



SDTC.CA

SDTC AT A
GLANCE

MESSAGE FROM THE
CHAIR AND
PRESIDENT AND CEO

HARNESSING THE POWER OF
FASTER DECISION
MAKING

HARNESSING THE POWER OF
INCENTIVING
CANADIAN IDEAS

HARNESSING THE POWER OF
KNOWLEDGE
SHARING

HARNESSING THE POWER OF
DATA AND IP

HARNESSING THE POWER OF A
'TEAM CANADA'
APPROACH

PERFORMANCE AGAINST
STRATEGIC
OBJECTIVES

CORPORATE
GOALS FOR
2019 - 2020

FINANCIAL
STATEMENTS

GOVERNANCE AND
COMPENSATION

APPENDIX
2018 - 2019
PROJECTS

HARNESSING THE

POWER OF CANADIAN CLEANTECH

ANNUAL REPORT **2018-2019**

HARNESSING THE POWER OF *CANADIAN...*




SDTC AT A
GLANCE

Sustainable Development Technology Canada (SDTC) helps Canadian companies develop and deploy globally competitive clean technology solutions, while also growing the Canadian economy.

We do this by:


- Funding the development and demonstration of new environmental technologies;
- Fostering and encouraging collaboration among organizations in the private sector, academia, the not-for-profit sector, and others to develop and demonstrate new technologies; and
- Promoting the timely diffusion of new technologies across key economic sectors in Canada.

2018 - 2019
YEAR IN REVIEW




38

New projects approved in 2018-2019



90%

Showing GHG emission reduction benefits at time of application



\$208.8M

Estimated annual costs avoided due to air quality, clean water and clean soil benefits

Our funds:

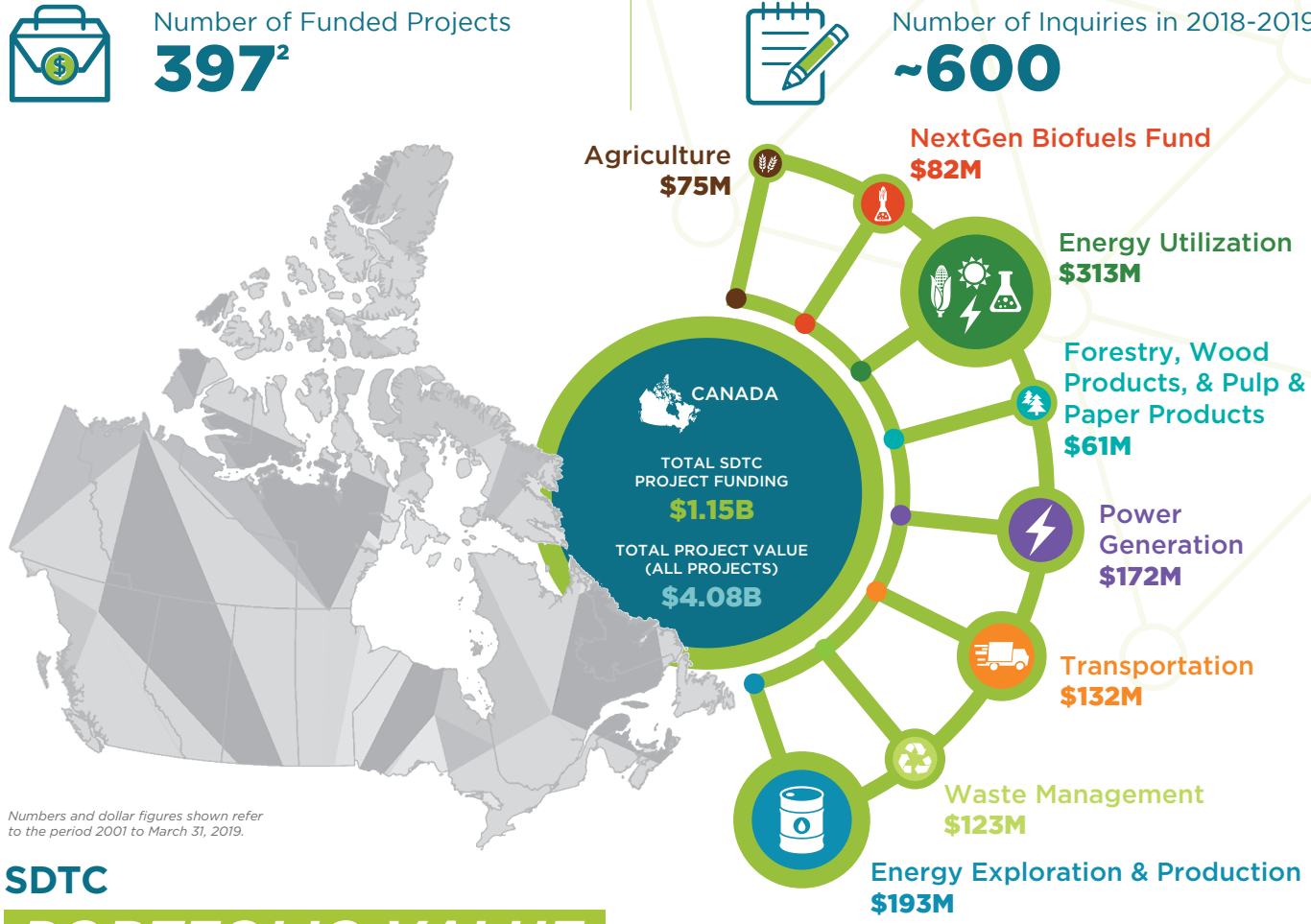
The SD Tech Fund

The SD Tech Fund supports pre-commercial projects with the potential to demonstrate significant and quantifiable environmental and economic benefits. In Budget 2017, the Government of Canada committed \$400 million to re-capitalize the SD Tech Fund.

NextGen Biofuels Fund

The NextGen Biofuels Fund, which concluded its disbursement period in March 2017, was established to support first-of-its-kind demonstration-scale facilities for producing next-generation renewable fuels. The Fund will continue to administer the remaining two active projects until September 30, 2027.¹

SDTC AT A
GLANCE



SDTC
PORTFOLIO VALUE

\$1.15B

Of SDTC funding to cleantech projects

+

\$2.93B

Through public and private sector investment

=

\$4.08B

Total portfolio value

\$4.20B

Estimated total follow-on financing generated by SDTC-funded companies since 2001

\$3.05B

Estimated annual revenues generated by SDTC companies

143³

Total project technologies deployed and generating environmental benefits

\$3.05B

Estimated annual revenues generated by SDTC companies

13,107

Estimated total jobs (direct and indirect) attributable to SDTC-funded projects

¹Sustainability Development Technology Canada. 2019. Eligibility Criteria. Retrieved from www.sdtec.ca/en/apply/eligibility/

²Total number of projects pending contract, under contract or completed as of March 31, 2019. | ³Total number of project technologies that are actively affecting GHG emissions, clean air, clean water or clean soil.

MESSAGE FROM THE
CHAIR

“SDTC is Canada’s largest granting agency for supporting the demonstration and commercialization of Canadian clean technologies. The global market for cleantech will soon be over \$2 trillion which presents Canadian industry with enormous potential to thrive and advance our economy in an environmentally sustainable manner. In pursuit of this opportunity, this past year SDTC approved \$144 million in new funding for 38 projects across the country and expanded our funding envelope to better support scale-up companies – an approximate 50 per cent increase in investments and disbursements over the previous year.”

Over the past five years, STDC made commendable progress in its dual objectives of: performing as best-in-class stewards of Canadian taxpayer funds; and, catalyzing commercialization outcomes for Canadian clean technology firms.

A recent Horizontal Review by the Treasury Board Secretariat of over 90 federal government innovation programs referenced SDTC as a leader in client service and environmental reporting. As stewards of taxpayer funds, we are proud that the report also indicated that SDTC’s administration costs are now half of that of other similar programs. These achievements represent a dramatic overhaul of past practices, and were made possible because of the dedicated commitment by the members of the Board, our CEO and staff of SDTC; and, the civil servants by our side.

Over the past 30 years, the digital transformation has created a new kind of economy in which the basis of wealth and power for both firms and nations is derived from ownership of valuable intellectual property (IP) and control of data.

In 1976, 16 per cent of the value of the S&P500 was intangibles. Today, intangibles comprise over 90 per cent of the S&P500’s \$22 trillion total value.

