

Forestry Innovation Investment

2023/24 – 2025/26 Service Plan

February 2023

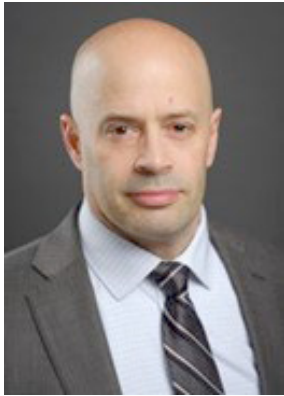


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Published by Forestry Innovation Investment Ltd.

Board Chair's Accountability Statement



The 2023/24 – 2025/26 Forestry Innovation Investment Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of February 9, 2023 have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, Forestry Innovation Investment's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of Forestry Innovation Investment's operating environment, forecast conditions, risk assessment and past performance.

Signed on behalf of the Board by:

A handwritten signature in black ink that reads "R. Manwaring". The signature is stylized and cursive.

Rick Manwaring
Board Chair, Forestry Innovation Investment
February 9, 2023

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Strategic Direction

In 2023/24, public sector organizations will continue working to make life better for people in B.C., improve the services we all rely on, and ensure a sustainable province for future generations. Government will focus on building a secure, clean, and fair economy, and a province where everyone can find a good home, whether in a rural area, in a city, or in an Indigenous community. B.C. will continue working toward true and meaningful reconciliation by supporting opportunities for Indigenous Peoples to be full partners in an inclusive and sustainable province. The policies, programs and projects developed over the course of this service plan period will focus on results that people can see and feel in four key areas: attainable and affordable housing, strengthened health care, safer communities, and a secure, clean and fair economy that can withstand global economic headwinds.

This 2023/24 service plan outlines how Forestry Innovation Investment will support the government's priorities and selected action items identified in the most recent Forestry Innovation Investment [Mandate Letter 2021-2022](#).

Purpose of the Organization and Alignment with Government Priorities

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., Japan, China 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 receives its mandate letter direction from the Ministry of Jobs, Economic Development and Innovation (JEDI) and supports the Government's strategic direction to JEDI, the Ministry of Forests (FOR), and the Minister of State for Trade related to advancing forest sector innovation and developing markets for B.C.'s forest products, including mass timber.

FII's mandate is closely aligned with a range of government priorities, with FII actively collaborating with and supporting other agencies and partners in areas of common interest.

Examples include CleanBC and initiatives aimed to enhance the performance of the built environment in B.C. Collaboration with FOR, the Office of Mass Timber Implementation (part of JEDI) and agencies across government are helping to advance the use of engineered wood products and mass timber wood building solutions. Expanding the use of mass timber products at home in B.C., and in export markets, contributes to the Province's green building objectives and to securing greater value from B.C.'s forest resource. Work with BC Housing, the Office of Construction of Housing Standards and the Ministry of Housing supports the expansion of building codes and the development of taller mass timber building solutions to enhance affordability objectives and the availability of rental housing in the province.

Details on FII's mandate, governance, goals and values, locations, and organizational structure are available at www.bcfii.ca, as are previous Service Plans and Annual Service Plan Reports.

Operating Environment

FII's market development efforts are influenced by a wide range of factors, many of which are outside the control of the organization and its partners. While B.C.'s forest sector experienced record high lumber prices during the pandemic, prices have since fallen and the industry faces strong headwinds with supply chain challenges, strained geopolitical relations and a slowdown of economic activity in major consumer markets presenting risks to the sector. Combined with slowing economic growth, high inflation and increasing interest rates are expected to reduce construction activity, making 2023 likely a challenging year for B.C.'s forest sector. Alongside these challenges, however, the world's increased focus on climate change is creating opportunities to position B.C.'s forest products and building systems as a low-carbon solution.

B.C.'s forest sector has recently benefited from strong sales of both lumber and value-added products into North America, driven by demand in the housing and repair and remodelling markets. However, it is widely forecasted that construction activity in B.C. and North America will retract in 2023, decreasing both demand and prices for wood building products. With work underway to modernize B.C.'s forest policies and advance reconciliation, B.C. continues its transition to a smaller, higher-value industry that will increase Indigenous participation in the sector and strengthen the stewardship and sustainable management of B.C.'s forests. Commitments to expand mass timber use in B.C. are being actioned as government and industry partners work together to advance the engineered wood products sector and act as a global showcase for how wood design can help reduce the carbon footprint of the built environment.

