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## INVESTMENTS IN FOREST INDUSTRY TRANSFORMATION

# APPLICANT HANDBOOK

### Stream 1 – Capital Investment Projects



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# **APPLICANT HANDBOOK**

**Stream 1 – Capital Investment Projects**



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# 1. INTRODUCTION

This handbook was developed to assist applicants in their submissions to the Investments in Forest Industry Transformation (IFIT) program. It provides guidance on the type of information to be included in the application and instructions for preparing and submitting an application for funding. It also explains how the IFIT program will review proposals in a consistent, fair and transparent manner and how the program will communicate with applicants at different stages of the process.

Applicants are advised to read this handbook prior to completing application forms to gain a better understanding of the IFIT program and its funding assessment process. Applicants with additional questions are encouraged to visit the More Information section on the [program's web page](#) and are invited to contact the program as per the information found in *Section 8 – Program Contact*.

## 1.1. WHAT'S NEW

The IFIT program launched its last call for proposals in 2020. Since that time, the program has introduced three new elements: a Diversity and Inclusion Plan is now a mandatory submission requirement, targeted innovation categories have been implemented and the application process has been simplified.

### 1.1.1 Diversity and Inclusion

Natural Resources Canada recognizes the contributions of a diverse and inclusive workforce to the resilience and competitiveness of Canada's forest sector. Applicants will now be required to submit their Diversity and Inclusion Plan as part of their application package. The Diversity and Inclusion Plan will be considered in the evaluation process that is used to select projects for funding.

### 1.1.2 Introduction of Targeted Innovation Categories

By introducing targeted innovation categories, the program will support key areas to catalyze advancement in the Canadian forest sector.

The new categories are as follows:

- Advanced Biomaterials and Biochemicals
- Pulp and Paper Diversification
- Next Generation Building Products
- Liquid and Gaseous Biofuels



Categories under this approach will support Canada’s economic recovery, net-zero emission targets, industrial decarbonization and zero plastic waste objectives.

Projects that do not fall within the above categories will not be eligible under this call for proposals.

### **1.1.3 An Updated Application Process**

In an effort to reduce the administrative burden on applicants, the program has adjusted the intake process by removing the expression of interest step. Under past calls for proposals, the IFIT program used an expression of interest to assess project and applicant eligibility, this will now be assessed through the project proposal.

To further streamline the application, all capital investment projects will now be accepted under a single application stream. All proposals will be eligible for a maximum funding amount of \$10 million and projects selected for funding consideration will undergo a tailored due diligence process based on project complexity and capacity of the applicant.



## 2. PROGRAM OVERVIEW

### 2.1. BACKGROUND AND OBJECTIVES

Since 2010, the IFIT program, delivered by Natural Resources Canada, has supported its recipients in de-risking the implementation of innovation in the Canadian forest sector. The program facilitates the adoption of transformative technologies and products by bridging the gap between development and commercialization. Overall, the program aims to create a more competitive and resilient forest sector with a focus on low-carbon projects that result in new or diversified revenue streams.

The IFIT program has supported the forest sector and the communities that depend on it by promoting advancement and transformation of the industry. It has helped diversify markets, increase competitiveness and bolster economic sustainability. It has also improved the environmental performance of the sector through support of projects that produce renewable fuels, provide potential alternatives to single-use plastics and lead to the production of next generation building products that contribute to greening construction across Canada.

Expected outcomes of the program include:

- new or increased production of biomaterials, biochemicals, next generation building products and biofuels
- deployment of first-in-Canada innovations to increase use of wood fibre in new products and applications
- new applications of existing technologies not traditionally used in the forest sector
- the creation of innovative partnerships with sectors and stakeholders that are not traditional forest sector partners, leading to new business models for the forest industry
- improved competitiveness of Canada's forest sector - jobs created, jobs secured, new revenue streams and diversification of product portfolios
- greater workforce diversity in the Canadian forest sector

### 2.2. PROGRAM DURATION

IFIT program funding will be available to recipients between April 1, 2021 and March 31, 2023. Expenditures eligible for an IFIT contribution must be incurred on or before the program end date of March 31, 2023. However, completion of physical work paid for by



the applicant or the applicant's partner(s) may extend past the program's end date up to a maximum of two (2) years.

## 2.3. FUNDING STREAMS

The IFIT program provides funding to address two industry needs:

- **capital funding** to support transformative projects by forest sector firms to diversify into new product streams and ensure industry competitiveness
- funding to complete **studies** that are linked to the support of a future capital investment or strategic shift

As such, the IFIT program has two funding streams:

- Stream 1: Capital Investment Projects
- Stream 2: Studies

For full information regarding Stream 2, please see the *Applicant Handbook Stream 2 – Studies* on the [Studies projects web page](#).