During this transformation, leading cleantech countries, such as China and the U.S., took a deliberate and systemic approach to ensure that their companies own valuable IP, which is a precondition to commercialization, then built a public-private framework designed to see their technologies scale and subsequently grow their freedom-to-operate globally. As the global economy shifted to data, countries shifted their public-private framework accordingly, to ensure their cleantech companies controlled the valuable data.

Understanding the competitive landscape faced by cleantech companies and how they scale in the knowledge-based and data-driven economy is a priority for both Canadian entrepreneurs and our public policy community. Four years ago, SDTC embarked on a new strategic direction that focused on raising that level of understanding and serving Canadian entrepreneurs more strategically. We expanded our engagement with the broader domestic ecosystem to better help our cleantech companies succeed in the economy driven by IP and data.

“As this is the final year of my term as the Chair, I want to express my gratitude to Ministers Oliver, Rickford and Bains for their genuine support and commitment to advancing Canada’s cleantech innovation. I would also like to thank the Members of the Board who enabled a terrific transformation of the organization at both operational and strategic levels. Above all, the people who make SDTC so valuable to both our public and private sector stakeholders are all our dedicated staff, under cheerful and steady leadership of Leah Lawrence. I thank you all.”

In closing, I tip my hat to the 100+ domestic cleantech CEOs I have interacted with during my tenure. I am inspired by your vision, creativity, courage and tenacity, as well as your commitment to grow global cleantech giants from Canada. You are the engines of our present and future economy, and embody the hope for a more sustainable, climate positive world. I hope SDTC remains as laser focused on supporting you, as you are on growing your businesses.



Jim Balsillie
Chair of the Board

SDTC AT A GLANCE

MESSAGE FROM THE CHAIR AND PRESIDENT & CEO

HARNESSING THE POWER OF FASTER DECISION MAKING

HARNESSING THE POWER OF INCENTIVIZING CANADIAN IDEAS

HARNESSING THE POWER OF KNOWLEDGE SHARING

HARNESSING THE POWER OF DATA AND IP

HARNESSING THE POWER OF A 'TEAM CANADA' APPROACH

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

CORPORATE GOALS FOR 2019 - 2020

FINANCIAL STATEMENTS

GOVERNANCE AND COMPENSATION

APPENDIX: 2018 - 2019 PROJECTS

MESSAGE FROM THE
PRESIDENT AND CEO

Sustainable Development Technology Canada (SDTC) is the largest funder of cleantech startups in Canada.

Four years ago, we realized SDTC needed to change direction, and better focus on how to best serve Canadian entrepreneurs. We recognized that the rules of competition were changing – based in the fundamental differences intrinsic to the Knowledge-Based Economy and the Data-Driven Economy overlain on the fast growing cleantech market – and that SDTC would have to do things differently to help cleantech companies succeed in this new reality.

Need for speed

Commercialization is happening faster. Historically, SDTC projects averaged five years in duration, these days, they are more likely to be completed in three years.

Knowing this, SDTC turned its efforts toward operational improvements; adapting and simplifying them to attract high quality applicants and supporting current portfolio companies by helping them advance their projects in the critical stages of pre-commercial development and demonstration faster. This means saying “yes” or “no” faster, the former in no more than six months and the latter within days for those ideas that do not meet our criteria.

In this way, we transformed our operations to keep up with the pace of business. This past year was a record year for us, funding 38 projects across the country with a total value of \$144 million – totaling a near 50 per cent increase in investments and disbursements over 2018 - 2019.

Aspire to own the podium

Supporting Canadian entrepreneurs on the leading edge of the global cleantech market is our top priority. For this reason, our second step was to focus on both startup and scale-up.

A few years ago, SDTC was too narrowly focused on early stage technologies and start up companies and not focused enough on what it takes to scale those technologies and companies. Today, working closely with Business Development Canada (BDC), and Export Development Canada (EDC) and other funding partners, SDTC is closing the gap. In 2018 - 2019, SDTC companies received follow-on financing totaling \$300 million from EDC and BDC. This is a clear sign our process is working better, and we will continue to keep a keen focus in this area.

More sophisticated focus on intellectual property and data

Another big part of closing the gap is supporting companies in their development of more sophisticated intellectual property and data strategies.

A big change we made at SDTC is allowing applicants to include IP costs incurred by their companies as eligible for SDTC funding. We commissioned studies by leading IP experts in 2018 - 2019 to further educate ourselves on how we can best support our companies in the areas of IP and data.

Through these reports, we received many valuable recommendations; including allocating a percentage of project funds to IP strategy, developing a long-term IP vision for SDTC and altering contribution and consortium agreements to support clear IP and license requirements. These are all things we will continue to evaluate as we navigate the changing reality of IP and data for cleantech companies.

Harnessing the power of knowledge sharing

For sustainable technology models to succeed in solving our most pressing issues, the collective “we” – cross industry, company, academia, public and private institutions, in Canada and abroad – need to talk about the data we have collected and share the lessons we have learned. Together we can develop practical solutions so our entrepreneurs can get on with the important work of creating remarkable things.

That is why in the past year, we took on cross-Canada consultations on intellectual property focused in food, primary industries and communities with key government departments. We worked to enhance our in-house economic and financial analysis capabilities; and brought together key private and public sector leaders during SDTC’s 2018 Cleantech Leadership Summit to tackle the emerging issues related to data and intellectual property.

SDTC is well placed to take on a macro-economic view of the Canadian cleantech competitive advantage by acting as a center of knowledge between our companies, industry leaders and government partners.

Together, we can take a more holistic approach in driving the public policy approaches needed to create conditions for sustained economic growth for Canada’s best cleantech scale-ups.

Harnessing the power of a ‘Team Canada’ approach to support cleantech entrepreneurs

The Government of Canada has been steadfast in its commitment to cleantech in the context of its broader Innovation Agenda committing significant financial resources to foster the growth of Canadian clean technologies and the companies advancing these ideas.

We recognized, in order to move the needle, we needed to focus on how we collaborate with other federal and provincial funders on how we support cross-government efforts on attracting high quality applicants, procurement, standards and beyond. With global economic uncertainty and varying provincial strategies for cleantech, our close relationship with the Government of Canada has never been more vital.

In 2018 - 2019, SDTC’s ‘Team Canada’ approach to Canadian cleantech investments included reviewing applications from other federal funding calls, totaling over \$1 billion in requested funding.

As mentioned earlier, we helped facilitate over \$300 million⁴ in follow-on scale-up support for SDTC companies from BDC and EDC; worked collaboratively with the Standards Council of Canada in their process to set national cleantech standards; and actively supported the Clean Growth Hub by providing dedicated staff support, while also maintaining and growing our partnerships with provincial governments across Canada.

In closing...

Canadian entrepreneurs are big players in the cleantech arena, championing innovation and creating disruptive technologies across sectors from agriculture, mining, transportation, waste management, energy and more by harnessing the power of big data, machine learning, AI and the industrial internet of things.

I want to thank outgoing Chair, Jim Balsillie for his unwavering leadership of the organization over the past six years, four of which I was able to join him for. His commitment to Canadian entrepreneurs has been the key driver of the many changes SDTC undertook during his tenure.

We all have much to be proud of; streamlining SDTC’s application process to ensure the fastest disbursement of funds for our clients, closing the gap to commercialization by further expanding our reach and supporting more scale-up companies, and contributing as a convener of Canadian cleantech leaders to best address how we navigate the IP and data driven economy.

This new face of SDTC was made possible by the strategic focus of our Board led by Jim, and the talented SDTC staff I have the privilege of working with every day.

To date, SDTC has invested over \$1.15 billion supporting almost 400 companies, creating 13,107 jobs and while reducing greenhouse gas emissions by an estimated 18.1 megatonnes annually. This is just the beginning.

SDTC is here to act as strong, responsible stewards of taxpayer dollars and to foster Canadian cleantech innovation, by driving outcomes for companies as they commercialize their products and services globally. Canada’s cleantech entrepreneurs are on the verge of breaking through. We are here to support them in their efforts to Own the Podium.



Leah Lawrence
President and CEO

⁴ Follow-on financing from EDC and BDC to SDTC funded portfolio companies is from January 1, 2018 - December 31, 2018.

