

# **Forestry Innovation Investment**

**2020/21**

## **Annual Service Plan Report**



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## Board Chair's Accountability Statement



The *Forestry Innovation Investment 2020/21 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2020/21 – 2022/23 Service Plan* created in February 2020. The Board is accountable for those results as reported.

A handwritten signature in black ink, appearing to read 'John Allan', written over a light grey rectangular background.

John Allan  
Board Chair  
July 22, 2021

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## Letter from the Board Chair & CEO

In 2020/21, the operations of Forestry Innovation Investment (FII), including its goals, strategies, performance measures and targets, fully aligned with the Government’s strategic direction to FII, as set out in the [2020/21 Mandate Letter](#) from the Minister of Jobs, Economic Recovery and Innovation (JERI).

While the 2020/21 fiscal year was difficult for all global markets due to the COVID-19 pandemic, B.C.’s forest sector has played a critical role in supporting economic recovery. While lumber demand and prices recovered across 2020, the industry continues to face increased competition, geopolitical dynamics and supply constraints against a growing global fibre demand.

Throughout the year, FII maintained regular dialogue with its board members to discuss industry challenges and FII’s activities that support the forest sector and broader economic recovery. This included FII’s work with B.C.’s Office of Mass Timber Implementation (OMTI) to advance the mass timber and engineered wood products sector in B.C. FII’s Board also directly engaged with FII’s Market Priorities Committee, comprised of key players from B.C.’s forest industry, to hear directly about the issues and priorities that can be addressed/supported through the work of FII and its industry and government partners.

During the year, FII continued its strategic and proactive engagement with JERI through meetings with the Minister and coordination between FII and staff in both JERI and the Ministry of Forests, Lands, Natural Resource Operations and Rural Development (FLNR). Together, these engagements helped ensure continued alignment in meeting the priorities established by Government.

Given social distancing measures due to COVID-19, both within B.C. and in other international markets where FII operates, FII quickly transitioned its programming wherever possible to virtual platforms. FII also worked with industry partners to support the delivery of their online events, training and other stakeholder engagements—sharing best practices and experiences in virtual delivery—and achieving performance targets for the fiscal year.

We are pleased to report that in all operations during the year, FII demonstrated efficiency, accountability and integrity in the delivery of its programs. The company concluded the year having met all its obligations as set out in the 2020/21 Mandate Letter and core objectives established in the company’s 2020/21–2022/23 Service Plan.

John Allan



Board Chair, Forestry Innovation Investment

July 22, 2021

Michael Loseth



President & CEO, Forestry Innovation Investment

July 22, 2021

## Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the [Budget Transparency and Accountability Act](#) (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

## Purpose of the Organization

Forestry Innovation Investment (FII) is the Government of British Columbia's market development agency for forest products. FII works with the forest industry to maintain, create and diversify demand for B.C. forest products in Canada and in key world markets; promote B.C.'s forest products and forest management to the global marketplace; and help ensure that the forest sector, through innovation and strong international sales, continues to be a leading contributor to the B.C. economy.

In pursuing its mandate, and to provide the best value to taxpayers and stakeholders, FII uses a collaborative model for developing, funding and delivering its programs. Under this model, FII works with the B.C. forest industry, the federal government and leading research institutions to grow exports to existing markets, such as the U.S., China, Japan and South Korea, while promoting the use of B.C. products in high potential, emerging markets, such as India and Vietnam. This approach takes advantage of partner expertise and marketing networks and ensures program costs are shared with other organizations, including industry and the federal government. By leveraging these partnerships, FII is able to lead a comprehensive effort to expand B.C.'s exports to major markets in Asia and North America and to foster greater capacity and innovation in the domestic manufacturing sector.

FII maintains two operating and one non-operating subsidiaries:

**Forestry Innovation Investment Consulting (Shanghai) Co. Ltd.** (FII China) (wholly owned by Forestry Innovation Investment Ltd.). FII China focuses on growing the market for B.C. wood products in China.

**Forestry Innovation Consulting India Private Limited** (FII India) (wholly owned by Forestry Innovation Investment Ltd. and 0939031 B.C. Ltd.). FII India works to develop the Indian market for B.C. forest products.

**0939031 B.C. Ltd.** (wholly owned by Forestry Innovation Investment Ltd.). A non-operating company that serves as a second shareholder of FII India.

More information on FII's subsidiary companies is provided in Appendix B.

## Strategic Direction

The strategic direction set by Government in 2017, and expanded upon in the Board Chair's [2020/21 Mandate Letter](#) from the Minister Responsible, shaped the goals, objectives, performance measures and financial plan outlined in the 2020/21 Forestry Innovation Investment [Service Plan](#) and actual results reported on in this annual report.

The global COVID-19 pandemic resulted in many shifts in priorities, structures and operations across the public sector. Any changes to Forestry Innovation Investment's goals, objectives, performance measures or financial plan to align with the strategic direction established by Government in late 2020 are presented in the 2021/22 Service Plan.

## Operating Environment

Across 2020/21, B.C.'s forest industry had to adjust and respond to a variety of changing global dynamics—impacting industry operations and global export destinations. In addition to the COVID-19 pandemic, geopolitical dynamics and resulting protectionist measures, low cost-competition and a surge in softwood lumber demand alongside constricted supply all influenced global wood product demand. The forest sector played a critical role in supporting B.C.'s economy recovery with forest product exports totalling \$11.9 billion in 2020, representing 28.5 per cent of B.C.'s total commodity exports.

B.C. wood products continued to play a prominent role in the U.S. construction market with 73 per cent of B.C. lumber and 97 per cent of value-added products shipped south of the border. In the months following the initial COVID-19 lockdowns in the U.S., repair and remodelling activities drove demand for softwood lumber. This was followed by a new house construction recovery beginning in June and reaching 1.38 million by the end of 2020—the highest level since 2006. The adoption of mass timber and taller wood buildings continued to expand in the U.S. market with opportunities for B.C. wood products in the multi-family/multi-storey residential and non-residential construction segments. The softwood lumber trade dispute with the United States continues.

China maintained its position as B.C.'s largest market for commodity lumber outside of North America, despite a decrease in softwood lumber volumes over the period. China was the only major economy to see growth across the period, having recovered earlier than other markets from the pandemic. While Canada is the second largest exporter of softwood lumber into China, Russia remains a dominant player. Significant low-cost competition from Europe continues as spruce beetle-affected lumber is sold into China at a heavy discount. Despite these constraints, increasing urbanization and carbon reduction targets are increasing the emphasis on prefabrication and green building solutions/materials, creating new higher-value market opportunities for B.C. wood products and wood building technologies.

In Japan, B.C. remains the leading global supplier of imported softwood lumber products but faces rising competition from growing domestic production and other exporting nations, particularly Russia, Finland and Sweden. While Japan's economy retracted by five per cent in 2020 due to COVID-19, the country posted strong growth in Q3 and Q4. 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. In its continued efforts to replace nuclear energy, Japan's wood pellet market grew by 17 per cent in 2020—with B.C. as the second largest supplier to the market after Vietnam.

India was one of the hardest hit markets by the COVID-19 pandemic, with prolonged lockdowns extending across the 2020/21 year. Despite these challenges, India continues to show medium- to long-term potential for B.C. wood products. India is experiencing increasing restrictions on the supply of tropical hardwoods from traditional supply regions such as Myanmar and Malaysia. This, combined with an enhanced willingness to try softwood species as alternatives to hardwoods, is creating opportunity to introduce B.C. softwood species.