## 2.4. PROGRAM ELIGIBILITY

### 2.4.1. Eligible Recipients

Eligible recipients under IFIT's Stream 1: Capital Investment Projects must be for-profit companies located in Canada. They must either produce forest products in an existing forest product facility (for example, pulp, paper or solid/engineered wood products facility) OR are/will be new entrants in the forest sector for the purpose of the project. This includes clusters, joint ventures and consortiums provided that a for-profit company acts as the lead applicant.

For clusters, joint ventures and consortiums, a for-profit organization must be designated as the recipient of IFIT program funding. This organization will become the legal signatory for the funding agreement and will be responsible for managing the project, reporting on results and delivering diversity and inclusion measures.

### 2.4.2. Eligible Projects

Eligible Capital Investment projects (Stream 1) must meet all of the following criteria:

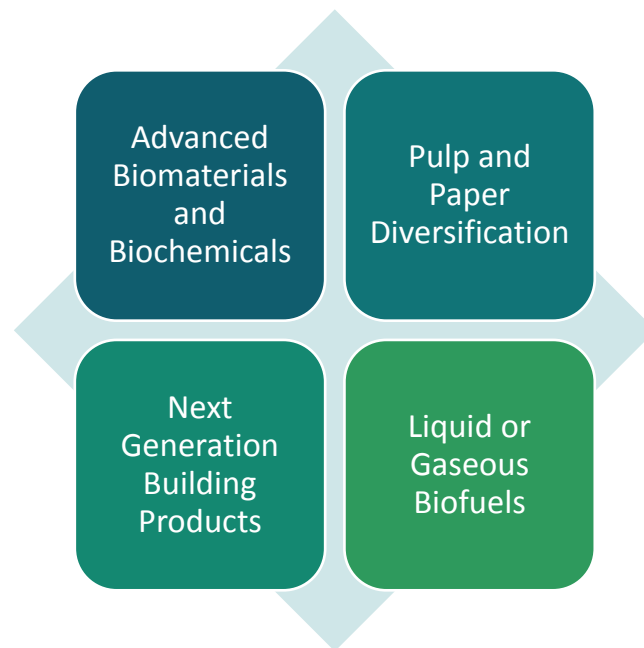
- be primarily based on wood fibre
- be integrated with existing industrial processes in the forest sector and located in Canada





- represent an innovative advancement of a technology or process improvement for the production of a new bioproduct to ensure the competitiveness of operations in Canada's forest sector.
- lead to a more diversified product mix in the Canadian forest sector that includes biomaterials, biochemicals, next generation building products and biofuels (this can include upstream activities designed to match fibre qualities with novel products).

### 2.4.3 Targeted Innovation Categories



Under this call for proposals, the IFIT program has introduced targeted innovation categories to align with current Government of Canada regulatory and policy drivers.

The new categories are as follows:

- **Advanced Biomaterials and Biochemicals:** innovative materials and high value applications derived from wood components
- **Pulp and Paper Diversification:** projects that lead to new products that significantly diversify revenue streams in an existing pulp and paper facility
- **Next Generation Building Products:** value-added structural and architectural applications such as advanced wood-based building systems/materials
- **Liquid or Gaseous Biofuels:** next generation wood fibre derived fuels in either liquid or gaseous phase



Projects that do not fall within the above categories will not be eligible under this call for proposals.

## 2.5. FUNDING RULES

### 2.5.1. Amount Payable

The maximum amount payable by the IFIT program to a recipient will be **50% of total cost** of a capital project.

The maximum amount from the IFIT program that can be contributed to any project has been set at **\$10 million**.

For projects selected for funding, it is possible that the applicant may not receive the full amount requested. The amount of funding contributed to each project will be based on the number of successful projects, the results of the proposal evaluation and the funding envelope available in any given year. The determination of the amount of the contribution will also consider the documentation, financial plan (including sources and amount of funding from other funders), a risk-based due diligence assessment and other documents provided through the application process.

### 2.5.2. Stacking Provisions

Prior to signing a contribution agreement (a legal document that will lay out the conditions surrounding the transfer of funds from the Government of Canada to the recipient), recipients will be required to disclose all expected sources of funding applicable to the proposed project. This includes contributions from other federal, provincial/territorial and municipal governments, as well as private sector sources.

As a means of verification, the recipient will be required to disclose all sources of funding again upon completion of a project.

Total government assistance (federal, provincial/territorial and municipal) will not exceed 100% of total project cost. Funding in excess of the stacking limit will be subject to recovery.

### 2.5.3. Eligible Costs

For funding under the IFIT program, eligible expenditures (as listed below) can only be incurred on or after the date on which the contribution agreement is signed by both parties. Costs are considered incurred when they are owing and due to the goods/service provider. For clarity, the IFIT program will not reimburse any project costs incurred by the recipient before an agreement is signed.



