Canadian Commercial Corporation
Corporation Commerciale Canadienne

# OPENING DOORS TO EXPORT OPPORTUNITIES

## ANNUAL REPORT 2014-2015

Canada

# CANADA'S INTERNATIONAL GOVERNMENT-TO-GOVERNMENT CONTRACTING AGENCY

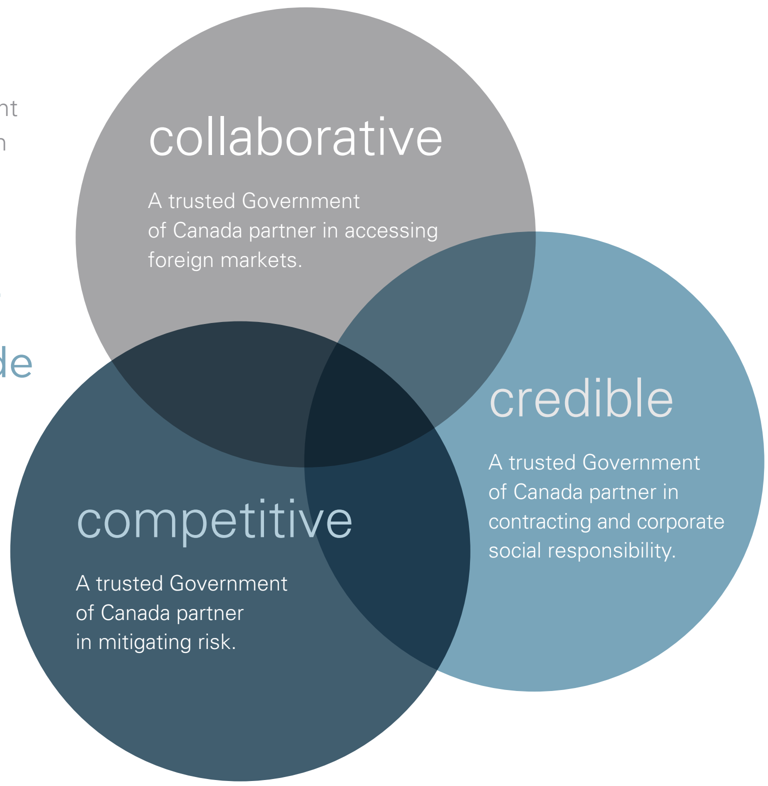
## Mandate

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.

### CCC is a trusted partner with a unique set of trade development services;




Canadian Commercial Corporation
Corporation Commerciale Canadienne

50 O'Connor Street, 11th floor
Ottawa, Ontario K1A 0S6

Tel: 1-613-996-0034 Fax: 1-613-995-2121
Toll free in Canada/United States: 1-800-748-8191

www.ccc.ca

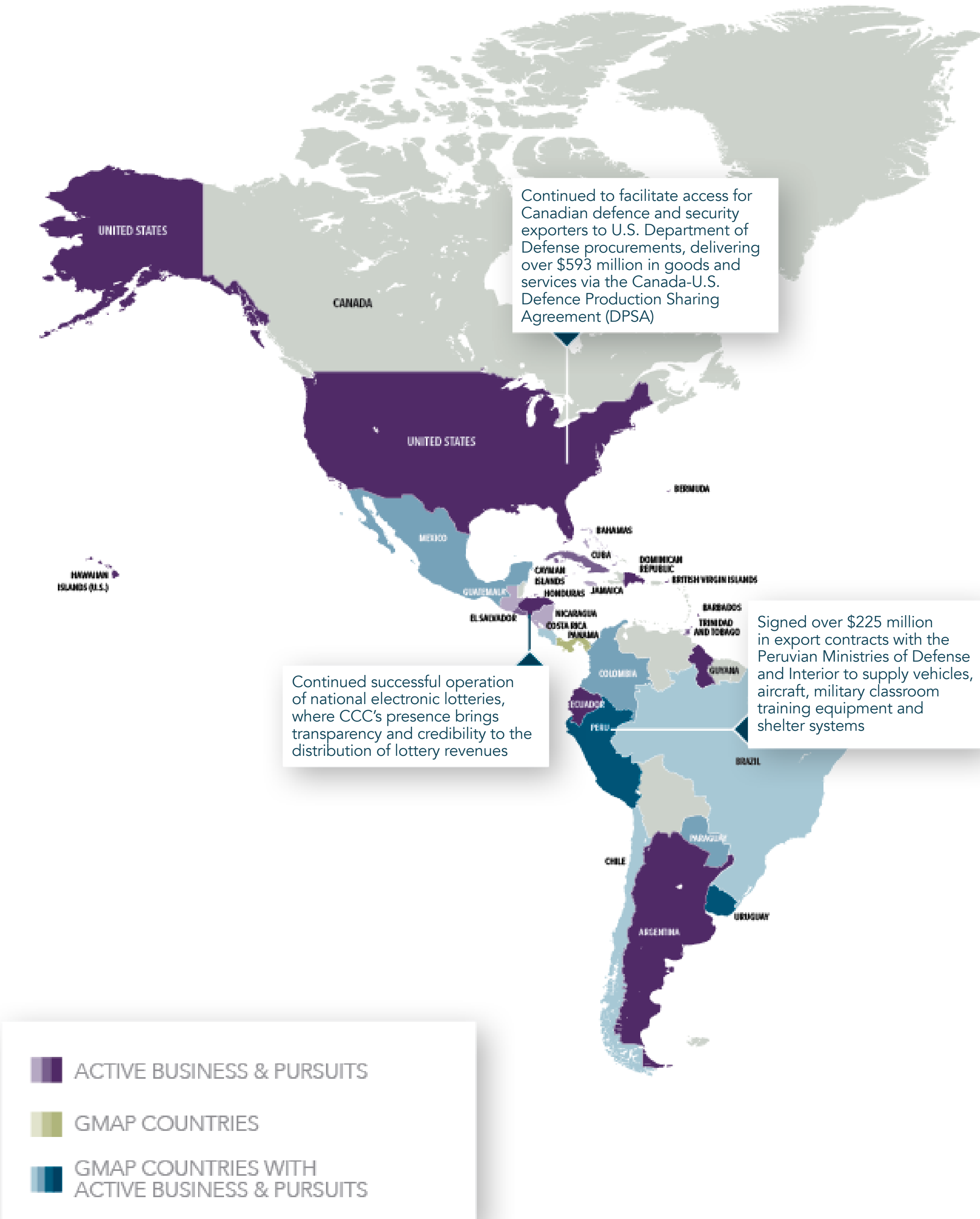
# TABLE OF CONTENTS

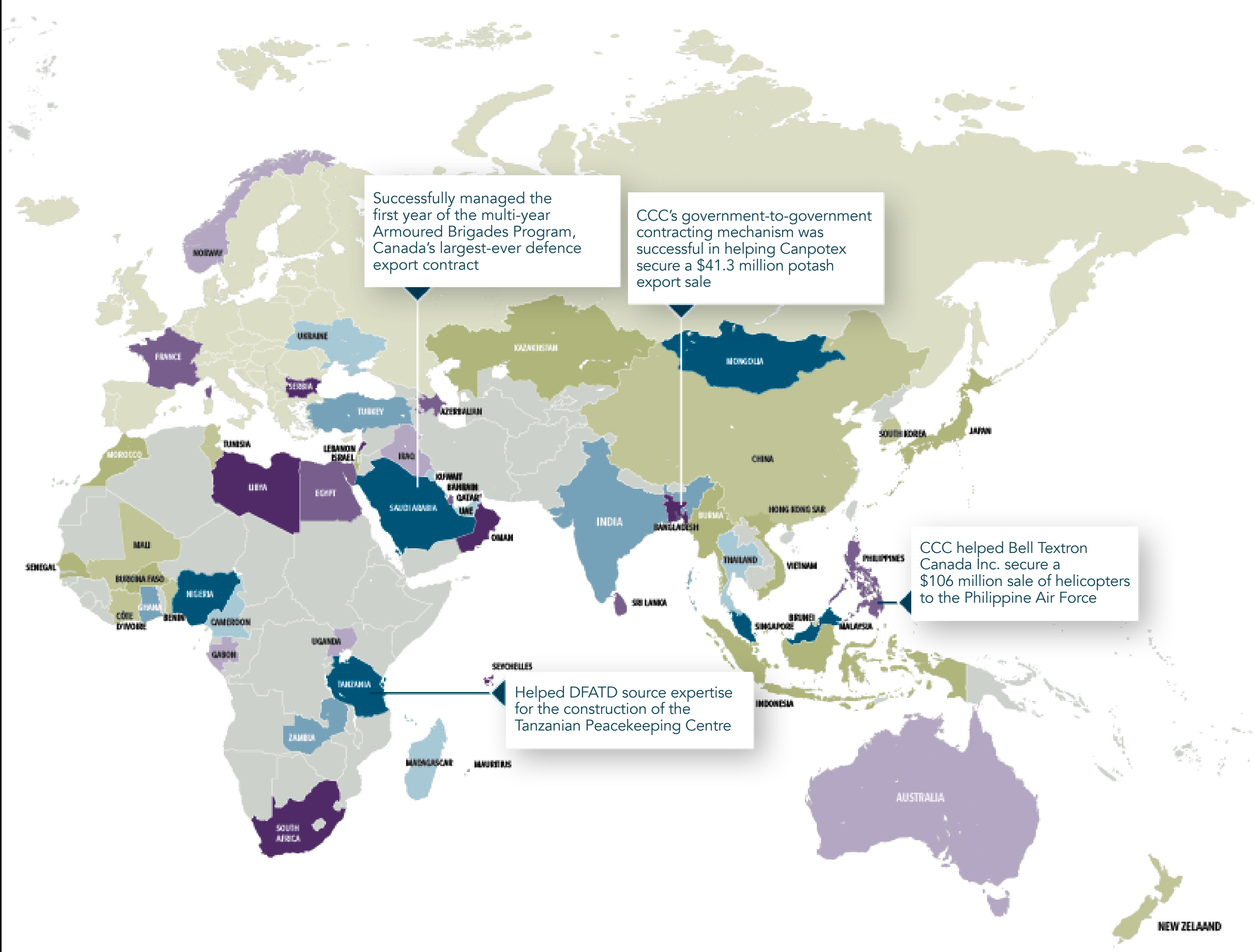





Print date: June 2015

# CCC AROUND THE WORLD




Successfully managed the first year of the multi-year Armoured Brigades Program, Canada's largest-ever defence export contract
CCC's government-to-government contracting mechanism was successful in helping Canpotex secure a $41.3 million potash export sale
CCC helped Bell Textron Canada Inc. secure a $106 million sale of helicopters to the Philippine Air Force
Helped DFATD source expertise for the construction of the Tanzanian Peacekeeping Centre
NORWAY
UKRAINE
FRANCE
SERBIA
TURKEY
AZERBAIJAN
KAZAKHSTAN
MONGOLIA
CHINA
SOUTH KOREA
JAPAN
MOROCCO
TUNISIA
LIBYA
EGYPT
LEBANON
ISRAEL
IRAQ
KUWAIT
BAHRAIN
QATAR
UAE
SAUDI ARABIA
OMAN
INDIA
BANGLADESH
BURMA
HONG KONG SAR
THAILAND
VIETNAM
PHILIPPINES
SRI LANKA
BRUNEI
SINGAPORE
MALAYSIA
INDONESIA
MALI
SENEGAL
BURKINA FASO
GHANA
NIGERIA
CÔTE D'IVOIRE
BENIN
CAMEROON
GABON
UGANDA
TANZANIA
SEYCHELLES
ZAMBIA
MADAGASCAR
MAURITIUS
SOUTH AFRICA
AUSTRALIA
NEW ZELAAND

# 2014-2015 RESULTS

- **A Focus on Business Development:** CCC's value of contracts signed (VCS) reached $1.2 billion in 2014-15; deliveries on contracts through the year reached $2.7 billion, sustaining and maintaining approximately 29,700 jobs in Canada.
- **A Focus on Small and Medium Enterprises (SMEs):** CCC had contracts with 168 companies in 2014-15, of which 51 were Canadian SMEs.
- **Alignment with Government of Canada Trade Priorities:** CCC was active in 29 countries included in the government's Global Markets Action Plan (GMAP), and worked collaboratively with other Government of Canada stakeholders to develop the export component of the Defence Procurement Strategy's (DPS) Value Proposition.
- **A Focus on Cost Containment:** CCC's core administrative expenses were in line with its budget, and approximately $450 thousand, or 2%, less than the level incurred in 2013-2014.

# SELECTED HIGHLIGHTS

## *Defence Production Sharing Agreement (DPSA)*

### ACCESSING THE U.S. D.O.D.

CCC signed a $30 million contract with Manitex Liftking of Ontario to supply six thousand low-profile shipboard-use forklifts to the United States Department of Defense (U.S. DoD). Manitex Liftking is a Canadian manufacturer of a complete line of Rough Terrain Forklifts and Special Mission Oriented Vehicles. In business since 1968 and with a dedicated workforce of over 150 employees, Manitex Liftking has been manufacturing Rough Terrain Forklifts and other Material Handling Equipment for commercial and military applications for over 45 years.

The contract was awarded under the Canada-United States Defence Production Sharing Agreement (DPSA), a bilateral trade agreement that provides access for Canada's defence and security exporters to U.S. DoD procurements. Over the past 55 years, Canada's defence and security exports to the U.S. under the DPSA have totaled more than $30 billion. In 2014-2015, CCC and Canadian exporters delivered over $593 million in defence and security goods and services to the U.S. DoD under the DPSA.

## *Global Defence and Security*

### CASCADE IN MEXICO

In 2013, CCC, working with Cascade Aerospace, signed a $35 million government-to-government (G2G) contract for Programed Depot Maintenance on two C-130K Hercules aircraft with the Mexican Air Force. The competitive tender that was initially issued by Mexico for this procurement did not receive any qualifying bids. The Mexican Ministry of Defense (MoD) expressed interest in Cascade, and contacted CCC to explore the possibility of a G2G arrangement. The security of the Government of Canada guarantee, a characteristic of every contract CCC signs, coupled with the expedited pace of government-to-government contracting, encouraged Mexico to procure these maintenance services from Canada.

Building on the success of the 2013 contract and on the confidence the Mexican Air Force had entrusted with Cascade, CCC and Cascade signed another $16.4 million contract in 2014 for the overhaul of engines in two C-130K Hercules aircraft.

## *International Commercial Business (ICB)*

### CANPOTEX BREAKS THOUGH IN BANGLADESH

On April 23, 2014, CCC, working with Canpotex Ltd. signed a $41.3 million contract with a $20 million option to supply Bangladesh with potash over a 12-month period. As one of the world's largest producers of potash, Canada accounts for 30% of the mineral's total global production. Canada holds 46% of the world's potash reserves in the Prairie Evaporite Deposit, which lies beneath the southern plains of Saskatchewan. Canada's potash industry employs approximately 5,000 Canadians.

Having been challenged and delayed by the procurement regulations of a direct-sale to Bangladesh, Canpotex was in need of a better solution. CCC's G2G contracting service, backed by the security and credibility of the Government of Canada, provided the Government of Bangladesh with a flexible procurement option that helped secure this important export transaction for Canpotex.

## *Supporting Canada's International Aid Commitments*

### EBOLA CRISIS IN AFRICA

CCC supports the Department of Foreign Affairs, Trade and Development (DFATD) in the implementation of the Government of Canada's international aid programs by assisting with expeditious and cost-effective sourcing of goods and services. DFATD's Global Partnership Program team approached CCC to assist the World Health Organization (WHO) in combatting the Ebola outbreak in West Africa (Liberia, Guinea and Sierra Leone) by organizing the delivery of personal protective equipment (PPE) that had been donated by the Public Health Agency of Canada, Health Canada and eight Canadian provinces to the WHO in West Africa. At the height of the Ebola crisis in mid-2014, CCC rapidly identified and concluded supply arrangement agreements with reputable shipping providers to pick up approximately 18.5 million PPE items, located all across Canada, for onward, coordinated forwarding to West Africa.

# CCC 2014-2015 PERFORMANCE AGAINST OBJECTIVES

As the Government of Canada's international government-to-government contracting agency, CCC remains a valuable mechanism for implementing the government's priorities that flow from its trade agenda, with significant implications on job creation and prosperity across Canada. Through building and fostering valued relationships with stakeholders and partners, CCC promotes and facilitates trade opportunities for Canadian suppliers of goods and services throughout the global market, bolstering the competitive advantage of Canadian exporters and their respective product offerings.

CCC's 2014-2015 to 2018-2019 Corporate Plan was built on a performance management framework which placed four strategic objectives at the forefront of the Corporation's strategy: *Grow Canadian Export Business; Be Productive and Efficient; Deliver Quality Services*; and to provide an *Exceptional Work Experience* for CCC's employees. Supported by a set of focused initiatives and deployed throughout the Corporation in the form of key business unit activities, CCC's '*Balanced Scorecard*' methodology implemented in past years has helped incorporate performance management and continuous improvement philosophies in assuring the efficient delivery of CCC's value proposition to its client base, whether Canadian exporter or foreign government buyer.

