

Forestry Innovation Investment

2022/23 – 2024/25 Service Plan

February 2022



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Board Chair's Accountability Statement



The 2022/23 – 2024/25 Forestry Innovation Investment (FII) Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of January 2022, have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, FII's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of FII's operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in black ink, appearing to read 'John Allan', with a long horizontal stroke extending to the right.

John Allan
Board Chair

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Strategic Direction and Alignment with Government Priorities

In 2022/2023, public sector organizations will continue to align with and support the Government of British Columbia efforts in responding to the COVID-19 pandemic with a focus on protecting the health, social and economic well-being of British Columbians. Building on our economic, environmental, and social strengths while looking to seize opportunities to improve outcomes for all British Columbians will be an important aspect of each Crown Agency's work as we respond to COVID-19 and recover from devastating floods and wildfires. The policies, programs and projects developed over the course of this service plan period will align with the five foundational principles established by Government in 2020: putting people first, working toward lasting and meaningful reconciliation, supporting equity and anti-racism, ensuring a better future through fighting climate change and meeting our greenhouse gas reduction targets, and supporting a strong, sustainable economy that works for everyone.

This 2022/23 service plan outlines how Forestry Innovation Investment will support the government's priorities including the foundational principles listed above and selected action items identified in the most recent [Crown Agency Mandate Letter](#).

Forestry Innovation Investment (FII) helps to maintain, create and diversify markets for B.C. forest products, recognizing the forest sector is a key contributor to the B.C. economy and forest dependent communities. FII receives its mandate letter direction from the Ministry of Jobs, Economic Recovery and Innovation (JERI) and supports the Government's strategic direction to JERI, the Ministry of Forests, Lands, Natural Resource Operations and Rural Development (FLNR), and the Minister of State for Trade related to advancing forest sector innovation and developing markets for B.C.'s forest products, including mass timber.

FII's mandate is closely aligned with a range of government priorities, with FII actively collaborating with and supporting other agencies and partners in areas of common interest. Examples include CleanBC and initiatives aimed to enhance the performance of the built environment in B.C. Collaboration with FLNR, the Office of Mass Timber Implementation (part of JERI) and agencies across government are helping to advance the use of engineered wood products and mass timber wood building solutions. Expanding the use of mass timber products at home in B.C., and in export markets, contributes to the Province's green building objectives and to securing greater value from B.C.'s forest resource. Work with BC Housing, the Office of Construction of Housing Standards and the Ministry of Attorney General and Minister responsible for Housing supports the expansion of building codes and the development of taller mass timber building solutions to enhance affordability objectives and the availability of rental housing in the province.

FII is committed to delivering its services and programs in a manner that is sensitive and responsive to the multicultural and gender-diverse values of British Columbians, and to the cultural and social contexts of all locations where activities are delivered. FII is committed to ensuring its staff receive the training and support necessary to ensure inclusiveness and engagement in cross-cultural activities.

Operating Environment

FII's market development efforts are influenced by a wide range of factors, many of which are outside the control of the organization and its partners. While B.C.'s forest sector has fared well thus far throughout the COVID-19 pandemic, economic uncertainties, disruptions to global supply chains and volatile pricing continue to present risks to the sector. Alongside these challenges, opportunities are also emerging as the world's increased focus on climate change is creating opportunities to position B.C.'s forest products and building systems as a low-carbon solution.

Overlaid with this are emerging forest policy changes in B.C., designed to position B.C. as a leader in sustainable forest management. The Province is working with Indigenous peoples, local governments, industry and other interested groups to modernize the forest sector. This process is discussed in the Province's [Intentions Paper](#) and in its [Old Growth Strategy](#), and will involve updating policy, legislation and regulations to advance reconciliation, increase forest sector participation and strengthen the stewardship and sustainable management of B.C.'s forests.

B.C.'s forest sector has benefited from strong sales for both lumber and value-added products into North America, driven by demand in the housing and repair and remodelling markets. With the end of another intense wildfire season and work underway to modernize B.C.'s forest policies, B.C. continues its transition to a smaller, higher-value industry. Commitments to expand mass timber use in B.C. are being actioned as government and industry partners work together to advance the engineered wood products sector, and act as a global showcase for how wood design can help reduce the carbon footprint of the built environment.

B.C. wood products continue to play a prominent role in the U.S. construction market. After a decade of low housing starts leading to a large housing deficit in the U.S., mid-term housing start expectations are moderate to strong. Opportunities for multi-family/multi-storey, as well as non-residential construction, are expanding alongside building code changes and the adoption of engineered wood and mass timber products and building systems. Despite a reduction in U.S. duties for Canadian lumber in 2020, another increase in duties was announced in 2021 (from 9 percent to 18 percent), which could negatively impact B.C.'s competitiveness and exports to the country. In addition, strong prices have increased competition in the U.S. by attracting offshore imports from Europe and investment in new U.S. South sawmill capacity.

China remains B.C.'s largest market for commodity lumber outside of North America. The Chinese government's push for construction industrialization, as well as policy focused on the sustainable development of smaller and mid-sized cities, is driving demand for lower-rise buildings—creating opportunity to position wood-based construction as a low-carbon solution. Competitive pressures continue to exist with improved infrastructure access for Russian and European lumber through China's One Belt One Road initiative. The impact of a strong North American market on global prices is likely to influence trade in China and other Asian markets. The dynamic between log and lumber imports will continue to evolve in 2022, with a Russian log ban coming into effect. However, with a surge in spruce beetle-affected logs from Europe, increased competition is expected for B.C. across the implementation of this plan.

Japan continues to serve as a large and valuable market for B.C. forest products. Despite a long-term decrease in single-family housing, opportunities for wood construction in multi-family residential, elderly care, and commercial applications continue to support wood consumption. At the same time, B.C.'s value-added products are finding niche markets in resort, non-residential and reform/renovation sectors. As the world's fastest-growing major market for wood pellets, Japan promises growth potential for B.C.'s biomass sector. Canada faces competition in the Japanese market from increasing domestic production as well as imports from the European Union (logs/lumber) and Vietnam (pellets).

