



**PROTEIN  
INDUSTRIES  
CANADA**

# GROWTH OPPORTUNITY

2019-2020  
**ANNUAL REPORT**

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## VISION

**Canada is a global leader in plant protein.**

## MISSION

**Invest collaboratively to accelerate innovation and the competitiveness of the Canadian plant protein sector.**

## WHO WE ARE

Protein Industries Canada is an industry-led, not-for-profit organization created to position Canada as a global source of high-quality plant protein and plant-based co-products. We are one of Canada's five Innovation Superclusters.

Protein Industries Canada works with industry partners to create co-investment projects that have the potential to transform the agriculture and food production sector, allowing Canada to secure its position as a global leader in the production of plant-based products and co-products.

Protein Industries Canada will help Canada capture its share of the \$50 billion global plant-protein market, driving investment in our economy and providing jobs to Canadians.

# YEAR IN REVIEW: 2019-20



# MESSAGE FROM THE HONOURABLE NAVDEEP BAINS, MINISTER OF INNOVATION, SCIENCE AND INDUSTRY

**Canada is in an innovation race. We are committed to growing the economy and taking a new and uniquely Canadian approach to innovation investment.**

Our five Superclusters were selected in early 2018 to accelerate innovation and foster stronger connections between all players in areas of competitive advantage – from large anchor firms to small and medium-sized enterprises (SMEs). The creation of superclusters and our investment of nearly a billion dollars marked a big change for both industry and government.

I am pleased to see this investment paying off as the superclusters continue to grow their membership and announce new, ground-breaking projects. This strong membership base has helped them pursue an ambitious and collaborative approach, developing networks that bring together businesses, academics, governments and not-for-profits. They are creating new business opportunities, economic growth and jobs of the future.

This past year, we have seen unprecedented momentum from the superclusters in terms of projects reviewed and launched, including a concerted effort to meet Canada’s critical need for healthcare supplies, equipment and technology during the COVID-19 pandemic.

**I’m particularly happy to note that roughly half of all project collaborators are SMEs, giving smaller businesses access to cutting-edge research, highly skilled talent and helping them scale up.**

I want to thank the Protein Industries Supercluster for a great year and driving innovative projects in agriculture.

To cite just one recent example, the Protein Industries Supercluster is developing novel processing technology for canola and hemp crops that will have significant benefits for Canadian processors and consumers. This will lead to the commercialization of new plant-based products for the food ingredient, livestock feed and aquaculture markets. That’s the tremendous value that these hotbeds of innovation are bringing to our everyday lives.



**NAVDEEP BAINS**  
Minister of Innovation,  
Science and Industry

# A MESSAGE FROM THE CHAIR

**As Chair of Protein Industries Canada, I am privileged to be involved in one of Canada’s most exciting – and most promising – industries: our agrifood sector.**

This sector, including food and beverage manufacturing, is Canada’s largest employer – and it is full of opportunity. At Protein Industries Canada, we are working to make sure this opportunity is fully realized.

Over the past year we’ve made significant progress on our technology investments and have formed collaborations with some of Canada’s most entrepreneurial and innovative companies. These companies range from founders of Canada’s plant protein sector and large multinationals, to start-ups, SMEs and everything in-between. These are the companies creating Canada’s plant protein sector.

But we don’t just invest in companies. We invest in people and ideas. People we refer to as trailblazers. Those with the big ideas, who are willing to take risks and who think and do business differently. Because it’s by doing things differently that we will grow the sector, build new companies, attract capital and create jobs. And that’s good not only for agriculture, but for all of Canada.

The agrifood sector is important to Canada. It is resilient and will be key to our nation’s post-COVID economic recovery. The fundamentals that underpin the sector are strong, but there is more that can be done to ensure its continued growth and benefit to Canada.

Going forward we need continued focus on science and innovation policy, particularly programs that incent private sector research and bring public and private investment together. We need to continue

to collaborate and better utilize our resources; to take a value-chain approach to research and innovation and create efficiency throughout the entire system. And we need to bring it all together and further establish Canada’s global value proposition.

From the outset, we were convinced that the Innovation Superclusters Initiative would be an important effort to strategically organize Canadian businesses and research centres into a new collaborative model for commercializing innovation. Through a large number of important initiatives and some \$150 million in innovation initiatives to date, companies are demonstrating the value of this program through their investments, including large capital expenditures that will create many new jobs and strengthen Canada’s global competitiveness in agrifood.

In order to fully realize the potential of our agrifood sector, and to capture our share of the global plant protein opportunity, we need to maintain and accelerate our momentum. We are committed to seeing this sector through and to build a runway for future growth. Protein Industries Canada will continue to invest in collaborative R&D projects and work to support a strong business environment.

Working collaboratively with our strategic partners, we believe we can transform Canada’s agrifood industry to a global leader in ingredient production. If you have not yet joined us on our mission, there is still time. Together we can achieve significant growth and enhance the global competitiveness of Canada’s agriculture industry.



**FRANK HART**  
Chair – Protein Industries Canada

# A MESSAGE FROM THE CEO

**As CEO of Protein Industries Canada, I often get asked what we need to do to advance Canada's agrifood sector, specifically when it comes to value-added processing and plant protein.**

It's a question I have thought about a lot over the past 12 months and have answered to varying degrees of success. The short answer is that there is no easy solution. It will take a coordinated and sustained effort to fully capture Canada's potential multi-billion-dollar growth in economic activity.

**The good news is that we are on the right path.**

Protein Industries Canada was created because Canada has potential to be a leader in the production of plant protein, capturing more value here at home and creating significant economic benefit for Canadians. Our goal is to help realize that potential. We believe we will get there faster by working together. The benefits of finding efficiency within the research ecosystem, leveraging public-private partnerships and investing in pre-competitive research will drive transformative change.

**By working together, we will strengthen Canada's agrifood sector and create benefits for Canadians.**

This past fiscal marked the first full year of operations for Protein Industries Canada. Our most significant accomplishment came in the form of advancing our collaborative R&D technology projects. In the past year we progressed seven technology projects, representing a \$100 million investment into Canada's agrifood sector.

**These investments represent new processes, products, ingredients and jobs.**

And while we're still in the relatively early days of realizing the full return on these investments, the benefits of the Supercluster model are quickly becoming evident. Projects that have received

investment from Protein Industries Canada have been successful in securing new customers, hiring more people and attracting new sources of investment.

**We are making a difference.**

Over the next year we will continue to work to advance technology projects. We recognize that the timeframe to complete research in the agriculture and processing sector is measured in years. Therefore, we must allow time for project consortiums to complete the work, for the results to be commercialized and for the benefits to be realized.

**Getting projects started and funds committed is critical.**

Looking further into the future, we will start to make increased investments into the ecosystem through our Capacity Building stream. These are enduring investments that will support a highly competitive business environment.

**A strong ecosystem is necessary for our technology investments to be successful.**

And I hope that someday in the future, though possibly not during my professional life, Canada will make a transition from a commodity provider to an ingredient supplier. I believe that by 2035, Canada can greatly increase its contribution to the value of the global trade in plant protein.

