

PROTEIN INDUSTRIES CANADA ANNUAL REPORT 2018-19

***Our Vision** is to position Canada as a leading global source of sustainable, high-quality plant protein and plant-based co-products, while substantially contributing to Canada's economic growth and international trade.*

***Our Mission** is to inspire innovation and support collaboration to transform Canada's agriculture and food processing sectors.*

This is Canada's Opportunity

The global demand for food is growing, with a specific need for more protein. Canada is uniquely positioned to meet this need. We are a leader in agriculture research with technologically advanced farmers. Western Canada is home to more than 28 million hectares of arable land, with annual production of 60 million metric tonnes of crops that results in 12 million metric tonnes of protein. Canada is a trusted supplier of food and feed.

By creating more value-added processing opportunities in Canada, we will generate new companies, products, processes and services. We will create jobs. We will generate opportunities for our small and medium enterprises to scale, integrate into global value chains, transition to high-value activities and become global market leaders. We will build a shared competitive advantage for Canada.

A Bold Vision for Canada's Agri-Food Sector

The Advisory Council on Economic Growth and Canada's Agri-Food Economic Strategy Table set bold growth targets for the agri-food sector. The Dominic Barton chaired Advisory Council challenged Canada "to double its global market share in agri-food products by 2027"¹. The Economic Strategy Table set goals including \$140 B in domestic sales by 2025 (an increase from \$110 B in 2017) and \$85 B in exports by 2025 (an increase from \$65 B in 2017)².

Protein Industries Canada (PIC) is well-positioned to support these ambitious goals.

PIC will work to grow small and medium sized enterprises and leverage the market power of large anchor multinational firms by:

- Creating connections between companies, customers, and our world-leading scientific capacity;
- Investing in technological priorities;
- Addressing constraints to growth; and,
- Creating a strong, globally-recognized, Canadian plant protein brand.

¹ Unleashing the growth potential of key sectors, The ADVISORY COUNCIL ON ECONOMIC GROWTH February 6, 2017

² The Innovation and Competitive Imperative: Seizing Opportunities for Growth. Report of Canada's Economic Strategy Tables: Agri-Food

PROTEIN INDUSTRIES CANADA ANNUAL REPORT 2018-19

The Growing Global Demand for Plant-Based Protein

The global plant-based protein market is estimated at more than \$8B US and is expected to reach \$14.8B US by 2023 with an expected compound annual growth rate of 5.9 per cent.³ Over the next five years, human consumption of plant-based protein is projected to nearly double.⁴

This growth trajectory is supported by an increasing global population, a growing middle class, changes in western diets and increased requirements for livestock and aquaculture feed and companion animal food. According to the Canada West Foundation, as this global demand for plant ingredients escalates, international firms have assessed the Canadian Prairies as the place best suited to meet this demand. Getting in on the ground floor will position Western Canada to dominate the global plant ingredient industry.⁵

This space, primed for economic growth, is characterized by technology driven start ups, SMEs ready to scale and large anchor companies that have access to capital and global markets.

Targeted investments through the Innovation Supercluster Initiative (ISI) will contribute to this growth and create a sustaining ecosystem that will help meet the ever-growing market demand for plant proteins.

The Western Canadian Plant Protein Advantage

With approximately 85 per cent of Canada's farmland, innovative producers, globally-recognized research infrastructure and a low carbon agricultural production system, the Canadian Prairies are uniquely positioned to capitalize on global growth in demand for plant protein.

Few places can reproduce this competitive advantage that has evolved over a century of agricultural production in Western Canada. Canada's agriculture system is backed by a unique set of crops that are sustainably produced by innovative farmers. This system is supported by a research and development community that links the entire value chain from genetic researchers and breeders through the producer to ingredient processors and food manufacturers. The entire system is responsive to consumer needs and trends, as they are communicated back to researchers at the start of the value chain, allowing for innovation to be scaled and commercialized quickly.

³ Mordor Intelligence, "Global Plant Protein Market," <https://www.mordorintelligence.com/industry-reports/plant-protein-market>, November 2017.