In India and Vietnam's furniture and interior manufacturing sectors, demand for imported softwood is accelerating as manufacturers seek a replacement for dwindling supplies of tropical hardwoods. Responding to the requirements of major consumer markets, India and Vietnam manufacturers have increased emphasis on securing wood products from certified, sustainable sources—presenting opportunity to position the environmental pedigree of B.C. forest products.

Over the period of this Service Plan, FII will continue to respond to the needs of the forest sector and to identify new opportunities for traditional forest products, advanced engineered wood materials and building systems and, where appropriate, non-conventional, next generation products. For 2022/23, no significant changes are planned in FII's internal operating environment. However, FII will adapt its priorities to ensure continued alignment with Government's strategic direction and economic recovery priorities, and the evolving domestic and global operating environment. FII's Strategic Plan and Service Plan will be updated as required to reflect these changes.

Performance Planning

Goal 1: Forest products are viewed as an environmentally friendly, preferred material, and B.C. is viewed as a reliable global supplier of quality products from sustainably managed forests

The primary objective of Goal 1 is to expand opportunities for B.C. forest products by positioning wood, and wood-based products from B.C., as the first choice for environmentally friendly building materials. The strategies under Objective 1.1 create a solid foundation for answering the questions, “Why wood?” and “Why wood from B.C.?”, upon which many of FII’s other market development investments and activities are based.

Objective 1.1: Opportunities for B.C. forest products are expanded by positioning wood, and wood-based products from B.C., as the first choice for environmentally friendly building materials

This objective focuses on two significant market trends: the increasing recognition of wood products as renewable and sustainable, and growing consumer demand for forest products that are produced in an environmentally responsible manner. With these factors in mind, FII aims to articulate the benefits of wood as a sustainable, renewable building material; its advantages in creating a significantly smaller environmental footprint than other building materials; and the fact that wood and pulp and paper products from B.C. are sourced from sustainably managed forests backed by stringent regulations and public consultation.

Key Strategies

- Develop and disseminate timely, factual and scientific information regarding B.C. forest products and practices.
- Champion science- and fact-based approaches to communicate B.C.’s forest practices and the merits of wood-based products and building technologies in reducing carbon emissions and mitigating climate change.
- Collaborate with industry and government stakeholders to encourage consistent and compelling communications about B.C. forest practices, products, building innovations and progress in reducing environmental impacts.
- Monitor and advocate in international markets for codes, standards and policies that recognize the merits of wood and B.C. forest products.

Performance Measure	2021/22 Forecast	2022/23 Target	2023/24 Target	2024/25 Target
1.1 Percent of customers who perceive that forest products from B.C. are a good choice for the environment	90%	N/A	90%	N/A

Data source: Leger - The Research Intelligence Group. Analysis of Market Acceptance Issues. Surveys are conducted biennially.

Linking Performance Measure to Objective

This measure provides an indication over time of the effectiveness of FII’s international advocacy and communications initiatives to influence customer perceptions of B.C. and its forest management practices. Performance data is gathered by an independent research firm through a biennial survey of target international customers (e.g., large institutional pulp and paper buyers, and wood importers and distributors).

Discussion

The survey of international customers is conducted on a biennial basis as a cooperative undertaking between FII and other partners such as the Canadian Council of Forest Ministers and Forest Products Association of Canada. The survey, which is focused on environmental perspectives, identifies the percentage of customers who agree that B.C.’s environmental reputation is as good as, or better than, the average of competing forest product jurisdictions. The 2022/23 and 2024/25 targets are set at ‘N/A’ as the performance data is gathered biennially. For future targets, FII and its partners consider that maintaining a 90 percent rating represents optimal performance given there will always be some who have varying degrees of concern of environmental impact of timber harvesting practices in different jurisdictions.

Objective 1.2: B.C. is positioned as a reliable global supplier of quality products from sustainably managed forests

The growing awareness of the benefits of wood products is increasing the demand from consumers for forest products that are produced in an environmentally responsible manner. To help position B.C. to meet this demand, FII delivers a suite of programming that showcases B.C. as a reliable supplier of quality forest products, and a global leader in sustaining forest resources and environmental values. This positioning helps strengthen awareness of, and interest in, B.C. forest products in major markets, thus supporting greater market share, premium positioning and easier access to new markets.

Key Strategies

- Showcase B.C.’s leadership in forest management and innovative products and building system technology to advance the use of wood at home and abroad via naturally:wood and other marketing and communication channels.
- Use FII’s online product and supplier sourcing tool—the naturally:wood [Supplier Directory](#) to promote the variety and quality of forest products manufactured from B.C.’s sustainably managed forests, and to advance connections and potential commercial opportunities for B.C. forest product companies.

Performance Measure	2021/22 Forecast	2022/23 Target	2023/24 Target	2024/25 Target
1.2 Number of prospects connecting with B.C. manufacturers from the naturallywood.com Supplier Directory, an online platform developed by FII	30,000	33,000	36,300	38,200

Data source: Forestry Innovation Investment Ltd/Google Analytics.

Linking Performance Measure to Objective

Collecting data on connections made to suppliers tracks the effectiveness of FII’s online product and supplier sourcing tool in increasing awareness of, and interest in, B.C.’s forest products by advancing connections with B.C. companies for potential commercial opportunities. The performance metric tracks the number of visitors who use the Directory to search B.C. suppliers and the number of visitors that engage with a supplier email, phone number or website address.