As the second largest wooden furniture producer in Asia, and facing similar hardwood supply constraints as India, Vietnam also presents significant opportunity for B.C. Vietnam fared well across the pandemic and finished 2020 with higher exports than in 2019. As exports of value-added products to the U.S. and Europe are subject to laws with respect to traceable, sustainable, legal fibre, B.C. softwood is well positioned to fulfill the demand. However, like India, targeted efforts are required to create awareness of B.C. species and their potential in manufacturing applications.

In B.C. and North America, advancements of new construction technologies and mass timber products are allowing wood to be used in larger, taller and more complex buildings. A focus on economic recovery, low-carbon innovation and generating greater value from the forest resource has driven further collaboration between government and industry partners across 2020 to advance the mass timber and engineered wood products sector. The Mass Timber Demonstration Program, announced in fall 2020, helped to progress these efforts through supporting 12 innovative mass timber demonstration and research projects that will be used to promote learning, further advance mass timber use and showcase how wood design can help reduce the carbon footprint of the built environment.



## **Report on Performance: Goals, Objectives, Measures and Targets**

### **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 Highlights**

- In fall 2020, FII updated and relaunched [naturallywood.com](https://naturallywood.com)—FII’s comprehensive information resource detailing the environmental benefits of wood products from B.C.’s sustainably managed forests. The site saw a 79 per cent increase in visitors the second half of the fiscal after the refreshed site was launched compared to the first half.
- Alongside the website refresh, FII updated the naturally:wood message platform which includes standardized messaging on B.C.’s sustainably managed forests, environmentally responsible forest products, B.C.’s leadership and expertise in wood construction and wood use, and the importance of the forest sector to the B.C. economy.
- FII worked with Natural Resources Canada (NRCan) and the Canadian Council of Forest Ministers (CCFM) on a pan-Canadian message platform, Canada’s Forests: Our Roots, Our Future, to ensure consistent and compelling messaging regarding Canada’s sustainable forest management practices.

| Performance Measure   | 2019/20<br>Actuals | 2020/21<br>Target | 2020/21<br>Actuals | 2021/22<br>Target | 2022/23<br>Target |
|---|--------------------|-------------------|--------------------|-------------------|-------------------|
| 1.1 Percent of customers who perceive that forest products from B.C. are a good choice for the environment <sup>1</sup> | 97%                | N/A               | N/A                | 90%               | N/A               |

Data source: Leger—The Research Intelligence Group. *Analysis of Market Acceptance Issues*.

<sup>1</sup>Surveys are conducted biennially.

## Discussion of Results

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 are gathered by an independent research firm through a biennial survey of international customers (e.g., large institutional pulp and paper buyers, and wood importers and distributors).

The survey of international customers is conducted on a biennial basis as a cooperative undertaking between FII, Natural Resources Canada 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 products jurisdictions. The 2020/21 target was 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 consumer demand 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 Highlights**

- FII further optimized the [naturally:wood B.C. Supplier Directory](#), adding enhancements to better help potential buyers find wood products and services.
- FII has profiled over 170 wood buildings on the [naturallywood.com project gallery](#), promoting leading wood projects in B.C. and providing inspiration for design professionals.
- FII developed infographics that capture visually the [different types of mass timber available in B.C.](#) and [its performance advantages](#).

| Performance Measure   | 2019/20<br>Actuals | 2020/21<br>Target | 2020/21<br>Actuals | 2021/22<br>Target | 2022/23<br>Target   |
|---|--------------------|-------------------|--------------------|-------------------|---------------------|
| 1.2 Number of prospects connecting with B.C. manufacturers from the naturallywood.com Supplier Directory, an online platform developed by FII | 14,086             | 14,000            | 24,064             | 14,250            | 14,250 <sup>1</sup> |

Data source: Forestry Innovation Investment Ltd./Google Analytics.

<sup>1</sup> This performance measure was updated in the [2021/22–2023/24 Service Plan](#).

## Discussion of Results

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.

FII continues to build and optimize content and resources to attract visitors to the naturallywood.com website and to the Supplier Directory located there. From April 1, 2020 to March 31, 2021, a total of 24,064 supplier interactions were made, representing 172 per cent of the annual target. FII’s digital marketing campaign continued to drive traffic to the Supplier Directory. This campaign substantially increased interactions with B.C. forest product suppliers.

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

Goal 2 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 sectors<sup>1</sup> includes a mix of activities delivered by third parties and FII<sup>2</sup>. 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 countries 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 domestically-focused manufacturing sector in India).

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<sup>1</sup> ‘Primary’ manufacturing typically converts logs to lumber, plywood, OSB, etc., while ‘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.

<sup>2</sup> 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.

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 B.C. 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 applications<sup>3</sup>; culture, tourism, wellness and elderly care sector construction; mid-rise and taller construction; and in China’s manufacturing sector.

#### **Key Highlights**

- FII China and Canada Wood China (CW China) [signed a three-party MOU](#) with the China Real Estate Association (CREA) to advance green building in China’s real estate sector, including the application of modern wood-frame construction (WFC). The virtual event attracted 40,000 views.
- FII China established a representative in Xiongan to help position WFC as a strong fit for Xiongan’s commitments to develop a low-carbon, energy-efficient city. This position was instrumental in delivering a [Joint Mission to Xiongan](#) in November 2020.
- On November 12, FII China and CW China delivered the 6<sup>th</sup> Sino-Canadian Wood Forum in Beijing. Focused on modern wood structures in cultural, tourism and health care industries, the event attracted nearly 200 participants on site and reached more than 400,000 views online.
- CW China worked with the China Academy of Building Research (CABR) to design China’s first WFC nearly net zero project<sup>4</sup>—a two-storey guesthouse with light wood-frame structure and glue-laminated timber (GLT) in the hall and entrance.
- On March 19, FII China and CREA jointly held the first Annual [Summit on Modern Wood-frame Construction](#) in Beijing to discuss trends and opportunities in modern wood-frame construction (WFC) in China.

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

<sup>4</sup> A nearly zero-energy building is a building with nearly zero net energy consumption, meaning the total amount of energy used by the building on an annual basis almost equals the amount of renewable energy created on the site.

| Performance Measure  | 2019/20<br>Actuals | 2020/21<br>Target | 2020/21<br>Actuals | 2021/22<br>Target | 2022/23<br>Target  |
|--|--------------------|-------------------|--------------------|-------------------|--------------------|
| 2.1 Average value (CAD) per cubic metre generated by softwood lumber sales to China <sup>1</sup> | \$177.58           | \$190             | \$193              | \$200             | \$210 <sup>2</sup> |

Data source: BC Stats.

<sup>1</sup>Total value of lumber exported divided by the total volume of exports measured in cubic metres. Data 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.

<sup>2</sup> This performance measure was updated in the [2021/22–2023/24 Service Plan](#).

## Discussion of Results

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 Canada as the leading global expert in wood construction technology and innovation, and a leading exporter of high-quality softwood lumber to China.

The average export value per cubic metre from January to December 2020 was \$193, exceeding the 2020/21 target. While values increased compared to 2019, volumes decreased over the same period—largely as a result of the impacts of COVID-19 and strong U.S. demand and prices.