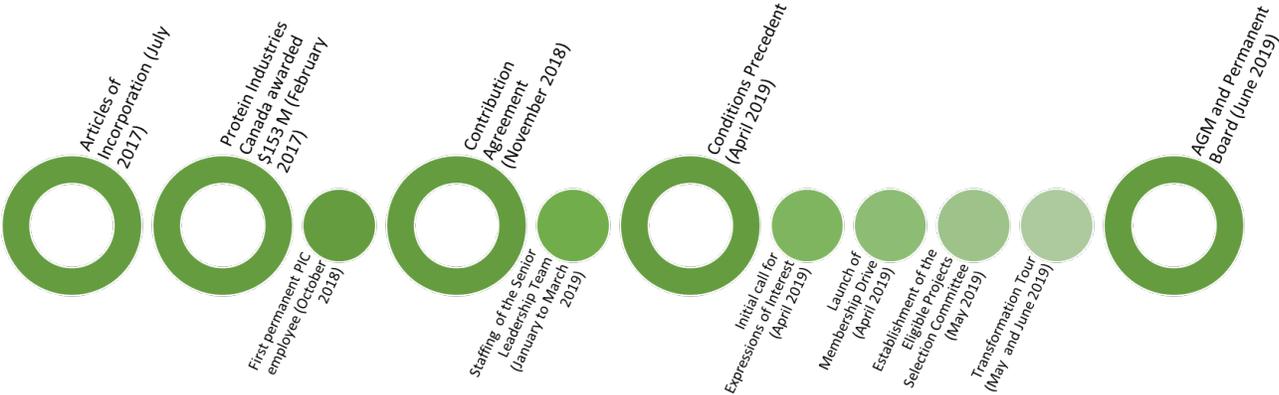
⁴ Mordor Intelligence, "Plant Protein Market (2017 - 2022) | Size | Share | Forecasts". Web excerpt.

⁵ Canada West Foundation, "Sprouted: the plant ingredient opportunity taking root on the Prairies", December 2017

PROTEIN INDUSTRIES CANADA ANNUAL REPORT 2018-19

Protein Industries Canada from concept to reality

Since the announcement of Protein Industries Canada as a successful recipient of Innovation Supercluster Initiative funding, the board and management have mobilized to move the organization from concept to reality. We have been focused on establishing a structure and framework to deliver project funding and operationalizing the organization. Major organizational milestones have included the signing of the Contribution Agreement, satisfying the Conditions Precedent and our recent Annual General Meeting and appointment for the permanent board.



PROTEIN INDUSTRIES CANADA ANNUAL REPORT 2018-19

Corporate Objectives for 2018 / 2019

In November of 2018, Protein Industries Canada and the Government of Canada signed the Contribution Agreement marking the official beginning of Protein Industries Canada. Objectives and progress for the 2018 / 19 fiscal year included:

Objectives	Update
Securing a Senior Leadership Team and further staffing of the organization	<ul style="list-style-type: none"> • Bill Greuel was appointed as the CEO • Tiffany Stephenson (Chief Marketing Officer) • Dr. Bob Tyler (Interim Chief Technology Officer) • Kassandra Quayle (Interim Chief Operating Office) • Deidre Plosz Rowley (Corporate Secretary and Executive Assistant)
Finalizing the Corporate Structure and Corporate Bylaws	<ul style="list-style-type: none"> • Protein Industries Canada completed the requirements regarding corporate structure including the articles of incorporation, bylaws and a membership agreement.
Satisfying to Conditions Precedent as per the Contribution Agreement	<ul style="list-style-type: none"> • PIC management worked with the Board of Directors and members to draft a five year Supercluster Strategy, Eligible Project Selection Guidance Document as well as an Intellectual Property Strategy and a Data Strategy.
Advancing Administration and Operations	<ul style="list-style-type: none"> • PIC management secured office space and completed the outline of an organizational structure.
Initiating Program Design and Delivery	<ul style="list-style-type: none"> • Over the course of the 2018 / 19 fiscal year, Protein Industries Canada worked to develop the program framework for both projects related to Technology Priorities and Ecosystem Development including funding criteria, application templates, evaluation rubrics and the overall evaluation framework.

