

Nawiinginokiima Forest Management Corporation
- *Working Together* -



Annual Report

2012 - 2013



MESSAGE FROM THE CHAIR

It is my pleasure to present to you NFMC's first annual report, which provides an overview of how the corporation came to fruition, milestones accomplished to date and the exciting path forward. I am honoured to have been appointed the inaugural Chair of the Nawiinginokiima Forest Management Corporation's (NFMC) Board of Directors in February 2013. The establishment of the NFMC is truly a transformational step in reforming Ontario's forest tenure system. As an organization, we are moving forward with a comprehensive and holistic strategy and policy development that will: positively support our forest industry; create more diverse opportunities for our local aboriginal communities located on the landbase; foster economic development in our local communities; and ensure full utilization of the forests under our mandate.

Establishing a new corporation is no small feat and we have been fortunate to have talented and hard-working professional staff from the Ministry of Natural Resources assigned to help us through the transition of our business start-up. We value our partnership with the ministry. We are also fortunate to have Board members who are dedicated and committed to the success of the corporation. As we continue to become fully operational and build our business, strong customer service (partnership development) and solid financial policy will be key underpinnings to delivering on our mandate.

The Nawiinginokiima Forest Management Corporation remains committed to our mandate to support the forest industry and be a partner in local economic development.

Nawiinginokiima is an Ojibway word that means 'working together'. We look forward to building on the foundation of change that has been introduced this past year, and helping to create wealth to build a stronger Ontario.

Yours Truly,

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Daryl Skworchinski
Chair, Nawiinginokiima Forest Management Corporation

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BACKGROUND

The Nawiinginiima Forest Management Corporation (NFMC) is the first local forest management corporation in Ontario. It was established through the passage of Regulation 111/12 under the Ontario Forest Modernization Act, 2011 (OFTMA) on May 29, 2012, and represents a significant milestone towards modernizing forest tenure in Ontario.

The OFTMA provides for the establishment of Ontario local forest management corporations (LFMC). As an agent of the Crown, it is subject to five objects:

- To hold forest resources licences and manage Crown forests in accordance with the Crown Forest Sustainability Act, 1994 and to promote the sustainability of Crown forests.
- To provide for economic development opportunities for Aboriginal peoples.
- To manage its affairs to become a self-sustaining business entity that optimizes value from Crown forest resources while recognizing the importance of local economic development. To market, sell and enable access to a predictable and competitively priced supply of Crown forest resources.
- To carry out such other objects as may be prescribed by regulation.

Nawiinginiima Forest Management Corporation is an agency of the Government of Ontario.

Interim Board of Directors

Following the establishment of the Nawiinginiima Forest Management Corporation, an interim Board of Directors consisting of three Ontario Public Service employees was appointed by Order-in-Council.

Riet Verheggen, Chair
Ministry of Government
Services
June 27, 2012 - January 9, 2013

Susan Guinn, Vice-Chair
Ontario Finance Authority
June 27, 2012 - February 1, 2013

Mark Speers, Member
Ministry of Natural Resources
June 27, 2012 - January 1, 2013

Key elements of a Crown agency

- A provincial government entity not organizationally part of a ministry
- Established by government through a constituting instrument (under or by statute, regulation, or order in council);
- Accountable to a minister for fulfilling its legislative obligations, the management of the resources it uses, and its standards for any services it provides;
- Where government makes the majority of appointments; and,
- With the authority and responsibility granted by the government to perform an ongoing public function or service.

In January and February 2013, following the conclusion of the Public Appointments Secretariat process, the three interim Board of Director positions were revoked and a new Chair and five members were appointed to the Board of Directors.

Human Resources and transition

The Ministry of Natural Resources has provided significant resources to support the start-up and establishment of the Agency.

A special thank you is extended to Jeremy Jones, Lyne Gagnon and Christy Dias for their ongoing work and efforts on behalf of the Ministry of Natural Resources during the start-up phase.

The Agency is in the process of determining its organizational structure needs and developing its compensation strategy to support the hiring of employees in the 2013/14 fiscal.

Principle Officers

Mark Speers

Interim President & CEO

Appointed: October 2012

Resigned: February 2013

Nancy Houle, R.P.F.

Interim Secretary

Appointed: October 2012

Resigned: February 2013

Faye Johnson, R.P.F.

Interim General Manager &
Secretary

Appointed: February 2013

Andy Lemmetty, R.P.F.