## 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 Highlights

- With COVID-19 safety measures limiting group activities, FII India conducted 40 online events aimed to educate architects, developers, manufacturers and other key decision makers on structural and wood in manufacturing applications for B.C. wood species.
- FII India completed 23 product trials with Indian manufacturers, showcasing potential for the range of B.C. wood species in India.
- FII India completed an additional 42 product trials utilizing [innovative western hemlock finger-jointed edge-glued \(FJEG\) panels](#) as the input into the manufacturing process to produce solid wood door frames.
- FII India has expanded its wood supply and distribution network in India with more than 41 Indian importers across 23 cities carrying B.C. species for sale in the marketplace.

- To showcase the unique advantages of B.C. wood in hospitality projects, FII India provided technical support on the construction of a [wellness resort](#) featuring a reception area and nine cottages made with B.C. Douglas-fir.

| Performance Measure  | 2019/20 Actuals | 2020/21 Target | 2020/21 Actuals | 2021/22 Target | 2022/23 Target |
|--|-----------------|----------------|-----------------|----------------|----------------|
| 2.2 Total number of product trials of B.C. species undertaken in India | 30              | 30             | 65              | 32             | 34             |

Data source: Forestry Innovation Investment Ltd.

## Discussion of Results

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 exceeded its 2020/21 target as a result of the addition of an innovative product trial initiative that utilizes finger-jointed edge-glued (FJEG) panels for use in doors and door jambs. 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.

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

The U.S. housing sector, particularly 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 opportunity 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 Highlights<sup>5</sup>

- FII supported the U.S. [WoodWorks](#) program to deliver 236 WoodWorks and partner-hosted virtual events across 2020/21, including virtual tradeshow, design symposiums, seminars/workshops and lunch and learns aimed at design and building professionals.
- U.S. WoodWorks supported clients on 98 mass timber projects, nearly a quarter of their total direct influenced projects. Overall, there has been a significant increase in mass timber projects supported throughout the United States, with increasing parity between eastern and western regions.

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<sup>5</sup> FII’s activities in the U.S. market are delivered through and with industry partners. Highlights noted reflect the activities of those partners that have been supported by FII in 2020/21.

- BC Wood supported value-added wood manufacturing businesses to access the U.S. market through delivering six virtual events in the U.S., allowing participating B.C. companies to collect 672 new leads and an estimated \$7.9 million in incremental sales.
- The Western Red Cedar Lumber Association utilized social media, including videos, newsletters and blogs to drive awareness of, and interest in, western red cedar products. Real Cedar DIY videos on YouTube saw a 229 per cent increase, while Instagram traffic increased 1112 per cent.

| Performance Measure  | 2019/20<br>Actuals | 2020/21<br>Target | 2020/21<br>Actuals | 2021/22<br>Target | 2022/23<br>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 | \$212              | \$216             | \$238              | \$227             | \$239             |

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

## Discussion of Results

This measure tracks success in increasing wood usage in the U.S. in the commercial, institutional and multi-family residential/mid-rise segments. 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 helps expand the influence of the program across the construction sector while protecting suppliers against market fluctuations in any one segment of the building sector.

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 the program activities tracked by FII’s funding partners.

For 2020/21, US WoodWorks reported 406 projects converted to wood, resulting in an incremental \$238 million of wood use. This exceeds the Performance Measure 2.3 target for 2020/21 and can be attributed to interest in mid-rise and taller mass timber projects growing across the U.S. from the Pacific Northwest to the Eastern Seaboard and as far as Texas.

### **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 wood, 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 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 Highlights**

- FII's Wood First program supported the Construction Foundation of B.C.'s efforts to increase youth exposure to B.C. wood products and forestry careers—starting with First Nations schools.
- FII released the report "[Wood, Well-being and Performance: The Human and Organizational Benefits of Wood Buildings](#)"—a global review of research on the use of wood in building design and its effects on the health of building occupants.
- FII supported JERI in the delivery of the Mass Timber Demonstration program, announced in September 2020 as part of the Stronger B.C. Economic Recovery Plan. Following an Expression of Interest process, [eight demonstration and four research projects](#) were selected for funding.
- FII coordinated with the Office of Mass Timber Implementation on advancing research to support the adoption of mass timber/mass timber-hybrid construction.



- Supported by FII, the Wood *WORKS!* BC program converted 66 projects to wood and delivered 11,796 education hours, which is greater than the targeted 10,000 education hours.

| Performance Measure  | 2019/20<br>Actuals | 2020/21<br>Target | 2020/21<br>Actuals | 2021/22<br>Target            | 2022/23<br>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 | \$63.1             | \$68              | \$69.6             | \$68 or greater <sup>1</sup> | \$70              |

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

<sup>1</sup> This performance measure was updated in the [2021/22–2023/24 Service Plan](#).

### Discussion of Results

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.

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.

In 2020/21, 66 projects were converted to wood during the year, resulting in an incremental \$69.6 million of wood use. This exceeds the Performance Measure 3.1 target for 2020/21 and reflects the growing uptake of wood-frame and mass timber wood products in mid-rise residential and mixed-use buildings.

### 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 Highlights**

- FII maintained ongoing engagement across the year with its responsible Ministry, JERI. Performance was reported through meetings with the Minister and by way of reports tabled at all regular meetings of the FII Board.
- FII advanced its use of virtual tools to ensure uninterrupted, remote operations during COVID-19—enabling teams in B.C., China, India and Vietnam to continue to work together and advance market development efforts.
- FII and Canada Wood implemented an integrated CRM system in international offices to better monitor progress and track key accomplishments at the program and market level over time.

| Performance Measure   | 2019/20<br>Actuals | 2020/21<br>Target | 2020/21<br>Actuals | 2021/22<br>Target | 2022/23<br>Target |
|---|--------------------|-------------------|--------------------|-------------------|-------------------|
| 4.1 Other organizations’ aggregate contribution to recipient funding program <sup>1</sup> | 73%                | 65%               | 70%                | 65%               | 65%               |

Data source: Forestry Innovation Investment Ltd.

<sup>1</sup>In its recipient funding program, FII targets annual contributions of approximately 65 per cent from other organizations; however, contributions from others vary from 0 to 100 per cent, depending on the specific activity. Contributions from individual organizations can also fluctuate considerably across fiscal years, depending on their programming priorities and budgets.

**Discussion of Results**

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. public. 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.

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<sup>6</sup>. 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—where \$2 is provided by others to leverage \$1 from FII. Data to support this measure are sourced from the online recipient funding system, which is co-funded and managed by FII and NRCan, and through FII’s year-end financial reporting.

During the year, FII allocated a total of \$6.58 million to third party organizations to deliver market development activities in China, Japan, Korea, India and Vietnam in Asia and the U.S. and Canada in North America. This funding from FII leveraged an additional \$15.32 million in federal and industry contributions, or 70 per cent of the total delivered recipient program. This exceeded the target set for the year.

In addition to the contributions of others to the ongoing recipient program, FII also draws other leveraged funding for its market development programming. For 2020/21, other funding included:

- \$2.418 million from NRCan for India and Vietnam market development initiatives and other co-funded programs; and
- \$0.381 million from other sources, including contributions from industry associations, other governments and deferred revenue arising out of restricted capital contributions.

---

<sup>6</sup> The federal government does not fund activities in all markets where FII and industry are active. As a result, FII provides a higher share of overall funding in certain markets, increasing its average annual share of total program costs to just over one-third.

## Financial Report

For the auditor's report and audited financial statements, [see Appendix C](#). These can also be found on the [Forestry Innovation Investment website](#).

### Discussion of Results

In 2020/21, FII received an additional \$3.0 million for the Mass Timber Demonstration Program (MTDP) as part of the Stronger BC investments, raising FII's funding from B.C. government for the year. To further support the MTDP, FII utilized underspent budget resulting from the COVID-19 pandemic to fund additional MTDP projects. Total research and demonstration project funding amounted to \$4.2 million with FII contributing \$1.2 million on top of the base \$3.0 million program budget.