**Any costs associated with the production or exports of softwood lumber products are ineligible under this Program.**

Eligible costs under this Program shall be directly related to project objectives and include the following:

- capital expenses
- retrofitting and upgrading of existing capital
- materials and supplies
- salaries and benefits
- overhead expenses (to a maximum of 1.5% of project costs)
- professional, scientific, technical, management and contracting services (including project design, research, engineering, construction and fibre supply assessments)
- travel including meals and accommodation
- training costs directly associated with the project implementation or operation
- printing services
- data collection services including processing, analysis and management
- licence fees and permits
- costs associated with environmental assessments
- technical audits associated with project activities

For the purposes of helping applicants determine eligible project costs, the following definitions have been provided. Not all eligible costs have been defined below. Applicants can contact the program for further clarification if necessary.

<b>Capital Expenses</b>	Includes equipment acquired or constructed exclusively for the project. To be eligible, equipment must be identified in the project cost estimate and approved by the IFIT program. Equipment shall be charged to the project at the net price after deducting all trade discounts and rebates.
<b>Materials and Supplies</b>	Products include those consumed in carrying out the project. Products purchased solely for the project or issued from the applicant's inventory are eligible. All products shall be charged to the project at the net price after deducting all trade discounts and rebates. Surplus products shall be credited to the project at the original purchase price.

**Salary and Benefits**

Benefits are defined as a reasonable prorated share of expenses associated with the direct labour cost, such as the employer's portion of the Canada Pension Plan, the Quebec Pension Plan and Employment Insurance, employee benefits such as health plan and insurance, Worker's Compensation, sick leave and vacation plus any other employer paid payroll related expenses. Those items which have no relationship to the project or which have been charged on an indirect basis are not eligible. The determination of the fringe benefits amount shall be in accordance with generally accepted accounting principles. In general, the fringe benefits rate provided in the project estimate shall be computed once during the life of the project and agreed on prior to the signing of a contribution agreement. If retroactive adjustments are made, these must be indicated on claims for progress payments for IFIT program approval.

**Sub-Contractors and Consultants**

The nature of goods or services to be acquired shall be set out in the proposal estimates. The amount eligible for a sub-contractor or a consultant shall be the actual contract amount.

**Meals Costs**

Unless stated otherwise in the contribution agreement between Natural Resources Canada and the applicant, Treasury Board meal rates (<https://www.njc-cnm.gc.ca/directive/d10/v238/s659/en>) that are in effect at the time of signing the contribution agreement shall be used in reimbursing the cost of meals for activities directly related to the realization of the project.

**Travel and Accommodation Costs**

Reasonable travel and accommodation costs will be reimbursed for activities directly related to the realization of the project.



## 2.6. BASIS AND TIMING OF PAYMENTS

The Government of Canada's fiscal year is the period beginning on April 1 of any year and ending on March 31 in the next year. Multi-year agreements will establish a funding amount per fiscal year adding up to the total contribution under the agreement.

Details will be provided within each contribution agreement regarding the documentation that is required when submitting a claim for payment. The contribution agreement will also stipulate the start date and end date of eligible costs for each project.

Payments will be made based on receipt and approval of financial reports signed by the recipient's chief financial officer (or duly authorized officer) outlining actual eligible costs incurred for the project over the period in question. Payments will typically be made on a quarterly basis.

Advance payments, or a combination of advance payments and progress payments, may be permitted at the request of the proponent with an assessment of their need, risk levels and cash-flow requirements.

Final payment will not be made until all agreed-upon project activities outlined in the Statement of Work included in the contribution agreement have been completed by a recipient and are deemed acceptable by the IFIT program. To ensure appropriate project oversight, a reasonable holdback may be applied and released once all conditions of the contribution agreement have been met.



### 3. APPLICATION PROCESS

The IFIT program will accept applications for Stream 1: Capital Investment Projects through a call for proposals process. Applicants are advised to consult the [Capital Investment Projects' web page](#) for details on key dates related to the intake process. Submission of a project proposal does not guarantee applicants will receive funding under the program. Any approvals under this process will be conditional upon the execution of a contribution agreement. **Until a written contribution agreement is signed by both parties, no commitment or obligation exists on the part of the IFIT program to make a financial contribution to any project.**

The Project Proposal will allow the program to ensure the applicant is eligible and the proposed project meets the mandatory criteria of the program. Proposals will be evaluated by an interdisciplinary panel of experts against a set of rated criteria (see details in *Section 4 – Application Evaluation*). The IFIT program uses the recommendations of the panel to establish a short list of projects considered for funding. Short-listed projects will move on to the due diligence step as outlined in *Section 5 – Due Diligence Assessment*.

**Proposals received after the deadline will not be eligible for funding consideration.** No modifications to submitted proposals or additional supporting information will be accepted after the closing date and time, unless specifically requested by the IFIT program.

Once the call for proposals is closed, the IFIT program reserves the right to share the information provided by applicants in the sections that are clearly marked for public disclosure. All other information will be considered confidential. The IFIT program aims to safeguard the confidential information provided as part of the application process. Please see *Section 7.4 – Confidentiality and Security of Information* for more information.

