



# INNOVATION SUPERCLUSTERS

PROGRAM GUIDE

INNOVATION  
FOR A **Better** CANADA

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## **1. INTRODUCING THE INNOVATION SUPERCLUSTERS INITIATIVE (ISI)**

The Innovation Superclusters Initiative (ISI) is a new opportunity to strengthen Canada’s most promising clusters and accelerate economic growth in highly innovative industries, while positioning our firms for global leadership.

The ISI will invite industry-led consortia to lead and to invest in bold and ambitious proposals that will supercharge their regional innovation ecosystems. By pulling in large firms, innovative small and medium-sized enterprises (SMEs) and industry-relevant research institutions, business leaders will come together—with partners and in new ways— to build business-led innovation superclusters at scale.

Their plans must build on shared private sector commitment – demonstrated through matched industry funding – to leverage strengths, address gaps, and incent innovation ecosystem players to work together more strategically for the collective benefit of their clusters.

Through an investment of up to \$950 million over five years, the ISI will offer contributions to not-for-profit Entities (or “Recipients”) representing industry-led consortia (or “Applicants”), under the terms of a Contribution Agreement that will be negotiated with successful Applicants to implement their proposal.

Day-to-day administration of the ISI will be provided by Innovation, Science and Economic Development Canada (ISED).

### **1.1. OBJECTIVES, EXPECTED RESULTS AND OUTCOMES**

The purpose of the ISI is to accelerate the growth and development of business-led innovation superclusters in Canada, translating the strengths of our innovation ecosystems into new commercial and global opportunities for growth and competitiveness.

The ISI will make non-repayable contributions to industry-led, not-for-profit Entities with ambitious proposals to achieve the following:

- Build a shared competitive advantage for their cluster that attracts cutting-edge research, investment and talent by addressing gaps, aligning strengths, enhancing attributes, and positioning it as a world-leading innovation hotbed;
- Increase business expenditures on R&D and advance a range of business-led innovation and technology leadership activities that will address important industrial challenges, and boost productivity, performance and competitiveness for Canada’s sectors of economic strength;
- Generate new companies, and commercialize new products, processes and services that position firms to scale, integrate into global value chains, transition to high-value activities and become global market leaders; and
- Foster a critical mass of growth-oriented firms, and bolster collaborations between private, academic and public sector organizations pursuing private-sector led innovation and commercial opportunities to enhance the cluster’s pool of resources, capabilities and knowledge.

Accomplishing the objectives of the program will align Canada's strengths in new ways to translate industrial, regional and technological advantages into tangible economic outcomes including jobs, firm creation and growth, and Canadian competitiveness.

## **2. ISI REQUIREMENTS**

### **2.1. WHO THIS INITIATIVE IS INTENDED FOR**

#### **2.1.1. Who should apply?**

The Innovation Superclusters Initiative (ISI) is intended to support business-led efforts to develop and advance a supercluster advantage, and is designed to encourage large-scale collaboration of innovation ecosystem players. ISI applications will therefore be accepted from industry-led consortia only. Participants in the industry-led consortium must be organizations incorporated in Canada and active in Canada.

Consortia must include firms of all sizes to demonstrate that applications reflect the needs of various actors and a shared commitment from firms within the cluster. To maximize the economic impact of proposals, and to demonstrate that they fully reflect the industrial strengths of their superclusters, the participation of firms from multiple sectors will be an asset.

Applicants are also expected to demonstrate their commitment to the strategies they are proposing over the lifetime of the initiative. This commitment includes the meaningful involvement of private sector partners in the governance of the organization (e.g., role on the board of directors) and undertaking leadership roles in its activities (e.g., leading projects, seconding technical staff), as well as commitments to match the funds requested of the ISI.

Academic and post-secondary institutions (e.g., university, college, polytechnic) and other not-for-profit and innovation partners are important members of clusters, and are encouraged both to come forward as part of an Applicant consortium and to participate in the activities of funded consortia. Each Applicant will require the participation of at least one post-secondary institution. However, such institutions are not intended to lead applications, nor will commitments from these partners be counted toward the mandatory matching funds from industry (see *section 2.4 Matching Fund Requirements* for details).

#### **2.1.2. Who will receive funding?**

Recipients eligible to receive funding are new or existing not-for-profit organisations, incorporated under the *Canada Not for Profit Corporations Act*. These organizations must be industry-led. The not-for-profit organisations will be referred to as "Entities" or as the "Entity." Incorporation of the not-for-profit must take place before a Contribution Agreement is signed.

Entities are intended to be membership-based organizations (see *section 2.1.4 Membership structure* for details). They will act as central organizing bodies to execute the forward-looking strategic plans proposed by industry-led consortia to achieve the objectives of the ISI, and will administer ISI Contribution Agreements. Specifically, Entities funded by the ISI are expected to fulfill the following roles and responsibilities:

- engage with Member organizations to establish priorities and choose activities to address gaps and opportunities in the innovation ecosystem;
- undertake projects and redistribute allocated ISI funds to support activities;
- establish and manage agreements with Members on collaboration, intellectual property, and funding;
- develop and maintain relationships with current and potential Members and engage in relevant domestic and international partnerships to achieve the Entity’s objectives; and
- monitor and report to ISED on activities and achieved results per the Contribution Agreement requirements.

It is also expected that Entities will need to redistribute portions of the funding they receive to fulfill activities outlined in the Contribution Agreement. Organizations or individuals that carry out activities for which they receive ISI funding will be known as the “Ultimate Recipients” (e.g., individual members of an Entity such as businesses or academic institutions) and will be selected through processes conducted independently by the Entity.

### **2.1.3. Who will benefit from the initiative?**

Applicants must demonstrate how their proposals will benefit and involve the broader innovation ecosystem to which they belong—in other words, stakeholders in their supercluster. Not all firms or organizations within a supercluster will be part of the ISI application when it is submitted; however, as program funding is intended to drive the growth of the supercluster as a whole, it will be important that the benefits of these investments extend beyond the Applicants themselves. The benefits of funding delivered under the ISI are expected to extend to three groups, outlined below.

#### **2.1.3.1. Members**

In order to support service delivery, project governance, and effective operations, and to best capture and respond to the needs of their superclusters, Entities are required to establish a membership structure. Members of the supercluster can be Canadian-based private sector enterprises (large firms, SMEs, start-ups, including the Canadian branch of multinational enterprises); Canadian post-secondary institutions (e.g., university, college, polytechnic) and other research institutions; and Canadian not-for-profit or other organizations that will ultimately contribute to the Entity’s delivery of the ISI’s goals and objectives. Members are entitled to receive specific services and benefits from the Entity, in line with its proposed activities and corporate plan. Members can be located in the region to which the cluster belongs, or join as part of a larger network.

#### **2.1.3.2. Non-Members**

Not all organizations within a local cluster will choose to become Members of the Entity. However, in order to support the objective of broader cluster development, the Entity must also deliver activities and pursue initiatives that provide both direct and indirect benefits to Non-Members. Whether these activities ultimately encourage Non-Members to join, or whether they simply provide services of general benefit to firms in the cluster, they should ultimately strengthen the conditions for supercluster firms’ growth and success.

#### **2.1.3.3. National Network**

To build and strengthen networks of innovators, it is expected that participation in ISI-funded activities will be open to interested organizations throughout Canada. For example, it is expected that organizations with interest or expertise aligned with the Entity’s proposal would be eligible for

membership in the Entity, regardless of their location in Canada; in other words, they should be eligible to participate in projects and/or have access to services subject to the membership structure.

#### **2.1.4. Membership structure**

The funded Entity must establish a membership structure and accompanying Membership Agreement to formalize the community of innovators that will participate in or benefit from the Entity's activities. The membership structure must clarify the terms under which Members join (including payment for membership, if any), are retained, benefit from the projects organized by the Entity (including access to intellectual property generated through the Entity's activities) and services provided, are released from membership, and any other terms the Entity deems essential to operations. It is understood that the membership may evolve over time.

The Entity's membership structure should be designed so as to ensure that firms of all sizes (and from interested sectors within the cluster) have access to membership. For example, if the Entity chooses to set membership fees, these should not be so high as to preclude the membership of small firms and start-ups.

Membership Agreements and annual membership lists will be shared with ISED.

Entities will have independence in the choice of membership structure and the Member organisations they fund, but should commit to provisions set out in the Contribution Agreement regarding membership. In all cases, funded activities must remain in line with the objectives of the ISI and adhere to terms of the Contribution Agreement.

## **2.2. WHAT THIS INITIATIVE IS INTENDED TO DO**

The ISI will support Entities' execution of a full range of activities intended to develop a supercluster advantage by building on strengths and addressing gaps in the innovation ecosystem. These activities will be set out in the Supercluster Strategies proposed by Applicants, and will be evaluated as part of the application process (see *section 4 Applying to the ISI* for details). The central objective for Applicants will be to propose a Supercluster Strategy that will support long-term growth and advantage for the cluster that translates into major commercial opportunities, boosts productivity, creates jobs and drives economic growth for a better Canada.