Interim Chief Financial Officer

Appointed: October 2012

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Daryl Skworchinski, Marathon - Chair

February 1, 2013 to January 31, 2016

Mr. Skworchinski is currently the Director of the Eastern Region with Confederation College. Prior to taking this position, Mr. Skworchinski worked in a number of senior executive capacities with the Township of Marathon including General Manager of the Marathon Economic Development Corporation. With demonstrated leadership and strong post-secondary educational background in business administration and economic development, he also brings expertise in marketing, governance and strategic planning. Mr. Skworchinski is past Chair of the Marathon & District Chamber of Commerce, and has served on numerous boards and corporations in Northern Ontario. Mr. Skworchinski is a long time resident of Marathon.

Grant Goodwin, Manitouwadge – Vice-chair

February 20, 2013 to February 19, 2015

Mr. Goodwin is a lifetime resident of Manitouwadge. A graduate of the Recreation Leadership program at Centennial College of Applied Arts and Technology and Cabinet Maker program at Sault College, Mr. Goodwin spent 30 years in Municipal Recreation Management with the Township of Manitouwadge. With business ownership experience, he brings years of expertise in business planning & development, financial control and human resource management. His volunteering work includes Ducks Unlimited and the Manitouwadge Rod and Gun Club, as well as chairing the Local Citizen's Committee for over 20 years. In 2009, he received Lieutenant Governor's Ontario heritage Award for Lifetime Achievement 2009.

Tina Forsyth, White River - Member

January 23, 2013 to January 22, 2014

Ms. Forsyth has been the Municipal Treasurer and Deputy Clerk with the Township of White River since 2001. She is an active member of numerous community committees and boards, including the Superior East Community Futures Development Corporation Board of Directors since 2007, and Secretary/Treasurer for the White River Community Food Bank Committee. Ms. Forsyth is the chair of the Audit and Finance Committee, bringing knowledge and experience in the areas of economic development, management, human resources, labour negotiation and business. Ms. Forsyth is a long time resident of White River and holds a Bachelors Degree of Science in Management from Lake Superior State University.

Gaétan Malette, Timmins – Member

January 23, 2013 to January 22, 2014

Mr. Malette is the Director of Aboriginal Relations at Dumas Contracting Ltd. Prior to that, he spent thirty-five years in the resource industry, holding executive positions with forestry leaders Tembec, E.B. Eddy and Domtar. He brings extensive experience in operations management, negotiations, strategic planning, and relationship building with Northern communities, interest groups and First Nations. Mr. Malette has served on executive boards including chairing the Timmins District Roman Catholic Separate School Board and the Board of the Ontario Lumber Manufacturer Association. He is the Chair of the General Manager Selection Committee and an active member of the Audit and Finance Committee.

Donald Fry, Sault Ste. Marie – Member

January 23, 2013 to January 22, 2014

Mr. Fry's career in forestry spans over four decades and includes work with the Ontario government and private sector forestry companies. After graduating with his forestry degree from the University of Toronto, Mr. Fry moved to northern Ontario and never looked back! Mr. Fry has extensive experience in all aspects of forestry including wood procurement, forest operations, sawmilling, compliance, partnership development and silviculture. He also brings a broad knowledge of government legislation and regulations. In 2010, Mr. Fry started a consulting practice supporting independent sawmills. Most recently he has been assisting Pic Mobert First Nation in the development of their forest management programs.

Raymond Boudreau, Dorion – Member

January 23, 2013 to January 22, 2014

Mr. Boudreau started his forestry career in 1991 after graduating as a Forest Technician, working in private and public sectors for more than 20 years. He has worked extensively with First Nation and Metis communities throughout the Robinson Superior Treaty areas. He has developed a strong community-based network, assisting First Nation communities to seek out economic opportunities, negotiating business arrangements and providing employment for community members, while ensuring aboriginal and treaty rights of the First Nations are protected. As senior manager with Parks Canada since 2009, Mr. Boudreau is leading the establishment and operations of the Lake Superior National Marine Conservation Area.

REPORTING STRUCTURE

While the Nawiinginiima Forest Management Corporation operates under the *Ontario Forest Tenure Modernization Act, 2011*, the Ministry of Natural Resources is responsible for the administration of the Act.

