

# **Nawiinginokiima Forest Management Corporation**

## **AGENCY BUSINESS PLAN**

**for the period**

**2019-20, 2020-21 and 2021-22**

# **Nawiinginokiima Forest Management Corporation**

## **Agency Business Plan**

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## **1.0 Executive Summary**

Nawiinginokiima 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 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 – management fees charged on wood deliveries to mills and timber sales charges that are the former consolidated revenue fund (CRF) portion of stumpage from the wood harvested.

## **Mandate**

The Nawiinginokiima Forest Management Corporation (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 Local Forest Management Corporation (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 licenses and 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 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 the NFMC as follows:

- Manage Crown forests sustainably in accordance with the CFSA, including the development and implementation of forest management plans (FMPs). FMPs have to fulfil the requirements of the CFSA's three regulated manuals; the Forest Management Planning Manual (FMPM), the Forest Operations and Silviculture Manual (FOSM) and the Forest Information Manual (FIM).
- 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 a 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 (MNR) on matters related to the forest industry and forest sector.
- Collect, maintain, and provide Crown timber sales and pricing information.
- Obtain Sustainable Forest Licenses (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 MNR and the NFMC Board of Directors clarifies the roles, responsibilities and operating relationships, consistent with the OFTMA and the Agency Accountability Directive (AAD).

The NFMC underwent a mandate review in 2017-18 and did not receive a mandate letter for 2019-20. The NFMC is waiting for the results of the mandate review to help identify areas of focus for the future. The NFMC will continue to source its mandate from the OFTMA until mandate review report and next mandate letter.

## **Environmental Scan**

The University of Michigan's monthly survey of United States (U.S.) consumer confidence rose to a six-month high in September 2018 and is near the highest level since 2004, the latest sign of growing confidence in the economy. The U.S. economy grew at a faster-than-expected rate in the third quarter of 2018 as inflation was kept in check and consumer spending surged, according to data released by the U.S. Commerce Department. Gross domestic product (GDP) expanded by a 3.5 percent annual rate. Economists polled expected the economy to expand by a 3.4 percent annual rate. The Federal Reserve forecast three more years of economic growth for the U.S. These positive projections may not materialize as recent stock market activity suggests that the U.S. economy could be facing challenges in the new year as factors such as trade disputes impact the global economy.

However, the pace of Canadian economic growth is in the process of slowing. During the recovery and expansion since the last recession, consumers and real estate have been fueling much of Canada's gains. However, consumers are now heavily indebted, and real estate affordability has deteriorated, particularly in Canada's largest urban centres. After expanding by 3 percent in 2017, growth this year will drop towards 2 percent. In 2019, the economy is expected to deliver a gain of less than 2 percent and growth could drop down to 1.4 percent in 2020. Some economists are predicting even lower growth rates if the factors impacting the oil and gas sector and other natural resources are not solved.

The United States is still by far the biggest foreign market for Canada's forest products, accounting for nearly two-thirds of all exports last year. The softwood lumber market has cooled from the highs of 2017 and early 2018 and is predicted to drop even more in 2019. With the lower prices the concerns over the lack of a Softwood Lumber Agreement have become more pronounced. The demand for housing in the US is expected to keep lumber shipments steady but what is less certain is how much of the softwood tariffs Canadian mills can continue to pass on to customers or absorb themselves. Overseas markets are also down, specifically China, and have not been able to absorb production that would have gone to the US. In late 2018 and early 2019 mills in Western Canada have taken downtime but so far the mills in the management area have remained open and no shutdowns have been announced.

Price trends for conifer chips have shifted in varying directions, and traders expect factors to persist. Chip prices in Eastern Canada have mostly trended downward in recent years. Prices hit a record-low for oven dry metric ton in the first quarter, according to data from Wood Resources International. Several factors have kept chip prices in Eastern Canada low: more chips due to increased production, fewer pulp and paper mills to purchase chips on the open market, and a lack of alternative uses. Those factors are still present, with the added new complication of newsprint tariffs.

The pulp, paper, and paperboard market were once again in flux, as 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 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.

During 2018 the prices of Northern Bleached Softwood Kraft (NBSK) climbed to levels not seen in more than a decade. The high prices and low Canadian dollar resulted in a strong performance by AV Terrace Bay. In the upcoming years prices are expected to decline from current highs but remain healthy. AV Terrace Bay continues to be the most important facility impacting the financial performance of NFMC due to the amount of wood supply the mill consumes and the lack of alternative consumers who could compensate for the loss of such a large volume of demand for local wood supply. The operation of the pulp facility in Terrace Bay is also highly important to the sustainable operation of area sawmills as it serves as the primary destination for residual sawmill chips, without a market for their chips sawmills may be forced to close.

The outlook for forest biomass is less favourable as the new provincial government, faced with unsustainable deficits, eliminated subsidies for the use of renewable energy put in place by the previous government. Using forest biomass for combined heat and power was seen as a potential market for unmerchantable fibre while providing local communities with green energy. The movement away from renewable energy will translate into decreased demand for previously unmerchantable fibre produced by harvesting activities. Also, the sale of biomass on the management area will continue to be restricted by distance from market as the major users can access supply from mill residuals or closer SFLs. The NFMC will work with contractors and facilities to see how they can supply existing users (AVTB, Atlantic, Hornepayne Power) and support new facilities that may be proposed.

In 2018, Canada, the U.S. and Mexico signed the United States, Mexico and Canada Agreement to replace the North American Free Trade Agreement, however, it did not solve the issues related to softwood lumber that have persisted for more than a century. The impact of the latest round of the softwood lumber dispute is uncertain as no agreement has been negotiated between the U.S. and Canada. The preliminary countervailing duty on Canadian softwood lumber shipments to the U.S. has been in place since April. The industry has been able to pass those costs on to customers, so far, but this may not continue in 2019 and beyond. 2017 and 2018 were banner years in the softwood lumber industry, with prices of nearly 300 items setting records. The current prices are below record levels but are still expected to remain high, as long as housing starts are strong. The local industry is also helped by the weak Canadian dollar which is expected to remain around \$0.70 (USD) for the next year or longer. One challenge facing the industry is transporting its goods to market. The forest industry is forced to compete with other resource sectors for finite rail resources. Much of the material shipped from area sawmills use tractor trailers a substantial portion uses rail. In addition, if other mills are forced to shift to tractor trailer from rail it will put pressure on the available fleet.

The provincial government changed during 2018 and the new government is taking action to reduce the Province's deficit, in an effort to make Ontario more affordable for individuals, families and businesses, and making Ontario "open for business." The new government inherited a \$15 billion deficit from the previous government and is taking steps to eliminate the structural deficit and all spending is under review. Broad spending cuts are expected in coming years. The impact on the NFMC is uncertain as it generates its own income to support operations. The cuts may affect the MNR as well as the Provincial Forest Access Roads Program (PFARP) that helps support the NFMC. However, specifics are unknown at this time.

The government is developing a strategy to increase housing supply quickly and responsibly, so that more quality, affordable places to live will be available for Ontarians which in turn should increase demand for Ontario lumber. Under the leadership of the Minister of Energy, Northern Development and Mines, the Green Energy Act is being repealed which should reduce electricity costs which are one of the biggest challenges for the forest sector.

The government has introduced the Making Ontario Open for Business Act which will repeal parts of Bill 148 and reduce red tape. Ontario is currently burdened with approximately 331 statutes and more than 380,000 regulatory requirements. The government is planning to work with private-sector partners to expand natural gas and broadband networks to rural and remote communities in Northern Ontario. The government is also planning to develop the Ring of Fire working directly with First Nation partners (including communities adjacent to the NFMC management area) in order to realize the benefits.

These business-friendly actions are expected to lead to increased economic activity on the NFMC's management area.

## **Strategic Directions**

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 the 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.

The NFMC is also investigating other opportunities such as enhanced planning and Forest Resource Inventory (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.

The 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 Investments Policy (SIP). The NFMC has a mandate that goes beyond forest management activities and includes initiatives aimed at supporting the forest industry and communities. The 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 management area.

The NFMC has successfully established its operating reserve and will now look at launching strategic initiatives, especially those supported by local communities. The NFMC has developed a policy to help inform its investments known as strategic investments. The SIP 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 (GM). The 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 GM through correspondence with the proponent.

The NFMC will begin to review its current capital assets to assess their life cycle. The Board has proposed a strategic review of assets, especially forest access roads. The NFMC management area has a number of roads, bridges, and culverts that have been in place for decades and the NFMC needs to plan for their replacement or develop a maintenance schedule to prolong their life.

One initiative that the NFMC is investigating the purchase of the Fry Road. The Fry Road is a major road on the Pic Forest that links operations and mills along the length of the forest unit. The road is currently owned by Buchanan Forest Products (BFP) who are allowing contractors on the forest to use the road, but they have indicated that they will stop access unless an agreement can be reached. The NFMC recognizes the importance of the road to the local industry and is interested in acquiring the road. The NFMC and BFP have held discussions and are close to an agreement, however, the road acquisition is on hold until the MNRF completes a review to determine if the NFMC is allowed to acquire the road under the OFTMA.