### **2.2.1. What activities are eligible?**

Supercluster Strategies can be structured around five themes of activity eligible for co-investment under the ISI (see below). The ultimate balance between different themes will be set out in an Applicant's proposal and will vary according to the unique assets, resources and capabilities already resident in the candidate cluster region, the existing gaps in the innovation ecosystem, as well as the priorities, composition and challenges of the participating sectors. The five themes include:

- **Technology leadership.** Collaborative projects that directly enhance the productivity, performance and competitiveness of Member firms, such as:
  - collaborative R&D projects
  - demonstration or prototype development projects with benefits for multiple firms



- development of production methods and processes involving industry and academic partners
- private-sector led commercialization projects
- **Partnerships for scale.** Activities serving a target group of cluster firms to enable their growth, including by increasing domestic demand for cluster products and services or by facilitating expansion, such as:
  - linking start-ups with strategic partners (e.g., 'pitch days')
  - offering business mentoring, consulting and coaching
  - supply chain development or integration efforts for cluster SMEs with local anchor firms
  - partnering with a public stakeholder/organization that provides access to capital and financing
- **Diverse and skilled talent pools.** Activities enhancing regional labour force skills and capabilities or initiatives addressing industry needs for talent, such as:
  - a recruitment campaign to repatriate Canadian talent to the cluster; development of curricula linked to industry's needs and workforce integration programs for student
  - development and promotion of specialized certifications in areas of technology leadership; re-training programs (e.g., digital skills) for existing workforce
  - assessment of industry's current or anticipated workforce needs; or building awareness of industry demand for skilled talent across stakeholder groups (e.g., students, workers, firms, universities and vocational colleges, policymakers)
- **Access to innovation.** Investing in and providing access to assets, services or resources that benefit a range of cluster firms over a period of time, such as:
  - support for access to specialized technical services
  - installation of and access to dedicated laboratory or cutting-edge equipment
  - acquisition and assertion of jointly held intellectual property
- **Global advantage.** Activities and initiatives that position the cluster and its strengths as world-leading, enable firms to seize market opportunities, and attract international investments and partnerships, such as:
  - cluster promotion
  - investment attraction to cluster region;
  - studies to identify new global markets for cluster products and services
  - participation in or leadership of trade missions to key geographic markets
  - development of regulatory or policy proposals to enhance domestic technology advantage
  - development and promotion of new international standards that embed Canadian approaches

To execute these Strategies, activities (e.g., supply chain development or integration; investment attraction to cluster region; workforce retraining) aligning to the themes outlined above will be proposed by the Applicants and finalized in the negotiation of Contribution Agreements.

Strategies are not required to address all themes, but to be eligible, each Strategy must include technology leadership activities. Applicants are strongly encouraged to include activities from one or more of the other themes in their proposed Supercluster Strategy. Activities eligible under the

technology leadership theme must focus on advancing platform technologies central to firms' future competitiveness and to building a competitive advantage for the supercluster. Activities funded through the Entity under this category must include collaborative research, development, demonstration (RD&D) and commercialization projects. These activities must take place throughout the life of the Contribution Agreement, relate to the strategic area(s) of technology identified, and deliver solutions and results that directly enhance the productivity, performance and competitiveness of Member firms.

### **2.2.2. How will activities be carried out?**

Funded Entities will use ISI funding to design, select and carry out projects and initiatives to advance the activities proposed in their respective Supercluster Strategies, and finalized in the negotiation of their Contribution Agreements. Allocated ISI funds may cover the Entity's costs—when expertise exists among staff on strength to undertake a project—or be redistributed to Ultimate Recipients undertaking projects, including Entity Members and Non-Members representing various types of organizations (Canadian firms, post-secondary and non-federal research institutions, non-profits or other qualified resources), through “calls for projects” (or similar exercises, such as: competitions, contracts, or other appropriate mechanisms). It will be the responsibility of the funded Entities to ensure that projects are carried out as proposed.

The ISI is a program designed to encourage large-scale collaboration of innovation ecosystem players. Therefore, projects, including the call exercise process, should encourage Canadian-based firms, post-secondary institutions, and not-for-profit organizations to partner (with each other, and/or with the Entity) in order to receive funding. It will be particularly important for call exercises to encourage collaboration and partnership between large firms and SMEs or start-ups to create opportunities to grow Canadian companies. Accordingly, Entities will need to set out minimum conditions for collaboration (e.g., minimum number of partners), and mechanisms by which such projects are to be selected and monitored.

Funded Entities will set out projects, initiatives and their associated budgets in annual corporate plans, reflective of their Contribution Agreement and objectives of the ISI, and approved by their Board of Directors. Contribution Agreements will set out obligations in a manner that allows the Entity sufficient flexibility to respond to changing dynamics in the innovation ecosystem and in the market over the course of the agreement.

ISI-funded projects and initiatives are expected to build on pockets of deep regional capacity and expertise, both industrial and academic, and should therefore be concentrated within the supercluster (unless they are being carried out by a Member of the supercluster's national network). These activities should also generally be undertaken in Canada. With pre-approval from ISED, funding could be extended outside Canada when necessary to advance specific priorities or projects and when the benefits will accrue to the cluster and/or build similar capacity among cluster Members. This approval would be granted in exceptional circumstances, such as instances when the necessary expertise for technological advancement was not available in Canada, or to cultivate a new market opportunity for cluster firms abroad.

## 2.3. ELIGIBLE COSTS

### *How do we know what will be funded?*

Eligible Costs are used to determine which costs will be funded by the ISI, as well as to establish the basis for the Recipient Entity's matched funding requirements. Costs for which ISI funding can be used are referred to as Funded Eligible Costs. Costs for which industry's matched funding can be applied, but which will not receive ISI funding, are referred to as Unfunded Eligible Costs.

Generally, both types of Eligible Costs must be incurred in Canada. However, as described above, limited funding from the program may support activities outside of Canada when necessary for the project's success and/or when the activity cannot otherwise be undertaken in Canada. Where necessary to use ISI funds for Eligible Costs (see *section 2.3.1 Funded Eligible Costs* and *section 2.3.2 Unfunded Eligible Costs* for details) incurred outside of Canada, or for costs incurred in the Unfunded Eligible Costs category outside of Canada that exceed 0.5% of the Contribution Agreement value (cumulatively), the Entity must receive written confirmation of cost eligibility from ISED prior to incurring the cost. Any costs incurred prior to such approval will be incurred solely at the Entity's risk without any obligation of payment by the program.

Recipient Entities will only be reimbursed for Eligible Costs that are reasonable and relate directly to the Eligible Activities. The determination of what activities and expenses will be eligible rests with the Minister of ISED and will be more particularly described in the Contribution Agreement.

### **2.3.1. Funded Eligible Costs**

Funded Eligible Costs are those costs to which ISI makes a financial contribution as established by the Contribution Agreement with the Recipient Entity. The ISI's contribution may cover the entire cost of an activity; the cost of the activity may also be shared between private or public sectors, other levels of government, and not for profit organizations. Recipients are encouraged to seek out provincial and territorial programs to determine how they can contribute to overall activity funding.

Funded Eligible Costs include Administration and Operating Costs (*section 2.3.1.1*), and Project Costs (*section 2.3.1.2*).

#### 2.3.1.1. Administration and Operating Costs

Administration and Operating Costs include costs that support the day-to-day operation of the Entities to fulfill the terms of the Contribution Agreement and carry out the mandate of the organization. Such expenses could include:

- Salaries for Entity staff (this does not include salary costs for Board Members);
- Communication and marketing costs;
- Travel costs in accordance with the National Joint Council Travel Directive;
- Networking costs related to the administration of the funded Entity, such as membership recruitment activities and Members' meetings; and
- Operating costs (e.g., maintenance and operations, materials and supplies, liability insurance for Members of the Board of Directors, accounting and legal fees, incorporation costs, etc.).

The ISI will contribute up to 75% of the eligible Administration and Operating Costs incurred by the Entity in support of its agreement objectives, provided industry still meets the overall ISI to industry matching requirement (see *section 2.4 Matching Fund Requirements* for details). The remaining eligible Administration and Operating Costs (minimum 25%) can be met by industry, other levels of government, and/or not-for-profit contributions. Eligible Administration and Operating Costs shall not exceed 15% of the total ISI contribution.

#### 2.3.1.2. Project Costs

Eligible Project Costs relate to the activities undertaken to execute a Supercluster Strategy, subject to the approved Contribution Agreement. These could include:

- Portion of gross wage, salaries or contracts incurred which can be specifically identified and measured as having been performed or to be performed on carrying out the Eligible Activities (see *section 2.2.1 What activities are eligible?* for details)
- Equipment, facility and supplies, including purchase, rental, operation and maintenance costs, and user fees
- Room or facility rental for projects
- Materials
- Capital expenditures
- Travel costs in accordance with the National Joint Council Travel Directive

Capital expenditures incurred by the Entity for research, development, demonstration (RD&D) or commercialization, such as capital equipment expenditures that are vital to the success of a research project, would be considered eligible where clearly linked to objectives of the Contribution Agreement. These capital expenditures will be eligible if they are not otherwise available as a shared resource for participants (e.g., for rent or cost-recovery use at a research organization or other institution, on the premises of project participants or cluster members). Capital expenditures over \$1 million must be pre-approved by ISED before purchasing to ensure eligibility for funding (see *section 2.3 Eligible Costs* for details). Given the time-limited nature of the program, it is expected that capital needs will generally be known at the time of application, and should be discussed, where possible, with ISED during negotiation of the Contribution Agreement. Negotiations will need to include a plan, acceptable to ISED, for the life and disposal of the asset beyond the term of the Contribution Agreement.