The Corporation is required to meet all obligations for a Crown agency and will be required to enter into a Memorandum of Understanding (MOU) with the Minister of Natural Resources that outlines the accountability relationship of the agency and the Ministry. Specifically, the responsibilities of the Minister, Deputy Minister, Chair of the Nawiinginiima Forest Management Corporation, the Board, and the General Manager will be outlined within the MOU.

The Agency is currently finalizing the MOU and expects to have it in place early in the 2013/14 fiscal year.

The General Manager, once hired, will report to the Board of Directors of the Nawiinginiima Forest Management Corporation, comprised of a Chair and Board members.

The Board, in turn, reports to the Ministry of Natural Resources through its Minister, who is responsible for overseeing the Agency on behalf of the Province of Ontario.

BOARD COMMITTEES

In accordance with the Act, the Board has established four standing committees:

Audit and Finance Committee

The Audit and Finance Committee is responsible for ensuring appropriate controls and accountabilities exist within the Agency with respect to audit, finance and areas of material risk.

Chair: Tina Forsyth

Members: Grant Goodwin, Gaétan Malette

General Manager Selection Committee

The General Manager Selection Committee provides advice and recommendations on matters relating to the selection of the General Manager.

Chair: Gaétan Malette

Members: Grant Goodwin, Tina Forsyth, Raymond Boudreau, Donald Fry, Daryl Skworchinski

Governance Committee

The Governance Committee provides advice and recommendations on governance matters, including board vacancies.

Chair and Members: To be determined

Performance Management and Human Resources Committee

The Performance Management and Human Resources Committee provides advice and recommendations on matters relating to performance management and human resources.

Chair and Members: To be determined

ADVISORY COMMITTEES

Also in accordance with the Act, the Board may establish Advisory Committees. It has established a Stakeholder Advisory Committee, whose membership will consist of individuals other than members of the Board, to provide advice and recommendations to the Board. This includes matters related to the Agency, such as community interests and opportunities, as well as strategic utilization of our forest resources.

Chair and Members: To be determined

ROLE AND MANDATE

The Nawiinginiima Forest Management Corporation was established to operate within a defined management area that includes the communities of the Ojibways of the Pic River First Nation, Pic Mobert First Nation, Hornepayne Aboriginal community, Marathon, Hornepayne, Manitouwadge and White River.

The area is comprised of four management units – Big Pic, Pic River, White River and Nagagami Forests.

The management area encompasses approximately 1.9 million hectares of productive Crown forest with an available harvest volume of 2.2 million cubic metres of merchantable fibre and 435,000 cubic metres of biomass fibre annually (based on current forest management plans).



The mandate for Nawiinginiima Forest Management Corporation is:

- Manage Crown forests sustainably in accordance with the *Crown Forest Sustainability Act, 1994* including the development and implementation of Forest Management Plans.
- Market and sell available Crown timber in a manner that:
 - creates a cost competitive, affordable, and accessible supply of Crown timber to the forest sector;
 - promotes full utilization and best end use of available Crown timber;
 - recognizes importance of local forest businesses for employment and community stability;
 - is responsive to changing conditions; and,
 - provides a continuous and predictable supply of Crown timber.
- Provide economic benefits to communities dependent on Crown timber from the management area, including employment and economic development opportunities in the forest sector.
- Provide for opportunities and greater role for local and Aboriginal communities in the management of Crown forests.
- Promote and attract forest sector investment in the local management area.
- Operate as a self-financing business, which includes establishing an operating reserve which will ensure continued sustainable forest management in response to variations in economic cycles.
- Reinvest in the forest to improve the Crown forest asset through the following activities:
 - Intensive silviculture
 - Training and capacity development for Aboriginal communities
 - Forestry research and development
 - Forest sector marketing and forest product development
 - Other activities as assigned by the Minister
- Advise the Minister of Natural Resources on matters related to the forest industry and forest sector.
- Collect, maintain and provide Crown timber sales and pricing information.

STRATEGIC DIRECTION

The Board of Directors will be developing a strategic plan to meet Nawiinginokiima Forest Management Corporation's objects during the 2013/14 fiscal year.

