

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended September 30, 2025

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Statement outlining the results, risks and significant changes in operations, personnel and programs

1. Introduction

This Quarterly Financial Report (QFR) has been prepared by management as required by section 65.1 of the [Financial Administration Act](#) (FAA) and in the form and manner prescribed by the Treasury Board. It should be read in conjunction with the 2025–26 [Main Estimates](#). This report has not been subject to an external audit or review.

1.1 Authority, mandate and programs

The Natural Sciences and Engineering Research Council of Canada (NSERC) was established in 1978 by the *Natural Sciences and Engineering Research Council Act* and is a departmental corporation named in Schedule II of the FAA. NSERC's purpose is to help make Canada a country of discoverers and innovators for the benefit of all Canadians by supporting post-secondary students and postdoctoral fellows in their advanced studies, funding the research programs of academic researchers, and stimulating partnerships between academia and industry.

Further information on the NSERC mandate and program activities can be found in [Part II of the Main Estimates](#).

1.2 Basis of presentation

Management prepared this quarterly report using an expenditure basis of accounting. The accompanying statement of authorities includes NSERC's spending authorities, as granted by Parliament, and those used by the agency, consistent with the Main Estimates for fiscal year 2025–26. This quarterly report has been prepared using a special-purpose financial reporting framework designed to meet the financial information needs related to the use of spending authorities.

The authority of Parliament is required before the Government of Canada can spend money. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authorities for specific purposes.

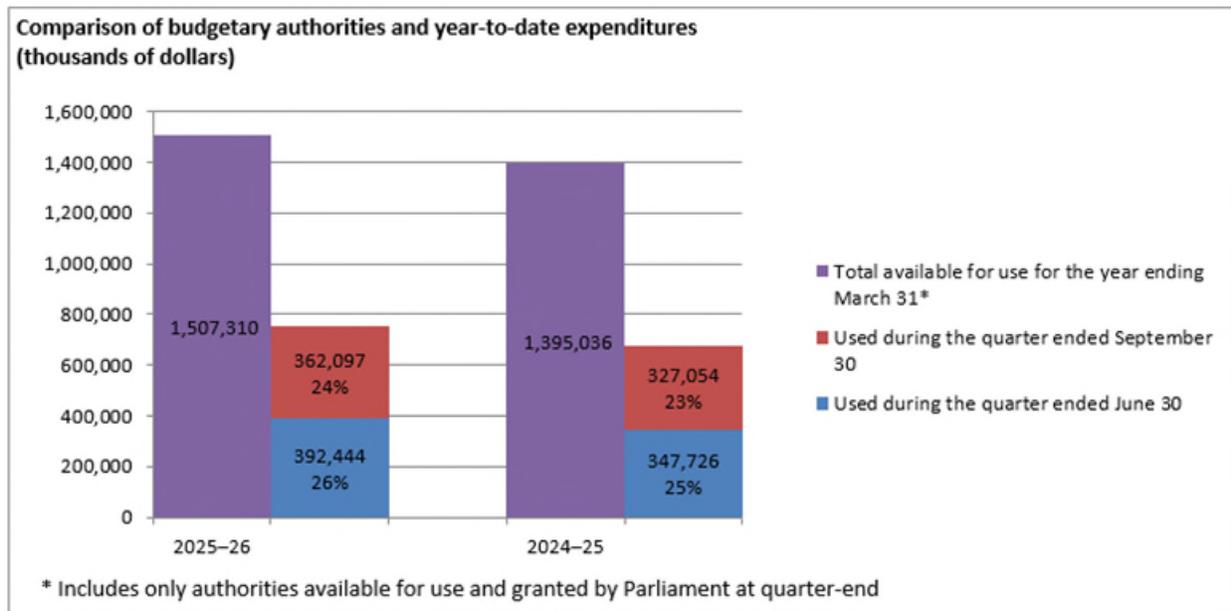
NSERC uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental results reporting process. However, the spending authorities voted on by Parliament remain on an expenditure basis.

