

Forestry Innovation Investment

2021/22 – 2023/24 Service Plan

April 2021



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Published by Forestry Innovation Investment Ltd.

Board Chair's Accountability Statement



The 2021/22 – 2023/24 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 March 2021 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 flourish extending to the right.

John Allan
Board Chair

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Strategic Direction and Alignment with Government Priorities

In 2021/22, British Columbians continue to 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 the Government of British Columbia. The government has identified five foundational principles that will inform each Crown agency's policies and programs and contribute to COVID recovery: putting people first, lasting and meaningful reconciliation, equity and anti-racism, a better future through fighting climate change and meeting our greenhouse gas commitments, and a strong, sustainable economy that works for everyone.

Forestry Innovation Investment (FII) helps to maintain, create and diversify markets for B.C. forest products to ensure the forest sector continues to be a key contributor to the B.C. economy and support 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 such as CleanBC and energy efficiency initiatives are enhancing the performance of the built environment in B.C. and establishing targets for future building performance. Collaborating with agencies such as the B.C. Climate Action Secretariat and the Ministry of Energy, Mines, and Low-Carbon Innovation help to position the use of wood products as a means to improve both embodied energy and operational energy performance, and mitigate carbon emissions to support climate change objectives.

Collaboration with FLNR, the Office of Mass Timber Implementation (OMTI) and agencies across government, are helping 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 securing greater value from B.C.'s forest resource. Work with BC Housing and the Ministry of the Attorney General of British Columbia 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 the organization's 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 operates in an international context and is committed to ensuring all staff in B.C. and in offshore locations, receive the training and support necessary to ensure inclusiveness and engage in cross-cultural activities.

Operating Environment

Market development efforts led by FII continue to be influenced by a wide range of factors, many outside of the control of the organization and its partners. B.C.'s economy was heavily impacted across 2020/21 by the COVID-19 pandemic and resulting disruptions to local and global markets. Economic recovery is expected to take time, with the forest sector playing a vital role in this process.

Despite an initial pandemic slowdown, B.C. forest product sales remain strong as a result of a quick recovery in the housing, and repair and remodelling markets in North America. The B.C. forest sector continues its transition to a smaller, high-value industry with the end of the mountain pine beetle epidemic, shifting from processing larger volumes of pine beetle logs to smaller volumes of timber from healthy, live stands.

COVID-19 pandemic recovery, alongside geo-political and trade uncertainty, is slowing global growth and dampening economic confidence. Trade tensions between the U.S. and China continue to create insecurity in Asian markets. While wood product markets in North America have thus far been unexpectedly robust through much of the COVID-19 pandemic, markets in Asia have been mixed with continuing economic uncertainty in the near term.

A major spruce beetle infestation in central Europe is resulting in increased harvesting activity to utilize dead trees while they still have commercial value. This is increasing competition in many of B.C.'s key Asian markets and is having a downward impact on price. As nearly 90 per cent¹ of B.C.'s forest products are destined for international markets, responding to global trends and threats through targeted market development and diversification is important to ensure B.C. maintains its competitive position.

B.C. wood products continue to play a prominent role in the U.S. construction market, with 60 per cent of B.C. lumber and 96 per cent of value-added products shipped south of the border. The housing market in the U.S. has made a strong recovery from initial COVID-19 impacts. Demand for lumber in the repair and remodelling sector continues to surge with more Americans staying home and undertaking home renovation projects. Longer-term, the U.S. housing market is expected to stay strong as the country is coming off a decade of underbuilding and has accumulated a significant housing deficit. While U.S. duties for Canadian lumber were reduced in 2020, the softwood lumber dispute continues alongside protectionist sentiments in the U.S., which could negatively impact B.C.'s competitiveness and exports to the country.

China remains B.C.'s largest market for commodity lumber outside of North America. While growth has slowed recently², China's economy is projected to continue to grow faster than other large economies. Increasing urbanization and growing consumer wealth in China will drive demand for new housing, furnishings and other wood products domestically. Green building requirements will emphasize prefabrication and green building materials, creating new market

¹ The United States, China, Japan and South Korea accounted for 44%, 28%, 10.5% and 3%, respectively, of B.C. wood product exports in 2019.

