

# **Forestry Innovation Investment Ltd.**

## **2015/16 ANNUAL SERVICE PLAN REPORT**



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## Board Chair's Accountability Statement



I am pleased to submit Forestry Innovation Investment's *2015/16 Annual Service Plan Report*. The *2015/16 Annual Service Plan Report* was prepared under the Board's direction and in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles.

The *Forestry Innovation Investment 2015/2016 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2015/16 - 2017/18 Service Plan*. I am accountable for those results as reported.

A handwritten signature in blue ink, appearing to read 'Tim Sheldon', written over a horizontal line.

*Tim Sheldon*  
*Board Chair*

## Table of Contents

Board Chair’s Accountability Statement .....	1
Chair/CEO Report Letter .....	3
Purpose of the Organization.....	5
Strategic Direction and Context.....	6
Report on Performance .....	6
Goals, Strategies, Measures and Targets .....	7
Financial Report.....	17
Discussion of Results.....	17
Financial Resource Summary Table .....	18
Statement of Management Responsibility .....	19
Auditor’s Report .....	20
Audited Financial Statements .....	22
Appendix A: Subsidiaries and Operating Segments.....	37
Active Subsidiaries .....	37
Inactive Subsidiary.....	38
Appendix B: Additional Information.....	39
Corporate Governance .....	39
Organizational Overview .....	39
Appendix C: Crown Corporation’s Mandate and Actions Summary .....	40
Appendix D: FII Strategic Engagement Plan 2015/16 .....	42

## Chair/CEO Report Letter



Tim Sheldon

The 2015/16 fiscal year marked the first full year for Forestry Innovation Investment Ltd. (FII) under the Government's *Taxpayer Accountability Principles* that act to strengthen accountability, ensure the appropriate management of public funds and revitalize the relationship between government and public sector organizations. During the year, FII's operations, including its goals, strategies, measures and targets, fully aligned with the *Taxpayer Accountability Principles* by emphasizing efficiency, accountability and integrity in the delivery of the organization's programs, and in managing relationships with stakeholders inside and outside the provincial government. FII's actions during the year also aligned with the Government's strategic direction as outlined in the [2015/16 Mandate Letter](#) from the Minister of International Trade (refer to Appendix C for a summary of FII's response to the strategic priorities set out in the *Mandate Letter*).



Michael Loseth

Early in the year, FII worked with the Ministry of International Trade to complete a framework for structured executive-level communication between the ministry and FII. This *Strategic Engagement Plan* established communications protocols and reporting mechanisms to ensure a rigorous and ongoing reporting cycle is maintained between FII and the Ministry of International Trade. Key elements of the engagement plan include holding quarterly meetings between the Minister and Deputy Minister of International Trade, and the FII Board Chair and CEO, as well as completing an annual evaluation plan with the ministry to ensure that FII remains on track to meet its obligations under the *Taxpayer Accountability Principles*. This includes ensuring that FII maintains a comprehensive orientation package geared to new Board members as well as ensuring that current Board members are up to date on best practices in good governance. We

are pleased to report that FII concluded the year having successfully met all of its obligations under the *Taxpayer Accountability Principles*. A copy of the 2015/16 *Strategic Engagement Plan* for FII can be found in Appendix D. FII's performance under the *Taxpayer Accountability Principles Evaluation Plan* is reviewed in the Report on Performance section of this Annual Report. Additional information on FII's corporate governance, including links to Board composition and status of concurrence with best practices guidelines, is included in Appendix B.

FII is focused on developing and diversifying markets for B.C. forest products while promoting B.C. as a world-leading supplier of environmentally friendly forest products. This includes working with industry and the federal government to grow exports to existing markets, while promoting the use of B.C. products in high potential, emerging markets. During the year, FII undertook a comprehensive Market Initiatives Program to expand B.C.'s exports in major markets in Asia, North America and Europe. Guided by market-specific strategies, FII allocated a total of \$6.2 million to third party organizations to deliver market development activities in China, Japan, Korea, India, the US and Europe. This funding leveraged an additional \$16.6 million in federal and industry contributions.

In China, where the B.C. industry has seen unprecedented success, it was time to review and refresh our joint industry-government strategy. In response to emerging opportunities for structural wood products in China, as well as increased competition, particularly from Russia and Europe, FII developed a new strategic approach in 2015. The updated strategy reflects this new context and includes a fully integrated government-industry team in China to deliver it.

In India, our newest high potential market, the FII team continued to advance market development efforts, which will now be significantly accelerated with funding made available in the recent provincial government budget.

Here in North America, FII was engaged by the US-based Softwood Lumber Board during the year to deliver the reThink Wood program on behalf of the North American forest products industry. This \$2.8 million initiative leverages FII's widely recognized marketing strengths to communicate the benefits of using wood to design professionals in the US

And finally, in B.C., FII provided \$2.1 million in funding to seven trade associations and research institutions to deliver market development and capacity building through the Wood First program, which works to advance the use of wood building systems and technologies and position the province as a world leader in wood construction and design.

In terms of financial performance, in 2015/16, FII received \$17.6 million in funding from the Province, \$0.82 million from the Government of Canada (mostly in support of the new subsidiary in India), and \$2.7 million from other sources. FII ended the year with an unspent surplus of \$0.43 million. As in the previous year, just under half of all expenditures were directed at cost-sharing activities that trade associations proposed through a competitive process and ultimately delivered.

Of note were several organizational changes during the year. In April 2015, FII's long-serving CEO retired and the organization's Chief Operating Officer was appointed Interim CEO, an arrangement that continued for the balance of the year. As well, a Vice President Market Outreach was added to the executive team to lead FII's market communications initiatives and the Wood First program. And in Asia, FII's subsidiary in China underwent an extensive review and restructuring in fulfilment of a key recommendation of the 2014 core review of FII.

The results from operations during the year have been positive, with improved efficiency across the organization and better integration with FII's partners in industry and government.



*Tim Sheldan*  
*Chair*



*Michael Loseth*  
*Chief Executive Officer*

## Purpose of the Organization

Forestry Innovation Investment Ltd. (FII) was incorporated in 2003 as the Government of British Columbia's market development agency for forest products. FII has been mandated to:

- Position B.C. as a global supplier of world-class environmentally friendly forest products.
- Actively maintain, create and diversify demand for B.C. forest products in Canada and in key world markets.
- Help break down non-tariff trade and market barriers to ensure opportunities for B.C. forest products.
- Work with the forest industry to promote B.C.'s forest products and forest management to the global marketplace.
- Help ensure that the forest sector, through product development and strong international sales, continues to be a leading contributor to the B.C. economy.

FII works with the forest industry, the Government of Canada, provincial ministries, research institutions, and other stakeholders to deliver forward looking, innovative market development programs. To provide the best value to taxpayers and stakeholders, and reflecting the Province's *Taxpayer Accountability Principles*, FII uses a collaborative model for program delivery. This approach takes advantage of industry expertise and marketing networks, and ensures that program costs are shared with other organizations. Through this cooperative model, FII programming is working to strengthen the forest economy and create jobs in B.C.

FII maintains two operating and one non-operating subsidiaries:

**FII Consulting (Shanghai) Co. Ltd.** (FII China) (wholly owned by Forestry Innovation Investment Ltd.)

FII China supports the B.C. forest sector by providing market research, technical wood frame building expertise and liaises with Chinese government authorities on behalf of industry. The operation focuses on growing the market for B.C. wood products in China, primarily by creating new demand for structural lumber and related building products.

**Forestry Innovation Consulting India Private Limited** (FII India) (wholly owned by Forestry Innovation Investment Ltd. and 0939031 B.C. Ltd.)

FII India works to develop the Indian market for B.C. forest products through market research, education, promotion of B.C. wood products and species, technical support, product trials and commercial demonstration activities to introduce B.C. species to Indian end users. The main focus is on building demand for B.C. forest products in the furniture, window and door, interior millwork, and other appearance applications.

**0939031B.C. Ltd.** (wholly owned by Forestry Innovation Investment Ltd.)

The sole function of this non-operating company is to serve as the second shareholder of FII India (reflecting India's legislative requirement that foreign-owned companies have at least two shareholders).

## Strategic Direction and Context

FII works with the forest industry to develop and diversify markets for B.C. forest products while promoting B.C. as a world-class supplier of environmentally friendly forest products. In support of the *B.C. Jobs Plan*, and as directed in the [2015/16 Mandate Letter](#) from the Minister of International Trade, FII focused on a number of specific operational priorities during the year, including collaborating with industry and the federal government to enhance sales of B.C. forest products in global markets; increasing awareness of the environmental and technical merits of using B.C. forest products; and supporting efforts to position B.C. as a leader in manufacturing and using innovative forest products. On the planning front, FII completed work on a multi-year strategic plan to create, maintain, and diversify demand for B.C. forest products (see Appendix C for a more detailed review of Mandate Letter priority actions and FII responses).

By aligning its activities with those of the Ministry of International Trade in global markets, and with the Ministry of Forests, Lands and Natural Resource Operations, FII ensures efficient use of resources and maximum value for B.C. taxpayers. Cost-effectiveness in operations is further enhanced by a continued emphasis on a joint delivery model and extensive cost sharing of activities with industry and the federal government.

A wide range of factors influenced international market development efforts during 2015/16, including continued volatility in currency exchange rates and significant swings in economic growth in key markets such as China. Ongoing factors such as demographic shifts and changing consumption patterns also influenced the demand for forest products in B.C.'s key export regions.

