



Program Guide

- Call for Proposals -

September 2021

This is a Challenge of the Canadian Food Innovation Network (CFIN).

Canadian Food Innovation Network

The Canadian Food Innovation Network (CFIN) is an industry-led, not-for-profit corporation dedicated to becoming the world-leading innovation network for food and beverage. This vision means that over time Canada will develop benchmarks for measuring its relative global position in food innovation and it will continuously strive to bolster Canada's global ranking in food industry competitiveness. The result will be that Canada is recognized globally as an excellent place to undertake food and beverage innovation and that recognition, in turn, will draw more investment and talent to Canada that leads to world class outcomes.

CFIN's mission is to:

- Accelerate the food innovation performance of companies in Canada;
- Connect innovators and foster collaboration across enterprises and organizations of all sizes, disciplines, sectors, roles and geography to enable discovery, development and commercial deployment of innovation outcomes for Canada's benefit; and
- Drive the utilization of Canada's innovation capacity for economic advantage and higher returns on public and private investment.

CFIN will engage firms, research centres, providers of capital, and other partners in the food ecosystem to achieve success in increasing the innovation performance of its members.

Through network activities, CFIN anticipates innovation benefits will be generated that will accrue to all Canadians. The three innovation priorities for projects are:

- Smart Product and Process Development
- Food Ecosystem Sustainability
- Agile and Safe Supply Chains

In September 2021, CFIN launched the first Food Innovation Challenge Call for Proposals to spark impactful and collaborative innovation projects within Canada's food ecosystem. This document provides information, guidance, and requirements specific to the Call for Proposals.



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1. Food Innovation Challenge Call for Proposals Overview

The Food Innovation Challenge is a unique funding opportunity for Canadian food industry collaborators who want to spearhead transformative improvements that will propel the food sector forward and generate significant economic impact.

The overarching goal of the Food Innovation Challenge is to help Canada's food sector to compete, thrive and lead in a changing world. CFIN will fund projects that lead to robust and meaningful business-led collaborations that promise to enhance Canada's food innovation community and bring all participating partners financial opportunity and benefit.

Food Innovation Challenge projects may address these economic goals in a number of ways such as by producing value-added ingredients and products, introducing breakthrough technologies and using automation and robotics to implement process improvements that will make the Canadian food sector more globally competitive.

Projects that feature food business collaboration teams that unite diverse and complementary partners from across Canada and articulate compelling innovation opportunities are requested in this Call for Proposals.

To qualify for funding, all project proposals must be:

- Collaborative industry-led initiatives that address at least one of CFIN's innovation priorities;
- Collaborations that consist of a lead applicant and multiple partners, each of whom is a member of CFIN; and,
- Include at least one small to medium sized enterprise partner, project partners that are incorporated in Canada or working within Canadian research institutions

The total eligible project costs should be between \$1 million and \$4 million, and the maximum level of matching funding from CFIN will be 50% of total eligible project costs.

Funding will be provided on a reimbursement basis and CFIN will require a non-refundable project management fee of 5% of total project costs eligible for CFIN funding.

There is a two-stage application process for this call for proposals.

1. Applicants will first submit a letter of intent (LOI)
2. Selected applicants will then be invited to complete a full proposal.

Project partners must register for a free CFIN membership through www.cfin-rcia.ca.

CFIN members can obtain access to the application materials by emailing the CFIN Programs Team at innovation@cfin-rcia.ca.

If there are any questions after reviewing the program guide, reach out to the CFIN team at innovation@cfin-rcia.ca.



2. CFIN Innovation Priorities

The three CFIN innovation priorities for projects are:

- Smart Product and Process Development
- Food Ecosystem Sustainability
- Agile and Safe Supply Chains

SMART PRODUCT AND PROCESS DEVELOPMENT

Smart Product and Process Development innovation includes development and innovation in the areas of:

- health, nutrition & wellness benefits;
- new robotics applications to increase productivity, food safety and worker safety;
- AI, sensors, machine learning and big data to improve efficiencies; and,
- emerging science such as cultured protein.

Why is this important? Canada's manufacturing base must continuously seek to lower costs, improve product quality and flexibility to grow domestic and export markets by innovating new ingredients, products and processes. Business benefits can include:

- less production downtime;
- lower repair/replacements costs;
- reduce labelling or packaging errors;
- improved filling accuracy;
- improved information connectivity;
- enhanced or advanced skills training;
- enhanced working conditions;
- better scheduling, lower change-over costs;
- enhanced food safety;
- better warehouse utilization and load efficiencies;
- more nutritious food and beverage products;
- improved product consistency, performance and quality;
- reduced environmental footprint; and,
- nanotechnology and encapsulation.

