



SUPPLIER DEVELOPMENT INITIATIVE

APPLICANTS GUIDE

AUGUST 2026



DAIR

DOWNSVIEW AEROSPACE | DOWNSVIEW AÉROSPATIALE
INNOVATION & RESEARCH | INNOVATION & RECHERCHE





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Context

Canada's aerospace and defence sector is built on a highly capable network of small and medium-sized enterprises (SMEs) that design, manufacture and support critical technologies and components for customers around the world. These companies are essential to the strength, resilience and competitiveness of Canada's industrial base.

Today's A&D SMEs operate in an increasingly demanding environment. Rising costs, labour shortages, supply chain disruptions, digital transformation, evolving customer expectations, cybersecurity requirements, sustainability objectives and the need to continually invest in advanced manufacturing all require businesses to continuously improve their operations and capabilities. As global competition intensifies, operational excellence, productivity and innovation have become essential to long-term success.

The DAIR Supplier Development Initiative (SDI) was established to help Ontario aerospace and defence SMEs strengthen their competitiveness through structured continuous improvement. The program combines an industry-recognized assessment process, the MACH Excellence Framework, mentorship from experienced Original Equipment Manufacturers (OEMs) and Tier-1 suppliers, and cost-shared investment in strategic improvement projects that enhance productivity, operational performance, technology adoption and business growth. A distinguishing feature of the SDI is its emphasis on strengthening collaboration between suppliers and their customers. By fostering open

communication, knowledge sharing and long-term partnerships throughout the supply chain, the program helps participating companies build stronger customer relationships while accelerating continuous improvement.

Since its launch, the first two SDI cohorts have supported 30 Ontario aerospace and defence SMEs with mentorship from 13 OEMs and Tier-1 organizations. Participating companies have completed projects in areas such as advanced manufacturing, cybersecurity readiness, workplace culture and employee engagement, Lean and 5S implementation, process optimization and digital transformation, resulting in measurable improvements to their operational capabilities and long-term competitiveness.

Building on the success of the program, DAIR will launch a new Supplier Development Initiative cohort beginning in Summer 2026 with support from the Government of Ontario. The new cohort will continue to strengthen the competitiveness, productivity and resilience of Ontario's aerospace and defence supply chain by supporting SMEs as they undertake strategic improvement initiatives and deepen collaboration with customers and industry partners.

About DAIR

Downsview Aerospace Innovation & Research (DAIR) is incorporated federally as a not-for-profit organization, a consortium of aerospace companies and post-secondary institutions.

Headquartered at Downsview Park in Toronto, DAIR is building a nationally connected A&D innovation hub where organizations collaborate to develop, validate and commercialize new technologies, strengthen supply chains and create opportunities for Canadian industry.

DAIR's mission is to catalyze world-class innovation by facilitating collaboration within industry, academia and government to develop transformative technologies and a future-ready workforce. DAIR advances this mission by:

- Enabling access to state-of-the-art equipment and infrastructure to accelerate leading-edge research and technology adoption.
- Creating training solutions for business and technology challenges of today and tomorrow.
- Providing a platform for industry, academic and government to foster collaborative innovation.
- Supporting continuous improvement and innovation in the supply chain.
- Harnessing our collective voice to bring awareness to and promote the industry and innovation ecosystem locally, nationally and globally.

Today, DAIR operates from multiple partner facilities across the Downsview innovation hub, including the Bombardier Centre for Aviation and Aerospace at Centennial College, the Toronto Metropolitan University Centre for Advancing Engineering Research & Innovation in Aerospace (AERIAS), and the Collaborative Landing Gear Lab, while continuing to expand its physical innovation infrastructure through new facilities currently under development.

DAIR Innovation Network

Companies are not required to be members of the DAIR Innovation Network when applying to the Supplier Development Initiative (SDI). However, companies selected to participate in an SDI cohort will be required to join the DAIR Innovation Network upon execution of the funding agreement with DAIR. Membership is subject to the applicable annual fee and is renewable each year.

The DAIR Innovation Network brings together aerospace and defence companies, post-secondary institutions and ecosystem partners to foster collaboration, accelerate innovation and strengthen Canada's aerospace and defence ecosystem. Through the Network, members gain access to exclusive networking events, workshops, thought leadership activities, collaborative opportunities, strategic introductions, and connections with industry, academia and government. Members also receive ongoing opportunities to showcase their capabilities, identify potential customers and partners and participate in initiatives that support business growth, innovation and competitiveness.

