Industrial and Technological Benefits Policy:

Value Proposition Guide

May 2022

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Value Proposition Guide

The Value Proposition Guide was introduced in 2014 to provide guidance to industry on the Government of Canada's approach to leveraging economic benefits under the Industrial and Technological Benefits (ITB) Policy.

The second edition of the Guide, released in May 2018, introduced Key Industrial Capabilities (KICs), Skills Development and Training as a fifth pillar, and Gender and Diversity Plans.

In May 2022, the Guide was updated to reflect the addition of a Clean Technology Key Industrial Capability (KIC), and the latest statistics on the impact of the ITB Policy and Value Proposition (VP), and the Canadian defence industry.

Key Industrial Capabilities

KICs represent a strategic approach to leveraging economic outcomes through National Defence and major Canadian Coast Guard procurements, with a continued focus on innovation, supplier development, exports, and economic growth for the defence industry and associated commercial applications. On procurements where there is a market-driven opportunity, ISED motivates investments into KICs through the VP requirements.

In addition to the 16 KICs that were identified in 2018, Canada has identified Clean Technology as a new emerging technology KIC. Green growth continues to be a key priority for the Government of Canada. This is especially true in the context of economic recovery from COVID-19, and broader initiatives under Canada's Greening Government Strategy and the Department of National Defence's Defence Energy and Environment Strategy.

Through this KIC, ISED will seek clean technology business activities in the defence, aerospace and marine sectors, and support green growth and job creation on procurements where there are market-driven opportunities. This will help grow Canada's domestic capacity for developing clean technology defence and dual-use applications, and will position Canadian firms to support the current and future needs of the Canadian Armed Forces, the Canadian Coast Guard and our allies.

Early and continuous engagement with industry and market analysis based on high-quality defence analytics will continue to inform the structure of the VP evaluation frameworks on a procurement-by-procurement basis.

Introduction

This Guide describes the approach used to assess the Value Proposition (VP) in cases where there is a competitive bidding process. The Government's decision to leverage defence spending to achieve economic benefits for Canada also applies to sole source contracts, procurements through military allies (e.g. Foreign Military Sales) and other non-competitive procurement arrangements. In these cases, the Government will negotiate directly with contractors to obtain the maximum amount of high-value economic benefit to Canada, consistent with the description of high-value activity described in this Guide.

Context

A strong domestic defence industry is important not only for national security but also as a driver of innovation and an engine of economic growth for defence-related products and services and broader commercial applications. Canada's defence industry comprises over 620 firms, and contributed close to 78,000 jobs to Canada's overall economy in 2020. These companies include large Canadian-owned firms, Canada-based subsidiaries of large multinational companies, and many small- and medium-sized businesses (SMBs) in Canada.

As goods and services related to defence contracts are typically exempt from the provisions of international trade agreements for reasons of national security, many governments globally seek to leverage their investments in defence-related goods and services to generate broader economic benefits to their nations. For more than 30 years, the Government of Canada has sought to leverage broader economic benefits from defence procurement through the Industrial and Technological Benefits (ITB) Policy (formerly the Industrial and Regional Benefits (IRB) Policy) which requires contractors to undertake business activities in Canada at a value equal to the contract.

In June 2017, *Strong, Secure, Engaged: Canada's Defence Policy* (SSE) reaffirmed the Government of Canada's commitment to supporting the members of Canada's Armed Forces (CAF) through a number of measures, including the recapitalization of the CAF through a commitment to grow defence spending over 10 years from $18.9 billion in 2016–17 to $32.7 billion in 2026–27. This significant recapitalization presents opportunities to leverage broader economic benefits to our economy.

Further, the Government of Canada's *Innovation and Skills Plan* recognizes the need to harness emerging technology to create and grow new and evolving industries, as well as to reinvigorate existing ones. Achieving this vision means ensuring that the Canadian workforce is well equipped with the skills and knowledge for opportunities in the new economy. The ITB Policy, through the VP, seeks greater opportunities to advance innovation, skills development and training and support capabilities that meet the current and future needs of the CAF. Specifically the ITB Policy ensures that Canada's significant investment in defence-related goods and services:

- supports the long-term sustainability and growth of Canada's ***defence industry***;
- supports the growth of bidders' Canadian operations as well as their ***suppliers in Canada***, including SMBs in all regions of the country;
- enhances innovation through ***research and development (R&D) in Canada***;

- increases the ***export*** potential of Canadian-based firms; and
- promotes ***skills development and training*** to advance employment opportunities for Canadians.

Since the introduction of the ITB Policy in 2014, positive results are being realized. Potential bidders are engaging earlier with Canadian companies to form partnerships and identify high quality business activities on projects. Looking at recent contracts awarded, the ITB Policy is encouraging:

- high levels of work directly related to products or services for the CAF;
- the scaling up of SMBs through supplier development; and
- business activities in R&D and skills development and training.

Recognizing that Canada is in the midst of a period of extraordinary procurement investments, the Government established an aggressive target to increase by 40 percent over ten years (2014 – 2024) the revenues earned by Canada's defence industry.

The Government of Canada is committed to measuring progress against this and other targets with reliable, high quality data. In this regard, Innovation, Science and Economic Development Canada (ISED) has a biennial survey, in conjunction with Statistics Canada, of the defence, marine, space, aerospace and cyber industries. ISED also works with key industry associations to provide updates on a regular basis on the *State of the Canadian Aerospace Industry* and the *State of Canada's Defence Industry*.

Historically, Canada's defence offset policies have played an important role in leveraging economic benefit from defence procurements. The overall portfolio includes 87 active projects resulting in ITB obligations of over $43 billion, with $27.4 billion in business activities already completed, $7.3 billion of activities in progress, and close to $8.3 billion in future work opportunities.

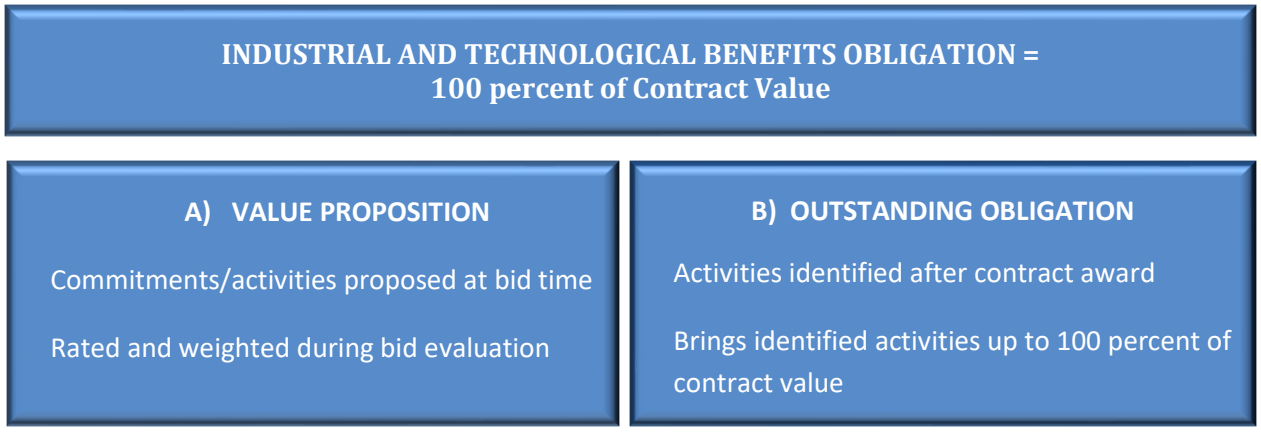
Industrial and Technological Benefits Policy

Under the ITB Policy, companies awarded defence procurement contracts are required to undertake business activities in Canada equal to the value of the contract. The ITB Policy applies on all defence and Canadian Coast Guard procurements over $100 million that are not subject to trade agreements or for which the national security exception is invoked. Defence procurements valued between $20-100 million are reviewed for the possible application of the Policy.

Under the ITB Policy, contractors that bid on major defence contracts must submit an economic proposal to Canada, called a Value Proposition. The Value Proposition is a weighted and rated element of the bid selection process and is scored alongside technical and cost requirements. ISED determines the economic benefit requirements for each Value Proposition on a procurement-by-procurement basis. These requirements are evidence-based and developed through market analysis and industry engagement.

After a contract is awarded, the contractor is required to start fulfilling its commitments and to identify further business activities in Canada, as may be required to meet the overall ITB obligation (i.e.,

100 percent of contract value). For example, if a winning company's VP includes specific commitments and activities equal to 75 percent of the contract value, it will be required to identify additional activities equal to 25 percent of the contract value after the contract is awarded.



When the Government chooses to specify a targeted outcome, mandatory requirements may be used, as appropriate.