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***To submit a Project Proposal, please follow the instructions on the [Capital Investment projects web page](#). Applicants must complete the online proposal form, the financial analysis workbook and include all the supporting material outlined on the form.***

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In addition to the Project Proposal form, applicants must submit the following supplementary information.

- |  |  |
|--|--|
| <b>1) Project Proposal form and annexes</b>            | The Project Proposal form and accompanying annexes must be completed in full. These documents are available on the <a href="#">IFIT program's web page</a> .   |
| <b>2) Business plan</b>                                | A complete and credible business plan that includes financial indicators, financial forecasting, the applicant's goals, the problems and solutions the project proposal aims to address, potential market size, the firm's understanding of the market and market risks and other items relevant to the project. |
| <b>3) Organization chart</b>                           | Applicants should include an organizational chart showing their corporate structure with ownership information.  |
| <b>4) Project schedule (Gantt chart or equivalent)</b> | The project schedule should identify project milestones and deliverables, go/no-go decision points and major milestones that form the critical path (such as environmental or construction permits or procurement lead times for critical equipment).  |
| <b>5) Process flow diagram</b>                         | This diagram should indicate the general flow of the proposed processes and new capital equipment. This is not meant as a detailed diagram, but should allow the IFIT program to identify, at a high level, the integration of proposed key equipment or the integration of a new process.                       |
| <b>6) +/- 20% cost estimate</b>                        | The IFIT program expects that project costs be estimated within the range of approximately +/- 20% accuracy at the time of application.  |
| <b>7) Diversity and Inclusion Plan</b>                 | The Diversity and Inclusion Plan should describe the recipient's approach to improving gender balance and increasing diversity within their Canadian corporate structures and supply chains in Canada.   |

**8) Preliminary engineering study (or equivalent)**

The preliminary engineering study should enable the IFIT program to understand the overall project configuration and key construction parameters. The level of detail should reflect the complexity of the proposed project and include all information that would enable the applicant to obtain third party funding, corporate approvals or apply for permits.

**9) Site layout**

This includes an overview of the proposed facility or how the proposed project will tie into an existing forest products facility.

The following documents are not mandatory but should be considered for inclusion if applicable for the proposed project.

**10) Results from studies or trials**

Applicants should include any studies or trials that validate the proposed technology, product or application with a representative feedstock at a representative scale. Third-party validated results, if available, should be included with the application.

**11) Letters of support**

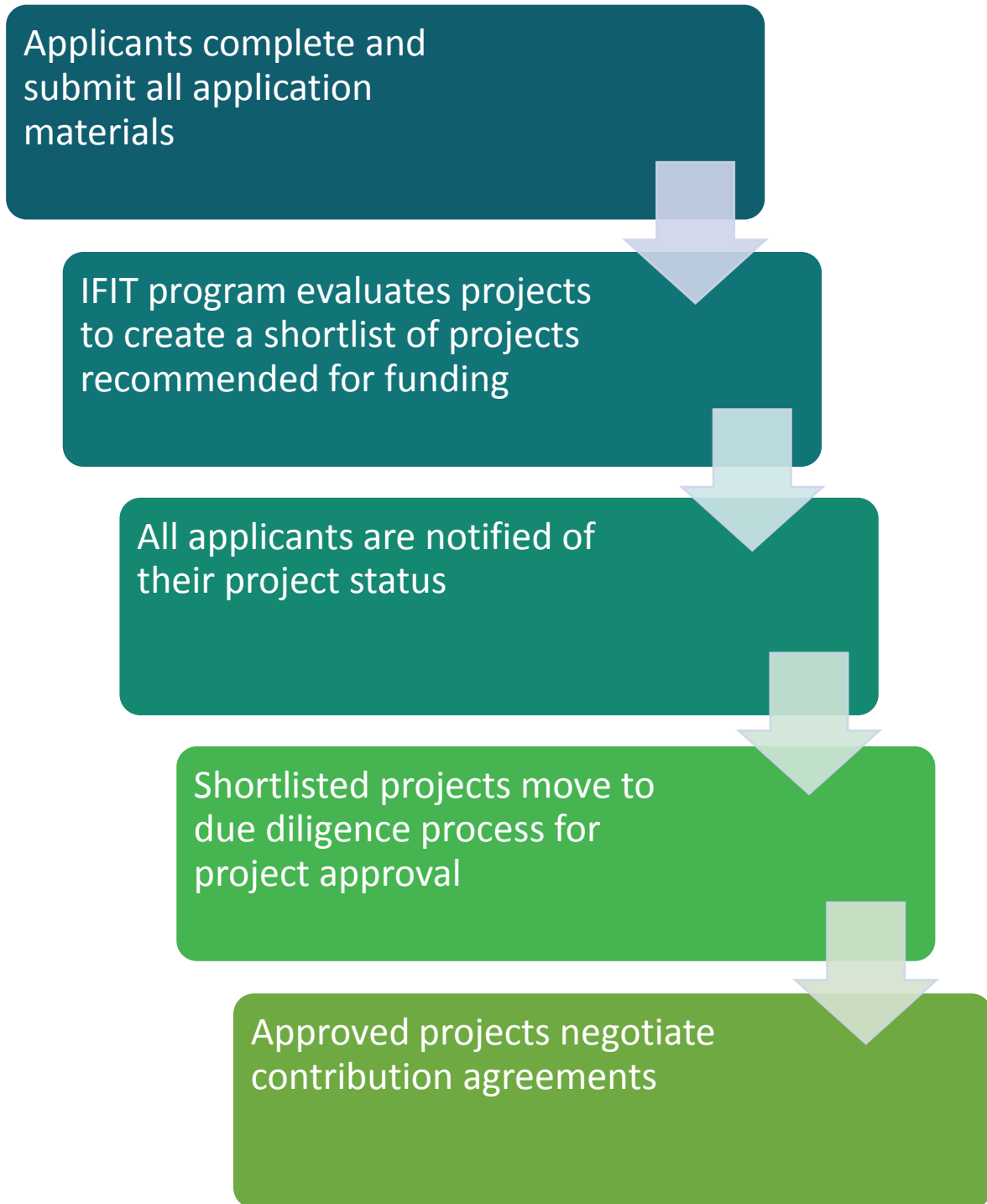
Any letters that confirm the validity of the project should be included in the application. This includes, but is not limited to, partnership agreements (including confirmation of funding), offtake agreements, confirmation of community support and letters that support the technical viability of the project.

