

# **Nawiinginokiima Forest Management Corporation**

## **AGENCY BUSINESS PLAN**

**for the period**

**2022-23, 2023-24 and 2024-25**

**Updated March 30, 2022**

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## **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. We are the first of two LFMCs in the province of Ontario, with the second one being recently formed on the Temagami Management Unit.

Nawiinginokiima is an Ojibway word that means "working together", this is the core principle with which NFMC proudly operates under. The Agency was established to operate within a defined management area that includes the communities of Biigtigong Nishnaabeg First Nation (Ojibways of the Pic River First Nation), Netmizaaggamig Nishnaabeg First Nation (Pic Mobert First Nation), Hornepayne Indigenous community and the Municipalities of 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 Provincial Agencies and describes: the Agency's mandate, priorities, programs, activities, and provides a financial budget for the next three years.

NFMC is a self-financing operational enterprise Crown Agency and primarily derives its revenues from the sale of Crown timber from its defined management area consistent with the government- approved revenue model for LFMCs.

The revenues of the Agency are driven by the amount of timber harvested and sold. The ability of NFMC to meet the volume projections relies largely on the continued operation of our main customers including the AV Terrace Bay (AVTB) pulp mill, White River Forest Products (WRFP), Columbia Forest Products (Levesque), Lecours Lumber and Hornepayne Lumber LP (HLLP). It should be noted that the spruce, pine, fir (SPF) volume on the Pic Forest from the new long-term management direction (LTMD) is set at 675,000 cubic meters (m<sup>3</sup>) per year and the White River Forest is 421,000 m<sup>3</sup>.

## **Mandate**

NFMC was established through regulation under the *OFTMA, 2011* on May 29, 2012 (per *Regulation 111/12*). The *OFTMA* outlines the generic structure for a LFMC and establishes key attributes including requirements for corporate matters, Board of Directors, general powers, General Manager (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 (CFSA) 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 NFMC as follows:

- Manage Crown forests sustainably in accordance with the CFSA, including the development and implementation of forest management plans (FMPs). FMPs have to fulfil the requirements of the CFSA's four regulated manuals: the Forest Management Planning Manual (FMPM), the Forest Operations and Silviculture Manual (FOSM), the Scaling Manual 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, including the establishment and maintenance of 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 Northern Development, Mines, Natural Resources and Forestry (NDMNRF) 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 (Pic, White River, and the Nagagami Forests).

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

NFMC received a new mandate letter for 2022-23. It is expected that the Agency work on the objectives identified through the letter and therefore NFMC has included within this business plan the necessary resources to work towards these objectives. The areas identified for NFMC to focus on in the mandate letter include:

#### 1. Competitiveness, Sustainability and Expenditure Management

- operating within your agency's financial allocations
- identifying and pursuing opportunities for revenue generation, innovative practices, and/or improved program sustainability
- complying with applicable direction related to supply chain centralization and Realty Interim Measures for agency office space
- leveraging and meeting benchmarked outcomes for compensation strategies and directives
- working with the ministry, where appropriate, to advance the *Ontario Onwards Action Plan*

#### 2. Transparency and Accountability

- abiding by applicable government directives and policies and ensuring transparency and accountability in reporting
- adhering to requirements of the Agencies and Appointments Directive, accounting standards and practices, and the *Public Service of Ontario Act* ethical framework, and responding to audit findings, where applicable
- identifying appropriate skills, knowledge and experience needed to effectively support the board's role in agency governance and accountability

#### 3. Risk Management

- developing and implementing an effective process for the identification, assessment and mitigation of risks, including planning for and responding to health and other emergency situations, including but not limited to COVID-19

- developing a continuity of operations plan that identifies time critical/essential services and personnel

#### 4. Workforce Management

- optimizing your organizational capacity to support the best possible public service delivery
- modernizing and redeploying resources to priority areas when or where they are needed

#### 5. Data Collection

- improving how the agency uses data in decision-making, information-sharing and reporting, including by leveraging available or new data solutions to inform outcome-based reporting and improve service delivery
- supporting transparency and privacy requirements of data work and data sharing with the ministry, as appropriate

#### 6. Digital Delivery and Customer Service

- exploring and implementing digitization or digital modernization strategies for online service delivery and continuing to meet and exceed customer service standards through transition
- adopting digital approaches, such as user research, agile development and product management

#### 7. Diversity and Inclusion

- developing and encouraging diversity and inclusion initiatives promoting an equitable, inclusive, accessible, anti-racist and diverse workplace
- demonstrating leadership of an inclusive environment, free of harassment
- adopting an inclusion engagement process to ensure all voices are heard to inform policies and decision-making

#### 8. COVID-19 Recovery

- identifying and pursuing service delivery methods (digital or other) that have evolved since the start of COVID-19
- supporting the recovery efforts from COVID-19

In addition to these government-wide priorities, NFMC is expected to focus on:

- Sustainably managing the Pic and the White River forests, including the development and implementation of FMPs;
- Working with First Nation communities and NDMNRF on Michano Land Claim matters, as required;
- Making progress towards the acquisition of the SFL for the Nagagami Forest Management Unit (FMU);
- Marketing and selling wood through negotiated sales to generate sufficient revenue to cover the Agency's activities and maintain its operating reserve;
- Maintaining a functioning Board of Directors and engaging the committees outlined in the Agency's By-law #1 (e.g., Advisory, Governance, Finance, etc.) and additional Board subcommittees, as required;
- Implementing the recommendations of the Agency Task Force Review;

- Implementing strategic initiatives that focus on local and First Nation community economic development and create public awareness of NFMC’s achievements, forest stewardship, and economic development opportunities with respect to forestry in NFMC’s management areas; and
- Continuing to provide training opportunities to the Board and orientation to new Board appointees, so that its members are informed of their roles, responsibilities, and powers, as well as their role in the relationship with the NDMNRF, including when there is a potential conflict of interest.

### 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 licenses 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 First Nations 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.

## **Economic Scan**

### Overview

It is important to highlight for readers of this Business Plan, that this section has been revamped from prior years to concentrate on areas that have a material relevance to NFMC and our stakeholders. In doing so, we will focus on factors or products in the global economy or forestry industry that have a direct influence to the Crown Agency over the term of this plan. Information contained in this section is based on data, research and estimates from the sector.

The forest products industry in Ontario has experienced unparalleled trends over the past two years. The COVID-19 pandemic caused supply chain issues that resulted in massive shortages of supply in manufacturing coupled with the increased demand driven largely by do-it yourself building projects. With little to no supply in overall inventories, this combination of factors triggered the highest and most sustained market hold of lumber, pulp as well as engineered wood products.

With the exception of the engineered wood products markets, of which NFMC has limited access due to its location, these markets conditions were of great benefit to the Agency. This exceptional market trend continued until Q3 of 2021 before inventories mostly recovered but the market still remained stable. Consumer prices have decreased but demand is still strong. Most recently, another spike occurred due to some extraordinary weather events outside of Ontario which has since changed the outlooks while prices are trending sharply upwards once again.

### Products

As mentioned in the Executive Summary and our financial sections, the main customers of NFMC are AV

Terrace Bay (pulp mill), Columbia Forest Products (veneer mill), Hornepayne Lumber, Lecours Lumber and White River Forest Products (sawmills). NFMC does have some non-veneer hardwood sales, but these are small quantities and today do not play a significant role in our projections.

Lumber demand and prices are mainly affected by the US economy and are expected to be strong beginning in early fiscal 2022-23, keeping this trend until Q3, when demand is seen to potentially slow down.

The veneer market is significantly impacted by US housing starts, and while current growth is slowing down, demand is still high when compared to trends from previous years. No material fluctuations are expected during the term of this business plan.

Pulp prices are largely driven by China as they are the worlds largest importer of pulp (33% of the worldwide distribution over the last decade). Demand is currently suppressed but it is expected to bounce back in Q3 of 2022-23 and maintain steady thereafter. The price of pulp is anticipated to fluctuate with this demand.

The demand and expected markets as identified above, bodes well for NFMC as it should create an environment for our industry stakeholders to be successful. Demand for our fibre is expected to remain high and therefore creating a steady harvest activity throughout the fiscal year and for the initial term of this Business Plan.

### Challenges

NFMC forests have had success in recent years, however, there are still factors that hamper the growth of the Agency as well as the growth of our local First Nations, Municipalities and regional industry partners.

The biggest common factor is the lack of trained and capable workforce. The NFMC management area is located in one of the most remote and unpopulated areas of the province, with it being far from any major population centers, lacks infrastructure and is difficult to both attract and retain a quality workforce. Our industry partners all struggle with vacant positions in management, trades, labour and equipment availability among other shortages. This not only has an effect on the short-term economy but restricts local investment and stagnates potential longer-term economic growth as well.

Although NFMCs allowable harvest of all species is not being fully utilized today, this is a particular issue in the hardwood species (trembling aspen and white birch). NFMC allowable harvest of these hardwood species is over 400,000 m<sup>3</sup> annually. However, less than 20% is being harvested and utilized. This lack of consumption not only restricts economic benefit in hardwoods but also significantly restricts the availability and utilization of the softwood species present in mixedwood forest areas. The NFMC management area has a high proportion of mixedwood areas which are currently unavailable for harvest, due to a lack of market for the hardwood component.