While a slowdown in the U.S. economy is anticipated, B.C. wood products will continue to play a prominent role in U.S. construction. While there will be pressure on residential construction, opportunities for multi-family/multi-storey and non-residential construction are expanding alongside building code changes and the adoption of engineered wood and mass timber products and building systems. B.C. continues its work alongside Canada to challenge the punitive duties faced by Canadian industry on softwood lumber into the U.S. market, which

currently sits at 8.59 percent¹. Housing starts are projected to retract in 2023 which could create demand and pricing challenges for B.C.'s softwood lumber and may result in slowdowns and production curtailments.

Japan continues to serve as a large and valuable market for B.C. forest products (the second largest market for B.C. commodity lumber by value). While the Japanese market for single-family housing is mature, trends favouring green building solutions, as well as recent government policy encouraging wood use in public buildings, are presenting opportunities for B.C. wood products in hybrid, multi-family/multi-storey and non-residential construction. At the same time, B.C.'s value-added products are finding niche markets in resort, non-residential and reform/renovation sectors. As the world's fastest-growing major market for wood pellets, Japan promises growth potential for B.C.'s biomass sector. Like most global markets, economic growth is projected to be slow in Japan in 2023, and Canada faces competition in the Japanese market from increasing domestic production as well as imports from the European Union (lumber) and Vietnam (pellets). Japan has not sanctioned Russian lumber products; this will also likely provide competition for B.C. suppliers.

China continues to present long-term opportunity for B.C. softwoods in construction and manufacturing applications. Increasing urbanization and growing consumer wealth in China will drive demand for new housing, furnishings and other wood products domestically. Carbon reduction objectives and green building requirements will place increasing emphasis on prefabrication and green building materials, creating new market opportunities for wood products and wood building technologies. In the short-term, however, B.C. softwood lumber exports to China will likely face continuing challenges as COVID-19 impacts continue to hamper economic activity and construction demand. FII is continuously assessing global markets in light of economic performance, geopolitical trends and international competition.

As the second-largest wooden furniture producer in the world, Vietnam presents significant opportunity for B.C. wood species. Demand for imported softwood is accelerating as furniture manufacturers seek a replacement for dwindling supplies of tropical hardwoods. Responding to the requirements of major consumer markets, Vietnam manufacturers have increased emphasis on securing wood products from certified, sustainable sources—presenting opportunity to position the environmental pedigree of B.C. forest products.

Among emerging markets, India offers the B.C. forest sector long-term potential for a variety of wood species. A growing economy and expanding middle class is driving demand for wood use; this combined with a diminishing supply of global hardwoods presents opportunity to position B.C. softwood in the manufacturing industry, including within applications such as doors, windows, architectural millwork and furniture. While global shipping and logistics bottlenecks created serious problems during the pandemic, these are beginning to ease and are expected to improve in 2023.

¹Note, some companies have their own specific duty rate which varies from this figure.

Over the period of this Service Plan, FII will continue to respond to the needs of the forest sector and to identify new opportunities for traditional forest products, advanced engineered wood materials and building systems and, where appropriate, non-conventional, next-generation products. For 2023/24, no significant changes are planned in FII's internal operating environment. However, FII will adapt its priorities to ensure continued alignment with Government's strategic direction and priorities and the evolving domestic and global operating environment. FII's Strategic Plan and Service Plan will be updated as required to reflect these changes.

Annual Economic Statement

B.C.'s economy has been resilient to pandemic, geopolitical and climate-related disruptions. However, higher interest rates are expected to weigh on the economy in the coming years. Following a rapid recovery from the economic impacts of the COVID-19 pandemic, high inflation led to successive interest rate increases from the Bank of Canada in 2022. The impact of higher interest rates has been evident in housing markets and there is uncertainty over its transmission to the rest of the economy in B.C. and among our trading partners. B.C. is heading into this challenging period in relatively strong position, with a low unemployment rate. The Economic Forecast Council (EFC) estimates that B.C. real GDP expanded by 3.0 per cent in 2022 and expects growth of 0.5 per cent in 2023 and 1.6 per cent in 2024. Meanwhile for Canada, the EFC estimates growth of 3.4 per cent in 2022 and projects national real GDP growth of 0.5 per cent in 2023 and 1.5 per cent in 2024. As such, B.C.'s economic growth is expected to be broadly in line with the national average in the coming years. The risks to B.C.'s economic outlook center around interest rates and inflation, such as the risk of further inflationary supply chain disruptions, the potential for more interest rate increases than expected, and uncertainty around the depth and timing of the impact on housing markets. Further risks include ongoing uncertainty regarding global trade policies, the emergence of further COVID-19 variants of concern and lower commodity prices.