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2. Highlights of fiscal quarter and fiscal year-to-date results

This section highlights the significant items that contributed to the change in resources available for the fiscal year, and the actual year-to-date expenditures compared with the same period of the previous fiscal year.

The following graph provides a comparison of budgetary authorities available for the full fiscal year and quarterly budgetary expenditures for the fiscal years 2025–26 and 2024–25.



2.1 Significant changes to budgetary authorities

As of September 30, 2025, NSERC's total available authorities for the fiscal year 2025–26 amounted to \$1.507 billion. This represents an overall increase of \$112.3 million (8.0%) from the same period in the previous year. The major changes in NSERC's budgetary authorities between the current and previous fiscal years include the following:

- An increase of \$47.4 million from Budget 2024 for increasing Core Research Grants.
- An increase of \$44.5 million from Budget 2024 for increasing the Scholarship and Fellowship award values.
- A net increase of \$13.0 million from Budget 2024 for the development of the Tri-agency Grants Management Solution (TGMS), which includes a frozen allotment of \$2.0 million.
- An increase of \$6.2 million for the Canadian post-secondary institutions that were successful in the 2024 Canada Excellence Research Chairs competition.
- A decrease of \$5.7 million from Budget 2017 for the Canada 150 Research Chairs program, which is sunsetting this year.
- An increase of \$4.8 million from Environment and Climate Change Canada for the Plastics Science and Innovation for a Cleaner and More Sustainable Future initiative.
- A net increase of \$4.7 million from Budget 2023 to continue implementing the Lab to Market initiative.

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- A decrease of \$3.5 million for the transfer of funds related to the College and Community Innovation (CCI) program to the Social Sciences and Humanities Research Council (SSHRC) and the Canadian Institutes of Health Research (CIHR), based on the competition results between the three agencies.
- A net decrease of \$2.8 million from Budget 2023 for the CCI program top-up.
- An increase of \$2.5 million from Budget 2024 for harmonizing the Talent program suite.

2.2 Significant changes to authorities used

Year-to-date spending

The following table provides a comparison of cumulative spending at the end of the second quarter by vote for the current and previous fiscal years.

Year-to-date budgetary expenditures used at quarter end

(millions of dollars)

Vote 1—Operating expenditures

Personnel (includes contributions to EBP)

Non-personnel

Vote 5—Grants and scholarships

Total budgetary expenditures

| | <u>2025–26</u> | <u>2024–25</u> | <u>Variance</u> |
|---|----------------|----------------|-----------------|
| Personnel (includes contributions to EBP) | 31.5 | 29.8 | 1.7 |
| Non-personnel | 4.0 | 3.3 | 0.7 |
| Vote 5—Grants and scholarships | <u>719.0</u> | <u>641.7</u> | <u>77.3</u> |
| Total budgetary expenditures | 754.5 | 674.8 | 79.7 |

Total budgetary expenditures amounted to \$754.5 million at the end of the second quarter of fiscal year 2025–26, compared to \$674.8 million reported in the same period in the previous fiscal year.

