

Corporate Plan 2023-2024

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About the Corporate Plan

This document is Scale AI's corporate plan for fiscal year 2023-2024. It summarizes accomplishments in 2022-2023 and outlines goals and desired outcomes for 2023-2024. It provides a brief summary of results in the previous fiscal year, which are also covered in the 2022-2023 annual report that will be released later this year and will provide a more detailed portrait of our activities for the past year, including financial statements.

1. Introduction

Highlights of Scale AI's Phase 1 Mandate (2018-2023)

2022-2023 marked the end of Scale AI's Phase 1 mandate. Despite the economic downturn caused by the COVID-19 pandemic, Scale AI has been delivering tangible and meaningful results for the Canadian AI ecosystem. As the ecosystem's major funding arm, Scale AI co-invested more than \$500M together with its industry partners in innovative AI supply chain solutions, startup growth, workforce upskilling and talent development.

Scale AI has created a new nationwide ecosystem with hundreds of organizations collaborating and investing in AI for supply chains. In Phase 1, we have supported 430+ initiatives across 7 industries (agriculture, retail, manufacturing, transport & logistics, mining, energy and healthcare) and across 7 provinces with almost two thirds of our funding going to Canadian Small and Medium-sized Enterprises. Moreover, projects we invest in involve, on average, 4 organizations, often creating new strategic partnerships between Canadian industry firms, startups and academic institutions.

Context for 2023-2024

2023-2024 will be a transition year for Scale AI as we close out our first mandate and launch our second mandate. While Scale AI's vision of building a self-sustaining Canadian AI tech sector and creating the world's most efficient supply chains will remain the same for Phase 2, we will make strategic changes to our program offering in the second mandate to match evolving ecosystem needs as well as available funds.

While we will continue investing in industry-led projects and working with Canada's top incubator and accelerator programs to support emerging AI startups, one focus for 2023-2024 will be to engage our ecosystem partners to reshape the way we offer customized AI training to Canadian companies. We will also discontinue our public training and research chair programs and launch a new funding stream, AI for Healthcare, funded by the Pan-Canadian AI Strategy.

In parallel to launching our evolved program offering, another major focus of 2023-2024 will be to successfully complete and measure the impact from our Phase 1 project commitments. Given our average project duration is between 12-18 months and due to COVID-related project delays, many of our Phase 1 industry investments will only conclude in the coming months. Sharing the impact and lessons learned from those projects with the broader ecosystem will enable other Canadian firms to accelerate their AI journey and boost local demand for AI.

Finally, Scale AI will leverage its unique position in the ecosystem to contribute to key public debates on AI regulation and helping Governments in Canada and beyond to make informed decisions to drive trust in AI while ensuring the highest ethical standards.

Scale AI will be a forum for our ecosystem members to actively seek their input and support policy makers in striking the right balance between promoting economic growth and mitigating risks.

2. Year in review and objectives for the upcoming year

Achievements in 2022-2023

In last year's corporate plan, Scale AI defined seven organizational objectives for 2022-2023. We have made significant progress on these key objectives, all while managing the transition into our second mandate. Notable achievements for fiscal 2022-2023 are highlighted below under each of our seven objectives. For a full description of our achievements and activities, please see our 2022-2023 Annual Report that will be released later this year.

- 1) Maintain the momentum of investments and continue to support industry partners while managing various parallel initiatives, specifically:
 - a. Deploying remaining funds from our first mandate;
 - Selected approximately \$151M of industry-led projects, including \$99M from industry and \$52M in public funding, continuing the strong momentum from 2021-2022 fiscal year;
 - 16 projects approved up to November 2022, with 33 participants and 23 Small- and Medium-sized Enterprises (SMEs);
 - These projects are expected to create ~\$1B in revenue growth and cost reductions for participants over the next 5 years, and create ~400 highly qualified jobs;
 - One hundred percent (100%) of these projects involve or permit the re-use of the generated IP outside the scope of the project.

