

Nawiinginokiima Forest Management Corporation

AGENCY BUSINESS PLAN

for the period of

2023-24, 2024-25 and 2025-26

Updated January 24, 2023

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Executive Summary

Nawiinginokiima Forest Management Corporation (NFMC) is the first Local Forest Management Corporation (LFMC) to be formed under the *Ontario Forest Tenure Modernization Act, 2011* (OFTMA) and represents an important component of Ontario's overall plan for modernizing the Province's forest tenure and pricing system. We are now one of two LFMCs in the province of Ontario, with the second one being recently formed on the Temagami Forest Management Unit (FMU).

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, Netmizaaggamig Nishnaabeg First Nation, Hornepayne Indigenous community and the Municipalities of Marathon, Hornepayne, Manitouwadge and White River.

NFMC's Agency Business Plan (BP) is prepared in accordance with the Agency Accountability Directive (AAD) and the Guide to Developing BPs 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 is set at 675,000 cubic meters (m³) per year and the White River Forest is 421,000 m³.

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 governance, general powers, financial management, the General Manager (GM), employees, 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 Natural Resources and Forestry (MNRF) on matters related to the forest industry and forest sector;
 - Collect, maintain, and provide Crown timber sales and pricing information;
 - Maintain Sustainable Forest Licenses (SFL) for the forest management units in the NFMC management area (Pic and White River Forests).

A Memorandum of Understanding (MOU) between the MNRF 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 2023-24. It is expected that the Agency work on the objectives identified in the letter and therefore NFMC has included within this BP 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.
2. Transparency and accountability.
3. Risk management.
4. Workforce management.
5. Diversity and inclusion.
6. Data collection.
7. Digital delivery and customer service.
8. Sustainably managing the Pic and White River Forests, including the development and implementation of FMPs.
9. Bring resolution toward the acquisition of the Sustainable Forest License for the Nagagami Forest Management Unit.
10. Marketing and selling wood through negotiated and open-market sales to generate sufficient revenue to cover the Agency's activities, maintain its operating reserve and providing Crown timber sales and pricing information.
11. Maintaining a functioning Board of directors and engage the committees outlined in the Corporation's by-law #1 and additional Board subcommittees, as required.
12. Continuing to implement the recommendations of Agency Task Force Reviews.
13. Continuing to implement strategic initiatives that focus on local and Indigenous community economic development and continuing to create public awareness of NFMC's achievements, forest stewardship and economic development opportunities with respect to forestry in NFMC's management area.
14. Working with Indigenous communities and MNRF on Michano Land Claim matters, as required.

15. 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 ministry, 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

There are many factors currently affecting the regional and broad global economy which NFMC is not removed from. Many are far outside of domestic industry control such as inflation, the war in Ukraine and the lingering supply chain affects of Covid-19. These are all causing adverse effects on the forest sector and related businesses.

The forest products industry in Ontario has experienced unparalleled trends over the last few years. The first quarter of fiscal 2022 started out strong for forest products commodities. By the second quarter of 2022, the lumber market began its decline in pricing and by the third quarter began to stabilize at a lower price but still above the pre-Covid average levels of 2019 and the first half of 2020, where lumber was trading below \$450/board foot.

Pulp prices however remained strong throughout 2022. In fact, they reached record highs in July 2022 and remain strong through the fourth quarter of this year.

Although forest products commodity pricing is affected by the combination of many factors, the main influence in lumber continues to be the rising interest rates for mortgages which is affecting housing starts while in pulp, record setting levels of unexpected downtime, as well as transportation challenges are the main drivers. Analysts are mixed regarding the economic outlooks of the fourth quarter of 2022 through the second quarter of 2023. During this period, some predict the beginning of a global recession and others, a softened economy during the battle to suppress inflation.

Long term predictions, however, are consistent and the global demand for forest products is expected to increase. The United Nations projects that global demand for forest products will grow by more than 30 percent by 2030.

The Ontario Forest Industry Association predicts more wood will be used as high-density housing and mass timber for tall buildings will continue to grow. Especially considering the current housing crisis and government initiatives to tackle the issue.

NFMC is well-positioned to meet this demand, particularly given the ambitious goals set out in Ontario's Forest Sector Strategy. Most of Canada, as well as the world, are not able to increase their output of sustainable forest products due to wood supply constraints giving NFMC a distinct and increased advantage over time.

To fully realize the potential of the NFMC managed forests, it is critical to utilize the annual allowable harvest of all forest species including forest biomass as a low-cost and environmentally friendly energy source, while ensuring free and open access to markets. Increased use of forest biomass will not alone realize the potential of the NFMC wood supply. Further regional consumption of currently underutilized species will also be required.

Similarly, global demand for sustainably sourced, third-party certified forest products is increasing. Particularly in the developed world, as recognition of sustainability issues drive consumers towards more environmentally friendly purchasing habits, demand will continue to grow. NFMC, with a management area completely third-party certified, is well positioned to capitalize on these trends. Notably, independently certified forest products have been shown to be particularly export competitive which again positions NFMC strongly in a geographic location where the majority of forest products produced are being sold outside of Canada.

This all presents an enormous economic development and environmental stewardship opportunity for Ontario and particularly NFMC. Forest products are a sustainable and renewable resource. Many governments, businesses, and financial institutions have committed to achieving net-zero emissions. Using sustainable forest resources to displace materials and processes with larger carbon footprints and environmental impact will accelerate a transition to net-zero emissions while supporting northern, rural, and Indigenous communities.

