

Nawiinginokiima Forest Management Corporation

AGENCY BUSINESS PLAN

for the period

2020-21, 2021-22 and 2022-23

Nawiinginokiima Forest Management Corporation

Agency Business Plan

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Executive Summary

The 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.

Nawiinginokiima is an Ojibway word that means "working together." The NFMC was established to operate within a defined management area that includes the communities of the Ojibways of the Pic River First Nation, Pic Mobert First Nation, Hornepayne Indigenous community, Marathon, Hornepayne, Manitouwadge and White River.

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.

The 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 the NFMC's general revenue – management fees charged on wood deliveries to mills and timber sales charges from the wood harvested.

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, White River Forest Products (WRFP), Lecours Lumber and Hornepayne Lumber LP (HLLP). It should be noted that the volume on the Pic Forest from the new long-term management direction (LTMD) is projected at 625,000 m³ per year and the White River Annual Allowable Cut (AAC) is over 400,000 m³.

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 (GM) 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 (CFS) and to promote the sustainability of Crown forests.
- To provide for economic development opportunities for Indigenous 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 the 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 CFS, including the development and implementation of forest management plans (FMPs). FMPs have to fulfil the requirements of the CFS'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 Indigenous 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 (SFM) 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 Indigenous communities,
 - Forestry research and development (R&D),
 - Forest sector marketing and forest product development, and
 - Other activities as assigned by the Minister.
- Advise the Minister of Natural Resources and Forestry (MNRF) on matters related to the forest industry and forest sector.
 - Collect, maintain, and provide Crown timber sales and pricing information.
 - Obtain Sustainable Forest Licenses (SFL) for the forest management units in the NFMC management area (Big Pic, Pic River, White River, and the Nagagami Forests).

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

The NFMC underwent a mandate review in 2017-18 and has not received a mandate letter for 2020-21. However, this report never was approved and was voided with new government. The NFMC will continue to source its mandate from the OFTMA until the next mandate letter.

Vision Statement

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

Mission Statement

To hold forest resource licences and sustainably manage Crown forests in accordance with the CFSA 1994 and to promote the sustainability of Crown forests.

To provide for economic development opportunities for Indigenous peoples.

To become a self-sustaining business entity and to optimize the value from Crown forest resources while recognizing the importance of local economic development.

To market, sell and enable access to a predictable and competitively priced supply of Crown forest resources.

Environmental Scan

American and Canadian Economic Indicators

The U.S. economy grew at a faster-than-expected rate in the third quarter of 2019 as inflation was kept in check and consumer spending surged, according to data released by the U.S. Commerce Department. The U.S. economy is performing at levels not seen in half a century with record employment across all demographics. Gross domestic product (GDP) expanded by more than three percent annual rate in 2019. The Federal Reserve currently forecast three more years of economic growth for the U.S. More pessimistic opinions suggest that the U.S. economy could be facing challenges in the new year as factors such as trade disputes impact the global economy.

The pace of Canadian economic growth is in the process of slowing down. During the recovery and expansion since the last recession, consumers and real estate have been fueling much of Canada's economic gains. However, consumers are now heavily indebted, and real estate affordability has deteriorated, particularly in Canada's largest urban centres. Canada experienced significant job losses in the last quarter of 2019. Growth in 2019 dropped below 1.5 percent and growth could drop down to 1.4 percent in 2020 and 1.3 percent in 2021. Some economists are predicting even lower growth rates if the factors impacting the oil and gas sector and other natural resources are not solved.

BMO Capital Markets Economics forecasts the Canadian dollar (CAD) to continue its current weakness over the next few years as the American economy strengthens. Since 2015, the CAD has hovered around \$0.75 cents to the U.S. dollar (USD) with an average rate of \$0.771 in 2019. Forecasts for 2020-2023 are for the CAD to remain in that range. A lower CAD gives Canadian producers an advantage over U.S. producers both in the U.S. and Canadian markets. Clients anticipate the weaker CAD will discourage large volumes of competing U.S. lumber from entering Ontario as it has in recent past.

Forest Products Sector

The U.S. 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 cooled in 2019 (from the highs of 2017 and early 2018) and prices are predicted to stay at similar levels in 2020. Prices are being maintained by curtailments in production with mills closed across the country. British Columbia has been particularly hard hit but mills in Northwestern Ontario have been shutdown and no restart dates have been announced. With the lower prices the concerns over the lack of a Softwood Lumber Agreement have become more pronounced. The demand for housing in the U.S. 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 U.S. So far, the mills in the management area have remained open and no shutdowns have been announced.

Substitutes for wood products entering the market will depend on cost structures of other commodities, people's tastes and the important factor of exchange rates. Levesque Plywood in Hearst is the NFMC's primary market for hardwood. Traditional markets for plywood are being impacted by medium density fibreboard (MDF); finger jointed lumber and other species such as basswood. Technologies for drying alternative species have made them more affordable. Plywood from non-traditional producers in Brazil, for example, has been flooding the North American market. Traditional markets for Ontario hardwood lumber are being replaced, to some degree, by engineered wood (hardwood flooring) and melamine coated fibre

board (cupboards) which makes it more difficult to find a market for NFMC's birch or poplar as new entrants are unlikely. Engineered wood for structural components is gaining in approval and popularity.

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 AVTB. The price has declined by \$300 USD per tonne in 2019 but remain healthy. AVTB 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, and Hornepayne Power) and support new facilities that may be proposed.

In December 2019, the U.S. House of Representatives ratified the United States, Mexico and Canada Agreement which was negotiated to replace the North American Free Trade Agreement. However, the new agreement 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 turned negative in 2019 as the mills were unable to pass the costs on and impacts on operations saw a number of mills closed. The impact for 2020-2023 is uncertain as no agreement has been negotiated between the U.S. and Canada and no talks have been scheduled. The preliminary countervailing duty on Canadian softwood lumber shipments to the U.S. has been in place since April 2017. 2017 and 2018 were banner years in the softwood lumber industry,

with prices of nearly 300 items setting records. The local industry is also helped by the weak Canadian dollar which is expected to remain around \$0.75 USD for the next year or longer. One challenge facing the forest industry is transporting its goods to market. The forest industry is forced to compete with other resource sectors for the use of finite rail resources. While much of the material shipped from area sawmills use tractor trailers a substantial portion uses rail to reach distant markets in the U.S. If other mills are forced to shift to tractor trailer from rail it will put additional pressure on the already stressed available fleet.

A key concern to the forestry sector continues to be the cost of fuel for the harvesting and delivery of wood products. There have been significant increases in diesel fuel costs during the past few years and pricing fluctuations are causing uncertainty and concern. The price of diesel is in excess of \$1.30 per litre despite oil trading off of its historical highs.

Capital Investment, Liquidity & Interest Rates

Banks and creditors continue to limit access to capital for those in the forest industry. Although economic indicators indicate recovery within the industry, shareholders and financial institutions view the forest industry as high risk. As a result, cost of capital is high. As the economy improves, financing for capital improvements and working capital will need to increase. Interest rates are currently low and are expected to stay the same in 2020 unless the Bank of Canada raises its rate to control inflation or respond to U.S. Federal Reserve rate hikes. NFMC is working with some clients who have cash flow issues and are not charging them interest on overdue accounts. These financial challenges also apply to NFMC contractors who need to invest in and maintain harvesting equipment.

Government Policy

The Government of Ontario came under new leadership in 2018. The new government is taking actions 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 government announced the launch of the new Forest Sector Strategy in December 2019. The Strategy is currently in draft form as it is in the public comment period, at which point, final changes may be made followed by the implementation of the Strategy. This Strategy is very important to the NFMC, our industry stakeholders and our local communities and has the potential to give the NFMC the tools and resources to make the industry more competitive and less restrictive while ensuring the sustainability of the forests remains the priority for current and future generations. Upon the Strategy's implementation, the NFMC may partake in some pilot projects envisioned within the document.

