetary assets and liabilities and the related expense and revenue on derecognition is compliant with this IFRIC and as such, adoption of IFRIC 22 will not affect the Corporation.

# 4. CASH AND CASH EQUIVALENTS

As at March 31, cash and cash equivalents included:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | ORIGINAL CURRENCY | CANADIAN DOLLARS | ORIGINAL CURRENCY | CANADIAN DOLLARS |
| Canadian dollars | **32,171** | **$ 32,171** | 51,277 | $ 51,277 |
| Euros | **15,809** | **25,058** | – | – |
| Chinese renminbi | **1,706** | **349** | 1,574 | 305 |
| U.S. dollars | **(11,039)** | **(14,223)** | 18,684 | 24,848 |
| | | **$ 43,355** | | $ 76,430 |

The Corporation has demand deposits and invests in short-term deposits in Canadian banks. At March 31, 2018, the average term to maturity of short-term deposits was one day (2017 – one day) and the portfolio yield to maturity was 1.63% as at March 31, 2018 (2017 – 0.89%).

*(in thousands of Canadian dollars, unless otherwise indicated)*

The components of cash and cash equivalents at March 31, were:

| | 2018 | 2017 |
|---|---|---|
| Cash | **$ 20,476** | $ 8,132 |
| Notice deposits | **10,014** | – |
| Short term investments | **12,865** | 68,298 |
| | **$ 43,355** | $ 76,430 |

As per contractual terms in the DPSA business line, the Corporation ensures payments to Canadian exporters within 30 days. At times, collection of receivables from the foreign buyer can take more than 30 days. Additionally, the Corporation may provide for payments to Canadian exporters in advance of due dates at discounted amounts. This can occasionally result in the Corporation drawing on its line of credit in the normal course of operations. At March 31, 2018 the line of credit was drawn for $14.2 (2017-nil) for this purpose.

Advances and holdbacks received from foreign buyers and others which will be remitted to Canadian exporters at later dates in accordance with contracts amounted to $45,034 as at March 31, 2018 (2017 – $32,084). Where contracted, these funds may accrue interest to the credit of the Canadian exporter or foreign buyer.

## 5. TRADE RECEIVABLES AND TRADE PAYABLES AND ACCRUED LIABILITIES

Trade receivables are based on normal international trade terms and are generally non-interest bearing. As at March 31, the Corporation's trade receivables consisted of the following:

| | 2018 | 2017 |
|---|---|---|
| Accrued receivables | **$ 946,738** | $ 657,900 |
| Trade receivables | **265,974** | 83,293 |
| | **$ 1,212,712** | $ 741,193 |

The currency profile of the Corporation's trade receivables as at March 31 was as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | ORIGINAL CURRENCY | CANADIAN DOLLARS | ORIGINAL CURRENCY | CANADIAN DOLLARS |
| U.S. dollars | **935,022** | **$ 1,204,682** | 548,567 | $ 729,540 |
| Canadian dollars | **5,795** | **5,795** | 11,639 | 11,639 |
| Euros | **1,410** | **2,235** | – | – |
| Chinese renminbi | **–** | **–** | 75 | 14 |
| | | **$ 1,212,712** | | $ 741,193 |

*(in thousands of Canadian dollars, unless otherwise indicated)*

Trade payables and accrued liabilities are due on normal trade terms. The Corporation's trade payables and accrued liabilities as at March 31 consisted of the following:

| | 2018 | 2017 |
|---|---|---|
| Accrued liabilities | **$ 941,689** | $ 667,053 |
| Trade payables | **246,779** | 91,142 |
| Deferred revenues | **2,854** | 2,151 |
| | **$ 1,191,322** | $ 760,346 |

The currency profile of the Corporation's trade payables and accrued liabilities as at March 31 was as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | ORIGINAL CURRENCY | CANADIAN DOLLARS | ORIGINAL CURRENCY | CANADIAN DOLLARS |
| U.S. dollars | **907,207** | **$ 1,168,845** | 558,464 | $ 742,700 |
| Euros | **8,649** | **13,708** | – | – |
| Canadian dollars | **8,641** | **8,641** | 17,598 | 17,598 |
| Chinese renminbi | **623** | **128** | 146 | 28 |
| Australian dollars | **–** | **–** | 20 | 20 |
| | | **$ 1,191,322** | | $ 760,346 |

Credit, market and liquidity risks relating to trade receivables and to trade payables and accrued liabilities are disclosed in Note 7.

# 6. ADVANCES FROM FOREIGN BUYERS AND OTHERS, ADVANCES TO CANADIAN EXPORTERS, PROGRESS WORK BY CANADIAN EXPORTERS AND PROGRESS WORK FOR FOREIGN BUYERS

Advances received from foreign buyers and others prior to work being performed and advances paid to Canadian exporters, under contract terms and conditions, are liquidated as the work is performed or upon delivery and acceptance by the foreign buyer in the normal course of business. During the year, the Corporation received $113,949 in advances from foreign buyers and others (2017 – $145,503) and $44,643 advance payments were paid to Canadian exporters (2017 – $68,852). As at March 31, the amount of advances expected to be recognized into income and expense over the next twelve months are respectively $161,433 and $126,710 (2017 – $87,175 and $61,204) with the remaining $21,968 and $17,584 (2017 – $114,163 and $114,163) to be recognized in more than twelve months.

Given the back-to-back nature of the Corporation's contracting with foreign buyers and Canadian exporters, the balances of progress work by Canadian exporters and progress work for foreign buyers are reduced by amounts that are equal and opposite. The reductions expected due to deliveries over the next twelve months are $2,951,585 (2017 – $578,561) with the remaining $2,780,148 (2017 – $4,089,625) to be delivered in more than twelve months.

# 7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Corporation is exposed to credit risk, market risk and liquidity risk as a result of holding financial instruments. The Board of Directors has responsibility for the oversight of the Corporation's risk management framework and the review, approval and monitoring of the Corporation's risk management policies. This includes the development of an Enterprise Risk Management program, which involves establishing corporate risk tolerance, identifying and measuring the impact of various risks and developing risk management action plans to mitigate risks that exceed corporate risk tolerance.

The Audit Committee of the Board of Directors provides oversight of management's compliance with the Corporation's risk management policies and procedures, and periodically reviews the adequacy of the risk management framework in relation to the risk exposure of the Corporation. The Audit Committee is assisted in its oversight role by the Internal Audit function of the Corporation. Internal audits of the Corporation are performed as both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The following is a description of the most significant risks associated with financial instruments and how the Corporation manages its risk exposure:

## (a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation and arises principally from the Corporation's cash and cash equivalents and trade receivables from foreign buyers. The carrying amount of financial assets recorded in the financial statements represents the maximum exposure to credit risk.