Forest products, bioenergy, and forest management are both economic development opportunities and climate solutions. Carbon storage or carbon sequestering is also gaining traction on a global scale by way of solid wood products and forest regeneration.

NFMC Management Area

The NFMC's managed forests have seen its share of economic struggles in recent years, and there remains factors which hamper the growth of NFMC, the local First Nations communities and municipalities as well as regional industry partners.

Labour

The biggest common factor is the lack of trained, skilled, and capable workforce. The NFMC management area is located in one of the most remote and unpopulated areas of the province. It is far from any major population centers, lacks certain infrastructure and is difficult to both attract and retain a quality, skilled workforce. NFMC's industry partners all struggle with vacant positions in management, trades, general labour, and equipment availability among other shortages.

The above not only influences the short-term economy but restricts local investment and stagnates potential longer-term economic growth as well. This applies to both woodlands as well as fibre consuming production facilities. The impact of labour shortages has not been as pronounced over the past year due to the offset forces of unexpected downtime and high mill yard inventory levels. This resulted in the continuity of operations despite significantly low harvest levels on both the Pic and White River SFLs. At these harvest levels, the consuming mills would not be able to sustain operations should the other detrimental factors have not been present. Increasing the capacity for all activities on the forest needs to be a priority on the management area.

Underutilization of Wood Supply

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). The allowable harvest of these hardwood species is approximately 483,000 m³ annually. However, less than 20 percent is being harvested and utilized.

Until the mid-2000s NFMCS managed forests were situated between two large consuming hardwood facilities who produced engineered panel products, these facilities in combination consumed nearly 1.7 million m³ annually. The drastic loss of a nearby market and resulting 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.

NFMCS's 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

Softwood lumber tariffs have been ongoing throughout NFMCS's management tenure. Recently, the U.S. department of commerce has cut the countervailing duties of Ontario's lumber producers from 17.61 percent to 8.59 percent. Although it is an improvement, Canada filed notice to the US-Canada-Mexico trade agreement dispute resolution system.

This will once again restrict local investment and 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.

The above, coupled with continued limited access to capital from financial institutions to the forest industry, adds much risk to NFMCS's 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 to the area mills. A sharp decline in market conditions will not only result in curtailments but may also create cashflow restraints that could shutter facilities.

Rising cost of Energy

Higher energy costs and volatility have created an increased uncertainty within the management area. The main contributor has been due to Russia's war on Ukraine. Fuel costs rose 34 percent within the last 12 months contributing to increased inflation as well as creating complexities with forest harvesting, transportation, and plant processing to name a few.

Western Canada Acquisitions

There have been several changes in ownership of facilities surrounding NFMCS management area. The acquisitions have been primarily made by companies headquartered in western Canada.

This is not the first time western Canadian forest product producers have invested elsewhere. Throughout softwood lumber trade complexities, western Canadian companies have invested in US facilities.

The more recent acquisitions in Ontario and eastern Canada are driven by reductions in the available wood supply of western provinces after management strategies to reduce invasive insect infestation temporarily increased harvesting in these areas. Current reductions have resulted in the shuttering of some facilities in west. Within Ontario these companies have acquired lumber, pulp as well oriented strand board (OSB) facilities. It is our belief that further western Canada investment and acquisition strategies will take place over the coming years.

Capital Investment & Infrastructure

There is insufficient investment in equipment and infrastructure within the immediate area as well as the broader region. There are government funds and low interest loans available to facilities but very few offer eligibility for those primarily engaged in harvesting and trucking where capacity issues are perhaps the most pronounced.

NFMC is positioned to be the catalyst towards the necessary change. As of now, there have been very few who have engaged the NFMC Strategic Initiative Program (SIP). This may be, in part, to the recentness of the program and the limited public exposure it has had to-date.

Through the implementation of these types of programs and distribution of investable dollars, the sector can significantly de-risk by improving such things as labour shortages, fuel consumption and carbon dioxide emissions, SFL harvest levels and infrastructure construction. These things would help to put more wood to work all while becoming more sustainable.

NFMC will prioritize incentivizing innovation and investment through its SIP by exploring delivery of information to potential candidates. We will also consider deploying resources to develop strategic infrastructure in order to market fibre more effectively in areas where operations have been limited due to accessibility constraints.¹

Strategic Directions

NFMC's Strategic Plan provides management and staff with the future vision of the Corporation and the foundation of the goals and objectives the Agency wants to achieve. The Strategic Plan will include (in part) the period covered by this BP. The Plan will be available on NFMC's website (<https://nfmcforestry.ca/>),

¹ Sources: nrcan.gc.ca for lumber, pulp and panel prices, Ontario Forest Industry Association website and publications, Statistics Canada, TD Trust publications, and Scotiabank publications.

however most aspects of the Strategic Plan are included throughout this BP.

NFMC's current five-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 early 2023. The new Plan will focus on the strategic direction for the Agency over the next five years (2022-27) 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. Input from stakeholders and partners, particularly input from our Indigenous communities will be a key driver for the 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 harvest 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 municipalities and Indigenous communities with the understanding that the Agency's objects would support the development of local and Indigenous economic development opportunities within the management area. One of NFMC's priority areas has been the development of these opportunities. 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.