Performance Planning

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

Our focus is on expanding 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 and bioproducts. This goal creates 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 materials

This objective focuses on two significant market trends, which are the increasing recognition of wood products as renewable and sustainable, and the 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.
- the advantages of wood in creating a significantly smaller environmental footprint than other building materials.
- the fact that wood, pulp and paper, and pellet products from B.C. are sourced from sustainably managed forests backed by stringent regulations and public consultation.

Key Strategies

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

Discussion

Major consumer markets including the EU, the U.S. and Japan, and important furniture and finished goods manufacturing markets like India and Vietnam, are holding suppliers to increasingly high legal and environmental standards. Governments and industries around the world are also advancing Environment, Social, Governance (ESG) objectives. Therefore, it is

important to ensure market access and acceptance of B.C. forest products around the world. An independent Market Acceptance Advisory Committee, made up of senior government and industry marketing and communications experts, provides strategic guidance on program implementation priorities. FII supports government and industry initiatives to defend B.C.'s forest interests in international markets, addressing non-tariff environmental and reputational challenges, and proactively positions B.C.'s environmental pedigree. Based on trends over the past year, this will include involvement in communication activities regarding bills and executive orders related to deforestation in the U.S. and renewable energy directive and deforestation regulation in the EU. The biennial customer survey provides an indication of the effectiveness of FII's international advocacy and communications initiatives (see performance measure 1a).

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

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

Key Strategies

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

Discussion

The naturally:wood information resource hosts information on B.C.'s forests, forest management, forest products and building expertise, with a growing focus on mass timber construction. The website is FII's key information portal for the B.C. design and construction community, and it serves as the foundation of a digitally centred communications strategy that is strategically extended to North American markets. FII develops a wide range of materials including blogs, building project profiles and videos. FII also executes a strategic digital marketing campaign that 'amplifies' the content via channels such as e-newsletters, contributed articles in trade publications and social media posts with a goal of driving traffic to

naturallywood.com. Digital platforms such as Google Analytics, MailChimp, LinkedIn and Twitter allow FII to closely track engagements with naturally:wood content.

Performance Measures

| Performance Measure | 2023/24 Baseline | 2022/23 Forecast | 2023/24 Target | 2024/25 Target | 2025/26 Target |
|---|------------------|------------------|----------------|----------------|----------------|
| 1a Percent of target customers who perceive that forest products from B.C. are a good choice for the environment ¹ | 90% | N/A | 90% | N/A | 90% |

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

¹Surveys are conducted biennially.

Discussion

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.

The survey of international customers is conducted on a biennial basis as a cooperative undertaking between FII and other partners such as the Canadian Council of Forest Ministers and Forest Products Association of Canada with data gathered by an independent research firm. The survey, which is focused on environmental perspectives, identifies the percentage of target international customers (pulp, paper and wood buying company executives in key export markets) who agree that B.C.’s environmental reputation is as good as, or better than, the average of competing forest product jurisdictions. 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 have varying degrees of concern about the environmental impact of timber harvesting practices in different jurisdictions.

| Performance Measure | 2022/23 Forecast | 2023/24 Target | 2024/25 Target | 2025/26 Target |
|--|------------------|----------------|----------------|----------------|
| 1b Number of prospects connecting with B.C. manufacturers from the naturallywood.com Supplier Directory, an online platform developed by FII | 33,535 | 36,300 | 38,200 | 40,000 |

Data source: Forestry Innovation Investment Ltd/Google Analytics.

