

# Nawiinginokiima Forest Management Corporation's Agency Business Plan

For the periods of: 2018/19, 2019/20 and 2020/21

Submitted September 2018

# NFMC Agency Business Plan

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## 1.0 Executive Summary

Nawiingnokiima Forest Management Corporation (NFMC) is the first Local Forest Management Corporation (LFMC) to be formed under the *Ontario Forest Tenure Modernization Act, 2011* (OFTMA) and represents an important component of Ontario's overall plan for modernizing the province's forest tenure and pricing system.

The NFMC Agency Business Plan is prepared in accordance with the Agency Accountability Directive (AAD) and the Guide to Developing Business Plans for Classified Agencies and describes: the Corporation's mandate, priorities, programs, activities, and provides a financial budget for the next three years.

NFMC's operations are related to the delivery of forest management and harvesting programs, guided by the requirements of the Crown Forest Sustainability Act (CFSA), the OFTMA, and approved Forest Management Plans (FMPs) for the applicable management units. NFMC budgets for all operating and capital expenditures along with a forecast of revenues to be achieved. The forest renewal program is funded by the renewal portion of the Ontario Crown stumpage matrix, which goes directly in management unit specific forest renewal trust fund.

NFMC is a self-financing operational enterprise Crown Agency and primarily derives its revenues from the sale of Crown timber from its defined management area consistent with the government-approved revenue model for LFMCs. There are two main components to NFMC's general revenue – administrative fees charged on wood deliveries to mills and the former consolidated revenue fund (CRF) portion of timber sales charges from the wood harvested. NFMC will generate revenues directly from Management Fees from the White River, Big Pic and Pic River management units. The revenue from administration fees is expected to be approximately \$900,000 per year, while timber sales charges will generate about \$3 million per year.

The other revenue source, the former Section 31 (CRF component) of stumpage. The revenues from the former CRF portion of stumpage began flowing directly to NFMC in 2017-18 following the issuance of sustainable forest licences for the Big Pic and Pic River forests, and the transfer of the White River Forest SFL to the Corporation. The transition for the flow of timber sales charges for Nagagami is expected to occur in 2020-21.

NFMC generates sufficient funds from operations to cover renewal activities and address the silviculture obligation. MNRF worked with NFMC to create a stepped Minimum Balance requirement for both the Big Pic and Pic River SFLs to provide NFMC with the flexibility to undertake any outstanding silviculture work and reach the target Minimum Balance in 6 years. To NFMC's credit, the company is ahead of schedule while at the same time undertaking the required work. When this agreement is finished the Big Pic and Pic River SFL's will be above the historic minimum balance. It is hoped that the White River Forest will be at minimum balance on March 31, 2018. White River Forest Products has agreed to make up any shortfall in the Forest Renewal trust account

for the White River Forest and it is expected that it will remain above minimum going forward.

The MNRF has requested NFMC to amalgamate the Big Pic and Pic River units. This amalgamation is expected to occur in 2019-20 and will result in the creation of the Pic Forest.

NFMC operations will be structured to meet obligations related to the sustainable management of the forests for which it is responsible. NFMC has agreed to use Jackfish Forest Management to assist in the planning and administration of the White River Forest during 2018-19. At the end of the year NFMC will review staffing requirements associated with the additional forestry requirements and make appropriate decisions whether to continue using contractors or bring services in-house. Operations will be scaled appropriately and in accordance with those revenues to ensure the Corporation will cover its operating costs and begin building an operating reserve as a hedge against market downturns.

## **2.0 Mandate**

NFMC was established through regulation under the *Ontario Forest Tenure Modernization Act, 2011* (OFTMA) on May 29, 2012 (per *Regulation 111/12*). The OFTMA outlines the generic structure for a LFMC and establishes key attributes including requirements for corporate matters, Board of Directors, general powers, General Manager and employees, financial matters, etc. The OFTMA also states the objects of an LFMC as follows:

- To hold forest resources licences and manage Crown forests in accordance with the CFSA 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.

Consistent with OFTMA and the objects of an LFMC, as described in the Act, the Board of Directors has further described the mandate for NFMC as follows:

- Manage Crown forests sustainably in accordance with the CFSA, including the development and implementation of FMPs.
- 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 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 economic development 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 and developing appropriate management and governance systems.
- 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, and
  - other activities as assigned by the Minister.
- Advise the Minister of Natural Resources and Forestry (MNRF) on matters related to the forest industry and forest sector.
  - Collect, maintain, and provide Crown timber sales and pricing information.
  - Obtain SFL for the forest management units in the NFMC management area (Big Pic, Pic River, White River, and the Nagagami).

A Memorandum of Understanding (MOU) between the MNRF and the NFMC Board of Directors clarifies the roles, responsibilities and operating relationships, consistent with the OFTMA and the AAD.

NFMC is scheduled for a mandate review in 2018 and will not receive a mandate letter for 2018-19. The focus areas of the 2017-18 mandate letter will continue to be pursued until mandate review report and next mandate letter.

### **3.0 Strategic Direction**

In 2017, NFMC initiated a strategic planning exercise that resulted in the document *“Working Together – Strategic Plan 2017-2021”* that established the priorities for the next four years. The strategic goals were divided into four categories:

- 1) Forest;
- 2) Governance;
- 3) Industry; and

#### 4) Communities.

##### 1. Vision/Mission

By 2019-2020, NFMC will strive to be recognized as a leader in sustainable forest management by implementing its vision to “manage forests in an exemplary manner to provide distinct opportunities to our communities.”

The *Working Together* document detailed NFMC’s mission as:

- To hold forest resource licences and sustainably manage Crown forests in accordance with the Crown Forest Sustainability Act (CFSA) and to promote the sustainability of Crown forests.
- To provide for economic development opportunities for Indigenous peoples.
- To become a self-sustaining business entity and to optimize the 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.

#### **4.0 Overview of Current and Future Programs and Activities**

NFMC, a classified operational enterprise Crown Agency, is self-financing with the mandate to sustainably manage the forests within its mandated area and to harvest, market and sell the associated available wood supply.

Given this, NFMC has four major program areas:

1. Forest Management Planning,
2. Forest Operations (including harvesting, renewal, roads and compliance activities),
3. Economic development initiatives, and
4. Timber sales and marketing.

Activities of NFMC are guided by the conditions of the licences it holds, consistent with the requirements of the CFSA and the OFTMA.

##### NFMC Management Area

The intent is for NFMC to manage an area that is comprised of four management units: the Big Pic, Pic River, White River and Nagagami Forests. See Figure 1. This proposed 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 FMPs). The

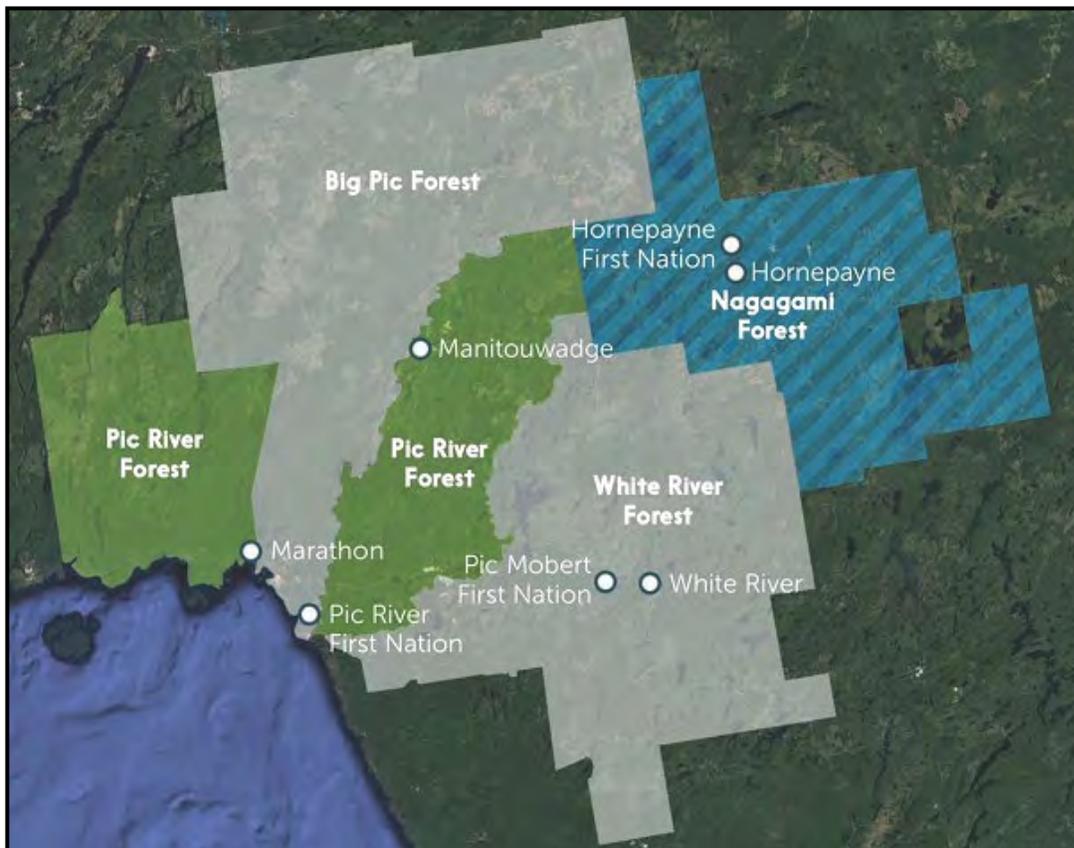
management area includes the communities of: the Ojibways of the Pic River First Nation, Pic Moberg First Nation, Hornepayne Aboriginal community, Marathon, Hornepayne, Manitouwadge and White River.

NFMC currently holds the sustainable forest licences (SFLs) on the White River, Pic River and Big Pic Forests. Over the term of this business plan, NFMC will discuss with the current SFL holder of the Nagagami Forest the potential transfer of the license to NFMC.

The NFMC is working to complete the amalgamated FMP for the Pic Forest. The new FMP is subject to a number of new policies, regulations and guidelines that may impact the wood supply, however, at this stage the final harvest levels are uncertain. There are concerns that the available harvest volumes will be lower than in the current approved FMP. The NFMC is working with the MNRF and other stakeholders to mitigate any decrease in the volume available for harvest.

Based on the current status of the FMP preparation it is unlikely it will be completed in time to take effect April 1, 2019. NFMC has begun to prepare a two-year contingency plan to cover the period from April 1, 2019 to March 31, 2021 for the amalgamated units. NFMC has solicited contractors to prepare the contingency plan. The timing of the amalgamation of the two units will not be affected by the contingency plan and is still expected for April 2019.