Across the year, FII continued to leverage substantial funds from the Government of Canada. Natural Resources Canada (NRCan) provided \$1,342,000 to support FII India, \$498,000 for the Vietnam initiative, and another \$578,000 to support other market development initiatives.

During the year, FII managed the risks associated with funding and monitoring activities developed and delivered by third parties, and with initiatives delivered by FII in foreign and domestic markets. FII ended the year with a surplus of \$1,046,000, resulting mainly from the COVID-19 pandemic inhibiting some programs from fully completing all the projects that were anticipated.

## Financial Summary

| \$000  | 2019/20<br>Actual | 2020/21<br>Budget | 2020/21<br>Actual | 2020/21<br>Variance |
|--|-------------------|-------------------|-------------------|---------------------|
| <b>Revenue</b>                                     |                   |                   |                   |                     |
| Contribution from Province of B.C. <sup>(1)</sup>  | 19,606            | 19,550            | 22,559            | 3,009               |
| Contribution from the Federal Government           | 2,720             | 2,763             | 2,418             | (345)               |
| Other Revenue                                      | 1,885             | 260               | 446               | 186                 |
| <b>Total Revenue</b>                               | <b>24,211</b>     | <b>22,573</b>     | <b>25,423</b>     | <b>2,850</b>        |
| <b>Expenses</b>                                    |                   |                   |                   |                     |
| Funding Recipient Initiatives                      | 8,855             | 8,911             | 12,158            | 3,247               |
| Market Outreach & Initiatives                      |                   |                   |                   |                     |
| Government Initiatives and Outreach <sup>(2)</sup> | 6,877             | 5,860             | 5,427             | (433)               |
| China—Market Development                           | 2,357             | 2,497             | 2,269             | (228)               |
| India—Market Development <sup>(2)</sup>            | 4,071             | 3,813             | 2,966             | (847)               |
| Corporate Services                                 | 1,553             | 1,492             | 1,557             | 65                  |
| <b>Total Expenses</b>                              | <b>23,713</b>     | <b>22,573</b>     | <b>24,377</b>     | <b>1,804</b>        |
| <b>Net Income from Operations</b>                  | <b>498</b>        | <b>0</b>          | <b>1,046</b>      | <b>1,046</b>        |
| <b>Total Liabilities</b>                           | <b>2,588</b>      | <b>2,510</b>      | <b>2,630</b>      | <b>120</b>          |
| <b>Capital Expenditures</b>                        | <b>186</b>        | <b>75</b>         | <b>242</b>        | <b>167</b>          |
| <b>Accumulated Surplus</b>                         | <b>3,995</b>      | <b>3,497</b>      | <b>5,041</b>      | <b>1,544</b>        |

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

**Note 1:** The 2019/20 actual number includes the base budget of \$19.550 million plus \$60,000 for the shared office in Mumbai India. The actual contribution from the Province includes funds deferred for the purchase of capital assets. The 2020/21 actual includes \$3.0 M for the Mass Timber Demonstration Program as a part of Stronger BC investments.

**Note 2:** The budget for Government Initiatives and Outreach and the budget for India—Market Development were amended and approved by the Board after the completion of the 2019/20–2021/22 Service Plan.

## **Variance and Trend Analysis**

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. While the pandemic impacted in-market travel, tradeshow attendance and in-person seminars, FII staff have moved to virtual events to replace these delivery mechanisms. Over the past year, FII staff have been able to work from home during the multiple government shutdowns in Canada and their other foreign markets and have continued to deliver alternate versions of their programs as planned.

## **Risks and Uncertainties**

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 is closely monitoring the evolving situation and taking measures to mitigate potential negative impacts to the Company.

## Appendix A: Additional Information

### 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](http://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 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 [www.naturallywood.com](http://www.naturallywood.com), including links to many forest product companies and trade associations.

### 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 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, 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.

### Contact Information

For more information on Forestry Innovation Investment Ltd. contact:

Suite 1200–1130 West Pender Street, Vancouver, B.C., V6E 4A4

604-685-7507

[info@bcfii.ca](mailto:info@bcfii.ca)

[www.bcfii.ca](http://www.bcfii.ca)

## 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 its subsidiaries 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          | 2019/20<br>Actual | 2020/21<br>Budget | 2020/21<br>Actual |
|----------------|-------------------|-------------------|-------------------|
| Total Revenues | 2,357             | 2,497             | 2,269             |
| Total Expenses | 2,357             | 2,497             | 2,269             |
| Net Income     | 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 manufacture 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 its subsidiaries 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

| \$ millions           | 2019/20<br>Actual | 2020/21<br>Budget | 2020/21<br>Actual |
|-----------------------|-------------------|-------------------|-------------------|
| <b>Total Revenues</b> | 4,071             | 3,813             | 2,966             |
| <b>Total Expenses</b> | 4,071             | 3,813             | 2,966             |
| <b>Net Income</b>     | <b>0</b>          | <b>0</b>          | <b>0</b>          |

## 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: Auditor’s Report and Audited Financial Statements



**Forestry Innovation  
Investment<sup>®</sup>**

Consolidated Financial Statements

Forestry Innovation Investment Ltd.

March 31, 2021

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## Statement of Management Responsibility

### *Scope of Responsibility*

Management has supervised preparation of the accompanying consolidated financial statements and related note disclosures and is responsible for their integrity and objectivity. The consolidated financial statements of Forestry Innovation Investment Ltd. (FII) have been prepared by management in accordance with the financial reporting provisions prescribed by the Province of British Columbia pursuant to Section 23.1 of the Budget Transparency and Accountability Act (see Note 2(a)).

We believe that these consolidated financial statements present fairly FII's financial position as at March 31, 2021 and the consolidated statement of operations, change in net assets, and cash flow for the year ending March 31, 2021 and that the other information contained in the Company's annual report is consistent with the consolidated financial statements as presented.

### *Internal Controls*

Management is responsible for the integrity of the financial statements and has established systems of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records are properly maintained to facilitate the preparation of the financial statements in a timely manner. We continually monitor these internal accounting controls, modifying and improving them as business conditions and operations change. We believe our system of internal accounting controls provide reasonable assurance that errors or irregularities that would be material to the consolidated financial statements are prevented or detected in the normal course of business.

### *Board of Directors and Audit Committee*

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's discharge of its financial reporting responsibilities. An Audit Committee is appointed by the Board. The Audit Committee reviews the consolidated financial statements, adequacy of internal controls, audit process and financial reporting with management and with the external auditors. The Audit Committee has reviewed these consolidated statements prior to recommending approval by the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

### *Independent Auditors*

Grant Thornton has performed an independent audit of the consolidated financial statements of Forestry Innovation Investment Ltd. The Auditor's Report, as attached, outlines the scope of this independent audit and expresses an opinion on the financial statements of Forestry Innovation Investment Ltd.