Discussion

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. manufacturers for potential commercial opportunities. The performance metric tracks the number of visitors who search for B.C.

products and suppliers and the number of visitors that engage with a supplier email, phone number or website address. FII's future growth targets were increased in the 2022/23-2024/25 Service Plan to reflect the considerable increase in engagements with the Supplier Directory. As online user behaviour and engagement stabilizes with this now established resource, its use is projected to be sustained, but will not increase as quickly as when the tool was optimized and re-launched in 2020.

Goal 2: Enhance the value of B.C.'s forest products in traditional and emerging markets

This goal aids Government priorities to support employment in forestry and innovative wood manufacturing by expanding opportunities in international markets for both the primary and secondary manufacturing sectors². Strategies include a mix of activities delivered by third parties and FII³ and focuses on achieving a long-term balance between existing and emerging markets and traditional and innovative new products. This approach protects the industry from global market volatility and optimizes returns across products, species and grades marketed, while increasing the value generated from B.C.'s forest resource.

Objective 2.1: Open markets for B.C. wood products in India

FII's market development program in India is focused on augmenting the country's dwindling supply of tropical and domestic hardwoods with Canadian softwoods. The program targets applications for B.C. wood species, with a focus on coastal species, in the manufacturing of doors, windows, architectural millwork, furniture for domestic and export markets, and interior finishing product applications.

Key Strategies

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

²Primary' manufacturing typically converts logs to lumber, plywood, OSB, etc.; 'secondary' manufacturing typically uses a form of lumber as a raw material input for further manufactured products, such as furniture, windows and doors, engineered wood products, mass timber products, cabinets, moulding and millwork, etc.

³FII collaborates with industry trade associations, the federal government and other funding bodies to leverage its investments for the greatest potential return for B.C.

Discussion

Market development in India is led by FII through its India-based subsidiary with support from industry and the federal government. The program is now in Phase 2 (Expanding Engagement) of a multi-year strategy to achieve commercial acceptance and growth in the wood in manufacturing sector. The approach will be to build on gains made to date, leverage existing demonstration projects, and support the existing stockist network. Progress is monitored via established annual performance metrics with interim reporting requirements.

Objective 2.2: Wood products secure greater market penetration in U.S. non-residential and multi-family construction

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

Key Strategies

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

Discussion

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., as well as 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 (see performance measure 2c). Efforts focus on a range of building types (i.e., multi-storey/multi-family, non-residential, taller buildings) and systems (i.e., wood-frame, mass timber, hybrid). This diversification strategy will help expand the influence of the program across the construction sector while protecting suppliers against market fluctuations in any one segment of the building sector.

To support opportunities for B.C. forest products in other market segments, including repair and remodelling and value-added segments, FII also supports the activities of other partners in the market, including [BC Wood](#), the [Western Red Cedar Lumber Association](#) and the [Cedar Shake and Shingle Bureau](#).

Progress in the market is tracked via performance targets established by funding recipients with interim reporting across the year.

Objective 2.3: B.C.'s sales of higher-value wood products to China are increased

Recognizing the size of the Chinese market, FII, in cooperation with government and industry partners, will continue efforts to advance wood use in China in both construction and manufacturing sectors, and to position exports from B.C. in high-potential growth and higher-value segments.

Key Strategies

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

Discussion

FII and the Canada Wood Group, with funding support by Natural Resources Canada, have worked together since 2003 to develop and grow the market share for B.C. wood products in China. The market strategy concentrates on higher-value market segments, where product differentiation provides a comparative advantage for B.C.'s wood products. Activities focus on increasing the value of wood sold, growing wood's acceptance in construction, and positioning Canadian wood products as high-quality, environmentally friendly and sustainably sourced.

Performance Measures

| Performance Measure | 2022/23 Forecast | 2023/24 Target | 2024/25 Target | 2025/26 Target |
|---|------------------|----------------|----------------|----------------|
| 2a Total number of product trials of B.C. species undertaken in India | 34 | 20 | 22 | 24 |

Data source: Forestry Innovation Investment Ltd.

Discussion

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

FII's Try Canadian Wood program provides 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. The 2022/23 target was set at 34; FII expects to meet this target.