² Prior to COVID-19, the IMF was projecting 6% GDP growth in 2020. The IMF now predicts China will be one of the only countries to post positive GDP growth this year at 1.9%.

opportunities for wood products and wood-building technologies, such as glulam and cross-laminated timber (CLT) in larger-scale projects. Competitive pressures exist with improved infrastructure access for Russian and European lumber through China's One Belt One Road initiative. Combined with a surge in spruce beetle-affected wood from Europe, increased competition is expected for B.C. across the implementation of this plan.

Japan is B.C.'s third-largest market for lumber, and the second-largest global market for B.C.'s value-added wood sector. While the Japanese market for single-family housing is mature, trends favouring green building solutions, as well as government policy encouraging wood use in public buildings, is presenting opportunities for B.C. wood products in hybrid, multi-family/multi-storey and non-residential construction. Canada faces competition in the Japanese market from increasing domestic production and other exporting nations (primarily the European Union). The pellet market is growing in Japan due to efforts to replace nuclear energy. Canada is the second-largest exporter of pellets to Japan, with B.C. pellets accounting for 93 per cent of Canadian volumes.

Among emerging markets, India offers the B.C. forest sector long-term potential for a variety of wood species. With a diminishing supply of global hardwoods, there is an opportunity to position B.C. softwood in the manufacturing industry, including within applications such as doors, windows, architectural millwork and furniture. While India's economy and domestic consumption was accelerating prior to COVID-19, prolonged lockdowns have caused the economy to retract, which is expected to impact demand in the short term.

As Asia-Pacific's second-largest exporter of furniture, Vietnam also presents significant mid-term opportunity for B.C. Vietnam's wood products processing has far outpaced the growth of domestic wood supply; this, combined with decreased supply of Southeast Asian hardwoods, presents opportunity to introduce B.C. softwood species for import. With the continuing trade war between China and the U.S., many companies are shifting manufacturing operations from China to Southeast Asia, with Vietnam a prime beneficiary. Vietnam has fared well through the pandemic and is projected to see growth in its GDP and value-added wood exports.

In B.C. and North America, construction professionals and designers are increasingly seeking lower-carbon building alternatives and renewable materials. Advancements of new construction technologies and mass timber products are allowing wood to be used in larger, taller and more complex buildings. Commitments to expanding mass timber use in B.C. present opportunities to collaborate with government and industry partners 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.

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 2021/22, 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. FII's Strategic Plan and Service Plan will be updated as required to reflect these changes.

Performance Planning

The goals, strategies, performance measures and targets in this Plan are in alignment with FII's [2021/22 Mandate Letter](#) and FII's Board-approved [five-year strategic plan](#). To ensure that FII's Performance Plan remains aligned with, and supportive of, Government's priorities, FII maintains strategic engagement throughout the year with its responsible Ministry. This engagement includes regular meetings between the FII President & CEO and Board Chair, and the JERI Minister, Deputy Minister and Assistant Deputy Minister to review FII's activities and its performance against the Plan.

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 supports Government's efforts to revitalize the forest sector. It focuses on taking advantage of two significant trends in the marketplace: the increasing recognition of wood products as "green", and growing demand from consumers for forest products that are produced in an environmentally responsible manner. As customers are factoring environmental parameters into purchasing decisions, there is considerable value in articulating 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 manufactured by an industry that has made impressive gains in reducing its environmental footprint. These environmental benefits apply equally to higher-margin wood products manufactured in B.C.

Key Strategies

- Proactively create and disseminate timely and factual information regarding B.C. forest products and forest practices.
- Champion science and fact-based approaches to communicate the merits of wood and wood-based construction technologies within the context of green building and climate change.
- Collaborate with forest sector stakeholders to encourage consistent and compelling communications regarding product and building innovations and 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 | 2020/21 Forecast | 2021/22 Target | 2022/23 Target | 2023/24 Target |
|-------------------------------------------------------------------------------------------------------------|---------------------|-------------------|-------------------|-------------------|
| 1.1 Per cent of customers who perceive that forest products from B.C. are a good choice for the environment | N/A | 90% | N/A | 90% |

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, Natural Resources Canada and the Canadian Council of Forest Ministers. 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 products jurisdictions.