NFMC continues to develop necessary strategies and explore opportunities to move forward with local and Indigenous economic development opportunities as they arise. These arrangements are typically approved under the processes identified in the Strategic Initiatives 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 2023-24 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 and the White River Forests. This area encompasses approximately 1.9 million hectares (ha) of productive Crown forest with an annual available harvest volume of over 1 million m³ of merchantable fibre and 200,000 m³ of biomass fibre annually based on current FMPs.

NFMC has a MOU with the MNRF. The MOU outlines the responsibilities of the Minister, Deputy Minister, Chair of the NFMC, the Board, and the GM. The GM is accountable to the Board, through the Chair, for the

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

The current NFMC Board includes representatives from Manitouwadge, White River, Biigtigong Nishnaabeg First Nation, Hornepayne, Netmizaaggamig Nishnaabeg First Nation, and two members-at-large who broaden its functional knowledge base and experience. In 2022, there were no changes to the Board of Director’s membership. Biographies of Board members can be found on the NFMC webpage: <https://nfmforestry.ca/staff/>

The Board includes the below members:

Table 1. Current NFMC Board Members

Name	Position	Tenure	Community
Adam Brown	Vice-Chair	02/07/20 – 01/07/23	At large
Tina Forsyth	Director	28/06/20 – 27/06/23	White River
Jesse Gaudette	Director	06/08/20 – 05/08/23	Netmizaaggamig Nishnaabeg First Nation
Grant Goodwin	Director	30/07/20 – 29/07/23	Manitouwadge
Joanne Michano	Director	06/08/20 – 05/08/23	Biigtigong Nishnaabeg First Nation
Laird Van Damme	Chair	20/08/20 – 19/08/23	At large
Julie-Roy Ward	Director	02/05/22 – 01/05/25	Hornepayne

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 MNRF to ensure governance requirements for new and existing Board members are met annually. In addition, Board members have the opportunity to request specific training at any time and training requirements are discussed regularly at Board meetings.

The terms for six of the seven Directors will expire in 2023. NFMC will work with the MNRF 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 recognizes 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 2023-24 are budgeted at \$2.26 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 a satellite office in White River.

NFMC is projecting deliveries increasing from the 2022-23 levels for both the Pic Forest and White River Forests. Deliveries for 2023-24 (primarily softwood) are budgeted for 807,000 m³, which is expected to generate over \$4.4 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 \$2.8 million and the White River Forest budget is \$1.4 million for 2023-24.

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 summary, 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 m³ 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 BP, 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 2023. 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 2023-24, NFMC requested the renewal rates of at \$6.50/ m³ for SPF and \$0.48/ m³ for poplar and birch on the Pic forest and renewal rates of \$7.50/ m³ for SPF and \$0.50/m³ 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 MNRF’s Wawa district and Northeast region.

In order to accomplish its goals and objectives the Agency has access to several sources of revenue which are 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"> • Sustainable forest management • Economic development for communities and Indigenous people • Timber marketing and sales information/data 	<ul style="list-style-type: none"> • Annual timber sales and management fees estimate revenues of approx. \$4.0 million
Forest Renewal and Forestry Futures Trusts	Funding for eligible renewal and silviculture activities. Majority of funding flows as a direct reimbursement to contractors.	<ul style="list-style-type: none"> • Reinvesting in and improving the forest assets • Sustainable forest 	<ul style="list-style-type: none"> • Revenues approx. \$4.2 million
Provincial Forest Access Roads Program	Funding allocation to support construction and maintenance of forest access roads. Majority of funding flows as a direct reimbursement to contractors.	<ul style="list-style-type: none"> • Cost competitive, affordable wood supply • Continuous and predictable supply 	<ul style="list-style-type: none"> • MNRF’s PFARP 2022-23 expected to be consistent with prior levels (approx. \$2.3 million)

Industrial Road Maintenance Agreement	NFMC has signed an agreement with the Ministry of Transportation to maintain the Caramat-Manitouwadge Industrial Road	<ul style="list-style-type: none"> • Reinvesting in and improving the forest asset • Economic development for communities and First Nations people 	<ul style="list-style-type: none"> • Revenues estimated at \$0.3 million
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LFMC Revenue Model

NFMC revenues are derived from the sale of Crown timber from the management area. The Company needs to market and sell sufficient volumes of Crown timber to cover its operating costs. 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 BP, 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.

NFMC will also generate revenues directly from management fees from the Pic and White River Forests. The revenue from management fees is expected to be approximately \$900,000 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 m³ 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 2023-24 is targeted to be \$1.10 per m³ which is an increase of \$0.17 compared to the reconciled rate for 2022-23.

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 MNRF 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 2023-24 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 6.1 million trees covering approximately 4,000 ha. 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 \$2.3 million in roads funds that are used to maintain or construct hundreds of kilometers of primary and branch roads on both forests. 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-imbusement of costs incurred, including staff time and vehicle KMs. We anticipate costs to be approximately \$0.3 million 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 are currently in the middle of the second 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 BP 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. Additional information can be found in Appendix IV, NFMC 2023-24 Risk Analysis Details.