The CCC Strategy Map and year-end 'Scorecard' results for 2014-2015 are summarized in the tables that follow.

# CCC CORPORATE STRATEGY 2014-2015 TO 2018-2019

## INCREASE ACCESS TO FOREIGN GOVERNMENT MARKETS FOR CANADIAN EXPORTERS

The Government of Canada expects CCC to be **credible**, effective and efficient in meeting its mandate of assisting in the development of trade by helping Canadian exporters access markets abroad and helping foreign government buyers obtain goods and services from Canada.

Canadian exporters rely on CCC to enhance their competitiveness by helping them access foreign government markets through government-to-government contracting at a **competitive** price.

As a Crown corporation of the Government of Canada, foreign government buyers rely on CCC to be **collaborative** in developing government-to-government solutions with Canadian exporters.

## EXCELLENCE IN ENTERPRISE RESOURCE, RISK, AND OPPORTUNITY MANAGEMENT

### Grow Canadian Export Business

1. Contribute to the development and delivery of Government of Canada international trade initiatives
2. Enhance relationships with foreign government buyers and Canadian exporters
3. Grow Canadian export business in existing markets and develop new markets while remaining within CCC's risk tolerance
4. Improve trade portfolio collaboration and business intelligence
5. Continue to develop business development capacity and systems

### Be Productive and Efficient

1. Broaden confidence in CCC's value proposition
2. Ensure transparent and competitive pricing
3. Deliver timely and strategic project assessment, selection and decision making
4. Continue to demonstrate organizational discipline – policy adherence, probity and robust risk management practices
5. Ensure CCC's internal capacity and the ratio of expenses to revenue are optimal

### Deliver Quality Services

1. Adhering to accepted international ethical standards, CCC will work with Canadian exporters to meet the requirements of foreign government buyers
2. Apply rigorous risk management and international contracting expertise in structuring and drafting contracts
3. Provide robust contract management to ensure goods, services and project delivery are in compliance with contractual terms and conditions
4. Deliver exceptional customer experience
5. Expand CCC's Brand

## EXCEPTIONAL WORK EXPERIENCE

### High Performance Culture

1. Align CCC's culture with the Corporation's mandate
2. Eliminate cultural gaps at CCC
3. Integrate top leadership behaviours into CCC's Learning and Development Framework

### Employee Engagement

1. Create an exceptional employee experience
2. Better understand our working environment
3. Provide employees with the tools required to do their jobs efficiently and effectively

### Leadership

1. Identify CCC's "Top Leadership Behaviours"
2. Recognize and reward those who model CCC's top leadership behaviours
3. Build CCC's internal leadership capacity

# PERFORMANCE MANAGEMENT STRATEGIC OBJECTIVES, TARGETS AND RESULTS

| Strategic Objectives | Measure(s) | 2012-13 Results | 2013-14 Results | 2014-15 Targets | 2014-15 Results |
|---|---|---|---|---|---|
| | EXCELLENCE IN OPERATIONAL RESOURCE, RISK AND OPPORTUNITY MANAGEMENT | | | | |
| **1. GROW CANADIAN EXPORT BUSINESS**<br>CCC has a long history as a stakeholder in the integrated North American defence industrial base through its role as the Canadian government's custodian of the Canada-U.S. DPSA for almost 60 years. As a result, CCC has grown to become a trusted partner to the U.S. Government and an important instrument of trade for Canadian exporters, especially those seeking to expand beyond the U.S. market. In recent years, CCC has established additional business lines in Global Defence and Security (GDS) and International Commercial Business (ICB). In addition, the Corporation has continued to support Government of Canada priorities through the provision of a variety of Sourcing Services to support government international assistance programs, through managing a network of 10 Canadian Trade Offices in China with DFATD, and through providing shared corporate services to PPP Canada Inc. This diversified strategy continues to yield impressive results for Canada and Canadian exporters. | | | | | |
| Key Metrics | **1. DPSA Business Line**<br>Sales to the U.S. DoD under the Canada-U.S. DPSA and to NASA: | | | | |
| | **a.** Value of Contracts Signed | $577.41M | $611.76M | $550.0M | $552.38M |
| | **b.** Value of Commercial Trading Transactions | $1,840.59M | $1,099.71M | $582.46M | $593.6M |
| | **c.** Number of Canadian exporters with contracts and/or pursuits via CCC | 109 | 97 | 95 | 95 |
| | **2. GDS Business Line**<br>GDS sales to allies and like-minded nations: | | | | |
| | **a.** Value of Contracts Signed | $138.40M | $14,933.81M | $235.17M | $431.75M |
| | **b.** Value of Commercial Trading Transactions & Sourcing Services | $77.34M | $387.47M | $1,257M | $1,573.4M |
| | **c.** Number of Canadian exporters with contracts and/or pursuits via CCC | 11 | 43 | 18 | 33 |
| | **2. ICB Business Line**<br>ICB Sales to government buyers in emerging and developing markets: | | | | |
| | **a.** Value of Contracts Signed | $208.21M | $199.90M | $365.50M | $267.83M |
| | **b.** Value of Commercial Trading Transactions & Sourcing Services | $326.82M | $207.82M | $251.67M | $273.8M |
| | **c.** Number of Canadian exporters with contracts and/or pursuits via CCC | 25 | 43 | 15 | 28 |

| Strategic Objectives | Measure(s) | 2012-13 Results | 2013-14 Results | 2014-15 Targets | 2014-15 Results |
|---|---|---|---|---|---|
| | EXCELLENCE IN OPERATIONAL RESOURCE, RISK AND OPPORTUNITY MANAGEMENT | | | | |

**2. BE PRODUCTIVE AND EFFICIENT**

As a Crown corporation of the Government of Canada, CCC took great care in 2014-15 to ensure its financial and human resources were managed in a fashion that meets modern accounting and human resource management principles. Being more productive and efficient means using fewer labour hours and spending less to produce the quality services stakeholders and clients have grown to expect.

By aggressively engaging in a campaign of cost containment and actively creating efficiencies in its own business processes and systems, CCC has significantly streamlined operations and freed up resources for refocusing on increasing access to key markets for Canadian exporters. These improvements centre upon seeking out best practices in risk management (to include enhanced due diligence to reduce the risks of corruption in foreign markets), contract management, skills management, client relationship management and mature performance management.

| Strategic Objectives | Measure(s) | 2012-13 Results | 2013-14 Results | 2014-15 Targets | 2014-15 Results |
|---|---|---|---|---|---|
| Key Metrics | 1. Operating Results: Surplus, (Deficit) | $1.33M | $2.23M | $2.14M | $8.2M |
| | 2. Administrative expenses as a percentage of Commercial Trading Transactions and Sourcing Services | 1.4% | 1.7% | 1.49% | 1.1% |
| | 3. Administrative expenses as a percentage of net revenues and appropriation | 95.8% | 93.4% | 89.6% | 78.3% |
| | 4. Implementation of OAG audit recommendations | 100% | 100% | 100% | 100% |
| | 5. Adherence to Commercial Contract payment terms | 98% | 100% | 99% | 99.6% |

**3. DELIVER QUALITY SERVICES**

CCC understands the critical importance of building and maintaining strong relationships with its exporters and foreign government buyers. By ensuring Canadian exporters and foreign government buyers possess a thorough knowledge of the Corporation's services this understanding will assist them in their international business transactions. CCC assists its clients in a timely, professional and effective fashion and ensures its service offerings are relevant and viable to its client base, while providing guidance on integrity compliance and best practices.

| Strategic Objectives | Measure(s) | 2012-13 Results | 2013-14 Results | 2014-15 Targets | 2014-15 Results |
|---|---|---|---|---|---|
| Key Metrics | 1. Client satisfaction (Client Survey results)[1] | 80% | 79.24% | 83% | N/A |
| | 2. Number of Strategic Partnerships[2] | 78 | 86 | 80 | 85 |
| | 3. Fees for Service | $15.25M | $13.65M | $20.1M | $23.0M |
| | 4. Contract remediation expenses as a percentage of Commercial Trading Transactions | 0.00% | 0.00% | <0.05% | 0.01% |

[1] There are nine quality service dimensions that make up the Client Satisfaction percentage. It is the average of these nine quality service dimensions where the response is "Strongly Agree" or "Agree" that are included in the determination of this metric.

[2] Strategic Partnerships are defined as signed agreements that express a shared line of action or understanding (i.e. signed MOUs, Cooperation Agreements and Services Agreements).

| Strategic Objectives | Measure(s) | 2012-13 Results | 2013-14 Results | 2014-15 Targets | 2014-15 Results |
|---|---|---|---|---|---|
| EXCEPTIONAL WORK EXPERIENCE | | | | | |

**4. HIGH PERFORMANCE CULTURE**

A high performance culture promotes the alignment of activities in an atmosphere of mutual respect, innovation and collaboration. Understanding that a high performance culture is heavily influenced by leadership behaviours, CCC sought to identify and promote the behaviours which will enhance the Corporation's current culture.

*4a. Employee Engagement*

The ability of CCC to achieve its goals is directly proportional to the way CCC's employees feel about their employment experience. CCC will continue to create a working environment that instils a high level of pride in its employees through ensuring a safe and healthy environment where everyone is respected and valued, excellence is celebrated, diversity is embraced and harassment is not tolerated. The Corporation will also ensure that all of CCC's managers understand the importance of, and engage in, two-way communication; providing learning and development opportunities; and, providing timely and meaningful feedback.

*4b. Leadership*

Leadership is the culmination of behaviours and characteristics that engage and inspire employees to share a common vision and to seek out the achievement of objectives in a manner that respects the values of the Corporation, the importance of its people and strict adherence to unconditional ethical standards. At CCC, we believe these behaviours and characteristics foster pride in the achievement of our results.

| Strategic Objectives | Measure(s) | 2012-13 Results | 2013-14 Results | 2014-15 Targets | 2014-15 Results |
|---|---|---|---|---|---|
| Key Metrics | **1.** Percentage of employees who have signed the Code of Conduct and Business Ethics | 100% | 100% | 100% | 100% |
| | **2.** Employee retention rate | 91.1% | 97.88% | ≥90% | 89.7% |
| | **3.** Percentage of employees with learning plans | 95% | 99% | 90% | 79.4% |
| | **4.** Average sick days/year/employee | 6.25 days | 6.98 days | <5 days | 8.58 days |

# MESSAGE FROM THE CHAIR

I am very proud of the Corporation's accomplishments this past fiscal year. Under the leadership of a new President and CEO in 2014-2015, CCC signed over $1.2 billion in export contracts with Canadian companies around the world, from the United States to Bangladesh. These impressive results stem from a sustained, multi-year focus on business development that began in 2009-2010 and continues to be the foundation on which the Corporation's strategy to grow Canadian exports is built.

One in five Canadian jobs is directly linked to exports, which account for approximately 30% of Canada's GDP. In 2014-2015, CCC worked with 168 companies, of which 51 were Small and Medium-sized Enterprises (SMEs), in 57 countries around the world, including the United States, the Kingdom of Saudi Arabia, the State of Kuwait, the Philippines, Mexico, Peru and Bangladesh.

CCC's Board has been steadfast in its commitment to maintaining strong governance principles. Over the course of 2014-2015, the Board continued its focus on enhancing the Corporation's governance systems, Board governance, business ethics and risk management oversight. To this end, the Board engaged a third party to assess CCC's policy and procedural framework as it relates to combatting bribery and corruption in its international business transactions, and was pleased to confirm that the Corporation's approach in this area strongly aligns with international best practices. We also focused on the Corporation's continued investments in business development activities, ensuring that these investments are guided by sound strategies, cognizant of the business implications of a declining appropriation.

***"INTERNATIONAL TRADE AND INVESTMENT ARE VITAL TO THE CONTINUED GROWTH OF THE CANADIAN ECONOMY AND CONTRIBUTE TO THE PROSPERITY OF PEOPLE AND BUSINESSES ACROSS CANADA."***

BUDGET 2015

I would like to take this opportunity 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. I welcome Claude Robillard to the Board, who was appointed in June of 2014, and whose financial and risk management acumen will serve the Board well throughout his term with us. I would also like to thank Sherry Helwer, who left the Board in early 2014 to focus on her family business, for her many insightful contributions.

Through challenging and changing economic times, CCC continues to successfully facilitate international trade with allied and like-minded nations, maintaining and sustaining thousands of Canadian jobs through its government-to-government contracting work. On behalf of the entire Board, I would like to thank our Executive Management Team and all the staff for their passion, commitment and professionalism. Together, we look forward to further strengthening Canada's commercial relationships with foreign governments, and continuing to be an effective lever for export growth in Canada.

# MESSAGE FROM THE PRESIDENT AND CEO

With every year, the world seems to become more competitive and Canadian businesses face new challenges. Accordingly, CCC's mandate and its ability to provide Canadian exporters with a competitive advantage has become increasingly apparent. 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 and like-minded nations, providing foreign government buyers with a transparent, low-risk option that encourages them to procure from Canada. In this context I must note that it has been a privilege to lead CCC in my first year as President and CEO, and I could not be more proud of the results the Corporation has achieved.

Building on the Corporation's 2013-2014 enormous success, 2014-2015 was a year of continued focus on making prudent investments in business development for the benefit of all Canadian exporters, including SMEs. Relationships in target market regions like the Middle East, Latin America and Asia continued to strengthen – CCC signed over $225 million in contracts in Peru in 2014-2015, a testament to the multi-year relationship building efforts and leadership of CCCs business development team. Business development continued on a strategy-guided path, as we implemented mechanisms with our portfolio partners that seek to leverage the whole-of-government approach that was so central to 2013-2014's historic contract signing with the Kingdom of Saudi Arabia.

CCC continues to be an important mechanism for implementing the government's Global Markets Action Plan (GMAP) and Canada's Defence Procurement Strategy (DPS). CCC worked with Canadian exporters in 29 of the 81 GMAP countries in 2014-2015, and worked closely with other Government of Canada stakeholders to define the export component of the DPS.

The Corporation's ability to secure over $1.2 billion of export sales for Canadian companies in a year of continued global economic uncertainty demonstrates CCC's resiliency and is ultimately a measure of Canadian exporters' confidence in CCC's value proposition. As I look forward to 2015-2016 and to increasing CCC's presence in its key target markets, I am most thankful to CCC's staff and my senior management colleagues for their continued professionalism and commitment to growing Canadian exports.

In closing, I would like to thank Mariette Fyfe-Fortin who served formidably as CCC's Vice-President of Strategy and Organizational Development since November 2009. Mariette retired in December 2014, marking the end of a prosperous and rewarding 35-year public service career. I would also like to thank Pierre Alarie, CCC's Vice-President of Business Development and Sales until his appointment as Canada's Ambassador to Mexico in March 2015. Pierre's business development vision and leadership helped firmly establish CCC's business development strategy and grow many important relationships with foreign government buyers. And finally, I would like to thank the members of the Board of Directors, the Minister of International Trade, Ed Fast, and his staff for the extraordinary efforts they continue to make in advancing trade for Canada, and for their continued support of CCC.

# OPENING THE DOOR TO EXPORT OPPORTUNITIES: CHALLENGES AND SUCCESSES

CCC's 2014-2015 through 2018-2019 Corporate Plan outlined four strategic objectives that formed the foundation of the Corporation's strategy: *Grow Canadian Export Business; Be Productive and Efficient; Deliver Quality Services*; and provide an *Exceptional Work Experience* for CCC employees. Nine elements helped frame the strategy for 2014-2015, and are listed below together with achievement highlights for each objective. CCC delivered on all counts in 2014-2015, ultimately signing over $1.2 billion in export contracts with Canadian exporters in markets all over the world, proving that despite uncertain economic times, the Government of Canada's willingness to stand behind Canadian companies in a government-to-government contracting approach enhances Canadian credibility and encourages foreign government buyers to procure from Canada.

## CCC'S BUSINESS ENVIRONMENT HIGHLIGHTS

- Significant cuts in U.S. military spending continued to place pressure on CCC's ability to maintain sales volumes to the U.S. DoD on behalf of Canadian defence and security exporters.
- The global economy was slower to rebound from the economic downturn of 2008 which resulted in many nations deferring major capital projects and/or upgrades to existing infrastructure. Falling oil prices also resulted in less revenue for energy producing countries looking to develop infrastructure and capital projects.
- The international Ebola crisis in late-2014 had significant implications on CCC's ability to sustain its ongoing promotion of Canadian solutions in several African countries.
- The signing of Canada's largest-ever defence export contract in 2013-2014 was a tremendous validation of CCC's government-to-government value proposition; the Corporation's ability to sustain positive business development momentum and foster whole-of-government leadership following this historic transaction will be critical to ensuring financial viability over the long term.
- CCC proved to be a valuable instrument in helping the government implement its GMAP, with contracts and pursuits in 29 GMAP countries in 2014-2015. In order to remain responsive to Canadian exporters, including SMEs, CCC focused its limited business development resources on highest priority opportunities and aligned business development strategies with government trade priorities, while leveraging important contributions of other Government of Canada stakeholders in a whole-of-government approach.
- CCC's declining Parliamentary appropriation, which was reduced from $15.7 million (2013-2014 and previous years) to $14.2 million in 2014-2015, also drove the requirement for enhanced business development focus. A three-year phase-out plan for the appropriation will reduce the amounts CCC typically receives to deliver on its public policy initiatives to $8.9 million in 2015-2016, $3.5 million in 2016-2017, and then nil in 2017-2018 and onward.