Figure 1: Proposed Management Area for NFMC



NFMC is working closely with existing and proposed commitment holders to ensure wood supply is made available consistent with any commitments and obligations identified by the MNRF. NFMC is working to maximize the total fibre volume from the forest and may consider arrangements that make available residual fibre (e.g., sawmill chips) in exchange for roundwood. NFMC management is preparing a wood supply assessment for each mill based on integrating management when the SFLs are all managed by NFMC. The demand for softwood is growing, however, the lack of markets for hardwood remain a challenge.

Table 2. Forecast deliveries by mill 2018-19 from the Big Pic, Pic River and White River SFL's

	<b>Softwood</b>	<b>Hardwood</b>	<b>TOTAL</b>
<b>AVTB</b>	<b>285,000</b>	<b>30,000</b>	<b>315,000</b>
<b>Hornepayne</b>	<b>24,000</b>	<b>-</b>	<b>24,000</b>
<b>WRFP</b>	<b>448,000</b>		<b>448,000</b>
<b>Lecours</b>	<b>75,000</b>		<b>75,000</b>
<b>Levesque</b>		<b>56,000</b>	<b>56,000</b>
<b>TOTAL</b>	<b>832,000</b>	<b>86,000</b>	<b>918,000</b>

The mills have submitted their planned consumption. Some mills requested additional softwood volume, this wood was identified by NFMC and, if available, will be made available on the open market to mills that are in good standing (i.e. current on Management Fees and timber sales charges). The volume available for open market sales is not known at the time of preparing the business plan as the contingency plan and FMP are still under development. In addition, AVTB has entered into discussions with sawmills regarding exchange agreements allowing the sawmills to access roundwood in exchange for sawmill chips. NFMC will work with all mills to support these agreements.

Where the supply of a product is greater than the demand or commitment holders do not intend to utilize their committed volumes, NFMC will implement a process to ensure they are made available for other customers. Without firm numbers for the new FMP and/or contingency plan the amount of open market wood is unknown. The NFMC and WRFP have entered into a Memorandum of Agreement (MOA) that would see the sawmill in White River receive uncommitted poplar. WRFP's utilization will be determined once testing has been completed.

NFMC's Open Market Wood Policy has been developed and it hopes to implement open market wood fibre sales once the SFL's are issued and the new FMP for the

amalgamated forest implemented. NFMFC will sell the wood fibre under its management and control, whether unharvested, in chip, log or biomass form, in an open and transparent manner that maximizes the social, economic, environmental and cultural return to NFMFC and the stakeholders on its forests. NFMFC shall engage in two types of timber sales. NFMFC will determine whether such wood fibre will be sold “on the stump” or first harvested by NFMFC and/or its subcontractors and delivered to the recipient. Such determination will consider the potential purchasers’ ability and desire to harvest their own wood fibre, and the ability of NFMFC and its subcontractors to harvest the wood fibre itself. Preference will be given to NFMFC harvesting its own wood fibre and delivering to the recipient where practicable in order to maximize returns to NFMFC.

A minimum price for timber will be set by the NFMFC to ensure it can pay associated Trust charges and recoup its other operating costs. NFMFC will have the flexibility to consider and incorporate other factors like quality, distance, species, access and other factors when establishing the minimum price for which it sells Crown timber.

In 2018-19 and 2019-20 the NFMFC will experience additional workload associated with the amalgamated Pic Forest FMP and contingency plans. The burden will be especially large in 2018-19 as the NFMFC strives to complete all the tasks associated with the completion of the strategic portion (i.e. long-term management direction) of the FMP plus starting the operational planning component. The work will be led by NFMFC staff but many of the functions will be completed by contractors with the required skills, especially highly technical tasks such as wood supply modelling. The work should be completed by the third quarter of 2019-20 and as a result the contractor and forest management costs will be lower. Should the plan be delayed, NFMFC has contingencies in place to ensure operations are not impacted and significant costs will not be incurred.

### Utilization Strategies

NFMFC is developing strategies and principles to ensure maximum utilization and value from the available forest resources that will be implemented in the next FMP. NFMFC will strive to be a model for open and competitive marketing of wood fibre and will strive to develop and support a balanced and diverse base of customers and service providers consistent with its objects. The current MOA developed with the industry is designed to encourage maximum utilization.

The NFMFC is working with the MNRF to develop an updated utilization strategy that will be included in the new FMP.

### Silviculture

The Big Pic and Pic River forests are primarily dominated by conifer although there is a large component of mixed wood stands. The silviculture strategy has been aimed at increasing the productivity of the forest. An analysis by NFMFC indicates that this

strategy has largely been maintained even through the recent economic downturn. NFMC plans to continue this strategy with the planting stock already in place for the upcoming season. As part of the silviculture review NFMC will develop options to treat/retreat stands that do not meet the planned renewal objectives.

The forecast silviculture program is estimated at approximately \$2.5 million per year to meet the forest management plan objectives. At the current rate the unit will generate almost \$3 million per year in contributions to the forest renewal trust. The excess funding will allow NFMC to address the silviculture obligation. Once the historic liability is addressed NFMC will review the silviculture program and renewal rates to determine future strategies. Based on forecast treatment requirements and harvest levels the breakeven renewal rate is approximately \$3.50/m<sup>3</sup> for softwood.

The White River Forest 2018-19 renewal plan was prepared by Jackfish Forest Management. The plan calls for expenditures of approximately \$1.7 million to cover activities for the year. In 2019-20, the NFMC will prepare the silviculture plan using its own staff.

The majority of renewal activities will be charged directly to the Forest Renewal Trust account for contractor reimbursement. The NFMC will seek reimbursement from the renewal trust for its direct expenditures on items such as wages for silviculture supervisor, vehicles, supplies, etc. that it pays for. The NFMC will not seek reimbursement for administrative overhead items from the trust fund. For 2018-19, the NFMC has requested the renewal rates remain at \$4.75/m<sup>3</sup> for SPF and \$0.50/m<sup>3</sup> for poplar and birch on the Big Pic and Pic River. WRFM has requested renewal rates of \$4.00/m<sup>3</sup> for SPF and \$1.00/m<sup>3</sup> for poplar and birch on the White River Forest. The rates for 2019-2020 and beyond will be determined based on the forest renewal charge process in consultation with Wawa district and Northeast region.

The renewal program for the NFMC management area will include the planting of approximately 6-6.5 million trees and site preparation of 1,800-2,000 ha. The program includes other activities such as aerial tending, supplemental aerial photography, aerial seeding, collection and slash management.

### Environmental Policy

NFMC recognizes environmental protection as one of our guiding principles and a key component of sound business performance. NFMC is committed to providing quality forest products and related services in a manner that ensures a safe and healthy workplace for our employees and minimizes our potential impact on the environment. NFMC will operate in compliance with all relevant federal, provincial and municipal environmental legislation and NFMC will strive to use pollution prevention and environmental best practices in all NFMC does. NFMC will:

- integrate the consideration of environmental concerns and impacts into all of our decision making and activities;

- promote environmental awareness among our employees and encourage them to work in an environmentally responsible manner;
- train, educate and inform our employees about environmental issues;
- where required by legislation or where significant health, safety or environmental hazards exist, develop and maintain appropriate emergency and spill response;
- regularly communicate our environmental program to our clients, customers and the public and encourage them to support it;
- commit to the advancement of sustainable forest management practices and to the pursuit of Forest Stewardship Council® (FSC®) certification on the NFMC management area, and
- strive to continually improve our environmental performance by periodically reviewing our environmental policy in light of our current and planned future activities.

### **Economic Development**

The NFMC model was initiated and developed in collaboration with local and Aboriginal communities with the understanding that the Corporation's objects would support the development of local and Aboriginal economic development opportunities within the management area. One of NFMC's priority areas will be the development of economic opportunities for the communities in the NFMC management area, in particular the local First Nations. As an example, NFMC is in the midst of an agreement that would see full time employment created for Pic River First Nation. In 2015, as part of the prior funding agreement, NFMC provided funds to MKWA (Pic River First Nation's forestry arm) to assist with the capital cost of the equipment. In 2016, MKWA has received the equipment and begun the process to train operators, with the support of NFMC. NFMC has entered into a 5-year performance-based agreement with MKWA where the agency will provide performance incentives to the First Nation based on volume delivered. The NFMC will use funds from this funding agreement as an incentive to help MKWA achieve its performance targets, especially during start up when the company is still developing its processes and costs are typically higher than normal. The performance incentive will also encourage delivery of fibre to local mills, some that are still facing low inventories. Because this is volume that is in addition to the current contractor base NFMC will also benefit from increased revenue and renewal trust contributions.

In addition, the company is working with Pic Mobert to identify opportunities for that First Nation that may occur after the transfer of the White River SFL. NFMC is also investigating other opportunities such as enhanced planning and FRI that will assist in achieving goals such as promoting best end use of available Crown timber, attract forest sector investment, and improve the Crown forest asset.

NFMC intends to develop necessary strategies and explore opportunities to move forward with local and Aboriginal economic development opportunities as they arise.

These arrangements are typically approved under the processes identified in the Strategic Initiatives Policy that is discussed in more detail in Section 12.

## 5.0 Resources Needed to Meet Goals and Objectives

NFMC is expected to operate independently from government and on a financially self-sufficient basis. As a Crown Agency, NFMC is required to conduct itself according to the roles and responsibilities outlined in the MOU, which includes adherence to all applicable Acts, policies and government directives.

In order to accomplish its goals and objectives the Corporation has access to several sources of revenue which are summarised in Table 3 below. It is important to note that some of these sources of revenue such as the Provincial Forest Access Roads Program and the Forest Renewal Trusts are designated for specific purposes and are not generally available to NFMC to cover its day-to day costs and expenditures. While NFMC will be responsible for the management and implementation of these programs on its management area, the Corporation will only be able to access funding to support eligible costs that it has incurred specifically for the delivery of these programs.

Table 3. Financial resources available to NFMC

Resource	Details	NFMC goals and objectives	Funds Available
LFMC Revenue Model	Timber sales revenues and management fees from wood sales remain with NFMC to further objects	<ul style="list-style-type: none"> <li>○ Sustainable forest management</li> <li>○ Economic development for communities and Aboriginal people</li> <li>○ Timber marketing and sales information/data</li> </ul>	○ Approx. \$2.7 million
Forest Renewal and Forestry Futures Trusts	Funding for eligible renewal and silviculture activities Majority of funding flows as a direct reimbursement to contractors	<ul style="list-style-type: none"> <li>○ Reinvesting in and improving the forest asset</li> <li>○ Sustainable forest management</li> </ul>	○ Approx. \$3.5 million
Provincial Forest Access Roads Funding	Funding allocation to support construction and maintenance of forest access roads Majority of funding flows as a direct reimbursement to contractors	<ul style="list-style-type: none"> <li>○ Cost competitive, affordable wood supply</li> <li>○ Continuous and predictable supply</li> </ul>	○ TBD per MNRF Roads Program

Industrial Road Maintenance Agreement	NFMC has signed an agreement with MTO to maintain the Caramat-Manitouwadge Industrial Road	<ul style="list-style-type: none"> <li>○ Reinvesting in and improving the forest asset</li> <li>○ Economic development for communities and Aboriginal people</li> </ul>	○ Approx. \$300,000
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LFMC Revenue Model

NFMC revenues are derived from the sale of Crown timber from the management area. The Company needs to market and sell sufficient volumes of Crown timber to cover its operating costs, and will scale the operations in accordance with the revenue it generates from the sale of timber. An important part of the self-financing revenue during the start-up period is being allocated to build up an operating reserve as a hedge against market downturns.