Discussion

FII continues to build and optimize content and resources to attract visitors to the naturallywood.com website and to the Supplier Directory located there. The 2021/22 target for prospects connecting with B.C. manufacturers via the Directory was set at 14,250, and FII has exceeded this goal halfway through the year. FII’s future growth targets have been increased to reflect the impact the digital marketing campaign is having on engagement. As online user behaviour and engagement stabilizes with this now established resource, its use is projected to be sustained, but will not increase as quickly as when the tool was optimized and re-launched in 2020.

Goal 2: Optimize value for B.C.'s forest products in traditional and emerging markets

This goal supports Government priorities to support employment in forestry and innovative wood manufacturing by expanding opportunities in international markets. This goal drives FII's efforts to assist the B.C. forest industry in optimizing returns by achieving a balance in the products, species and grades marketed. FII's strategy to expand global markets for both the primary and secondary manufacturing sectors¹ includes a mix of activities delivered by third parties and FII². These efforts build on the strategies, as well as the science and reputational foundation developed under Goal 1.

Optimization of the global market development strategy involves creating or expanding new market segments in traditional regions (e.g., non-residential and multi-family/mid-rise construction in the U.S.), as well as fostering demand in regions that have strong growth potential but are not currently using high volumes of B.C. forest products (e.g., the multi-family and non-residential markets in China and Japan, and the wood in manufacturing sectors in India and Vietnam).

Activities associated with Goal 2 recognize the progress made in diversifying B.C. exports away from the historically heavy dependence on the U.S. single-family housing sector. Programs in this area also focus on achieving a long-term balance between existing and emerging markets, and traditional and innovative new products, including an increase in sales of higher-margin products in traditional markets.

Objective 2.1: B.C.'s sales of higher-value wood products to China are increased

China is B.C.'s largest market for commodity lumber outside of North America and is a priority market for the B.C. forest sector. FII, in cooperation with partner agencies, the federal government and industry, will continue efforts to advance wood use in China, and to position exports from B.C. in high-potential growth and higher-value segments. This includes encouraging increased wood use in hybrid construction applications³; culture, tourism, wellness and elderly care sector construction; mid-rise and taller construction; and in China's rapidly expanding manufacturing sector.

¹ 'Primary' manufacturing typically converts logs to lumber, plywood, OSB, etc.; 'secondary' manufacturing typically uses a form of lumber as a raw material input for further manufactured products, such as furniture, windows and doors, engineered wood products, mass timber products, cabinets, moulding and millwork, etc.

² FII collaborates with industry trade associations, the federal government and other funding bodies to leverage its investments for the greatest potential return for B.C. FII's objective is to strengthen demand for B.C. forest products and expand potential end-use applications.

³ Hybrid applications incorporate wood components with concrete and steel structures (which currently dominate construction in China).

Key Strategies

- Expand opportunities for B.C. forest products in high-value, high-potential applications in both the construction and manufacturing sectors in China.
- Leverage Chinese government construction initiatives around low-carbon, energy efficiency and green construction.
- Engage with Chinese government agencies to reduce and/or eliminate barriers to access for B.C. wood products.
- Undertake joint activities with key Chinese government stakeholders to influence and advance wood-friendly policies in China’s low-carbon urbanization and regional development plans.
- Grow opportunities for the use of wood in new construction segments, including public buildings and culture, tourism, wellness and elderly care construction, by positioning B.C.’s unique wood species, innovative building systems and environmental pedigree.

Performance Measure	2021/22 Forecast	2022/23 Target	2023/24 Target	2024/25 Target
2.1 Average value (CAD) per cubic metre generated by softwood lumber sales to China ¹	\$245	\$205	\$210	\$215

Data source: BC Stats. Total value of lumber exported divided by the total volume of exports measured in cubic metres.

¹Data is reported by calendar year (January through December), consistent with Statistics Canada data collection and reporting methodologies and to ensure comparability across domestic and international publications.

Linking Performance Measure to Objective

Performance Measure 2.1 tracks the extent to which the B.C. forest industry is successful in diversifying markets and moving into higher-value segments. The target emphasizes sales to China, where FII investments are leveraging a significant joint industry and government (provincial and federal) market development effort to position B.C. as the leading exporter of high-quality softwood lumber to China.

Discussion

A number of factors have the potential to significantly influence the average value of B.C. lumber sold in China. These include the continued COVID-19 pandemic, bilateral relations, the strength of the Chinese economy and construction sector, price volatility in the North American and global markets, exchange rates, strong competition from Russia, as well as low-cost competition from Europe as they deal with a major spruce beetle outbreak. In addition, the ability to achieve Performance Measure 2.1 is contingent upon the efficacy of market development programs delivered in whole, or in part, by trade associations partially funded by FII. As part of the funding approval process, specific performance measures linked to FII’s broader goals and targets are set for each project. For more details, please refer to FII’s [Performance Management Framework](#).

The 2021/22 target was set at 200; FII anticipates exceeding this target as a result of record lumber prices globally in the first half of 2021. Lumber prices dropped to more traditional levels in the latter part of 2021 and therefore forward-looking targets have not been adjusted upward.

Objective 2.2: Open markets for B.C. wood products in India

FII’s market development program in India is focused on augmenting the country’s dwindling supply of tropical and domestic hardwoods with Canadian softwoods. The program targets applications for B.C. wood species in the manufacturing sector, including doors, windows, architectural millwork, furniture for domestic and export markets, and interior finishing product applications. Building on a mix of research, education and promotion to increase awareness of, and knowledge about, B.C. wood species, FII encourages commercialization through product trials with manufacturers and securing high-profile demonstration projects with strategic partners.

Key Strategies

- Leverage FII’s market presence to build a strong Canadian brand in India.
- Undertake research to further understand opportunities and barriers.
- Expand the number of wood importers (or stockists) inventorying B.C. softwoods for sale in key regional markets.
- Conduct demonstration and manufacturing product trials to generate commercially successful products using B.C. species.
- Lead education and promotional initiatives to raise the profile of B.C. wood products in the market.