While the SDI provides targeted support to strengthen an individual company's operations and capabilities, membership in the Innovation Network extends that value well beyond the life of the program by creating opportunities for long-term collaboration, new business relationships and continued engagement within Ontario's aerospace and defence community. For many SMEs, Innovation Network membership delivers a strong return on investment through the connections, visibility and collaborative opportunities it provides.

Applicants are encouraged to contact DAIR to learn more about the Innovation Network, its membership benefits and the applicable annual membership fee.

General information about the DAIR SDI

The DAIR SDI utilizes a clearly defined process for continuous improvement, from assessment to improvement project implementation, with the objective of supporting the SME's ability to become an aerospace and/or aerospace-defence supplier. The SDI offers participating companies:

- tools to improve proficiency in key business processes and development of a continuous improvement plan based on assessment results.
- a mentoring relationship with an aerospace customer (Original Equipment Manufacturers (OEMs)/Tier-1 companies).
- financial support to complete projects that require the expertise, training and/or coaching from an external consultant.

Projects must be completed within 6 months post assessment.

Submitted applications will be reviewed and approved applicants will be required to (1) enter into a contract with DAIR, (2) join the DAIR Innovation Network and (3) complete supported activities and report back to DAIR by the project deadline.

Under the SDI, DAIR will cover the cost of the assessment as well as 75% of an improvement project's eligible costs, up to a maximum of \$30,000 CAD.

The purpose of the program is to fund activities that will assist non-aerospace and non-aerospace-adjacent SMEs in joining the aerospace and aerospace-defence supply chain.

- DAIR reserves the right to limit the number of SMEs and funding provided.
- Project implementation funding may be accessible upon completion of the Assessment phase and sign off on project scope by DAIR (to ensure alignment with program parameters).
- SMEs accepted into the program are required to submit an invoice to DAIR in the total of \$5000 CAD as their demonstration of commitment to participate. This deposit will be fully reimbursed upon successful completion of the project parameters.

- The non-repayable contribution will be provided directly to the applicant SME. No funds will be transferred to a partner. The applicant SME has the sole responsibility to handle any contractual and financial matters with partners or consultants.
- The applicants must demonstrate that project activities are beyond the scope of regular operations.

Due to support of the DAIR SDI by the Government of Ontario, approved SMEs will be required to acknowledge the support received from DAIR and the Government of Ontario for the project in any communications, including websites, news releases, social media, success stories and announcements. All media and content must have DAIR approval before publishing.

Eligibility

This call of the DAIR SDI was developed for SMEs with an interest to enter the aerospace and aerospace-defence manufacturing market in Ontario and therefore key considerations for participation in the program include:

- Must be an SME with 10 - 499 employees.
- Must be a production facility with in-house machining capabilities located in Ontario. The applicant must have a place of business in Ontario.
- Applicants that are U.S.-based businesses are not eligible. A U.S.-based business is any business (including a sole proprietorship, partnership, corporation or other business structure) that (i) has its headquarters or principal office located in the United States; and (ii) has fewer than 250 full-time employees in Ontario. If the applicant is a subsidiary of another corporation, criterion (i) is deemed to be met where the subsidiary is controlled by a corporation whose headquarters or principal office is located in the United States.
- The applicant must be in compliance with all federal, provincial, territorial, municipal and other applicable laws, including without limitation, statutes, regulations, by-laws, rules, ordinances and decrees.

Based on the number of applicants to the program, SMEs will be selected based on criteria including but not limited to type of manufacturing environment, size of the SME and number of employees. Please contact Verlyn Smith should you have any questions regarding eligibility.

SMEs are encouraged to consult with an aerospace mentor before selecting or implementing projects to help ensure alignment with aerospace industry requirements and priorities. SMEs may select an aerospace OEM or Tier-1

customer to serve as its mentor. Where required, DAIR may assist SMEs in identifying and securing an aerospace or aerospace-defence OEM or Tier-1 customer to fulfill this role. (See Appendix A)

After being accepted to participate in the DAIR SDI, the SME must sign a formal funding agreement with DAIR. This agreement explains in detail your responsibilities to DAIR as part of the program.

