



Forest Enhancement  
Society of British Columbia

# 2019/20 Annual Service Plan Report



For more information on the FESBC, contact:

101 – 925 McMaster Way, Kamloops, B.C. V2C 6K2

1-877-225-2010

office@fesbc.ca

Or visit our website at

[www.fesbc.ca](http://www.fesbc.ca)

## Board Chair's Accountability Statement



The Forest Enhancement Society 2019/20 Annual Service Plan Report compares the corporation's actual results to the expected results identified in the 2019/20 – 2021/22 Service Plan created in February 2019. The Board is accountable for those results as reported.

A handwritten signature in blue ink that reads "Jim Snetsinger". The signature is written in a cursive, flowing style.

Jim Snetsinger  
Chair, Board of Directors  
June 5, 2020

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## Board Chair Report Letter

This Report covers the Service Plan period April 1, 2019 to March 31, 2020.

I am pleased to share the work accomplished through the Forest Enhancement Society of BC (FESBC) in this report. The work we do is made possible through the collaborative work of our Society, through the hard work of proponents on the ground, and through the Ministry of Forests, Lands, Natural Resource Operations and Rural Development (FLNRORD), who set priorities.

We are working together to achieve B.C. government priorities established for FESBC related to the health of our forests, including:

- Increasing participation of Indigenous communities in the forest economy,
- Assisting with wildfire recovery efforts and risk reduction,
- Contributing to the achievement of greenhouse gas emission reduction targets,
- Improving habitat for wildlife,
- Improving the recovery of fibre, and
- Adding to the environmental sustainability of B.C.'s natural resources.

Now that FESBC funds are fully allocated, the focus for FESBC in 2020 and beyond will be to work with our partners and approved project holders to ensure the effective delivery of the projects in a manner consistent with the approved project timelines.

I want to thank the FESBC Board of Directors, and particularly the staff at FESBC for their enthusiastic commitment to our Society, which is key to the success of this important program.



Jim Snetsinger

Chair, Board of Directors  
Forest Enhancement Society of BC

## Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the [Budget Transparency and Accountability Act](#) (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation’s Board is required to report on the actual results of the Crown’s performance related to the forecasted targets documented in the previous year’s Service Plan.

## Purpose of the Organization

At inception in 2016, FESBC was a non-profit society, with its enabling legislation under the [Societies Act](#).

The purpose of FESBC is to advance and advocate for the environmental and resource stewardship of British Columbia’s forests by funding projects that:

- Prevent and mitigate the impact of wildfires,
- Improve damaged or low-value forests,
- Improve habitat for wildlife,
- Support the use of fibre from damaged and low-value forests, and
- Treat forests to improve the management of greenhouse gas (GHG) emissions.

FESBC provides funds to government agencies or third parties to implement projects and treatments on the land base, working closely with service delivery partners to ensure the implementation is timely, efficient, and provides value for money.

## Strategic Direction

The strategic direction set by Government in 2019/20 and expanded upon in the Board Chair’s [Mandate Letter](#) from the Minister Responsible in 2019 shaped [2019/20-2021/22 FESBC Service Plan](#) and results reported in this annual report.

FESBC is aligned with the Government’s key priorities:

Government Priorities	FESBC Aligns with These Priorities By:
Delivering the services people count on	<ul style="list-style-type: none"> <li>• Preventing and Mitigating the Impact of Wildfires (Goal 1)</li> <li>• Supporting the Use of Fibre from Damaged or Low-Value Forests (Goal 4)</li> </ul>
A strong and sustainable economy	<ul style="list-style-type: none"> <li>• Preventing and Mitigating the Impact of Wildfires (Goal 1)</li> <li>• Improving Damaged or Low-Value Forests (Goal 2)</li> <li>• Improving Habitat for Wildlife (Goal 3)</li> <li>• Supporting the Use of Fibre from Damaged or Low-Value Forests (Goal 4)</li> <li>• Treating Forests to Improve the Management of GHG Emissions (Goal 5)</li> </ul>

## Operating Environment

FESBC is focused on achieving the B.C. government's priorities outlined in the May 2019 Mandate Letter. FESBC's operations, which extend to all parts of the province, help support Government in delivering on two of the three key commitments: delivering the services that people count on and building a strong, sustainable economy that works for everyone.

The downturn in the forestry sector in 2019 impacted many communities throughout British Columbia. As requested by the Government, FESBC was able to support workers and communities impacted by the downturn by funding projects that helped meet the urgent need for fibre supply to secondary users such as pulp mills, pellet producers, and bio-energy facilities. These projects helped reduce greenhouse gas emissions by utilizing residual fibre that would otherwise have been burned. The FESBC response was instrumental in helping secondary fibre users with their fibre supply needs and supporting workers and communities.

Climate change will continue to significantly influence wildfire activity. As such, support for proactive fuel management treatments and [FireSmart](#) projects, which aim to mitigate the negative impact of wildfire on B.C. communities, will continue to be priorities for the Board. Significant FESBC funding was allocated in 2019/20 to projects supporting wildfire recovery activities – primarily the reforestation of areas impacted by wildfires. A reduction in the number of wildfires in 2019/20 enabled significant progress in reforestation-related activities on areas impacted by wildfires in 2017 and 2018.

As a result of funding approvals associated with the November 2018 and October 2019 intakes, the \$235 million granted to FESBC to date is now fully committed. Therefore, FESBC's efforts are now focussed on successful project implementation and achievement of outcomes.