Forward-looking targets have been adjusted down to reflect the second phase of market development in India, which builds off of past successes—showcasing demonstration projects and product trials already completed and advancing established relationships with manufacturers. With the shift in focus, FII India's technical staff that lead on product trial efforts has been reduced by half, which will result in a decline in the total number of product trials completed annually.

| Performance Measure | 2022/23 Forecast | 2023/24 Target | 2024/25 Target | 2025/26 Target |
|--|------------------|----------------|----------------|----------------|
| 2b 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 ¹ | \$275 | \$321 | \$336 | \$352 |

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

¹ 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 US WoodWorks program activities, funded by FII and its funding partners.

Discussion

This measure tracks success in increasing wood usage in the U.S. in the commercial, institutional and multi-family residential/mid-rise segments. The ability to achieve Performance Measure 2b is contingent upon the performance of FII's funding recipient, US WoodWorks, in its delivery of Market Initiatives programming and on other external factors impacting construction activity in the U.S., such as the level of real estate investment and the process for approving and implementing building code changes. US WoodWorks tracks its engagement with projects as the project moves from identification to design and construction.

As soon as the project goes to construction, the value of that project is captured in the performance measure. FII anticipates meeting the target of \$275 million for 2022/23 but is monitoring closely the increasing number of construction slowdowns due to supply chain challenges associated with all products, as well as labour shortages and high construction costs.

| Performance Measure | 2022/23 Forecast | 2023/24 Target | 2024/25 Target | 2025/26 Target |
|---|---------------------|-------------------|-------------------|-------------------|
| 2c Average value (CAD) per cubic metre generated by softwood lumber sales to China ¹ | \$240 | \$210 | \$215 | \$220 |

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

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

Discussion

Performance Measure 2c tracks the extent to which the B.C. forest industry is successful in diversifying markets and moving into higher-value segments. The target emphasizes sales to China, where FII investments are leveraging a significant joint industry and government (provincial and federal) market development effort to position B.C. as a leading exporter of high-quality softwood lumber to China.

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

The 2022/23 target was set at \$205; FII anticipates exceeding this target as a result of high lumber prices globally in the first half of 2022. As lumber prices are trending downward toward more traditional levels, and 2023 is expected to be a challenging market in China for softwood lumber, forward-looking targets have not been adjusted beyond previous trendlines.

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

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

Objective 3.1: Wood is a preferred building material in B.C.

Driven by emerging trends and issues in materials science, structural engineering, and the rapidly changing technology and building environments, FII is supporting innovation in wood manufacturing, building design and construction. Enabling early adoption of new and advanced wood technologies and buildings systems, including taller buildings and larger structures using mass timber, will help shape more resilient, climate-smart communities. Responding to the opportunities and challenges represented by these dynamics, FII is positioning wood as a preferred building material.

Key Strategies

- Advance the competitiveness of B.C.'s value-added wood sector by encouraging supply chain optimization and the development of next-generation wood products and building solutions.
- Accelerate education, training and technical support to encourage wood use, including mass timber and other engineered wood products and systems.
- Collaborate with all levels of government to drive better understanding of wood's role in addressing energy efficiency, low-carbon innovation and other environmental policies related to the building sector.

Discussion

Objective 3.1 recognizes that the growing demand for new and innovative wood-based products and building systems is driving a need to improve the capacity and effectiveness of all components of the supply chain. This includes increasing the knowledge and experience related to designing and building with wood, including products and building systems.

Strategies under this objective 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 manufacturing, design, engineering and construction representatives, 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. Progress is tracked via performance targets established by FII and its funding recipients with interim reporting across the year.

Objective 3.2: Next generation B.C. wood technologies and building solutions showcase 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. This will position B.C. as a leader in wood innovation and B.C.'s forest products can be more effectively marketed for construction, interior design and daily living at home and abroad.

Key Strategies

- Facilitate research and development for next-generation wood products and building systems, and drive the dissemination of knowledge and results to appropriate audiences.
- Leverage B.C.'s advancements in wood use by mobilizing provincial research, expertise and technologies that embrace and showcase wood, including community and Indigenous projects across B.C.
- Support education, training and capacity building initiatives through a range of building applications and sectors in B.C.

Discussion

Momentum continues to grow around interest in building with wood across jurisdictions with an increasing number of stakeholders and early innovators who are leading the way. Building expert networks, sharing learnings and showcasing B.C.'s wood products, design and construction expertise is key to accelerating that momentum.