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Michael Loseth  
Chief Executive Officer



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Douglas Greig  
Vice President & CFO

Vancouver, British Columbia  
June 2, 2021

# Independent Auditor's Report

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Grant Thornton LLP  
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333 Seymour Street  
Vancouver, BC  
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T +1 604 687 2711  
F +1 604 685 6569

To the Board of Directors of [Forestry Innovation Investment Ltd.](#)

To the Minister of Jobs, Economic Recovery and Innovation, [Province of British Columbia](#)

## Opinion

We have audited the consolidated financial statements of Forestry Innovation Investment Ltd. (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of matter – basis of accounting

We draw attention to Note 2 to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Vancouver, Canada  
June 2, 2021



Chartered Professional Accountants

# Forestry Innovation Investment Ltd.

## Consolidated Statement of Financial Position

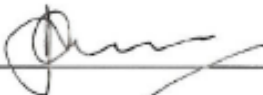

(in thousands of dollars)

March 31

|  | Note | 2021            | 2020            |
|--|------|-----------------|-----------------|
| <b>Financial assets</b>                  |      |                 |                 |
| Cash and cash equivalents                |      | \$ 5,231        | \$ 4,385        |
| Accounts receivable                      |      | 160             | 207             |
| Recipient advances                       | 4    | 44              | 43              |
| Due from Province of British Columbia    |      | 17              | 16              |
| Due from other governments               |      | <u>1,275</u>    | <u>1,102</u>    |
| Total financial assets                   |      | <u>6,727</u>    | <u>5,753</u>    |
| <b>Liabilities</b>                       |      |                 |                 |
| Accounts payable and accrued liabilities | 3    | 1,655           | 1,675           |
| Due to Province of British Columbia      |      | 16              | 21              |
| Due to other governments                 |      | 132             | 174             |
| Recipient payables                       | 4    | 234             | 197             |
| Deferred contributions                   | 6    | <u>593</u>      | <u>521</u>      |
| Total liabilities                        |      | <u>2,630</u>    | <u>2,588</u>    |
| Net financial assets                     |      | <u>4,097</u>    | <u>3,165</u>    |
| <b>Non-financial assets</b>              |      |                 |                 |
| Tangible capital assets                  | 7    | 447             | 344             |
| Prepaid expenses                         |      | <u>497</u>      | <u>486</u>      |
| Total non-financial assets               |      | <u>944</u>      | <u>830</u>      |
| Accumulated surplus                      |      | <u>\$ 5,041</u> | <u>\$ 3,995</u> |

Commitments (Note 8)

Approved by the Board

 Director
  Director



# Forestry Innovation Investment Ltd.

## Consolidated Statement of Operations and Accumulated Surplus

(in thousands of dollars)  
Year ended March 31

|  | Budget          | 2021                   | 2020            |
|--|-----------------|------------------------|-----------------|
|  | <u>Note</u>     |                        |                 |
| Revenue                                | 10              |                        |                 |
| Government contributions               |                 |                        |                 |
| Provincial                             | \$ 19,550       | \$ <b>22,559</b>       | \$ 19,606       |
| Federal                                | 2,763           | <b>2,418</b>           | 2,720           |
| Other revenue                          | 260             | <b>381</b>             | 1,746           |
| Investment income                      | -               | <b>65</b>              | 139             |
|  | <u>22,573</u>   | <u><b>25,423</b></u>   | <u>24,211</u>   |
| Expenses                               | 10              |                        |                 |
| Funding recipient initiatives          | 8,911           | <b>12,158</b>          | 8,855           |
| Market initiatives and outreach        |                 |                        |                 |
| FII Vancouver                          | 5,860           | <b>5,427</b>           | 6,877           |
| FII China                              | 2,497           | <b>2,269</b>           | 2,357           |
| FII India                              | 3,813           | <b>2,966</b>           | 4,071           |
| Corporate services                     | 1,492           | <b>1,557</b>           | 1,553           |
|  | <u>22,573</u>   | <u><b>24,377</b></u>   | <u>23,713</u>   |
| Annual surplus                         | -               | <b>1,046</b>           | 498             |
| Accumulated surplus, beginning of year | 3,995           | <b>3,995</b>           | 3,497           |
| Accumulated surplus, end of year       | <u>\$ 3,995</u> | <u><b>\$ 5,041</b></u> | <u>\$ 3,995</u> |

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**Forestry Innovation Investment Ltd.**  
**Consolidated Statement of Changes in Net Financial Assets**

(in thousands of dollars)

| Year ended March 31                     | Budget       | 2021         | 2020         |
|---|--------------|--------------|--------------|
| Annual surplus                          | \$ -         | \$ 1,046     | \$ 498       |
| Acquisition of tangible capital assets  | (225)        | (242)        | (186)        |
| Amortization of tangible capital assets | 150          | 139          | 160          |
| Disposal of tangible capital assets     | -            | -            | 2            |
| (Acquisition) use of prepaid expenses   | <u>(30)</u>  | <u>(11)</u>  | <u>313</u>   |
| Increase in net financial assets        | (105)        | 932          | 787          |
| Net financial assets, beginning of year | <u>3,165</u> | <u>3,165</u> | <u>2,378</u> |
| Net financial assets, end of year       | \$ 3,060     | \$ 4,097     | \$ 3,165     |

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# Forestry Innovation Investment Ltd.

## Consolidated Statement of Cash Flows

(in thousands of dollars)

Year ended March 31

2021

2020

Cash provided by (used in):

### Operating

|  |    |            |    |            |
|--|----|------------|----|------------|
| Annual surplus                                     | \$ | 1,046      | \$ | 498        |
| Items not involving cash                           |    |            |    |            |
| Amortization of tangible capital assets            |    | 139        |    | 160        |
| Amortization of deferred contributions             |    | (169)      |    | (516)      |
| Loss on disposal of tangible capital assets        |    | -          |    | 2          |
| Change in accounts receivable                      |    | 47         |    | 1,170      |
| Change in recipient advances                       |    | (1)        |    | (26)       |
| Change in due from Province of British Columbia    |    | (1)        |    | (1)        |
| Change in due from other governments               |    | (173)      |    | (58)       |
| Change in accounts payable and accrued liabilities |    | (20)       |    | (636)      |
| Change in due to Province of British Columbia      |    | (5)        |    | (6)        |
| Change in due to other governments                 |    | (42)       |    | 26         |
| Change in recipient payables                       |    | 37         |    | (90)       |
| Change in prepaid expenses                         |    | (11)       |    | 313        |
|  |    | <u>847</u> |    | <u>836</u> |

### Investing

|  |  |              |  |              |
|--|--|--------------|--|--------------|
| Acquisition of tangible capital assets |  | <u>(242)</u> |  | <u>(186)</u> |
|--|--|--------------|--|--------------|

### Financing

|                                   |  |            |  |            |
|-----------------------------------|--|------------|--|------------|
| Receipt of deferred contributions |  | <u>241</u> |  | <u>212</u> |
|-----------------------------------|--|------------|--|------------|

|                  |  |     |  |     |
|------------------|--|-----|--|-----|
| Increase in cash |  | 846 |  | 862 |
|------------------|--|-----|--|-----|

|                         |  |              |  |              |
|-------------------------|--|--------------|--|--------------|
| Cash, beginning of year |  | <u>4,385</u> |  | <u>3,523</u> |
|-------------------------|--|--------------|--|--------------|

|                   |    |              |    |              |
|-------------------|----|--------------|----|--------------|
| Cash, end of year | \$ | <u>5,231</u> | \$ | <u>4,385</u> |
|-------------------|----|--------------|----|--------------|

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# Forestry Innovation Investment Ltd.

## Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2021

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### 1. General

Forestry Innovation Investment Ltd. (the “Company” or “FII Vancouver”) was incorporated on March 31, 2003 under the laws of the Province of British Columbia (the “Province”). The Company has authorized capital of 100 common shares without par value of which 10 shares are issued and outstanding. Her Majesty the Queen in Right of the Province of British Columbia, as represented by the Minister of Jobs, Economic Recovery and Innovation, holds the shares issued. A board of directors governs the Company, and all directors are appointed by the Province. The Company’s principal activities are to fund forest industry associations and research institutions and to deliver market development and market initiatives and outreach programs.

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### 2. Summary of significant accounting policies

#### (a) Basis of presentation

These consolidated financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia which requires accounting policies which are consistent with Canadian public sector accounting standards except in regard to the accounting for restricted capital contributions.

Under Section 23.1 of the Budget Transparency and Accountability Act and its related regulations, the Company is required to recognize restricted capital contributions as a liability and recognize them into revenue on the same basis as the related amortization expense.

Under Canadian public sector accounting standards, those transfers with stipulations that have been met or that do not contain stipulations that create a liability, are fully recognized into revenue.

The impact of this difference on the consolidated financial statements of the Company would be a decrease in deferred capital contributions as at March 31, 2021, and increases in revenues and annual surplus for the year then ended.

#### (b) Reporting Company and basis of consolidation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting Company. The reporting Company is comprised of the Company consolidated with FII Consulting (Shanghai) Co., Ltd. (“FII China”), a wholly-owned subsidiary registered under the laws of the People’s Republic of China; 0939031 B.C. Ltd., a wholly-owned subsidiary registered under the laws of British Columbia; and Forestry Innovation Consulting India Pvt. Ltd. (“FII India”), a wholly-owned subsidiary of the Company and 0939031 B.C. Ltd., registered under the laws of the Republic of India.

FII China is based in Shanghai, China, and FII India is based in Mumbai, India, with both subsidiaries delivering market development programs on behalf of the Company. The subsidiaries are consolidated on a line-by-line basis after inter-organizational transactions and balances between these entities have been eliminated.

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# Forestry Innovation Investment Ltd.

## Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2021

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### 2. Summary of significant accounting policies (continued)

#### (c) Revenue recognition

Unrestricted contributions, donations and grants are recorded as revenue when receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Restricted contributions include amounts received from the Province and the Canadian Federal Government for specific purposes. Restricted contributions are recorded as deferred contributions when received or receivable. The deferred contribution and associated revenue are recognized based upon the nature of the restriction, as follows:

##### (i) *Restricted capital contributions*

Capital contributions for the purpose of acquiring or developing a depreciable tangible capital asset are recorded and referred to as deferred capital contributions. Deferred capital contributions are reduced and the associated revenue recognized at the same rate and in the same fiscal period that amortization is recognized in respect of acquired depreciable tangible capital asset used to provide services.

##### (ii) *Other restricted contributions*

Deferred contributions are reduced and the associated revenue recognized in the period during which the stipulation or restriction on the contribution have been met.

Investment income includes interest recorded on an accrual basis.

#### (d) Program expenses

Program expenses include amounts transferred to recipient organizations based on recipient funding contracts to carry out specific program activities. Amounts transferred are recognized as expenses in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met by the recipient, and reasonable estimates of the amounts can be made.

#### (e) Pension plans

The Company and its employees contribute to the Public Service Pension Plan, which is a multi-employer jointly trustee plan. The plan is a defined benefit plan, providing pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. As the assets and liabilities of the plan are not segregated by employer, the plan is accounted for as a defined contribution plan and any Company contributions to the plan are expensed as incurred.

#### (f) Financial instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, recipient advances, short term investments, amounts due from the Province, amounts due from other governments, accounts payable and accrued liabilities, amounts due to the Province, amounts due to other governments, and recipient payables.

The Company measures its financial instruments at cost or amortized cost.

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# Forestry Innovation Investment Ltd.

## Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2021

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### 2. Summary of significant accounting policies (continued)

#### (f) Financial instruments (continued)

For financial instruments measured at cost or amortized cost, transaction costs are added to the cost of the financial instruments.

Interest and dividends attributable to financial instruments are reported in the consolidated statement of operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations.

There are no financial instruments measured at fair value; therefore, the consolidated financial statements do not include a consolidated statement of remeasurement gains and losses.

#### (g) Non-financial assets

##### (i) *Tangible capital assets*

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

| <u>Asset</u>            | <u>Useful life</u>                              |
|-------------------------|---|
| Computer equipment      | 3 years   |
| Computer software       | 2 years   |
| Furniture and equipment | 5 years   |
| Leasehold improvements  | lesser of the lease term<br>and its useful life |
| Tradeshow booths        | 3 years   |

Assets under construction are not amortized until the asset is available for productive use.

##### (ii) *Contributions of tangible capital assets*

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

##### (iii) *Interest capitalization*

The Company does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

##### (iv) *Intangible assets*

Intangible assets are not recognized in these consolidated financial statements.

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# Forestry Innovation Investment Ltd.

## Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2021

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### 2. Summary of significant accounting policies (continued)

#### (h) Foreign currency translation

These consolidated financial statements are stated in Canadian dollars. The Company's foreign operations, conducted through FII China and FII India, are considered financially interdependent with the Company, and are translated from Chinese renminbi ("RMB") and Indian rupee ("INR") using the temporal method of translation. Accordingly, monetary assets and liabilities are translated at the spot exchange rates in effect at the date of the statement of financial position; non-monetary items are translated at historical exchange rates in effect on the dates of the transactions. Revenue and expense items are translated at monthly average exchange rates in effect during the month in which the transaction occurred, except for amortization which is translated at the historical exchange rate of the corresponding non-monetary item. Realized exchange gains and losses are included in the consolidated statement of operations.

#### (i) Budget

Budget data presented in these consolidated financial statements are based on the Company's Service Plans. The budget was approved by the Board of Directors on January 15, 2020.

#### (j) Use of estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful lives of tangible capital assets. Actual results could differ from those estimates.

#### (k) Segment disclosures

A segment is defined as a distinguishable activity or group of activities of an Company for which it is appropriate to separately report financial information. The Company has provided definitions of segments used by the Company as well as presented financial information of the segments in Note 10.

#### (l) Financial assets

##### (i) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and deposits with financial institutions.

##### (ii) Short term investments

Short term investments include term deposits measured at cost.

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# Forestry Innovation Investment Ltd.

## Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2021

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| <b>3. Accounts payable and accrued liabilities</b> | <u>2021</u>     | <u>2020</u>     |
|--|-----------------|-----------------|
| Trade payables                                     | \$ 883          | \$ 684          |
| Accrued liabilities                                | <u>772</u>      | <u>991</u>      |
|  | <u>\$ 1,655</u> | <u>\$ 1,675</u> |

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### 4. Recipient advances and payables

The Company's policy on recipient funding contracts stipulates that unspent advances are repaid to the Company. Historically, unspent advances have been repaid to the Company prior to the end of the first quarter of the new fiscal year after final reconciliation reports have been submitted.

In addition, the Company withholds a percentage of earnable administration costs from their interim advances. Recipients would qualify for this final funding amount withheld based on meeting eligible reporting criteria in the recipient reporting process.

As at March 31, 2021, the Company has identified \$234 (2020 - \$197) as payable to the recipient organizations and \$44 (2020 - \$43) as receivable from the recipient organizations.

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### 5. Pension plans

The Company and its employees contribute to the Public Service Pension Plan, which is a multi-employer jointly trustee plan. The plan is a defined benefit plan, providing pension on retirement based on the member's age of retirement, length of service and highest earnings averaged over five years. The board of trustees of the plan represents plan members and employers and is responsible for the management of the plan including investment of the assets and administration of the plan.