FOOD ECOSYSTEM SUSTAINABILITY

Food Ecosystem Sustainability innovation includes development and innovation across these areas:

- food waste reduction;
- higher value recovery;
- circularity and upcycling;
- green and smart packaging; and,
- more efficient use of inputs including energy, water and carbon.



Why is this important for Canada? For Canada to be viewed as a leader in food innovation, it must invest in developing new raw materials, processing and other advanced solutions, that deliver cleaner and greener outputs for food. Sustainability is no longer optional and innovations are required to deliver meaningful and transformative changes in food and beverage. Business benefits can include:

- reduced food waste;
- reduced packaging waste;
- improved energy and resource utilization;
- more efficient supply chain;
- new or improved products from food/production waste; and,
- enhanced process, equipment or materials in manufacturing driving sustainability.

AGILE AND SAFE SUPPLY CHAINS

Agile and Safe Supply Chain innovation includes development and innovation across these areas:

- Logistics and supply chain;
- Consumer and customer analytics;
- Food safety;
- Food security;
- IoT and digital application to food chains; and,
- Blockchain and traceability.

Why is this important? Sophisticated and connected supply chains can boost food safety, reduce time to market, improve food quality and position Canadian food and beverage manufacturers as global leaders. Business benefits can include:

- Enhanced food safety and quality;
- Greater food security or resilience;
- Stronger supply chain;
- Improved traceability and assurance;
- Reduced fraud; and,
- Increased digital data and connectivity.

3. Eligibility Requirements

3.1 Collaboration Eligibility Requirements

To be considered for funding, all applications must:

- Be collaborative industry-led initiatives;
- Be undertaken by an industry-led collaboration consisting of a Lead Applicant and Partners that are incorporated in Canada*, all of whom are members of CFIN;
- Identify a Lead Applicant;



- Involve the participation of at least one Small or Medium Enterprise (SME). A SME is a business with 499 or fewer employees and less than \$50 million in gross revenues;
- Involve the participation of at least two independent private sector companies; and,
- Conduct research and development at Technology Readiness Levels (TRL) 1 to 7. Projects including TRL 8 and 9 components will only be considered if they are part of a project that also includes a TRL 1 to 7 (see [3.3 Technology Readiness Level Eligibility Requirements](#) for further information).

Collaborations with a larger number of Partners, including: organizations, companies and SMEs, universities, colleges, research centres, etc. are encouraged in order to score maximum points for this assessment criteria (see [4.3 Project Assessment Criteria](#) for further information).

While Partners will generally be for-profit businesses, not-for-profit organizations that facilitate and fund research and development and whose funding is received primarily from private-sector organizations will also be eligible. Other publicly funded not-for-profit organizations, post-secondary institutions, federal Crown corporations, and government departments or agencies are not eligible to receive CFIN funding. These Partners may bring their own contributions to projects or be sub-contracted by the collaboration to carry out approved project activities with non-CFIN sources of funding.

*International organizations (offshore companies and research organizations without an incorporated presence in Canada) may also participate as Partners in CFIN projects, based on CFIN prior written approval.

There are no minimum requirements for financial contributions from the Partners; however, the application must clearly demonstrate that each Partner plays an active role in the project and their involvement is necessary to achieve the project outcomes.

Lead Applicant and Project Partners

There must be a collaboration agreement in place to define the roles of Lead Applicant and Partners, allocation of projected costs, and joint risk management provisions among other items. The collaboration agreement must set out how Intellectual Property arising in projects will be shared among the Lead Applicant and Partners. It is the responsibility of the Lead Applicant and Partners to develop their own collaboration agreement during the full proposal application stage.

The responsibilities of the Lead Applicant will include, but are not limited to:

- Ensuring compliance with the CFIN Master Project Agreement;
- Ensuring all Partners are contributing to the project, as outlined in the collaboration agreement;
- Overseeing the performance of the project in line with the project and risk management plans;
- Approving and consolidating requests for reimbursement of eligible project expenses and submitting them to CFIN; and,
- Monitoring and reporting on the progress of the project in line with information requests and performance metrics outlined in the CFIN Master Project Agreement.