**The opportunity is ours. We have 14 Million Metric Tonnes of plant protein that the world wants.**



**BILL GREUEL**  
CEO – Protein Industries Canada

# KEY METRICS



7

TECHNOLOGY PROJECTS



\$103M

PIC & INDUSTRY INVESTMENT



\$55M

LEVERAGED



7.6

PARTICIPANTS PER PROJECT



24

SMEs PARTICIPATING IN PROJECTS



16

ACADEMIC & RESEARCH INSTITUTIONS INVOLVED



569

EXPECTED DIRECT JOBS CREATED



33

EXPECTED NEW PRODUCTS CREATED



21

EXPECTED PATENTS TO BE FILED



10

CAPACITY BUILDING PROJECTS



100+

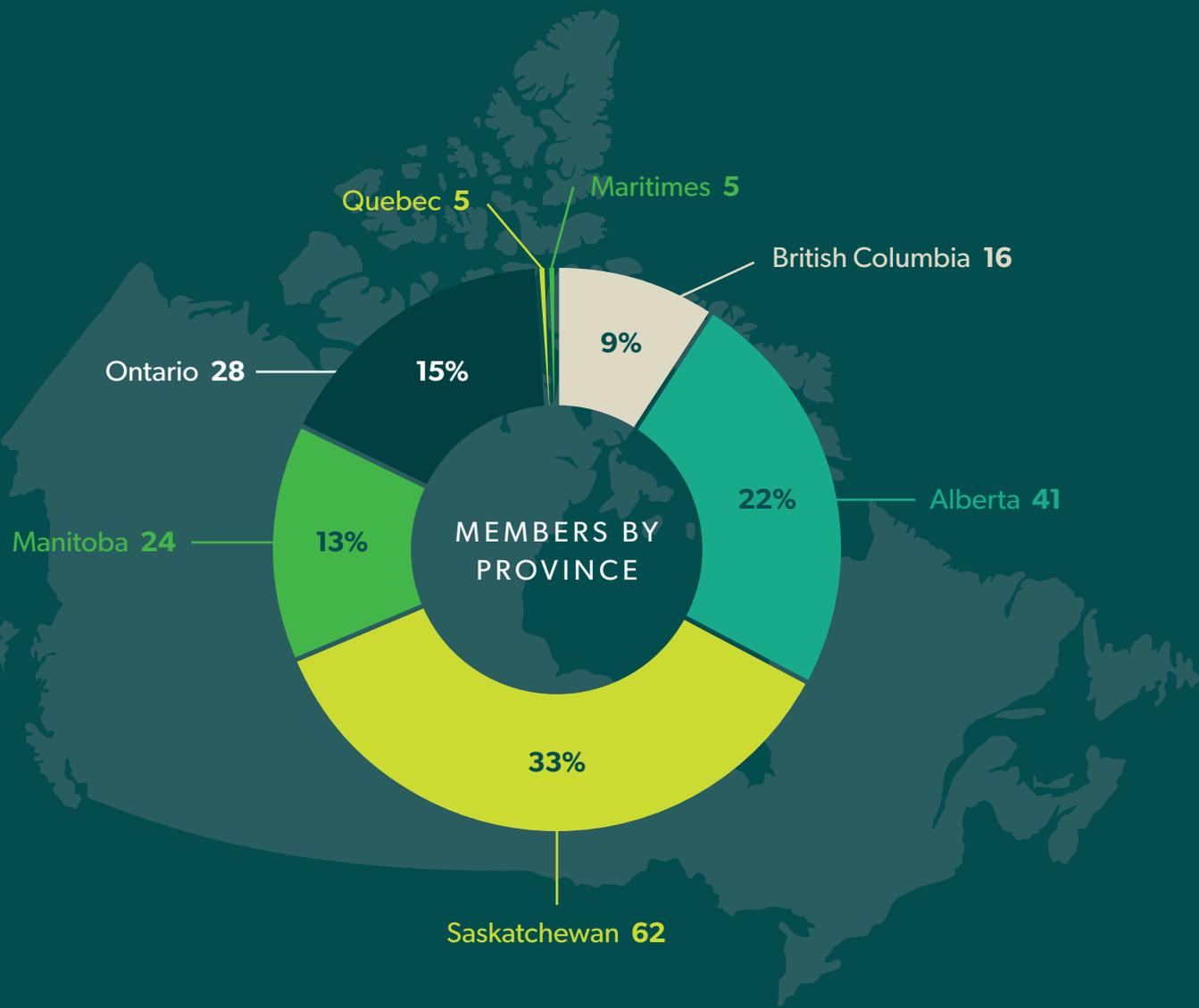
MEMBER-TO-MEMBER INTRODUCTIONS



80%

OF PROJECTS REDUCE ENVIRONMENTAL IMPACT

# OUR MEMBERS



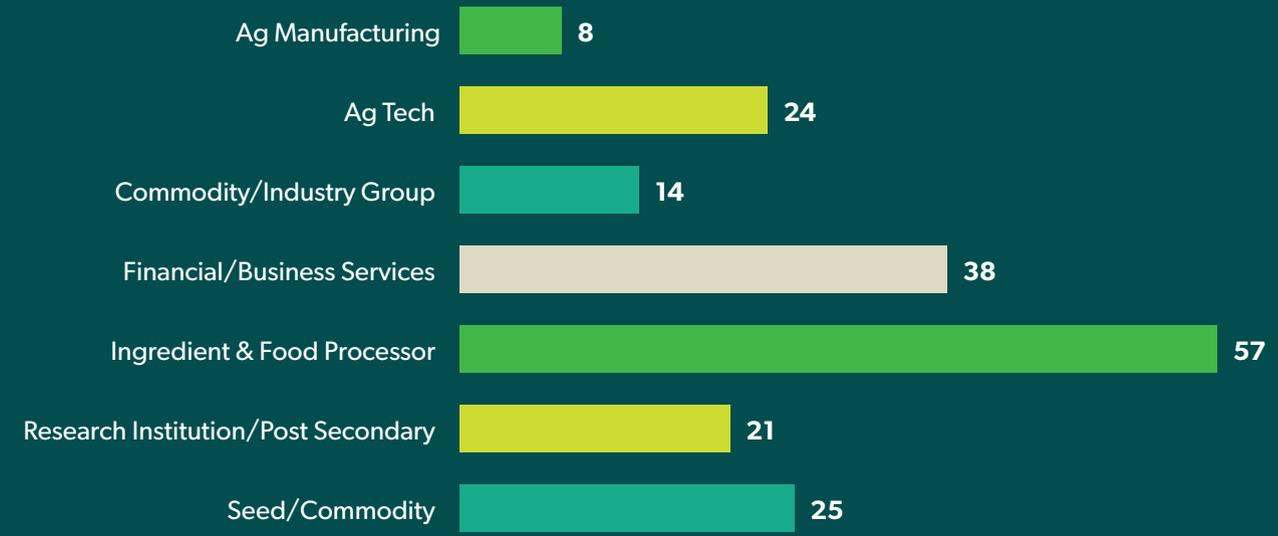
**187**  
MEMBERS

**6**  
INTERNATIONAL MEMBERS

**134**  
SME MEMBERS

**80**  
SPEAKING ENGAGEMENTS

## MEMBERS BY CLASSIFICATION



# TECHNOLOGY PROGRAM

## BOTANECO, CORTEVA AND ROWLAND FARMS

Protein Industries Canada’s first investment into an innovative project was with Botaneco, Corteva and Rowland farms. The \$11.8 million investment will work to commercialize a new processing technology that will yield a variety of new oil and protein products. Using crops such as canola and hemp, the project will introduce new high-protein ingredients into the global food, feed and aquaculture markets.

This project has the potential to open new markets for new canola and hemp products that are functional, natural and clean-label. Securing new markets with high-value products will contribute to a more robust processing sector, while creating jobs in manufacturing, food science applications and commercial leadership.

## MERIT FUNCTIONAL FOODS, PITURA SEEDS AND THE WINNING COMBINATION

Protein Industries Canada’s second project saw \$19.1 million invested to commercialize high-quality plant-based proteins. The project focuses on proprietary pea protein and canola protein isolates, including introducing the world’s first highly soluble, highly functional canola protein isolate.

The project, when complete, will create a range of products, including ingredients to be used in high-value food applications such as plant-protein beverages and plant-based burgers and result in the employment of more than 200 people.

**This investment is exciting and empowering for Merit as it grows as a company. It is helping us overcome many of the hurdles that new companies typically experience.**

– Ryan Bracken, Co-CEO of Merit

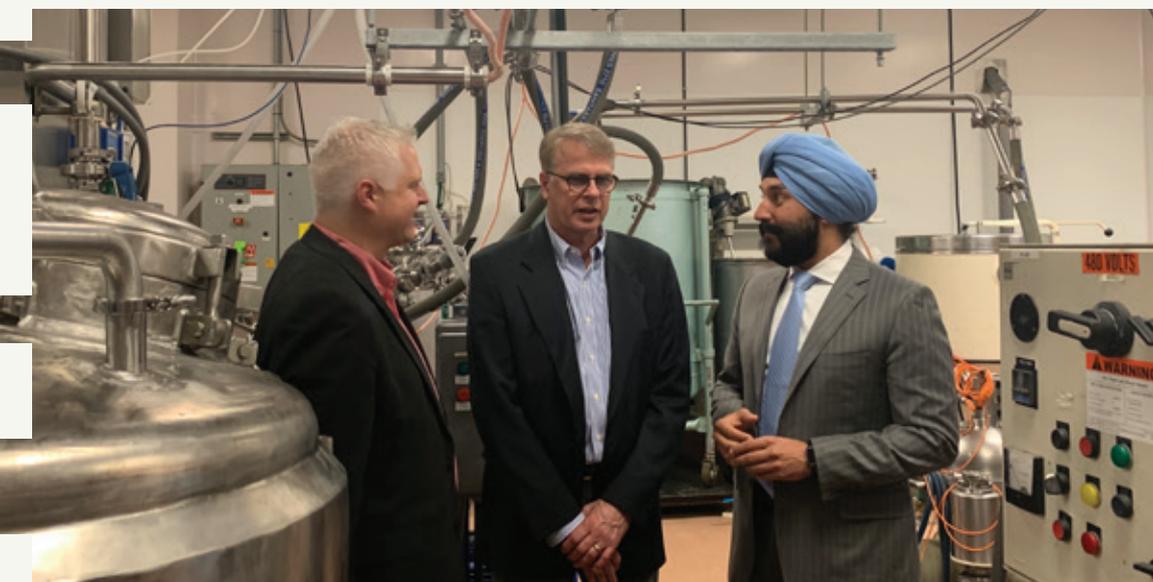
The consortium made up of Merit Functional Foods of Winnipeg, Man., Pitura Seeds from Domain, Man., and Winning Combination of Winnipeg will invest \$9.1 million, with an equal investment from Protein Industries Canada. By taking patented technology from Burcon Nutrascience, and with support from the Manitoba Food Centre, the project will commercialize the world’s first canola proteins and novel pea protein isolates with more than 90 per cent purity and nearly 100 per cent solubility in food and beverages. This high purity improves the pea proteins flavour profile, while high solubility eliminates the grittiness experienced with less soluble proteins.



Bill Greuel, CEO of Protein Industries Canada, at the Botaneco, Corteva and Rowland Farms announcement event



(left to right): Ryan Bracken, Co-CEO of Merit Functional Foods, The Honourable Jim Carr, Special Advisor for the Prairies, and Bill Greuel at the Merit Functional Foods and Pitura Seeds announcement event



(left to right): Bill Greuel, James Szarko, CEO of Botaneco Inc., and The Honourable Navdeep Bains, Minister of Innovation, Science and Economic Development, tour the Botaneco facility

## CORTEVA, BOTANECO AND BUNGE

This project recognizes an investment of more than \$27 million into a canola breeding project focused on making high-protein canola hybrids that produce high protein meal for downstream use. This is the first commercial breeding project focused specifically on protein quality improvement. Higher protein canola meal will result in new, higher value markets and create economic benefits across the entire value-chain.

**Development of high protein canola hybrids will change the future of canola.**

– David Dzisiak, Chief Operating Officer of Botaneco

The consortium made up of Corteva Agriscience, Bunge Canada and Botaneco will invest \$14.05 million, with a \$13.6 million investment from Protein Industries Canada. In this project, genetics from Corteva’s breeding programs and public sector sources, such as Agriculture and Agri-Food Canada, will be analyzed for protein, fiber and anti-nutritionals to identify traits that result in high protein and reduced fiber. High-protein products delivered from breeding will be scaled up to provide seeds for processing by consortium partners Bunge and Botaneco to generate meal and high-value protein products. It is expected that project will result in higher-protein canola seeds, meal and value-added products to be more competitive with soybean and other protein sources for human and livestock markets.

## PROVISION ANALYTICS, VERGE TECHNOLOGIES, SKYMATICS AND COUTTS AGRO

This \$9.25 million project will help improve on-farm logistics and food traceability through an integrated data platform. This innovative project will reduce input costs and the overall environmental impact of the sector.

The consortium, consisting of Provision Analytics from Calgary, Alta., Verge Technologies from Calgary, Alta., Skymatics from Calgary, Alta., and Coutts Agro from Kindersley, Sask. will invest \$4.6 million or half of the total project budget, with Protein Industries Canada’s co-investment making up the other half.

**This project gives us the opportunity to de-commoditize Canadian crops, and find real, differentiating value in products as they move through the supply chain.**

– Erik Westblom, Co-Founder and CEO of Provision Analytics

This project brings together the expertise of Coutts Agro, a large-scale farming operation, with technologies from Verge Technologies and Skymatics, which uses digital mapping and optimization technologies to help farmers improve in-field operations by capturing information around input application, fuel use and more. Verge Technologies software results in fewer passes required to maintain a field, leading to reduced fuel costs and mitigating a producer’s environmental impact. This dataset will be used by Provision Analytics to create linkages to support food traceability, transparency and key metrics associated with energy efficiency.

This will be the first project to attempt to correlate farm-level practices through the value chain from production to processing, bringing together the different touchpoints to support traceability and sustainability initiatives and advance Canada’s agriculture and food sector.



(left to right): Bill Greuel, Bryce Eger, President of Corteva Canada, Alanna Koch, PIC Board Member, and David Dzisiak, Chief Operating Officer of Botaneco



Alanna Koch at the Corteva, Botaneco and Bunge announcement event



(left to right): Matt Coutts, Chief Investment Officer of Coutts Holdings, Erik Westblom, Co-Founder and CEO of Provision Analytics, Matt Mendes, Chief Financial Officer of Verge, and Bill Greuel at the Provision Analytics, Verge Technologies, Skymatics and Coutts Agro announcement event



## LUCENT AND AGT

The project will see \$3 million, of which \$1.3 million is from Protein Industries Canada and \$1.7 million is from the consortium, invested to create a novel approach to improving the value of fibrous co-products from the pulse processing industry by transforming them into an organic micronutrient fertilizer.

**The PIC investment allows us to accelerate R&D and engineering, while the collaboration with AGT opens up large-scale end-user testing and market access with a key industry player.**

– Michael Riedijk, CEO of Lucent BioSciences

The consortium consists of Lucent BioSciences from Vancouver and AGT Foods and Ingredients from Regina. Part of the AGT Foods and Ingredients value-added processing procedure creates a co-product from pea and lentil seed hulls. Using their propriety process, Lucent will convert these hulls into Soileos: a novel carbon-neutral micronutrient fertilizer that uses organic fibre as a carrier to provide micronutrients to plants.

