

Forestry Innovation Investment

2019/20 – 2021/22 SERVICE PLAN

February 2019



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Board Chair Accountability Statement



The 2019/20 – 2021/22 Forestry Innovation Investment (FII) Service Plan was prepared under the Board’s direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of January 25, 2019, have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, FII’s mandate and goals, and focus on aspects critical to the organization’s performance. The targets in this plan have been determined based on an assessment of FII’s operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in black ink, appearing to read 'Silas Brownsey', written over a horizontal line.

Silas Brownsey
Board Chair

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Strategic Direction and Alignment with Government Priorities

Forestry Innovation Investment (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, FII engages with the forest industry, the Government of Canada, provincial ministries, research institutions, and other stakeholders to deliver forward-looking, innovative market development programs. Through its programs and activities, FII supports the Government’s commitment to build a strong, sustainable, innovative economy that works for the people of B.C.

As outlined in its [2019/20 Mandate Letter](#) from the Minister of Jobs, Trade and Technology, FII will focus on four strategic priorities in the coming year:

- Promote wood’s environmental merits as a preferred, sustainable and renewable building material.
- Expand international market diversification for B.C. 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 B.C.’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 B.C. Provincial Government partners to jointly deliver on the Province’s objective to expand our engineered wood-products sector in B.C.

FII’s operations also support the Government’s strategic direction to The Ministry of Jobs, Trade and Technology (JTT); the Ministry of Forests, Lands, Natural Resource Operations and Rural Development (FLNRORD); and the Minister of State for Trade to:

- Increase employment in the forestry and innovative wood manufacturing sectors;
- Develop B.C.’s international trade relations;
- Expand efforts to market engineered and other innovative wood products wood products to world markets;
- Work with communities and industry to develop a fair, lasting strategy to create more jobs by processing more logs in B.C. and to renew our forests by expanding investments in reforestation; and,
- Promote the use of wood in public construction projects.

By aligning near- and long-term activities with those of Government, FII ensures its programs support Government’s key priority to build a strong, sustainable economy for British Columbia:

Government Priorities	Forestry Innovation Investment Aligns with These Priorities By:
Making life more affordable	FII places significant emphasis on delivering its primary programs and services in collaboration with the forest industry, the federal government, the research community and other provincial agencies. By partnering with forest sector organizations in Canada and abroad, FII is able to leverage their expertise and financial resources to create and deliver strategic and focused market development programming that provides the highest value for the B.C. forest sector and the taxpayers of B.C. (Objective 4.1).

A strong, sustainable economy	<p>Collaborating with industry, government and institutional partners to deliver a suite of programs and activities focused on three complementary goals¹ that will strengthen the forest sector and support forest dependent communities:</p> <ul style="list-style-type: none"> • Position B.C. as a reliable global supplier of quality building products from sustainably managed forests (Objective 1.2—Goal 1); • Ensure returns from B.C.’s conventional and next generation forest products are optimized in markets offering high potential (Goal 2); and • Establish B.C. as a leader in adopting innovative forest products and building systems (Goal 3).
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Operating Environment

Market development efforts led by FII continue to be influenced by a wide range of factors, many outside the control of the organization and its partners. Buoyed by continuing growth in developing and advanced economies, the long-term demand for forest products remains positive. The potential for the forest sector arising from these market dynamics is significant, particularly as new technologies in wood products and building systems come on-stream. Tracking, understanding and responding to emerging trends, and the opportunities and challenges they give rise to, are critical to ensuring that B.C. is able to build on its market position in the years ahead. Factors influencing demand in the United States, China, Japan, South Korea and India are the most significant, as these priority markets represent more than 90 percent² of international sales of B.C. wood products and account for the majority of FII program investments.

As of November 2018, following more than 108 months of growth, U.S. economic expansion has slowed with GDP expected to fall from a high of above four percent during the second quarter of 2018, to 2.2 percent by the end of 2019. In the housing market, forecasts indicate a softening in the pace of construction over the mid-term. Protectionist sentiments in the U.S. continue to rise and softwood lumber exports once again face a punitive tariff regime, which has the potential to significantly impact B.C.’s lumber trade with the United States.