The responsibilities of the Project Partners will include, but are not limited to:

- Ensuring compliance with the CFIN Master Project Agreement;
- Submitting their eligible project expenses for reimbursement, as directed by the Lead Applicant and outlined in the CFIN Master Project Agreement; and,
- Reporting on the progress of the project in line with information requests and performance metrics, as directed by the Lead Applicant and outlined in the CFIN Master Project Agreement.

CFIN general applicant requirements and Intellectual Property details are further outlined in [Appendix A – CFIN General Requirements](#).

3.2 Eligible Cost Activities

Eligible Costs will generally include expenditures related to the following activities:

- i. Industrial research, including activities related to the discovery of new knowledge that aims to support the development of new technology-driven products, processes or services at early stage technology readiness levels; and
- ii. Large-scale technology demonstration, including the advancement and development of new technologies into product-specific applications at mid-to-late stage technology readiness levels. Projects should cover a broad range of TRLs to support the development and growth of innovation ecosystems through activities from research to near commercialization.

3.3 Technology Readiness Level Eligibility Requirements

There are nine TRLs, with TRL 1 being the least ready for commercialization and TRL 9 being ready to be used in real-life conditions. To be eligible for CFIN funding all projects must conduct research and development at TRL 1 to 7 levels. Projects including TRL 8 and 9 components will only be considered if they are part of a project that also includes a TRL 1 to 7. For full TRL see [Appendix B – Technology Readiness Level \(TRL\) Scale](#).

Projects should cover a broad range of TRLs to support the development and growth of innovation ecosystems through activities from research to commercialization. Applicants will outline project activities in their project work plan, and identify the TRL associated with each activity.

3.4 Eligible Project Costs

Eligible Project Costs include:

- Costs incurred and paid for by the Lead Applicant and Partners, which are necessary to carry out the approved project activities;
- Costs that are generally non-recurring and incremental to the ordinary business activities of the Lead Applicant and Partners;



- Costs that are reasonable, such that the nature and the amounts do not exceed what an ordinary prudent person would conduct in a similar business context;
- Costs that can be directly attributed to the completion of the approved project activities included in the Master Project Agreement; and,
- Costs that must be determined in accordance with the Lead Applicant and Partner's cost accounting practices as accepted by CFIN and applied consistently over time.

3.4.1 Affiliated Persons Clause

Affiliated Persons are to be understood and treated as defined in the Income Tax Act, which includes but is not limited to; two or more entities that have similar ownership personnel; or entities that have a working business relationship.

In the case of Eligible Costs for goods or services incurred and paid with an Affiliated Person, the amount of the costs incurred and paid must:

- not exceed their Fair Market Value;
- in the case of a good or service for which there is no Fair Market Value, the amount must not exceed the Fair Market Value of Similar Goods; or
- in the case of a good or service for which there is neither a Fair Market Value nor Similar Goods, the amount must not exceed the sum of the applicable Direct Costs with Indirect Costs (Overhead) at the rate stipulated by the Master Project Agreement, plus 5% profit.

Note: It is important for the applicant from the outset, to self-identify any related parties or Affiliated Persons who will be contracted to provide goods or perform services for completion of approved project activities. For wholly owned subsidiaries of the Lead Applicant/Partner completing approved project activities, its Eligible Costs incurred and paid will be claimed by the Lead Applicant/Partner on their behalf and costs are to be treated as if the wholly owned subsidiary is the Lead Applicant/Partner.

3.4.2 Eligible Cost Categories

All Total Eligible Project Costs required for completing the Approved Project Activities, as outlined in the Master Project Agreement, must align with the Eligible Cost Categories in [Appendix C](#).

4. Application Process

The Lead Applicant and Project Partners must register as CFIN members through www.cfin-rcia.ca. CFIN members can access the program materials by emailing innovation@cfin-rcia.ca. Applicants will then be guided through a two-stage application process.

- **Stage one:** Letter of Intent
- **Stage two:** Selected applicants will be invited to submit a full proposal



4.1 Program Timelines

Applicants are encouraged to submit a completed letter of intent (LOI) by **12:00 p.m. EST on Monday, November 15, 2021**. Successful applicants will be invited to provide a full proposal by **12:00 p.m. EST on Monday, January 10, 2022**. Late or incomplete submissions will not be accepted.

Subject to prior approval by CFIN, applicants may submit an LOI up to 12:00 p.m. EST Monday, November 29, 2021; however, these applicants must submit their full proposal by 12:00 p.m. on Monday January 10, 2022.