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 of these spending cuts on the NFMC is uncertain as the Agency generates its own income to support operations. The cuts may affect the MNRF as well as the Provincial Forest Access Roads Program (PFARP) that helps support the NFMC. A reduction in the roads program will result in increased delivered wood costs as any decrease will have to be absorbed by the forest industry. This could add \$3.00 per m³ to the wood costs from the NFMC. The forest sector may reduce road spending in the face of

decreased funding, which ultimately increases wood costs as haul times are increased when the road conditions deteriorate. However, specifics are unknown at this time.

The provincial 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 provincial 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 provincial 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 provincial government is also planning to develop the Ring of Fire working directly with First Nation partners (including communities adjacent to the NFMC management area).

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

Strategic Directions

The NFMC implemented its five-year Strategic Plan document that provides management and staff the vision and direction the Board envisions for the Corporation. The strategic plan includes the period covered by this business plan. Our vision and mission statements outlined within this plan is the foundation of the goals and objectives the Corporation wants to achieve. The document can be accessed at our office, however most aspects of the strategic plan are included throughout this Business Plan.

Achieving the highest standard of sustainable forest management (SFM) and financial self-sufficiency requires excellence in strategic business, FMP/SFM and operational planning and day-to-day, on-the-ground implementation by trained and competent employees and contract woods workers. The NFMC ensures that high-quality services and products are delivered to satisfied clients by a skilled and responsive workforce. The goal for the NFMC within the strategic plan is to invest in the infrastructure of our forests, achieve third party certification on all managed forests and ensure continued sustainability through proactive forest management practices while actively marketing non-utilized timber.

The NFMC model was initiated and developed in collaboration with local and Indigenous communities with the understanding that the Corporation's objects would support the development of local and Indigenous 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. Goal fulfillment will be achieved by developing employment opportunities, fostering entrepreneurship, establishing partnerships through constant communication and support while promoting the role of NFMC in the forestry sector.

Furthermore, the recent announcement by the provincial government introducing the draft Forest Sector Strategy will provide the NFMC an opportunity to review and implement changes and/or priorities within

our Strategic Plan to align with the provincial government's overall vision of the forestry sector. More details can be found in the 'Initiatives involving Third Parties' section outlined later in this document.

The NFMC's Strategic Plan's third goal is to work with industry stakeholders to increase the human resource capacity in the forestry sector. To fulfill this goal the NFMC will assist industry stakeholders in investment strategies and respond to the economic challenges, implement the FMP and encourage collaborations that explore partnerships for forestry research. The NFMC will continue to work with industry stakeholders to increase harvesting capacity. The NFMC will also provide stakeholders access to third-party research and technology organizations to make their businesses more efficient. 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 Indigenous 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 NFMC's Board 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 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 for 2020 is 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 NFMC resubmits its business proposal for approval by the MNRF.

One of the mandates of the NFMC is to advise the MNRF on matters related to the forest industry and forest sector. 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 two forest management units (FMUs): the Pic Forest and the White River. This area encompasses approximately 1.9 million hectares of productive Crown forest with an annual available harvest volume of over 1 million m³ of merchantable fibre and 200,000 m³ of biomass fibre annually based on current FMPs. Currently, the NFMC manages the White River Forest and the Pic Forest, leaving only the Nagagami Forest not under NFMC management as of 2020-21

The NFMC has a MOU with the MNRF. Although the MOU has not been updated recently, it 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 White River, Pic Mober First Nation, and Hornepayne. The board is currently at the minimal level for members and is unable to function if a member is missing for any reason. Also, many decisions are delayed as the current board members are waiting for the appointment of new members to fill the community positions and broaden its functional knowledge base and experience.

There are members of the public that have applied for membership to fill currently vacant positions for Manitouwadge, Marathon and a member-at-large who are undergoing review via the formal appointment process. This process is extremely time consuming however the NFMC hopes that the new members will be added to the Board during the first quarter of 2020-21. The NFMC also hopes that the re-appointment of the members for White River and Pic Mober First Nation can be completed in a timely manner, otherwise the Board will be composed of a single representative and quorum will not be able to be achieved. The Board is awaiting a recommendation from Biigtigong Nishnaabeg (Pic River First Nation) to fill its vacant seat on the Board. The NFMC is diligent in identifying potential individuals who could potentially contribute 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
Julie Roy-Ward*	Acting Chair	Hornepayne	02-May-2018 – 01-May-2021
Tina Forsyth	Acting Vice Chair	White River	28-Jun-2017 - 27-Jun-2020

Donald Fry	Member	Pic Mober First Nation	28-Jun-2017 - 27-Jun-2020
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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 Board 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 harvesting plans, and consulted the forest industry in developing the budget for the upcoming year.

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 for that forest.

Expenses for 2020-21 are budgeted at \$1.9 million, consistent with previous years. The largest expense incurred by the NFMC are wages and benefits. The cost to compensate employees are distributed between forestry and non-forestry related activities and are based on current NFMC staffing levels (White River operations, Marathon Office, etc.). Costs include vehicle mileage and truck allowances and have added White River forest management & operations staff. NFMC utilizes contractors to cover key activities. NFMC office in Marathon and added space in White River & Manitouwadge. Training opportunities for contractors and First Nations (i.e. fire, common core, etc.) are also planned for 2020-21.

Projecting deliveries are slightly higher than actuals from 2019-20 off the Pic Forest and almost 50% higher than the 2019-20 volume from the White River Forest as the contractors are expected to iron out operational issues experienced last year. The deliveries for 2020-21 are budgeted for 818,000 m³, primarily softwood which is expected to generate over \$3 million in revenue. The financial information is discussed in more detail in the section entitled Financial Budget.

The renewal program for the Pic Forest is budgeted at \$2.1 million and the White River Forest budget is \$1.6 million for 2020-21.

Resources Needed to Meet Goals and Objectives

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 the provincial government to carry out its operations. 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 Indigenous economic development. 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 throughout the year and include formal activities such as presentations to municipal and First Nation Councils as well as informal activities such as meetings, e-mails and phone calls. The board is currently at the minimum level of appointees which limits its ability to function, especially to take on new challenges. The agency requires a competent board with full complement of necessary skills and experience in order to achieve of the objectives laid out in the OFTMA.

The NFMC has supported initiatives that would benefit the Pic Forest. 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 Indigenous 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 is strategically positioned to be more successful in achieving its objectives by increasing annual utilization of the prescribed sustainable annual harvest level of over 1 million m³ per year. Increasing production will require improved demand for pulpwood and better pricing for wood in more distant geographic areas of the management unit. The NFMC would also need to increase contractor and supervisory capacity to reach further afield. During the term of this Business Plan, the NFMC will remain diligent to its strategic direction while implementing programs and providing the financial and human resources necessary to continually improve.

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 2020 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. For 2019-20, the NFMC requested the renewal rates remain at \$5.16/ m³ for spruce, pine, fir (SPF) and \$0.50/ m³ for poplar and birch on the Pic forest the NFMC is working to maintain the rate at that level for 2020-21. The NFMC requested renewal rates of \$4.00/ m³ for SPF and \$0.50/m³ 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 Provincial Forest Access Roads Program (PFARP), the Forest Renewal Trust (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
LFMC Revenue Model	Timber sales revenues and management fees from wood sales remain with NFMC to further objects.	<ul style="list-style-type: none"> ○ Sustainable forest management ○ Economic development for communities and Indigenous people ○ Timber marketing and sales information/data 	<ul style="list-style-type: none"> ○ Approx. \$3.5 million available from the FFT upon transfer of the Nagagami SFL
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"> ○ Reinvesting in and improving the forest assets ○ Sustainable forest management 	<ul style="list-style-type: none"> ○ 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"> ○ Cost competitive, affordable wood supply ○ Continuous and predictable supply 	<ul style="list-style-type: none"> ○ TBD per the MNRF's PFARP 2020-21 expected to be consistent with prior levels (per MNRF) ○ Approx. \$2.5 million
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"> ○ Reinvesting in and improving the forest asset ○ Economic development for communities and Indigenous people 	<ul style="list-style-type: none"> ○ 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 (CRF) for Crown timber harvested on the NFMC management area. The value of the Crown timber stumppage, as established in the marketplace, will flow to the NFMC. The Agency will use this revenue to cover its costs, satisfy its obligations and to undertake activities consistent with its objects.