The banking feature of the ITB Policy encourages bidders to forge and nurture successful business relationships with suppliers in Canada well ahead of securing a defence contract. Generally, eligible and approved ITB transactions may be banked, subject to certain limits, and applied to future obligations. Please see ISED's website for more information on banking (http://www.canada.ca/itb).

With respect to Canada's KICs, early business activities in one or more of these 17 areas may be banked and can be expected to count toward future Value Propositions, subject to confirmation of eligibility under the banking feature.

This Guide outlines a broad approach and framework for evaluating VPs. For each procurement, there is flexibility to:

- increase the weighting of the VP in the overall bid score
- weigh individual evaluation criteria differently
- apply all or some of the evaluation criteria
- adjust evaluation criteria to motivate business activities in KICs
- add additional evaluation criteria
- apply mandatory requirements
- develop different rating grids to adequately assess and differentiate among VPs

The remainder of this Guide is focused on the VP – what it is and how it will be evaluated. The approach and evaluation criteria described in this Guide will serve as a framework and starting point for discussions with industry on a procurement-by-procurement basis. Industry views will be taken into account during engagements on the potential for evaluation criteria described in this Guide to leverage economic benefits, on the merit of adding other criteria and on approaches to measuring criteria. The detailed approach to evaluating proposals will be described in Requests for Proposals (RFP) and may differ from the general approach laid out in this Guide to accommodate the unique leveraging potential and circumstances of individual procurements.

Value Proposition Submission

The VP submission may include a combination of the following, as specified in the RFP for a specific procurement:

- **Direct** commitments, supported by specific transactions when required, involve business activities that will be undertaken by the bidder and its suppliers in Canada that directly relate to the equipment or service being procured by Canada.
- **Indirect** commitments, supported by specific transactions when required, involve business activities that will be undertaken by the bidder and its suppliers in Canada related to the bidder's product or business lines but not directly related to the equipment or services being procured by Canada. These business activities may involve work undertaken by the bidder, purchases of goods and services from suppliers, R&D activities, technology transfer, supplier development and other eligible activities. Please see ISED's website for more information on eligibility criteria (http://www.canada.ca/itb).
- International export strategy.
- ITB plans (Management, Company Business, Regional, Small Business, Export Target Market Overview, and Gender and Diversity Plans). (See Annex C for descriptions.)
- Any other information as detailed in the RFP that may be required.

On a procurement-by-procurement basis, the Government will decide whether to seek not only commitments at bid time, but also identified transactions that provide specific details on how those commitments will be fulfilled. Generally, there will be an expectation that bidders identify specific transactions at bid time equal to at least 30 percent of their bid price, to demonstrate their capability to carry out commitments. Commitments and identified transactions will become contractual obligations for the winning bidder.

ITB Management, Company Business, Regional and Small Business Plans are mandatory requirements and will be evaluated on a pass/fail basis. Gender and Diversity Plans are mandatory to ensure bid completeness, but will not receive an evaluated score. Bidders will be expected to demonstrate a willingness and capacity to undertake business activity in all regions of Canada. In addition, generally 15 percent of ITB obligations (i.e., 15 percent of the 100 percent contract value) must involve SMBs.

Gender and Diversity Plan

As a first step to gaining a better understanding of gender and diversity within the defence industry, bidders on defence procurements to which the ITB Policy applies will be asked to provide a Gender and Diversity Plan, at the prime contractor level, describing their approach to increasing gender balance and diversity in their Canadian corporate structure and/or broader supply chains in Canada. Examples could include efforts to increase the proportion of designated groups as defined in the *Employment Equity Act* (e.g., women, Indigenous peoples, persons with disabilities and members of visible minorities) in a bidder's

- senior management structure;
- working level; and
- supply chains.

See Annex C for additional examples of approaches to achieving gender balance and increasing diversity.

The Government will also take into consideration approaches and measures such as those found in the Procurement Strategy for Indigenous Business, which are designed to enhance the participation of Indigenous businesses in a manner consistent with Government of Canada Contracting Policy. As such, Indigenous business participation plans or evaluation criteria may be incorporated into RFPs when appropriate, on a procurement-by-procurement basis.

The rated requirements in the bidder's VP will be evaluated and given a score, thereby becoming a weighted factor in determining the outcome of procurements. The score of the VP will be added to price and technical merit scores to determine which bidder will be awarded the contract.

The weighting of a VP score relative to price and technical merit scores will be determined on a procurement-by-procurement basis and will generally be at least 10 percent of the overall bid score. Factors that could influence an increase in the weighting of the VP may include alignment with KICs, market capacity in Canada and export capability.

The final score resulting from the evaluation of the VP is added to price and technical merit scores to determine which bidder will be awarded the contract. This means that the strength of companies' commitment to Canada's economic development may play a role in determining which bidders will be awarded contracts. In cases where bidders are close in price and technical merit, their VPs may become an important differentiator.

BID EVALUATION

Price + Technical Merit + Value Proposition (≥ 10%)

Value Proposition - Evaluation Criteria

The following pillars will be used in the development of the evaluation criteria:

1. **R1. Work in the Canadian Defence Industry**
2. **R2. Canadian Supplier Development**
3. **R3. Research and Development in Canada**
4. **R4. Exports from Canada**
5. **R5. Skills Development and Training**

While weightings for each pillar will be established based on market research and industry engagement on a procurement-by-procurement basis, industry can expect that where a procurement involves:

- one or more KICs in ***Emerging Technologies***, the VP evaluation framework will apply a higher weighting to R&D in Canada (R3) and/or Canadian Supplier Development (R2) to motivate business activities in these areas.

- one or more KICs in **Leading Competencies and Critical Industrial Services, the** VP evaluation framework will apply a higher weighting to Work in Canadian Defence Industry (R1), which may include direct or indirect work. Where there are opportunities to motivate greater Canadian exports or further integrate Canadian suppliers into global value chains, VP will be structured to motivate business activities in either Exports from Canada (R4) or Canadian

Supplier Development (R2), through the application of higher weightings to these pillars.

In cases where procurements involve both Emerging Technologies and Leading Competencies and Critical Industrial Services, the structure of the VP framework will be developed through industry engagement and market research.

For an overview of the VP Development Process and examples of Model VP Evaluations see Annex A.

R1. WORK IN THE CANADIAN DEFENCE INDUSTRY

A core objective of the ITB Policy is to ensure that defence procurement supports the economic development of Canada's defence industry. Canada is fortunate to have a strong defence industry with Original Equipment Manufacturers (OEMs), large Tier One anchor firms and a robust and diverse supply chain comprising SMBs across the country.

In 2020, over 620 firms generated close to $12.6 billion in revenues. The defence industry generated close to $9.2 billion in GDP and 78,000 jobs across the Canadian economy.

The Government will motivate bidders to maximize the amount of business activity they undertake in Canada directly related to the procurement. This is important because the presence of its goods and services on Government of Canada equipment platforms helps a company to capture future business opportunities by demonstrating the Government's confidence in its products, enabling cost reduction through economies of scale and providing opportunities to further develop specialized capabilities.

In some cases, a **mandatory minimum** amount of direct work may be considered as part of the VP framework in addition to the assignment of a weighting and points to be awarded for direct work commitment beyond the mandatory minimum. The work associated with the mandatory minimum would not be weighted or scored within the VP framework.

The Government may also award points for indirect work that involves business activity in Canada related to the defence industry, particularly when there is limited capability in Canada directly related to the procurement, when there is limited opportunity to involve Canadian suppliers and/or when there are significant benefits that can be leveraged in other defence-related areas. This approach will support the long-term sustainability and growth of Canada's defence industry.

On a procurement-by-procurement basis, industry will be engaged—potential bidders and often potential suppliers to bidders—to ensure that the Government has an accurate understanding of the capabilities that exist related to individual procurements. Industry engagement will also inform the Government's understanding of the potential benefit to Canada from developing new or nascent capabilities in Canada directly related to the procurement.

Bidders can anticipate that procurements related to the KICs that are **Leading Competencies and Critical Industrial Services** will place a higher weighting on Work in the Canadian Defence Industry as these KICs

represent opportunities to advance areas of Canadian industrial strength or to support sovereign industrial capabilities. For an example of a VP framework that places emphasis on Work in the Canadian Defence Industry, please see Annexes A3, A5 and A6.

R2. CANADIAN SUPPLIER DEVELOPMENT

The competitiveness of Canadian firms is significantly dependent upon their ability to penetrate export markets and integrate into the global supply chains of large systems suppliers. The Canadian Supplier Development pillar motivates bidders to provide work to companies in Canada beyond their own Canadian facilities and undertake supplier development activities that enhance the productivity and competitiveness of their Canadian-based suppliers.

Supplier development opportunities may be awarded points under the Canadian Supplier Development criteria whether directly related to the procurement, the defence industry, or other sectors of the economy. This approach will motivate bidders, often with multiple lines of business, to provide meaningful growth opportunities to suppliers in Canada, thereby supporting the long-term sustainability and growth of Canada's defence industry, as well as other sectors of the Canadian economy.