The DAIR SDI Improvement Cycle

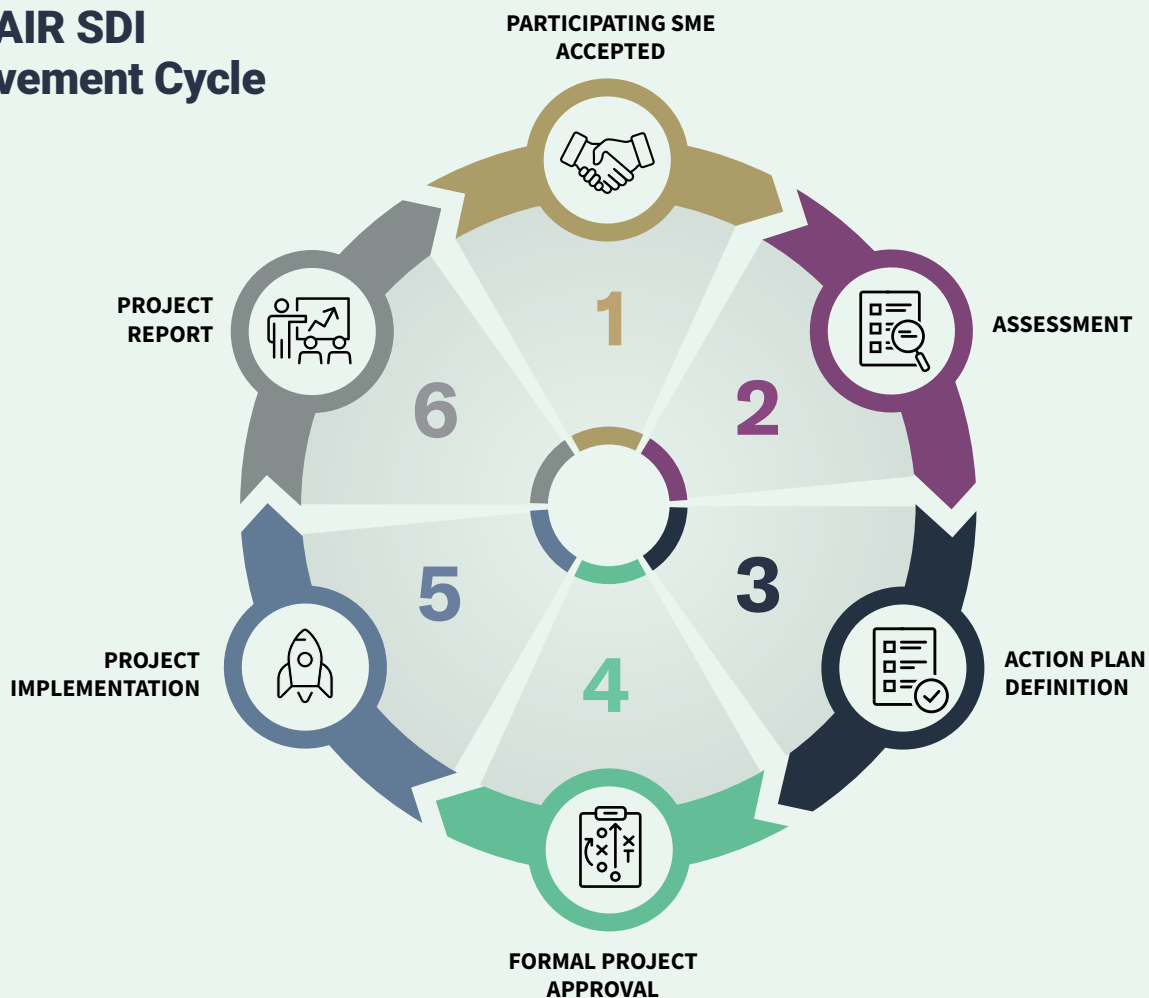


Illustration 1: The principal steps of the SDI

ASSESSMENT PROCESS

- DAIR has signed an agreement with Aéro Montréal for the use of the MACH Excellence Framework (assessment process) as part of the established DAIR SDI. It is a system developed to help suppliers assess their performance, identify performance gaps, and determine the actions necessary to improve and better position themselves within the supply chain.
- The MACH Excellence Framework prioritizes three fundamental axes for improving a supplier’s competitiveness:
 - excellence in leadership & governance
 - excellence in workforce development
 - excellence in operations

The **MACH Excellence Framework** has a maturity scale with five levels, MACH 1 to MACH 5, which help evaluate the extent to which the supplier has mastered 15 key business processes.