Objective 3.2 was previously reflected within Objective 3.1 but has been separated out to reflect its focus on knowledge dissemination and demonstrating B.C.'s leadership position in wood innovation. Strategies under Objective 3.2 are delivered primarily through FII's Wood First program in consultation with the Wood First Advisory Committee and in partnership/coordination with existing research and service delivery organizations. Progress is tracked via performance targets established by FII and its funding recipients with interim reporting across the year.

Performance Measures

| Performance Measure | 2022/23 Forecast | 2023/24 Target | 2024/25 Target | 2025/26 Target |
|--|------------------|----------------|----------------|----------------|
| 3a 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 ¹ | \$60 | \$74 | \$76 | \$78 |

Data source: Canadian Wood Council's [WoodWORKS! BC](#) program.

¹The 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 *WoodWORKS! BC* program activities, funded by FII and its funding partners.

Discussion

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 cost-shares the *WoodWORKS! 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 3a 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. *WoodWORKS! BC* tracks its engagement with projects as the project moves from identification to design and construction. As soon as the project goes to construction, the value of that project is captured in the performance measure. The program expects to come in slightly below its \$70 million target for 2022/23 due to supply chain challenges associated with all products, as well as labour shortages.

Financial Plan

Financial Summary

| \$000s | 2022/23 Forecast | 2023/24 Budget | 2024/25 Plan | 2025/26 Plan |
|---|---------------------|-------------------|-----------------|-----------------|
| Revenue | | | | |
| Contribution from the Province of B.C. ¹ | 21,550 | 19,811 | 19,822 | 19,822 |
| Contribution from the Federal Government ^{2, 3, 4} | 2,112 | 1,980 | 1,980 | 1,980 |
| Other Revenue ⁵ | 238 | 200 | 200 | 200 |
| Total Revenue | 23,900 | 21,991 | 22,002 | 22,002 |
| Expenses | | | | |
| Funding Recipient Initiatives ⁶ | 11,375 | 9,050 | 9,050 | 9,050 |
| Market Initiatives and Outreach | | | | |
| Government Initiatives and Outreach | 4,820 | 5,311 | 5,322 | 5,322 |
| China Market Development | 2,439 | 2,300 | 2,300 | 2,300 |
| India Market Development | 2,357 | 2,100 | 2,100 | 2,100 |
| Vietnam Market Development ⁷ | 1,242 | 1,500 | 1,500 | 1,500 |
| Corporate Services | 1,667 | 1,730 | 1,730 | 1,730 |
| Total Expenses | 23,900 | 21,991 | 22,002 | 22,002 |
| Excess of Revenue over Expenses | 0,000 | 0,000 | 0,000 | 0,000 |
| Retained Earnings, End of Year | 5,784 | 5,784 | 5,784 | 5,784 |
| Capital Expenditures | (250) | (250) | (250) | (250) |

Note: The above financial information was prepared based on current Generally Accepted Accounting Principles.

¹2022/23 includes base budget \$19.550 million plus \$2.0 million for the Mass Timber Demonstration program. 2023/24 excludes previous additional funding for the Mass Timber Demonstration Program.

²Approximately \$2.112 million in 2022/23 is a contribution from Natural Resources Canada; \$1.300 million towards the India initiative; \$0.680 million for the Vietnam initiative; \$0.132 million to cost-share other initiatives.

³Approximately \$1.980 million in 2023/24 is anticipated from Natural Resources Canada towards the following: \$1.155 million for the India Market Development program; \$0.825 million for the Vietnam program.

⁴Funding from the Government of Canada (NRCan) is budgeted to continue at approx. \$1.980 million for the years 2024/25 and 2025/26 but is contingent on the federal Emerging Markets Program being renewed and continuing at current funding levels.

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

⁶2023/24 and forward excludes continued funding for the Mass Timber Demonstration Program.

⁷Includes additional program funding towards the Vietnam Program for 2023/24 forward.

Key Forecast Assumptions, Risks and Sensitivities

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

Currently NRCan is finalizing renewal of their program funding for 2023/24; there is some risk that the Federal Emerging Markets funding program could be changed which could require FII to revise the strategy around funding offshore emerging markets.

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. FII is also monitoring increasing US protectionism approaches and will assess any potential impacts.