CFIN at its sole discretion, reserves the right to alter or cancel the program timelines.

4.2 Application Stages

Stage 1: Letter of Intent

To ensure applicants meet the eligibility requirements, the LOI will ask the Lead Applicant to certify that:

- They have read, understand, and are willing to comply with CFIN's project requirements;
- The project is collaborative and identify all Partners;
- The Lead Applicant and Partners are incorporated in Canada;
- The project will be carried out in Canada;
- The project is incremental and new;
- The project would not be undertaken to the same extent without CFIN funding;
- They are willing to invest in the project within the timelines of CFIN's funding horizon;
- They have adequate financial means and project management capabilities to carry out the project; and,
- They agree to provide information necessary for CFIN to conduct required due diligence (this may include the submission of additional information, including, but not limited to the last two years of external accountant prepared financial statements for the Lead Applicant and Partners, upon the request of CFIN).

Applicants will be asked to provide a high-level overview of their project, including:

- The legal business and operating name of the Lead Applicant (this information may be disclosed publicly)*;
- The legal business and operating names of each project Partner (this information may be disclosed publicly)*;
- A short title and description of the project (this information may be disclosed publicly)*;
- A short (maximum 150 word) project summary explaining how the proposed project will advance the competitiveness of Canada's food business ecosystem and create economic impact. and why CFIN funding is required to carry out the project (this information may also be disclosed publicly)*; and,



- Short (maximum 700 words) responses to the following questions that will form the basis for assessing the proposal.
 - Description of the Lead Applicant and all Partners and their active roles in the project;
 - Background and the rationale for completing the project;
 - Project objectives and expected outcomes;
 - Project design and methodology;
 - Innovative and transformative aspects of the project;
 - Project alignment with CFIN's innovation priorities;
 - Knowledge transfer and/or commercialization plan, including any IP likely to be generated in the project, clarity as to which party will own the IP and what types of IP would be shared with other CFIN members;
 - Direct or indirect benefits to food and beverage manufacturing;
 - High level project work plan with activities, milestones, timelines with specific roles and responsibilities of Lead Applicant and Partners;
 - Estimated budget; and,
 - Potential risks outlined and risk mitigation plan.

*Information may be disclosed publicly for the purpose of completing initial due diligence for the project.

A major consideration at the project screening phase is financial capacity as the Lead Applicant and Partners are required to cash flow 100% of the total eligible project expenses.

The LOI will enable a review to verify that the proposal is in scope and that the basic requirements of the competition have been met. It will also enable constructive feedback by CFIN to be given to identify any areas of weakness or ambiguity so that these points of concern can be addressed in the full proposal.

Applicants will be notified via email that their LOI has been received within one business day of its reception. Selected applicants will be notified via email and they will receive the templates for stage 2. CFIN will aim to provide feedback and notifications in a timely manner.

Stage 2: Full Proposal

Selected applicants that pass the initial project screening through the LOI will be invited to submit a full proposal, providing greater detail about their project.

The full proposal will include:

- Completed application template;
- Completed budget and workplan template; and
- Optional attachments that support the proposal.

Applicants will be notified within one business day, via email, that their full proposal has been received.



Full proposals will be reviewed by CFIN to determine if the proposal is compliant with the eligibility requirements. If the requirements are met the proposal will proceed to the review process. CFIN staff will conduct due diligence to verify the accuracy of information provided in the proposal and may request additional information to assist in the review process.

Proposals that are accepted for review will be assigned to independent expert reviewers. The results of these reviews and full proposals will be reviewed by the CFIN Innovation Advisory Council, whose role will be to make funding decisions and/or recommendations to the CFIN Board of Directors on project funding selections. CFIN and/or the Innovation Advisory Council reserves the right to request an interview with the Lead Applicant and/or Partners before making a funding decision.

4.3 Project Assessment Criteria

Each LOI and full proposal that meet the eligibility requirements will be assessed using the following criteria:

Assessment Criteria	Scoring
Strength of the applicant and collaboration	5 total
Description the Lead Applicant and all Partners and their active roles in the project (Partnerships with a larger number of organizations, companies and SMEs, universities, colleges, research centres are encouraged to score maximum points for this criteria)	5
Project details	25 total
Background and the rationale for completing the project	5
Project objectives and outcomes	5
Project design and methodology	15
Benefits to Canada's food ecosystem	60 total
Innovative and transformative aspects of the project	20
Project alignment with CFIN innovation priorities	20
Knowledge transfer and/or commercialization plan	10
Direct or indirect benefits to food and beverage manufacturing	10
Project and budget management	10 total
Detailed project work plan with activities, milestones, timelines with specific roles and responsibilities of Lead Applicant and Partners and comprehensive budget	5
Potential risks outlined and risk mitigation plan	5
Total Score	100



An application guide will be emailed to applicants with the LOI template to provide guidance for their responses. The application guide is subject to change. CFIN at its sole discretion, reserves the right to alter the project assessment criteria.