Any documents that applicants wish to include in their submission that are not listed above will require justification for inclusion and must be referenced within the application form. Given the large volume of applications received in past calls, it is important that applicants limit the amount of documentation presented during the application phase to allow the expert review panel sufficient time to review all applications. Additional information can be supplied to the program if the project is selected for funding.





## SUMMARY OF APPLICATION PROCESS





## 4. APPLICATION EVALUATION

### 4.1. MANDATORY CRITERIA

To be eligible for funding under the IFIT program, projects must meet all mandatory criteria. The responsibility lies with the applicant to demonstrate that the project clearly meets each mandatory criterion. Failure to clearly demonstrate that the project meets every mandatory criterion may result in the project being eliminated from consideration for funding.

- 1. Recipient Eligibility:** Eligible recipients are for-profit organizations (including clusters, joint ventures and consortiums) located in Canada. They must either produce forest products in an existing forest product manufacturing facility (for example, pulp, paper or solid/engineered wood products facility), or are, or will be, new entrants in the Canadian forest sector for the purpose of the proposed project.
- 2. Advancement of an Innovation:** The proposed project must constitute a significant technological advancement or a process improvement for the production of new bioproducts in the Canadian forest sector. The project should be the first installation, at the proposed scale and specifications, in the Canadian forest sector. Once implemented, the project will produce or will lead to the production of innovative bioproducts (including biochemicals, advanced biomaterials, next generation building products and liquid or gaseous biofuels). Projects must be at demonstration or commercial scale with preference given to projects nearest to commercial scale.
- 3. Integration within the Forest Sector Supply Chain:** The program funding is intended to support projects at an industrial facility in Canada. The project must be connected to an existing forest sector industrial process OR a stand-alone project within the supply chain (for example, production of an innovative new product at a designated facility).
- 4. Based on Wood Fibre:** The proposed project must use material that is derived from wood fibre. This includes, but is not limited to, by-products generated by industrial wood processing and wood residues.



## 4.2. RATED CRITERIA

Projects which clearly meet each of the mandatory criteria will then be evaluated against the program's rated criteria as outlined below:

1. **Technical Feasibility**: This criterion requires applicants to substantiate the claims that the project can be executed as planned and generate the desired outcomes. Including how processes will be implemented, are expected to likely perform and how the quantity and quality of product identified by the applicant will be generated. Preference will be given to projects that can demonstrate product standards have been met, technological risk mitigation strategies exist and the technical team has experience in project implementation.
2. **Innovation**: Projects will be evaluated based on their ability to demonstrate greater innovation of technologies and diversification of forest products towards commercial scale. Replicability of projects in other facilities within the sector will also be considered.

This criterion requires applicants to demonstrate the level of innovation of their project. Projects implementing technology for the first time in the forest sector, or adapted for the first time from other industrial sectors will be preferred over technologies that are already operational in the forest industry in other countries and are being imported to Canada for the first time. As the IFIT program aims to support the commercialization of innovative technology, preference will be given to projects involving commercial scale technology designed for the production of a marketable quantity of a product rather than demonstration scale technology. Projects demonstrating a higher level of Canadian innovation, where the intellectual property or intelligence of the technology originates in Canada, will also be given greater consideration.