MACH 1 Learning excellence		MACH 2 Committing towards excellence	MACH 3 Implementing excellence	MACH 4 Achieving excellence	MACH 5 Enforcing excellence		
5 MATURITY LEVELS							
PROCESSES			MACH 1	MACH 2	MACH 3	MACH 4	MACH 5
AXIS 1 LEADERSHIP & GOVERNANCE 28 THEMES	1.1	Strategic Planning & Positioning					
	1.2	Performance & Management Systems					
	1.3	Project & Risk Management Systems					
	1.4	Innovation					
	1.5	Corporate Social Responsibility					
	1.6	Digital Technologies Governance & Management					
AXIS 2 WORKFORCE DEVELOPMENT 15 THEMES	2.1	Workforce Planning					
	2.2	Hiring, Workforce Mobilization & Retention					
	2.3	Workforce Training					
	2.4	Individual Performance Evaluation					
AXIS 3 OPERATIONS 34 THEMES	3.1	Supply Chain Management					
	3.2	Customer Relationship Management					
	3.3	Manufacturing Control & Management					
	3.4	Continual Improvement					
	3.5	Engineering, Methods & New Product/Program Introduction					
	3.6	Quality Management					

Illustration 2: MACH Excellence Framework

The MACH Excellence Framework also features the **MACH performance label**, a recognized certification process that provides increased visibility and recognition for suppliers.

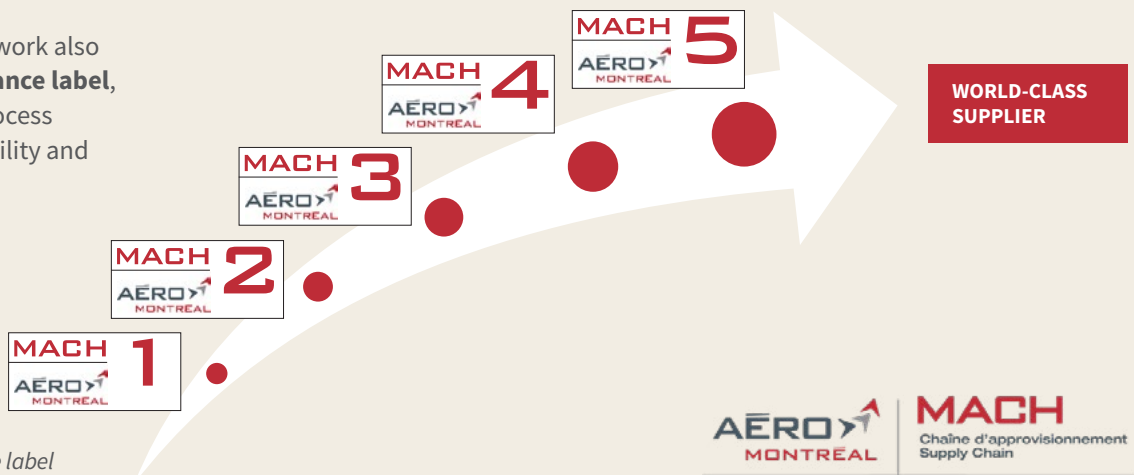


Illustration 3: MACH performance label

ASSESSMENT PROCESS cont'd

The first step in this process is meeting with the DAIR SDI team to understand the requirements of the assessment, followed by scheduling of the assessment, which is a 1-day process onsite at the SME's facility.

Once the assessment is completed, a report will be prepared with recommendations as well as the issuing of the MACH performance label that has been received. All documents will be sent via email to suppliers for review prior to a formal presentation of results.



Illustration 4: MACH Excellence Framework

ACTION PLAN DEFINITION

If necessary, the SME will briefly present their assessment results to their mentor, describing the proposed projects to undertake based on the recommendations from the assessment. The mentor will provide feedback and make recommendations on the SMEs proposed projects.