As a result of last year's investments, we committed \$219M of our available \$230M in Phase 1 funding (95%). However, due to unexpected project cancellations \$60M of those commitments will not materialize, leaving us with a shortfall of ~\$70M in committed Phase 1 funds. Despite this shortfall, total investment by Industry will reach \$308M, exceeding our initial plan by 18%. This strong industry co-investment is driving a higher than anticipated overall funding ratio of \$1.6 industry dollar for every \$1 of Scale funding spent.

- b. Managing the transition between the funds from current mandate, the funds from the Pan-Canadian AI Strategy (PCAIS) program, and any new funds that may come from future GIC mandates;
 - Consulted hospitals and service providers from different provinces with experience incorporating AI solutions in hospital operations to prepare the launch of our AI for Healthcare initiative, funded by the Pan-Canadian AI strategy. This was followed by an event to present the call for projects initiative allowing 10 hospitals and 12 service providers to meet. The event included 30 individual meetings to foster new ideas and projects to be submitted to the call of proposals. The call for projects will kick off in early 2023-2024;

- Maintained a strong project pipeline by working with projects teams to align submissions with new mandate timing.
- c. Managing overflow of claims from existing and upcoming projects;
- Processed 85% of planned FY 2023 claims, including overflow from previous fiscal years. We expect the remaining 15% of claims to be processed in early 2023-2024.
- 2) Finalize our assessment of AI in Canada (*AI at Scale*), and concurrently develop a long-term strategy for Scale AI;
- Leveraged the knowledge base we've developed during our first mandate to publish our [AI at Scale](#) report, which provides an in-depth analysis of the Canadian AI ecosystem and potential future trajectories for AI in Canada. This report, developed in close consultation with our ecosystem partners, informed our five-year strategy for Phase 2 and has achieved almost 1,000 downloads to date and more than 100 people joined our webinars to present the report findings.
- 3) Increase collaboration with other Canadian Global Innovation Clusters (clusters) by leveraging networks and existing funds; create partnerships with other clusters such as Digital and NGen to broaden our reach and support industry players to integrate AI solutions in existing innovation projects (e.g., factories revamps, digital transformations);
- Supported other innovation clusters on their approach to evaluate and select AI projects as they launched their Pan-Canadian AI Strategy funding streams.
- 4) Leverage the knowledge base we've developed during our Phase 1 mandate, given our visibility across industry projects and use cases;
- Organized events in partnership with industry nodes and multipliers such as the Montreal Chamber of Commerce, Toronto Chamber of Commerce, Supply Chain Canada, Canada Cleantech Alliance, Cargo M, AIoT Canada, Westac Calgary, etc. and created forums for industry players to engage, interact and learn from each other, including our notable AI in action event with an edition in September during C2 MTL.
- 5) Continue to grow the workforce development program by increasing the number of custom training programs funded by Scale AI;
- Approving 37 customized courses targeting 474 professionals across 35 companies and involving 14 different training providers.
- 6) Continue to expand the AI-specific IP education and other resources available to SMEs;
- Expanded our AI-focused IP education aimed at SMEs, featuring the video-based training (*IP WHY*) and blog articles (*IP WITHOUT JARGON* and *LinkedIn*).

- Engaged SMEs one-on-one to provide IP-strategy coaching and guidance.
- 7) Bridge the collaboration gap between AI startup innovators and industry operators through funding and network development.
- Continued our support of 28 of Canada's top incubators and accelerators, indirectly supporting over 79 startups participating in these partner programs.
 - Contributed to 20+ events organized by our partners (interview days, kickoff sessions, demo days, conferences, etc.).

Goals for 2023-2024

Based on the ecosystem needs identified in our [AI at Scale](#) report, we have defined three main long-term objectives for our Phase 2:

1. Accelerating private investments in AI for productivity across entire value chains

A key barrier to growing domestic demand centers around investment. Over the past year, Scale AI has seen a significant growth in interest in AI for supply chains from companies across Canada. There is a robust latent demand for Scale AI support because many require further encouragement to commit large investments in AI initiatives, especially in an uncertain economic environment.