3. **Partnerships**: Preference will be given to projects involving strategic partnerships with companies, ideally from industrial sectors not traditionally associated with forest sector projects (such as the plastics, chemical or energy sectors), who are directly involved, have an active/engaged role and stake in the success of the proposed project. Preference will also be given to projects demonstrating a high proportion of total project costs leveraged from industry partners and/or other government programs and those that can demonstrate confirmed partnerships.
4. **Business Plan**: Preference will be given to strong financial analysis as well as credible and complete business plans. For projects at the commercial scale, priority will be given to projects with stronger financial prospects based on key economic indicators (such as return on investment, return on capital equity, earnings before interest, taxes and amortization, etc.).



All project proposals, regardless of the amount of funding requested, are required to submit the Financial Analysis Workbook (Annex to the IFIT program's Project Proposal form).

Preference will be given to proposals with a complete and credible business plan including financial indicators, financial forecasting, ability to mitigate risk, knowledge and accessibility of the market and the project team's experience in completing projects on budget and schedule.

- 5. Fibre Supply:** Preference will be given to projects that consume fibre from currently underutilized sources, use waste streams produced by the industrial processing of wood fibre and/or will not divert fibre from existing higher-value uses. Preference will also be given to proposals that have a positive impact on the local fibre supply chain, including at product end of life.

Proposals should clearly demonstrate how they will access the fibre required to implement and operate the project. For example, a secure long-term supply mechanism/strategy. Applicants should outline the impacts of the project on the fibre supply chain and address any fibre restrictions or opportunities in their local region.

- 6. Timing:** Preference will be given to applicants who propose the most credible and defensible project schedule information that can be substantially completed within the IFIT program funding window.
- 7. Value for Investment:** The maximum amount payable by the program to a recipient is 50% of total project costs up to the maximum of \$10 million. However, preference will be given to projects where requested IFIT funds are of a lower proportion, i.e. below 50% of total project costs. Projects can receive other sources of funding, provided total government assistance doesn't exceed the limits outlined in *Section 2.5.2 – Stacking Provisions*.
- 8. Diversity and Inclusion:** Preference will be given to projects that demonstrate, through the contents of their Diversity and Inclusion Plan, a strong approach to improving diversity and inclusion within their Canadian corporate structures. A Diversity and Inclusion Questionnaire will also be a mandatory project reporting metric over the lifetime of the project. For more information, please see *Section 6 - Diversity and Inclusion Measures*.
- 9. Benefits to Canadians:** Applicants are asked to provide information on the project's environmental, societal and economic benefits; advantages for local communities; and strategic contribution to the transformation of the Canadian forest sector. The IFIT program encourages applicants to describe direct benefits resulting from the project, as well as spillover benefits resulting from the project.



The IFIT program will notify all applicants of their status in the selection process once a shortlist of highly ranked projects has been compiled. Shortlisted Capital Investment Project proposals will move through to the IFIT program’s due diligence analysis. Applicants must be successful in this due diligence stage to be given funding consideration.



## 5. DUE DILIGENCE ASSESSMENT

Project applications will undergo a due diligence assessment to evaluate the capacity and experience of the applicant to implement the proposed project. Shortlisted applicants will be asked to provide additional information regarding their managerial and technical capability, financial situation, project risks and mitigation strategies and an updated work plan.

If all criteria for funding are met, a contribution agreement will be negotiated between the applicant and Natural Resources Canada. This due diligence step is mandatory to be considered for funding.

Shortlisted applicants will be asked to provide key documentation, including but not limited to:

- **Financial information** that may be assessed by an independent third party institution to complete a financial risk assessment on behalf of the IFIT program at the expense of the IFIT program. The financial risk assessment will evaluate the overall financial viability of the project, the applicant firm and any significant financial partners of the project.
- **Completed IFIT risk assessment questionnaire** that will be used to support a technical due diligence assessment. The questionnaire covers technical, market, organizational and environmental risks associated with the project and the applicant's plan to mitigate risks. This includes prior experience managing similar risks.
- **Summary of permits/approvals** required in relation to the project. This outline includes details on the regulatory framework for the project, a summary of the permits/approvals required in relation to the project, a status and timeline to obtain these documents and the impact any delays in obtaining these may have on the overall project execution.
- **Detailed work plan and expected results.** The proposed work plan must fully describe how the applicant will achieve the project objectives. It must provide a clear description of all activities to be conducted over the duration of the project. If selected for funding, the work plan will form the basis for funding negotiations, during which revisions or updates may be required to establish the statement of work included in the contribution agreement. The work plan will contain at least the following information:
  - A paragraph describing each specific task to be completed to meet the project's objectives (for example, detailed engineering, equipment procurement, etc.). Tasks should be broken down into a collection of activities that describe the work required to complete the task.



- Key milestones demonstrating project progress towards completion, including the time range to achieve each milestone.
- The general approach to be utilized to execute the project (for example, in-house personnel, contractors or vendors).
- A list of key performance indicators used to track project success.
- Project go/no-go decision points should be included at appropriate points in the work plan. The applicant should provide the specific criteria to be used to make the go/no-go decision.
- **Update on project costing and budget.** Applicants will be asked to provide an updated budget, confirmation of corporate approval to proceed with the project and confirmation of sources of funds to complete the project.