The delivery of micronutrients increases yield and nutrient density in crops, in a sustainable and environmentally friendly manner. This project takes what has historically been considered a waste stream from processing and adds further value, utilizing the entire seed.



(left to right): Brennan Craig, Sr. Merchandiser of AGT Food and Ingredients, Bill Greuel, Michael Riedijk, CEO of Lucent BioSciences, The Honourable Jonathan Wilkinson, and Tyler Groeneveld, PIC Board Member

## FARMERS EDGE AND OPI

This \$14.8 million project split between Protein Industries Canada and the consortium partners will result in new products that will provide the Canadian plant protein ecosystem with a competitive advantage in global plant protein markets.

Farmers Edge, along with their strategic partners, will initially focus on capturing and developing artificial intelligence for grower risk management to value-added protein opportunities. This involves data science on crop health management practices and prediction modelling. As this grower-focused activity takes hold, parallel activities on an international traceability will be undertaken with the Standards Council of Canada, which will involve direct input into a digital permission-based ledger to market entry barriers for existing and new value-added plant protein products.

## AGT AND ULIVIT

The \$11.3 million project will see a consortium of AGT Food and Ingredients (AGT) and ulivit work together to process pea, lentil and faba bean protein concentrate into high-moisture meat analogue, Texturized Pulse Protein (TPP), tempeh, tofu, pasta and non-dairy analogues. These ingredients will then be further developed into market-ready food for the consumer and restaurant markets, helping to meet the increasing demand for vegetarian and flexitarian diets.

This project brings together AGT, considered one of the founders of Canada’s plant protein industry, with ulivit, a young company led by two talented women entrepreneurs, to execute projects that will contribute to revolutionising the plant-based food market. Building off each other’s experience and expertise, they will use dry fractioned pulses as feedstock to create high-protein products using green production methods that will consume less energy and water than existing commercial processes.



# CAPACITY BUILDING

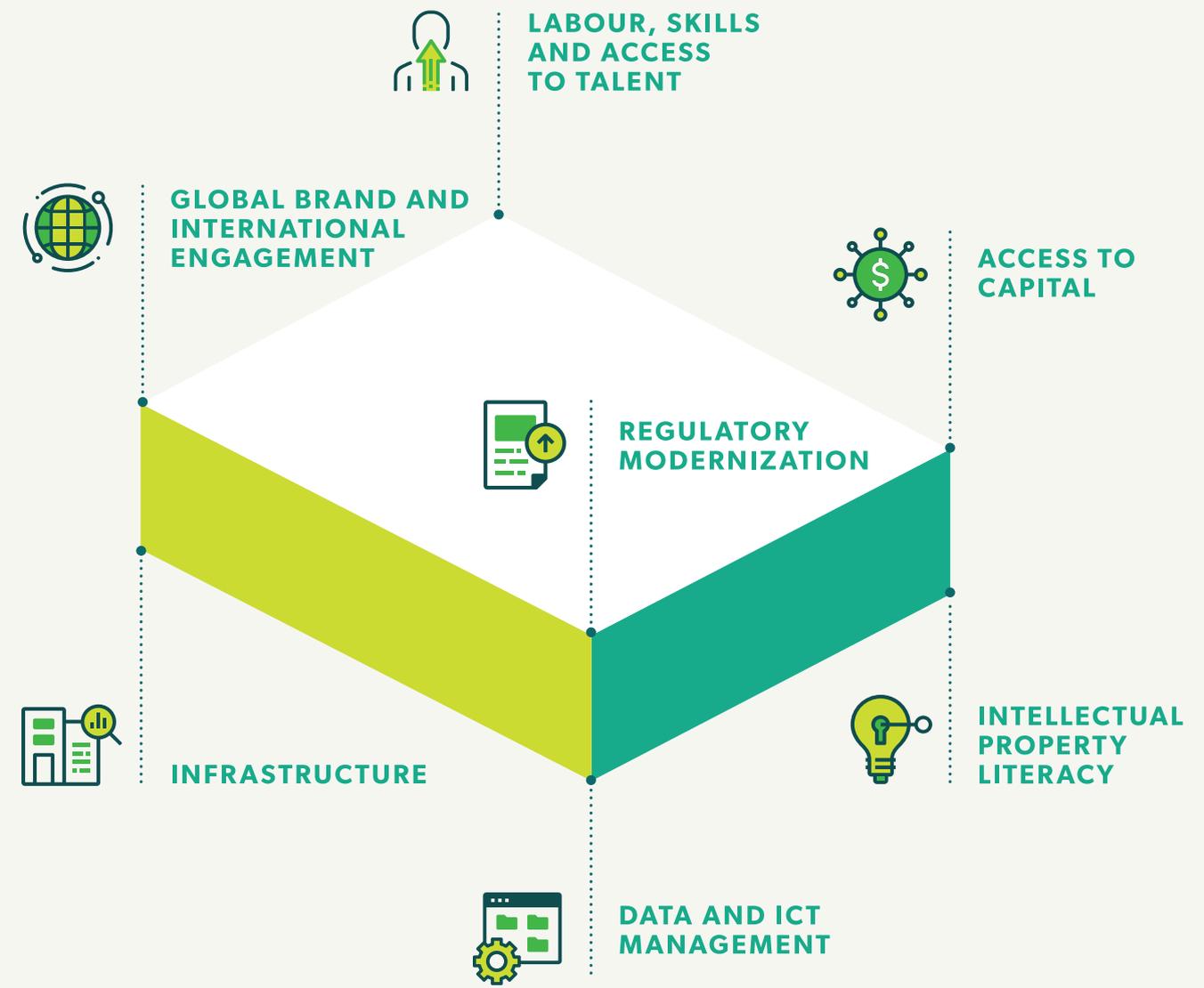
**Protein Industries Canada’s Capacity Building priorities and desired outcomes have been created in consultation with industry. These areas represent significant opportunities for lasting growth and long-term success of the sector.**

Protein Industries Canada will work to mobilize the larger industry, creating collaborative consortiums from across the sector – including SMEs, NGOs, post-secondary institutions, contract research facilities and more – to create projects to advance the sustainability and competitiveness of Canada’s plant-protein ecosystem.

In 2019-20 Protein Industries Canada completed 10 Capacity Building projects, with investments totalling more than \$500,000 into the ecosystem. The focus of Capacity Building in 2019-20 was setting the foundation for future success. This meant most of the projects undertaken intended to help understand the current environment. This foundational work was key to building Protein Industries Canada’s strategy and focusing investments. Most work focused on international engagement and supporting Canada’s global brand, prioritizing regulatory barriers and creating a network to support the skills and labour needs of the sector.

Highlights of the year included hosting a series of workshops to bring industry together to validate Protein Industries Canada’s Capacity Building strategy, bringing a prestigious international summit, usually hosted in Europe, to North America for the first time and partnering to understand the skill and talent gap in the sector.

## 7 Capacity Building Priorities



## PIC BRINGS BRIDGE2FOOD PLANT PROTEIN SUMMIT TO CANADA FOR THE FIRST TIME

In 2019, Protein Industries Canada partnered with Bridge2Food, a Netherlands-based food conferencing and networking firm, to bring two plant protein conferences to Saskatoon and Calgary. It was the first time the Bridge2Food Summit was held in North America. This offered an unprecedented opportunity for Canada to showcase its agrifood sector to international audiences, and for Canadian companies to network, share knowledge and build relationships within the global ecosystem.

The summit in Saskatoon, focused on plant protein ingredients, was held May 29 to 31, followed by a companion event focused on plant-based foods, hosted in Calgary from June 3 to 5. The two events attracted more than 500 key industry players from North America and Europe. The conferences were a prime example of bringing different stakeholders together to foster collaboration on the national and global scale and brought an invaluable opportunity to tell the Canadian story to international audiences, strengthening our position as a leader in the agrifood sector. The positive impacts of the Summits have continued, including a very positive ongoing relationship with the Netherlands and global food companies such as Nestlé.

This event cemented PIC and Canada as a global leader in plant protein.

## CAPACITY BUILDING WORKSHOPS

In February 2020, Protein Industries Canada held a series of workshops to engage stakeholders on our Capacity Building strategic priorities. The workshops, held in Calgary, Edmonton, Saskatoon and Winnipeg, focused on building awareness of PIC's Capacity Building priorities, validating our strategy, seeking out new ideas and gaining insights on how we can collaborate with industry to build capacity in the sector.

The workshops were attended by more than 130 stakeholders from the agrifood sector, including industry, academia, non-profits and government. Key takeaways from the consultations reaffirmed the importance of the ecosystem, confirming PIC's catalytic role as an ambassador, enabler and a "keeper of the plan."

## PARTNERING WITH EMILI ON A SKILLS AND TALENT E-SCAN

One of the priority areas of Protein Industries Canada's Capacity Building Program is Labour, Skills and Access to Talent. In 2019-20, PIC partnered with Enterprise Machine Intelligence and Learning Initiative (EMILI) to help understand the challenges, gaps and opportunities the agrifood sector faces regarding talent.

The chronic labour shortage in the agrifood sector has become one of the most pressing barriers to growth. If not addressed, this will influence Canada's ability to realize our agrifood potential.

As part of the project, EMILI summarized 15 recent international and Canadian agrifood-focused reports from governments, academia and other groups that describe how work will be accomplished in the future, current skillset shortages and the need to re-skill existing employees. The project also included analysis on Protein Industries Canada's December 2019 membership survey, including follow-up interviews with survey respondents on skills and talent issues.

The study identified that the most urgent skill needs are in the technical protein, technology and business categories, followed closely by human skills. It also brings key findings and recommendations, areas in which the agrifood sector needs to work together to create a sector-specific strategy for skills development, including:

- Assessing future needs for all skill levels, with accurate labour supply and labour demand data;
- Working cooperatively with educators to ensure curriculum aligns with current and future industry requirements and to provide more work-integrated learning opportunities to students;
- Providing lifelong learning and re-skilling opportunities to retain and sustain jobs for current employees; and
- Increasing awareness of agricultural career opportunities to youth and underrepresented groups.

This foundational project will help drive future activities in the Skills, Talent and Access to Labour priority areas and bring stakeholders together to work toward shared solutions.

# 2019-20 OBJECTIVES AND RESULTS



59 EOI SUBMISSIONS

## The organization's first Investments in Technology Priorities and Ecosystem Development projects.

- Over the course of 2019-20, Protein Industries Canada had two calls for proposals for technology projects. Combined, the two calls resulted in 59 Expressions of Interests submitted by industry. The total combined value of these EOIs exceeded \$481 million.



7 TECHNOLOGY PROJECTS

- From the Expressions of Interest, 24 proceeded to full application.
- By the end of 2019-20, Protein Industries Canada had seven approved technology projects, representing \$48 million in PIC contribution and \$103 million of total project value.
- Capacity Building: Protein Industries Canada undertook 10 capacity building projects in 2019-20, investing more than \$690,000. For the most part, the projects focused on better understanding the current state of the sector, including identifying the largest opportunities for growth and the greatest barriers. Examples include research to help advance regulatory changes, a review of skill gaps in the industry, and defining the proof points for Canada's food brand.



10 CAPACITY PROJECTS

## A fully staffed and highly functioning organization.

- As Protein Industries Canada evolved as an organization, so did our staff complement. At the start of 2019-20 Protein Industries Canada had five full-time staff, all based out of Regina, Sask. Protein Industries Canada now has 12 full-time people in cities across Western Canada. Key roles filled during the year include the Chief Technology Officer, IP Manager and Ecosystem Development Manager.