Benefits to Canada's food and beverage manufacturing are further detailed in [Appendix A – CFIN General Requirements](#).

4.4 Final Funding Decisions

CFIN will aim to communicate funding results in early March 2021. Applicants will be notified if the decision date will be delayed.

Applicants approved for funding will be required to enter into a Master Project Agreement with CFIN within 30 business days from the date of receipt of the Master Project Agreement. The funding decision is finalized upon the signing of the Master Project Agreement agreeing to, without limitation: reporting requirements, timelines, IP strategy and other performance management criteria and compliance requirements.

Applicants who are not accepted for funding will be notified, with a summary of how their project proposal was evaluated outlining the reasons why they were not approved, as well as recommendations to strengthen their proposal. Projects may not be recommended for funding if they score low on the assessment criteria and/or there are insufficient funds available for the call for proposals.

Should an application be unsuccessful, CFIN may encourage applicants to apply to future calls for proposals or other CFIN programs.

5. Funding Parameters

5.1 Cost Sharing

Total eligible project costs should be between \$1 million and \$4 million. The maximum level of matching funding from CFIN will be 50% of total eligible project costs (between \$500,000 and \$2 million).

Applicants must justify the amount of CFIN funding requested. CFIN may choose to award project funding for less than the requested amount.

Costs incurred in the development of project applications will not be eligible for funding. CFIN will provide funding for projects by reimbursing approved applicants for a portion of their project expenses that are reasonable and eligible. For information about eligible expenses and costs, refer to [Appendix C – Guidelines for Eligible and Ineligible Costs](#).



5.2 Government Funding and Stacking

Stacking is possible with other government funding up to 75% of the total eligible project costs. However, CFIN funds cannot be used to reimburse expenses already funded from other government sources. The total amount of government funding cannot exceed 75% of total eligible project costs.

5.3 Project Management Fee

CFIN will require a non-refundable project management fee of 5% of total project costs eligible for CFIN funding (as calculated in the budget template). . The fee will be invoiced to the Lead Applicant and payable to CFIN prior to the first reimbursement of funds, as outlined in the Master Project Agreement. The proportion of the fee contributed by the Lead Applicant and Partners will be agreed to amongst the collaboration. This fee cannot be claimed as an Eligible Project Cost.

5.4 Project Duration

The earliest start date for projects will be April 1, 2022. Project-related costs incurred prior to April 1, 2022, will not be considered eligible project costs. Projects must be completed in accordance with the Master Project Agreement and no later than March 31, 2025.

6. Project Monitoring and Reporting

CFIN will assign a reporting coordinator to monitor the progress of each project in order to ensure that project participants are fulfilling their obligations, and report on the progress of the project against financial and performance metrics. CFIN will track performance of applicants according to the key performance indicators as specified in the Master Project Agreement.

CFIN will determine the frequency of project monitoring based on the size and complexity of the project. In most cases this will entail a quarterly submission of claims for reimbursement and reporting as well as a bi-annual review with the collaborating team. At least one of these review meetings will involve the collaborating team presenting to CFIN to obtain direct feedback, encouragement, as well as ensuring a high standard of accountability.

The Lead Applicant will be responsible for monitoring and reporting on the progress of the project in line with information requests and performance metrics agreed with CFIN and coordinating the Partners for the review meetings. Failure to complete the required reporting, as outlined in the CFIN Master Project Agreement, will impact timely reimbursement of eligible project costs.

The Lead Applicant will also be responsible for approving and consolidating requests for reimbursement of eligible project expenses and submitting them to CFIN. All Partners will be responsible for submitting their eligible project costs for reimbursement, as directed by the Lead Applicant and outlined in the CFIN Master Project Agreement. Financial reporting will be completed through CFIN's secure online portal. The Lead Applicant and Partners will be required to maintain accurate accounts of the project for at least seven (7) years after its termination and



comply with the financial reporting and auditing requirements, as outlined in the CFIN Master Project Agreement.