2. Increasing the catalyzing role played by Scale AI for AI commercialization to facilitate those investments

Beyond funding, a second key barrier lies in the inherent risk associated with novel cutting-edge AI projects. Many SMEs have been told repeatedly by industry and technology commentators that they must adopt AI for their long-term competitiveness, but few SMEs possess the skills and network needed to successfully prioritize, launch and deploy AI initiatives.

Meanwhile, Canada benefits from a large and expanding network of AI service providers and a large pool of highly qualified talent graduating from its universities each year - but few are connected to SMEs. Scale AI's collaborative approach addresses this paradox by requiring adopters to partner with AI service providers during the project development and execution phases, which fosters the creation and sharing of IP across the ecosystem as well as establishes links for future business development. As we transition into Phase 2, Scale AI will leverage its experience and unique position in the ecosystem to foster more connections between adopters and service providers to drive additional investments, improve project success rates and deliver widespread AI adoption within SMEs.

3. Positioning Scale AI as a conduit for applied AI knowledge sharing and international outreach to foster stronger demand for Canadian AI firms

Another significant barrier to growing domestic demand for AI stems from the limited understanding within Canadian businesses of the value-creating potential of AI. Those firms generally have little experience with AI, and therefore no real knowledge of its

strategic value, the necessary ingredients for success and the expected financial impacts.

The breadth and diversity of Scale AI's Phase 1 project portfolio has given us insights into this sought-after knowledge, and thus we are uniquely positioned, compared to other ecosystem players, to share this knowledge and insight to drive domestic adoption and promote flagship projects internationally, positioning Canada as the exciting destination for AI talent and businesses.

Cross-cutting objectives:

In addition to these objectives, Scale AI is uniquely positioned to support the national priorities of Green Economy and Supply Chain Resilience because both touch the issues we tackle in supply chain projects. These are cross-cutting priorities for Scale AI and we have developed a plan to invest in AI supply chain projects that significantly contribute towards a green economy, including CO2 and other emission reductions in Canada, and making supply chains more resistant to shocks.

Our team undertook an in-depth analysis of Canada's emissions as per the National Inventory. Our analysis indicates that AI supply chain projects have the potential to contribute to the reduction of emissions in two ways. Firstly, by optimizing inefficient processes that generate emissions and secondly, by reducing waste, such as overproduction and inefficient distribution networks and operations.

As a result of our extensive analysis, we believe that approximately 15% of Canada's total GHG emissions could potentially be impacted by solutions within Scale AI's focus area of AI-powered supply chains, especially in the transport, agriculture and retail sectors. Therefore, Scale AI will actively seek and generate investment opportunities in these sectors and integrate the potential for emissions reduction more explicitly in our due diligence process.

For example, Scale AI will launch a series of initiatives aimed at enhancing algorithmic efficiency and reducing the overall energy consumption of AI solutions developed in Canada. This is extremely important because of the increasing energy consumption of computational resources required for AI-powered solutions. The associated increase in power demand has significant climate change implications.

To fortify Canada's supply chain infrastructure against unexpected shocks we plan to engage with Transport Canada's Resilient Supply Chain Task Force and identify opportunities for Scale AI members with specific AI expertise to join Transport Canada-backed projects.

Scale AI also strongly believes that cybersecurity is a key aspect of supply chain resilience. Sharing data across supply chain partners, which is necessary for transformative AI applications, poses a serious risk for attacks on Canadian businesses. In response, Scale AI will encourage a focus on securing data exchange among project partners by increasing awareness and funding for these project activities, promote curated content to our members (delivered through our digital platforms, conferences

and specialized workshops), and facilitate access to cybersecurity service providers through a member directory.

To advance on our above Phase 2 long-term objectives, Scale AI will focus on the following goals and actions in 2023-2024:

Co-investment in Industry-led projects

1. **Goal: Continue Phase 1 momentum by committing at least \$100M into ~25-30 industry-led projects (\$35M from Scale AI and \$65M from industry).** Actions: To achieve this goal, we will proactively reach out to and engage new companies, in addition to encouraging existing members to invest in follow-on initiatives. Further, we will also grow our industry reach beyond the seven industry verticals we have invested in already to positively impact other supply chains such as in construction/ real estate, forestry and finance. We already built up a pipeline of ~\$100M+ in project value and will conduct monthly selection committees to ensure timely approval of projects. These investments will result in a growing number of Canadian industry firms moving down the AI maturity curve to create stronger domestic demand for AI services, products and talent.