Table 3. Risk Elements Summary

Risk Title	Risk Description
<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 BP 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>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>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/Regulatory</i>	<i>Ability to meet First Nation community’s expectations.</i>
<i>Financial</i>	<i>Stumpage risk – customers unable to pay stumpage arrears.</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 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 BP, 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 will remain at approximately \$11.5 million having reached the goal of maximizing the operating reserve. The operating reserve is expected to remain at the maximum level for 2023-24 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 BP 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 provide 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 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.

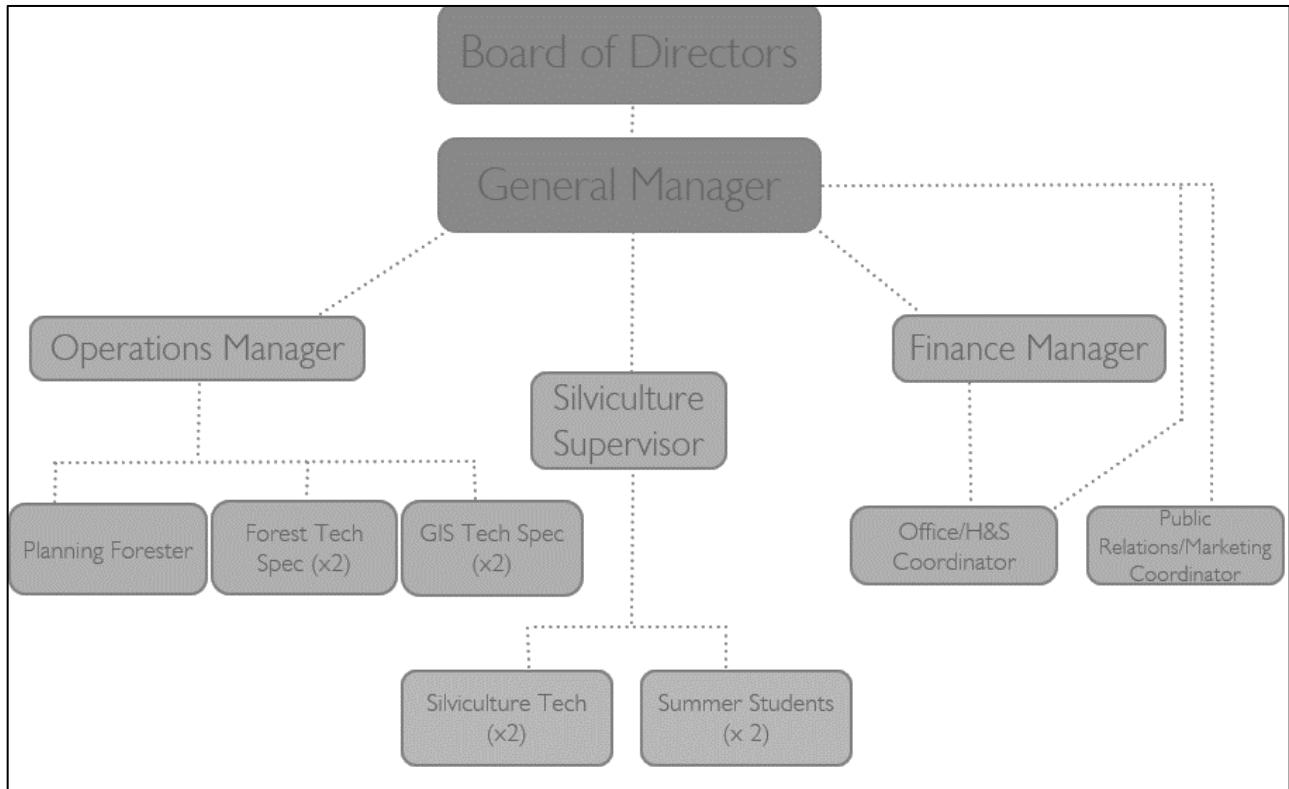
Human Resources and Staff Numbers

The Chair and the Board of Directors are accountable to the MNRF's Minister for NFMC's 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. The Agency 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.

Figure 1. NFMC Organizational Chart at December 2022



Skilled and experienced employees are critical to the Agency’s business continuity and the delivery of our various programs. The risk the Agency faces 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 plans to maintain current staffing levels in 2023-24. The Board had previously considered entering into discussions with the Nagagami Forest SFL holder on potentially having the management responsibilities transferred to NFMC, however, following careful review, discussions and consideration, this is no longer a goal on the Agency at this time. In light of this decision, 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 m³ of forest products sold in the term while performance measures for forest management programs are in 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"> - Are the forests being managed sustainably per audits/certification standards, etc.? - Has the renewal program met or exceeded the commitments made in the approved FMP? - Has NFMC invested in R&D to improve forest management? 	<p>Pic and White River Forests certification maintained</p> <p>Harvesting and renewal activities reported in Annual Reports submitted to MNRF 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"> - Does the Agency have sufficient cash flow to support its operations? - Has an appropriately sized operating reserve been established? - Has value for money been realized when spending taxpayer dollars? - Are accounts receivable collected in a timely manner? 	<p>\$500,000 to \$1,000,000 of free cash flow</p> <p>Over \$11.5 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"> - Have commitments volumes been made available and/or utilized? - Has wood been made available to new entrants? How much? - Has NFMC moved closer to a more economically efficient system for wood allocation and pricing? - Has utilization of available timber over operational period improved and/or new markets been developed? 	<p>100 percent of commitment volume made available</p> <p>Percentage of wood made available to open market customers</p> <p>Positive utilization trends</p>
Meeting governance requirements	<ul style="list-style-type: none"> - Have government directives been followed (i.e. the AAD) <ul style="list-style-type: none"> - Completion of Annual BP - Risk Assessment Evaluation - Annual Report - Board training as directed 	<p>All reports submitted on time</p> <p>Posting of reports to Agency website</p>
	<ul style="list-style-type: none"> - In addition to the AAD, all classified agencies must adhere to <ul style="list-style-type: none"> - Accountability Directive - Advertising Content Directive - Delegation of Authority Key Directive (MoF) - Government Appointees Directive - Travel, Meal and Hospitality Expenses Directive 	<p>100 percent 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"> - Have local economic development opportunities been created/supported by NFMC operations? - Responsive to new local non-timber business initiatives that may come forward 	<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"> - How have communities' interests been represented by NFMC operations and decisions? - Have Indigenous economic development opportunities been developed? 	<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"> - How have communities' interests been represented by NFMC operations and decisions? 	<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 NFMFC 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 2023-24 and beyond. It should be noted that the SPF volume on the Pic Forest from the LTMD is set at 675,000 m³ per year and the White River Forest is 421,000 m³.