However, prior to the appointment of the Board of Directors, a local working group was established to develop a strategic framework for the agency. Some preliminary strategies were developed in conjunction with the local working group and include:

- Providing necessary financial and human resources to meet conditions of the Sustainable Forest Licences including the delivery and completion of required forest management planning and operational obligations.
- Developing processes to market sell and enable access to a predictable and competitively priced supply of Crown forest resources available from the management area to existing commitment holders as well as new consumers.
- Designing operational plan to be flexible to match financial and human resources to actual market demand.
- Developing appropriate harvesting targets including monitoring and tracking processes for comparisons and analysis of actual wood flows against existing commitments and planned harvest volumes to promote optimal and full use of available forest resources.
- Benchmarking current economic benefits provided to communities and First Nations and creating strategies to promote future employment and economic benefits.
- Developing an appropriate open market sales program including a process to track and manage market sales information.
- Careful managing revenues and expenditures including cash flows to support ability to self-finance and the early establishment of an operating reserve.
- Designing processes to identify opportunities for additional investment in activities that support improvements to the Crown forest asset and training and capacity development for Aboriginal communities.
- Others, as determined by Nawiinginokiima Forest Management Corporation.

START-UP AND ESTABLISHMENT

The Nawiinginokiima Forest Management Corporation was established on May 29, 2012 after more than a year of discussions and with the support of a local working group. The group was comprised of representatives from each of the local and First Nations communities within the proposed management area, the existing SFL holders and the Ministry of Natural Resources.

Working together, the group shared information and made recommendations to government for the development and establishment of the NFMC. It enabled open communication as well as a strong understanding about the governance and accountability rules and requirements with regards to establishing a Crown agency under the *Ontario Forest Tenure Modernization Act, 2011*.

The name "Nawiinginokiima" was recommended by the local working group and is an Ojibway word translated loosely to mean "working together". It is indicative of the commitment of the participants to collaborate on the implementation and success of the first Ontario Local Forest Management Corporation.

The local working group has continued to provide support following the formal establishment of Nawiinginokiima Forest Management Corporation. It has worked closely with the interim Board of Directors, supporting their role in establishing the initial financial/business arrangements and initiating the process for recruiting qualified individuals for the current Board of Directors.

2012-2013 Key Accomplishments

- ❑ Project planning and priority setting to guide orderly start-up and establishment of the Agency;
- ❑ Adoption of corporate seal and approval of By-Law#1 relating to the conduct and affairs of the Agency;
- ❑ Appointment of officers and establishment of initial Committees of the Board;
- ❑ Establishment of necessary banking and other financial arrangements to support access to start-up funding available under the Forestry Futures Trust – LFMC Conversion Program;
- ❑ Adoption, in principle, of the draft Memorandum of Understanding with the Minister of Natural Resources as required under the Agency Establishment and Accountability Directive;
- ❑ Recruitment and appointment of the Agency's Board of Directors with significant membership and representation from the local communities within the proposed management area and a seamless transition of responsibilities;
- ❑ Execution of an agreement with the Ministry of Natural Resources for an Ontario Public Service employee to be made available to support the transition activities and act in a manner similar to that of a General Manager under the direction and guidance of the Board Directors;
- ❑ Numerous presentations and meetings with local and Aboriginal communities, forest industry customers, and the Ministry of Natural Resources to discuss progress and ensure an orderly start-up and transition of operations.
- ❑ Actively working to establish two important arrangements: the assumption of forest management responsibilities, and the April 1, 2013 issuance of forest resource licenses by the Ministry of Natural Resources for two of the four forests (Big Pic and Pic River) in the proposed management area. The agency also undertook discussions on the proposed transition of the existing sustainable forest licences on the White River and Nagagami forests.

START-UP FUNDING

The Minister of Natural Resources established a new purpose under the Forestry Futures Trust (FFT) following the passage of Regulation 111/12 establishing Nawiinginokiima Forest Management Corporation.

The new purpose, referred to as the "LFMC Conversion Program" was created to provide funding to support the establishment and start-up of Ontario local forest management corporations. Funding for the "LFMC Conversion Program" would come from an amount equivalent to what would otherwise have been Consolidated Revenue Fund revenues from the proposed management area for each particular LFMC.

Funds deposited into the LFMC Conversion Program would be used by the LFMC to support their start-up and establishment until sustainable forest licences are assumed and the LFMC is in a position to implement its own billing and invoicing consistent with the approved LFMC revenue model.

In March of 2013, after consultation with the Forestry Futures Committee and the NFMC interim Board of Directors, the disbursement criteria and application process for the LFMC Conversion Program was established by the Ministry of Natural Resources. On March 8, 2013, Nawiinginokiima Forest Management Corporation submitted application for access to ~\$1.78 million of funding estimated to be available under the LFMC Conversion Program during the 2013/14 fiscal year to support its start-up and establishment.