Pricing for timber sales will be set by the NFMC to ensure it can pay associated Trust charges and recoup its other operating costs. The NFMC will have the flexibility to consider and incorporate other factors like quality, distance, species, access and other factors when establishing the minimum price for which it sells Crown timber. During its start-up period and until sufficient information can be collected from an open market sales program, NFMC will rely on the MNRF stumpage matrix to set the price it charges for timber.

Ultimately, NFMC will operate under a revenue model where the price it charges for Crown timber is determined by market factors. Technically this will be accomplished by having the CFSA s.31 price for the Crown timber set by the Minister to zero such that there will be no requirement for remittances to the Consolidated Revenue Fund for Crown timber harvested on the NFMC management area. Remittances to the two forest Trusts would continue in their current manner. For a portion of the year, the Forestry Futures Trust charge will include an additional charge for forest resource inventory. The remaining value of the Crown timber, as established in the marketplace, will flow to the NFMC. The Agency will use this revenue to cover its costs, satisfy its obligations and to undertake activities consistent with its objects.

The Crown Dues invoices from the Nagagami sustainable forest license include funds for Local Forest Management Conversion purposes. These funds have been going into a special account for the NFMC since June 2012. The NFMC will have access to these funds should the SFL be transferred to the NFMC..

The Big Pic and Pic River SFL's were issued to NFMC in June 2017 and the NFMC started collecting the former LFMC conversion fees (former Section 31 charge) from the receiving mills effective June 19, 2017 from these SFLs. The White River was transferred to NFMC in January 2018. The LFMC conversion fees stopped flowing into the FFT at the end of January and the NFMC became responsible to set price and collect funds on the White River directly from the receiving mills beginning with deliveries in February 2018. The first transfer of the funds held by FFT in the trust account for the White River were received in April 2018. The FFT will continue to oversee the collection and management

of LFMC conversion fees from the Nagagami Forest until the SFL is transferred to the NFMC.

#### Forest Renewal Trust Funds

The Forest Renewal Trust (FRT) account(s) for the four management units will fund eligible silviculture activities as well as the associated support and administration costs incurred by NFMC in designing and delivering the silviculture program. Applicable forest renewal charges will continue to apply and be paid into the FRT for wood harvested from the NFMC management area. NFMC will follow the established principles and process for setting renewal charges, which are set by MNRF and will ensure that the necessary budgeting and invoicing procedures are in place.

The majority of activities are expected to be funded by direct contractor reimbursement from the FRT Fund. In these cases, NFMC does not receive funds from the FRT Trust and these transactions are not recognized as expenses or revenues.

#### Provincial Forest Access Roads Funding

As the SFL holder, NFMC is responsible for managing arrangements for the construction and maintenance of a majority of the forest access road infrastructure on the management area. This public road infrastructure represents a large capital investment and benefits many users, including mining companies, tourism operators, First Nation communities, utility and railway companies, hunters, anglers, campers, trappers, cottagers, and the general public. It also provides the rural infrastructure for emergency preparedness and response.

The MNRF established a funding program to assist the forest industry in the cost of construction and maintenance of forest access roads used by the public. The program is based on a reimbursement to forest companies for invoiced amounts of road construction and maintenance costs on eligible multi-use primary and secondary forest access roads.

#### Operating Reserve

The mandate of the NFMC requires operating as a self-financing business, which includes establishing an operating reserve which will ensure continued sustainability in response to variations in economic cycles. The NFMC Board passed By-Law #3 in 2014 to establish the operating reserve and set the rules for contributions and withdrawals from the reserve.

Funds held in the operating reserve shall be used only in a manner consistent with the objects of the Corporation as set out in section 5 of the OFTMA. No money shall be transferred to or from the operating reserve without a resolution of the Board.

The size of operating reserve shall be equal to at least two years and a maximum of five years of projected operating costs for the Corporation, as shall be determined by resolution of the Board from time to time. It shall be the intention of the Corporation to contribute funds to the operating reserve such that the minimum size shall be reached as soon as is reasonably practicable. In the event it shall be necessary to use funds held in the operating reserve, such use being only for its intended purposes. The operating reserve targets are reviewed annually and changes are made through board resolutions.

NFMC has been building their operating reserve by accessing funding held in the Forestry Futures Trust in the LFMC conversion program until the sustainable forest licenses are issued to the corporation. Due to a delay in the issuance date, NFMC was not able to build the reserve to the level hoped for in their early applications as they required to funds to cover operating expenses. Now that the NFMC holds the SFLs for White River, Big Pic and Pic River, sufficient funds have been received to establish the appropriate operating reserve level.

The NFMC Board has set a goal to increase the operating reserve above the minimum level in each year of the Business Plan, the board is targeting a reserve of \$4.8 million in 2018-19 and \$5.3 million at the end of 2019-2020. The operating reserve is expected to increase to approximately \$6.4 million in 2020-21 and NFMC plans to keep increasing the reserve in subsequent years to stay at the maximum. It should be noted that unforeseen events may impact NFMC's goal to increase the operating reserve. The NFMC has set aside money in the budget to address unforeseen events and developed and Unforeseen Events Policy and the Board may be forced to alter direction during the term of this Business Plan or in subsequent years.

#### Caramat-Manitouwadge Industrial Road Agreement

As part of its broader mandate, the NFMC entered into projects that contribute to local economic development goals. The NFMC has entered into an agreement to assume responsibility for the maintenance of the Caramat-Manitouwadge Industrial Road with the Ministry of Transportation (MTO). NFMC will receive payment from the MTO for reimbursement of costs incurred, including staff time.

## **6.0 Risk Identification, Assessment and Mitigation**

NFMC is an operational enterprise Agency with a Board of Directors and General Manager that are responsible for making operational decisions. As a Crown Agency, there is a need to regularly identify, assess and manage any risks to the achievement of Agency, Ministry and/or government objectives. To do this, NFMC follows the risk assessment and risk management process outlined in the "Guide to the Risk-Based Approach, 2010." The requirements for risk assessments under the risk-based approach are:

- Assessing risks for each Agency in each of the specified corporate risk categories;

- Keeping a record of the risk assessments for each Agency by risk category; and
- Reporting to Treasury Board (TB)/Management Board of Cabinet (MBC) on each Agency's high-risk categories including a description of each high risk, the reasons it is a high risk and what management plan is in place to manage the risk.

The Treasury Board defines risk assessment as “at a minimum, analysing the risks typically involves assessing the likelihood of the risk occurring and the impact on objectives should the risk occur.” The assessment will enable NFMC to map risks on a quadrant (low risk, low impact; low risk, high impact; high risk, low impact; high risk, high impact) that will assist in prioritizing the risks that need to be the focus of active responses and in assigning responsibility for those risks (e.g., high risk, high impact items would likely be expected to receive active ongoing attention from senior management and the Board).

The NFMC reports its risks quarterly and the circumstances at the time will dictate the risk elements identified as well as what the risk level is and the impact of each element. Table 4 below provides a summary of the key risk elements. The risk analysis details are found in Appendix IV.

Table 4. Risk elements

<b>Risk Title</b>	<b>Risk Description</b>
<i>Legal / contractual / compliance</i>	<i>SFLs not issued/transferred (or significantly delayed) - Risk that NFMC does not obtain the SFLs as planned and is unable to effectively carry-out its mandate</i>
<i>Legal / contractual / compliance</i>	<i>IFA audit recommendations - Risk that NFMC is unable to address the concerns identified in the IFA and the license is not extended</i>
<i>Accountability/ Governance</i>	<i>Ability to achieve objects - Risk that strategic plan not completed and Business Plan does not reflect objectives</i>
<i>Accountability/ Governance</i>	<i>Financial stability - Risk that NFMC is unable to market and sell sufficient volumes necessary to generate revenue for the Agency.</i>
<i>Accountability/ Governance</i>	<i>Ability to meet stakeholder expectations - Risk that this plan and vision will not be achievable or will be inconsistent with original intent</i>
<i>Legal / contractual / compliance</i>	<i>Ensuring responsible and compliant operations - Risk that NFMC operations are not compliant with applicable rules and regulations</i>
<i>Legal / contractual / compliance</i>	<i>Contractual compliance - Risk associated with NFMC entering into various agreements and contracts with third party service providers to facilitate forestry operations including forest management, harvesting, renewal and road building.</i>
<i>Accountability/ Governance</i>	<i>Government reporting requirements - Risk that NFMC fails to fulfil government reporting requirements.</i>
<i>Accountability/ Governance</i>	<i>Financial reporting - Risk that internal policies and structure is insufficient to protect interests of the NFMC and MNRF.</i>
<i>Operational</i>	<i>Market - Risk that the demand for wood will impact on cash flow.</i>
<i>Operational</i>	<i>Contractor risk – major contractor unable to supply mills.</i>
<i>Financial</i>	<i>Stumpage risk – customers unable to pay stumpage arrears.</i>
<i>Public Relations</i>	<i>Public relations - Risk of ENGO or other interest groups negatively targeting NFMC.</i>
<i>Information &amp; Technology</i>	<i>Development of IT infrastructure - Risk of data loss or security breach impacting critical systems.</i>
<i>Workforce/Skill Shortage</i>	<i>Attracting talent - Risk that NFMC is unable to attract qualified personnel to fill vacancies.</i>

Annually, NFMC completes its Risk Assessment Report and Risk Management Plan and submits it to MBC according to the Guide to the Risk-Based Approach in the *Agency Establishment and Accountability Directive*. NFMC also provides quarterly updates of its risk assessment via the MNRF.

#### Liability Protection and Insurance

The Corporation has obtained, and will maintain, the insurance appropriate for a prudent business in similar circumstances to the Corporation including comprehensive general liability insurance and directors and officer's obligation insurance.

## **7.0 Environmental Scan**

### Forest Product Market Analysis

The current macro-economic climate continues to present some uncertainty and risk for a meaningful and sustained recovery for the North American forest product industry. However, the United States (US) economy has proved surprisingly resilient and the risk of recession in the US has decreased as of late with some signs of life beginning to show in areas like consumer confidence, employment growth, industrial production and housing markets.

The current and projected markets for available wood fibre from the NFMC management area fall under four main forest product sectors: lumber, panel, pulp and paper and forest biomass.