At the conclusion of the project and on receipt of final reports, the project may be profiled in CFIN communications. Where possible, the purpose of this is to share knowledge, learning and results gained to serve as a catalyst to other businesses and innovators across Canada's food ecosystem. There may also be opportunities to communicate the project, its progress and collaborative efforts throughout the duration of the project activities.



Appendix A – CFIN General Requirements

Project Applicant Requirements

To be considered for project funding, applicants must:

- Certify that the same project they are proposing is not already approved or in progress, and that financial commitments would not otherwise have been made to the project in its current form;
- Ensure that only eligible project costs defined under the CFIN guidelines are to be claimed for reimbursement (See [Appendix C – Guidelines for Eligible and Ineligible Costs](#));
- Agree to incur all expenses for which CFIN funding is sought no earlier than the date of the April 1, 2022, and the end date of the Master Project Agreement, which must be no later than March 31, 2025;
- Specify any other sources of government funding anticipated for their project;
- Agree to adhere to CFIN's conflict of interest policy (included in the Master Project Agreement); and,
- Agree that, if their project is selected, they will maintain auditable financial records substantiating their expense claims and provide CFIN with the information it requires to monitor and report on the progress of their project.

Intellectual Property

Applicants must comply with the terms of the CFIN's Intellectual Property Policy (included in the Master Project Agreement) and agree to:

- Describe the Intellectual Property (IP) expected to arise as a result of participation in the project and the legal means by which it would be protected;
- Identify the type of CFIN members with whom, based on current understandings following consultations with CFIN, you believe would have a technological or business interest in expected foreground IP, and a description of the interest;
- Identify the type of CFIN members with whom, based on current understandings following consultations with CFIN, you would be willing to enter into negotiations regarding access to expected foreground IP and any applicable limitations related to such access; and,
- Ownership and licensing terms governing access to expected foreground IP, including:
 - Recognition of the right of each Partner to access, on fair, reasonable and non-discriminatory terms and subject to relevant competitive issues, all foreground Intellectual Property arising from the project, at least for internal R&D purposes; and,
 - A commitment, upon request, to enter into negotiations regarding access to foreground Intellectual Property arising from the project with listed CFIN members, subject to any reasonable limitations to such access.

CFIN will not itself take any interest in Intellectual Property in any project but it may assist with facilitating the commercialization of Intellectual Property by applicants for Canada's benefit.

Benefits to Canada's Food and Beverage Manufacturing



All projects that receive CFIN funding should produce demonstrable benefits for Canada's food ecosystem, including but not limited to the following examples:

- Increased collaborations with Canadian manufacturers and their food ecosystem partners;
- Production and commercialization of new products, processes, services and systems;
- Increased utilization of incubator, pilot and other food innovation resources;
- Increased new investment deals closed;
- Increased number of businesses created or scaled up;
- The creation of new food innovation and research jobs from projects and activities;
- Increased total number of jobs (direct and indirect) gained and retained from projects and activities;
- Increased business enterprise research and development (BERD) investments;
- Private investments in advanced equipment, automation and digital technologies;
- An increased number of new graduates joining Canada's food ecosystem; and,
- Lowering total per unit of output of carbon emissions, water use and waste.



Appendix B - Technology Readiness Level (TRL) Scale

Technology Readiness Level	Description
TRL 1—Basic principles observed and reported	Lowest level of technology readiness. Scientific research begins to be translated into applied research and development (R&D). Examples might include paper studies of a technology's basic properties.
TRL 2—Technology concept and/or application formulated	Invention begins. Once basic principles are observed, practical applications can be invented. Applications are speculative, and there may be no proof or detailed analysis to support the assumptions.
TRL 3—Analytical and experimental critical function and/or characteristic proof of concept	Active R&D is initiated. This includes analytical studies and laboratory studies to physically validate the analytical predictions of separate elements of the technology.
TRL 4—Product and/or process validation in laboratory environment	Basic technological products and/or processes are tested to establish that they will work.
TRL 5—Product and/or process validation in relevant environment	Reliability of product and/or process innovation increases significantly. The basic products and/or processes are integrated so they can be tested in a simulated environment.
TRL 6—Product and/or process prototype demonstration in a relevant environment	Prototypes are tested in a relevant environment. Represents a major step up in a technology's demonstrated readiness. Examples include testing a prototype in a simulated operational environment.
TRL 7—Product and/or process prototype demonstration in an operational environment	Prototype near or at planned operational system and requires demonstration of an actual prototype in an operational environment (e.g. in a vehicle).
TRL 8—Actual product and/or process completed and qualified through test and demonstration	Innovation has been proven to work in its final form and under expected conditions. In almost all cases, this TRL represents the end of true system development.
TRL 9—Actual product and/or process proven successful	Actual application of the product and/or process innovation in its final form or function.