Performance Measure	2021/22 Forecast	2022/23 Target	2023/24 Target	2024/25 Target
2.2 Total number of product trials of B.C. species undertaken in India	32	34	36	38

Data source: Forestry Innovation Investment Ltd.

Linking Performance Measure to Objective

This performance measure directly reflects the interest of the Indian industry to try B.C. species, which is a key objective in early market development efforts.

Discussion

Market development in India is led by FII through its India-based subsidiary. FII’s Try Canadian Wood program continues to provide qualified Indian manufacturers with small test volumes of B.C. wood, as well as technical support for trying B.C. wood in new or existing product lines. Product trials completed to date have resulted in a range of furniture and interior finishing products being produced on a test basis, with a number of trials leading to commercial orders for products made with B.C. species. FII’s success in expanding the number of product trials across India is key to opening the market for B.C. wood species and helping B.C. firms advance commercial sales to India. The 2021/22 target was set at 32; FII expects to meet this target.

Objective 2.3: Wood products secure greater market penetration in U.S. non-residential and multi-family construction

The U.S. housing sector, in particular single-family home construction, remains the leading consumer of B.C. lumber, panels, cedar products and value-added wood products. However, with the market moving toward multi-family living, FII is focusing its funding support on work that expands wood beyond the single-family residential segment and into growth opportunity sectors in multi-family/multi-storey construction and non-residential (commercial, institutional and recreational) construction. These segments have significant opportunities to increase wood's market share, and to expand opportunities to use wood both structurally and architecturally. FII funding specifically focuses on growing wood use in these segments.

Key Strategies

- Build capacity and interest in greater wood use with developers, contractors and building and design professionals in the high-potential multi-family/multi-storey and non-residential sectors through training and technology transfer.
- Profile and encourage the use of new and emerging building solutions such as mass timber and wood-steel-concrete hybrid building systems.
- Support the province's value-added exporters and target the repair and remodeling sector, encouraging the use of high-value B.C. species such as western red cedar in exterior applications.

Performance Measure	2021/22 Forecast	2022/23 Target	2023/24 Target	2024/25 Target
2.3 Total sales (USD, millions) of wood attributable to directly influenced and converted projects – U.S. non-residential and multi-storey/multi-family residential construction markets	\$249	\$275	\$298	\$310

Data source: U.S. [WoodWorks](#) program.

Linking Performance Measure to Objective

This measure tracks success in increasing wood usage in the U.S. in the commercial, institutional and multi-family residential/mid-rise segment. Most single-family housing in North America uses wood-frame construction as the primary building method; however, wood has a smaller share of non-residential structures and of multi-storey, multi-family residences. The forest industry in B.C., the rest of Canada and the U.S. has a strong interest in seeing wood products secure a much higher market penetration in this segment. To this end, FII supports the U.S. [WoodWorks](#) program to deliver education and technical advisory activities that assist architects, builders and developers to incorporate more wood into projects, as well as convert projects from other materials to wood. Efforts focus on a range of building types (i.e., multi-storey/multi-family, non-residential, taller buildings) and systems (wood-frame, mass timber, hybrid). This diversification strategy will help expand the influence of the program across the construction

sector while protecting suppliers against market fluctuations in any one segment of the building sector.

Discussion

The ability to achieve Performance Measure 2.3 is contingent upon the performance of FII's funding recipient, US WoodWorks, in its delivery of Market Initiatives programming and on other external factors impacting construction activity in the U.S., such as the level of real estate investment and the process for approving and implementing building code changes. The target is based on the incremental increase in the value of wood sales that are generated in the year through projects converted and/or influenced by program activities tracked by FII-funded partners⁴. The 2021/22 target was set at USD \$227 million; FII anticipates exceeding this target. US WoodWorks' future growth targets have been increased to reflect the growing demand for multi-family housing in the U.S., and an increasing number of projects in the 5-6 storey category. Increasing mass timber and wood use in commercial and taller buildings also promises to drive healthy demand for wood.

⁴ Converted and/or influenced projects are tracked by FII-funded partners through canvasses of developers/builders engaged with program technical advisors, and through third-party estimates of attributable wood consumption and its associated sales value.

Goal 3: B.C. is a leader in using innovative forest products and building systems

This goal supports Government's strategic direction to expand innovation in the wood products sector. The goal focuses on addressing research, education and supply chain barriers hampering the growth of mass timber and next-generation engineered wood products and systems in B.C., and on guiding FII's efforts to work with partners inside and outside of government to ensure public projects prioritize the use of wood.

Objective 3.1: Wood is positioned as a preferred building material and B.C. as a leader in wood innovation

Long-term sustainability of the forest economy requires the active maintenance, creation and diversification of demand for B.C. forest products. FII is focused on expanding and advancing opportunities across the product value chain, from lumber suppliers and engineered wood manufacturers to skilled labour, engineers, designers and architects. By introducing new and advanced wood technologies and building systems here in B.C., wood is positioned as a preferred building material and B.C. as a leader in wood innovation. As a result, B.C.'s forest products can be more effectively marketed for construction, interior design and daily living at home and abroad.

Strategies incorporated under Objective 3.1 are delivered primarily through FII's Wood First program, which works to position B.C. as a leader in using innovative forest products and building systems by delivering promotional, research, educational and capacity building initiatives throughout the province. An independent Wood First Advisory Committee, made up of senior industry executives, provides strategic guidance on program implementation priorities. To effectively deliver its Wood First mandate, FII relies on existing research and service delivery organizations, promoting integrated planning and coordinated delivery of program activities and initiatives.

Key Strategies

- Facilitate research and development for new wood products and building systems and drive the dissemination of knowledge and results to appropriate audiences.
- Collaborate with all levels of government to drive better understanding of wood's role in addressing energy efficiency, low-carbon innovation and other environmental policies related to the building sector.
- Accelerate education, training and technical support to encourage wood use, including mass timber and other engineered wood products and systems.
- Advance the competitiveness of B.C.'s value-added wood sector by encouraging supply chain optimization and the development of next-generation wood products and building solutions.
- Leverage B.C.'s advancements in wood use by mobilizing provincial research, expertise and technologies that embrace and showcase wood, including community and Indigenous projects across B.C.