The most recent actuarial valuation for the Public Service Pension Plan as at March 31, 2020 indicated a \$2,667 funding surplus for basic pension benefits on a going concern basis.

As described in Note 2(e), the plan is accounted for as a defined contribution plan. During the year ended March 31, 2021, the Company paid \$255 (2020 - \$236) for employer contributions to the plan.

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# Forestry Innovation Investment Ltd.

## Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2021

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### 6. Deferred contributions

Deferred contributions consist of contributions received from the Province for tangible capital assets and other capital and operating contributions for which goods and services remain outstanding. Deferred contributions are comprised of the following:

|  | <u>Provincial</u> | <u>Other</u> | <u>2021</u>   | <u>2020</u>   |
|--|-------------------|--------------|---------------|---------------|
| Balance, beginning of year             | \$ 497            | \$ 24        | \$ 521        | \$ 825        |
| Contributions received during the year | 225               | 16           | 241           | 212           |
| Amounts amortized to revenue           | <u>(159)</u>      | <u>(10)</u>  | <u>(169)</u>  | <u>(516)</u>  |
| Balance, end of year                   | <u>\$ 563</u>     | <u>\$ 30</u> | <u>\$ 593</u> | <u>\$ 521</u> |

Included in Provincial deferred contributions is nil (2020 - \$15) that is unspent.

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# Forestry Innovation Investment Ltd.

## Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2021

### 7. Tangible capital assets

#### (a) Assets in use

##### Cost

|                         | 2020            | Additions     | Disposals       | 2021            |
|-------------------------|-----------------|---------------|-----------------|-----------------|
| Computer equipment      | \$ 628          | \$ 75         | \$ (55)         | \$ 648          |
| Computer software       | 12              | -             | -               | 12              |
| Furniture and equipment | 405             | 65            | (7)             | 463             |
| Leasehold improvements  | 1,126           | 102           | -               | 1,228           |
| Tradeshow booths        | 447             | -             | (122)           | 325             |
|                         | <u>\$ 2,618</u> | <u>\$ 242</u> | <u>\$ (184)</u> | <u>\$ 2,676</u> |

##### Accumulated amortization

|                         | 2020            | Amortization  | Disposals       | 2021            |
|-------------------------|-----------------|---------------|-----------------|-----------------|
| Computer equipment      | \$ 498          | \$ 66         | \$ (55)         | \$ 509          |
| Computer software       | 12              | -             | -               | 12              |
| Furniture and equipment | 344             | 19            | (7)             | 356             |
| Leasehold improvements  | 1,034           | 27            | -               | 1,061           |
| Tradeshow booths        | 386             | 27            | (122)           | 291             |
|                         | <u>\$ 2,274</u> | <u>\$ 139</u> | <u>\$ (184)</u> | <u>\$ 2,229</u> |

##### Net book value

|                         | 2020          | 2021          |
|-------------------------|---------------|---------------|
| Computer equipment      | \$ 130        | \$ 139        |
| Computer software       | -             | -             |
| Furniture and equipment | 61            | 107           |
| Leasehold improvements  | 92            | 167           |
| Tradeshow booths        | 61            | 34            |
|                         | <u>\$ 344</u> | <u>\$ 447</u> |

#### (b) Assets disclosed at nominal values

The cost of tangible capital assets includes the fair market value of certain assets transferred to the Company from the Province effective April 1, 2003 for one dollar. These assets are now fully amortized.

# Forestry Innovation Investment Ltd.

## Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2021

### 8. Commitments

(a) The Company has lease commitments for its premises it occupies.

|            |    |              |
|------------|----|--------------|
| 2022       | \$ | 1,167        |
| 2023       |    | 627          |
| 2024       |    | 557          |
| 2025       |    | 321          |
| 2026       |    | 11           |
| Thereafter |    | -            |
|            | \$ | <u>2,684</u> |

(b) The Company also has an obligation to pay \$626 (2020 - \$343) for contracts entered into and not yet completed at March 31, 2021.

(c) The Company has an operating line of credit with HSBC Bank of Canada with maximum available credit of \$2,000 which incurs interest at prime plus 1.5% per annum. As of March 31, 2021, no amounts have been withdrawn through the utilization of the credit line.

### 9. Financial instruments risk management

The Company has exposure to the following risks from its use of financial instruments:

#### Credit risk

Credit risk is the risk that the Company's counterparties default or become insolvent.

The Company is potentially exposed to credit risk through cash and cash equivalents, accounts receivable, short term investments, recipient advances, amounts due from the Province, and amounts due from other governments. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. Accounts receivable consist mainly of cost share agreements which are monitored on a regular basis. Amounts due from the Province and amounts due from other governments consist of reimbursement claims. It is the Company's opinion that its exposure to credit risk is subject to normal industry risks and is considered minimal.

As at March 31, 2021, accounts receivable, recipient advances, amounts due from the Province, and amounts due from other governments are comprised of:

|                                       | <u>Under 90 days</u> | <u>Over 90 days</u> | <u>Total</u>    |
|---------------------------------------|----------------------|---------------------|-----------------|
| Accounts receivable                   | \$ 160               | \$ -                | \$ 160          |
| Recipient advances                    | 44                   | -                   | 44              |
| Due from Province of British Columbia | 17                   | -                   | 17              |
| Due from other governments            | <u>1,275</u>         | <u>-</u>            | <u>1,275</u>    |
|                                       | <u>\$ 1,496</u>      | <u>\$ -</u>         | <u>\$ 1,496</u> |

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# Forestry Innovation Investment Ltd.

## Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2021

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### 9. Financial instruments risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company manages its exposure to liquidity risk by maintaining sufficient cash balances throughout the year to meet its short-term obligations. It is the Company's opinion that its exposure to liquidity risk is subject to normal industry risks and is considered minimal.

#### Market risk

Market risk is the risk that fluctuations in market prices will affect the Company's net financial assets. Market risk comprises two types of risk:

##### *Currency risk and foreign denominated cash*

Currency risk is the risk that fluctuations in foreign currencies will affect the Company's net financial assets denominated in foreign currencies.

The Company is subject to foreign exchange risk through its program payables and program advances and a portion of the Company's program and tradeshow costs, which are denominated in Chinese renminbi, Indian rupee, Vietnamese dong and United States dollars. The Company manages its exposure to currency risk by monitoring its assets and liabilities denominated in foreign currencies and purchasing foreign denominated currency to pay upcoming commitments when the market conditions are favourable. The Company does not use derivatives instruments to reduce its exposure to foreign currency risk. Included in office costs is \$126 (2020 – \$62) of foreign exchange gains.

# Forestry Innovation Investment Ltd.

## Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2021

### 9. Financial instruments risk management (continued)

#### Market risk (continued)

*Currency risk and foreign denominated cash (continued)*

The amounts shown are translated to Canadian dollars at the closing rate:

|  | 2021                              |                                   |                                   |              |
|--|-----------------------------------|-----------------------------------|-----------------------------------|--------------|
|  | USD denominated<br>amounts in CAD | RMB denominated<br>amounts in CAD | INR denominated<br>amounts in CAD | CAD<br>Total |
| Cash   | \$ 660                            | \$ 511                            | \$ 1,439                          | \$ 2,610     |
| Accounts receivable<br>and due from other<br>governments | -                                 | 1                                 | 826                               | 827          |
| Accounts payable   | -                                 | 195                               | 448                               | 643          |
|  | 2020                              |                                   |                                   |              |
|  | USD denominated<br>amounts in CAD | RMB denominated<br>amounts in CAD | INR denominated<br>amounts in CAD | CAD<br>Total |
| Cash   | \$ 191                            | \$ 681                            | \$ 847                            | \$ 1,719     |
| Accounts receivable<br>and due from other<br>governments | -                                 | -                                 | 734                               | 734          |
| Accounts payable   | -                                 | 312                               | 442                               | 754          |

#### *Interest rate risk*

Interest rate risk is the risk that fluctuations in interest rates will affect the Company's net financial assets that bear interest at variable rates. The Company manages its exposure to interest rate risk by investing in interest bearing cash accounts.