One of the mandates of the NFMC is to advise the MNRF on matters related to the forest industry and forest sector. The Big Pic and Pic River Forests are in the final year of an extended contingency plan that was intended to bridge operations until a new FMP for the amalgamated units would be ready for April 1, 2019. Despite the best intentions from NFMC and MNRF staff the new FMP will not be approved for April



1, 2019, as a result the NFMC, like almost all SFL holders struggling with the requirements under the FMPM, is completing a contingency plan (CP) and FMP. The NFMC will work with the MNRF and suggest ways to improve the FMP process so that plans can be completed on time and at a reasonable cost while ensuring sustainability.

## Overview of Current and Future Programs and Activities

The management area is comprised of four forest management units (FMUs): the Big Pic, Pic River, White River and Nagagami Forests. This area encompasses approximately 1.9 million hectares of productive Crown forest with an annual available harvest volume of 2 million m<sup>3</sup> of merchantable fibre and 435,000 m<sup>3</sup> of biomass fibre annually based on current FMPs. At the start of 2019-20, the Big Pic and Pic River will be amalgamated to form the Pic Forest, coinciding with a new CP. Currently, the NFMC manages the White River Forest and the Pic Forest; leaving only the Nagagami Forest not under NFMC control at the beginning of the business plan.

The NFMC has a MOU with the MNRF. The MOU outlines the responsibilities of the Minister, Deputy Minister, Chair of the NFMC, the Board, and the GM. The GM is accountable to the Board, through the Chair, for the management of the Agency's operations and staff, while ensuring compliance with all applicable Acts, regulations and directives. The Board, in turn, is accountable to the Minister, through the Chair, for oversight and governance of the Agency, setting goals, objectives and strategic direction for the Agency, also while ensuring compliance with all applicable Acts, regulations and directives.

The current NFMC Board includes representatives from Manitouwadge, Marathon, White River, Pic Moberg First Nation, Hornepayne and a member-at-large who broaden its functional knowledge base and experience. The Board is awaiting a recommendation from Pic River First Nation to fill its vacant seat on the Board. There are members of the public that have applied for membership to fill currently vacant positions who are undergoing review pursuant to the public appointments process. This process is time consuming however the NFMC hopes that the new members will be added to the Board during 2019-20. The NFMC is diligent in identifying potential individuals that could make a contribution to the Agency and serve as a Board member either representing their home community or as a member at large.

**Table 1. Current NFMC Board Members**

Member Name	Position	Community	Tenure
Grant Goodwin	Chair	Manitouwadge	30-Jun-2016 - 29-Jun-2019
Fraser Dunn	Vice-Chair	Member-at-large	30-Jun-2016 - 29-Jun-2019
David Giuliano	Member	Marathon	22-Jun-2016 - 21-Jun-2019
Julie Roy-Ward*	Member	Hornepayne	04-Nov-2015 - 03-Nov-2018
Tina Forsyth	Member	White River	28-Jun-2017 - 27-Jun-2020
Donald Fry	Member	Pic Moberg First Nation	28-Jun-2017 - 27-Jun-2020

\* Has applied for re-appointment for a second Board term

The NFMC has brought training opportunities to the Board based on identified needs or governance requirements as well as the specific requests of individual members. The NFMC will continue to work with the MNRF to ensure governance requirements for new and existing members are met annually. In addition, Board members have the opportunity to request specific training at any time and training requirements are discussed regularly at Board meetings.

The NFMC's current management recognize the need for trust and transparency when dealing with communities and its forest industry partners such as making presentations to municipal Councils, Chief and Council, and local citizen committees (LCC), holding regular operations meetings with contractors and mills to develop harvest plans, and consulted the forest industry in developing the budget for the upcoming year.

The recovery in lumber and pulp prices served to spur softwood demand in the region. In 2017-18, the NFMC management area supplied over 516,000 m<sup>3</sup> of wood to its six main customers from the Pic River and Big Pic plus 170,000 m<sup>3</sup> from the White River following the license transfer starting in January 2018. The volume in 2018-19 will be lower since the operations are in the final year of its contingency plan (CP) that was designed to bridge operations to allow for the amalgamation of the Big Pic and Pic River forests and as a result the available harvest area is more constrained with fewer options for contractors. The available volume is expected to recover with the new CP that commences in 2019-20 and follows the new Long-Term Management (LTMD) direction. The strong commodity prices and demand are expected to continue through 2019-20 which will sustain demand at the high levels from 2015-17. The high prices presented the NFMC with an opportunity to send volumes to mills outside the region to test the market. This experience will prove useful once the NFMC begins open market sales following approval of the new CP in 2019. The NFMC is moving forward on strategic initiatives to increase contractor capacity, specifically through arrangements that support local and First Nation economic development.

The NFMC will continue to establish best practices in forest management, health and safety, finance and LFMC management. The NFMC will disseminate its best practices as it shares its practices and experiences with stakeholders. To date, the NFMC has concentrated its efforts on Health and Safety. The NFMC's Health and Safety Program has received and maintained its Safe Work Ontario certification via Workplace Safety North, established a program to standardized forest access road signage and radio use protocol to ensure forest roads are as safe as possible for all users. As the NFMC continues to absorb responsibilities for the White River Forest, it will expand its standardized forest access road signage and radio use protocol to that forest.

## **Resources Needed to Meet Goals and Objectives**

Since its inception the NFMC has striven to establish a strong foundation to allow it to move forward with its objects and mandate to support local and aboriginal economic development. As the NFMC was issued three SFLs in 2017-2018 and has established an operating reserve it will be in a stronger position to act on the community engagement component of its mandate. The GM and Board have made efforts to meet with community leaders and their Councils to provide updates on the NFMC and its operations. These meetings and updates took place during the year and include formal activities such as presentations to municipal and First Nation Councils as well as informal activities such as meetings and phone calls.

The NFMC has supported initiatives that would benefit the Big Pic and Pic River forests. With the transfer of the White River SFL, the NFMC is now in a position to provide the long-promised assistance to Pic Mobert First Nation to increase their forestry capacity. The NFMC has also taken a positive approach in the development of its Procurement Policy with provisions for local and Aboriginal based businesses.

During the coming years, the NFMC will continue to engage with First Nations, communities and other key stakeholders to develop meaningful strategies and programs to achieve the objects of the Agency’s mandate.

The NFMC will continue to establish appropriate mechanisms and structures to ensure ongoing activities associated with forest management planning, forest renewal and forest operations including harvesting and road construction and maintenance.

The Pic Forest and White 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 NFMC indicates that this strategy has largely been maintained even through the recent economic downturn. The NFMC plans to continue this strategy with the planting stock already in place for the 2019 season. As part of the silviculture review, the NFMC will develop options to treat/retreat stands that do not meet the planned renewal objectives.

The majority of renewal activities will be charged directly to the Forest Renewal Trust (FRT) account for direct contractor reimbursement. The NFMC will seek reimbursement from the FRT for its direct expenditures on items such as wages for its Silviculturalist, summer students, gas for vehicles and ATVs, supplies and equipment, etc. that it pays for. Starting in 2018-19, the NFMC will not seek reimbursement for administrative overhead items from the FRT (in past years NFMC collected 10% of amounts invoiced to FRT to cover administrative costs associated with the renewal program). For 2019-20, the NFMC has requested the renewal rates remain at \$4.75/ m<sup>3</sup> for spruce, pine, fir (SPF) and \$0.50/ m<sup>3</sup> for poplar and birch on the Pic forest. The NFMC requested renewal rates of \$4.25/ m<sup>3</sup> for SPF and \$1.00/m<sup>3</sup> for poplar and birch on the White River forest for the same period. The rates for 2020-21 and beyond will be determined based on the forest renewal charge process in consultation with MNRF’s Wawa district and Northeast region.

In order to accomplish its goals and objectives the Agency has access to several sources of revenue which are summarised in Table 2 below. It is important to note that some of these sources of revenue such as the PFARP, the FRT, and the Forestry Futures Trust (FFT) are designated for specific purposes and are not generally available to NFMC to cover its day-to day costs and expenditures. While the NFMC will be responsible for the management and implementation of these Programs on its management area, the Agency will only be able to access funding to support eligible costs that it has incurred specifically for the delivery of these Programs.

**Table 2. Financial Resources Available to the NFMC**

Resource	Details	NFMC goals and objectives	Funds Available
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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. \$3.8 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 assets</li> <li>○ Sustainable forest management</li> </ul>	○ Approx. \$4 million
Provincial Forest Access Roads Program	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>	<ul style="list-style-type: none"> <li>○ TBD per the MNRF's PFARP 2019-20 expected to be consistent to 2018-19 levels (per MNRF)</li> <li>○ Approx. \$2 million</li> </ul>
Industrial Road Maintenance Agreement	The NFMC has signed an agreement with the Ministry of Transportation 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

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. NFMC will operate under a revenue model where the price it charges for Crown timber is determined by market factors. 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. The value of the Crown timber stumpage, 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 Big Pic and Pic River SFL's were issued to NFMC in June 2017 and White River was transferred to NFMC in January 2018. The LFMC conversion fees stopped flowing into the FFT for these forests and the NFMC became responsible to set price and collect funds directly from the receiving mills. 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.

NFMC will also generate revenues directly from Management Fees from the White River, Big Pic and Pic River management units. The revenue from management fees is expected to be over \$700,000 per year. 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 2019-20 is expected to be \$0.80 per m<sup>3</sup> down from \$0.96 per m<sup>3</sup> 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 NFMC management and operational synergies can be achieved.