(Source: <https://www.ic.gc.ca/eic/site/125.nsf/eng/00007.html#annex-a>)



Appendix C – Guidelines for Eligible and Ineligible Costs

Eligible Cost Categories

Eligible project costs must fall under one of these Eligible Cost Categories:

- Direct Labour
- Subcontractors and Consultants
- Direct materials
- Equipment
- Land, Building and Building Improvement
- Other Direct Costs

In the following tables, applicant refers to the Lead Applicant and/or Partners.

Direct Labour
The portion of gross wages or salaries incurred and paid by the applicant for approved project activities which can be specifically identified and measured as having been performed for the project and which is so identified and measured consistently by the applicant's cost accounting system. The cost accounting system should sufficiently prove the hours worked by employees are directly related to the approved project activities.
Subcontractors and Consultants
The costs of Subcontracts or Consultants incurred and paid for approved project activities are the costs for work or services performed by an external third party, which can be specifically identified and measured as having been incurred and paid for the approved project activities. The applicant cannot be a recipient of CFIN funding and a Subcontractor for the same project.
Direct Materials
<p>The cost of materials which are incurred and paid and can be specifically identified and measured as having been processed, manufactured and used in the performance of the approved project activities, which are measured consistently by the applicant's cost accounting system.</p> <ol style="list-style-type: none">Materials purchased solely for the approved project activities shall be at the net laid down cost to the applicant, net of any sale taxes and after any discounts offered by the suppliers.Materials issued from the applicants general stocks shall be measured in accordance with the material pricing method consistently used by the applicant. <p>Direct Materials include, but are not limited to any raw material that is "used up" by completing approved project activities.</p>



Equipment

The capital cost of Equipment, which are incurred and paid and can be specifically identified as having been purchased for approved project activities and measured consistently by the applicant's costing system. Significant Equipment required to complete the approved project activities should be detailed in the project work plan. See below scenarios for clarification of costs related to Equipment:

- i. If an applicant has built the equipment themselves, the costs would be allocated to the appropriate cost categories (Direct Material, Direct Labour, etc.);
- ii. If an applicant has equipment built by a third party, the costs would be allocated to the equipment category if readily identifiable, otherwise the equipment could be reported in Subcontractors category; and
- iii. If an applicant outright purchases a piece of equipment, the costs would be allocated to the Equipment category.

Equipment costs include but are not limited to, the purchase of equipment necessary for the approved project activities, costs to alter or modernize the equipment, costs to get the equipment into working order, and shipping costs.

Capital equipment acquired for the project may be subject to CFIN and Industry, Science and Economic Development Canada (ISED) approval for disposal, which will be outlined in the Master Project Agreement

Land, Building and Building Improvement

The capital cost of Land, Buildings or Building Improvement that are incurred and paid, and are necessary to carry out approved project activities and have been approved by CFIN.

Eligible building costs may include the acquisition costs, construction of new or the expansion of existing facilities, the development of testing facilities, investments in modern buildings, building and land leases (the incremental cost of leasing land during the approved project activities), and permanent building improvement. See below scenarios for clarification of costs related to buildings:

- i. If an applicant has built the facility themselves, the costs would be allocated to the appropriate cost categories (Direct Material, Direct Labour, etc.);
- ii. If an applicant has a facility built by a third party, the costs would be allocated to the Subcontractors category; and
- iii. If an applicant outright purchases an already existing building, the costs would be allocated to the Building category



Other Direct Costs

These are eligible direct costs, not falling within the categories of Direct Costs mentioned above, but which are incurred and paid, and can be specifically identified and measured as having been incurred and paid by the applicant for approved project activities and which are so identified and measured consistently by the applicants costing system.

The applicant's other operational costs may also be considered Other Direct Costs, as appropriate. This may include incremental costs for software and licenses specifically required to perform the approved project activities. For the applicant, incremental costs in regards to office equipment purchases and rental may be accepted as a Direct Cost.

Travel and Outreach Costs meaning those eligible direct costs incurred and paid by the applicant that are directly related to approved project activities. Travel expenses shall be appropriate, economical, reasonable and available to most of the employees of the applicant. Travel costs can be claimed, to the maximum allowance, as per the CFIN Travel Policy.