The 2020/21 and 2022/23 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 per cent rating represents optimal performance given there will always be some who disagree with timber harvesting of any nature.

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 and easier access to new markets.

Key Strategies

- Grow awareness of B.C. forest products through FII’s outreach and communications activities including the naturally: wood information resource, development of promotional and technical content, digital marketing and trade show participation.
- Advance connections and potential commercial opportunities with B.C. forest products companies through FII’s online product and supplier sourcing tool, the [Supplier Directory](#).

| Performance Measure | 2020/21 Forecast | 2021/22 Target | 2022/23 Target | 2023/24 Target |
|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------|----------------|----------------|
| 1.2 Number of prospects connecting with B.C. manufacturers from the naturallywood.com Supplier Directory, an online platform developed by FII | 14,000 | 14,250 | 14,500 | 14,750 |

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 2020/21 target for prospects connecting with B.C. manufacturers via the directory was set at 14,000, and FII anticipates exceeding this goal. FII’s future growth targets reflect a stabilization of online user behaviour and engagement with this now established resource. As the directory is further optimized and promoted, its use is projected to be sustained, but will not increase as quickly as when the tool was initially developed and launched.

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

This Goal supports Government priorities to increase 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 sectors³ includes a mix of activities delivered by third

³ ‘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.

parties and FII⁴. 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 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 applications⁵; culture, tourism, wellness and elderly care sector construction; mid-rise and taller construction; and in China’s rapidly expanding manufacturing sector.

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 prefabrication, energy efficiency and low-carbon, green construction.
- Engage with Chinese government agencies to reduce and/or eliminate barriers to access for B.C. wood products and to influence building codes to allow taller wood buildings.
- 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.

⁴ 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.

⁵ Hybrid applications incorporate wood components with concrete and steel structures (which currently dominate construction in China).

| Performance Measure | 2020/21 Forecast | 2021/22 Target | 2022/23 Target | 2023/24 Target |
|--------------------------------------------------------------------------------------------------|---------------------|-------------------|-------------------|-------------------|
| 2.1 Average value (CAD) per cubic metre generated by softwood lumber sales to China ¹ | \$194 | \$200 | \$205 | \$210 |

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 uncertain pace of Chinese and global economic recovery post COVID-19, ongoing geo-political strains that impact bilateral trade relations, strength of the Chinese economy and construction sector, prices in the North American and global markets, exchange rates, strong competition from Russia, low-cost competition from Europe as they deal with a major spruce beetle outbreak and the shift of low-grade lumber from Canada into higher-return markets, such as the U.S. 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 2020/21 target was set at 190; FII anticipates meeting this target as a result of B.C.'s early entry to supplying China's market recovery in spring 2020, and an increase in global softwood lumber prices driven by an increase in U.S. lumber prices against a strong repair and remodeling market.

Targets from 2022/23 onward have been adjusted downward slightly to reflect global uncertainty around economic recovery following COVID-19 in the short to medium term, as well as increasing competition from the EU in the short term as they deal with a spruce beetle epidemic.

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 softwood. The program targets applications for B.C. wood species in the manufacturing sector, including doors, windows, architectural millwork, furniture and interior finishing product applications. Targeted opportunities are also being explored in wood structures and prefabricated wood frame housing.

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. softwood 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 | 2020/21 Forecast | 2021/22 Target | 2022/23 Target | 2023/24 Target |
|------------------------------------------------------------------------|---------------------|-------------------|-------------------|-------------------|
| 2.2 Total number of product trials of B.C. species undertaken in India | 35 | 32 | 34 | 36 |

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 2020/21 target was set at 30; FII expects to exceed this target as a result of an additional product trial initiative focused on doors and door jambs.