12 FULL-TIME EMPLOYEES

## The development of an IP Registry.

- Initial development of an IP Registry was undertaken in 2019-20, including the tracking of all background and expected IP. A searchable and interactive IP Registry will be introduced in fiscal 2020-21 as part of Protein Industries Canada's new member portal.

## The creation of a searchable member database focused on member capabilities.

- In April 2019, Protein Industries Canada launched a new member website, including a member database. Throughout the fiscal year, further enhancements were made to increase its functionality and to provide more value to members. In 2020-21, Protein Industries Canada will deliver an enhanced member portal with increased searchability and functionality to support member-to-member collaboration.

## The creation of a Data Management Strategy focused on the use of data as a strategic asset for the agriculture sector.

- Protein Industries Canada's Data Strategy was approved by the board of directors in March 2020. To create the Data Strategy, Protein Industries Canada completed a member-needs assessment and began work with several like-minded organizations, including Farm Credit Canada (FCC), the Enterprise Machine Intelligence and Learning Initiative (EMILI), and the Alberta Data Institute (ADI) on the development of a common approach and a set of common activities related to data management in the agriculture and food processing sectors. Protein Industries Canada's data strategy reflects those activities and discussions.

## The refinement of a robust reporting framework to meet our Government of Canada reporting requirements and build confidence in our investments.

- Ensuring a high level of accountability in project reporting, and supporting project partners in meeting the reporting requirements is a priority for Protein Industries Canada. All project consortium members must use cloud-based software to report all project expenses. All project expenses must be allocated to a cost category and a milestone. PIC compiles the reported project expenses into the required ISI reporting templates and accesses eligibility of expenditures. The project costs are summarized on a monthly or quarterly basis to compare actual spend by category to budgeted spend by category and spend by milestone compared to milestone progress.

# 2020-21 OBJECTIVES

**Protein Industries Canada was partly successful in its bid to become a Supercluster because of the understanding that Canada’s agrifood sector had the potential to be more.**

We needed, as a sector, to move up the value chain, starting the transition from a commodity supplier to an ingredient provider and food processor.

The potential for this opportunity has been well documented by both the Barton Report ([Unleashing the Growth Potential of Key Sectors](#)) and the report from the [Economic Strategy Table on Agrifood](#). Together these two reports have completed comprehensive analysis, set ambitious targets and identified both the major constraints and the key actions required to achieve economic growth for the sector.

**Protein Industries Canada has an important role to play in helping to achieve those goals for Canada.**

We believe that by growing the ingredient and food processing sector in Canada, we can unlock billions of dollars’ worth of value that is otherwise exported as whole seed. We will continue to work with private companies, academic institutions, all levels of government and industry organizations to make progress on these goals.

For the fiscal year 2020-21, Protein Industries Canada will continue to deliver on outcomes associated with investments made in technology and capacity building projects. Specifically, these include increased private company investment into the sector, the forging of new collaborations, the development of new products and processes, the assessment and development of new markets and improved access to venture capital funding.

## BETWEEN THESE TWO REPORTS, THE FOLLOWING GOALS HAVE BEEN SET:

- Grow agrifood domestic sales to \$140 B
- Grow agrifood exports to \$85 B
- Elevate Canada to fifth in global agrifood exports

## PROTEIN INDUSTRIES CANADA WILL FOCUS ITS WORK AROUND FIVE CORE AREAS:

- Agrifood Leadership
- Sector Growth
- Sector Collaboration
- Sector Competitiveness
- Operational Excellence

## AGRIFOOD LEADERSHIP

The agrifood sector is large and complex. It ranges from a farmer's field to a grocery store shelf. It is an integrated and complex industry. In order to achieve the objectives set forth, we as an industry need a strong, united voice that can focus resources on the most important initiatives. We will only achieve success through collaboration and taking a new approach to growing Canada's agrifood sector.

### Objectives:

- Collaborate with willing partners to increase investment for the sector, leading to economic growth for Canada; and
- Champion the concept of "Marketing the Canadian Plate" to build common goals among the entire agrifood sector.

### Linked KPIs:

- Increase in GDP contribution from participating small, medium and large firms to Canada's economy.

## SECTOR GROWTH

The growth of the sector in Canada requires increased investments across the entire value chain, from plant breeding and production agriculture through to value-added processing and market development. Investments made by Protein Industries Canada will leverage contributions to increase research and development into the production of plant protein in Canada.

### Objectives:

- Development, evaluation and co-funding of strong technology projects;
- Implementation of science plan to identify key areas of investment;
- The creation and commercialization of new products; and
- Co-investment projects focused on commercial products and processes.

### Linked KPIs:

- Number of projects funded;
- Value of PIC investments in technology priority projects;
- Value of industry contributions in technology priority projects;
- Number of services, products or processes developed or improved by participants; and
- Number of services, products or processes developed or improved that are commercialized by participants.

## SECTOR COLLABORATION

This is why the Innovation Superclusters Initiative was created. Enhanced collaboration among private sector firms, between private sector firms and academic institutions, and between private sector firms and federal government institutions spanning research, policy and regulation is key to the success of the cluster and the industry. Collaboration is a central tenant of how Protein Industries Canada approaches all things.

### Objectives:

- A strong membership base, including key strategic partners, anchor firms and academic institutions engaged in the sector and aligned with Protein Industries Canada;
- Increased collaboration in both technology and capacity building projects;
- Projects that include a range of partners from across the value-chain, and public and private research institutions; and
- A focus on building relationships both domestically and internationally to further build Canada's plant-protein ecosystem.

#### Linked KPIs:

- Value of industry contributions in technology priority projects (quarterly KPI);
- The Collaboration Index by project (number of Ecosystem partners involved on a per-project basis); and
- Protein Industries Canada membership by class and geography.

## SECTOR COMPETITIVENESS

This is about building a business environment that supports innovation and the commercialization of new technology, as well as improving Canada’s international reputation to secure foreign direct investment and market access for plant-based products and co-products. Protein Industries Canada’s Capacity Building stream focuses on investments into priority areas necessary to ensure a competitive environment and build capacity in the sector.

#### Objectives:

- Implementation of Capacity Building Strategy;
- Development of new markets because of Protein Industries Canada’s and the Canadian plant protein sector’s international reputation;
- Regulatory modernization through collaboration with key industry associations and federal government departments;
- Increase access to capital for member companies; and
- Help the sector build a strong workforce for the future.

#### Linked KPIs:

- Value of PIC investments in ecosystem development projects (quarterly KPI); and
- Value of industry contributions in ecosystem development projects (quarterly KPI).

## OPERATIONAL EXCELLENCE

As a member-based organization that administers public funds and helps to execute large-scale technology and capacity building projects, we require due diligence, strong financial management and transparency.

#### Objectives:

- The continued development, review, approval and execution of projects;
- A high degree of due diligence regarding the investment of Protein Industries Canada funds;
- Implementation of a CRM system and a new member portal;
- Creation of a project management steering committees; and
- A fully engaged and effective workforce.

#### Linked KPIs:

- Project milestone tracking against statement of work/project plan;
- Budget to actual expenditures; and
- Cash flow projections.

# CORPORATE BOARD OF DIRECTORS



FRANK HART  
Regina, SK



DAVID DZISIAK  
Calgary, AB



ANNETTE REVET  
Regina, SK



RAY BOUCHARD  
Oak Bluff, MB



TYLER GROENEVELD  
Calgary, AB



ALLISON AMMETER  
Red Deer, AB



MURAD AL-KATIB  
Regina, SK



WILF KELLER  
Saskatoon, SK



MARTHA HALL FINDLAY  
Calgary, AB



GEORGE LAFOND  
Victoria, BC



ALANNA KOCH  
Edenwold, SK

## BOARD GOVERNANCE

Protein Industries Canada Board of Directors is responsible for the strategic direction and fiduciary oversight of the organization.

Protein Industries Canada's Board of Directors is made up of individuals from across Canada. During the fiscal year 2019-20 the board met five times (Calgary, Winnipeg, Saskatoon and twice virtually). In addition, a one-day board orientation was held in Calgary and a strategic planning session was held in Winnipeg.

There are two committees of the board: Governance and Nominating, and Audit and Finance. Committees meet in advance of regular board meetings.

### Governance and Nominating Committee Members:

- Chair: Annette Revet
- Frank Hart (ex-officio)
- Tyler Groeneveld
- Allison Ammeter
- George Lafond

### Audit and Finance Committee Members:

- Chair: Dave Dzisiak
- Frank Hart (ex-officio)
- Ray Bouchard
- Murad Al-Katib

Protein Industries Canada is committed to reaching gender-parity within its Board of Directors. Recruitment in future years will focus on reaching gender-parity while also bringing the right mix of skills and expertise to support the long-term success of the organization.

# STAFF



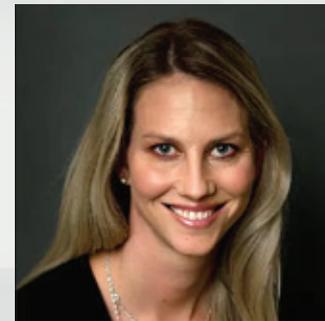
**BILL GREUEL**  
CEO



**CHRIS ANDERSON**  
CTO



**DEIDRE PLOSZ ROWLEY**  
Corporate Secretary and  
Executive Assistant to the CEO



**KASSANDRA QUAYLE**  
CFO



**TIFFANY STEPHENSON**  
CMO



**AMBER HUBICK**  
Administrative  
Coordinator



**CAMILA JERGER**  
Ecosystem Development  
Manager



**CARSON SINCLAIR**  
Program Coordinator



**DIANE HARMS**  
Program Specialist



**LISA CAMPBELL**  
Director of Programs  
and Regulatory



**MEGHAN GERVAIS**  
Intellectual Property  
Manager

# APPENDIX A: REPORTING TO THE FEDERAL GOVERNMENT

## E

**A summary of any updates to the Recipient's investment policies, standards and procedures, if any**

### INVESTMENT POLICY STATEMENT (IPS)

#### I. Purpose

The purpose of this Investment Policy Statement (IPS) is to establish guidelines for the investable assets (the "Portfolio") of PIC. This document shall apply to the Finance and Audit Committee of the Board, as well as all Investment Managers hired to assist with the management of the Portfolio.

#### II. Investment Objectives & Constraints

- A. The objective of the Portfolio is the preservation of the capital to meet future disbursement requirements.
- B. The Portfolio is also subject to the following constraints:
  - (a) PIC shall not encumber the Portfolio in any way, including, but not limited to, encumbrances in any way connected to (i) borrowing money; (ii) issuing any debt obligations or securities; (iii) guaranteeing any debt or other obligation of a person, mortgagor or other entity; or (iv) pledging all or any portion of the Portfolio by way of security for payment to any creditor.
  - (b) Investments of the Portfolio in the securities of any one issuer, or two or more affiliated entities shall be limited to no more than ten percent (10%) of the investment portfolio's assets.

