



Schedule "E"
Eligible and Ineligible Expenses

OCE Centres of Excellence (OCE)

Target GHG Stream 2
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1. INTRODUCTION

1.1. Document Scope

The purpose of this document is to provide guidance and instruction on eligible expenses for support with funding from OCE. Stipulations apply to expenses included in budgets at the application stage of the Funding Proposal, as well as to expenses incurred during the lifetime of funded project.

The OCE reserve the right to query any expense, at any time. Furthermore, this document is subject to periodic revision; new versions will supersede older ones.

The quality of your submission is in part determined by the transparency of expenses associated with your project. Incomplete or incorrect information will negatively impact the project proposal.

Note: Questions for the OCE about expense eligibility that are not fully addressed in this document can be sent to shatha.qaqish-clavering@oce-ontario.org. Through this contact address, Applicants will be directed to appropriate personnel within OCE to address their questions.

1.2. Background

Ontario Centres of Excellence (“OCE”) drives the commercialization of cutting-edge research across key market sectors to build the economy of tomorrow and secure Ontario’s global competitiveness. In so doing, we help develop the next generation of innovators and entrepreneurs, and are a key partner of Ontario industry, universities, colleges, research hospitals, investors and government.

A not-for-profit organization, OCE receives operations and program funding from the Ontario government as well as the federal government. We are a proud member of the Ontario Network of Entrepreneurs (OCE).

OCE accelerates innovation by supporting collaborative R&D between industry and academia; investing in early-stage commercialization of emerging technologies; fostering youth entrepreneurship; and leading and developing networks around high potential business-led opportunities.

This program is supported by the Ontario government from its Ontario Green Investment Fund, which is dedicated to projects that reduce greenhouse gas emissions, increase energy efficiency, support cleantech innovation and drive job creation and economic development.

SMEs are responsible for large amounts of innovation and are a source of many new GHG reduction technologies. The goal is to accelerate commercialization of technologies that benefit Ontario, Canada and the rest of world through GHG reductions, enterprise development, and economic growth.

For information about the OCE and the funding process, please refer to the Guide and Instructions document available on <http://www.oce-ontario.org/docs/default-source/default-document-library/TARGETGHG-OCE-SDTC-CALL-FULL-GUIDELINES.pdf?sfvrsn=4>. UPDATE

1.3. Cost Sharing and Eligible In-Kind

The following guidelines should be followed when determining the funding to be requested from the OCE. OCE's contribution to the project shall not exceed \$1 million and requires 1:1 match by the applicant. The applicant's match could consist of both cash and in kind contribution so that the in kind contribution does not exceed 50% of the total applicant's contribution. The total funding from government sources including OCE will not exceed 75%.

For information about eligible expenses and costs, please refer to the OCE Eligible Expenses and Costs Instructions document available at www.TargetGHG.ca.

The OCE' contribution will match a combination of cash and in-kind, eligible expenses from the Consortium Partners (Applicant and 3rd Party partners). Eligible Expenses, whether cash or in-kind, must be an actual, auditable, at-cost expense incurred in support of the Project by the Applicant and qualifying Consortium partners. For example, lost revenue associated with taking a particular manufacturing line for the purpose of the Project does not qualify as an actual expense.

In-kind contributions from Consortium partners (3rd party partner(s)) are defined as Eligible Expenses for which the Consortium partner has not been compensated or reimbursed. Consortium partners (3rd party partners) may also be reimbursed by the Applicant for their costs provided that no profit is generated, however, these expenses are considered cash costs to the Applicant, not an in-kind contribution.

Discounted market rates from Consortium partners do not qualify as an at-cost expense unless the partner can demonstrate (to an auditable standard) that the cost reported is cost-recovery without profit margin.

2. SALARIES AND BENEFITS

2.1. All Organizations

- Only actual, direct salaries are Eligible Expenses.
- Executive salaries are not an eligible expense and cannot be used as a match against OCE's contribution.
- Salary rates must correspond to the base salary rate only, and cannot include any commission, bonus or pay-for-performance component.
- In cases where the Project Proponent specifies the hiring of a contractor ("Contractor") the rates charged by the Contractor to the Project are eligible. The Contractor must document the hourly or daily rate charged on their invoice submitted to the Project.
- If OCE funds are used, the hiring of a Contractor must comply with the Ontario Broader Public Sector Procurement Directive.