The Crown Dues invoices from the Nagagami SFL 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 Forest and Pic Forest management units. The revenue from management fees is expected to be approximately \$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 m³ 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). Due to the lower delivered volume forecast the rate for 2020-21 is targeted to be \$0.96 per m³ which is the same as the rate in 2017-18 and 2018-19.

Forest Renewal Trust Funds

The Forest Renewal Trust (FRT) account(s) for the 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 2020-21 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 (PFARP)

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, the PFARP, 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 NFMC manages over \$2 million in roads funds that are used to maintain or construct hundreds of kilometres of primary and branch roads on two SFLs. The capital spending by the commitment holders 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 MNRF stop funding the program. The loss of funding will have a negative impact on the industry on the NFMC management area, 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-imbursement 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 provide feedback to the NFMC should the road require areas that may need maintenance.

Open Market Sales

One of the components of the NFMC's Strategic Plan that will be implemented in 2020-21 is the development of a pricing structure for open market timber sales. The pricing structure takes into account 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 2021-22 following the completion of the CP. 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.

Upon the Policy's approval by the MNRF, the NFMC will begin the Open Market process which will include a pricing structure that will establish prices 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. This will be accomplished by having the CFSA Section 31 price for the Crown timber set by the Minister to zero such that there will be no requirement for remittances to the CRF for Crown timber harvested on the NFMC management area. Remittances to the two forest's Renewal Trusts would continue in their current manner. For a portion of the year, the Forestry Futures Trust charge will include an additional charge for the provincial forest resource inventory program. 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.

Human Resources

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 NFMC's Forestry Technicians are 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 silvicultural staff ensure 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 Pic Forest SFL. Attracting and retaining qualified employees has proven to be difficult given the remote location of the management area and limited career and renumeration options available at the NFMC. Due to the challenges in recruiting the NFMC has recognized the needs to grow skills internally and is preparing for this through staff training and development.

The biggest challenge facing NFMC's operations staff in 2020-21 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. Contingency Plans (CP) were prepared to cover 2017-19 and align the two schedules. The amalgamated FMP was delayed and was not completed until after April 1, 2019. Consequently, the NFMC prepared another CP to cover 2019-21 to ensure operations continue on the forests.

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).

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. At the corporate level, risk evaluation is part of annual strategic business planning exercises involving the Board of Directors, senior managers and staff with program responsibilities. To do this, the NFMC follows the risk assessment and risk management process outlined in the Agencies and Appointments Directive's (AAD) "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 key risk elements.

Table 3. Risk Elements Summary

Risk Title	Risk Description
Legal / Contractual / Compliance	<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>
Legal / Contractual / Compliance	<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>
Accountability / Governance	<i>Ability to achieve objects - Risk that the NFMC's Strategic Plan not completed and Business Plan does not reflect objectives.</i>
Accountability / Governance	<i>Financial stability - Risk that NFMC is unable to market and sell sufficient volumes necessary to generate revenue for the Agency.</i>
Accountability / Governance	<i>Financial stability - Risk that reduction in outside funding impacts NFMC's ability to deliver/implement forest management activities</i>
Accountability / Governance	<i>Ability to meet stakeholder expectations - Risk that this plan and vision will not be achievable or will be inconsistent with original intent.</i>
Legal / Contractual / Compliance	<i>Ensuring responsible and compliant operations - Risk that NFMC operations are not compliant with applicable rules and regulations.</i>
Legal / Contractual / Compliance	<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>

Risk Title	Risk Description
<i>Accountability / Governance</i>	<i>Government reporting requirements - Risk that the NFMC fails to fulfil government reporting requirements.</i>
<i>Accountability / Governance</i>	<i>Financial reporting - Risk that internal policies and structure is insufficient to protect interests of the NFMC and MNRF.</i>
<i>Operational</i>	<i>Market - Risk that the demand for wood will impact on cash flow.</i>
<i>Operational</i>	<i>Contractor risk – major contractor unable to supply mills.</i>
<i>Operational</i>	<i>Harvest risk – areas are removed from approved FMP resulting in less volume available for harvest</i>
<i>Operational</i>	<i>Union risk – USWA has filed claim for successor rights on White River Forest which may impact viability of First Nations contractor and deliveries to 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 Corporate Management and Information Division (CMID) per the AAD. 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 Agency Business Plan. The NFMC Board passed By-Law #3 in 2014 to establish its 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 with the goal of exceeding the minimum. The operating reserve is expected to increase to approximately \$6.0 million in 2020-21 and \$7.4 million in 2022-23. 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. Risk at the operational level is evaluated within the NFMC's environmental and Sustainable Forest Management (SFM) system and mitigated by a suite of management system procedures and operational controls, including, but not limited to monitoring and on-site supervision by competent NFMC employees and contractor supervisors. 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 Pic Forest and the White River Forest. 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 that were released in 2019. This proactive approach will help the NFMC prepare for its 2020 audit requirements.

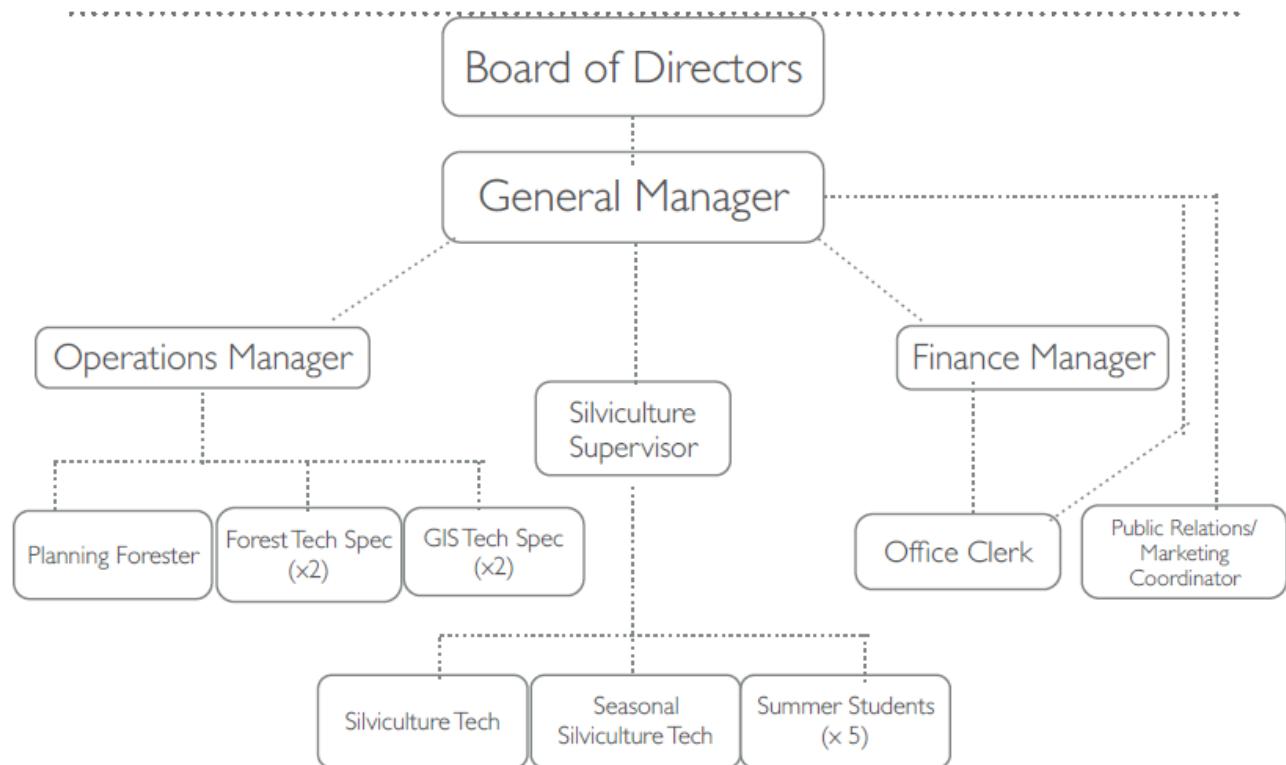
Human Resources and Staff Numbers

The Chair and the Board of Directors are accountable to the Minister for the Authority's statutory mandate. Staff are public servants for a "public body" but are not Ontario Public Service employees. NFMC has

developed internal human resources policies (i.e. overtime, travel, vehicle plan, 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.