### *Cash and cash equivalents*

The Corporation invests surplus funds to earn investment income with the objective of maintaining safety of principal and providing adequate liquidity to meet cash flow requirements. The Corporation's exposure to credit risk from investing cash and cash equivalents is minimized through compliance with the Corporation's Board of Directors approved investment policy, which includes approved investment instruments and portfolio limits. The Corporation invests cash and cash equivalents in highly liquid demand deposits and temporary investments with a Canadian chartered bank. Investments must maintain credit ratings at or above thresholds identified from at least two of the agencies listed below:

- Moody's rating of P1
- Standard and Poor's (S&P) rating of A1
- Dominion Bond Rating Service (DBRS) rating of R1 (low)

### *Trade receivables*

The Corporation generally mitigates credit risk related to trade receivables from export transactions through the domestic contracts with Canadian exporters. This is achieved through a back-to-back payment mechanism whereby exporters are paid when the Corporation has received the related payment from the foreign buyers. Where a foreign buyer is rated AAA by recognized rating agencies, the Corporation may agree to pay the Canadian exporter in advance of receiving the foreign buyer's payment, thereby creating a credit exposure. With the AAA rating, the credit risk is deemed mitigated and acceptable. During the year ended March 31, 2018, 4% (2017 – 6%) of the Corporation's trade receivables were from AAA credit rated foreign buyers.

*(in thousands of Canadian dollars, unless otherwise indicated)*

As at March 31, the maximum exposure to credit risk for trade receivables by geographic region was as follows:

| | 2018 | 2017 |
|---|---|---|
| Asia* | **$ 1,147,480** | $ 670,223 |
| United States | **43,319** | 46,363 |
| South America | **7,732** | 2,768 |
| Central America and Caribbean | **5,096** | 12,150 |
| Africa | **3,451** | 7,915 |
| Canada | **3,399** | 1,744 |
| Europe | **2,235** | 4 |
| Australia | **–** | 26 |
| | **$ 1,212,712** | $ 741,193 |

* Includes Middle East

The maturity profile of the Corporation's trade receivables as at March 31 was as follows:

| | 2018 | 2017 |
|---|---|---|
| < 1 year | **$ 1,211,825** | $ 741,164 |
| > 1 and < 3 years | **887** | 29 |
| | **$ 1,212,712** | $ 741,193 |

Trade receivables are considered past due when the payor has failed to make the payment by the contractual due date. The ageing profile of the Corporation's past due trade receivables as at March 31 was as follows:

| | 2018 | 2017 |
|---|---|---|
| < 30 days | **$ 5,229** | $ 3,718 |
| > 30 days and < 180 days | **8,048** | 2,928 |
| > 180 days | **1,021** | 1,560 |
| | **$ 14,298** | $ 8,206 |

## *Collateral*

To manage performance risk on outstanding contractual obligations, the Corporation has contractual recourse that consists, in all material respects, of corresponding contractual obligations from Canadian exporters in the same amount. The collateral pledged by Canadian exporters is to mitigate counterparty risk to the contractual obligations of the Corporation in the event of non-performance claims against the Corporation. In addition, to further mitigate its overall exposure to potential damage claims for non-performance, and depending upon the results of its due diligence, the Corporation may supplement this recourse by requiring commercial securities including holdbacks, bank guarantees, surety bonds, parent guarantees, insurance assignments, property liens, personal guarantees and shareholder cash held in trust with the Corporation.

Commercial securities that have been pledged as collateral by Canadian exporters in the unlikely event of contractual non-performance as at March 31 were as follows:

| | 2018 | 2017 |
|---|---|---|
| Holdbacks | **$ 5,927** | $ 6,113 |
| Parent guarantees | **$ 14,414,241** | $ 18,483,325 |
| Other | **$ –** | $ 9,764 |

The above amounts approximate the fair values of collateral held.

## (b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Corporation is not exposed to significant currency risk, interest rate risk or other price risk. The Corporation has no significant derivatives or embedded derivatives that require recognition as an asset or liability on the Statement of Financial Position.

**i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. To address foreign exchange risks, contracts with foreign buyers and corresponding contracts with Canadian exporters are generally transacted in the same currency. In some cases where payment between parties is made in a different currency the Corporation may enter into forward contracts. The Corporation uses these strategies to effectively transfer the currency risk to the Canadian exporter resulting in minimal net exposure.

**ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's exposure to fair-value interest rate risk arises from investing in cash and cash equivalents. The risks associated with fluctuations in interest rates are minimized by investing in highly liquid demand deposits and temporary investments with a reputable chartered bank. The Corporation is not exposed to any significant interest rate risk.

## (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is minimized through compliance with the Corporation's investment policy whereby cash and cash equivalents is invested in highly liquid demand deposits and temporary investments with a Canadian financial institution in order to meet financial obligations on a timely basis.

A potential claim for damages on non-performance of contractual obligations could create liquidity risk for the Corporation. To mitigate this risk, the Corporation has contractual recourse that consists of, in all material respects, back-to-back contractual obligations from Canadian exporters in an amount equal to the value of the contract. In addition, in order to further mitigate its overall liquidity risk exposure from non-performance on contracts, depending upon the results of its due diligence, the Corporation may supplement this recourse by requiring commercial securities including holdbacks, bank guarantees, surety bonds, parent guarantees, insurance assignments, property liens, personal guarantees and shareholder cash held in trust with the Corporation.

*(in thousands of Canadian dollars, unless otherwise indicated)*

Under contract terms, payments to Canadian exporters usually are not made in advance of receipt of payment from foreign buyers, and therefore do not expose the Corporation to liquidity risks.

The *Canadian Commercial Corporation Act* permits the Corporation to borrow from the Consolidated Revenue Fund or enter into other credit arrangements or indemnities from other sources for an amount not to exceed $90.0 million.

The Corporation has a revolving credit facility providing access to funds in the amount of $40.0 million (2017 – $40.0 million) Canadian or its U.S. dollar equivalent. Indebtedness under this agreement is unsecured and this credit facility has no expiry date. As at March 31, 2018, the draw on this line of credit was $14.2 million (2017 – nil).

### *Trade payables and accrued liabilities*

Trade payables and accrued liabilities are due on normal trade terms. The maturity profile of the Corporation's trade payables and accrued liabilities as at March 31 was as follows:

| | 2018 | 2017 |
|---|---|---|
| < 1 year | **$ 1,191,322** | $ 760,346 |
| | **$ 1,191,322** | $ 760,346 |

There are no onerous contracts identified as at March 31, 2018 and no onerous contracts as at March 31, 2017.