## Report on Performance

With a delivery framework firmly in place, the focus of FESBC in 2019/20 was primarily to identify and deliver high-value forest enhancement projects, including those that promote the utilization of wood fibre that would otherwise have been slash burned.

In late 2019, fibre utilization projects approved by FESBC were targeted at rural communities most impacted by the downturn in the forest sector. These projects were initiated quickly in response to this urgent need for secondary fibre. Expedient approvals by FESBC allowed proponents to immediately utilize forest fibre that otherwise would have been slash burned—thus also avoiding carbon emissions. These projects are anticipated to increase utilization of forest fibre by approximately 3.8 million cubic meters (1.14 million tons of CO<sub>2</sub>e) and have the added benefit of creating and maintaining employment, rural economic development, and community stability.

The total value of all project activity completions on the ground in 2019/20 was \$58.1 million, compared to \$25.5 million in 2018/19, \$9.6 million in 2017/18 and \$1.1 million in 2016/17. The acceleration of project completion was significant, albeit short of the aspirational \$75.9 million budgeted.

Other 2019/20 FESBC highlights include:

- Approximately 30% of the projects funded by FESBC were led by First Nations proponents or had significant First Nations participation,
- FESBC funding enabled over 80 communities (incorporated, unincorporated, Indigenous, mountain resorts) to reduce wildfire risks to their citizens, infrastructure, residential homes and commercial investments,
- Carbon sequestration projects funded by FESBC resulted in the planting of approximately 10.4 million trees,
- Future timber supply was improved through the fertilization of approximately 9,600 hectares,
- Approximately 1,600 hectares of low value forest land was improved through activities to support stand rehabilitation and stand growth,
- A continued partnership with the trusted and respected Habitat Conservation Trust Foundation to improve wildlife habitat,
- Revision and enhancement of the FESBC website content including an interactive map of project location and activities,
- FESBC successfully communicated the benefits of many projects to the public through 733 mentions in the media province-wide ranging from stories in newsprint, radio, television, blogs, social media, and on the ground government press events and,
- Zero reported safety incidents related to FESBC projects.

As of March 31, 2020, FESBC had approved 251 projects (completed and active) valued at \$235 million, including contingencies, since inception.

FESBC Priorities	Number of Projects	Committed (\$ millions)
Wildfire Risk Reduction	123	\$58.6
Improving Low Value Forests	30	\$24.9
Wildlife Habitat Improvement	15	\$8.0
Supporting the Use of Fibre	10	\$4.0
Forest Carbon Initiatives (including enhanced fibre utilization)	73	\$137.8
Contingency	-	\$2.0
<b>TOTAL</b>	<b>251</b>	<b>\$235.3</b>

### **Goal 1: Prevent and Mitigate the Impact of Wildfires**

Fire is a natural and essential ecological process in British Columbia’s forests. Balancing the potential benefits with the inherent risks of wildfire is becoming increasingly challenging, especially considering climate change. FESBC works collaboratively with Provincial agencies, local governments, First Nations, and rural communities to support both risk reduction and mitigation activities associated with wildfires.

#### **Objective 1.1: Enhance wildfire risk reduction activities for B.C. communities and improve ecosystem resiliency**

##### **Key Highlights**

- Funded 78 wildfire risk reduction projects, of which 11 were completed.
- As a member of the BC FireSmart Committee, FESBC supported the expansion and delivery of the FireSmart program for 190 local governments (including 162 municipalities and 28 regional districts) and 208 First Nations communities across the province. In 2019/20, over 93,000 FireSmart informational items were distributed from website orders, including 55,000 BC “FireSmart Begins at Home” manuals.
- Enabled approximately 80 communities to conduct wildfire risk reduction treatments in adjacent forested areas, reducing wildfire risks to their citizens, civic infrastructure, residential homes, and commercial investments.

Performance Measure(s)		2018/19 Actuals <sup>1</sup>	2019/20 Target <sup>2</sup>	2019/20 Actuals <sup>1</sup>	2020/21 Target <sup>2</sup>	2021/22 Target <sup>2</sup>
1.1	Priority area of fuel management treatments completed.	1,236 ha	2,800 ha	2,617 ha	1,800 ha	1,400 ha

Data source: PwC financial data, FESBC Information Management System (FESIMS) Data, and FESBC Staff Input

<sup>1</sup> Actuals are based on year end financials and an average experienced cost of \$5,000 per hectare.

<sup>2</sup> Targets are determined based on associated financial forecasts and are reviewed annually in conjunction with spending plans at time of Service Plan development. 19/20 targets assumed an average cost of \$8,000 per hectare. Future years targets assume an average cost of \$5,000 per hectare.

Note: Targets for 2020/21 and 2021/22 have been revised in the [2020/21-2022/23 Service Plan](#).

## Discussion of Results

In 2019/20, FESBC achieved 93% of this performance target, with 2,617 hectares of priority fuel management treatments completed. Wildfire risk reduction projects generally require one to two years of planning and development work prior to on the ground treatments being conducted, which impacted the projected timeline for treatment activities to occur, and the subsequent projected service plan targets.

Due to the severe wildfire seasons in 2017 and 2018, there was an increased desire by B.C. communities to initiate activities that would reduce wildfire risks and protect citizens, residences, commercial values, civic infrastructure, cultural features, recreational opportunities, wildlife habitat, and emergency evacuation routes. As such, fuel management treatment project approvals were focussed in these areas. Limited wildfire activity in 2019 also facilitated progress on several projects in 2019/20.