Table 5. Committed volumes to be harvested (m³) 2023-24

	Pic Forest	White River Forest	Total
AVTB (softwood)	340,000		340,000
AVTB (biomass)	30,000		30,000
WRFP	70,000	250,000	320,000
Lecours	55,000		55,000
Levesque (Veneer)	15,000	12,000	27,000
HLLP	35,000		35,000
TOTAL	545,000	262,000	807,000

NFMFC's management area continues to see struggles in meeting committed and budgeted harvest volumes. As a result, NFMFC has adopted a conservative approach and kept future years estimated volumes relatively low.

It is important to note that additional investments in contractors are required which would 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 (m³) 2024-25

	Pic Forest	White River Forest	Total
AVTB (softwood)	340,000		340,000
AVTB (biomass)	30,000		30,000
WRFP	70,000	250,000	320,000
Lecours	55,000		55,000
Levesque (Veneer)	15,000	12,000	27,000
HLLP	35,000		35,000
TOTAL	545,000	262,000	807,000

Table 7. Estimated delivered volumes (m3) 2025-26

	Pic Forest	White River Forest	Total
AVTB (softwood)	340,000		340,000
AVTB (biomass)	30,000		30,000
WRFP	70,000	250,000	320,000
Lecours	55,000		55,000
Levesque (Veneer)	15,000	12,000	27,000
HLLP	35,000		35,000
TOTAL	545,000	262,000	807,000

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

NFMC's expenditure are anticipated to exceed revenue (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

Table 8. Estimated Net Income 2023-24 to 2025-26 (\$000)

Operating Income	2023-24	2024-25	2025-26
Revenue	\$4,774	\$4,913	\$4,999
Expenditures	\$2,256	\$2,315	\$2,377
Excess Revenue Over Expenses	\$2,518	\$2,598	\$2,621
Additional Expenditures			
Strategic Initiatives	\$3,385	\$2,775	\$2,775
	\$3,385	\$2,775	\$2,775
NET INCOME	(\$867)	(\$177)	(\$154)

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.

Table 9. Estimated Revenue 2023-24 to 2025-26 (\$000)

Revenue	2023-24	2024-25	2025-26
Management Fees	\$904	\$923	\$941
Timber Sale Charge	\$3,073	\$3,135	\$3,197
Forest Renewal Activities	\$446	\$455	\$460
Other	\$350	\$400	\$400
Total Revenue	\$4,774	\$4,913	\$4,999

Forest Renewal Activities relate to the recovery of administrative costs on forest renewal activities on the management areas. NFMC recovers these costs quarterly from the trust accounts held by the MNRF for each forest.

Other revenue, which is primarily interest earned on bank balances, will also increase as the Bank of Canada’s monetary policy has resulted in higher yields. NFMC will continue to pursue investments within the Ministry and NFMC’s investment policies.

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 m³ basis. The management fee may vary based on product (i.e. no management fee is currently charged on biomass) or mills (i.e. commitment versus non-commitment holders). The rate for 2023-24 is expected to be \$1.10 per m³, higher than the \$0.93 rate in 2022-23. However, NFMC has seen lower than budgeted harvest levels so far in 2022-23. As a result, NFMC now expects the mills will pay approximately \$1.55 per m³. The 2023-24 rate is based on the expected harvest levels used in this Agency BP. A large portion of this increase is due to lower harvest levels expected on both the Pic and White River Forest.