## 8. PROPERTY AND EQUIPMENT

| FOR THE YEAR ENDED MARCH 31, 2018 | FURNITURE AND EQUIPMENT | LEASEHOLD IMPROVEMENTS | INFORMATION SYSTEMS-HARDWARE | TOTAL |
|---|---|---|---|---|
| **COST** | | | | |
| Balance, March 31, 2017 | $ 948 | $ 2,781 | $ 269 | $ 3,998 |
| Additions | 53 | 21 | 36 | 110 |
| **Balance, March 31, 2018** | **$ 1,001** | **$ 2,802** | **$ 305** | **$ 4,108** |
| **ACCUMULATED DEPRECIATION** | | | | |
| Balance, March 31, 2017 | $ 213 | $ 242 | $ 111 | $ 566 |
| Depreciation | 198 | 174 | 74 | 446 |
| **Balance, March 31, 2018** | **$ 411** | **$ 416** | **$ 185** | **$ 1,012** |
| **CARRYING AMOUNTS** | | | | |
| Balance, March 31, 2017 | $ 735 | $ 2,539 | $ 158 | $ 3,432 |
| **Balance, March 31, 2018** | **$ 590** | **$ 2,386** | **$ 120** | **$ 3,096** |

*(in thousands of Canadian dollars, unless otherwise indicated)*

| FOR THE YEAR ENDED MARCH 31, 2017 | FURNITURE AND EQUIPMENT | LEASEHOLD IMPROVEMENTS | INFORMATION SYSTEMS-HARDWARE | TOTAL |
|---|---|---|---|---|
| **COST** | | | | |
| Balance, March 31, 2016 | $ 890 | $ 2,636 | $ 256 | $ 3,782 |
| Additions | 58 | 145 | 13 | 216 |
| **Balance, March 31, 2017** | $ 948 | $ 2,781 | $ 269 | $ 3,998 |
| **ACCUMULATED DEPRECIATION** | | | | |
| Balance, March 31, 2016 | $ 31 | $ 74 | $ 47 | $ 152 |
| Depreciation | 182 | 168 | 64 | 414 |
| **Balance, March 31, 2017** | $ 213 | $ 242 | $ 111 | $ 566 |
| **CARRYING AMOUNTS** | | | | |
| Balance, March 31, 2016 | $ 859 | $ 2,562 | $ 209 | $ 3,630 |
| **Balance, March 31, 2017** | $ 735 | $ 2,539 | $ 158 | $ 3,432 |

Included in administrative expenses was $446 (2017 – $414) of depreciation related to the Corporation's property and equipment.

## 9. CAPITAL MANAGEMENT

The Corporation's objective with respect to capital is to preserve and strengthen its capital base through prudent risk management. This, coupled with the implementation of strategies to optimize operating surpluses ensures that capital is available to facilitate investments in people and processes and to mitigate any potential losses related to operational, performance and credit risk.

The Corporation defines capital as its contributed surplus and retained earnings. The Corporation's contributed surplus consists of the capital contributed by the Government of Canada. The capital allocation model used by the Corporation determines the capital required across three risk areas: operational risk, performance risk, and credit risk.

The Corporation is not subject to externally imposed capital requirements.

Key strategies used by the Corporation to manage its capital base include: minimizing contract remediation expenses, balancing smart growth with operating expenses, minimizing foreign exchange exposure, optimizing interest income.

*(in thousands of Canadian dollars, unless otherwise indicated)*

The Corporation may be required to return to the Government of Canada any part of capital deemed to be in excess of the amount required for the purposes for which the Corporation was constituted.

The Corporation's breakdown of supply of capital as at March 31 is as follows:

| | 2018 | 2017 |
|---|---|---|
| Contributed surplus | **$ 10,000** | $ 10,000 |
| Retained earnings | **13,571** | 18,914 |
| | **$ 23,571** | $ 28,914 |

## 10. COMMERCIAL TRADING TRANSACTIONS, FEES FOR SERVICE, OTHER INCOME AND SOURCING SERVICES TRANSACTIONS

The Corporation facilitates sales of Canadian goods and services to foreign buyers including governments, international agencies and other buyers and receives revenues from commercial trading transactions related to prime contracts, fees for service and other income. The Corporation also engages in transactions related to sourcing services for support of international programs.

For the year ended March 31, the profile by geographic region is as follows:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | REVENUES* | SOURCING SERVICES TRANSACTIONS | TOTAL | REVENUES* | SOURCING SERVICES TRANSACTIONS | TOTAL |
| Asia** | **$ 1,288,819** | **$ 7,998** | **$ 1,296,817** | $ 1,590,561 | $ 9,552 | $ 1,600,113 |
| United States | **706,457** | **–** | **706,457** | 676,181 | – | 676,181 |
| Central America and Caribbean | **356,932** | **1,769** | **358,701** | 311,549 | 229 | 311,778 |
| South America | **35,230** | **–** | **35,230** | 53,715 | 724 | 54,439 |
| Africa | **14,868** | **1,876** | **16,744** | 13,484 | 109 | 13,593 |
| Canada | **2,589** | **11,024** | **13,613** | 2,438 | 4,268 | 6,706 |
| Europe | **7,734** | **9** | **7,743** | 1,474 | 12,920 | 14,394 |
| Australia | **97** | **–** | **97** | 3,871 | – | 3,871 |
| | **$2,412,726** | **$ 22,676** | **$ 2,435,402** | $ 2,653,273 | $ 27,802 | $ 2,681,075 |

* Revenues include revenue related to Commercial Trading Transactions, Fees for Service and Other Income.

** Includes Middle East

*(in thousands of Canadian dollars, unless otherwise indicated)*

## 11. FINANCE INCOME, NET

For the year ended March 31, the Corporation has recorded finance income and cost in relation to the following financial instruments:

| | 2018 | 2017 |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| Finance income earned on cash and cash equivalents | **$ 807** | $ 527 |
| **FINANCIAL LIABILITIES** | | |
| Finance cost on payables and other liabilities | **(198)** | (50) |
| | **$ 609** | $ 477 |

## 12. ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended March 31 included the following:

| | 2018 | 2017 |
|---|---|---|
| Workforce compensation and related expenses | **$ 20,564** | $ 20,723 |
| Contract management services | **2,482** | 2,726 |
| Travel and hospitality | **1,951** | 1,634 |
| Rent and related expenses | **1,808** | 1,697 |
| Consultants | **1,563** | 1,438 |
| Communications | **709** | 366 |
| Software, hardware and support | **626** | 513 |
| Depreciation | **446** | 414 |
| Other expenses | **549** | 435 |
| | **$ 30,698** | $ 29,946 |

## 13. PARLIAMENTARY APPROPRIATION

No appropriation was authorized by the Parliament of Canada for the year ended March 31, 2018 (2017 – $3,510).