Corporate Objectives for 2019 / 2020

Fiscal year 2019 / 20 marks the first full year of operations and program delivery for Protein Industries Canada. Our corporate objectives include;

- Investments in Technology Priorities projects:
 - The first call for Expressions of Interest for Protein Industries Canada will close in June of 2019, and we have made \$40 million available under the first call.
 - Protein Industries Canada will close a second call for Expressions of Interest in September of 2019, the amount will be specified closer to the date.
- The creation of, and support for, an Ecosystem Development strategy;
- A fully staffed and highly functioning organization;
- The development of an IP Registry;
- The creation of a searchable member database focused on member capabilities;
- The creation of a Data Management Strategy based on an extensive member needs analysis;

PROTEIN INDUSTRIES CANADA ANNUAL REPORT 2018-19

- The refinement of a robust reporting framework to meet our Government of Canada reporting requirements.
- Establishment of a strong domestic membership base and a strategy to engage international members.

PROTEIN INDUSTRIES CANADA

ANNUAL REPORT 2018-19

Intellectual Property Strategy

In fiscal year 2018 / 19, Protein Industries Canada has retained the services of Norton Rose Fulbright and MLT Aikins to assist in the development of the Supercluster's IP strategy. The strategy is based on the following principles:

- Streamlining access to academic research capacity;
- Leveraging how background IP is brought together in new applications to address challenges and opportunities;
- Supporting projects to develop new foreground IP; and
- Helping ensure that new foreground IP is commercialized, licensed, shared and leveraged for economic growth, the benefit of Members and the health of ecosystem.

In addition, Protein Industries Canada began the process of securing an IP Manager as per the Contribution Agreement. The IP Manager will be responsible for supporting Members in identifying and maximizing the opportunities to develop, protect, and license Intellectual Property. The role of the Intellectual Property Manager shall be to:

- Serve as the IP Strategy lead and assist the Board of Directors and management in executing the IP Strategy;
- Oversee the administration of all requirements and processes set out in the IP Strategy, and ensure compliance with the requirements of the Contribution Agreement;
- Assist Members in the development of their IP rationale and strategy as part of their project proposals and appropriately balance the Member's reasonable interests in any foreground IP and the reasonable interests all Members may have in accessing that foreground IP;
- Present the IP Strategy and rationale for qualifying projects to the Project Selection Committee;
- Work with Project Participants to achieve the objectives identified in the proposal's IP rationale and identify any further opportunities to share their foreground IP and
- Support competency development activities through the delivery of direct programming to SME members

The outline of the IP Registry has been developed and Protein Industries Canada has begun to develop an online solution as part of our overall membership database.

- **Protecting Information.** Information supplied through the IP Registry shall not include detailed proprietary information or trade secrets. The IP Manager will work with IP rights holders to ensure that distributing information through with the IP Registry doesn't impact negatively on their IP rights (e.g. filtering competitively sensitive information or trade secrets or excluding information that may constitute an "invention", where publication to the IP Registry may constitute a "public disclosure").
- **Project Result Abstracts, and Updates.** The IP Registry will include written abstracts or summaries of the various items of foreground IP (technology assets developed with the support of PIC in addition to IP) generated as part of PIC funded projects. The written abstracts shall be developed and maintained by the IP Manager, working with Project Participants.

PROTEIN INDUSTRIES CANADA ANNUAL REPORT 2018-19

- **Licensing Information.** The Registry will also include information that Members wish to provide to streamline access to PIC supported IP such as contact information of Member personnel responsible for negotiating licenses for particular assets, and any Member processes for evaluating licensing opportunities, applicable license fees and other similar information. The IP Manager will encourage Members to develop transparent licensing terms in order to increase ROI on investments in foreground IP and to develop over time marketplaces for foreground IP.
- **Other Assets.** Members may also work with the IP Manager to include IP that were developed independent of Projects in the Registry, to promote commercialization thereof. For example, Member academic institutions may use the Registry to promote commercialization of their IP.

There have not been updates to the Protein Industries Canada IP Strategy, as per the strategy, a review will commence during fiscal year 2019 / 20.