- (c) Subsection II B (b) does not apply in respect to:
  - (i) investments in securities issued by the Government of Canada or the government of a province, or securities that carry the full faith and credit of either; and
  - (ii) any index, segregated, mutual or pooled fund.
- (d) Investments of the Portfolio in securities with a credit rating of "A" (including all sub-classifications of this rating category), by at least one of the recognized credit rating agencies, shall be limited to no more than twenty percent (20%) of the investment portfolio's assets.
- (e) Investments of the Portfolio in securities with a credit rating of "AA" (including all sub-classifications of this rating category), by at least one of the recognized credit rating agencies, shall be limited to no more than seventy percent (70%) of the investment portfolio's assets.
- (f) Investments in securities that are not issued by, or carry the full faith and credit of either the Government of Canada or the government of a province, shall be limited to no more than eighty percent (80%) of the investment portfolio's assets.
- (g) Where external credit ratings are applied, investments or counterparts shall have a credit rating from at least two of the four following rating agencies: Moody's Investors Service Inc., Standard & Poor's Ratings Services, Fitch Rating Ltd., and DBRS Ltd. When there are two or more ratings for an entity or security, the lower of the highest two ratings should be used to determine eligibility, in accordance with Basel III rules. When there is an assumption of government support in the rating, standard-alone ratings should be used where available; otherwise the official rating should be used.
- (h) PIC shall not invest the Portfolio in securities that are not denominated in Canadian dollars.

### III. Description of Responsibilities

A. The responsibilities of each party involved in managing the portfolio are defined below:

1. Finance and Audit Committee:

The Finance and Audit (“Committee”) is established under the authority of, and is accountable to, the Board of Directors (the “Board”) of PIC. The Committee assists the Board in fulfilling its governance responsibilities with respect to PIC’s Portfolio.

Without limiting the generality of the foregoing, the Committee shall:

- (a) approve the appointment and termination of Investment Managers;
- (b) review and approve Investment Manager mandates;
- (c) approve the appointment and termination of the PIC’s investment custodians and other providers of investment related services, or delegate such approval as appropriate;
- (d) review, on a quarterly basis, all matters related to the investment of the Portfolio;
- (e) review, at least annually, the Statement of Investment Policy, and monitor compliance with this policy;
- (f) review, at least annually, the performance of each Investment Manager and providers of investment-related services;
- (g) implement investment matters as provided for in the Statement of Investment Policy;
- (h) monitor, as required, PIC staff’s compliance with guidelines and processes for the selection of Investment Managers, including compliance with the PIC’s conflict of interest policies;
- (i) approve the management fee on the Portfolio and any modifications thereto.

2. Investment Manager:

The Investment Manager (“Manager”) is a person or organization that makes investments of the Portfolio on behalf of PIC under this Investment Policy Statement. The Manager may handle all activities associated with the management of the Portfolio from day-to-day buying and selling securities, to portfolio monitoring, transaction settlement, performance measurement, and regulatory and client reporting.

### IV. Fiduciary Duty

A. In seeking to attain the investment objectives set forth in the IPS, the Prudent Investor Rule shall apply, which states that the Finance and Audit Committee is under a duty to PIC to invest and manage the Portfolio as a prudent investor would, as described below:

- 1. The exercise of reasonable care, skill, and caution that is applied to investments not in isolation but in the context of the Portfolio and as part of an overall investment strategy, which should incorporate risk and return objectives reasonably suited to the Portfolio.
- 2. In making and implementing investment decisions, the Finance and Audit Committee has a duty to diversify the Portfolio unless, under the circumstances, it is prudent not to do so.
- 3. In addition, the Finance and Audit Committee must:
  - (a) Conform to fundamental fiduciary duties of loyalty and impartiality.
  - (b) Act with prudence in deciding whether and how to delegate authority and in the selection and supervision of agents (i.e. Investment Managers).
  - (c) Incur only costs that are reasonable in amount and appropriate to the management of the Portfolio.

B. The Prudent Investor Rule is based on the following five basic principles:

- 1. Sound diversification is fundamental to risk management and is therefore ordinarily required of the Finance and Audit Committee.

2. Risk and return are so directly related that the Finance and Audit Committee has a duty to analyze and make conscious decisions concerning the levels of risk appropriate to the purposes, distribution requirements, and other circumstances of the Portfolio.
  3. The Finance and Audit Committee has a duty to avoid fees, transaction costs, and other expenses that are not justified by needs and realistic objectives of the Portfolio.
  4. The fiduciary duty of impartiality requires a balancing of the elements of return between production of income and the protection of purchasing power.
  5. The Finance and Audit Committee may have a duty as well as having the authority to delegate as prudent investors would.
- C. Conflict of Interest Concerning Investment Management:
- (a) The Finance and Audit Committee shall ensure that all Investment Managers or advisors who are involved in the investment management of the Portfolio disclose in writing, on a timely basis, the nature and extent of his/her interest, including any material interest in any entity that is a party to a transaction with PIC.
  - (b) The Finance and Audit Committee shall also ensure that the PIC's conflict of interest policies and procedures cover, among others, voting, prohibited transactions, continuing disclosure and avoidance standards.

**V. Investment Philosophy**

The basic tenet upon which the IPS is based is for the preservation of the capital to meet future disbursement requirements.

**VI. General Guidelines**

- A. Maturities of the Securities. The maturities and terms of investments shall match the profile of the PIC's forecasted disbursements of the Portfolio. In cases where the timing of disbursements is unknown, investments shall be held in securities with term to maturity of one year or less.
- B. Permitted Investments. The following constitute permitted investments:

- (a) bank certificates of deposit;
  - (b) banker's acceptances;
  - (c) treasury bills, commercial paper and other short-term securities, bonds and notes issued by the federal government, provincial governments, municipal governments and corporations; and
  - (d) other fixed-income securities that carry the full faith and credit of the Government of Canada.
- C. Prohibited Investments and Trading Activities. PIC undertakes not to engage or invest the Portfolio in the following:
- (a) equities or shares issued by any corporation;
  - (b) hedge funds or funds of hedge funds;
  - (c) fixed-income instruments rated below A- by Standard & Poors or Fitch Ratings, A3 by Moody's or A- by DBRS;
  - (d) derivatives or any instruments that have derivative holdings or features;
  - (e) non-marketable securities;
  - (f) commodities;
  - (g) repurchase agreements against securities which are not permitted to be held in the Portfolio;
  - (h) margin transactions or any form of leveraging; and
  - (i) exchange traded funds, segregated, mutual or pooled funds.

**VII. Monitoring Portfolio Investments & Performance**

- A. The Investment Manager shall prepare a quarterly performance report, which should include the Portfolio's performance, asset allocation, and compliance with all applicable guidelines defined in the IPS. The Portfolio and individual Investment Managers shall be measured against appropriate benchmarks for the asset class.

- B. Performance of the Portfolio, as well as individual Investment Managers, shall be measured versus appropriate benchmarks over rolling 3- and 5-year periods, measured quarterly.
- C. The Portfolio shall be reviewed at least quarterly to ensure that all Investment Managers remain in compliance with all applicable guidelines defined in the IPS.

**VIII. IPS Review**

- A. Any of the following shall trigger a review of the IPS:
  - 1. A change to the PIC’s Investment Objectives.
  - 2. In the absence of any change to the PIC’s Investment Objectives, the IPS should be reviewed at least annually.

**G**

**Executive confirmation that the financial controls of the Recipient operate as intended**

A strong financial control environment exists at Protein Industries Canada. The CEO and CFO did not note any instances in the fiscal year in which the financial control environment did not operate as intended.

**H**

**Executive confirmation that the Intellectual Property Strategy operates as intended and continues to support the objectives set out in the Corporate Plan**

The following information serves to confirm that PIC’s Intellectual Property Strategy operates as intended and continues to support the objectives set out in the Corporate Plan:

PIC’s IP Strategy was operationalized through the fiscal year 2019-20. The IP Manager was onboarded in June 2019 with a key focus on supporting all project consortia members with development of IP rationales. Intellectual Property workshops were hosted in Alberta (Calgary and Lethbridge), Saskatchewan (Saskatoon) and Manitoba (Winnipeg) with more than 130 attendees across the region. The framework for the PIC IP Registry was drafted in 2019 and is being operationalized as part of PIC’s CRM rollout in 2020. The IP Registry has been designed to incorporate IP created through PIC-funded projects as well as latent or background IP created outside of PIC programs. Through 2020, the IP Manager will continue to support project consortia on the development of IP Rationales for Technology and Capacity Building projects. Additional IP Literacy workshops are in development, with a planned focus on licensing, technology diffusion and international considerations.

**I**

**A summary of any updates made to the Recipient’s Intellectual Property Strategy**

In February 2020 the IP Manager and PIC Senior Leadership Team reviewed the IP Strategy. Updates to the strategy included extending timeframes as follows:

- Establish the IP Registry (June to July 2020);
- Create a framework to improve IP literacy among members (April to June 2020); and
- National and international survey of best practices (October to December 2020).

**J**

**A summary of any updates made to the Recipient’s Data Strategy**

In fiscal year 2019-20, Protein Industries Canada’s data strategy was revised to provide direction on the strategic use of data to improve business outcomes for the sector.

Agriculture and food processing, like most modern industries, generates a significant amount of data. The intersection of sensor technology, satellite imagery, weather data and farm record management (both inputs and outputs) has the potential to create large data sets that can be analyzed to benchmark production practices, better understand cost of production, drive more efficient production decisions, focus resources on better research outcomes, improve processing efficiency and satisfy sustainability requirements for our global customers.

The use of data as a strategic asset must be addressed concurrently at all steps of the value chain and with a long-term view in mind. Issues such as data sharing, standards, governance and ownership cannot be addressed for the plant protein sector without taking the larger agriculture and food processing industry into account. Supply chains are too integrated to expect that a data strategy can be developed and implemented for the plant protein sector. In addition, the large sectoral issues and challenges are not well understood within the membership of Protein Industries Canada and our members have widely varying levels of sophistication and understanding with respect to data and its use. It is likely that we may only begin to address the large sectoral issues and challenges within the five-year mandate of the Innovation Superclusters Initiative.

Protein Industries Canada’s data strategy will focus efforts on four identified pillars: industry-wide coordination, data literacy, digital talent and skills development, and data sharing capabilities between members.

## INDUSTRY-WIDE COORDINATION

With the understanding that a data strategy needs to consider all points of the value chain and that we must work at the agriculture, value-added and food processing level versus the sub category of the plant protein sector, Protein Industries Canada is working collectively with several organizations on the development of a national data road map and the development of sample projects where data can be utilised to help address sector-wide challenges.

## DATA LITERACY

With respect to valuation, protection, and commercialization, our members view data with a similar lens as they do intellectual property. Members also have a wide array of knowledge

related to data and its use to improve business outcomes, and many are looking to enhance their data-related knowledge.

**Industry doesn’t have a shared understanding of data, its value, or the advantage of including others in its application.<sup>1</sup>**

Like the work that Protein Industries Canada is doing to improve intellectual property literacy, we will work to improve data-related knowledge and literacy within our membership base.

Specifically, Protein Industries Canada will work to increase member knowledge of data-related principles and polices, Canada’s Digital Charter, the Ag Data Transparent protocol, the benefits of data sharing and the positioning and management of data assets.

## DIGITAL TALENT AND SKILLS DEVELOPMENT

In consultation with members and in the development of digital projects in the first cycles of technology project funding, a clear lack of skilled labour in digital applications has emerged. Labour shortages must be addressed for the entire sector, but as we integrate more digital applications, the sector needs to emphasise digital talent and skills.