All labour costs must be supported by activity-based time sheets enabling verification of the activities conducted by the resource's time charged to the Project.

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2.2. Employee Benefits

Actual benefit expenses of employees, including, Employment Insurance, Canada Pension Plan, medical, vacation pay are eligible expenses to a limit of 20% of the base salary.

3. INDIRECT AND ADMINISTRATIVE EXPENSES

3.1. Administrative / Overhead Expenses

Company overheads which are directly related to the Project are chargeable to the project. For greater clarity, examples of normal company overhead charges may include, but are not limited to, the following:

- Administrative Salaries for Project-related activities
- Office supplies related to the Project
- Information Technology Charges directly related to the Project
- Insurance (pro-rated to Project activities and assets)
- Utilities (pro-rated to Project activities)

However, these must be sufficiently detailed, itemized and shown separately in budgets and invoices.

For great clarity the following expenses are not eligible:

- Legal fees
- Insurance
- Consulting fees in connection with financial reorganization, security issues, capital stock issues
- Losses on investments, bad debts and related collection expenses Losses on other contracts or projects
- Opportunity costs
- Financing fees, interest expenses or charges of any kind

The OCE reserve the right to limit overhead payments should it deem appropriate.

3.2. Fixed Assets and Consumables

Depreciation on capital assets incurred during the period of the project, as per generally accepted accounting principles (GAAP), is an eligible expense. All assets to be purchased (or owned) must be itemized at the time of submission of the Funding Proposal (FP). A minimum of three (3) quotes for assets costing in excess of \$100,000 must be obtained and documented by the Project Proponent, unless otherwise approved by the OCE. The useful life of the asset must be specified.

If OCE funds are used, the purchase must comply with the Ontario Broader Public Sector Procurement Directive.

Consumables (e.g., industrial gases, construction or laboratory supplies) used during the course of the Project are eligible expenses but must be documented.

3.3. Land

Costs associated with purchase of land are not eligible. Costs associated with leasing land may be eligible; however, all leasing costs must be directly associated with the project, must be justified, and will be reviewed by the OCE. Direct costs (or depreciable expense) associated with upgrade or improvements to the land as required for the project are eligible expenses.

3.4. Publications, Reports, Memberships and Tuition Fees

Subscriptions to magazines, journals and other publications are not eligible, nor are tuition fees and membership fees.

Expenses incurred in preparing progress reports for the OCE are considered to be a part of the project and are therefore eligible.

3.5. Costs of Verification

Any costs related to post project third party verification of environmental benefits as required by the OCE are an eligible expense.

3.6. Regulatory Approval

Any costs incurred during the project to obtain approval from any regulatory body in order to commence, execute or complete a project are eligible expenses.

3.7. Personnel Hiring

Expenses of advertising, travel, or other expenses associated with hiring new personnel for a project are not eligible.

3.8. Entertainment

Expenses in respect of entertainment are not eligible.

3.9. Materials and Supplies

Materials and supplies used to carry out the proposed Project work may include raw materials, tools, and software are eligible expenses. They should be indicated in the budget at the time of application. Expenditures in this category that are not included in the Expression of Interest and Funding Proposal must be approved by the OCE or their designated representative.

3.10. Marketing

Product marketing is not an eligible expense.

3.11. Protection of Intellectual Property

Expenses associated with protecting a project's results, e.g. patenting, licensing, copywriting, etc. are not eligible.

3.12. Attendance at Conferences

With written approval, the OCE may support expenses to a maximum of \$2,500 (\$5,000 for international conferences) for travel expenditures and attendance at conferences in the case where the OCE Project Proponent is a presenter and the information presented is directly related to the Project. If the conference has paid for any expenses related to travel, then the Project Proponent cannot also claim these amounts from the OCE. Conference details and location must be documented in the budget at the time of submission or recommended by the Project Advisory Committee and approved by the OCE. A summary report of conference findings/results should be provided.