The NFMC's unique mandate requires specialized administrative functions including a forest products business-focused financial department and systems support. The NFMC maintains a small Information Technology/Information Management department (with a significant investment in GIS specialization) that supports finance, administration, forest and wood measurement data, management planning and reporting activities. The NFMC workforce is highly skilled and is highly mobile in today's economy. NFMC experiences high rates of turnover as these skilled employees leave for positions which may offer better pay and benefits or for family related reasons. Public service wage constraints have affected NFMC staff since 2014. Skilled and experienced employees are critical to business continuity and delivery of required programs and support functions. The risk that the NFMC faces is not being able to attract and retain qualified and motivated employees, leading to performance issues, business and service continuity risk.

Figure 1. NFMC Organizational Chart at December 31, 2019



The NFMC plans to maintain current staffing levels in 2020-21 and does not expect significant changes in 2021-22. There may be changes in 2022-23 if the Nagagami Forest is transferred to NFMC management. The NFMC increased 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.

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 provides a health and safety program to 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 support to its contractors that require health and safety training for its employees.

The NFMC faces a significant challenge in attracting and retaining qualified employees given the remote location of the management area. The NFMC established an HR Committee whose mandate includes reviewing compensation to ensure the NFMC remains competitive and is able to attract skilled employees. However, the NFMC is challenged by the limited options available in terms of career advancement and renumeration. The NFMC is expected to operate in a manner consistent with the local private forest industry but due to restrictions related to the Ontario Public Service it is unable to offer the same types and levels of compensation. A compensation strategy was developed by the Board in 2018 and was based on comparators in other parts of the OPS. However, the NFMC is a unique agency that must balance a number of competing tasks including forest management and planning, forest renewal, community development, and public outreach and education, while generating its own funds through timber sales.

The NFMC has advertised and used professional recruitment services for senior operations positions for which it was unable to attract qualified applicants. The NFMC filled the position with candidates that did not possess all the desired skills but 'may grow into the role'. The NFMC also has challenges in finding service providers that meet the intent of supporting locally based economic development with the limited talent pool in the management area. The NFMC has recognized the needs to grow skills internally and is preparing for this through staff training and development.

The NFMC does not currently harvest or deliver wood from its management area to its various customers. However, that does not reduce the NFMC's concern about the demographic shift facing the forest industry. The reality facing today's businesses is that many skilled workers are approaching retirement. Replacing the knowledge base will be difficult and certainly not timely. Business and service continuity is at risk.

Disruptions to service levels and uncertain delivery are costly. The NFMC will assist the industry develop and implement strategies to support recruitment and training of employees within the forest management and harvesting contractor workforces.

Performance Measures

The NFMC's core business and primary performance measures consist of harvest volume and area-based forest management programs (also referred to as forest renewal or silviculture) and financial results. Harvesting is described as total volume in cubic metres (m^3) of forest products sold in the term while performance measures for forest management programs are hectares (ha) of treatment or quantities (i.e., thousands of tree seedlings, hectoliters of seed).

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"> - Are the forests being managed sustainably per audits/ certification standards, etc.? - Has the renewal program met or exceeded the commitments made in the approved FMP? - Has NFMC invested in R&D to improve forest management? 	<p>Pic and White River forests certification maintained with Nagagami added in 2022-23</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"> - Does the Agency have sufficient cash flow to support its operations? - Has an appropriately sized operating reserve been established? - Has value for money been realized when spending taxpayer dollars? - Are accounts receivable collected in a timely manner? 	<p>\$200,000 to \$500,000 of free cash flow</p> <p>At least \$6.0 million operating reserve by year end 2020-21 (up to \$7.4 million in 2022-23)</p> <p>No aged accounts receivable listing beyond 90 days</p>
Extending scope of usage	<ul style="list-style-type: none"> - Have commitments volumes been made available and/or utilized? - Has wood been made available to new entrants? How much? - Has the NFMC moved closer to a more economically efficient system for wood allocation and pricing? 	<p>100 percent of commitment volume made available</p> <p>Percentage of wood made available to open market customers</p>

Goal	Performance measure	Standard/Target
	- Has utilization of available timber over operational period improved and/or new markets been developed?	Positive utilization trends
Meeting governance requirements	<ul style="list-style-type: none"> - Have government directives been followed (i.e. the AAD) <ul style="list-style-type: none"> - Completion of Annual Business Plan - Risk Assessment Evaluation - Annual Report - Board training as directed 	All reports submitted on time Posting of reports to Agency website
	<ul style="list-style-type: none"> - In addition to the AAD, all classified agencies must adhere to <ul style="list-style-type: none"> - Accountability Directive - Advertising Content Directive - Delegation of Authority Key Directive (MOF) - Government Appointees Directive - Travel, Meal and Hospitality Expenses Directive 	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"> - Have local economic development opportunities been created/supported by NFMC operations? - Responsive to new local non-timber business initiatives that may come forward 	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"> - How have communities' interests been represented by NFMC operations and decisions? - Have Indigenous economic development opportunities been developed? 	Increase in local suppliers from 2012 levels Increase in Indigenous business, harvest volumes, area renewed from 2012
Engaging the community in forestry	<ul style="list-style-type: none"> - How have communities' interests been represented by NFMC operations and decisions? 	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 its main customers including the AVTB pulp mill, WRFP, Lecours Lumber, Columbia Forest Products (Levesque) and HLLP. The volume forecasts are provided by representatives from primary forest product mills based on planned operations and capital investments for 2020-21 and beyond. Some mills requested additional softwood volume, this wood was identified by the NFMC and, if available, will be made available to mills that are in good standing (i.e. current on management fees and timber sales charges). It should be noted that the volume on the Pic Forest from the new LTMD is projected at 625,000 m³ per year and the White River annual allowable cut is over 400,000 m³.

During the late stages of the Business Plan preparation, The NFMC has become aware of harvest areas that will require deferral into future years. We are working with the Ministry to find alternative areas to harvest in order to maintain the commitments and harvest levels as outlined within this plan. It is our current opinion that this will be achievable and that no material changes are required at this time.

Table 5. Estimated delivered volumes (m³) 2020-21

	Pic Forest	White River Forest	Total
AVTB	240,000	20,000	260,000
HLLP	30,000	20,000	50,000
WRFP	100,000	260,000	360,000
Lecours	82,000		82,000
Levesque	25,000	15,000	40,000
Other	26,000		26,000
TOTAL	503,000	315,000	818,000

The volume is expected to increase slightly in 2021-22 (Table 6) as more volume from the new CP areas are accessed through new planned roads whose construction started in 2019-20. The investments in First Nations contractors should result in increases in their production making more volume available to the mills. It is also believed that by 2021 the industry will be able to begin addressing the shortage of trucks and drivers that are hampering deliveries to local mills. In addition, AVTB, WRFP, and Levesque are continuing capital investments in their mills that will increase production.

Table 6. Estimated delivered volumes (m³) 2021-22

	Pic Forest	White River Forest	Total
AVTB	242,400	21,000	263,400
HLLP	30,300	21,000	51,300
WRFP	101,000	273,000	374,000
Lecours	82,820	-	82,820
Levesque	25,250	15,750	41,000
Other	26,260	-	26,260
TOTAL	508,030	330,750	838,780

The delivered volume for 2022-23 (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 2022. The NFMC is not planning to engage in open market sales until after the current term of the contingency plan is completed. The first two years of the Open Market Timber Sales Program are a limited test to determine the best mechanisms to make volume available and reach new customers.