In North America, the US housing market has yet to fully recover but growth in 2017 exceeded predictions and strong growth is forecast for 2018. The US is still, by far, the biggest foreign market for Canada's forest products, accounting for nearly two-thirds of all exports last year. With Americans buying more new homes than at any time since the 2008 recession, the cost of the wood used to build them is rising. Lumber prices are off to their biggest rally in more than a decade, touching a 19-month high in November 2017 as demand increased from builders. But almost a third of all wood used in US homes comes from the world's top exporter, Canada. The industry has been able to pass on the costs associated with the latest softwood lumber dispute on to consumers and prices and profits are high. It is uncertain how long markets will sustain the high costs and when a trade agreement with the US will be reached. Also compounding the uncertainty is different provinces appear to be pushing for different types of settlement with the US, and at the same time Canada and the US are renegotiating the North American Free trade Agreement (NAFTA).

The panel market follows the US housing market and was stronger in 2017, a continuing trend since the low points from 2008-2012. NFMC has limited exposure in the panel market through its dealing with Levesque-Columbia Forest Products.

The pulp, paper and paperboard market were once again in flux, as large concentrations of graphic paper capacity continued to be rationalized in Europe and North America – a development that has persisted for well over a decade. South American expansions of chemical market pulp capacity continued to affect United Nations Economic Commission for Europe (UNECE) producers, with tonnage easily absorbed by first the tissue and packaging segments, and second by consumers wanting to reduce their use of higher-cost softwood craft grades. Southeast Asia remained the favoured target market, despite a marked slowdown in the level of investment in new paper and paperboard installations to serve rapidly growing economies. The ramifications of these and other changes are being felt on a global basis.

The outlook for forest biomass is favourable as the Canadian government continues to advocate the use of renewable energy through various policy initiatives. The movement towards more renewable energy should translate into increased demand for previously unmerchantable fibre produced by harvesting activities. This will provide additional revenue to NFMC from the management area as well as reduced forest renewal costs typically associated with addressing non-merchantable fibre prior to renewing the forest. Sale of biomass on the management area will continue to be restricted by distance from market.

Locally, the sawmills in the region that are supplied by the White River, Big Pic and Pic River, have rebounded and are performing well, with increased production levels planned for 2018-19 and beyond. White River and Lecours have operated consistently during NFMC’s tenure, Longlac Lumber has operated for the last few years. Last year, Hornepayne Lumber restarted the sawmill in Hornepayne and is projecting continued operations. The sawmills have been buoyed by high lumber prices and low dollar and largely unaffected by the softwood lumber dispute. However, the health of the local forest industry is dependent upon the success of the AVTB pulp mill in Terrace Bay. Without AVTB as a market for their chips it is unlikely that all four sawmills in the area would continue to operate, as happened in 2010. In the summer of 2012, AVTB announced that it had acquired the former Terrace Bay Pulp Inc. pulp mill and would be undertaking investment to convert the mill to produce dissolving pulp. The plans for conversion to dissolving pulp have been put on hold and the mill is producing Northern Bleached Softwood Kraft (NBSK). The current NBSK prices are relatively healthy which is good for AVTB.

Table 5. NFMC Harvesting Targets for the Big Pic, Pic River, White River

Harvest (m3)	2018/19	2019/20	2020/21
	Conifer	832,000	915,200
Hardwood	86,000	94,600	97,438
Biomass	100,000	100,000	100,000
<b>Total</b>	<b>1,018,000</b>	<b>1,109,800</b>	<b>1,140,094</b>

The volume for the new FMP and contingency plan is uncertain but it is expected that the volumes will be similar to the current plans.

The Nagagami forest historically supplied softwood to the Olav Haavaldsrud sawmill (now Hornepayne Lumber), hardwood went to Columbia's plywood mill in Hearst, Longlac Wood Industries mills in Longlac and Weyerhaeuser's OSB mill in Wawa. The Weyerhaeuser and Longlac Wood Industries mills have been indefinitely shut-down and the Rentech mill never reached its planned production before closing which provides a challenge in dealing with mixedwood stands.

## **8.0 Human Resources**

The organizational structure for NFMC has been designed to be scalable and flexible to accommodate the needs of the Corporation as SFLs and associated responsibilities are assumed. For example, staffing and other resources as indicated in the Business Plan would be reduced appropriately until all four SFLs are assumed by the Corporation.

The 2014 Independent Forest Audit (IFA) on the Big Pic forest identified concerns related to staffing. NFMC is committed to having sufficient staff and/or other resources in place to undertake all responsibilities under the SFLs as they are assumed. NFMC has also developed internal human resources policies (i.e. overtime, travel, etc.) that have been approved by the Board. In addition, NFMC has recognized that there is a large pool of knowledge available from consultants/service providers/subject matter experts it can draw from. NFMC will continue to use consultants for specialized tasks where NFMC's staff may not be experienced or have the resources to complete.

The use of contractor staff versus full-time NFMC employees is being constantly evaluated. The addition of the White River and Nagagami SFLs may require additional staff positions. NFMC has committed to use Jackfish River Forest Management for one year following the transfer of the White River Forest SFL. Based on NFMC's evaluation of their performance and the direction set by the Board, a decision will be made about future management; presently, the intent of the NFMC is for management of the White River Forest to be brought in-house after the initial transition period.

Harvesting and delivery of wood to the mills is done by independent contractors. In prior years the mills signed contracts with the contractors and paid them directly for wood deliveries. NFMC contracts B&M Hauling Ltd. to deliver wood on behalf of NFMC. The mills pay NFMC and NFMC pays the contractor for wood deliveries. NFMC does not have plans to hire production employees for harvesting activities. NFMC does not plan to hire additional contractors for the White River.

NFMC is working to ensure the Corporation's ability to attract and retain talented staff while remaining competitive with comparable compensation levels within industry and

government. However, the key to attracting talent will be proving the Corporation is a successful business with a track record of accomplishment and a secure future.

### Role of the Board of Directors

In September 2013, NFMC initiated a strategic planning exercise as a first step in establishing the strategic direction for the Corporation over the next five years consistent with the objects described in the OFTMA. The final exercise in the session was to explore the role of the Board and its members. Understanding that Board members have no direct involvement in daily operations, the Directors raised the following points.

The responsibilities of the NFMC Directors includes:

- Supporting the General Manager, through approval of the operating budget, review of progress on strategic initiatives, and assistance in formulating next steps;
- Review and approval of policies, identification of direction, with a focus on moving towards taking initiative rather than being reactive;
- Identification and communication of potential problems brewing in communities, as Directors represent key links between NFMC and the communities (in this light, representative directors are to be kept informed of NFMC higher level activity with their constituents, e.g., meeting with Chief-in-Council or Mayor-in-Council);
- Involvement in communications with communities, e.g., attending meetings with community members; and
- Managing political affairs, e.g., connections with the Minister.

Board members are expected to be knowledgeable, engaged, and present at Board meetings.

## **9.0 Performance Measures**

NMFC will adhere to operational performance measures and targets to ensure the achievement of its goals and objectives as well as achievement of the objects for the Corporation as described in the OFTMA and as required under the AAD.

Examples of how the performance measures relate to the goals of NFMC and the performance targets are outlined in Table 6.

Table 6. NFMC Performance Measures

Goal	Performance measure	Standard/Target
World class forest management company	<ul style="list-style-type: none"> <li>- Are the forests being managed sustainably as per audits/certification standards, etc.?</li> <li>- Has the renewal program met or exceeded the commitments</li> </ul>	Big Pic, Pic River, White River maintain 3 <sup>rd</sup> party certification;

Goal	Performance measure	Standard/Target
	made in the approved FMP? - Has NFMC invested in R&D to improve forest management?	Favourable audit findings  Development spending, memberships in organizations such as FERIC, support for education
Becoming financially self sufficient	- Does the Agency have sufficient cash flow to support operations - Has an appropriately sized operating reserve been established? - Has value for money been realized when spending taxpayer dollars? - Are accounts receivable collected in a timely manner?	\$200,000 to 500,000 of free cash flow At least \$3.6 million operating reserve by year end 2018-19 (up to \$4.8 million) No aged accounts receivable listing beyond 90 days
Extending scope of usage	- Have commitments volumes been made available and/or utilized? - Has wood been made available to new entrants? How much? - Has NFMC moved closer to a more economically efficient system for wood allocation and pricing? - Has utilization of available timber over operational period improved and/or new markets been developed?	100 percent of commitment volume made available Percentage of wood made available to open market customers  Positive utilization trends
Meeting governance requirements	- Have government directives been followed (ie AAD) - Completion of Annual Business Plan - Risk Assessment Evaluation - Annual Report  - In addition to the AAD, all classified agencies must adhere to - Accountability Directive - Advertising Content Directive - Delegation of Authority Key Directive (MOF) - Government Appointees Directive - Travel, Meal and Hospitality Expenses Directive	All reports submitted on time  Posting of reports to website  100 percent compliance with directives Development of relevant NFMC policies Creation of Governance Committee to report to Board
Building new local forest related industry	- Have local economic development opportunities been created/supported by NFMC operations?	Increase in # of mills, volume, number of customers from 2012 levels
Establishing a new baseline for First Nation engagement	- How have communities interests been represented by NFMC operations and decisions? - Have Aboriginal economic development opportunities been developed?	Increase in local suppliers from 2012 levels Increase in Aboriginal business, harvest volumes, area renewed from 2012
Engaging the community in forestry	- How have communities interests been represented by NFMC operations and decisions?	# of Events attended # of Newspaper Articles

The Agency uses a more comprehensive set of measures internally and has the capacity to “drill down” to the details. For example, in the forestry section the Corporation has established a proactive approach with annual project management schedules (i.e. to make sure legislative requirements are met) and silviculture tracking to make sure performance targets are met.

## 10.0 Financial Budget and Staffing

NFMC is a Crown Agency established by the Ontario Government. NFMC operates on a non-profit basis and is exempt from income taxes under the Income Tax Act. NFMC is self-financing, and does not require funds from government to carry out its activities. Staff are public servants for a “public body”, but are not Ontario Public Service (OPS) employees.

NFMC budgets for all operating and capital expenditures along with a forecast of revenues to be achieved. The FRT and Forestry Futures Trust (FFT) programs (including the LFMC Conversion Program and the forest resource inventory component) will continue to be funded by the applicable portion of the Ontario Crown stumpage matrix applied to all volumes of wood sold from the NFMC management area.

NFMC has developed an Accounts Receivable Policy aimed at minimizing the Corporation's exposure to bad debt. The NFMC does not have a broad range of customers and instead sells to large established businesses and only encounters issues around collecting receivables in the event of a failure. NFMC's Accounts Receivable Policy ties deliveries to the prompt payment of invoices, therefore companies are incentivized to stay current. The bankruptcy of Olaav Havaldrud Timber Corp (OHTC) resulted in minimal financial impact to the NFMC. One of the functions of the operating reserve will be to cushion the NFMC in the event of a failure by one of its key customers.