*(in thousands of Canadian dollars, unless otherwise indicated)*

# 14. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties, and as such the transactions approximate fair value.

The table below presents amounts included in trade receivables, trade payables and accrued liabilities and amounts provided to the Corporation in advance to fund future projects as at March 31:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Trade receivables | **$** | **982** | $ | 1,251 |
| Trade payables and accrued liabilities | **$** | **592** | $ | 191 |
| Advances from Government of Canada departments and agencies | **$** | **27,059** | $ | 24,999 |

Individually significant transactions and transactions that are collectively significant are listed below:

## (a) Public Services and Procurement Canada (PSPC)

Public Services and Procurement Canada provides contract management and other administrative services to the Corporation at negotiated rates. The cost of these services for the year ended March 31 is included in administrative expenses as follows:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| PSPC | **$** | **2,482** | $ | 2,726 |
| | **$** | **2,482** | $ | 2,726 |

## (b) Public Private Partnerships (PPP) Canada Inc.

The Corporation had an MOU with PPP Canada Inc. for the provision of shared services primarily in the areas of information technology, human resource management, governance, research and communications and internal audit. This arrangement, which generated savings through economies of scale for both organizations, ended in 2018 as a result of the discontinuation of PPP Canada Inc. The revenue related to the provision of these services for the year ended March 31 is included in fees for service as follows:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| PPP Canada Inc. | **$** | **720** | $ | 625 |
| | **$** | **720** | $ | 625 |

*(in thousands of Canadian dollars, unless otherwise indicated)*

## (c) Other Government of Canada departments and agencies

Commercial trading transactions, fees for service, and sourcing services transactions, arising from the Corporation's facilitation of sales of Canadian goods to foreign buyers, and other international activities include the following transactions with related party entities for the year ended March 31:

| | 2018 | 2017 |
|---|---|---|
| Global Affairs Canada | **$ 16,128** | $ 13,646 |
| National Research Council Canada | **3,228** | 4,102 |
| Department of National Defence | **8,220** | 380 |
| Environment and Climate Change Canada | **–** | 269 |
| Transport Canada | **–** | 142 |
| | **$ 27,576** | $ 18,539 |

Advances received from related parties are for future projects where the Corporation, acting as agent, will use these funds to compensate suppliers delivering goods or services to other government entities. The amounts in advances as at March 31 were as follows:

| | 2018 | 2017 |
|---|---|---|
| Global Affairs Canada | **$ 21,829** | $ 14,358 |
| National Research Council Canada | **3,609** | 1,139 |
| Department of National Defence | **1,621** | 9,502 |
| | **$ 27,059** | $ 24,999 |

The Corporation also participates in employee interchange programs with Global Affairs Canada.

## (d) Transactions with Canadian exporters solely or jointly governed by key management personnel

The Corporation may enter into supply contracts with Canadian exporters whose financial and operating policies are solely or jointly governed by key management personnel of the Corporation. The Corporation enters into transactions with these Canadian exporters in the normal course of business, under the same terms and conditions that apply to unrelated parties, and as such the transactions approximate fair value.

There were no transactions outstanding with Canadian exporters solely or jointly governed by key management personnel as of March 31, 2018 and none for 2017 as well.

*(in thousands of Canadian dollars, unless otherwise indicated)*

### (e) Key management personnel compensation

IFRS requires disclosure of key management personnel compensation in total and by component. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The key management personnel of the Corporation are members of the Board of Directors and the Corporate Officers (President and Vice-Presidents).

Components of compensation are defined as short-term benefits, post-employment benefits, other long-term benefits and termination benefits. Short-term benefits include retainers, per diems, salaries, social security contributions, paid annual leave and bonuses (if payable within twelve months of the end of the reporting period). Post-employment benefits include employer contributions relating to pensions, and premiums paid for post-employment life insurance and medical care. Other long-term benefits include sick leave benefits, long-service leave or sabbatical leave, long-term disability benefits and any bonuses or deferred compensation that are not payable within twelve months after the end of the reporting period. No termination benefits were incurred for key management personnel.

Key management personnel remuneration for the year ended March 31 was as follows:

| | 2018 | 2017 |
|---|---|---|
| **Board of Directors** | | |
| Short-term benefits | **$ 152** | $ 156 |
| | **$ 152** | $ 156 |
| **Corporate Officers** | | |
| Short-term benefits | **$ 1,402** | $ 1,449 |
| Post-employment benefits | **541** | 359 |
| | **$ 1,943** | $ 1,808 |
| | **$ 2,095** | $ 1,964 |

## 15. LEASE COMMITMENTS

In November 2014, the Corporation entered into a fifteen-year lease agreement for office space in a new location. The lease payments commenced on December 1, 2016 and the lease expires at the end of November 2031.

Management has applied their best estimates in accounting for future lease commitments subject to inflation per the lease agreement. Management uses the Consumer Pricing Index (CPI) as an estimation of the inflationary rate.

As at March 31, future minimum payments by fiscal year on the operating leases for premises are as follows:

| | 2018 | 2017 |
|---|---|---|
| < 1 year | **$ 1,420** | $ 1,454 |
| > 1 and < 5 years | **5,959** | 5,965 |
| > 5 years | **14,802** | 16,269 |
| | **$ 22,181** | $ 23,688 |

(*in thousands of Canadian dollars, unless otherwise indicated*)

# 16. CONTINGENCIES AND GUARANTEES

## (a) Contingencies

In the normal course of business, the Corporation has entered into indemnity agreements with each of its directors and officers to indemnify them, subject to the terms and conditions of these agreements, against claims and expenses incurred by them as a result of serving as a director or officer of the Corporation.

The nature of the indemnification prevents the Corporation from making a reasonable estimate of the maximum amount that it could be required to pay to counterparties. To offset any potential future payments, the Corporation has purchased director's and officer's liability insurance.

No amount has been accrued in the accompanying financial statements with respect to the contingent aspect of this indemnity.

## (b) Guarantees

As prime contractor, the Corporation is contractually obligated to complete contracts with foreign buyers ensuring that the terms of the contract are fulfilled regardless of performance by the Canadian exporter. The Corporation also engages in the fulfilment of contractual obligations related to sourcing services for support of international assistance programs.

The total prime and sourcing services contract portfolio value remaining to be fulfilled as at March 31 was as follows:

| | 2018 | 2017 |
|---|---|---|
| < 1 year | **$ 4,120,254** | $ 2,940,244 |
| > 1 and < 3 years | **5,166,214** | 10,777,469 |
| > 3 and < 5 years | **4,449,648** | 4,535,665 |
| > 5 years | **1,390,006** | 1,036,032 |
| **Total contract portfolio** | **$ 15,126,122** | $ 19,289,410 |

During the year ended March 31, 2018, the value of contracts and amendments signed and effective, representing contractual amounts to be fulfilled, amounted to $1,265.3 million (2017 – $1,615.9 million).

# Corporate Overview

Established in 1946, 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 support Canadian companies contracting in a variety of sectors that sell into markets around the world.