Table 7. Estimated delivered volumes (m³) 2022-23

	Pic Forest	White River Forest	Total
AVTB	244,824	22,050	266,874
HLLP	30,603	22,050	52,653
WRFP	102,010	286,650	388,660
Lecours	83,648	-	83,648
Levesque	25,503	16,538	42,040
Other	26,523	-	26,523
TOTAL	513,110	347,288	860,398

The NFMC's Agency Business Plan envisions the license for the Nagagami Forest to be transferred by the end of 2022-23. The delivered volumes and revenues will become the responsibilities of the NFMC in 2023-24.

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 NFMC's revenue is expected to exceed expenditures for each year of the plan (Table 8). In addition, in year 2022-23 the NFMC expects to receive the balance of funds in the Nagagami LFMC conversion trust of approximately \$3,000,000 which will increase net income. The Board will need to decide how much of this revenue is allocated to the operating reserve or used for future priorities and expenditures.

Table 8. Estimated Net Income 2020-21 to 2022-23

	2020-21	2021-22	2022-23
Operating Income			
Revenue	\$ 3,745,225	\$ 3,843,000	\$ 6,944,000
Expenditures	\$ 1,952,259	\$ 2,000,614	\$ 2,066,847
Excess Revenue Over Expenses	\$ 1,792,966	\$ 1,842,386	\$ 4,877,153
Additional Expenditures			
Strategic	\$ 675,000	\$ 350,000	\$ 450,000
Forest Improvement	\$ 100,000	\$ 100,000	\$ 100,000
Forest Contracting	\$ 150,000	\$ 200,000	\$ 300,000
Forest Infrastructure/Access	\$ 400,000	\$ 300,000	\$ 350,000
Other	\$ 400,000	\$ 500,000	\$ 500,000
	\$ 1,725,000	\$ 1,450,000	\$ 1,700,000

NET INCOME	\$ 67,966	\$ 392,386	\$ 3,177,153
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The NFMC'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. A significant part of the NFMC's revenue is being allocated to build up an operating reserve as a hedge against future market downturns. The FFT will continue to oversee the collection and management of LFMC conversion fees from the Nagagami forest until the SFL is transferred to the NFMC in 2022-23.

Table 9. Estimated Revenue 2020-21 to 2022-23

	2020-21	2021-22	2022-23
Revenue			
Management Fees	\$ 786,000	\$ 806,000	\$ 827,000
Timber Sale Charge	\$ 2,743,000	\$ 2,813,000	\$ 2,885,000
Forest Renewal Activities	\$ 216,225	\$ 224,000	\$ 232,000
LFMC Conversion Program	\$ -	\$ -	\$ 3,000,000
Total Revenue	\$ 3,745,225	\$ 3,843,000	\$ 6,944,000

It is expected that revenues derived from timber sales (management fees and timber sale charges) will increase during the CP, matching the trend in delivered volume (Table 9). Other revenue, which is primarily the NFMC invoicing the FRT for eligible forest renewal costs, will also increase 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 m³ 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 2020-21 is expected to be \$0.96 per m³ an increase from 2019-20 but consistent with the rates for 2017-19. This change is due to the conservative harvest levels used in this year's Agency Business Plan. The mills and contractors experienced logistical challenges (in particular hauling) in 2019 that limited the volumes delivered. Until the NFMC is satisfied that the logistical challenges are addressed, the lower end of the range provided by the industry will be used to forecast volumes for 2020-21.

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 almost \$2 million in 2020-21 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 remain near \$2 million when the Nagagami forest is added in the final year of this Business Plan.

Table 10. Estimated Expenditures 2020-21 to 2022-23

	2020-21	2021-22	2022-23
Automobile	\$ 137,000	\$ 141,000	\$ 145,000
Amortization	\$ 48,000	\$ 64,000	\$ 80,900
Bank & Finance Expenses	\$ 2,000	\$ 2,000	\$ 3,000
Board of Directors	\$ 30,000	\$ 31,000	\$ 32,000
Contractor Costs	\$ 41,000	\$ 30,000	\$ 23,000
Forest Certification	\$ 60,000	\$ 62,000	\$ 64,000
Forest Management	\$ 116,000	\$ 93,000	\$ 96,000
Capacity Development	\$ 115,000	\$ 118,000	\$ 122,000
Insurance	\$ 40,000	\$ 41,000	\$ 42,000
License	\$ 12,000	\$ 12,000	\$ 13,000
Miscellaneous	\$ 12,000	\$ 12,000	\$ 13,000
Office	\$ 43,000	\$ 48,000	\$ 49,000
Office Lease	\$ 78,000	\$ 90,000	\$ 93,000
Professional Fees	\$ 88,000	\$ 90,000	\$ 93,000
Public Relations & Travel	\$ 110,000	\$ 113,000	\$ 116,000
Wages & Benefits	\$ 1,022,000	\$ 1,052,000	\$ 1,084,000
	<hr/> \$ 1,952,000	<hr/> \$ 2,001,000	<hr/> \$ 2,066,000

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 2020-21 to 2022-23

	2020-21	2021-22	2022-23
Strategic	\$ 675,000	\$ 350,000	\$ 450,000
Forest Improvement	\$ 100,000	\$ 100,000	\$ 100,000
Forest Contracting	\$ 150,000	\$ 200,000	\$ 300,000
Infrastructure/Access	\$ 400,000	\$ 300,000	\$ 350,000
Other Strategic Initiatives	\$ 400,000	\$ 500,000	\$ 500,000
TOTAL	<hr/> \$ 1,725,000	<hr/> \$ 1,450,000	<hr/> \$ 1,700,000

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 up to \$300,000 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 2020-21 to 2022-23

	2020-21	2021-22	2022-23
Roads and Bridges	\$ 100,000	\$ 150,000	\$ 150,000
Office Equipment	\$ 25,000	\$ 25,000	\$ 25,000
Leasehold Improvements	\$ 130,000	\$ 30,000	\$ 30,000
Computer Equipment	\$ 25,000	\$ 25,000	\$ 25,000
Forestry Equipment	\$ 20,000	\$ 20,000	\$ 20,000
Total	\$ 300,000	\$ 250,000	\$ 250,000

Information Technology / Electronic Service Delivery Plan

The NFMC performs most of the Information Technology (IT) functions internally. IT department supports forest management planning, data management and maintains operational and administrative systems required to fulfill its statutory mandate. Capital expenditures are planned to update servers and personal computing devices with field applications. The largest single component of the organization's IT costs relate to computer software (i.e. annual fee for geographic information systems and technical support). The primary IT resource user is the geographic information system (GIS) department with most GIS services performed in house. Accounting records and web services are also managed internally. In 2020-21, 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 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 and distributed on a regular 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 2021-22 when the Agency has a year under its belt.

The NFMC maintains a website (nfmcforestry.ca). The NFMC ensures the site meets or exceeds the province's Accessibility requirements. The website includes information regarding the OFTMA, the Agency's Board of Directors and staff, the NFMC management area, operations and its procurement, environmental, and human resources opportunities. Various NFMC policies are also posted on the website. The NFMC home page is shown in Appendix IV. One of the roles of the NFMC's Community Relations and Marketing Coordinator will be to review the NFMC's current Electronic Service Delivery Plan to ensure the

NFMC's compliance with the province's requirements and suggest methods to improve delivery, including an update or redesign of the website and the use of social media where applicable.

Initiatives Involving Third Parties

This business plan includes commitments to third parties for economic development, research, bursaries, cultural activities and educational programs. The activities and organizations meet the expectations, requirements and objectives outlined by the Board and Ministry through various documents. Many of these opportunities are good news stories representing a dynamic and collaborative approach to providing social, economic and environmental benefits.

