

Co-Investment Guidelines

Technology Leadership Program
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Disclaimer

This document is for information purposes to provide guidance about the types of Technology Leadership project expenses that are eligible for our co-investment. This guidance does not bind us or Innovation, Science and Economic Development Canada (ISED) and is subject to change at any time. Actual co-investment determinations will be made by us at the time a project claim is adjudicated.

Introduction

Ahead of the curve starts here. The Digital Technology Supercluster is building a better Canada by growing Canadian businesses, creating a digitally skilled workforce and positively impacting lives across our country. We accelerate the development and adoption of digital technologies that keep Canadians healthy, address climate change and drive economic productivity. Through a powerful combination of co-investment, cross-sector collaboration, IP creation and digital talent development, we unlock the potential of Canadians to lead and succeed in the digital world. To date, we have driven over \$350 million of investment across 82 projects and built our community to over 900 Canadian members. We are on track to create over 20,000 new jobs by 2028. To learn more, visit: www.digitalsupercluster.ca.

The purpose of these Co-Investment Guidelines is to provide guidance on eligibility and acceptable uses of our funds on Technology Leadership projects. Additional policies regarding the determination of eligible costs and details about the claim submission process are available on our Community Portal.

Co-investment

The term “co-investment” refers to the concept of each of the project partners, including us investing together financially in a project.

- The funds available to us for co-investment are limited.
- There is no set maximum project size. We will determine the maximum amount of co-investment for a specific project when the project is selected.
- No single Member organization seeking direct co-investment from us on a project can receive more than 80% of the total maximum amount of our co-investment in that project, unless otherwise approved in writing by us at the time of project selection and/or during contracting.
- We will co-invest up to 43% (our co-investment rate) of total eligible approved project expenses paid by eligible industry Member organizations on a project. We may adjust our co-investment rate at the time of project selection and/or during contracting.

Eligible Organizations

All types of organizations, including organizations located outside of Canada, are encouraged to participate in projects.

- “Member” refers to an organization that has signed a Membership Agreement with us. A Member must be a Canadian company or a multi-national corporation that is legally registered to do business in Canada and has a Canadian business operation. Become a Member [here](#).
- We only provide co-investment to organizations that are for-profit Members (representing industry), non-profit Members whose funding is primarily sourced from private organizations and non-federal crown corporations whose funding is derived from commercial activities (“Eligible Members”).
- Eligible project consortia composition is outlined in the [Technology Leadership Program Guide](#).
- Eligible Members participating in projects and receiving direct co-investment from us are required to pay a Project Fee as described in Schedule A of their Membership Agreement.
- Not-for-profit, government, post-secondary and research institutions, Associates and non-Canadian organizations can participate in projects but cannot receive direct co-investment from us.

Eligibility Principles

Eligible costs must be **incremental, reasonable, and directly** relate to the execution and achievement of project outcomes.

Our co-investment is paid to Eligible Members against their actual Eligible Project Costs (outlined below) when we approve a claim. Project teams are required to track project expenses, substantiate them with evidence, and report on their project costs.

- Any project-related expenses incurred prior to our selection and approval of a project proposal, and costs related to contracting for an approved project are not eligible.
- All eligible project expenses must be recorded net of all taxes. This includes but is not limited to GST, HST, PST, hotel taxes, airport taxes, tourism taxes and all foreign taxes. Taxes are not eligible costs.

- Overheads or project costs incurred in respect of the routine administration and operation of an organization, such as rent on existing facilities, utilities, etc. are not eligible. For clarity, incremental insurance costs for the purposes of Eligible Members meeting their obligations under the signed Master Project Agreement are eligible.

Project teams can begin work and tracking their project costs from the date we approve the project for co-investment as long as those costs were included in the approved budget for the proposed project. However, **we will not provide any co-investment for any project costs unless a Master Project Agreement has been signed.**

Our co-investment is subject to availability of funds from the ISED. Project expenses are subject to audit by us and/or the Government of Canada.

Eligible Project Costs

- a) Direct costs of the project related to the achievement of project outcomes and specifically attributable to the completion of project deliverables.
- b) Portion of base wages, salaries or contracts incurred that can be specifically identified and measured as having been performed on project deliverables.
 - Time sheets or evidence of time tracking will be required to support direct labour costs charged to the project. Payroll registers may be requested to substantiate costs.
 - **Statutory paid employee benefits** (i.e., CPP, EI, Employer Health tax, workers compensation) are eligible. For clarity, any discretionary benefits (i.e., extended health, dental, life insurance, pension or retirement contributions), bonuses, severance or separation packages are ineligible.
 - Service providers, consultants and other subcontractors are expected to offer reasonable and discounted rates for the project. Total subcontractor costs for any Eligible Member cannot exceed 35% of their total eligible project costs.
 - **All work must be performed in Canada**, unless otherwise pre-approved as a foreign cost (see k) below.
- c) Costs related to equipment, facilities, and supplies, including purchase, rental, operation, and maintenance costs.