#### 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 NFMC is planning to spend more than \$4 million on renewal and support activities for 2019-20 on the Pic and White River Forests. The major activities are tree planting, site preparation and herbicide application. The NFMC is planning to plant more than 6 million trees per year to renew the forest. 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. The MNRF has committed to maintaining the 2019-20 funding level at same level as 2018-19 in the upcoming budget. The NFMC manages over \$2 million in roads funds that are used to maintain or construct hundreds of kilometres of primary and branch roads on three SFLs. The capital spending on the forest exceeds \$600,000 and the rest of the funds are used to maintain existing roads. Future funding levels are unknown but NFMC and its partners will ensure the government knows how valuable the program is and the importance of maintaining funding. The NFMC has identified forest

access investments in its strategic initiatives program that will reduce some of the impact should the ministry stop funding the program. The loss of funding will have a negative impact on the industry on the NFMC landbase, just as it will on other units.

#### 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 re-imbusement of costs incurred, including staff time. The NFMC will spend approximately \$300,000 per year on maintenance to keep the road open. The NFMC utilizes a local First Nation contractor to perform road maintenance and provide an economic opportunity to the First Nation's community. The NFMC added a section to its website that allows the public to view the travel condition of the Industrial Road, it also allows them to identify areas that may need maintenance.

The NFMC's staffing is based on operational roles. The Operations Manager and Planning Forester are overseeing the preparation of the new FMP plus all the other requirements of the various manuals such as the Annual Work Schedule (AWS), Annual Report (AR) and compliance report preparation. The Forestry Technician is responsible for the oversight of harvesting and road construction activities on the Agency's management area. The Silviculturalist plans and oversees the renewal activities on the management area. The Silviculturalist ensures that the NFMC management area meets the forest renewal and sustainability requirements set out by the MNRF as well as third-party certification programs (i.e. the Forest Stewardship Council (FSC®)). These staff report to the Operations Manager and are supported by the NFMC's Geographic Information Systems (GIS) Technicians in managing the Big Pic and Pic River SFLs. For the White River SFL, in 2018-19, these tasks were carried out by an independent contractor under the supervision of White River Forest Products (WRFP). The NFMC is evaluating this model and determine what changes will be required to fit the White River SFL under the NFMC's umbrella as staff and a satellite office are added in White River.

The biggest challenge facing NFMC's operations staff in 2019-20 will be the completion of the Pic Forest FMP. In 2017-18, the NFMC began the process of preparing the amalgamated FMP for the Big Pic and Pic River forests. CPs were prepared to cover 2017-19 and align the two schedules. The amalgamated FMP was delayed and will not be completed until after April 1, 2019. Consequently, the NFMC is preparing a CP for 2019-21 to ensure operations continue on the forests. It is important to note, that the CP does not affect the target date for amalgamating the forests and the formal creation of the Pic forest is planned for April 2019.

With the issuance and transfer of the Big Pic, Pic River and White River SFLs, the NFMC revenues are derived from the sale of Crown timber from the management area. The Agency 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 was allocated to build up an operating reserve as a hedge against market

downturns. The NFMC has met its operating reserve targets and now has resources for other components of its mandate (see detailed financial statements, Appendix I).

One of the components of the NFMC's Strategic Plan that will be implemented in 2019-2022 is the development of a pricing structure for open market timber sales. The pricing structure to take into consideration all market and sales opportunities that the NFMC wishes to explore. The NFMC has identified potential areas for open market sales through the planning process. The NFMC is still awaiting MNRF approval of its Open Market Sales Policy but hopes to attempt its first open market sales in 2019. The NFMC will establish a process to market its products in an open, transparent and fair manner while following all policies, procedures and guidelines established for the NFMC.

Once the Open Market Sales Policy is approved by the MNRF, the NFMC will begin the Open Market process which will include a pricing structure that will establish for both delivered and 'on-the stump' sales. 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, the 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 Crown Forest Sustainability Section 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.

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

The NFMC is an operational enterprise Agency with a Board of Directors and GM 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, the 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 TB defines risk assessment as “at a minimum, analyzing 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 3 below provides a summary of the key risk elements.

**Table 3. Risk Elements Summary**

<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>Independent Forest Audit’s (IFA) 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 the NFMC’s 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>Financial stability - Risk that reduction in outside funding impacts NFMC’s ability to deliver/implement forest management activities</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 the 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 the NFMC fails to fulfil government reporting requirements.</i>
<i>Accountability /</i>	<i>Financial reporting - Risk that internal policies and structure is insufficient to protect</i>



<b>Risk Title</b>	<b>Risk Description</b>
<i>Governance</i>	<i>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 environmental non-governmental organization (ENGO) or other interest groups negatively targeting the NFMC.</i>
<i>Information 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, the NFMC completes its Risk Assessment Report and Risk Management Plan and submits it to the MBC according to the Guide to the Risk-Based Approach in the *Agency Establishment and Accountability Directive (AEAD)*. The NFMC also provides quarterly updates of its risk assessment via the MNRF.

#### Liability Protection and Insurance

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

#### 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 has set a goal to increase the operating reserve above the minimum level in each year of the Business Plan. 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 operating reserve at the end of 2019-20 is planned to reach \$5.4 million as the NFMC seeks to exceed the minimum. The operating reserve is expected to increase to approximately \$6.4 million in 2020-21 and the NFMC plans to keep increasing the reserve in subsequent years as it attempts to achieve the maximum reserve within the first decade of operations. It should be noted that unforeseen events may impact the NFMC's goal to increase the operating reserve. The NFMC has set aside money in the budget to address unforeseen events and developed an Unforeseen Events Policy and the Board may be forced to alter direction during the term of this Business Plan or in subsequent years.

### Environmental Policy

The NFMC recognizes environmental protection as one of our guiding principles and a key component of sound business performance. The Board of Directors developed an Environmental Policy in June 2013. As part of the NFMC's Environmental Policy, an ongoing commitment was made to providing quality forest products and related services in a manner that ensures a safe and healthy workplace for employees and minimizes the potential impact on the environment. In addition, the NFMC will continue to operate in compliance with all relevant federal, provincial and municipal environmental legislation and strives to use pollution prevention and environmental best practices.

Obtaining and maintaining 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 a third-party certification system. The NFMC is currently FSC® certified on the Big Pic Forest, Pic River Forest and the White River Forest. The certification will be applied to the Pic Forest in 2019 following the amalgamation of the Big Pic and Pic River and successful audit. The NFMC has developed a strong relationship with the FSC® community and is proactive in its forest management and has volunteered to be a pilot of the new FSC® standards which should be released in 2019; this helped the NFMC get ahead of the curve and prepared it for future requirements.

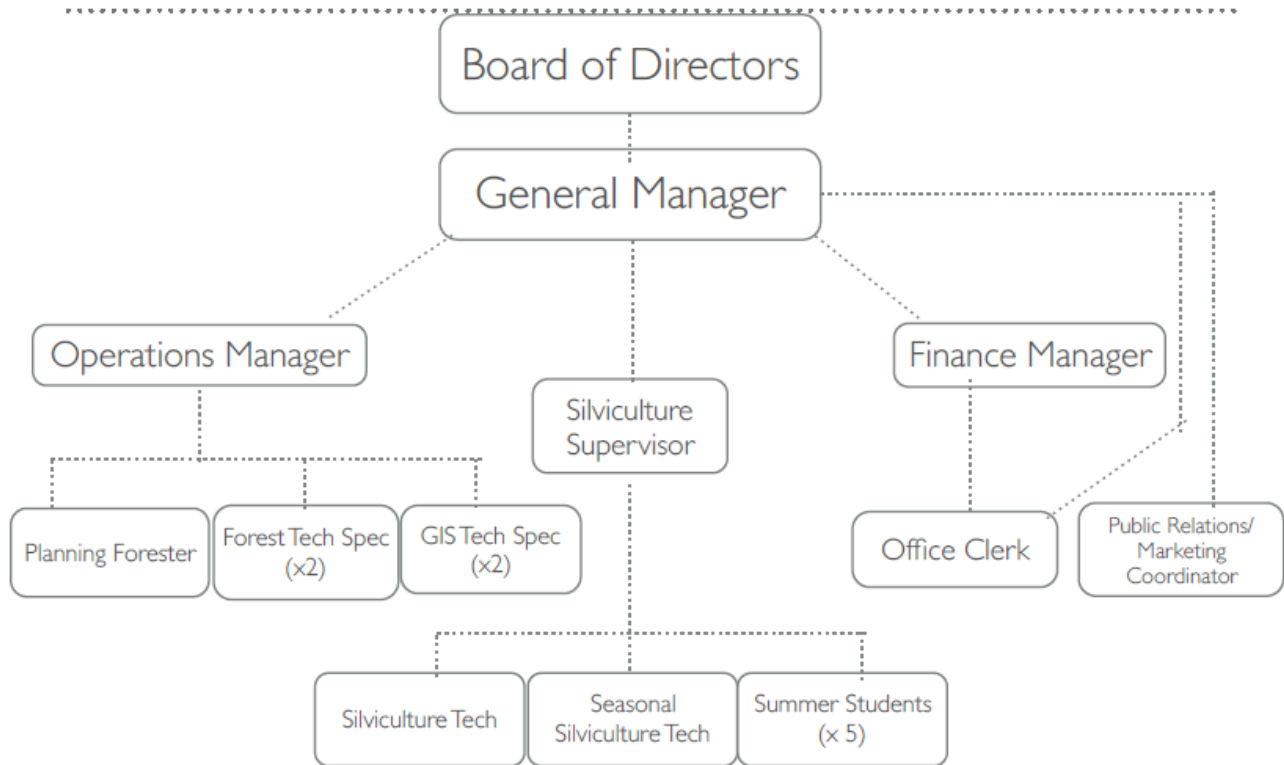
### **Human Resources and Staff Numbers**

The NFMC is a Crown Agency established by the province of Ontario. The NFMC is an operational enterprise and is exempt from income taxes under the Income Tax Act. The 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 has developed internal human resources policies (i.e. overtime, travel, etc.) that are Board approved. In addition, the NFMC has recognized that there is a large pool of knowledge available from consultants/service providers/subject matter experts it can draw from. The NFMC will continue to use consultants for specialized tasks where the NFMC's staff may not be experienced or have the resources to complete.