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CORPORATE GOALS FOR 2019 - 2020

FINANCIAL STATEMENTS

Governance and Compensation

APPENDIX 2018 - 2019 PROJECTS

HARNESSING THE POWER OF

FASTER DECISION MAKING TO ACCELERATE CANADIAN INNOVATION



Our team at SDTC dedicated 2018 - 2019 to operating at the speed of business to better support Canadian cleantech developers. We made it simpler and more streamlined for companies to access financing, execute projects and move into the markets where they can shift from start-up to scale-up.

- Leah Lawrence, President and CEO, SDTC ⁵ -



Streamlining our decision-making; improving our impact

In 2018 - 2019, we leveraged the strengths of our lean organization and the expertise of our people to deliver a big impact. We further streamlined our application process to ensure we are putting our funds to work faster.

We continue to transform how we do business, by restructuring how we operate and improving the speed and quality by which we do our business.

- We expanded our funding envelope to better support scale-up companies;
- We reduced our timelines for claims processing and contracting by 17 per cent and 18 per cent respectively; and
- We made it simpler and more streamlined for companies to access capital, execute projects, and understand how to leverage and protect their data and intellectual property.

PUTTING THE PEDAL TO THE METAL IMPACTS IN 2018 - 2019



~50%

Increase in investments & disbursements



38

New project investments



1/3

Companies approved were through our one-window approach with provincial partners



\$93M

Project funding disbursed



\$144M

New project approvals



~600

Inquiries

HARNESSING THE POWER OF

CANADIAN IDEAS TO SOLVE GLOBAL ENVIRO-ECONOMIC CHALLENGES

It has been an incredible year for Canadian cleantech entrepreneurs who have had the passion and business savvy to bring their innovative ideas to market.

SDTC receives hundreds of proposals from Canadian cleantech entrepreneurs every year. Our portfolio of projects exemplify innovation in key sectors that drive the Canadian economy and create positive environmental benefits.

We worked with small and medium-sized Canadian companies who had a defined project; a strong end-user value proposition; the potential to attract a consortia partner to validate the market need and; demonstrated environmental and economic benefits for Canadians. We diversified our portfolio of high-quality applications, enhancing our knowledge and experience so we can continue to adapt and effectively meet the evolving needs of our clients.

LEVERAGED FUNDING, JOBS, AND ENVIRONMENTAL IMPACT



\$1.15B
Investments made



\$4.08B
In project value



13,107
Jobs created



\$208.8M
In estimated annual savings to the Canadian economy due to air quality, clean water and clean soil benefits



18.1
megatonnes CO₂e estimated annual GHG emissions reductions attributable to SDTC-supported cleantech

Embracing Canada's cleantech market

SDTC was created to support innovative solutions developed by Canadian companies, to tackle the world's most pressing environmental challenges, while looking to maximize opportunities to spur positive economic impacts.

Companies across a broad spectrum of key sectors including agriculture, mining, transportation, construction, oil and gas and waste management, are increasingly diversifying their sustainable, cleantech solutions by leveraging cutting edge Canadian IP, data, advanced materials, machine learning and more.

We are seeing first-hand that the traditional sectors of "cleantech" are expanding. From precision farming to boost crop yields while reducing energy, water and chemical consumption, to data storage infrastructure solutions that are scalable, energy efficient and will support future bandwidth and security needs while minimizing power consumption; Canadian entrepreneurs are at the forefront of developing these disruptive technologies for a sustainable future.

Recognizing that the world we live in is changing at a rapid pace, SDTC has worked to adapt the way it does business to ensure we are keeping up with the pace of business, every step of the way.

⁵ Sustainable Development Technology Canada. (2018, October 3). Minister Bains Announces \$58.6 million to Support 14 Canadian Companies Through Sustainable Development Technology Canada. Retrieved from <https://www.sdtc.ca/en/news/minister-bains-announces-58-6-million-to-support-14-canadian-companies-through-sustainable-development-technology-canada/>

SDTC INVESTMENT HIGHLIGHTS

Here is a snapshot of six of the 38 Canadian companies from Coast to Coast to Coast we have proudly added to our active portfolio of 150+ companies this past year:



Innovative Membrane Technologies

A Made-in-Ontario Solution to Scale Down Energy Consumption and Emissions

Location
Mississauga, ON

Total Project Value
\$15.59 million

SDTC Investment
\$6 million

Sector
Energy Utilization

Project Name

Energy Efficient Olefin-Paraffin Separation Demonstration Project

Environmental Benefits

Climate Change and Clean Air


Their Innovative Solution

Intex Membranes’ unique Permylene technology is a cost-effective solution to reducing energy and emissions in petrochemical operations, notably vehicle tire production. The technology uses less energy and creates less waste and could save Canadian companies up to 50 per cent in operating costs. With SDTC’s investment, Intex is in a strong position to spur adoption of this innovative solution - which will lead to emissions savings equivalent to taking 10 million cars off the road!

“The SDTC funding enables Intex to demonstrate and showcase the Permylene™ membrane technology at the scale expected by the oil and gas and petrochemical industries.

– Karlis Vasarais, President, Intex Membranes –

”



Next-Gen Automated Controller for Pump Operations Lowering GHG Emissions

Location
Calgary, AB

Total Project Value
\$9.2 million

SDTC Investment
\$3.4 million

Sector
Energy Exploration and Production

Project Name

Adaptive Controller for Autonomous Oil and Gas Production

Environmental Benefits

Climate Change

Their Innovative Solution

With SDTC’s investment, Ambyint is developing a next-generation AI/Real-Time controller and software algorithms to optimize pump operations for oil and gas wells; reducing GHG emissions and streamlining costs. Ambyint’s new controller can perform more sophisticated operations than existing systems, providing two key advantages: improved data acquisition and connectivity for better analytics, and machine learning algorithms to autonomously optimize pump operations.

“SDTC’s funding was vital for us to scale-up the development of our Adaptive Controller. Ambyint remains committed to lowering the carbon footprint in a cost efficient way through our technology - to optimize pump operations in oil and gas wells more effectively than anywhere else on the market. We could not have moved forward without the support of SDTC.

– Alex Robart, President and CEO, Ambyint –

”

SDTC AT A GLANCE	MESSAGE FROM THE CHAIR AND PRESIDENT & CEO	HARNESSING THE POWER OF FASTER DECISION MAKING	HARNESSING THE POWER OF INCUBATING CANADIAN IDEAS	HARNESSING THE POWER OF KNOWLEDGE SHARING	HARNESSING THE POWER OF DATA AND IP	HARNESSING THE POWER OF A 'TEAM CANADA' APPROACH	PERFORMANCE AGAINST STRATEGIC OBJECTIVES	CORPORATE GOALS FOR 2019 - 2020	FINANCIAL STATEMENTS	GOVERNANCE AND COMPENSATION	APPENDIX: 2018 - 2019 PROJECTS
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Disrupting How Aviation and Power Generation Industries Consume Fuel

Location
Bromont, QC

Total Project Value
\$7.29 million

SDTC Investment
\$2.9 million

Sector
Transportation

Project Name

Ultra-High Temperature Optical Pressure Transducers for Gas Turbine Engines

Environmental Benefits

Climate Change and Clean Air

Their Innovative Solution

SDTC's investment in Fibos' world-leading technology will help the company accelerate deployment of their product to the global markets. Fibos' tech has the added potential to provide real-time fuel-saving benefits for turbines in both the aviation and power generation industry by leveraging data that enables adaptive control of jet turbines. They have created a fast moving technology and applied it to a slow moving industry. Using Fibos' sensors, jet turbines will be able to decrease fuel consumption in real time.

“ *Our SDTC project has helped unlock doors for us thanks to the credibility of the SDTC organization and the extensive due diligence process. Not only are we working with a potential future customer for our technology, we are getting to learn and understand exactly the value that our new technology will provide through the demonstration project. This is unique from all other funding sources we are aware of, and it is even unique compared to VC sources of capital.*

- Nicholas Burgwin, Co-Founder and CEO, Fibos - **”**



All-Natural, Canadian Bioproduct to Reduce Global Reliance on Synthetic Pesticides

Location
Vancouver, BC

Total Project Value
\$6.3 million

SDTC Investment
\$2.5 million

Sector
Agriculture

Project Name

Natural Products for Agriculture Pest Control

Environmental Benefits

Climate Change and Clean Soil

Their Innovative Solution

In addition to the development of a new Karanja oil-based biopesticides that will reduce the application of, and the negative environmental impact of synthetic pesticides, SDTC's investment will help refine Terramera's technology to support scale-up of manufacturing and distribution in Canada. By increasing the effectiveness of pesticides based on natural products, Terramera provides economic and environmental benefits to global agricultural markets and offers new solutions to organic and conventional farms in their efforts to fight both fungal and insect issues in a sustainable way.