Performance Measure	2021/22 Forecast	2022/23 Target	2023/24 Target	2024/25 Target
3.1 Total sales (CAD, millions) of wood attributable to directly influenced and converted projects – B.C.’s non-residential and multi-storey/multi-family residential construction markets	\$68	\$70	\$74	\$76

Data source: Canadian Council’s [Wood WORKS! BC](#) program

Linking Performance Measure to Objective

This measure tracks success in increasing wood usage in B.C. in the commercial, institutional and multi-family residential/mid-rise segment. To this end, FII supports the [Wood WORKS! BC](#) program to deliver education and technical advisory activities that assist architects, builders and developers to incorporate more wood into projects, as well as convert their projects from other materials to wood. Efforts focus on a range of building types (i.e., multi-storey/multi-family, non-residential and taller buildings). This diversification strategy will help expand the influence of the program across the construction sector while protecting suppliers against market fluctuations in any one particular segment of the building sector.

Discussion

The ability to achieve Performance Measure 3.1 is contingent upon the performance of FII’s funding recipients in their delivery of Wood First programming and on other external factors impacting construction activity in B.C., such as the level of real estate investment and the process for approving and implementing building code changes. The target is based on the incremental increase in the value of wood sales that are generated in the year through projects converted and/or influenced by program activities funded by FII and its funded partners.

The target for sales attributable to program intervention was set at \$68 million or greater for 2021/22. Wood WORKS! BC has adjusted its operations to ensure project support and education can continue to be provided during COVID-19 and, as such, FII anticipates that the program will meet this target. Targets for 2022/23 will be influenced by economic recovery from COVID-19, the timely implementation of the 2020 building code revisions in B.C. and the speed by which new wood provisions are commercialized by the private sector. Industry is currently completing a strategic review of this program and it is expected that metrics will evolve as the program is refreshed in 2022/23. As such, forward-looking targets may change over the period of this three-year plan.

Goal 4: FII is a highly effective, innovative and proactive organization

FII’s business practices incorporate robust financial controls and a performance management framework, including monitoring, audit and evaluation, built on long-term market development principles and a comprehensive risk-assessment strategy. All these approaches reflect government policies and best practices and are consistent with direction articulated in FII’s Mandate Letter.

Objective 4.1: FII’s market development programming is strategic, focused and provides the highest value for the forest sector and the taxpayers of B.C.

FII is committed to delivering programs that deliver the highest value for the forest sector and the taxpayers of B.C. Consistent with this commitment, FII delivers its primary programs and services in collaboration with the forest industry, the federal government, the research community and other provincial agencies, including JERI and FLNR. By partnering with forest sector organizations from Canada and abroad, FII is able to leverage its expertise and financial resources to maximize the effectiveness and efficiency of its programs. In delivering against its mandate, FII remains committed to a path of environmental sustainability, including minimizing its environmental footprint, in order to protect the natural environment and the B.C. economy for future generations.

Key Strategies

- Ensure FII is efficient, transparent and results-focused by continuing to implement a rigorous performance management system and monitoring and auditing funded projects according to explicit risk assessments.
- Work with JERI and FLNR to ensure ongoing engagement and program alignment.
- Continuously review priorities and strategies to ensure that programs and services stimulate innovation in products and markets and are delivered in an efficient and cost-effective manner.
- Minimize FII’s carbon footprint and promote environmentally responsible business activities.

Performance Measure	2021/22 Forecast	2022/23 Target	2023/24 Target	2024/25 Target
4.1 Other organizations’ aggregate contribution to recipient funding program	65%	65%	65%	65%

Data source: Forestry Innovation Investment Ltd.

Linking Performance Measure to Objective

This measure tracks the effectiveness of FII in securing external resources to deliver market development programs at the lowest possible cost to the B.C. taxpayer. The willingness of industry, the federal government and other provincial governments to contribute to market development activities is a direct indicator of the value they place on these activities, particularly at a time of severe resource constraints.

Discussion

The 65 per cent target figure reflects the share of funding provided by others (industry and the federal government) to FII's cost-shared recipient funding program across the suite of investments in all programs and markets. While the proportion of funds received from industry and the federal government varies by market and type of activity, FII's goal is to maintain an average of 65 per cent "other" funding in the program. Given this is an average across a suite of investments, where some fluctuation is expected year-to-year, 65 per cent is viewed as an optimal target. Data to support this measure is sourced from the online recipient funding system, which is co-funded and managed by FII and Natural Resources Canada, and through FII's year-end financial reporting. FII is on track in 2021/22 to meet the 65 per cent target.

Financial Plan

Financial Summary

(\$000)	2021/22 Forecast	2022/23 Budget	2023/24 Plan	2024/25 Plan
Total Revenue				
Contribution from the Province of B.C. ⁽¹⁾	21,550	21,550	19,550	19,550
Contribution from the Federal Government ⁽²⁾ ^{(3) (4)}	2,254	1,980	1,980	1,980
Other Revenue ⁽⁵⁾	150	250	250	250
Total Revenue	23,954	23,780	21,780	21,780
Total Expenses				
Funding Recipient Initiatives ⁽⁶⁾	10,690	10,750	8,750	8,750
Market Initiatives and Outreach				
Government Initiatives and Outreach	5,011	5,030	5,055	5,130
China Market Development ⁽⁸⁾	2,471	2,500	2,450	2,400
India Market Development ⁽⁷⁾	3,106	2,600	2,500	2,400
Vietnam Market Development	1,066	1,250	1,350	1,400
Corporate Services	1,610	1,650	1,675	1,700
Total Expenses	23,954	23,780	21,780	21,780
Excess of Revenue over Expenses	0	0	0	0
Retained Earnings, End of Year	5,041	5,041	5,041	5,041
Capital Expenditures	250	250	150	150
Total Liabilities	2,580	2,510	2,510	2,510

¹ 2021/22 includes base budget of \$19.55 million plus \$2.0 million for the Mass Timber Demonstration Program. 2022/23 includes \$2.0 million for the continuation of the Mass Timber Demonstration Program.