The IFIT program will contact applicants advancing to the shortlist to provide specific instructions and templates relating to due diligence requirements.

**Failure to submit any information supporting the shortlist project analysis in a timely fashion may result in elimination from the application process.**

The results of the financial and technical due diligence will be used as the final decision point for financial support of projects. The IFIT program will contact applicants once the final funding decisions have been made. Program officials will then work with successful applicants to negotiate contribution agreements.



## 6. DIVERSITY AND INCLUSION MEASURES

Natural Resources Canada recognizes the contributions of a diverse and inclusive workforce to the resilience and competitiveness of Canada’s forest sector. To gain a better understanding of diversity and inclusion within the forest industry, IFIT will collect Diversity and Inclusion Plans and Questionnaires. While the project is ongoing and for two years after project completion, recipients will be required to submit updates to both of these documents, as well as results of the plan implementation on an annual basis (see details in *Section 7.1 – Contribution Agreement*).

### 6.1 DIVERSITY AND INCLUSION PLAN

Applicants are now required to provide a Diversity and Inclusion Plan as part of their Project Proposal package. This plan will be assessed as part of the rated criteria in the application evaluation.

The Diversity and Inclusion Plan should describe the recipient’s approach to improving gender balance and increasing diversity within their Canadian corporate structures and supply chains in Canada. Examples could include efforts to increase the proportion of designated groups as defined in the *Employment Equity Act* (for example, women, Indigenous peoples, persons with disabilities and visible minorities) in the construction and operation phases of the project, or selecting suppliers that have gender and diversity plans.

The plan may include, but is not limited to:

- internal policies related to discrimination or harassment
- existing or planned training to educate the organization’s workforce on diversity and inclusion
- available statistics on proportion of designated groups employed at all levels of their firm in Canada
- approaches for factoring gender and diversity into its supplier selection methods in Canada
- funding advocacy groups or promotional activities that promote workforce diversity
- conducting research or studies to better understand barriers and identify solutions to supporting workplace diversity and inclusion
- strategies to increase workforce diversity in the composition of the board of directors, board sub-committees and at senior management level





A Diversity and Inclusion Plan template is provided on the [program's web page](#) for reference; however, applicants are permitted to submit a plan in the format of their choice.

Details of the Diversity and Inclusion Plan will not be disseminated unless otherwise specified by the applicant.

## 6.2 DIVERSITY AND INCLUSION QUESTIONNAIRE

If selected for funding consideration, applicants will also be asked to complete and submit a Diversity and Inclusion Questionnaire. This will be a condition to becoming an IFIT funding recipient.

All information collected regarding diversity and inclusion will be treated confidentially. Employees of Natural Resources Canada will have access to data collected by the Diversity and Inclusion Questionnaire; however, this information will not be available outside of the department. Questionnaire results will be kept confidential and Natural Resources Canada will never identify an organization's name in reporting of any kind. When questionnaire results are reported, they will always be aggregated, that is, individual questionnaire results are combined together and presented as a group.

To ensure that personal information is not discernible, the questionnaire will not be mandatory for companies with fewer than ten (10) employees.



## 7. ADDITIONAL INFORMATION FOR RECIPIENTS

This section contains information which will be relevant only to applicants who are selected to receive IFIT program funding.

### 7.1. CONTRIBUTION AGREEMENT

Following project approval, a contribution agreement will be signed by the successful applicant and Natural Resources Canada. The applicant will then become a funding recipient and will be required to meet the obligations as outlined in the agreement. Until a contribution agreement is duly executed by the parties, no obligation exists on the part of Natural Resources Canada to contribute funding to a project.

The IFIT program requires reporting both during project execution and after the project is complete. Full details of reporting will be laid out in the contribution agreement but recipients can expect the following:

1. Quarterly reports during the project execution stage. These will include:
  - a. Financial information for the project including cash flows, equipment purchases and overhead descriptions.
  - b. A progress report to describe activities undertaken to meet project objectives.
  - c. An updated Diversity and Inclusion Plan and Questionnaire for the first quarterly report of each fiscal year.
2. A final report once the project activities have been completed. This will include:
  - a. a financial component to describe how IFIT funds have been spent
  - b. a narrative report that describes project activities, benefits, diversity and inclusion measures and the achievement of key performance indicators
3. Semi-annual reports for two years following project completion. These will include:
  - a. project results and benefits
  - b. an updated Diversity and Inclusion Plan and Questionnaire for the first report of each fiscal year



## 7.2. IMPACT ASSESSMENT CONSIDERATIONS

The *Impact Assessment Act* and its regulations establish the legislative basis for the federal practice of impact assessment in most regions of Canada. Projects in Canada's north are assessed under separate legislation, depending on the region in which the proposed project will occur.