In addition, FESBC actively collaborated as a member of the BC FireSmart Committee and in the implementation of the [Community Resiliency Initiative](#) (CRI) administered by the Union of BC Municipalities (UBCM) to mitigate wildfire threats around communities.

## Goal 2: Improve Damaged or Low-Value Forests

The impacts of catastrophic disturbances and the resulting losses to timber supply are reducing the overall forest asset value of the province. FESBC supports collaborative initiatives that will ultimately improve damaged, low-value forests for the long-term lasting benefit of British Columbians.

### Objective 2.1: Improve sustainable and reliable timber supply

#### Key Highlights

- Supported 22 stand improvement projects across the province, including in the Skeena, Cariboo-Chilcotin, Thompson Okanagan, Northeast, South Coast, and West Coast regions.
- Approved a significant, multi-year project to improve timber supply and rehabilitate areas of mountain pine beetle-killed stands in the Chilcotin area west of Williams Lake, B.C. This work is being completed by a First Nations owned and operated company.

- Improved the potential growth of overly dense hemlock and amabilis fir stands in the Skeena region near Terrace, B.C. by thinning to appropriate residual densities. This will help bring these stands to a merchantable size sooner, improving the mid-term timber supply in the area.

Performance Measure(s)		2018/19 Actuals <sup>1</sup>	2019/20 Target <sup>2</sup>	2019/20 Actuals <sup>1</sup>	2020/21 Target <sup>2</sup>	2021/22 Target <sup>2</sup>
2.1	Area of low-value and damaged forest enhanced through FESBC funded projects.	2,051 ha	2,400 ha	1,597 ha	1,300 ha	800 ha

Data source: PwC financial data, FESIMS Data, and FESBC Staff Input

<sup>1</sup> Actuals are based on data associated with current year project activities at an average experienced cost of \$2,500 per hectare and year end financials.

<sup>2</sup> Targets were determined based on financial forecasts and spending plans at time of Service Plan development and an estimated average cost of \$4,000 per hectare based on previous years activities.

Note: Targets for 2020/21 and 2021/22 have been revised in the 2020/21-2022/23 Service Plan.

### Discussion of Results

This performance measure demonstrates how FESBC supports the implementation of projects that improve low-value and damaged forests throughout the interior of B.C. and assists in the revitalization of B.C.’s forests. These damaged or currently low-value forest areas are important for rural sustainability and require intensive forest management activities and investments to realize their maximum benefit.

In 2019/20, FESBC-funded projects supported a variety of forest management activities and investments to improve damaged or low-value forests including the salvage harvesting of mountain pine beetle and fire-impacted stands, spacing of second growth stands, cone and seed collection, silviculture strategy development, and research.

Although FESBC did not achieve its target for 2019/20, many individual projects exceeded expectations. Conversely, other projects did not start as anticipated, reflecting the challenges to anticipate progress and set targets for such a diverse and complex set of activities on the land base. Most project outcomes were associated with stand rehabilitation and focussed on mountain pine beetle and fire-impacted stands.

### Goal 3: Improve Habitat for Wildlife

British Columbia’s wildlife is diverse and abundant. Some wildlife populations and their habitats, however, are in decline due to factors such as habitat loss, increasing human population, resource development, and climate change. Many of the forest enhancement projects funded by FESBC achieve multiple purposes, including wildlife habitat improvement. In addition, FESBC identifies and acts on targeted opportunities to improve wildlife populations and their habitat when funding projects to organizations with wildlife management expertise.

### **Objective 3.1: Improve wildlife habitat**

#### **Key Highlights**

- Co-funded 57 projects with the Habitat Conservation Trust Fund (HCTF) aimed at enhancing the habitat of threatened or at-risk species in British Columbia. These co-funded projects, located across all regions of the province, helped support the enhancement of wildlife habitat for a multitude of species.
- Directly supported five additional projects focussed on habitat improvement work in Haida Gwaii, and the Northeast and Cariboo regions.

<b>Performance Measure(s)</b>		<b>2018/19 Actuals<sup>1</sup></b>	<b>2019/20 Target<sup>2</sup></b>	<b>2019/20 Actuals<sup>1</sup></b>	<b>2020/21 Target<sup>2</sup></b>	<b>2021/22 Target<sup>2</sup></b>
3.1	Funding allocated for improving wildlife populations and their habitat.	\$0.34 Million	\$2.1 Million	\$1.4 Million	\$1.7 Million	\$0.5 Million

Data Source: PwC financial data, HCTF financial data, and FESIMS data

<sup>1</sup> HCTF fiscal year expenditure reports and FESBC year end financial reports.

<sup>2</sup> Targets are determined based on anticipated HCTF project cost projections, FESBC financial forecasts, and spending plans at time of Service Plan development.

Note: Targets for 2020/21 and 2021/22 have been revised in the 2020/21-2022/23 Service Plan.

#### **Discussion of Results**

FESBC improves wildlife populations and their habitat in B.C.'s forests by partnering with the HCTF on a wide range of projects that provide multiple benefits towards the enhancement of wildlife habitat in British Columbia. The HCTF and FESBC have a shared objective in the enhancement of wildlife habitat in British Columbia and are both organizations who provide funding to third parties to help achieve this shared objective.