#### 2.3.2. Unfunded Eligible Costs

Unfunded Eligible Costs are costs incurred that are not reimbursable through ISI contributions. However, if these costs are covered by industry, are reasonable, and are directly related to the achievement of the objectives in the Contribution Agreement, they can be counted toward the mandatory industry matching funds requirement (see *section 2.4 Matching Fund Requirements* for details). These costs can include:

- Eligible Costs incurred between notice of conditional approval of the full application, and the execution of the Contribution Agreement;
- Infrastructure costs (construction, repair and maintenance) that are directly related to the objectives and Eligible Activities of the Contribution Agreement; and
- Payments to federal Entities (e.g., the National Research Council).

### **2.3.3. Ineligible Costs**

Not all costs incurred under the ISI will be for activities that meet the program objectives set out in *section 1.1*. These costs are ineligible for ISI funding and include:

- Retroactive costs (i.e., those incurred before notice of approval of the application)
- Projects where, in the opinion of the Minister, there is no buy-in from membership, no collaborative aspect
- Activities where benefits accrue to a single firm or organization
- Capital, infrastructure or equipment costs that are unrelated to the RD&D, commercialization, or objectives of the Contribution Agreement
- The purchase of land or buildings is generally not considered an eligible cost. Exceptions may be negotiated with ISED in order to include these purchases in the Unfunded Eligible Costs category
- Fines and penalties
- Contingency costs
- Losses on investments, other projects, contracts, bad debts, and collection charges
- Federal and provincial income taxes, goods and services taxes, excess profit taxes or surtaxes and/or special expenses in connection with those taxes
- Expenses and depreciation of excess facilities
- Amortization of unrealized appreciation of assets
- Depreciation of assets paid for by the ISI
- Honoraria, gifts, donations, entertainment expenses and alcoholic beverages
- Dues or other memberships other than regular trade and professional associations
- Extraordinary or abnormal fees for professional advice unless approval is obtained from ISED before incurring the cost
- Life insurance premiums where proceeds accrue to the Entity
- Discretionary severance and separation packages
- Costs related to the routine administration and operation of member organizations, except the reimbursement of salary costs related to ISI objectives and Eligible Activities
- Salary of members of the Board of Directors for that role.

## **2.4. MATCHING FUND REQUIREMENTS**

### **2.4.1. Industry Match**

The ISI is intended to be a partnership between government and industry. Therefore, funding requested from the ISI must be matched 1:1 overall by industry contributions. Applicants must secure industry contributions (cash and in-kind) to match the whole value of ISI funds requested by the time their Full Application is submitted in the second phase of the two-phase application process (see *section 4.1 Application Process & Requirements* for details). Projected sources of revenue will not count towards securing industry's match. Industry's commitments (cash and in-kind contributions) to match the requested funds will be required in the form of letters of commitment, which will be included as part of a Full Application (see Applicant Guide for details). Applicants that do not meet this requirement will be considered ineligible. The full terms of industry's matching requirement will be determined in the Contribution Agreement negotiated with successful Applicants.

To be considered matching funds, the industry contributions must be used to support Eligible Costs (see *section 2.3 Eligible Costs* for details). While 1:1 matching is required, variations in the balance of ISI to industry funding on a project-by-project basis are eligible under the ISI, provided the industry matching requirements continue to be met by the Entity. In addition, the ISI can contribute a higher ratio to Administration and Operating Costs (see Section 2.3.1 Funded Eligible Costs). Entities are expected to leverage contributions (cash and in-kind) from multiple private sector companies to meet the ISI matching requirement.

Funding breakdown:

ISI Contribution	Industry Match	Other Sources of Contributions
<ul style="list-style-type: none"> <li>• ISI Funding supports Funded Eligible Costs.</li> <li>• Funded Eligible Costs include Administration and Operating Costs, and Project Costs.</li> <li>• ISI contributions will reimburse 75% of the Entity’s Administration and Operating Cost, subject to program maximums.</li> <li>• The remainder of eligible Administration and Operating Costs can be covered by any source.</li> </ul>	<ul style="list-style-type: none"> <li>• Industry matching supports Funded Eligible Costs and/or Unfunded Eligible Costs.</li> <li>• Industry must match the entire ISI funding to the Entity at a ratio of 1:1.</li> <li>• Up to 25% of the industry match can be in-kind contributions. The remainder must be cash.</li> <li>• Mandatory matching must be fully committed at the time a Full Application is submitted in the second phase of the application process.</li> <li>• Industry funding toward Ineligible Costs will not count toward the mandatory 1:1 match.</li> </ul>	<ul style="list-style-type: none"> <li>• Other sources of contribution (cash and in-kind) are encouraged.</li> <li>• These sources of contribution do not apply to the industry’s mandatory 1:1 match.</li> <li>• If other sources of contribution replace or displace ISI-funded activities or costs, the ISI agreement will be renegotiated.</li> </ul>

In-kind contributions are defined as cash-equivalent goods or services that replace an incremental expense that would have to be paid with Entity funds if not provided by the industry partner (e.g., providing technical expertise at no cost, or providing free access to equipment). In-kind contributions must be relevant and central to the activities and objectives of the Contribution Agreement, and must be eligible expenses as per the program guidelines. **In-kind contributions may not exceed 25% of the total industry cost matching requirement** so that Entities have sufficient funds to operate.

Cash and in-kind contributions used to fulfill the leveraging requirements of other programs will generally not count towards the industry matching requirement.

#### 2.4.2. Other Funding

Applicants are strongly encouraged to secure cash and in-kind contributions over and above the minimum mandatory cost-matching. These contributions can come from industry partners, or from other sources, such as other levels of government. However, these additional contributions cannot be used to displace the required industry contribution and will not be matched by an ISI contribution.

Contributions received from other sources, or contributions that exceed the matching requirement for the maximum federal contribution, can be applied at the discretion of the Applicants, including to activities or costs ineligible under this program.

Applicants are required to disclose any support received through other programs that will be used in supporting the Entity and its activities.

### **3. SELECTION FACTORS**

Central to applications, and consideration for funding, will be the expression of a strong value proposition centred on key elements contributing to program outcomes, including: cluster, sector, technology and network. An Applicant's value proposition must demonstrate the ultimate benefit of the proposed activities to the cluster and to Canada, including how they will generate real economic impact, commercial results and global leadership for Canada by:

- Building on a strong industry-led regional cluster (i.e., geographically proximate) with the capacity for world-leading performance, using a plan that will align and leverage regional assets, foster collaboration in sectors of economic strength, and grow an existing critical mass of SMEs;
- Strengthening competitiveness of key sectors of a regional economy by involving leading firms representing those sectors and supporting activities that deepen integration within supply chains;
- Building an innovation advantage and commercializing a strategic area of technology;
- Extending the cluster-based strengths to a broader network with innovation partners across Canada.

A strong value proposition will be anchored in a cluster with a strong, local innovation ecosystem. This ecosystem should include a critical mass of firms active in key sectors of economic strength, with a shared reliance on and ability to leverage innovation assets, and mutual interest in the priorities that will generate a competitive advantage for their supercluster. The value proposition set out by Applicants must be clear throughout their proposals and will be evaluated as part of the application assessment process.

#### **3.1. ASSESSMENT CRITERIA**

Assessment criteria reflecting the value proposition will be used to assess the potential of the proposal to generate real economic impact and industrial benefits for Canada, as well as other key elements such as the importance, relevance and feasibility of the Applicant's proposed plans. Acknowledging the existence of a wide array of clusters, each with their own strengths and gaps, the assessment criteria have been developed to provide flexibility in identifying strong proposals among a range of candidates with distinct needs. Assessment will rely on a combination of qualitative criteria that provide Applicants with the opportunity to make a case for supporting their unique cluster, and quantitative criteria, including evidence-based projections of key expected results, in order to compare proposed investments. Criteria include the following:

### Impact and Strategic Importance

- The vision, mission and for supercluster aligns with ISI objectives and addresses industrial challenges in sectors of economic strength.
- The anticipated economic growth and industrial benefits of the proposal for Canada includes increased productivity and competitiveness of firms in the cluster and key sectors of economic strength, and the creation of business outcomes for participants.

