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Chair: Mr. Joël Lightbound



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• (1910)

[Translation]

The Chair (Mr. Joël Lightbound (Louis-Hébert, Lib.)): I call this meeting to order.

Good morning everyone. Welcome to meeting No. 103 of the House of Commons Standing Committee on Industry and Technology. Today's meeting is taking place in a hybrid format in accordance with the Standing Orders.

Pursuant to the motion adopted on November 7, 2023, the committee is resuming its study on the recent investigation and reports on Sustainable Development Technology Canada..

This evening, we welcome Simon Kennedy, Deputy Minister of Innovation, Science and Economic Development Canada. Thank you for joining us, Mr. Kennedy.

We also have Mitch Davies, Senior Assistant Deputy Minister, Strategic Innovation Fund, and Andrew Noseworthy, Assistant Deputy Minister, Industry Sector.

Mr. Kennedy, you have the floor for five minutes.

Mr. Simon Kennedy (Deputy Minister, Innovation, Science and Economic Development Canada, Department of Industry): Thank you very much, Mr. Chair.

[English]

Thanks to the members of the committee for inviting us to speak on this issue.

I know that members are aware of the timeline of events as they've been stated at the ETHI committee meetings, but if you will permit me, it may be helpful for me to use my opening remarks to contextualize the discussion this evening and emphasize our commitment to getting to the facts of the matter and taking the necessary steps to restore confidence in the management of public funds at SDTC.

[Translation]

As you have heard, in March 2023, upon learning of the serious allegations made against Sustainable Development Technology Canada, or SDTC, the Minister of Industry requested that the Department engage the firm of Raymond Chabot Grant Thornton to conduct a fact-finding exercise. These were serious allegations that warranted proper due diligence with next steps that are informed by an assessment of all evidence.

[English]

The resulting fact-finding was based on a review of documentation related to organizational policies and procedures, program governance, the project approval process and select interviews. At its conclusion, the fact-finding exercise found no clear evidence of deliberate wrongdoing. What it did find, however, were weaknesses in governance and controls, and instances in which the organization was not in full compliance with its contribution agreement. For this reason, SDTC was issued a management action plan with an implementation deadline of December 31.

[Translation]

The management response and action plan is comprehensive and includes measures to ensure there is a clear and consistent process to declare and document real or perceived conflicts of interest, that the project approval process is fully compliant with the contribution agreement as well as enhanced documentation protocols and internal controls.

There is also a requirement for SDTC to strengthen reporting requirements to give Innovation, Science and Economic Development Canada, or ISED, increased oversight over ongoing compliance.

[English]

Pending satisfactory implementation of the required corrective measures, all new funding by SDTC has been temporarily suspended.

While the management response and action plan specifically address the conclusions of the fact-finding exercise, the department has also held consultations with the Office of the Auditor General. The Auditor General has decided to conduct an audit of Sustainable Development Technology Canada. We're committed to offering our full co-operation, obviously, and look forward to the AG's final report.

Mr. Chair, the Raymond Chabot Grant Thornton fact-finding exercise could not directly examine the recent allegations of labour and employment contraventions, including harassment or abuse by SDTC management against complainants, due to SDTC's status as an arm's-length, shared-governance corporation, but in the course of the work by RCGT, weaknesses were observed. Following discussion with the board, SDTC agreed to allow a third party to have a closer look at these allegations. In that regard, the minister requested that the Department of Justice appoint a law firm to undertake a fact-finding exercise into the allegations and report the findings to the minister. McCarthy Tétrault was appointed as the legal agent.

To facilitate the McCarthy Tétrault review, SDTC has agreed to allow current and former employees to speak freely to the law firm without violating any applicable settlement agreements or non-disclosure agreements. A fact-finding report will be produced and prepared in a manner that respects privacy laws.

[Translation]

Committee members, the government is completing its due diligence, which is an important, necessary, step. Interim control measures are in place and the ultimate outcome will be informed by the Auditor General and the McCarthy Tétrault Human Resources Review.

[English]

I am hopeful that with the actions being taken we are on the path to addressing the organizational shortfalls and restoring confidence in the management of public funds.

I would note that SDTC has played a key role in supporting the needs of Canada's clean technology companies. If you have a brief look at the statistics, you can see the results. Investments made by the organization have been in over 500 companies to date, which have generated \$3.1 billion in annual revenue, created 24,500 jobs and brought 194 new technologies to market. The estimated reduction of greenhouse gas emissions of these technologies is the equivalent of about seven million cars off the road.

We feel that this organization has played an important role. It's important that we get the current reviews right so that public confidence can be restored.

[Translation]

With that, Mr. Chair, I am ready to answer questions.

The Chair: Thank you very much, Mr. Kennedy.

To begin the discussion, I will give the floor to Mr. Perkins for six minutes.

[English]

Mr. Rick Perkins (South Shore—St. Margarets, CPC): Thank you, Mr. Chair.

Mr. Kennedy, on September 15, according to SDTC, you called to suspend the funds. Is that correct?

Mr. Simon Kennedy: Mr. Chair, I'm just looking at the chronology. We briefed the minister on the results on September 27—

Mr. Rick Perkins: I understand that, but that wasn't my question. SDTC provided evidence that you phoned on September 15 to suspend the fund.

Mr. Simon Kennedy: I would have to consult my notes. I don't have the specific date.

Mr. Rick Perkins: Could you get back to us with that?

• (1915)

Mr. Simon Kennedy: Absolutely. That's no problem.

Mr. Rick Perkins: That was 12 days before the minister said that he was briefed on the Raymond Chabot thing, so you suspended the fund before you actually had the final report.

Mr. Simon Kennedy: Mr. Chair, I would have to come back to the committee. That is not my recollection. I'll have to consult the testimony of SDTC.

Mr. Rick Perkins: You don't believe that you made the call to suspend the fund before you briefed the minister on the report.

Mr. Simon Kennedy: Mr. Chair, we sent SDTC a formal request with a management action plan, so there was an exchange of correspondence. I'd have to consult that and get back to the committee, which I'm happy to do.

Mr. Rick Perkins: Okay. I'd appreciate it if you'd get back to me on that.

Mr. Davies, when did you serve as an ISED observer on the SDTC board?

Mr. Mitch Davies (Senior Assistant Deputy Minister, Strategic Innovation Fund, Department of Industry): Mr. Chair, when the organization was transferred to our portfolio—

Mr. Rick Perkins: What was the date?

Mr. Mitch Davies: It was in 2016 and into 2017. That is my recollection. I don't know the precise dates of—

Mr. Rick Perkins: Was that the only time you were there?

Mr. Mitch Davies: In my memory, yes. It was seven years ago.

Mr. Rick Perkins: Mr. Noseworthy, you took over in 2017. Is that correct?

Mr. Andrew Noseworthy (Assistant Deputy Minister, Industry Sector, Department of Industry): Yes, I did, and I continued to attend meetings until early 2023.

Mr. Rick Perkins: It was early 2023. Okay, thank you.

When chair of the board Annette Verschuren asked for the fast-tracking of \$2.2 million from the mysterious eco green fund of SDTC in the fall of 2021, were you aware of that at the time?

Mr. Andrew Noseworthy: I'm sorry, sir, but I'm not sure I understand the specific—

Mr. Rick Perkins: Okay, I'll make it simpler.

At meeting number 70 of the board—and you sit on the board—in January 2022, SDTC rejected Annette Verschuren's request for \$2.2 million from the fund to the Annette Verschuren Centre, because of a conflict of interest. You must recall that.

Mr. Andrew Noseworthy: I don't recall a board meeting where there was a specific discussion about an allocation of funds to the Verschuren Centre.

Mr. Rick Perkins: Do you recall any board meetings, when you were in the meeting, where Andrée-Lise Méthot's companies, by her own admission, got \$43 million in loans? There were seven of them, and here in the committee she admitted that she got a number of them. Do you recall those meetings?

Mr. Andrew Noseworthy: I would have to look at the specific project, sir, to determine what meetings I was attending.

Mr. Rick Perkins: You have amnesia.

Whether it was Andrée-Lise Méthot or Stephen Kukucha or Mr. Ouimet, they all admitted that they got money outside of the COVID payments. Did you ever alert your boss, the deputy minister or the minister to the fact that they were voting money for their own companies?

Mr. Andrew Noseworthy: Sir, my understanding is that all members of the board followed a fairly rigid conflict of interest guideline—

Mr. Rick Perkins: That wasn't my question.

Did you alert anyone?

Mr. Andrew Noseworthy: To my knowledge, I am not aware of any decisions to allocate funds to projects related to board members where they did not recuse themselves.

Mr. Rick Perkins: I have some SDTC board meeting minutes here from March 23, 2020 and March 9, 2021, where they issued themselves special COVID payments. I see you listed as an observer at both of those meetings. Were you at both of those meetings?

Mr. Andrew Noseworthy: Yes, I was at both meetings.

Mr. Rick Perkins: You were aware, then, that between the two meetings, four directors voted themselves \$3.7 million in special COVID payments to companies. These minutes say that they were unanimously supported.

Those directors admitted here that they did not leave the room for those votes. In fact, the chair of the board, Annette Verschuren, who voted herself money, in the ethics committee said that she actually moved the motion that the four directors....

Do you recall those meetings?

Mr. Andrew Noseworthy: Yes, I was at both of those meetings.

Sir, in that particular case, the proposition to extend the COVID payments was made as a blanket proposal across all clients of SDTC who had active contribution agreements. I do not recall the specific discussion on any specific project.

Mr. Rick Perkins: In fact, that's not correct, because while they have said before committee that everyone got 5%, Andrée-Lise Méthot's companies got 10% COVID bump-ups, and there are companies in here.... In one case, one of Andrée-Lise Méthot's companies had 100 months of cash available, so why would they need a special COVID payment?

Mr. Andrew Noseworthy: The decision was taken by the board to apply the COVID payment across all active files. To my knowledge, I'm not aware of any payments past the 5%.