Softwood lumber tariffs have been ongoing throughout NFMCs management tenure. Recently, the U.S. department of commerce has doubled the countervailing duties of Ontario's lumber producers. This will once again restrict local investment, tie up unnecessary funds that would otherwise be available to stimulate the local economies and make the necessary improvements in the industry, to sustain long-term growth and efficiency. This coupled with continued, limited access to capital from financial institutions to the forest industry adds much risk to NFMCs lumber producing partners. Higher than average wood costs, increased inflation, lack of quality and reliable infrastructure as well as restricted access to funds and duties creates increased risk in the NFMC area mills. A sharp decline in market conditions will not only result in curtailments

but may also create cashflow restraints that could shutter facilities.

NFMC plans to leverage the opportunities we can provide, with the need of our local Stakeholders, and ultimately working together at finding solutions to these challenges. The Agency is very mindful of the fact that our local forest industry is the backbone of our business being successful and therefore, our programs should be used as tools to address weaknesses and needs of our local industry while providing local economic development opportunities.

## **Strategic Directions**

Our current 5-year Strategic Plan ended in 2021. The Board has prioritized the establishment of a new Strategic Plan with the goal of having one in place by mid 2022. The new plan will focus on the strategic direction for the Agency over the next five years consistent with the objects described in the OFTMA, the most recent mandate letter, Ontario's forest sector strategy and the vision and direction of the Board of Directors.

NFMC's Strategic Plan document provides management and staff with the future vision of the Corporation and gives us the foundation of the goals and objectives the Agency wants to achieve. The Strategic Plan will include (in part) the period covered by this Agency Business Plan. The document will be available on our website, however most aspects of the Strategic Plan are included throughout this Agency Business Plan.

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

NFMC's LFMC model was conceptualized and developed in collaboration with local and First Nation's communities with the understanding that the Agency's objects would support the development of local and First Nation economic development opportunities within the management area. One of NFMC's priority areas has been the development of economic opportunities for the communities in the NFMC management area, in particular local First Nations. Goal fulfillment will be achieved by developing employment opportunities, fostering entrepreneurship, establishing partnerships through constant communication and support all while promoting the role of NFMC in the forestry sector.

Another strategic goal of the Agency has been to work with industry stakeholders to increase the human resource capacity in the forestry sector. To fulfill this goal, NFMC will assist industry stakeholders in investment strategies and respond to the economic challenges, implement the Forest Management Plan, and encourage collaborations that explore partnerships for forestry research. NFMC will continue to work with industry stakeholders to increase harvesting capacity and will also provide stakeholders access to third-party research and technology organizations to make their businesses more efficient. An example of this is NFMC's current effort in exploring the use of semi-autonomous trucking solutions on the management area in collaboration with an industry-leading Canadian partner in the autonomous and semi-autonomous technology sector.

NFMC continues to develop necessary strategies and explore opportunities to move forward with local and

First Nation economic development opportunities as they arise. These arrangements are typically approved under the processes identified in the Strategic Investments Policy (SIP). NFMC has a mandate that goes beyond forest management activities and includes initiatives aimed at supporting the forest industry and local communities. We also have 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.

As previously mentioned, NFMC will also incorporate the Ontario Forest Sector Strategy (FSS) into its upcoming Strategic Plan. The vision of the FSS is to make *“Ontario’s forest sector is a world leader in making and selling forest products from renewable, sustainable and responsibly managed forests. Ontario is a preferred location for investing in commodity and innovative forest products and advanced manufacturing.”* The pillars of the FSS’s vision are:

1. Promoting stewardship and sustainability;
2. Putting more wood to work;
3. Improving our cost competitiveness; and
4. Fostering innovation, markets and talent.

As part of the FSS, the Government of Ontario acknowledges that First Nations communities have an important relationship with the land and exercise First Nation and treaty rights. The Province of Ontario and NFMC are committed to continuing to build strong, mutually beneficial relationships and partnerships with First Nations communities across the Province.

NFMC has developed a policy to help inform its investments known as strategic investments. The SIP allows corporations in the management area to respond to economic opportunities and challenges according to their individual priorities and to pursue regional collaboration to advance common goals in order to strengthen the forest sector’s competitive advantages.

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 Agency may make funds available through the use of conditional contributions, service contracts, performance incentives or other measures specified by the Board. All strategic initiative requests made must include an official letter and detailed application from the proponent describing the project/initiative and commitment requested from NFMC including a full cost breakdown of the project/initiative. The information required for Board approval will be gathered by the GM through correspondence with the proponent.

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

One initiative that NFMC has been working on for some time 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 a third-party corporation who are temporarily allowing contractors on the forest to use the road until an agreement can be reached. NFMC recognizes the importance of the road to the local

industry, as well as the local communities, and has been progressing towards the goal of acquiring the road. It is our intent to continue this objective and make significant progress in the 2022-23 fiscal year.

NFMC will continue to move forward with the development of new directions and the implementation of the above noted strategies and strategic initiatives.

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

NFMC’s management area is currently comprised of two FMUs: the Pic Forest and the White River. This area encompasses approximately 1.9 million hectares (ha) of productive Crown forest with an annual available harvest volume of over 1 million m<sup>3</sup> of merchantable fibre and 200,000 m<sup>3</sup> of biomass fibre annually based on current FMPs.

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

The current NFMC Board includes representatives from Manitouwadge, Marathon, White River, Biigtigong Nishnaabeg First Nation, Hornepayne, Netmizaaggamig Nishnaabeg First Nation, and a member-at-large who broaden its functional knowledge base and experience. During 2021, there were no changes to the Board of Directors whom include:

**Table 1. Current NFMC Board Members**

Member Name	Position	Community	Tenure
Laird Van Damme	Chair	At-Large	August 2020 to August 2023
Adam Brown	Vice-Chair	Marathon	July 2020 to July 2023
Julie Roy-Ward	Director	Hornepayne	May 2019 to May 2022
Tina Forsyth	Director	White River	June 2020 to June 2023
Grant Goodwin	Director	Manitouwadge	July 2020 to July 2023
JoAnne Michano	Director	Biigtigong Nishnaabeg First Nation	August 2020 to August 2023
Jesse Gaudette	Director	Netmizaaggamig Nishnaabeg First Nation	August 2020 to August 2023

NFMC will provide training opportunities to the Board based on identified needs, governance requirements, as well as the specific requests of individual members. NFMC will continue to work with the NDMNRF 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 terms for six of the seven Directors will expire in 2023. NFMC will work with the NDMNRF to develop an appointment cycle to allow for annual turnover in order to prevent the risk of having a low number of Board members or not being able to regularly meet quorum.

NFMC's management recognize the need for trust and transparency when dealing with communities and its forest industry partners. As such, NFMC is committed to making presentations to municipal Councils, Chief and Council, and Local Citizen Committees (LCCs), holding regular operations meetings with contractors and mills to develop harvesting plans, and to consult industry stakeholders in developing the budget for the upcoming year.

NFMC will continue to establish best practices in forest management, health and safety, finance and LFMC management. NFMC will disseminate its best practices as it shares its practices and experiences with stakeholders. NFMC's Health and Safety Program continues to meet the Safe Work Ontario certification via Workplace Safety North. In addition, we maintain a program of standardized forest access road signage and radio use protocols to ensure forest roads are as safe as possible for all users.

NFMC's operating expenses for 2022-23 are budgeted at \$2.28 million. The largest expense incurred by NFMC are wages and benefits. The cost to compensate employees is distributed between forestry and non-forestry related activities and is based on current NFMC staffing levels. Other NFMC costs include vehicle mileage and monthly truck allowances. NFMC utilizes contractors to cover key activities. NFMC's main office is located in Marathon with satellite office space in White River and Manitouwadge.

NFMC is projecting deliveries increasing from the 2021-22 levels for both the Pic Forest and White River Forest. Deliveries for 2022-23 (primarily softwood) are budgeted for 890,500 m<sup>3</sup>, which is expected to generate over \$3.8 million in revenue for NFMC. Detailed financial information can be referenced in the document section entitled 'Financial Budget.'

NFMC's renewal program for the Pic Forest is budgeted at \$2.82 million and the White River Forest budget is \$1.43 million for 2022-23.

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

NFMC is an operational enterprise and is exempt from income taxes under the Income Tax Act. The Agency is self-financing and does not require funds from the Provincial government to carry out its operations.

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 and will scale the operations in accordance with the revenue it generates from the sale of timber. The Corporation has met its operating reserve targets and has resources for other components of its mandate (see detailed financial statements, Appendix I).

We are strategically positioned to be more successful in achieving our objectives by increasing annual utilization of the prescribed sustainable annual harvest level of all species of over 1 million m<sup>3</sup> per year. Increasing production will require improved demand for both softwood and hardwood, and better pricing for wood in more distant geographic areas of the management unit. We would also need to increase contractor and supervisory capacity to reach further afield. During the term of this Agency Business Plan, we will remain diligently aligned with our strategic direction while implementing programs and providing the financial and human resources necessary to continually improve.

NFMC will continue to establish appropriate mechanisms and structures to ensure that activities associated with forest management planning, forest renewal, and forest operations including harvesting and road

construction and maintenance remain ongoing and completed successfully.