It is important to note that the current forecasts and budget assume wood sales at the stump which represents 100 percent of NFMCs current operations. While it is expected that over the projection period NFMC will begin to build capacity and develop its wood sales program including open market sales the impact of this program is not included in the current projections. The estimated financial impact of implementing a more involved wood sales program is not expected to negatively or positively impact profitability of the Agency however it would result in a significant impact on the projected revenues, costs and cash flow associated with harvesting, processing and delivery of wood to the mills. During the projection period, NFMC will evaluate the impact on its finances of implementing any open market wood sales or sale at delivered prices on a case by case basis before proceeding to ensure that it does not add significant risk or exposure to its operations.

#### Expenditures, Projected Revenues, Funding Requirements

The expenditures are expected to increase over time as NFMC increases its management responsibilities and adds area to its landbase, but more slowly than revenue increases. Total expenditures are estimated at approximately \$2.1 million in 2018-19 for the Big Pic and Pic River management units and when the White River SFL is transferred to NFMC. Contractor and planning costs are expected to decrease in 2019-20 when the FMPs are completed, however, total expenditures will still reach \$2.3 million when the Nagagami forest is added.

Management Fees are calculated on a breakeven basis. Management Fees are designed to cover operating costs related to delivering fibre to NFMC's customers. As volumes increase the Management Fee is expected to decrease on a dollar per m<sup>3</sup> basis. The management fee may vary based on product (i.e. no management fee is currently charged on biomass) or mills (i.e. commitment versus non-commitment holders). The rate for 2017-18 is \$0.96 per m<sup>3</sup> with no change expected in 2018-19. The objective is to

achieve a management fee of \$0.75 per m<sup>3</sup> by 2021-22 when all units are under NFMFC management and operational synergies can be achieved.

NFMFC collects timber sales charges which is the equivalent of the former Section 31 (CFSA) charges which include minimum price and residual value price. The total amount of timber sales charges received by NFMFC in a year is dependent upon the type and volume of forest products delivered. The rates for softwood are different than hardwood and biomass. The timber sales charges revenues are also impacted by FRI charges deducted. The MNRF charges a fee for the FRI program of \$2.50 per m<sup>3</sup> until its funding goals are achieved (usually by October). The higher the provincial harvest level the sooner the FRI program funding target is met. It is assumed that this program will continue and that for a portion of the year NFMFC will be subject to the FRI charge. The timber sales charges revenue is also determined by the rate charged per m<sup>3</sup>. The timber sales charges rate includes a mechanism that adjusts the rate based on market conditions, it is assumed that the rate stays at the minimum level from 2018-2022.

NFMFC has agreed with the forest industry that the timber sales charges revenue it earns will stay consistent with the stumpage matrix for the foreseeable future. NFMFC and the industry may negotiate a new rate when a new MOA is signed with the implementation of the new FMP.

In accordance with its approved revenue model, NFMFC is required to establish an operating reserve to ensure the Corporation has sufficient cash flow to manage its responsibilities and business needs during periods of reduced demand or unexpected shifts in the areas wood markets. The size of the operating reserve will vary based on the business needs of the Corporation and will need to be flexible to accommodate changes in the business cycle and/or financial needs of the Corporation. NFMFC has targeted maintaining at least two years of operating costs in the reserve, which would allow the Corporation some flexibility to demonstrate its ability to manage/fund any outstanding obligations that it may agree to as part of the SFL transition discussions with the MNRF and current licence holders (i.e. the Corporation may want to consider utilizing a portion of this reserve to deal with outstanding obligations or obligations under its SFLs once they are issued/transferred).

In addition, an annual allocation of funding has been earmarked to support the development of strategic initiatives for the Corporation consistent with its objects. These strategic initiatives remain in development as previously described in Section 3.0 above and could, as an example, include opportunities to fund forest research and development (R&D), bursaries, cultural activities, educational/capacity building programs and support opportunities for local and Indigenous economic development. The NFMFC will not engage in new strategic initiatives until the operating reserve has been established at the level set by the Board.

The Timber Sales Charge and Administration Fee revenues are calculated based on NFMFC deliveries to the mills estimated in Tables 2 and 5 above. The Timber Sales Charge was calculated based on the Minimum Stumpage Value from the stumpage matrix, less FRI and FFT charges that are paid by the mills to the province (Table 7). It is

believed that the new contingency plan and FMP for the amalgamated forests will provide sufficient volume to meet the estimates but it is uncertain how much more volume would be available for open market sales. The NFMC applied a conservative approach and did not include open market sales in its revenue forecast. Once the volume for the new plans is known NFMC will update future business plans for open market sales.

The financial results (Table 7) are presented in more detail in Appendix I with the assumptions used in the forecasts are found in Appendix II.

Table 7. Summary of NFMC projected revenues, expenditures and net income

	2018/19	2019/20	2020/21
Revenue	\$4,243,840	\$3,946,534	\$6,564,930
Operating Expenditures	\$2,330,058	\$2,332,918	\$2,439,577
<b>Excess Revenue Over Expenses</b>	\$1,913,782	\$1,613,616	\$4,125,354
<b>Additional Expenditures**</b>			
Strategic (annual)	\$450,000	\$450,000	\$550,000
Forest Improvement (annual)			
Forest Contracting (annual)	\$300,000	\$300,000	\$300,000
Forest Infrastructure/ Access (annual)	\$450,000	\$450,000	\$500,000
Unforeseen/Contingent (annual)	\$400,000	\$400,000	\$500,000
<b>NET INCOME*</b>	\$313,218	\$13,615	\$2,275,353

\* Net Income does not include contributions to an operating reserve.

\*\* Allocation not included in financial statements; for earmarking purposes only, strategies/programs to be developed by NFMC

### Capital Expenditures

All capital expenditures are fully funded from NFMC start-up funding and/or NFMC revenues generated from the sale of wood from the NFMC management area. Planned capital expenditures are presented in Table 8 below. For the balance of the current planning horizon, NFMC is budgeting ~ \$300,000 annually for capital associated with the Corporation's need for computer, office equipment, to establish satellite offices (i.e. White River and Hornepayne), and vehicles/other equipment to meet its expanding operational needs in Marathon.

Table 8. NFMC Capital Expenditures

Capital Item	2018/19	2019/20	2020/21
Roads and Bridges	\$150,000	\$150,000	\$150,000
Office Equipment	\$50,000	\$50,000	\$50,000
Leasehold Improvements	\$30,000	\$30,000	\$30,000
Computer Equipment	\$50,000	\$50,000	\$50,000
Forestry Equipment	\$20,000	\$20,000	\$20,000

<b>Total</b>	\$300,000	\$300,000	\$300,000
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In the future, all capital expenditures would be fully funded from NFMC revenues. As NFMC assumes a more active role in managing the forests additional capital equipment may be required to support infrastructure (i.e. bridges), operations (i.e. drones, ATV/UTV, snow machines, etc.), and information management (i.e. software, hardware, peripherals).

### **11.0 Information Technology/Electronic Service Delivery Plan**

NFMC has developed an internal wood tracking system based on delivery information from I-TREES that allows it to track deliveries and match MNRF billing and scaling records. The data was sufficient when the funds were being held in trust by the FFT and invoices prepared based on MNRF records. However, with the NFMC assuming control of the invoicing, this data is limited by the timeliness of the MNRF reporting and NFMC is looking at options for more current information. NFMC is exploring the implementation of a wood tracking and inventory system to support and enhance information, tracking and control of Crown resources moving from its operations. NFMC has started testing an existing software program used by other large forestry operations in the Province, including one of its main harvesting contractors and is considering moving forward with implementation of an appropriate wood tracking and inventory system. NFMC will be undertaking a process to determine its future information technology needs as they relate to the Corporation’s longer term organizational structure and core business activities when additional SFLs are added.

As a Crown Agency, the NFMC must provide certain types of information (i.e. Annual Reports, Agency Business Plans, etc.) to the public. All the required information is posted on the NFMC website for public review. NFMC has also engaged contractors to help make the information more easily understood and accessible by the public.

### **12.0 Initiatives Involving Third Parties**

Currently, NFMC’s financial model does include limited expenditure allocations for initiatives involving third parties during the planning period. Expenditures of approximately \$40,000 annually have been identified to support public relations, advertising for wood sales, and other initiatives consistent with its mandate. It is expected that NFMC would use this allocation to enter into commitments with third parties to support activities that further its objects. Some examples of these commitments include forest research and development, bursaries, cultural activities and educational programs.

Other initiatives involving third parties that NFMC is pursuing include:

#### **1. Forest Certification**

Obtaining forest certification has been identified as a priority for NFMC in order to support the sale and marketing of available wood supply from the management area. NFMC's key customers have indicated a strong desire to have certified wood available under one or both of a FSC® or a Sustainable Forest Initiative® (SFI®) certification system. NFMC is currently FSC® certified on the White River, Big Pic and the Pic River forests. NFMC will review the certification plan for the Nagagami Forests when the license is transferred.

## **2. Strategic Investments**

The NFMC has a mandate that goes beyond forest management activities and includes initiatives aimed at supporting the forest industry and communities. NFMC has a corporate social responsibility to strategically invest revenues in initiatives that are well thought out, financially responsible, play a key role and make a positive impact in growing the forestry sector surrounding the NFMC land base.

NFMC has developed a policy to help inform its investments in what it calls strategic investments. The Strategic Investment Policy allows corporations in the NFMC's management area to respond to their economic opportunities and challenges according to their individual priorities and to pursue regional collaboration to advance common goals in order to strengthen the forest sectors competitive advantages.

The Board of the NFMC will give consideration to strategic initiatives on a case by case basis. All requests will be brought forward to the Board for consideration through the General Manager. NFMC may make funds available through the use of conditional contributions, service contracts, performance incentives or other measures identified by the Board. All requests made to the NFMC must include an official letter from the proponent describing the project/initiative and commitment requested from the NFMC including a full costs breakdown of the project/initiative. The information required for Board Approval will be gathered by the General Manager through correspondence with the proponent.

From time to time NFMC management may identify initiatives that are necessary to advance Corporate objectives. NFMC has committed to ensuring that it has sufficient funds in its operating reserves before engaging in any new initiatives. The NFMC will ensure that two years operating costs are in its reserve funds or held by the FFT on behalf of the NFMC. Based on the planned issuance of the Big Pic and Pic River Forests plus the transfer of the White River Forest the board planned a target for March 31, 2018 of \$4.8 million (including funds held by FFT as the White River was transferred but the payment of LFMC funds held by FFT were not received until April 2018). The initial estimates suggest a minimum level of \$3.6 million for March 31, 2019 while the NFMC is hoping to meet a target of \$5.3 million, the actual reserve will be set by board resolution at a planned meeting in December 2018. NFMC hopes to exceed the minimum level and reach the

maximum reserve within the first decade. Only after the operating reserve has been established at the minimum level will NFMC consider new initiatives. In these circumstances, with Board approval, the Corporation will adhere to both its Strategic Initiatives Policy and Procurement Policy.