Given our reduced Phase 2 funding, we will prioritize industry projects with the strongest IP commercialization and productization potential. In Phase 1, many of our emerging AI service and solution providers focused on providing AI development services to develop highly-customized solutions for individual firms. As a growing number of these providers are maturing, we will increasingly encourage them to invest in the productization of their IP to serve a larger customer base. This IP leverage will allow service providers to scale faster and lower the cost for other customers in the ecosystem, as more solutions will become available on the market.

2. **Goal: Fully commit \$10M in available funding for our PCAIS healthcare initiative.** Actions: The PCAIS healthcare initiative is building on the success of our initial COVID-19 initiative that benefitted ~2M Canadians through improved health services enabled by AI. In early 2023, Scale AI consulted our ecosystem partners involved in hospital initiatives funded during COVID to develop the parameters of this new funding program. The call for projects was officially launched on March 27, 2023. We organized a launch event on April 4 to connect hospitals with AI service providers and innovative startups in the healthcare space. We will follow our rigorous due diligence process to present the most impactful projects to our selection committee during the summer of 2023 and all projects will start no later than October 2023. These projects will result in the scaling of previously funded, proven AI healthcare solutions across a large number of Canadian hospitals as well as the creation of a select number of new solutions. The Pan-Canadian Hospital Initiative will leverage the window of opportunity post COVID to advance AI commercialization in healthcare and allow our healthcare system to build back better.

SME Scale-up

3. **Goal: Accelerating the scale-up of 50-70 early-stage startups by committing \$2M in Scale AI funding to services focused on building AI capabilities.** Actions: In preparation of our Phase 2, Scale AI conducted an in-depth consultation of our partners to align our SME scale-up efforts with evolving ecosystem needs. As a result, we will continue our close collaboration with Canada's top incubators and accelerators, but focus more strongly on funding services to build startups' AI capabilities. We will do that by leveraging our relationships with Canada's top AI institutes (AMII, IVADO, Mila and Vector) and universities, who will provide startups with access to AI experts (e.g., for AI exploration, scoping advisory, etc.), and AI talent (e.g., through internships).
4. **Goal: Publicly launch our First-Client program to support AI startups gain commercial traction by committing at least \$5M into 5-10 startup-led projects (\$2.5M from Scale AI and \$2.5M from industry) by the end of March 2028.** Actions: Another driver for AI SME scale-up will be our 'First-Client' program, through which Scale AI facilitates early-stage startups to secure their first client. By leveraging our industry project investment process, we will financially de-risk pilot projects where Canadian industry firms pilot and test new innovative products and solutions with local startups. These projects will build customer confidence leading to follow-on investments which directly support the scaling of AI SMEs. While we have tested this format during the end of Phase 1, we aim to publicly launch this program in fiscal 2023-2024 and deploy at least \$2.5M in Scale AI funding in 5 to 10 pilot projects by the end of Phase 2.
5. **Goal: Host an investor event to offer curated introductions between startups and VCs.** Actions: Early-stage startups increasingly struggle to access capital at seed and pre-seed level given the current macroeconomic environment while investors are constantly searching for quality deal flow. In 2023-2024, we will leverage Scale AI's pan-Canadian reach to organize targeted and curated matchmaking activities involving angel investors, VC funds and the best startups from our portfolio. By leveraging our major industry event All In (see goal 9), we will aim to provide 10 curated startup introductions to investors.