The US economy demonstrated some strength across 2015/16, but with slower growth than originally forecast. The result was a modest, albeit positive, increase in overall wood product sales by volume and value in the US, as growth in the housing sector continued. China, B.C.'s second largest market for forest products, experienced a significant economic slowdown in mid-2015. This impacted China's construction sector, resulting in a slowdown in B.C. lumber exports in August and September. While demand started to increase in the fall, a full recovery in China is not expected until into 2017. China's economic malaise, combined with ongoing sluggishness in Japan, made for a difficult year for B.C. exporters to Asia. However, a bright spot was South Korea, where the demand for wood housing continues to grow and where B.C. sales rose year-over-year.

The impact on the B.C. forest sector of slower sales in Asia was partially offset by a sharp fall in the value of the Canadian dollar against the US currency (i.e., because most B.C. forest product exports are transacted in US dollars) and record low global prices for oil which acted to stimulate demand. In B.C. and across North America, the acceptance of new generation wood technologies, particularly taller and larger wood buildings, continued to accelerate during the year. This bodes well for the increased use of wood in high potential non-residential construction markets, a key goal of FII's Wood First program.

## Report on Performance

As set out in the *Taxpayer Accountability Principles*, FII's staff and Board worked with the Ministry of International Trade to develop a *Taxpayer Accountability Principles Strategic Engagement Plan* that identified a strategy to work together effectively, share information and demonstrate accountability. FII also worked collaboratively with the Ministry to build the *FII Taxpayer Accountabilities Evaluation Plan* which established specific performance and efficiency measures for FII as determinants of the organization's performance against the *Taxpayer Accountability Principles*.



During the year, FII's progress under the evaluation plan was reported directly to the Minister of International Trade by the FII Chair and CEO at quarterly meetings. In 2015/16, FII met all accountabilities set out under the plan. A copy of the FII *Taxpayer Accountabilities Evaluation Plan* final report for 2015/16 is available on the FII website.

### ***Goals, Strategies, Measures and Targets***

FII's investments in 2015/16 focused on advancing forest sector innovation and market diversification. During the year, FII continued to work with industry and other levels of government to pursue opportunities related to advancements in products, designs and engineering technologies. These developments, combined with accelerated efforts to penetrate new markets such as India, have the potential to be economic game changers for the forest sector, generating new wealth, more skilled jobs and greater stability for communities and workers.

The following describes the specific goals, strategies and performance targets pursued by FII during 2015/16. More detailed descriptions of programs, activities and the business model can be found at [www.bcfii.ca](http://www.bcfii.ca) and in the Company's annual [Report to Stakeholders](#)<sup>1</sup>.

***Goal 1: Forest products are viewed as an environmentally friendly, preferred material, and B.C. is viewed as a reliable global supplier of quality products from sustainably-managed forests.***

The primary objective of Goal 1 is to expand opportunities for B.C. forest products by positioning wood, and wood-based products from B.C., as the first choice for environmentally friendly building materials. The strategies under Goal 1 create a solid foundation for answering "Why wood?", and "Why wood from B.C.?" – upon which many of FII's market development investments and activities are based.

Goal 1 focuses on taking advantage of two significant trends in the marketplace – the emerging recognition of wood products as "green", and increasing demands from consumers for forest products that are produced in an environmentally responsible, fully sustainable manner. As customers are factoring environmental parameters into purchasing decisions, there is considerable value in articulating the benefits of wood as a sustainable, renewable building material that stores carbon; its advantages in creating a significantly smaller environmental footprint than other building materials; and the fact that wood and pulp-and-paper products from B.C. are manufactured by an industry that has made impressive gains in reducing its environmental footprint.

Strategies in support of this goal are designed to build on the growing awareness of the environmental benefits of wood products, and to position B.C. as a reliable supplier of quality forest products and a global leader in sustainable forest management. This dual positioning helps strengthen awareness of B.C. forest products in major markets supporting premium product positioning, enhanced access to new segments and greater market share.

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<sup>1</sup> Reflecting FII's commitment to continual improvement in performance measurement, FII introduced two new performance metrics in its *2016/17 Service Plan*, while adjusting others. A comprehensive summary of changes to goals and performance measures between the 2015/16 and 2016/17 plans are available in the Appendix C of the [2016/17 Service Plan](#).

## Strategies

FII and its funding recipients pursued Goal 1 by:

- Proactively creating and disseminating timely and factual information regarding B.C. forest products and forest practices;
- Championing science- and fact-based approaches to communicate the merits of wood and wood-based construction technologies in a green building and climate change context;
- Collaborating with forest sector stakeholders to encourage consistent and compelling messages regarding product and building innovations, and reducing environmental impacts; and
- Monitoring and advocating in international markets for codes, standards and policies that recognize the merits of wood and B.C. forest products.

### Performance Measure 1: Customer Perceptions of B.C. Forest Products.<sup>1</sup>

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Percent of customers who feel that choosing products from B.C. (Canada) is a good choice for the environment.	N/A	98% <sup>2</sup>	N/A	90%	96%	N/A	90%

Data Source: Leger -The Research Intelligence Group. *Analysis of Market Acceptance Issues*, March 2016.

<sup>1</sup> Surveys are conducted biennially.

<sup>2</sup> Reported as 90% in the *2015/16 Service Plan*, but subsequently corrected to 98%.

## Discussion

### Positioning British Columbia as a preferred global supplier

The measure provides an indication of the effectiveness of FII’s international advocacy and communications initiatives in influencing customer perceptions of B.C. and its forest management practices. Performance data was gathered through a biennial survey of international customers (e.g., large institutional pulp and paper buyers, wood importers and distributors, and carbon market stakeholders) conducted by an independent research firm. The survey identified the percentage of customers who feel that B.C.’s environmental reputation is as good as, or better than, the average of competing forest products jurisdictions. FII has seen strong performance over the past decade with scores in the high 90s. Because there will always be some who disagree with timber harvesting in any form, even with commitments to sustainability, FII believes that maintaining an “approval rate” of 90% is a laudable target. B.C.’s score in terms of environmental practices and reputation was highest among companies from Europe, North America, Japan and Korea.

**Goal 2: *Returns from B.C.'s conventional and emerging forest products are optimized in markets offering high potential.***

Goal 2 drives FII's efforts to assist the B.C. forest industry in developing and diversifying markets and to optimize returns by achieving a balance in the products, species, and grades sold to given markets. Within this goal there is a particular focus on Asia, where markets have distinctly different profiles ranging from a high volume/low grade mix in China, to a medium volume/higher grade mix in Japan. The efforts of FII and its funding recipients build on the strategies, and the science and reputational foundation, developed under Goal 1.

Optimization of the global market development strategy includes creating or expanding new market segments in traditional regions (e.g., non-residential and multi-family/mid-rise construction in the US), as well as fostering demand in segments not currently using high volumes of B.C. forest products (e.g., the multi-family and non-residential construction sector in China, and the domestically focused manufacturing sector in India).

Activities associated with Goal 2 recognize the progress made in diversifying B.C. exports away from historically heavy dependence on the US single-family housing sector. Programs in this area also focus on achieving a long-term balance between existing and emerging markets and between traditional and innovative new products.

During 2015/16, the strategies under this goal included a mix of activities delivered by third parties and by FII.

**Strategies**

FII and funding recipients under the Market Initiatives and Wood First programs pursued Goal 2 by:

- Sharing the cost of market development activities crafted and delivered by trade associations, based on priorities outlined in FII's Strategic Plan and annual investment strategies;
- Engaging with industry and foreign government agencies to eliminate barriers to access in foreign markets;
- Initiating early stage market development efforts in emerging economies; and
- Engaging industry and institutional partners to explore market development potential for commercial or near-commercial bio-products.

## Performance Measure 2: B.C. Lumber Exports to Priority Asian Markets.

Performance Measure	2012/13 Actual	2013/14 Actual <sup>1</sup>	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target <sup>2</sup>	2017/18 Target <sup>2</sup>
B.C. softwood lumber exports to priority Asia Pacific markets (000's of m <sup>3</sup> ).							
China	7,506	7,998	7,600	8,100	6,616	N/A	N/A
Japan	2,442	2,626	2,136	3,000	2,181		
South Korea	192	238	252	290	300		

Data Source: B.C. Stats.

<sup>1</sup> Figures restated by Statistics Canada from those reported in the *2015/16 Service Plan* (China 8,001; Japan 2,649; South Korea 237).

<sup>2</sup> This performance measure has been revised beginning with the 2016/17 planning cycle. Refer to Appendix C of FII's [2016/17-2017/18 Service Plan](#) for a summary of changes to performance measures.

## Discussion

### B.C. exports of softwood lumber to priority Asia Pacific markets

The measure tracks the extent to which the B.C. forest industry is successful in diversifying markets with a focus on Asia for the long term. Measure 2 is an indicator of market diversity and greater overall demand in Asia. The target is weighted to sales in China, where FII investments are leveraging a significant joint industry and government (provincial and federal) market development effort to position B.C. as the leading exporter of softwood lumber to China.

#### China:

Exports of lumber to China have been an unprecedented success for the B.C. forest sector. Between 2003 and 2013, lumber exports from B.C. to China grew by 2,400%. However, in 2014, China's GDP growth began to slow, with the downturn accelerating in 2015. Slowing growth impacted the country's construction sector and softened the market for imported lumber, including shipments from B.C. The total volume of lumber exports to China in 2015 was 6.6 million m<sup>3</sup> (down 13% from the previous year), below the *Service Plan* target of 8.1 m<sup>3</sup>. Total value was down 16% for the year. The August-September shipments represented the bottom of the downturn, with demand slowly recovering across the fall and winter.