- The transfer of CCC's trade financing activities in Cuba to EDC in early 2014-2015 marked a shift in a business model that has been in place since the early 1990s. CCC's continued contract management involvement helped underscore the importance of trusted trading relationships with Cuban officials in Cuba's agriculture and tourism sectors. The Corporation's continuing contract management expertise will be critical to mitigating the impacts of changes to a business model that has worked successfully in Cuba for over 20 years.
- Over the course of 2014-2015, growing interest from SMEs in government export support encouraged the Corporation to examine how CCC might serve SMEs on a broader scale. A 2015-2016 SME strategy will address CCC's ability to enhance its engagement with SMEs, leveraging other government export support initiatives where possible.
- Finally, CCC continued to be an important element of DFATD's capacity to coordinate Canada's response to natural disasters, complex emergencies and outbreaks of conflict. DFATD and CCC will continue to collaborate on identifying the most effective to source goods and services both domestically and internationally in view of continuing to provide value to this important element of DFATD's mandate.

## *Highlights by Objective*

### SALES TO THE U.S. DoD AND NASA UNDER THE DPSA

- Despite the cuts to the U.S. DoD budget, CCC was able to deliver over $593 million in Canadian defence and security goods and services to this critical market through the DPSA in 2014-2015. Many companies, particularly SMEs, use the experience gained through their work with the DPSA to expand business into other international markets.
- CCC's U.S. strategy relied on a whole-of-government approach to renewing and deepening Canada's relationships with the U.S. DoD in Washington and with the major U.S. Military Buying Commands to maintain and sustain awareness of Canada's defence and security industrial capabilities. The strength of CCC's Washington relationships facilitated collaborative policy and commercial discussions between the U.S. DoD and other Government of Canada stakeholders in the bilateral defence trade relationship – Department of National Defence (DND), Public Works and Government Services Canada (PWGSC), Industry Canada and Foreign Affairs Trade and Development Canada (DFATD).
- CCC was awarded *Silver Level Supplier* status by the U.S. DoD's Defense Logistics Agency (DLA) for 2014. The DLA considered its 153 largest suppliers over the past two years, and ranked them on elements such as cost, schedule, performance, quality, and business relations. CCC was ranked as one of DLA's top performing supply contractors.
- Strategic outreach to U.S. DoD decision-makers included:
  - i) CCC led a collaborative effort with DND to host the U.S. Director of Defence Pricing – Acquisition, Technology and Logistics – Office of the Secretary of Defense, at the Annual Meeting of the Aerospace Industries Association of Canada (AIAC). CCC was able to connect this important visit with Canadian aerospace suppliers, which was instrumental in improving the U.S.' understanding of the defence and security supply chain in Canada.
  - ii) CCC led a Government of Canada delegation (including representatives from DND, DFATD, PWGSC, and Regional Development Agencies) to the Sea, Air and Space Annual Meeting and Exposition of the Association of the United States Army (AUSA), a forum attended by senior military officials from the U.S. and a host of other allied and like-minded nations.

### GLOBAL DEFENCE AND SECURITY (GDS) SALES

- CCC had GDS contracts or pursuits in 22 GMAP countries in 2014-2015, as well as in 13 others, and delivered over $1.5 billion in Canadian defence and security capability and expertise under contracts in place around the world.

- Through increased engagement with defence attachés, both Canadian and Peruvian, as well as targeted relationship development with Peruvian government decision-makers that leveraged a Canadian trade mission to Peru hosted by International Trade Minister Ed Fast in August 2014, CCC was able to sign over $225 million in export contracts in Peru in 2014-2015. Contracts will benefit large exporters and SMEs, both directly and indirectly (i.e., through supply chain implications of contracts with larger exporters), and will serve to demonstrate Canadian capability in a key Latin American market in a manner which creates future opportunities for increasing Canada's two-way trade with Peru.
- CCC continued to lead a whole-of-government approach in orchestrating a Government of Canada presence at major international defence and security exhibitions (International Defence Exhibition (IDEX) in the UAE, February 2014; CANSEC, Ottawa, May 2014; Farnborough Air Show, July 2014; Eurosatory, September 2014). As well, CCC continued to collaborate closely with defence and security industry associations (Canadian Association of Defence and Security Industries (CADSI) and the Aerospace Industries Association of Canada (AIAC)) through partnering at various events and exhibitions across Canada. Speaking engagements and round-table discussion sessions during these events helped increase exporter awareness of CCC's value proposition in foreign government procurement markets.

## INTERNATIONAL COMMERCIAL BUSINESS (ICB) SALES

- CCC had ICB contracts or pursuits in 16 GMAP countries in 2014-2015, as well as in 20 others, and delivered over $273 million in Canadian goods and services under contracts in place around the world.
- CCC facilitated a $41.3 million contract to sell Canadian potash to the Bangladesh Agricultural Development Corporation (BADC). The bilateral, government-to-government nature of the contracting solution allowed the BADC to direct the contract to CCC.
- The Government of Canada's continued participation, through the CCC, in two national electronic lotteries in Central America adds a level of transparency to the management and oversight of the lotteries and ensures that a portion of the lotteries' revenues are indeed remitted to the national governments for the social 'good-cause' initiatives for which they were intended.
- Despite the Ebola outbreak which closed the door on much of Africa for several months in 2014, CCC continued to foster strong relationships in Ghana and Tanzania, moving forward on key infrastructure pursuits valued at approximately $400 million and increasing the likelihood that the governments in these countries will choose to procure Canadian solutions through CCC.

## TRANSFER OF CUBA TRADE FINANCING ACTIVITIES TO EDC

- One hundred percent of CCC's trade financing activity was covered by EDC in 2014-2015. CCC retains responsibility for the contracting activity and continues to guarantee Canadian exporter performance (subject to appropriate due diligence examinations), while EDC has been transferred the responsibility of providing financing. The new model results in seamless service provision to Cuban government buyers, while aligning more closely and appropriately with the mandates of both CCC and EDC.

## INVESTMENT IN BUSINESS DEVELOPMENT

- As part of the Corporation's targeted business development efforts, CCC employees made dozens of visits to target markets in the Middle East, Latin America and Asia on behalf and in support of Canadian exporters. These visits strengthen relationships with potential government buyers and help increase buyers' awareness of the unique role CCC is able to play in helping them access Canadian capabilities and expertise.
- CCC enhanced its engagement with the Canadian Forces network of Military Attachés over the course of 2014-2015, a strategy that helped increase awareness amongst the Canadian Defence Attachés (CDA) network of CCC's value proposition. CCC and the CDAs have mutual interests in promoting Canadian defence and security capabilities to the rest of the world, and as such, this important network plays a valuable role in helping CCC to build commercial relationships with military decision makers in target market countries.

- CCC was instrumental in hosting nine foreign military delegations at CANSEC 2014. In several cases, CCC's involvement helped facilitate concurrent military-to-military discussions with Canada's Department of National Defence, where collaborative initiatives such as the establishment of Defence Cooperation Agreements (DCAs) – among other things – were explored. These collaborative discussions often help lay the foundations for productive government-to-government commercial relations in the defence and security space.
- In partnership with other Government of Canada international trade stakeholders (DFATD, EDC, DND, Western Economic Diversification, and Industry Canada), CCC continued to play a leadership role in ensuring an integrated, whole-of-government presence at major international industry exhibitions. Through these outreach events, CCC is able to strengthen relationships with existing clients and would-be exporters and refine its value proposition to most appropriately respond to the needs of Canadian exporters. In 2014-2015, CCC's significant outreach took place at the events outlined below:

## SERVICES ALIGNED WITH GOVERNMENT OF CANADA PRIORITIES

- CCC was active in 57 countries in 2014-2015, 29 of which are identified in the government's GMAP, and 18 that fall under Canada's Strategy for Engagement in the Americas.
- In 2014-2015, CCC signed Memoranda of Understanding (MOU) with Ecuador, the Dominican Republic, Bermuda, Honduras and Peru, and at the end of the fiscal year, 11 additional MOUs were at various stages of negotiation with other GMAP and Americas Strategy countries. Establishing MOUs helps create the government-to-government framework between CCC and a foreign government buyer which can eventually become a conduit for increasing bilateral trade.
- CCC's collaboration with Industry Canada, PWGSC, DND and DFATD was instrumental in helping to frame the export component of the DPS' *Value Proposition Guide*. CCC will continue to play an important role in supporting DFATD's evaluation of economic benefits to Canada by helping understand a bid's foreign market potential.

### OUTREACH IN CANADA

- WestDef in Calgary, AB, hosted by the Western Canadian Defence Industries Association
- Abbotsford Aerospace, Defence & Security Expo in Abbotsford, BC, hosted by AIAC Pacific
- Best Defence Conference in London, ON, presented by London Economic Development Corporation in collaboration with CADSI
- DEFSEC Atlantic in Halifax, NS, hosted by Atlantic Alliance of Aerospace & Defence Associations
- Western Innovation Forum, in Vancouver, BC, hosted by Western Economic Diversification
- Le Symposium sur le marché canadien de la défense et de la sécurité (Symposium on the Canadian Defence and Security Market) in Montreal, QC, hosted by Canada Economic Development for Quebec Regions
- Canadian Aerospace Summit in Ottawa, ON, hosted by AIAC

### INTERNATIONAL OUTREACH

- IDEX in Abu Dhabi, UAE
- Arab Health Exhibition and Congress in Dubai, UAE
- Middle East Rail 2015 Conference and Exhibition in Dubai, UAE
- Aero India Exhibition, Bengaluru, India
- CANSEC in Ottawa, ON
- Eurosatory in Paris, France
- Africa Energy Forum in Istanbul, Turkey
- Farnborough International Airshow in Hampshire, England
- Expodefensa in Bogota, Colombia
- SecureTech in Ottawa, ON

- CCC signed a MOU with DFATD's Trade Commissioner Service (TCS), which focuses on: enhancing dialogue between CCC and the TCS; producing joint marketing and communications material (where appropriate and in priority markets/sectors) to increase international awareness of Canada's core industrial capabilities and competitive advantage; and, collaborating on the identification and pursuit of opportunities in identified sectors for priority markets. Progress on MOU implementation is measured semi-annually and shared at the Assistant Deputy Minister/Vice-President level, as well as at the Deputy Minister/CEO level. Progress is also reported regularly to the Minister of International Trade.
- In responding to the government's commitment to enhance its support for SMEs across Canada, CCC participated in 13 "Go Global" workshops led by the Minister of International Trade. The "Go Global" workshops provide tools, practical information, and support to help SMEs take advantage of international opportunities to export, and prominently feature the services of the TCS, EDC, CCC and the Business Development Bank of Canada to help SMEs succeed abroad. CCC worked with 168 exporters in 2014-2015, of which 51 were SMEs.
- CCC participated in trade missions to Peru and South Korea, led by the Minister of International Trade. CCC's multi-year investments in relationships with foreign buyers, especially in the case of Peru, played a significant role in focusing high-level political discussions on the values and benefits of Canadian solutions, including the G2G contracting mechanism. CCC's contract signings in Peru in 2014-2015 were testament to the collaborative value and leadership CCC is able to bring to these important missions.

## SHARED CORPORATE SERVICES WITH PPP CANADA INC.

CCC maintained its shared services arrangement with PPP Canada throughout 2014-2015, which includes the provision of shared expertise in human resources services, Information Technology (IT) services and legal services amongst others. The Corporation regularly examines the potential to expand this type of arrangement to other government organizations which could benefit from similar economies of scale and cost avoidance in provision of their corporate services.

## SOURCING SERVICES FOR SUPPORT OF INTERNATIONAL GOVERNMENT ASSISTANCE PROGRAMS

On behalf of DFATD and as part of Canada's international emergency response efforts in 2014-15, CCC:

- coordinated the delivery of crucial medical equipment and supplies to Africa at the height of the Ebola outbreak
- coordinated the supply of winter uniforms for security forces in the Ukraine
- supplied boats, scuba equipment and training to the Ghanaian Defence and Security Forces
- contributed to the construction of the Tanzanian Peacekeeping Training Centre as part of Canada's Stabilization and Reconstruction Task Force (START)

## COST CONTAINMENT AND BUDGET 2012 SAVINGS MEASURES

- Through realignment of the corporate structure and focusing on internal efficiencies, CCC eliminated two senior management positions following the retirement of CCC's former Vice-President, Strategy and Organizational Development, and a promotion of the former Chief Operating Officer to President and CEO. Despite annual increases for collective bargaining, workforce compensation and related expenses, which account for over 60% of CCC's administrative expenses, were held consistent with 2013-2014 levels of $18.9 million.
- CCC successfully negotiated a new 15-year lease at a different office facility which will realize significant savings each year beginning in 2015-2016, contributing to future cost reduction goals. CCC's overall administrative expenses were $30.0 million in 2014-2015, relatively consistent with the $28.4 million incurred in 2013-2014 and $2.2 million less than the 2014-2015 budget of $32.2 million.
- CCC's business process improvement initiative, focused on streamlining certain aspects of DPSA-related contract management services, resulted in a savings of almost $300 thousand in 2014-2015, or 9%, on annual payments made to PWGSC for certain core contract management services.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW

Canadian Commercial Corporation (CCC) was established in 1946 under the *Canadian Commercial Corporation Act*. The Act outlines CCC's broad mandate, which is to assist in the development of trade by helping Canadian exporters access markets abroad and by helping foreign customers obtain goods from Canada. The legislation also provides the Corporation with a range of powers, including the ability to export goods from Canada either as principal or as agent in such a manner and to such an extent as it deems appropriate. As a result, CCC negotiates and executes bilateral government-to-government procurement arrangements, facilitating export transactions on behalf of Canadian exporters.

## NATURE OF BUSINESS AND OPERATING ENVIRONMENT

Overall, although there exists a consensus that the deep recession of 2008 is over and while there are signs of growth, some weaknesses remain and global economic recovery is viewed as fragile. World trade is expected to grow at a modest pace to about 5 percent annually over the next few years following years of recession and there is a global economic shift from developed to emerging countries.

Most developed nations are expected to continue the trend to reduce their defence expenditures and seek to shift the terms of engagement towards limited interventions and burden-sharing through participation in alliances, conflict prevention and contracting out security. Emerging countries will move toward expanding their military capacities. Countries are expected to continue to purchase defence equipment in efforts to contain illegal activities and terrorism within their borders. Military spending in the U.S. is expected to have continued pressure to decrease given constrained budgets and the reduction of resources in Iraq and Afghanistan.

For the CCC, this shift is manifested in the decreasing volume of the Defence Production Sharing Agreement (DPSA) related business in the U.S.; nevertheless, the Corporation plays an important role in promoting Canadian capabilities and increasing exports beyond the U.S. CCC works with its base of exporters in global defence and security markets to leverage Canadian and U.S. military and security related procurements that are export-ready in order to open new markets with allied nations. The DPSA, Global Defense and Security (GDS) and International Commercial Business (ICB) business line strategy that CCC has developed continues to prove its effectiveness through increased sales for Canadian exporters and a greater number of jobs for Canadians. These accomplishments are being achieved while managing the Corporation in a cost efficient manner.

# FINANCIAL HIGHLIGHTS

Historically, large contracts have materially impacted the Corporation's financial statements and can often cause significant variations in certain year-over-year amounts on the Statement of Financial Position and the Statement of Comprehensive Income. In late 2009-2010, a $2.2 billion multi-year contract was signed with the U.S. DoD Foreign Military Sales (FMS) organization for the supply of Light Armoured Vehicles (LAVs) manufactured by General Dynamics Land Systems Canada (GDLS). This contract signing was followed by the signing in late 2013-2014 of the historic multi-billion dollar Armoured Brigades Program (ABP) contract in the Middle East for the supply of LAVs and associated equipment, training and support services manufactured and provided by GDLS. This activity will result in advances and progress payments to Canadian exporters and from foreign customers, commercial trading transactions, cost of commercial trading transactions and fees for service showing significant increases from last year to the current year.

For 2014-2015, the net result of operations was a surplus of $8.3 million, compared to a surplus of $2.2 million reported for 2013-2014. The increase of $6.1 million was due to a significant increase in fees for service earned on the progress work related to the ABP contract during 2014-2015.

A more detailed discussion of CCC's 2014-2015 financial highlights follows:

| STATEMENT OF COMPREHENSIVE INCOME DISCUSSION | | | |
|---|---|---|---|
| | **March 31, 2015 ($ Millions)** | **March 31, 2014 ($ Millions)** | **% Increase (Decrease)** |
| **REVENUES:** | | | |
| Commercial trading transactions - prime contracts | $ 2,440.8 | $ 1,665.2 | 47% |
| Cost of commercial trading transactions - prime contracts | (2,440.8) | (1,665.2) | (47%) |
| Fees for service | 22.8 | 13.7 | 66% |
| Other revenues | 1.4 | 1.0 | 40% |
| Total revenues | 24.2 | 14.7 | 65% |
| **EXPENSES:** | | | |
| Administrative expenses | 30.0 | 28.4 | 6% |
| Contract remediation expenses | 0.1 | (0.2) | 150% |
| Total expenses | 30.1 | 28.2 | 7% |
| Sourcing services transactions | 41.8 | 47.0 | (11%) |
| Cost of sourcing services transactions | (41.8) | (47.0) | 11% |
| Parliamentary appropriation | 14.2 | 15.7 | (10%) |
| Net results of operations | $ 8.3 | $ 2.2 | 277% |

## *Revenues: General*

Revenues consist of commercial trading transactions on prime contracts, fees for service, other income, net interest income, and gains (losses) on foreign exchange. It is important to note that 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.