The Pic and White River Forests are primarily dominated by conifer although there is a large component of mixed wood stands. NFMC’s silviculture strategy has always been aimed at increasing the productivity of the forest through our silviculture programs while adhering to the requirements of the Forest Management Plans, this will continue in 2022. As part of the silviculture program, 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. NFMC will also seek reimbursement from the FRT for its direct expenditures on items such as wages for our silviculture staff, use of trucks and ATVs, and purchases of items such as forestry supplies and equipment. For 2022-23, NFMC requested the renewal rates of at \$4.75/ m<sup>3</sup> for SPF and \$0.48/ m<sup>3</sup> for poplar and birch on the Pic forest; in addition to renewal rates of \$4.40/ m<sup>3</sup> for SPF and \$0.50/m<sup>3</sup> for poplar and birch on the White River forest. The rates for 2023-24 and beyond will be determined based on the forest renewal charge process in consultation with NDMNRF’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 summarized in Table 2 below. It is important to note that some of these sources of revenue such as the Provincial Forestry Roads Access Program (PFARP), the FRT, and the Forestry Futures Trust (FFT) are designated for specific purposes and are not generally available to NFMC to cover its day-to day costs and expenditures. While NFMC is 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 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 its objects.	<ul style="list-style-type: none"> <li>• Sustainable forest management</li> <li>• Economic development for communities and Indigenous people</li> <li>• Timber marketing and sales information/data</li> </ul>	<ul style="list-style-type: none"> <li>• Annual timber sales and management fees estimate revenues over \$3.8 million</li> </ul>

<p>Forest Renewal and Forestry Futures Trusts</p>	<p>Funding for eligible renewal and silviculture activities. Majority of funding flows as a direct reimbursement to contractors.</p>	<ul style="list-style-type: none"> <li>• Reinvesting in and improving the forest assets</li> <li>• Sustainable forest</li> </ul>	<ul style="list-style-type: none"> <li>• Revenues approx. \$3.8 million</li> </ul>
<p>Provincial Forest Access Roads Program</p>	<p>Funding allocation to support construction and maintenance of forest access roads. Majority of funding flows as a direct reimbursement to contractors.</p>	<ul style="list-style-type: none"> <li>• Cost competitive, affordable wood supply</li> <li>• Continuous and predictable supply</li> </ul>	<ul style="list-style-type: none"> <li>• NDMNRF's PFARP 2022-23 expected to be consistent with prior levels (approx. \$2.8 million)</li> </ul>
<p>Industrial Road Maintenance Agreement</p>	<p>NFMC has signed an agreement with the Ministry of Transportation to maintain the Caramat- Manitouwadge Industrial Road</p>	<ul style="list-style-type: none"> <li>• Reinvesting in and improving the forest asset</li> <li>• Economic development for communities and First Nations people</li> </ul>	<ul style="list-style-type: none"> <li>• Revenues estimated at \$300,000</li> </ul>

### 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. During the course of this business plan, NFMC will use Ontario's stumpage matrix to determine the prices it sets for timber harvested. The Agency will use this revenue to cover its costs, satisfy its obligations, and to undertake activities consistent with its objects and mandate.

The Crown Dues invoices from the Nagagami SFL include funds for Local Forest Management Conversion purposes. Under a transfer of the SFL to NFMC, these funds will be provided to the Agency to assist in covering the costs of the transfer, ramp up operations for the added responsibilities and cover the costs for any outstanding liabilities. The funds in the Nagagami account are estimated to be over \$10 million.

NFMC will also generate revenues directly from management fees from the Pic and White River Forests. The revenue from management fees are expected to be approximately \$800,000 for the upcoming year. Management fees are calculated on a breakeven basis and are designed to cover operating costs related forest management activities excluding renewal costs. As harvested volumes change on the forest, the management fee will be affected accordingly on a dollar per m<sup>3</sup> basis. This revenue may vary based on product (i.e. no management fee is currently charged on biomass) or mills (i.e. commitment versus non-commitment holders). Based on the delivered volume forecast the rate for 2022-23 is targeted to be \$0.94 per m<sup>3</sup> which is an increase of \$0.08 compared to the rate in 2021-22.

### 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 its various silviculture programs. Applicable forest renewal charges will continue to apply and be paid into the FRT for wood harvested from the management area. NFMC will follow the established principles and processes for setting renewal charges, which are set by NDMNRF and will ensure that the necessary budgeting and invoicing procedures are in place.

NFMC is planning to spend more than \$4.2 million on renewal and support activities for 2022-23 on the Pic and White River forests. The major activities are tree planting, site preparation, and herbicide application. The program includes the planting of over 5.5 million trees covering approximately 4,000 hectares. The majority of activities are expected to be funded by direct contractor reimbursement from the FRT. In these cases, NFMC does not receive funds from the FRT 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 First Nation communities, hunters, anglers, trappers, campers, cottagers, mining companies, tourism operators, utility and railway companies, and the general public. It also provides the rural infrastructure for emergency preparedness and response.

The PFARP is a program established by the Ministry 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. NFMC manages approximately \$2.8 million in roads funds that are used to maintain or construct hundreds of kilometres of primary and branch roads on both forests. The capital spending by the commitment holders on the forest exceeds \$800,000 and the remainder of the funds are used to maintain existing roads. Future funding levels are unknown but NFMC and its partners will ensure the Government is aware of how valuable the Program is and the importance of maintaining its funding. The loss of funding would have a negative impact on the forest industry on the management area, just as it will on other FMUs.

### Caramat-Manitouwadge Industrial Road Agreement

As part of its mandate to encourage local economic development, NFMC has an agreement with the Ministry of Transportation (MTO) for the maintenance of the Caramat-Manitouwadge Industrial Road. NFMC receives payment from MTO for re-imbursement of costs incurred, including staff time and vehicle KMs. We anticipate costs to be approximately \$300,000 annually on maintenance to keep the road open and accessible by the travelling public. NFMC utilizes a local First Nation contractor to perform road maintenance thus providing an economic opportunity to the First Nation's community, it has been a great partnership since 2015 and we recently renewed the 5-year agreement. Our website contains a section giving the public the ability to view the current travel condition of the road and also allows them to provide feedback to NFMC should the road require areas that may need immediate attention.

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

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, NFMC follows the risk assessment and risk management process outlined in the Agencies and Appointments Directive's (AAD) "Guide to Risk-Based Approach and Risk Reporting Under the Agencies and Appointments Directive, January 2021." The requirements for risk assessments under the AAD's 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 of Directors).

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. Annually, the Agency completes its Risk Assessment Report and Risk Management Plan and submits it to the Corporate Management and Information Division (CMID) per the AAD.

**Table 3. Risk Elements Summary**

<b>Risk Title</b>	<b>Risk Description</b>
<i>Legal / Contractual/ Compliance</i>	<i>Independent Forest Audit’s (IFA) recommendations - Risk that NFMC is unable to address the concerns identified in the IFA and the license is not extended.</i>
<i>Accountability/ Governance</i>	<i>Ability to achieve objects - Risk that NFMC’s Strategic Plan is not completed and Business Plan does not reflect objectives.</i>
<i>Accountability/ Governance</i>	<i>Financial stability - Risk that NFMC is unable to market and sell sufficient volumes necessary to generate revenue for the Agency.</i>
<i>Accountability/ Governance</i>	<i>Ability to meet stakeholder expectations - Risk that this plan and vision will not be achievable or will be inconsistent with original intent.</i>
<i>Legal/Contractual/ Compliance</i>	<i>Ensuring responsible and compliant operations - Risk that NFMC operations are not compliant with applicable rules and regulations.</i>
<i>Legal/Contractual/ Compliance</i>	<i>Contractual compliance - Risk associated with NFMC entering into various agreements and contracts with third-party service providers to facilitate forestry operations including forest management, harvesting, renewal and road building.</i>
<i>Accountability/ Governance</i>	<i>Government reporting requirements - Risk that NFMC fails to fulfil government reporting requirements.</i>
<i>Accountability/ Governance</i>	<i>Financial reporting - Risk that internal policies and structure is insufficient to protect interests of NFMC and NDMNRF.</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 – The United Steelworkers (USW) 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>Financial</i>	<i>The COVID pandemic continues and the economic impact of the second and any future outbreak negatively impacts NFMC's key customers.</i>
<i>Public Relations</i>	<i>Public relations - Risk of environmental non-governmental organization (ENGO) or other interest groups negatively targeting 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>

### Liability Protection and Insurance

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

### Operating Reserve

The mandate of the Agency requires operating as a self-financing business, which includes establishing and maintaining an operating reserve to ensure continued sustainability in response to variations in economic cycles. The NFMC Board has historically set the goal to increase the operating reserve in each year of the Agency Business Plan, until we reach the maximum allowable amount.

Funds held in the operating reserve shall be used only in a manner consistent with the objects of the Agency as set out in Section 5 of the OFTMA and By-Law #3 of the Agency. No money shall be transferred to or from the operating reserve without a Board resolution.

The operating reserve at the end of 2021-22 is planned to reach over \$9 million with the goal of reaching the maximum limit allowed. The operating reserve is expected to remain at the maximum level for 2022-23 and beyond. It should be noted that unforeseen events may impact NFMC's goal to maintain its operating reserve at the maximum amount and may force the Board to alter direction during the term of this Business Plan or in subsequent years. However, to mitigate unforeseen events, NFMC has set aside money in the budget to address unforeseen events and developed an Unforeseen Events Policy.

### Environmental Policy

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 NFMC's environmental and 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 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, NFMC will continue to

operate in compliance with environmental legislation at the relevant federal, provincial, and municipal levels 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. The Agency's key customers have indicated a strong desire to have certified wood available under a third-party certification system. NFMC is currently third-party certified on both the Pic and the White River Forests.

## **Human Resources and Staff Numbers**

The Chair and the Board of Directors are accountable to the NDMNRF's Minister for the authority's statutory mandate. Our staff are public servants for a "public body" but are not Ontario Public Service employees. We have developed internal human resources policies (i.e. overtime, travel, vehicle plan, etc.) that are Board approved. In addition, NFMC has recognized that there is a large pool of knowledge available from consultants/service providers/subject matter experts it can draw from. We will continue to use consultants for specialized tasks where NFMC's staff may not be experienced or have the resources to complete.