While there are short term challenges in the China market, the country continues to be B.C.'s second largest market for forest products, and offers positive long term prospects for the B.C. forest sector. The market remains a key focus for FII and industry with large growth opportunities identified in new segments including multi-family and non-residential construction, prefabrication, manufacturing and green building.

#### Japan:

Lumber shipments to Japan, B.C.'s 3<sup>rd</sup> largest market, have remained stable year-over-year on a volume basis, with total volume reaching 2.2 million m<sup>3</sup>, short of the *Service Plan* target level of 3 million m<sup>3</sup> for 2015. While values were significantly down in the China market, Japan showed resiliency during the year with values increasing slightly (3.2%) on level volumes. Flat sales in Japan reflects ongoing weak performance in the domestic housing market. Of note, however, is that a significant volume of B.C. wood product exports is now entering Japan through the Philippines

(where some housing components are being manufactured) indicating that wood import volumes to Japan are somewhat underreported by Statistics Canada.

While consumption of wood products per capita in Japan is below peak levels, the country remains a high value market given the price premiums it commands. Opportunities have continued to emerge in areas outside single-family construction, including the non-residential segment where non-wood construction materials and systems have traditionally dominated.

**South Korea:**

Sales to Korea continue to show solid growth, with volumes up 19% to 300,000 m<sup>3</sup> in 2015, exceeding the *Service Plan* target of 290,000 m<sup>3</sup>. Growth has continued into 2016, with volume (+42%) and value (+32%) for January both reaching a 10-year high.

Performance in South Korea is heavily dependant on the volume of B.C. lumber consumed in wood frame homes. An increase in wood use began in 2007 as preference for and understanding of wood homes grew, and as government policy began to encourage deurbanization. In addition, tenants have taken advantage of historically low interest rates to purchase homes rather than continuing to rent.

**India:**

During 2015/16, interest in India as a market for B.C. forest products continued to grow. India represents a new opportunity for B.C. wood product companies, and market development efforts remain in the pre-commercial phase. However, product trials are emerging as an effective means for FII to encourage Indian manufacturers to convert existing or new production to using B.C. wood. FII’s “Try Canadian Wood” program provides qualified Indian manufacturers with small test volumes of B.C. wood as well as technical support for trying B.C. wood in new or existing product lines. Such trials have resulted in a range of furniture and interior finishing products being produced on a test basis using B.C. wood, with many companies converting to longer term commercial arrangements with B.C. suppliers. The outputs of initial trials are now promoted at tradeshow and are featured at the FII India showroom in Mumbai. FII’s success in expanding the number of product trials across India will be key to opening the market for B.C. wood species and helping B.C. firms advance commercial sales to India. Reflecting the growing priority the B.C. forest sector places on opening the market in India, the *2016/17-2018/19 Service Plan* includes product trials in India as a performance indicator under Goal 2.

**Performance Measure 3: Incremental Volume Consumed in US Non-Residential and Multi-Storey Residential Market.**

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target <sup>1</sup>	2017/18 Target <sup>1</sup>
Incremental volume consumed in targeted non-residential and multi-storey residential structures in the US (millions of board feet)	115	306	339	580	436	N/A	N/A

Data Source: US Woodworks Program.

<sup>1</sup> This performance measure has been revised beginning with the 2016/17 planning cycle. Refer to Appendix C of FII’s [2016/17-2017/18 Service Plan](#) for a summary of changes to performance measures.

## Discussion

### **Lumber consumed in targeted non-residential and multi-storey, multi-family residential structures in the United States**

Most single-family housing in North America use wood frame construction as the primary building method. However, wood enjoys a smaller share of non-residential structures and multi-storey, multi-family residences. The forest industry in B.C., the rest of Canada and the US has a strong interest in seeing wood products secure a much higher share of those structures.

Performance Measure 3 tracks the incremental increase in the volume of lumber used in non-residential and multi-storey/multi-family projects where FII-funded programs are directly involved. This performance measure evaluates a program delivered by the Wood Product Council's US Wood Works program. Reporting for 2015/16 showed an incremental wood volume attributable to the program of 436 million board feet, up 29% from the previous year, but short of the target level of 580 million board feet due to slower than anticipated recovery in overall construction activity in the US. While the program did not meet the stretch targets established earlier in the planning cycle, the positive trend in growth year-over-year in both 2014 and 2015 suggest the initiatives are gaining traction, though in a slower growth environment.

The ability to achieve Performance Measures 2 and 3 are heavily contingent upon a range of external factors that impact the consumption of wood in targeted export markets, and the efficacy of market development programs delivered in whole, or in part, by trade associations partially funded by FII. As part of the funding approval process, specific performance measures are set for each project. All of these measures are directly linked to FII's broader goals and targets. For more details, please refer to FII's Performance Management Framework at [www.bcfii.ca](http://www.bcfii.ca).

### ***Goal 3: B.C. is a world-class centre of excellence in developing and using innovative wood products and building systems.***

This goal supports the Government of B.C.'s objective to generate greater added value in the forest economy. Long-term sustainability of the forest economy requires the active maintenance, creation and diversification of demand for B.C. forest products. By introducing new and advanced forest products, wood technologies and building systems, wood is positioned as a preferred building material, and B.C. as a leader in wood innovation. As a result, B.C.'s forest products can be more effectively marketed for construction, interior design, and daily living, at home and abroad.

During 2015/16, strategies to achieve Goal 3 were delivered primarily through FII's Wood First program, which works to position B.C. as a leader in using innovative forest products and building systems. An independent Wood First Advisory Committee, made up of senior industry executives, provides strategic guidance on program implementation priorities. To effectively deliver its Wood First mandate, FII relies on existing research, as well as partnerships with service delivery organizations to promote integrated planning and coordinated delivery of program activities and initiatives.

## Strategies

FII and its funding recipients pursued Goal 3 by:

- Advancing a “culture of living and building with wood” in B.C. by encouraging local governments to adopt supportive policies and encouraging development of related education programs;
- Maximizing appropriate use of wood in B.C.’s public and private construction by leveraging Provincial capital projects to showcase wood construction;
- Accelerating adoption of existing and emerging wood-based products and building systems in B.C. by supporting targeted research and technical case studies and guidelines; and
- Continuing to strengthen B.C.’s capability to produce competitive wood-based products and building systems by improving entrepreneurial skills in the value-added wood products industry and enhancing innovative design projects.

**Performance Measure 4: Incremental Volume Consumed in B.C.’s Non-Residential Construction Sector.**

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target <sup>1</sup>	2017/18 Target <sup>1</sup>
Incremental sales generated in B.C.’s non-residential construction sector (millions of board feet)	71.5	60	81	88	72	N/A	N/A

Data Source: Canadian Wood Council.

<sup>1</sup>This performance measure has been revised beginning with the 2016/17 planning cycle. Refer to Appendix C of FII’s [2016/17-2017/18 Service Plan](#) for a summary of changes to performance measures.

**Discussion**

**Incremental sales generated in B.C.’s non-residential construction sector**

This performance measure tracks the incremental volumes of wood consumed in B.C.’s non-residential construction sector that are attributable to activities co-funded by FII, but delivered by the Canadian Wood Council’s program BC WoodWORKS!

Influenced by the program, wood use in mid-rise construction in B.C. is proving a success with early research demonstrating that the use of wood in buildings up to six storeys is economically sound. Builders and developers believe that wood construction in new, larger and taller structures will take hold rapidly, particularly in the Vancouver area.

In 2015/16, the program reported a total of 72 million m<sup>3</sup> of wood use influenced by program activities. This did not meet the target of 88 million m<sup>3</sup> set for the year. Although the number of projects that moved to the construction phase was on target for the year, the total number of projects completed was lower than forecast. In addition, the average size of projects completed was 25% smaller than in the previous year, impacting the volume of wood consumed. However, while average project size was down by 25%, total wood consumption decreased by only half that amount suggesting a greater share of wood use per project and a concurrent increase in the influence of the program on project design.

**Goal 4: *FII serves its stakeholders in a highly effective, innovative and responsive manner.***

FII's business practices incorporate robust financial controls and a performance management framework that includes monitoring, audit and evaluation built on a comprehensive risk-assessment strategy. FII is committed to a path of environmental sustainability, including minimizing its environmental footprint, in order to protect the natural environment and the B.C. economy for future generations.

Consistent with the strategic direction of Government under the *Taxpayer Accountability Principles*, FII will continue to place significant emphasis on delivering its primary programs and services in collaboration with the forest industry, the federal government, the research community and other provincial agencies. The objective is to leverage the expertise and financial resources unique to each key player across Canadian and international forest sectors, and to create critical mass in the development and delivery of strategic and focused market and product development programming. Following on directives from the 2014 Core Review, FII raised industry's share of the cost of its off-shore work from 15% to 20% in 2014/15, and to 25% for 2015/16<sup>2</sup>.

## **Strategies**

FII strives to achieve Goal 4 by:

- Ensuring FII is efficient, transparent and results focused by:
  - keeping corporate support costs at or below seven percent of total budget;
  - implementing a rigorous performance management system;
  - monitoring and auditing funded projects according to explicit risk assessments.
- Integrating *Taxpayer Accountability Principles* across the organization and working with the Ministry of International Trade to develop strategic engagement and evaluation plans specific to the Principles;
- Continuously reviewing priorities and strategies to ensure that programs and services stimulate innovation in products and markets and are delivered in an effective and cost-efficient manner; and
- Minimizing FII's carbon footprint and promoting environmentally responsible business activities.

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<sup>2</sup> FII, together with the federal government, is phasing in higher cost-sharing requirements for the industry over time with a goal of achieving a balanced contribution from each program funder.