CCC's mandate is described in the *Canadian Commercial Corporation Act* (CCC Act) as follows:

*The Corporation is established for the following purposes:*

- *a. to assist in the development of trade between Canada and other nations;*
- *b. to assist persons in Canada*
  - *i. to obtain goods and commodities from outside Canada, and*
  - *ii. to dispose of goods and commodities that are available for export from Canada;*
- *c. to exercise or perform, on behalf and under the direction of the Minister, any powers or functions vested in the Minister by any other Act that authorizes the Minister to employ the Corporation to exercise or perform them; and*
- *d. to exercise or perform any other powers or functions conferred on it by any other Act or for the exercise or performance of which it may be employed under any other Act.*

CCC is responsible for administering the Canada–U.S. DPSA on behalf of the Government of Canada. Under the DPSA, the U.S. DoD requires that purchases from Canada be contracted through CCC when their value exceeds $250,000 USD.[1]

## CORPORATE GOVERNANCE

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

CCC maintains a high standard of corporate governance in order to ensure prudent management of resources entrusted to it by the Government of Canada. As a Crown corporation, CCC is wholly owned by the Government of Canada and is governed by an independent Board of Directors. The Government of Canada primarily regulates Crown corporations through their enabling legislation and through the FAA. The CCC Act defines its role and the governance structure of the Board of Directors. It also provides the Corporation with a range of powers, particularly the ability to export goods from Canada either as a principal or as agent. Under the FAA, CCC is required to, among other things:

1 The U.S. Government increased this threshold from $150,000 USD in 2017. This change is expected to have little effect on CCC operations as the majority of contracts exceed the new amount.

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

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

- *Access to Information Act*
- *Canadian Environmental Assessment Act*[2]
- *Corruption of Foreign Public Officials Act*
- *Federal Accountability Act*
- *Privacy Act*
- *Public Servants Disclosure Protection Act*
- *Official Languages Act*

As a public entity, the Corporation strives to continually enhance transparency and improve shareholder and stakeholder involvement. As such, CCC holds annual public meetings to provide an opportunity for the public to engage with and learn more about the Corporation. On February 6, 2018, CCC held its 10th annual public meeting in Ottawa, Ontario.

CCC discloses travel expenses incurred by its Board of Directors and senior executives on a quarterly basis. Disclosures are in the form of aggregate declarations of total travel and total hospitality expenses incurred by the Chair of the Board, Board members, the President and CEO, and members of the Senior Management Committee.

## Board of Directors

Pursuant to the CCC Act and Part X of the FAA, the Board of Directors is responsible for the stewardship of the Corporation and ensures the proper delivery of public policy on behalf of the Government of Canada. It provides leadership and guidance to the Corporation's management team, and ensures that the Corporation's long-term strategic direction is in alignment with the Minister of International Trade's annual SPA. The Board reviews the Corporate Plan and the Annual Report, both of which are approved by the Minister of International Trade and tabled in Parliament. The Board also meets quarterly to review the Corporation's overall operations, receive Committee reports and discuss CCC's performance against objectives.

The Board is composed of a Chairperson, the President and 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 recommended by the Minister of International Trade and approved by the Governor in Council. These appointments are renewable and there are no term or age limits. The Minister of International Trade recommends Board members who represent the Canadian business community, striving to balance sector, gender, linguistic and geographical representation. The Board conducts its oversight function through a number of committees, including: the Operations Committee, the Governance and Human Resources Committee, and the Audit Committee.

# COMMITTEE MANDATES

## Operations Committee

The Operations Committee oversees the Corporation's sourcing and international contracting business. All capital projects and all projects in excess of $100 million, as well as any other projects that are referred by management to the Committee for consideration, are reviewed. The Committee then recommends the project to the Board of Directors for approval. The committee also reviews ongoing risk profiles of projects, approves proposed new business lines and products and, in conjunction with the Audit Committee, monitors operating processes.

2 In fulfilment of its legislative mandate of assisting Canadian companies in exporting their goods and services, CCC facilitates a broad range of international projects including, but not limited to large scale economic capital ventures outside of Canada. CCC has implemented a streamlined environmental review processes for capital projects outside Canada that demonstrate due diligence in decision-making under the *Canadian Environmental Assessment Act* (CEAA) 2012 and respects foreign sovereignty and international law.

In fiscal year 2017–18, CCC undertook a review of an Environmental Impact Assessment Report on two applicable projects. The reviews concluded that, taking into account the implementation of appropriate mitigation measures noted in the Environmental Impact Assessment, the projects were not likely to cause significant adverse environmental effects.

## Governance and Human Resources Committee

This Committee develops and implements practices and procedures that ensure the Board of Directors and the Corporation operate effectively and in accordance with a high standard of corporate governance. It oversees the governance strategy and focuses on corporate priorities including communications, corporate performance management, human resources, and CSR. On an annual basis, the Committee ensures that Directors are made aware of their responsibilities pursuant to the *Ethical Guidelines for Public Office Holders* and *Guidelines for Political Activities of Public Office Holders*, including signing an annual Conflict of Interest Certificate. In addition, the Committee ensures that all employees are aware of and annually sign a certificate attesting to their compliance with the Corporation's *Code of Conduct and Business Ethics*.

The Committee engages a third party to conduct an annual Board self-assessment, which helps to strengthen the Board of Director's governance and effectiveness. The Committee reviews and makes recommendations on corporate officer appointments and compensation. The Committee, together with the Board Chairperson, reviews the performance of the President and CEO and makes recommendations to the Minister of International Trade on compensation. Finally, the Committee examines and makes recommendations on human resource policies to ensure the well-being of the Corporation and its employees.

The Governance and Human Resources Committee believes that the Board should be comprised of directors with a broad set of experience and expertise, and utilizes a skills matrix to identify those areas that are necessary for the Board to carry out its mandate effectively. In 2017, in accordance with the Government of Canada's open, transparent and merit-based recruitment process for Governor-in-Council appointments, a formal process was initiated seeking applicants for the Board of Directors. The Board's skills matrix formed the basis of the Notice of Opportunity. Subsequently, in 2018, a Selection Committee was appointed to review the applications and recommend candidates for appointment to CCC's Board. This process is ongoing with the expectation that appointments will be forthcoming.

## Audit Committee

The Audit Committee's primary function is to ensure the Corporation is adhering to sound financial and risk management practices, that appropriate audit functions and accurate reporting processes are in place, and to oversee financial conduct of the Corporation. The Committee oversees the annual financial audit, the internal audit function, and the requirements of the Office of the Auditor General (OAG). The Director of Internal Audit and representatives from the OAG attend all Audit Committee meetings.

The Committee undertakes regular assessments of its own effectiveness and the contributions of each Director by means of an annual peer-review exercise designed to improve individual and collective performance. In addition, CCC's Internal Audit Group reports to the Audit Committee of the Board of Directors.