PROTEIN INDUSTRIES CANADA

ANNUAL REPORT 2018-19

Data Strategy

In fiscal year 2018 / 19, Protein Industries Canada developed the data strategy based on the following principles:

- **Strong Governance:** PIC will ensure roles and responsibilities are clearly defined and that the board of directors, officers and employees of the corporation and members adhere to the data management strategy.
- **Compliance with Applicable Legislation and Regulations:** PIC officers and employees, project participants and their subcontractors, will comply with applicable data regulations in the geographies in which a project is operating, as well as any federal legislation and regulation.
- **Adequate Security, Integrity and Confidentiality:** PIC will ensure the systems are in place to preserve and protect the integrity of data with a focus on data that is confidential or proprietary in nature.
- **Sharing:** PIC will work with industry to evaluate data sharing platforms and develop a set of guiding principles to help build collaboration, connectivity and trust between members, to support data sharing and data re-use, while providing members the flexibility to address data needs specific to their operations.
- **Member Accountability:** Data will only be collected for intended uses with clear consent (obtained either as a condition of membership or through the Master Project Agreement) or for use as provided under applicable law. Project participants will have flexibility in negotiating their Project Agreement(s) and will be responsible for finalizing their own data agreements in line with the Strategy and associated documents.

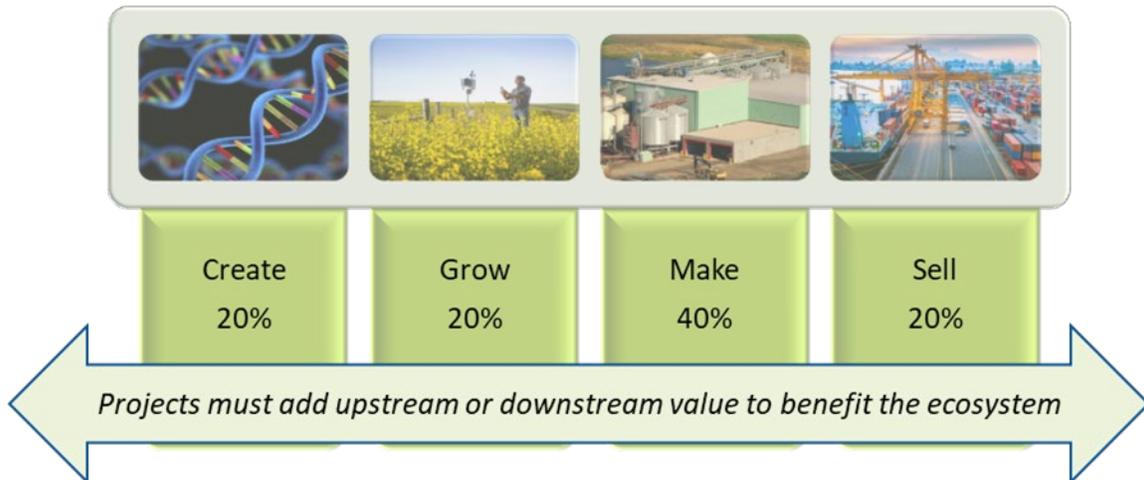
Protein Industries Canada is committed to protecting our members and program data. Protein Industries Canada is developing policies and procedures to ensure member data related to project applications and project reviews is protected. This includes secure server access to member information and project applications.

In accordance with direction from the Minister of Innovation, Science and Economic Development, Protein Industries Canada has been provided until March 2020, to develop the portion of the Data Strategy focussed on the use of data as a strategic asset for the sector. As a first step in this process, Protein Industries Canada has initiated a member needs assessment.