## Performance Measure 5: Timeliness of Annual Funding Cycle.

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target <sup>1</sup>	2017/18 Target <sup>1</sup>
Timeliness of annual funding cycle for trade associations, research institutes, and universities.	Competitive funding process completed by April 1	Competitive funding process completed by April 1	Competitive funding process completed by April 1	Competitive funding process completed by April 1	Competitive funding process completed by April 1	N/A	N/A

Data Source: FII.

<sup>1</sup> This performance measure has been revised beginning with the 2016/17 planning cycle. Refer to Appendix C of FII's [2016/17-2017/18 Service Plan](#) for a summary of changes to performance measures.

## Discussion

### Timeliness of annual funding cycle

About half of FII's budget is used to fund activities proposed through two annual Calls for Proposals: one for market initiatives and another for Wood First activities. The Calls typically attract some 40 proposals describing hundreds of proposed activities and detailing specific cost estimates and cost sharing. Proposals are peer reviewed and point-ranked against pre-set evaluation criteria. Performance Measure 5 tracks how efficient FII is in managing the annual funding processes, a key objective of which is to ensure that funding is available to successful proponents by the start of each fiscal year.

## Performance Measure 6: Leveraged Funding.

Performance Measure	2011/12 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Other organizations' aggregate contribution to recipient funding program <sup>1</sup>	65%	65%	65%	65%	68%	65%	65%

Data Source: FII.

<sup>1</sup> In its recipient funding program FII targets annual contributions of approximately 65% from other organizations; however, contributions from others vary from 0 to 85%, depending on the specific activity. Contributions from individual organizations can also fluctuate considerably across fiscal years, depending on their programming priorities and budgets.

## Discussion

### Partner contributions

This measure tracks the effectiveness of FII in leveraging external resources to deliver market development programs at the lowest possible cost to B.C. taxpayers, a key efficiency objective of the Government's *Taxpayer Accountability Principles*. The willingness of industry, the federal government and other provincial governments to contribute to market development activities is a direct indicator of the value they place on these activities. Data to support the measure are sourced from the on-line recipient program system, which is co-funded and managed by FII and Natural Resources Canada, and through FII's year-end financial reporting.

In addition to industry's contribution to the ongoing recipient program, FII also draws other leveraged funding for its market development programming. For 2015/16, other funding included:

- \$600,000 from Natural Resources Canada for the India market development initiative; and
- \$2.4 million from the US-based Softwood Lumber Board to support FII's creation and delivery of the reThink Wood initiative aimed at convincing American stakeholders to adopt new wood-based building technologies.

# Financial Report

## Discussion of Results

The following table summarizes the revenue that FII anticipated at the start of 2015/16 and the actual revenue for the year:

Source	\$ million	
	Anticipated for 2015/16	Actual 2015/16 <sup>3</sup>
The Province of British Columbia	17.3	17.6
Natural Resources Canada	0.7	0.8
Other	<u>2.0</u>	<u>2.7</u>
<b>TOTAL</b>	<b>20.0</b>	<b>21.1</b>

In 2015/16 FII continued to leverage substantial funds from the Government of Canada. Natural Resources Canada (NRCan) provided \$600,000 to support FII India, and a further \$200,000 to support other market development initiatives. NRCan has committed to providing \$600,000 for FII India in 2016/17 and \$100,000 to support other initiatives.

The year-over-year increase in revenue from other sources is largely attributable to the Softwood Lumber Board (SLB) contractually engaging FII to deliver the SLB's reThink Wood program in the United States. That arrangement will continue in 2016/17, with the SLB committing approximately \$2 million.

In 2015/16, the funds that FII provided to other organizations through competitive Calls for Proposals amounted to 44 per cent of FII's total expenditures, with the balance being used for direct service delivery by FII in Vancouver and its two subsidiaries. The split will be essentially the same in the coming year.

During the year, FII managed the risks associated with funding and monitoring activities developed and delivered by third parties, and with initiatives delivered by FII in foreign and domestic markets. FII ended the year with a surplus of \$448,000; \$172,000 of which was funding that recipients returned to FII because they cancelled or postponed projects that FII had agreed to cost-share. The balance of the surplus was from FII direct delivered projects that did not materialize and from a year-end foreign exchange gain on transactions with the Company's two foreign subsidiaries.

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<sup>3</sup> Contributions received from the Province for tangible capital assets are recorded as deferred contributions. Deferred capital contributions are reduced and the associated revenue recognized at the same rate and in the same fiscal period that amortization is recognized in respect of acquired depreciable tangible capital assets. This accounts for the difference in the cash contributions received from the Province of B.C. and the provincial contributions recorded in the Consolidated Statement of Operations and Accumulated Surplus.

## Financial Resource Summary Table<sup>1</sup>

(in thousands of dollars)

	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Budget	2015/16 Actual	Variance from 2015/16 Budget	Variance from 2014/15 Actual
								(under) over	(under) over
<b>Operating Revenue</b>									
Receipts - Province of BC	\$ 18,898	\$ 20,520	\$ 17,208	\$ 17,306	\$ 16,813	\$ 17,370	\$ 17,562	\$ 192	\$ 749
Receipts - Wenchuan Reconstruction	4,772	225	-	-	-	-	-	\$ -	\$ -
Receipts - Government - Other	2,360	284	624	731	1,028	700	823	\$ 123	\$ (205)
Other Revenue	102	1,153	1,042	678	762	2,000	2,697	\$ 697	\$ 1,935
<b>Total Revenue</b>	<b>\$ 26,132</b>	<b>\$ 22,182</b>	<b>\$ 18,874</b>	<b>\$ 18,715</b>	<b>\$ 18,603</b>	<b>\$ 20,070</b>	<b>\$ 21,082</b>	<b>\$ 1,012</b>	<b>\$ 2,479</b>
<b>Operating Expenses</b>									
Market Outreach & Initiatives	14,467	15,935	13,463	12,901	12,274	14,020	14,298	278	\$ 2,024
China - Market Development	2,781	2,944	2,566	2,708	3,009	2,900	3,166	266	\$ 157
China - Wenchuan Reconstruction	4,690	880	-	-	-	-	-	-	\$ -
China - Demonstration Projects	2,723	1,015	-	-	-	-	-	-	\$ -
India - Market Development	-	-	874	1,532	1,948	1,900	1,992	92	\$ 44
Corporate Support	1,385	1,388	1,317	1,181	1,226	1,250	1,178	(72)	\$ (48)
<b>Total Expenses</b>	<b>\$ 26,046</b>	<b>\$ 22,162</b>	<b>\$ 18,220</b>	<b>\$ 18,322</b>	<b>\$ 18,457</b>	<b>\$ 20,070</b>	<b>\$ 20,634</b>	<b>\$ 564</b>	<b>\$ 2,177</b>
<b>Net Income from Operations</b>	<b>\$ 86</b>	<b>\$ 20</b>	<b>\$ 654</b>	<b>\$ 393</b>	<b>\$ 146</b>	<b>\$ -</b>	<b>\$ 448</b>	<b>\$ 448</b>	<b>\$ 302</b>
<b>Capital Expenditures</b>	<b>\$ 156</b>	<b>\$ 204</b>	<b>\$ 526</b>	<b>\$ 238</b>	<b>\$ 469</b>	<b>\$ 225</b>	<b>\$ 347</b>	<b>122</b>	<b>\$ (122)</b>
<b>Total Liabilities</b>	<b>\$ 2,816</b>	<b>\$ 1,969</b>	<b>\$ 1,897</b>	<b>\$ 2,100</b>	<b>\$ 2,905</b>	<b>\$ 1,900</b>	<b>\$ 2,493</b>	<b>593</b>	<b>\$ (412)</b>
<b>Accumulated Surplus/Retained Earnings</b>	<b>\$ 1,150</b>	<b>\$ 1,170</b>	<b>\$ 1,824</b>	<b>\$ 2,217</b>	<b>\$ 2,363</b>	<b>\$ 2,363</b>	<b>\$ 2,811</b>	<b>448</b>	<b>\$ 448</b>

<sup>1</sup> The budgets in these columns have been taken from the FII *Service Plan* published on February 2016; over time changes to these numbers can be anticipated.

## Statement of Management Responsibility

### Scope of Responsibility

Management has supervised preparation of the accompanying consolidated financial statements and related note disclosures and is responsible for their integrity and objectivity. The consolidated financial statements of Forestry Innovation Investment Ltd. (FII) have been prepared by management in accordance with the financial reporting provisions prescribed by the Province of British Columbia pursuant to Section 23.1 of the Budget Transparency and Accountability Act (see Note 2(a)).

We believe that these consolidated financial statements present fairly FII's financial position as at March 31, 2016 and the consolidated statement of operations, change in net assets, and cash flow for the year ending March 31, 2016 and that the other information contained in the Company's annual report is consistent with the consolidated financial statements as presented.

### Internal Controls

Management is responsible for the integrity of the financial statements and has established systems of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records are properly maintained to facilitate the preparation of the financial statements in a timely manner. We continually monitor these internal accounting controls, modifying and improving them as business conditions and operations change. We believe our system of internal accounting controls provide reasonable assurance that errors or irregularities that would be material to the consolidated financial statements are prevented or detected in the normal course of business.

### Board of Directors and Audit Committee


The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's discharge of its financial reporting responsibilities. An Audit Committee is appointed by the Board. The Audit Committee reviews the consolidated financial statements, adequacy of internal controls, audit process and financial reporting with management and with the external auditors. The Audit Committee has reviewed these consolidated statements prior to recommending approval by the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

### Independent Auditors

Grant Thornton has performed an independent audit of the consolidated financial statements of Forestry Innovation Investment Ltd. The Auditor's Report, as attached, outlines the scope of this independent audit and expresses an opinion on the financial statements of Forestry Innovation Investment Ltd.