There is an internal need to take on marketing responsibilities such as logo rollout, strategic initiatives, wood sales, use of social media platforms, website transformation, public outreach to local students and

residents, etc. The NFMC plans to fill a Public Relations position in early 2019 with the intent of the aforementioned duties being tasked to the new employee. The NFMC plans to increase staffing levels in 2019 in order to handle the additional responsibilities of the White River forest as well as achieve its objects as outlined in the OFTMA. The additional staff will help support the activities of forest management, marketing and selling of wood, and forest compliance-tasks now performed by contractors. The organizational structure for the NFMC has been designed to be scalable and flexible to accommodate the needs of the Agency as SFLs and associated responsibilities are assumed. The use of contractor staff versus full-time NFMC employees is constantly being evaluated.

**Figure 1. NFMC Organizational Chart at April 1, 2019**



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

The management of the NFMC is committed to the health and safety of its employees and all who are involved in forestry and silviculture operations on its management area. The NFMC provides First Aid and other health and safety training for its staff. The NFMC is also committed to having an accident-free workplace through effective administration, education and training of its staff and contractors. To honor these commitments and to comply with provincial legislation and the Occupational Health and Safety Act (2018), the NFMC’s comprehensive Health and Safety Program was audited and endorsed by Workplace Safety North in 2015. The NFMC considers its Health and Safety Program an evergreen document and

continues to update it as required to ensure continued employee and contractor safety on its management area. To further cement its Health and Safety Program and promote safe work practices in forestry, the NFMC has established a partnership with Workplace Safety North to provide complimentary health and safety training to the various stakeholders on its management area. The NFMC provides financial support to its contractors that require health and safety training for its employees.

## Performance Measures

The 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 4.

**Table 4. 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 per audits/certification standards, etc.?</li> <li>- Has the renewal program met or exceeded the commitments made in the approved FMP?</li> <li>- Has NFMC invested in research and development to improve forest management?</li> </ul>	<p>Pic and White River forests certified by 2019-20; Nagagami 2021-22</p> <p>Favourable audit findings</p> <p>Development spending, memberships in organizations such as the Forest Research Institute of Canada</p> <p>Support for education</p>
Becoming financially self-sufficient	<ul style="list-style-type: none"> <li>- Does the Agency have sufficient cash flow to support its operations?</li> <li>- Has an appropriately sized operating reserve been established?</li> <li>- Has value for money been realized when spending taxpayer dollars?</li> <li>- Are accounts receivable collected in a timely manner?</li> </ul>	<p>\$200,000 to \$500,000 of free cash flow</p> <p>At least \$5.4 million operating reserve by year end 2019-20 (up to \$6.4 million)</p> <p>No aged accounts receivable listing beyond 90 days</p>
Extending scope of usage	<ul style="list-style-type: none"> <li>- Have commitments volumes been made available and/or utilized?</li> <li>- Has wood been made available to new entrants? How much?</li> <li>- Has the NFMC moved closer to a more economically efficient system for wood allocation and pricing?</li> <li>- Has utilization of available timber over operational period improved and/or new markets been developed?</li> </ul>	<p>100 percent of commitment volume made available</p> <p>Percentage of wood made available to open market customers</p> <p>Positive utilization trends</p>
Meeting governance requirements	<ul style="list-style-type: none"> <li>- Have government directives been followed (i.e. the AAD) <ul style="list-style-type: none"> <li>- Completion of Annual Business Plan</li> <li>- Risk Assessment Evaluation</li> <li>- Annual Report</li> </ul> </li> </ul>	<p>All reports submitted on time</p> <p>Posting of reports to Agency website</p>

Goal	Performance measure	Standard/Target
	<ul style="list-style-type: none"> <li>- Board training as directed</li> </ul>	
	<ul style="list-style-type: none"> <li>- In addition to the AAD, all classified agencies must adhere to               <ul style="list-style-type: none"> <li>- Accountability Directive</li> <li>- Advertising Content Directive</li> <li>- Delegation of Authority Key Directive (MOF)</li> <li>- Government Appointees Directive</li> <li>- Travel, Meal and Hospitality Expenses Directive</li> </ul> </li> </ul>	100 percent compliance with directives  Development of relevant NFMC policies  Creation of NFMC Governance Committee to report to Board
Building new local forest related industry	<ul style="list-style-type: none"> <li>- Have local economic development opportunities been created/supported by NFMC operations?</li> <li>- Responsive to new local non-timber business initiatives that may come forward</li> </ul>	Increase in number of mills, volume, number of customers from 2012 levels
Establishing a new baseline for First Nation engagement	<ul style="list-style-type: none"> <li>- How have communities' interests been represented by NFMC operations and decisions?</li> <li>- Have Aboriginal economic development opportunities been developed?</li> </ul>	Increase in local suppliers from 2012 levels Increase in Aboriginal business, harvest volumes, area renewed from 2012
Engaging the community in forestry	<ul style="list-style-type: none"> <li>- How have communities' interests been represented by NFMC operations and decisions?</li> </ul>	Number of events attended  Number of newspaper/magazine articles, social media posts, interviews given

The Agency uses a more comprehensive set of measures internally and has the capacity to “drill down” for details. For example, in the forestry section the Agency 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.

## Financial Budget

The financial results of the Agency are driven by the amount of timber harvested and sold. The ability of the NFMC to meet the volume projections relies largely on the continued operation of three to four main customers including the AV Terrace Bay (AVTB) pulp mill, WFRP, Lecours Lumber and Hornepayne Lumber LP (HLLP). The volume forecasts are provided by representatives from primary forest product mills based on planned operations and capital investments for 2019-20 and beyond. The delivered volume in Table 5 for 2019-20 is expected to increase as a result of the new CP going into effect on April 1, 2019 which will have new allocations. Some mills requested additional softwood volume, this wood was identified by the 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).

**Table 5. Estimated delivered volumes (m<sup>3</sup>) 2019-20**

2019-20	Pic Forest	White River	Total
AVTB	180,000	80,000	260,000
HLLP	24,000	30,000	54,000

WRFP	200,000	250,000	450,000
Lecours	60,000	-	60,000
Levesque	24,000	10,000	34,000
Open Market	31,200	-	31,200
<b>TOTAL</b>	<b>519,200</b>	<b>370,000</b>	<b>889,200</b>

The volume is expected to increase slightly in 2020-21 (Table 6) as more volume from the new CP areas are accessed through new planned roads whose construction started in 2019-20. In addition, AVTB, WRFP, and Levesque are continuing capital investments in their mills that will increase production.

**Table 6. Estimated delivered volumes (m<sup>3</sup>) 2020-21**

<b>2020-21</b>	<b>Pic Forest</b>	<b>White River</b>	<b>Total</b>
AVTB	200,000	80,000	280,000
HLLP	24,000	30,000	54,000
WRFP	200,000	250,000	450,000
Lecours	70,000	-	70,000
Levesque	24,000	12,000	36,000
Open Market	48,000	1,200	49,200
<b>TOTAL</b>	<b>566,000</b>	<b>373,200</b>	<b>939,200</b>

The volume for 2021-22 (Table 7) is also planned to increase as more wood is made available through the open market sales program that is expected to start in 2019-20. The first two years of the Program are a test to determine the best mechanisms to make volume available and reach new customers. It should be noted that the volume on the Pic Forest from the new LTMD is projected at 625,000 m<sup>3</sup> per year.

**Table 7. Estimated delivered volumes (m<sup>3</sup>) 2021-22**

<b>2021-22</b>	<b>Pic Forest</b>	<b>White River</b>	<b>Total</b>
AVTB	200,000	80,000	280,000
HLLP	24,000	30,000	54,000
WRFP	200,000	250,000	450,000
Lecours	70,000	-	70,000
Levesque	30,000	15,000	45,000
Open Market	60,000	3,600	63,600
<b>TOTAL</b>	<b>590,000</b>	<b>378,600</b>	<b>968,600</b>

The NFMC expects to have the license for the Nagagami Forest transferred by the end of 2021-22. The delivered volumes and revenues will become the responsibilities of the NFMC in 2022-23.

The Agency is developing strategies and principles to ensure maximum utilization and value from the available forest resources that will be implemented in the new FMP. The 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. The Agency 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. The demand for softwood is growing, however, the lack of markets for hardwood remain a challenge.

The NFMFC's revenue is expected to exceed expenditures for each year of the plan (Table 8). In addition, in year 2021-22 the NFMFC expects to receive the balance of funds in the Nagagami LFMC conversion trust of approximately \$3,000,000 which increases net income. The Board will need to decide how much of this money is allocated to the operating reserve or used for future priorities and expenditures.