Our unique mandate requires specialized administrative functions including a forest products business-focused financial department and systems support. The Agency 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. Our workforce is highly skilled and highly mobile in today's economy. NFMC has historically experienced high rates of turnover as these skilled employees leave for positions which may offer better pay and benefits or for family related reasons. Skilled and experienced employees are critical to the Agency's business continuity and the delivery of our various programs. The risk we face is not being able to attract and retain qualified and motivated employees potentially resulting in performance issues as well as risk to business and service continuity.

# NFMC BOARD OF DIRECTORS AND STAFF

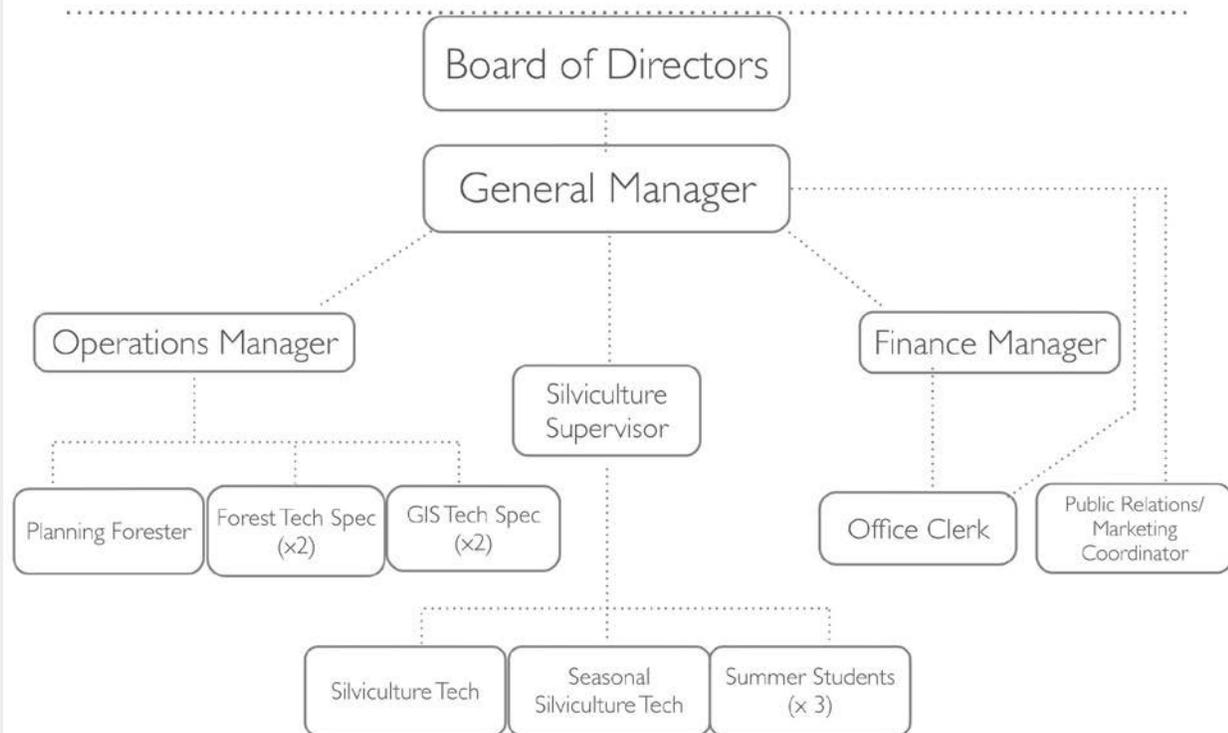


Figure 1. NFMC Organizational Chart at December 31, 2021

NFMC plans to maintain current staffing levels in 2022-23. There may be an increase in staffing levels in future years, should the Nagagami Forest SFL be transferred to NFMC. The additional staff will help support the activities of forest management, forest renewal, the marketing and selling of wood, and forest compliance-tasks. The organizational structure of the Agency 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 short-term contractors versus permanent staff is constantly being evaluated by our management team.

The Agency is committed to the health and safety of its employees and manages a comprehensive Health and Safety Program. NFMC provides a range of health and safety related training courses to its staff. We are also committed to having an accident-free workplace through effective administration, awareness creation, and training of our staff and contractors. To honor these commitments and to comply with provincial legislation and the Occupational Health and Safety Act (2018), the Agency’s comprehensive Health and Safety Program is audited and endorsed by Workplace Safety North (WSN) annually. We consider our Health and Safety Program an evergreen document and regularly update it as required to ensure continued employee and contractor safety on our management area. To further cement our Health and Safety Program and promote safe work practices in forestry, we have established a partnership with WSN to provide complimentary training to the various stakeholders on our management area.

We do not harvest or deliver wood from our management area directly to our various customers, however,

that does not reduce our concern about the demographic shift facing the forest industry. The reality facing today's businesses is that many skilled workers are approaching retirement age. Replacing the knowledge base will be difficult and certainly not timely and therefore business and service continuity is at risk. Disruptions to service levels and uncertain delivery are costly, in order to mitigate this, we continuously are looking to assist the industry to develop and implement strategies to support recruitment and training of employees within the forest management and harvesting contractor workforces.

## Performance Measures

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 m<sup>3</sup> of forest products sold in the term while performance measures for forest management programs are in hectares (ha) of treatment or quantities (i.e., thousands of tree seedlings, hectoliters of seed).

The Agency will adhere to operational performance measures and targets to ensure the achievement of our goals and objectives as well as achievement of the objects for the Agency 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	Outcome or Output based Performance measure (Outcome being a target based on activities addressing value or impact; Output being hard target usually represented in value)	Standard/Target
World class forest management company	<ul style="list-style-type: none"> <li>- Are the forests being managed sustainably per audits/certification standards, etc.?</li> <li>- Has the renewal program met or exceeded the commitments made in the approved FMP?</li> <li>- Has NFMC invested in R&amp;D to improve forest management?</li> </ul>	<p>Pic and White River forests certification maintained with Nagagami added in 2024-25</p> <p>Harvesting and renewal activities reported in Annual Reports submitted to NDMNRF compares actual to plan</p> <p>Favourable audit findings</p> <p>Development spending, memberships in organizations to support for education</p>

Goal	Performance measure	Standard/Target
Becoming financially self-sufficient	<ul style="list-style-type: none"> <li>- Does the Agency have sufficient cash flow to support its operations?</li> <li>- Has an appropriately sized operating reserve been established?</li> <li>- Has value for money been realized when spending taxpayer dollars?</li> <li>- Are accounts receivable collected in a timely manner?</li> </ul>	<p>\$500,000 to \$1,000,000 of free cash flow</p> <p>Over \$9 million in NFMC's operating reserve maintained throughout BP</p> <p>No aged accounts receivable listing beyond 90 days</p>
Extending scope of usage	<ul style="list-style-type: none"> <li>- Have commitments volumes been made available and/or utilized?</li> <li>- Has wood been made available to new entrants? How much?</li> <li>- Has NFMC moved closer to a more economically efficient system for wood allocation and pricing?</li> <li>- Has utilization of available timber over operational period improved and/or new markets been developed?</li> </ul>	<p>100 % of commitment volume made available</p> <p>Percentage of wood made available to open market customers</p> <p>Positive utilization trends</p>
Meeting governance requirements	<ul style="list-style-type: none"> <li>- Have government directives been followed (i.e. the AAD) <ul style="list-style-type: none"> <li>- Completion of Annual Agency Business Plan</li> <li>- Risk Assessment Evaluation</li> <li>- Annual Report</li> <li>- Board training as directed</li> </ul> </li> </ul>	<p>All reports submitted on time</p> <p>Posting of reports to Agency website</p>
	<ul style="list-style-type: none"> <li>- In addition to the AAD, all classified agencies must adhere to <ul style="list-style-type: none"> <li>- Accountability Directive</li> <li>- Advertising Content Directive</li> <li>- Delegation of Authority Key Directive (MoF)</li> <li>- Government Appointees Directive</li> <li>- Travel, Meal and Hospitality Expenses Directive</li> </ul> </li> </ul>	<p>100 % compliance with directives</p> <p>Development of relevant NFMC policies</p> <p>Creation of NFMC Governance Committee to report to Board</p>
Building new local forest related industry	<ul style="list-style-type: none"> <li>- Have local economic development opportunities been created/supported by NFMC operations?</li> <li>- Responsive to new local non-timber business initiatives that may come forward</li> </ul>	<p>Increase in number of mills, volume, number of customers</p>
Establishing a new baseline for First Nation engagement	<ul style="list-style-type: none"> <li>- How have communities' interests been represented by NFMC operations and decisions?</li> <li>- Have Indigenous economic development opportunities been developed?</li> </ul>	<p>Increase in Strategic Initiatives program uptake and approvals</p> <p>Increase in First Nations economic development opportunities</p>
Engaging the community in forestry	<ul style="list-style-type: none"> <li>- How have communities' interests been represented by NFMC operations and decisions?</li> </ul>	<p>Number of events attended</p> <p>Number of newspaper/magazine articles, social media posts, interviews given</p>

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 NFMC to meet the volume projections relies largely on the continued operation of our main customers including the mills of AV Terrace Bay, White River Forest Products, Lecours Lumber, Columbia Forest Products (Levesque) and Hornepayne Lumber LP. The volume forecasts are provided by representatives from primary forest product mills based on planned operations and capital investments for 2022-23 and beyond. It should be noted that the SPF volume on the Pic Forest from the LTMD is set at 675,000 m<sup>3</sup> per year and the White River forest is 421,000 m<sup>3</sup>.