**Michael Loseth**  
Chief Executive Officer



**Douglas Greig**  
Vice President and Chief Financial Officer

Vancouver, British Columbia  
May 25, 2016



## Independent Auditor's Report

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To the Board of Directors of  
Forestry Innovation Investment Ltd.

To the Minister of International Trade,  
Province of British Columbia

We have audited the accompanying consolidated financial statements of Forestry Innovation Investment Ltd., which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

1

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Grant Thornton LLP, A Canadian Member of Grant Thornton International Ltd



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements of Forestry Innovation Investment Ltd. for the year ended March 31, 2016 are prepared, in all material respects, in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

**Emphasis of matter**

Without modifying our opinion we draw attention to Note 2 to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Vancouver, Canada  
May 25, 2016

A handwritten signature in black ink that reads "Grant Thornton LLP".

Chartered Professional Accountants

**Forestry Innovation Investment Ltd.**  
**Consolidated Statement of Financial Position**

(In thousands of dollars)

March 31		2016	2015
	<u>Note</u>		
<b>Financial assets</b>			
Cash		\$ 3,115	\$ 2,372
Accounts receivable		471	490
Recipient advances	4	70	-
Due from Province of British Columbia		23	26
Due from other governments		<u>201</u>	<u>592</u>
<b>Total financial assets</b>		<u><b>3,880</b></u>	<u><b>3,480</b></u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	3	1,078	1,252
Due to Province of British Columbia		4	2
Due to other governments		72	21
Recipient payables	4	307	362
Deferred contributions	6	<u>1,032</u>	<u>1,033</u>
<b>Total liabilities</b>		<u><b>2,493</b></u>	<u><b>2,670</b></u>
<b>Net financial assets</b>		<u><b>1,387</b></u>	<u><b>810</b></u>
<b>Non-financial assets</b>			
Tangible capital assets	7	844	908
Prepaid expenses		<u>580</u>	<u>645</u>
<b>Total non-financial assets</b>		<u><b>1,424</b></u>	<u><b>1,553</b></u>
<b>Accumulated surplus</b>		<u><b>\$ 2,811</b></u>	<u><b>\$ 2,363</b></u>

Commitments (Note 8)

Approved by the Board

Director

Director

See accompanying notes to the consolidated financial statements.

3



**Forestry Innovation Investment Ltd.**  
**Consolidated Statement of Operations and Accumulated Surplus**

(in thousands of dollars)  
Year ended March 31

	Budget	<b>2016</b>	2015
	<u>Note</u>		
Revenue	10		
Government contributions			
Provincial	\$ 17,370	<b>\$ 17,562</b>	\$ 16,813
Federal	700	<b>823</b>	1,028
Other revenue	2,000	<b>2,653</b>	713
Investment income	-	<b>44</b>	49
	<u>20,070</u>	<u><b>21,082</b></u>	<u>18,603</u>
Expenses	10		
Funding recipient initiatives	9,100	<b>8,944</b>	8,808
Market initiatives and outreach			
FII Vancouver	4,920	<b>5,354</b>	3,466
FII China	2,900	<b>3,166</b>	3,009
FII India	1,900	<b>1,992</b>	1,948
Corporate services	1,250	<b>1,178</b>	1,226
	<u>20,070</u>	<u><b>20,634</b></u>	<u>18,457</u>
Annual surplus	-	<b>448</b>	146
Accumulated surplus, beginning of year	<u>2,363</u>	<u><b>2,363</b></u>	<u>2,217</u>
Accumulated surplus, end of year	<u>\$ 2,363</u>	<u><b>\$ 2,811</b></u>	<u>\$ 2,363</u>

See accompanying notes to the consolidated financial statements.

4

**Forestry Innovation Investment Ltd.**  
**Consolidated Statement of Changes in Net Financial Assets**

(in thousands of dollars)

Year ended March 31	Budget	2016	2015
Annual surplus	\$ -	\$ 448	\$ 146
Acquisition of tangible capital assets	(225)	(347)	(469)
Amortization of tangible capital assets	225	384	279
Disposal of tangible capital assets	-	27	12
Acquisition of prepaid expenses	-	65	(73)
Increase (decrease) in net financial assets	-	577	(105)
Net financial assets, beginning of year	810	810	915
Net financial assets, end of year	\$ 810	\$ 1,387	\$ 810

See accompanying notes to the consolidated financial statements.

5

**Forestry Innovation Investment Ltd.**  
**Consolidated Statement of Cash Flows**

(in thousands of dollars)

Year ended March 31

2016

2015

Cash provided by (used in):

**Operating**

Annual surplus	\$	448	\$	146
Items not involving cash				
Amortization of tangible capital assets		384		279
Amortization of deferred contributions		(434)		(237)
Loss on disposal of tangible capital assets		27		12
Change in accounts receivable		19		(242)
Change in recipient advances		(70)		-
Change in due from Province of British Columbia		3		(5)
Change in due from other governments		391		(378)
Change in accounts payable and accrued liabilities		(174)		73
Change in due to Province of British Columbia		2		2
Change in due to other governments		51		2
Change in recipient payables		(55)		125
Change in prepaid expenses		65		(73)
		<u>657</u>		<u>(296)</u>

**Capital**

Acquisition of tangible capital assets		(347)		(469)
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**Financing**

Receipt of deferred contributions		<u>433</u>		<u>605</u>
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Net increase (decrease) in cash 743 (160)

Cash, beginning of year 2,372 2,532

Cash, end of year \$ 3,115 \$ 2,372

See accompanying notes to the consolidated financial statements.

6

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## Forestry Innovation Investment Ltd.

### Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2016

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#### 1. General

Forestry Innovation Investment Ltd. (the "Company" or "FII Vancouver") was incorporated on March 31, 2003 under the laws of the Province of British Columbia (the "Province"). The Company has authorized capital of 100 common shares without par value of which 10 shares are issued and outstanding. Her Majesty the Queen in Right of the Province of British Columbia, as represented by the Minister of International Trade, holds the shares issued. A board of directors governs the Company, and all directors are appointed by the Province. The Company's principal activities are to fund forest industry associations and research institutions and to deliver market development and market initiatives and outreach programs.

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#### 2. Summary of significant accounting policies

##### (a) Basis of presentation

These consolidated financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia which requires accounting policies which are consistent with Canadian public sector accounting standards except in regard to the accounting for restricted capital contributions.

Under Section 23.1 of the Budget Transparency and Accountability Act and its related regulations, the Company is required to recognize restricted capital contributions as a liability and recognize them into revenue on the same basis as the related amortization expense.

Under Canadian public sector accounting standards, those transfers with stipulations that have been met or that do not contain stipulations that create a liability, are fully recognized into revenue.

The impact of this difference on the consolidated financial statements of the Company would be a decrease in deferred capital contributions as at March 31, 2016, and increases in revenues and annual surplus for the year then ended.

##### (b) Reporting entity and basis of consolidation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of the Company consolidated with FII Consulting (Shanghai) Co., Ltd. ("FII China"), a wholly-owned subsidiary registered under the laws of the People's Republic of China; 0939031 B.C. Ltd., a wholly-owned subsidiary registered under the laws of British Columbia; and Forestry Innovation Consulting India Pvt. Ltd. ("FII India"), a wholly-owned subsidiary of the Company and 0939031 B.C. Ltd., registered under the laws of the Republic of India.

FII China is based in Shanghai, China, and FII India is based in Mumbai, India, with both subsidiaries delivering market development programs on behalf of the Company. The subsidiaries are consolidated on a line-by-line basis after inter-organizational transactions and balances between these entities have been eliminated.

FII China and FII India are subject to corporate income taxes, the amounts of which are not significant.

7

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**Forestry Innovation Investment Ltd.**  
**Notes to the Consolidated Financial Statements**

(in thousands of dollars)

March 31, 2016

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**2. Summary of significant accounting policies (continued)****(c) Revenue recognition**

Unrestricted contributions, donations and grants are recorded as revenue when receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Restricted contributions include amounts received from the Province and the Canadian Federal Government for specific purposes. Restricted contributions are recorded as deferred contributions when received or receivable. The deferred contribution and associated revenue are recognized based upon the nature of the restriction, as follows:

*(i) Restricted capital contributions*

Capital contributions for the purpose of acquiring or developing a depreciable tangible capital asset are recorded and referred to as deferred capital contributions. Deferred capital contributions are reduced and the associated revenue recognized at the same rate and in the same fiscal period that amortization is recognized in respect of acquired depreciable tangible capital asset used to provide services.

*(ii) Other restricted contributions*

Deferred contributions are reduced and the associated revenue recognized in the period during which the stipulation or restriction on the contribution have been met.

Investment income includes interest recorded on an accrual basis.

**(d) Program expenses**

Program expenses include amounts transferred to recipient organizations based on recipient funding contracts to carry out specific program activities. Amounts transferred are recognized as expenses in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met by the recipient, and reasonable estimates of the amounts can be made.

**(e) Pension plans**

The Company and its employees contribute to the Public Service Pension Plan, which is a multi-employer jointly trustee plan. The plan is a defined benefit plan, providing pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. As the assets and liabilities of the plan are not segregated by employer, the plan is accounted for as a defined contribution plan and any Company contributions to the plan are expensed as incurred.