Management's Perspective on Financial Outlook

For 2023/24, FII anticipates receiving \$19.811 million in funding from the Province, \$1.98 million from Natural Resources Canada, and \$0.200 million is anticipated to be received from other sources.

About half of the available funding from the Province will be used to share the cost of activities proposed and delivered by not-for-profit organizations that responded to FII's most recent market development and Wood First calls for proposals. The budget allocation for such funding recipients will be \$8.10 million. Other budget allocations will be:

- FII China: \$2.3 million—slightly less than the forecasted spending for 2022/23
- FII India: \$2.1 million⁴—below the forecasted spending in 2022/23 as a result of the strategic review
- FII Vietnam: \$1.50 million⁴—above the forecasted spending in 2022/23 as the program ramps up
- FII Vancouver's Government Initiatives and Outreach: \$5.311 million

⁴\$1.98m is contributed to FII's India and Vietnam Initiatives by the Federal Government

Appendix A: Subsidiaries

Active Subsidiaries

FII Consulting (Shanghai) Co. Ltd.

(Wholly owned by Forestry Innovation Investment Ltd.)

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

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

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

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

Financial Summary

| \$000s | 2022/23 Forecast | 2023/24 Budget | 2024/25 Plan | 2025/26 Plan |
|---------------------------------|---------------------|-------------------|-----------------|-----------------|
| Total Revenue | 2,439 | 2,300 | 2,300 | 2,300 |
| Total Expenses | 2,439 | 2,300 | 2,300 | 2,300 |
| Annual Surplus (Deficit) | 0,000 | 0,000 | 0,000 | 0,000 |

FII Consulting India Private Limited

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

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

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

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

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

Financial Summary

| \$000s | 2022/23 Forecast | 2023/24 Budget | 2024/25 Plan | 2025/26 Plan |
|---------------------------------|---------------------|-------------------|-----------------|-----------------|
| Total Revenue | 2,357 | 2,100 | 2,100 | 2,100 |
| Total Expenses | 2,357 | 2,100 | 2,100 | 2,100 |
| Annual Surplus (Deficit) | 0,000 | 0,000 | 0,000 | 0,000 |

Forestry Innovation Consulting (Vietnam) Ltd.

(Wholly owned by Forestry Innovation Investment Ltd.)

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

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

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

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

Financial Summary

| \$000s | 2022/23 Forecast | 2023/24 Budget | 2024/25 Plan | 2025/26 Plan |
|---------------------------------|-----------------------------|---------------------------|-------------------------|-------------------------|
| Total Revenue | 1,242 | 1,500 | 1,500 | 1,500 |
| Total Expenses | 1,242 | 1,500 | 1,500 | 1,500 |
| Annual Surplus (Deficit) | 0,000 | 0,000 | 0,000 | 0,000 |

Inactive Subsidiaries

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

Appendix B: Mandate Letter from the Minister Responsible



BRITISH
COLUMBIA

Ref: 153796

April 19, 2021

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

Dear John Allan:

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

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

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

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

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

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

.../2

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

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

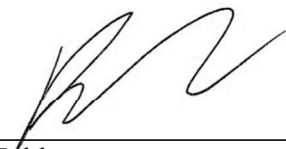
As the Minister responsible for Forestry Innovation Investment Ltd., I expect that you will make substantive progress on the following priorities and incorporate them in the goals, objectives and performance measures in your 2021/22 Service Plan:

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

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

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

Sincerely,

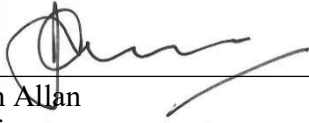


Ravi Kahlon
Minister

April 19, 2021

Date

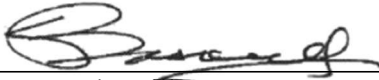
Enclosure



John Allan
Chair
Forestry Innovation Investment Ltd.



Bobbi Plecas
Vice Chair
Forestry Innovation Investment Ltd.



Shannon Baskerville
Director
Forestry Innovation Investment Ltd.



Neilane Mayhew
Director
Forestry Innovation Investment Ltd.

pc: Honourable John Horgan
Premier

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

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

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

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

Shannon Baskerville
Deputy Minister
Ministry of Advanced Education and Skills Training

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

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