After offsetting the cost of commercial trading transactions, total revenues were $24.2 million for 2014-2015 compared to $14.7 million for 2013-2014, an increase of $9.5 million or 65%.

## Revenues: Commercial trading transactions

Commercial trading transactions measure the value of delivery of a good or service or progress work once a contract is signed and becomes effective. Commercial trading transactions were $2,440.8 million for 2014-2015, compared to $1,665.2 million for 2013-2014, an increase of $775.6 million or 47%.

DPSA commercial trading transactions of $593.6 million, representing 24% of the Corporation's total commercial trading transactions were $506.1 million or 46% lower compared to 2013-2014. Of the total DPSA commercial trading transactions, $157.6 million were recorded on DPSA LAV related projects compared to $508.8 million recorded on DPSA LAV related projects for 2013-2014. DPSA commercial trading transactions are anticipated to trend downward through the remaining delivery period of the $2.2 billion LAV contract signed with the U.S. FMS in 2009. This LAV contract was the largest contract signed by the Corporation prior to 2013-2014 and has contributed to significantly higher levels of commercial trading transactions for the last several years.

GDS commercial trading transactions of $1,573.4 million, representing 65% of the Corporation's total commercial trading transactions were $1,215.8 million or 340% higher compared to 2013-2014. The Corporation is beginning to benefit from the consistent and increasing number of GDS contracts that have been signed over the last several years that contribute a regular and increasing number of delivery transactions per year. Of significance, $1,372.9 million or 87% of the total GDS commercial trading transactions were recorded for progress work related to the ABP contract.

ICB commercial trading transactions of $273.8 million, representing 11% of the Corporation's total commercial trading transactions were $66.0 million or 32% higher compared to 2013-2014. ICB commercial trading transactions were higher than the previous year due to increased activity related to projects under the Corporation's lottery program in Central America and the signing of a $41.3 million contract with Bangladesh for the supply of potash.

## Revenues: Fees for service

CCC does not charge fees for its DPSA business line transactions as these are fully funded through a parliamentary appropriation for 2014-2015. For GDS and ICB business lines and services, the Corporation charges fees, generally as a percentage of the contract value and on negotiated rates for services provided. 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. Fees for service were $22.8 million for 2014-2015 compared to $13.7 million for 2013-2014, an increase of $9.1 million or 67%.

GDS fees for service of $15.4 million, which account for 68% of the total fees for service, were $8.8 million or 133% higher compared to fees of $6.6 million for 2013-2014. The fee increase was commensurate with the increased level of GDS commercial trading transactions discussed previously. Of the $15.4 million total GDS fees, $10.7 million or 70% of the total GDS fees were earned based on the progress work related to the ABP contract.

ICB fees for service of $3.2 million, which account for 14% of the total fees for service, were $0.2 million or 7% lower compared to fees of $3.4 million for 2013-2014. The decrease in ICB fees compared to 2013-2014 was due to the transfer of risk components and associated fees from the Cuba Contracting Program to Export Development Canada which contributed a $0.9 million reduction however this was partially offset by an increase of $0.7 million primarily the result of fees earned on the contract signed with Bangladesh for the supply of potash.

Fees for service from sourcing and other Government of Canada priorities of $4.2 million, accounting for 18% of the total fees for service, were $0.6 million or 16% higher compared to fees of $3.6 million for 2013-2014. Of the $4.2 million, $2.4 million or 57% relate to the maintenance and administration of the trade development offices in China on behalf of the Department of Foreign Affairs, Trade and Development (DFATD). Another $1.0 million or 24% of the $4.2 million fees earned were for services provided by CCC, specifically related to sourcing transactions which occur at the discretion of DFATD and the availability of budget funding to satisfy requirements of their programs.

## *Revenues: Other*

Other revenues include: (1) foreign exchange gains or losses due to the weakening or strengthening of the Canadian dollar compared to the U.S. dollar on exposed U.S. cash balances; (2) finance income earned on the Corporation's cash balances; and (3) other income comprised of fees earned for providing discounted early payment and payment wiring to Canadian exporters, and other miscellaneous amounts.

For 2014-2015, a foreign exchange translation gain of $491 thousand was reported, $9 thousand or 2% higher compared to the foreign exchange gain of $482 thousand for 2013-2014. Of the total $491 thousand foreign exchange gain, $198 thousand was the result of the Canadian dollar's weakening compared to the U.S. dollar, from $0.9046 USD at March 31, 2014 to $0.7895 USD at March 31, 2015 on the Corporation's exposed foreign currency balances.

The Corporation's contracts with foreign buyers are matched to offsetting contracts with Canadian exporters. CCC's contracts require receipts and payments to be made in the same currency. As a result, CCC has a natural hedge against foreign exchange gains or losses that would otherwise impact the net results of operations and comprehensive income. Exposed foreign exchange balances are monitored and kept at negligible levels. The remaining $293 thousand foreign exchange gain resulted from a change in accounting classification of certain USD advance balances which were identified as non-monetary items and as a result are now being translated at historic rates. Previously these balances were classified as monetary items and translated at the period end rate.

For 2014-2015, finance income of $315 thousand was $48 thousand or 18% higher compared to the result of $267 thousand for 2013-2014. Average Canadian cash balances were higher in 2014-2015 as a result the cash received and recorded as deferred revenue related to the ABP.

For 2014-2015, other income of $605 thousand was $287 thousand or 90% higher compared to the result of $318 thousand for 2013-2014. Of the $287 thousand increase, $226 thousand was realized from miscellaneous amounts identified during contract close-out activities with the remaining $61 thousand from increased use of the Corporation's discounted early payment facility.

## *Expenses*

For 2014-2015, administrative expenses of $30.0 million were $1.6 million or 6% higher than the expenses for 2013-2014. Administrative expenses are paid primarily in Canadian dollars and are not impacted by foreign exchange fluctuations. Administrative expenses include the following:

- Workforce compensation and related expenses of $18.9 million for 2014-2015 were consistent with expenses for 2013-2014 of $18.9 million. Despite the annual increases for collective bargaining offsetting savings were realized resulting from a number of vacancies that were not staffed or not staffed until later in the year, also the Corporation reduced its senior management contingent. Workforce compensation and related expenses accounts for approximately 63% of CCC's administrative expenditures.

- Public Works Government and Services Canada (PWGSC) is paid for certain core contract management services under the DPSA. In recent years, as part of an initiative to streamline processes in the delivery of the DPSA and decrease related expenses, CCC has brought in-house certain contract management services previously performed by PWGSC. As a result, total PWGSC expenses of $2.9 million for 2014-2015 were $293 thousand or 9% lower than expenses of $3.2 million for 2013-2014.
- Rent and related expenses of $3.2 million for 2014-2015 were $911 thousand or 41% higher than the expenses of $2.2 million for 2013-2014. The increase was due to a one-time payment of $1.8 million (amortized over a 12 month period commencing October 1, 2014) as Management exercised its right, on September 26, 2014, to terminate the current lease agreement for office space effective September 30, 2015. In November 2014, the Corporation entered into a fifteen-year lease agreement for office space in a new location, which expires at the end of November 2031, in order to achieve future cost reduction goals.
- Travel and hospitality expenses of $1.8 million for 2014-2015 were $272 thousand or 18% higher than expenses of $1.5 million for 2013-2014. The overall increase was mostly due to a greater level of activity as travel and hospitality expenses are incurred primarily for business development activity in support of Canadian exporters in pursuit of and to secure projects in Latin America, Africa, Pacific-Asia and the Middle East and the management of the projects once they are signed and effective.
- Consultant expenses of $1.1 million for 2014-2015 were $117 thousand or 12% higher than expenses for 2013-2014 of 1.0 million. Consultant expenses complement CCC's workforce and perform assignments requiring a specific expertise.
- The amortization of intangible assets and depreciation of property and equipment and leasehold improvement costs of $545 thousand for 2014-2015 were $377 thousand or 224% higher than expenses of $168 thousand for 2013-2014. The increase resulted from the accelerated amortization of the remaining net book value on existing leasehold improvements at its current location over an abbreviated period of time which corresponds with the current lease termination date of September 30, 2015.
- Computer software, hardware and support costs of $452 thousand, over and above the information management personnel included in workforce compensation or consultants, for 2014-2015 were consistent with the expenses of $445 thousand for 2013-2014.
- Other expenses of $1.2 million were $224 thousand or 24% higher for 2014-2015 compared to expenses of $0.9 million for 2013-2014. Other expenses include Corporate communication costs (e.g. marketing, advertising, and the design and printing of corporate promotional material), telecommunications, bank charges and other miscellaneous amounts.

For 2014-2015, the Corporation recorded $149 thousand in contract remediation expenses compared to a recovery of $220 thousand in 2013-2014 that resulted from a reversal of a provision for contract remediation expenses. Contract remediation expenses are recorded as actual amounts are incurred or can be determined. The Corporation has robust risk management practices, including the Enterprise Risk Management (ERM) framework and contract management practices, which contribute to containing these expenses.

## *Sourcing services for support of international government assistance programs*

Sourcing Services for support of international assistance programs represent transactions whereby the Corporation acts as an agent on behalf of a domestic or foreign Government entity. In these engagements, CCC is not the prime contractor. All of the activity that is generated through DFATD under these terms is classified as this transaction type. This activity occurs at the discretion of DFATD and the availability of budget funding to satisfy requirements of their programs. In addition, there is one GDS project originally signed in 2007 that is classified under this transaction type. CCC entered into an agreement to act as agent to procure six wing kits and manage the replacement of the wings kits on six Norwegian aircraft on behalf of the Royal Norwegian Air Force. For 2014-2015, Sourcing Service transactions and the cost of Sourcing Service transactions of $41.8 million is $5.2 million or 11% lower than the $47.0 million recorded in 2013-2014. The decrease was largely due to reduced activity related to support of international assistance programs with DFATD.

## Parliamentary appropriation

The Corporation received a parliamentary appropriation of $14.2 million for 2014-2015, which was $1.4 million or 9% lower than the amount received for 2013-2014.

The Corporation's approved annual parliamentary appropriation as tabled in the 2014-2015 Main Estimates of $15.7 million was limited to $14.2 million consistent with the approved 2014-2015 to 2018-2019 Corporate Plan. The decrease reflects the first year of a three-year phased in reduction of parliamentary appropriation which will result in the Corporation being self-sufficient by 2017-2018 and on.

# STATEMENT OF FINANCIAL POSITION DISCUSSION

SUMMARY OF FINANCIAL POSITION

| | March 31, 2015 ($ Millions) | | March 31, 2014 ($ Millions) | | % Increase (Decrease) |
|---|---|---|---|---|---|
| Total assets | $ | 3,058.7 | $ | 1,039.9 | 194% |
| Total liabilities | $ | 3,038.0 | $ | 1,027.4 | 196% |
| Shareholder's Equity | $ | 20.7 | $ | 12.5 | 66% |

CCC's total assets were $3,058.7 million as at March 31, 2015, $2,018.8 million, or 194%, higher than at March 31, 2014. The increase from March 31, 2014 was primarily due to an increase in the amount of advances to Canadian exporters of $1,133.3 million or 2099% and progress payments to Canadian exporters of $1,046.3 million or 177%, offset by a decrease of $160.8 million or 41% from all other assets combined. The increases were directly the result of the initial progress work related to the ABP contract.

CCC's total liabilities were $3,038.0 million as at March 31, 2015, $2,010.6 million, or 196%, higher than at March 31, 2014. The increase from March 31, 2014 was primarily due to an increase in the amount of advances from foreign customers of $1,120.1 million or 1063% and progress payments from foreign customers of $1,046.3 million or 177%, offset by a decrease of $155.8 million or 47% from all other liabilities combined. The increases were the result of the initial progress work related to the ABP contract.

As an international trade intermediary, CCC offsets its trade-related assets with matching liabilities. Therefore, trade receivables from foreign customers and progress payments to Canadian exporters are normally offset by trade payables and accrued liabilities to Canadian exporters and progress payments from foreign customers, respectively.

Trade receivables of $167.4 million were $135.5 million or 45% lower than the balance at March 31, 2014 and represents 5% of the total assets of $3,058.7 million. Trade payables and accrued liabilities of $171.5 million were $155.9 million or 48% lower than the balance at March 31, 2014 and represent 6% of the total liabilities of $3,038.0 million. The sizeable decrease in trade receivables and trade payables was the result of an accrual transaction at the end of 2013-2014 to record work in progress that had commenced related to the ABP but for which cash had not been received from the foreign buyer nor paid to the Canadian exporter.

Progress payments to Canadian exporters of $1,638.9 million represent 54% of the total assets of $3,058.7 million. Progress payments from foreign customers of $1,638.9 million represent 54% of the total liabilities of $3,038.0 million. Contractually, progress payments occur most frequently on the DPSA business line contracts and are required to flow through in their entirety to the Canadian exporter. Of the total progress payments to Canadian exporters and from foreign customers, $1,445.9 million or 88% related to progress work associated with the ABP contract and $78.6 million or 5% related to the U.S. DoD FMS LAV contract.

Advances from foreign customers of $1,225.5 million, increased by $1,120.1 million or 1063% compared to the balance at March 31, 2014. Advances to Canadian exporters of $1,187.3 million, increased by $1,133.3 million or 2099% compared to the balance at March 31, 2014. Of the $1,225.5 million in advances from foreign customers and the $1,187.3 million in advances to Canadian exporters, $1,112.5 million or 91% and 94% respectively was related to the ABP contract. Another $82.4 million was related to projects in Ghana, Mexico, Norway, Peru and Philippines. Of these advances from foreign customers, $67.9 million were passed on to Canadian exporters. Contractually, advances are not offered on the DPSA business line. For all other business lines, CCC's risk mitigation practices require that for most projects CCC hold back some advance payments made by foreign customers and release them to Canadian exporters as delivery obligations are fulfilled. As a result period-over-period variations will occur.

As at March 31, 2015, CCC's equity, fully ascribed to the Government of Canada, was $20.7 million, an increase of $8.2 million from March 31, 2014. A discussion of commercial and operational risks follows in CCC's Commitment to Performance and Risk Management section.

# STATEMENT OF CASH FLOWS DISCUSSION

SUMMARY OF CASH FLOWS

| | March 31, 2015 ($ Millions) | | March 31, 2014 ($ Millions) | | % Increase (Decrease) |
|---|---|---|---|---|---|
| Operating activities | $ | (25.2) | $ | 68.0 | (137%) |
| Investing activities | $ | (0.2) | $ | - | - |
| Financing activities | $ | - | $ | (40.0) | (100%) |
| Effect of exchange rate changes on cash and cash equivalents | $ | 0.5 | $ | 0.5 | - |
| Decrease in cash and cash equivalents | $ | (24.9) | $ | 28.5 | (187%) |

## *Operating activities*

Under the DPSA program, the Corporation generally pays its Canadian exporters within 30 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 customer until beyond the 30 days. On certain contracts (generally outside of the DPSA program), the Corporation only pays its Canadian exporters within five business days after CCC receives payment from the foreign customer. Depending on the timing of receipts compared to payments, the actual execution of these transactions often cross reporting periods and can cause variations in cash flows from one period to the next. In this instance, cash is momentarily provided to the operation 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.

During 2014-2015, $25.2 million in cash was used by operating activities, as compared to $68.0 million provided in operating activities during 2013-2014, a decrease of $93.2 million or 137%. Details are as follows:

- Receipts from foreign customers include cash received for deliveries, progress payments and advances as stipulated under the foreign customer contract. Receipts from foreign customers were $3,740.1 million for 2014-2015, $2,235.9 million or 149% higher than the amount reported for 2013-2014. The increase was due primarily to the receipt of $2,663.7 million from the foreign customer related to the ABP contract in order to commence progress work offset by a net decrease of $427.8 million in cash received on all other contracts.
- Payments to Canadian exporters include cash paid for deliveries, progress payments and advances as stipulated under the domestic contract. Payments to Canadian exporters were $3,771.9 million for 2014-2015, $2,335.5 million or 163% higher than the amount reported for 2013-2014. The increase was due primarily to the payment of $2,663.7 million related to the ABP contract in order to commence progress work offset by a net decrease of $328.2 million in cash paid on all other contracts.