**Table 5. Committed volumes to be harvested (m<sup>3</sup>) 2022-23**

	<b>Pic Forest</b>	<b>White River Forest</b>	<b>Total</b>
AVTB (softwood)	298,500		298,500
AVTB (biomass)	30,000		30,000
WRFP	80,000	311,000	391,000
Lecours	92,000		92,000
Levesque (Veneer)	20,000	15,000	35,000
HLLP	24,000	20,000	44,000
<b>TOTAL</b>	<b>544,500</b>	<b>346,000</b>	<b>890,500</b>

The volume is expected to increase in 2023-24 (Table 6) as more volume from the new FMP areas are accessed through new planned roads whose construction started in 2019-20. Most importantly, additional investments in contractors is required and expected which should result in increases in production, making more volume available to the mills. It is also projected that the mills will continue to explore solutions at addressing the shortage of trucks and drivers, which is hampering deliveries to local mills.

**Table 6. Estimated delivered volumes (m<sup>3</sup>) 2023-24**

	<b>Pic Forest</b>	<b>White River Forest</b>	<b>Total</b>
AVTB (incl biomass)	410,000	-	410,000
HLLP	24,000	25,000	49,000
WRFP	80,000	320,000	400,000
Lecours	92,000	-	92,000
Levesque (Veneer)	20,000	20,000	40,000
Other	10,000	-	10,000
<b>TOTAL</b>	<b>636,000</b>	<b>365,000</b>	<b>1,001,000</b>

The delivered volume for 2024-25 (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 2023-24. The first two years of the Open Market Timber Sales Program will be considered as a pilot project to determine the best mechanisms to make volume available and reach new customers.

**Table 7. Estimated delivered volumes (m3) 2024-25**

	<b>Pic Forest</b>	<b>White River Forest</b>	<b>Total</b>
AVTB (incl biomass)	410,000	-	410,000
HLLP	24,000	30,000	54,000
WRFP	80,000	330,000	410,000
Lecours	82,000	-	82,000
Levesque	25,000	20,000	45,000
Other	30,000	-	30,000
<b>TOTAL</b>	<b>651,000</b>	<b>380,000</b>	<b>1,031,000</b>

This Agency Business Plan envisions the SFL for the Nagagami Forest to be transferred by the end of 2024-25 to NFMC, therefore, volumes associated to deliveries are not included in the current estimates as they would not be accounted for until the 2025-26 year.

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 NDMNRF. 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.

NFMC's expenditure are anticipated to exceed revenue for the first year of the business plan (Table 8), however, this is due to NFMC wanting to be aggressive with its Strategic Initiatives and investing in our Communities and Forests. It should be noted that the Agency is financially sound having built equity over the past couple of years mainly due to the Residual Value revenues generated during a valuable economic climate. The projected deficits are not a concern to our financial viability moving forward. In addition, the third year of the plan, we expect to receive the balance of funds in the Nagagami LFMC conversion trust of approximately \$10,000,000 which will increase net income and generate a large surplus. A decision by the Board will be required to determine how much of this revenue is allocated to NFMC's operating reserve or used for future priorities and expenditures.

**Table 8. Estimated Net Income 2022-23 to 2024-25 (\$000)**

<b>Operating Income</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Revenue	\$ 4,232	\$ 4,729	\$ 14,882
Expenditures	\$ 2,289	\$ 2,343	\$ 2,389
Excess Revenue Over Expenses	\$ 1,942	\$ 2,385	\$ 12,493
<b>Additional Expenditures</b>			
Strategic Initiatives	\$ 2,285	\$ 1,975	\$ 1,875
	\$ 2,285	\$ 1,975	\$ 1,875
<b>NET INCOME</b>	\$ (343)	\$ 410	\$ 10,618

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. Assumed in the numbers above is that the Forestry Futures Trust will continue to oversee the collection and management of LFMC conversion fees from the Nagagami forest until the SFL is transferred to NFMC; this amount is included in revenue under the 2024-25 year estimates.

**Table 9. Estimated Revenue 2022-23 to 2024-25 (\$000)**

<b>Revenue</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Management Fees	\$ 800	\$ 903	\$ 931
Timber Sale Charge	\$ 2,983	\$ 3,354	\$ 3,451
Forest Renewal Activities	\$ 424	\$ 447	\$ 475
Other	\$ 25	\$ 25	\$ 25
LFMC Conversion Program	\$ -	\$	\$ 10,000
<b>Total Revenue</b>	<b>\$ 4,232</b>	<b>\$ 4,729</b>	<b>\$ 14,882</b>

As per table 9, it is expected that revenues derived from timber sales (management fees and timber sale charges) will increase during the BP, matching the trend in delivered volume. Other revenue, which is primarily 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. At various times in the last 3 years NFMC has received Residual Value revenue on fibre deliveries when the price of pulp and softwood lumber exceeded the benchmark. The factors that determine when residual value is charged are unpredictable and beyond the control of NFMC, therefore residual value revenue is not included in the company’s revenue estimates.

Management fees are calculated on a breakeven basis. Management fees are designed to cover operating costs related to forest management activities. As volumes increase, the management fee is expected to decrease on a dollar per m<sup>3</sup> basis. The management fee may vary based on product (i.e. no management fee is currently charged on biomass) or mills (i.e. commitment versus non-commitment holders). The rate for 2022-23 is expected to be \$0.94 per m<sup>3</sup>, higher than the \$0.86 rate in 2021-22. This rate is based on the expected harvest levels used in this Agency Business Plan.

The expenditures are expected to increase over time (Table 10) due to inflationary increases to costs and other business requirements. Total expenditures are estimated to exceed \$2.2 million in 2022-23 for both management units. Increases to these costs are projected for year 2 and 3 of the plan mainly due to inflation.

**Table 10. Estimated Expenditures 2022-23 to 2024-25 (\$000)**

	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Amortization	\$ 16	\$ 24	\$ 24
Automobile & Travel	\$ 314	\$ 321	\$ 327
Board of Directors	\$ 28	\$ 29	\$ 30
Contractors	\$ 50	\$ 51	\$ 52
Forest Certification	\$ 75	\$ 77	\$ 79
Forest Management	\$ 40	\$ 40	\$ 40
Office & Subscriptions	\$ 117	\$ 119	\$ 121
Professional Fees	\$ 67	\$ 68	\$ 69
PR & Marketing	\$ 130	\$ 133	\$ 136
Rent	\$ 66	\$ 67	\$ 68
Roads	\$ 34	\$ 35	\$ 36
Training	\$ 30	\$ 31	\$ 32
Wages & Benefits	\$ 1,292	\$ 1,318	\$ 1,344
Other	\$ 30	\$ 30	\$ 31
	<hr/>	<hr/>	<hr/>
	\$ 2,289	\$ 2,343	\$ 2,389

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, and could, as an example, include opportunities to fund forest R&D, bursaries, cultural activities, educational/capacity building programs and support opportunities for local and First Nation economic development.

**Table 11. Estimated Strategic Initiative expenditures 2022-23 to 2024-25 (\$000)**

	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Community & Capacity Dev	\$ 60	\$ 50	\$ 50
Forest Improvement	\$ 100	\$ 100	\$ 100
Harvest Capacity Initiatives	\$ 600	\$ 500	\$ 500
Other Forestry Capacity Init	\$ 700	\$ 500	\$ 500
NFMC Internal Initiatives	\$ 250	\$ 300	\$ 300
Roads Infrastructure Initiatives	\$ 250	\$ 200	\$ 100
Training & Development	\$ 25	\$ 25	\$ 25
Other Strategic Initiatives	\$ 300	\$ 300	\$ 300
TOTAL	<hr/>	<hr/>	<hr/>
	\$ 2,285	\$ 1,975	\$ 1,875

All capital expenditures are fully funded from NFMC through the revenues generated from the sale of wood from the management area. Planned capital expenditures are presented below. For the balance of the current planning horizon, NFMC is budgeting annually for capital associated with the Agency's need for computer, office equipment, purchase of a forestry road on the Pic Forest (currently owned by private

company), and other equipment to meet its expanding operational needs in Marathon (Table 12).

**Table 12. Estimated capital expenditures 2022-23 to 2024-25 (\$000)**

	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Roads and Bridges	\$ 150	\$ 300	\$ 300
Leasehold Improvements	\$ 15	\$ 5	\$ 5
Computer Equipment	\$ 6	\$ 6	\$ 6
Forestry & Other Equipment	\$ 2	\$ 10	\$ 5
<b>Total</b>	<b>\$ 173</b>	<b>\$ 321</b>	<b>\$ 316</b>

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

We perform most of our Information Technology (IT) functions internally or through a service provider. Our IT infrastructure supports forest management planning, data management, and maintains operational and administrative systems required to fulfill the Agency’s 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 relates 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.

We maintain a website (nfmforestry.ca) and procedures are in place to ensure the site meets or exceeds the province’s accessibility requirements. The website includes information such as the Agency’s Strategic Plan, Business Plan, background on our operations, the Board of Directors and staff, the management area, forestry operations, procurement opportunities, and employment opportunities. Various NFMC policies are also posted on the website.

### **Initiatives Involving Third Parties**

This Agency 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.