**Table 8. Estimated Net Income 2019-20 to 2021-22**

	2019-20	2020-21	2021-22
<b>Operating Income</b>			
Revenue	\$ 3,800,844	\$ 3,959,263	\$ 7,019,073
Expenditures	\$ 1,958,295	\$ 1,965,990	\$ 1,988,262
Excess Revenue Over Expenses	\$ 1,842,549	\$ 1,993,273	\$ 5,030,811
<b>Additional Expenditures</b>			
Strategic	\$ 350,000	\$ 350,000	\$ 450,000
Forest Improvement	\$ 100,000	\$ 100,000	\$ 100,000
Forest Contracting	\$ 300,000	\$ 300,000	\$ 300,000
Forest Infrastructure/Access	\$ 450,000	\$ 400,000	\$ 350,000
Unforeseen/Contingent	\$ 400,000	\$ 500,000	\$ 500,000
	\$ 1,600,000	\$ 1,650,000	\$ 1,700,000
<b>NET INCOME</b>	\$ 242,549	\$ 343,273	\$ 3,330,811

The NFMFC's revenues are derived from the sale of Crown timber from the management area. The Agency needs to market and sell sufficient volumes of Crown timber to cover its operating costs. 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. The NFMFC started collecting the former LFMC conversion fees, referred to as Timber Sale Charges, for the Pic and the White River forests from the receiving mills in 2017-18. 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 NFMFC in 2021-22.

**Table 9. Estimated Revenue 2019-20 to 2021-22**

	2019-20	2020-21	2021-22
<b>Revenue</b>			
Management Fees	\$ 711,360	\$ 732,576	\$ 736,136
Timber Sale Charge	\$ 2,710,266	\$ 2,836,093	\$ 2,880,624

Forest Renewal Activities	\$ 379,218	\$ 390,595	\$ 402,312
LFMC Conversion Program	\$ -	\$ -	\$ 3,000,000
Total Revenue	\$ 3,800,844	\$ 3,959,263	\$ 7,019,073

As would be expected the revenue derived from timber sales (Management Fees and Timber Sale Charges) increase during the plan, matching the trend in delivered volume (Table 9). Other Revenues, which is primarily NFMC invoicing the FRT for eligible forest renewal cost also increases as the amount spent renewing the forest and funds deposited in the FRT increase with higher harvest levels.

Management Fees are calculated on a breakeven basis. Management Fees are designed to cover operating costs related to delivering fibre to the 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 2018-19 is \$0.96 per m<sup>3</sup> due to conservative delivered volume projections for the final year of the old Big Pic and Pic River CPs and the fact that it was the first year of the NFMC managing the White River forest. The new CP will go into effect with the change expected in 2019-20 and the volume from the White River forest has been close to projections. The rate for 2019-20 is expected to be \$0.80 per m<sup>3</sup> down from \$0.96 per m<sup>3</sup> 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 NFMC management and operational synergies can be achieved.

The expenditures are expected to increase over time (Table 10) as the NFMC increases its management area and responsibilities, but the additional revenue will help offset these costs. The exception being contractor costs which will be reduced as the CP and FMP are completed. Total expenditures are estimated at approximately \$2 million in 2019-20 for the Pic and White River forests management units. Increases in other costs attributable to new responsibilities, inflation, etc. are offset by contractor and planning costs that are expected to decrease, however, total expenditures will still stay near \$2 million when the Nagagami forest is added in the final year of this Business Plan.

**Table 10. Estimated Expenditures 2019-20 to 2021-22**

	2019-20	2020-21	2021-22
Automobile	\$ 133,572	\$ 137,579	\$ 141,707
Amortization	\$ 6,000	\$ 6,000	\$ 6,000
Bank & Finance Expenses	\$ 2,400	\$ 2,472	\$ 2,546
Board of Directors	\$ 34,980	\$ 36,029	\$ 37,110
Contractor Costs	\$ 173,944	\$ 130,458	\$ 97,844
Finance	\$ -	\$ -	\$ -
Forest Certification	\$ 60,000	\$ 61,800	\$ 63,654
Forest Management	\$ 66,000	\$ 52,800	\$ 54,384
Capacity Development	\$ 126,400	\$ 130,192	\$ 134,098
Insurance	\$ 30,095	\$ 30,998	\$ 31,928
License	\$ 12,000	\$ 12,360	\$ 12,731
Miscellaneous	\$ 12,000	\$ 12,360	\$ 12,731



Office	\$ 43,240	\$ 47,564	\$ 48,991
Office Lease	\$ 67,200	\$ 79,200	\$ 81,576
Professional Fees	\$ 77,800	\$ 80,134	\$ 82,538
Public Relations & Travel	\$ 93,961	\$ 96,780	\$ 99,683
Road Maintenance	\$ -	\$ -	\$ -
Wages & Benefits	\$ 1,018,703	\$ 1,049,264	\$ 1,080,742
	<u>\$ 1,958,295</u>	<u>\$ 1,965,990</u>	<u>\$ 1,988,262</u>

In addition, an annual allocation of funding has been earmarked to support the development of strategic initiatives for the Agency consistent with its objects (Table 11). These strategic initiatives remain in development as previously described 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.

**Table 11. Estimated strategic initiative expenditures 2019-20 to 2021-22**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Strategic	\$ 350,000	\$ 350,000	\$ 450,000
Forest Improvement	\$ 100,000	\$ 100,000	\$ 100,000
Forest Contracting	\$ 300,000	\$ 300,000	\$ 300,000
Infrastructure/Access	\$ 450,000	\$ 400,000	\$ 350,000
Other Strategic Initiatives	\$ 400,000	\$ 500,000	\$ 500,000
TOTAL	<u>\$ 1,600,000</u>	<u>\$ 1,650,000</u>	<u>\$ 1,700,000</u>

All capital expenditures are fully funded from the NFMC through the revenues generated from the sale of wood from the NFMC management area. Planned capital expenditures are presented below. For the balance of the current planning horizon, the NFMC is budgeting ~ \$250,000 annually for capital associated with the Agency's need for computer, office equipment, to establish satellite offices (i.e. White River and Hornepayne), and other equipment to meet its expanding operational needs in Marathon (Table 12).

**Table 12. Estimated capital expenditures 2019-20 to 2021-22**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Roads and Bridges	\$ 100,000	\$ 150,000	\$ 150,000
Office Equipment	\$ 10,000	\$ 25,000	\$ 25,000
Leasehold Improvements	\$ 80,000	\$ 30,000	\$ 30,000
Computer Equipment	\$ 25,500	\$ 25,000	\$ 25,000
Forestry Equipment	\$ 20,000	\$ 20,000	\$ 20,000
Total	<u>\$ 235,500</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>

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

The NFMC performs most of the Information Technology (IT) functions internally. The primary IT resource user is the geographic information system with most GIS services performed in house. The NFMC currently employs two GIS Specialists. Accounting records and web services are also managed internally. In 2019-20, the NFMC will be undertaking a process to determine its future IT needs as they relate to the Agency's longer-term organizational structure and core business activities with the responsibilities of being the SFL manager for three and possibly four units.

The NFMC implemented a new invoicing process in 2017-18 following the issuance and transfer of the SFLs. The NFMC is now responsible for the invoicing and collection of fees that were at one time the responsibility of the MNRF. At around the same time the MNRF changed their billing and scaling procedures that the NFMC had used in its monthly invoicing and accounts payables. The changes have proven successful and invoices are now produced on a timelier schedule. However, the NFMC would like to improve this in the coming year. The implementation of the Open Market Timber Sales Program is also going to require changes in the invoicing practices. In addition, the NFMC is considering changes to the way the PFARP is managed and funds disbursed. The NFMC will use the impacts of these changes and review the management information systems in place and perhaps look for alternatives, likely starting the review in 2020-21 when the Agency has a year under its belt.

The NFMC maintains a website ([www.nfmcforestry.ca](http://www.nfmcforestry.ca)) posts required information on that site. The NFMC ensures the site meets or exceeds the province's Accessibility requirements. The website includes information about the OFTMA, the Agency's Board of Directors, the NFMC management area, operations and its procurement, environmental, and human resources opportunities. The NFMC home page is shown in Appendix IV. One of the roles of the Public Relations position will be to review the NFMC's current Electronic Service Delivery Plan to ensure we are in compliance with the province's requirements and suggest methods to improve our delivery, including an update or redesign of the website and the use of social media where applicable.

## **Initiatives Involving Third Parties**

The NFMC maintained its FSC® forest management certification on the Pic River Forest, Big Pic Forest and White River Forest. Certification of the forests under its management is considered a major accomplishment that demonstrates the NFMC's commitment to manage its forests sustainably, support its industry partners, and help facilitate local community and First Nation economic development.

The GM and Board ensure that the NFMC's staff, contractors and customers understand the Agency's commitment to certification. The NFMC staff works hard to ensure the annual FSC® surveillance audits are a success. This includes work by operations staff to safeguard the Agency's renewal and harvesting activities comply with its commitments as well as planning and support staff that gather and maintain the volumes of information reviewed by the audit team.

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

The NFMC has completed an agreement with MKWA Timber LP 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 forest, these deliveries targets are expected to be met starting in 2019.

In addition, the NFMC plans to continue supporting Pic Mobert 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 WRFN.