Indirect Costs (Overhead)

Indirect Costs (Overhead) are those costs which, though necessarily having been incurred and paid by the applicant for the conduct of the business in general, cannot be identified and measured as directly applicable to the carrying out of the approved project activities outlined in the project work plan.

Indirect Costs (Overhead) include, but are not limited to:

- a. Indirect materials and supplies including but not limited to, supplies of low-value, high-usage and consumable items, such as paintbrushes and safety supplies, which meet the definition of Direct Material costs but for which it is commercially unreasonable, in the context of Network Activities, to account for their costs in the manner prescribed for Direct Costs. Costs such as stationery, office supplies, postage and other necessary administration and management expenses, small tools, such as ladders, drills, paint sprayer, and general inventory build-up;
- b. Indirect labour, approved project management, and general administrative costs, including but not limited to the remuneration of executive and corporate officers, general office wages and salaries, clerical expenses, HR, Accounting/Finance staff, overtime premiums, bonuses, all types of benefits paid by employer, for example, CPP, EI, fringe benefits, medical benefits, dental benefits, pension benefits and other taxable benefits;
- c. Indirect building costs including, but not limited to, snowplowing costs, public utilities expenses of a general nature including but not limited to, power, HVAC, lighting, and the operation and maintenance of general assets and facilities;
- d. Expenses such as property taxes, rentals of equipment and building (not covered as part of direct costs) and depreciation costs;



- e. Indirect equipment costs including, but not limited to, maintenance cost of assets, office equipment, office furniture, etc.; and
- f. Other indirect costs including, but not limited to, daily commutes, unreasonable modes of transportation, general software and licenses, and travel insurance.

Indirect Costs (Overhead) thresholds of 55% on eligible direct labour but no more than 15% of total eligible project costs will apply for each applicant (and for each project if an applicant is approved for multiple CFIN projects). In the case of applicants with high Subcontractors and Consultants costs or low Direct Labour costs: Indirect Costs (Overhead) thresholds calculated to a maximum of 5% on eligible Subcontractors and Consultants costs, but no more than 15% of total eligible project costs may apply. Such thresholds would be calculated for each applicant and each project if an applicant is approved for multiple CFIN projects.

Ineligible Costs

Ineligible Costs incurred and paid by the applicant are not eligible for CFIN funding, regardless of whether they are reasonably and properly incurred and paid in the carrying out of the approved project activities.

Ineligible Costs includes:

- i. any form of interest paid or payable on invested capital, bonds, debentures, bank or other loans together with related bond discounts and finance charges; the interest portion of the lease cost that is attributable to cost of borrowing regardless of types of lease;
- ii. legal, accounting and consulting fees in connection with financial reorganization (including the set-up of new not-for-profit organizations), security issues, capital stock issues, obtaining of licenses, establishment and management of agreements with the applicant and prosecution of claims against CFIN or ISED. *Such legal costs associated with obtaining patents or other statutory protection for project intellectual property are considered eligible;*
- iii. losses on investments, bad debts and expenses for collection charges;
- iv. losses on other projects or contracts;
- v. federal and provincial income taxes, goods and services taxes, value added taxes, excess profit taxes or surtaxes and/or special expenses in connection with those taxes, except duty taxes paid for importing is Eligible Cost;
- vi. provisions for contingencies;
- vii. premiums for life insurance on the lives of officers and/or directors where proceeds accrue to the applicant;
- viii. amortization of unrealized appreciation of assets;
- ix. depreciation of assets paid for by CFIN;
- x. fines and penalties;
- xi. expenses and depreciation of excess facilities;
- xii. unreasonable compensation for officers and employees;
- xiii. product development or improvement expenses not associated with the work being performed under the project;



- xiv. advertising, except reasonable advertising of an industrial or institutional character placed in trade, technical or professional journals for the dissemination of information for the industry or institution;
- xv. entertainment expenses (including but not limited to, catering, alcohol, non-travel expenses);
- xvi. donations;
- xvii. dues and other memberships other than regular trade and professional associations;
- xviii. extraordinary or abnormal fees for professional advice in regard to technical, administrative or accounting matters, unless approval from CFIN is obtained;
- xix. selling and marketing expenses associated with the products or services or both being developed under the Master Project Agreement;
- xx. in-kind costs; and,
- xxi. recruiting fees.