PROTEIN INDUSTRIES CANADA ANNUAL REPORT 2018-19

Project Pipeline

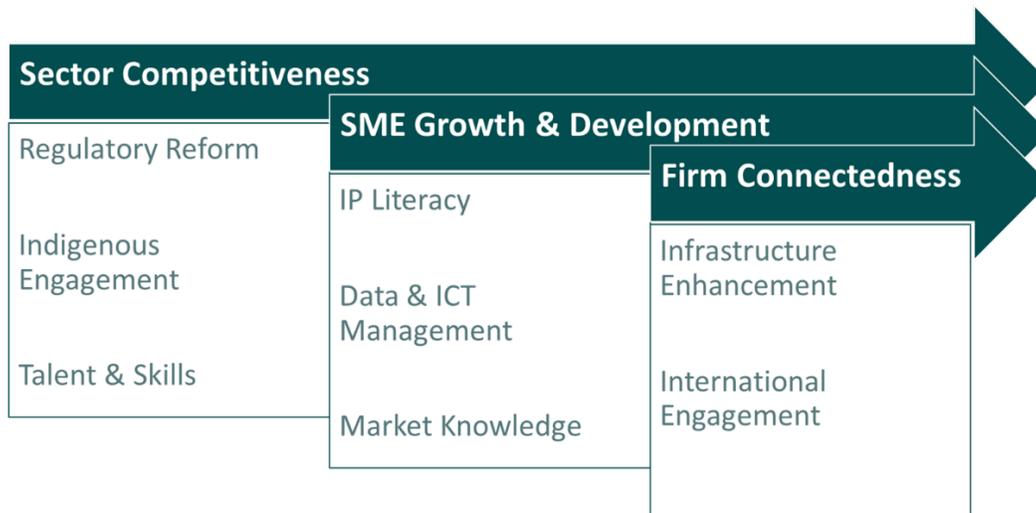
Protein Industries Canada did not fund any technology priority projects in the 2018/19 fiscal year. In future years, Protein Industries Canada will invest in four technology streams: Create, Grow, Make and Sell. The budget will be distributed between the four streams at a 20:20:40:20 ratio.



In early fiscal year 2019 / 20, Protein Industries Canada will issue a \$40 million call for Expressions of Interest and as the first step in establishing a project pipeline. The initial Supercluster application contained several example projects, and in discussions with industry, we are confident that a strong pipeline of projects focussed on growing the value-added food and feed processing sector can be established. Protein Industries Canada aims to allocate a major portion of funding within the first two full years of operation.

In the 2018/19 fiscal year, Protein Industries Canada started work on the prioritization of Ecosystem Development, with the creation of three main priority areas: Sector Competitiveness; SME Growth and Development and Firm Connectedness. Each of the priority areas work together to build capacity in the ecosystem to help contribute a sustainable and relevant industry. Within each area, there are priority areas of focus, including: Regulatory Reform, Indigenous Engagement, Talent and Skills, IP Literacy, Data and ICT Management, Market Knowledge, Infrastructure Enhancement and International Engagement.

PROTEIN INDUSTRIES CANADA ANNUAL REPORT 2018-19



Two ecosystem development projects were initiated in the 2018/19 fiscal year:

1) Identification of regulations that are a priority for review in the food processing sector

The regulatory prioritization project was an investment of \$20,000 from Protein Industries Canada and included an environmental scan of the current regulatory environment and recommendations of next steps in working with the federal government in prioritizing the regulations that may need to be reviewed to ensure innovation and success in the sector. The final report for this project will be delivered in the 2019/20 fiscal year.

2) Identification of brand attributes of Canadian food

The brand attributes of Canadian food is an industry-led effort with a wide-range of industry partners working together to better understand the attributes that markets have of Canadian food, and how we may go about developing proof points to support those attributes. Several industry workshops were held across Canada with a mix of sector groups participating. Attributes explored include: reliability of supply, resiliency in production, quality, sustainability and nutrition. Protein Industries Canada's investment was \$15,000.

To support the selection of Technology Priority projects, Protein Industries Canada has developed a three-stage project proposal:

- **Project Eligibility Questionnaire:** This is a set of binary questions that potential members will answer to screen whether their concepts or ideas are eligible. Questions and requirements include at least two private sector members, one being a small or medium sized enterprise, that the consortium provide at least up to 50 per cent of the total project funding, that members be Canadian entities and that the consortia pay project management fees.
- **Expression of Interest:** The EOI starts to frame up the project by requiring the proponents to identify the gaps or opportunities, describe the major activities of the project and how they will address the gap or opportunity, as well as the budget and project outcomes. From this, PIC can

PROTEIN INDUSTRIES CANADA ANNUAL REPORT 2018-19

ascertain both eligibility and alignment and will advance those projects to the evaluation stage. PIC will work with the National Research Council, IRAP division, to provide technical reviews as well as internal technical reviews to advance a number of projects onto the full applications stage.