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

## **Implementation Plan**

The NFMC is now in a position to begin implementing the core of its mandate. The NFMC will continue to build on its momentum and the strength of the forest products sector to look for new opportunities to build on its mandate. The NFMC will focus on seven initiatives to be completed by March 31, 2020:

1. Continue third-party certification;
2. Plan, prepare, implement and oversee the silviculture program on the White River forest;
3. Complete and have ready to implement the Pic Forest FMP;
4. Finalize new MOAs with Crown commitment holders;
5. Prepare for, and respond to, the White River forest IFA;
6. Establish a NFMC Governance Policy and process as needed; and
7. Play a key role in First Nations operations on the management area.

The NFMC will be moving forward with the development and implementation of the 2019-20 AWS for the Pic and White River SFLs 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 regularly review the harvest capacity on the management area and work with industry stakeholders to increase and maximize the harvest opportunities to meet the needs of the NFMC. There has always been a high demand of SPF by the stakeholders of the NFMC. To address this, the NFMC will work with harvesting contractors and receiving mills to ensure wood is delivered on time and at competitive

prices, as well as working to maximize the value of the forest resource. The NFMC will work to encourage new entrants and support initiatives that make sense for the communities, mills and forest sustainability. The NFMC is focused on being efficient in order to maintain a competitive management fee and renewal rate. In addition, the NFMC will work with its contractors to develop cost effective silviculture treatments that enhance forest health and productivity.

## **Communication Plan**

The LFMC model was initiated and developed in collaboration with local and Indigenous communities. 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:

- Maintain forest sustainability while maximizing value from the forest;
- The NFMC is “open for business” and our wood is competitively priced;
- Working with our industry partners is key to creating a prosperous forestry sector environment;
- Committed to provide economic development opportunities to Indigenous communities; and
- Partnerships will lead to innovative initiatives

The NFMC is developing strategies to increase its effectiveness in communicating with stakeholders, communities, and the public. The planning process for the upcoming CP and the future FMP provide the NFMC an opportunity to engage the public through open houses and other sessions with our local communities. The operations staff of the NFMC regularly attend LCC meetings and provide updates on the NFMC and operational activities on the management area. During planning, amalgamation, annual work scheduling and other processes, the NFMC supports the MNRF’s consultation sessions through active participation and discussion with local communities. The NFMC is committed to regular and ongoing communications with First Nation Chiefs, Councils and staff. The GM meets (at least) annually with Chief and Council, providing them opportunities to discuss needs and concerns. In addition, an annual presentation of the AWS is made to the communities on the management area to provide a platform for feedback and concerns regarding upcoming operations. This is on top of the NFMC’s ongoing efforts at maintaining regular communications with First Nations’ key staff members.

The NFMC will be filling a Public Relations position to help achieve a mandate that goes beyond forest management activities and includes initiatives aimed at supporting the forest industry and communities. Through various communication tools, including social media platforms, its website, and face to face meetings, the Agency will promote the SIP. The NFMC’s intent is to use the Public Relations position to assist with promoting the SIP through outreach initiatives that it will participate in. The Agency 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 management area. The NFMC Scholarship Policy is intended for local students; encouraging studies in the forest and resource management fields. Through the NFMC Donations and Sponsorship Policy, the Agency supports local community events. The NFMC will continue to support the initiatives that best meet the intent and vision of the Policy.

The Public Relations employee will be responsible for tasks such as attending local schools and promoting the forest industry and the NFMC; specifically, targeting high school students with information regarding career opportunities on the management area. The NFMC has provided annual educational field trips and will continue to do so. With the new Public Relations employee, the NFMC plans to expand these opportunities for our local communities and the students within them.

## APPENDIX I - NFMC FORECAST FINANCIAL SUMMARY

Projected Statement of Earnings for Fiscal Years 2017/18 to 2021/22

	2017/18	2018/19	2019/20	2020/21	2021/22
Revenue	ACTUAL	PLANNED	FORECAST	FORECAST	FORECAST
Management Fees	\$755,551	\$585,369	\$711,360	\$732,576	\$736,136
Timber Sale Charge	\$1,549,472	\$3,267,095	\$2,710,266	\$2,836,093	\$2,880,624
LFMC Conversion Program	\$7,562,596	\$379,646	\$-	\$-	\$3,000,000
<b>Total Revenue</b>	<b>\$9,867,619</b>	<b>\$4,232,110</b>	<b>\$3,421,626</b>	<b>\$3,568,669</b>	<b>\$6,616,760</b>
Expenses					
Automobile	\$62,344	\$59,855	\$133,572	\$137,579	\$141,707
Amortization	\$30,021	\$15,000	\$6,000	\$6,000	\$6,000
Bank & Finance Charges	\$10,879	\$2,400	\$2,400	\$2,472	\$2,546
Board of Directors	\$30,592	\$30,292	\$34,980	\$36,029	\$37,110
Contractor Costs	\$248,857	\$172,648	\$173,944	\$130,458	\$97,844
Forest Certification	\$38,449	\$31,848	\$60,000	\$61,800	\$63,654
Forest Management	\$32,048	\$129,510	\$66,000	\$52,800	\$54,384
Capacity Development	\$62,302	\$152,168	\$126,400	\$130,192	\$134,098
Insurance	\$8,137	\$27,749	\$30,095	\$30,998	\$31,928
License	\$47,467	\$8,119	\$12,000	\$12,360	\$12,731
Miscellaneous	\$3,283	\$2,276	\$12,000	\$12,360	\$12,731
Office	\$37,149	\$42,824	\$43,240	\$47,564	\$48,991
Office Lease	\$33,621	\$37,200	\$67,200	\$79,200	\$81,576
Professional Fees	\$29,155	\$39,373	\$77,800	\$80,134	\$82,538
Public Relations	\$13,156	\$37,365	\$93,961	\$96,780	\$99,683
Wages & Benefits	\$793,404	\$808,380	\$1,018,703	\$1,049,264	\$1,080,742
<b>Total Expenses</b>	<b>\$1,480,863</b>	<b>\$1,597,007</b>	<b>\$1,958,295</b>	<b>\$1,965,990</b>	<b>\$1,988,262</b>
<b>Operating Income</b>	<b>\$8,386,756</b>	<b>\$2,635,103</b>	<b>\$1,463,331</b>	<b>\$1,602,678</b>	<b>\$4,628,498</b>

## Forestry, Other Expenditures & Reserve

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
<b>FORESTRY REVENUE</b>	<b>ACTUAL</b>	<b>PLANNED</b>	<b>FORECAST</b>	<b>FORECAST</b>	<b>FORECAST</b>
Forest Renewal Activities	\$362,975	\$129,157	\$379,218	\$390,595	\$402,312
Forest Access Roads	\$3,012,298	\$3,053,274	\$2,635,000	\$2,935,000	\$3,320,000
<b>Total Forestry Revenue</b>	<b>\$3,375,131</b>	<b>\$3,182,431</b>	<b>\$3,014,218</b>	<b>\$3,325,595</b>	<b>\$3,722,312</b>
<b>FORESTRY EXPENSES</b>	<b>ACTUAL</b>	<b>PLANNED</b>	<b>FORECAST</b>	<b>FORECAST</b>	<b>FORECAST</b>
Forest Renewal Activities	\$74,610	\$110,092			
Forest Access Roads	\$3,021,929	\$3,053,274	\$2,635,000	\$2,935,000	\$3,320,000
<b>Total Forestry Expenses</b>	<b>\$3,096,539</b>	<b>\$3,163,366</b>	<b>\$2,635,000</b>	<b>\$2,935,000</b>	<b>\$3,320,000</b>
<b>FORESTRY INCOME</b>	<b>\$278,734</b>	<b>\$19,065</b>	<b>\$379,218</b>	<b>\$390,595</b>	<b>\$402,312</b>
<b>OTHER EXPENDITURES*</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Strategic			\$350,000	\$350,000	\$450,000
Forest Improvement			\$100,000	\$100,000	\$100,000
Forest Contracting			\$300,000	\$300,000	\$300,000
Infrastructure/Access			\$450,000	\$400,000	\$350,000
Other Strategic Initiatives			\$400,000	\$500,000	\$500,000
<b>TOTAL</b>			<b>\$1,600,000</b>	<b>\$1,650,000</b>	<b>\$1,700,000</b>
*Allocation not included in financial statements; for earmarking purposes only, strategies/programs to be developed by NFMFC					
<b>NET INCOME</b>	<b>\$8,665,490</b>	<b>\$2,654,168</b>	<b>\$242,549</b>	<b>\$343,273</b>	<b>\$3,330,811</b>
<b>OPERATING RESERVE (cumulative)</b>					
<b>Proposed Operating Reserve</b>	<b>\$2,800,000</b>	<b>\$4,800,000+</b>	<b>\$5,400,000+</b>	<b>\$6,400,000</b>	<b>\$7,400,000</b>

**Nawiinginokiima Forest Management Corporation**

Projected Statement of Financial Position  
 Forecasts for Fiscal Years 2017/18 to 2021/22