² Approximately \$2.25 million in 2021/22 is a contribution from Natural Resources Canada (NRCan); \$1.32 million towards the India initiative; \$0.53 million for the Vietnam initiative; \$0.39 million to cost-share other initiatives.

³ Approximately \$1.98 million in 2022/23 is anticipated from NRCan towards the following: \$1.33 million for the India Market Development program; \$0.55 million for the Vietnam program; and \$0.10 million to cost share other initiatives.

⁴ Funding from the Government of Canada (NRCan) is budgeted to continue at approx. \$1.98 million for the years 2023/24 and 2024/25 but is contingent on the federal Emerging Markets Program continuing at current funding levels.

⁵ Includes contributions from industry associations and other miscellaneous income.

⁶ 2021/22 and 2022/23 each include \$2.0 million for the Mass Timber Demonstration Program.

⁷ FII is currently completing a strategic review of its India program, the budget in 2022/23 and onward may adjust slightly pending the outcome of the review.

⁸ FII China's Shanghai office lease expires on Dec 31, 2022, so the upward adjustment to budget 2022/23 and 2023/24 relates to moving costs and office improvements in order to relocate.

Key Forecast Assumptions, Risks and Sensitivities

The majority of FII's investments, programming and activities are funded by the Ministry of Jobs, Economic Recovery and Innovation. FII assumes that industry trade associations, research institutes and universities will continue to propose eligible and acceptable activities for FII funding and that partial funding for these activities will account for approximately half of FII's expenditures.

FII funds extensive market development programming in offshore markets, particularly in Asia. As a result, FII is subject to foreign exchange risk through its program payables and advances, and a portion of FII's program costs, which are denominated in Chinese Renminbi, Indian Rupee, Vietnamese Dong, U.S. dollars and other foreign currencies. While FII manages exposure to currency risk by monitoring assets and liabilities denominated in foreign currencies and by purchasing foreign denominated currency when market conditions are favourable, volatility in the value of the Canadian dollar against foreign currencies has increased exchange rate risk.

As COVID-19 restrictions in certain markets continue to impact tradeshow, the delivery of educational seminars, in person events and employee travel, strategies have been developed to mitigate these impacts, such as delivering education and promotional seminars online and connecting with stakeholders using virtual tools.

Management's Perspective on the Financial Outlook

For 2022/23, FII anticipates receiving \$21.55 million in funding from the Province and \$1.98 million from Natural Resources Canada, of which \$1.33 million is to go towards the FII India program, \$0.55 million towards the Vietnam Program, \$0.10 million towards other cost-shared initiatives. \$0.25 million is anticipated to be received from other sources. The Mass Timber Demonstration Program is continuing in 2022/23 (with an allocation of \$2 million in 2021/22 and \$2 million in 2022/23 from the Province).

About half of the available funding from the Province will be used to share the cost of activities proposed and delivered by not-for-profit organizations that responded to FII's most recent market development and Wood First calls for proposals. The budget allocation for such funding recipients will be \$8.75 million. Other budget allocations will be:

- FII China: \$2.5 million - approximately the same as the forecasted spending for 2021/22.
- FII India: \$2.6 million - below the forecasted spending in 2021/22 as a result of the strategic review.
- FII Vietnam: \$1.25 million - above the forecasted spending in 2021/22 as the program ramps up.
- FII Vancouver's Government Initiatives and Outreach: \$5.03 million.

Appendix A: Additional Information

Corporate Governance

FII is responsible to the Minister of Jobs, Economic Recovery and Innovation through a four-member Board of Directors. The Government appoints the Board to set operational policy, and in cooperation with senior management, to set strategic direction. The Board monitors FII's performance based on the Province's planning and reporting principles. The Board also appoints the President & Chief Executive Officer (CEO) and delegates responsibility to the President & CEO for the day-to-day leadership and management of the organization.

Full details on FII's governance principles, GBA+ commitments, the role and membership of the Board of Directors, senior leadership, as well as corporate reports and details on compliance to the requirements of the Crown Agencies and Board Resourcing Office, are available at www.bcfii.ca/governance. FII is in full compliance with Governance and Disclosure Guidelines for Governing Boards of B.C. Public Sector Organizations.

Organizational Overview

FII works with the forest industry, B.C. Government ministries, the Government of Canada, research institutions, and other stakeholders to deliver forward looking, innovative market development programs. To provide the best value for the B.C. public and stakeholders, FII uses a joint delivery model for program delivery. This approach takes advantage of industry expertise and marketing networks and ensures that program costs are shared with other organizations.

Details on FII's mandate, its goals and values, and its location and organizational structure are available at www.bcfii.ca, as are previous Service Plans and Annual Service Plan Reports. Also available on the site is additional information on FII and its programs and partners, including an annual [Year in Review](#) document that highlights accomplishments in major markets around the world.

Comprehensive information about B.C.'s sustainable forest management practices and products is available at www.naturallywood.com, including links to many forest product companies and trade associations.

FII maintains a head office in Vancouver, B.C., with subsidiary operations located in China, India and Vietnam (detailed in Appendix B).

Appendix B: Subsidiaries and Operating Segments

Active Subsidiaries

FII Consulting (Shanghai) Co. Ltd.

(Wholly owned by Forestry Innovation Investment Ltd.)

Primary business: Supporting the B.C. forest industry by directing market research and leading government relations and business development, particularly with state-owned enterprises.