China, B.C.’s largest market for commodity lumber outside North America, continues to face challenges as it rebalances its economy from manufacturing-led demand toward domestic consumption and services. High-level drivers continue to create demand for wood in the China market—including urbanization, the growing middle class, and escalating environmental concerns—but competition from other exporters is increasing and creating a more dynamic marketplace. China’s increased emphasis on green building and sustainably sourced materials are creating opportunity to demonstrate B.C.’s environment pedigree in wood construction and manufacturing.

Growth in Japan, B.C.’s second largest market in Asia, will remain modest in the year ahead. In line with projected mid-term declines in housing activity, domestic consumption of softwood in 2017 was relatively flat. However, growth opportunities for wood products and innovative wood-based building systems continue to emerge in new segments, including multi-family and mid-rise construction, institutional applications, as well as in value-added consumer products.

¹ For a detailed description of FII’s goals and objectives in support of the Government’s priorities, refer to the Performance Plan discussion beginning on page 7.

² The United States, China, Japan, South Korea, and India accounted for 62 percent, 16 percent, 11 percent, 2 percent, and 0.1 percent, respectively, of B.C. wood product exports in 2017.

South Korea remains a small but profitable market for B.C. wood products exporters, filling an important niche between Japan's demand for high-value products and China's vast appetite for lower-grade material. Canadian and B.C. lumber exporters are well positioned to take advantage of market opportunities, particularly in the construction sector, with the elimination of a 5% tariff on lumber imports in 2017.

In emerging markets, India offers particular potential. With an expanding economy and emerging young population, growth in the market for furniture, other consumer items, and housing is accelerating. India faces challenges in meeting the resulting demand for wood products in both the manufacturing and construction sectors, as traditional sources of tropical and domestic hardwoods become increasingly constrained. This is creating new opportunities to position B.C. softwood species as an alternate to hardwoods in India. FII and industry, with support from the Government of Canada, are aggressively pursuing the Indian market through a comprehensive program of promotion, product demonstration and manufacturing trials. Another market holding potential for B.C. softwood exports is the furniture manufacturing sector in Vietnam, which is becoming increasingly reliant on imported wood as the industry grows. Vietnam's export of manufactured wood products rose to an estimated CAD \$8 billion in 2017, second in Asia behind China.

In B.C., and across North America, construction professionals and designers are increasingly seeking lower carbon building alternatives and renewable materials, and embracing the advancement of new construction technologies and mass timber products. Hybrid construction, using a combination of wood, concrete and steel, provides a cost-effective and sustainable solution to building structures, as well as options to improve building performance and design, enabling the construction of taller and larger buildings using wood. This is creating new opportunities for B.C. manufacturers, and design and construction experts in the non-residential and mid-rise markets in North America.

Hundreds of communities across B.C. rely on the forestry industry for their livelihoods, including many Indigenous communities. The increasing involvement of Indigenous Peoples in the forest sector offers new opportunities to expand their participation in economic development and employment in every region of the province and to broaden collaboration in advancing markets for B.C. forest products around the world.

Global and domestic market conditions are being monitored using feedback from FII subsidiaries, industry operations in priority markets, and program delivery agencies, as well as through ongoing market research. FII will continue to seek input from, and coordinate activities with, provincial and federal government representative offices in key markets. If required, responsive actions will be introduced to mitigate identified risks to forecasts.

Over the period of this Service Plan, FII programming will continue to evolve with the market to reflect new opportunities for traditional forest products, advanced engineered materials and building systems, and where appropriate, non-conventional, next-generation products.

For 2019/20, no significant changes are planned in FII's internal operating environment. However, with an evolving external policy environment, FII will adapt its priorities to ensure continued alignment with B.C. government's strategic direction. The Service Plan will be updated as required to reflect these changes.