## COMMITTEE MEMBERSHIP

*As of March 31, 2018*

| BOARD MEMBER | AUDIT | OPERATIONS | GOVERNANCE AND HUMAN RESOURCES |
|---|---|---|---|
| Douglas J. Harrison (Chairperson) | *ex officio* | *ex officio* | *ex officio* |
| Stephen J. Sorocky | | | Chair |
| Dwayne Lucas | | | X |
| Martin Gagné | | Chair | |
| Claude Robillard | X | | |
| Scott Player | Chair | | |
| Derrick Rowe | | X | |
| Andrew Saxton | X | | X |
| Daniela Bassan | | X | |
| Nicole Verkindt | X | | |
| Martin Zablocki (President and CEO) | | *ex officio* | *ex officio* |

## MEETING ATTENDANCE

*As of March 31, 2018*

| BOARD MEMBER | MAY 2017 | SEPTEMBER 2017 | JANUARY 2018 | MARCH 2018 |
|---|---|---|---|---|
| Douglas J. Harrison (Chairperson) | N/A | N/A | N/A | X |
| Stephen J. Sorocky | X | X | X | X |
| Scott Player | X | X | | X |
| Martin Gagné | X | X | X | X |
| Claude Robillard | X | X | X | X |
| Derrick Rowe | X | X | X | X |
| Andrew Saxton | X | X | X | X |
| Dwayne Lucas | X | X | X | X |
| Daniela Bassan | X | X | X | X |
| Nicole Verkindt | X | X | X | X |
| Martin Zablocki (President and CEO) | X | X | X | X |

Note: Douglas J. Harrison was appointed Chairperson of the Board on February 7, 2018.

# BUSINESS STRUCTURE

The Corporation has three operational business units and one corporate services unit. The operational business units consist of (i) Business Development and Sales, (ii) Operations and Defence, and (iii) Legal Services. These business units provide support to exporters through the entire project lifecycle in a professional and ethical manner. The Corporate Services unit ensures that functions related to Corporate Strategy, Human Resources, Information Technology, Risk Management and Finance support the operational and strategic needs of the business. Each business unit is led by a Vice-President accountable for corporate performance and results.

President and
Chief Executive Officer
**Martin Zablocki**

| Vice-President Corporate Services and Chief Financial Officer | Vice-President Business Development and Sales | Vice-President Operations and Head of Defence Sector | Vice-President Legal Services, General Counsel and Corporate Secretary |
|---|---|---|---|
| **Ernie Briard** | **Ian McLeod** | **Carl Marcotte** | **Michelle Taylor** |

## Senior Management Committee

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

## Risk and Opportunities Committee (ROC)

This committee was established as an advisory body to the President to ensure that prudent risk management practices are in place and reflective of the operational needs of the Corporation. It balances business opportunities against the risks they present and provides a forum for open discussion. The committee reviews issues at the strategic, operational and transactional risk levels as defined by the Corporation's ERM Framework.

The committee has the following key roles and responsibilities:

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

## Integrity Compliance Committee (ICC)

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

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

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

To ensure that CCC's staff embody and understand the importance of ethical behavior, CCC has developed a *Code of Conduct and Business Ethics*, which clearly articulates ethical expectations for all CCC employees. Each employee is required to review this policy annually and sign a form attesting that the policy was read and understood. Additionally, CCC's Board members also sign a certification document on an annual basis called the *Ethical and Political Activity Guidelines for Public Office Holders*. All employees are required to complete anti-bribery and anti-corruption training. The Corporation also has policies in place regarding whistleblowing and anti-harassment.

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

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

## Human Resources

CCC is headquartered in Ottawa, Ontario and currently employs approximately 140 people on a full-time basis. CCC is committed to being an employer of choice and recognizes the need to focus on the strategic recruitment and development of its workforce. Employees are the lifeblood of the Corporation and their commitment to excellence is evident in the day-to-day interactions with exporters, foreign buyers and stakeholders. Most of CCC's employees (75%) are members of the Professional Institute of the Public Service of Canada, which is the only union with members at CCC.

CCC places a high value on diversity and inclusion as keys to making the Corporation a rewarding place of employment. Employees need to be highly and uniquely skilled to help Canadian exporters compete in foreign government procurement markets and to effectively manage a broad portfolio of complex contracts. Therefore, diversity, employment equity, succession planning, talent management, organizational flexibility and ensuring employees have the right skillsets are key priorities.

# Board of Directors

**DOUGLAS J. HARRISON**
President and CEO
VersaCold Logistics Services
Burlington, Ontario

Mr. Douglas Harrison is President & CEO of VersaCold Logistics Services, Canada's largest supply chain company focused exclusively on the handling of temperature sensitive products. Previously, Mr. Harrison served as Chief Operating Officer of Day & Ross Transportation Group, President of Acklands-Grainger, and Vice-President and Managing Director for Ryder Integrated Logistics, where he oversaw Ryder's business units in Canada and Europe. He has been recognized as one of Canada's Top 40 Under 40 leaders and was honoured by the Canadian Institute of Traffic and Transportation with its Award of Excellence, in addition to being named an FSCMA by the Supply Chain Management Association. With an MBA from Heriot-Watt University (Scotland), Mr. Harrison is also a Graduate of the Canadian Institute of Traffic and Transportation (CCLP) and holds a number of other transportation and logistics designations. He has been awarded the ICD.D designation from the Institute of Corporate Directors and is a Chartered Professional Accountant (CPA). In the past, he served on the Boards of The Conference Board of Canada, Hamilton Utilities Corporation, Horizon Utilities, Mohawk College and was Chair of the Board of Directors at Livingston International for many years. In addition to being CCC's Board Chairperson, he currently serves on the Boards of Superior Plus Corp (TSX:SPB), and the Technical Standards and Safety Authority (TSSA). Mr. Harrison was appointed as Chairperson of CCC's Board of Directors on February 7, 2018.

**DANIELA BASSAN**
Partner and Trade-Mark Agent
Stewart McKelvey, Barristers & Solicitors
Halifax, Nova Scotia

Ms. Daniela Bassan is a litigation partner and trade-mark agent (Canada) at Stewart McKelvey, Barristers & Solicitors, a full-service law firm with offices throughout Atlantic Canada. Ms. Bassan works with clients in a variety of business disputes, including intellectual property disputes, cross-border proceedings, construction claims, and technology-based actions. Prior to joining Stewart McKelvey, Ms. Bassan worked as a litigation associate at a large firm in Toronto, ON, where she practiced corporate commercial litigation at trial and appellate levels. During her training, she was a law clerk at the Supreme Court of Canada and research assistant at both Osgoode Hall Law School and Harvard Law School. During her career, she has been invited to sit on legal advisory boards for organizations in Canada and the United States. Ms. Bassan was appointed to CCC's Board of Directors on December 17, 2013.

**MARTIN GAGNÉ**
President, Martin Gagné Consulting Inc.
Laval, Quebec

Mr. Martin Gagné is a senior consultant for Strategy and Business Development in the field of Defence. Mr. Gagné spent 17 years at CAE, a global leader in modelling, simulation and training for civil aviation and defence. At CAE, he has occupied various roles such as: Vice-President of Visual Systems, where he led the development of a new visual system based on Commercial "Off the Shelf" technology; Vice-President of Military Marketing and Sales, where he led a comprehensive strategic plan for growth which included a new business pursuit model; and Executive Vice-President of Civil Simulation and Training, where he was responsible for the business development, strategic planning, sales and marketing functions for the civil business segment of CAE. In 2009, Mr. Gagné was promoted to Group President for Military Simulation and Training, with full responsibility for profit and loss of CAE's worldwide military division, retiring from that role in 2012. Mr. Gagné serves on the Board of Directors for the Canadian Association of Defence and Security Industries (CADSI) and is a member of the Independent Review Panel for Defence Acquisition to the Minister of National Defence. Mr. Gagné was appointed to CCC's Board of Directors on February 27, 2013.