Grants and scholarships

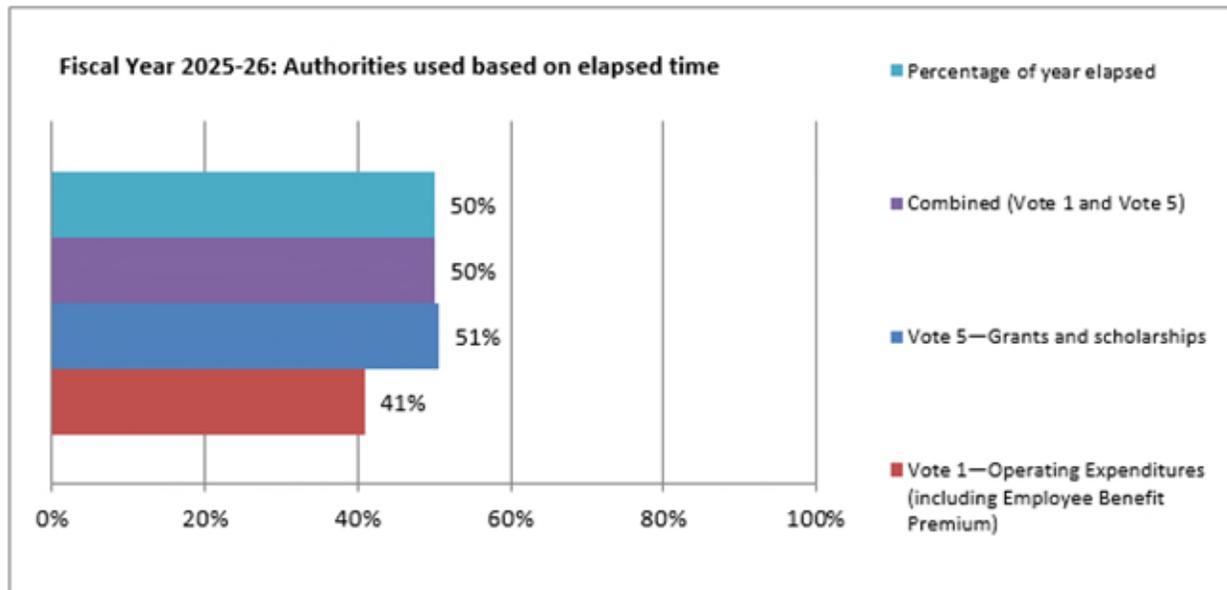
At the end of the second quarter of 2025–26, grants and scholarship expenses increased by \$77.3 million compared to those reported in the same period of the previous fiscal year. The increase is mainly due to additional budget authorities (refer to section 2.1) and the timing of award payments.

Operating expenditures

Personnel expenditures, which include contributions to employee benefit plans, have increased compared to the same period of the previous fiscal year for research grants and scholarships and the TGMS project, in line with increased funding detailed in section 2.1.

Total non-personnel expenditures as of the second quarter of fiscal year 2025–26 have remained largely in line with the same period of the previous fiscal year. There was an increase in professional and special services for management consulting related to the TGMS project and an increase in acquisitions of client software, partially offset by a decrease in rentals of client and application software. Please see the departmental budgetary expenditures by standard object table in section 6 for additional details.

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The total authorities used at the end of the second quarter (\$754.5 million) of the fiscal year 2025–26 represent 50% of total available authorities (\$1.507 billion).

Quarterly spending

The total authorities used during the second quarter of 2025–26 amounted to \$362.1 million, which represents 24% of the total available authorities, 24% of the total authorities for grants and scholarships programs, and 21% of the total authorities for operating expenditures and employee benefits.

Budgetary expenditures used during the second quarter

(millions of dollars)

Vote 1—Operating expenditures

Personnel (includes contributions to EBP)

Non-personnel

Vote 5—Grants and scholarships

Total budgetary expenditures

| | 2025–26 | 2024–25 | Variance |
|---|--------------|--------------|-------------|
| Personnel (includes contributions to EBP) | 16.1 | 14.8 | 1.3 |
| Non-personnel | 2.6 | 1.6 | 1.0 |
| Vote 5—Grants and scholarships | 343.4 | 310.7 | 32.7 |
| Total budgetary expenditures | 362.1 | 327.1 | 35.0 |

Grants and scholarships

Transfer payments represent 94% of NSERC’s available authorities. Variances in transfer payments stem from the nature of program cycles. During the second quarter of 2025–26, NSERC’s transfer payment expenditures increased by \$32.7 million compared to the same quarter of the previous fiscal year.