Research: the budget includes financial and in-kind support to do research on the ways to improve forest utilization and information systems. The NFMC may also provide funding and staff support for sustainable forest management, wildlife habitat, environmental programs; advanced regeneration, road building, etc. The goal here is to also be aligned with the anticipated Forest Sector Strategy anticipated to be officially launched by the Government of Ontario in 2020.

Scholarships/Bursaries: financial support is designated for high school and post-secondary school bursaries to assist graduating and mature students from the region who enter the forestry/natural science disciplines at college or university level. The eligibility for this program includes priority for the support of families employed in the region's forestry sector.

In addition to the above activities, NFMC conducts tours and provides presentations to interested groups, including local elementary and high school students along with students from various colleges and universities in Northern Ontario. Other initiatives that arise throughout the year are brought forward to the Board for discussion.

The NFMC maintained its third-party forest management certification on the Pic and White River Forests. Maintaining certification of the forests under its management in 2020-2023 is considered a major accomplishment that demonstrates the NMFC's commitment to manage its forests sustainably, support its industry partners, and help facilitate local community and First Nation economic development. The NFMC will work to implement its certification program under the FSC's new Boreal Standard. This may include adjusting the way it implements its silviculture program and increasing its interactions and consensus building work with the First Nations in its management area.

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 third-party surveillance audits are a success. This includes work by field staff members to ensure 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 Indigenous communities with the understanding that the Corporation's objects would support the development of local and Indigenous economic development opportunities within the management area. The NFMC intends to develop

necessary strategies and explore opportunities to move forward with local and Indigenous economic development opportunities as they arise.

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

Implementation Plan

This Business Plan guides the NFMC's achievement of objectives and commitment to undertake sustainable forest management practices. Implementation of the guidance provided by this business plan is entrusted with the Board and staff of the NFMC through the conduct of their respective roles and responsibilities for oversight, accountability and program delivery. The NFMC's implementation plan is essentially comprised of four key documents:

- The 2017-2021 Strategic Plan which highlights at a high level the goals and objectives of the Corporation for the 5-year period as envisioned by the Board of Directors.
- Two Forest Management Plans that guide the Forestry part of the business in ensuring that the forests are sustainably managed for current and future generations, while providing the necessary economic benefits to the local communities giving them opportunities to thrive in the Northern Ontario economic climate.
- The Agency Business Plan (this document) which highlights how the financial resources will be acquired and used to meet the expectations of the NFMC Board, the Ontario Government, our local Communities and Industry Stakeholders.

The NFMC will focus on seven initiatives to be completed by March 31, 2021:

1. Continue third-party certification;
2. Plan, prepare, implement and oversee the silviculture program on the White River forest;
3. Complete the Pic Forest FMP and have it ready for implementation;
4. Finalize new MOAs with Crown commitment holders;
5. Prepare response 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 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 efficiencies 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 document:

- Provide accurate and timely communication for customers, suppliers, Board and staff;
- Enhance awareness through stakeholder engagement; and
- 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 CP and the future FMP will afford the NFMC opportunities 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 filled its Community Relations and Marketing Coordinator position 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 its Strategic Initiatives Program. Through this Program, 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. In addition, the NFMC’s Scholarship Policy is intended for local students; encouraging studies in the forest and resource management fields. Lastly,

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 Community Relations and Marketing Coordinator employee will be responsible for tasks such as attending local schools and promoting the forest industry and the NFMC; specifically, targeting high school, college and university 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 Community Relations and Marketing Coordinator 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 2018/19 to 2022/23

	2018/19	2019/20	2020/21	2021/22	2022/23
Revenue	ACTUAL	PLANNED	FORECAST	FORECAST	FORECAST
Management Fees	\$529,368	\$711,360	\$785,280	\$805,229	\$825,982
Timber Sale Charge	\$2,773,389	\$2,710,266	\$2,741,893	\$2,811,586	\$2,884,089
LFMC Conversion Program	\$1,218,907	\$589,161	\$-	\$-	\$3,000,000
Total Revenue	\$4,521,664	\$4,010,787	\$3,527,173	\$3,616,815	\$6,710,071
Expenses					
Automobile	\$21,258	\$133,572	\$136,632	\$140,731	\$144,953
Amortization	\$20,098	\$27,539	\$47,539	\$64,206	\$80,873
Bank & Finance Charges	\$12,553	\$2,400	\$2,400	\$2,472	\$2,546
Board of Directors	\$23,962	\$34,980	\$30,120	\$31,024	\$31,954
Contractor Costs	\$249,185	\$173,944	\$40,600	\$30,450	\$22,838
Forest Certification	\$58,350	\$60,000	\$60,000	\$61,800	\$63,654
Forest Management	\$454,513	\$66,000	\$116,400	\$93,120	\$95,914
Capacity Development	\$197,673	\$126,400	\$114,600	\$118,038	\$121,579
Insurance	\$10,749	\$30,095	\$39,695	\$40,886	\$42,112
License	\$17,056	\$12,000	\$12,000	\$12,360	\$12,731
Miscellaneous	\$2,927	\$12,000	\$12,000	\$12,360	\$12,731
Office	\$107,462	\$43,240	\$43,240	\$47,564	\$48,991
Office Lease	\$37,200	\$67,200	\$78,000	\$90,000	\$92,700
Professional Fees	\$71,697	\$77,800	\$87,800	\$90,434	\$93,147
Public Relations	\$15,551	\$93,961	\$109,564	\$112,851	\$116,236
Wages & Benefits	\$777,981	\$1,018,703	\$1,021,669	\$1,052,319	\$1,083,888
Total Expenses	\$2,078,215	\$1,979,834	\$1,952,259	\$2,000,614	\$2,066,847
Operating Income	\$2,443,449	\$2,030,953	\$1,574,914	\$1,616,200	\$4,643,224

Forestry, Other Expenditures & Reserve

	2018/19	2019/20	2020/21	2021/22	2022/23
FORESTRY REVENUE	ACTUAL	PLANNED	FORECAST	FORECAST	FORECAST
Forest Renewal Activities	\$19,066	\$379,218	\$216,225	\$224,000	\$232,000
Forest Access Roads	\$3,286,233	\$2,635,000	\$2,635,000	\$2,935,000	\$3,320,000
Total Forestry Revenue	\$3,305,299	\$3,014,218	\$2,851,225	\$3,159,000	\$3,552,000
<hr/>					
FORESTRY EXPENSES	ACTUAL	PLANNED	FORECAST	FORECAST	FORECAST
Forest Renewal Activities	\$0	\$0			
Forest Access Roads	\$1,620,770	\$2,635,000	\$2,635,000	\$2,935,000	\$3,320,000
Total Forestry Expenses	\$1,620,770	\$2,635,000	\$2,635,000	\$2,935,000	\$3,320,000
<hr/>					
FORESTRY INCOME	\$1,684,529	\$379,218	\$216,225	\$224,000	\$232,000

OTHER EXPENDITURES*	2018/19	2019/20	2020/21	2021/22	2022/23
Strategic			\$675,000	\$350,000	\$450,000
Forest Improvement			\$100,000	\$100,000	\$100,000
Forest Contracting		\$200,000	\$150,000	\$200,000	\$300,000
Infrastructure/Access		\$300,000	\$400,000	\$300,000	\$350,000
Other Strategic Initiatives			\$400,000	\$500,000	\$500,000
TOTAL		\$500,000	\$1,725,000	\$1,450,000	\$1,700,000

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

NET INCOME	\$4,127,978	\$1,910,171	\$66,139	\$390,200	\$3,175,224

OPERATING RESERVE (cumulative)

Proposed Operating Reserve	\$4,800,000	\$5,400,000†	\$6,000,000†	\$6,400,000	\$7,400,000

Nawiinginokiima Forest Management Corporation

Projected Statement of Financial Position Forecasts for Fiscal Years 2018/19 to 2022/23