**(f) Financial instruments**

Financial instruments consist of cash, accounts receivable, amounts due from the Province, amounts due from other governments, accounts payable and accrued liabilities, amounts due to the Province, amounts due to other governments, and recipient payables.

The Company measures its financial instruments at cost or amortized cost.

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**Forestry Innovation Investment Ltd.**  
**Notes to the Consolidated Financial Statements**

(in thousands of dollars)

March 31, 2016

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**2. Summary of significant accounting policies (continued)****(f) Financial instruments (continued)**

For financial instruments measured at cost or amortized cost, transaction costs are added to the cost of the financial instruments.

Interest and dividends attributable to financial instruments are reported in the consolidated statement of operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations.

There are no financial instruments measured at fair value; therefore, the consolidated financial statements do not include a consolidated statement of remeasurement gains and losses.

**(g) Non-financial assets***(i) Tangible capital assets*

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

<u>Asset</u>	<u>Useful life</u>
Computer equipment	3 years
Computer software	2 years
Furniture and equipment	5 years
Leasehold improvements	lesser of the lease term and its useful life
Tradeshow booths	3 years

Assets under construction are not amortized until the asset is available for productive use.

*(ii) Contributions of tangible capital assets*

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

*(iii) Interest capitalization*

The Company does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

*(iv) Intangible assets*

Intangible assets are not recognized in these consolidated financial statements.

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## Forestry Innovation Investment Ltd.

### Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2016

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#### 2. Summary of significant accounting policies (continued)

##### (h) Foreign currency translation

These consolidated financial statements are stated in Canadian dollars. The Company's foreign operations, conducted through FII China and FII India, are considered financially interdependent with the Company, and are translated from Chinese renminbi ("RMB") and Indian rupee ("INR") using the temporal method of translation. Accordingly, monetary assets and liabilities are translated at the spot exchange rates in effect at the date of the statement of financial position; non-monetary items are translated at historical exchange rates in effect on the dates of the transactions. Revenue and expense items are translated at monthly average exchange rates in effect during the month in which the transaction occurred, except for amortization which is translated at the historical exchange rate of the corresponding non-monetary item. Realized exchange gains and losses are included in the consolidated statement of operations.

##### (i) Budget

Budget data presented in these consolidated financial statements are based on the Company's Service Plans. The budget was approved by the Board of Directors on April 14, 2015.

##### (j) Use of estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful lives of property and equipment. Actual results could differ from those estimates.

##### (k) Segment disclosures

A segment is defined as a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information. The Company has provided definitions of segments used by the Company as well as presented financial information of the segments in Note 10.

##### (l) Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform with the current year's presentation.

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<b>3. Accounts payable and accrued liabilities</b>	<b>2016</b>	2015
Trade payables	<b>\$ 516</b>	\$ 523
Accrued liabilities	<b>562</b>	729
	<b>\$ 1,078</b>	\$ 1,252

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10

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## Forestry Innovation Investment Ltd.

### Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2016

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#### 4. Recipient advances and payables

The Company's policy on recipient funding contracts stipulates that unspent advances are repaid to the Company. Historically, unspent advances have been repaid to the Company prior to the end of the first quarter of the new fiscal year after final reconciliation reports have been submitted.

In addition, the Company withholds a percentage of earnable administration costs from their interim advances. Recipients would qualify for this final funding amount withheld based on meeting eligible reporting criteria in the recipient reporting process.

As at March 31, 2016, the Company has identified \$307 (2015 - \$362) as payable to the recipient organizations and \$70 (2015 - \$Nil) as receivable from the recipient organizations.

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#### 5. Pension plans

The Company and its employees contribute to the Public Service Pension Plan, which is a multi-employer jointly trustee plan. The plan is a defined benefit plan, providing pension on retirement based on the member's age of retirement, length of service and highest earnings averaged over five years. The board of trustees of the plan represents plan members and employers and is responsible for the management of the plan including investment of the assets and administration of the plan.

The most recent actuarial valuation for the Public Service Pension Plan as at March 31, 2014 indicated a \$194 million funding surplus for basic pension benefits.

The plan is accounted for as a defined contribution plan. During the year ended March 31, 2016, the Company paid \$159 (2015 - \$135) for employer contributions to the plan.

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#### 6. Deferred contributions

Deferred contributions consist of contributions received from the Province for tangible capital assets and other capital and operating contributions for which goods and services remain outstanding. Deferred contributions are comprised of the following:

	Provincial	Other	2016	2015
Balance, beginning of year	\$ 944	\$ 89	\$ 1,033	\$ 665
Contributions received during the year	235	198	433	605
Amounts amortized to revenue	(401)	(33)	(434)	(237)
Balance, end of year	\$ 778	\$ 254	\$ 1,032	\$ 1,033

Included in Provincial deferred contributions is \$Nil (2015 - \$98) that is unspent.

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**Forestry Innovation Investment Ltd.**  
**Notes to the Consolidated Financial Statements**

(in thousands of dollars)  
 March 31, 2016

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**7. Tangible capital assets**

**(a) Assets in use**

**Cost**

	2015	Additions	Disposals	2016
Computer equipment	\$ 712	\$ 29	\$ (24)	\$ 717
Computer software	63	13	-	76
Furniture and equipment	405	8	(26)	387
Leasehold improvements	819	286	-	1,105
Tradeshow booths	740	11	(166)	585
	<u>\$ 2,739</u>	<u>\$ 347</u>	<u>\$ (216)</u>	<u>\$ 2,870</u>

**Accumulated amortization**

	2015	Amortization	Disposals	2016
Computer equipment	\$ 566	\$ 80	\$ (23)	\$ 623
Computer software	63	-	-	63
Furniture and equipment	270	34	(25)	279
Leasehold improvements	429	190	-	619
Tradeshow booths	503	80	(141)	442
	<u>\$ 1,831</u>	<u>\$ 384</u>	<u>\$ (189)</u>	<u>\$ 2,026</u>

**Net book value**

	2015	2016
Computer equipment	\$ 146	\$ 94
Computer software	-	13
Furniture and equipment	135	108
Leasehold improvements	390	486
Tradeshow booths	237	143
	<u>\$ 908</u>	<u>\$ 844</u>

**(b) Assets disclosed at nominal values**

The cost of tangible capital assets includes the fair market value of certain assets transferred to the Company from the Province effective April 1, 2003 for one dollar. These assets are now fully amortized.

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## Forestry Innovation Investment Ltd.

### Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2016

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#### 8. Commitments

(a) The Company has lease commitments for its premises it occupies.

2017	\$	1,186
2018		965
2019		331
2020		248
2021		-
Thereafter		-
	\$	<u>2,730</u>

(b) The Company also has an obligation to pay \$1,784 (2015 - \$1,524) for contracts entered into and not yet completed at March 31, 2016.

(c) Cash consists of an operating line of credit with HSBC Bank of Canada with maximum available credit of \$2,000,000 which incurs interest at prime plus 0.5% per annum. As of March 31, 2016, no amounts have been withdrawn through the utilization of the credit line.

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#### 9. Financial instruments risk management

The Company has exposure to the following risks from its use of financial instruments:

##### Credit risk

Credit risk is the risk that the Company's counterparties default or become insolvent.

The Company is potentially exposed to credit risk through cash, accounts receivable, amounts due from the Province, and amounts due from other governments. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. Accounts receivable consist mainly of cost share agreements which are monitored on a regular basis. Amounts due from the Province and amounts due from other governments consist of reimbursement claims. It is the Company's opinion that its exposure to credit risk is subject to normal industry risks and is considered minimal.

As at March 31, 2016, accounts receivable, recipient advances, amounts due from the Province, and amounts due from other governments are comprised of:

	<u>Under 90 days</u>	<u>Over 90 days</u>	<u>Total</u>
Accounts receivable	\$ 471	\$ -	\$ 471
Recipient advances	70	-	70
Due from Province of British Columbia	23	-	23
Due from other governments	201	-	201
Allowance for doubtful accounts	-	-	-
	<u>\$ 765</u>	<u>\$ -</u>	<u>\$ 765</u>

13

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## Forestry Innovation Investment Ltd.

### Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2016

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#### 9. Financial instruments risk management (continued)

##### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company manages its exposure to liquidity risk by maintaining sufficient cash balances throughout the year to meet its short-term obligations. It is the Company's opinion that its exposure to liquidity risk is subject to normal industry risks and is considered minimal.

##### Market risk

Market risk is the risk that fluctuations in market prices will affect the Company's net financial assets. Market risk comprises two types of risk:

##### *Currency risk and foreign denominated cash*

Currency risk is the risk that fluctuations in foreign currencies will affect the Company's net financial assets denominated in foreign currencies.

The Company is subject to foreign exchange risk through its program payables and program advances and a portion of the Company's program and tradeshow costs, which are denominated in Chinese renminbi, Indian rupee and United States dollars. The Company manages its exposure to currency risk by monitoring its assets and liabilities denominated in foreign currencies and purchasing foreign denominated currency to pay upcoming commitments when the market conditions are favourable. The Company does not use derivatives instruments to reduce its exposure to foreign currency risk. Included in program costs is \$155 (2015 – \$148) foreign exchange gains.

The amounts shown are translated to Canadian dollars at the closing rate:

	2016			
	USD denominated amounts in CAD	RMB denominated amounts in CAD	INR denominated amounts in CAD	CAD Total
Cash	\$ 157	\$ 258	\$ 40	\$ 455
Accounts receivable	-	1	161	162
Accounts payable	-	243	150	393
	2015			
	USD denominated amounts in CAD	RMB denominated amounts in CAD	INR denominated amounts in CAD	CAD Total
Cash	\$ 176	\$ 391	\$ 259	\$ 826
Accounts receivable	-	13	-	13
Accounts payable	-	248	204	452

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## Forestry Innovation Investment Ltd.