The increase in spending is mainly due to additional budget authorities (refer to section 2.1) and the timing of award payments.

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Operating expenditures

Personnel expenditures, which include contributions to employee benefit plans, have increased compared to the same period of the previous fiscal year mainly for research grants and scholarships and the TGMS project, in line with increased funding detailed in section 2.1.

During the second quarter of fiscal year 2025–26, total non-personnel expenditures have increased by \$1.0 million compared to the same quarter of the previous year. There was an increase in professional and special services for management consulting related to the TGMS project and an increase in acquisitions of client software, partially offset by a decrease in transportation related to public servant travel. Please see the departmental budgetary expenditures by standard object table in section 6 for additional details.

3. Risks and uncertainties

NSERC produces an annual Corporate Risk Profile that includes strategic risks, risk levels and mitigation activities. NSERC has aligned corporate risk management with its integrated planning process to ensure cohesion and executive oversight in the delivery of its mandate.

The 2025–26 risk assessment exercise provided the level of insight required to properly plan risk responses through the allocation of resources, both human and financial, and through the prioritization of activities. Senior management is closely monitoring the following three strategic risks for 2025–26:

- i. Technology evolution and operational continuity – There is a risk that IT legacy systems and ongoing technology transitions (TGMS, NSERC website, Access to Information Act and Privacy [ATIP] software, Shared Travel Services) may disrupt operations, impacting continuity and the organization's ability to deliver on results. This risk emphasizes the challenges of evolving technology, including AI adoption, while ensuring uninterrupted operations.
- ii. Change and resource management – There is a risk that the pace, frequency and complexity of required change initiatives exceeds the availability of financial and human resources, impacting organizational adaptability, resource allocation and capacity to implement changes effectively.
- iii. Stakeholder trust and strategic impact – There is a risk that events or shortcomings impacting stakeholders' perception could harm the organization's reputation, eroding stakeholder and public trust and confidence in the organization. There is also a risk of being unable to safeguard the organization's long-term strategic position in the modernized research ecosystem.

4. Significant changes related to operations, personnel and programs

The following significant changes occurred within NSERC during the current quarter in relation to operations, personnel and programs.

On July 3, 2025, Anne-Marie Thompson was confirmed as NSERC's Vice-President, Research Grants and Scholarships, after serving in an acting capacity for several months.

Dr. Marc Gervais, who played a valued role as NSERC's Vice-President, Strategic, Corporate and Public Affairs (SCPA), since 2020, retired from the public service in July 2025.

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Marcel Turcot was appointed Vice-President, SCPA, effective August 5, 2025. Marcel brings more than 20 years' experience in federal strategic policy development, particularly in the areas of science and innovation. He joined the National Research Council of Canada (NRC) in 2017 and went on to hold several senior positions. Since 2022, he served as the council's Director General of Policy, Strategy and Performance, playing a pivotal role in modernizing the organization and strengthening its capacity to advance research and innovation. Earlier in his career, Marcel worked at the Treasury Board Secretariat and the Department of Finance Canada, where he acquired extensive knowledge of federal central agencies.

Canada–UK science partnership: NSERC and the UK Research and Innovation's Natural Environment Research Council launched five collaborative research partnerships to address critical minerals challenges. These studies will focus on:

- cleaning up toxic mine water
- developing new tools for extracting rare earth minerals
- identifying mineral-rich volcanic deposits
- promoting sustainable mining practices

New research community for unstructured data: NSERC and the Communications Security Establishment (CSE) are funding a new research community focused on cutting-edge technologies for unstructured data analysis. This initiative is designed to support research in strategic areas critical to CSE and the Canadian government.

Team grants for avian influenza research: In response to recent avian influenza outbreaks, NSERC, CIHR and [Michael Smith Health Research BC](#) announced the launch of a funding opportunity for interdisciplinary research on H5N1 avian flu. The research will incorporate diverse approaches, including Indigenous Knowledge, to improve Canada's ability to prevent and respond to such outbreaks.

