

## Foreign Costs Guidelines

Updated: December 13, 2023

On an exceptional basis, Canada's Ocean Supercluster ("OSC") may authorize expenditures incurred outside of Canada as Funded Eligible Project Costs<sup>1</sup> if, in the opinion of OSC, they are **necessary for the success of the project and could not otherwise be undertaken in Canada.**

OSC Approval is required in advance of any Funded Eligible Project Costs incurred outside of Canada in order for the costs to be considered Funded Eligible Project Costs except for the following:

- Costs related to obtaining IP rights in foreign countries.
- Travel to another country in pursuit of networking opportunities that can lead to numerous benefits for OSC and its ecosystem, including travel by project members.
- Travel and other costs related to attending conferences or training outside of Canada required for the success of a specific OSC project, and/or for the benefit of the OSC ecosystem in Canada.
- Equipment, materials or supplies that are procured from suppliers outside of Canada and shipped to Canada. **NOTE** - The labour component for a custom fabrication is not exempt and requires OSC approval.
- Costs related to specialized software required in the execution of the project.
- Salary costs and wages incurred by staff or leadership of project partners.

Note that the hiring of marketing professionals outside of Canada for activities related to public relations and promotional activities taking place within Canada is ineligible as a foreign cost.

OSC should be consulted when it is not clear whether an expense is a foreign cost.

A project can still incur foreign costs if a project member does not intend to pursue funding or reimbursement of these costs from the OSC (i.e., does not want to claim the costs incurred outside of Canada as Funded Eligible Project Costs). In this situation, the project member may claim the costs as Unfunded Eligible Costs<sup>2</sup>, provided the costs do not exceed 0.5% of the project member's cash and in-kind contributions to the project.

- For context, an industry member may wish to claim costs incurred outside of Canada as Unfunded Eligible Costs as these costs count towards the industry member's cash contribution to the project. This means that an industry member could obtain a higher reimbursement rate than the contracted reimbursement rate, per the Project Agreement, on other Funded Eligible Project Costs to match against their cash disbursement on the Unfunded Eligible Costs.

**1 - Funded Eligible Project Costs** – costs that are eligible for OSC co-investment by way of reimbursement to the Industry Member.

**2 - Unfunded Eligible Costs** – costs that are not eligible for OSC co-investment but do count towards total industry contribution.

Where it is expected that the costs incurred outside of Canada claimed as Unfunded Eligible Costs exceed 0.5% of the project member's cash and in-kind contributions to the project, then OSC approval is required in advance of the costs being incurred.

## Obtaining Approval

1. To obtain approval for foreign costs, the project participant must sign an attestation which attests that:
  - The foreign costs proposed are necessary for the success of the Project,
  - Canadian based options have been evaluated, with the conclusion of the evaluation being that no parties with the abilities to deliver the required products or services to support the Project were found,
  - “Know your customer” due diligence has been conducted to determine ties to foreign governments, sensitive research areas, cybersecurity concerns, and illicit activity, as well as sanctions as per the sanctions clause of the project agreement and that the proposed foreign companies are not included on the sanctions list, and
  - OSC can consult with third parties in confidence regarding the request.
2. The attestation must be submitted concurrently with the foreign cost template, a summary document that captures the key elements of the foreign cost request (i.e., total funding, description of costs, benefits to ecosystem, etc.)
3. These two documents are required for OSC to complete the necessary due diligence prior to providing approval for foreign costs.
4. OSC Approval for the foreign costs must be obtained prior to the cost being incurred.