Performance Plan

The goals, strategies, measures and targets in this Plan are in alignment with Government's strategic priorities as articulated in FII's [2019/20 Mandate Letter](#) and in the Mandate Letters of the [Minister of Jobs, Trade and Technology](#), the [Minister of Forests, Lands, Natural Resource Operations and Rural Development](#), and the [Minister of State for Trade](#). The Service Plan goals, strategies, measures and targets are also fully consistent with FII's Board-approved [five-year strategic plan](#), and with the JTT and FLNRORD annual service plans.

To ensure that FII's Performance Plan remains aligned with, and supportive of, Government's priorities, FII maintains strategic engagement throughout the year with its responsible Ministry, JTT. This engagement includes regular meetings between the FII President & CEO and Board Chair, and the JTT Minister, Deputy Minister and Associate Deputy Minister to review FII's activities and its performance against the Plan.

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

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

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

This objective supports the Government's efforts to revitalize the forest sector. It focuses on taking advantage of two significant trends in the marketplace: the increasing recognition of wood products as "green", and growing demands from consumers for forest products that are produced in an environmentally-responsible manner. As customers are factoring environmental parameters into purchasing decisions, there is considerable value in articulating the benefits of wood as a sustainable, renewable building material; its advantages in creating a significantly smaller environmental footprint than other building materials; and the fact that wood and pulp and paper products from B.C. are manufactured by an industry that has made impressive gains in reducing its environmental footprint. These environmental benefits of wood apply equally to higher-margin wood products manufactured in B.C.

Key Strategies:

- Proactively create and disseminate timely and factual information regarding B.C. forest products and forest practices.
- Champion science and fact-based approaches to communicate the merits of wood and wood-based construction technologies within the context of green building and climate change.
- Collaborate with forest sector stakeholders to encourage consistent and compelling communications regarding product and building innovations and reducing environmental impacts.

- Monitor and advocate in international markets for codes, standards and policies that recognize the merits of wood and B.C. forest products.

Performance Measure	2017/18 Actual	2018/19 Forecast	2019/20 Target	2020/21 Target	2021/22 Target
1.1 Percent of customers who perceive that forest products from B.C. are a good choice for the environment ¹	99%	n/a	90%	n/a	90%

¹ Data Source: Leger -The Research Intelligence Group. *Analysis of Market Acceptance Issues*, January 2018.. Surveys are conducted biennially.

Linking Performance Measures to Objectives:

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 target international customers (e.g., large institutional pulp and paper buyers, and wood importers and distributors).

Discussion:

The survey of international customers is conducted on a biennial basis as a cooperative undertaking between FII, Natural Resources Canada and the 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 2018/19 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 percent rating represents optimal performance given there will always be some who disagree with timber harvesting of any nature.

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

The growing awareness of the benefits of wood products is increasing the demand from consumers for forest products that are produced in an environmentally-responsible manner. To help position B.C. to meet this demand, FII delivers a suite of programming that showcases B.C. as a reliable supplier of quality forest products and a global leader in sustaining forest resources and environmental values. This positioning will help 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:

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

Performance Measure	2017/18 Actual	2018/19 Forecast	2019/20 Target	2020/21 Target	2021/22 Target
1.2 Number of prospects connecting with B.C. manufacturers from the naturallywood.com Supplier Directory, an online platform developed by FII ¹	13,864	13,500	13,750	14,000	14,250

¹ Data Source: Forestry Innovation Investment Ltd / Google Analytics.

Linking Performance Measures to Objectives:

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 to the website and the number of those visitors that link through to a supplier email address or website.

Discussion:

FII continues to build and optimize content and resources to attract visitors to the naturallywood.com website and to the Supplier Directory located there. The 2018/19 target for prospects connecting with B.C. manufacturers via the directory was set at 13,500; and FII anticipates meeting this target. FII has modified its future growth targets to reflect a stabilization of online user behaviour and engagement with this now established resource. As the directory is further optimized and promoted, its use is projected to be sustained but not increase as quickly as when the tool was initially developed and launched.

Goal 2: Returns from B.C.’s conventional and emerging forest products are optimized in markets offering high potential

Goal 2 supports Government priorities to increase employment in forestry and innovative wood manufacturing by expanding opportunities in international markets. The 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. The primary focus is creating or expanding new market segments within established markets in the U.S., China, Japan and Korea, as well as moving aggressively to open new, high-potential markets in the rapidly growing economies of India and Southeast Asia. The efforts of FII and its funding recipients build on the strategies as well as the science and reputational foundation developed under Goal 1.