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 \$2.26 million in 2023-24 combined 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 2023-24 to 2025-26 (\$000)

	2023-24	2024-25	2025-26
Amortization	\$21	\$30	\$35
Automobile & Travel	\$292	\$300	\$310
Board of Directors	\$24	\$25	\$25
Contractors	\$15	\$20	\$20
Forest Certification	\$75	\$70	\$70
Forest Management	\$35	\$35	\$35
Office & Subscriptions	\$138	\$146	\$150
Professional Fees	\$123	\$115	\$115
PR & Marketing	\$151	\$152	\$155
Rent	\$72	\$73	\$75
Roads	\$3	\$5	\$5
Training	\$30	\$30	\$30
Wages & Benefits	\$1,239	\$1,276	\$1,314
Other	\$38	\$38	\$38
	<hr/>	<hr/>	<hr/>
	\$2,256	\$2,315	\$2,377

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 2024-25 to 2025-26 (\$000)

	2023-24	2024-25	2025-26
Community & Capacity Development	\$100	\$50	\$50
Forest Improvement	\$70	\$60	\$60
Harvester Capacity Initiatives	\$500	\$500	\$500
Other Forestry Capacity Initiatives	\$700	\$500	\$500
NFMC Internal Initiatives	\$250	\$250	\$250
Road Infrastructure Initiatives	\$440	\$100	\$100
Training & HR Development	\$25	\$25	\$25
Economic Development	\$1,000	\$1,000	\$1,000
Other	\$300	\$300	\$300
TOTAL	<hr/>	<hr/>	<hr/>
	\$3,385	\$2,785	\$2,785

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 equipment and servers, office equipment, purchase of a forestry road on the Pic Forest (currently owned by private company), and other items to meet NFMC's expanding operational needs (Table 12).

Table 12. Estimated capital expenditures 2023-24 to 2025-26 (\$000)

	2023-24	2024-25	2025-26
Roads and Bridges	\$150	\$70	\$0
Leasehold Improvements	\$20	\$20	\$20
Computer Equipment	\$15	\$0	\$0
Forestry & Other Equipment	\$2	\$2	\$2
Total	\$187	\$92	\$22

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, BP, 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 BP 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, 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 BP 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 2023 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 BP (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 seven initiatives during the 2023-24 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. Establish a First Nations Relations Committee as a sub-committee of the Board;
4. Explore silviculture initiative - testing the planting of trees from southern seed zones;
5. Progress on the proposed purchase of the Fry Road;
6. Continue discussions with potential partners on a hardwood utilization solution for the management area; and
7. 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 MNR'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

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 2022 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 BPs.

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 First Nation 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 BP assumes that discussions between the First Nations and both levels of Governments will continue and progress throughout the BP 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

	2021-22	2022-23	2023-24	2024-25	2025-26
Revenue	ACTUAL	FORECAST	FORECAST	FORECAST	FORECAST
Management Fees	673,339	725,000	904,480	923,009	941,468
Timber Sale Charge	2,116,262	1,633,150	3,073,200	3,134,700	3,197,391
Residual Value Revenue	6,389,636	3,210,000	0	0	0
Forest Renewal Activities	279,705	415,000	446,111	455,000	460,000
Other Revenue	17,123	270,000	350,000	400,000	400,000
Total Revenue	9,476,065	6,253,150	4,773,791	4,912,709	4,998,859
Expenses					
Amortization	17,016	18,000	21,100	30,000	35,000
Automobile & Travel	163,863	260,571	292,200	300,000	310,000
Bad Debt	59,012	(5,000)	0	0	0
Board of Directors	12,381	23,500	24,100	25,000	25,000
Contractors	4,208	57,000	15,000	20,000	20,000
Forest Certification	65,610	75,000	75,000	70,000	70,000
Forest Management	79,612	35,000	35,000	35,000	35,000
Office & Subscriptions	103,458	120,000	137,700	146,000	150,000
Professional Fees	107,639	75,000	123,000	115,000	115,000
PR & Marketing	118,083	132,000	151,200	152,000	155,000
Rent	89,465	70,000	71,700	73,000	75,000
Roads	0	3,000	3,000	5,000	5,000
HR & Training	23,332	30,000	30,000	30,000	30,000
Wages & Benefits	1,190,668	1,240,000	1,239,000	1,276,170	1,314,452
Other	58,377	25,000	37,620	38,000	38,000
Total Expenses	2,092,724	2,159,071	2,255,620	2,315,170	2,377,452
Operating Income	7,383,341	4,094,079	2,518,171	2,597,539	2,621,407

Forestry, Other Expenditures & Reserve

	2021-22	2022-23	2023-24	2024-25	2025-26
Forestry Revenue	ACTUAL	FORECAST	FORECAST	FORECAST	FORECAST
Forest Access Roads	3,065,867	2,870,000	2,646,500	2,646,500	2,646,500
Total Forestry Revenue	3,065,867	2,870,000	2,646,500	2,646,500	2,646,500
Forestry Expenses	ACTUAL	FORECAST	FORECAST	FORECAST	FORECAST
Forest Access Roads	3,073,384	2,870,000	2,646,500	2,646,500	2,646,500
Total Forestry Expenses	3,073,384	2,870,000	2,646,500	2,646,500	2,646,500
Forestry Income	(7,517)	0	0	0	0
Other Expenditures	2021-22	2022-23	2023-24	2024-25	2024-25
Community & Capacity Dev	284,185	0	100,000	50,000	50,000
Forest Improvement	0	0	70,000	50,000	50,000
Harvest Capacity Initiatives	114,898	948,000	500,000	500,000	500,000
Other Forestry Capacity Init	0	0	700,000	500,000	500,000
NFMC Internal Initiatives	251,353	0	250,000	250,000	250,000
Roads Infrastructure Initiatives	135,855	250,000	440,000	100,000	100,000
Training & Development	0	25,000	25,000	25,000	25,000
Economic Development	0	1,000,000	1,000,000	1,000,000	1,000,000
Other Strategic Initiatives	0	0	300,000	300,000	300,000
TOTAL	786,291	2,223,000	3,385,000	2,775,000	2,775,000
Net Income	6,589,533	1,871,079	(866,829)	(177,461)	(153,593)
Operating Reserve (cumulative)					
Proposed Operating Reserve	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000