Mr. Rick Perkins: You are aware that the Conflict of Interest Act of Canada says that public office holders cannot personally benefit or vote for things that are their own, and that subsection 16(2) of the SDTC act also says that directors cannot personally benefit.

In this case, four directors benefited by \$3.7 million, and you didn't alert anyone in the department to it....

● (1920)

Mr. Andrew Noseworthy: Sir, I was not aware that there was an active vote by the organization without the recusal of any board member who might benefit.

Mr. Rick Perkins: What's your purpose at the meeting, then?

Mr. Andrew Noseworthy: My purpose at the meeting, sir, was to be a liaison with the department. I was there at the invitation—

Mr. Rick Perkins: Deputy, are you aware of any of these payments, that they were in conflict and that they voted themselves \$3.7 million?

Mr. Simon Kennedy: I would say that the first time I became aware of all of these facts was through the whistle-blower kind of exercise, so it would have been through the Raymond Chabot review and the investigation.

Mr. Rick Perkins: Do you think—

The Chair: Thank you very much.

I'm sorry, Mr. Perkins. That's all the time you had.

I'll yield the floor now to MP Gaheer.

Mr. Iqwinder Gaheer (Mississauga—Malton, Lib.): Thank you, Chair, and thank you to all the witnesses for making time for this committee.

My questions are for the ISED officials. We know that SDTC is an arm's-length organization. Can you explain the work and the collaboration between ISED and SDTC? Also, has it been that way since SDTC was founded in, I think, the early 2000s?

Mr. Simon Kennedy: SDTC is what is technically called a "shared-governance" corporation. There is a board, the majority of which is not appointed by the Governor in Council, but there is a minority—7 of the 15 members—appointed by the Governor in Council.

ISED has a role in helping to identify, as an example, prospective members of the board who would be appointed by the GIC. That's one area where the department intersects directly with SDTC. The other is obviously that the government has a contribution agreement with SDTC to deliver the programming that the government has asked that organization to deliver. We are the custodian of that agreement. It's like a contract, and we manage this agreement with SDTC.

We have an interest in ensuring that they're staying within the bounds of the contribution agreement, and there have been a number of contribution agreements over the 20 years or so of the history of the organization. When a government provides new money, as successive governments have done over the years, ISED would prepare the Treasury Board submission. We would do the work to get the authorities needed to execute the agreement with SDTC.

I'm just trying to be precise. There are two principal ways in which we intersect with SDTC. One would be the management of the contribution agreement, and the second would be through the government appointees to the board of directors.

Mr. Iqwinder Gaheer: That's great. Thank you.

As an official at ISED, what's your specific role in dealing with SDTC?

Mr. Simon Kennedy: I'm the accounting officer for the ISED ministry and the deputy minister. I have general managerial oversight of the department, its budget and its personnel.

Perhaps the best way to explain it would be that I manage the organization, and I have staff who would be responsible, for example, for preparing the contribution agreement with SDTC, and who would be invited to attend meetings of the board to provide the board with information on the government's priorities, making sure we're respecting the requirements set out by the Treasury Board and so on. I have the principal responsibility, as the manager of the department, of undertaking those functions that intersect with SDTC and the responsibilities the department would have.

Mr. Iqwinder Gaheer: When were you and the department of ISED advised or made aware of the allegations made by the whistle-blower?

Mr. Simon Kennedy: Mr. Chair, the ministry was advised, but my staff... Certainly, my recollection is that they told me very rapidly that this was unfolding, because we needed to discuss how to respond. It was on February 16. We had been approached by a complainant with a fairly substantial dossier expressing concerns about events inside the organization and seeking to have the department follow up. That would have been February 16 of this year.

Mr. Iqwinder Gaheer: Can you explain the process of going from hearing from the whistle-blowers to having the third party firm RCGT conduct a fact-finding exercise?

Mr. Simon Kennedy: Effectively, we received the complaint on February 16. It was a voluminous complaint. I'm just making a factual observation. There was a lot of detail in there. It took a bit of time to digest it and determine what the obvious next steps would be.

The other thing is that we were aware, because we'd consulted other colleagues in government, that the complainant had made representations to other organizations. There were conceivably at least two or three potential leads to pursue in a fact-finding, investigatory process.

For example, as I mentioned, there is a minority of members who were appointed by the Governor in Council. Some of the allegations concern the behaviour of the board and the chair. There was a question: If there were to be fact-finding, would it be something led by ISED, or would it be something led, for example, by the Privy

Council Office? They ultimately manage the process for government appointees. We had to do an internal government consultation to determine who was on first. The judgment was that ISED should take the baton and do the investigation.

We issued a contract to RCGT on March 17. I should say that the minister was briefed well prior to that. There was a period between February 16 and the end of February when we did those internal consultations and reviewed the documentation. The minister was briefed in the first week of March. Then we issued a contract to RCGT on March 17, to execute the fact-finding review.

• (1925)

Mr. Iqwinder Gaheer: Mr. Chair, I'm assuming I'm out of time.

The Chair: Yes. Thank you, Mr. Gaheer. You're almost out of time.

[*Translation*]

Mr. Lemire, the floor is yours.

Mr. Sébastien Lemire (Abitibi—Témiscamingue, BQ): Thank you, Mr. Chair.

Without prejudice, I am not sure that the information given by my colleague Mr. Perkins matches what we heard from the witnesses last week. I am referring specifically to Ms. Méthot. I would be curious to validate that in the minutes, because it seems to me that the amounts were not as large. Since we are talking about the reputation of some people, I think it is something that should not be taken lightly.

Mr. Kennedy, based on the allegations and subsequent investigation reports, SDTC has frozen the approval of new projects and will deny any new applications until the implementation process is complete. According to last week's testimony, it is undeniable that this suspension has serious consequences for companies operating in the sustainable technology sector.

How does the government intend to ensure that this situation will not irreversibly affect development and innovation in the Canadian environmental technology sector?

Mr. Simon Kennedy: Thank you for the question.

I do not have the document in front of me, but I understand that the minister has already commented on this subject. We are well aware of the risk of a significant impact on businesses in the field of environmental technologies, and we are looking at how we should solve this problem.

The minister has made it clear that we will review the results of ongoing investigations and take action. However, at the same time, we do not want to create problems for businesses.

We are studying the solutions now. I am not in a position to discuss the decisions, it is up to the government, but I would like to say for the record that we are well aware of this risk and that we are looking at ways to resolve that. Those are my comments for now.

Mr. Sébastien Lemire: What do you think are the biggest consequences the suspension can have on the new technology sector in the short and long term?

Can this result in companies losing expertise, contracts, or intellectual property, and being bought out?

Mr. Simon Kennedy: Frankly, we do not want those negative impacts. So we are now working on this issue, and our goal is certainly not to create problems for the sector. However, we understand that there is a risk and that if we continue for several months without providing any funds, it could become a problem. We are aware of that and we will try to take action to solve this problem.

Mr. Sébastien Lemire: What new measures or directions does the government plan to put in place before resuming project approval at SDTC? What kind of transition period do you have? Do you have a timeline?

Mr. Simon Kennedy: As a public servant, I have to let the minister make the decision. I can only tell you that there are solutions to allow for investigations to continue while providing funds. We are looking into that now.

Mr. Sébastien Lemire: I am still concerned. I would like to know how the department intends to restore the confidence of businesses, innovators and the public in the integrity of SDTC's management. Are there any communication and transparency initiatives in place for that?

Mr. Simon Kennedy: Mr. Speaker, we are also concerned about the confidence of businesses and Canadians in the management of public funds. Right now we are doing an analysis of SDTC's response to the action plan that we submitted to them to see if that is sufficient.

We are also looking at the board of directors, as some seats are vacant. We may appoint new members. We look forward to McCarthy Tétraut's review. Our goal is to take the necessary steps to restore—I do not know exactly how to explain this—business confidence.

• (1930)

Mr. Sébastien Lemire: In your opinion, has an operation of this magnitude already been done in the oil sector, where investment funds and the credibility of these funds are questioned?

Mr. Simon Kennedy: I do not think I fully understand the question.

Mr. Sébastien Lemire: Is this type of witch hunt specific to the new technology sector? Is that already being done in the oil industry, which is heavily subsidized?

Mr. Simon Kennedy: This is the first time since I am with the department that we have seen an investigation and issues like that. We take that very seriously. We do not want to repeat that or repeat it in other areas. I will stop there.

Mr. Sébastien Lemire: It reminds me a little bit of what we have already experienced in this committee, especially when we studied the Fox project and Rogers' takeover of Shaw. I think you were present at that study. It seems to me that there are a lot of similarities. There may be companies that benefit from seeing this type of fund sink.

My final question is, who is responsible for informing clean-tech companies of the approval suspension, and ensuring the continuity of these organizations during the transition?

Mr. Simon Kennedy: Certainly SDTC has a relationship with businesses. In this case, communications were ongoing with these companies and are still ongoing. Clearly, Innovation, Science and Economic Development Canada also has some responsibility, because we are the lead department. We will clearly communicate the decisions that will be made. Those are the next steps.

Mr. Sébastien Lemire: Thank you very much.

Mr. Simon Kennedy: Thank you.

The Chair: Thank you.

Mr. MacGregor, the floor is yours.

[English]

Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP): Thank you very much, Mr. Chair, and thank you to the witnesses for being here today.

I'm here today replacing our regular member on this committee, Mr. Brian Masse. I understand that when the minister appeared before the committee, Mr. Masse asked him about extending employment opportunities to the employees of SDTC who have come forward.

He was wondering if I could ask you whether the department has begun that process and what the outlines and expectations of that process might be to ensure that those employees are protected.

Mr. Simon Kennedy: I don't think I can go further than the minister's answer with regard to that specific question, but I would say that there have been, since that time, steps taken with the board to put in place this independent legal review and, as part of that, to ensure that employees or former employees who wish to come forward will have the potential liability they might otherwise accrue be waived. That's a formal process that has been put in place in writing, and it will have legal standing.