In 2019/20, 62 projects were funded across all regions of the province which enhanced the habitat for a variety of species at risk including amphibians (southwestern B.C.), bats and moose (central B.C.), mountain caribou and wolverines (Columbia Mountains) and rattlesnakes. FESBC commits to an amount of funding each year to HCTF to co-fund project delivery, and as such results for this measure are dependant on actual spending by HCTF project proponents. Target expenditures were not achieved primarily due to lower than anticipated HCTF project expenditures.

#### **Goal 4: Support the Use of Fibre from Damaged or Low-Value Forests**

Supporting the use of post-harvest fibre from damaged or low-value forests can help to reduce greenhouse gas emissions, and encourage significant industrial activity in rural economies, creating employment and promoting economic innovation and diversification.

**Objective 4.1: Encourage diverse and innovative utilization of fibre to support employment and reduce GHG emissions**

**Key Highlights**

- Supported six active projects that utilized residual fibre which would otherwise have been burned. These projects were primarily focussed on bioenergy (wood pellets and hog fuel for generation of electricity), but some was used in longer lasting products such as cement-board siding for residential homes.

Performance Measure(s)		2018/19 Actuals <sup>1</sup>	2019/20 Target <sup>2</sup>	2019/20 Actuals <sup>1</sup>	2020/21 Target <sup>2</sup>	2021/22 Target <sup>2</sup>
4.1	Volume of residual fibre utilized.	0 m <sup>3</sup>	83,300 m <sup>3</sup>	185,141 m <sup>3</sup>	55,500 m <sup>3</sup>	27,700 m <sup>3</sup>

Data Source: PwC financial data, FESIMS Data, and FESBC Staff Input

<sup>1</sup> 2019/20 Actuals are based on data associated with current year project activities with an average experienced cost of \$13.08/m<sup>3</sup> of delivered fibre.

<sup>2</sup> Targets were determined based on financial forecasts and spending plans at time of Service Plan development and an estimated average cost of \$14/m<sup>3</sup> of delivered fibre.

Note: Targets for 2020/21 and 2021/22 have been revised in the 2020/21-2022/23 Service Plan.

**Discussion of Results**

To support communities and encourage diverse and innovative economies throughout B.C., FESBC supports the implementation of fibre recovery and utilization within feasible projects throughout the province. This performance measures tracks the volume of fibre utilized through those activities.

In 2019/20, FESBC projects supported utilization of approximately 185,000 m<sup>3</sup> of residual fibre that would have otherwise been burned, resulting in benefits such as the reduction of residual wood pile burning, increased bio-energy production, employment creation and displacement of fossil fuel use.

FESBC exceeded its target in 2019/20 largely due to the downturn in the forest industry in 2019 which brought a reduction in sawmill residual fibre that could be used by secondary fibre users such as pulp mills, and bio-energy facilities. As a result of sawmill curtailments, there was an increase in activity associated with these projects as producers looked to obtain residual fibre from cutblocks instead of sawmills.

**Goal 5: Treat Forests to Improve the Management of GHG Emissions**

British Columbia has vast forests that can be used to help sequester carbon and defer/avoid GHG emissions to help reduce the impacts of climate change. Due to trees’ ability to absorb and store carbon as they grow, their use in long-lived forest products, and their ability to create energy instead of fossil fuels, forests can positively affect atmospheric concentrations of carbon dioxide and other greenhouse gasses that are factors in causing the climate to change.

**Objective 5.1: Sequester atmospheric carbon and reduce emissions from forest activities**

**Key Highlights**

- In collaboration with Indigenous communities, completed significant reforestation of wildfire damaged areas throughout B.C. FESBC funded the planting of 10.4 million trees on approximately 8,800 hectares, and the growing of another 34.65 million seedlings for planting in future years.
- Fertilized approximately 9,600 hectares of forest land to improve tree productivity which helps to sequester carbon through increased utilization of carbon dioxide.
- Supported the utilization of approximately 865,000 m<sup>3</sup> of uneconomic residual fibre that would otherwise have been burned.

Performance Measure(s)		2018/19 Actuals <sup>1</sup>	2019/20 Target <sup>2</sup>	2019/20 Actuals <sup>1</sup>	2020/21 Target <sup>2</sup>	2021/22 Target <sup>2</sup>
5.1	Hectares treated to enhance forest carbon sequestration. <sup>1</sup>	8,902	27,000 ha	18,475 ha	27,700 ha	16,600 ha

Data Source: PwC financial data, FESIMS Data, and FESBC Staff Input

<sup>1</sup> Actuals are based on data associated with completed fiscal year project activities.

<sup>2</sup> Targets were determined based on financial forecasts and spending plans at time of Service Plan development and estimated average costs of \$1,200 per hectare planting costs for 2019/20, \$1,400 per hectare planting costs for 20/21 and 2021/22, and \$500 per hectare for fertilization.

Note: Targets for 2020/21 and 2021/22 have been revised in the 2020/21-2022/23 Service Plan.

Performance Measure(s)		2018/19 Actuals	2019/20 Target <sup>2</sup>	2019/20 Actuals <sup>1</sup>	2020/21 Target <sup>2</sup>	2021/22 Target <sup>2</sup>
5.2	Enhanced utilization of roadside fibre to avoid forest carbon emissions. <sup>2</sup>	233,610 m <sup>3</sup>	599,000 m <sup>3</sup>	864,660 m <sup>3</sup>	616,000 m <sup>3</sup>	369,000 m <sup>3</sup>

Data Source: PwC financial data, FESIMS Data, and FESBC Staff Input

<sup>1</sup> 2019-20 Actuals are based on data associated with current year project activities with an average experienced cost of \$11.47/m<sup>3</sup> of delivered fibre.