	2018/19	2019/20	2020/21	2021/22	2022/23
Current Assets					
Cash	\$3,098,362	\$4,437,507	\$7,852,342	\$6,389,530	\$6,305,106
Accounts Receivable	\$7,584,907	\$3,303,465	\$3,222,862	\$3,537,802	\$4,438,345
Inventory	\$900,000	\$700,000	\$500,000	\$300,000	\$100,000
Prepaid Expenses	\$500,000				
Investment Funds	\$4,800,000	\$5,400,000	\$6,000,000	\$6,400,000	\$7,400,000
	\$16,883,269	\$13,840,971	\$17,575,204	\$16,627,332	\$18,243,451
Capital Assets					
	\$177,589	\$413,089	\$713,089	\$963,089	\$1,213,089
Less Depreciation	(167,049)	(194,588)	(242,128)	(306,333)	(387,206)
	\$10,540	\$218,501	\$470,961	\$656,756	\$825,883
Total Assets					
(including operating reserve*):	\$16,893,809	\$14,059,472	\$18,046,165	\$17,284,088	\$19,069,334
Obligations & Liabilities					
Current obligations:					
Accounts payable & accruals	\$2,098,978	\$2,875,252	\$2,904,582	\$2,978,304	\$3,056,326
Net Assets Summary					
Unrestricted	\$9,994,831	\$5,784,220	\$8,552,423	\$7,316,623	\$8,023,847
Restricted*	\$4,800,000	\$5,400,000	\$6,000,000	\$6,400,000	\$7,400,000
Total	\$14,794,831	\$11,184,220	\$15,141,584	\$14,305,784	\$16,013,008

* Operating Reserve target set by Board Resolution

Nawiinginokiima Forest Management Corporation

Projected Statement of Cash Flows

Forecasts for Fiscal Years 2018/19 to 2022/23

	2018/19	2019/20	2020/21	2021/22	2022/23
Cash flows from operating activities					
Excess revenues over expenses	\$4,127,978	\$1,910,171	\$66,139	\$390,200	\$3,175,224
Amortization of capital assets	\$20,098	\$27,539	\$47,539	\$64,206	\$80,873
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$4,148,076	\$1,937,710	\$113,679	\$454,406	\$3,256,096
Change in non-cash working capital					
Accounts receivable	\$1,370,870	\$4,281,443	\$80,602	(\$314,940)	(\$900,543)
Inventory	\$0	\$200,000	\$200,000	\$200,000	\$200,000
Prepaid expenses	(\$500,000)	\$500,000	\$0	\$0	\$0
Accounts payable & liabilities	(\$355,739)	\$776,274	\$29,329	\$73,722	\$78,022
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$515,131	\$5,757,717	\$309,932	(\$41,218)	(\$622,520)
Cash flows from financing activities					
Capital contributions received	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$0	\$0	\$0	\$0	\$0
Cash flows from investing activities					
Acquisition of capital assets	\$0	(\$235,500)	(\$300,000)	(\$250,000)	(\$250,000)
Proceeds on sale of assets	\$0	\$0	\$0	\$0	\$0
Operating reserve	(\$4,800,000)	(\$600,000)	(\$600,000)	(\$400,000)	(\$1,000,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(\$4,800,000)	(\$835,500)	(\$900,000)	(\$650,000)	(\$1,250,000)
Cash flow from other activities					
Other Expenditures	\$0	(\$500,000)	(\$1,725,000)	(\$1,450,000)	(\$1,700,000)
Other Repayments	\$0	\$379,218	\$216,225	\$224,000	\$232,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$0	(\$120,782)	(\$1,508,775)	(\$1,226,000)	(\$1,468,000)
Increase (decrease) in cash					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(\$136,793)	\$6,739,145	(\$1,985,165)	(\$1,462,812)	(\$84,424)
Cash, beginning of year					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$3,235,155	\$3,098,362	\$9,837,507	\$7,852,342	\$6,389,530
Cash, end of year					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$3,098,362	\$9,837,507	\$7,852,342	\$6,389,530	\$6,305,106

APPENDIX IA - NFMC COMPARE 2018/19 ACTUAL VS. FORECAST

REVENUE	ACTUAL	BUDGET	VARIANCE	NOTES
Management Fees	\$529,368	\$585,369	\$(56,001)	volume below budget final year of Pic FMP
Timber Sale Charge	\$2,773,389	\$3,267,095	\$(493,706)	volume below budget final year of Pic FMP
Other Revenues	-	-	-	
LFMC Conversion Program	\$1,218,907	\$379,646	\$839,261	FFT trust payments & Crown charge refund
Total Revenue	\$4,521,664	\$4,232,110	\$289,554	
EXPENSES				
Automobile	\$21,258	59,855	38,597	operations positions not filled
Bank & Finance Charges	\$12,553	2,400	-10,153	Payroll preparation fees in actual
Board of Directors	\$23,962	30,292	6,330	Meeting and training used remote technology
Contractor Costs	\$249,185	172,648	-76,537	FMP & contingency work
Forest Certification	\$58,350	31,848	-26,502	FSC audit for Pic Forest & White River
Forest Management	\$344,421	129,510	-214,911	FMP prep for contingency plus use of jackfish
Capacity Development	\$197,673	152,168	-45,505	FN and contractor training plus community support
Insurance	\$10,749	27,749	17,000	
License	\$17,056	8,119	-8,937	FPIinnovations membership for additional year
Miscellaneous	\$2,927	2,276	-651	As forecast
Office	\$107,462	42,824	-64,638	additional costs for GIS supplies, forest tech equipment
Office Lease	\$37,200	37,200	0	Office lease cost did not change in 2018
Professional Fees	\$71,697	39,373	-32,324	Legal issues re USWA delayed to 2019
Public Relations	\$15,551	37,365	21,814	No open market sales
Wages & Benefits	\$777,981	808,380	30,399	operations positions not filled
Total Expenses	\$1,948,025	\$1,582,007	\$-366,018	
Operating Income	\$2,573,639	\$2,650,103	\$(76,464)	

APPENDIX II - NFMC Operating Costs for Operating Reserve Calculation

Forecast Expenses 2020-21

Automobile	\$136,632
Amortization	\$-47,539
Bank and Finance Expenses	\$2,400
Board of Directors	\$30,120
Contractor Costs	\$40,600
Forest Certification	\$60,000
Forest Management	\$116,400
Capacity Development	\$114,600
Insurance	\$39,695
License	\$12,000
Miscellaneous	\$12,000
Office	\$43,240
Office Lease	\$78,000
Professional Fees	\$87,800
Public Relations and Travel	\$109,564
Wages and Benefits	\$1,021,669
	<hr/>
	\$1,952,259
Silviculture Recovery	\$(216,225)
Amortization	<hr/> -\$ (47,539)
	\$(216,225)
Operating Costs	\$1,688,495
 Low Range	 \$3,376,990
Upper Range	\$8,442,474

APPENDIX III - NFMC “2020-21 Risk Analysis Details”

Risk Title	Risk	Key Information	Risk Mitigation Plan
<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>	Category <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 2020-21.</i>
		Impact <i>Minor</i>	
		Likelihood <i>Unlikely</i>	
		Timeline <i>More than 36 months</i>	
<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>	Category <i>Legal / Contractual / compliance</i>	<i>NFMC is working address issues, develop IFA action plan in conjunction with the MNRF.</i>
		Impact <i>Minor</i>	
		Likelihood <i>Unlikely</i>	
		Timeline <i>6-12 months</i>	
<i>Objective achievement</i>	<i>Ability to achieve objects - Risk that Strategic Plan is not completed and Business Plan does not reflect objectives</i>	Category <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</i>
		Impact	