There have been steps taken to ensure that those who wish to express concerns will be able to do so without attracting liability and be safeguarded from those kinds of issues.

Mr. Alistair MacGregor: Thank you for that.

As members of Parliament, we're often in reactive mode to what our constituents bring to us, and I think your department is now generally in reactive mode to these allegations coming forward.

The review by RCGT identified a number of instances where SDTC was not in compliance with its contribution agreement with ISED.

I guess what I want to know is, in trying to learn a lesson from this and find ways of being proactive, have you identified other situations in other contribution agreements where this potential may exist? What lessons are you taking from this?

I understand that you're waiting for a full review, but surely you must be taking this and saying that there could potentially be other troubles out there. What are you proactively doing to make sure that other contribution agreements are in compliance?

Mr. Simon Kennedy: It is a question that certainly I've asked as the deputy minister, and it's a good question to ask in a situation like this.

I'll mention a couple of things. One is that in carefully reviewing the results of the RCGT report, the department did formulate a fairly detailed management response and action plan, which we've given to SDTC. I would say that's part of the response to your question in the sense that we've looked through all the concerns that have been raised by RCGT and asked ourselves questions: How can the organization directly address these issues? Are there things that can be done differently? For example, can we strengthen some of the language in the contribution agreement to make sure that some of those issues are dealt with?

I would say that in the constellation of organizations that ISED supports, SDTC is somewhat unusual in the sense that it's a shared-governance corporation. For example, with a lot of the organizations we support, we have a contribution agreement. The funds go to an organization for a specific purpose. In this case, though, the organization is for all intents and purposes in the private sector and is sort of at arm's length. The board makes most of the decisions. The board decides how to spend the money and so on.

The contribution agreements that we have with other organizations aren't necessarily directly analogous, but we still think it's a good question to ask whether there are things we can be learning more generally for the other contribution agreements we have. We are certainly undertaking that work now.

• (1935)

Mr. Alistair MacGregor: Thank you for that.

There's been much conversation about SDTC's conflict of interest policy. I won't go into detail on it. I think we've covered that quite consistently here. You're aware of the issues that members of Parliament have.

Have other independent agencies had this same problem with a conflict of interest policy? This is similar to the question I just asked you, but are you proactively identifying those and putting together an action plan on how you could evaluate those and so on?

Mr. Simon Kennedy: I would say conflict of interest is something that we take very seriously, in particular with organizations that have either a board or an advisory board that is meant to have expert individuals on it. In the case of SDTC—by statute, actually—part of the design of the board is to have people who are knowledgeable.

There's always a risk, given that, for example, the clean-tech sector is relatively small. Canada is a relatively small economy, relative to some of our peers. There's always going to be a risk, when you have experts from the sector on a board, that you're going to run into conflicts. That makes conflict management really, really critical. That's been my experience in government, in multiple jobs. It means documentation, having minutes, carefully enumerating things and so on.

I would say that one of the things the RCGT report demonstrated here was that this was an area that needed to be strengthened. The management response and action plan makes it quite clear that more needs to be done in that space. It is an area that's very important. We treat it very seriously across the organizations we deal with. This is a reminder of the importance of ensuring that these things are treated very seriously. Frankly, having processes is important, but demonstrating the very strong processes and having very good record-keeping and making sure you're covering all your bases are important in the public sector context especially, for sure.

The Chair: Thank you, Mr. Kennedy.

Mr. Barrett, the floor is yours for five minutes.

Mr. Michael Barrett (Leeds—Grenville—Thousand Islands and Rideau Lakes, CPC): Who made the decision to suspend the funding to SDTC? Was it the minister or you, Mr. Kennedy?

Mr. Simon Kennedy: The minister was quite concerned that we suspend funding, so I would say the minister asked that that be done. It's certainly something we supported.

Mr. Michael Barrett: What evidence was used to justify that suspension? Was it the results of the RCGT report?

Mr. Simon Kennedy: Yes, it was the work that RCGT had done, demonstrating that there were problems in the controls and the processes.

Mr. Michael Barrett: You received those results in May. Is that correct?

Mr. Simon Kennedy: I received the results....

Forgive me. I'm just looking at the chronology. We had been working with RCGT throughout the months of, I would say, April, May and June—

• (1940)

Mr. Michael Barrett: While you consult your notes, I'll continue, if I could.

You've heard the recordings of your employee, the chief financial officer for ISED, Mr. McConnachie. He spoke to this issue. He said that you indeed were in possession of those results in May and that PCO would need to be informed so that they could brief the Prime Minister's Office.

The minister came to committee. He said the department acted immediately, but there's a gap between the suspension of funding, the date that you said was September.... Let's say it was late September.

Mr. Simon Kennedy: We briefed the minister formally on September 27.

Mr. Michael Barrett: On what date did you suspend the funding?

Mr. Simon Kennedy: Maybe I can just elaborate very briefly.

When this process got under way, when the allegations were made and we had hired RCGT to do this fact-finding report, SDTC had, to my recollection, just gone through.... They have kind of a funding cycle. They make awards and then—

Mr. Michael Barrett: Respectfully sir, I really just need a date.

Mr. Simon Kennedy: It's directly germane to the question.

Mr. Michael Barrett: If you don't have the date.... My time is very limited.

This is what Mr. McConnachie allegedly said on May 15 this year: "It's fairly clear that, like, being in receipt of the results of the fact-finding exercise, like, it's not something we can sleep on. We can't just go, ah, it's nothing, and sweep it under the carpet. We're compelled to act."

You were meant to discuss with the minister the gross mismanagement of a fund, of taxpayer dollars, worth \$1 billion, and the conflicts of interest in the management of it. That conversation was supposed to have happened in early June.

Did the meeting happen in early June?

Answer yes or no, please.

Mr. Simon Kennedy: I'm sorry, Mr. Chair. I can't account for the comments of my staffer. I don't agree with the comments that were reported to me. I certainly can't account for what he said.

Mr. Michael Barrett: You don't agree with what you heard him say, or you don't agree that I repeated what he said.

Mr. Simon Kennedy: I can't account for why my staffer said the things he said. I believe he's spoken already on the record about the context for that.

Mr. Michael Barrett: He said you had the results. He said the minister was going to be briefed. Then, there's this big gulf in time in terms of action. He also said a series of actions were going to be taken. It seems that his oars were pretty deep in the water on this thing and that there was going to be a new office responsible for it. They would have someone, an eminent Canadian, overseeing it. He made pretty grand overtures about it and said that your department absolutely believed the concerns that were raised by the whistleblowers.

You talk about restoring confidence, and the minister talked about this in the House today—restoring confidence in the governance of this organization. You talked about the good work that the organization has done. For Canadians to have confidence in this organization and its governance, I would say there needs to be an accounting for the tax dollars that have been misappropriated.

There's now an Auditor General's investigation. Two government appointees are being investigated by the Conflict of Interest and Ethics Commissioner. RCGT itself found multiple instances of mismanagement of public funds outside of the contribution agreement.

Is there a plan to have the misappropriated funds returned? Answer yes or no, please.

Mr. Simon Kennedy: I think we're waiting to see the results of the Auditor General's review. If I could just—

Mr. Michael Barrett: I'm going to ask you a couple of questions, and then I'll give you the last 30 seconds of my time to respond.

Sir, if you haven't prepared a plan for the minister to have the funds repaid, if the minister hasn't prepared a plan for the funds to be repaid, I would say that Canadians are going to find themselves out of pocket and that the insiders who benefited are going to find

their pockets a lot fatter. That's unacceptable to Canadians. They are not going to be able to have restored confidence in this organization.

I have 15 seconds left. I would love to know what the plan is to have the funds restored.

Mr. Simon Kennedy: Mr. Chair, as a public servant, I think we're bound by the facts and the processes that have been set out. The Auditor General is doing a review. We look forward to the results of the review. We'll take action in accordance with her recommendations. That's what I would say at this point.

The Chair: Thank you, Mr. Kennedy.

Mr. Sorbara, the floor is yours for five minutes.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Chair. Thank you, gentlemen.

Mr. Kennedy, obviously your career is quite distinguished within the department and so forth.

I've heard much about the contribution agreements and the contribution agreements that are signed. Can you kind of go over what one could anticipate with the contribution agreements and how they've been strengthened?

Mr. Simon Kennedy: Just by way of illustration, the kinds of things we wanted to see strengthened at SDTC included updating the corporations code of practice and conflict of interest policy; updating the project approval process to basically sharpen up and ensure that the various streams of funding the organization puts out are fully aligned with the terms and conditions of the contribution agreement; strengthening the documentation around project recommendations and approvals; and reviewing and updating the financial management processes and so on.

Those give you an illustration of some things that we directed the organization to do and that we would see updated in the contribution agreement to the extent that was required.

There may be some areas where the updating would be in policies and procedures. In other words, the contribution agreement calls to have a policy in place, and we want to see the policy strengthened. There would be other cases where the change might be made in the contribution agreement itself.

● (1945)

Mr. Francesco Sorbara: On the contribution agreement, just so I understand it as well, SDTC is a fund that makes investments in clean technologies. The contribution agreements would govern the umbrella or the scope of each of those investments and the agreement between the government and SDTC.

Mr. Simon Kennedy: The way to think of this would be that SDTC is a.... There are government-appointed members to the board, but it's an independent organization with a board, and it exists sort of independent of the government.

The contribution agreement is a contractual arrangement in which we've agreed to give SDTC money to do certain sorts of things, and they've agreed to accept it and to actually execute the contract to the government's satisfaction. The contribution agreement is a contract with SDTC, effectively.

Mr. Francesco Sorbara: This type of agreement would be in place for other entities that have the same type of agreement or relationship with the government.

Mr. Simon Kennedy: Well, ISED manages hundreds of such agreements, going back many decades over successive governments. This is a particular one with this organization, but contribution agreements are a pretty typical tool that are used by government departments to enter into agreements with third parties.

Mr. Francesco Sorbara: Okay.