<sup>2</sup> Targets were determined based on financial forecasts and spending plans at time of Service Plan development.

19/20 targets assumed an estimated average cost of \$18.00/m<sup>3</sup> of delivered fibre and future years targets assume an average of \$14.00/m<sup>3</sup>.

Note: Targets for 2020/21 and 2021/22 have been revised in the 2020/21-2022/23 Service Plan.

**Discussion of Results**

Working with FLNRORD carbon experts, FESBC is committed to taking action on climate change. In 2019/20, FESBC engaged in projects designed to identify and capture opportunities to sequester future forest carbon and reduce GHG emissions. These actions are in alignment with the provincial Forest Carbon Strategy, CleanBC, and the Forest Carbon Initiative.

Performance measure 5.1 tracks a combination of area that was fertilized and area that was reforested. In 2019/20, 9,642 hectares were fertilized, and 8,833 hectares were reforested as a result of FESBC funded projects. Many benefits resulted from this work including soil

stabilization, water quality improvement and habitat enhancement. In addition, employment and socioeconomic benefits were realized with local contractors being employed in communities adjacent to or within areas impacted by catastrophic wildfires in 2017 and 2018. The variance between targets and actuals for performance measure 5.1 was largely due to refinement of project plan projections early in the fiscal year and more reliable data on project implementation.

Performance measure 5.2 exceeded its target in response to a greater than anticipated need for funding in support of fibre utilization. The overall downturn in the forest sector in 2019 resulted in closures and curtailments in the sawmill sector, which in turn impacted the availability of mill residuals for secondary users such as pulp mills, pellet producers, and bio-energy facilities. As a result, a need quickly emerged for increased recovery of uneconomic fibre from the woods that would otherwise have been burned, and FESBC adapted to meet this demand. This increase in activity was instrumental in helping secondary fibre users with their fibre supply needs and helped maintain employment in the forest sector.

## **Financial Report**

### **Discussion of Results**

FESBC's revenue recognition policy is set out in the attached financial statements and is linked to expenditures.

Administrative expenditures increased \$553,000, or 25% over the prior fiscal year, primarily in the areas directly related to grant administration. These include third party administration, professional fees and personnel costs.

Compared to budget, administrative expenditures were significantly lower for 2019/20, due in part to the reclassification of \$2 million into administration from grants in the budget.

## Resource Summary

(\$000)	2018/19 Actual	2019/20 Budget	2019/20 Actual	2019/20 Variance
<b>Revenue</b>				
Contribution from Province	23,798	77,935	58,150	(19,785)
Other Income & Recoveries	3,839	4,105	2,744	(1,361)
<b>Total Revenue</b>	<b>27,637</b>	<b>82,040</b>	<b>60,894</b>	<b>(21,146)</b>
<b>Expenses</b>				
Grants	25,446	75,916	58,150	(17,766)
Administration	2,181	6,124	2,719	(3,405)
Capital Asset Amortization	10	0	25	25
<b>Total Expenses</b>	<b>27,637</b>	<b>82,040</b>	<b>60,894</b>	<b>(21,146)</b>
<b>Net Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities</b>	208,698	109,967	150,646	40,679
<b>Capital Expenditures</b>	35	64	41	(23)
<b>Accumulated Surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Note 1:** The above financial information was prepared based on current Generally Accepted Accounting Principles.

**Note 2:** Expenses include purchases from the province for project delivery (Grants - \$16,618) and seconded employees (Administration - \$407)

## Variance and Trend Analysis

Project delivery has, and will continue to be, uncertain due to the proponent-driven model for FESBC funding deployment and other external factors.

The factors that contributed to project completion and associated expenditure variances are:

- Contractor and consultant capacity in B.C. (staff and equipment) is still building to match the demand for all the work that needs to be done,
- Many project delivery partners are new to providing large-scale forestry services (e.g. small local entrepreneurs, First Nations companies),
- Proponent plans and delivery projections that were overly optimistic and not achieved, and
- A significant forest industry downturn in 2019 that had a variable impact on project implementation targets. The downturn resulted in increased activity in projects focussed on recovery and utilization of uneconomic fibre, but delayed completion of components of several projects focussed primarily on wildfire risk reduction.

Grant expenditures increased \$32.7 million over the prior year, a 130% increase, but were \$17.8 million (23%) less than budgeted. Increases over prior year expenditures were planned to occur as projects were approved and implemented from the initially funding of FESBC operations in February 2016 and addition of \$150 million, for forest carbon initiatives, in February 2017.

\$9.5 million of the budgetary variance occurred in Goal 1, Prevent and Mitigate the Impact of Wildfires, grant expenditures. The financial budgetary variance ratio contrasts with the much lower variance in the area treated due to unit costs being 38% lower than predicted. A similar experience with unit costs for Goal 2, Improve Damaged or Low-Value Forests, grant expenditures contributed to a \$4.6 million variance from the target, while actual results for Goal 5, Treat Forests to Improve the Management of GHG Emissions, were achieved with expenditures of \$4.5 million less than targeted.