“ *This funding will expedite our development of safer, more effective plant-based replacements to synthetic chemical pesticides for the benefit of all Canadians. This gets us one step closer to our goal of creating a world with affordable, clean food for everyone.*

- Terramera Founder and CEO, Karn Manhas - **”**



Machine Learning Agritech Helping Tree Growers Curtail Water Consumption

Location
Vancouver, BC

Total Project Value
\$30 million

SDTC Investment
\$9.8 million

Sector
Agriculture

Project Name

Tree Stress Optimization Drive by Machine Learning

Environmental Benefits

Climate Change and Clean Water

Their Innovative Solution

Semios is an example of a business scaling up by leveraging their technology and assets for new off-shoot solutions. By applying machine learning algorithms to their technology, Semios can arm tree growers with the data they need to predict how watering decisions impact tree stress, as well as crop quality and yield. The technology will significantly reduce GHG emissions and water consumption while improving the quality and quantity of tree fruit and nut crop harvests. With SDTC's support, Semios is building on their existing pest management service network to deliver more economic and environmental benefits.

“We are at a pivotal point in the company's growth. Adoption of our platform is accelerating and our growers are asking for more features and services. Funding from SDTC has led to new levels of investor expertise and confidence, allowing us to accelerate the growth of our business and become more responsive to our clients.”
– Michael Gilbert Founder and CEO, Semios –



Mirco-LED Product to Tackle Macro Energy Consumption Use

Location
Waterloo, ON

Total Project Value
\$25 million

SDTC Investment
\$8.5 million

Sector
Energy Utilization

Project Name

Micro-LED Product Development Platforms

Environmental Benefits

Climate Change and Clean Air

Their Innovative Solution

VueReal Inc. is using micro-LED technology to tackle a macro energy use - flat panel displays commonly used in televisions, thermostats, laptops, elevators, airplanes and more. Their Micro-LED displays use screens built from tiny versions of the same type of chip used in LED lights. They have many significant advantages over today's OLED and LCD screens, including better brightness, higher framerates, clearer contrast, and up to three-times greater power efficiency. With SDTC's support, VueReal Inc. will leverage key industry partnerships to develop a product platform, system design and pilot facility to adapt the technology into smartphones, laptops, automotive displays and more.

“We are proud to have the support of [SDTC], and collaborations with industry partners. The next steps include building an integrated pilot production system, engineering the equipment needed to enable VueReal's proprietary Solid Printing™ process at commercial volumes, and enhancing the performance of micro-LEDs even further.”
– Reza Chaji, Ph.D., CEO and Founder of VueReal –

HARNESSING THE POWER OF

KNOWLEDGE SHARING TO CHAMPION THE CANADIAN CLEANTECH ADVANTAGE

“Neither the policy community nor business leaders alone can determine how Canada will position itself in the data-driven economy. We must work together if we are to improve Canada’s cleantech outputs.

- Jim Balsillie, SDTC Chair⁶ -

Advocating for a pan-Canadian approach

The Government of Canada has been clear in its commitment to cleantech in the context of its broader Innovation Agenda. From a new national IP strategy to the Clean Growth Hub, the Government of Canada continues to provide companies with the policy supports needed to accelerate and scale-up their cleantech solutions.

SDTC supports this commitment and has an important role to play to ensure Canadian entrepreneurs have the tools they need to get ahead. We work with hundreds of clean technology developers and we benefit from the skills and deep private sector expertise in technology development, commercialization and finance of our Board of Directors.

Our unique view into the start-up and scale-up world allows us to help bridge the gap between private and public sector best practices by acting as a centre of knowledge on Canada’s competitive cleantech landscape.

SDTC works as a catalyst to bring together public and private sector thinkers to drive collaboration to compile learnings and to implement best practices.

The more data that can be brought together, cross company, sector, industry, public and private institutions, the better we will be able to champion Canada’s cleantech advantage.

For our part, in 2018 - 2019, we expanded our in-house economic and financial analysis capabilities and

established a strategic partnership with Statistics Canada in order to apply a macro-economic lens to the Canadian cleantech landscape. We continued to work closely with companies and government partners to identify the public policy, programming and application processes needed to create conditions for sustained growth in the Canadian cleantech sector.

Promoting the value of IP and Data

“Only 10 per cent of small and medium-sized enterprises in Canada have intellectual property, and only nine per cent have IP strategies. We’re working to raise IP literacy so companies can use their IP better.

- The Honourable Navdeep Bains, Minister of Innovation, Science and Economic Development⁷ -

IP and Data are two of the most important value generating assets Canadian entrepreneurs have.

For Canada to win on the world stage, implementing new strategies to leverage IP and promote the value of data are necessary means to ensuring Canadian companies are positively positioned to unleash their full potential to bring their innovative ideas to the global supply chain.

Understanding Canada still has much headway to make in strengthening its strategic use and deployment of data and IP, we pledged to make it a key pillar of knowledge development for SDTC this past year and one we will continue to push the envelope on in the year ahead.

In particular, the need for clear and collaborative strategies on IP and data were explored throughout SDTC’s 2018 Cleantech Leadership Summit. Some 170 Canadian entrepreneurs, industry leaders, policymakers and investors gathered in Ottawa to take part in far-reaching discussions about the role IP and data will play in the future of Canada’s cleantech sector.

The 2018 Summit was a powerful catalyst for SDTC’s own internal review of the IP relationships. This work culminated in the roll-out of cross-Canada workshops on intellectual property, led in partnership with Innovation, Science and Economic Development Canada (ISED) and the Canadian Intellectual Property Office. These workshops allowed for peer-to-peer learning with leading IP experts to help arm small to medium-sized enterprises with the information they need to protect and drive the value of their business ideas.

HARNESSING THE POWER OF

DATA AND INTELLECTUAL PROPERTY

Voices from SDTC’s Third Annual Cleantech Leadership Summit

“The control of knowledge, data and IP is becoming key to economic and political power. The conventional wisdom of trade agreements – free trade with minimal government involvement – doesn’t translate into the data economy. If you assume the law of comparative advantage will hold for free flows of data, you’re in for an unpleasant surprise.

- Blayne Haggart, Associate Professor, Brock University -

“The major opportunity for companies in these sectors is the transparency data can provide. By making it open and available for anybody to see, people can see what is really going on, which helps create the social license to operate.

- Nils Voermann, Global Managing Director of Technologies, Hatch -

“Smart cities give us the opportunity to think deliberately about our infrastructure. So how do we turn data into an asset that can be monetized by the public sector in a way that accelerates innovation in the built environment?

- Kurtis McBride, CEO, Miovision -

“Putting data behind a firewall does nothing for anybody. It stifles innovation and stops partnerships. A Chief Digital Officer for Canada could help break down the silos internally and ensure the raw data firms need to innovative is available.

- Alex Benay, Chief Information Officer, Government of Canada -

⁶ Sustainable Development Technology Canada. (2018, July 17). Third Annual Cleantech Leadership Summit – Harnessing the Power of Data and Intellectual Property. Retrieved from https://www.sdtc.ca/wp-content/uploads/2018/06/2018SDTCCleantechLeadershipSummitReport_July17-1.pdf | ⁷ Ibid.

HARNESSING THE POWER OF A

COORDINATED ‘TEAM CANADA’ APPROACH TO SUPPORT OUR ENTREPRENEURS

“ We need a ‘Team Canada’ approach that evolves over time and is based on continuous dialogue between innovators and public policy makers. - Leah Lawrence, President and CEO, SDTC 8 - ”

Leveraging whole-of-Government coordination

By applying a ‘Team Canada’ approach, we are better positioned to invest in companies at that critical stage of pre-commercial development and demonstration.

Through our federal partnerships we seek to provide applicants and funded companies in our portfolio, single-window access to other federal cleantech advisory services and funding programs, which helps improve their chances when they are racing against the clock to bring their products to market.