**DWAYNE LUCAS**
B.Eng M.Sc (Aero)
President – Lucas Aero Strategies Inc.
Abbotsford, British Columbia

Mr. Dwayne Lucas, OMM, CD2, BGen (ret), was the Executive Vice-President and Chief Operating Officer of Cascade Aerospace, a specialty aerospace and defence contractor focused on providing long-term integrated aircraft support programs for original equipment manufacturers, military, government and commercial customers. Mr. Lucas joined Cascade in 2006 as the Vice-President and General Manager of the Engineering and Products Group and was promoted to Senior Vice-President, Government and Military Programs and Strategic Business Development in 2009. Mr. Lucas was instrumental in the development of Cascade's military, government and business development programs, recently leading the winning bid for the C130 Hercules Avionics Program and the Mexican Air Force C130 Hercules aircraft upgrade program contributing to Cascade's long-term growth and profitability. Prior to joining Cascade, Mr. Lucas was a Brigadier General in the Canadian Armed Forces, serving as a distinguished 36-year career in various roles, such as the Director General, Aerospace Equipment Program Management, where he led and implemented the new optimized weapon system support program, which is now one of the foundational initiatives for the government's in-service support acquisition programs. Mr. Lucas was integrally involved in the preparation of the Aerospace Review led by the Honourable David Emerson. He also led the inaugural 2013 Aerospace Defence and Security Exposition. He has been highly involved in international sport and was Vice-President, Americas, for the International Military Sports Council and led the Sport and Peace initiative. Currently, he leads Lucas Aero Strategies Inc., a specialty consulting group focusing on aerospace development, planning and innovation. He is the executive lead for research and development for the Consortium for Aerospace Research and Innovation in Canada (CARIC) for British Columbia and Alberta. Mr. Lucas was appointed to CCC's Board of Directors on August 6, 2013.

**SCOTT PLAYER**
London, Ontario

Mr. Scott Player, now retired, is a former financial executive with Chief Financial Officer experience from 1997–2006, prior to which he acted in an international capacity as a European based Managing Director within the Molson Group. His corporate career spanned over 30 years with major international organizations, including Enbridge from 1999 to 2007, and previously with Unilever in the United States, The Molson Companies Limited, the Canadian arm of British based Rio Tinto Zinc, and the Bank of Montreal. He is a Certified Director (McMaster), with diverse Board experience of over 20 years, including both, profit and not-for-profit organizations, representing multiple industries, as well as domestic and international geographies. Mr. Player was appointed to CCC's Board of Directors on February 27, 2013.

**DERRICK ROWE**
Chairman and Chief Executive Officer
Name 3 Capital Inc.
St. John's, Newfoundland

Mr. Derrick Rowe is Chairman and CEO of Name 3 Capital Inc., a private investment firm he owns. He also serves as a Director of Marport Deep Sea Technologies Inc., Canada's largest sonar company with operations in five countries, and as Chairman of the Board of Bluedrop Performance Learning Inc., an award-winning e-learning company and one of Canada's top 50 defence companies. Mr. Rowe was named Chairman of FPI Limited in 2001 and served as CEO from 2002–2005. He served as Chairman and CEO of Stratos Global Corporation until 1999, building the company from its startup to a successful public corporation. Mr. Rowe has also served on a number of economic and social organizations, including the Northwest Atlantic Fisheries Organization (NAFO), the Premier's Advisory Council on the Economy and Technology at a provincial level, and various International Trade Advisory Committees for the Government of Canada. He was also a founding member of the Board of Directors for Canada's Communication Research Centre. In the business community, Mr. Rowe has been honoured with significant recognition for his leadership, including Canada's original "Top 40 Under 40" by the Globe and Mail's Report of Business Magazine, "Entrepreneur of the Year" by Ernst & Young, and a Newfoundland and Labrador Export Award. Mr. Rowe was appointed to CCC's Board of Directors on December 7, 2012.

**ANDREW SAXTON**
Chairman
King George Financial Corporation
Vancouver, British Columbia

Mr. Andrew Saxton has served as Executive Vice-President and Director of Laurentide Financial Corporation Ltd., President of Elite Insurance Company, Chairman of Grouse Mountain Resorts Ltd., Director of BC Television Broadcasting System Ltd., President of the Granville Island Hotel and Marina Ltd. and Chairman of King George Development Corporation. It is notable that he was a founding member of all these companies. His extensive private sector experience and business accomplishments have led to several appointments to the boards of federal and provincial Crown corporations and agencies including the Canadian Forces Liaison Council and the Insurance Corporation of BC, where he was a Director and Chairman of the Investment Committee. His current corporate appointments include chairmanship of King George Financial Corporation and membership of the Canadian Advisory Board Impark. Mr. Saxton was most recently appointed to CCC's Board of Directors on December 14, 2007 and re-appointed December 14, 2010.

**STEPHEN J. SOROCKY,**
B.A.Sc., MBA, P.Eng, C.Dir.
President
Exigent Innovations Inc.
Toronto, Ontario

Mr. Stephen Sorocky is President of Exigent Innovations Inc., a technology company development consultancy. Mr. Sorocky is an accomplished senior technology executive with broad experience in venture capital backed and public company environments. He has extensive senior management and business development experience in the technology and aerospace industry. He is the Vice-Chair of the Ontario Telemedicine Network. Previously he was CEO and Board Director of Skytrac Systems Ltd., an avionics and data services company, President & CEO and Board Director of LxData Inc., Virtek Vision International Inc. [TSE:VRK] and Dynacon Inc. He was Vice-President and General Manager, Space Robotics Division, Spar Aerospace Ltd., Vice-President, Manufacturing Industry Division of Electronic Data Systems founded. Mr. Sorocky was appointed to the Board of Directors of CCC on December 14, 2007 and reappointed in May 2015.

**NICOLE VERKINDT**
Director and President
OMX
Toronto, Ontario

Ms. Nicole Verkindt is President of OMX (theomx.com), a software platform for government contractors to manage offset commitments in the defence, aerospace and security industries, a company she founded in 2011. Prior to OMX, Ms. Verkindt held several positions at GMA Corp., including Vice-President of Sales and Marketing, Vice-President of Business Development, and as President and CEO responsible for all operations, sales and finance of the company. Ms. Verkindt was the Founder, Director and President of Tiburon, in Santo Domingo, Dominican Republic, a manufacturing business that serviced the US Department of Defense. She has also worked as a project manager for Big Media Group of Overpelt, Belgium, where she met with public and private sector leaders to produce economic reports for numerous international media agencies, and advised on attracting foreign direct investment through PR campaigns. Ms. Verkindt is the Founder and President of the Southern Ontario Defence Association and an active member of the CADSI SME committee, Global Offset and Countertrade Association, the Canadian Space Commerce Association and the Ontario Aerospace Council. Ms. Verkindt was appointed to CCC's Board of Directors on December 17, 2013.