### Capabilities and Assets Aligned to Proposal

- The innovation ecosystem must have the capacity, technology capabilities, know-how and assets to achieve the objectives of the Superclusters Strategy. The proposals provide evidence of potentially highly innovative sectors of strength and strategic importance to Canada in the cluster.
- Proposals leverage key private, public and academic assets within the cluster region, as well as elsewhere in Canada at a large scale.

### Implementation and Governance

#### Implementation Plan:

- Proof of commitments, including cash investment and in-kind contributions, which reflect the program's ambition and objectives.
- Suitability of budget allocated to fulfill commitments.
- Adequacy of plans for establishment of Entity and launch of activities.
- Definition of clear and realistic project timelines and milestones to deliver on the activities outlined in the Supercluster Strategy.

#### Organization Model and Capacity:

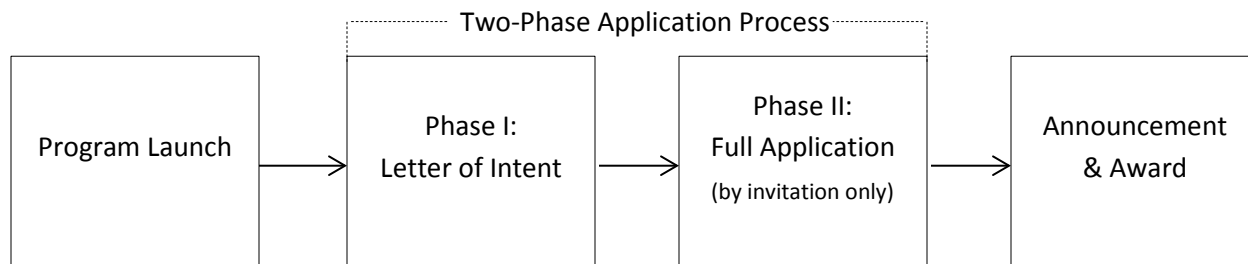
- Demonstration of a sound governance model that reflects private-sector leadership and takes into account diversity of participating organizations.
- Identification of executives with adequate leadership and management capabilities to ensure program success.
- Identification of participants with adequate experience and a solid track record on innovation and collaboration.
- Evidence of a sound project selection mechanism that is aligned with program objectives.
- Adequacy of approach to manage revenues and finances.
- Demonstration of a membership model that is open and provides opportunities for relevant organizations of various types and scales to participate, and fosters collaboration between organizations.
- Suitability of data collection mechanism and results reporting strategy
- Demonstration of an Intellectual Property (IP) Strategy that maximizes benefits for Canada, incentivizes member commitment and spurs innovation. Evidence of a strategy that provides frictionless IP and support for the development, acquisition, management, and defense of IP.



## 4. APPLYING TO THE ISI

### *What is the application and approval process?*

A two-phase application process, consisting of an open call for Letters of Intent and an invitation-only Full Application, will be used. The purpose of the two-phase process is to provide Applicants with the necessary time and guidance to put together strong, at-scale proposals that involve sufficient partners within their ecosystem and across national networks. The two-phase application process will proceed as follows:



Step 1: Program launch and call for Letters of Intent

Step 2: Review of Letters of Intent

Step 3: Announcement of Applicants invited to submit Full Applications and opening of this intake process

Step 4: Review of Full Applications, funding decisions and approval

Step 5: Project negotiations, funding award, announcements and signing of Contribution Agreements

### 4.1. APPLICATION PROCESS & REQUIREMENTS

#### 4.1.1. Application Process

##### 4.1.1.1. Phase I: Letter of Intent

Applicants wishing to apply for ISI funding **must submit a Letter of Intent** to ISED (more details available in the Applicant Guide) **by the submission deadline**. Following the assessment of the Letter of Intent, successful Applicants will receive an invitation to submit a Full Application for ISI program funding. This is a two-phase application process; please note that no funding will be approved or committed until after the second phase of the application process has been completed. Only successful Full Applications will result in funding, once negotiated Contribution Agreements have been signed.

##### 4.1.1.2. Phase II: Full Application

Applicants receiving an invitation to proceed to the second phase of the application process will be invited to submit Full Applications (more details available in the Applicant Guide). **Details on the Full Application submission deadline will be made available our website following the completion of the first phase of the application process.** Those that do not submit Full Applications following the parameters of the second phase of the application process will be considered withdrawn from the selection process.

#### 4.1.2. The Applicant

An **eligible Applicant is an industry-led consortium** (e.g., large, small and medium-sized firms, post-secondary and research institutions, not-for profit organizations, non-federal Crown corporations, etc.). In each phase of the application process, the industry-led consortium **must include a minimum number of large firms, small and medium-sized enterprises, and a post-secondary institution** (see *section 4.1.2.3 Minimum Requirements* below for details). Participants in the industry-led consortium must be incorporated in Canada and active in Canada.

##### 4.1.2.1. Lead Applicant

For the purposes of submitting an application to the ISI, the industry-led consortium **must be represented by a Lead Applicant**. The Lead Applicant must be identified in the mandatory field on the ISI Application Form. The Lead Applicant will be responsible for submitting the application, and will be the main point of contact for Innovation, Science and Economic Development Canada (ISED) during the administration of the application process. The Lead Applicant may be the not-for-profit Entity proposed to manage awarded ISI funds, or a participant making up the industry-led consortium (e.g., a large, small or medium-sized firm, not-for profit, non-federal Crown Corporation) and taking a leading role in the application process. Municipal, provincial and federal governments are not eligible to be a Lead Applicant, nor are individuals.

##### 4.1.2.2. Partner Applicants

Partner Applicants are committed participants of the applicant consortium, and proposed members of the Supercluster Entity. Any organization incorporated in Canada and active in Canada is eligible to be a Partner Applicant (with the exception of individuals). These Partner Applicants must be identified in the mandatory fields on the ISI Application Form. Private sector Partner Applicants must provide Letters of Commitment to demonstrate the industry match. Non-industry Partner Applicants must provide Letters of Support to demonstrate how they will meaningfully contribute to the proposed Entity and Supercluster.

##### 4.1.2.3. Minimum Requirements

For an application to be considered eligible, there are a minimum number of large firms, small and medium-sized enterprises, one post-secondary institution required at each phase of the application process. **These minimum requirements must be met by the Lead and Partner Applicants identified on the ISI Application Form.**

Letters of Intent must include, at a minimum, five organizations:

- Four private-sector enterprises\*, including:
  - Two large firms (500 employees or more)
  - One medium firm (100-499 employees)
  - One small firm (1-99 employees)
- One post-secondary institution\*\* (e.g., university, college, polytechnic)

Full Applications must include, at a minimum, eleven organizations:

- Ten private-sector enterprises\*, including:
  - At least two large firms (500+ employees)

- At least one medium firm (100-499 employees)
- At least four small firms (1-99 employees)
- At least one other small and medium-sized enterprise (1-499 employees)
- One post-secondary institution\*\* (e.g., university, college, polytechnic)

*\*These private-sector enterprises must each provide a Letter of Commitment (see Applicant Guide for details) to demonstrate the industry-led consortium fulfills the industry matching requirements, as required in the Letter of Intent phase and Full Application phase (see section 2.4 Industry Matching Requirements of the Program Guide for details).*

*\*\*These post-secondary institutions must each provide a Letter of Support (see Applicant Guide for details).*

**Applicants are encouraged to secure committed participants, Letters of Commitment and Letters of Support beyond the minimum requirements outlined above,** which will be considered in the assessment of applications. Refer to the Applicant Guide for more details on application requirements for the Letter of Intent and Full Application processes.

#### 4.1.2.4. Changes in the Applicant and Retesting

A successful Letter of Intent proceeding to the second phase of the application process may change its Lead Applicant to another eligible Applicant (see *section 2.1.1 Who should apply?* for details) prior to the submission of its Full Application. A successful Letter of Intent may also revise the requested budget amount prior to the submission of its Full Application.

The Lead Applicant must provide written notice of its intent to change the proposed Lead Applicant or to revise its requested budget amount in advance of the Full Application submission deadline. For budget revisions that create a material downward change in the application value, Applicants must insert a rationale for this change in the letter notifying the Minister of ISED of the intention to change.

### 4.1.3. Content Requirements

#### 4.1.3.1. Phase I: Letter of Intent

A complete Letter of Intent will include one electronic version of the online ISI Application Form together with the attached proposal document and required appendices (see Applicant Guide for details). Letters of Intent will provide a high-level overview of the Applicant's intended proposal to establish and grow a competitive advantage for a cluster region that is centred on innovation, including innovation in a platform technology. High-level overviews must reflect the selected cluster region, technology area(s) of focus, envisioned Supercluster Strategy, interested participants, expected financial request, and the potential economic impact and benefits of the proposal.