## Risks and Uncertainties

The factors listed in the section above will continue to be risks to FESBC project delivery. The forestry sector economic downturn in 2019/20 also presents the risk to project delivery if the contractor community does not have the economic confidence to continue to invest to further increase staff and equipment in order to increase the overall capacity to enhance B.C.'s forests.

The considerable uncertainty due to the COVID-19 pandemic and restrictions that may be imposed on physical operations for projects will be somewhat mitigated as the sector creates way to conduct work in the forest while protecting workers and the communities they interact with. Interest rate uncertainty that could reduce interest revenues is partially mitigated by locking in rates in conservative investments. The continuation of the general downturn in forest product markets, timber harvesting curtailments and the commensurate risk of fewer opportunities for utilization of incidental wood fibre is mitigated by being nimble and flexible in re-locating projects so as to capitalize on the opportunities as they arise.

## **Financial Statements and Independent Auditors' Report**

Financial Statements of

### **FOREST ENHANCEMENT SOCIETY OF BC**

And Independent Auditors' Report thereon

Year ended March 31, 2020

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Forest Enhancement Society of BC ("FESBC") are the responsibility of FESBC's management and have been prepared in compliance with legislation, and in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

FESBC's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by FESBC. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on FESBC's financial statements.



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Steve Kozuki  
Executive Director



KPMG LLP  
St. Andrew's Square II  
800-730 View Street  
Victoria BC V8W 3Y7  
Canada  
Telephone 250-480-3500  
Fax 250-480-3539

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Forest Enhancement Society of BC, and  
To the Minister of Forests, Land, Natural Resource Operations and Rural  
Development, Province of British Columbia

### **Opinion**

We have audited the financial statements of Forest Enhancement Society of BC (the "Society"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2020 are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



### ***Emphasis of Matter – Financial Reporting Framework***

We draw attention to note 1 to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Legal and Regulatory Requirements**

As required by the *Societies Act (British Columbia)*, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Victoria, Canada  
May 21, 2020

# FOREST ENHANCEMENT SOCIETY OF BC

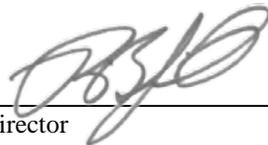
Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
<b>Financial assets:</b>		
Cash and cash equivalents (note 2)	\$ 132,292,329	\$ 147,396,230
Investments (note 3)	13,483,891	59,800,193
Accounts receivable (note 4)	113,057	74,815
	145,889,277	207,271,238
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	3,668,142	5,330,067
Deferred contributions (note 5)	146,977,722	203,368,121
	150,645,864	208,698,188
<b>Net debt</b>	(4,756,587)	(1,426,950)
<b>Non-financial assets:</b>		
Tangible capital assets (note 6)	68,512	52,623
Prepaid expenses and grants (note 7)	4,688,075	1,374,327
	4,756,587	1,426,950
<b>Commitments (note 10)</b>		
<b>Accumulated surplus</b>	\$ -	\$ -

See accompanying notes to financial statements.

Approved by the Board:

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

## FOREST ENHANCEMENT SOCIETY OF BC

### Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	Budget (note 8)	2020	2019
<b>Revenues:</b>			
Deferred contributions recognized	\$ 82,040,000	\$ 60,893,287	\$ 27,636,597
Other	-	648	585
	82,040,000	60,893,935	27,637,182
<b>Expenses:</b>			
Amortization	-	25,301	9,846
Grants issued	75,916,000	58,150,322	25,446,446
Grant administration	5,095,942	1,589,840	1,129,833
Occupancy	61,933	50,799	49,473
Office and general	40,092	48,345	57,033
Professional fees	112,608	238,416	222,260
Salaries and benefits	696,925	688,538	600,450
Travel and transportation	116,500	102,374	121,841
	82,040,000	60,893,935	27,637,182
Annual surplus	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

## FOREST ENHANCEMENT SOCIETY OF BC

### Statement of Changes in Net Debt

Year ended March 31, 2020, with comparative information for 2019

	Budget (note 8)	2020	2019
Annual surplus	\$ -	\$ -	\$ -
Acquisition of tangible capital assets	(64,000)	(41,190)	(35,059)
Amortization of tangible capital assets	-	25,301	9,846
	(64,000)	(15,889)	(25,213)
Increase of prepaid expenses	-	(3,313,748)	(1,356,563)
Change in net debt	(64,000)	(3,329,637)	(1,381,776)
Net debt, beginning of year	(1,426,950)	(1,426,950)	(45,174)
Net debt, end of year	\$ (1,490,950)	\$ (4,756,587)	\$ (1,426,950)

See accompanying notes to financial statements.

## FOREST ENHANCEMENT SOCIETY OF BC

### Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ -	\$ -
Items not involving cash:		
Amortization	25,301	9,846
Deferred contributions recognized	(60,893,287)	(27,637,182)
Changes in non-cash operating working capital		
Accounts receivable	(38,242)	(58,651)
Prepaid expenses	(3,313,748)	(1,356,563)
Accounts payable and accrued liabilities	(1,661,925)	5,270,696
Interest earned on deferred contributions	4,502,888	3,839,646
	(61,379,013)	(19,932,208)
Capital activities:		
Purchase of tangible capital assets	(41,190)	(35,059)
Investing activities:		
Investments matured	46,316,302	34,158,920
Financing activities:		
Grants received	-	-
Increase (decrease) in cash and cash equivalents	(15,103,901)	14,191,653
Cash and cash equivalents, beginning of year	147,396,230	133,204,577
Cash and cash equivalents, end of year	\$ 132,292,329	\$ 147,396,230

See accompanying notes to financial statements.