For SMBs, a subset of Canadian suppliers, it is particularly challenging to participate in global value chains as bidders are increasingly seeking to work with larger companies that have the capacity to undertake R&D and share in risks. These SMBs account for significant job creation in Canada and their participation in global value chains can result in significant growth potential. As such, to motivate bidders to work with SMBs, additional points may be awarded for work involving Canadian SMB suppliers.

Bidders can anticipate that procurements related to the KICs that are predominantly **Emerging Technologies** will place a higher weighting on Canadian Supplier Development as these KICs represent opportunities to advance Canadian capabilities in defence and dual-use technologies, positioning Canadian firms to become global leaders in these nascent and high growth markets.

Bidders can also anticipate that procurements related to ***In-service Support*** will apply a higher weighting to Canadian Supplier Development due to the inherent need to support this sovereign industrial capability. In some cases, there may be an operational requirement to have certain activities associated with a procurement take place in Canada or by Canadians. In these instances, the VP may be structured to motivate business activities in Canadian supplier development beyond the mandatory operational requirement. For an example of a VP framework that places emphasis on Canadian Supplier Development, please see Annexes A4 and A6.

R3. RESEARCH AND DEVELOPMENT IN CANADA

A key objective of the ITB Policy is to encourage innovation, a widely recognized determinant of economic growth. R&D can position Canadian companies at the leading edge of advanced technologies, enabling them to move up the value chain and capture high-value market opportunities.

Points may be awarded for R&D activities that bidders and their major suppliers propose to make in Canada, including R&D related to the procurement, the defence industry and other sectors of the

economy. This approach will motivate bidders to locate high-value research and engineering work in Canada and position Canadian-based companies to benefit from its subsequent commercialization.

Through VPs, bidders are encouraged to carry out R&D activities that involve strategic and long-term partnerships with Canadian SMBs, for example, to provide engineering support that results in knowledge transfers that will help an SMB to scale-up and advance the commercialization of innovative ideas and products. Bidders may be requested to attest that they and their suppliers have access to the intellectual property rights required to carry out the R&D they propose to undertake. Companies that turn to universities and colleges for support often contribute to more transformational technological advances with the potential for benefits to spill over to other firms and sectors of the economy such as the creation of industrial research clusters and opportunities for students to develop industry-relevant skills that position them for future employment. As such, industry partnerships will be encouraged with Canadian post-secondary academic and public research institutions, including the formation of research consortia, to create an environment that supports world-class innovation and allows for the fusion of hands-on, industrial experience with academic knowledge and inquiry. To motivate bidders to partner with Canadian universities and colleges, additional points may be awarded based on the R&D that bidders and their major suppliers propose to undertake with accredited Canadian post-secondary institutions.

> The defence industry in Canada performed close to $401 million of R&D in 2020. The defence industry's R&D intensity was over 3X greater than the Canadian manufacturing average in 2020.

Bidders can anticipate that procurements related to KICs that are predominantly **Emerging Technologies** will place a higher weighting on R&D in Canada as these KICs represent opportunities to advance Canadian dual-use technologies, positioning Canadian firms to become global leaders in these nascent and high-growth markets. For an example of a VP framework that places emphasis on R&D in Canada, please see Annex A4.

R4. EXPORTS FROM CANADA

Canada's defence industry is export intensive, which is a measure of its innovation and competitiveness.

Bidders may be required to submit an international export strategy as part of their VP, demonstrating that they and their suppliers can leverage the procurement into future export success from a Canadian base. These strategies should identify the international markets that the bidder and their suppliers intend to target and demonstrate that they have the capacity to successfully carry out their plans.

> The Canadian defence industry had $6.5 billion worth of exports in 2020, with close to 55% of exports going to Canada's Five Eyes partners.

The international export strategies of bidders and their suppliers will focus on the future export potential from Canada of the good or service being procured. Success in penetrating global markets from Canada will result in jobs and growth and ensure that Canadians share in long-term success following the procurement.

Points may be awarded for international export strategies that demonstrate incremental capacity to export from Canada, related to bidders' and their suppliers' other lines of business in the defence industry or other sectors of the Canadian economy. This will be particularly important when there is limited capability in Canada directly related to the procurement, when there is limited opportunity to involve Canadian suppliers and/or when there are significant benefits that can be leveraged in the defence industry more broadly or other sectors of the Canadian economy. This approach will support the broader economic development goals of the ITB Policy.

Bidders can anticipate that procurements related to the KICs that are **Leading Competencies and Critical Industrial Services** will place a higher weighting on the Exports from Canada pillar where there are opportunities to grow Canadian export potential.

For an example of a VP framework that places emphasis on Exports from Canada, please see Annexes A3 and A5.

R5. SKILLS DEVELOPMENT AND TRAINING

Canada seeks to equip Canada's workers with the tools they will need to succeed in the new economy. A highly skilled workforce drives innovation and supports growth in emerging and established sectors of the economy. For this reason, the ITB Policy may seek to leverage opportunities in skills development and training to advance employment opportunities for Canadians.

Through the VP, business activities in skills development and training will be encouraged that address current or anticipated skills gaps and training opportunities. Further, points under this pillar may be awarded whether directly related to a specific Key Industrial Capability, the defence industry, or other sectors of the economy.

Where gaps and opportunities have been identified through workforce analysis and industry engagement, bidders will be encouraged to identify initiatives to develop skills through:

- work integrated learning programs (e.g., co-operative education; work placements);
- apprenticeship programs;
- a new or existing skill development program at or through a post-secondary institution; and
- other activities that align with the ITB objectives for skills development and training[1].

This approach will ensure that activities advance employment opportunities for Canadians. For an example of a VP framework that places emphasis on Skills Development and Training, please see Annex A6.

OTHER EVALUATION CRITERIA

On a procurement-by-procurement basis, the Government may engage industry to determine whether they propose to make other high-value business activities in Canada that would not be captured by the above-noted criteria. In these cases, the Government may decide to add additional criteria.

Bidders' proposed business undertakings in Canada, which are assessed as eligible transactions, may receive points under more than one of the evaluation criteria. For example, a commitment to provide an SMB with R&D work directly related to the procurement and that positions the SMB to seize longer term export market opportunities, would be awarded points under the Defence Sector, Canadian Supplier Development, R&D and Exports criteria. Decisions on the amount of ITB credits that will be awarded for these activities are based on the extent to which the transaction value is attributable to each pillar. These decisions are validated at the time of ITB credit verification.

Accountability and Transparency

Under the ITB Policy, contractors have a period of time in which to achieve VP commitments, which will generally be tied to the period of time that the goods or services are supplied under the contract. In some cases, the achievement period may deviate from the delivery schedule if more or less time is required to ensure that the greatest benefit is leveraged from the procurement. Strong measures have been developed and will continue to be taken to ensure compliance, including the use of performance guarantees such as holdbacks, milestones, liquidated damages, letters of credit and vendor performance.

Generally, each contractor is required to report to ISED on progress in meeting its ITB obligations, including VP commitments, annually. ISED, in turn, reports annually to the public in a manner that respects commercial confidentiality. Please see ISED's website for more information on contractor reporting (http://www.canada.ca/itb).

[1] Education, including technical, vocational, and post-secondary education, falls under provincial/territorial jurisdiction. Companies will be responsible for ensuring that skills development and training programming abides by any relevant provincial/territorial legislation and regulations.

Conclusion

The ITB Policy is a powerful investment attraction tool for Canada. It ensures that purchases of defence equipment and services results in economic growth, innovation and success in export markets. By incorporating KICs into the ITB Policy framework, the Government is bringing a more strategic approach to leveraging procurement that reflects key upcoming defence procurement requirements and for which significant economic and commercial benefit may be derived while still allowing for broad business activities.

The ITB Policy will encourage companies to establish or grow their presence in Canada, strengthen their supply chains and develop Canadian industrial capabilities. In so doing, the ITB Policy will encourage the creation of high-value jobs for Canadians.

In keeping with its emphasis on continuous improvement, ISED will engage with industry and the defence procurement community to obtain regular feedback and make adjustments, as required, ensuring that government defence procurement leverages significant economic benefit for Canadians.