**Canada faces a skills and labour crisis in agriculture, with a projected domestic shortage of 123,000 workers within a decade.<sup>2</sup>**

Protein Industries Canada will coordinate with post-secondary institutions and Canada’s other Superclusters to address issues related to the development of digital skills.

## DATA SHARING CAPABILITIES BETWEEN MEMBERS

Through the development and approval of projects, Protein Industries Canada will continue to foster collaboration on data gathering, sharing and analysis. Projects across all four strategic pillars

<sup>1</sup> Market Intelligence for Protein Industries Canada’s Data Strategy, October 2019.

<sup>2</sup> [http://www.rbc.com/economics/economic-reports/pdf/other-reports/Farmer4\\_aug2019.pdf](http://www.rbc.com/economics/economic-reports/pdf/other-reports/Farmer4_aug2019.pdf)

of Create, Grow, Make and Sell lend themselves to data collaboration, and we will continue to work with members to ensure that data is shared within projects to drive improved business outcomes and develop new products and services. Protein Industries Canada will consider the development of data sharing platforms to facilitate sharing among members and between projects.

While many of the members we surveyed indicated their organizations have existing data strategies, collectively the industry struggles to realize the full potential of data to improve business outcomes. Most member organizations have neither the resources, critical mass of data, nor the infrastructure and expertise to use data to its full potential.

**Helping companies lead, steward, and leverage the advantages of network-enabled data is critical. Most companies see its value, but few can build it themselves.<sup>3</sup>**

Working with members, Protein Industries Canada will explore data sharing agreements such as the Ag Data Transparent certification, which covers origination, ownership, storage and termination, as well as other smart contracts, data standards, interoperability, common data infrastructure/ architecture and data analysis tools such as machine learning.

Ultimately, improved data sharing capabilities will lead to better business outcomes for our members. Further, enhanced data sharing capabilities between members could also be leveraged to address sector-wide competitiveness issues such as regulatory reform and modernization, improved research and development outcomes, and the substantiation of Canada’s international brand with our export customers.

## K

**A summary of instances where Foreground Intellectual Property was not included on the member-accessible registry**

The member-accessible registry of Foreground Intellectual Property is in development. One patent filing was reported for inclusion on the member-accessible registry. There were no instances where Foreground Intellectual Property was not included on the member-accessible registry.

## L

**The number of member disputes referred to the binding dispute resolution mechanism, as referenced in Subsection 15.2(e), status of disputes and the number of disputes that have been successfully resolved**

## DISPUTE RESOLUTION

The Board of Directors of Protein Industries Canada approved the EPSC/Applicant Interaction Policy (attached below ) which includes a mechanism for resolution of disputes related to project selection.

To date, this dispute resolution system has not been needed, as there have been no conflicts among members and PIC that required a formal dispute resolution process.

## BACKGROUND/CONTEXT

At the June 24, 2019 Board meeting, the Board directed management to develop a policy addressing member and applicant interactions with the Committee, with particular regard to projects under consideration. This policy should recognize that Protein Industries Canada members may already have ongoing relationships with the Committee or may have a desire to work with Committee members in future business, and thus the policy should not restrict normal course interactions.

## COMMITTEE/APPLICANT INTERACTION POLICY

The Committee consists of six members, two Protein Industries Canada senior executives and four independent industry experts, appointed by the CEO of Protein Industries Canada.

<sup>3</sup> Market Intelligence for Protein Industries Canada’s Data Strategy, October 2019.

The Committee provides independent oversight of the project selection process and has been delegated the authority to make independent, expert evaluations of full project proposals and co-funding decisions in the execution of Protein Industries Canada’s research and development program.

Unless invited by Protein Industries Canada, at no time should stakeholders, members or applicants be engaging Committee members with regards to projects that have been evaluated, are currently under consideration by the Committee or have been decided upon. In addition, the Committee will not reach out directly to applicants for information or input regarding projects; these requests will be handled by Protein Industries Canada staff.

Members who fail to comply with this policy could have their membership rights terminated, project funding cancelled and/or current and future projects removed from consideration.

Concerns, comments or questions with regards to Committee operation or decisions should be directed to Protein Industries Canada staff.

Committee members, Protein Industries Canada members and Protein Industries Canada staff all share a responsibility to report any activity in contravention of this policy.

## CONFLICT RESOLUTION PROCESS

Any allegation of improper interaction will be reviewed. The Protein Industries Canada CTO and/or CEO will investigate any reported contravention of this policy. Upon reviewing the facts and interviewing implicated parties, the CTO and/or CEO shall determine if further investigation is warranted or if no further action is necessary.

Should it be determined that further investigation is warranted, an independent investigation committee headed by Protein Industries Canada’s VP of Finance and Operations and consisting of two additional Independent Directors of the Board shall be convened to review the allegations, seek additional information as required and make a final determination of a contravention of the Committee/Applicant Interaction Policy.

If there has been a contravention of the Policy, the investigation committee shall make a recommendation to the Board on whether consequences such as membership cancellation,

cancellation of actively funded project or withdrawal from consideration for current or future projects should be invoked.

The Board will review the findings and recommendations, ratify as appropriate and ensure appropriate actions are taken.

## POLICY COMMUNICATION

The Committee/Applicant interaction policy will be:

- Posted in the “Program” section of the Protein Industries Canada website;
- Listed as a requirement for submission along with all other Project Proposal Declarations;
- Communicated to Applicants via the Program Team; and
- Referenced in Protein Industries Canada’s Program Guides and other marketing material as deemed appropriate.

In addition, the biographies of the Independent Committee members will be made available along with the Policy.

## INDEPENDENT INDUSTRY EXPERT MEMBERS OF THE COMMITTEE

The following Independent Industry Experts have been appointed for a one-year term by the CEO of Protein Industries Canada.

### **Stephen Morgan Jones**

Experience as a research scientist, Director of Agricultural Research Centres and multiple senior executive Director General Roles in Agriculture and Agri-Food Canada. Short acting periods up to three months as Acting Assistant Deputy Minister of Research. Spent one year on secondment with Cargill Foods. Member of Boards of Directors, recipient of various awards (Academic, Government and Industry), and managed a \$10M international project on sustainable agriculture in China (received Award from Chinese Premier).

**Woody Galloway**

Experienced commodity marketing and supply chain management professional who adds value to companies, organizations and associations. Woody thrives on developing innovative solutions to business/industry challenges and is a strategic thinker with a passion for team building and success.

**Mark Roe**

Senior Operations Executive and Director with more than 35 years of experience in the Food Industry/Agribusiness with a passion for Operational Excellence. A proven leader with very strong people and negotiating skills. Excellent strategic and operational planning skills with extensive experience in project development, design, obtaining approvals, execution/construction and transitioning to full production.

**Linda Malcolmson**

Food Industry Consultant bringing 20 years of diverse industry experience and 30-plus years of research and development expertise. Former Director of Special Crops and Oilseeds at the Canadian International Grains Institute and former professor at the University of Manitoba.

**M**

**The number of SME Members that accessed independent expertise and advice in respect of Intellectual Property through the mechanism referenced in Subsection 15.2(f)**

Intellectual Property workshops hosted by Protein Industries Canada provided 31 attendees from member companies and 104 prospective members/stakeholders with direct programming to increase understanding of Intellectual Property and its uses. Topics covered in these workshops included types of IP, methods to secure protection of new technology, approaches to IP strategy, common mistakes and methods to extract value from IP. Attendees were also provided an overview of Protein Industries Canada and the IP Rationale and Registry processes. The workshops were presented collaboratively with MLT Aikins and Protein Industries Canada.

Members participating in the development of Expressions of Interest or Full Proposals for Eligible Projects were provided opportunities to work with PIC’s IP Manager on development of the IP Strategy for their project. Independent advice was provided to 44 member companies by PIC’s IP Manager.

**N**

**A statement of Funded Eligible Costs incurred and paid by the Recipient in the Fiscal Year**

| Statement of Funded Eligible Costs (Cash Basis) | 2019-20     |
|---|-------------|
| Funded Eligible Costs                           | \$7,836,134 |
| Operating and Administration                    | \$2,964,111 |
| Projects  | \$4,546,230 |
| Ecosystem Development                           | \$325,794   |

**O**

**A statement of Unfunded Eligible Costs incurred and paid by the Recipient in the Fiscal Year**

| Statement of Unfunded Eligible Costs (Cash Basis) |     |
|---|-----|
| Unfunded Eligible Costs                           | \$0 |

# P

A list of all projects, grouped by Program Stream, funded by the Recipient, listing their objectives and expected outcomes, total costs and the Recipient’s contribution, and a brief up-to-date account of the progress of each project

| Project Number | Number of Consortium Members | Number of Partners | Project Title                                       | Main Pillar | High Level Project Description  | Total Project Value | PIC Contribution | Industry Contribution | Project Status Update   |
|----------------|------------------------------|--------------------|---|-------------|---|---------------------|------------------|-----------------------|---|
| PIC20.01       | 3                            | 6                  | Novel Oilseed Processing for High-Value Co-products | Make        | Botaneco will utilize new canola and hemp to create new oleosome and protein products. Each of the materials (oleosomes and proteins) created will be tested for use in feed and food products. New novel feed and food ingredients will create new markets for canola and hemp as well as position Botaneco as a world leader in the oleosome and protein extraction technologies. | \$11,806,938        | \$5,856,071      | \$5,950,867           | On track, main activities have begun on the creation of novel oleosome and protein products with a focus on collaboration in the ecosystem. |
| PIC20.02       | 3                            | 3                  | Creation and Utilization of High-Protein Canola     | Create      | This project is designed to create a long-term, step-change improvement in protein content in the Canadian canola crop. Corteva will drive this by making canola hybrids that produce high-protein oilseeds for downstream use. This will open new, higher value markets and create economic benefits across the entire value-chain.  | \$27,688,383        | \$13,633,694     | \$14,054,689          | On track, main activities have begun on producing canola hybrids.   |
| PIC20.03       | 4                            | 0                  | Empowering Farming Through Data                     | Grow        | This project aims to put together a useable and complete Farm Level Dataset and create a tool by which the farmer can access or share this dataset. This Farm Level Dataset will then be leveraged by Provision Analytics, First Pass and Skymatics in order to help solve specific issues faced by farmers such as Coutts Agro today.  | \$9,258,105         | \$4,629,052      | \$4,629,053           | Project in start up phase, and first steering committee meeting will be held to kick off this exciting project.                             |