If OCE funds are used, attendance at conferences must comply with the Ontario Travel, Meal and Hospitality Expenses Directive.

3.13. Approved Travel Rates

The following travel policies apply on all travel associated with Projects. Any exceptions to the policies described below must be approved in advance and in writing by the OCE. All project proponents claiming travel expenses must maintain detailed, comprehensive travel records for review by the OCE. Attached to each travel record must be all original receipts for the associated travel expenses claimed or a copy thereof. Only expenses where a receipt is attached will be considered eligible.

If OCE funds are used, attendance at conferences must comply with the Ontario Travel, Meal and Hospitality Expenses Directive.

3.14. Air Travel

Only economy airfares are eligible.

Change and cancellation fees are not eligible. Project proponents are not authorized to fly or charter private or personally rented aircraft on Project business.

3.15. Other Travel Expenses (Meals, Accommodation, Parking etc.)

Reasonable out-of-pocket expenses incurred while performing work directly related to the approved OCE project are eligible. All expenses are to be supported by receipts and all travel expenses incurred must be consistent with the Project work plan and budget schedules.

If OCE funds are used, attendance at conferences must comply with the Ontario Travel, Meal and Hospitality Expenses Directive. Alcoholic beverages are an ineligible project expense.

3.16. Hotel Cancellation Charges

Project proponents are responsible for cancelling hotel reservations in time to avoid “no show” charges, therefore “No show” and cancellation expenses are not eligible.

3.17. Gratuities

Tips and gratuities are eligible up to a maximum of 15% and must be supported by receipts.

3.18. Vehicle Travel

For all project proponents and all types of vehicles, toll charges for travel on approved project business are eligible.

Parking fines, traffic violation fines (including photo radar), and impoundment/ towing fees when driving a company, leased, rented or personal vehicle on approved project business are not eligible.

3.19. Vehicle Particulars

PRIVATE AND COMPANY-OWNED VEHICLE ALLOWANCE

The private and company owned vehicle allowance (“Vehicle Allowance”) is intended to cover the gas and maintenance expenses associated with operating a personal or company vehicle while travelling on Project business. The vehicle allowance does not apply when using a rental or leased vehicle. Project proponents authorized to use their own or company- owned vehicles in the performance of their Project related duties may charge \$0.505 per km to the Project.

The Vehicle Allowance is an eligible expense for private and company owned vehicles driven to a departure location (i.e., airport or train terminal) and picked up upon return.

When travel mileage would exceed the cost of a vehicle rental, the person travelling should travel by rental vehicle (see Section 3.21 below).

Where the vehicles are used in the project for the purposes of the demonstration or collection of data, see Section 3.2 “Fixed Assets and Consumables”.

3.20. Parking

Where privately owned vehicles are used for approved Project business, only receipted parking charges are eligible.

3.21. Vehicle Rentals

Proponents are required to use rental vehicles where they represent a lower- cost alternative to the use of private vehicles.

Proponents must ensure that adequate insurance coverage is in place when using rental vehicles. Proponents must obtain a competitive rate for vehicle rentals; only compact or midsized rates are

eligible expenses, subject to usage requirements, as defined in the funded project proposal and work plan.

3.22. Taxi Charges

Claims for taxis while travelling on Project business are eligible when other more economical means of transportation are either unavailable or unsuitable.

3.23. Meal Reimbursement Rates

Meals received at public expense or without charge may not be claimed. If OCE funds are used, meal charges must comply with the Ontario Travel, Meal and Hospitality Expenses Directive. Alcoholic beverages are an ineligible project expense.

3.24. Taxes

Recoverable HST, GST and provincial sales taxes are not eligible. Customs and excise taxes for project-specific items are eligible.

3.25. Revenue Generating Activities

Cash contributions from revenue generated through Project activities must be pre- approved by the OCE. Applicants must ensure that sufficient financing is in place to carry out the entire Project without relying on future revenue potential from Project activities. However, revenue that is subsequently generated through Project activities may be considered eligible for matching at the discretion of the OCE.

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