Value Proposition Development Process

Eligible defence procurement ≥ $20 M; Canadian Coast Guard procurement ≥ $100 M

Value Proposition Development

In determining the structure of the procurement-specific Value Proposition (VP), the following are taken into account:

- Research and Defence Analytics
- Industry Engagement
- Key Industrial Capabilities

Provide insight on:

- **Nature of the market**
- **Domestic capabilities**
- **High-value work opportunities**

Value Proposition Structure

Value Proposition Weighting

- ≥ 10% of overall bid evaluation

Mandatory Criteria may consist of one or more of**:**

- Commitment to 100% obligation and schedule for identifying specific activities
- Commitment to 15% Small and Medium Business (SMB) involvement
- Acceptance of Industrial and Technological Benefits (ITB) Policy terms and conditions and performance guarantees
- Submission of plans (ITB Management, Company Business, Regional, SMB, Export Target Market Overview, Gender and Diversity
- Other

Point-Rated Criteria

Market research and analysis will determine:

R1 – Work in Canadian Defence Industry

R2 – Canadian Supplier Development

R3 – R&D in Canada

R4 – Exports from Canada

R5 – Skills Development and Training

- Scoring weight of each criteria;
- Whether specific criteria should be added or removed; and
- Whether certain KICs will be promoted through the application of additional points or a scoring multiplier

In cases, where Key Industrial Capabilities (KICs) apply, the VP structure will place higher weighting on certain criteria over others, as outlined below:

Emerging Technologies	Leading Competencies and Critical Industrial Services
When the procurement falls into a KIC that represents an opportunity to advance Canadian capabilities in nascent and high-growth markets and to position Canada as a global leader in disruptive technology, the VP will be structured to motivate investments in: • **R&D in Canada (R3)** • **Canadian Supplier Development (R2)**	When the procurement falls into a KIC that represents a Canadian strength or that is of strategic importance to Canada, the VP will be structured to motivate investments in: • **Work in Canadian Defence Industry (R1)** Where there are opportunities to motivate greater Canadian exports or further integrate Canadian suppliers into global value chains, the VP will be structure to motivate investments in either, • **Exports from Canada (R4)**, or • **Canadian Supplier Development (R2)**

Model Value Proposition Evaluation

Eligible defence procurement ≥ $20 M; Canadian Coast Guard procurement ≥ $100 M

Value Proposition Structure

Point-Rated Criteria

Element	No KIC	Emerging Technologies	Leading Competencies & Critical Industrial Services	
Procurement Example	Equipment to be procured does not fall into any of the 16 KICs	Nascent/disruptive technology with potential for growth in Canada	Established Canadian capability with high export potential	Established Canadian capability focused on domestic sovereignty
Mandatory Direct Minimum	Subject to operational requirements that may require work be undertaken in Canada or by Canadians, discrete work components may be subject to mandatory direct minimums within a given procurement. Such discrete components will not be scored or weighted within the VP framework. Mandatory direct minimums may also be considered where capability exists.			
VP Framework (Illustrative) Industry engagement and market analysis leads to VP weightings that seeks to incentivize one or more pillars of the Value Proposition framework: **R1 – Work in Canadian Defence Industry** **R2 – Canadian Supplier Development** **R3 – R&D in Canada** **R4 – Exports from Canada** **R5 – Skills Development & Training**		Reflects KIC category that seeks to primarily incentivize R&D in Canada. R1 – Medium R2 – Medium R3 – High to Very High R4 – Low R5 – TBD	Reflects KIC category that seeks to primarily incentivize Canadian capability areas where there is strong export potential. R1 – High R2 – Medium R3 – Low R4 – High R5 – TBD	Reflects KIC category that seeks to primarily incentivize Canadian direct work and Canadian supplier development. R1 – High R2 – High R3 – Low R4 – Low R5 – TBD
Criteria R1 – Work in Canadian Defence Industry	If a VP framework seeks to motivate work in the Canadian defence industry beyond mandatory direct minimums, points may be assigned based on a bidder's commitment to undertake: • direct work in Canada's defence industry • indirect work in Canada's defence industry Points may be allocated based on the percentage of work committed to beyond any mandatory minimum . Bidders may be assessed on the basis of their commitments as well as identified transactions. In some procurements, only direct transactions may be assessed, with no points assigned for indirect commitments.			
Criteria R2 – Canadian Supplier Development	If a VP framework seeks to motivate bidders to enhance or further develop Canada's supply chain, points may be assigned based on the bidder's commitment to involve : • Canadian suppliers • Canadian SMBs (a subset of Canadian suppliers) • Key Industrial Capabilities			
Criteria R3 – R&D in Canada	If a VP framework seeks to incentivize bidders to invest in R&D activities in Canada, points may be assigned based on the bidder's R&D commitments related to : • the procurement • within the Canadian defence industry • within other sectors of the Canadian economy • with accredited Canadian post-secondary institutions • Key Industrial Capabilities			
Criteria R4 – Exports from Canada	If a VP framework seeks to increase export potential of firms in Canada, a qualitative assessment of a bidder's export strategy may take into account: • evaluation of bidder's identified international target markets for exports from Canada • bidder's demonstrated capacity to implement their international export strategy. NOTE: Canada may require bidders to substantiate their capacity to implement their international export strategy, which may include providing proof of decision-making authority to export, a global product mandate, and access to intellectual property rights.			
Criteria R5 – Skills Development & Training	Where workforce analysis and industry engagement identify skills gaps and training opportunities, bidders will be encouraged to identify opportunities to develop skills through: • work integrated learning programs (e.g., co-operative education; work placements); • apprenticeship programs; • a new or existing skill development program at or through a post-secondary institution; and • other activities that align with the ITB objectives for skills development and training.			
Additional Points/Multipliers	Additional points or multipliers may be applied in cases where Canada wishes to incent greater investments in particular areas. For example, • in Key Industrial Capabilities related to the procurement • in Key Industrial Capabilities unrelated to the procurement			

Point-Rated Criteria Example for a Procurement that does not align with a Key Industrial Capability (KIC)

<table>
<tr><th>Element</th><th>Scoring</th><th>Considerations</th></tr>
<tr><td>Mandatory Direct Minimum</td><td>30% of the work associated with procurement is subject to mandatory direct minimums</td><td>It has been determined that for operational reasons, certain components of the procurement must be produced in Canada / by Canadians. These discrete components will not be scored or weighted within the VP framework.</td></tr>
<tr><td>VP Framework

May include one or more of the following:

R1 – Direct Work
R2 – Canadian Suppliers
R3 – R&D in Canada
R4 – Exports
R5 – Skills Development and Training</td><td>Value Proposition is weighted at 10% of the overall bid score.
Point-Rated Criteria are to be weighted as follows:

<table><tr><th>Criteria</th><th>Points</th><th>Weighting %</th></tr><tr><td>R1</td><td>100</td><td>50%</td></tr><tr><td>R2</td><td>30</td><td>15%</td></tr><tr><td>R3</td><td>20</td><td>10%</td></tr><tr><td>R4</td><td>50</td><td>25%</td></tr><tr><td>Score</td><td>200</td><td>100%</td></tr></table></td><td>Following consultation with industry and market analysis, Canada determines that:
The 10% Value Proposition weighting is appropriate for this procurement;
Strong industrial capability for the equipment being procured exists in Canada and Canada wishes to support that capability through this procurement;
Canada wishes to encourage bidders to work with Canadian suppliers and in particular SMBs;
A strong innovation growth potential for equipment exists in Canada and could be harnessed through greater investment in R&D, particularly with accredited post-secondary institutions;
Very little export capability currently exists in Canada and several foreign allied countries have shown significant interest in purchasing this equipment from Canada. Canada wishes to encourage export development through this procurement;
While there are no KICs that directly align with the procurement, associated early stage R&D is being undertaken in the industry; and
No other criteria will be applied.</td></tr>
<tr><td>Criteria R1 – Work in Canadian Defence Industry</td><td><table><tr><th>Bid</th><th>% above minimum</th><th>Points (100)</th></tr><tr><td>A</td><td>0</td><td>0</td></tr><tr><td>B</td><td>40%</td><td>40</td></tr><tr><td>C</td><td>60%</td><td>60</td></tr></table></td><td>In this example, only direct commitments are being assessed above a mandatory minimum requirement of 30%:
Bidder A committed to the minimum direct work and receives no additional points.
Bidders B and C committed to 40% and 60%, respectively, above minimum direct work level and receive additional points.</td></tr>
<tr><td>Criteria R2 – Canadian Supplier Development</td><td><table><tr><th>Bid</th><th>Canadian suppliers</th><th>SMB (x2)</th><th>Raw Score</th><th>Points (30)</th></tr><tr><td>A</td><td>50%</td><td>40%x2</td><td>130%</td><td>30</td></tr><tr><td>B</td><td>60%</td><td>30%x2</td><td>120%</td><td>27.69</td></tr><tr><td>C</td><td>15%</td><td>15%x2</td><td>45%</td><td>10.38</td></tr></table></td><td>In this example, the bidders’ commitment to involve Canadian suppliers including SMBs is assessed.
Points are allocated based on the bidder’s commitment (expressed as a % of contract value) to involve Canadian suppliers with a preference for commitments that involve Canadian SMBs. The bidder’s commitment to involve Canadian SMBs will be multiplied by 2.
The bidder that offers the highest total commitment achieves the maximum available points for R2 (30 points). All other bidders obtain a pro-rated score.</td></tr>
<tr><td>Criteria R3 – R&D in Canada</td><td><table><tr><th>Bid</th><th>R&D ($M)</th><th>R&D - Post-secondary ($Mx2)</th><th>Raw Score ($M)</th><th>Points (20)</th></tr><tr><td>A</td><td>10</td><td>0x2</td><td>10</td><td>18.18</td></tr><tr><td>B</td><td>5</td><td>3x2</td><td>11</td><td>20</td></tr><tr><td>C</td><td>2</td><td>2x2</td><td>6</td><td>10.91</td></tr></table></td><td>In this example, the bidder’s commitment to R&D activities, particularly those associated with post-secondary institutions is assessed.
In this case, points are allocated based on the dollar value ($M) of the R&D commitment. The bidder’s commitment to post-secondary institutions will be multiplied by 2.
The bidder that offers the highest total commitment achieves the maximum available points for R3 (20 points). All other bidders obtain a pro-rated score.</td></tr>
<tr><td>Criteria R4 – Exports from Canada</td><td><table><tr><th>Bid</th><th>Target Markets a. (25)</th><th>Capacity to implement b. (25)</th><th>Points (50)</th></tr><tr><td>A</td><td>25</td><td>25</td><td>50</td></tr><tr><td>B</td><td>15</td><td>10</td><td>25</td></tr><tr><td>C</td><td>2.5</td><td>2.5</td><td>5</td></tr></table></td><td>In this example, a qualitative assessment of a bidder’s export strategy rates the degree to which the export strategy takes into account the bidder’s:
a. identified international target markets for exports from Canada
b. demonstrated capacity to implement its international export strategy
A maximum of 25 points are awarded for each element.</td></tr>
<tr><td>Criteria R5 – Skills Development & Training</td><td>Not rated in this example.</td><td>Where workforce analysis and industry engagement identify skills gaps and training opportunities, bidders will be encouraged to identify opportunities to develop skills and training.</td></tr>
<tr><td>Value Proposition Roll Up of Point Rated Requirements</td><td><table><tr><th rowspan="2">Criteria (Points)</th><th colspan="3">Bid</th></tr><tr><th>A</th><th>B</th><th>C</th></tr><tr><td>R1 (100)</td><td>0</td><td>40</td><td>60</td></tr><tr><td>R2 (30)</td><td>30</td><td>27.69</td><td>10.38</td></tr><tr><td>R3 (20)</td><td>18.18</td><td>20</td><td>10.91</td></tr><tr><td>R4 (50)</td><td>50</td><td>25</td><td>5</td></tr><tr><td>Total (200)</td><td>98.18</td><td>112.69</td><td>86.29</td></tr><tr><td>VP Weighted Score (10)</td><td>4.9</td><td>5.6</td><td>4.31</td></tr></table></td><td>Each bid has demonstrated certain strengths. Overall, Bid B at the level of the Value Proposition is evaluated as strongest.
It should be noted that two other elements in the overall bid evaluation (price, and technical merit) need to be taken into account and will have a significant bearing on the final outcome.</td></tr>
</table>

Point-Rated Criteria Example for a Procurement that aligns with Emerging Technologies

<table>
<tr><th>Element</th><th>Scoring</th><th>Considerations</th></tr>
<tr><td>Mandatory Direct Minimum</td><td>30% of the work associated with procurement is subject to mandatory</td><td>It has been determined that for operational reasons, certain components of the procurement must be produced in Canada / by Canadians. These discrete components will not be scored or weighted within the VP Framework.</td></tr>
<tr><td>VP Framework

May include one or more of the following:

R1 – Direct Work
R2 – Canadian Suppliers
R3 – R&D in Canada
R4 – Exports
R5 – Skills Development and Training</td><td>Value Proposition is weighted at 15% of the overall bid score.
Point-Rated Criteria are to be weighted as follows:

<table><tr><th>Criteria</th><th>Points</th><th>Weighting %</th></tr><tr><td>R1</td><td>25</td><td>25%</td></tr><tr><td>R2</td><td>30</td><td>30%</td></tr><tr><td>R3</td><td>40</td><td>40%</td></tr><tr><td>R4</td><td>5</td><td>5%</td></tr><tr><td>Score</td><td>100</td><td>100%</td></tr></table></td><td>Following consultation with industry and market analysis, Canada determines that:
A 15% Value Proposition weighting is appropriate for this procurement;
The equipment to be procured falls primarily within one Emerging Technology KIC with additional potential in a second, related KIC;
A nascent capability for the equipment being procured exists in Canada and Canada wishes to support the industry through this procurement recognizing that it is at an emergent stage;
The vast majority of firms undertaking this innovative business line are by nature SMBs;
There is significant opportunity to leverage this procurement to capture high-value research and commercialization activities in the Emerging Technology areas and position Canada as a global leader in innovation, particularly in clusters affiliated with post-secondary institutions;
Given the nascent nature of the capability, there is very little export potential in the near term; regardless, the framework will seek modest efforts to support the establishment of an export capacity; and
No other criteria will be applied.</td></tr>
<tr><td>Criteria R1 – Work in Canadian Defence Industry</td><td><table><tr><th>Bid</th><th>% above minimum</th><th>Points (25)</th></tr><tr><td>A</td><td>0</td><td>0</td></tr><tr><td>B</td><td>40%</td><td>10</td></tr><tr><td>C</td><td>60%</td><td>15</td></tr></table></td><td>In this example, only direct commitments are being assessed above a mandatory minimum requirement:
Bidder A committed to the minimum direct work and receives no additional points.
Bidders B and C committed to 40% and 60%, respectively, above minimum direct work level and receive additional points.</td></tr>
<tr><td>Criteria R2 – Canadian Supplier Development</td><td><table><tr><th>Bid</th><th>Canadian suppliers</th><th>Points (30)</th></tr><tr><td>A</td><td>50%</td><td>25</td></tr><tr><td>B</td><td>60%</td><td>30</td></tr><tr><td>C</td><td>15%</td><td>7.5</td></tr></table></td><td>In this example, the bidders' commitment to involve Canadian suppliers is assessed.
Points are allocated based on the bidder's commitment (expressed as a % of contract value) to involve Canadian suppliers . There is no differentiation between Canadian suppliers and SMBs as market analysis has already indicated that the majority of Canadian firms active in this emergent industry are SMBs.
The bidder that offers the highest total commitment achieves the maximum available points for R2 (30 points). All other bidders obtain a pro-rated score.</td></tr>
<tr><td>Criteria R3 – R&D in Canada</td><td><table><tr><th>Bid</th><th>R&D ($M)</th><th>R&D - Post-secondary ($Mx2)</th><th>Raw Score ($M)</th><th>Points (40)</th></tr><tr><td>A</td><td>10x2</td><td>0x2</td><td>20</td><td>40</td></tr><tr><td>B</td><td>5x2</td><td>3x2</td><td>16</td><td>32</td></tr><tr><td>C</td><td>2</td><td>2x2</td><td>6</td><td>12</td></tr></table></td><td>In this example, the bidder's commitment to R&D activities, particularly those associated with post-secondary institutions is assessed.
In this case, points are allocated based on the dollar value ($M) of the R&D commitment. The bidder's commitment to post-secondary institutions will be multiplied by 2. Because the strategic goal of the Value Proposition focuses heavily on motivating R&D in Emerging Technologies, a 2x multiplier will be awarded for R&D in both KICs that apply to this procurement. Note: in this example, Bidder A and B are committing to R&D in two KICs.
The bidder that offers the highest total commitment achieves the maximum available points for R3 (40 points). All other bidders obtain a pro-rated score.</td></tr>
<tr><td>Criteria R4 – Exports from Canada</td><td><table><tr><th>Bid</th><th>Target Markets a. (2.5)</th><th>Capacity to implement b. (2.5)</th><th>Points (5)</th></tr><tr><td>A</td><td>2.5</td><td>2.5</td><td>5</td></tr><tr><td>B</td><td>1.5</td><td>1</td><td>2.5</td></tr><tr><td>C</td><td>2.5</td><td>2.5</td><td>5</td></tr></table></td><td>In this example, a qualitative assessment of a bidder's export strategy rates the degree to which the export strategy takes into account the bidder's:
a. identified international target markets for exports from Canada
b. demonstrated capacity to implement its international export strategy
A maximum of 2.5 points are awarded for each element.</td></tr>
<tr><td>Criteria R5 – Skills Development & Training</td><td>Not rated in this example.</td><td>Where workforce analysis and industry engagement identify skills gaps and training opportunities, bidders will be encouraged to identify opportunities to develop skills and training.</td></tr>
<tr><td>Value Proposition Roll Up of Point Rated Requirements</td><td><table><tr><th rowspan="2">Criteria (Points)</th><th colspan="3">Bid</th></tr><tr><th>A</th><th>B</th><th>C</th></tr><tr><td>R1 (25)</td><td>0</td><td>10</td><td>15</td></tr><tr><td>R2 (30)</td><td>25</td><td>30</td><td>7.5</td></tr><tr><td>R3 (40)</td><td>40</td><td>32</td><td>12</td></tr><tr><td>R4 (5)</td><td>5</td><td>2.5</td><td>5</td></tr><tr><td>Total (100)</td><td>70</td><td>74.5</td><td>39.5</td></tr><tr><td>VP Weighted Score (15)</td><td>10.5</td><td>11.18</td><td>5.93</td></tr></table></td><td>Each bid has demonstrated certain strengths. Overall, Bid B at the level of the Value Proposition is evaluated as strongest.
It should be noted that two other elements in the overall bid evaluation (price, and technical merit) need to be taken into account and will have a bearing on the final outcome. The strength of the bidder's Value Proposition may be a significant factor to the outcome of the overall bid evaluation.</td></tr>
</table>