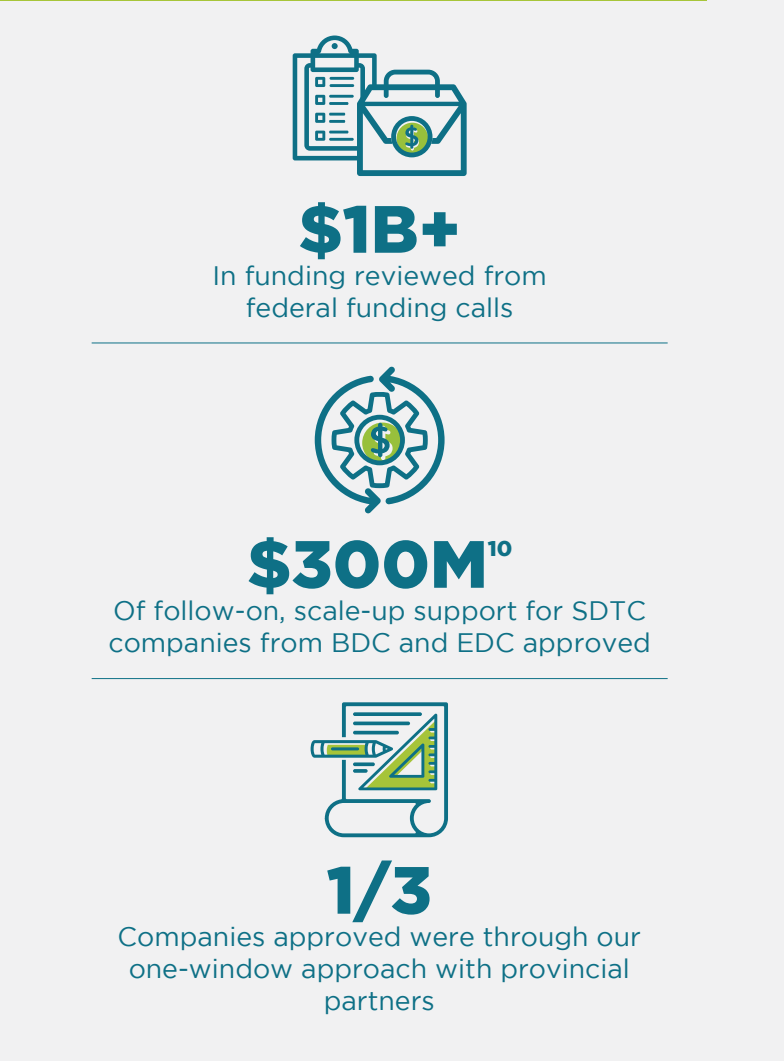
Over the past year, we worked to harness that approach by collaborating with other federal programs including, but not limited to, the Smart Cities Challenges, Strategic Innovation Fund, the Clean Growth Program and the Clean Growth Hub. In addition, we supported Fisheries and Oceans Canada on the development of a study on alternative technologies for aquaculture, including land and sea based closed containments.

We also continued to work closely with the Business Development Bank of Canada and Export Development Canada in support of their clean technology focused equity, debt and project finance programs by providing them with referrals and sharing of due diligence on behalf of SDTC companies. This collaboration further secured \$300 million⁹ in follow-on support for SDTC companies.

Our one-window approach to partnerships with provincial organizations continued to build momentum in British Columbia, Alberta, Ontario and Quebec. We also expanded our efforts in Saskatchewan, Manitoba and across the Atlantic by partnering with local organizations to leverage their understanding of local ecosystems where we hosted workshops, participated in roundtables and met with potential applicants.

A ‘Team Canada’ approach is critical to grow cleantech in Canada, and to position companies to capture the growing global cleantech market.

ONE-WINDOW APPROACH INCREASES TEAM CANADA RESULTS



Client-centric Approach

SDTC’s greatest strength is our strong connection to Canadian entrepreneurs. We have a front-line view of the current challenges companies are facing – from import tariffs, financing, lack of standards, IP barriers and data barriers, to time-consuming funding applications.

Our experiences, unique expertise and historical data are valuable assets worth sharing.

In 2018 - 2019 we leveraged these assets to support our clients and our federal and provincial partners, collaborating with them to support better alignment, simplification and effectiveness of innovation outcomes across government.

Notably, we worked as an extension of the federal government’s Clean Growth Hub, offering in-kind expert staff through this whole-of-government storefront for companies of all sizes, across all sectors, to access clean technology services and expertise.

In addition, we have worked closely with the Standards Council of Canada offering insights into the kind of standardization practices that will benefit and advance commercialization opportunities for Canadian companies into new global markets.

Evaluations

Innovation, Science and Economic Development (ISED) completed an evaluation of the Sustainable Development Technology Fund (SD Tech Fund), which was approved by the Deputy Minister on April 16, 2018. ISED is responsible for managing transfer payments and overseeing the administration of the SD Tech Fund Funding Agreement with SDTC.

The evaluation focused on program relevance, the Fund’s progress toward its intermediate and long-term outcomes, and efficiency and economy. The scope of the evaluation included 218 projects categorized as completed or terminated between April 1, 2005 and March 31, 2017.

The findings of the evaluation confirmed multiple lines of evidence that show there is a continued need for the SD Tech Fund to support cleantech producers to further develop and demonstrate their technologies, as it directly addresses the ongoing pre-commercial funding gap.

SDTC’s due diligence process is valued by investors, who appreciate SDTC’s process for evaluating technical and project management competence. A complete look at the evaluation and its findings can be found at https://www.ic.gc.ca/eic/site/ae-ve.nsf/eng/h_03866.html.

⁸ Sustainable Development Technology Canada. (2018, July 17). Third Annual Cleantech Leadership Summit – Harnessing the Power of Data and Intellectual Property. Retrieved from https://www.sdte.ca/wp-content/uploads/2018/06/2018SDTCCleantech_LeadershipSummitReport_July17-1.pdf | ⁹ Follow-on financing from EDC and BDC to SDTC funded portfolio companies is from January 1, 2018 – December 31, 2018. | ¹⁰ Ibid.

SDTC AT A GLANCE

MESSAGE FROM THE CHAIR AND PRESIDENT & CEO

HARNESSING THE POWER OF FASTER DECISION MAKING

HARNESSING THE POWER OF INCENTIVIZING CANADIAN IDEAS

HARNESSING THE POWER OF KNOWLEDGE SHARING

HARNESSING THE POWER OF DATA AND IP

HARNESSING THE POWER OF A ‘TEAM CANADA’ APPROACH

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

CORPORATE GOALS FOR 2019 - 2020


FINANCIAL STATEMENTS

Governance and Compensation


APPENDIX 2018 - 2019 PROJECTS

PERFORMANCE AGAINST
STRATEGIC OBJECTIVES

In 2018 - 2019, SDTC continued to focus its efforts on enhancing operational efficiencies to attract high quality applicants while supporting our current portfolio of companies by helping them advance their projects so they can effectively compete in global markets. Our performance measurement includes a series of high-level goals, as captured in the previous sections of this Annual Report, which are informed by key strategic objectives that help track the Corporation's progress against the implementation of its strategy.¹¹

CORPORATE GOALS	STRATEGIC OBJECTIVES		PROGRESS
 Simplify decision-making to put cleantech investments to work faster	Efficient operational management	✓	G&A of 11 per cent of funds allocated per year, as compared to 29 per cent on average across all federal innovation programs ¹²
		✓	Improved and streamlined application and processes
		✓	Revised approach to the treatment of capital equipment for program recipients, to the benefit of applicants
		✓	Initiated annual 'look back' process to integrate lessons from projects that have succeeded and failed
		✓	Expanded funding envelope to support a better transition to other Government of Canada, BDC, and EDC programs
		✓	Focused on regional strategy and built provincial partnerships
		✓	Piloted new methods of data collection
		✓	Developed regional strategies based on local capacity and needs
		✓	Implemented risk-based management approach for approvals and disbursements resulting in more effective and efficient practices and reduction in administrative burden
	Streamline and strengthen project approvals process	✓	\$144 million in approvals
		✓	38 projects approved
		✓	Streamlined application process, with a baseline from submission to approval of six months.
		✓	Expanded funding envelope to better support scale-up companies
	Accelerate project disbursements	✓	\$93 million in project disbursements
		✓	144 projects under management
		✓	17 projects closed during the year
		✓	Timelines for claims processing and contracting reduced by 17 per cent and 18 per cent respectively
		✓	Contract changes to support National IP Strategy

¹¹ Sustainable Development Technology Canada. (2019, April). SDTC Corporate Plan Summary 2019 - 2020. Retrieved from https://www.sdtc.ca/wp-content/uploads/2019/04/EN_SDTC_Corporate-Plan_APR-2019.pdf | ¹² Ibid.