- For 2014-2015 compared to 2013-2014, the increase in receipts from foreign customers was less than the increase in payments to Canadian exporters by $99.6 million therefore resulting in an overall decrease of $99.6 million to cash used in export transactions. In addition to the $99.6 million decrease to cash used in export transactions, an increase of $9.5 million to cash was provided by finance income, fees for service and other income received and a decrease of $1.7 million due to cash used as administrative payments were higher in 2014-2015. The higher administrative payments in 2014-2015 were primarily due to the one-time payment that was made as the Corporation exercised its right to terminate the current office space lease. In November 2014, the Corporation entered into a fifteen-year lease agreement for office space in a new location, which expires at the end of November 2031, in order to achieve future cost reduction goals. Finally, there was a decrease to cash of $1.4 million as less parliamentary appropriation was drawn down during 2014-2015 compared to 2013-2014 resulting from the direction to reduce the appropriation as described under the Parliamentary Appropriation section.

### *Investing activities*

For 2014-2015, the Corporation capitalized $181 thousand related to property, equipment or intangible assets, compared to nil for 2013-2014.

### *Financing activities*

For 2013-2014, The Minister of International Trade directed the Corporation to pay to the Receiver General the amount of $40.00 million by March 31, 2014, an amount considered to be in excess of the amount required by the Corporation for the purposes of the *Canadian Commercial Corporation Act*. No payment was made for 2014-2015.

### *Effect of exchange rate changes on cash and cash equivalents*

As discussed previously, for 2014-2015, the Corporation recorded a foreign exchange translation gain of $491 thousand. Of the $491 thousand, a foreign exchange gain of $198 thousand was recorded as a result of the Canadian dollar's weakening compared to the U.S. dollar, from $0.9046 USD at March 31, 2014 to $0.7895 USD at March 31, 2015 on the Corporation's exposed foreign balances, with the remaining balance of $293 thousand resulting from the reclassification of certain advance balances from monetary items to non-monetary items.

## COMPARISON OF FINANCIAL RESULTS TO THE BUDGET CONTAINED IN THE 2014-2015 TO 2018-2019 CORPORATE PLAN

For 2014-2015, the net results of operations was a surplus of $8.3 million, $6.2 million or 287% higher than the budgeted surplus of $2.1 million.

For 2014-2015, total commercial trading transactions of $2,440.8 million were $369.7 million or 18% higher than budget of $2,071.1 million. The GDS business line contributed a favourable variance of $344.0 million or 93% of the total $369.7 million favourable variance. The favourable result contributed by the GDS business line was due to the initial progress work related to the ABP contract.

Fees for service of $22.8 million were $3.7 million or 19% higher than the budget of $19.1 million. Fees for service are earned as contract work is delivered or completed. For 2014-2015, fees generated from GDS business line of $15.4 million were $2.8 million or 22% higher than budget of $12.6 million, mainly due to fees earned on the recording of initial progress work related to the ABP contract. In addition, fees generated from the ICB business line of $3.2 million were $1.2 million or 60% higher than budget of $2.0 million, mainly due to Cuba Contracting Program fees of $2.0 million which were $1.7 million or 532% higher than budget of $0.3 million. Cuba Program Contracting fees were substantially higher than budget due to a higher level of deliveries than originally expected and the use of an alternate option (other than what was assumed at the time the budget was developed) upon implementing the transfer of CCC's trade financing activities to EDC. Fees earned on sourcing and other services of $4.2 million were $0.3 million or 7% lower than budget of $4.5 million, primarily as expenses and recovery of expenses related to the expansion of the China representative offices service program that were delayed. CCC also provides sourcing services at the discretion of DFATD and the availability of budget funding to satisfy requirements of their programs. DFATD required fewer services to be provided during 2014-2015.

As discussed previously, for 2014-2015, the Corporation recorded a foreign exchange translation gain of $491 thousand. Generally, the Corporation manages exchange gains and losses through monitoring and maintaining of its exposed foreign currency balances and does not budget for gains or losses on foreign exchange. The Corporation's exposed U.S. currency balance of $750 thousand represents less than 0.1% of its U.S. denominated assets. Of the $491 thousand, $293 thousand or 60% resulted from the reclassification of certain advance balances from monetary items to non-monetary items, not due to exposed U.S. currency balances.

For 2014-2015, the Corporation recorded $149 thousand in contract remediation expenses. As a result, contract remediation expenses contributed a favorable budget variance of $378 thousand.

For 2014-2015, administrative expenses of $30.0 million were $1.3 million, or 4%, lower than the budgeted amount of $31.3 million. Direct expenses of $18.7 million were $2.4 million or 11% below budget primarily the result of delays experienced with the expansion of the China representative offices Program coordinated with DFATD and incremental expenses anticipated to manage the ABP contract that were not incurred. Indirect expenses of $11.0 million were $1.1 million or 11% over budget the result of the one-time payment that was required in order to terminate the current lease for office space.

As explained previously, the Corporation received a parliamentary appropriation of $14.2 million for 2014-2015, consistent with the budget.

## 2015-2016 CORPORATE PLAN FORECAST

The planning objectives and assumptions used to forecast the Operating Budget for 2015-2016 and in subsequent years are detailed and discussed in CCC's Corporate Plan 2015-2016 to 2019-2020.

CCC is budgeting for an operating surplus of $1.2 million in 2015-2016 with net revenues of $27.3 million.

In 2015-2016, net revenues (which exclude the Parliamentary appropriation) will increase to $27.3 million from $24.2 million in 2014-2015, an increase of $3.1 million or 13%. The Armoured Brigades Program (ABP) contract signed in 2014 will account for approximately 37% of the overall $3.8 million increase in fees for service, while the largest proportion of the increase in fees for service will come from contracts that have been signed in 2014-2015 and that are expected to be signed in the early stages of 2015-2016 related to GDS sales. The GDS business line contributed signed contracts of $431.8 million in Latin America and Asia in 2014-2015. A large portion of these contracts will be delivered in 2015-2016, on which fees for service are earned. This recent success is directly attributed to a growth in awareness of CCC's value proposition, made possible through the redeployment of resources in business development over the last two years.

Average annual revenues are forecast to grow substantially over the five-year period of the Corporate Plan, growing from $27.3 million in 2015-2016 to $45.5 million in 2019-2020, a 67% increase with the most notable growth occurring in years four and five of the Plan.

The Corporation's appropriation will be gradually phased out in accordance with the plan which commenced in 2014-2015. Over the course of the five-year planning period, CCC will reduce the appropriation to $8.9 million in 2015-2016, $3.5 million in 2016-2017 and then nil from 2017-2018 and ongoing, reaching its planned objective of financial self-sufficiency.

Overall administrative expenses will increase to $34.3 million in 2015-2016 from $30.0 million in 2014-2015, an increase of $4.8 million or 14%. Of the $4.3 million increase in administrative expenses, $1.6 million are related to the increased cost in the effort and associated expenses required to contract manage the ABP contract and another $0.4 million are related to direct expenses for regional staff, rent of premises and other operational requirements to manage the additional offices in China on behalf of DFATD (the latter being fully offset and recoverable through DFATD). Both the ABP and the setting up of additional offices in China on behalf of DFATD experienced delays upon implementation, and, as a result, expenses did not materialize to the levels anticipated in CCC's original 2014-2015 forecast. The $4.3 million increase to administrative expenses also reflects one-time costs of approximately $1.3 million related to the negotiation of a new lease for office space. The incursion of these expenses in 2015-2016 will contribute to future cost reduction goals. The remaining $1.0 million increase is related to the establishment of foreign representation commencing in mid-2015-2016 and the expectation that position vacancies will be fully staffed.

Administrative expenses are forecast to increase over the five-year period of the Corporate Plan, from $34.3 million in 2015-2016 to $35.8 million in 2019-2020, an increase of $1.5 million or less than 1% per year on average.

In 2015-2016, contract remediation expenses are budgeted at $0.7 million. The amount represents approximately 0.025% of commercial trading transactions. CCC's confidence in this low level of budgeted contract remediation expenses stems from its robust risk and contract management practices. Contract remediation expenses are budgeted to increase over the five-year period of the Corporate Plan, from $0.7 million in 2015-2016 to $1.0 million in 2019-2020, an increase of $0.3 million. The increase in contract remediation expenses is commensurate with growth related to commercial trading transactions.

# CCC'S COMMITMENT TO PERFORMANCE AND 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 set out by the Minister of Finance, CCC's ERM framework manages a wide variety of risks and assists 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 feature of the ERM Framework. CCC's capital allocation model is combined with strong governance oversight from the Risk and Opportunities Committee to ensure that risk and opportunities are appropriately managed. This helps with the achievement of the Corporation's strategic objectives and long-term financial viability. CCC strives to optimally mitigate the risks related to its strategic, operational and transactional objectives.

## 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 Risk and Opportunities Committee. 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*

This is one of the three risk categories managed by CCC. Strategic risks are those that may interfere with 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 Risk and Opportunities Committee reviews proposed transactions within the contract pipeline to ensure that CCC's mandate is respected.

### ORGANIZATIONAL RISK:

This risk relates to the Corporation operating consistent with the breadth and complexity of its mandated corporate activity and having the proper corporate structure in place to achieve its objectives. During the year, the decision was made to relocate the Corporation's head office in favour of considerable cost savings. Tight deadlines and change management issues are being managed to ensure minimal cost overruns and that staff are well prepared for the move.

### REPUTATIONAL RISK:

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

### 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 process changes as necessary.

During the year, business environment risk remained elevated. Continued uncertainty in the strength of the global economic recovery, the impact of dramatically lower oil prices and continued U.S. budgetary pressures (decreased military spending) are several factors which may impact the Corporation's value of contracts signed. The recent drop in oil prices has provided benefits to countries that are net importers of oil and negatively impacted those that are net exporters. As the impact of the oil price adjustments work through the global economy, shifts in purchasing power may occur which could provide new opportunities in new markets, but also reduce possible transactions in existing ones.

Protectionism by the US DoD remains a concern for the Corporation. The largest exposure in this regard relates to the changes in purchasing behaviour of the U.S. DoD. CCC mitigates this risk through closely maintaining its U.S. DoD and other strategically relevant relationships as well as independent monitoring of developments within the U.S. legislature.

### 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, Management began a review of the Capital Allocation Model to ensure that it remains conservative and reflects the needs of the Corporation.

## *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 need to acquire timely and appropriate information for the purposes of business decision making. During the year, Management began working with Libraries and Archives Canada to finalize a protocol related the maintenance and destruction of corporate information. The adoption of new standards in these areas is expected during the 2015-2016 fiscal year.

### INFORMATION SYSTEM RISK:

This risk relates to the Corporation's information system being able to generate relevant data in an efficient and effective manner. During the year, the Corporation's Enterprise Resource Planning system was upgraded to alleviate certain backlogs and improve efficiency. The upgrade was successful and no further issues are related to the ERP at this time.

### PEOPLE RISK:

People risk reflects the importance of having sufficient human resources in place to meet both client expectations and achieve overall corporate objectives. Staffing levels are appropriate to meet current workload levels across the Corporation.

CCC monitors its employee satisfaction 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. Succession plans are in place at the executive level to mitigate any potential impacts when an executive position becomes vacant.

### POLICIES AND PROCESSES RISK:

This risk relates to the possibility of financial losses or inefficient use of resources that may develop as a result 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. Management has established a Director-level working group to review policies and processes to ensure that they are reviewed regularly and remain up-to-date.

### BUSINESS CONTINUITY PLANNING RISK:

This risk relates to the possibility of a negative event that could impact CCC's assets, work environment and staff to the point of interrupting CCC's ability to carry on its business. Examples of situations that may lead to interruptions include CCC's facilities being unavailable for a period of time or a significant portion of CCC's staff being unable to work due to illness.

Annual testing of the Business Continuity Plan (BCP) focused on a review of a third-party vendor's capacity to provide temporary access to office facilities, computer stations and related support services. The vendor is under a one year contract with the Corporation for these and related services. The review showed appropriate levels of equipment and temporary facilities to meet the Corporation's needs during a business interruption event.

## *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 a supplier's failure to perform is mitigated. The Corporation's due diligence process reviews the financial, managerial and technical capabilities of the firms that are seeking the Corporation's support. Once under contract, CCC undertakes quarterly reviews of key suppliers 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 customers where the credit rating is below that of AAA. In all other cases, the Corporation passes the credit risk to the supplier. This is achieved through a back-to-back payment mechanism that only allows the supplier to be paid once CCC has received the relevant payment from the foreign buyer. Often, the supplier will use the services of Export Development Canada to mitigate foreign buyer credit risk.

### CONTRACT RISK:

This risk relates to the terms and conditions reflected within CCC's foreign and domestic contracts. 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.

As a result of a changing legal environment, prime contractors are increasingly being held responsible if bribery and corruption occur within their supply chain. Appropriate clauses are being strengthened in the Corporation's domestic and foreign contracts to help mitigate this risk.

### EXPORT FOREIGN EXCHANGE RISK:

This risk relates to changes in the exchange rate of the Canadian dollar and the potential impacts from an export transaction viewpoint. High Canadian dollar rates of the past forced the Corporation's suppliers to become more competitive and to look for foreign investment opportunities to help increase profits. With the recent decline in the Canadian dollar, this competitiveness has been enhanced.

Similar to foreign buyer credit risk, CCC passes the exchange rate risk through to the exporter. This is accomplished by paying exporters under the domestic contract in the same currency as is received under CCC's foreign contract with the buyer. The Corporation also manages foreign exchange risk related to its internal holdings of foreign currencies. This risk is mainly comprised of the fluctuation in value of the Corporation's U.S. dollar working capital. The Corporation minimizes the balance in its foreign currency account to mitigate foreign exchange risk. To a lesser degree, the value of CCC's fees denominated in foreign currency also represents a foreign exchange risk.

### 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 presented a Fraud Risk Assessment to the Risk and Opportunities Committee. At year-end, the document was still being refined.

### CORPORATE SOCIAL RESPONSIBILITY RISK:

Corporate Social Responsibility (CSR) refers to the way a company balances it's 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 Integrity Compliance Committee reviews export transactions to determine if an enhanced managerial due diligence is required. These are required when key red flags in an export transaction are identified. These flags include but are not limited to a) large payments to agents, b) debarment from government and/or quasi-public procurement opportunities, and c) on-going investigations into bribery and corruptions.

# 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*, the by-laws of the Corporation, and the directive 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 CEO

**ANTHONY CARTY**
Vice-President, Corporate Services and
Chief Financial Officer

Ottawa, Canada
May 26, 2015

Auditor General of Canada
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 2015, and the statement of comprehensive income, 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.

.../2

- 2 -

*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 2015, 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 directive issued pursuant to Section 89 of the *Financial Administration Act.*

Margaret Haire, CPA, CA
Principal
for the Auditor General of Canada

26 May 2015
Ottawa, Canada

# FINANCIAL STATEMENTS AND NOTES

## STATEMENT OF FINANCIAL POSITION

| As at March 31 *(in thousands of Canadian dollars)* | | **2015** | | 2014 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets | | | | |
| Cash and cash equivalents (note 4) | **$** | **64,614** | $ | 89,538 |
| Trade receivables (note 5) | | **167,393** | | 302,901 |
| Advances to Canadian exporters | | **1,187,284** | | 53,999 |
| Progress payments to Canadian exporters | | **1,638,897** | | 592,559 |
| | | **3,058,188** | | 1,038,997 |
| Non-current assets | | | | |
| Property and equipment (note 6) | | **513** | | 877 |
| | **$** | **3,058,701** | $ | 1,039,874 |
| **LIABILITIES** | | | | |
| Current liabilities | | | | |
| Trade payables and accrued liabilities (note 5) | **$** | **171,537** | $ | 327,398 |
| Advances from foreign customers | | **1,225,509** | | 105,399 |
| Progress payments from foreign customers | | **1,638,897** | | 592,559 |
| Employee benefits (note 7) | | **219** | | 209 |
| | | **3,036,162** | | 1,025,565 |
| Non-current liabilities | | | | |
| Employee benefits (note 7) | | **1,838** | | 1,800 |
| | | **3,038,000** | | 1,027,365 |
| **SHAREHOLDER'S EQUITY** | | | | |
| Contributed surplus | | **10,000** | | 10,000 |
| Retained earnings | | **10,701** | | 2,509 |
| | | **20,701** | | 12,509 |
| | **$** | **3,058,701** | $ | 1,039,874 |

Lease commitments, contingencies and guarantees (notes 15 and 16)