| Project Number | Number of Consortium Members | Number of Partners | Project Title  | Main Pillar | High Level Project Description   | Total Project Value | PIC Contribution | Industry Contribution | Project Status Update   |
|----------------|------------------------------|--------------------|--|-------------|--|---------------------|------------------|-----------------------|---|
| PIC20.11       | 3                            | 2                  | Commercializing the world's foremost canola and pea protein ingredients  | Make        | Merit Foods is in the planning stages of building a state-of-the-art protein processing facility to produce novel canola and pea protein isolates. Using a proprietary process, their isolates have high purity and solubility, making them neutral in flavour and less gritty than standard plant protein isolates.   | \$19,102,477        | \$9,551,238      | \$9,551,239           | Project is on track, and work towards multiple milestones has begun including the build of a large processing facility. |
| PIC20.16       | 2                            | 3                  | Development of a pulse-based ecosystem by producing minimally processed, sustainable and local pulse ingredients for vegetable protein and plant-based food applications | Make        | The consortium will develop a suite of plant-protein based ingredients formulated from existing commercial protein concentrates. The proposed ingredients will compete with existing and emerging ingredients that are typically formulated with (more expensive) protein isolates. The use of dry fractionated pulse proteins as a feedstock will enable the consortium to create lower cost products using less energy and water than traditional processes. The proposed project will employ two custom designed extruders in a pilot scale facility. Pre-treatment (enzymatic or fermentation) will be used to process the protein concentrate feedstock prior to extrusion. The consortium will process pea, lentil and faba bean protein concentrate into high moisture meat analogue, texturized vegetable protein, tempeh, tofu, pasta and non-dairy analogues. Pre-commercial production of this suite of products will enable the consortium to complete market development activities including contracting third party service providers to create and test market acceptance of consumer-ready products using the ingredients. Successful launch of the protein concentrate-based products will provide a new market opportunity for Canadian-grown pulses. | \$11,331,944        | \$5,665,972      | \$5,665,972           | Project is in start up phase, with a steering committee meeting upcoming to kick the project off.                       |

| Project Number | Number of Consortium Members | Number of Partners | Project Title  | Main Pillar | High Level Project Description  | Total Project Value  | PIC Contribution    | Industry Contribution | Project Status Update   |
|----------------|------------------------------|--------------------|--|-------------|---|----------------------|---------------------|-----------------------|---|
| PIC20.17       | 2                            | 3                  | A novel approach to improving the value of fibrous byproducts from the pulse processing industry | Make        | Lucent Biosciences has developed a proprietary micronutrient fertilizer technology that uses low-value organic fiber from the food processing industry to transport nutrients to plants. The project consortium, Lucent Biosciences and AGT Foods, will use Lucent's technology to upgrade AGT's low-value fiber stream from pulse processing. The project will enable the consortium to demonstrate pilot-scale manufacturing and develop the market for this new micronutrient fertilizer.  | \$2,916,054          | \$1,250,000         | \$1,666,054           | Project work has already begun towards the development of micronutrient fertilizer and product testing. |
| PIC20.29       | 2                            | 5                  | Automated Risk Management Systems for the Value Chain  | Grow        | This project will initially focus on capturing and developing artificial intelligence for grower risk management to value-added protein opportunities. This will involve data science on crop health management practices and prediction modelling. Parallel activities on an International traceability/sourcing standards will be undertaken with the Standards Council of Canada that will involve direct input into a digital permission based ledger to remove regulatory (market entry) barriers for existing and new value-added plant protein products. The resulting risk management solutions from the data sets will be harnessed to set the stage for e-commerce connecting the value chain stakeholders. | \$20,948,483         | \$7,414,125         | \$13,534,358          | Project work has just begun, and the steering committee will meet to kick off the project.              |
| <b>Total</b>   |                              | <b>22</b>          |  |             |   | <b>\$103,052,384</b> | <b>\$48,000,152</b> | <b>\$55,052,232</b>   |   |

## Q

### A summary of the results of evaluations and audits carried out by the Recipient during the year, if any

No audits or evaluations were carried out by PIC during the year.

## R

### A summary of Industry Matching Funds received in the Fiscal Year

| Summary of Industry Matching Funds        | 2019-20            |
|---|--------------------|
| Industry Eligible Project Costs           | \$2,714,593        |
| Industry Eligible Program Management Fees | \$166,069          |
| Industry Eligible Membership Revenue      | \$67,143           |
| <b>Total</b>                              | <b>\$2,947,805</b> |

## S

### A summary of Ecosystem Development undertaken during the Fiscal Year and the total financial commitments that have been made to this development during the Fiscal Year

| Project Title (plain language) | Program Stream          | Total Project Cost | Plain Language Description (focusing on the project's benefits to the ecosystem and how it advances the SC priorities)   |
|--------------------------------|-------------------------|--------------------|--|
| Bridge2Food                    | Ecosystem, Global Brand | \$325,794          | As co-organizers and main sponsor of the forum, PIC had the opportunity to shape the forum to bring more value to Canadian plant protein companies. The summit received international delegations that had the opportunity to learn more about Canada's capabilities and investment/project opportunities. Between the two Summits (Saskatoon and Calgary), more than 400 domestic and international delegates attended, building partnerships and relationships. The work of the Summit has continued in many follow-up meetings and events, including a very positive ongoing relationship with The Netherlands and multi-national food companies. This event, and the follow-up ecosystem road map work, cemented PIC and Canada as a global leader in plant protein. This event engaged most of the significant Canada companies, academic and research institutions involved in plant protein. This was strongly aligned with establishing Canada's position. |

| Project Title (plain language)        | Program Stream                              | Total Project Cost | Plain Language Description (focusing on the project's benefits to the ecosystem and how it advances the SC priorities)   |
|---------------------------------------|---|--------------------|--|
| Canada's Food Brand                   | Ecosystem, Global Brand                     | \$15,000           | Canada Food Brand project engaged nearly 600 food system stakeholders, including PIC, to find out how to make Canadian food the top choice for global consumers in the coming decade, and how it should define and defend its claims of safe, nutritious and sustainable food. As one of Canada 2020's official lab partners, PIC hosted two roundtables in Saskatoon and Winnipeg in 2019 and participated on several others – the outcomes of these sessions helped feed the report's conclusions and next steps, and future ecosystem projects around data and Canada's sustainability story. |
| Skills and Talent E-scan              | Ecosystem, Skills and Talent                | \$30,400           | The project will help PIC understand the current available programming in skills and talent and review literature on the talent shortage, including future skills in agriculture. The next step of the project will include a few projects to work with other organizations to support PIC's talent plan.  |
| International Markets                 | Ecosystem, Intl Engagement and Global Brand | \$126,280          | The project will allow PIC members to understand different markets and find current and historical data to guide their decision-making in regard to which international markets they should explore. The interactive dashboard will be available on PIC's website and will compare different countries by several different metrics, including plant protein market size and growth.   |
| Intellectual Property                 | Ecosystem, IP                               | \$30,000           | The workshops were attended by more than 140 people and allowed companies to better understand IP regulations.   |
| Data Project                          | Ecosystem, Data                             | \$69,600           | The project will help PIC assess the data environment in agrifood, develop best practices and a data plan moving forward. Eighteen CEOs of agrifood companies were included as part of this project, which formed the basis of PIC's data strategy and initial data ecosystem activities.  |
| Canada West Foundation                | Ecosystem, Regulatory                       | \$15,000           | This included interviews with leaders in Canada's agrifood sector to determine the most pressing regulatory barriers facing Canada's plant protein sector. This was an important initial piece in building PIC's approach to regulatory modernization.   |
| JDC West Case Competition Sponsorship | Ecosystem, Skills and Talent                | \$10,000           | JDC West is the most prestigious undergraduate business competition in Western Canada. The competition is a three-day event that showcases academics, athletics, debate and an out-of-the-box social competition. This event hosts approximately 1,300 attendees with 650 undergraduate delegates from 12 of the premier post-secondary institutions across British Columbia, Alberta, Saskatchewan and Manitoba.  |
| Plant Based Foods Canada              | Ecosystem, Regulatory                       | \$32,000           | Working through the Plant Based Foods of Canada, which represents some of the leading producers of plant-based foods in Canada – such as Maple Leaf, Danya and others – this was to gather important research via Nielson to better understand Canadians' consumption of plant-based foods and the potential impact of altering regulations.   |
| Ecosystem Workshops                   | Ecosystem                                   | \$36,500           | More than 130 key stakeholders (industry, academia, government, non-profits) joined PIC in four sessions across the Prairies to provide feedback on our capacity building strategy and discuss challenges and ideas for overcoming barriers as well as potential future projects. This was validation of our ecosystem strategy with our members and will inform future projects.  |

## T

### A document including performance data in respect of key performance indicators

|   |       |
|---|-------|
| Protein Industries Dollars Committed  | \$48M |
| Industry Dollars Leveraged  | \$55M |
| Number of Technology Projects   | 7     |
| Number of Capacity Building Projects  | 10    |
| Membership: Number of Members   | 185   |
| Collaboration: Project Participants   | 7.6   |
| Collaboration: Number of Academic or Research Institutions Involved in Projects | 18    |
| Collaboration: Number of SMEs Participating                                     | 24    |
| Collaboration: Number of MNEs Participating                                     | 6     |
| Employment: Number of Expected Jobs to be Created                               | 569   |
| Employment: Number of Employment Positions Supported by PIC Funding             | 252   |

## U

### A statement of the Recipient's measures to protect network and data security

Protein Industries Canada is committed to protecting our members' and program data. Our IT service provider virtually protects Protein Industries Canada's data by utilizing anti-virus software, including Symantec End User Protection, Huntress, Threat Locker, Barracuda SPAM, Malware, Virus Filtering and DNS Filtering, along with deploying Multi-Factor Authentication for employee sign-in. Our website utilizes Craft CMS software to protect any information housed on that site. Information that might be considered sensitive (e.g. project proposals and billing information) is stored on separate servers.

## V

### A statement of the total funding for the Recipient received from all sources for its operating and administrative expenses, including all Canadian Government Assistance and funds leveraged from other sources, to support Eligible Costs

| Statement of Total Funding Received       | 2019-20            |
|---|--------------------|
| ISI Funding                               | \$5,282,780        |
| Industry Eligible Program Management Fees | \$166,069          |
| Industry Eligible Membership Revenue      | \$67,143           |
| <b>Total</b>                              | <b>\$5,515,992</b> |



# APPENDIX B: AUDITED FINANCIAL STATEMENTS

Financial Statements of

## PROTEIN INDUSTRIES CANADA INC.

Year ended March 31, 2020

KPMG LLP  
Hill Centre Tower II  
1881 Scarth Street, 20th Floor  
Regina SK S4P 4K9  
Canada  
Tel 306-791-1200  
Fax 306-757-4703

### INDEPENDENT AUDITORS' REPORT

To the Members of Protein Industries Canada Inc.