Under the Act, an impact assessment (potential environmental, health, social and economic impacts of proposed projects, including benefits) may be required for Designated Projects. A Designated Project includes one or more physical activities that are listed in the Physical Activities Regulations (commonly known as the Project List), as well as any physical activity incidental to those listed physical activities. If you are unclear as to whether your project and its physical activities are captured under the Physical Activities Regulations, please contact the Impact Assessment Agency of Canada.

Projects not on the Designated Project List may require a federal impact assessment if they occur on federal lands or outside of Canada, involve a physical activity related to physical work and involve Natural Resources Canada through funding. Additional information on Impact Assessment for projects on federal lands or outside of Canada can be found in sections 82 through 91 of the *Impact Assessment Act*. Applicants are not required to submit any additional information regarding Impact Assessment at the application stage. In cases where the *Impact Assessment Act* might apply to a proposed project, the IFIT program will work with project applicants to assess the requirements specific to their project.

## 7.3. DUTY TO CONSULT

The Supreme Court of Canada affirmed that the Government of Canada has a legal duty to consult with Indigenous groups and, where appropriate, to accommodate when a contemplated Crown conduct may have adverse impact on existing or potential Aboriginal or treaty rights. This is true whether those Aboriginal rights have been established (proven in court or agreed to in treaties) or whether there is potential for rights to exist.

The duty to consult is an important part of the federal government's activities, including for regulatory project approvals and provision of funding, licensing and authorization of permits, operational decisions, policy development, negotiations and more. Federal departments and agencies are responsible for understanding how and when their activities could have an adverse impact on Aboriginal and treaty rights, and consultation should occur prior to the federal government taking any action.



To that end, for each project proposal that advances to the shortlist, IFIT program officers will review applications to determine if the proposed project is likely to result in an adverse impact on established, claimed or potential Aboriginal or treaty rights. Where appropriate, a meaningful and adequate consultation process, commensurate with the severity of adverse impact and the strength of the claims, will be undertaken.

Proponent consultation with Indigenous groups is not required under the IFIT program as part of the application process. However, applicants are encouraged to report if they have already conducted consultation or engagement activities in relation to the project proposal, or as part of the applicant's ongoing operations/corporate commitments. Applicants are asked to identify the Indigenous groups they have interacted with and describe the type and frequency of activities undertaken.

## 7.4. CONFIDENTIALITY AND SECURITY OF INFORMATION

The *Access to Information Act*, (the "Act") governs the protection and disclosure of information, confidential or otherwise, supplied to a federal government institution.

Paragraph 20(1) (b) of the Act states that:

a government institution [such as Natural Resources Canada] shall refuse to disclose any record requested under the Act that contains financial, commercial, scientific or technical information that is confidential information supplied to a government institution by a third party and is treated consistently in a confidential manner by the third party.

Paragraph 20(1) (b) of the Act sets out two mandatory criteria in order to protect the confidential information supplied by an applicant to Natural Resources Canada from disclosure. First, the applicant's documents supplied to Natural Resources Canada must contain financial, commercial, scientific or technical information. Second, the applicant must consistently treat such information in a confidential manner. In other words, Natural Resources Canada will protect the applicant's confidential information in its possession as much as the applicant protects said confidential information in its own establishment.

For more information on this subject, a careful reading of the entire Section 20 of the *Access to Information Act* is greatly encouraged (<http://lois-laws.justice.gc.ca/eng/acts/A-1/index.html>).

## 7.5. TAX TREATMENT

All questions concerning the tax treatment of funds received under IFIT should be directed to the Canada Revenue Agency ([www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)).



## 7.6. AUDIT RIGHTS

Funding recipients will be required to:

- keep proper accounts and records for at least 5 years after the project completion date
- permit Government of Canada representatives to audit, inspect and make copies of those accounts and records at all reasonable times, up to 5 years after the project completion date
- grant the Government of Canada's authorized representatives access to audit and inspect the qualifying project and related facilities
- furnish the Government of Canada's authorized representatives with such information as they may from time to time reasonably require with reference to the documents referred to herein
- promptly refund to Natural Resources Canada any overpayments of the contribution disclosed by an audit

## 7.7. INTELLECTUAL PROPERTY

Any background intellectual property required for the project must vest with the applicant or the applicant must hold sufficient background intellectual property rights to allow their project's activities to be carried out. Additionally, they must hold sufficient rights to permit them to exploit the intellectual property resulting from their project's activities.



## 8. PROGRAM CONTACT

Applicants are encouraged to consult the IFIT program's web page (<https://www.nrcan.gc.ca/science-data/funding-partnerships/funding-opportunities/forest-sector-funding-programs/investments-forest-industry-transformation-ifu/13139>) for updates regarding the timing and availability of funding opportunities as well as a list of frequently asked questions. Enquiries can be emailed to the IFIT team at [nrcan.ifu-itif.nrcan@canada.ca](mailto:nrcan.ifu-itif.nrcan@canada.ca).