I take it the governance within the contribution agreement with SDTC has been strengthened or is being strengthened. The governance side of it is being strengthened.

Mr. Simon Kennedy: There may be some aspects of governance.... I apologize. I want to be as forthright as possible. Maybe we can come back with something in writing, if we want more precision. The governance of SDTC, from a board and corporate point of view, is actually established in law. There's a piece of legislation that Parliament has passed. In terms of small-g governance, like the policies and procedures, the various committees, some of that may wind up being strengthened in the contribution agreement, but it wouldn't necessarily touch the board and the higher-level structures of how the organization operates.

Mr. Francesco Sorbara: Anyone can answer this question—maybe Mr. Noseworthy—in terms of the clean technology space and how important SDTC has been in Canada for that in terms of investing in early stage or venture capital, or whatever term you want to use, in entities in Canada, in companies for clean technology.

Mr. Andrew Noseworthy: SDTC has been the government's principal connection to early-stage companies. You'll find that many of the companies that get entry-stage funding from SDTC go on to grow to successful companies and in fact obtain funding later on, as part of their process of maturation, from programs like the strategic innovation fund, the Business Development Bank of Canada, EDC and other programs.

Mr. Francesco Sorbara: Are most of the investments done in SDTC.... I'm just thinking about the capital structure of a firm. Where do they place in the capital structure? Are they straight loans, or is it an equity investment? How is it treated?

Mr. Andrew Noseworthy: If my memory serves, they are grants to the individual companies. In fact, I'm sorry. I'm technically correct: They are forgivable loans.

Mr. Francesco Sorbara: Okay.

Thank you, gentlemen.

The Chair: We'll turn to Monsieur Lemire.

[*Translation*]

Go ahead, Mr. Lemire.

Mr. Sébastien Lemire: Mr. Kennedy, here is part of the statement issued by SDTC following the Minister's statement regarding the Raymond Chabot Grant Thornton report:

The SDTC Board of Directors and leadership team are carefully reviewing the report and are taking action to implement the recommendations as quickly as possible to minimize disruption to Canada's sustainable innovation ecosystem.

Do you know what actions have been taken so far?

Mr. Simon Kennedy: My team and I have had several meetings with the SDTC management team and the former Chair of the Board to discuss progress towards the action plan. This plan, which these people submitted to us in December, a few days ago, is currently being analyzed. Our goal is to complete this work in the coming days.

The SDTC management team has already put forward numerous measures and submitted the results to the Department, and they want to know if the Minister is happy to see that what was required of their organization has been completed.

• (1950)

Mr. Sébastien Lemire: Are you considering recommending more structural changes or governance reforms within SDTC to avoid such problems in the future? There was agreement that the COVID environment was exceptional for governance. We wanted to maintain assets and intellectual property related to new technologies on Quebec and Canadian soil.

What would you do differently if another exceptional situation occurred? What lessons did you learn?

Mr. Simon Kennedy: I would like to make a few comments. One of the lessons we have learned, I think, is that in the years to come, even if there is a crisis, people may still ask questions about what has been done. It is important to maintain proper processes. That is my explanation. Everything must be well documented, and reliable data must show that judgment was exercised and that the processes were in place.

In my opinion, the exercise conducted by Raymond Chabot Grant Thornton and the action plan demonstrate that there were weaknesses and that they needed to be addressed. It is as simple as that, in my opinion.

Mr. Sébastien Lemire: Thank you very much.

The Chair: Thank you.

Mr. MacGregor, the floor is yours.

[*English*]

Mr. Alistair MacGregor: Thank you, Chair.

Mr. Kennedy, you and your officials here allow us, as a committee, to get it from the top of the pyramid from ISED. You do have great responsibilities in your department. I understand, with all the reviews that are going on, there is going to be a bit of a waiting period.

For you personally, as a deputy minister, what is your ultimate goal from this whole experience? Do you want to see restored public trust in this issue? Do you want to see better understood rules and processes? Are you hoping there will be better confidence in the companies that this venture serves? What do you think your ultimate goal is going to be from this whole experience?

Mr. Simon Kennedy: Certainly, a core goal I have as a public servant serving the government is to try to faithfully execute the requests of the minister. Those are to get to the facts, to get to the bottom of things, as he has said; to support the government as we may be called upon to follow up on the results of the review of McCarthy Tétrault and then faithfully execute any changes to the contribution agreement and the management response and action plan; and to support any response that is needed from ISED to the Auditor General's findings when they come out, presumably later in the year.

Those will be the first things: to make sure we're supporting the government in its effort to get to the bottom of things and to take the measures necessary to restore public confidence.

I would just say, more generally, as a senior public servant, that SDTC is supported by ISED through this contribution agreement. This is an area where some weaknesses have been shown. Where it's obviously a file of some public profile, it would be seen to be exercising diligence in restoring public confidence in the use of public money. As well, to the extent that there are weaknesses found, they would be corrected swiftly. I would say it's no more complicated than that.

The Chair: Thank you very much.

This concludes the time.

Mr. Rick Perkins: Mr. Chair, can I ask a question on a point of order?

The courtesy in most committees, since we were 10 minutes late starting because of the vote, is that we extend everything by 10 minutes. I'm wondering, because we still have more questions for our officials, if we could complete the full hour with officials and do the hour with—

The Chair: Mr. Perkins, as you are aware, we've had discussions with the clerk, and we have a hard stop at nine. If we take more time now, then we have less time for the second hour. I believe we discussed before the start of this committee that we would have more time with the second witness for the second hour.

It's up to the committee, really, on that point, but I'll stick to the agreement that we had before we started, Mr. Perkins, and we'll suspend.

I want to thank Mr. Davies, Mr. Kennedy and Mr. Noseworthy. Thanks for being with us tonight.

We will suspend, colleagues, until eight, and we will start at eight sharp.

Thank you very much. The meeting is suspended.

• (1950) _____ (Pause) _____

• (2000)

• (2000)

The Chair: Dear colleagues, we'll resume, as it is 8:00 p.m. sharp.

[*Translation*]

For the next part, we have a witness who, at his request, prefers that we not mention him by name. I ask you to comply with this request.

Let us get started now.

[*English*]

Sir, I will yield the floor to you. Thanks for being with us tonight at this late hour to share your perspective with this committee. It's much appreciated.

You have the floor for the next five minutes.

Witness-Témoïn 1 (As an Individual): Thank you, Mr. Chair and honourable members of the committee.

Before I begin, I would like to clarify my intentions. I am not here to attack SDTC, its workers or the companies it funds. SDTC plays a critical role in the Canadian economy. I genuinely believe in its mandate. I can personally attest to how effective the organization is at utilizing taxpayer money to create jobs and develop new industries. The organization needs to survive. The employees working there need to be protected, because empowering those SDTC employees is crucial for the successful delivery of its mandate.

The only way to get SDTC back on track is to discuss the facts and set the record straight. I believe accountability is the cornerstone of a just society. That's the sole purpose of my presence here. The SDTC board, executives and senior management must be held accountable for their gross mismanagement of taxpayer money and the gross misconduct that's been perpetrated by the toxic senior management team, which has victimized countless employees. The federal government must also be held accountable for the embarrassing lack of oversight that has allowed these problems to persist and the egregious cover-up of the truth that occurred this fall.

At the beginning of this year, a comprehensive, 345-page presentation was created and submitted to the Privy Council Office at the request of the Office of the Auditor General of Canada, whom we originally went to. This package contained documents that outlined gross mismanagement across every aspect of SDTC's operations and governance. It highlighted non-compliance with the SDTC act and contribution agreement across all of the organization's funding streams, and serious breaches of the conflict of interest policies by the executives and board.

The package also included evidence of the toxic workplace culture that was created by the CEO, Leah Lawrence, and her friend and still current VP, Zoë Kolbuc, who have been allowed to continue abusing and harassing employees by a passive senior management team and board that protect and hide the abuse.

All this information underwent review by PCO and was then forwarded to ISED, which subsequently engaged RCGT to conduct an independent fact-finding exercise to validate this information. I will outline the findings for everyone.

The seed fund, ecosystem fund and scale-up fund were all found to be ineligible due to multiple violations of the contribution agreement, significant deviations from the due diligence process, and conflict of interest breaches by board members and executives. This finding encompasses nearly 200 companies that all received over \$80 million, all of which was improperly funded using taxpayer money.

The two COVID payments in 2020 and 2021 were also given to the full portfolio of companies. They totalled almost \$40 million. They were also deemed to be ineligible, as the use of these funds was not effectively tracked. Several board members in that instance also violated conflict of interest by approving almost \$4 million to themselves—to over a dozen companies in which they all hold significant ownership or executive positions.

The report also revealed that SDTC lacked HR processes or policies. Issues were never even reported to the board. Conveniently, the RCGT investigators couldn't find even a single record of any complaint ever being made in the history of the organization.

This is a staggering level of incompetence, wilful ignorance and corruption that has resulted in SDTC improperly distributing almost \$150 million in taxpayer dollars just in the past few years, and abusing dozens of people who have only tried to talk about the truth.

The organization deserved to be suspended. The organization also deserved a new board, executive and senior management team, but that never happened. Not a single one of the individuals responsible for these issues has faced a single consequence. No executive or board member was terminated or put even remotely near handcuffs. Every single person who was directly implicated even had their name redacted and protected by ISED in the RCGT report.

Even more shocking is the fact that despite these findings, ISED continues to allow these individuals to manage taxpayer dollars. It also allows them to continue perpetuating the abuse against employees who have been desperately seeking protection from their own government for over a year. That cannot stand.

- (2005)

The SDTC's board and executive continue to insist that the issues are just minor inconsistencies, while ISED and the minister continue to claim that no findings warrant serious action. These are false narratives, and I'm here to provide documented proof of all the lies that continue to be perpetuated by both SDTC and ISED.

I believe that my testimony can provide an in-depth overview of the key issues at SDTC, because I worked on the financial due diligence and compliance of projects at SDTC for the key two-year period that coincides with the most serious findings in the RCGT report.