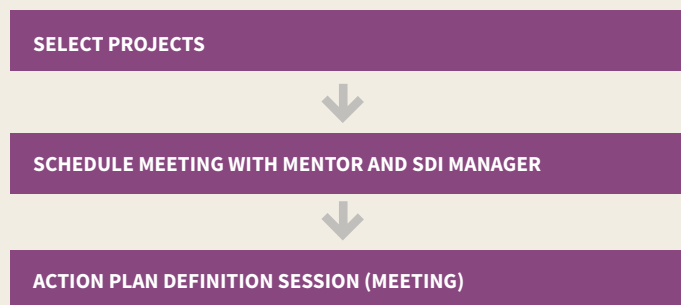


Illustration 5: Development of an Action Plan

Formal project approval

The SME will submit the project plan to DAIR for formal project approval which will include any proposals from consultants and the project charter.

Once DAIR has formally approved the project, the SME can begin project implementation.

Selection of external service providers

External service providers (consultants) will be sourced, reviewed and selected by the SME to support the execution of the selected project(s).

The following requirements should be provided to potential consultants, and included in any proposals to the SME:

1. Name and address of consulting firm.
2. Name of individual (consultant) within the consulting firm providing services to the SME.
3. Name and address of SME.
4. Currency.
5. Consultant's hourly rate.
6. Activities to be performed by consultant and number of hours to be spent per activity.
7. Start date of services.

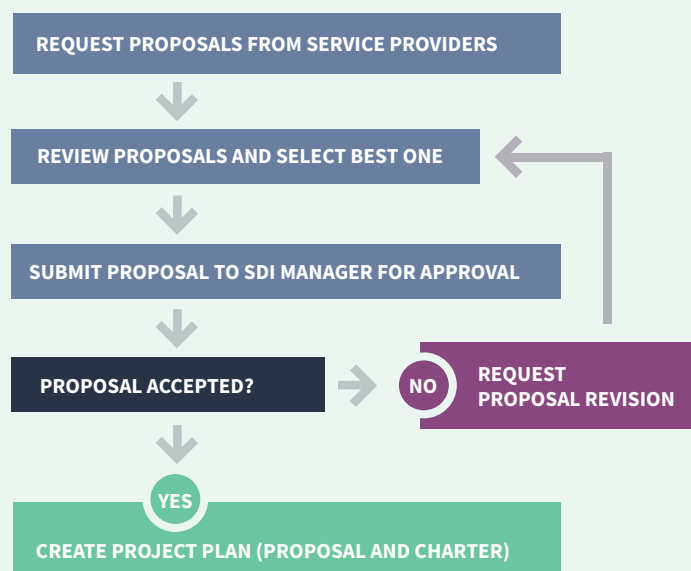


Illustration 6: Selection of external service providers

Project examples

The list below shows (as examples only) the types of projects that may be implemented by suppliers as part of the DAIR SDI:

- AS 9100 certification.
- ISO 14001 certification.
- Implementation of an ERP or CRM.
- Definition and implementation of a corporate social responsibility (CSR) policy.
- Definition and implementation of an integrated risk management process.
- Definition and implementation of a remuneration policy and employee evaluation.
- Definition of a succession plan for key positions (training, coaching, etc.).
- Definition and implementation of management dashboards.
- Implementation of management and production planning tools.
- Improvements to the system for managing costs.

FINANCIAL SUPPORT

The DAIR SDI provides non-repayable financial support to assist suppliers in executing improvement projects. DAIR's total funding for the SDI is \$30,000. DAIR will cover up to 75% of consulting, coaching and training costs for projects up to \$40,000, with SMEs required to contribute the other 25%. If the implementation cost exceeds \$40,000, DAIR's contribution will be capped at \$30,000.

No financial support is offered to mentors under the DAIR SDI.

Noneligible expenses

- Travel expenses outside of Ontario, for employees required to be trained or coached as part of the projects.
- Ongoing operating expenses.
- Capital expenses required to implement the projects (e.g. tooling, equipment, raw materials, etc.).
- Travel expenses of consultants hired to aid in project execution (e.g. mileage, flights, hotels, meals, etc.).
- All expenses not related to a recommendation that was not identified by the assessment.
- Costs, including taxes, for which the recipient has received, will receive, or is eligible to receive, a rebate, credit or refund.
- All expenses not submitted and approved in advance by the DAIR SDI team at the beginning of each cycle (including expenses incurred before the current cycle).
- DAIR reserves the right to limit the proportion or amount of funding that may be allocated to salary expenses.