Objective: To grow the market for B.C. wood products in China, primarily by creating new demand for structural lumber and related building products.

Governance: Sole Executive Director: Michael Loseth, FII President & CEO

Senior Management: Guoli Liu, Senior Director, Government Relations

Strategic Direction and Operating Environment: The business activities and priorities of FII Consulting (Shanghai) Co. Ltd. are fully consistent with the mandate, strategic priorities and fiscal plan of FII Ltd.

Risk Management: FII funds its market development programming in China from Canada and, as a result, FII is subject to foreign exchange risk through its program advances to its subsidiary companies. Program costs for this subsidiary are denominated in Chinese Renminbi. FII manages its exposure to currency risk by monitoring assets and liabilities denominated in these foreign currencies and by purchasing foreign denominated currency when market conditions are favourable. The lower value of the Canadian dollar against the U.S. dollar has increased FII's exchange rate risk as the value of the Chinese Renminbi is roughly pegged against the U.S. dollar. Consequently, increases or decreases in the value of the U.S. dollar relative to other currencies can affect the value of the Renminbi against the Canadian dollar.

Financial Summary

\$000	2021/22 Forecast	2022/23 Budget	2023/24 Plan	2024/25 Plan
Total Revenue	2,471	2,500	2,450	2,400
Total Expenses	2,471	2,500	2,450	2,400
Annual Surplus (Deficit)	0	0	0	0

FII Consulting India Private Limited

(Jointly owned by Forestry Innovation Investment Ltd. and 0939031 B.C. Ltd.)

Primary business: Supporting the development of the Indian market for B.C. forest products through market research, promoting B.C. wood products and related technologies, undertaking product trials and demonstration work, and leading communication and education outreach efforts to enhance awareness of B.C. and Canadian softwood species in India.

Objective: To establish a new market for B.C. wood products in India by creating demand for lumber suitable for the manufacturing of furniture, doors and windows, interior millwork and other products.

Governance: Four-member Board of Directors:

- Michael Loseth (Chair), FII President & CEO
- Douglas Greig, FII Vice President and Chief Financial Officer
- Jim Messer, FII Vice President International Marketing
- Pranesh Chhibber, FII India Country Director

Senior Management: Pranesh Chhibber, Country Director, FII India

Strategic Direction and Operating Environment: The business activities and priorities of FII Consulting India Private Limited are fully consistent with the mandate, strategic priorities and fiscal plan of FII Ltd.

Risk Management: FII funds its market development programming in India from Canada and, as a result, FII is subject to foreign exchange risk through its program advances to its subsidiary companies. Program costs for this subsidiary are denominated in Indian Rupees. FII manages its exposure to currency risk by monitoring assets and liabilities denominated in these foreign currencies and by purchasing foreign denominated currency when market conditions are favourable.

Financial Summary

(\$000)	2021/22 Forecast	2022/23 Budget	2023/24 Plan	2024/25 Plan
Total Revenue	3,106	2,600	2,500	2,400
Total Expenses	3,106	2,600	2,500	2,400
Annual Surplus (Deficit)	0	0	0	0

Forestry Innovation Consulting (Vietnam) Ltd.

(Wholly owned by Forestry Innovation Investment Ltd.)

Primary business: Supporting the development of the Vietnam market for B.C. forest products through market research, promoting B.C. wood products, undertaking product trials, and leading communication and education outreach efforts to enhance awareness of B.C. and Canadian softwood species in Vietnam.

Objective: To establish a new market for B.C. wood products in Vietnam by creating demand for lumber suitable for the manufacturing of furniture, doors and windows, interior millwork and other non-structural products.

Governance: Chairperson governance model represented by two positions:

- Michael Loseth (Chairperson), FII President & CEO
- David Turnbull (General Director), Senior Director Business Development

Senior Management: David Turnbull, Senior Director Business Development

Strategic Direction and Operating Environment: The business activities and priorities of Forestry Innovation Consulting (Vietnam) Ltd. are fully consistent with the mandate, strategic priorities and fiscal plan of FII Ltd.

Risk Management: FII funds its market development programming in Vietnam from Canada and, as a result, FII is subject to foreign exchange risk through its program advances to its subsidiary companies. Program costs for this subsidiary are denominated in Vietnamese Dong. FII manages its exposure to currency risk by monitoring assets and liabilities denominated in this foreign currency and by purchasing foreign denominated currency when market conditions are favourable.

Financial Summary

(\$000)	2021/22 Forecast	2022/23 Budget	2023/24 Plan	2024/25 Plan
Total Revenue	1,066	1,250	1,350	1,400
Total Expenses	1,066	1,250	1,350	1,400
Annual Surplus (Deficit)	0	0	0	0

Inactive Subsidiaries

- FII maintains a non-operating subsidiary company, 0939031 B.C. Ltd. (wholly owned by Forestry Innovation Investment Ltd.) whose sole purpose is to function as the second shareholder of FII Consulting India Private Limited (reflecting India legislation that requires foreign-owned companies to have at least two shareholders).

Appendix C: Crown Mandate Letter from the Minister Responsible



Ref: 153796

April 19, 2021

John Allan
Chair, Board of Directors
Forestry Innovation Investment, Ltd.
Suite 1200-1130 Pender Street West
Vancouver, BC V6E 4A4

Dear John Allan:

On behalf of the Honourable John Horgan, Premier, and the Executive Council, I would like to extend my thanks to you and your board members for the dedication, expertise and skills with which you serve the people of British Columbia (BC).

Every public sector organization is accountable to the citizens of BC. The expectations of British Columbians are identified through their elected representatives, the members of the Legislative Assembly. Your contributions advance and protect the public interest of all British Columbians and through your work, you are supporting a society in which the people of this province can exercise their democratic rights, trust and feel protected by their public institutions.