I am also intimately aware of exactly how ISED understood the issues, and the clear direction the total bureaucracy had laid out. The minister and PCO have been aware of this file longer than they

are telling the public. There is documented evidence that they even engaged with everyone at ISED to make sure there were edits to the briefings before they were officially sent to them.

All of this is backed up by documents, transcripts and recordings, some of which we've already submitted to this committee.

Thank you, and I welcome all of your questions.

The Chair: Thank you very much, sir.

To start the discussion, I'll turn it to MP Barrett.

Mr. Michael Barrett: I have six minutes, so I'll ask you a question, and I'll give you up to a minute to respond to each. I'll try to do this in six questions, if I can.

Can you confirm that in your opening statement you said that up to 150 million in taxpayer dollars have been misappropriated, in your estimation?

Witness-Témoïn 1: That's correct.

Mr. Michael Barrett: How many board members and executives were in conflicts of interest and were funding companies in which they had a financial interest?

Witness-Témoïn 1: At least half of them.

Mr. Michael Barrett: Are you able to provide some examples to the committee?

Witness-Témoïn 1: Key examples would include ex-CEO and ex-chair Annette Verschuren, and Leah Lawrence.

What they've said before is not the full truth, because Annette Verschuren said that she had never applied for anything at SDTC, but she in fact applied to SDTC for her Verschuren Centre in 2021 and tried to get funding for that organization, which was ultimately rejected.

Mr. Michael Barrett: You mentioned you have documented proof of the things you've said.

Is there any information you have not submitted to the committee that you would be able to provide to the committee, specifically with respect to your testimony today?

Witness-Témoïn 1: We are willing to provide all the information, under the condition that it's also publicly released.

- (2010)

Mr. Michael Barrett: Okay. Will you be able to forward that to the clerk?

Witness-Témoïn 1: Yes.

Mr. Michael Barrett: The conflicts of interest that we have seen, that have been identified with respect to appointees of the Liberal government, totalled more than \$600,000, specifically with respect to COVID payments to Ms. Verschuren and Mr. Ouimet.

These were not isolated incidents with respect to those COVID payments. Is that correct?

Witness-Témoign 1: That's correct.

When we're talking about the COVID payments, we need to talk about two payments that were made. The findings of the RCGT report didn't just say that the conflict of interest rules were broken. The report also found that all of the \$40 million that was given out was not even effectively tracked, because anything that was funded by SDTC had to be tracked for eligible funding. None of that happened for either payment, as found by the RCGT report.

Mr. Michael Barrett: How much money flowed to the companies that were in conflict of interest?

Witness-Témoign 1: For both of those payments, it would have been almost \$2 million each time, to likely a dozen companies or more. It's hard for us to really know, because we were not really made aware of all the conflicts of board members most of the time.

Mr. Michael Barrett: You just heard testimony from ISED officials and the deputy minister.

To your knowledge, in their opening statement or in response to questions from members of this committee, did they mislead or fail to provide fulsome answers?

Witness-Témoign 1: They did.

Mr. Michael Barrett: Can you provide details of that assessment?

Witness-Témoign 1: With regard to the ISED situation, ISED representatives were open and transparent about the investigation from day one and provided weekly debriefs on the progress. There was no coercion in any of this.

Here are the real facts of the matter. ISED representatives have said on multiple occasions that there were no briefings made to the PCO regarding the situation. This is a lie. We have evidence that the deputy minister and ADM were in continuous conversations with the PCO, because the investigation included GIC appointees. The minister said, on the record and multiple times, that he was briefed on the outcome only on August 27, but that's definitively not true. He lied at the ethics committee. The deputy minister spoke to the minister's office and the minister on several occasions before the briefings were finalized, including about edits that were made on behalf of the minister's office.

The real truth of the matter is that there was a definitive consensus across the bureaucracy at both ISED and the PCO that the full board and executive team at SDTC needed to be terminated. This was described to us in detail and on multiple occasions in late August and September. The outcome of this situation changed only when the minister's office became involved. He is ultimately responsible for SDTC. He is the one who needs to tell the truth about what the real situation is.

With regard to some of this, we have already submitted clips and transcripts from September 1 and September 29 that provide all the

detailed information. If I have some time, I'd like to go over some of that.

Mr. Michael Barrett: I have 60 seconds.

Witness-Témoign 1: That's enough.

Mr. Michael Barrett: Go ahead, sir.

Witness-Témoign 1: On August 25, this is what was said: "The overall thematic is kind of where we've come to sort of understand...as well, which is that there's a lot of sloppiness and laziness, and there's some outright incompetence, and the situation is...untenable at this point, and that doesn't even include any of the allegations related to the way in which the place is managed. Just on the basis of the administration of the agreement, the governance, the conflict of interest and shoddy management of the COI, the situation is untenable."

On September 1, there was this:

The report implicates the board in terrible ways. By not following process, by not following the COI regime and by not being prudent fiduciaries, they've missed out on so many [issues]. It's...a board failure altogether...and this is how we're briefing it. This is how it's well understood by us and the deputies, and I think it's understood by PCO as well, because it's not the first time they've seen this kind of situation.

The final one is on September 29.

Since we last spoke, most of the week, for us, has been involved in finalizing the briefing to the minister. Obviously, there's been verbal briefs from the deputy to the chief of staff and to the minister himself, just so he gets a heads-up as to what's coming, and that's resulted in tweaking to the briefing package and all that...stuff.

The Chair: Thank you very much.

MP Sorbara, the floor is yours.

Mr. Francesco Sorbara: Thank you, Mr. Chair.

Welcome, sir, to the committee this evening.

As someone who came from the private sector before entering public service, which is obviously very important, and who worked in large organizations dealing with human resources—and the structure of an organization having the ability to deal with human resources—I think it is very important to raise concerns about a spectrum of things. It's everything from how you are being treated as an employee to the internal processes of an organization in terms of how financial matters are handled. Obviously, you raised certain concerns and so forth.

My question is, first of all, about the internal process at SDTC that you were able to follow or pursue.

Can you speak about that? How were the issues handled internally, and how did you raise them? What was the reception, and so forth?

● (2015)

Witness-Témoign 1: Is this related to HR complaints, or to the funding?

Mr. Francesco Sorbara: It's related to both tangents, if I may.

Witness-Témoïn 1: With regard to HR policies, it's not just that there was massive turnover at the employee level. Within a two-year period, every single HR director, which was almost four, either was fired or went on stress leave. Even when complaints were being made, every single one of the employees who were then tasked with dealing with them, if they actually took it seriously, would be pushed out or fired. Every single one of them was put under an NDA that specifically had language that prevented them from even going to the federal government to complain about the issues that were ongoing.

As it relates to the organization as a whole, the culture of fear is there, and it's existed for a long time. Even when people have the strength and courage to take those issues to someone, every single time it's been hammered down because of people like Leah Lawrence, Zoë Kolbuc and the whole organization at the top senior level management.

With regard to the funding issues, all the issues that were found by RCGT were noted by employees on multiple occasions. There are emails we can provide where we and others also had issues that were sent to executives and even to the CEO.

An example of that would be the Verschuren Centre application. That is related to the ecosystem fund. The ecosystem fund, which has been found by RCGT to not be in any way eligible, was approved by the board without any consultation with ISED. When it was approved by the board itself, the first project, second project and third project were all related to board members and had conflicts. The second one specifically was the Verschuren Centre application. Employees complained multiple times, even by email to executives, that this was an obvious conflict of interest, yet not a single one of those issues was heard by executives. We were continually ignored up until it went to the board and other board members finally admitted this was an obvious conflict of interest.

Even after it was rejected, the executives then forced employees to personally go to other federal or provincial funding organizations and use SDTC's reputation to see whether they would be willing to give the Verschuren Centre funding.

Even when something doesn't get approved, there's still employee pressure from the executive team to make sure some of these things happen.

Mr. Francesco Sorbara: To put it on the record, when you mentioned the term "NDAs", you were talking about non-disclosure agreements.

Witness-Témoïn 1: That's correct.

Mr. Francesco Sorbara: It sounds like you and many other folks did raise issues. How long would you say it took either for the board members or for internal processes to kick in whereby these concerns were listened to or heard and it was accepted that they were serious, from your point of view?

Witness-Témoïn 1: They were never taken seriously, and they were always swept under the rug.

Mr. Francesco Sorbara: My final question is in terms of the actual functioning of SDTC.

In Canada, we have a tech ecosystem. Our levels of capital are robust, but not as robust as south of the border, with the many investors, private equity funds and so forth that exist in the United States. SDTC, in my view, fulfills a specific role and a very important one.

Would you concur that the intent of SDTC is to fulfill that role in investing, on a non-repayable grant basis, in companies in Canada that are clean tech, potentially have a very bright future, and could turn into larger entities and create a whole ecosystem themselves?

• (2020)

Witness-Témoïn 1: How much time do I have to respond?

The Chair: You have about 40 seconds.

Witness-Témoïn 1: I do agree with that. The issues we're talking about here aren't related to that mandate.

I agree that the grants themselves are not a problem, and the majority of companies deserve it.

One issue we're talking about here in the RCGT report was also related to the scale-up fund. On average, SDTC provides \$2 million to \$3 million to companies, but within the scale-up fund, it's almost \$20 million per company. These are companies that are fully commercial; they have major investments in the hundreds of millions of dollars, and they're big enough that they're buying up other companies, yet, because they're connected to different executives or board members, they're getting that funding.

Mr. Francesco Sorbara: If I could interject.... I have only about 10 or 15 seconds left.

Do you have a timeline? You were there for two years, I believe, from what it sounds like—

The Chair: Mr. Sorbara, I'm afraid you're out of time, so we'll leave it here.

[Translation]

Mr. Lemire, you have the floor.

Mr. Sébastien Lemire: Thank you, Mr. Chair.

First of all, sir, I would like to know the reasons why you have come to testify today.

[English]

Witness-Témoïn 1: I want to show accountability.