- d) User fees.
- e) Materials and supplies when they are used or consumed on the project (not when materials are purchased).
- f) Incremental room or facility rentals in respect of the project.
- g) Incremental costs to support conferences and related telecommunication expenses **exclusively** for the purposes of the project.
- h) Travel costs, including meal and accommodation costs in accordance with the [National Joint Council Travel Directive](#) that are incurred **exclusively** for the purposes of the project.
- i) Dissemination costs (publication and other activities).
- j) Capital expenditures that are linked to the objectives of the project, vital for the success of research, development, demonstration, or commercialization of the project, and not otherwise available as a shared resource. Capital expenditures **over \$1 million must be pre-approved** in writing by us before purchase and may also require pre-approval from ISED.
- k) Foreign costs: on an **exceptional basis**, we may pre-authorize expenditures to be incurred outside of Canada if they are necessary for the success of the project and cannot otherwise be undertaken in Canada. In order to be eligible, our **written pre-approval is required in advance** of any spending to determine eligibility of any project costs to be incurred outside of Canada. We may also require pre-approval from ISED.
- l) Costs relating to the protection of Foreground Intellectual Property (IP) arising out of a project are eligible (e.g., registration, patent drafting, filing, prosecution costs, patent office fees, prior art searching). In order to be eligible, our **written pre-approval is required in advance**. Only SMEs who are Eligible Members are able to claim Foreground IP protection costs, subject to a maximum of \$75,000 per SME per project unless otherwise pre-approved by us. ISED uses the term SME to refer to businesses with fewer than 500 employees globally.
- m) Use of existing commercially available IP such as software licenses, **if already commercially sold in Canada** prior to when the Full Project Proposal is submitted. These costs must be **pre-approved** by us in writing and supported by evidence of fair

market value (such as past invoices, agreements and/or current list prices). A special claims process is required. **The total eligible project costs for the use of existing commercial IP cannot exceed 25% of the total Eligible Member (industry) co-investment** in the project.

Ineligible Project Costs

- a) Costs not directly related to the project activities and work to achieve the deliverables and objectives of the project.
- b) Gross wages, salaries, or contracts in excess of \$300,000 per person per calendar year.
- c) Discretionary employee benefits (in excess of statutory benefits) including but not limited to health, dental, life, pension, retirement, bonuses, severance, or separation packages.
- d) Taxes, fines, penalties, cancellation fees or contingencies.
- e) Costs for which any project partner is eligible for a rebate or tax credits from federal, provincial, territorial, or municipal government sources.
- f) Costs for the use of know-how or existing non-commercial IP in the project (e.g., the use software that is still in development). The costs are ineligible if there has not been a commercial sale in Canada prior to the Full Project Proposal submission. For clarity, consulting and professional services are not considered to be commercial IP, unless otherwise pre-approved in writing by us (see h) below).
- g) Expenses relating to the construction, or purchase of a building or land.
- h) Legal, accounting and consulting fees in connection with, litigation or financial reorganization or extraordinary or abnormal fees for professional advice.
 - For clarity, legal, accounting and consulting fees related to our application and evaluation process and completing the Master Project Agreement are not eligible, unless pre-approved in writing by us.
- i) Non-incremental costs including overhead, depreciation or amortization, excess facilities, vacant or unused space and costs related to the routine administration and operation of the organization.
 - For clarity, incremental insurance costs required to comply with the Master Project Agreement insurance obligations are eligible.
- j) Losses on investments, other projects, contracts, bad debts, or expenses for the collection charges.

- k) Honoraria, gifts, donations, entertainment expenses and alcoholic beverages.
- l) Dues and other memberships other than regular trade and professional associations.

Other Government Funding

Other government funding received for project expenses must be disclosed by each project partner expecting to receive co-investment from us in the project budget and/or claim submission.

Funds received from any other government source, except for Scientific Research & Experimental Development credits, may decrease the amount eligible for co-investment from us.

The total Canadian government assistance for any project, including federal, provincial/territorial and municipal, cannot exceed 100% of Eligible project costs.

Co-Investment Conditions

The conditions for receiving co-investment from us are:

- a) **A signed Master Project Agreement** between the project partners, including us.
- b) **An approved project budget** that outlines all project costs by deliverable, participant and type of expense and the funding sources for the project.
- c) Confirmation and satisfaction by us of each participant's ability to fund their commitments to the project. We have the right to undertake a **financial assessment and due diligence** of any project partner to make sure they can meet their stated project commitments.
- d) **Certification** by a senior executive with signing authority from each Eligible Member confirming that they understand the eligibility of project costs, the project budget is reasonable and directly related to achieving the project outcomes and are incremental to the normal operation of their organization.
- e) **Membership in good standing.** An organization is considered in good standing if they remain current on payments due to us (such as Membership Fees) and comply

with the Charter of Values and their Master Project Agreement(s) obligations.

- f) **Reporting and claims** are received in a timely manner that complies with our reporting requirements as outlined in the related Master Project Agreement.

We reserve the right to withdraw our commitment to co-invest in any selected project if we solely determine that it no longer meets the requirements of the Technology Leadership Program or if there is an unapproved or substantial change from the project proposal.