#### 4.1.3.2. Phase II: Full Application

Applicants who have been invited to submit a Full Application must provide a complete package consisting of one electronic version of the online ISI Application Form together with the attached proposal and required appendices (see Applicant Guide for details). The Full Application is the detailed information package on the existing or proposed Entity, including the proposed projects to be undertaken with the ISI funding and commitments to matching contributions by industry. Invitation-

only Full Applications will expand on the initial information provided at the Letter of Intent phase, but will solicit a greater level of detail, including:

- Description of the innovation ecosystem’s potential, including relevant capabilities and assets within the cluster region that explains why it is in a unique position to be a global leader, as well as technological expertise and sector strengths (in the cluster and across Canada) that reinforce the cluster’s potential.
- Description and assessment of the needs of the candidate supercluster region, specific to industrial challenges within the cluster’s sectors of economic strength.
- Detailed Supercluster Strategy outlining vision and mission for developing a supercluster advantage that is aligned to the cluster’s identified capabilities and strengths and is responsive to industrial needs, including the activities and initial projects proposed to be undertaken.
- Summary of committed Members and supporting partners (e.g., large firms, SMEs, post-secondary, others) from the cluster region, a network elsewhere in Canada, and key sectors demonstrating their active involvement (e.g., respective roles, and cash and in-kind contributions, including the private sector financial match) and their expected outcomes from participation.
- Assessment of the projected economic growth, industrial benefits and business outcomes of the proposal.
- Implementation plan, including multi-year financial plan and rationale for the funding request, establishment of the Entity and activity launch, timelines and milestones for initializing activities and achieving results (including performance metrics), and proposed membership structure and benefits that will be made available to Members and to Non-Members with a geographic connection (or other interest) in the cluster, and projected sources of revenue for sustaining activities.
- Description of the organization model and its capacity, including governance structure, composition and capability of the Entity’s leadership (e.g. Board of Directors and executive), Applicant’s track record of success (via the consortium), management of program funds, Entity-generated intellectual property, the selection of projects and minimum conditions for collaboration, as well as the plan to monitor, measure and report on performance.
- Letters of Commitment from the consortium and confirming the required private sector financial match, as well as financial statements and pro-forma financial statements from Partner Applicants contributing funds to meet the matching requirements.

#### **4.1.4. Instructions for Preparing an Application**

Detailed instructions for preparing a complete Letter of Intent and Full Application, including minimum requirements, as well as guidance on the information to be included, are available in the Applicant Guide. **All Applicants are strongly encouraged to review the Applicant Guide prior to submitting their applications.**

The list of questions required will be provided for the written proposal for both the Letter of Intent and Full Application, as well as one or more templates for the required appendices. When available, the templates must be used. **All required templates are accessible via the Application Toolkit.**

#### **4.1.5. Submission Procedures**

All application documents, including the ISI Application form, written proposal, and required appendices (for the Letter of Intent and Full Application) must be submitted online through the ISED website. E-mail, mailed, or facsimile (fax) submissions will not be accepted. Applications are due by 12pm (noon) Eastern Daylight Time on the day of the submission deadline. Late submissions will not be accepted.

### **4.2. ASSESSMENT, SELECTION AND DECISION PROCESS**

#### **4.2.1. Assessment**

The assessment process will be administered by ISED officials, with the support of relevant federal organizations, third-party contractors, and Expert Reviewers. Applications will be screened for eligibility prior to assessment. Only applications that meet all eligibility requirements (see Applicant Guides for details) will be assessed according to the published assessment criteria (see *section 3.1 Assessment Criteria* for details).

##### **4.2.1.1. Phase I: Letter of Intent**

All Letters of Intent received will undergo an initial screening to determine whether they are eligible and complete. Any Letter of Intent determined ineligible (including incomplete Letters of Intent) will be screened out of the application process. For details on Letter of Intent requirements visit the Applicant Guide.

Eligible Letters of Intent will proceed to a preliminary assessment conducted by federal organizations.

##### **4.2.1.2. Phase II: Full Application**

Full Applications received will undergo an initial screening to determine whether they are eligible and complete. Any Full Application determined ineligible (including incomplete) will be screened out of the application process. For details on Full Application requirements visit the Applicant Guide. Only Full Applications submitted by invited Applicants will be considered in the second phase of the process.

Eligible Full Applications will undergo due diligence review by federal organizations and third-party contractors to assess the validity of claims, and will then be submitted to Expert Reviewers for a technical assessment.

##### **4.2.1.2.1. Expert Reviewers**

In the second phase of the application process, the Minister will consult a roster of external experts (“Expert Reviewers”) for their technical expertise.

Expert Reviewers are current industry professionals, researchers or academics with industry-related expertise, or other experts with relevant technological, industrial or regional expertise. They will provide an assessment of eligible Applicants’ Supercluster Strategies, giving consideration to the merit and potential of the proposals. They will review and provide considerations related to strategic approach and implementation of the Supercluster Strategies, in line with program objectives.

The department's use of Expert Reviewers will take necessary steps to avoid real or perceived conflicts of interest.

#### **4.2.2. Funding Decisions**

##### **4.2.2.1. Phase I: Letter of Intent**

The Minister of ISED will make final decisions on which eligible applications will be invited to proceed to the second phase of the application process. The Minister will make his decision on a balance of considerations informed by the preliminary assessments conducted.

##### **4.2.2.2. Phase II: Full Application**

The Minister of ISED will make final decisions on proposed Recipients (Entities) and the value of Contribution Agreements. The Minister's recommendations, including the maximum potential contribution, will be made on a balance of considerations, informed by the information provided from the assessment process detailed above. The Minister of ISED will seek Treasury Board and Cabinet approvals prior to authorizing contributions in excess of \$50 million.

#### **4.2.3. Feedback**

##### **4.2.3.1. Phase I: Letter of Intent**

Information on Applicants who submitted a Letter of Intent may be shared with other Applicants participating in the second phase of the application process to encourage the coalescing of ineligible or unsuccessful applications, if related, to maximize the participation of Canadian assets. ISED will seek Applicants' consent through the ISI Application Form to disclose information for this purpose.

##### **4.2.3.2. Phase II: Full Application**

ISED will hold regular teleconferences with all Applicants participating in the second phase of the application process to invite their questions and share information with the full group in real time. Questions that cannot be answered during these regular calls will be answered in writing, with the answer shared with all second-phase Applicants (when appropriate).

#### **4.2.4. Notification of Decisions**

##### **4.2.4.1. Phase I: Letter of Intent**

At the completion of the assessment and decision processes, all Applicants will receive a formal letter from the Minister of ISED indicating the results of the first phase of the application process, including whether or not they are invited to submit a Full Application to be considered for funding. Results will not be shared before the first phase of the application process has closed and decisions have been finalized.

##### **4.2.4.2. Phase II: Full Application**

At the completion of the assessment and decision processes, all Applicants will receive a formal letter from the Minister of ISED indicating whether or not their application has been successful, and next

steps. Results will not be shared before the second phase of the application process has closed and decisions have been finalized.

#### **4.2.5. Funding Announcement & Award of Funds**

Public announcement of funding decisions and amounts will be made following the completion of the two-phase application process.

Funding will begin according to the date negotiated in the Contribution Agreements.

### **4.3. PROTECTION OF PROPRIETARY INFORMATION**

Proprietary information contained in applications will be used or disclosed only for the purposes of administering the application process or otherwise as required by the *Access to Information Act*.

Applicants should clearly mark as “proprietary” any information contained in their applications that they believe is a trade secret or proprietary business information. This information will not be shared with other Applicants nor on public sites.

Any qualified third parties reviewing applications (e.g., third-party contractor and Expert Reviewers) will be required to sign Non-Disclosure and Conflict of Interest Agreements, and are required to uphold the confidentiality of privileged information accessed in the assessment of applications, including trade secrets, proprietary business information or information that is commercial or financial. The funding request and industry matching plans will be available to all parties involved in administering the application process.

### **4.4. RETENTION OF APPLICATIONS**

An electronic copy of all applications, regardless of the results from Phase I: Letter of Intent and Phase II: Full Application will be retained for ten (10) years for record keeping purposes. After ten (10) years it will be destroyed. Applications received outside the two-phase application process will be returned to the Applicant directly, unread and unassessed.

## **5. PROGRAM ADMINISTRATION**

### **5.1. VALUE AND DURATION**

The ISI will invest up to \$950 million over five years: 2017-2018, 2018-2019, 2019-2020, 2020-2021 and 2021-2022.

The ISI will provide up to \$950 million to match industry contributions to fund a small number of business-led innovation superclusters. The contribution amount per Applicant under the ISI is expected to normally be between \$125 million and \$250 million for the duration of the Contribution Agreement. However, the number and amount of awards may vary depending on the nature of applications received.

## **5.2. TYPE OF FUNDS**

Funding delivered through the ISI will be provided in the form of non-repayable contributions.

## **5.3. CONTRIBUTION AGREEMENT**

Prior to the release of the first installment of funds, each Entity is required to enter into a Contribution Agreement with ISED. Revisions to a selected Applicant's proposal may occur during the negotiation process of the Contribution Agreement.

Non-repayable contributions will be negotiated to be the minimum amount required, in the opinion of the Minister of ISED, to allow an Entity to proceed with its approved Corporate Plan. ISI funding payments will be managed by ISED and support Funded Eligible Costs as described in the Contribution Agreement.