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 openings 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

- Advance the use of wood in apartments, mid-rise and taller wood structures in high-potential regions of the U.S.
- Advance the use of wood in commercial, institutional and recreational buildings in the U.S.
- Assist architects, builders and developers to understand the benefits of incorporating more wood in their projects and/or converting projects to wood from other materials.
- Provide technical advice and education to help architects, builders and developers in the U.S. capitalize on advanced wood technologies and related engineering systems.

| Performance Measure | 2020/21 Forecast | 2021/22 Target | 2022/23 Target | 2023/24 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 | \$216 | \$227 | \$239 | \$251 |

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. 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 particular segment of the building sector.

Discussion

The ability to achieve Performance Measure 2.3 is contingent upon the performance of FII’s funding recipient 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 partners⁶. The 2020/21

⁶ 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.

target was set at USD \$216 million. U.S. WoodWorks is staying very close to target audiences to understand how their needs are shifting during COVID-19 and optimizing the program to sustain momentum toward 2020/21 targets; as such, FII anticipates meeting this target.

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 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 mass timber and other 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. Based on success at home, 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 and construction executives, provides strategic guidance on program implementation priorities. To effectively deliver its Wood First mandate, FII relies on existing research and partners extensively with service delivery organizations, promoting integrated planning and coordinated delivery of program activities and initiatives.

Key Strategies

- Support applied research and development for new products and systems.
- Reduce barriers to wood use and/or the production of engineered wood products through assessment of regulatory, manufacturing, construction and building performance opportunities.
- Accelerate education, training and technical support to encourage wood use, including mass timber and other engineered wood products and systems.
- Promote B.C.'s wood species, wood products and the benefits of building with wood.
- Advance the competitiveness of B.C.'s value-added wood sector by supporting supply chain optimization and the development of next generation wood products and building solutions.

- Collaborate with all levels of government to drive better understanding of wood’s role to address energy efficiency, low carbon innovation and other policies addressing the environmental impact of the building sector.

| Performance Measure | 2020/21 Forecast | 2021/22 Target | 2022/23 Target | 2023/24 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 | \$68 | \$70 | \$74 |

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 partners⁷. The target for sales attributable to program intervention was set at \$68 million for 2020/21. 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 2021/22 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.

⁷ The methodology for tracking converted/influenced projects = total value of lumber exported divided by the total volume of exports measured in cubic metres.

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 of 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 provide 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. 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.

Key Strategies

- Ensure FII is efficient, transparent and results-focused by:
 - keeping corporate support costs at or below seven per cent of the total budget;
 - 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 | 2020/21 Forecast | 2021/22 Target | 2022/23 Target | 2023/24 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 are 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 2020/21 to meet the 65 per cent target.

Financial Plan

Financial Summary

| (\$000) | 2020/21 Forecast | 2021/22 Budget | 2022/23 Plan | 2023/24 Plan |
|-------------------------------------------------------------------------------|---------------------|-------------------|-----------------|-----------------|
| Total Revenue | | | | |
| Contribution from the Province of B.C. ⁽¹⁾ | 22,610 | 21,550 | 21,550 | 19,550 |
| Contribution from the Federal Government ⁽²⁾ ^{(3) (4)} | 2,743 | 1,978 | 1,980 | 1,980 |
| Other Revenue ⁽⁵⁾ | 416 | 280 | 335 | 335 |
| Total Revenue | 25,769 | 23,808 | 23,865 | 21,865 |
| Total Expenses | | | | |
| Funding Recipient Initiatives | 8,634 | 8,756 | 8,750 | 8,750 |
| Market Initiatives and Outreach | | | | |
| Government Initiatives and Outreach ⁽⁶⁾ | 8,843 | 6,681 | 6,685 | 4,645 |
| China Market Development | 2,482 | 2,400 | 2,400 | 2,400 |
| India Market Development | 3,276 | 3,400 | 3,400 | 3,400 |
| Vietnam Market Development | 1,052 | 1,077 | 1,100 | 1,100 |
| Corporate Services | 1,482 | 1,494 | 1,530 | 1,570 |
| Total Expenses | 25,769 | 23,808 | 23,865 | 21,865 |
| Excess of Revenue over Expenses | 0 | 0 | 0 | 0 |
| Retained Earnings, End of Year | 3,995 | 3,995 | 3,995 | 3,995 |
| Capital Expenditures | 250 | 100 | 100 | 100 |
| Total Liabilities | 2,580 | 2,510 | 2,510 | 2,510 |

Note: The above financial information was prepared based on current Public Sector Accounting Standards.