REPORTING

The DAIR team will work with the SME to ensure that baseline measures, where applicable, are collected to compare with post-implementation results.

A **mid-way review will be scheduled** to ensure that all projects are progressing according to the approved timeline.

As a final step of the DAIR SDI, the SME will advise the DAIR team of project completion and receive the Project Results Summary template. The SME will update the document with current company statistics and project results.

PROCEDURE FOR REIMBURSEMENT

Once the SME has submitted all documents required for reporting on projects within the DAIR SDI, the supplier may proceed to claim reimbursement for expenses incurred. DAIR reimburses 75% of total project costs, up to \$30,000.

SMEs will be required to forward an invoice and direct deposit information to DAIR for the amount to be claimed for the reimbursement, based on eligible and approved project costs.

SMEs must provide documentation issued by their Human Resources department to substantiate salary expenses. Such documentation must include the employee’s name, hourly pay rate, total hours worked during the project implementation period, and the number of hours specifically attributed to project-related activities.

Receipts from the external service providers and proof of payment will be required to be submitted. Acceptable proof of payment should show SME name, service provider name, date of payment or transfer, payment amount and currency, and be issued by a financial institution such as a cashed cheque, a bank transfer, wire payment or credit card payment. DAIR will review all documents received and reserves the right to request further or related documentation prior to accepting proof of payment.

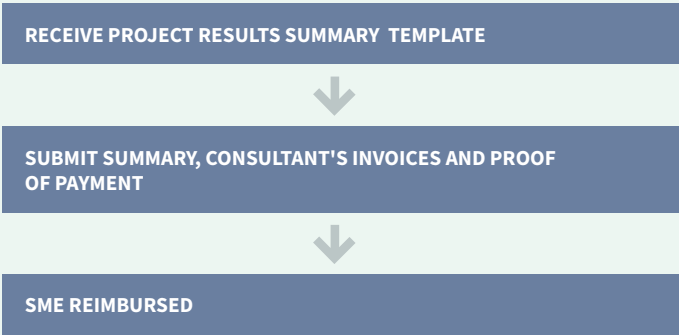


Illustration 7: Reimbursement process

Ethics and handling of confidential information

Information shared with DAIR will be held in confidence and within secure storage. Upon execution of an Agreement, the Parties shall keep confidential and shall not disclose the contents of the Agreement or the transactions contemplated, without the consent of all Parties, notwithstanding requirements to the Government of Canada under the Access to Information Act (Canada), the Privacy Act, the Library and Archives Act of Canada, and to the Government of Ontario through the Freedom of Information and Protection of Privacy Act (Ontario).

Upon entering into an Agreement with DAIR, the applicant will agree that DAIR is authorized to share information pertaining to the applicant, its application and its Funding Agreement with the Government of Ontario for the purposes of reporting requirements. Disclosure of this information is subject to the relevant privacy and confidentiality laws including, without limitation, the Freedom of Information and Protection of Privacy Act.

DAIR requires any company entering into an Agreement for the DAIR SDI to maintain proper and accurate accounts and records of the project for a minimum of six (6) years after the date of completion of the project. The applicant understands that the Government of Ontario will maintain a right to audit the accounts and records of recipients with respect to the funded project.

Applicants are expected to conduct all activities related to their application and any resulting funding agreement in a manner that is objective, impartial and free from conflicts of interest.

For the purposes of this program, a conflict of interest includes any circumstance where the applicant, or any individual with the ability to influence the applicant's decisions, has outside commitments, relationships or financial interests that could, or could reasonably be perceived to, interfere with the objective, unbiased and impartial management of the proposed project or the use of program funding.

Applicants must disclose to DAIR any actual, potential or perceived conflict of interest that exists at the time of application or that arises during the term of the project. DAIR reserves the right to determine whether a disclosed conflict may affect the applicant's eligibility or whether appropriate mitigation measures can be implemented. Failure to disclose a conflict of interest may result in an application being deemed ineligible, the withdrawal of funding, or termination of a funding agreement.