## **5.4. METHOD OF PAYMENT**

### **5.4.1. Payments**

In most instances, contributions to Entities will be made in the form of advance payments, according to the payment schedule outlined in the Contribution Agreement. The Entities will provide annual cash flow requirements as part of their annual reporting requirements (see *section 5.11 Reporting Requirements* for details).

### **5.4.2. Payment Reconciliation**

Payments will be reconciled with cash flow requirements and actual expenditures through the submission of claims. All claims must be accompanied by a report of the work accomplished and details of costs being claimed for the period covering the claim, and must be substantiated by other documents such as invoices, timesheets, contracts, etc.. Claims must be certified by an authorized financial officer of the Entity. The Minister of ISED may require that any claim for payment be certified by an external auditor.

For each fiscal year, Entities will be required to account for all Eligible Costs incurred and paid in the annual cash flow requirements (see *section 5.11 Reporting Requirements* for details on reporting requirements). Entities will be required to demonstrate accountability for use of the funds. An appropriate and well-documented audit trail must support the recording of all Eligible Costs. Supporting documents and records, either hard copy or electronic, should be retained, safeguarded, and available for audit purposes. All cost amounts, related to the ISI, entered into the accounting system should agree with the amount shown on supporting documentation.

At any time, Entities may be requested to provide satisfactory evidence to demonstrate that all Eligible Costs claimed have been paid by the Entities. Documentation must be kept a minimum of ten (10) years following the conclusion of the Contribution Agreement.



## **5.5. STACKING PROVISIONS AND OTHER GOVERNMENT ASSISTANCE**

The innovation funding environment is complex, and it is expected and encouraged that Applicants will have applied to and benefited from other sources of public funding prior to, and following, application for funding from the ISI. Applicants may also choose to involve federal or other public Entities in the execution of their plans.

### **5.5.1. Stacking Limit**

Total Canadian government assistance for all projects, including federal, provincial/territorial and municipal, will not exceed 100% of Eligible Costs funded. The stacking limit applies to the scope of activities captured by the Contribution Agreement. Seeking other funding to expand the scale or scope of activities to further the objectives of the Contribution Agreement is encouraged.

### **5.5.2. Reporting and Adjustments**

Recipient Entities will be obligated, as set out in the Contribution Agreement, to inform the Minister of ISED of all the Canadian government (federal, provincial, territorial, municipal) financial assistance it has requested and/or received toward the Eligible Activities prior to the Minister approving contributions under the ISI.

In the event that all Canadian government assistance to a Recipient exceeds the stacking limit, it will be necessary for ISED to adjust the Contribution Agreement so that the stacking limit is not exceeded.

## **5.6. GOVERNANCE AND MANAGEMENT**

Each Recipient Entity must put in place governance and administrative structures.

### **5.6.1. Management**

The Entity, new or existing, must have an appointed Board of Directors to govern its activities under the ISI. The Board of Directors will be responsible for the Entity's management, strategic direction and financial accountability, as well as the execution of the Entity's annual corporate plan, reflective of the Contribution Agreement and aligned to the Supercluster Strategy. The Board of Directors will also be responsible for the approval of the Entity's annual reports, audited financial statements, and other reporting requirements (see *section 5.11 Reporting Requirements* for details).

Continued private sector commitment to the governance of the organization is expected, reflective of the application process. This commitment should be inclusive, and include representation from the supercluster's industrial sectors of priority and from firms of all sizes.

### **5.6.2. Staff**

The Entity must put in place an administrative structure, including operational staff hired by the Entity and responsible for the delivery of activities in the Supercluster Strategy and as outlined in annual corporate plans, including the redistribution of program funds, internal projects and partnerships.

There will be no role for the federal government in the operations of funded Recipient Entities; Recipients will be required to administer their own operations in support of their funding objectives. ISED will not play a role in the implementation of activities or the management of any relationships between organizations involved with the Entity.

#### 5.6.2.1. Director / CEO

Each Entity will have a Director or Chief Executive Officer who reports to the Board of Directors. The Director / CEO will be responsible for the Entity's operations and the implementation of annual corporate plans.

### 5.7. COMMUNICATIONS

The Entity's activities, results and accomplishments should be conveyed to external audiences, including potential participants from all sectors, public policy makers, the media and the public. Communications are subject to official language requirements (see *section 6.4 Official Languages* for details).

For the duration of the Contribution Agreement, the Entity's communications activities and messages must acknowledge the contribution of the federal government by mentioning the Entity is made possible through the Innovation and Skills Plan's Innovation Superclusters Initiative, in conjunction with the Canada wordmark.

### 5.8. INTELLECTUAL PROPERTY

The Entity is required to establish and submit to ISED an Intellectual Property (IP) Strategy setting out the Entity's role in achieving program objectives through IP-related activities. Preliminary details on the IP Strategy will be required for the Full Application (see Applicant Guide for details). The IP Strategy activities should facilitate and incentivize increased technical collaboration and provide an opportunity for Members to realize a material benefit to their membership. The Strategy may take any form Applicants deem appropriate, subject to the requirements and considerations in this section.

Entity-supported intellectual property is not subject to the provisions in this section if it is generated outside the scope of ISI's objectives and supporting activities.

The Entity is not required to own or directly manage Entity-supported intellectual property (e.g., compliant provisions can be structured in such a way that Members who own Entity-supported intellectual property do not need to consult or receive permission from the Entity to sell, licence, or assign rights to the intellectual property). Through the IP strategy, however, the Entity is expected to set policies and work with Members to ensure that IP is managed in such a way that the provisions of this section are fulfilled.

#### 5.8.1. Intellectual Property Strategy

The IP Strategy must describe: how protection for Entity-supported IP will be obtained, how rights will be owned and managed, and by whom. This also includes:

- how background intellectual property will be treated;
- if and how non-Entity supported intellectual property will be acquired; and,

- how royalties on Entity-supported IP will be managed.

The IP Strategy must describe how the ownership and management structures further the Entity's objectives, incentivize ongoing commitment and cluster participation, facilitate collaboration, and how the strategy will benefit the economic development of Canada. Furthermore, the IP Strategy must also identify substantive policies which provide Members with frictionless access to Entity supported intellectual property. Finally, the IP Strategy must set out how all Members will be supported and mentored in regard to their intellectual property needs.

#### 5.8.1.1. Frictionless Access to Entity Supported Intellectual Property (IP)

The Entity shall establish processes or procedures that ensure all Entity-supported intellectual property, in whole or in part, is either owned or licensed in a manner that maximizes accessibility to all Members. At least for the purpose of internal research or development, access to Entity-supported intellectual property is to be provided to all or an appropriate subset of Members. For example, Members who work directly on a project may earn preferential access to or ownership of the intellectual property the project generates compared to a Member that did not participate. Other reasonable restrictions may be a tiered membership model wherein greater contribution to the Entity entitles a Member to greater intellectual property access, including the right to sell or otherwise commercialize the intellectual property or an aspect of it.

For extra clarity, although intellectual property generated by the Entity may be *owned*, in whole or in part, by one or more Members, the intellectual property must be accessible to all other Members, on appropriate and agreed upon contractual terms and conditions. Furthermore, Entities are expected to create policies and procedures to ensure Entity-supported intellectual property is either being commercialized by its Members or otherwise deriving benefit from the intellectual property (e.g. through royalties from Non-Members).

Therefore, to ensure frictionless access to intellectual property, the Entity shall set out clear mechanisms or rules concerning intellectual property in order to decrease barriers to collaboration. Members who are entitled to make use of intellectual property should be able to execute that right substantively and without unreasonable delay. Access to intellectual property may take various forms and should be specified wherever appropriate in the Strategy: e.g., licensed royalty free; licensed subject to royalty fee; right of first refusal; exclusive license, etc.

The Entity may support projects where the right to make use of generated intellectual property is exclusive to the project participants, where a Contribution Agreement provides for this.

#### 5.8.1.2. Supporting Members' Intellectual Property (IP) Needs

Entities must proactively engage Members and provide access to independent expertise and mentorship concerning intellectual property related issues, particularly to start-ups and SMEs. This includes assistance with intellectual property development, registration, acquisition, management, ownership, royalties, and assertion of legal rights as well as protecting against intellectual property claims. For extra clarity, this does not obligate the Entity to provide legal expertise for the purposes of litigation or to support costs of litigation in any way.

## **5.8.2. Ownership Rights of Entity-Supported Intellectual Property (IP)**

The Government of Canada will make no claim to ownership of intellectual property resulting from activities that it funds.

Ownership of Entity-supported intellectual property shall be determined by applicable Canadian law and the policies and contractual arrangements of the relevant Entity. In principle, Entity supported intellectual property can be owned by any of the following and in any combination:

- The Entity itself
- For-profit Entity Members
- Academic Entity Members
- Other Entity Members (e.g. not-for-profit organizations).

Contracts granting Entity Members the right to access Entity-supported intellectual property must provide that such rights will be unaffected by any sale, transfer, or licensing of the intellectual property.