Risk Title	Risk	Key Information	Risk Mitigation Plan
		<p>Minor</p> <p>Likelihood Low</p> <p>Timeline 12-24 months</p>	<p><i>all the requirements. The Plans were submitted and are currently under review.</i></p> <p><i>The NFMC developed Strategic Plan for distribution.</i></p>
<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>	<p>Category Accountability/ Governance</p> <p><i>Impact</i> Moderate</p> <p>Likelihood Unlikely</p> <p>Timeline 12-24 months</p>	<p><i>The NFMC makes available wood to forest industry.</i></p> <p><i>Ongoing monitoring of start-up funding available in the LFMC Conversion Program of the Forestry Futures Trust.</i></p> <p><i>The NFMC works closely with its customers/harvesters to project and forecast demand and created an annual budget with this input.</i></p> <p><i>Operating reserve established in 2014-15, the reserve is set at \$4,800,000 IN 2018-19. Operating reserve increase to \$7,400,000 by 2022-23.</i></p>
<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>	<p>Category Accountability / Governance</p> <p><i>Impact</i> Minor</p>	<p><i>The NFMC actively engages with local communities, First Nations and the forest industry.</i></p> <p><i>Board members</i></p>

Risk Title	Risk	Key Information	Risk Mitigation Plan
		Likelihood Unlikely Timeline More than 36 months	<i>represent communities and stakeholders to communicate to NFMC and back to communities.</i> <i>The NFMC developed a Strategic Plan with professional publisher for distribution to the public.</i>
<i>Ensuring responsible and compliant operations</i>	<i>Risk that the NFMC operations are not compliant with applicable rules and regulations</i>	Category <i>Legal / Contractual / compliance</i> Impact <i>Minor</i> Likelihood <i>Unlikely</i> Timeline <i>12-24 months</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.</i> <i>The NFMC has established a Governance Committee through the Board.</i>
<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>	Category <i>Legal / Contractual / compliance</i> Impact <i>Minor</i> Likelihood <i>Unlikely</i> Timeline <i>12-24 months</i>	<i>The NFMC has a retainer for outside legal support and in specific instances the NFMC has obtained outside legal and financial advice.</i> <i>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>

Risk Title	Risk	Key Information	Risk Mitigation Plan
<i>Government reporting requirements</i>	<i>Risk that NFMC fails to fulfill government reporting requirements</i>	Category Accountability / Governance	<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>
		Impact Minor	<i>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 Business Plan to senior MNRF staff in Sault Ste Marie.</i>
		Likelihood Unlikely	
		Timeline 6-12 months	
<i>Financial reporting</i>	<i>Risk that internal policies and structure is insufficient to protect interests of the NFMC and MNRF.</i>	Category Accountability / Governance	<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>
		Impact Minor	
		Likelihood Unlikely	
		Timeline 6-12 months	
<i>Market</i>	<i>Risk that the demand for wood will impact on cash flow</i>	Category Operational	<i>The NFMC works closely with its customers/harvesters to project and forecast demand and created an annual budget with this input.</i>

Risk Title	Risk	Key Information	Risk Mitigation Plan
		<p>Impact Moderate</p>	<i>The NFMC monitors market conditions and harvest levels /updates throughout the year.</i>
		<p>Likelihood Unlikely</p>	<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 (4.5x costs) by YE 2022-23 following transfer Nagagami SFL..</i>
		<p>Timeline 12-24 months</p>	
<i>Contractor risk</i>	<p><i>A major contractor unable to supply mills</i></p> <p><i>The limited harvester base on the NFMC management area presents some downside risk to the NFMC. The NFMC relies upon one primary contractor</i></p>	<p>Category Operational</p> <p>Impact Moderate</p> <p>Likelihood Possibly</p> <p>Timeline 6-12 months</p>	<i>NFMC continues to support contractors and work to attract new contractors. NFMC has initiated strategic initiatives aimed at increasing the contractor base on the management area. The NFMC will continue to work with mills to ensure it is competitive.</i>
<i>Stumpage risk</i>	<p><i>Customer mills unable to pay stumpage arrears</i></p> <p><i>Monthly stumpage bills are approximately \$400,000 (includes FRT, FRI, FFT fees).</i></p>	<p>Category Financial</p> <p>Impact Moderate</p> <p>Likelihood Possibly</p> <p>Timeline 12-24 months</p>	<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>	<p>Category</p> <p>Financial</p> <p><i>Impact</i></p> <p>Moderate</p> <p>Likelihood</p> <p>Possibly</p> <p>Timeline</p> <p>12-24 months</p>	<p><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.</i></p> <p><i>The NFMC has identified funding for strategic initiatives that may be used to address the shortfall.</i></p> <p><i>in addition the operating reserve will increase to \$7,400,000 by 2022-23 and these funds could be called upon in an emergency.</i></p>
<i>Public relations</i>	<i>Risk of ENGO or other interest groups negatively targeting the NFMC.</i>	<p>Category</p> <p>Public Image</p> <p><i>Impact</i></p> <p>Moderate</p> <p>Likelihood</p> <p>Possibly</p> <p>Timeline</p> <p>0-12 months</p>	<p><i>NFMC maintains FSC® certification.</i></p> <p><i>The NFMC works hard to ensure that the interests of local First Nations, local communities and local forest industry are being considered and addressed.</i></p>
<i>Development of IT infrastructure</i>	<i>Risk of data loss or security breach impacting critical systems.</i>	<p>Category</p> <p>Information and IT</p> <p><i>Impact</i></p> <p>Minor</p>	<p><i>The NFMC has a Procurement Policy that is applied to tendering for services from qualified vendors with established IT infrastructure.</i></p> <p><i>The NFMC has established measures such as data back up and</i></p>

Risk Title	Risk	Key Information	Risk Mitigation Plan
		Likelihood Unlikely Timeline 12-24 months	<i>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>
<i>Harvest Deferral</i>	<i>Areas are removed from approved FMP resulting in less volume available for harvest</i>	Category <i>Operational</i> Impact Moderate Likelihood Likely Timeline 0-12 months	<i>NFMC working with mills to raise concerns to the Minister.</i> <i>NFMC analyzing the impact on deliveries and costs</i> <i>NFMC identified replacement areas in the 2020-21 AWS</i> <i>NFMC reached out to local FN to discuss impacts</i>
<i>Union Risk</i>	<i>USWA has filed claim for successor rights on White River Forest which may impact viability of First Nations contractor and deliveries to mills</i>	Category <i>Operational</i> Impact Moderate Likelihood Possibly Timeline 12-24 months	<i>NFMC is supporting local First Nations including funding legal fees to address USWA claim</i> <i>NFMC participating in court case, actively mounting defense, engaging experts, etc.</i> <i>NFMC has worked with WRFP to offer compromise solution to benefit FN contractor and address union desires.</i>

Risk Title	Risk	Key Information	Risk Mitigation Plan
	<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>	Category <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>
		Impact <i>Moderate</i>	<i>The Agency has also used professional services for recruitment support, in addition to the strategic use of contractors.</i>
		Likelihood <i>Likely</i>	
		Timeline <i>12-24 months</i>	<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 11/2019

The screenshot shows the NFMC homepage with the following elements:

- Header:** "NFWC" logo, "Nawiinginokiima Forest Management Corporation" text, "contact@nfmcoforestry.ca" email link, and a search bar.
- Navigation Bar:** Home, About, Operations, Operations (Public), Procurement, Agency Policies & Disclosure, Accessibility, Careers, Contact the NFMC.
- Section 1:** A large image of tall evergreen trees against a blue sky.
- Section 2:** A dark banner with white text: "NAWIINGINOKIIMA" and "WORKING TOGETHER".
- Text:** "Nawiinginokiima Forest Management Corporation (NFMC) is the first local forest management corporation in Ontario. NFMC represents a significant milestone towards modernizing forest tenure in Ontario."
- Section 3:** "About the NFMC" section with text about the corporation's establishment and purpose.
- Section 4:** "Testimonials" section featuring a quote from Michael Gravelle, MPP, Thunder Bay-Superior North, about the forestry sector's priority.
- Footer:** "About Us" (text about the corporation's establishment), "News" (listings for Pic River First Nation Enters Forestry Sector and NFMC Participates in 2015 Trade Show), and "Contact Info" (phone number +1.807.229.8118, email contact@nfmcoforestry.ca, address 22 Peninsula Road, First Floor, PO Box 1479 Marathon, ON P0T 2E0).
- Page Bottom:** "NFMC © 2012 | Nawiinginokiima Forest Management Corporation"