CORPORATE GOALS	STRATEGIC OBJECTIVES		PROGRESS
 Increase knowledge sharing to help Canadian cleantech companies scale-up	Centre of knowledge for the sector	✓	Added in-house economic and financial analysis capability
		✓	Established strategic partnership with Statistics Canada
		✓	Leadership summit on cleantech data with over 70 CEOs in attendance
		✓	Leadership summit focused on supporting investment strategy and IP and data strategy
		✓	Review of IP relationships between recipients and partners
		✓	Developing pilot projects with key government departments
		✓	Cross-Canada workshops on intellectual property strategies for SMEs in partnership with ISED and the Canadian Intellectual Property Office

CORPORATE GOALS	STRATEGIC OBJECTIVES		PROGRESS
 Take a coordinated 'Team Canada' approach to support our cleantech entrepreneurs	'Team Canada' approach	✓	SDTC reviewed 186 applications from federal funding calls, totaling over \$1 billion in funding requested. Seventy-two applicants demonstrated a potential fit with SDTC criteria and were brought into SDTC's process for further review
		✓	Over \$300 million ¹³ during calendar 2018 in follow-on scale-up support for SDTC companies from BDC and EDC
		✓	Support of Standards Council of Canada cleantech standards setting processes
		✓	Support of Fisheries and Oceans study on alternative technologies for aquaculture, including land and sea-based closed containment
		✓	~\$39 million in provincial leveraged funds from BC, AB, ON, and QC
		✓	Dedicated staff support to Government of Canada's newly established Clean Growth Hub, a whole-of-government focal point for clean technology

¹³ Follow-on financing from EDC and BDC to SDTC funded portfolio companies is from January 1, 2018 - December 31, 2018.

CORPORATE

GOALS FOR 2019 - 2020

Our 2019 - 2020 Corporate Goals build on our 2018 - 2019 achievements and learning.

We will continue to focus on our investment strategy to support Canadian companies. We will also prioritize driving our IP and Data Strategy forward, while focusing on strategic partnerships.

We will also continue to retain the talent necessary to deliver on our goals.

See more information on SDTC's corporate goals for 2019 - 2020 at www.sdtc.ca in our Corporate Plan.

FINANCIAL

STATEMENTS

Independent Auditor's Report

To the Board of Directors of the
Canada Foundation for Sustainable Development Technology

Opinion

We have audited the financial statements of the **Canada Foundation for Sustainable Development Technology** [the "Foundation"], which comprise the statement of financial position as of March 31, 2019, the statement of operations and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Foundation 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.

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 public sector accounting standards for government 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 these financial statements.

SDTC AT A GLANCE
MESSAGE FROM THE CHAIR AND PRESIDENT & CEO
HARNESSING THE POWER OF FASTER DECISION MAKING
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HARNESSING THE POWER OF KNOWLEDGE SHARING
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HARNESSING THE POWER OF A 'TEAM CANADA' APPROACH
PERFORMANCE AGAINST STRATEGIC OBJECTIVES
CORPORATE GOALS FOR 2019 - 2020
FINANCIAL STATEMENTS
GOVERNANCE AND COMPENSATION
APPENDIX 2018 - 2019 PROJECTS

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.
- 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 Foundation’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 Foundation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s 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 auditor’s report. However, future events or conditions may cause the Foundation 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.

We 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.

Ottawa, Canada
June 26, 2019

Ernst & Young S.N.L./S.E.N.C.R.L.

Chartered Professional Accountants
Licensed Public Accountants

CANADA FOUNDATION FOR SUSTAINABLE DEVELOPMENT TECHNOLOGY

Statement of Financial Position

March 31, 2019, with comparative information for March 31, 2018
(in thousands of dollars)

	SD Tech Fund	NextGen Biofuels Fund	2019 Total	2018 Total
Assets				
Current assets:				
Cash	\$ 6,837	\$ 394	\$ 7,231	\$ 48,724
Amounts receivable	—	—	—	24
Harmonized sales tax receivable	144	—	144	228
Interfund receivable (note 3)	67	—	67	102
Prepaid expenses	334	—	334	265
	\$ 7,382	\$ 394	\$ 7,776	\$ 49,343
Investments (note 4)	—	9,342	9,342	10,091
Capital assets, net (note 5)	871	—	871	1,238
	\$ 8,253	\$ 9,736	\$ 17,989	\$ 60,672
Liabilities and Deferred Contributions				
Current liabilities:				
Accounts payable and accrued liabilities	3,906	—	3,906	836
Interfund payable (note 3)	—	67	67	102
	\$ 3,906	\$ 67	\$ 3,973	\$ 938
Deferred contributions:				
Expenses of future periods (note 6)	4,347	9,669	14,016	59,734
Total liabilities and deferred contributions	\$ 8,253	\$ 9,736	\$ 17,989	\$ 60,672
Commitments (note 8)				
Net assets	—	—	—	—
	\$ 8,253	\$ 9,736	\$ 17,989	\$ 60,672

See accompanying notes to financial statements.

CANADA FOUNDATION FOR SUSTAINABLE DEVELOPMENT TECHNOLOGY

Statement of Operations

Year ended March 31, 2019, with comparative information for March 31, 2018
(in thousands of dollars)

	SD Tech Fund	NextGen Biofuels Fund	2019 Total	2018 Total
Revenue:				
Recognition of deferred contributions (note 6)	\$ 104,607	\$ 339	\$ 104,946	\$ 69,055
Expenses:				
Project appraisal and development	2,546	122	2,668	2,488
Project management	1,779	71	1,850	1,769
Partnership development and project support	1,841	20	1,861	1,171
Governance and executive	1,685	28	1,713	1,151
General administration	3,781	98	3,879	3,591
	\$ 11,632	\$ 339	\$ 11,971	\$ 10,170
Project disbursements	92,975	—	92,975	58,885
Total expenditures	\$ 104,607	\$ 339	\$ 104,946	\$ 69,055
Excess of revenue over expenses	\$ —	\$ —	\$ —	\$ —

See accompanying notes to financial statements.

CANADA FOUNDATION FOR SUSTAINABLE DEVELOPMENT TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for March 31, 2018
(in thousands of dollars)

	SD Tech Fund	NextGen Biofuels Fund	2019 Total	2018 Total
Cash provided by (used in):				
Operating activities:				
Excess of revenue over expenses	\$ —	\$ —	\$ —	\$ —
Items not involving cash:				
Amortization of capital assets	467	—	467	414
Recognition of deferred contributions	(104,607)	(339)	(104,946)	(69,055)
Investment income	514	43	557	744
Changes in non-cash operating working capital items	3,152	(43)	3,109	(201)
	\$ (100,474)	\$ (339)	\$ (100,813)	\$ (68,098)
Capital activities:				
Purchase of capital assets	(100)	—	(100)	(358)
Financing activities:				
Sales (Purchase) of investments-net	10,091	(9,200)	891	(9,963)
Deferred contributions received	58,529	—	58,529	101,436
	\$ 68,620	\$ (9,200)	\$ 59,420	\$ 91,473
Increase (decrease) in cash	(31,954)	(9,539)	(41,493)	23,017
Cash, beginning of year	38,791	9,933	48,724	25,707
Cash, end of year	\$ 6,837	\$ 394	\$ 7,231	\$ 48,724

See accompanying notes to financial statements.

Notes to Financial Statements

March 31, 2019, with comparative information for March 31, 2018
(Amounts in thousands of dollars unless otherwise noted)

1. Description of business

Canada Foundation for Sustainable Development Technology – Fondation du Canada pour l'appui technologique au développement durable (the “Foundation”) is a corporation continued under the *Canada Foundation for Sustainable Development Technology Act* (S.C.2001), effective on March 22, 2002.

The Foundation is not an agent of Her Majesty, but is accountable to Parliament through the Ministry of Innovation, Science and Economic Development Canada. The Foundation is a non taxable entity under paragraph 149 (1) I) of the *Income Tax Act* (Canada).