#### Opinion

We have audited the financial statements of Protein Industries Canada Inc. (the Entity), which comprise:

- the statement of financial position as at March 31, 2020
- the statements of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

Management is responsible for the other information. The other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the annual report

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge



Page 2

obtained in the audit and remain alert for indicators that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the annual report as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Page 3

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**KPMG LLP**

Chartered Professional Accountants

Regina, Canada

July 24, 2020

## PROTEIN INDUSTRIES CANADA INC.

Statement of Financial Position

March 31, 2020, with comparative information for 2019

|   | 2020                | 2019              |
|---|---------------------|-------------------|
| <b>Assets</b>   |                     |                   |
| Current assets:   |                     |                   |
| Cash  | \$ 2,577,510        | \$ 712,170        |
| Accounts receivable   | 202,121             | 5,590             |
| Investments   | 10,050              | 10,000            |
| Prepaid expenses  | 124,298             | 7,861             |
| Innovation Science and Economic Development Canada funding receivable | 3,224,149           | -                 |
| Project advances receivable   | 1,859,094           | -                 |
|   | <u>7,997,222</u>    | <u>735,621</u>    |
| Property, plant and equipment (note 3)                                | 16,405              | 4,751             |
| Intangible assets (note 4)  | 29,538              | 25,838            |
|   | <u>\$ 8,043,165</u> | <u>\$ 766,210</u> |
| <b>Liabilities and Net Deficiency</b>                                 |                     |                   |
| Current liabilities:  |                     |                   |
| Accounts payable and accrued liabilities (note 5)                     | \$ 316,746          | \$ 119,563        |
| Deferred contributions (note 6)                                       | 7,085,083           | 704,921           |
| Project reimbursement payable   | 1,280,704           | -                 |
|   | <u>8,682,533</u>    | <u>824,484</u>    |
| Net deficiency  | (639,368)           | (58,274)          |
|   | <u>\$ 8,043,165</u> | <u>\$ 766,210</u> |

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

## PROTEIN INDUSTRIES CANADA INC.

Statement of Operations and Changes in Net Assets

|   | For the year ended March 31, 2020 | For the fifteen month period ended March 31, 2019 |
|---|-----------------------------------|---|
| Revenue:  |                                   |   |
| Innovation, Science and Economic Development Canada | \$ 5,282,780                      | \$ 331,619  |
| Project management fees                             | 166,069                           | -   |
| Membership and registration fees                    | 89,048                            | 51,975  |
| Other revenue                                       | 14,335                            | 12,863  |
| Sponsorship   | -                                 | 389,819   |
|   | <u>5,552,232</u>                  | <u>786,276</u>                                    |
| Expenses:   |                                   |   |
| Technology program expenses                         | 2,687,136                         | -   |
| Salaries and benefits                               | 1,335,432                         | 185,432   |
| Consulting and professional fees                    | 664,695                           | 416,828   |
| Capacity building program expenses                  | 651,018                           | -   |
| Office and administration                           | 583,013                           | 185,821   |
| Events and community engagement                     | 200,295                           | 118,711   |
| Amortization  | 11,737                            | 1,859   |
|   | <u>6,133,326</u>                  | <u>908,651</u>                                    |
| Excess of expenses over revenues                    | (581,094)                         | (122,375)   |
| Net deficiency, beginning of period                 | (58,274)                          | 64,101  |
| Net deficiency, end of period                       | <u>\$ (639,368)</u>               | <u>\$ (58,274)</u>                                |

See accompanying notes to financial statements.

## PROTEIN INDUSTRIES CANADA INC.

Statement of Cash Flows

|   | For the year<br>ended March<br>31, 2020 | For the fifteen<br>month period<br>ended March<br>31, 2019 |
|---|---|--|
| Cash provided by (used in):   |   |  |
| Operations:   |   |  |
| Excess of expense over revenues                                       | \$ (581,094)                            | \$ (122,375)   |
| Items not involving cash:   |   |  |
| Amortization of property, plant and equipment                         | 5,437                                   | 1,859  |
| Amortization of intangibles   | 6,300                                   | -  |
| Accrued interest  | (50)                                    | -  |
| Changes in non-cash operating working capital:                        |   |  |
| Innovation Science and Economic Development Canada funding receivable | (3,224,149)                             | -  |
| Accounts receivable   | (196,531)                               | (5,590)  |
| Prepaid expenses  | (116,437)                               | (7,419)  |
| Project advances receivable   | (1,859,094)                             | -  |
| Accounts payable and accrued liabilities                              | 197,183                                 | 97,588   |
| Deferred contributions  | 6,380,162                               | 704,921  |
| Project reimbursement payable   | 1,280,704                               | -  |
|   | 1,892,481                               | 668,984  |
| Investing:  |   |  |
| Purchase of property, plant and equipment                             | (17,091)                                | (5,948)  |
| Purchase of investments   | -                                       | (10,000)   |
| Purchase of intangibles   | (10,000)                                | (26,500)   |
|   | (27,091)                                | (42,448)   |
| Increase in cash  | 1,865,390                               | 626,536  |
| Cash, beginning of period   | 712,170                                 | 85,634   |
| <b>Cash, end of period</b>  | <b>\$ 2,577,560</b>                     | <b>\$ 712,170</b>  |

See accompanying notes to financial statements.

## PROTEIN INDUSTRIES CANADA INC.

Notes to Financial Statements

Year ended March 31, 2020

### Nature of operations:

Protein Industries Canada Inc. (the "Corporation" or "PIC") is incorporated under *The Non-Profit Corporations Act, 1995 (Saskatchewan)*. The primary purpose of the Corporation is to raise funds and apply for funding from the Innovation Superclusters Initiative of Innovation, Science and Economic Development Canada (ISED).

Pursuant to a funding agreement, the Corporation receives significant funding revenue from ISED to finance the development and coordination of the Innovation Superclusters Initiative to accelerate growth in the Canadian agriculture and food processing sectors. As a result, the Corporation is dependent upon the continuance of this funding to maintain operations at their current level.

### Program Streams:

Protein Industry Canada invests in Technology and Capacity Programs. Investments in the Technology Program will be made across four pillars: Create, Grow, Make and Sell. The Technology Program will work with companies to leverage strengths to drive innovation, overcome barriers and explore new opportunities to create more valued-added processing opportunities in Canada. The Capacity Program will focus its investment in priority areas as identified by industry. These areas represent significant opportunities for lasting growth with the potential to impact the long-term success of the sector.

**PROTEIN INDUSTRIES CANADA INC.**

Notes to Financial Statements (continued)

Year ended March 31, 2020

**1. Basis of presentation:**

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations outlined in Part III of the CPA Canada Handbook.

**COVID-19 impact assessment**

The COVID-19 outbreak was declared a pandemic by the World Health Organization during the fiscal year, resulting in an economic slowdown. The current challenging economic climate may lead to adverse changes in cash flows and working capital levels, which may also have a direct impact on the Corporation's operating results and financial position both in the current year and in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Corporation is not known at this time.

**2. Significant accounting policies:**

The Corporation's significant accounting policies are as follows:

(a) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized in revenue in the year in which the related expenses are incurred. Unrestricted contributions and sponsorships are included in income in the period received if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Corporation signed a contribution agreement with ISED Canada. ISED Canada committed to fund the Corporation for eligible program and project costs over a 5 year period commencing in Fiscal Year 2018/19. Under the terms of agreement, ISED will provide a non-repayable contribution to the Corporation for 75% of eligible internal program costs that do not exceed 15% of the total contribution, and 100% of PIC's portion of eligible project costs. The total is not to exceed the lesser of \$152,843,759 or 100% of total Industry Matching Funds obtained by the organization over the 5 year period. The amount of ISED contributions varies from year to year based on forecasted operating and project spend and annual amounts may be re-allocated to other fiscal years within the 5 year period with the written approval from the Minister of ISED.

Project Administration Fees of 4% of total eligible project costs are charged for projects within the Technology Program. Project Administration Fees are invoiced when project costs are incurred.

**PROTEIN INDUSTRIES CANADA INC.**

Notes to Financial Statements (continued)

Year ended March 31, 2020

**2. Significant accounting policies (continued):**

(b) Financial assets and liabilities:

Financial instruments are recorded at fair value on initial recognition. Subsequently, they are recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry its financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Corporation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Corporation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

## PROTEIN INDUSTRIES CANADA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

### 2. Significant accounting policies (continued):

(c) Property, plant and equipment:

Property, plant and equipment are stated at cost, less accumulated amortization. Amortization is provided using the straight line method at the following annual rates:

| Asset                   | Rate   |
|-------------------------|--------|
| Furniture and equipment | 20-45% |
| Leasehold improvements  | 25%    |

(d) Intangible assets:

Intangible assets are stated at cost, less accumulated amortization. Amortization is provided using the straight line method with an annual rate of 20%.

(e) ISED funding receivable:

ISED funding receivable represents amounts due from ISED for project and operating costs. Since those amounts relate to the following year, these have been deferred (Note 6).

(f) Income taxes:

The Corporation is incorporated under *The Non-Profit Corporations Act of Saskatchewan*. Under present legislation, no income taxes are payable on reported income of such corporations.

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of property, plant and equipment and the valuation of accounts receivable, ISED funding receivable and project advances receivable. Actual results could differ from those estimates.

## PROTEIN INDUSTRIES CANADA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

### 3. Property, plant and equipment:

|                         | 2020             |                          | 2019             |                 |
|-------------------------|------------------|--------------------------|------------------|-----------------|
|                         | Cost             | Accumulated amortization | Net book value   | Net book value  |
| Furniture and equipment | \$ 21,743        | \$ 6,471                 | \$ 15,272        | \$ 4,751        |
| Leasehold improvements  | 1,295            | 162                      | 1,133            | -               |
|                         | <u>\$ 23,038</u> | <u>\$ 6,633</u>          | <u>\$ 16,405</u> | <u>\$ 4,751</u> |

### 4. Intangible assets:

|         | 2020      |                          | 2019           |                |
|---------|-----------|--------------------------|----------------|----------------|
|         | Cost      | Accumulated amortization | Net book value | Net book value |
| Website | \$ 36,500 | \$ 6,962                 | \$ 29,538      | \$ 25,838      |

### 5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$10,847 (2019 – \$3,831) relating to workers' safety insurance and GST.

### 6. Deferred contributions:

Deferred contributions represent unspent externally restricted government funds from the ISED program, for the purpose of providing funding to eligible recipients for future projects and for the payment of PIC's subsequent years' operations. The change in the deferred contributions balance is as follows:

|                                       | 2020                | 2019              |
|---------------------------------------|---------------------|-------------------|
| Beginning balance                     | \$ 704,921          | \$ -              |
| Funding received                      | 11,662,942          | 1,036,540         |
| Recognized as revenue during the year | (5,282,780)         | (331,619)         |
|                                       | <u>\$ 7,085,083</u> | <u>\$ 704,921</u> |

**PROTEIN INDUSTRIES CANADA INC.**

Notes to Financial Statements (continued)

Year ended March 31, 2020

**7. Commitments:**

The Corporation is committed to an office space lease over the next three years as follows:

|      |    |        |
|------|----|--------|
| 2021 | \$ | 85,440 |
| 2022 |    | 85,685 |
| 2023 |    | 85,934 |

The Corporation invests in projects within the Technology program. Projects are selected through a competitive process and successful proponents enter into Master Project agreements outlining the terms of the investment. As of March 31, 2020, commitments for funding by programs are as follows

|                    | Total<br>committed co-<br>investment | Estimated<br>remaining<br>commitment |
|--------------------|--------------------------------------|--------------------------------------|
| Technology program | \$ 42,334,180                        | \$ 39,647,044                        |

**PROTEIN INDUSTRIES CANADA INC.**

Notes to Financial Statements (continued)

Year ended March 31, 2020

**8. Financial risks and concentration of risk:**

The Corporation, through its financial assets and liabilities, has exposures to the following risks from its use of financial instruments:

a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Corporation is exposed to credit risk with respect to cash, accounts receivable, project advances receivable and investments. The carrying amounts of financial assets on the balance sheet represent the Corporation's maximum credit exposure as at March 31, 2020.

The Corporation's accounts receivable and project advances receivable amounts disclosed in the statement of financial position are net of allowance for doubtful accounts (2020 - nil, 2018/2019 - nil), estimated by management of the Corporation based on previous experience and its assessment of the current economic environment. The Corporation does not have significant exposure to any individual customer and has not incurred any significant bad debts during the year. The credit risk on cash and short-term investments is limited because the counterparties are chartered banks with high credit ratings assigned by national credit-rating agencies. There has been no change to the risk exposure since the prior period.

b) Liquidity risk:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.