- **Full Application:** The full application is an in-depth project plan that describes in detail the workplan, major activities, detailed budget, IP rationale, data strategy and commercialization plan. We have developed a robust evaluation rubric that assess in detail the commercial application, contribution to the ecosystem and the technical feasibility.

Full projects are reviewed by an Eligible Project Selection Committee consisting of four industry experts along with senior executives of Protein Industries Canada.

In fiscal year 2018/19, Protein Industries Canada had not yet funded projects, therefore, there were no disputes referred to the Appeals Committee.

PROTEIN INDUSTRIES CANADA

ANNUAL REPORT 2018-19

Key Performance Indicators

Protein Industries Canada is seeking to increase Canada's global economic strength in the creation, development and commercialization of plant proteins and co-products to help position firms to achieve scale, become integrated into global value chains, transition to greater production of high-value activities and become global market leaders. Protein Industries Canada investments aim to achieve the following key performance indicators.

- The development of new plant-based food ingredient, feed, pet food, aquaculture and industrial products;
- The creation of 4,500 jobs over the next 10 years as a result of PIC investments and the development of new technologies;
- Increase the amount of private sector funding invested into agriculture and food processing research and innovation;
- Benchmark and then work to increase the project collaboration index (total number of ecosystem members participating per PIC project);
- Ensure a highly-qualified labour pool is available and that students are being trained to meet the current and future needs of the industry;
- The number of PIC member firms who have an IP strategy;
- Increase the total percentage of venture capital funds invested in agriculture in Western Canada;
- Develop a data strategy that reflects the needs of member firms and positions the agriculture and value-added processing sectors to better use data to inform decisions and increase the sustainability of the sector; and
- Total number of Supercluster members.

**PROTEIN INDUSTRIES CANADA
ANNUAL REPORT 2018-19**

Financial Information

Protein Industries Canada has not established an Investment Committee and has not yet created an Investment Policy. Currently Protein Industries Canada will only invest in low-risk, short-term securities denominated in Canadian dollars as required by our Financial Institution to secure a corporate credit card.

Protein Industries Canada developed its Financial Management Framework in fiscal 2018/19, to enable the execution of strong financial governance, controls and practices across all levels of the organization. The organization's financial control environment is operating as intended and an Accounting and Financial Manual will be created during the next fiscal year. The manual will describe all accounting and finance procedures, specify roles and responsibilities, specify limits of authority and approval, and ensure compliance with the policies and procedures across the organization.

Below are the statements of funded and unfunded eligible costs, as well as Industry matching funds and total funding received for Protein Industries Canada.

Statement of Funded Eligible Costs Incurred and Paid as of March 31, 2019	
Salary & Benefits	\$ 133,474
Subcontract	\$ 117,587
Professional Service fees	\$ 25,884
Travel	\$ 33,951
Office Supplies	\$ 1,499
Operating Costs	\$ 15,415
Communications & Marketing	\$ -
Networking & Hospitality	\$ 322
Equipment	\$ 4,249
	\$ 332,382

Statement of Unfunded Eligible Costs Incurred and Paid as of March 31, 2019	
Salary & Benefits	\$ 19,760
Subcontract	\$ 176,195
Professional Service fees	\$ 30,642
Travel	\$ 70,368
Office Supplies	\$ 1,877
Operating Costs	\$ 7,391

**PROTEIN INDUSTRIES CANADA
ANNUAL REPORT 2018-19**

Communications & Marketing	\$ 4,076
Networking & Hospitality	\$ 82,022
Equipment	\$ 1,423
	\$ 393,754

Statement of Industry Matching Funds Received as of March 31, 2019	
Not For Profit Industry Contributions	\$ 37,500
Private Sector Industry Contributions	\$ 191,068
Registration Fees	\$ 24,755
	\$ 253,323

Statement of Total Funding Received as of March 31, 2019	
ISED Canada	\$ 331,619
Not For Profit Industry Contributions	\$ 37,500
Private Sector Contributions	\$ 191,069
Post Secondary Institutions & Government Sources	\$ 174,114
Registration Fees	\$ 51,975
	\$ 786,276

Attached are both the 2018/19 Auditor's Report and Audited Financial Statements for Protein Industries Canada.