### **3. Local and Aboriginal Community Development Initiatives**

The NFMC model was initiated and developed in collaboration with local and Aboriginal communities with the understanding that the Corporation's objects would support the development of local and Aboriginal economic development opportunities within the management area. NFMC intends to develop necessary strategies and explore opportunities to move forward with local and Aboriginal economic development opportunities as they arise.

NFMC has completed an agreement with MKWA Timber that resulted in a harvesting contract that will see full time employment created for Pic River First Nation. The NFMC agreement allowed Pic River First Nation to make a significant capital investment to purchase harvesting equipment. AVTB has negotiated with Pic River First Nation to supply an additional 100,000 m<sup>3</sup> from the Pic River Ojibway Forest, these deliveries targets are expected to be met starting in 2018-19.

In addition, the NFMC has been approached to support Pic Moberg First Nation's forestry operations. The funds will be used to support planned purchases of forestry equipment to support harvest and deliveries from the White River Forest to WRFPP.

Other initiatives may include activities that improve the road infrastructure and access on the different SFL's. By improving road access NFMC expects to increase volumes delivered from the management area and revenue received.

## **13.0 Implementation Plan**

In confirming the strategic direction, the Corporation will focus on eight initiatives to be completed by March 31, 2019:

1. Acquire SFLs;
2. Complete FSC<sup>®</sup> certification;
3. Launch silviculture program;
4. Implement the Big Pic and Pic River amalgamated FMP;
5. Finalize new MOAs based on new FMP;
6. Prepare for and respond to the IFA;
7. Establish Governance Policy and process; and
8. Play a key role in First Nations operations on the land base.

NFMC will be moving forward with the development and implementation of the 2018-19 Annual Work Schedules (AWS) for the Big Pic, Pic River, and White River SFL's which includes:

- Planning – AWS, staff meet with operators, negotiate price with mills, meet with silviculture contractors;
- Implementation – harvest activities, compliance, monitoring activities, silviculture;
- New initiatives and how they fit– e.g. with First Nations, youth training programs, etc.

The NFMC will continue to work on the amalgamated FMP for the Pic Forest and has contracted out the preparation of the contingency plan.

## **14.0 Communication Plan**

The NFMC's LFMC model was initiated and developed in collaboration with local and Aboriginal communities. Early in the process and in response to unsolicited local interest, the MNRF established a local Working Group to share information and to make recommendations to government for the development and establishment of the proposed LFMC. Since the early stages of the Forest Tenure and Pricing Reform project in 2009, First Nation organizations and communities across Ontario have been engaged in related discussions and invited to contribute to the development of new models of forest tenure. Specific to the NFMC, each First Nation community within the proposed management area has had representatives participating as part of the NFMC Working Group. As part of the Working Group, these representatives have had the opportunity to directly participate and collaborate with MNRF, local communities and SFL holders on the proposed elements of the NFMC including the business assumptions, transition considerations, and the governance structure.

NFMC is targeting to maintain a medium profile for communications activities over the Business Plan's period with a specific emphasis on relationship building during the 2018-19 fiscal year.

The Agency has identified the following communication objectives to support this Business Plan:

- Provide accurate and timely communication for customers, suppliers, Board and staff
- Enhance awareness through stakeholder engagement
- Anticipate and mitigate potential issues including local and Indigenous economic development concerns

Key messages to support these objectives include:

- NFMC is open for business and our wood is competitively-priced
- Working with our industry partners is key to creating a prosperous environment

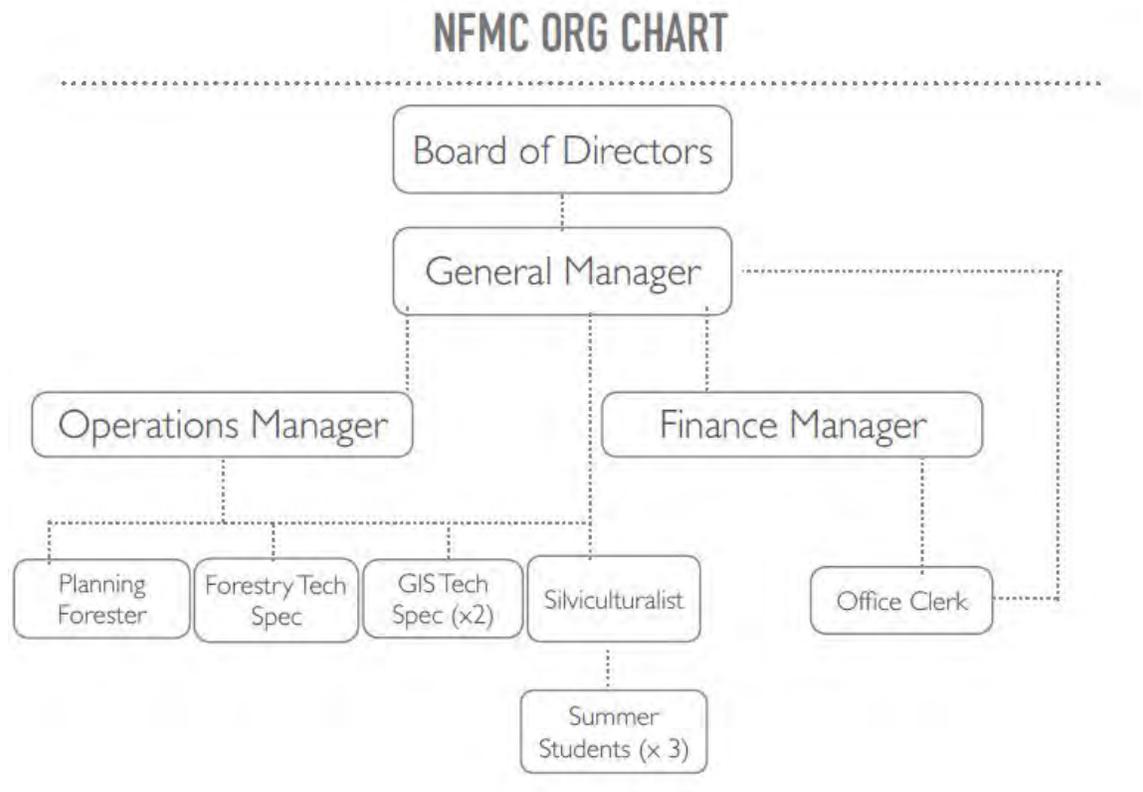
- Maximizing value from the forest
- Committed to economic development opportunities to Indigenous communities
- Partnerships will lead to innovative initiatives

The NFMC has a mandate that goes beyond forest management activities and includes initiatives aimed at supporting the forest industry and communities. NFMC has a corporate social responsibility to strategically invest revenues in initiatives that are well thought out, financially responsible, play a key role and make a positive impact in growing the forestry sector surrounding the NFMC land base.

### 15.0 Organizational Chart

The NFMC is still growing and is in the process of determining its employment needs going forward. The organizational chart below represents the current positions within the Corporation to manage the Big Pic and Pic River forests. Additional positions may be filled consistent with the attached Compensation Strategy dependent on Agency needs, financial resources, and the timing of the acquisition of the White River Forest’s SFL.

Figure 2: Organizational Chart (at December 2017)



## APPENDIX I - NPMC FORECAST FINANCIAL SUMMARY

### Projected Statement of Earnings for Fiscal Years 2016/17 to 2020/21

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Revenue	ACTUAL	PLANNED	FORECAST	FORECAST	FORECAST
Management Fees	521,663	776,160	881,280	907,718	934,950
Timber Sale Charge	-	2,611,770	2,762,560	3,038,816	3,129,980
Other Revenues					
LFMC Conversion Program	545,983	5,000,000	600,000	-	2,500,000
<b>Total Revenue</b>	<b>1,067,646</b>	<b>8,417,372</b>	<b>4,243,840</b>	<b>3,946,534</b>	<b>6,564,930</b>
Expenses					
Automobile	52,198	91,350	83,100	99,720	101,714
Amortization	37,822	114,400	120,120	126,126	128,649
Bank & Finance Charges	(8,266)	1,575	2,400	2,400	2,448
Board of Directors	32,435	45,360	38,580	40,509	41,319
Contractor Costs	234,855	346,500	687,412	442,372	451,219
Forest Certification	43,717	162,750	60,000	60,000	61,200
Forest Management	148,699	388,500	49,800	52,290	53,336
Capacity Development	45,816	74,550	131,600	138,180	140,944
Insurance	33,850	18,900	30,095	31,600	32,232
License	40,847	12,600	16,000	16,800	17,136
Miscellaneous	8,825	12,600	12,000	12,600	12,852
Office	68,973	57,225	73,700	77,385	78,933
Office Lease	35,556	35,700	38,400	50,400	51,408
Professional Fees	67,951	52,500	60,300	63,315	64,581
Public Relations	41,483	38,325	85,128	89,384	91,172
Road Maintenance	101,825	52,500	0	0	0
Wages & Benefits	681,254	736,757	841,423	1,029,837	1,110,434
<b>Total Expenses</b>	<b>1,667,840</b>	<b>2,242,092</b>	<b>2,330,058</b>	<b>2,332,918</b>	<b>2,439,577</b>
Operating Income	(600,194)	6,175,280	1,913,782	1,613,616	4,125,354

*Note: Expenses and revenues for 2016/17 and 2017/18 are for the Big Pic and Pic River; 2018/19 and 2019/20 includes Big Pic, Pic River and White River; 2020/21 includes all SFL's*

Forestry, Other Expenditures & Reserve

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>ACTUAL</b>	<b>PLANNED</b>	<b>FORECAST</b>	<b>FORECAST</b>	<b>FORECAST</b>
<b>FORESTRY REVENUE</b>					
Forest Renewal Activities	\$435,881	\$463,050	\$338,970	\$355,918	\$473,714
Forest Access Roads	\$3,342,448	\$2,035,000	\$2,635,000	\$2,935,000	\$3,320,000
Total Forestry Revenue	\$3,778,329	\$2,498,050	\$3,098,050	\$3,145,900	\$3,641,245
<b>FORESTRY EXPENSES</b>					
Forest Renewal Activities	\$0	\$463,050	\$338,970	\$355,918	\$473,714
Forest Access Roads	\$3,342,448	\$2,035,000	\$2,635,000	\$2,935,000	\$3,320,000
Total Forestry Expenses	\$3,342,448	\$2,498,050	\$3,098,050	\$3,145,900	\$3,641,245
<b>FORESTRY NET INCOME</b>	<b>\$435,881</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>OTHER EXPENDITURES*</b>					
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Strategic (annual)		\$950,000	\$450,000	\$450,000	\$550,000
Forest Improvement (annual)					
Forest Contracting (annual)		\$200,000	\$300,000	\$300,000	\$300,000
Infrastructure/Access (annual)		\$950,000	\$450,000	\$450,000	\$500,000
Unforeseen/Contingent (annual)		\$400,000	\$400,000	\$400,000	\$500,000
<b>TOTAL</b>		\$2,500,000	\$1,600,000	\$1,600,000	\$1,850,000
* Allocation not included in financial statements; for earmarking purposes only, strategies/programs to be developed by NPMC					
<b>NET INCOME</b>	<b>\$</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>RESERVE</b>					
<b>Proposed Operating Reserve (cumulative)</b>	<b>\$300,000</b>	<b>\$4,800,000†</b>	<b>\$5,300,000†</b>	<b>\$5,800,000</b>	<b>\$6,400,000</b>

Note: 2016/17 and 2017/18 are for the Big Pic and Pic River; 2018/19 and 2019/20 includes Big Pic, Pic River and White River; 2020/21 includes all SFL's

† Exceeds the minimum operating reserve requirement, NPMC intends to work toward achieving maximum reserve amount within the first decade of operations.