Workforce development

6. **Goal: Launch our revamped custom training and STEM programs.** Actions: In 2023-2024, we will engage our ecosystem partners to reshape our custom training program and start integrating it more closely with project investments to facilitate a smoother transition from AI training to investing in AI solution development. This way, we will not only secure the supply of qualified AI talent in Canadian industry but also leverage the momentum built by corporate training programs to encourage firms to go the next step and make tangible investments in AI tools to drive productivity. We will also continue our work on opening doors for underrepresented youth to pursue successful data science careers by launching a new call for projects for our STEM program targeting upwards of 10k youth, and

work with partner programs to create links with Scale AI industry members to expose youth to working environments and actual professionals in data science.

Ecosystem development and global presence

7. Goal: Connect Canadian AI SMEs with industry demand at home and abroad.

Actions: Scale AI will organize and participate in several industry events to strengthen and create new connections within the Canadian AI ecosystem and abroad. In September, we will host our annual flagship event, All In, gathering industry leaders, AI SMEs, government representatives and other key stakeholders, including more than 200 participants from abroad. This one-of-a-kind event will be a unique way to present real-life use cases of AI, facilitate knowledge sharing, nurture business partnerships to advance the development of AI, and showcase the transformational power of Canadian AI for national and international industry players. In 2023-2024, we are adding to the list of national events by participating in several international delegations in key markets to support the growth of Canadian AI players and to create stronger ties between our ecosystem and those of other countries. We plan to lead at least two international delegations in 2023-2024, with about 10 to 15 Canadian AI firms participating in each delegation. The first delegation will be in June for London Tech Week and the AI Summit London, in partnership with the British High Commission, London & Partners, UK Business and Trade, and Global Affairs Canada. The delegation will include important members of the Canadian AI ecosystem, such as MOOV.AI, Airudi, Videns, Optel, Vooban, MarsDD, CEIMIA, Canada's Digital Supercluster, NGen and MILA. Moreover, Scale AI plans to host 4 to 6 international delegations per month to showcase what the Canadian AI ecosystem can do to support them in their journey with AI.

Operations

8. Goal: Update our internal operating and staffing model to reflect Phase 2 strategy and capital deployment targets.

Actions: In 2023-2024, we will hire two additional investment directors and one workforce development director to ensure that we will meet our investment targets while reshaping our custom training program.

In addition to the priorities defined above, our team will ensure to successfully close out Phase 1 commitments. As mentioned above, a significant number of our Phase 1 industry projects will conclude in 2023-2024. To manage that increase in completed projects, we will implement a more automated reporting and close out process through our Salesforce CRM platform to measure the impact for up to five years post project completion. We will also close out our discontinued research chairs and public training programs, including measuring project completion and impact, as well as processing outstanding claims.

3. Financials

The tables below outline our actual project commitments and those expected in Fiscal 2024, including the associated funding sources. In addition, we have included our projected expenditures for 2023-2024 (Fiscal 2024), by funding sources for all three Program streams. Finally, we provide a table highlighting projected cash flow requirements for 2023-2024 from all sources. The amounts for Fiscal 2024 reflect those approved by our Board in March 2023.

Table 1: Summary of projected commitments / contracted amounts for FY 2023-2024:

Program stream	Commitments
Industry projects - Phase 1	\$ 128 M
Industry projects - Phase 2	\$ 38.6 M
Industry projects - PCAIS	\$ 3.6 M
SME scale up	\$.8 M
Workforce development	\$.8 M
Total *	\$ 171.8 M

* Commitments exclude costs relating to Ops & Admin

Table 2: Summary of projected sources of funding FY 2023-2024 for above commitments / contracted amounts:

Sources of funding	Projected funding
ISED - Industry projects - Phase 1	\$ 61.6 M
ISED - Industry projects - Phase 2	\$14.3 M
ISED - Industry projects - PCAIS	\$ 3.6 M
ISED - SME scale up - Phase 1	\$.8 M
ISED - Workforce development - Phase 1	\$.8 M
Industry Match - Phase 1 & 2	\$ 82.8 M
Ministère de l'Économie, de l'Innovation et de l'Énergie (MEIE) de Québec - Phase 1	\$ 7.9 M
Total	\$ 171.8 M