Nawiingnokiima Forest Management Corporation
Projected Statement of Financial Position
Forecasts for Fiscal Years 2022-23 to 2025-26

	2021-22	2022-23	2023-24	2024-25	2025-26
Current Assets					
Cash	14,443,166	15,816,769	15,740,461	15,728,596	15,664,594
Accounts Receivable	3,157,388	3,369,692	2,822,174	2,736,993	2,751,351
Roadside Inventory	578,573	360,000	60,000	0	0
Prepaid Expenses	61,725	132,000	99,640	66,633	32,965
Investment Funds	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000
	<u>29,740,852</u>	<u>31,178,461</u>	<u>30,222,275</u>	<u>30,032,222</u>	<u>29,948,911</u>
Capital Assets	317,092	325,000	512,000	609,000	631,000
Less Depreciation	<u>(198,051)</u>	<u>(216,051)</u>	<u>(237,151)</u>	<u>(267,151)</u>	<u>(302,151)</u>
	119,041	108,949	274,849	341,849	328,849
Total Assets					
(including operating reserve*):	29,859,893	31,287,410	30,497,124	30,374,071	30,277,760
Obligations & Liabilities					
Current obligations:					
Accounts payable & accruals	2,468,738	2,025,176	2,101,719	2,156,128	2,213,410
Net Assets Summary					
Unrestricted	15,891,155	17,762,234	16,895,405	16,717,943	16,564,350
Restricted*	<u>11,500,000</u>	<u>11,500,000</u>	<u>11,500,000</u>	<u>11,500,000</u>	<u>11,500,000</u>
Total	27,391,155	29,262,234	28,395,405	28,217,943	28,064,350
Total Liabilities & Net Assets	29,859,893	31,287,410	30,497,124	30,374,071	30,277,760

* Operating Reserve target set by Board Resolution

Nawiinginiima Forest Management Corporation
Projected Statement of Cash Flows
Forecasts for Fiscal Years 2022-23 to 2025-26

	2021-22	2022-23	2023-24	2024-25	2025-26
Cash flows from operating activities					
Excess revenues over expenses	6,589,533	1,871,079	(866,829)	(177,461)	(153,593)
Amortization of capital assets	17,016	18,000	21,100	30,000	35,000
	<u>6,606,549</u>	<u>1,889,079</u>	<u>(845,729)</u>	<u>(147,461)</u>	<u>(118,593)</u>
Change in non-cash working capital					
Accounts receivable	1,314,069	(212,304)	547,518	85,181	(14,358)
Prepaid expenses	38,275	(70,275)	32,360	33,007	33,667
Accounts payable & liabilities	42,370	(443,562)	76,543	54,409	57,282
	<u>1,394,714</u>	<u>(726,141)</u>	<u>656,421</u>	<u>172,597</u>	<u>76,591</u>
Cash flows from investing activities					
Decrease in roadside inventory	152,472	218,573	300,000	60,000	0
Repayment of long-term receivables	406,082	0	0	0	0
	<u>558,554</u>	<u>218,573</u>	<u>300,000</u>	<u>60,000</u>	<u>0</u>
Cash flows from investing activities					
Acquisition of capital assets	(6,663)	(7,908)	(187,000)	(97,000)	(22,000)
Transfer to operating reserve	(3,500,000)	0	0	0	0
	<u>(3,506,663)</u>	<u>(7,908)</u>	<u>(187,000)</u>	<u>(97,000)</u>	<u>(22,000)</u>
Increase (decrease) in cash	5,053,154	1,373,603	(76,308)	(11,864)	(64,002)
Cash, beginning of year (excl reserves)	9,390,012	14,443,166	15,816,769	15,740,461	15,728,596
Cash, end of year (excl reserves)	<u>14,443,166</u>	<u>15,816,769</u>	<u>15,740,461</u>	<u>15,728,596</u>	<u>15,664,594</u>

Appendix II – NFMC Compare 2021-22 Operating Budget Actual vs. Forecast

<u>REVENUE</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	
Management Fees	673,339	707,200	(33,861)	Decrease in volumes harvested led to NFMC to manage Management fee costs closely; job vacancies resulted in cost savings
Timber Sale Charge	2,116,262	2,901,760	(785,498)	Volumes below budget
Residual Value	6,389,636	0	6,389,636	NFMC did not budget for residual as it is unpredictable
Forest Renewal Activities	279,705	277,000	2,705	
Other Revenues	17,123	0	17,123	Interest on trust account
Total Revenue	9,476,065	3,885,960	5,590,105	
EXPENSES				
Amortization	17,016	39,839	(22,823)	Did not incur most of the planned capital asset purchases
Automobile & Travel	163,863	189,640	(25,777)	Travel limited during covid, job vacancies
Bad Debt	59,012	0	59,012	AVTB write-offs due to errors in old billings
Board of Directors	12,381	36,460	(24,079)	Limited travel due to COVID
Contractors	4,208	19,920	(15,712)	
Forest Certification	65,610	60,000	5,610	
Forest Management	79,612	65,760	13,852	
Office & Subscriptions	103,458	60,616	42,842	New subscription of GIS services
Professional Fees	107,639	71,800	35,839	Increased professional fees due to Union negotiation
PR & Marketing	118,083	110,230	7,853	
Rent	89,465	43,121	46,344	Increase to office rent due to prop tax assessment; storage yard added after budget approved
Roads	3,073,384	2,735,000	338,384	MTO not included in budget?
Training	23,332	77,600	(54,268)	Training planned during the year was not undertaken due to Covid;
Wages & Benefits	1,190,668	1,070,152	120,516	Job vacancies
Other	58,377	42,095	16,282	Recruitment for two vacant positions
Total Expenses	5,166,108	4,622,233	543,875	
Operating Income	6,847,441	1,817,412	5,030,029	