**Nawiinginokiima Forest Management Corporation**  
 Projected Statement of Financial Position  
 Forecasts for Fiscal Years 2016/17 to 2020/21

	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Current Assets</b>					
Cash	\$1,604,617	\$2,512,791	\$2,856,942	\$2,246,712	\$3,879,169
Accounts Receivable	\$2,243,859	\$1,402,895	\$707,307	\$657,756	\$547,078
Inventory	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000
Prepaid Expenses	\$0	\$0	\$0	\$0	\$0
Investment Funds	\$0	\$4,800,000	\$5,300,000	\$5,800,000	\$6,400,000
	\$4,748,476	\$9,615,686	\$9,764,249	\$9,604,468	\$11,726,246
<b>Capital Assets</b>					
	\$175,970	\$215,970	\$515,970	\$815,970	\$1,115,970
Less Depreciation	(116,930)	(231,330)	(351,450)	(477,576)	(606,225)
	\$59,040	(\$15,360)	\$164,520	\$338,394	\$509,745
<b>Obligations &amp; Liabilities</b>					
Current obligations:					
Accounts payable & accrued obligations	\$2,806,152	\$2,373,682	\$2,388,343	\$2,388,820	\$2,406,596
Net assets (including operating reserve*):	\$2,001,364	\$7,226,644	\$7,540,426	\$7,554,042	\$9,829,395
<b>Net Assets Summary</b>					
Unrestricted	\$1,701,364	\$2,426,644	\$2,240,426	\$1,754,042	\$3,429,395
Restricted*	\$300,000†	\$4,800,000‡	\$5,300,000	\$5,800,000	\$6,400,000
Total Net Assets	\$2,001,364	\$7,226,644	\$7,540,426	\$7,554,042	\$9,829,395

\* The size of the operating reserve could vary based on the business needs of the Corporation and will need to be flexible to accommodate changes in the business cycle and/or financial needs of the Corporation.

† Proposed Operating Reserve consists of funds invested per By-law#3 (March 31, 2017 = \$300,000) and funds held by the FFT in trust for NMFC that will be transferred to NFMC operating upon issuance of the SFL. The estimated balance in the Forestry Futures Trust Account for NFMC at March 31, 2017 for the Big Pic and Pic River is \$2,208,000.

‡ Includes funds received from FFT trust account upon transfer of White River SFL.

## Nawiinginkiima Forest Management Corporation

### Projected Statement of Cash Flows

Forecasts for Fiscal Years 2016/17 to 2020/21

	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Cash flows from operating activities</b>					
Excess revenues over expenses	(\$164,313)	\$6,175,280	\$1,913,782	\$1,613,616	\$4,125,354
Amortization of capital assets	\$37,822	\$114,400	\$120,120	\$126,126	\$128,649
	(\$126,491)	\$6,289,680	\$2,033,902	\$1,739,742	\$4,254,002
<b>Change in non-cash working capital</b>					
Accounts receivable	(\$100,154)	\$840,964	\$695,589	\$49,551	\$110,678
Inventory					
Prepaid expenses	\$4,100				
Accounts payable and accrued liabilities	\$352,026	(\$432,470)	\$14,661	\$477	\$17,776
	\$255,972	\$408,494	\$710,250	\$50,028	\$128,455
<b>Cash flows from financing activities</b>					
Capital contributions received	\$0	\$0	\$0	\$0	\$0
<b>Cash flows from investing activities</b>					
Acquisition of capital assets	(\$12,375)	(\$40,000)	(\$300,000)	(\$300,000)	(\$300,000)
Proceeds on sale of capital assets	\$0	\$0	\$0	\$0	\$0
Operating reserve	\$0	(\$4,500,000)	(\$500,000)	(\$500,000)	(\$600,000)
	(\$12,375)	(\$4,540,000)	(\$800,000)	(\$800,000)	(\$900,000)
<b>Cash flow from other activities</b>					
Other Expenditures	\$0	(\$1,250,000)	(\$1,600,000)	(\$1,600,000)	(\$1,850,000)
Other Repayments	\$0	\$0	\$0		
	\$0	(\$1,250,000)	(\$1,600,000)	(\$1,600,000)	(\$1,850,000)
<b>Increase (decrease) in cash</b>	\$117,106	\$908,174	\$344,152	(\$610,230)	\$1,632,457
Cash, beginning of year	\$1,487,511	\$1,604,617	\$2,512,791	\$2,856,942	\$2,246,712
Cash, end of year	\$1,604,617	\$2,512,791	\$2,856,942	\$2,246,712	\$3,879,169

## APPENDIX IA - NFMFC COMPARE 2016-17 ACTUAL VS. FORECAST

Revenue	ACTUAL	BUDGET	VARIANCE	NOTES
Management Fees	521,663	503,040	18,623	volume above budget
Timber Sale Charge	0	1,196,000	-1,196,000	SFL not issued/transferred as planned
Other Revenues	0	300,000	-300,000	budget for MTO road access cost recovery
LFMC Conversion Program	545,983	300,000	245,983	FFT application submitted because SFL not received
<b>Total Revenue</b>	<b>1,067,646</b>	<b>2,299,040</b>	<b>-1,231,394</b>	
<b>Expenses</b>				
Automobile	52,198	74,436	22,238	operations positions not filled
Amortization	37,822	8,648	-29,174	planned asset purchases delayed
Bank & Finance Charges	-8,266	1,500	9,766	recovered AR written off in prior year
Board of Directors	32,435	28,860	-3,575	additional meeting & training costs
Contractor Costs	234,855	395,412	160,557	FMP work completed in house
Forest Certification	43,717	155,000	111,283	FSC only required maintenance audit
Forest Management	148,699	61,800	-86,899	employed contractors to cover operating positions
Capacity Development	45,816	79,400	33,584	FN training delayed because SFL not issued
Insurance	33,850	18,000	-15,850	additional coverage for contents, building, etc
License	40,847	40,296	-551	
Miscellaneous	8,825	12,000	3,175	miscellaneous expenses
Office	68,973	37,700	-31,273	additional costs for GIS supplies, forest tech equipment
Office Lease	35,556	31,200	-4,356	leased storage facility for records & files
Professional Fees	67,951	49,000	-18,951	additional legal & accounting fees re strategic initiatives
Public Relations	41,483	35,926	-5,557	travel and meeting costs
Road Maintenance	101,825	300,000	198,175	road & mileage signs as part of safety improvement
Wages & Benefits	681,254	648,984	-32,270	FMP work done in house added staff
<b>Total Expenses</b>	<b>1,667,840</b>	<b>1,978,162</b>	<b>310,322</b>	
<b>Operating Income</b>	<b>-600,194</b>	<b>320,878</b>	<b>-921,072</b>	

## APPENDIX II - NFMC “Key Financial Assumptions”

### **Wood Sale Volumes:**

- Projected based on a modest recovery in utilization from the currently depressed levels in the management area and is predicated on the forecasted strengthening of key forest product markets.
- Volume forecasts provided by representatives from primary forest product mills based on planned operations and capital investments for 2017-18 and beyond.
- Assumes that MKWA’s planned harvest operations continue during 2018-19 - 2020-21 and Pic Moberg begins in 2018-19 – 2020-21.
- The ability of NFMC to meet the volume projections relies largely on the continued operation of three to four main customers including the AV Terrace Bay pulp mill, WRFPP, Lecours Lumber and Hornepayne Lumber.
- Volume for 2016-17 and 2017-18 from Pic River and Big Pic only, volume for 2018-19 from Pic River, Big Pic River, and White River, volume for 2020-21 from all SFL’s (Pic River, Big Pic River, White River, Nagagami).

### **Sales Revenue:**

- Revenue factors based on the current rates being remitted to the CRF (under CFSA S. 31).
- Management Fee is designed to breakeven against certain operating expenses and will vary on a \$/m<sup>3</sup> basis yearly (based on volume and operating expenses).
- Revenue projections are based on a close approximation of the current cost of wood to industry.
- Revenue for 2016-17 and 2017-18 from Pic River and Big Pic only, revenue for 2018-19 from Pic River, Big Pic River, and White River, revenue for 2020-21 from all SFL’s (Pic River, Big Pic River, White River, Nagagami).
- For open market sales it is assumed that timber sales charges prices in the short term will match the MNRF’s stumpage matrix.
- Residual values are not included in timber sales revenue – NFMC will receive residual values in 2017-18

### **Silviculture Charges:**

- Invoices from contractors sent to Forest Renewal Trust for direct contractor reimbursement.
- Assumes only direct cost recovery (i.e. wages, mileage, etc.) from the Forest Renewal Trust associated with NFMC delivery and management of the silviculture program (applied in Management Fee calculation).
- Assumes the majority of renewal activity (>90 percent) covered by direct contractor reimbursement from Forest Renewal Trust Fund, such activities are not recorded as revenue or expenses.

### **Forest Resource Inventory:**

- Reduction in CRF fees received by NFMC, as per current provincial approach that would see province recover this money through an increase in the FFT charge for a portion of the year. Model assumes the province collects the \$10 million by end of September and the charge would revert back to standard FFT rates effective October 1.

### **Provincial Roads Program:**

- Assumes program continues beyond 2017-18 at the current rate and NFMC receives reimbursements from provincial road program for costs incurred.
- Assumes a direct flow through to harvesters and mills for road construction and maintenance costs

incurred to harvest and haul wood.

- NFMC incurs minor costs related to road maintenance (i.e. beaver removal).

***Start-Up Financing:***

- Assumes the LFMC Conversion Fund balance in the Forestry Futures Trust for the Pic River, Big Pic and White River to be transferred to NFMC in 2017/18 when the licenses are ready for transfer and issuance.
- Assumes LFMC Conversion Fund balance in the Forestry Futures Trust for the Nagagami Forest to be transferred to NFMC in 2020-21 when the license is ready for transfer.
- The balance in the LFMC conversion fund will be put in the NFMC operating reserve when the SFL's are issued/transferred.

***Forest Certification:***

- Forest certification efforts completed on the Big Pic, Pic River, White River Forest and annual maintenance charges required, it is planned to continue. The Nagagami Forest is not certified. If the NFMC chooses to have the forest certified, the certification costs for the Nagagami will likely begin in 2021.