NFMC’s annual budget includes financial and in-kind support to conduct research on methods to improve forest utilization and information systems. The Agency may also provide funding and staff support for sustainable forest management, wildlife habitat, environmental programs, advanced regeneration, road building, etc.

We offer financial support via scholarships and bursaries to high school and post-secondary students from local communities who enter the forestry/natural science disciplines at college or university level. While eligibility for said scholarships and bursaries prioritizes the forestry sector, other areas of study will also be considered on a case by case basis.

In addition to the above activities, assuming Covid restrictions are lifted, NFMC plans to conduct tours and provide 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.

NFMC maintained its third-party forest management certification on the Pic and White River forests. Maintaining the certification of the forests under our management since 2015 is considered a major accomplishment that demonstrates the commitment to manage the forests sustainably, support our industry partners, and help facilitate local community and First Nation economic development.

The GM and Board ensure that NFMC's staff, contractors, and customers understand the Agency's commitment to certification. Our staff work diligently to ensure the annual third-party surveillance audits are a success; this includes work by field techs to ensure the Agency's renewal and harvesting activities comply with the results and high level of standard for both compliance and health and safety purposes that we have come to expect.

The LPMC's model was initiated and developed in collaboration with local and First Nation communities with the understanding that the Agency's objects would support the development of local and First Nation economic development opportunities within the management area. NFMC continues to explore necessary strategies and opportunities to move forward with local and First Nation economic development opportunities on an ad hoc basis. Other initiatives may include activities that improve the road infrastructure and access on the FMUs. By improving road access, NFMC expects to increase volumes delivered from the management area and revenue received.

## **Implementation Plan**

This Agency Business Plan guides NFMC's achievement of objectives and commitment to undertake sustainable forest management practices. Implementation of the guidance provided by this plan is entrusted with the Board and staff of NFMC through the conduct of their respective roles and responsibilities for oversight, accountability, and program delivery. 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 Agency for the five-year period as envisioned by the Board of Directors; this plan is being updated in 2022 with a new five-year outlook;
- Two FMPs that guide the forestry part of the Agency's business in ensuring that its forests are sustainably managed for current and future generations, while providing the necessary economic benefits to the local and First Nations communities thus providing opportunities to thrive in the Northern Ontario economic climate; and
- The Agency Business Plan (this document) which highlights how the financial resources will be acquired and used to meet the expectations of NFMC Board, the Ontario Government, its local communities, First Nations, and industry stakeholders.

NFMC will focus on eight initiatives during the 2022-23 fiscal year:

1. Play a key role in First Nations economic development opportunities on the management area;

2. Complete new Strategic Plan that will set the vision and direction of the Crown Agency for the next five years;
3. Complete autonomous trucking project with the Centre for Research and Innovation in the Bioeconomy and Provectus Robotics;
4. Explore silviculture initiative - testing the planting of trees from southern seed zones;
5. Progress on the proposed purchase of the Fry Road;
6. Progress on the phase II of the White River FMP;
7. Begin discussions with potential partners on a hardwood utilization solution for the management area; and
8. Explore and support new strategic initiatives that support the long-term economic viability of our communities, forest industry and residents.

In addition to the above initiatives, 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 Agency. There has been historically a consistent high demand for SPF by local mills, however, to encourage the use of utilized resources, we will work with new entrants and support initiatives that make sense for the communities, mills and forest sustainability. We remain focused on efficiencies to maintain a competitive management fee and renewal rate. In addition, 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 First Nations communities. The Agency has identified the following communication objectives to support this document:

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

Key messages to support these objectives include:

- Maintain forest sustainability while maximizing value from the management units;
- 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 First Nation communities; and
- Partnerships will lead to innovative initiatives.

NFMC is developing strategies to increase its effectiveness in communicating with stakeholders, communities, First Nations, and the public. The operations and planning staff of the Agency regularly attend LCC meetings and provide updates on our operational activities on the management area. During planning, annual work scheduling, and other processes, NFMC supports the NDMNRF’s consultation sessions through active participation and discussion with local communities. We remain committed to regular and ongoing communications with First Nation Chiefs, Councils and staff, as well as Municipal Mayors and Councils. Post-Covid, we plan to meet, at least once a year, face to face with local communities, providing the 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 venue for

feedback and concerns regarding upcoming NFMC operations. This is in addition to our ongoing efforts at maintaining regular communications with First Nations' key staff members.

NFMC has a full-time Public Relations and Marketing Coordinator position, to help achieve a mandate that goes beyond forest management activities and includes initiatives aimed at supporting the forest industry and local communities. Through various communication tools, including social media platforms (Facebook and Twitter), our website, and face to face meetings, the Agency will promote its Strategic Initiative Program (SIP).

Through the SIP, 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, our Scholarship Program is intended for local students, encouraging studies in the forest and resource management fields. Lastly, through the Donations and Sponsorship Program, the Agency supports local community events. NFMC will continue to support the initiatives that best meet the intent and vision of these programs.

The Community Relations and Marketing Coordinator will be responsible for attending local schools and promoting the forest industry and the Agency; specifically, targeting high school, college and university students with information regarding career opportunities on the management area and the benefits of forestry to our local Communities. NFMC has provided annual educational field trips and will continue to do so. Our Public Relations and Marketing Coordinator will work to expand these opportunities for our local communities and the students within them.

## **Notice to Readers**

Nawiinginokiima Forest Management Corporation (NFMC) believes that expectations reflected in this report are reasonable, but no assurance is given that such expectations will be correct. The plan relied upon information available in the autumn of 2021 regarding raw material, process requirements, operating levels, and infrastructure requirements, etc. Forward-looking information is based on NFMC's beliefs and assumptions based on information available at the time the assumption was made and on the company's experience and perception of historical trends, current conditions and expected further developments as well as other factors deemed appropriate in the circumstances. Readers are cautioned that there are risks and uncertainties related to such information and actual results may vary. Important factors that could cause actual results to differ materially from those expressed or implied in the report include, without limitation, changes in government and regulatory policy, changes in market conditions or the overall economy, and changes in the company's financial position or business plans.

It is important to note the management area which NFMC is responsible for under its SFL's, includes the unceded territories of Biigtigong Nishnaabeg and Netmizaaggamig Nishnaabeg. The two communities are not signatories to the 1850 Robinson-Superior Treaty, and they have asserted (in court) that they have never surrendered, lost in war, or forfeited their lands, waters, forests, minerals, resources, or title and that their Aboriginal Title is intact on NFMC's management areas. Biigtigong and Netmizaaggamig are engaged in negotiations with the Provincial and Federal Governments to resolve their claims.

NFMC intends to act in good faith in its relations with the two communities. NFMC will uphold proper and ongoing consultations and accommodations with Biigtigong Nishnaabeg and Netmizaaggamig Nishnaabeg with due regard to Canadian and International law. This Business Plan assumes that discussions between the First Nations and both levels of Governments will continue and progress throughout the Business Plan period. Should situations arise from these discussions that significantly influences the business of the Agency, we will alter our plans accordingly.

## Appendix I – NFMC Forecast Financial Summary

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Revenue</b>	<b>ACTUAL</b>	<b>BUDGETED</b>	<b>FORECAST</b>	<b>FORECAST</b>	<b>FORECAST</b>
Management Fees	\$691,752	\$707,200	\$800,265	\$903,030	\$930,930
Timber Sale Charge	\$2,740,721	\$2,901,760	\$2,983,000	\$3,354,800	\$3,451,200
Residual Value Revenue	\$4,834,104	\$-	\$-	\$-	\$-
Forest Renewal Activities	\$392,282	\$277,000	\$423,958	\$447,000	\$475,000
Other Revenue	\$605	\$-	\$25,000	\$25,000	\$10,025,000
<b>Total Revenue</b>	<b>\$8,659,464</b>	<b>\$3,885,960</b>	<b>\$4,232,223</b>	<b>\$4,729,830</b>	<b>\$14,882,130</b>
<b>Expenses</b>					
Amortization	\$15,947	\$39,839	\$16,000	\$24,000	\$24,000
Automobile & Travel	\$38,225	\$189,640	\$314,390	\$321,000	\$327,000
Bad Debt	\$44,879	\$-	\$-	\$-	\$-
Board of Directors	\$9,906	\$36,460	\$28,120	\$29,000	\$30,000
Contractors	\$127,633	\$19,920	\$50,000	\$51,000	\$52,000
Forest Certification	\$55,546	\$60,000	\$75,000	\$77,000	\$79,000
Forest Management	\$145,510	\$65,760	\$39,550	\$40,000	\$40,000
Office & Subscriptions	\$83,702	\$60,616	\$117,066	\$119,000	\$121,000
Professional Fees	\$58,785	\$71,800	\$67,000	\$68,000	\$69,000
PR & Marketing	\$41,329	\$110,230	\$130,200	\$133,000	\$136,000
Rent	\$63,771	\$43,121	\$65,700	\$67,000	\$68,000
Roads	\$-	\$-	\$34,000	\$35,000	\$36,000
Training	\$5,575	\$77,600	\$30,000	\$31,000	\$32,000
Wages & Benefits	\$1,100,711	\$1,070,152	\$1,292,845	\$1,318,000	\$1,344,000
Other	\$21,231	\$42,095	\$29,680	\$30,000	\$31,000
<b>Total Expenses</b>	<b>\$1,804,750</b>	<b>\$1,887,233</b>	<b>\$2,289,551</b>	<b>\$2,343,000</b>	<b>\$2,389,000</b>
<b>Operating Income</b>	<b>\$6,854,714</b>	<b>\$1,998,727</b>	<b>\$1,942,672</b>	<b>\$2,385,830</b>	<b>\$12,493,130</b>