The Forestry Futures Committee accepted the application on March 22, 2013 pending execution of a formal funding agreement with the Ministry of Natural Resources which is expected in mid to late April of the 2013/14 fiscal.

The first disbursement is expected to be deposited by the end of April 2013 pending execution of the funding agreement with the Ministry of Natural Resources.

FOREST PRODUCT MARKETS

Up until about 2005, the proposed management area for Nawiinginokiima Forest Management Corporation had enjoyed over a decade of healthy market conditions. Over 11 facilities relied on the area as an important source of supply, including two pulp mills, one paper mill, four large sawmills and four panel board mills. Annual supply from the management area peaked in 2005 at about 2.3 million cubic metres.

Over the past five years, approximately 1.3 million cubic metres of demand has been lost from the management area, much of it permanently due to the closure and indefinite idling of the areas forest manufacturing capacity. By 2009, six of the main fibre consumers had shut-down or had been indefinitely idled and the annual harvest volume had fallen to just over 200,000 cubic metres. While some harvesters were able to find alternative, more distant markets over the last few years, activity on all four management units has remained significantly depressed and the forests have struggled to remain economically viable.

In 2012/13, the management area supplied over 500,000 cubic metres of wood and had six main customers. Harvesting capacity was also ramping up during this period, largely due to the restart of the Terrace Bay pulp mill in the third quarter. Deliveries from the management area in the fourth quarter averaged ~54,000 cubic metres per month and are expected to grow to ~80,000 cubic metres/month in fiscal 2013/14 as markets stabilize and manufacturing capacity in the area begins to recover and/or develop.

THE PATH AHEAD

The upcoming year promises to be a busy and productive time for the Corporation. Performance targets for 2013-2014 year include:

- ❑ the assumption of forest resource licences and/or sustainable forest licences and associated responsibilities under those licences;
- ❑ the finalization of arrangements to facilitate the flow of start-up funding available to the Corporation under the Forestry Futures Trust LPMC Conversion Program;
- ❑ the approval by the of Natural Resources of the General Manager remuneration package and agency compensation strategy;
- ❑ the recruitment of the General Manager and other employees of the Corporation;
- ❑ the selection of, and arrangements for, the main office location;
- ❑ the establishment of financial accounting and necessary management systems;
- ❑ the development of the necessary policies and procedures to support the operations and activities of the Corporation;
- ❑ the establishment of Committees to provide strategic and operational advice to the Board and management team;
- ❑ the finalization of the Corporation's Memorandum of Understanding, Business Plan, and other requirements for Crown agencies consistent with the Agency Establishment and Accountability Directive.
- ❑ the development of a strategic plan to achieve objects and mandate, including ways to provide economic benefits to local and Aboriginal communities; and
- ❑ the establishment of a protocol for marketing and selling available Crown forest resources.

FINANCIAL OVERVIEW

During 2012/13, the Nawiinginokiima Forest Management Corporation had limited operations and financial activity to report and has not produced financial statements as part of this first annual report.

REVENUES

Start-up funding disbursements and wood sales are anticipated to begin early in 2013/14 fiscal year and therefore the Corporation did not have any revenues to report during the 2012/13 fiscal year.

EXPENDITURES

There have been limited costs and expenditures accrued by the Corporation during 2012/13. Expenditures began to accrue in late February with the appointment of the post interim Board of Directors and are associated with Board meetings that were held during the remainder of the reporting period.

Costs and expenditures associated with the period of time in which the interim Board of Directors (Jun 2012 to Feb 2013) have not been accrued to the Corporation and have been covered by the Ministry of Natural Resources and/or applicable Ministry.

Similarly, any costs and expenditures, including related salary and benefits, associated with the work of the transition manager appointed by the Ministry of Natural Resources and any other Ministry of Natural Resources staffs to support the operationalization of the Corporation have been paid by the Ministry.

FINANCIAL STATEMENTS

The Agency intends to appoint an auditor to audit the accounts and financial transactions of the Agency for 2013/14. This audit will include an extended period (e.g. by 3 months) to cover the financial activities accrued by the Corporation in the 2012/13 fiscal year. These financial statements will be presented and discussed as part of the Agency's 2013/14 Annual Report.