FII’s strategy to expand global markets include both primary and secondary manufacturing sectors³, and a mix of activities delivered by third parties and FII⁴. Optimization of the global market development strategy involves creating or expanding new market segments in traditional regions (e.g., non-residential and multi-family/mid-rise construction in the U.S.), as well as fostering demand in regions that have strong growth potential, but are not currently using high volumes of B.C. forest

³ ‘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.

⁴ FII collaborates with industry trade associations, the federal government and other funding bodies to leverage its investments for the greatest potential return for B.C. FII’s objective is to strengthen demand for B.C. forest products and expand potential end-use applications.

products (e.g., the multi-family and non-residential markets in China and Japan, and the domestically-focused manufacturing sector in India).

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. They also recognize the vital importance of supporting B.C.'s innovative secondary manufacturing sectors in pursuing markets outside B.C. Programs in this goal area will help maintain B.C.'s existing markets while further cultivating future high-potential markets for B.C. forest products

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 applications⁵, tourism and resort sector construction and in China's rapidly expanding manufacturing sector.

Key Strategies:

- Expand opportunities for B.C. forest products in high-value, high-potential applications in both the construction and manufacturing sectors in China.
- Leverage Chinese government construction initiatives around prefabrication, energy efficiency and low carbon, green construction.
- Engage with Chinese government agencies to reduce and/or eliminate barriers to access for B.C. wood products.
- Grow opportunities for the use of wood in new construction segments including public buildings, and tourism and resort construction by positioning B.C.'s unique wood species, innovative building systems and environmental pedigree.

Performance Measure	2017/18² Actual	2018/19 Forecast	2019/20 Target	2020/21 Target	2021/22 Target
2.1 Average value (CAD) per cubic metre generated by softwood lumber sales to China ¹	\$197	\$200	\$204	\$208	\$212

¹ Data Source: BC Stats. Total value of lumber exported divided by the total volume of exports measured in cubic metres. Performance metrics are tracked for China and India (see performance measure 2.2) to reflect FII's direct operations and program delivery in those two markets. FII also tracks and reports out on data and trends in all other key Asia markets, including Japan and South Korea. 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.

² Reflects 2017 calendar year.

Linking Performance Measures to Objectives:

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

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

are leveraging a significant joint industry and government (provincial and federal) market development effort to position B.C. as the leading exporter of high-quality softwood lumber to China.

Discussion:

A number of factors have the potential to significantly influence the average value of B.C. lumber sold in China, including the strength of the Chinese economy and construction sector, prices in the North American and global markets, the level of competition from Russia and the European Union, and the shift of low-grade lumber from Canada into higher return markets, such as the United States. 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 2018/19 target was set at 200; FII anticipates meeting this target.

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

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

Key Strategies:

- Leverage FII's market presence to build a strong Canadian brand in India.
- Undertake market research to identify new opportunities.
- Conduct demonstration and manufacturing product trials to generate commercial interest.
- Lead education and promotional initiatives to raise the profile of B.C. wood products in the market.

Performance Measure	2017/18 Actual	2018/19 Forecast	2019/20 Target	2020/21 Target	2021/22 Target
2.2 Total number of product trials of B.C. species undertaken in India ¹	23 ²	24	26	30	32

¹ Data Source: Forestry Innovation Investment Ltd.

² Target was for 18 product trials, 23 was achieved.

Linking Performance Measures to Objectives:

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

Discussion:

Market development in India is led by FII through its India-based subsidiary. Product trials continue to emerge as an effective means for FII to encourage Indian manufacturers to convert existing or new production to using B.C. wood. 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 using B.C. wood species. A number of trials have led to commercial orders for products made with B.C. species. FII's success in expanding the number of product trials across India is key to opening the market for B.C. wood species and helping B.C. firms advance commercial sales to India.