***Staffing:***

- NFMC hired support staff to support operations additional staff/contract service providers may be hired as required. Additional staff may be required to coincide with transition of the SFLs to NFMC.

***Operating Reserve:***

- Funds held by the Forestry Futures Trust are on behalf of the NFMC are considered in the achievement of the operating reserve targets.
- Projections of net operating income do not include contributions to an operating reserve.
- The estimated cumulative operating reserve will be established from available funds not immediately required for operations.

***Strategic Initiatives:***

- Expenditures on strategic initiatives identified in Sections #10 and #12 are not included in the current income statement projections and would need to be funded out of excess revenues identified above.
- The Strategic Initiative Policy will be in place for the 2018-19 fiscal year.

## APPENDIX III - NFMC “Operating Reserve Calculation 2018/19”

<b>Expenses</b>	<b>Budget*</b>
Automobile	\$83,100
Bank Charges	\$2,400
Board of Directors	\$38,580
Contractor Costs	\$687,412
Forest Certification	\$60,000
Forest Management	\$49,800
Capacity Development	\$131,600
Insurance	\$30,095
License & Fees	\$16,000
Miscellaneous	\$12,000
Office	\$73,700
Office Lease	\$38,400
Professional Fees	\$60,300
Public Relations & Travel	\$85,128
Wages & Benefits	\$841,423
<b>Total Expenses</b>	<b>\$2,209,938</b>
Silviculture Recovery-Adjustment	-\$338,970
<b>Net Costs</b>	<b>\$1,870,968</b>

- Does not include costs associated with Industrial Road maintenance and non-cash items (i.e. amortization).
- Operating Reserve based on multiple of Operating Costs target set by the Board (minimum 2x)

## APPENDIX IV - NFMC “2018/19 Risk Analysis Details”

<b>Risk Title</b>	<b>Risk</b>	<b>Key Information</b>	<b>Risk Mitigation Plan</b>
<i>SFL ISSUANCE</i>	<i>SFLs not issued/transferred (or significantly delayed) - Risk that NFMC does not obtain the SFLs as planned and is unable to effectively carry-out its mandate</i>	<b>Category</b> <i>Political Commitment</i>	<i>NFMC held preliminary discussions with Nagagami SFL holder re transfer to NFMC. More discussions will be initiated in 2018-19.</i>
		<b>Impact</b> Minor	
		<b>Likelihood</b> Unlikely	
		<b>Timeline</b> More than 36 months	
<i>License Extension</i>	<i>IFA audit recommendations - Risk that NFMC is unable to address the concerns identified in the IFA and the license is not extended</i>	<b>Category</b> <i>Legal / contractual / compliance</i>	<i>Pic River independent forest audit took place in 2016/17. NFMC is working address issues, develop IFA action plan in conjunction with the MNRF.</i>
		<b>Impact</b> Minor	
		<b>Likelihood</b> Unlikely	
		<b>Timeline</b> 6-12 months	
<i>Objective Achievement</i>	<i>Ability to achieve objects - Risk that strategic plan not completed and business plan does not reflect objectives</i>	<b>Category</b> <i>Accountability/ Governance</i>	<i>NFMC has worked with the MNRF to ensure the SFL Business Plan and Agency Business Plan are comprehensive and meet all the requirements. The plans were submitted and are currently under review.</i>  <i>NFMC developed strategic plan document for distribution.</i>
		<b>Impact</b> Minor	
		<b>Likelihood</b> Low	
		<b>Timeline</b> 12-24 months	
<i>Financial stability</i>	<i>Risk that NFMC is unable to market and sell sufficient volumes necessary to generate revenue for the agency.</i>	<b>Category</b> <i>Accountability/ Governance</i>	<i>NFMC makes available wood to forest industry</i>
		<b>Impact</b> Moderate	<i>Ongoing monitoring of start-up funding available in the LFMC Conversion Program of the Forestry Futures Trust.</i>

<b>Risk Title</b>	<b>Risk</b>	<b>Key Information</b>	<b>Risk Mitigation Plan</b>
		<b>Likelihood</b> Unlikely	<i>NFMC works closely with its customers/harvesters to project and forecast demand and created an annual budget with this input.</i>
		<b>Timeline</b> 12-24 months	<i>Operating reserve established in 2014/15, the reserve is set at \$3,200,000 for YE 2017/18 following issue/transfer BP, PR, WR SFLs.</i>
<i>Ability to meet stakeholder expectations</i>	<i>Risk that this plan and vision will not be achievable or will be inconsistent with original intent</i>	<b>Category</b> <i>Accountability/ Governance</i>	<i>NFMC actively engages with local communities, First Nations and forest industry.  Board members represent communities and stakeholders to communicate to NFMC and back to communities.  NFMC developed strategic plan document with professional publisher for distribution.</i>
		<b>Impact</b> Minor	
		<b>Likelihood</b> Unlikely	
		<b>Timeline</b> More than 36 months	
<i>Ensuring responsible &amp; compliant operations</i>	<i>Risk that NFMC operations are not compliant with applicable rules &amp; regulations</i>	<b>Category</b> <i>Legal / contractual / compliance</i>	<i>NFMC has been working closely with District MNRF and its contractors and service providers, including regular meetings with these parties, to ensure requirements are met. NFMC has established a governance committee through the board.</i>
		<b>Impact</b> Minor	
		<b>Likelihood</b> Unlikely	
		<b>Timeline</b> 12-24 months	
<i>Contractual compliance</i>	<i>Risk associated with NFMC entering into various agreements and contracts with third party service providers to facilitate forestry operations including forest management, harvesting, renewal and road building</i>	<b>Category</b> <i>Legal / contractual / compliance</i>	<i>NFMC has a retainer for outside legal support and in specific instances NFMC has obtained outside legal and financial advice.</i>
		<b>Impact</b> Minor	<i>NFMC is working closely</i>

<b>Risk Title</b>	<b>Risk</b>	<b>Key Information</b>	<b>Risk Mitigation Plan</b>
		<b>Likelihood</b> Unlikely	<i>with MNRF to ensure appropriate internal policies and procedures are in place to support efficient operations and appropriate use of Crown revenues consistent with objects and the OFTMA.</i>
		<b>Timeline</b> 12-24 months	
<i>Government reporting requirements</i>	<i>Risk that NFMC fails to fulfill government reporting requirements</i>	<b>Category</b> <i>Accountability/ Governance</i>	<i>NFMC is continually developing and improving reporting procedures and mechanisms. NFMC working with MNRF to ensure it is meeting expectations.</i>
		<i>Impact</i> Minor	
		<b>Likelihood</b> Unlikely	
		<b>Timeline</b> 6-12 months	
<i>Financial reporting</i>	<i>Risk that internal policies and structure is insufficient to protect interests of the NFMC and MNRF.</i>	<b>Category</b> <i>Accountability/ Governance</i>	<i>NFMC is continually developing and improving reporting procedures and mechanisms. NFMC working with MNRF to ensure it is meeting expectations.</i>
		<i>Impact</i> Minor	
		<b>Likelihood</b> Unlikely	
		<b>Timeline</b> 6-12 months	
<i>Market</i>	<i>Risk that the demand for wood will impact on cash flow</i>	<b>Category</b> Operational	<i>NFMC works closely with its customers/harvesters to project and forecast demand and created an annual budget with this input.</i>
		<i>Impact</i> Moderate	
		<b>Likelihood</b> Unlikely	
		<b>Timeline</b> 12-24 months	
			<i>NFMC monitors/updates throughout the year.</i>
			<i>Operating reserve established in 2014/15; with a balance of \$300,000; \$2,800,000 YE 2016/17 and \$3,200,000 by YE 2017/18 following</i>

<b>Risk Title</b>	<b>Risk</b>	<b>Key Information</b>	<b>Risk Mitigation Plan</b>
			<i>issue/transfer BP, PR, WR SFLs.</i>
<i>Contractor risk</i>	<i>A major contractor unable to supply mills</i>  <i>The limited harvester base on the NFMC management area presents some downside risk to NFMC. NFMC relies upon one primary contractor</i>	<b>Category</b> Operational	<i>NFMC continues to support contractors and work to attract new contractors. NFMC has initiated strategic initiatives aimed at increasing the contractor base on the landbase. NFMC will continue to work with mills to ensure it is competitive.</i>
		<i>Impact</i> Moderate	
		<b>Likelihood</b> Possibly	
		<b>Timeline</b> 6-12 months	
<i>Stumpage Risk</i>	<i>Customer mills unable to pay stumpage arrears</i>  <i>Monthly stumpage bills are approximately \$400,000 (includes FRT, FRI, FFT fees).</i>	<b>Category</b> Financial	<i>NFMC Monitoring customer payments/balance consistent with accounts receivable policy. NFMC looking for new customers to spread risk and reduce reliance on a few large customers. NFMC also established an operating reserve.</i>
		<i>Impact</i> Moderate	
		<b>Likelihood</b> Possibly	
		<b>Timeline</b> 12-24 months	
<i>Public relations</i>	<i>Risk of ENGO or other interest groups negatively targeting NFMC.</i>	<b>Category</b> Public Image	<i>NFMC maintains FSC certification.</i>  <i>NFMC works hard to ensure that the interests of the local First Nations, local communities and local forest industry are being considered and addressed</i>
		<i>Impact</i> Moderate	
		<b>Likelihood</b> Possibly	
		<b>Timeline</b> 0-12 months	
<i>Development of IT infrastructure</i>	<i>Risk of data loss or security breach impacting critical systems.</i>	<b>Category</b> <i>Information and Information Technology</i>	<i>NFMC has a procurement policy that is applied to tendering for services from qualified vendors with established IT infrastructure.</i>  <i>NFMC has established measures such as data back up and security. Proper data management procedures are used on an Ongoing basis.</i>
		<i>Impact</i> Minor	
		<b>Likelihood</b> Unlikely	
		<b>Timeline</b> 12-24 months	
<i>Attracting talent</i>	<i>Attracting and retaining</i>	<b>Category</b> <i>Workforce/Skill</i>	<i>NFMC has established an</i>

Risk Title	Risk	Key Information	Risk Mitigation Plan
	<p><i>qualified employees and/or service providers that meet the intent of supporting locally based economic development may be difficult given the remote location of the management area</i></p>	<p><i>Shortage</i></p>	<p><i>HR committee whose mandate includes reviewing compensation to ensure NFMC remains competitive and is able to attract skilled employees.</i></p>
		<p><i>Impact Moderate</i></p>	<p><i>The agency has also used professional services for recruitment support, in addition to the strategic use of contractors.</i></p>
		<p><b>Likelihood</b> <i>Likely</i></p>	
		<p><b>Timeline</b> <i>12-24 months</i></p>	<p><i>NFMC has recognized the needs to grow skills internally and is preparing for this through staff training and development.</i></p>