Appendix III – NFMC Operating Costs for Operating Reserve Calculation

	2023/24
Amortization	\$21,100
Automobile & Travel	\$292,200
Board of Directors	\$24,100
Contractors	\$15,000
Forest Certification	\$75,000
Forest Management	\$35,000
Office & Subscriptions	\$137,700
Professional Fees	\$123,000
PR & Marketing	\$151,200
Rent	\$71,700
Roads	\$3,000
HR & Training	\$30,000
Wages & Benefits	\$1,239,000
Other	\$37,620
TOTAL	<u>\$2,255,620</u>
Low Range	\$4,511,240
Upper Range	\$11,278,100

Appendix IV - NFMC 2023-24 Risk Analysis Details

Risk Title	Risk	Risk Score	Risk Mitigation Plan
LICENSE EXTENSION	<i>IFA audit recommendations - Risk that NFMC's Strategic Plan is not completed and BP is not able to address the concerns identified in IFAs and the license is not extended</i>	Impact 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>
Category <i>Legal / contractual / compliance</i>		Likelihood Unlikely	
		Total Score Low	
OBJECTIVE ACHIEVEMENT	<i>Ability to achieve objects - Risk that strategic plan not completed, and BP does not reflect objectives</i>	Impact Minor	<i>NFMC has worked with the MNRFB to ensure the SFL BP and Agency BP are comprehensive and meet all the requirements.</i>
Category <i>Accountability/ Governance</i>		Likelihood Low	
		Total Score Low	
FINANCIAL STABILITY	<i>Risk that NFMC is unable to market and sell sufficient volumes necessary to generate revenue for the agency.</i>	Impact 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>
Category <i>Accountability/ Governance</i>		Likelihood Unlikely	
		Total Score Low	
			<i>Operating reserve established at the maximum level of \$11.5M.</i>

ABILITY TO MEET STAKEHOLDER EXPECTATIONS	<i>Risk that this plan and vision will not be achievable or will be inconsistent with original intent</i>	Impact 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>
Category <i>Accountability/ Governance</i>		Likelihood Unlikely	
Total Score Low			
ENSURING RESPONSIBLE & COMPLIANT OPERATIONS	<i>Risk that NFMC operations are not compliant with applicable rules & regulations</i>	Impact Minor	<i>NFMC has been working closely with District MNRF and its contractors and service providers, including regular meetings with these parties, to ensure requirements are met. NFMC has established a governance committee through the board.</i>
Category <i>Legal / contractual / compliance</i>		Likelihood Unlikely	
Total Score Low			
CONTRACTUAL COMPLIANCE	<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>	Impact Minor	<i>NFMC has retained outside legal support and in specific instances, financial advice. NFMC continues to work closely with MNRF to ensure appropriate internal policies and procedures are in place to support efficient operations and appropriate use of Crown revenues consistent with objects and the OFTMA.</i>
Category <i>Legal / contractual / compliance</i>		Likelihood Unlikely	
Total Score Low			

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

CONTRACTOR RISK	<i>A major contractor unable to supply mills.</i>	Impact 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>
Category Operational	<i>The limited harvester base on the NFMC management area presents some downside risk to NFMC. NFMC relies upon one primary contractor.</i>	Likelihood Possibly	<i>NFMC considering additional opportunities.</i>
STUMPAGE RISK	<i>Customer mills unable to pay stumpage arrears.</i>	Impact Moderate	<i>NFMC Monitoring customer payments/balance consistent with accounts receivable policy.</i>
Category Financial	<i>Monthly stumpage bills are approximately \$400,000 (includes FRT, FRI, FFT fees).</i>	Likelihood 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 WRFP & 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>
PUBLIC RELATIONS	<i>Risk of ENGO or other interest groups negatively targeting NFMC.</i>	Impact Moderate	<i>NFMC maintains third-party certification.</i>
Category Public Image		Likelihood Possibly	<i>NFMC works hard to ensure that the interests of the local First Nations, local communities and local forest industry are</i>
		Timeline Total Score	

		Medium	<i>being considered and addressed</i>
DEVELOPMENT OF IT INFRASTRUCTURE	<i>Risk of data loss or security breach impacting critical systems.</i>	Impact 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>
Category <i>Information and Information Technology</i>		Likelihood Unlikely	
		Total Score Low	
ATTRACTING TALENT	<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>	Impact 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>
Category <i>Workforce/Skill Shortage</i>		Likelihood Possibly	
		Timeline Total Score Medium	

BOARD OF DIRECTORS	<i>Risk that delays in appointing board members will result in NFMC being unable to make important decisions.</i>	Impact 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>
Category <i>Accountability/ Governance</i>		Likelihood Unlikely	
		Total Score Low	