**CLAUDE ROBILLARD**
Managing Director, Investor Relations
West Face Capital
Toronto, Ontario

Mr. Claude Robillard is the Managing Director of Investor Relations at West Face Capital, a leading Canadian-based alternative asset manager, where he engages with sovereign wealth funds, pension funds, endowments, funds of funds, and family offices in domestic and international markets. Prior to joining West Face Capital, Mr. Robillard was with CIBC World Markets where he oversaw CIBC's Capital Introduction Group, and contributed to the bank's cross-asset capabilities while managing key relationships. Prior to joining CIBC, he was a Managing Director of Artemis Investment Management, a multi-strategy alternative asset manager. In 2007, he co-founded a European-based real estate investment group focused on development and infrastructure projects in Eastern Europe. Formerly, Mr. Robillard was a founding partner of an asset management company launched in New York that subsequently expanded to Hong Kong and Toronto, and previously held senior roles within HSBC Securities, RBC Royal Bank, and CIBC World Markets, with a focus on alternative asset classes, equity structured products, equity finance and commodity products. He is a frequent guest speaker and lecturer on alternative asset classes, and is a co-chairman of the Sales Practices Committee at the Alternative Investment Management Association (Canada) and a member of McGill University's Expert Panel in Investment Management. Mr. Robillard was appointed to CCC's Board of Directors on June 13, 2014.

# Senior Management

**MARTIN ZABLOCKI**
President and CEO

Mr. Martin Zablocki was appointed as President and CEO in April 2014. Prior to this appointment, Mr. Zablocki held various senior-level executive positions within the Corporation, including Executive Vice-President and Chief Operating Officer (COO), Vice-President, Risk and Finance and Chief Financial Officer, and Vice-President, Strategy and Organizational Development. Throughout his extensive career, Mr. Zablocki has amassed a wealth of leadership experience, which includes more than 25 years with the Government of Canada, leading regional and national operations within the Canada Revenue Agency, Fisheries and Oceans Canada, and Industry Canada. Mr. Zablocki is a Chartered Business Valuator, Certified Management Accountant, and Chartered Professional Accountant. He proudly serves on a variety of volunteer boards and committees.

**ERNIE BRIARD**
Vice-President, Corporate Services and CFO

Mr. Ernie Briard joined CCC in January 2016 as Vice-President of Corporate Services and CFO where he is responsible for developing and implementing corporate policies, strategies, initiatives, and new technologies. Mr. Briard brings with him a wealth of management experience and achievements, having led financial teams in both the private and public sectors. Most recently, Mr. Briard led the Standards Council of Canada as the Vice-President, Corporate Services and CFO, where he was responsible for financial management, human resources, investment planning and business analytics, information management and information technology, corporate administration and contracting, translation and travel. Prior to that, Mr. Briard had a successful career with Nortel and as an independent consultant.

**IAN MCLEOD**
Vice-President, Business Development and Sales

Mr. McLeod joined CCC in 2018, bringing over 22 years of private sector business experience, focused on business development and delivery of large system engineering projects for government and commercial customers worldwide. During his career, he has worked in engineering, program management, pursuit management, and executive roles of increasing responsibility. Most recently, he was the Vice-President, Business Development, for MDA Satellite Systems. He has worked in Vancouver, San Diego, Ottawa, and Montreal, on projects for customers in Europe, Asia, the Middle East, North America, and South America. He holds a Bachelor's degree in Electrical Engineering from Queen's University, a Master's degree in Electrical Engineering from the University of British Columbia, and an MBA from Queen's University.

**CARL MARCOTTE**
Vice-President, Operations and Head of Defence Sector

Mr. Carl Marcotte joined CCC in January 2017 and is now the Vice-President – Operations and Head of Defence Sector. Mr. Marcotte previously held senior-level executive positions including Senior Vice-President Marketing & Business Development at SNC Lavalin Nuclear and Vice-President, Commercial Ventures & Business Development at AECL and Canadian Nuclear Labs where he provided strategic and operational leadership on all aspects of SNC's nuclear business growth and AECL/CNL's transformation from Crown Corporation to private enterprise. Mr. Marcotte has held the positions of Vice-President and Sector Head for numerous industry sectors as well as Vice-President, Small Business Development at Export Development Canada over a career that spanned more than 20 years in international trade, risk management and structured finance.

**MICHELLE TAYLOR**
Vice-President Legal Services, General Counsel and Corporate Secretary

Ms. Taylor brings over 15 years of experience from private and industry practice. She spent 11 years with Rio Tinto as Senior In House Counsel where she worked on numerous complex projects, including a secondment to Rio Tinto Alcan in Brisbane, Australia for two years to manage a team of external lawyers to work on a significant divestment project. Ms. Taylor has significant experience working on international commercial transactions, including EPCM contract negotiations, negotiating IP and licensing agreements, overseeing major procurement contracts and equipment purchases and while in private practice with a major international firm, worked in the area of international and construction arbitration. She holds a Master of Laws, Business Law degree from York University, with focus on corporate governance, finance and transactions, IP, Energy and Infrastructure.

# Glossary of Terms

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| **ABP** | Armored Brigades Program |
| **BDC** | Business Development Bank of Canada |
| **CCC** | Canadian Commercial Corporation |
| **CEAA** | *Canadian Environmental Assessment Act* |
| **CEO** | Chief Executive Officer |
| **CFO** | Chief Financial Officer |
| **CRM** | Client Relationship Management |
| **CSR** | Corporate Social Responsibility |
| **DPSA** | Defence Production Sharing Agreement |
| **EDC** | Export Development Canada |
| **ERM** | Enterprise Risk Management |
| **ERP** | Enterprise Resource Planning |
| **FAA** | *Financial Administration Act* |
| **GDS** | Global Defence and Security |
| **IASB** | International Accounting Standards Board |
| **ICB** | International Commercial Business |
| **ICC** | Integrity Compliance Committee |
| **IFRS** | International Financial Reporting Standards |
| **ISED** | Innovation, Science and Economic Development Canada |
| **MOU** | Memorandum of Understanding |
| **NPS** | Net Promoter Score |
| **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 |
| **PSPC** | Public Services and Procurement Canada |
| **ROC** | Risk and Opportunities Committee |
| **SMEs** | Small and Medium-Sized Enterprises |
| **SPA** | Statement of Priorities and Accountabilities |
| **TCS** | Trade Commissioner Service |
| **USD** | United States Dollars |
| **U.S. DoD** | United States Department of Defense |
| **VCS** | Value of Contracts Signed |