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
<b>Current Assets</b>					
Cash	\$3,235,155	\$7,266,002	\$5,684,902	\$3,526,730	\$3,669,225
Accounts Receivable	\$9,022,554	\$3,758,626	\$3,205,271	\$3,529,778	\$4,422,793
Inventory	\$900,000	\$900,000	\$700,000	\$500,000	\$300,000
Prepaid Expenses	\$0	\$0			
Investment Funds	\$0	\$4,800,000	\$5,400,000	\$6,400,000	\$7,400,000
	<u>\$13,157,709</u>	<u>\$16,724,628</u>	<u>\$14,990,173</u>	<u>\$13,956,508</u>	<u>\$15,792,019</u>
<b>Capital Assets</b>	\$177,589	\$177,589	\$413,089	\$663,089	\$913,089
Less Depreciation	(146,951)	(161,951)	(167,951)	(173,951)	(179,951)
	<u>\$30,638</u>	<u>\$15,638</u>	<u>\$245,138</u>	<u>\$489,138</u>	<u>\$733,138</u>
<b>Total Assets</b> (including operating reserve*):	\$13,188,347	\$16,740,266	\$15,235,311	\$14,445,646	\$16,525,157
<b>Obligations &amp; Liabilities</b>					
Current obligations:					
Accounts payable & accruals	\$2,521,493	\$3,400,179	\$2,873,457	\$2,999,925	\$3,046,313
<b>Net Assets Summary</b>					
Unrestricted	\$7,866,854	\$8,540,087	\$6,961,854	\$5,045,721	\$6,078,844
Restricted*	\$2,800,000	\$4,800,000	\$5,400,000	\$6,400,000	\$7,400,000
Total	<u>\$10,666,854</u>	<u>\$13,340,087</u>	<u>\$12,361,854</u>	<u>\$11,445,721</u>	<u>\$13,478,844</u>

\* Operating Reserve target set by Board Resolution



## Nawiinginokiima Forest Management Corporation

Projected Statement of Cash Flows  
Forecasts for Fiscal Years 2017/18 to 2021/22

	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Cash flows from operating activities</b>					
Excess revenues over expenses	\$8,665,490	\$2,654,168	\$242,549	\$343,273	\$3,330,811
Amortization of capital assets	\$30,021	\$15,000	\$6,000	\$6,000	\$6,000
	\$8,695,511	\$2,669,168	\$248,549	\$349,273	\$3,336,811
<b>Change in non-cash working capital</b>					
Accounts receivable	(\$6,778,695)	\$5,263,928	\$553,355	(\$324,507)	(\$893,015)
Inventory	\$0	\$0	\$200,000	\$200,000	\$200,000
Prepaid expenses	\$0	\$0	\$0	\$0	\$0
Accounts payable & accrued liabilities	(\$284,659)	\$878,686	(\$526,722)	\$126,468	\$46,388
	(\$7,063,354)	\$6,142,614	\$226,633	\$1,961	(\$646,628)
<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	(\$1,619)	\$0	(\$235,500)	(\$250,000)	(\$250,000)
Proceeds on sale of capital assets	\$0	\$0	\$0	\$0	\$0
Operating reserve	\$0	(\$4,800,000)	(\$600,000)	(\$1,000,000)	(\$1,000,000)
	(\$1,619)	(\$4,800,000)	(\$835,500)	(\$1,250,000)	(\$1,250,000)
<b>Cash flow from other activities</b>					
Other Expenditures	\$0	\$0	(\$1,600,000)	(\$1,650,000)	(\$1,700,000)
Other Repayments	\$0	\$19,065	\$379,218	\$390,595	\$402,312
	\$0	\$19,065	(\$1,220,782)	(\$1,259,405)	(\$1,297,688)
<b>Increase (decrease) in cash</b>	\$1,630,538	\$4,030,847	(\$1,581,100)	(\$2,158,172)	\$142,495
Cash, beginning of year	\$1,604,617	\$3,235,155	\$7,266,002	\$5,684,902	\$3,526,730
Cash, end of year	\$3,235,155	\$7,266,002	\$5,684,902	\$3,526,730	\$3,669,225

## APPENDIX IA - NFMCC COMPARE 2017/18 ACTUAL VS. FORECAST

REVENUE	ACTUAL	BUDGET	VARIANCE	NOTES
Management Fees	\$755,551	\$776,160	\$(20,609)	volume below budget- WRF not received as planned
Timber Sale Charge	\$1,549,472	\$2,611,770	(\$1,062,298)	SFL not issued/transferred as planned
Other Revenues				
LFMC Conversion Program	\$7,562,596	\$5,029,442	\$2,533,154	Received FFT trust payments for 3 SFLs (2 were expected)
<b>Total Revenue</b>	<b>\$9,867,619</b>	<b>\$8,417,372</b>	<b>\$983,449</b>	
<b>EXPENSES</b>				
Automobile	\$62,344	74,436	12,092	operations position not filled
Bank & Finance Charges	\$10,879	2,400	-8,479	Payroll preparation fees in actual
Board of Directors	\$30,592	36,480	5,888	Meeting and training used remote technology
Contractor Costs	\$248,857	474,162	225,305	FMP work completed in house
Forest Certification	\$38,449	60,000	21,551	FSC only required maintenance audit for Big Pic & Pic
Forest Management	\$32,048	35,400	3,352	
Capacity Development	\$62,302	79,400	17,098	FN training delayed because SFL not issued
Insurance	\$8,137	30,095	21,958	
License	\$47,467	16,000	-31,467	NFMCC maintained FPIInnovations membership for extra
Miscellaneous	\$3,283	12,000	8,717	miscellaneous expenses
Office	\$37,149	64,100	26,952	additional costs for GIS supplies, forest tech equipment
Office Lease	\$33,621	37,200	3,580	Office lease cost did not change in 2018
Professional Fees	\$29,155	60,300	31,145	Legal issues re USWA delayed to 2019
Public Relations	\$13,156	75,644	62,488	No open market sales
Wages & Benefits	\$793,404	785,217	-8,187	FMP work done in house added GIS staff
<b>Total Expenses</b>	<b>1,450,842</b>	<b>1,842,834</b>	<b>391,992</b>	
<b>Operating Income</b>	<b>\$8,416,777</b>	<b>\$6,574,538</b>	<b>\$1,058,255</b>	

## APPENDIX II - NFMC Operating Costs for Operating Reserve Calculation

Automobile	\$ 133,572
Amortization	6,000
Bank and Finance Expenses	2,400
Board of Directors	34,980
Contractor Costs	173,944
Forest Certification	60,000
Forest Management	66,000
Capacity Development	126,400
Insurance	30,095
License	12,000
Miscellaneous	12,000
Office	43,240
Office Lease	67,200
Professional Fees	77,800
Public Relations and Travel	93,961
Wages and Benefits	1,018,703
	<hr/>
	\$ 1,958,295
Silviculture Recovery	(\$ 379,218)
Amortization	(6,000)
	<hr/>
	(\$ 385,218)
Operating Costs	\$ 1,573,077

## APPENDIX III - NFMC “2019-20 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>The NFMC held preliminary discussions with the Nagagami SFL holder re. the transfer to the NFMC. More discussions will be initiated in 2019-20.</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 the 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 IFA 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 is not completed and Business Plan does not reflect objectives</i>	<b>Category</b> <i>Accountability / Governance</i>	<i>The 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>The NFMC developed</i>
		<b>Impact</b> Minor	
		<b>Likelihood</b> Low	

<b>Risk Title</b>	<b>Risk</b>	<b>Key Information</b>	<b>Risk Mitigation Plan</b>
		<b>Timeline</b> 12-24 months	<i>Strategic Plan for distribution.</i>
<i>Financial stability</i>	<i>Risk that the 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>The 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>Likelihood</b> Unlikely	<i>The 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 the issue/transfer of the BP, PR, and WR SFLs. Operating reserve increase to \$7,400,000 by 2021-22.</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>The NFMC actively engages with local communities, First Nations and the forest industry.</i>
		<b>Impact</b> Minor	<i>Board members represent communities and stakeholders to communicate to NFMC and back to communities.</i>
		<b>Likelihood</b> Unlikely	<i>The NFMC developed a Strategic Plan with professional publisher for distribution to the public.</i>
		<b>Timeline</b> More than 36 months	

<b>Risk Title</b>	<b>Risk</b>	<b>Key Information</b>	<b>Risk Mitigation Plan</b>
<i>Ensuring responsible and compliant operations</i>	<i>Risk that the NFMC operations are not compliant with applicable rules and regulations</i>	<b>Category</b> <i>Legal / Contractual / compliance</i>	<i>The NFMC has been working closely with the District MNRF and its contractors and service providers, including regular meetings with these parties, to ensure requirements are met. The NFMC has established a Governance Committee through the Board.</i>
		<i>Impact</i> Minor	
		<b>Likelihood</b> Unlikely	
		<b>Timeline</b> 12-24 months	
<i>Contractual compliance</i>	<i>Risk associated with the 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>The NFMC has a retainer for outside legal support and in specific instances the NFMC has obtained outside legal and financial advice. The NFMC is working closely with the 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>
		<i>Impact</i> Minor	
		<b>Likelihood</b> Unlikely	
		<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>The NFMC is continually developing and improving reporting procedures and mechanisms. The NFMC is working with the MNRF to ensure it is meeting expectations. The NFMC and MNRF staff conduct regular meetings to discuss status of reporting requirements and to address other topics as required. The NFMC presented the Agency</i>
		<i>Impact</i> Minor	
		<b>Likelihood</b> Unlikely	
		<b>Timeline</b>	