## Forestry, Other Expenditures & Reserve

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Forestry Revenue</b>	ACTUAL	PLANNED	FORECAST	FORECAST	FORECAST
Forest Access Roads	\$3,162,267	\$2,735,000	\$3,100,000	\$3,100,000	\$3,100,000
Total Forestry Revenue	\$3,162,267	\$2,735,000	\$3,100,000	\$3,100,000	\$3,100,000
<b>Forestry Expenses</b>	ACTUAL	PLANNED	FORECAST	FORECAST	FORECAST
Forest Access Roads	\$3,167,307	\$2,735,000	\$3,100,000	\$3,100,000	\$3,100,000
Total Forestry Expenses	\$3,167,307	\$2,735,000	\$3,100,000	\$3,100,000	\$3,100,000
<b>Forestry Income</b>	(\$5,040)	\$	\$	\$	\$
<b>Other Expenditures</b>	2020-21	2021-22	2022-23	2023-24	2024-25
Community & Capacity Dev	\$ -	\$150,000	\$60,000	\$50,000	\$50,000
Forest Improvement	\$ -	\$125,000	\$100,000	\$100,000	\$100,000
Harvest Capacity Initiatives	\$200,000	\$600,000	\$600,000	\$500,000	\$500,000
Other Forestry Capacity Init	\$ -	\$500,000	\$700,000	\$500,000	\$500,000
NFMC Internal Initiatives	\$91,246	\$-	\$250,000	\$300,000	\$300,000
Roads Infrastructure Initiatives	\$650,000	\$300,000	\$250,000	\$200,000	\$100,000
Training & Development	\$ -	\$ 50,000	\$25,000	\$25,000	\$25,000
Other Strategic Initiatives	\$ -	\$300,000	\$300,000	\$300,000	\$300,000
TOTAL	\$ 941,246	\$2,025,000	\$2,285,000	\$1,975,000	\$1,875,000

<b>Net Income</b>	\$5,900,428	(\$26,273)	\$(342,328)	\$410,830	\$10,618,13
<b>Operating Reserve (cumulative)</b>					
Proposed Operating Reserve	\$8,061,824	\$9,000,000+	\$11,500,000+	\$11,500,000	\$11,500,000

**Nawiinginiima Forest Management Corporation**  
 Projected Statement of Financial Position  
 Forecasts for Fiscal Years 2020-21 to 2024-25

	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
<b>Current Assets</b>					
Cash	\$9,390,012	\$8,145,444	\$8,172,085	\$8,541,090	\$18,849,963
Accounts Receivable	\$4,877,538	\$2,699,051	\$2,770,203	\$2,810,057	\$2,847,270
Inventory	\$731,045	\$557,045	\$233,045	\$-	\$-
Prepaid Expenses	\$100,000	\$-	\$-	\$-	\$-
Investment Funds	\$8,000,000	\$11,500,000	\$11,500,000	\$11,500,000	\$11,500,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$23,098,595	\$22,901,540	\$22,675,333	\$22,851,147	\$33,197,233
<b>Capital Assets</b>	\$310,429	\$310,429	\$483,429	\$804,429	\$1,120,429
Less Depreciation	(181,035)	(220,874)	(236,874)	(260,874)	(284,874)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$129,394	\$89,555	\$246,555	\$543,555	\$835,555
<b>Total Assets</b> (including operating reserve*):	\$23,227,989	\$22,991,095	\$22,921,888	\$23,394,702	\$34,032,788
 <b>Obligations &amp; Liabilities</b>					
Current obligations:					
Accounts payable & accruals	\$2,273,235	\$2,062,614	\$2,335,735	\$2,397,719	\$2,417,675
 <b>Net Assets Summary</b>					
Unrestricted	\$12,954,754	\$9,428,481	\$9,086,153	\$9,496,983	\$20,115,113
Restricted*	\$8,000,000	\$11,500,000	\$11,500,000	\$11,500,000	\$11,500,000
Total	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$20,954,754	\$20,928,481	\$20,586,153	\$20,996,983	\$31,615,113
Total Liabilities & Net Assets	\$23,227,989	\$22,991,095	\$22,921,888	\$23,394,702	\$34,032,788

\* Operating Reserve target set by Board Resolution

**Nawiinginkiima Forest Management Corporation**  
 Projected Statement of Cash Flows  
 Forecasts for Fiscal Years 2020-21 to 2024-25

	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
<b>Cash flows from operating activities</b>					
Excess revenues over expenses	\$6,841,674	\$1,998,727	\$1,942,672	\$2,385,830	\$12,493,130
Amortization of capital assets	\$15,947	\$39,839	\$16,000	\$24,000	\$24,000
	<u>\$6,857,621</u>	<u>\$2,038,566</u>	<u>\$1,958,672</u>	<u>\$2,409,830</u>	<u>\$12,517,130</u>
<b>Change in non-cash working capital</b>					
Accounts receivable	\$1,182,906	\$2,178,487	(\$71,152)	(\$39,854)	(\$37,213)
Inventory	\$168,955	\$174,000	\$324,000	\$233,045	\$0
Prepaid expenses	\$111,379	\$100,000	\$0	\$0	\$0
Accounts payable & liabilities	\$256,790	(\$210,621)	\$273,121	\$61,984	\$19,956
	<u>\$1,720,030</u>	<u>\$2,241,866</u>	<u>\$525,969</u>	<u>\$255,175</u>	<u>(\$17,257)</u>
<b>Cash flows from financing activities</b>					
Capital contributions received					
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Cash flows from investing activities</b>					
Acquisition of capital assets	(\$2,841)	\$0	(\$173,000)	(\$321,000)	(\$316,000)
Proceeds on sale of assets	\$8,000	\$0	\$0	\$0	\$0
Operating reserve	(\$2,600,000)	(\$3,500,000)	\$0	\$0	\$0
	<u>(\$2,594,841)</u>	<u>(\$3,500,000)</u>	<u>(\$173,000)</u>	<u>(\$321,000)</u>	<u>(\$316,000)</u>
<b>Cash flow from other activities</b>					
Other Expenditures	(\$941,246)	(\$2,025,000)	(\$2,285,000)	(\$1,975,000)	(\$1,875,000)
Other Repayments	\$0	\$0	\$0	\$0	\$0
	<u>(\$941,246)</u>	<u>(\$2,025,000)</u>	<u>(\$2,285,000)</u>	<u>(\$1,975,000)</u>	<u>(\$1,875,000)</u>
<b>Increase (decrease) in cash</b>	\$5,041,564	(\$1,244,568)	\$26,641	\$369,005	\$10,308,873
Cash, beginning of year	\$4,348,448	\$9,390,012	\$8,145,444	\$8,172,085	\$8,541,090
Cash, end of year	\$9,390,012	\$8,145,444	\$8,172,085	\$8,541,090	\$18,849,963

## Appendix II – NFMC Compare 2020-21 Actual vs. Forecast

<b>REVENUE</b>	<b>ACTUAL</b>	<b>BUDGET</b>	<b>VARIANCE</b>	NOTES
Management Fees	\$689,716	\$785,280	\$(95,564)	Harvest volumes were lower than anticipated
Timber Sale Charge	\$2,677,318	\$2,741,893	\$(64,575)	Harvest volumes were lower than anticipated
Residual Value	\$4,834,104	\$-	\$4,834,104	Residual is difficult to predict therefore unbudgeted
Forest Renewal Activities	\$384,825	\$216,225	\$168,600	Budget amount missed a portion of planned activities
Other Revenues	\$66,784	\$-	\$66,784	Unexpected amount received from other activities
<b>Total Revenue</b>	<b>\$8,652,747</b>	<b>\$3,743,398</b>	<b>\$4,909,349</b>	
<b>EXPENSES</b>				
Amortization	\$16,000	\$21,267	\$5,267	Anticipated fixed asset additions not purchased
Automobile & Travel	\$159,575	\$176,196	\$16,621	Less travel due to Covid
Board of Directors	\$8,256	\$30,120	\$21,864	No travel due to Covid & less board members
Contractors	\$143,729	\$100,800	(\$42,929)	Missed renewal activities matching revenue above
Forest Certification	\$55,546	\$60,000	\$4,454	Less travel due to Covid
Forest Management	\$119,773	\$56,200	\$(63,573)	White River Forest repayment of FMP costs
Office & Subscriptions	\$73,052	\$67,240	\$(5,812)	Subscriptions higher than anticipated
Professional Fees	\$42,320	\$87,800	\$45,480	Legal & Accounting costs lower than expected
PR & Marketing	\$62,480	\$70,000	\$7,520	Less than expected opportunities due to Covid
Rent	\$37,253	\$78,000	\$40,747	Rental upgrades on industrial lot delayed
Roads	\$-	\$-	\$-	
Training	\$6,142	\$114,600	\$108,458	Most training opportunities cancelled due to Covid
Wages & Benefits	\$1,032,001	\$1,021,669	\$(10,332)	On budget
Other	\$49,179	\$42,095	\$(7,084)	Unexpected miscellaneous expenditures
<b>Total Expenses</b>	<b>\$1,805,306</b>	<b>\$1,925,986</b>	<b>\$120,680</b>	
<b>Operating Income</b>	<b>\$6,847,441</b>	<b>\$1,817,412</b>	<b>\$5,030,029</b>	