### 10. Segmented information

Segmented information has been identified based upon programs provided by the Company. Company programs and their activities are reported by functional area in the body of the consolidated financial statements. Programs that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

#### (a) Funding Recipient Initiatives

Uses project funding delivered through an annual "Call for Proposals" in partnership with the Government of Canada to fund forest industry associations and research institutions to:

- Maintain and create opportunities for BC wood products in existing and emerging markets;
- Ensure that customers, consumers, designers, builders, developers and architects know about BC wood products and the many positive features they bring to wood-frame construction and interior finishing;

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# Forestry Innovation Investment Ltd.

## Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2021

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### 10. Segmented information (continued)

#### (a) Funding Recipient Initiatives (continued)

- Support the development of innovative new forest products; and
- Provide interested parties around the world with information on the properties and qualities of BC's forest products and the BC companies that supply them.

#### (b) Market Initiatives and Outreach Program

##### (i) FII Vancouver Initiatives

Internally directs delivered programs that:

- Identify potential opportunities for BC forest products through market research and develop market access strategies;
- Ensure BC forest products have access to markets free from regulatory and other barriers through initiatives and research;
- Provide customers and foreign regulators with facts about the environmental merits of BC forest products, including the sustainable forest management regime that underlies their production;
- Research opportunities in new and emerging markets, and initiate early market exploration activities;
- Champion the Province's Wood First priorities and encourage expanded wood use in BC;
- Raise awareness of the Province as a world leader in advanced wood construction and design; and
- Encourage a robust valued-added sector in BC through enhanced capacity and competitiveness.

##### (ii) FII China Initiatives

FII China has a mandate to increase the volume and value of BC lumber exports to China by expanding the share of wood frame construction in China's building sector. FII China focuses on the following activities:

- Expanding and strengthening relationships with central and regional government agencies responsible for building and construction in China and with large state-owned developers, emphasizing the pursuit of strategic and joint initiatives;
- Building partnerships with established market leaders in China's development sector and supporting these companies in areas of concept development, planning and design, code application, and resource integration; and
- Working closely with Canadian forest industry trade association staff to expand China's technical capacity to deploy wood frame construction.

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# Forestry Innovation Investment Ltd.

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2021

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### 10. Segmented information (continued)

#### (b) Market Initiatives and Outreach Program (continued)

##### *(iii) FII India Initiatives*

FII India has a mandate to establish a local presence in India for BC and Canadian forest products companies; develop working relationships with government officials, regulatory agencies, and the wood user community; and position BC and Canadian forest products for future growth. The operation focuses on early-market (pre-commercial) development activities, including:

- Supporting development of the market for BC and Canadian forest products through market research;
- Promoting BC and Canadian wood species in various end-uses;
- Educating the market place on BC and Canadian wood species and their proper use;
- Providing intermediation with Indian regulatory authorities; and
- Providing direct support for BC companies entering the India market.

#### (c) Corporate services

Corporate services performs the following activities:

- Ensures financial reporting to government standards;
- Provides Human Resource, IT and office services to meet organizational needs;
- Oversees budget and planning controls in alignment with strategic objectives; and
- Provides corporate communication and analytical services to meet internal and external needs.

# Forestry Innovation Investment Ltd.

## Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2021

### 10. Segmented information (continued)

|                                 | Funding<br>Recipient<br>Initiatives | Market Initiatives and Outreach |              |               | Corporate<br>services | 2021<br>Total   | 2020<br>Total |
|---------------------------------|-------------------------------------|---------------------------------|--------------|---------------|-----------------------|-----------------|---------------|
|                                 |                                     | FII Vancouver                   | FII China    | FII India     |                       |                 |               |
| <b>Revenues</b>                 |                                     |                                 |              |               |                       |                 |               |
| Government contributions        |                                     |                                 |              |               |                       |                 |               |
| Provincial                      | \$ 11,911                           | \$ 5,128                        | \$ 2,352     | \$ 1,737      | \$ 1,431              | \$ 22,559       | \$ 19,606     |
| Federal                         | 240                                 | 836                             | -            | 1,342         | -                     | 2,418           | 2,720         |
| Other revenue                   | -                                   | -                               | -            | 376           | 5                     | 381             | 1,746         |
| Investment income               | -                                   | -                               | -            | 39            | 26                    | 65              | 139           |
| <b>Total revenues</b>           | <b>12,151</b>                       | <b>5,964</b>                    | <b>2,352</b> | <b>3,494</b>  | <b>1,462</b>          | <b>25,423</b>   | <b>24,211</b> |
| <b>Expenses</b>                 |                                     |                                 |              |               |                       |                 |               |
| Amortization                    | -                                   | 1                               | 22           | 30            | 86                    | 139             | 160           |
| Auditing                        | 249                                 | -                               | 42           | 25            | 64                    | 380             | 313           |
| Grants                          | 4,613                               | -                               | -            | -             | -                     | 4,613           | 459           |
| Office costs                    | 54                                  | 443                             | 321          | 489           | 253                   | 1,560           | 1,369         |
| Professional services           | 310                                 | 2,564                           | 255          | 953           | 174                   | 4,256           | 6,801         |
| Program costs                   | 6,579                               | 299                             | 166          | 285           | (44)                  | 7,285           | 7,842         |
| Salaries, wages and benefits    | 353                                 | 2,042                           | 1,296        | 1,115         | 992                   | 5,798           | 5,620         |
| Trade missions                  | -                                   | -                               | 45           | -             | -                     | 45              | 172           |
| Travel and business costs       | -                                   | 78                              | 122          | 69            | 32                    | 301             | 977           |
| <b>Total expenses</b>           | <b>12,158</b>                       | <b>5,427</b>                    | <b>2,269</b> | <b>2,966</b>  | <b>1,557</b>          | <b>24,377</b>   | <b>23,713</b> |
| <b>Annual surplus (deficit)</b> | <b>\$ (7)</b>                       | <b>\$ 537</b>                   | <b>\$ 83</b> | <b>\$ 528</b> | <b>\$ (95)</b>        | <b>\$ 1,046</b> | <b>\$ 498</b> |



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# Forestry Innovation Investment Ltd.

## Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2021

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### 11. Impact of COVID-19

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. While the pandemic impacted in-market travel, tradeshow attendance and in-person seminars, FII staff have moved to virtual events to replace these delivery mechanisms. Over the past year FII staff have been able to work from home during the multiple government shutdowns in Canada and their other foreign markets and have continued to deliver alternate versions of their programs as planned.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our operations are not known at this time. These impacts could include potential future decreases in revenue and potential delayed spending on market initiative and outreach programs in any one of the countries that the Company operates in due to ongoing restrictions in each respective country. Management is closely monitoring the evolving situation and taking measures to mitigate potential negative impacts to the Company.

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### 12. Comparative information

Certain of the comparative figures have been reclassified to conform to the classifications used in the current year.

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