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

The U.S. housing sector, in particular single-family home construction, remains the leading consumer of B.C. lumber, panels, cedar products and value-added wood products. However, with the market moving toward multi-family living, FII is focusing its funding support towards 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, recreational and educational) 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 Strategies:

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

Performance Measure	2017/18 Actual	2018/19 Forecast	2019/20 Target	2020/21 Target	2021/22 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 ¹	\$157	\$160	\$181	\$198	\$219 or greater

¹ Data Source: U.S. [WoodWorks](#) program.

Linking performance measures to objectives:

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

Discussion:

The ability to achieve performance measure 2.3 is contingent upon the performance of FII's funding recipient in its delivery of Market Initiatives programming and on other external factors impacting construction activity in the U.S., such as the level of real estate investment and the process for approving and implementing building code changes. The target is based on the incremental increase in the value of wood sales that are generated in the year through projects converted and/or influenced by program activities tracked by FII funded partners⁶. The 2018/19 target was set at USD \$144 million; FII anticipates exceeding this target at \$160 million. Forward looking targets have been raised from those included in the 2018/19 Service Plan. This anticipates an increase in the use of wood in U.S. multi-storey, non-residential, and multi-family construction projects, as mass timber solutions now allow for larger and taller wood structures.

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

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

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

Long-term sustainability of the forest economy requires the active maintenance, creation and diversification of demand for B.C. forest products. FII is focused on expanding and advancing opportunity 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 partners extensively with service delivery organizations, promoting integrated planning and coordinated delivery of program activities and initiatives.

Key Strategies:

- Support applied research and development for new products and systems.

⁶ Converted and/or influenced projects are tracked by FII funded partners through canvasses of developers/builders engaged with program technical advisors, and through third-party estimates of attributable wood consumption and its associated sales value.

- Reduce barriers to wood use, and/or the production of engineered wood products, through assessment of regulatory, manufacturing, construction and building performance opportunities.
- Educate professionals on opportunities to utilize and innovate with wood.
- Promote B.C.'s wood species, wood products and the benefits of building with wood.
- Advance the competitiveness of B.C.'s value-added wood sector by addressing the recommendations in the Value-Added Action Plan, including immediate and mid-term supply chain challenges and opportunities.

Performance Measure	2017/18 Actual	2018/19 Forecast	2019/20 Target	2020/21 Target	2021/22 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 ¹	\$53	\$58	\$63	\$68	\$68 or greater

¹ Data Source: Canadian Council's [WoodWORKS! BC](#) program.

Linking Performance Measures to Objectives:

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 [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.

Discussion:

The ability to achieve performance measure 3.1 is contingent upon the performance of FII's funding recipients in their delivery of Wood First programming and on other external factors impacting construction activity in B.C., such as the level of real estate investment and the process for approving and implementing building code changes. The target is based on the incremental increase in the value of wood sales that are generated in the year through projects converted and/or influenced by program activities funded by FII and its funded partners⁷. The target for sales attributable to program intervention was set at \$58 million for 2018/19; FII anticipates that the program will meet this target. The performance target for 2020/21 has been set at \$68 million replacing the previous target of \$63 million or greater.

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

FII's business practices incorporate robust financial controls and a performance management framework, including monitoring, audit and evaluation, built on long-term market development principles and a comprehensive risk-assessment strategy. All of these approaches reflect government

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

policies and best practices and are consistent with direction articulated in FII's Mandate Letter from the Minister of Jobs, Trade and Technology.

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 JTT and FLNRORD. By partnering with forest sector organizations from Canada and abroad, FII is able to leverage its expertise and financial resources to maximize the effectiveness and efficiency of its programs. In delivering against its mandate, FII remains committed to a path of environmental sustainability, including minimizing its environmental footprint, in order to protect the natural environment and the B.C. economy for future generations.

Key Strategies:

- Ensure FII is efficient, transparent and results-focused by:
 - Keeping corporate support costs at or below seven percent of the total budget;
 - Implementing a rigorous performance management system; and
 - Monitoring and auditing funded projects according to explicit risk assessments.
- Work with JTT and FLNRORD to ensure ongoing engagement and program alignment.
- Continuously review priorities and strategies to ensure that programs and services stimulate innovation in products and markets and are delivered in an effective and cost-efficient manner.
- Minimize FII's carbon footprint and promote environmentally-responsible business activities.