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

Authorized for issue by the Board of Directors on May 26, 2015

**Raymond Renato Castelli**
Chair, Board of Directors

**Scott Player**
Chair, Audit Committe

## STATEMENT OF COMPREHENSIVE INCOME

| For the year ended March 31 *(in thousands of Canadian dollars)* | 2015 | 2014 |
|---|---|---|
| **REVENUES** | | |
| Commercial trading transactions - prime contracts (note 9) | **$ 2,440,803** | $ 1,665,172 |
| Less: cost of commercial trading transactions - prime contracts | **(2,440,803)** | (1,665,172) |
| Fees for service (note 9) | **22,793** | 13,653 |
| Other income (note 9) | **605** | 318 |
| Finance income net (note 12) | **315** | 267 |
| Gain on foreign exchange | **491** | 482 |
| | **24,204** | 14,720 |
| **EXPENSES** | | |
| Administrative expenses (note 11) | **30,004** | 28,363 |
| Contract remediation expenses (recovery) | **149** | (220) |
| | **30,153** | 28,143 |
| **SOURCING SERVICES FOR SUPPORT OF INTERNATIONAL GOVERNMENT ASSISTANCE PROGRAMS** | | |
| Sourcing services transactions (note 9) | **41,818** | 46,998 |
| Less: cost of sourcing services transactions | **(41,818)** | (46,998) |
| | **-** | - |
| Net results of operations before Parliamentary appropriation | **(5,949)** | (13,423) |
| Parliamentary appropriation (note 13) | **14,240** | 15,656 |
| Net results of operations | **$ 8,291** | $ 2,233 |
| **OTHER COMPREHENSIVE LOSS** | | |
| **ITEMS THAT WILL NOT BE RECLASSIFIED TO NET RESULTS OF OPERATIONS** | | |
| Actuarial loss on employee benefits obligation (note 7) | **(99)** | (92) |
| **TOTAL COMPREHENSIVE INCOME** | **$ 8,192** | $ 2,141 |

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

## STATEMENT OF CHANGES IN EQUITY

| For the year ended March 31, 2015 *(in thousands of Canadian dollars)* | Contributed Surplus | Retained Earnings | Total |
|---|---|---|---|
| **BALANCE - MARCH 31, 2014** | **$ 10,000** | $ 2,509 | **$ 12,509** |
| Net results of operations | **-** | 8,291 | **8,291** |
| Actuarial loss on employee benefits obligation (note 7) | **-** | (99) | **(99)** |
| Total comprehensive income | **-** | 8,192 | **8,192** |
| **BALANCE MARCH 31, 2015** | **$ 10,000** | $ 10,701 | **$ 20,701** |

| For the year ended March 31, 2014 *(in thousands of Canadian dollars)* | Contributed Surplus | Retained Earnings | Total |
|---|---|---|---|
| **BALANCE - MARCH 31, 2013** | **$ 10,000** | $ 40,368 | **$ 50,368** |
| Net results of operations | **-** | 2,233 | **2,233** |
| Actuarial loss on employee benefits obligation (note 7) | **-** | (92) | **(92)** |
| Total comprehensive income | **-** | 2,141 | **2,141** |
| Transfer to Receiver General for Canada | **-** | (40,000) | **(40,000)** |
| **BALANCE MARCH 31, 2014** | **$ 10,000** | $ 2,509 | **$ 12,509** |

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

## STATEMENT OF CASH FLOWS

| For year ended March 31 *(in thousands of Canadian dollars)* | **2015** | 2014 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from foreign customers | **$ 3,740,072** | $ 1,504,156 |
| Finance income, net | **315** | 267 |
| Fees for service and other income received | **23,398** | 13,971 |
| Payments to Canadian exporters | **(3,771,917)** | (1,436,372) |
| Administrative payments | **(31,342)** | (29,690) |
| Parliamentary appropriation | **14,240** | 15,656 |
| Cash provided by (used in) operating activities | **(25,234)** | 67,988 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of property and equipment | **(181)** | - |
| Cash provided by (used in) investing activities | **(181)** | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Transfer to Receiver General for Canada | **-** | (40,000) |
| Cash used in financing activities | **-** | (40,000) |
| Effect of exchange rate changes on cash and cash equivalents | **491** | 482 |
| Increase (decrease) in cash and cash equivalents | **(24,924)** | 28,470 |
| Cash and cash equivalents at the beginning of period | **89,538** | 61,068 |
| Cash and cash equivalents at the end of period | **$ 64,614** | $ 89,538 |

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

# NOTES TO FINANCIAL STATEMENTS

March 31, 2015

## 1. NATURE, ORGANIZATION AND FUNDING

The Canadian Commercial Corporation (the "Corporation") was established in 1946 by the *Canadian Commercial Corporation Act* (the "Act"), is wholly owned by the Government of Canada and an agent Crown corporation listed in Part I of Schedule III of the Financial Administration Act. The Corporation is domiciled in Canada with a head office located at 50 O'Connor Street, Ottawa, Ontario. The Corporation operates primarily in Canada with representation in Asia and the Caribbean.

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 Canadian Government. The Corporation enters into contracts with these foreign customers 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 Canadian and foreign governments.

The Corporation's operations are funded primarily by a parliamentary appropriation, and 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 Financial Administration Act, entitled Order giving a direction to parent Crown corporations involved in commercial lending to give due consideration to the personal integrity of those they lend to or provide benefits to in accordance with Government's policy to improve the accountability and integrity of federal institutions. The Corporation implemented the directive effective January 1, 2010.

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 accounting policies as at and for the year ended March 31, 2015.

### *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 in the Statement of Financial Position:

- derivative financial instruments are measured at fair value
- 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 and the reported amounts of assets and liabilities and 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 in determining the useful lives of property and equipment, in accounting for the employee benefits liabilities, the provisions and contingent liabilities, 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 6 – property and equipment
Note 7 – pension and employee benefits
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** and **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 customer or a service has been rendered, in accordance with the contractual terms. However, in the case where the contract provides for progress payments, commercial trading transactions and sourcing services transactions are recorded upon acceptance by the Corporation of the work performed. 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 shown under **sourcing services for support of international government assistance programs**.

**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 payments from foreign customers** and **progress payments to Canadian exporters,** represent the obligations to make and right to receive payments on a percentage-of-completion basis associated with the work performed on a contract leading up to delivery. Usually these payments are restricted to 75% of costs incurred. The Corporation recognizes these progress payments to Canadian exporters as an asset and the progress payments from foreign customers as a liability. Progress payment assets and liabilities are reduced upon completion of delivery and acceptance by the foreign customer.

**Advances from foreign customers** and **advances to Canadian exporters** represent a down payment 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 customers as a liability. Advances made and received are reduced upon completion of delivery and acceptance by the foreign customer in the normal course of business. Advances from foreign customers also include overpayments from customers due to temporary timing differences in their liquidation methods and accounting for work performed.

**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 1.32%, for 40 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 customer are fulfilled regardless of the quality of 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 in the period in which the non-performance is identified by the Corporation as probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

## *(b) Foreign currency translation*

Monetary assets and 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. Any gains or losses on foreign currencies are recorded as a gain or loss on foreign exchange in the Statement of Comprehensive Income.

## *(c) 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.

Fair value of a non-financial asset is determined by taking into account the highest and best use of the asset, considering what is physically possible, legally permissible and financially feasible.

The carrying amount of trade receivables and trade payables and accrued liabilities, advances and progress payments from foreign customers and to Canadian exporters approximates fair value due to the relatively short-term nature of these financial instruments.

## *(d) 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.

The Corporation initially recognizes loans and receivables when the Corporation becomes a party to the contractual provisions of the instrument. 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. All interest income, gains and losses are recognized in net finance income in the period in which they arise. The Corporation has designated its cash and cash equivalents as a financial asset at fair value through profit or loss since they are held for trading principally to manage cash flow requirements while maximizing return on investment and can be reliably measured at fair value, based on Level 1 inputs, due to their short-term to maturity. The changes in fair value of cash and cash equivalents are recognized in the period incurred as a gain or loss on foreign exchange in the Statement of Comprehensive Income.

ii) Trade receivables

Trade receivables are classified as loans and receivables and 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 does not establish an allowance for doubtful accounts since it has contractual recourse, in all material respects, whereby the Canadian exporter assumes the risk of non-payment from the foreign buyer.

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 the trade payable 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. As the Corporation does not account for these forward contracts using hedge accounting, 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 with changes recognized in the Statement of Comprehensive Income 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.

The Corporation enters into certain non-financial instrument contracts which contain embedded foreign currency derivatives. An embedded derivative is separated from the host contract and accounted for as a derivative only if (a) the economic characteristics and the risks of the embedded derivative are not closely related to those of the host contract, (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and (c) the hybrid (combined) contract is not measured at fair value with changes in fair value recognized in the Statement of Comprehensive Income. Where these contracts are not leveraged, do not contain an option feature, and are denominated in a currency in which any substantial party to that contract measures the items in its financial statements, or in a currency that is commonly used in the economic environment where the transaction takes place, the embedded derivatives are not separated from the host contract.

### RECLASSIFICATION

During the year, the Corporation has changed the classification of certain balances. Advances and progress payments are no longer classified as financial instruments in order to better reflect the substance of the underlying transactions related to those balances. This reclassification had no significant impact on the net carrying amounts, and as such the Statement of Financial Position for the year ending March 31, 2014 has not been restated.

## *(e) 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, and leasehold improvements. 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 are depreciated, once available for use, on a straight-line basis over the estimated useful life of five years. 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 for the period.

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

## *(f) 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 used for the purchase of property and equipment is deferred and amortized into the Statement of Comprehensive Income on the same basis as the related asset.

## *(g) Finance income, net*

Finance income is recorded on an accrual basis and represents interest earned on cash balances and investments held throughout the year, and interest charged to customers related to late payments. Finance costs are incurred as a result of payments of the interest earned on cash balances held from customers or suppliers 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 suppliers for late payments.

## *(h) 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 in the year when employees have rendered service and represent the total pension obligation of the Corporation.

ii) Employee severance benefits

During the year ended March 31, 2013, the Corporation discontinued the accrual of its employee severance benefits upon resignation or retirement and consequently, employees and executives no longer accumulate severance benefits. A new collective agreement entitles 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 severance benefits. For employees with more than ten years of continuous service and for the executive group, employees are 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.

The cost of the obligation for the benefits previously 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 (OCI).

The outstanding benefits obligations are actuarially valued annually by performing a full valuation on even years and an update to the valuation on odd years. An update of the actuarial evaluation was performed at March 31, 2015. The last full actuarial evaluation was performed March 31, 2014 and the next full actuarial evaluation is scheduled for March 31, 2016.

**iii)** Employee sick leave benefits

Employees are entitled to accumulating, non-vesting sick leave benefits, as provided for under labour contracts and conditions of employment. The cost of these other long-term employee benefits 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.

The outstanding benefits obligations are actuarially valued annually by performing a full valuation on even years and an update to the valuation on odd years. An update of the actuarial evaluation was performed at March 31, 2015. The last full actuarial evaluation was performed March 31, 2014 and the next full actuarial evaluation is scheduled for March 31, 2016.

**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 principle 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.

## *(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 and 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 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 recognised 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) 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 the Statement of Comprehensive Income.

ii) Impairment of non-financial assets

Non-financial assets, including property and equipment and intangible assets 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 total comprehensive income immediately.

## *(k) Leases*

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Those leases in which 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 remains with the lessor. The expenses incurred under its operating leases are recognized in the Statement of Comprehensive Income for the reporting period on a straight line basis over the term of the lease. Lease incentives received would be recognized as an integral part of the lease expense, over the term of the lease.

## *(l) Future accounting changes*

### INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following new standards, amendments and annual improvements issued by the International Accounting Standards Board (IASB) have been assessed as having a possible effect on the Corporation in the future. The Corporation is currently determining the impact, if any, of these standards and amendments on its financial statements.

In November 2009, the IASB issued *IFRS 9 – Financial instruments* (IFRS 9) introducing new requirements for classifying and measuring financial assets. This was the IASB's first step in its project to replace *IAS 39 – Financial Instruments: Recognition and Measurement* (IAS 39). In October 2010, the IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities, and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities. In July 2014 IASB published the final version of IFRS 9 containing accounting requirements for financial instruments, replacing 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 derecogntion 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.

In May 2014, the IASB issued *IFRS 15 – Revenue from contracts with customers* (IFRS 15), establishing a comprehensive framework 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, 2017, with early adoption permitted.

In September 2014, the IASB issued amendments to incorporate annual improvements to *IAS 19 – Employee Benefits* (IAS 19). The amendments clarify the application of the discount rate requirements for currencies for which there is no deep market in high quality corporate bonds. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

(in thousands of Canadian dollars, unless otherwise indicated)

# 4. CASH AND CASH EQUIVALENTS

As at March 31 cash and cash equivalents included:

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Original currency | Canadian dollars | | Original currency | Canadian dollars | |
| Canadian dollars | **45,514** | **$** | **45,514** | 19,094 | $ | 19,094 |
| U.S. dollars | **14,859** | | **18,821** | 63,231 | | 69,901 |
| Chinese renminbi | **1,363** | | **279** | 2,290 | | 407 |
| Australian dollars | **-** | | **-** | 133 | | 136 |
| | | **$** | **64,614** | | $ | 89,538 |

The Corporation invests in short-term deposits in Canadian banks. At March 31, 2015, the average term to maturity of short-term deposits was one day (2014 - one day) and the portfolio yield to maturity was 0.10% as at March 31, 2015 (2014 - 0.03%).

Of the cash and cash equivalents, $45,945 (2014 - $58,275) represents advances and holdbacks received from foreign customers which will be remitted to Canadian exporters at later dates in accordance with contracts. Advances from foreign customers also include overpayments from customers due to temporary timing differences in their liquidation methods and accounting for work performed. Where contracted, these funds may accrue interest to the credit of the Canadian exporter or foreign customer.

# 5. TRADE RECEIVABLES AND TRADE PAYABLES AND ACCRUED LIABILITIES

Trade receivables are based on normal trade terms and are generally non-interest bearing. The currency profile of the Corporation's trade receivables as at March 31 was as follows:

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Original currency | Canadian dollars | | Original currency | Canadian dollars | |
| U.S. dollars | **79,647** | **$** | **100,881** | 235,780 | $ | 260,655 |
| Canadian dollars | **66,395** | | **66,395** | 42,243 | | 42,243 |
| Chinese renminbi | **575** | | **117** | 18 | | 3 |
| | | **$** | **167,393** | | $ | 302,901 |

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

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Original currency | Canadian dollars | | Original currency | Canadian dollars | |
| U.S. dollars | **79,085** | **$** | **100,130** | 261,277 | $ | 288,845 |
| Canadian dollars | **71,337** | | **71,337** | 38,411 | | 38,411 |
| Australian dollars | **-** | | **-** | 133 | | 137 |
| Chinese renminbi | **345** | | **70** | 31 | | 5 |
| | | **$** | **171,537** | | $ | 327,398 |

Credit, market and liquidity risks relating to trade receivables and to trade payables and accrued liabilities are disclosed in Note 10.

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

# 6. PROPERTY AND EQUIPMENT

| *For the year ended March 31, 2015* | | **Leasehold improvements** | | **Information systems-hardware** | | **Total** |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| Balance, March 31, 2014 | $ | 1,792 | $ | 254 | $ | 2,046 |
| Additions | | - | | 181 | | 181 |
| **Balance, March 31, 2015** | **$** | **1,792** | **$** | **435** | **$** | **2,227** |
| **ACCUMULATED DEPRECIATION** | | | | | | |
| Balance, March 31, 2014 | $ | 996 | $ | 173 | $ | 1,169 |
| Depreciation | | 530 | | 15 | | 545 |
| **Balance, March 31, 2015** | **$** | **1,526** | **$** | **188** | **$** | **1,714** |
| **CARRYING AMOUNTS** | | | | | | |
| As at March 31, 2014 | $ | 796 | $ | 81 | $ | 877 |
| **As at March 31, 2015** | **$** | **266** | **$** | **247** | **$** | **513** |

| *For the year ended March 31, 2014* | | **Leasehold improvements** | | **Information systems-hardware** | | **Total** |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| Balance, March 31, 2013 | $ | 1,792 | $ | 254 | $ | 2,046 |
| Additions | | - | | - | | - |
| **Balance, March 31, 2014** | $ | 1,792 | $ | 254 | $ | 2,046 |
| **ACCUMULATED DEPRECIATION** | | | | | | |
| Balance, March 31, 2013 | $ | 842 | $ | 158 | $ | 1,000 |
| Depreciation | | 154 | | 15 | | 169 |
| **Balance, March 31, 2014** | $ | 996 | $ | 173 | $ | 1,169 |
| **CARRYING AMOUNTS** | | | | | | |
| As at March 31, 2013 | $ | 950 | $ | 96 | $ | 1,046 |
| **As at March 31, 2014** | $ | 796 | $ | 81 | $ | 877 |

Included in administrative expenses was $545 (2014 - $169) of depreciation related to the Corporation's property and equipment.

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

# 7. PENSION AND EMPLOYEE BENEFITS

## *(a) 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. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The Corporation's current contribution rates effective at year end were 1.28 times the employees' contribution to the Plan for plan members who were participating in the plan prior to January 1, 2013 (2014 – 1.45 times) and 1.28 times for plan members who were participating in the plan on or after January 1, 2013 (2014 – 1.43 times). The Corporation's total contributions of $1,986 (2014 – $2,032) were recognized as workforce compensation and related expenses under administrative expenses in the Statement of Comprehensive Income in the year when employees have rendered service.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

## *(b) Employee benefits*

The Corporation provides non-vested sick leave benefits to its employees, as provided for under labour contracts and conditions of employment. Certain employees are entitled to severance benefits based on years of service and final salary. These benefit plans are unfunded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

The sick leave and severance employee benefits have a current and non-current portion and are presented on the Statement of Financial Position as follows as at March 31:

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Sick Leave** | **Severance** | **Total Benefits** | **Sick Leave** | **Severance** | **Total Benefits** |
| Total employee benefits | **$ 1,384** | **$ 673** | **$ 2,057** | $ 1,350 | $ 659 | $ 2,009 |
| Less: current portion | **(112)** | **(107)** | **(219)** | (105) | (104) | (209) |
| Non-current portion | **$ 1,272** | **$ 566** | **$ 1,838** | $ 1,245 | $ 555 | $ 1,800 |

The Corporation eliminated the accrual of its employee severance benefits upon resignation or retirement and consequently, employees no longer accrue severance benefits.