You are serving British Columbians at a time when people in our province face significant challenges as a result of the global COVID-19 pandemic. Recovering from the pandemic will require focused direction, strong alignment and ongoing engagement between public sector organizations and government. It will require all Crowns to adapt to changing circumstances and follow Public Health orders and guidelines as you find ways to deliver your services to citizens.

This mandate letter, which I am sending in my capacity as Minister responsible for Forestry Innovation Investment Ltd., on behalf of the Executive Council, communicates expectations for your organization. It sets out overarching principles relevant to the entire public sector and provides specific direction to Forestry Innovation Investment Ltd. about priorities and expectations for the coming fiscal year.

I expect that the following five foundational principles will inform your agency’s policies and programs:

- **Putting people first:** We are committed to working with you to put people first. You and your board are uniquely positioned to advance and protect the public interest and I expect that you will consider how your board’s decisions maintain, protect and enhance the public services people rely on and make life more affordable for everyone.

.../2

- **Lasting and meaningful reconciliation:** Reconciliation is an ongoing process and a shared responsibility for us all. Government's unanimous passage of the *Declaration of the Rights of Indigenous Peoples Act* was a significant step forward in this journey – one that all Crown Agencies are expected to support as we work in cooperation with Indigenous peoples to establish a clear and sustainable path to lasting reconciliation. True reconciliation will take time and ongoing commitment to work with Indigenous peoples as they move towards self-determination. Guiding these efforts, Crown agencies must also remain focused on creating opportunities that implement the Truth and Reconciliation Commission through your mandate.
- **Equity and anti-racism:** Our province's history, identity and strength are rooted in its diverse population. Yet racialized and marginalized people face historic and present-day barriers that limit their full participation in their communities, workplaces, government and their lives. The public sector has a moral and ethical responsibility to tackle systemic discrimination in all its forms – and every public sector organization has a role in this work. All Crowns are expected to adopt the Gender-Based Analysis Plus (GBA+) lens to ensure equity is reflected in your operations and programs. Similarly, appointments resulting in strong public sector boards that reflect the diversity of British Columbia will help achieve effective and citizen-centred governance.
- **A better future through fighting climate change:** Announced in December 2018, the CleanBC climate action plan puts our province on the path to a cleaner, better future by building a low-carbon economy with new clean energy jobs and opportunities, protecting our clean air, land and water and supporting communities to prepare for carbon impacts. As part of the accountability framework established in CleanBC, and consistent with the *Climate Change Accountability Act*, please ensure your organization aligns operations with targets and strategies for minimizing greenhouse gas emissions and managing climate change risk, including the CleanBC target of a 50 percent reduction in public sector building emissions and a 40 percent reduction in public sector fleet emissions by 2030. Your organization is expected to work with government to report out on these plans and activities as required by legislation.
- **A strong, sustainable economy that works for everyone:** I expect that you will identify new and flexible ways to achieve your mandate and serve the citizens of British Columbia within the guidelines established by the Provincial Health Officer and considering best practices for conducting business during the pandemic. Collectively, our public sector will continue to support British Columbians through the pandemic and economic recovery by investing in health care, getting people back to work, helping businesses and communities, and building the clean, innovative economy of the future. As a public sector organization, I expect that you will consider how your decisions and operations reflect environmental, social and governance factors and contribute to this future.

The Crown Agencies and Board Resourcing Office, with the Ministry of Finance, will continue to support you and your board on recruitment and appointments as needed, and will be expanding professional development opportunities in 2021/22. The Governing in the Public Interest online certificate program is now available, and all board members are encouraged to complete this new offering.

As the Minister responsible for Forestry Innovation Investment Ltd., I expect that you will make substantive progress on the following priorities and incorporate them in the goals, objectives and performance measures in your 2021/22 Service Plan:

- Promote wood's environmental merits as a preferred, sustainable and renewable building material.
- Expand international market diversification for BC wood products by opening new opportunities in existing and new markets, with a strong focus on high-potential markets in Asia, including China, Japan, South Korea, India and Vietnam.
- Showcase BC's leadership in manufacturing and using wood by profiling innovative projects and leverage that experience to expand the use of wood at home and abroad.
- Collaborate with BC Provincial Government partners to jointly deliver on the Province's objective to expand our mass timber and engineered wood-products sector in BC.

Each board member is required to sign the Mandate Letter to acknowledge Government's direction to your organization. The signed Mandate Letter is to be posted publicly on your organization's website in spring 2021.

I look forward to continuing to work with you and your Board colleagues to build a better BC.

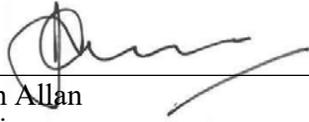
Sincerely,



Ravi Kahlon
Minister

April 19, 2021
Date

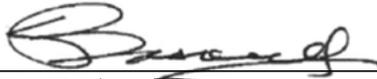
Enclosure



John Allan
Chair
Forestry Innovation Investment Ltd.



Bobbi Plecas
Vice Chair
Forestry Innovation Investment Ltd.



Shannon Baskerville
Director
Forestry Innovation Investment Ltd.



Neilane Mayhew
Director
Forestry Innovation Investment Ltd.

pc: Honourable John Horgan
Premier

Lori Wanamaker
Deputy Minister to the Premier, Cabinet Secretary
and Head of the BC Public Service

Heather Wood
Deputy Minister and Secretary to Treasury Board
Ministry of Finance

Douglas S. Scott
Deputy Minister, Crown Agencies Secretariat
Ministry of Finance

Bobbi Plecas
Deputy Minister
Ministry of Jobs, Economic Recovery and Innovation

Shannon Baskerville
Deputy Minister
Ministry of Advanced Education and Skills Training

Neilane Mayhew
Deputy Minister
Ministry of Tourism, Arts, Culture and Sport

Michael Loseth
Chief Executive Officer/President
Forestry Innovation Investment Ltd.