Applicants are also responsible for ensuring compliance with all applicable legislation, regulations and ethical obligations related to lobbying, procurement and conflicts of interest.

Intellectual property

DAIR will not take ownership of or any other rights in any Intellectual Property arising from any project supported under the DAIR SDI.

Any Intellectual Property stemming from a supported DAIR SDI project shall be owned by the applicant, the project partners, or an entity based in Canada for the duration of the Funding Agreement plus six (6) years.

The applicant shall make all reasonable efforts to exploit the IP generated from this funding in Canada for the duration of the funding Agreement plus six (6) years.

Process to submit applications

To submit applications, SMEs are required to complete, sign and submit the DAIR SDI Application Form, as well as any other required documents. The application form can be downloaded from DAIR's website at the following link:

<https://www.dairhub.com/initiatives/dair-supplier-development-initiative/>

The DAIR SDI Application Form must be submitted via email to DAIR's Industry Development & Readiness Manager verlyn.smith@dairhub.com

Applications will be accepted until the program is fully subscribed.

Any application submitted that is incomplete will not be considered for evaluation.

For more information

For any additional questions, please contact Verlyn Smith, DAIR Industry Development & Readiness Manager

Appendix A

EXPECTATIONS OF THE SME

- Invest the time and all necessary human and monetary resources to achieve the goals of the approved improvement projects.
- Select its mentor, where necessary, and ensure their support during the SDI, including by presenting to them the information in this Guide.
- To work with openness, transparency and good faith, and to cooperate fully with all stakeholders involved in the DAIR SDI, including:
 - The MACH Excellence Framework assessors, in order to schedule and complete the assessment process efficiently.
 - Their mentor, where necessary, to receive their support in the definition (and execution) of an improvement plan directly related to the improvement opportunities identified by the MACH Excellence Framework assessment.
 - The DAIR team and external service providers, to define and implement a plan in line with the improvement project related to opportunities identified by the MACH Excellence Framework assessment.

While not required, it is recommended that applicants to the DAIR SDI consider committing to multiple cycles of the program (i.e., a minimum of 2), each lasting 8 - 12 months, as continuous improvement is at the core of the DAIR SDI.

A mentoring relationship between the supplier and an aerospace Original Equipment Manufacturer (OEM) or Tier-1 manufacturer

Supply chains are dynamic – suppliers must adapt to evolving market trends and customer demands. This is why effective collaboration is so critical. The DAIR SDI encourages collaborative relationships between suppliers and aerospace OEMs or Tier-1s that focus on mutual growth and success. The sharing of expertise and strategic information may create a better understanding of specific activities to be undertaken to enable non-aerospace suppliers a more efficient transition into Ontario's aerospace supply chain.

DAIR will help make connections between SMEs and OEMs or Tier-1s.

It is important to note that entering into a mentoring relationship with an aerospace OEM or Tier-1 does not guarantee RFQs or work packages from the mentor.

EXPECTATIONS OF THE MENTOR

The DAIR Supplier Development Initiative is also aimed at OEMs and Tier-1 companies in the aerospace sector looking to support a strong and sustainable supply chain and advance their business relationships with Ontario suppliers. A goal of the DAIR SDI is to strengthen and expand the supplier base in Ontario by:

- Reducing dependency on a limited supplier base
- Increasing capacity and scalability during production ramp ups
- Providing access to more innovative and niche capabilities in Ontario and Canada

A mentor in the DAIR SDI agrees to support its mentee for the duration of the supplier's participation, or according to its ability. This includes investing in-kind mentoring hours to support the determination and implementation of improvement projects. This may include meeting with the SME and the DAIR team during the definition phase of the project and then through ongoing support (feedback) during the implementation.

Examples of support that could be provided by mentors to help implement improvement projects at their sponsored SME:

- Conducting internal pre-certification audits
- Participation in strategic planning
- Loan of internal experts for various projects (HR, Production, CSR, etc.)
- Benchmarking best practices against the mentoring organization
- Provision of training
- Permission for use of software developed by the mentor, and support in implementation of the software directly at the supplier's facility

There is no set number of hours for the mentor, as the extent of the mentor engagement will be agreed to by the SME and mentor during the process.



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