Performance Measure	2017/18 Actuals	2018/19 Forecast	2019/20 Target	2021/22 Target	2021/22 Target
4.1 Other organizations' aggregate contribution to recipient funding program ¹	72%	70%	65%	65%	65%

¹ Data Source: Forestry Innovation Investment Ltd. In its recipient funding program, FII targets annual contributions of approximately 65 percent from other organizations; however, contributions from others vary from 0 to 85%, depending on the specific activity. Contributions from individual organizations can also fluctuate considerably across fiscal years, depending on their programming priorities and budgets.

Linking Performance Measures to Objectives:

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.

Discussion:

The 65 percent 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 percent

“other” funding in the program. Given this is an average across a suite of investments, where some fluctuation is expected year-to-year, 65 percent is viewed as an optimal target. Data to support this measure are sourced from the online recipient funding system, which is co-funded and managed by FII and Natural Resources Canada, and through FII’s year-end financial reporting.

FII is on track in 2018/19 to exceed the 65 percent target as a result of higher than anticipated contributions to the U.S. *WoodWorks* program from both the U.S. federal government and the engineered wood products industry, as well as incremental funding made available through the Government of Canada’s Softwood Lumber Action Plan.

Financial Plan

Summary Financial Outlook

	2018/19 Forecast	2019/20 Budget	2020/21 Budget	2021/22 Budget
	(\$000)	(\$000)	(\$000)	(\$000)
Contribution from the Province of B.C.	19,610	19,610	19,610	19,610
Contribution from the Federal Government ^{(1) (2) (3)}	1,959	2,160	1,600	1,600
Other Revenue ⁽⁴⁾	3,068	4,340	4,350	4,350
Total Revenue	24,637	26,110	25,560	25,560
Funding Recipient Initiatives	9,217	9,134	8,900	8,900
Market Initiatives and Outreach				
Government Initiatives and Outreach	7,532	8,956	8,660	8,660
China Market Development	2,418	2,300	2,300	2,300
India Market Development	4,008	4,300	4,300	4,300
Corporate Services	1,462	1,420	1,400	1,400
Total Expenses	24,637	26,110	25,560	25,560
Excess of Revenue over Expenses	0	0	0	0
Retained Earnings, End of Year	3,425	3,425	3,425	3,425
Capital Expenditures	50	50	50	50
Total Liabilities	2,600	2,450	2,378	2,378

Note (1): Approximately \$1.1m in 2018/19 is a contribution from Natural Resources Canada towards the India initiative and another \$859K to cost share other initiatives.

Note (2): A Federal Government (NRCan) contribution of \$1.55m is anticipated for the 2019/20 India Market Development program plus a commitment of another \$610k for other cost shared initiatives.

Note (3): Funding from the Government of Canada (NRCan) is budgeted to continue at approx. \$1.6m for the years 2020/21 and 2021/22 but is contingent on the federal Emerging Markets Program being renewed.

Note (4): Includes contributions from industry associations, other governments and deferred revenue arising out of restricted capital contributions.

Key Forecast Assumptions, Risks and Sensitivities

The continuity of FII's investments, programming and activities depend upon receipt of funds from the Ministry of Jobs, Trade and Technology. FII assumes that industry trade associations, research institutes and universities will continue to propose eligible and acceptable activities for FII funding and that partial funding for these activities will account for approximately half of FII's expenditures.

FII funds extensive market development programming in off-shore 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, 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 the U.S. dollar has increased exchange rate risk.

Additional Financial Notes

Subsidiaries

See the FII Consulting (Shanghai) Co. Ltd. and Forestry Innovation Consulting India Private Ltd. financial outlook in Appendix B: Active Subsidiaries. Funding for these subsidiary companies is by way of consulting fee invoices to the parent company in Canada (FII Ltd.).