The Foundation’s mandate, governance, operations, performance requirements, accountability and relationship to the Government of Canada are defined in its governing statute and in funding agreements that have been executed by the Foundation and the Minister of Innovation, Science and Economic Development Canada. In this way, the Foundation operates as a fully accountable instrument of the Government of Canada to help provide timely development and demonstration of innovative technology solutions to the nationally important issues of climate change, clean air and water, and soil quality.

The Foundation manages two funds: the SD Tech Fund and the NextGen Biofuels Fund, which are further described below.

SD Tech Fund

As of March 31, 2019, the Foundation has received \$811 million in contributions and is eligible to receive an additional \$553 million in contributions, for a total of \$1,364 million (since inception) from the Government of Canada to provide financial support to projects that develop and demonstrate new technologies that have the potential to advance sustainable development, including technologies to address climate change, clean air and water, and soil quality issues. This support is provided to eligible recipients that have established partnerships that comprise a private sector commercial corporation and one or more of the following: a private sector commercial corporation, a university or college, a private sector research institute, a not-for-profit corporation, or a federal or provincial Crown corporation (or subsidiary) whose role is the provision of resources and/or facilities to the consortium as a subcontractor.

Eligible contributions are to be received based on cash flow requirements up to March 31, 2026. The Foundation receives annual cash flows from the Government of Canada based on projections of future cash outflows in order to provide the funding required to meet project requirements.

Notes to Financial Statements

March 31, 2019, with comparative information for March 31, 2018
(Amounts in thousands of dollars unless otherwise noted)

With the exception of a reasonable amount reserved for related project monitoring and evaluation, and for wind-up costs, the Foundation will also endeavour to manage and disburse the funds in total by March 31, 2026.

NextGen Biofuels Fund

The NextGen Biofuels Fund provides financial support towards the establishment of first-of-kind facilities that demonstrate production pathways for next-generation renewable fuels at large demonstration scale. This support is provided to eligible recipients including for-profit corporations, partnerships, limited partnerships or business trusts with legal capacity in Canada and that have access to expertise in next-generation renewable fuels production pathways. Agreements for financial support to eligible recipients include provisions for repayability from free cash flows of the funded project.

The Foundation has disbursed as of March 31, 2019 (the “disbursement period”) its share of eligible project costs incurred by eligible recipients. With the exception of a reasonable amount reserved for related project monitoring and evaluation, collection of repayments and for wind-up costs, the Foundation shall return any unused portion of the NextGen Biofuels Fund to the Government of Canada at the earlier of the end of the funding agreement on September 30, 2027, and such time or times subsequent to the end of the disbursement period as the Government of Canada may determine.

Effective December 3, 2014, NextGen Biofuels Fund is no longer accepting applications for financial support.

2. Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations and reflect the following significant accounting policies. A statement of remeasurement gains and losses and a statement of change in net assets have not been included as it would not provide additional meaningful information.

- (a) Revenue recognition:
- The Foundation follows the deferral method of accounting for contributions whereby contributions, including grants received and interest earned on the invested amounts, are deferred and recognized as revenue in the year in which related expenditures are incurred. A receivable is recognized if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions are restricted for disbursement to eligible sustainable development technology projects and operations of the Foundation, as defined in the Funding Agreements.

Notes to Financial Statements

March 31, 2019, with comparative information for March 31, 2018
(Amounts in thousands of dollars unless otherwise noted)

2. Significant accounting policies (continued)

(b) Project disbursements:

Project disbursements are recognized as expenses when the disbursements of funds are authorized and all eligibility criteria are met.

(c) Capital assets:

Capital assets are recorded at cost less amortization, which is calculated on a straight-line basis over the assets' estimated useful lives using the following annual rates:

Asset	Years
Computer hardware	3
Computer software	2 - 5
Office furniture and equipment	5
Leasehold improvements	Shorter of remaining term of the lease or estimated useful life

When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value.

(d) Financial instruments:

Financial instruments include cash, amounts receivable, investments, accounts payable and accrued liabilities.

Financial assets and liabilities are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, with exception of cash, which is measured at fair value.

When the financial asset is sold, the unrealized gains and losses previously recognized in deferred contributions are reversed and recognized in the statement of operations.

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 effective interest rate method.

Notes to Financial Statements

March 31, 2019, with comparative information for March 31, 2018
(Amounts in thousands of dollars unless otherwise noted)

2. Significant accounting policies (continued)

(d) Financial instruments (continued):

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of hierarchy for which a significant input has been considered in measuring fair value.

The financial instrument recorded on the statement of financial position at fair value is composed of cash and is listed as Level 1.

(e) Expenses:

The Foundation classifies expenses on the statement of operations by function. The Foundation does not subsequently allocate expenses between functions, and all expenditures are recorded directly in the function to which they relate.

(f) 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 ended March 31, 2019. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known. The most significant estimates used in preparing these financial statements include the estimated useful lives of capital assets and the amount of accrued liabilities.

3. Interfund balance and transactions

The interfund balance receivable/payable bears no interest and is not governed by terms of repayment. As at March 31, 2019, \$67 (2018 - \$102) of operating expenses and allocated staff costs incurred by the SD Tech Fund on behalf of NextGen Biofuels Fund were outstanding.

Notes to Financial Statements

March 31, 2019, with comparative information for March 31, 2018
(Amounts in thousands of dollars unless otherwise noted)

4. Investments

		2019		2018	
SD Tech Fund	Level	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Money market	1	—	—	10,091	10,091
		—	—	\$ 10,091	\$ 10,091

		2019		2018	
NextGen Biofuels Fund	Level	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Money market	1	9,342	9,342	—	—
		\$ 9,342	\$ 9,342	—	—

Money market investments include investments such as high interest savings accounts and term deposits. At March 31, 2019, accrued interest of \$142 (2018 - \$91) is included in money market investments.

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2019 or March 31, 2018.

(a) Market risk:

Inherent rate risk:

Investment in financial instruments renders the Foundation subject to investment risk. This risk arises from changes in interest rates if investment instruments are withdrawn prior to maturity or should market interest rates increase significantly over those of the investments of the Foundation. The Foundation invests in money market investments, which management considers low risk.

Price risk:

The money market investments are a simple term deposit account, established for the purpose of investment.

Concentration risk:

Concentration risk exists when a significant portion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. Management believes that the investments in money market investments described above do not represent excessive risk.

Notes to Financial Statements

March 31, 2019, with comparative information for March 31, 2018
(Amounts in thousands of dollars unless otherwise noted)

4. Investments (continued)

(b) Credit risk:

The risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Amounts receivable mainly consist of funds receivable related to sales taxes, thus, the Foundation has assessed the related credit risk as low. The maximum credit exposure at the Foundation is represented by amounts receivable as presented in the statement of financial position.

5. Capital assets

			2019	2018
SD Tech Fund	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 383	\$ 280	\$ 103	\$ 141
Computer software	1,964	1,485	479	768
Office furniture and equipment	162	66	96	48
Leasehold improvements	1,008	815	193	281
	\$ 3,517	\$ 2,646	\$ 871	\$ 1,238

During the year, capital assets were acquired at an aggregate cost of \$100 (2018 - \$358).

Cost and accumulated amortization at March 31, 2018 amounted to \$3,417 and \$2,179, respectively.

Net book value of capital assets in the NextGen Biofuels Fund at March 31, 2019 amounted to \$nil (2018 - \$nil).

CANADA FOUNDATION FOR
SUSTAINABLE DEVELOPMENT TECHNOLOGY

Notes to Financial Statements

March 31, 2019, with comparative information for March 31, 2018
(Amounts in thousands of dollars unless otherwise noted)

6. Deferred contributions - expenses of future periods

Deferred contributions related to expenses of future years represent the unspent balance in the Funds that is restricted for disbursement to eligible sustainable development technology projects and operations of the Foundation, as defined in the Funding Agreements. The change in the deferred contributions balance is as follows:

	SD Tech Fund	NextGen Biofuels Funds	2019 Total	2018 Total
Balance, beginning of year	\$ 49,911	9,823	\$ 59,734	\$ 26,517
Federal contributions received	55,375	—	55,375	101,540
Other contributions received (net of drawdown)	3,154	—	3,154	(104)
Interest income	514	185	699	836
Less amount recognized as revenue	(104,607)	(339)	(104,946)	(69,055)
Balance, end of year	\$ 4,347	\$ 9,669	\$ 14,016	\$ 59,734

7. Capital management

The Foundation defines capital as its deferred contributions related to expenses of future periods.