Table 3: Summary of total budgeted expenditures for FY 2023-2024

Program stream	Expenditures
Industry projects - Phase 1 *	\$ 71.1 M
Industry projects - Phase 2 *	\$ 14.3 M
PCAIS	\$ 3.6 M
Ops & Admin	\$ 5.6 M
Total	\$ 94.6 M

* Excluding industry match per table 2, but including Phase 1 MEIE (\$ 7.9M)

Table 4: Summary of total budgeted funding sources FY 2023-2024

Funding sources *		Projected funding
ISED	Projects - Phase 1	\$ 63.2 M
	Projects - Phase 2	\$ 14.3 M
	Projects - PCAIS	\$ 3.6 M
	Ops & Admin	\$ 4.1 M
MEIE	Projects - Phase 1	\$ 7.9 M
Other **		\$ 1.6 M
Total ***		\$ 94.7 M

* Excluding industry match/contribution for phase 1 & 2 projects totaling \$ 82.8 M

Industry match (from all sources) totals \$ 92.1 M

** Including memberships (\$ 1.4 M) and interest revenues (\$ 0.2 M)

*** Budgeted surplus for FY 2023-2024 is \$ 51k

Table 5: Annual cash flow requirements for FY 2023-2024

Cash flow sources	Q1	Q2	Q3	Q4	Total
ISED - Phase 1*	\$ 17.6 M	\$ 17.5 M	\$ 14.1 M	\$ 13.9 M	\$ 63.2 M
ISED - Phase 2	\$ 0	\$ 0	\$ 2 M	\$ 12.3 M	\$ 14.3 M
ISED - PCAIS	\$ 0	\$ 0	\$ 0	\$ 3.6 M	\$ 3.6 M
MEIE - Phase 1	\$ 5 M	\$ 2.9 M	\$ 0	\$ 0	\$ 7.9 M
ISED - OPs & Admin	\$ 1.03 M	\$ 1.03 M	\$ 1.03 M	\$ 1.03 M	\$ 4.1 M
Other revenues	\$.4 M	\$.4 M	\$.4 M	\$.4 M	\$ 1.6 M
ISED - FY2023 receivable *	\$ 2.4 M	\$ 0	\$ 0	\$ 0	\$ 2.4 M
Total *	\$ 26.4 M	\$ 21.9 M	\$ 17.5 M	\$ 31.2 M	\$ 97.1 M

* As of March 31, 2023, ISED owed \$ 2.4 M related to prior years project funding

Note: No amounts are owing to the Crown pursuant to the Contribution agreement as of March 31, 2023.

4. IP strategy & data strategy implementation

The main pillars of our IP and data strategies that affect our members' IP and data are driven through corresponding obligations in their agreements with Scale AI. Our cluster IP registry provides members with additional information about projects and IP, with the aim of facilitating member-initiated leverage activity.

Various elements of our IP strategy are addressed above, in full context of the program stream(s) to which they relate. To summarize those principles again in this section of the document:

Scale AI is focused on business value creation through commercializing IP, including (i) Canadian companies own 100% of generated IP; (ii) Co-investing in AI IP that will be commercialized in business environments (90% IP commercialization success rate); (iii) Driving participants to re-use generated IP outside the project scope, maximizing follow-on benefits for other Canadian businesses (66% success rate in Phase 1 and 100% target set for Phase 2), and (iv) One-on-one IP strategy coaching for AI SMEs to develop effective strategies customized to each SME's business posture and market niche. We also provide members, through our ecosystem events, opportunities to share, and hear others share, critical lessons learned (a form of IP) from their projects.

Regarding data, Scale AI has implemented robust measures to protect the data and confidential information it possesses. Data security is achieved through cybersecurity measures that protect against intrusion into and hacking of our computers and information systems. These measures include (i) Two-factor authentication to improve security and reduce the risk of unauthorized access, (ii) VPN and firewall to manage systems access, email encryption, scanning, filtering, and anti-phishing, (iii) An operating system and security patch update manager that automatically pushes updates to all Scale AI computers to continuously update them, (iv) Remote-control software that can deactivate lost or stolen Scale AI computers, and (v) Employee training tailored to recognizing threats and using best practices for data protection.