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

Information about the sick leave long-term benefit plan and severance post-employment defined benefit plan, as at March 31 is as follows:

| | SICK LEAVE BENEFITS | | SEVERANCE BENEFITS | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| **ACCRUED BENEFIT OBLIGATION** | | | | |
| Balance at beginning of year | **$ 1,350** | $ 1,083 | **$ 659** | $ 2,329 |
| Current service cost | **138** | 119 | **11** | 11 |
| Interest cost | **59** | 40 | **22** | 48 |
| Benefits paid | **(111)** | (179) | **(118)** | (1,821) |
| Actuarial loss | **(52)** | 288 | **99** | 92 |
| Total accrued benefits at end of year | **$ 1,384** | $ 1,350 | **$ 673** | $ 659 |

| | | | | |
|---|---|---|---|---|
| **ECONOMIC ASSUMPTIONS** | | | | |
| Accrued benefit obligation as of March 31 | | | | |
| Discount rate | **3.24%** | 4.34% | **2.49%** | 3.76% |
| Rate of economic salary increase | **1.00%** | 2.00% | **1.00%** | 2.00% |
| Benefit costs for year ended March 31 | | | | |
| Discount rate | **4.34%** | 3.76% | **3.76%** | 3.40% |
| Rate of economic salary increase | **2.00%** | 2.00% | **2.00%** | 2.00% |

Demographic assumptions including seniority and promotional salary increases, withdrawal rates, rates of retirement, pensionable disability, mortality and longevity improvement factors, taken from the actuarial report on the pension plan for the Public Service of Canada, are also considered in the actuarial valuation of accrued employee sick leave benefits. The underlying assumptions adopted in measuring the Corporation's sick leave and severance benefits are reviewed annually by management and have been consistently applied. Changes in these assumptions can have a significant impact on the related financial statement balances.

Included in administrative expenses as workforce compensation and related expenses was a charge of $33 (2014–$267) for sick leave benefits and an expense of $259 (2014 – expense recovery of $213) for severance benefits related to the change in liability of these benefits in the reporting period and changes in management estimates.

At March 31, 2015, the cumulative actuarial loss on employee severance benefits obligation recognized immediately in retained earnings as OCI was $592 (2014 – $494).

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

# 8. 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 model is consistent with that of the prior fiscal year and operates as follows:

Operational risk:

- 15% of average revenues for the past three years

Performance risk:

- Contract liability times the ten-year average contract remediation expense ratio

Credit risk:

- Residual credit risk which is calculated using total credit risk net of insurance, holdbacks and other acceptable securities

The Corporation is not subject to externally imposed capital requirements and has not changed its approach to capital management during the year.

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. 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 Minister of International Trade directed the Corporation to pay to the Receiver General the amount of 40.00 million in 2013-2014, an amount considered to be in excess of the amount required by the Corporation for the purposes of the *Canadian Commercial Corporation Act*. No amounts have been paid in 2014-2015 in this regard.

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

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| Contributed surplus | **$ 10,000** | $ 10,000 |
| Retained earnings | **10,701** | 2,509 |
| | **$ 20,701** | $ 12,509 |

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

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

The Corporation facilitates sales of Canadian goods to foreign customers 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:

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Revenues*** | **Sourcing services transactions** | **Total** | **Revenues*** | **Sourcing services transactions** | **Total** |
| Asia | **$ 1,431,622** | **$ 4,433** | **$1,436,055** | $ 174,064 | $ 1,128 | $ 175,192 |
| United States | **595,251** | **-** | **595,251** | 1,100,356 | - | 1,100,356 |
| Central America & Caribbean | **303,583** | **1,816** | **305,399** | 198,991 | 6,609 | 205,600 |
| South America | **130,902** | **-** | **130,902** | 190,732 | 525 | 191,257 |
| Europe | **1,085** | **28,048** | **29,133** | 2,016 | 30,161 | 32,177 |
| Africa | **190** | **5,588** | **5,778** | 10,096 | 4,375 | 14,471 |
| Canada | **1,506** | **1,933** | **3,439** | 2,507 | 4,200 | 6,707 |
| Other | **62** | **-** | **62** | 381 | - | 381 |
| | **$ 2,464,201** | **$ 41,818** | **$2,506,019** | $ 1,679,143 | $ 46,998 | $ 1,726,141 |

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

Revenues for the year ended March 31, 2015 include $1,293,281 (2014 – 164,633) of accrued unbilled revenues. Value of contracts signed is distinct from revenues. During the year ended March 31, 2015, the value of contracts and amendments which were signed and became effective amounted to $1.26 billion (2014 - $15.80 billion).

# 10. 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 the Corporation's risk management policies including 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 risks associated with financial instruments and how the Corporation manages its risk exposure:

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

## *(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 customers. 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 temporary deposits 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's exposure to credit risk associated with trade receivables are influenced mainly by the demographics of the Corporation's customer base. The Corporation generally manages foreign customer credit risk by extending open account terms to parties with a Moody's credit rating of at least AAA, and seeks security where the rating falls below this threshold. During the year ended March 31, 2015, 40% (2014 - 32%) of the Corporation's trade receivables were from AAA credit rated customers.

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

| | | 2015 | | 2014 |
|---|---|---|---|---|
| United States | **$** | **59,366** | $ | 86,424 |
| Central America and Caribbean | | **54,734** | | 29,855 |
| Asia | | **34,122** | | 164,750 |
| South America | | **10,924** | | 12,381 |
| Canada | | **3,401** | | 2,861 |
| Europe | | **862** | | 6,630 |
| Other | | **3,984** | | - |
| | **$** | **167,393** | $ | 302,901 |

Trade receivables are based on normal international trade terms and are generally non-interest bearing. The maturity profile of the Corporation's trade receivables as at March 31 was as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| < 1 year | **$** | **167,393** | $ | 302,390 |
| > 1 and < 3 years | | **-** | | 511 |
| | **$** | **167,393** | $ | 302,901 |

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

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

| | | 2015 | | 2014 |
|---|---|---|---|---|
| < 30 days | **$** | **567** | $ | 2,402 |
| > 30 days and < 180 days | | **19,857** | | 5,384 |
| > 180 days | | **2,330** | | 3,329 |
| | **$** | **22,754** | $ | 11,115 |

### ADVANCES AND PROGRESS PAYMENTS TO CANADIAN EXPORTERS

Credit risk exposure related to advances and progress payments to Canadian exporters is mitigated by the back to back nature of the Corporation's contractual obligations and supplemented by collateral held.

### COLLATERAL

With respect to managing credit risk related to its outstanding contractual obligations, the Corporation has contractual recourse that consists, in all material respects, of corresponding contractual obligations against Canadian exporters in the same amount. In addition, in order to further mitigate its overall credit risk exposure, 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.

The profile of the Corporation's total collateral held with respect to its contractual obligations in the unlikely event of contractual non-performance by Canadian companies, as at March 31 was as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Holdbacks | **$** | **7,720** | $ | 6,875 |
| Bank guarantees | **$** | **33,730** | $ | 47,149 |
| Surety bonds | **$** | **104,798** | $ | 91,524 |
| Parent guarantees | **$** | **17,172,356** | $ | 15,077,368 |
| Other | **$** | **4,570** | $ | 11,156 |

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 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 customers 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.

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

**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 cash and cash equivalents. The risks associated with fluctuations in interest rates are minimized by investing in highly liquid temporary deposits with a Canadian chartered bank.

As directed by the Minister of International Trade, during the year ended March 31, 2014, the Corporation developed an approach to transfer its Cuba trade financing activities to a related Crown Corporation which eliminates related risks to the Corporation while continuing to ensure support to the Canadian exporters.

Under a specific series of financing contracts, included in trade payables and accrued liabilities, the Corporation owed $51,962 as at March 31, 2015 (2014 - $24,275) which bears interest at the cost of funds plus 0.25% (2014 – 0.25%).

The figures below illustrate the effect as at March 31 of an increase/decrease of 25 basis points in interest rates:

| | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | +25bps | | -25bps | | +25bps | | -25bps | |
| | Income | Equity | Income | Equity | Income | Equity | Income | Equity |
| Financial assets | | | | | | | | |
| Cash and cash equivalents | **$ 100** | **$ 100** | **$ (100)** | **$ (100)** | $ 222 | $ 222 | $ (222) | $ (222) |
| Financial liabilities | | | | | | | | |
| Payables and other liabilities | **$ (130)** | **$ (130)** | **$ 130** | **$ 130** | $ (61) | $ (61) | $ 61 | $ 61 |

## *(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 related to cash and cash equivalents is minimized through compliance with the Corporation's investment policy whereby cash and cash equivalents are invested in highly liquid temporary deposits with a Canadian chartered bank.

With respect to outstanding contractual obligations to foreign customers, the Corporation has contractual recourse that consists of, in all material respects, back to back contractual obligations against Canadian exporters in the same amount. Under contract terms, payments to exporters usually are not made in advance of receipt of payment from foreign customers. In addition, in order to further mitigate its overall liquidity risk exposure, 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 and shareholder cash held in trust with the Corporation.

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 $90.00 million.

The Corporation has a revolving credit facility providing access to funds in the amount of $20.00 million (2014 – $40.00 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, 2015, there were no draws on this line of credit (2014 – nil).

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

In addition, the Corporation enters into credit arrangements up to a maximum of $70.00 million (2014 – $35.00 million) where transactions are fully insured by a related Crown Corporation with a Moody's credit rating of AAA, thereby mitigating all liquidity risk related to the Cuba contracting program. The Corporation incurred an expense of $2,494 (2014 – $116) related to the Cuba contracting program.

### TRADE PAYABLES AND ACCRUED LIABILITIES

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

| | | 2015 | | 2014 |
|---|---|---|---|---|
| < 1 year | **$** | **171,537** | $ | 327,398 |
| | **$** | **171,537** | $ | 327,398 |

Under a specific series of financing contracts, related to the Cuba contracting program included in trade payables and accrued liabilities the Corporation owed $51,962 as at March 31, 2015 (2014 – $24,275) which bears interest at the cost of funds plus 0.25% (2014 - 0.25%) and the Corporation has offered as security certain foreign trade receivables under certain conditions. The amount of outstanding trade receivables fully insured by a related Crown corporation under these arrangements was $52,733 as at March 31, 2015 (2014 – $29,043) and was profiled as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| < 1 year | **$** | **52,733** | $ | 28,532 |
| > 1 and < 3 years | | **-** | | 511 |
| | **$** | **52,733** | $ | 29,043 |

No onerous contracts have been identified as at March 31, 2015 and March 31, 2014.

## 11. ADMINISTRATIVE EXPENSES

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

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Workforce compensation and related expenses | **$** | **18,918** | $ | 18,892 |
| Rent and related expenses | | **3,156** | | 2,245 |
| Contract management services | | **2,900** | | 3,193 |
| Travel and hospitality | | **1,798** | | 1,526 |
| Consultants | | **1,084** | | 967 |
| Amortization and depreciation | | **545** | | 168 |
| Software, hardware and support | | **452** | | 445 |
| Corporate communications | | **350** | | 212 |
| Other expenses | | **801** | | 715 |
| | **$** | **30,004** | $ | 28,363 |

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

# 12. FINANCE INCOME, NET

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

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Financial assets | | | | |
| Finance income earned on cash and cash equivalents | **$** | **403** | $ | 422 |
| Financial liabilities | | | | |
| Finance cost on payables and other liabilities | | **(88)** | | (155) |
| | **$** | **315** | $ | 267 |

# 13. PARLIAMENTARY APPROPRIATION

The appropriation authorized by the Parliament of Canada is included in the Statement of Comprehensive Income for the year in the amount of $14,240 as of March 31, 2015 (2014 - $15,656).

# 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 amounts due from and to these parties included in trade receivables and trade payables and accrued liabilities respectively as at March 31 were as follows:

| | 2015 | 2014 |
|---|---|---|
| Trade receivables | **$1,101** | $831 |
| Trade payables | **$1,042** | $144 |

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

## *(a) Public Works and Government Services Canada*

Public Works and Government Services Canada provides contract management and other administrative services to the Corporation at negotiated rates which reflect fair value.

For the year ended March 31, 2015, the cost of these services amounted to $2,900 (2014 - $3,193) and is included in administrative expenses.

## *(b) PPP Canada Inc.*

The Corporation has a Memorandum of Understanding with PPP Canada Inc. for the provision of shared services primarily in the areas of information technology, human resource management, finance and procurement, legal services, research and communications, governance and facilities management. This arrangement generates savings through economies of scale for both organizations.

For the year ended March 31, 2015, revenues related to the provision of these services amounted to $750 (2014 - $750) and are included in fees for service.

(in thousands of Canadian dollars, unless otherwise indicated)

## (c) Other Government of Canada departments, agencies and Crown corporations

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

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Department of Foreign Affairs, Trade and Development | **$** | **17,263** | $ | 20,015 |
| Department of National Defence | | **-** | | 368 |
| | **$** | **17,263** | $ | 20,383 |

The Corporation also participates in employee interchange programs with the Department of Foreign Affairs, Trade and Development.

## (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. The supply contract transactions with related Canadian exporters for the year ended March 31 were as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Weatherhaven Global Resources Ltd. | **$** | **1,924** | $ | - |
| Blue Drop Performance Learning Inc. | | **37** | | 340 |
| Cascade Aerospace Inc. | | **-** | | 5,835 |
| | **$** | **1,961** | $ | 6,175 |

The total contract portfolio value remaining to be fulfilled involving related Canadian exporters for the year ended March 31 were as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Weatherhaven Global Resources Ltd. | **$** | **7,608** | $ | - |
| Blue Drop Performance Learning Inc. | | **30** | | 60 |
| Cascade Aerospace Inc. | | **-** | | 38,140 |
| | **$** | **7,638** | $ | 38,200 |

No amounts were due from and to these related Canadian exporters as at March 31, 2015 (2014 – nil).

On March 31, 2015, the Corporation entered into an accelerated payment agreement with Weatherhaven Global Resources Ltd, whereby, the Corporation made an early payment of $4.9 million ($3.8 million USD) subject to the Corporation's regular early payment discount terms to Weatherhaven in advance of payment from the foreign customer.

*(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, paid sick 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 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:

| | | **2015** | | **2014** |
|---|---|---|---|---|
| **BOARD OF DIRECTORS** | | | | |
| Short-term benefits | **$** | **158** | $ | 187 |
| | **$** | **158** | $ | 187 |
| **CORPORATE OFFICERS** | | | | |
| Short-term benefits | **$** | **1,444** | $ | 1,743 |
| Post-employment benefits | | **422** | | 401 |
| Other long-term benefits | | **32** | | 22 |
| | **$** | **1,898** | $ | 2,166 |
| | **$** | **2,056** | $ | 2,353 |

## 15. LEASE COMMITMENTS

On September 26, 2014, Management exercised its right to terminate the current fifteen-year lease agreement for office space effective September 30, 2015.

In November 2014, the Corporation entered into a fifteen-year lease agreement for office space in a new location. The lease payments will commence 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.

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

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

| | | 2015 | | 2014 |
|---|---|---|---|---|
| < 1 year | **$** | **990** | $ | 1,961 |
| > 1 and < 5 years | | **4,704** | | 7,745 |
| > 5 years | | **18,807** | | 2,952 |
| | **$** | **24,501** | $ | 12,659 |

# 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 customers ensuring that the terms of the contract are fulfilled regardless of the quality 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:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| < 1 year | **$** | **922,284** | $ | 999,286 |
| > 1 and < 3 years | | **2,342,986** | | 453,860 |
| > 3 and < 5 years | | **9,699,879** | | 5,275,989 |
| > 5 years | | **5,296,627** | | 9,400,925 |
| **Total contract portfolio** | **$** | **18,261,776** | $ | 16,130,060 |

# CORPORATE GOVERNANCE

Established in 1946, the CCC is a federal Crown corporation mandated to facilitate international trade on behalf of Canadian industry, particularly with governments of foreign countries. The Corporation's business lines are structured to support Canadian companies contracting in a variety of industries and sectors. CCC negotiates and executes bilateral government-to-government contracting arrangements, facilitating export transactions for Canadian exporters.

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

CCC's mandate is described in the *Canadian Commercial Corporation 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.*

The Minister of International Trade annually provides direction to CCC in a Statement of Priorities and Accountabilities, directing CCC to play an integral role to support the enhancement of Canada's trade objectives.

## The International Trade Portfolio

The International Trade Portfolio offers services to meet the needs of Canadian companies seeking to do business abroad, including the provision of market advice, business contact information, and advocacy through DFATD's TCS; financing, guarantees, and insurance through EDC; arrangements with foreign governments that enable contract structuring, negotiations, government-to-government contracting, and procurement from Canada through CCC.