[Translation]

Mr. Sébastien Lemire: Therefore, I would ask you to tell us why you are a credible witness. Why should we believe your testimony?

[English]

Witness-Témoïn 1: It's because I'm not a disgruntled employee. I left SDTC of my own accord, and I'm one of the rare few employees who wasn't fired or given an NDA.

I can also provide evidence and documentation showing that even when I provided my resignation, I was offered a promotion and more money to stay at SDTC, because throughout the two years I was there, I was a high performer. I received all of that in writing, and I can also provide it.

I also worked on every single one of these funds: the seed fund, the ecosystem fund, the skill fund and the regular tech fund.

Being on the financial side, I got to see every single aspect of these projects and more importantly of the financial compliance. We knew exactly what the rules were because we were dealing with the rules there, and we could see where the deviations were, whether they were slight or major.

That's why I believe I'm a credible witness. I'm not a disgruntled employee, as SDTC continues to state about other people. I'm not under an NDA, so I have chosen to come here by my own choice, taking all those risks.

[Translation]

Mr. Sébastien Lemire: In your opening remarks and in the answers to the questions that were asked, you often used the term “we”. Who is “we”?

[English]

Witness-Témoign 1: That includes current and former employees. This would be between 20 and 30, half on the inside and half on the outside. Again, the majority of ex-employees were not fired for cause. Every single one of them was given a package with the stipulation that for them to receive the package, they would have to sign an NDA.

On the inside, you can clearly see that a major culture of fear still persists. Although the CEO is gone, all of the friends she's hired in the executive seats, like Zoë Kolbuc or Steven Engel, and all of the other passive bystanders who continue to perpetuate these issues still exist. It's very hard to get a lot of people willing to come to these situations.

[Translation]

Mr. Sébastien Lemire: According to a November 1 Radio-Canada article, a whistle-blower felt that the government had made a series of false promises to you and had instead sought to minimize the consequences of your complaint. The word “your” is used in the collective sense, I understand.

Can you explain what are the broken promises referred to in the article?

[English]

Witness-Témoign 1: I think the most major one has to be the protection of employees. The minister stated that as soon as this report was completed, they started this HR investigation. That's a lie.

Since day one, we made sure the HR issues were noted, because those are the most important aspect of the investigation. How can you properly investigate, when employees aren't being protected on the inside? They've known about the culture issues from day one, and those were proven to them even in May.

The most egregious thing that happened during ISED's investigation had to be that in September, while they were still investigating,

another employee was fired by Leah Lawrence, and then nothing was done to protect this employee. That was during the ISED investigation. ISED was unwilling to stand up and stop that.

This employee was put under the same sort of NDA that every other employee has had to deal with, so ISED knew about this, but they were unwilling to do anything to protect employees, just as they're doing now.

Even the McCarthy Tétrault investigation that they've started has already broken confidentiality, because the name of every single person who signs up for it is shown to SDTC executives, and they can list everyone who's taking this.

The whole HR investigation has been a farce. On the other side, what we asked was not for everyone to be fired. We asked for proper investigation, and when all of this was found in May, it was then suddenly changed. The continued moving of the goalposts happened throughout this investigation, and the key issue is that because no one was protected, this has continued to lapse.

• (2025)

[Translation]

Mr. Sébastien Lemire: How do you assess the effectiveness of the whistle-blower protection mechanisms that have been put in place? Are any adjustments needed to improve them?

Also, with respect to the lack of trust, what specific measures do you hope to see in order to fix the trust relationship between you and the government?

[English]

Witness-Témoign 1: Well, with regard to our experience in the whole situation, I think it's frankly embarrassing. The whole whistle-blowing process basically proves to us that there's a two-tier system that exists. If you are a normal, regular Canadian citizen and you go to your government to complain that, hey, there is wrongdoing happening, and you risk your career and your professional reputation, they don't even do anything about it.

This whole fallacy that we were disgruntled and there was some sort of coercion with all of this happening...none of that's actually true, because we were patient. How does a fact-finding take seven months? That's factually incorrect, and they know it, because that turned into an investigation by June, and they continued to do it. What I find disgusting about this is that they continue to deny even the most basic level of truth.

When you talk about whistle-blowing, they never protected anyone, so for everyone who went to ISED as it relates to this, the thing they were definitive about was that you are not going to be protected from the federal government if anything happens from the backlash that would come from the SDTC executives or board members toward these employees.

[Translation]

The Chair: Thank you.

[English]

Mr. MacGregor.

Mr. Alistair MacGregor: Thank you, Mr. Chair.

Thank you for being here today, sir.

Before I got into elected office, I worked for a few different companies, and I've seen different managerial cultures. Certainly, there a great spectrum. At times, poor management can be a result of the individuals who are there, and at other times it can be a result of the general culture or ecosystem being poor. If you don't have strong processes in place, it can allow bad people to do bad things, whereas if you have good processes in place, at least you can ensure those people are following the rules.

I did note in your opening statement that you talked about the great work that SDTC has done. You do think it's a valuable enterprise and that with some changes it should be able to continue doing that great work, but when you were talking about the toxic work culture that exists there, I'm just wondering, could you go into a little more detail on that? I'm trying to understand. Was that a result of the fact that there were bad people there, or was it bad processes, or was it bad people and bad processes that allowed this to fester?

Witness-Témoïn 1: It's both, and the reason for that is that the bad people don't let the processes come into existence.

Several of the HR people, who were all subsequently fired, tried to bring in processes. What happens at SDTC, which was again found in the RCGT report, was that “no processes exist”. They used to exist. Everything has gone downhill since Leah Lawrence started. It was a slow burn, but that's what happened.

When I talk about this, you know, it's sort of like you get rid of all of the executives one by one. Then you start hiring personal friends in those executive positions, and then those personal friends start hiring other personal friends into all of these different organizations and all of these different parts of that organization. It's taken a long time to get to the point we're at, but this is where it's gotten to, because there's never been any accountability for anyone at SDTC, even at the board level.

There's one thing I want to point out in terms of the gross level of corruption and governance issues that exist. Simon Kennedy came here and talked about how at the board level only seven out of the 15 appointees are GIC. The other eight, of whom a number are on the HR committees of SDTC, are appointed by what's called a “member committee” or a “member council”, which is also in the SDTC act, and which says that the public interest is represented by these member committees, which are a group of 15 people who are the ones who appoint the other eight, which is the majority of the board.

For the last four or five years, that committee is down to only two people, one of which is SDTC's own internal lawyer, Ed Vandenberg. For the last five years, two people have been appointing the majority of the board, through a basically illegal process. It's not just that there are governance issues at the bottom. It's also at the top, and the people who are being brought in, even at the board, are personal friends of the CEO and other people, because there isn't a single level of oversight across this.

Again, even this issue was brought up to ISED, and they've understood it, but they've chosen not to act, even though clearly this is someone or a group of people who are breaking the law, because

how is it that you're allowing people who've illegally been appointed to the board of SDTC to then be making decisions on taxpayer dollars in the millions every single day? It's across the board.

• (2030)

Mr. Alistair MacGregor: Thank you for that detail.

On one of the other things—I'm here replacing my colleague Mr. Masse—you touched on this with another question, but just on protection for employees, on making sure that we have the protection of law and a safe space for people to come forward like this, can you offer any more comments to this committee on what our possible recommendations on that could be?

Witness-Témoïn 1: There are lots of recommendations. I think the main one has to be that the federal government needs to provide an outlet to enable all these employees to go into the federal service. That is the key thing that needs to happen, because, even to this day, with this investigation that's happening on the HR side, there are people who have been abused for so long that it's almost impossible for them to trust the situation, especially when you consider how ISED botched this right at the end.

All of the trust that existed is completely gone. Even with this McCarthy Tétrault investigation, no one really believes it's going to go anywhere, but that's the only choice everyone has. They're going to try to see if it goes anywhere, but what needs to really happen is what Brian Masse said—the federal government needs to provide employees the opportunity to leave SDTC and go somewhere else. That's where they can then provide all of the testimony that's required. That's the only way you can actually move forward, because no one feels safe, even to this day, because the ISED bureaucracy and the minister are unwilling to let them have that safety.

The government is the ultimate power in this situation. SDTC is funded by taxpayer dollars, 100% from ISED. How can they say they had no control over HR? How can they say they don't have the ability to protect employees? This is insanity.

Mr. Alistair MacGregor: Is that it, Mr. Chair?

[Translation]

The Chair: Yes, Mr. MacGregor. Thank you very much.

Mr. Perkins, you now have the floor for five minutes.

[English]

Mr. Rick Perkins: Thank you, Mr. Chair.

Thank you for coming.

I want to get into some very specific things. In your opening testimony you said you worked on the financial analysis of grant proposals through all of the funds. You mentioned the Verschuren Centre, which is in Nova Scotia—Annette Verschuren being the chair of this board. You said that Annette Verschuren and the Verschuren Centre applied for funds from the ecosystem fund. Is that correct?

Witness-Témoïn 1: That is correct.

Mr. Rick Perkins: On that application, were you involved, with some of your colleagues, in analyzing it?

Witness-Témoign 1: Yes.

Mr. Rick Perkins: The ecosystem fund doesn't directly support green technology companies, does it?

Witness-Témoign 1: No. SDTC's mandate is to directly fund clean technologies, versus the ecosystem fund, which has been designated by the board to indirectly fund companies or organizations that help clean-technology companies.

Mr. Rick Perkins: The Verschuren Centre in Cape Breton, Nova Scotia, is not a clean-tech company. Is that correct?

Witness-Témoign 1: No, it's not.

Mr. Rick Perkins: Okay.

What year did that application or process happen?

• (2035)

Witness-Témoign 1: The application was initiated sometime in summer 2021. What I want to point out, as it relates to that application, is that the ecosystem fund is not a publicly available fund. As part of their contribution agreement, you have to provide everyone the equal opportunity to apply to funding agreements, and to apply to any of these funds. For the ecosystem fund, that never existed, so it was brought to us by the executives, who said, "We are now looking at the Verschuren Centre."