### Notes to the Consolidated Financial Statements

(in thousands of dollars)  
March 31, 2016

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#### 9. Financial instruments risk management (continued)

##### Market risk (continued)

###### *Interest rate risk*

Interest rate risk is the risk that fluctuations in interest rates will affect the Company's net financial assets that bear interest at variable rates. The Company manages its exposure to interest rate risk by investing in fixed or variable rate interest bearing cash accounts, depending upon market conditions.

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#### 10. Segmented information

Segmented information has been identified based upon programs provided by the Company. Company programs and their activities are reported by functional area in the body of the consolidated financial statements. Programs that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

##### (a) Funding Recipient Initiatives

Uses project funding delivered through an annual "Call for Proposals" in partnership with the Government of Canada to fund forest industry associations and research institutions to:

- Maintain and create opportunities for BC wood products in existing and emerging markets;
- Ensure that customers, consumers, designers, builders, developers and architects know about BC wood products and the many positive features they bring to wood-frame construction and interior finishing;
- Support the development of innovative new forest products; and
- Provide interested parties around the world with information on the properties and qualities of BC's forest products and the BC companies that supply them.

##### (b) Market Initiatives and Outreach Program

###### *(i) FII Vancouver Initiatives*

Internally directs delivered programs that:

- Identify potential opportunities for BC forest products through market research and develop market access strategies;
- Ensure BC forest products have access to markets free from regulatory and other barriers through initiatives and research;
- Provide customers and foreign regulators with facts about the environmental merits of BC forest products, including the sustainable forest management regime that underlies their production;
- Research opportunities in new and emerging markets, and initiate early market exploration activities;
- Champion the Province's Wood First priorities and encourage expanded wood use in BC;

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## Forestry Innovation Investment Ltd.

### Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2016

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#### 10. Segmented information (continued)

##### (b) Market Initiatives and Outreach Program (continued)

###### (i) FII Vancouver Initiatives (continued)

- Raise awareness of the Province as a world leader in advanced wood construction and design; and
- Encourage a robust valued-added sector in BC through enhanced capacity and competitiveness.

###### (ii) FII China Initiatives

FII China has a mandate to increase the volume and value of BC lumber exports to China by expanding the share of wood frame construction in China's building sector. FII China focuses on the following activities:

- Expanding and strengthening relationships with central and regional government agencies responsible for building and construction in China and with large state-owned developers, emphasizing the pursuit of strategic and joint initiatives;
- Building partnerships with established market leaders in China's development sector and supporting these companies in areas of concept development, planning and design, code application, and resource integration; and
- Working closely with Canadian forest industry trade association staff to expand China's technical capacity to deploy wood frame construction.

###### (iii) FII India Initiatives

FII India has a mandate to establish a local presence in India for BC and Canadian forest products companies; develop working relationships with government officials, regulatory agencies, and the wood user community; and position BC and Canadian forest products for future growth. The operation focuses on early-market (pre-commercial) development activities, including:

- Supporting development of the market for BC and Canadian forest products through market research;
- Promoting BC and Canadian wood species in various end-uses;
- Educating the market place on BC and Canadian wood species and their proper use;
- Providing intermediation with Indian regulatory authorities; and
- Providing direct support for BC companies entering the India market.

##### (c) Corporate services

Corporate services performs the following activities:

- Ensures financial reporting to government standards;
- Provides Human Resource, IT and office services to meet organizational needs;
- Oversees budget and planning controls in alignment with strategic objectives; and
- Provides corporate communication and analytical services to meet internal and external needs.

16

**Forestry Innovation Investment Ltd.**  
**Notes to the Consolidated Financial Statements**

(in thousands of dollars)  
 March 31, 2016

**10. Segmented information (continued)**

	Funding Recipient Initiatives	Market Initiatives and Outreach			Corporate Services	2016 Total	2015 Total
		FII Vancouver	FII China	FII India			
<b>Revenues</b>							
Government contributions							
Provincial	\$ 9,300	\$ 2,606	\$ 2,803	\$ 1,492	\$ 1,361	\$ 17,562	\$ 16,813
Federal	131	92	-	600	-	823	1,028
Other revenue	-	2,509	17	125	2	2,653	713
Investment income	-	-	-	-	44	44	49
<b>Total revenues</b>	<b>9,431</b>	<b>5,207</b>	<b>2,820</b>	<b>2,217</b>	<b>1,407</b>	<b>21,082</b>	<b>18,603</b>
<b>Expenses</b>							
Amortization	-	9	94	194	87	384	279
Auditing	204	-	41	24	40	309	286
Grants	203	-	27	48	-	278	250
Office costs	-	337	553	303	210	1,403	1,448
Professional services	105	3,291	736	311	156	4,599	3,273
Program costs	8,063	46	156	53	(12)	8,306	8,337
Salaries, wages and benefits	369	1,516	1,350	634	623	4,492	3,796
Trade missions	-	15	9	173	-	197	129
Travel and business costs	-	140	200	252	74	666	659
<b>Total expenses</b>	<b>8,944</b>	<b>5,354</b>	<b>3,166</b>	<b>1,992</b>	<b>1,178</b>	<b>20,634</b>	<b>18,457</b>
<b>Annual surplus (deficit)</b>	<b>\$ 487</b>	<b>\$ (147)</b>	<b>\$ (346)</b>	<b>\$ 225</b>	<b>\$ 229</b>	<b>\$ 448</b>	<b>\$ 146</b>

## Appendix A: Subsidiaries and Operating Segments

### *Active Subsidiaries*

Forestry Innovation Investment Ltd. operates the following subsidiary companies:

**FII Consulting (Shanghai) Co. Ltd.** (wholly owned by Forestry Innovation Investment Ltd.)

*Primary business:* Supporting the B.C. forest industry by providing market research, technical wood frame building expertise and related liaison with Chinese government authorities on behalf of the B.C. forest sector.

*Objective:* To grow the market for B.C. wood products in China, primarily by creating new demand for structural lumber and related building products.

*Governance:* Sole Executive Director: Michael Loseth, Chief Executive Officer, FII

*Senior Management:* Lisa Dou, General Manager, FII China

**Financial Resource Summary Table**  
**FII Consulting (Shanghai) Co. Ltd.**  
(in thousands of dollars)

	2014/15 Actual	2015/16 Budget	2015/16 Actual
<b>Operating Revenue</b>			
Receipts - Forestry Innovation Investment	\$ 2,974	\$ 2,806	\$ 3,166
<b>Total Revenue</b>	<b>\$ 2,974</b>	<b>\$ 2,806</b>	<b>\$ 3,166</b>
<b>Operating Expenses</b>			
China - Market Development	2,974	2,806	3,166
<b>Total Expenses</b>	<b>\$ 2,974</b>	<b>\$ 2,806</b>	<b>\$ 3,166</b>
<b>Net Income from Operations</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**FII Consulting India Private Limited** (jointly owned by Forestry Innovation Investment Ltd. and 0939031 B.C. Ltd.<sup>4</sup>)

*Primary business:* Supporting the development of the Indian market for B.C. forest products through market research, promoting B.C. wood products and related technologies, providing intermediation with India regulatory authorities, and providing direct support for B.C. companies entering the India market.

*Objective:* To establish a new market for B.C. wood products in India by creating demand for lumber suitable to the manufacture of furniture, doors and windows, interior millwork and other non-structural products.

<sup>4</sup> This joint ownership exists to meet India's requirement that there be at least two shareholders of a foreign-owned company.

*Governance:* Three-member Board of Directors:

- Michael Loseth (Chair), Chief Executive Officer, FII
- Douglas Greig, Vice President and Chief Financial Officer, FII
- Pranesh Chhibber, Country Director, FII India

*Senior Management:* Pranesh Chhibber, Country Director, FII India

**Financial Resource Summary Table**  
**FII Consulting India Private Limited**  
(in thousands of dollars)

	2014/15 Actual	2015/16 Budget	2015/16 Actual
<b>Operating Revenue</b>			
Receipts - Forestry Innovation Investment	\$ 1,037	\$ 1,106	\$ 1,392
Receipts - Natural Resources Canada	\$ 750	\$ 600	\$ 600
<b>Total Revenue</b>	<b>\$ 1,787</b>	<b>\$ 1,706</b>	<b>\$ 1,992</b>
<b>Operating Expenses</b>			
India - Market Development	1,787	1,706	1,992
<b>Total Expenses</b>	<b>\$ 1,787</b>	<b>\$ 1,706</b>	<b>\$ 1,992</b>
<b>Net Income from Operations</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

***Inactive Subsidiary***

FII maintains a non-operating subsidiary company, **0939031B.C. Ltd.** (wholly owned by Forestry Innovation Investment Ltd.) whose sole purpose is to function as the second shareholder of FII Consulting India Private Limited (reflecting India legislation that requires foreign-owned companies to have at least two shareholders).



## **Appendix B: Additional Information**

### ***Corporate Governance***

FII is responsible to the Minister of International Trade through a four-member Board of Directors. The Government appoints the Board to set operational policy, and, in cooperation with senior management, to set strategic direction. The Board monitors FII's performance based on the Province's planning and reporting principles. The Board appoints the CEO and delegates responsibility to the CEO for the day-to-day leadership and management of the organization.

The Board incorporates best practices into its governance procedures as guided by the Best Practices Guidelines on Governance and Disclosure for Public Sector Organizations. FII's [\*Status of Concurrence with Best Practices Guidelines\*](#) is available on the Company's website.