## Appendix III – NFMC Operating Costs for Operating Reserve Calculation

	<b>2022/23</b>
Amortization	\$ 16,000
Automobile & Travel	\$ 314,390
Board of Directors	\$ 28,120
Contractors	\$ 50,000
Forest Certification	\$ 75,000
Forest Management	\$ 39,550
Office & Subscriptions	\$ 117,066
Professional Fees	\$ 67,000
PR & Marketing	\$ 130,200
Rent	\$ 65,700
Roads	\$ 34,000
Training	\$ 30,000
Wages & Benefits	\$ 1,292,845
Other	<u>\$ 29,680</u>
TOTAL	\$ 2,289,551
Low Range	\$4,579,102
Upper Range	\$11,447,755

## Appendix IV - NFMC 2021-22 Risk Analysis Details

<b>Risk Title</b>	<b>Risk</b>	<b>Risk Score</b>	<b>Risk Mitigation Plan</b>
<b>LICENSE EXTENSION</b>	<i>IFA audit recommendations - Risk that NFMC's Strategic Plan is not completed and Business Plan is not able to address the concerns identified in IFAs and the license is not extended</i>	<b>Impact</b> Minor	<i>Pic Forest IFA is scheduled to take place in the upcoming fiscal year. NFMC will work at addressing any issues that may be identified through the process.</i>
<b>Category</b> <i>Legal / contractual / compliance</i>		<b>Likelihood</b> Unlikely	
		<b>Total Score</b> Low	
<b>OBJECTIVE ACHIEVEMENT</b>	<i>Ability to achieve objects - Risk that strategic plan not completed, and business plan does not reflect objectives</i>	<b>Impact</b> Minor	<i>NFMC has worked with the NDMNRF to ensure the SFL Business Plan and Agency Business Plan are comprehensive and meet all the requirements.</i>  <i>NFMC will be working on a new strategic plan document that will be implemented during the 2022-23 fiscal year.</i>
<b>Category</b> <i>Accountability/ Governance</i>		<b>Likelihood</b> Low	
		<b>Total Score</b> Low	
<b>FINANCIAL STABILITY</b>	<i>Risk that NFMC is unable to market and sell sufficient volumes necessary to generate revenue for the agency.</i>  <i>Following the approval of the current FMPs, NFMC has become aware of harvest areas that will require deferral into future years.</i>	<b>Impact</b> Moderate	<i>NFMC makes available wood to forest industry.</i>  <i>NFMC works closely with its customers/harvesters to project and forecast demand and creates an annual budget with this input.</i>  <i>Operating reserve established at the maximum level of \$11.5M.</i>
<b>Category</b> <i>Accountability/ Governance</i>		<b>Likelihood</b> Unlikely	
		<b>Total Score</b> Low	

<b>ABILITY TO MEET STAKEHOLDER EXPECTATIONS</b>	<i>Risk that this plan and vision will not be achievable or will be inconsistent with original intent</i>	<i>Impact</i> Minor	<i>NFMC actively engages with local communities, First Nations and forest industry. Board members represent communities and stakeholders to communicate to NFMC and back to communities. NFMC working on new strategic plan document to ensure adaption to current climate.</i>
<b>Category</b> <i>Accountability/ Governance</i>		<b>Likelihood</b> Unlikely	
		<b>Total Score</b> Low	
<b>ENSURING RESPONSIBLE &amp; COMPLIANT OPERATIONS</b>	<i>Risk that NFMC operations are not compliant with applicable rules &amp; regulations</i>	<b>Impact</b> Minor	<i>NFMC has been working closely with District NDMNRF and its contractors and service providers, including regular meetings with these parties, to ensure requirements are met. NFMC has established a governance committee through the board.</i>
<b>Category</b> <i>Legal / contractual / compliance</i>		<b>Likelihood</b> Unlikely	
		<b>Total Score</b> Low	
<b>CONTRACTUAL COMPLIANCE</b>	<i>Risk associated with NFMC entering into various agreements and contracts with third party service providers to facilitate forestry operations including forest management, harvesting, renewal and road building</i>	<b>Impact</b> Minor	<i>NFMC has retained outside legal support and in specific instances, financial advice.</i>  <i>NFMC continues to work closely with NDMNRF to ensure appropriate internal policies and procedures are in place to support efficient operations and appropriate use of Crown revenues consistent with objects and the OFTMA.</i>
<b>Category</b> <i>Legal / contractual / compliance</i>		<b>Likelihood</b> Unlikely	
		<b>Total Score</b> Low	

<b>GOVERNMENT REPORTING REQUIREMENTS</b>	<i>Risk that NFMC fails to fulfill government reporting requirements.</i>	<b>Impact</b> Minor	<i>NFMC is continually developing and improving reporting procedures and mechanisms. NFMC working with NDMNRF to ensure it is meeting expectations.</i>
<b>Category</b> <i>Accountability/ Governance</i>		<b>Likelihood</b> Likely	<i>NFMC and NDMNRF staff conduct regular meetings to discuss status of reporting requirements and to address other topics as required. NFMC presents agency business plan to NDMNRF staff in Sault Ste Marie.</i>
		<b>Total Score</b> Medium	
<b>FINANCIAL REPORTING</b>	<i>Risk that internal policies and structure is insufficient to protect interests of NFMC and NDMNRF.</i>	<b>Impact</b> Minor	<i>NFMC is continually developing and improving reporting procedures and mechanisms. NFMC working with NDMNRF to ensure it is meeting expectations. NFMC finances regularly reviewed at board meetings plus audit and quarterly reports.</i>
<b>Category</b> <i>Accountability/ Governance</i>		<b>Likelihood</b> Possibly	
		<b>Total Score</b> Low	
<b>MARKET</b>	<i>Risk that the demand for wood will impact on cash flow.</i>	<b>Impact</b> Moderate	<i>NFMC works closely with its customers/harvesters to project and forecast demand and creates an annual budget with this input.</i>
<b>Category</b> Operational		<b>Likelihood</b> Possibly	<i>NFMC monitors/updates throughout the year. Forest industry in area currently healthy however forecast is uncertain.</i>
		<b>Timeline Total Score</b> Medium	<i>Operating reserve established with a balance of \$11.5 million.</i>

<b>CONTRACTOR RISK</b>	<i>A major contractor unable to supply mills.</i>	<b>Impact</b> Moderate	<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 forests. NFMC will continue to work with mills to ensure it is competitive.</i>
<b>Category</b> Operational	<i>The limited harvester base on the NFMC management area presents some downside risk to NFMC. NFMC relies upon one primary contractor.</i>	<b>Likelihood</b> Possibly	<i>NFMC considering additional opportunities.</i>
<b>STUMPAGE RISK</b>	<i>Customer mills unable to pay stumpage arrears.</i>	<b>Impact</b> Moderate	<i>NFMC Monitoring customer payments/balance consistent with accounts receivable policy.</i>
<b>Category</b> Financial	<i>Monthly stumpage bills are approximately \$400,000 (includes FRT, FRI, FFT fees).</i>	<b>Likelihood</b> Possibly	<i>The NFMC MOA allows it to stop deliveries to mills and/or approval holders that are not current with its Crown Dues or LFMC fees.</i>  <i>Stumpage arrears for exchange wood between WRF &amp; AVTB date back to 2018. NFMC has worked to confirm balances and continue repayments.</i>  <i>NFMC looking for new customers to spread risk and reduce reliance on a few large customers.</i>  <i>NFMC also established an operating reserve.</i>
<b>PUBLIC RELATIONS</b>	<i>Risk of ENGO or other interest groups negatively targeting NFMC.</i>	<b>Impact</b> Moderate	<i>NFMC maintains third-party certification.</i>
<b>Category</b> Public Image		<b>Likelihood</b> Possibly	<i>NFMC works hard to ensure that the interests of the local First Nations, local communities and local forest industry are</i>
		<b>Timeline Total Score</b>	

		Medium	<i>being considered and addressed</i>
<b>DEVELOPMENT OF IT INFRASTRUCTURE</b>	<i>Risk of data loss or security breach impacting critical systems.</i>	<b>Impact</b> Minor	<i>NFMC has a procurement policy that is applied to tendering for services from qualified vendors with established IT infrastructure.</i>  <i>NFMC has established measures such as data back up and security. Proper data management procedures are used on an Ongoing basis.</i>
<b>Category</b> <i>Information and Information Technology</i>		<b>Likelihood</b> Unlikely	
		<b>Total Score</b> Low	
<b>ATTRACTING TALENT</b>	<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>  <i>NFMC's unique mandate requires specialized administrative functions including a forest products business-focused financial department and systems support. 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.</i>	<b>Impact</b> Moderate	<i>Skilled and experienced employees are critical to business continuity and delivery of required programs and support functions.</i>  <i>NFMC has established an HR committee whose mandate includes reviewing compensation to ensure NFMC remains competitive and is able to attract skilled employees.</i>  <i>The agency has also used professional services for recruitment support, in addition to the strategic use of contractors.</i>  <i>NFMC has recognized the need to grow skills internally and is preparing for this through staff training and development.</i>
<b>Category</b> <i>Workforce/Skill Shortage</i>		<b>Likelihood</b> Possibly	
		<b>Timeline Total Score</b> Medium	

<b>BOARD OF DIRECTORS</b>	<i>Risk that delays in appointing board members will result in NFMC being unable to make important decisions.</i>	<b>Impact</b> Minor	<i>The Board, is accountable to the Minister, through the Chair, for oversight and governance of the Agency, and ensuring compliance with all applicable Acts, regulations and directives</i>
<b>Category</b> <i>Accountability/ Governance</i>		<b>Likelihood</b> Unlikely	
		<b>Total Score</b> Low	