Capital Initiatives

The capital expenditures projected for the next three years relate to normal replacement of computer equipment.

Non-Disclosure of Information

Consideration of the Freedom of Information and Protection of Privacy Act has not caused FII to withhold any information in this Service Plan.

Management's Perspective on the Financial Outlook

Revenue and Budget Allocations

For 2019/20, FII anticipates receiving \$19.6 million in cash funding from the Province, a minimum of \$2.16 million from Natural Resources Canada, \$1.55 million of which is to go towards the FII India program, as well as approximately \$4.3 million from other sources. On that basis, the total will be slightly higher than forecasted in 2018/19.

As usual, 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 \$9.1 million. Other budget allocations will be:

- FII China: \$2.3 million: comparable to the forecast for 2018/19.
- FII India: \$4.3 million: slightly above the forecast spending in 2018/19.
- FII Vancouver's Government Initiatives and Outreach: \$8.9 million, up from the forecast for 2018/19 due to additional project funding committed by SLB for the Think wood program.
- Corporate support: \$1.4 million.

Operations

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

In 2019/20, the focus for FII China staff will be to continue to build deeper and broader relationships with Chinese government officials at all levels, as well as with state-owned real estate development companies. Partnering with the B.C. trade associations, Canada Wood Group will continue to provide “downstream” support with technical training, assistance in changing building codes and fire codes, and on-site construction design, engineering and quality assurance support for demonstration projects.

In 2019/20, FII will continue to accelerate efforts to advance a strong Canadian Wood brand in India through targeted funds provided in the provincial budget. Program activities will focus on investing to build market knowledge; expanding FII’s geographical focus in new, high-potential regions; expanding promotional and educational efforts; increasing the number of product trials; and advancing product demonstration activities from its offices in Mumbai, Delhi and Bangalore. These efforts will be supported by the B.C. forest industry which continues to fund representation in India. FII will continue to encourage the B.C. industry to expand its commitment to, and engagement in, the market as the program develops. At the same time, industry will be expected to increase its financial contributions to the program as the market in India becomes more commercially established.

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

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

Appendix A: Hyperlinks to Additional Information

Corporate Governance

FII is responsible to the Minister of Jobs, Trade and Technology 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.

The Board incorporates best practices into its governance procedures as guided by the Best Practices Guidelines on Governance and Disclosure for Public Sector Organizations. As recommended in the guidelines, FII's disclosure, including its Status of Concurrence with Best Practices Guidelines, is available on the Company's website at <https://www.bcfii.ca/about-fii/governance>.

Full details on FII's governance principles, the role and membership of the Board of Directors, as well as corporate reports, and details on compliance to the requirements of the Crown Agencies and Board Resourcing Office, are available at <https://www.bcfii.ca/about-fii/governance>. As detailed in the Status of Concurrence report, FII is in full compliance with Governance and Disclosure Guidelines for Governing Boards of B.C. Public Sector Organizations.

Organizational Overview

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

Details on FII's mandate, its goals and values, and its location and organizational structure, are available at www.bcfii.ca, as are previous Service Plans and Annual Service Plan Reports. Also available on the site is additional information on FII and its programs and 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, including links to many forest product companies and trade associations.

Appendix B: Subsidiaries and Operating Segments

FII operates the following subsidiary companies:

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.

(\$000)	2018/19 Forecast	2019/20 Budget	2020/21 Budget	2021/22 Budget
Total Revenue	2,418	2,300	2,300	2,300
Total Expenses	2,418	2,300	2,300	2,300
Net Income/Excess of Revenue over Expenses/Annual Surplus (Deficit)	0,000	0,000	0,000	0,000

FII Consulting India Private Limited (jointly owned by Forestry Innovation Investment Ltd. and 0939031 B.C. Ltd.)

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

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

Governance: Four-member Board of Directors:

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

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.

(\$000)	2018/19 Forecast	2019/20 Budget	2020/21 Budget	2021/22 Budget
Total Revenue	4,008	4,300	4,300	4,300
Total Expenses	4,008	4,300	4,300	4,300
Net Income/Excess of Revenue over Expenses/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).