Full details on the role and membership of the Board of Directors, as well as corporate reports, and details on adherence to the requirements of the Board Resourcing and Development Office are also available on the [www.bcfii.ca](http://www.bcfii.ca) web site.

### ***Organizational Overview***

FII works with the forest industry, the Government of Canada, research institutions, and other stakeholders to deliver forward looking, innovative market development programs. To provide the best value to taxpayers and stakeholders, and reflecting the Province's *Taxpayer Accountability Principles*, FII uses a joint delivery model for program delivery. This approach takes advantage of industry expertise and marketing networks, and ensures that program costs are shared with other organizations.

Details on the mandate of FII, its vision, mission and values, and its organizational structure are available on the [www.bcfii.ca](http://www.bcfii.ca) web site.

Additional information on FII is also available at [www.bcfii.ca](http://www.bcfii.ca). A *Report to Stakeholders* published in November 2015 highlights accomplishments in major markets around the world. The Report to Stakeholders as well as previous service plans and annual service plan reports are available at [www.bcfii.ca](http://www.bcfii.ca).

Comprehensive information about B.C.'s sustainable forest management practices and products is available at [www.naturallywood.com](http://www.naturallywood.com), with links to many forest product companies and trade associations.

## Appendix C: Crown Corporation's Mandate and Actions Summary

In the *2015/16 Mandate Letter* from the Minister responsible, Forestry Innovation Investment received direction on strategic priorities for the 2015/16 fiscal year. These priorities and the Crown Corporation's resulting actions are summarized below:

Mandate Letter Direction	Crown Corporation's Action
<p>1. Develop a three-year strategic plan to maintain, create, and diversify demand for B.C. forest products in support of the B.C. Jobs Plan and in alignment with the ministry's International Trade and Investment Strategy. The strategic plan will ensure that operations in China are efficient and effective and explore new commercial opportunities in frontier markets.</p>	<ul style="list-style-type: none"> <li>• Completed work on a new multi-year strategic plan to create, maintain and diversify demand for B.C. forest products in established markets and emerging regions of opportunity.</li> <li>• The FII <i>Strategic Plan 2016/17 – 2020/21</i> has been posted to the <a href="#">FII website</a>.</li> </ul>
<p>2. Through collaboration with forest industry trade associations, the Provincial Government and the Government of Canada, develop and coordinate operational plans to leverage resources and existing programs and infrastructure to significantly enhance international sales of B.C. forest products.</p>	<ul style="list-style-type: none"> <li>• Undertook a comprehensive Market Initiatives Program to expand B.C.'s exports in major markets in Asia, North America and Europe.</li> <li>• Guided by market-specific development strategies, FII allocated a total of \$6.2 million to third party organizations to deliver market development activities in China, Japan, Korea, India, the US and Europe. This funding leveraged an additional \$16.6 million in federal government and industry contributions.</li> <li>• Partnered with the US-based Softwood Lumber Board (SLB) to deliver the US\$1.85 million reThink Wood program for which the SLB contributed 84% of total funding for this FII-managed initiative.</li> </ul>
<p>3. Aggressively pioneer interest in utilizing B.C. wood products in priority international markets, enhancing commercial linkages in China and paving the way for provincial firms and their trade associations to become established in India.</p>	<ul style="list-style-type: none"> <li>• Co-funded market development programs with industry and the federal government targeting emerging opportunities in China and India.</li> <li>• In China, the emphasis was on advancing wood use in China's construction sector, focused on applications that show promise for B.C. species and where there is strong potential for growth.</li> <li>• In India, market opening efforts continued with an emphasis on product awareness and demonstration.</li> </ul>

<b>Mandate Letter Direction</b>	<b>Crown Corporation's Action</b>
<p>4. Support implementation of projects and initiatives to make B.C. a world-class centre of excellence in manufacturing and using innovative forest products and develop robust, fact-based research and communications tools to grow awareness of the environmental and technical merits of B.C. forest products.</p>	<ul style="list-style-type: none"> <li>• Led the Wood First program to further establish B.C. as a leader in developing and using innovative wood products and building systems. During the year, FII allocated a total of \$2.2 million to seven organizations to deliver Wood First initiatives on behalf of FII and the B.C. Government.</li> <li>• Worked with industry and the federal government to ensure continued market access for B.C. forest products, and to expand the demand for wood in B.C. and North America through initiatives that create awareness and position wood from B.C. as environmentally friendly, preferred products.</li> </ul>

## Appendix D: FII Strategic Engagement Plan 2015/16

# 2015/2016 Strategic Engagement Plan

## Forestry Innovation Investment and Minister & Ministry of International Trade

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### Introduction

*Strategic Engagement Plan* (Plan), one of the deliverables out of the *Taxpayer Accountability Principles* (TAP), has been developed collaboratively by Forestry Innovation Investment (FII) and the Ministry of International Trade (the Ministry) to establish a comprehensive and systematic engagement model to:

- Facilitate bi-lateral communication and overall transparency;
- Facilitate a shared understanding of expectations, priorities and specific accountabilities; and,
- Foster a cost-conscious, principled culture that considers the best interests of taxpayers and the shareholder.

### Engagement Principles

The Plan builds upon the following key engagement principles and mechanisms:

- 1. Government's expectations and priorities:** Communication to ensure FII is aligned with Government and the Ministry's expectations and priorities, including fiscal responsibility.
  - Approach: A "no-surprises" approach to Executive communication.
- 2. Strategic Crown Issues:** Communication to discuss Crown-specific issues, priorities and activities.
  - Approach: Quarterly updates from FII to the Ministry on relevant program activities; two-way discussion regarding FII's informational needs to discharge TAP obligations; and establishment of regular Chief Executive Officer/Deputy Minister contacts.
- 3. Reporting:** Establishment of a systematic and rigorous reporting cycle between FII and the Ministry that will improve alignment and performance and ensure issues are identified early and dealt with as appropriate.
  - Approach: Quarterly agenda Standing Item to provide a status update on Current and Pending Reporting Requirements, e.g. mandate letter commitments, service plan measures etc.

## Engagement Plan

Recognizing that formal, structured communication is required under TAP, this Plan is intended to also provide flexibility for FII and the Ministry to identify other opportunities to collaborate for mutual benefit. The Plan will be managed by FII.

	<b>Engagement Actions (may not be sequential)</b>	<b>Roles and Responsibilities</b>	<b>Communication Protocols</b>
<b>1<sup>st</sup> Quarter</b>	Quarterly meeting with Chair, CEO, Minister and DM	Collaborative	Face-to-face meeting or teleconference call
	Annual Service Plan Report, including new Chair/CEO Report Letter	Collaborative Minister to approve Board Chair signs	QP printed hardcopy tabled PDF online (FII website)
	Discuss collaborative project(s)	Collaborative	Face-to-face meeting, teleconference call, email
	Collaboration on <i>Strategic Engagement Plan</i> with DM and Chair (through the CEO)	Collaborative	Teleconference call, email
<b>2<sup>nd</sup> Quarter</b>	Quarterly meeting with Chair, CEO, Minister and DM	Collaborative	Face-to-face meeting or teleconference call
	Draft 2016/17 Mandate Letter	Cabinet Directed	Face-to-face meeting, teleconference call, email
	Discuss collaborative project(s)	Collaborative	Face-to-face meeting, teleconference call, email
	Discuss draft Evaluation Plan, revise and confirm final plan.	Collaborative	Teleconference call, email
<b>3<sup>rd</sup> Quarter</b>	Quarterly meeting with Chair, CEO, Minister and DM	Collaborative	Face-to-face meeting or teleconference call
	Draft Service Plan	FII to develop	Teleconference call, email
	2016/17 Mandate Letters finalized	Minister and Board of Directors sign	Teleconference call, email
	Discuss collaborative project(s)	Collaborative	Face-to-face meeting, teleconference call, email
<b>4<sup>th</sup> Quarter</b>	Quarterly meeting with Chair, CEO, Minister and DM ( <i>after Budget Day</i> )	Collaborative	Face-to-face meeting or teleconference call
	Service Plan finalized and published	Minister to approve Board Chair signs	QP printed hardcopy tabled PDF online (FII website)
	Mandate Letter published	Collaborative	PDF online (FII website)
	<i>Strategic Engagement Plan</i> reviewed and confirmed for next fiscal	Collaborative	Teleconference call, email
	Evaluation Plan reviewed and confirmed for next fiscal	Collaborative	Teleconference call, email
	Collaborative project progress discussion and review project status against the Evaluation Plan.	Collaborative	Face-to-face meeting, teleconference call, email

## Standing Agenda

The standing agenda for the quarterly meetings focuses on performance against the Mandate Letter, Service Plan, Corporate Strategy and TAP, as well as strategic decision-making, and corresponds with FII and Government's reporting cycles. It is intended to guide meeting planning and to be flexible when needed to accommodate the various deliverables through the reporting cycle.

### Agenda

#### *Purpose of the meeting:*

Minister of International Trade's quarterly status update meeting with Forest Innovation Investment on strategic direction and performance.

#### *Attendees:*

Chair of the Board of Directors  
CEO  
Minister responsible  
Deputy Minister of the Ministry responsible

#### *Agenda Items:*

1. Agreement on the Minutes of the previous meeting
2. Minister/Deputy Minister update on government priorities
3. Status Report:
  - Report out on Taxpayer Accountability Principles and Evaluation Plan, Mandate Letter commitments and Service Plan performance measures
4. New issues
5. Collaboration Initiatives
6. Next Steps – Pending Reporting/Deliverables
7. Other – as appropriate