¹ 2020/21 includes base budget \$19.550M; \$3.0M for the Mass Timber Demonstration program; \$60,000 for the Ministry share of the Mumbai office rent. 2021/22 and 2022/23 include \$2.0 million for the continuation of the Mass Timber Demonstration Program.

² Approximately \$2.743M in 2020/21 is a contribution from Natural Resources Canada; \$1.540M towards the India initiative; \$0.373M for the Vietnam initiative; \$0.830M to cost-share other initiatives.

³ Approximately \$1.978M in 2021/22 is anticipated from Natural Resources Canada towards the following: \$1.540M for the India Market Development program; \$0.317M for the Vietnam program; \$0.056M for the China program; \$0.065M for FMS maintenance.

⁴ Funding from the Government of Canada (NRCan) is budgeted to continue at approx. \$1.980M for the years 2022/23 and 2023/24 but is contingent on the federal Emerging Markets Program continuing at current funding levels.

⁵ Includes contributions from industry associations and other misc. income.

⁶ 2020/21 includes \$3.0M for the Mass Timber Demonstration Program as a part of Stronger BC investments, and 2021/22 and 2022/23 each include \$2.0M.

Key Forecast Assumptions, Risks and Sensitivities

The continuity of FII's investments, programming and activities depends upon receipt of funds from 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 isolation guidelines and social distancing orders in certain markets continue to impact tradeshows, 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

Revenue and Budget Allocations

For 2021/22, FII anticipates receiving \$21.55 million in funding from the Province and \$1.978 million from Natural Resources Canada, of which \$1.540 million is to go towards the FII India program, \$0.317 million to go towards the Vietnam Program, \$0.056 million towards the China program, and \$0.065 million towards FMS maintenance. \$0.280 million is anticipated to be received from other sources. The Mass Timber Demonstration Program is continuing in 2021/22 with an allocation of \$2 million (\$3 million in 2020/21).

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 \$8.7 million. Other budget allocations will be:

- FII China: \$2.4 million, approximately the same as the forecast spending for 2020/21.
- FII India: \$3.4 million, slightly above the forecast spending in 2020/21.
- FII Vancouver's Government Initiatives and Outreach: \$6.681 million, down from the forecast for 2020/21 due to the higher funding in 2020/21 for the Mass Timber Demonstration Program.

Operations

FII will continue to rely heavily on trade associations to develop and deliver market development programs based on country-specific strategies and quantified targets for each product line and identified end-use.

In 2021/22, the focus for FII China staff will be to continue to build deeper and broader relationships with Chinese government officials at all levels, as well as with state-owned real estate development companies. Partnering with B.C. trade associations in China, Canada Wood Group will continue to provide “downstream” support with technical training and education, assistance in changing building codes and fire codes, and on-site construction design, engineering and quality assurance support for demonstration projects.

In 2021/22, FII will continue to accelerate efforts to advance a strong Canadian Wood brand in India. Program activities will focus on investing to build market knowledge; expanding promotional and educational efforts; increasing the number of product trials; and advancing product demonstration activities from its offices in Mumbai, Delhi and Bangalore. These efforts will be supported by the B.C. forest industry which continues to fund representation in India. FII will continue to encourage the B.C. industry to expand its commitment to, and engagement in, the market as the program develops. At the same time, industry will be expected to increase its financial contributions to the program as the market in India becomes more commercially established.

In 2021/22, FII will continue to probe opportunities in Vietnam by expanding the number of product trials and delivering educational and promotional activities in order to gain acceptance of B.C. wood species in the furniture manufacturing industry.