CCC, DFATD and EDC have furthered their collaboration through the development of MOUs which will be regularly reviewed, increasing the collective impact of these organizations.The Government of Canada has an ambitious trade agenda and is deeply committed to increasing the number of free trade agreements (FTAs) with foreign countries. The Global Markets Action Plan targets markets that matter to Canadian businesses and ensures that Canada's interests are advanced in those markets by giving priority to trade activities and harnessing all Government of Canada trade tools and diplomatic assets to achieve commercial success. CCC acts as a complementary trade organization in the execution of this important agenda as it maintains or creates market access in areas that are typically excluded from trade agreements, such as defence and security, as well as in new markets where Canada does not yet have an FTA.

CCC's contracting and procurement expertise complements the trade promotion and financial services provided by DFATD and EDC, respectively, and concretely supports trade through the execution of government-to-government contracts in priority markets. CCC, working collaboratively with partners and stakeholders, enhances the competitiveness of Canadian exporters, including SMEs.

## 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. It has two main funding sources: appropriations voted by the Parliament of Canada and fees generated by service offerings.

CCC is headquartered in Ottawa, Ontario, and employs approximately 140 people. While CCC regularly seeks skilled contracting and procurement professionals to deliver its unique services, normal attrition and nominal turnover have allowed the Corporation's staff complement to remain relatively stable over the last two years.

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

In addition to the CCC Act, the Corporation also adheres to the following federal legislation and any new legislation, regulation, or policy which is extended to corporations under Schedule III Part I of the FAA:

1) *Financial Administration Act*
2) *Privacy Act*
3) *Access to Information Act*
4) *Federal Accountability Act*
5) *Public Servants Disclosure Protection Act*
6) *Official Languages Act*
7) *Corruption of Foreign Public Officials Act*
8) *Canadian Environmental Assessment Act*

As per the reporting requirements of section 71 of the *Canadian Environmental Assessment Act*, CCC had no applicable projects in fiscal year 2014-2015.

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. In addition, 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 November 26, 2014, CCC held its seventh annual public meeting in Ottawa, Ontario.

## Board of Directors

Pursuant to the *CCC Act* and Part X of the FAA, the stewardship of the Corporation is the responsibility of the Board of Directors. The Board is accountable for the affairs of the Corporation and ensures the proper delivery of public policy on behalf of the Government of Canada through the provision of leadership and guidance to the Corporation's management team, and by setting the Corporation's long-term strategic direction, in alignment with the Minister of International Trade's direction expressed in the annual Statement of Priorities and Accountabilities.

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

The Board conducts its oversight function through a number of subcommittees which include: the Operations Committee; the Governance and Human Resources Committee and the Audit Committee. The committees examine matters in their respective areas that come before the Board for consideration.

## Board Committees

### OPERATIONS COMMITTEE

The Operations Committee oversees the Corporation's procurement and international contracting business. All capital projects and all projects valued in excess of $100 million or significant amendments to these projects, as well as any other projects that are referred by Management to the Committee for consideration, are reviewed by this Committee. Upon review, 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.

### 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 processes for the development of corporate priorities including the communications strategy, corporate social responsibility, corporate performance management and human resources. 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, when requested, identifies and recommends candidates for appointment to the Board of Directors, including Chairperson of the Board and President and CEO, for consideration by the Minister of International Trade. 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 resources policies to ensure the well-being of the Corporation and its employees.

### 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 ethical conduct of the Corporation. The Committee oversees the annual financial audit, the internal audit function, and the requirements of the OAG. The Director of Internal Audit and representatives from the OAG attend all Audit Committee meetings.

The Board 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, 2015)*

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

## BOARD OF DIRECTORS: MEETING ATTENDANCE

*(AS OF MARCH 31, 2015)*

| BOARD MEMBER | MAY 2014 | SEPTEMBER 2014 | JANUARY 2015 | MARCH 2015 |
|---|---|---|---|---|
| Ray Castelli (Chair) | X | X | X | X |
| Scott Player | X | X | X | X |
| Martin Gagné | X | X | X | X |
| Claude Robillard* | - | X | X | X |
| Derrick Rowe | X | - | X | X |
| Andrew Saxton | X | X | X | X |
| Stephen Sorocky | 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* - Mr. Robillard was appointed on June 13, 2014

## *Senior Management Committee*

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

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

### RISK AND OPPORTUNITIES COMMITTEE (ROC)

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

- Promote an appropriate balance between risk management and pursuit of opportunities in the context of CCC's risk appetite, largely through the review and assessment of project pursuits at various stages.
- Make recommendations regarding project pursuits including fees, and ensure resources are aligned with approved strategies.
- Assess and ensure alignment of corporate business objectives with CCC's ERM framework.

| PRESIDENT & CEO |
|---|
| Martin Zablocki |

| VICE-PRESIDENT BUSINESS DEVELOPMENT & SALES* | VICE-PRESIDENT DEFENCE & CONTRACT MANAGEMENT | VICE-PRESIDENT LEGAL SERVICES, GENERAL COUNSEL, & CORPORATE SECRETARY | VICE-PRESIDENT CORPORATE SERVICES AND CFO |
|---|---|---|---|
| Pierre Alarie | Jacques Greffe | Tamara Parschin-Rybkin | Anthony Carty |

Note*: Pierre Alarie occupied the position of Vice-President, Business Development and Sales until the announcement of his appointment as Canada's Ambassador to Mexico on March 4, 2015; Jacques Greffe, Vice President Defence and Contract Management, will assume the role of Vice-President Business Development and Sales on an interim basis through 2015 until a replacement for Mr. Alarie is confirmed.

## INTEGRITY COMPLIANCE COMMITTEE (ICC)

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

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

# ANNEX A - BOARD OF DIRECTORS

## RAY CASTELLI

*Chief Executive Officer*
*Weatherhaven*

BURNABY, BRITISH COLUMBIA

Mr. Ray Castelli is Chief Executive Officer of Weatherhaven, a leading provider of redeployable shelter systems. Prior to joining Weatherhaven, Mr. Castelli was President and CEO of Naikun Wind Development Inc., a Vancouver-based wind energy company. He spent 12 years in the international business development area focused on the natural resource industry. During that time, he was co-founder and Senior VP of Quadrem, a procurement services company formed by 19 of the world's largest mining and metals companies, as well as Director of Corporate Development for Alcan Aluminum Ltd. Mr. Castelli's diverse business experience has led him to serve as key advisor to the British Columbia Business Council, the Canadian Association of Defence and Security Industries (CADSI), and on ministerial taskforces at the federal level, including the Minister of Trade Advisory Committee and the Minister of Public Works and Government Service Panel on Military Procurement Reform. Mr. Castelli was appointed to CCC's Board of Directors on December 14, 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. Mr. Saxton was most recently appointed to CCC's Board of Directors on December 14, 2010 and re-appointed on April 30, 2015.

## STEPHEN J. SOROCKY

### *President and CEO LxData Inc.*

TORONTO, ONTARIO

Mr. Stephen Sorocky is President & CEO of LxData Inc. He served previously as President & CEO of Virtek Vision International Inc., CEO and Director of Dynacon Inc., Vice-President and General Manager, Space Robotics Division, Spar Aerospace Ltd., and Vice-President, Manufacturing Industry Division of Electronic Data Systems of Canada, and founded 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. Mr. Sorocky was appointed to the Board of Directors of CCC on December 14, 2007 and reappointed December 14, 2010.

## DERRICK ROWE

### *Chairman and CEO Name 3 Capital Inc.*

ST. JOHN'S, NEWFOUNDLAND AND LABRADOR

Mr. Derrick Rowe is Chairman and CEO of Name 3 Capital Inc., a private investment firm he owns. He also serves as Executive Chairman of Bluedrop Performance Learning Inc., an award-winning e-learning company and training and simulation provider to the defence sector. Mr. Rowe serves on the boards of directors for the Canadian Association of Defence and Security Industries (CADSI) and Tennis Canada. 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) and various International Trade Advisory Committees for the Government of Canada. 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.

## 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. Prior to joining CAE, he was a Major in the Canadian Armed Forces, serving as a senior aerospace engineering officer and in the CF-18 weapon software engineering unit. Mr. Gagné serves on the Board of Directors for the Canadian Association of Defence and Security Industries (CADSI) and is a member of the Advisory Panel to the Assistant Deputy Minister, Materiel, of the Department of National Defence. Mr. Gagné was appointed to CCC's Board of Directors on February 7, 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 7, 2013.

## DWAYNE LUCAS

### *President, Lucas Aero Strategies Inc.*

ABBOTSFORD, BC

Until June 2014, when he started his own company, Mr. Dwayne Lucas, P.Eng, 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 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. Mr. Lucas 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 a board member (Director) for the Canadian Aviation Hall of Fame and the executive lead for research and development for the AIAC Pacific. Mr. Lucas was appointed to CCC's Board of Directors on June 14, 2013.

## 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. She is also certified as a legal project manager. 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, as well as participating in law reform initiatives in Canada and Europe. Ms. Bassan was appointed to CCC's Board of Directors on December 17, 2013.

## NICOLE VERKINDT

*President*
*OMX*

TORONTO, ONTARIO

Ms. Nicole Verkindt is President of OMX (theomx.com), an international software platform for government contractors to manage offset commitments in the defence, aerospace and security industries, a company she founded in 2011. The company also tracks and reports on economic impacts from government procurements through its data analytics business. Prior to OMX, Ms. Verkindt held several positions at a Canadian defence SME: 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 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 of the Southern Ontario Defence Association and an active member of the CADSI SME & Industrial Participation committees, Global Offset and Countertrade Association, the Canadian Space Commerce Association and the Ontario Aerospace Council. She is also on the Advisory Board for the Munk School of Foreign Affairs MGA Program. 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 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 member 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.

# ANNEX B - SENIOR MANAGEMENT COMMITTEE

## MARTIN ZABLOCKI

### PRESIDENT AND CHIEF EXECUTIVE OFFICER

Martin Zablocki is President and Chief Executive Officer of the Canadian Commercial Corporation (CCC). Prior to his appointment, as President and CEO, Mr. Zablocki held various other senior-level executive positions within the Corporation, including Executive Vice-President and Chief Operating Officer (COO) wherein Mr. Zablocki provided strategic advice and operational leadership on all aspects of CCC's business with particular focus on developing and executing strategies to generate business and sales in key markets. In addition, Mr. Zablocki has held the positions of Vice-President - Risk and Finance, and Chief Financial Officer, as well as Vice-President - Strategy and Organizational Development at CCC. Before joining CCC, Mr. Zablocki garnered 17 years of management experience with the Government of Canada, leading regional and national operations within the Canada Revenue Agency, Fisheries and Oceans Canada, and Industry Canada. Mr. Zablocki holds two professional designations, Chartered Business Valuator and Certified Management Accountant, and has served on a variety of volunteer boards and committees.

## ANTHONY CARTY

### VICE-PRESIDENT, CORPORATE SERVICES AND CFO

Mr. Anthony Carty joined CCC in April 2012 as Vice-President of Risk and Finance and Chief Financial Officer. Mr. Carty was previously Senior Vice-President and CFO for i2 Holdings, an IBM Company, where he led a team focused on financial and operational roles, including finance and accounting, information technology and business system functions. i2 Holdings was acquired in 2011 by IBM from Silver Lake Sumeru, a leading private equity investor in technology and related growth industries. Mr. Carty has over 18 years of experience in finance and accounting roles in public accounting, operating, and private equity environments with a focus on software and high technology manufacturing companies. Mr. Carty was an Audit Manager with PricewaterhouseCoopers' High Technology Practice in Boston, Massachusetts, where he became a Certified Public Accountant.

## TAMARA PARSCHIN-RYBKIN

### VICE-PRESIDENT LEGAL SERVICES, GENERAL COUNSEL AND CORPORATE SECRETARY

Ms. Tamara Parschin-Rybkin was appointed Vice-President, Legal Services, General Counsel and Corporate Secretary in September 2006. Prior to this appointment, Ms. Parschin-Rybkin was a Senior Counsel with the Department of Justice, where her numerous responsibilities included being Lead Counsel for CCC from 1996-2006, and, prior to that, Lead Counsel for the Department of Transport during the commercialization of the Canadian Civil Air Navigation System to Nav Canada, General Counsel to the Internal Trade Negotiating Team at Industry Canada and at Natural Resources Canada, lead counsel on the Hibernia Development Project and on the negotiations of the Newfoundland and Nova Scotia Offshore Petroleum Accords.

## PIERRE ALARIE

### VICE-PRESIDENT, BUSINESS DEVELOPMENT AND SALES

Mr. Pierre Alarie joined CCC in November 2009 as Vice-President, Business Development and Sales. With almost 30 years of international business development experience, Mr. Alarie spent 17 years as an expatriate promoting and supporting Canadian exporters abroad. As a Trade Commissioner, he was posted in Lagos, Nigeria and Santiago, Chile. His 20 years in the private sector were spent mostly overseas contributing to the international successes of several Canadian companies such as Bombardier, SNC-Lavalin and Scotiabank. Mr. Alarie is fully trilingual in French, English and Spanish. Mr. Alarie was appointed Canada's Ambassador to Mexico in March 2015 by the Ministers of Foreign Affairs and International Trade.

## MARIETTE FYFE-FORTIN

### VICE-PRESIDENT, STRATEGY AND ORGANIZATIONAL DEVELOPMENT

Mrs. Mariette Fyfe-Fortin joined CCC in November 2009 as Vice-President, Strategy and Organizational Development. Prior to joining CCC, she was Director General Procurement Services, Materiel Group at DND. Mrs. Fyfe-Fortin has 20 years of executive experience in procurement and acquisitions, policy and strategic planning, real property management, corporate services, and project management in the federal government. She has successfully led a number of complex and significant transformation and change management initiatives both at DND and PWGSC. She has been the PWGSC Departmental Representative leading all departmental activities for a number of international events from APEC 1997 to the Kananaskis G8 of 2002. She has advised cabinet ministers and senior civil servants on critical inter-departmental and governmental issues. Mrs. Fyfe-Fortin recently completed two years as a member of the Clerk of the Privy Council ADM Learning Advisory Committee. Mrs. Fyfe-Fortin is a Professional Landscape Architect, member of the Québec Association of Landscape Architects and of the Canadian Society of Landscape Architects. Mrs. Fyfe–Fortin retired from CCC in December 2014.

## JACQUES GREFFE

### VICE-PRESIDENT, DEFENCE PROCUREMENT AND CONTRACT MANAGEMENT

Mr. Jacques Greffe joined CCC in November 2009 as Vice-President, Defence Contract Management and Procurement. Prior to his appointment at CCC, he was the Director General, Commercial Acquisitions and Supply Management Sector at PWGSC. Mr. Greffe has over 27 years procurement and contracting experience with the Canadian federal government, largely with DND and PWGSC, and has been a special advisor on a number of departmental and inter-departmental procurement initiatives due to his extensive experience in procurement. *Mr. Greffe also assumed the role of Vice-President Business Development and Sales on an interim basis on March 4, 2015.*

# ANNEX C - GLOSSARY OF TERMS

| | |
|---|---|
| **AIAC** | Aerospace Industries Association of Canada |
| **AUSA** | Association of the United States Army |
| **BADC** | Bangladesh Agricultural Development Corporation |
| **CADSI** | Canadian Association of Defence and Security Industries |
| **CCC** | Canadian Commercial Corporation |
| **CDA** | Canadian Defence Attachés |
| **CEO** | Chief Executive Officer |
| **CFPOA** | *Corruption of Foreign Public Officials Act* |
| **CSR** | Corporate Social Responsibility |
| **DFATD** | Foreign Affairs, Trade and Development Canada |
| **DCA** | Defence Cooperation Agreement |
| **DLA** | Defense Logistics Agency |
| **DND** | Department of National Defence |
| **DPS** | Defence Procurement Strategy |
| **DPSA** | Defence Production Sharing Agreement |
| **EDC** | Export Development Canada |
| **ERM** | Enterprise Risk Management |
| **FAA** | *Financial Administration Act* |
| **FMS** | Foreign Military Sales |
| **FTA** | Free Trade Agreement |
| **GDS** | Global Defence and Security |
| **GMAP** | Global Markets Action Plan |
| **GPP** | Global Partnership Program |
| **ICB** | International Commercial Business |
| **ICC** | Integrity Compliance Committee |
| **IDEX** | International Defence Exhibition |
| **MOU** | Memorandum of Understanding |
| **NASA** | National Aeronautics and Space Administration |
| **OAG** | Office of the Auditor General of Canada |
| **PIPSC** | Professional Institute of the Public Service of Canada |
| **PPP Canada** | Public-Private Partnerships Canada |
| **PPPs** | Public-private partnerships |
| **PWGSC** | Public Works and Government Services Canada |
| **ROC** | Risk and Opportunities Committee |
| **SMEs** | Small and medium-sized enterprises |
| **START** | Stabilization and Reconstruction Task Force |
| **TCS** | Trade Commissioner Service |
| **USD** | United States Dollars |
| **U.S. DoD** | United States Department of Defense |
| **VCS** | Value of contracts signed |
| **WHO** | World Health Organization |