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Industrial Technological Benefits Orientation Presentation

August, 2026

The ITB Policy

Overview

Requires Companies Awarded Defence Procurement Contracts To Undertake Business Activity In Canada Equal To The Value Of The Contract

General Aspects of the Policy

- **Market driven**
- **Targets work in industrial areas** identified through analysis and industry engagement
- Includes plans for regional distribution of **work across Canada**
- Investments in **small and medium-sized businesses (SMBs)** from across Canada
- Recognizes **incremental** business activity

When Does it Apply?

- The ITB Policy applies on all eligible defence and Canadian Coast Guard procurements over $100 million or to procurements to which the National Security Exception is invoked
- Eligible defence procurements valued between $25-100 million are reviewed for the possible application of the ITB Policy

The ITB Policy

2026 ITB Policy Updates

Canada’s ITB Policy is Evolving

The ITB Policy is becoming more closely aligned with Canada’s **Defence Industrial Strategy (DIS)**, with increased focus on:

Security	Sovereignty	Prosperity
Building resilient Canadian defence supply chains and industrial capacity	Increasing Canada’s ability to develop, manufacture and sustain critical defence capabilities domestically	Growing globally competitive Canadian defence companies

Building Long Term Industrial Partnerships

Increasing Canadian Participation in Global Supply Chains

Key Takeaway: ITBs are increasingly focused not only on *how much* economic activity occurs in Canada, but also on *what strategic capability* that activity builds for Canada.

The ITB Policy

Transactions

The Successful Contractor Undertakes **Business Activities (Called Transactions)** To Fulfill An ITB Obligation; Measured In **Canadian Content Value (CCV)**

Transaction Types

Direct		Indirect	
A business activity directly related to the equipment or services being procured, e.g. platform components, & sustainment activities		Strategic investments or business activities in other areas, e.g. Research & development, capacity and skills improvement, commercial sector work, exports	
Transaction: Production of tank drive sprockets for Canada's new fleet	**Transaction:** Engine maintenance for Canada's military transport aircraft fleet	**Transaction:** Research investment in small satellite technology	**Transaction:** Supply chain work on commercial aero platforms

The ITB Policy

Canadian Content Value

CCV Is **Measured In Canadian Dollars** And Is The Portion Of The Product Or Service (Transaction) That Includes **Canadian Costs**

Includes	Excludes	Example
• Components of Canadian origin • Wages paid to Canadians or permanent residents • Utilities, maintenance, and rent paid in Canada • Profit taxable in Canada	• Parts imported into Canada • Wages, royalty & license fees paid to non-Canadians • Bid preparation costs • Taxes, duties, & lobbyist fees	• **Transaction:** Tank Drive Sprockets **CCV:** 67% • **Transaction Value:** $3,700,000 **Credited Value (CCV):** $2,479,000

For full definition, see the **ITB Model Terms & Conditions**

Key Industrial Capabilities (KICs)

How the Priorities are Evolving

Key Industrial Capabilities (KICs) have historically identified priority areas for Value Proposition investments. With the release of the Defence Industrial Strategy, there is an additional focus on Sovereign Capabilities, including:

A few KIC Priority Areas

- AI
- Clean Technology
- Space
- Remotely Piloted Sytems and Autonomous Technologies
- Advanced Materials
- Munitions
- Marine Ship-Borne Mission and Platform Systems
- Ground Vehicle Solutions

Greater Focus on Sovereign Capabilities

- Aerospace
- Ammunition
- Digital Systems
- In-Service Support
- Personnel Protection
- Sensors
- Space
- Specialized Manufacturing
- Training and Simulation
- Uncrewed and Autonomous Systems

SME Pro-tip: Companies should demonstrate both their technology alignment **and how they strengthen Canadian sovereignty, domestic capacity and supply-chain resilience.**

KICs & Sovereign Industrial Capabilities

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What Are KICs?

- KICs are designed to help target priority areas of investment under the VP in areas of emerging technology and established industrial strength in Canada
- KICs were developed through analysis and expert input, and validated through extensive industry engagement
- KICs align with Government priorities and focus on defence technologies, but also include commercial and dual-use sectors

Emerging Technologies

- Advanced Materials
- Artificial Intelligence
- Cyber Resilience
- Space Systems
- Remotely-piloted Systems & Autonomous Technologies
- Clean Technologies

Leading Competencies & Critical Industrial Services

- Aerospace Systems & Components
- Armour
- Defence Systems Integration
- Electro Optical / Infrared Systems
- Ground Vehicle Solutions
- In-Service Support
- Training & Simulation
- Sonar & Acoustic Systems
- Marine Ship-Borne Mission and Platform Systems
- Shipbuilding, Design and Engineering Services

Support For Small & Medium Businesses

Overview

A key objective of the ITB Policy is to **motivate investments in Canadian SMBs;** SMBs represent **more than 90% of firms** in the Canadian defence industry

Key Details

- Under the ITB Policy, an "SMB" means a Canadian Company with fewer than two hundred and fifty (250) full-time personnel as of the date of entering into a transaction*
- The ITB Policy and Value Proposition has a number of tools designed to motivate investments in SMBs
- To date, investments as a result of the ITB Policy have scaled up close to 450 SMBs in all regions of Canada

Tools Under The ITB Policy

1 Requirement for 15% of Contract Value in SMBs
Bidders must carry out work activities with SMBs equal to a minimum of 15% of the contract value; Points in the VP can incentivize additional work

2 Canadian Content Value 'Boost'
SMBs with a CCV of at least 70% will be deemed to have 100% CCV for crediting and reporting purposes

3 Investment Framework
Crediting tool designed to encourage long-term R&D investments with Canadian SMBs

*Subsidiaries of the Prime Contractor or subsidiaries of an Eligible Donor on any contract with an ITB obligation do not qualify as an SMB. An agent or a distributor of foreign goods and services does not qualify as an SMB.

New Opportunities for SMEs & Growing Companies

Up to 5 years

Small Mid-Cap Category:

Companies growing beyond the traditional 250-employee SME threshold may continue receiving enhanced ITB treatment for up to 5 years.

$1M Cap Removed

CCV Enhancement

Previous $1 million cap on enhanced Canadian Content Value treatment has been removed, allowing larger qualifying transactions to benefit from enhanced ITB credit.

Long-Term Strategic Partnerships

Greater Emphasis on:

- Canadian Supply Chain Development
- Integration into Global Programs
- Commercialization and Exports
- Domestic Manufacturing Capacity

Examples of Primary ITB Multipliers

Multiplier Types

9x:	7x:	4x:
Cash for R&D activities, or Licence for IP	Cash to purchase, or in-kind transfer of, Equipment	In-kind transfer of Knowledge and/or Marketing/Sales Support

Examples of Primary ITB Multipliers

New ITB Incentives

5x Multiplier – Skills Development:

Eligible investments may include:

- Technical training
- Apprenticeships
- Workforce development
- Specialized defence skills
- Advanced manufacturing training

10x Multiplier – Indigenous Participation

Eligible investments supporting **Indigenous workforce development** may now receive a **10x ITB multiplier**.

Broader Strategic Investments

Greater Emphasis on:

- R&D and commercialization
- Technology development
- Innovation partnerships
- Industrial capacity building
- Supply-chain development

Two Pathways

1

Match with a prime contractor that is planning to bid on a DND or Coast Guard contract. SMBs can help them to develop their VP in the submission process. Price + Technical Merit + Economic Component (VP) (10% – 20%)

2

After a prime contractor wins a contract, an SMB can assist them in fulfilling their ITB Obligations to Canada by leveraging the ITB incentives and multipliers

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