Mr. Rick Perkins: Did you or any of the employees have any concerns that funding a centre, an ego project of the chair, might be a conflict?

Witness-Témoign 1: There were emails sent by multiple employees.

Mr. Rick Perkins: Who were they sent to?

Witness-Témoign 1: They were sent to executives at SDTC.

Mr. Rick Perkins: Do you have copies of those?

Witness-Témoign 1: I do.

Mr. Rick Perkins: Would you table those with the committee?

Witness-Témoign 1: I will.

Mr. Rick Perkins: Thank you.

When you went through the analysis, what was the state of the Annette Verschuren Centre at Cape Breton University at the time, financially?

Witness-Témoign 1: It would likely have gone bankrupt if it hadn't received federal funding.

Mr. Rick Perkins: How much was the chair seeking for her ego project from the green slush fund?

Witness-Témoign 1: She was seeking \$2.2 million.

Mr. Rick Perkins: Wow, \$2.2 million....

On that process, was the chair ever inquiring as to the state of the process and how it was going?

Witness-Témoign 1: Yes. She indirectly emailed the executives or other parts of the organization to check in on the progress of the application.

Mr. Rick Perkins: She was directly involved in trying to push it forward with management.

Witness-Témoign 1: Absolutely.

Mr. Rick Perkins: On the analysis from the team that went to the board, what was the conclusion about whether or not it should be funded?

Witness-Témoign 1: It was recommended for funding.

Mr. Rick Perkins: Why was it recommended for funding?

Witness-Témoign 1: That's how the organization works. The level of due diligence at SDTC is extremely high, but the ultimate authority on whether projects move forward to the project review committee is held by executives.

Mr. Rick Perkins: The approving body, ultimately, is the board itself. Is that right?

Witness-Témoign 1: It's the ultimate approving body, but before it goes to the board, it has to go to the project review committee, and before it goes to the project review committee, it has to be agreed upon by the executives.

Mr. Rick Perkins: Okay, the project review committee reviewed this....

Witness-Témoign 1: They rejected it based on the conflict of interest, but they were still in favour of it for its technical—

Mr. Rick Perkins: When it was rejected, were there any commitments that were made to the board chair as to what employees would do after that rejection?

Witness-Témoign 1: Yes, they're all included in the board minutes of the project review meeting, where it was clearly stated that the SDTC employees would help the Verschuren Centre and move that application into other sources of funding.

Mr. Rick Perkins: Can you table those minutes with the committee?

Witness-Témoign 1: Yes.

Mr. Rick Perkins: Let me get this straight. The project review committee employees were told, after SDTC rejected Annette Verschuren's \$2.2-million request to fund her own centre, that you had to go to work to help Annette Verschuren find that money somewhere else in the government.

Witness-Témoign 1: Using SDTC's reputation.... Just for everyone's reference, SDTC rejects applications all the time, and it references other organizations if they're not fit. There's an unprecedented time here when employees were asked to go and use that SDTC reputation to go to other places.

Mr. Rick Perkins: Did they do that?

Witness-Témoign 1: They did.

The Chair: I'm sorry, Mr. Perkins; you are out of time.

[Translation]

Ms. Lapointe, you now have the floor for five minutes.

Ms. Viviane Lapointe (Sudbury, Lib.): Thank you, Mr. Chair.

[English]

Hello, sir. I, too, want to thank you for coming here this evening. I see that you also took time to prepare your five-minute statement, and I want to thank you for the time you put into that. It is important for this committee to hear from you.

With reference to that opening statement, I want to make sure that I have been able to understand in a very accurate way the information you're giving us, so can you clarify the timeline, the chronology? Because there were so many dates there, I want to make sure that I've captured it.

Witness-Témoign 1: Is that with relation to the complaint?

Ms. Viviane Lapointe: It's in relation to the overview of the timelines of the events related to the concerns that you've raised.

Witness-Témoign 1: In terms of all the issues at the organization, they've been ongoing for years, so that could go back even to 2017 or before.

As it relates to the issues at hand and how the complaints moved forward, it was initially brought to the Office of the Auditor General in December of last year, and after they reviewed the information, they asked that the information be sent to PCO, and that's when all of the information was then packaged into the 345-slide presentation, which, again, included all of the documents and all of the references to make sure that it was comprehensive—so that it wasn't just allegations.

After that, PCO passed it off to ISED, and then ISED initiated the fact-finding in March.

In May, what was told to everyone was that the findings had been made, so every single issue that ISED had noted to suspend SDTC in October was founded all the way back to May. They had been sitting on this for over four months between that time, and this is when the minister's office initially got involved, because, once it was mentioned to them, they provided us some indication that, “These are all of the subsequent investigations.” At that point it was a fact-finding exercise, so the whole outcome of that was a six-week review, which, if anything was proven, would then initiate the required investigations for it, which would be a due process investigation. That would involve the Office of the Auditor General, reviewing all the HR issues and a review by ISED, because there were major issues that they found in the compliance agreement on the contributions side.

All of that was what they said was founded, and they said they planned to initiate the investigation. Once it got to June, after they had initiated some of those conversations with the minister's office, it was suddenly said that they needed more time to fact-check.

• (2040)

Ms. Viviane Lapointe: Who do you mean when you say “they?”

Witness-Témoign 1: They are ISED, senior ISED executives. When I mention ISED, it's always senior ISED executives.

In June they then said that this was now a smaller-level investigation. They even stated to us that this was not a fact-finding exercise anymore, that this was an investigation, and they could provide details to prove that point.

Ms. Viviane Lapointe: Did they state that to all employees?

Witness-Témoign 1: No, they did not state that to employees. Again, none of the information as it pertains to the investigation was ever given directly to SDTC employees, even though ISED asked SDTC to provide those optics. SDTC executives continually withheld information regarding the progress of the investigation and even the initiation of the investigation from employees, until the media started reporting on it.

Going back to that timeline, once it got to June and July, what was then said was that they had found that they could not even trust SDTC executives with the documents, because what RCGT and ISED were finding was that documents were being changed. There was a level of mistrust within ISED even on what SDTC was sharing with them. That's why in July they asked us to provide additional documents that they were not able to get from SDTC.

In August is when everything changed. That request was then cancelled. They said they were going to fire all the executives and board members. It was ISED that began the conversations around how they were going to fire everyone. Then, in October, they suddenly said, we aren't going to do any of that.

Ms. Viviane Lapointe: Let me understand. When you were bringing concerns forward, were you doing that through HR or the next level up?

Witness-Témoign 1: I'm sorry. Do you mean at ISED? I don't work at SDTC anymore. The whole situation at ISED was an indirect.... There was no legitimate system in terms of, like.... Because SDTC's outside of the purview, as they've stated, there isn't even a process that exists to take these complaints in, which is why it went from the Office of the Auditor General to PCO and then to ISED. They had to figure out who dealt with it.

Ms. Viviane Lapointe: Did you have direct interactions with ISED?

The Chair: Madam Lapointe, I'm sorry.

[Translation]

Mr. Lemire, you have the floor for two and a half minutes.

Mr. Sébastien Lemire: Thank you, Mr. Chair.

Thank you again for being here, sir.

Last week, Mr. Kukucha told us that the internal investigation process had been followed and that he was committed to it. He stated that he received a complaint. Are you, by any chance, the person who approached Mr. Kukucha under those circumstances?

[English]

Witness-Témoign 1: No.

• (2045)

[Translation]

Mr. Sébastien Lemire: You did not talk about that.

[English]

Witness-Témoign 1: I do have information around that situation.

[Translation]

Mr. Sébastien Lemire: What can you tell us about these facts or your experience with him?

[English]

Witness-Témoïn 1: The Osler process is something that ISED themselves were told about when the initial investigation was started by ISED. A complaint was made to the board member, Stephen Kukucha, at the end of January. He stated that they had asked for information from the whistle-blowers, who were internal employees, and that they never received anything. We are willing to provide all of the emails around that situation.

What happened was they picked Osler, which is clearly a conflicted law firm that has been used consistently by SDTC to put people under NDAs. Some of the most significant complaints that were involved required that NDAs be waived, because how can you investigate a situation if the people who are pertinent to it are not even being interviewed?

There was a back-and-forth that happened between employees and Osler. Once it was decided that Osler was going to investigate, they mentioned that they were going to use the SDTC ethics policy as the guiding framework through which the investigation was going to happen. However, when the employees mentioned that the same policy requires disclosure and transparency around what the investigation is and what the outcomes are going to be, Osler immediately reneged on that. They then suddenly said that this is actually not under the ethics policy, which they themselves had said to the employees was in place.

Once that happened, it was clear that this was a cover-up. When ISED started their investigation in March all the way to now, they've consistently had that same view of it. This whole situation on SDTC using Osler is clearly made to divert attention and hide the actual truth.

I know that Osler also provided investigation outcomes. None of those investigations and issues were even investigated correctly. What he says is completely false. Again, we are willing to provide all of those documents. They are unwilling even to tell ISED about that, but ISED knew about all of those emails back and forth.

[Translation]

The Chair: Thank you, Mr. Lemire.

Mr. MacGregor, the floor is yours.

[English]

Mr. Alistair MacGregor: Thank you, Chair.

A lot of the focus that I've seen so far at this meeting has been about what the executive branch of the government is going to be doing. In other words, we've just had the deputy minister and his assistants here talking about what they're going to do internally, but that's all in the executive branch. I want to focus my question more on what the legislative branch can do. You're seeing part of that in action right now through a parliamentary committee investigating this issue, issuing a report with recommendations.

You've been detailing all of the problems as you've experienced them, and you are in touch with other employees. Looking at the

legislative authorization that SDTC gets through the Canada Foundation for Sustainable Development Technology, do you think there is another role for the legislative branch in looking at stronger legislative guardrails?

Have you ever thought about that part of the question, and would you have any recommendations for this committee to look at?