# FOREST ENHANCEMENT SOCIETY OF BC

Notes to Financial Statements Year ended March 31, 2020

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Forest Enhancement Society of BC ("FESBC") was incorporated on February 16, 2016 under the *Society Act* (British Columbia) and transitioned to the new *Societies Act* (British Columbia) on June 9, 2017. Its principal activity is to advance and advocate for the environmental and resource stewardship of BC's forests.

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020 and has had a significant financial, market and social dislocating impact worldwide. There were no significant financial impacts to FESBC as at March 31, 2020, however, the ongoing impact of the pandemic presents uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have an impact on future operations in terms of investment income and the timing and amount of future grants. An estimate of the future financial effect is not practicable at this time.

## 1. Significant accounting policies:

### (a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 198/2011 issued by the Province of British Columbia Treasury Board. The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 198/2011 requires that restricted contributions received or receivable other than for acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset be treated as a deferred contribution and the associated liability reduced, and revenue recognized, in the fiscal period during which the stipulation or restriction the contribution is subject to is met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result, revenue recognized in the statement of operations and deferred contributions would be recorded differently under Canadian Public Sector Accounting Standards.

# FOREST ENHANCEMENT SOCIETY OF BC

Notes to Financial Statements Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

(b) Revenue recognition:

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

Investment income is reported in the period earned. When required by the funding party or related Act, investment income earned on deferred revenue is added to the deferred revenue balance.

(c) Deferred contributions:

Deferred contributions includes contributions received with stipulations that meet the description of restricted contributions in the Restricted Contributions Regulation 198/2011 issued by Treasury Board. When restrictions are met, deferred revenue is recognized as revenue in the fiscal period in a manner consistent with the circumstances and evidence used to support the initial recognition of the contributions received as a liability as detailed in Note 1(a).

(d) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with terms to maturity of three months or less at the date of purchase and redeemable investments.

(e) Investments:

Investments include fixed rate investments with maturity dates greater than three months at the time of acquisition. Investments are reported at cost plus accrued interest.

(f) Tangible capital assets:

Tangible capital assets acquired are recorded at cost which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

Amortization is provided on a declining balance basis over the estimated useful life of the assets using the following annual rates:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	55%
Vehicles	Declining balance	30%
Telephones	Declining balance	20%
Leasehold improvements	Straight line	3 years

One-half of the annual rate is used in the year of acquisition.

# FOREST ENHANCEMENT SOCIETY OF BC

Notes to Financial Statements Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

(f) Tangible capital assets (continued):

Tangible capital assets are written down to residual value when conditions indicate they no longer contribute to the ability of FESBC to provide services or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs are accounted for as expenses in the Statement of Operations. Intangible assets are not recorded as assets in these financial statements.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market and derivative contracts that are not designated in a qualifying hedging relationship are subsequently measured at fair value and all changes in the fair value are recognized in the statement of operations in the period incurred. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. FESBC has not elected to carry any financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal period if there are indicators of impairment. If there is an indicator of impairment, FESBC determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount FESBC expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(h) Use of estimates:

The preparation of 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 financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

## FOREST ENHANCEMENT SOCIETY OF BC

Notes to Financial Statements Year ended March 31, 2020

### 2. Cash and cash equivalents:

	2020	2019
Cash in bank	\$ 50,899,958	\$ 62,196,378
Redeemable Guaranteed Investment Certificate due February 22, 2021	80,241,096	80,235,068
Cash on deposit	1,151,275	4,964,784
	\$ 132,292,329	\$ 147,396,230

### 3. Investments:

Investments consist of a Guaranteed Investment Certificate bearing interest at a rate of 2.18% with a maturity date of May 4, 2020.

### 4. Accounts receivable:

	2020	2019
Accrued interest receivable	\$ 79,976	\$ 37,958
GST receivable	33,081	36,857
	\$ 113,057	\$ 74,815

### 5. Deferred contributions:

On March 31, 2016, the Province provided FESBC with a grant of \$85,000,000 to be used to further FESBC's purposes, aims, and objectives in collaboration with stakeholders, including the provincial government. On February 24, 2017, the Province provided FESBC with a further grant of \$150,000,000 for the same purpose. If any of the funds cannot be actively committed to achieving FESBC's stated purposes and objectives, they must be returned to the Province. The grants were recognized as deferred contributions, and are used to fund the operating expenses and grants issued by FESBC. Interest earned on the grants is deferred and used to fund eligible expenses incurred by FESBC.