Point-Rated Criteria Example for a Procurement that aligns with Leading Competencies & Critical Industrial Services

<table>
<tr><th>Element</th><th>Scoring</th><th>Considerations</th></tr>
<tr><td>Mandatory Direct Minimum</td><td>30% of the work associated with procurement is subject to mandatory direct minimums</td><td>It has been determined that for operational reasons, certain components of the procurement must be produced in Canada / by Canadians. These discrete components will not be scored or weighted within the VP Framework.</td></tr>
<tr><td>VP Framework

May include one or more of the following:

R1 – Direct Work
R2 – Canadian Suppliers
R3 – R&D in Canada
R4 – Exports
R5 – Skills Development and Training</td><td>Value Proposition is weighted at 25% of the overall bid score.

<table><tr><th>Criteria</th><th>Points</th><th>Weighting %</th></tr><tr><td>R1</td><td>70</td><td>35%</td></tr><tr><td>R2</td><td>50</td><td>25%</td></tr><tr><td>R3</td><td>10</td><td>5%</td></tr><tr><td>R4</td><td>70</td><td>35%</td></tr><tr><td>Score</td><td>200</td><td>100%</td></tr></table></td><td>Following consultation with industry and market analysis, Canada determines that:
a 25% Value Proposition weighting is appropriate for this procurement;
the equipment to be procured falls primarily within one Leading Competency with both defence and dual-use applications;
strong and well-established industrial capability for the equipment being procured exists in Canada and Canada wishes to support that capability through this procurement;
Canada wishes to encourage bidders to work with Canadian suppliers and in particular SMBs;
while R&D potential exists in this established business line, it is limited at this stage;
while there is a track record of export success, significant export potential continues to exist for both defence and dual-use applications and several foreign allied countries have shown significant interest in purchasing this equipment from Canada. Canada wishes to encourage export development through this procurement; and
no other criteria will be applied.</td></tr>
<tr><td>Criteria R1 – Work in Canadian Defence Industry</td><td><table><tr><th>Bid</th><th>% above minimum</th><th>Points (70)</th></tr><tr><td>A</td><td>40%</td><td>28</td></tr><tr><td>B</td><td>40%</td><td>28</td></tr><tr><td>C</td><td>60%</td><td>42</td></tr></table></td><td>In this example, direct and indirect commitments, beyond the established supply chains, are being assessed given the defence and dual-use applications of the equipment.

In the case of direct commitments, these are assessed as commitments above the mandatory direct minimum of 30%.</td></tr>
<tr><td>Criteria R2 – Canadian Supplier Development</td><td><table><tr><th>Bid</th><th>Canadian suppliers</th><th>SMB (x2)</th><th>Raw Score</th><th>Points (50)</th></tr><tr><td>A</td><td>50%</td><td>40%x2</td><td>130%</td><td>50</td></tr><tr><td>B</td><td>60%</td><td>30%x2</td><td>120%</td><td>46.16</td></tr><tr><td>C</td><td>15%</td><td>15%x2</td><td>45%</td><td>17.31</td></tr></table></td><td>In this example, the bidders’ commitment to involve Canadian suppliers including SMBs is assessed.

Points are allocated based on the bidder’s commitment (expressed as a % of contract value) to involve Canadian suppliers with a preference for commitments that involve Canadian SMBs. The bidder’s commitment to involve Canadian SMBs will be multiplied by 2.

The bidder that offers the highest total commitment achieves the maximum available points for R2 (50 points). All other bidders obtain a pro-rated score.</td></tr>
<tr><td>Criteria R3 – R&D in Canada</td><td><table><tr><th>Bid</th><th>R&D ($M)</th><th>R&D - Post-secondary ($Mx2)</th><th>Raw Score ($M)</th><th>Points (10)</th></tr><tr><td>A</td><td>10</td><td>0x2</td><td>10</td><td>9.1</td></tr><tr><td>B</td><td>5</td><td>3x2</td><td>11</td><td>10</td></tr><tr><td>C</td><td>2</td><td>2x2</td><td>6</td><td>5.5</td></tr></table></td><td>In this example, the bidder’s commitment to R&D activities, particularly those associated with post-secondary institutions is assessed.

In this case, points are allocated based on the dollar value ($M) of the R&D commitment. The bidder’s commitment to post-secondary institutions will be multiplied by 2.

The bidder that offers the highest total commitment achieves the maximum available points for R3 (10 points). All other bidders obtain a pro-rated score.</td></tr>
<tr><td>Criteria R4 – Exports from Canada</td><td><table><tr><th>Bid</th><th>Target Markets a. (35)</th><th>Capacity to implement b. (35)</th><th>Points (70)</th></tr><tr><td>A</td><td>35</td><td>35</td><td>70</td></tr><tr><td>B</td><td>25</td><td>15</td><td>40</td></tr><tr><td>C</td><td>25</td><td>25</td><td>50</td></tr></table></td><td>In this example, a qualitative assessment of a bidder’s export strategy rates the degree to which the export strategy takes into account the bidder’s:
a. identified international target markets for exports from Canada
b. demonstrated capacity to implement its international export strategy

A maximum of 70 points are awarded for each element.</td></tr>
<tr><td>Criteria R5 – Skills Development and Training</td><td>Not rated in this example.</td><td>Where workforce analysis and industry engagement identify skills gaps and training opportunities, bidders will be encouraged to identify opportunities to develop skills and training.</td></tr>
<tr><td>Value Proposition Roll Up of Point Rated Requirements</td><td><table><tr><th rowspan="2">Criteria (Points)</th><th colspan="3">Bid</th></tr><tr><th>A</th><th>B</th><th>C</th></tr><tr><td>R1 (70)</td><td>28</td><td>28</td><td>42</td></tr><tr><td>R2 (50)</td><td>50</td><td>46.16</td><td>17.31</td></tr><tr><td>R3 (10)</td><td>9.1</td><td>10</td><td>5.5</td></tr><tr><td>R4 (70)</td><td>70</td><td>40</td><td>50</td></tr><tr><td>Total (200)</td><td>157.1</td><td>124.16</td><td>114.81</td></tr><tr><td>VP Weighted Score (25)</td><td>19.64</td><td>15.52</td><td>14.35</td></tr></table></td><td>Each bid has demonstrated certain strengths. Overall, Bid A at the level of the Value Proposition is evaluated as strongest.

It should be noted that two other elements in the overall bid evaluation (price, and technical merit) need to be taken into account and may have a significant bearing on the final outcome.</td></tr>
</table>

Point-Rated Criteria Example for a Procurement that involves In-service Support

<table>
<tr><th>Element</th><th>Scoring</th><th>Considerations</th></tr>
<tr><td>Mandatory Direct Minimum</td><td>65% of the work associated with procurement is subject to mandatory direct minimums</td><td>It has been determined that for operational reasons, certain activities must be undertaken in Canada / by Canadians. These discrete components will not be scored or weighted within the VP Framework.</td></tr>
<tr><td>VP Framework

May include one or more of the following:

R1 – Direct Work
R2 – Canadian Suppliers
R3 – R&D in Canada
R4 – Exports
R5 – Skills Development & Training</td><td>Value Proposition is weighted at 20% of the overall bid score.
Point-Rated Criteria are to be weighted as follows:

<table><tr><th>Criteria</th><th>Points</th><th>Weighting %</th></tr><tr><td>R1</td><td>0</td><td>0%</td></tr><tr><td>R2</td><td>70</td><td>70%</td></tr><tr><td>R3</td><td>0</td><td>0%</td></tr><tr><td>R4</td><td>10</td><td>10%</td></tr><tr><td>R5</td><td>20</td><td>20%</td></tr><tr><td>Score</td><td>100</td><td>100%</td></tr></table></td><td>Following consultation with industry and market analysis, Canada determines that:
a 20% Value Proposition weighting is appropriate for this procurement;
sustainment of Canada’s fleet is a critical industrial service and requires a high proportion of work to be performed in Canada.
capability exists in Canada to support this fleet and Canada has ownership of the IP to perform a significant amount of the sustainment required.
Canada wishes to encourage bidders to work with Canadian suppliers and in particular SMBs;
there is limited requirement for R&D on this activity.
given the sovereign nature of the capability, it is unlikely that much export potential would be associated with it, some export potential would be explored; and
most of the bases where maintenance activities are located are in close proximity to Indigenous communities. Several Indigenous communities have identified the need for skills development and training within this maintenance sector as a priority for economic development. In addition, some training programs serving these communities are in place and some capacity has been established. Therefore, a Skills & Training component is included in the Value Proposition.</td></tr>
<tr><td>Criteria R1 – Work in Canadian Defence Industry</td><td></td><td>Given the high mandatory direct minimum, no further points for direct work will be provided.</td></tr>
<tr><td>Criteria R2 – Canadian Supplier Development</td><td><table><tr><th>Bid</th><th>Canadian suppliers</th><th>SMB (x2)</th><th>Raw Score</th><th>Points (70)</th></tr><tr><td>A</td><td>40%</td><td>10%x2</td><td>60%</td><td>60</td></tr><tr><td>B</td><td>20%</td><td>15%x2</td><td>50%</td><td>50</td></tr><tr><td>C</td><td>30%</td><td>20%x2</td><td>70%</td><td>70</td></tr></table></td><td>In this example, the bidders’ commitment to involve Canadian suppliers including SMBs is assessed. Direct supplier commitments can also count towards the minimum direct commitment.
Points are allocated based on the bidder’s commitment (expressed as a % of contract value) to involve Canadian suppliers with a preference for commitments that involve Canadian SMBs. The bidder’s commitment to involve Canadian SMBs will be multiplied by 2.
The bidder that offers the highest total commitment achieves the maximum available points for R2 (70 points). All other bidders obtain a pro-rated score.</td></tr>
<tr><td>Criteria R3 – R&D in Canada</td><td></td><td>In-service support is not R&D intensive, therefore, no R&D commitments will be sought.</td></tr>
<tr><td>Criteria R4 – Exports from Canada</td><td><table><tr><th>Bid</th><th>Target Markets a. (5)</th><th>Capacity to implement b. (5)</th><th>Points (10)</th></tr><tr><td>A</td><td>5</td><td>5</td><td>10</td></tr><tr><td>B</td><td>5</td><td>5</td><td>10</td></tr><tr><td>C</td><td>2.5</td><td>0</td><td>2.5</td></tr></table></td><td>In this example, a qualitative assessment of a bidder’s export strategy rates the degree to which the export strategy takes into account the bidder’s:<ol type="a">
identified international target markets for exports from Canada
demonstrated capacity to implement its international export strategy
A maximum of 5 points are awarded for each element for a total of 10 possible points.</td></tr>
<tr><td>Criteria R5 – Skills Development & Training</td><td><table><tr><th>Bid</th><th>Skills Development</th><th>Points (20)</th></tr><tr><td>A</td><td>15%</td><td>15</td></tr><tr><td>B</td><td>5%</td><td>5</td></tr><tr><td>C</td><td>20%</td><td>20</td></tr></table></td><td>Commitments to investments into Skills Development and Training within Indigenous communities to support skills and training initiatives aligned within the maintenance area will be scored.<ol type="a">
Commitments in accredited post-secondary programs supporting training of Indigenous students in maintenance area related to the requirement.
Commitments to work placements or hiring of Indigenous students who have obtained certification in the maintenance area related to the requirement.</td></tr>
<tr><td>Value Proposition Roll Up of Point Rated Requirements</td><td><table><tr><th rowspan="2">Criteria (Points)</th><th colspan="3">Bid</th></tr><tr><th>A</th><th>B</th><th>C</th></tr><tr><td>R2 (70)</td><td>60</td><td>50</td><td>70</td></tr><tr><td>R4 (10)</td><td>10</td><td>10</td><td>2.5</td></tr><tr><td>R5 (40)</td><td>15</td><td>5</td><td>20</td></tr><tr><td>Total (100)</td><td>85</td><td>65</td><td>92.5</td></tr><tr><td>VP Weighted Score (20)</td><td>17</td><td>13</td><td>18.5</td></tr></table></td><td>Each bid has demonstrated certain strengths. Overall, Bid C at the level of the Value Proposition appears strongest.
It should be noted that two other elements in the overall bid evaluation (price, and technical merit) need to be taken into account and will have a significant bearing on the final outcome.</td></tr>
</table>

ANNEX B – KEY INDUSTRIAL CAPABILITIES – DEFINITIONS

Emerging Technologies

Advanced Materials: Includes a range of materials and related production processes that yield significant advances in operational capability and/or cost-efficiency of equipment used in military operations. These advances include reduced weight, increased strength and resilience, lower observability, and other attributes. The materials envisioned span a wide range of technologies, including (but not limited to) composite structures (includes aerostructures), textiles, metals, plastics, ceramics, and advanced feedstocks for additive manufacturing. The related production processes used in generating the materials include additive manufacturing, 3-D printing, advanced machining, and others. The materials have broad application across military aerospace, land, marine and space domains, as well as in commercial sectors**.**

Artificial Intelligence: Artificial Intelligence spans a range of technologies that allow machines to execute tasks that normally require human intelligence, such as pattern and speech recognition, translation, visual perception, and decision-making. AI develops or draws on disciplines such as search and mathematical optimization, machine learning, deep learning, self-learning, and neural networks. AI can reduce operator workload and automate easily repeatable tasks that otherwise require significant human involvement. AI promises enhanced efficiency in the use of trained personnel, less exposure of humans to dangerous environments, and more rapid responses to changes in the military operating environment. It can also permit the analysis of large volumes of data in support of intelligence analysis, mission planning and rehearsal, logistics and business management, cyber security and resilience, and many other activities. AI is relevant across a broad set of both defence and non-defence domains.

Clean Technology: "Clean Technology" means the design, development, engineering, manufacturing or integration of: energy-efficient or emissions-reducing propulsion systems (e.g., hybrid electric, electric), power distribution and management systems, and low-carbon intensity fuel sources (e.g., hydrogen, biofuels) for vehicle platforms; energy storage systems (e.g., pumped hydro storage, flywheel energy storage, zinc-ion batteries, lithium-ion batteries, flow batteries); renewable energy generation (i.e., solar, wind, hydropower, geothermal, wave energy, tidal current energy, river hydrokinetic energy, small modular reactors for nuclear fission, nuclear fusion); energy management & distribution systems (e.g., power system automation, automatic generation control, smart grids, microgrids) that improve energy efficiency, energy security, or reduce emissions; software and equipment used to measure, monitor and analyze the environmental impacts of pollution (e.g., particulates), waste (e.g., solid waste, waste heat, waste water), noise, or emissions; equipment and processes that directly reduce or eliminate pollution, waste, noise, or emissions; and, equipment and processes for water purification, water re-use, or that result in more efficient water-usage on vehicle platforms, or in forward operating bases, deployed camps, or other remote locations. These technologies have broad application across military domains, as well as in commercial sectors.

For the purposes of this definition, the term 'emissions' refers to the following greenhouse gases: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), sulphur hexafluoride, perfluorocarbons, hydrofluorocarbons, and nitrogen trifluoride.

Cyber Resilience: Cyber resilience spans every element of the domestic commercial, civil and national security sectors and addresses the vulnerabilities created by the expansion of information technology

and the knowledge economy. Activities in this segment include design, integration and implementation of solutions that secure information and communications networks. These and other technologies should focus on achieving effective development of the following cyber capabilities:

Information security: The practice of defending electronic and digital data and information from unauthorized access/intrusion, use, disclosure, disruption, modification, perusal, inspection, recording or destruction;

IT security: Secure content and threat management (endpoint, messaging, network, web, cloud), security, vulnerability and risk management, identity and access management and other products (e.g. encryption/tokenization toolkits and security product verification testing), and education, training services and situational awareness;

Operational technology (OT) security: Monitoring, measuring and protecting industrial automation, industrial process control and related systems. Cyber resilience may involve the development of tools and the integration of systems and processes that permit hardening of tactical systems or broader networks, encryption, cyber forensics, incident response, and others. Capabilities developed in this domain may increasingly draw on AI as an enabling technology; for example, networks may autonomously and dynamically defend against intrusions and repair themselves if disrupted.