### **5.8.2.1. Members Who Own Entity-Supported Intellectual Property**

Members who withdraw from the Entity or otherwise dissolve, go bankrupt, or are acquired, in whole or in part, must ensure the Entity retains the capacity to continue making any Entity-supported intellectual property the Member owns, in whole or in part, available to Members, as appropriate.

## **5.9. KEY PERFORMANCE INDICATORS**

Expected outcomes for the ISI include short- and medium-term key performance indicators. These indicators, which will be assessed during the lifecycle of the program, include the following:

- Number of funded or launched collaborative projects that involve a minimum of two private sector organizations and one academic institution;
- Dollar value of investment committed by private-sector Entity Members to technology projects initiated, completed or undertaken;
- Number of companies participating in the ISI;
- Increase in participating organizations for each funded Entity;
- Number of products or processes developed, improved and/or commercialized by participants;
- Rate of employment growth for SMEs participating in ISI, per funded Entity; and
- Extent to which amplifying activities are aligned with each cluster's ecosystem needs.

Funded Entities will be required to establish dedicated performance metrics aligned to the performance indicators above to measure and monitor performance. These performance metrics, to track results, will be finalized in discussions with ISED officials as part of the negotiation of Contribution Agreements with selected Applicants and used as a basis of reporting throughout the life of the Contribution Agreement. Additionally, since technology focus, industrial composition, proposed activities and cluster assets will vary across Entities, it is expected that specific metrics will also be customized for each investment. Metrics will be revised with collaboration with Entities through ongoing administration of the Contribution Agreement.

It is expected that Entities will align their data collection and management strategy (see *section 5.10 Data Collection and Management* for more details) accordingly and include it in performance reports as part of the mandatory program reporting requirements (see *section 5.11 Reporting Requirements* for details).

## **5.10. DATA COLLECTION AND MANAGEMENT**

Entities will be required to collect, manage, and share data to accurately report on achieved results and support program performance measurement. As a condition of funding, each Entity will implement a data collection and management strategy to enable the capturing and reporting of progress, benefits and activities from participating organizations and eligible project recipients (Ultimate Recipients). Entities must collaborate with ISED to report on the results of the Entity and Ultimate Recipients, as well as on cluster performance.

Data to be collected by each Entity will be shared with ISED semi-annually, through data reports, to support program performance measurement, as well as to inform operations and strategic planning of Entities.

ISED may require the collection of data to inform its program and policy development on a more frequent cycle than semi-annually.

## **5.11. REPORTING REQUIREMENTS**

Entities must meet the reporting requirements on project expenditures and activities, the results/outcomes of the project, and achievement of performance indicators as identified in the Contribution Agreement.

### **5.11.1. Required Reports**

For the duration of the Contribution Agreement, Entities must submit annual reports, including project goals, milestones, accomplishments, the nature and extent of commercialization efforts, financial reports, activity plans and financial plans. These reports must indicate major achievements of the Entity over the last year, strategies used to achieve the goal, information on any course corrections or deviations from the original objectives, as well as forward-looking activity plans and financial plans. The annual reports must include statistical tables, summary reports, statements of other sources of funding, audited financial statements (including evidence of all eligible expenditures incurred and paid as part of the annual cash flow requirements) and administrative reports such as conflict of interest and environmental review reports as stipulated by the department. As mentioned above, data reports must also be submitted semi-annually.

These reports will be used by ISED to assess the progress and to track the performance of the Entities against the terms and conditions of the Contribution Agreement. ISED may request financial statements and reports more frequently than annually or semi-annually.

Entities must also submit a final report at the conclusion of the Contribution Agreement to the Minister of ISED on the overall goal, achieved objectives, results and benefits of the project.

### **5.11.2. Reporting Assistance**

ISED will prepare a mid-term review of the Program, which will enable the Minister of ISED to assess the progress of each project, including but not limited to the achievement of project objectives, performance milestones, expenditures, etc. The Entity will be required to support ISED, providing documentation and information as needed, in the preparation of this review.

### **5.11.3. Submission Details**

All reporting requirements must be approved by the Entity's Board of Directors and submitted to ISED no later than 12pm (noon) Eastern Daylight Time on March 31 of each year. Draft annual reports must be submitted to ISED sixty (60) days prior to the filing deadline for review.

### **5.11.4. Retention of Reports**

Official records, including all semi-annual, annual and final reports, and supporting claims documentation must be kept a minimum of ten (10) years following the conclusion of the Contribution Agreement.

## **5.12. MONITORING, GUIDANCE AND SUPPORT**

Ongoing administration of the ISI will be provided by ISED officials. ISED officials will work with each Entity for the negotiation of the Contribution Agreement, followed by ongoing monitoring and compliance.

As part of its administration, ISED will liaise with the Entity, its Members, and its Board of Directors, which may include periodic attendance at Board meetings. Regular and frequent contact will facilitate the sharing of information between both parties to the Contribution Agreement and the facilitation of linkages between the Entity and other federal organizations.

## **6. POLICIES & CONSIDERATIONS**

The Board of Directors is responsible for ensuring that the Entity is managed according to the rules and regulations of governing a not-for-profit organization. Additional activities specific to an incorporated Entity, such as reports to the Canada Revenue Agency, are not under the purview of the ISI and will be the responsibility of the ISI Entity.

### **6.1. CONFLICT OF INTEREST POLICY FRAMEWORK**

Achieving the objectives of the ISI involves various types of interactions among ISI participants (including the Entity, Members, Non-Members, and others), some of which may place individuals in positions of potential, apparent or actual conflict of interest. The Entity must adopt a code of conduct in its by-laws for directors, officers, employees and committee members designed to prevent real or perceived conflicts of interest.

## **6.2. COMPETITION ACT**

ISED encourages industry participants supporting an application to review their proposed research and development collaboration activities for compliance with the *Competition Act*, particularly subsection 90.1 concerning the collaborative development of a product by combining complementary technology. Industry participants are also encouraged to review technical guidance documents, including [Competitor Collaboration Guidelines](#) and [Trade Associations and the Competition Act](#). Review is for the industry participant's benefit only and any such review need not be reported to ISED in the program application.

## **6.3. TAX AND ELIGIBILITY IMPLICATIONS**

Financial assistance from government programs may have tax implications for Entities and organizations receiving ISI funding through redistribution through the Entity. It is recommended that advice be obtained from a qualified tax professional. In addition, receipt of funding from the ISI may have an impact on funding or other benefits received through other sources for similar or identical activities. It is recommended that Applicants in receipt of funding from other governmental organizations seek information as appropriate.

## **6.4. OFFICIAL LANGUAGES**

### **6.4.1. Applicants**

The Applicants and Entities, stakeholders and partners will be served by ISED in the official language of their choice. The department will comply with all applicable requirements stipulated in Canada's *Official Languages Act*, the related regulations, as well as all federal government policies in this regard.

ISED's public communications and literature intended for public distribution relative to the ISI will be made available in both official languages.

### **6.4.2. Entities**

The department will assess whether the use of both official languages is required based on the target audience's/clientele's eligibility and demand for activities and services provided by the Recipient Entity and these obligations will be formalized in the Contribution Agreement. The Recipient will be responsible for clearly identifying the target audience/clientele to the department.

As appropriate, the Recipient Entity will be required to:

- Ensure that any communication, announcements or documents for the general public concerning activities, projects, services and programs are provided in both official languages.
- When delivering services, programs, projects or activities to the general public, to do so in both official languages, and provide services to official language minority communities, when appropriate, in such a manner that they may participate in these services on a basis comparable to the majority language community.
- Ensure that consultations with stakeholders regarding activities, projects and programs encourage participation in both official languages, as well as representatives from official language minority communities when appropriate.

- Implement any other measures that the department may identify including, without limitation, the inclusion of official languages provisions in the Recipient's agreements for further distribution of funding.

In addition, Entities should strive to communicate with individuals in the official language of their preference, for example, when recruiting Members.

## **6.5. ENVIRONMENTAL ASSESSMENT**

The Entity is required to comply with obligations pursuant to the *Canadian Environmental Assessment Act, 2012* (CEAA 2012).

## **6.6. ACCESS TO INFORMATION ACT AND THE PRIVACY ACT**

The ISI is subject to the federal *Access to Information Act* and the *Privacy Act*.

## **6.7. GENDER BALANCE**

Superclusters will focus on highly innovative industries. Many of these industries in Canada traditionally attract more skilled workers who are men, compared to women. Budget 2017 proposed to work with partners from all aspects of Canadian society to shift this balance to help more women succeed and help grow Canada's middle class.

ISED will encourage in its Contribution Agreement terms and conditions the consideration of gender balance and impacts in the redistribution of funds under the program (e.g., when the funded Entities are considering equally meritorious project applications). Therefore, with respect to activities, Entities will be required to demonstrate on an ongoing basis how its project selection criteria encourage diversity among Ultimate Recipients.

As part of their Supercluster Strategy, Applicants are encouraged to develop and propose activities that make technological and industrial topics accessible to a wide variety of audiences (e.g., technology demonstration and training). These initiatives will help to promote awareness and abilities related to cutting-edge technologies, positioning participants to work in these fields and to make them central to their own business activities.