Scale AI's IP and data strategies continue to operate as intended, supporting the objectives in the Corporate Plan and with full executive support. As such, no changes are planned.

5. Performance monitoring and risk management

Scale AI has developed a comprehensive and robust impact and performance measurement framework to measure the outputs and outcomes from our activities. We will provide more information on our performance monitoring in the upcoming corporate plan once we have received more guidance from the joint effort led by ISED to define a cross-cluster performance measurement framework.

Risk management

Scale AI has a robust risk management framework in place. Organization-wide and program-specific risks and mitigation strategies are reviewed and updated on an annual basis. For 2023-2024, the following risks and mitigation strategies were identified:

#	Risk	Description	High-level mitigation strategy
Global			
1	Significant ecosystem education gap on AI and IP issues	Given the advanced technological nature of AI, and complexity of IP, significant educational efforts are required at all levels on how to apply AI and manage associated IP.	<ul style="list-style-type: none"> Scale AI will maintain its focus on education, including through our ecosystem engagement activities to spread understanding of the capabilities, challenges and applications of AI throughout the ecosystem, and its IP implications.
2	Challenges around operations	Management of Phase 1 investments, starting Phase 2 investments and prior project delays will strain internal capacity of investment team and support functions.	<ul style="list-style-type: none"> Hire two additional investment professionals to support the work of selecting projects and managing claim reimbursement.
Projects			
3	Delays in project delivery	Given the innovative nature of our projects, project planning necessarily faces a greater level of uncertainty. Hence, delays, and at times project cancellations, are not fully avoidable.	<ul style="list-style-type: none"> Provide extensions and flexibility in project delivery schedules. Assess project funding requirements and identify ways of unlocking funds to maintain projects afloat.
Acceleration			
4	New strategic direction	After consultation with our partners, our funding focus will shift towards access to AI talent and building startups' AI capabilities.	<ul style="list-style-type: none"> Leverage our close relationships with Canada's top AI institutes (AMII, IVADO, Mila and, Vector) and universities, who will provide startups access to AI experts (AI exploration, scoping advisory, etc.), and access to AI talent for internships, all orchestrated through our partner incubators and accelerators.

5	Reaching the ecosystem limitation of AI startups with solutions applied to supply chain	Challenges encountered by partners in recruiting new prospective ventures, and redundancies in the application received.	<ul style="list-style-type: none"> • Work with partners to support initiatives at ideation and venture creation stages. • Focus on the growth of the startup AI capabilities, and not through the multiple participation in different programs.
Workforce development			
6	Integration of custom training with industry-led projects	Integration will require an adjustment of internal operating model and go-to-market strategy.	<ul style="list-style-type: none"> • Consult ecosystem partners to achieve product-market fit of our updated custom training program. • Apply flexibility internally to identify best operating model between industry investment and workforce development team.

6. Conclusion

We are excited to launch Phase 2 of our mandate and continue building a self-sustaining AI ecosystem and world-leading supply chain hub in Canada.

At the same time, we do realize that the current macroeconomic situation will be a challenge in 2023-2024. The fear of recession will likely lead companies to reduce risky innovation investments and focus on traditional cost-cutting initiatives. Therefore, it will be even more important that we work closely with our ecosystem members, educating companies about the productivity value of AI. As mentioned above, one such approach is to integrate our customized AI training more closely with investments in AI solution development, to further close the gap between theory and practice. The COVID-19 pandemic has shown that Scale AI is able to generate tangible results for the Canadian AI ecosystem despite macroeconomic headwinds.

Another topic that will dominate our next fiscal year will be Generative AI. While Generative AI has been creating significant interest, it is crucial to educate Canadian firms where and how it is useful and where not. We will continue advising Canadian firms on AI with a clear lens on use cases that create real business value across supply chains.

We are grateful for the support of our government partners and look forward to continuing to shape the future of innovation in Canada. The Global Innovation Cluster program offers a unique mechanism to tackle our country's toughest challenges as we transition into the AI century.