Remotely-piloted Systems and Autonomous Technologies: These are platforms and systems which make use of autonomous machine operations, including whole unmanned aerial, marine, or ground vehicle systems, and employ AI technologies to enable increasingly autonomous operations in both the military and commercial domains. These technologies rely on various forms of artificial intelligence, including (but not limited to) machine learning, self-learning, and neural networks, in order to increase operational speed or duration, reduce operator exposure to dangerous environments, and enhance overall mission effectiveness.

Space Systems includes both:

Earth Observation Software Applications: Software and value-added services leveraging terrestrial satellite imagery and geospatial information. These solutions may be developed for a variety of applications, including navigation, surveillance and intelligence gathering, mapping, climate observation, or other military or civil purposes. These solutions may increasingly draw on capabilities contained in the AI domain to autonomously process data and execute preliminary analysis.

Satellite Systems: Design and manufacture of a wide array of satellite and other spacecraft sub-systems encompassing both space and ground segments. These include (but are not limited to) satellite buses, communications or imagery payloads, propulsion and power systems. Critically, this category also spans the ground control infrastructure needed to operate satellites and manage the data they produce.

Leading Competencies and Critical Industrial Services

Aerospace Systems and Components: Design, fabrication, assembly, and integration of aircraft structural elements, control surfaces, systems, sub-systems, parts and components of manned aerial platforms, and complete manned aerial platforms. This includes the following systems and components: landing gear (e.g. wheels, shock absorbers and related parts for the retraction and extension of aircraft landing gear, helicopter pontoons); flight control actuators; avionics; and propulsion and power systems for military aircraft (e.g. aircraft gas turbine engines, compressors, fuel systems, etc.).

Armour: Metal, ceramic, composite, or other material solutions used for both vehicle and individual soldier protection. This includes both the development and manufacture of underlying materials, and the design and manufacture of armour solutions for specific military, security, and law enforcement applications.

Defence Systems Integration: Design and integration of complex military systems that hinge on the seamless linking together of multiple sub-systems to yield an effective operational capability. These capabilities span various military platforms and enable the operation and management of weapons, defensive systems, command and control systems, sensors, decision support systems, electronic warfare devices and a platform's core sub-systems in a tightly coordinated fashion essential under highly stressing combat conditions. These systems need to present information to their operators stemming from multiple sources in a manner that is understandable, secure, and supports decision-making in a complex environment. This definition does not include the various constituent systems (e.g., missile launching systems, radars, electronic warfare systems, etc.) that the work of defence systems integration aims to combine into a cohesive whole. Rather, the definition focuses on the skills and other capabilities needed to perform the integration work, and to create the user interface that is needed in such complex mission systems.

Electro-Optical / Infrared (EO/IR) Systems: Design, manufacture and integration of electro-optical and infrared systems for surveillance, reconnaissance, night vision, and targeting. This category also includes components and assemblies that significantly drive system capability, as well as software that enhances system performance or contributes to superior exploitation of collected sensor information. Applications for these systems are either military or civil, and feature in multiple media, including airborne platforms, satellites, ground vehicles, ships and submarines, or in fixed infrastructure.

Ground Vehicle Solutions: Design, engineering, advanced manufacturing, integration, and testing of sophisticated combat and combat support vehicles.

In-Service Support: This represents a set of capabilities needed to operate and sustain a range of military platforms and systems operating in all domains across their lifespans. In this context, the phrase "operate and sustain" includes a wide array of activities, including maintenance, repair and overhaul; diagnostic, prognostic and health management; spares and supply chain management; configuration management; system and software modification and upgrade for both capability enhancement and life extension; and overall product support integration (PSI).

Marine Ship-Borne Mission and Platform Systems: Design, engineering, development, manufacturing, testing and evaluation services related to:

- Marine Vessel Mission/Combat Systems including command, control, and communications; data link; replenishment at sea; combat management systems; integrated navigation systems; countermeasures; and helicopter haul-down and rapid securing devices.
- Platform Systems including bridge and platform management systems; propulsion, battle damage and machinery control systems, climate control/ventilation (HVAC) systems; and electrical systems.

Munitions: This is defined as encompassing the full range of activities covered in Canada`s Munitions Supply Program (MSP).

Shipbuilding, Design and Engineering Services: This spans the range of capabilities required to build, integrate, and sustain naval and other marine vessels. This includes engineering and process management capabilities crucial to shipbuilding and integration.

Sonar and Acoustic Systems: This includes the design, manufacture and integration of sonar and/or acoustic systems used for navigation, surveillance, fire control, survey, scientific and other purposes, both military and civil. This spans both the "dry side" signal processing and system management capabilities, and the "wet side" sensor arrays.

Training and Simulation: End-to-end training and simulation capabilities that span the full breadth of live, virtual and constructive training solutions. These include simulator design, manufacture, integration and modification, training courseware development, design and integration of targets and training aids, and the provision of live, virtual, and classroom-based training services.

ANNEX C – INDUSTRIAL AND TECHNOLOGICAL BENEFITS PLANS - DESCRIPTIONS

Industrial and Technological Benefits (ITB) Management, Company Business, Regional and Small Business Plans, Export Target Market Overviews, and the Gender and Diversity Plans are mandatory requirements and unless otherwise specified will be evaluated on a pass/fail basis.

Through an **ITB Management Plan**, bidders will be expected to demonstrate their ability to successfully undertake and manage the ITB obligation required under the contract, including the bidder's Value Proposition (VP) commitments made at bid time. The Plan should describe the corporate organizational structure, processes, and resources of the bidder, including applicable human resources that will be used to manage ITB relationships with suppliers and with the ITB Authority. It should also describe the data management and reporting structures in place related to performance of ITB activities. The bidder should include a list of its proposed Eligible Donors in this Plan.

A **Company Business Plan** must describe the bidder's proposed team that will complete work on the Project. This includes the organizational structure and business operations of the bidder and each of its proposed Eligible Donors that are performing work on the Project, the role of each company in delivering the Project, a description of corporate family relationships, details of Canadian facilities, and broad, long-term impacts on the Canadian economy in relation to meeting the ITB Policy objectives.

Through a **Regional Plan**, bidders will be expected to demonstrate a willingness and capacity to undertake business activity in all regions of Canada. This includes a description of the bidder's efforts at planning and assembling its regional commitments leading up to the time of bid submission, the Designated Regions of Canada in which it plans to undertake work to complete its ITB obligation, and future approaches that will be undertaken by the bidder after contract award to improve the economic opportunities available across Canada. This Plan should also clearly demonstrate the bidder's business rationale for its regional development strategy, and describe how regional development considerations factor into the bidder's ITB decision-making processes.

The **Small Business Plan** must describe the bidder's approach at investing in the growth and development of Canada's SMBs. This includes a description of proposed ITB Transactions with SMBs, the strategy undertaken to date by the bidder and Eligible Donors leading up to its proposed commitments to SMBs, and future initiatives and approaches that will be undertaken by the bidder after contract award to improve the economic opportunities for Canadian SMBs. This Plan should also clearly demonstrate the bidder's business rationale for its SMB development strategy, and describe how SMB development considerations factor into the bidder's ITB decision-making processes.

Through an international export strategy, bidders should provide an **Export Target Market Overview** that they and their suppliers intend to target from Canada, providing sufficient information to enable the Government to determine whether a realistic assessment of export potential has been provided. More specifically, the bidder should:

- identify the specific markets that are targeted, including an assessment of the size of the market potential;
- describe any barriers affecting market entry from Canada and mitigation strategies;
- identify whether a buyer has been identified and whether the bidder's solution is a procurement priority of potential buyers in target markets (e.g. has a Request for Proposal been issued?);
- describe the direct or indirect market entry approach (e.g. government-to-government contract, direct commercial contract, agent, local partner, setting up local operations); and
- describe the bidder's competitive advantage (e.g. has the offering already been sold commercially?).

Through a **Gender and Diversity Plan**, bidders will describe, at the prime contractor[1] level, their approach within their Canadian operations to achieving gender balance and increasing diversity in Canada's defence industry, including, but not limited to,

- the bidder's public approach to promoting diversity, inclusion, equality;
- the bidder's corporate anti-discrimination policies;
- training available to educate the bidder's workforce on diversity and inclusion;
- available statistics on proportion of designated groups employed at all levels of the bidder's firm in Canada;
- how diversity and inclusion is factored into the bidder's supplier selection methods in Canada; or
- other corporate activities that seek to increase or support diversity in Canada's defence industry.

The submission of a Gender and Diversity Plan is a mandatory element to ensure bid completeness; however, it will not receive an evaluated score at this time. The Government of Canada reserves the right to rate Gender and Diversity Plans as part of an evaluated score at a future time once a better understanding of measures that bidders are taking or plan to take to achieve gender balance and increase diversity is established.

[1] Foreign-owned bidders with no corporate presence in Canada will be required to provide information on approaches to achieving gender balance and increasing diversity in their broader corporate holdings and how they may take gender and diversity into consideration in future Canadian operations or supply chains.