To better reflect the evolving role and integration of artificial intelligence (AI) tools in research, NSERC, SSHRC, CIHR, and the Canada Foundation for Innovation (CFI) have updated the [Guidance on the use of AI in the development and review of research grant proposals](#). Key revisions include an update regarding disclosure requirements in research proposals, and a clarification that the use of online tools is not permitted by reviewers in the evaluation process. These adjustments aim to increase clarity and reduce the administrative burden faced by researchers, while acknowledging the increased complexity of monitoring and enforcing detailed AI disclosures.

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Approved by:

**Prof. Alejandro Adem, FRSC
President**

**Dominique Osterrath
Chief Financial Officer and Vice-
President, Common
Administrative Services
Directorate**

**Ottawa, Canada
November 28, 2025**

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5. Statement of authorities (unaudited)

| | Fiscal year 2025–26 | | | Fiscal year 2024–25 | | |
|--|--|--|--|--|--|--|
| | Total available for use for the year ending March 31, 2026* | Used during the quarter ended September 30, 2025 | Year-to-date used at quarter-end | Total available for use for the year ending March 31, 2025* | Used during the quarter ended September 30, 2024 | Year-to-date used at quarter-end |
| <i>(in thousands of dollars)</i> | | | | | | |
| Vote 1—Operating expenditures | 77,815 | 16,437 | 30,975 | 61,099 | 14,671 | 29,640 |
| Vote 5—Grants and scholarships | 1,420,234 | 343,396 | 719,038 | 1,326,872 | 310,668 | 641,710 |
| Budgetary statutory authorities | | | | | | |
| Contributions to the employee benefit plan | 9,058 | 2,264 | 4,528 | 6,862 | 1,715 | 3,430 |
| Spending of revenues pursuant to subsection 4 (2) of the <i>Natural Sciences and Engineering Research Council Act</i> | 203 | - | - | 203 | - | - |
| Total budgetary authorities | 1,507,310 | 362,097 | 754,541 | 1,395,036 | 327,054 | 674,780 |

* Includes only authorities available for use and granted by Parliament at quarter-end.

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6. Departmental budgetary expenditures by standard object (unaudited)

| | Fiscal year 2025–26 | | | Fiscal year 2024–25 | | |
|--|---|--|----------------------------------|---|--|----------------------------------|
| | Planned expenditures for the year ending March 31, 2026 | Expended during the quarter ended September 30, 2025 | Year-to-date used at quarter-end | Planned expenditures for the year ending March 31, 2025 | Expended during the quarter ended September 30, 2024 | Year-to-date used at quarter-end |
| <i>(in thousands of dollars)</i> | | | | | | |
| <u>Expenditures</u> | | | | | | |
| Personnel | 67,803 | 16,075 | 31,521 | 56,949 | 14,770 | 29,814 |
| Transportation and communications | 1,505 | 115 | 384 | 703 | 163 | 303 |
| Information | 1,865 | 84 | 111 | 1,060 | 67 | 159 |
| Professional and special services | 10,342 | 1,612 | 2,335 | 5,568 | 866 | 1,483 |
| Rentals | 2,996 | 234 | 359 | 1,396 | 188 | 823 |
| Repair and maintenance | 246 | 10 | 10 | 118 | - | 19 |
| Utilities, materials and supplies | 108 | 16 | 30 | 52 | 15 | 25 |
| Acquisition of machinery and equipment | 2,205 | 555 | 755 | 2,312 | 316 | 445 |
| Other subsidies and payments | 6 | - | (2) | 6 | 1 | (1) |
| Transfer payments | 1,420,234 | 343,396 | 719,038 | 1,326,872 | 310,668 | 641,710 |
| Total budgetary expenditures | 1,507,310 | 362,097 | 754,541 | 1,395,036 | 327,054 | 674,780 |