Witness-Témoïn 1: When we're talking about the SDTC act legislation, one of the issues that we found was that it seemed like no one was actually keeping organizations in compliance as it related to that. The act exists, and when I'm mentioning these committee members who were illegally being appointed to the board, we still didn't know who had authority to oversee that issue. It's still not being addressed, even though that's a serious issue of governance at SDTC.

There are obvious rules that already exist for, let's say, board members. I can read off the federal government's ethics policy, where it says:

Governor in Council appointees are required to perform their duties in the public interest. Their personal and professional conduct must be beyond reproach.

I don't think anyone here can actually say that the conduct of the SDTC board was beyond reproach. On top of that, there's also other language within that agreement that says:

Public office holders have an obligation to perform their official duties and arrange their private affairs in a manner that will bear the closest public scrutiny, an obligation that is not fully discharged by simply acting within the law.

That's the other thing. Many board members and executives come here and say they have done everything right, because they talked to their own lawyers. That's not good enough when these are taxpayers' dollars. There's clear language across multiple acts and across multiple policies the federal government has that clearly shows that everything that has been done up to now by the executive and board members doesn't even meet that minimum threshold. I think the issue is, even if there's more language that exists, who's going to actually enforce this? There's no enforcement in any of this.

Had ISED actually enforced its contribution agreement, none of this would ever have happened. That's where the issue was. You can have as many agreements as you want, but if no one's enforcing anything and no one's overseeing the actual day-to-day functions.... There was even a non-observer board person, but that person was clearly incompetent and didn't understand what was going on.

• (2050)

[Translation]

The Chair: Thank you.

Mr. Barrett, you have the floor.

[English]

Mr. Michael Barrett: I have five minutes. I'm going to split my time with Mr. Perkins, so I'll try and get through these questions quickly, with your help, if I can.

Is there missing context related to the bonuses and the COVID payments that you can provide us with?

Witness-Témoign 1: One of the things the committee needs to understand about the COVID payments is that it wasn't just about conflict of interest rules being broken. Both of these payments were done within days of the end of fiscal year 2020-21, and both times the amount of money that was sent out made a significant impact on the bonuses that executives got. When on one side board members were getting all of their companies and all of the information.... They were getting all of this funding on one side, and by approving this funding, where they broke conflict of interest rules, they were also giving bonuses to all the executives, who were the ones who presented that information to the board members.

On top of that, the other issue was that for the second COVID payment, it just wasn't the COVID situation. SDTC's board members, in the fall of 2020, had already agreed that they were not going to make any blanket payments as they had already done. That was in the board presentation, which, again, we can table. The SDTC even did a full survey of the total portfolio of SDTC companies, which showed that, on average, every single company had over 14 months of runway, which was more than enough, so they didn't need any funding. Instead, board members were presented with another COVID payment, which they then agreed to, and in this case, board members are coming here saying that the companies were desperate; they needed it, and it was a requirement. That's absolutely false. The companies didn't need it, and the executives chose to give it to everyone.

Mr. Michael Barrett: I have 30 seconds remaining before I turn my time over.

The minister said that he continually received evidence. Is that correct?

Witness-Témoign 1: He did.

Mr. Michael Barrett: Was Simon Kennedy aware of the plan outlined by Mr. McConnachie in May, and was he at those briefings?

Witness-Témoign 1: He was, and he spoke to him directly on multiple occasions in May and June.

Mr. Michael Barrett: Is that contrary to the testimony that he gave today?

Witness-Témoign 1: It is.

The Acting Chair (Mr. Michael Barrett): Okay.

I'll turn it over to Mr. Perkins.

Mr. Rick Perkins: Thank you, Mr. Chair.

I have a question up front.

Will you table—it'll be public on the website as evidence—the 30 hours of tapes that you did with the CFO of ISED, as well as the pertinent documents?

Witness-Témoign 1: We will table all the information required.

Mr. Rick Perkins: That's great.

I'd like to explore one thing on the COVID payments.

You said that they weren't all supposed to get the same amount, which is the excuse that's used for voting themselves \$3.7 million

over two meetings. Why was that? Why wouldn't they give that to everybody?

Witness-Témoign 1: I can't say for certain, because I don't know how the executives thought about it, but what happened in that second COVID payment isn't just that everyone got 5%. There was a secondary decision made, whereby certain companies that were the most financially successful were suddenly given 10%. What they continue to state is that the second COVID payment was, again, made as it pertains to companies and the whole portfolio of SDTC, which was having issues with financing and issues with COVID.

However, what actually was happening was that they had information that clearly showed that companies had long enough runways that no financing was required, yet they then created new criteria that gave them an additional 10% instead of the 5% that everyone had, and that included board-member companies.

Mr. Rick Perkins: Those would be companies like MineSense—which Andrée-Lise Méthot has a financial interest in—which got 10%.

Witness-Témoign 1: That's correct.

Mr. Rick Perkins: Did you and did the team do an analysis of these companies, of whether or not they actually needed any COVID relief cash?

Witness-Témoign 1: There was analysis done on both the funding requirements, but even more, there was also analysis done—which the executives wanted employees to do—that was related to the contribution agreement. By this point, there were enough federal programs that existed that companies were actually being over-funded to the point where they were breaking the eligibility of what their funding requirements are.

● (2055)

Mr. Rick Perkins: For example, MineSense, which got a 10% bump-up, had 100 months of cash available, at the time of the analysis, I think, so it didn't actually need any cash to get through COVID.

Witness-Témoign 1: It didn't.

Mr. Rick Perkins: There are other companies like that, then—that directors have a financial interest in—that had excess cash but still got cash.

Witness-Témoign 1: That's correct.

Mr. Rick Perkins: Thank you, Mr. Chair.

Are we done?

The Chair: We have one last round, with MP Gaheer, for five minutes.

Mr. Iqwinder Gaheer: Thank you, Mr. Chair.

If the witness could answer this very succinctly, because the time is obviously limited, that would be great.

If an organization seeks to get funding.... Can you just quickly walk us through the process of what the steps are, from seeking that funding to approval?

Witness-Témoïn 1: To get funding, you can submit or reach out through SDTC's website. SDTC has a continuous intake function whereby you can apply, and then there is a structured process that reviews the application on multiple lines of inquiry before it, then, officially takes it into a full due diligence.

The full process from application to potential approval is several months, at minimum.

Mr. Iqwinder Gaheer: Would you just walk us through what the due diligence step involves?

Witness-Témoïn 1: There are different due diligence steps, depending on the fund. That's one of the findings of RCGT's report. The regular and required due diligence process has governance functions in it. Once a project is taken into full due diligence, it provides hundreds of documents related to its financials and its technicals, and all of that is reviewed by multiple employees. You also have to get external third party experts on the business and technical side, all of whom then have to provide a recommendation, which is what's used to take the company to the board.

Now, within the ecosystem fund and the seed fund, none of that happens, and that's one of the findings that has shown that all of this process has been completely deviated from, because we're not even following the most basic level of due diligence for certain funds.

Mr. Iqwinder Gaheer: Once the board grants the approval, is that it, or are there more steps after that?

Witness-Témoïn 1: Once the approval happens, you still have to review financials and other details and structure it into a contract. Once the contract is structured, then you sign it. After that, there is oversight year over year for the funding. It can be anywhere from three to five years, and there is a minimum requirement of reporting every 12 months. You have to review the progress before you provide the next tranche of funding.

Mr. Iqwinder Gaheer: Before a project gets approval from the board, if there's a conflict of interest, what happens then? What's the process there?

Witness-Témoïn 1: It depends on how the board decides, or that's what the process was. Up until the findings, how it worked was that if there was a direct conflict, then a board member would recuse themselves—again, employees were not aware of these conflicts until the end—versus if it was a perceived conflict, then board members would decide for themselves whether it was or wasn't.

The key thing to understand here is this: Even if a conflict of interest exists, what the other findings in RCGT show is that every single project for the last several years has been unanimously approved, with zero dissent. Even if you're leaving the room, and even if you're not reviewing it and have not involved any of your opinions, it doesn't matter. Once it gets to the project review committee and board, every single project ultimately gets approved. Again, it's not just that they're breaking conflict of interest; there's actually proof that they do not review and that they have zero oversight over some of the funding they have provided.

Mr. Iqwinder Gaheer: It seems to me that during this entire process of organizations seeking funding and getting funding ap-

proval, with the oversight that happens after they get that approval, ISED is not really involved in any one of these steps. It seems like it's concentrated at the board.

Witness-Témoïn 1: After approval.... ISED is not involved in any of this, because even the non-official.... They have no authority at the board level.

Mr. Iqwinder Gaheer: Okay. I think I'm out of time.

Thank you, Chair.

The Chair: Actually, you still had a minute, but Mr. Perkins wants it.

I just have a question.

Would you mind telling us, sir, how long you worked at SDTC? If I understood correctly, it was two years. What years were they?

Witness-Témoïn 1: It was across three years: 2020, 2021 and 2022.

The Chair: You mentioned in your testimony that most former employees of SDTC were under an NDA, but you are not. Is there a reason you're not?

• (2100)

Witness-Témoïn 1: I wasn't fired.

The Chair: Therefore, only those who are fired are under an NDA; those who just decided not to continue with SDTC are not under an NDA.

I have one more question, and I think this was asked by Mr. Lemire. Many times in your testimony, you said, "we". Can you explain to me who "we" is?

Witness-Témoïn 1: That's just a representation of the information. I'm representing the larger group of people who are part of this complaint, because it's current employees and former employees. That's where the "we" is coming from. That's what I mean by that, because certain issues aren't directly connected to me.

The Chair: I get it. Thank you very much.

Those were my very simple questions, sir.

That's all the time we have.

Thank you, colleagues, for a well-run meeting.

[Translation]

We were on time and within budget.

Thank you, sir.

Colleagues, see you tomorrow.

Without further ado, I would like to thank the interpreters, the analyst, our clerk and all the support staff.

• (2105)

The meeting is adjourned.

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