The Foundation’s objectives in managing capital are to safeguard its ability to continue as a going concern and pursue its strategy of promoting sustainable development technology and next generation renewable biofuels to eligible projects that meet the mandate and criteria of its funder, the Government of Canada, and benefits to other stakeholders. Management continually monitors the impact of changes in economic conditions on its investment portfolio and its funding commitments.

The Foundation is not subject to any externally imposed capital requirements other than those defined in the current Contribution Agreements, and its overall strategy with respect to capital remains unchanged from the year ended March 31, 2019.

CANADA FOUNDATION FOR
SUSTAINABLE DEVELOPMENT TECHNOLOGY

Notes to Financial Statements

March 31, 2019, with comparative information for March 31, 2018
(Amounts in thousands of dollars unless otherwise noted)

8. Commitments

SD Tech Fund:

To date, SD Tech Fund has awarded contributions of \$1,069 million of which \$802 million has been disbursed. Agreements with eligible recipients in place related to these awarded contributions total \$979 million. Therefore, the Foundation has outstanding contractual obligations of \$177 million at March 31, 2019 to be paid over the period 2019 - 2025.

The Foundation also has commitments to lease office space as follows:

	2020	2021	2022	2023	2024 onwards
In millions of \$	0.6	0.6	0.6	0.6	0.8

NextGen Biofuels Fund:

There are no outstanding commitments for NextGen Biofuels Fund, all contributions have been paid as of March 31, 2019.

GOVERNANCE AND
COMPENSATION

GOVERNANCE

Board of Directors

SDTC is governed by a Board of Directors reflecting the broad interests of the public, private and academic sectors in Canada. It is composed of 15 directors, seven of whom (including the Chair) are appointed by the Government of Canada and eight of whom are appointed by Members of the Foundation.

The Board has five committees: The Audit Committee, the Governance Committee, the Human Resources Committee and two Project Review Committees (one each for the SD Tech Fund and NextGen Biofuels Fund).

Directors are required to declare potential conflicts of interest and refrain from participating in any discussions regarding matters that could give rise to such a conflict.

Jim Balsillie
Chair of the Board, SDTC
Founder and Chair, Centre for International Governance Innovation

Judith Athaide
President and CEO of the Cogent Group

Leanne Bellegarde
Lawyer

Geoff Cape
CEO, Evergreen

Ross Creelman
Managing Director, Northern Energy Solutions

Judy Fairburn
Corporate Director, Global Advisory Council – Emerald Technology Ventures

Sarah Kavanagh
Vice-Chair of the Board, SDTC
Corporate Director, Baush Health Companies, Hudbay Minerals and WPT Industrial REIT

Ronald (Ron) Koudys
President, Ron Koudys Landscape Architect

George Lafond
First Nations Business Development Advisor

Gary Lunn
Former Minister of Natural Resources

Ellen McGregor
President and CEO, Fielding Enviromental

Andrée-Lise Méthot
Founder and Managing Partner, Cycle Capital Management

Guy Ouimet
Managing Partner, Celtis Capital Inc.

This list is accurate as of March 31, 2019. For a list of current Board, Council and Committee Members, visit

www.sdtc.ca.
Member Council

The Members of the Foundation include 12 leaders who together provide an informed and representative perspective on, and contribution toward, the achievement of SDTC’s mission and goals.

Bernd Christmas
CEO, Gitpo STORMS

Timothy Egan
President and CEO, Canadian Gas Association

Christine Hollstedt
Principle, Inspiring Leadership

Wally Hunter
Managing Director, EnerTech Capital

Brenda Kenny
Board Chair, Alberta Innovates

Pierre Lapointe
Chair, Technical Advisory Board, BC Research Inc

Sergio Marchi
Corporate Director, Public Policy Leader

Jessica McDonald
Chair of the Board of Directors, Canada Post

John Ruffolo
Co-Founder and Vice-Chair, Council of Canadian Innovators

Kathleen Sendall
Corporate Director

Andrew Stuart
Chairman, Isowater Corporation

Dan Wicklum
Former, CEO, Canada’s Oil Sands Innovation

Alliance
Project Review Committee

The Project Review Committee identifies technologies with strong competitive and environmental potential. It then relays its recommendations to the Board of Directors for final approval.

Leah Lawrence
Co-Chair, SDTC Project Review Committee
President and CEO, SDTC

Leo de Bever
Chair, Nauticol Energy

Jack Gin
Founder, Jack Gin Family Foundation

Ronald Koudys
President, Ron Koudys Landscape Architect

Gary Lunn
Former Minister of Natural Resources

Ian MacGregor
President, Northwest Capital Partners

Ellen McGregor, Chair
CEO, Fielding Enviromental

Andrée-Lise Méthot
Founder and Managing Partner, Cycle Capital Management

Guy Ouimet
Managing Partner, Celtis Capital Inc.

Christian Zabbal
Managing Partner, Spring Lane Capital

Rosemary Zigrossi
Consultant, Promontory Financial Group

This list is accurate as of March 31, 2019. For a list of current Board, Council and Committee Members, visit www.sdtc.ca.

BOARD OF DIRECTORS		ANNUAL STIPEND*
Chair of the Board		\$ 12,000
Vice Chair of the Board		\$ 9,000
Board Members		\$ 5,000
*All Directors of the Board received a meeting fee of \$550 per meeting day. The Directors who sit on the Project Review Committees received a meeting fee of \$1,500 per meeting day.		

SENIOR MANAGEMENT		
In accordance with the Contribution Agreement, compensation for the fiscal year ending March 31, 2019 for employees whose compensation exceeded \$100,000 per annum, including salary, allowances, and other benefits, was within the annual compensation ranges listed below.		
POSITIONS BASED	TOTAL ANNUAL COMPENSATION	ADDITIONAL PERFORMANCE COMPENSATION
President and CEO	\$ 244,000 - \$ 381,300	\$ 0 - \$ 95,250
Vice Presidents	\$ 160,000 - \$ 240,000	\$ 0 - \$ 48,000
Directors and Managers	\$ 72,800 - \$ 161,000	\$ 0 - \$ 10,920

APPENDIX:
2018 – 2019 PROJECTS

This list includes projects approved and publicly announced for the period April 1, 2018 through March 31, 2019. Project details, including reporting on market impacts and environmental and economic benefits, can be found at sdtc.ca.



Ambyint Inc. | Boréas Technologies Inc. | Carbicrete | Clir Renewables Inc. | Consolidated Biofuels Ltd. | E3P Technologies, Inc. | Eavor Technologies Inc. | Ecoation Innovative Solutions Inc. | Fibos Inc. | Fortress Xylitol Inc. | Fractal Systems Inc. | Giatec Scientific Inc. | Imtex Membranes Corp. | KSM Inc. | Li-Cycle Corp. | Lithion Recycling Inc. | Mangrove Water Technologies Ltd. | MEG Energy Corp. | MineSense Technologies Ltd. | Ranovus Inc. | Rotoliptic Technologies Corp. | Saltworks Technologies Inc. | Sanexen Services Environnementaux Inc. | Semios | Sultech Global Innovation Corp. | Terramera, Inc. | TransRail Innovations Inc. | VueReal | Waste Robotics Inc. | Yava Technologies Inc.

HARNESSING THE

POWER OF CANADIAN CLEANTECH

ANNUAL REPORT 2018-2019

SDTC AT A
GLANCE

MESSAGE FROM THE
CHAIR AND
PRESIDENT & CEO

HARNESSING THE POWER OF
FASTER DECISION
MAKING

HARNESSING THE POWER OF
INCENTING
CANADIAN IDEAS

HARNESSING THE POWER OF
KNOWLEDGE
SHARING

HARNESSING THE POWER OF
DATA AND IP

HARNESSING THE POWER OF A
'TEAM CANADA'
APPROACH

PERFORMANCE AGAINST
STRATEGIC
OBJECTIVES

CORPORATE
GOALS FOR
2019 - 2020

FINANCIAL
STATEMENTS

GOVERNANCE AND
COMPENSATION

APPENDIX:
2018 - 2019
PROJECTS



SDTC.CA

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