<b>Risk Title</b>	<b>Risk</b>	<b>Key Information</b>	<b>Risk Mitigation Plan</b>
		6-12 months	<i>Business Plan to senior MNRF staff in Sault Ste Marie.</i>
<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>The NFMC is continually developing and improving reporting procedures and mechanisms. The NFMC is working with the 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>The 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	<i>The NFMC monitors market conditions and harvest levels /updates throughout the year.</i>
		<b>Likelihood</b> Unlikely	<i>Operating reserve established in 2014-15; with a balance of \$300,000 the balance will reach \$5,400,000 in 2019-20 (3.5x costs) and \$7,400,000 (5x costs) by YE 2021-22 following transfer Nagagami SFL..</i>
		<b>Timeline</b> 12-24 months	
<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 the</i>	<b>Category</b> Operational	<i>NFMC continues to support contractors and work to attract new contractors. NFMC has initiated strategic initiatives aimed at</i>
		<i>Impact</i> Moderate	

<b>Risk Title</b>	<b>Risk</b>	<b>Key Information</b>	<b>Risk Mitigation Plan</b>
	<i>NFMC. The NFMC relies upon one primary contractor</i>	<b>Likelihood</b> Possibly  <b>Timeline</b> 6-12 months	<i>increasing the contractor base on the management area. The NFMC will continue to work with mills to ensure it is competitive.</i>
<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>Impact</i> Moderate  <b>Likelihood</b> Possibly  <b>Timeline</b> 12-24 months	<i>NFMC monitoring customer payments/balance consistent with Accounts Receivable Policy. The NFMC seeks new customers to spread risk and reduce reliance on a few large customers. The NFMC also established an operating reserve.</i>
<i>Government funding/support</i>	<i>Risk that government will reduce or eliminate a program that NFMC utilizes</i>	<b>Category</b> Financial  <i>Impact</i> Moderate  <b>Likelihood</b> Possibly  <b>Timeline</b> 12-24 months	<i>NFMC actively engages with local communities, First Nations and the forest industry and will call on that support to inform the government in hopes of preventing funding withdrawal. The NFMC has identified finding for strategic initiatives that may be used to address the shortfall. in addition the operating reserve will increase to \$7,400,000 by 2021-22 and these funds could be called upon in an emergency.</i>
<i>Public relations</i>	<i>Risk of ENGO or other interest groups negatively targeting the NFMC.</i>	<b>Category</b> Public Image  <i>Impact</i> Moderate	<i>NFMC maintains FSC® certification.</i>  <i>The NFMC works hard to ensure that the interests</i>

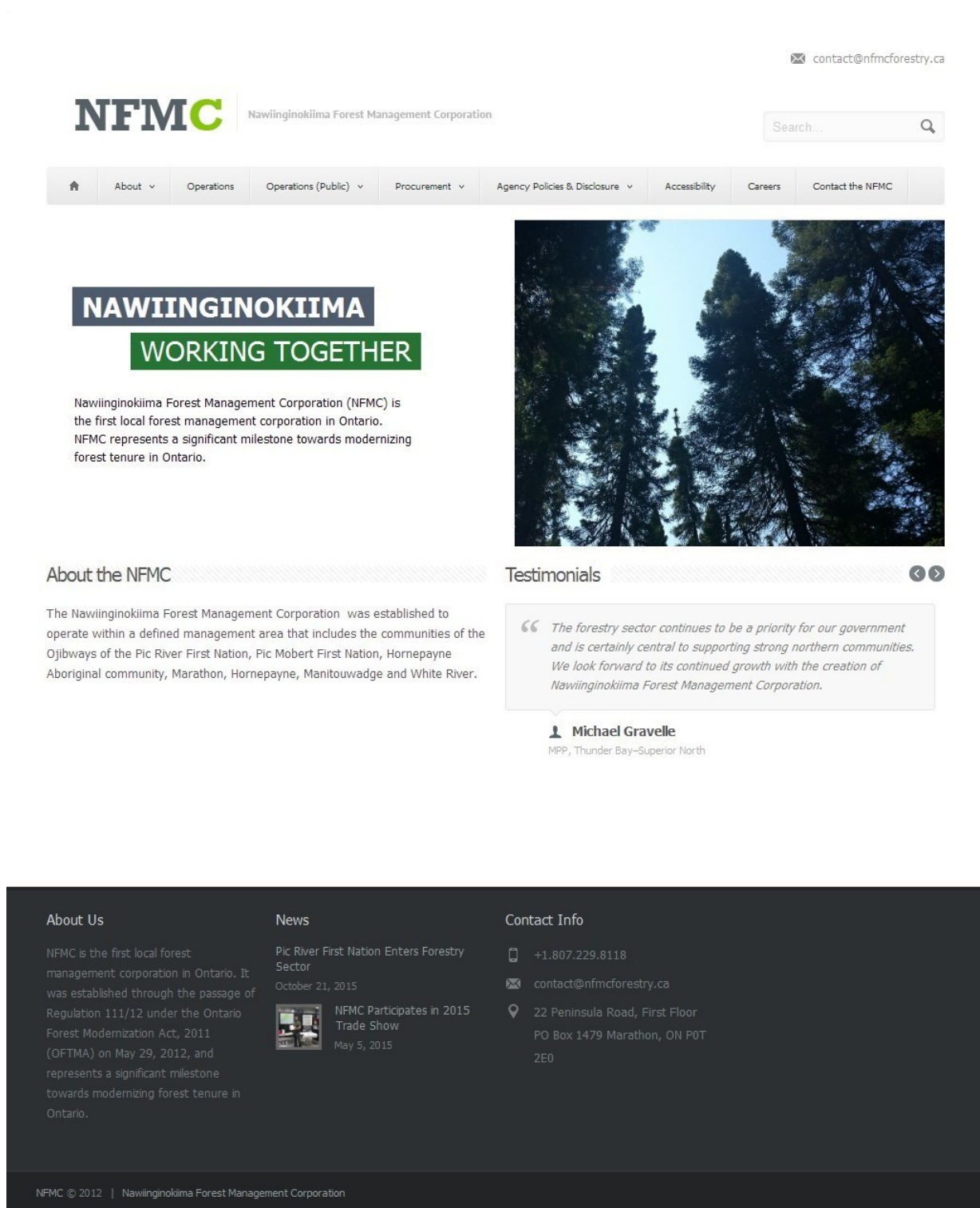


		<b>Likelihood</b> Possibly	<i>of local First Nations, local communities and local forest industry are being considered and addressed.</i>
		<b>Timeline</b> 0-12 months	
<i>Development of IT infrastructure</i>	<i>Risk of data loss or security breach impacting critical systems.</i>	<b>Category</b> <i>Information and IT</i>	<i>The NFMC has a Procurement Policy that is applied to tendering for services from qualified vendors with established IT infrastructure.</i>
		<i>Impact</i> Minor	<i>The NFMC has established measures such as data back up and security. Proper data management procedures are used on an ongoing basis.</i>  <i>The NFMC established a Guideline for Document/Data control and Retention in 2017.</i>
		<b>Likelihood</b> Unlikely	
		<b>Timeline</b> 12-24 months	
<i>Attracting talent</i>	<i>Attracting and retaining 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>	<b>Category</b> <i>Workforce/Skill Shortage</i>	<i>NFMC established an HR Committee whose mandate includes reviewing compensation to ensure the NFMC remains competitive and is able to attract skilled employees.</i>
		<i>Impact</i> Moderate	<i>The Agency has also used professional services for recruitment support, in addition to the strategic use of contractors.</i>
		<b>Likelihood</b> Likely	
		<b>Timeline</b> 12-24 months	<i>The NFMC has recognized the needs to grow skills internally and is preparing for this through staff training and development.</i>



# APPENDIX IV - NFMC Homepage

Accessed Dec 31/2018



The screenshot shows the homepage of the Nawiinginiima Forest Management Corporation (NFMC). At the top right, there is a contact email: [contact@nfmforestry.ca](mailto:contact@nfmforestry.ca). The main header features the NFMC logo and the text "Nawiinginiima Forest Management Corporation". A search bar is located to the right of the logo. Below the header is a navigation menu with the following items: Home, About, Operations, Operations (Public), Procurement, Agency Policies & Disclosure, Accessibility, Careers, and Contact the NFMC. The main content area is divided into two columns. The left column has a large heading "NAWIINGINOKIIMA WORKING TOGETHER" and a paragraph: "Nawiinginiima Forest Management Corporation (NFMC) is the first local forest management corporation in Ontario. NFMC represents a significant milestone towards modernizing forest tenure in Ontario." The right column features a photograph of tall evergreen trees against a blue sky. Below the photo is a "Testimonials" section with a quote from Michael Gravelle, MPP, Thunder Bay-Superior North: "The forestry sector continues to be a priority for our government and is certainly central to supporting strong northern communities. We look forward to its continued growth with the creation of Nawiinginiima Forest Management Corporation." The footer is dark grey and contains three columns: "About Us" (NFMC is the first local forest management corporation in Ontario...), "News" (Pic River First Nation Enters Forestry Sector, October 21, 2015; NFM Participates in 2015 Trade Show, May 5, 2015), and "Contact Info" (+1.807.229.8118, contact@nfmforestry.ca, 22 Peninsula Road, First Floor, PO Box 1479 Marathon, ON P0T 2E0). The footer also includes the copyright notice: "NFMC © 2012 | Nawiinginiima Forest Management Corporation".