Applicants must also articulate how they will endeavor to increase female representation concerning both employment and leadership. Finally Applicants will also be required to demonstrate that diversity, including gender, has been or will be taken into account in the composition of their Board of Directors

## **6.8. LOBBYING ACT**

The Applicant must comply with the *Lobbying Act* throughout the application process and the life of any ISI-funded project. Prior to communicating with Innovation, Science and Economic Development Canada about an application please review the provisions of the Act. For more information on lobbying and the *Lobbying Act*, consult the [Office of the Commissioner of Lobbying of Canada](#).



## **7. OTHER INFORMATION**

### **7.1. PUBLIC WEBSITE**

The ISI public website provides information regarding the objectives of the ISI and how to apply.

### **7.2. FREQUENTLY ASKED QUESTIONS (FAQs)**

Consult Frequently Asked Questions (FAQs) to learn more. FAQs will be maintained and updated as needed to provide additional information and guidance related to the ISI.

Questions submitted to [info.isi@canada.ca](mailto:info.isi@canada.ca) may be posted on the ISI website as part of the FAQ document, however no information about the Applicant or group posing the question will be made public.

## **8. CONTACT US**

If you have any question or require additional information, you can reach the ISI at:

Email: [info.isi@canada.ca](mailto:info.isi@canada.ca)

Telephone (toll-free in Canada): 1-800-328-6189

Telephone (Ottawa): 613-954-5031

Fax: 343-291-1913

TTY (for hearing-impaired): 1-866-694-8389

Business hours: 8:30 a.m. to 5:00 p.m. (Eastern Time)

## 9. GLOSSARY OF TERMS

**Activities:** Activities (e.g., supply chain development or integration; investment attraction to cluster region; workforce re-training) are those aligned to the five themes of activity eligible for co-investment under the ISI. Activities will be proposed by the Applicants as part of their Supercluster Strategy and finalized in the negotiation of Contribution Agreements.

**Anchor companies:** A firm with market leadership, sufficient scale, and capacity to draw upon existing resources in order to facilitate collaboration and support projects that contribute to spillovers and lasting economic benefits.

**Applicant:** The industry-led consortium submitting an application to the ISI in either Phase I (Letter of Intent) or Phase II (Full Application) of the application process. The Applicant must be composed of a minimum number of large, small and medium-sized enterprises, as well as a post-secondary institution, referred to as Partner Applicants and represented by a Lead Applicant. Applicants must be organization incorporated in Canada and active in Canada.

**Application:** Refers broadly to the documents submitted to ISED in order to participate in the two-phase application process for ISI funding. This includes the Letter of Intent package, and the Full Application package, each including the mandatory ISI Application Form, written proposal and required appendices. The Applicant Guide provides instructions, guidance and templates for preparing an application.

**Cluster:** A geographically defined innovation ecosystem that demonstrates collaboration and business relationships between firms. With a critical mass of large and small companies, post-secondary and research institutions, and other innovation actors, a cluster can result in supply-chain benefits, encourage knowledge sharing and collaboration, drive competition and business specialization, and help to attract “anchor” companies from around the world. As a result, a cluster has great potential to spur innovation, facilitate commercialization, enhance firm productivity, stimulate the formation of new companies and the growth of others, and sustain industrial competitiveness.

**Contribution Agreement:** Written agreement or documentation constituting an agreement between the Government of Canada and an eligible Applicant (who is now more appropriately termed the “Recipient”) setting out the obligations or understandings of both with respect to one or more transfer payments. If the Application was submitted by a Leading Applicant who is not the proposed Entity, the “Recipient” is understood as the proposed Entity who ultimately signs the Contribution Agreement with the Government of Canada.

**Eligible Costs:** The relevant, reasonable and essential expenses required to carry out the Eligible activities to which they relate and as further defined in the Contribution Agreement.

**Entity(ies):** The not-for-profit corporation (new or existing) representing an industry-led consortium that receives funding through the ISI. The Entity is expected to execute the Supercluster Strategy proposed during the ISI two-phase application process by undertaking projects and redistributing allocated ISI funds to Ultimate Recipients to support activities finalized in the negotiation of the Contribution Agreement. If an existing not-for-profit is being proposed to be the Entity, that not-for-profit may act as a Lead Applicant on a consortium’s behalf.

**Extra Attachments Form:** The additional application form Applicants will use to submit an application (in addition to the ISI Application Form), if their written proposal and supporting documents exceed 100MB of data.

**Full Application:** Detailed application (submitted by invitation only) for Phase II of the application process.

**Funded Eligible Costs:** The costs to which ISI makes a financial contribution (to cover the whole cost, or part of the cost) as established by the Contribution Agreement with the Entity. Funded Eligible Costs can be cost-shared with the private or public sectors, other levels of government, and not for profit organizations, but must be supported at some level financially through the ISI Contribution Agreement to be considered funded.

**Industry-led consortium:** The group of firms (i.e. large, small and medium-sized enterprises) and other organizations (e.g., post-secondary and research institutions, not-for-profits, non-federal Crown corporations, etc.). To apply to the ISI, the consortium must include a minimum number of Partner Applicants and be represented by a Lead Applicant.

**Ineligible Applicant:** Applicants that do not meet eligibility criteria to apply for ISI funding.

**Ineligible application:** Applications that do not meet eligibility criteria.

**Ineligible Costs:** Costs that are not eligible for funding through the ISI. Industry funds applied to Ineligible Costs will not be included in the count toward mandatory industry cost-matching (1:1 on Funded Eligible Costs).

**In-kind contribution:** Cash-equivalent goods or services that replace an incremental expense that would have to be paid with Entity funds if not provided by the industry partner (e.g., providing technical expertise at no cost, or providing free access to equipment).

**ISI Application Form:** The mandatory online application form to submit a Letter of Intent and Full Application. Applicants are required to fill out all mandatory fields, including details on the Lead Applicant and Partner Applicants, and attach their completed written proposal and supporting documents.

**Lead Applicant:** Responsible for submitting both the Letter of Intent and the Full Application and the main point of contact for Innovation, Science and Economic Development Canada (ISED) during the administration of the application process.

**Letters of Commitment:** Demonstrate cash and/or in-kind contributions committed by private sector firms that contribute to the industry matching requirement. Letters of Commitment must be signed by a senior executive with signing authority for the contribution (C-level executive), and provided on official letterhead. A minimum number of Letters of Commitment are required at each phase of the application process (Letter of Intent and Full Application). For the Letter of Intent phase, Letters of Commitment must demonstrate anticipated industry commitments. For the Full Application phase, Letters of Commitment must demonstrate the industry-led consortium has secured industry contributions to match the ISI funding request.

**Letter of Intent:** A preliminary application or overview of the Applicant's proposal to the ISI in Phase I of the application process.

**Letters of Support:** Demonstrate commitment (cash and in-kind contributions) from organizations that do not count towards the industry matching requirements (e.g., post-secondary institutions, not-for-profit organizations, etc.). Letters of Support are also encouraged from organizations taking on a prominent role within the Entity or on its projects, are invited to submit Letters of Support.

**Members:** Canadian organizations that belong to and receive benefits and/or services from the Entity.

**National Network:** Members and participating Non-Members of the Entity that are not located in the same geographic region of Canada as the Entity.

**Non-Members:** The groups that do not belong to the Entity but could receive benefits and services from activities undertaken by the Entity.

**Partner Applicant:** Participants of the industry-led consortium submitting an application. Partner Applicants must be organizations incorporated in Canada and active in Canada. To be eligible, an application requires a minimum number of large, small and medium-sized enterprises and a post-secondary institution (e.g., university, college, polytechnic).

**Projects:** Collaborative initiatives or day-to-day work the Entity undertakes of funds to accomplish the activities set out in their Supercluster Strategy and the objectives of the Contribution Agreement, with the exception of activities related to the administration and operation of the Entity.

**Supercluster:** A geographical region that is home to an especially strong industrial cluster or clusters linked through their shared reliance on specialized inputs, including technologies, talent and infrastructure. As compared to smaller or single-sector clusters, these innovation hotbeds benefit from stronger connections between firms and research talent, a long-term competitive advantage, global brand recognition, and an outsized impact on job creation and economic growth (GDP).

**Supercluster Strategy:** The plan proposed by Applicants to build a supercluster advantage for their cluster, and evaluated as part of the two-phase application process. A Supercluster Strategy can focus on up to five themes of eligible activities, depending on the needs of the Applicant's cluster region, including: technology leadership; partnerships for scale; diverse and skilled talent pools; access to innovation; and global advantage. At a minimum, a Supercluster Strategy must include a focus on technology leadership.

**Ultimate Recipient:** Firms, research institutions, contractors, non-profits or other qualified organizations to whom funds are redistributed by the Entity to carry out projects related to the objectives of the Contribution Agreement with ISED. Funds can be redistributed through calls for projects or similar exercises as well as competitions, contracts or other mechanisms as appropriate.