In carrying out its international market development planning and delivery, FII will continue to work in collaboration with the ministries and agencies of the Province to ensure that activities support broader Government plans for market expansion in Asia and elsewhere.

All budget information in this Service Plan is consistent with funding approved by Government, and with information provided in the Government’s fiscal plan.

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.

The Board incorporates best practices into its governance procedures as guided by the Best Practices Guidelines on Governance and Disclosure for Public Sector Organizations. Full details on FII's governance principles, the role and membership of the Board of Directors, as well as corporate reports, and details on compliance to the requirements of the Crown Agencies and Board Resourcing Office, are available at <https://www.bcfii.ca/governance/>. FII is in full compliance with Governance and Disclosure Guidelines for Governing Boards of B.C. Public Sector Organizations.

FII's Commitments to GBA+ and Diversity and Inclusion:

FII is committed to providing a healthy, safe and inclusive workplace where respect and diversity are recognized as assets. FII's commitments to diversity and inclusion can be found at <https://www.bcfii.ca/about/>.

In 2021/22, FII will continue to advance efforts for diversity and inclusion and GBA+ commitments. FII will complete a third-party evaluation of its programs against this lens, establish a diversity and inclusion staff working group to help lead internal efforts and continue to provide training and information to all staff in support of these principles.

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 <https://www.bcfii.ca/> as are previous Service Plans and Annual Service Plan Reports. Also available on the site is additional information on FII, its programs and its partners, including an annual [Year in Review](#) document that highlights accomplishments of the program in major markets around the world.

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

Appendix B: Subsidiaries

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 this foreign currency 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) | 2020/21 Forecast | 2021/22 Budget | 2022/23 Plan | 2023/24 Plan |
|---------------------------------|---------------------|-------------------|-----------------|-----------------|
| Total Revenue | 2,482 | 2,400 | 2,400 | 2,400 |
| Total Expenses | 2,482 | 2,400 | 2,400 | 2,400 |
| Annual Surplus (Deficit) | 0,000 | 0,000 | 0,000 | 0,000 |

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 manufacture of furniture, doors and windows, interior millwork and other non-structural 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 this foreign currency and by purchasing foreign denominated currency when market conditions are favourable.

Financial Summary

| (\$000) | 2020/21 Forecast | 2021/22 Budget | 2022/23 Plan | 2023/24 Plan |
|--------------------------------------|---------------------|-------------------|-----------------|-----------------|
| Total Revenue | 3,276 | 3,400 | 3,400 | 3,400 |
| Total Expenses ⁽¹⁾ | 3,276 | 3,400 | 3,400 | 3,400 |
| Annual Surplus (Deficit) | 0,000 | 0,000 | 0,000 | 0,000 |

(1) FII has found ways to deliver planned programming in India at a lower cost than originally anticipated. The surplus funds have been redirected to establish a market diversification program in Vietnam (cost-shared with the federal government) to advance additional opportunities for the sector.

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 manufacture of furniture, doors and windows, interior millwork and other non-structural products.

Governance: Chairperson governance model represented by two positions:

- Chairperson (Michael Loseth)
- General Director (David Turnbull)

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) | 2020/21 Forecast | 2021/22 Budget | 2022/23 Plan | 2023/24 Plan |
|---------------------------------|---------------------|-------------------|-----------------|-----------------|
| Total Revenue | 1,052 | 1,077 | 1,100 | 1,100 |
| Total Expenses | 1,052 | 1,077 | 1,100 | 1,100 |
| Annual Surplus (Deficit) | 0,000 | 0,000 | 0,000 | 0,000 |

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).

Financial Summary

| (\$m) or (\$000) | 2020/21 Forecast | 2021/22 Budget | 2022/23 Plan | 2023/24 Plan |
|---------------------------------|---------------------|-------------------|-----------------|-----------------|
| Total Revenue | 0,000 | 0,000 | 0,000 | 0,000 |
| Total Expenses | 0,000 | 0,000 | 0,000 | 0,000 |
| Annual Surplus (Deficit) | 0,000 | 0,000 | 0,000 | 0,000 |