	2020	2019
Balance, beginning of year	\$ 203,368,121	\$ 227,165,657
Restricted contributions received	-	-
Restricted interest income	4,502,888	3,839,061
Amount recognized as revenue in the period	(60,893,287)	(27,636,597)
Balance, end of year	\$ 146,977,722	\$ 203,368,121

## FOREST ENHANCEMENT SOCIETY OF BC

Notes to Financial Statements Year ended March 31, 2020

### 6. Tangible capital assets:

March 31, 2020	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 18,870	\$ 10,058	\$ 8,812
Computer equipment	16,258	12,580	3,678
Vehicles	71,584	15,997	55,587
Telephones	947	512	435
Leasehold improvements	15,072	15,072	-
	<b>\$ 122,731</b>	<b>\$ 54,219</b>	<b>\$ 68,512</b>

March 31, 2019	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 18,200	\$ 7,940	\$ 10,260
Computer equipment	12,263	10,527	1,736
Vehicles	35,059	-	35,059
Telephones	947	403	544
Leasehold improvements	15,072	10,048	5,024
	<b>\$ 81,541</b>	<b>\$ 28,918</b>	<b>\$ 52,623</b>

### 7. Prepaid expenses and grants:

	2020	2019
Funds advanced to grant administrators	\$ 4,680,045	\$ 1,365,267
Other	8,030	9,060
	<b>\$ 4,688,075</b>	<b>\$ 1,374,327</b>

### 8. Budget:

The budget figures presented were approved by the Board in February 2019. Grants issued and tangible capital asset acquisitions were approved as included in FESBC's Service Plan dated February 2019.

## FOREST ENHANCEMENT SOCIETY OF BC

Notes to Financial Statements Year ended March 31, 2020

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### 9. Financial risks and concentration of risk:

(a) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes in FESBC's cash flows, financial position and annual surplus. Cash in the bank earns interest on a variable rate based on Prime and Bank of Canada rates. FESBC manages interest rate risk by forecasting cash flow needs and investing in fixed rate guaranteed investment certificates set to mature when cash expenditures are forecasted to occur.

(b) Liquidity risk:

Liquidity risk is the risk that FESBC will be unable to fulfill its obligations on a timely basis or at a reasonable cost. FESBC manages its liquidity risk by monitoring its operating requirements. FESBC prepares budget and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. FESBC is not exposed to currency risk, as all transactions are denominated in Canadian dollars.

### 10. Commitments:

FESBC has entered into a contract a third party to administer services related to the delivery and implementation of FESBC's Forest Enhancement Program. The annual administrative fees for each of the next 2 years is \$1,663,216 per annum.

FESBC has entered into a Letter of Agreement with The Habitat Conservation Trust Foundation ("HCTF") to jointly assess projects for co-funding that meet each agency's desired goals. The agreement does not commit a financial obligation on either party, rather results in an opportunity by FESBC to contribute towards projects that have undergone the HCTF technical review process. FESBC committed total funds up to \$5,482,417 from 2017-2020 to co-fund projects of shared interest. The fees payable to HCTF for administration are 7.5% based on the value of grants under administration.

FESBC has entered into a Letter of Agreement with The Union of BC Municipalities ("UBCM") to contribute funding towards projects administered through the FireSmart Community Funding & Supports program. The maximum amount to be contributed towards the project during the fiscal period is \$1,858,667. The fees payable to UBCM for administration are 5% based on the value of grants under administration.

FESBC has entered into an operating lease commitment for premises with monthly payments of \$1,497 until July 2020.

Approved and unadvanced grants at March 31, 2020 were \$138,230,885 (2019 - \$21,874,087).

# FOREST ENHANCEMENT SOCIETY OF BC

Notes to Financial Statements Year ended March 31, 2020

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## 11. Remuneration paid to directors, employees and contractors:

Under the new British Columbia Societies Act, effective November 28, 2016, FESBC is required to disclose in the annual financial statements all remuneration paid to directors and the annual remuneration paid to employees and contractors receiving greater than \$75,000 (up to a maximum of 10 individuals).

FESBC paid \$627,256 to five consultants and employees including secondments (2019 - \$506,023 to four employees) for services, each of whom received total annual remuneration of \$75,000 or greater.

During the year, FESBC paid total remuneration of \$11,550 (2019 - \$26,725) to directors. For director remuneration, the requirement is to disclose all remuneration paid to directors.

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Director	\$	6,300
Director		3,000
Director		2,250

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## 12. Related party transactions:

FESBC is related to all Provincial ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations in the Province. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount.

During the year, up to two of five directors of the Board were employees of the Province, and FESBC purchased services from related parties through employee secondment from the Province. These services were purchased on a cost recovery basis and totaled \$406,823 (2019 - \$384,589).

During the year, grants of \$16,617,815 were issued to recipients through the Province, Ministry of Finance and Forests, Land, Natural Resource Operations and Rural Development.

## **Appendix A: Additional Information**

### **Corporate Governance**

The Board of Directors plays a central role in the leadership of any organization. While the board may hire management to conduct day-to-day operations, the board is ultimately responsible to ensure the organization is successful and achieves its mandate. Under the *BC Societies Act*, the Directors must “manage, or supervise the management of, the activities and internal affairs of the society.”

In carrying out their responsibilities, Directors must adhere to two legal duties: the first, commonly known as the fiduciary duty, requires Directors to act honestly, in good faith, and in the best interests of the society. In the context of a government-mandated society, there is a need to balance achievement of the mandate with a consideration of other key stakeholders. The second duty is called the duty of care, which requires Directors to exercise the care, diligence, and skill that a reasonably prudent investor would exercise in making investments in light of the purposes and distribution requirements of FESBC. A sound governance scheme ensures that Directors are able to meet the standards required under the duty of care.

The Board fulfills its duty by delegating to the Executive Director responsibility for the day-to-day operations of FESBC. Directors serve part time and the Board’s role is one of governance and oversight of FESBC.

The Board’s overall governance role involves a wide range of responsibilities, including approving FESBC’s multi-year strategic plan and reviewing it annually, approving annual operating plans and budgets, monitoring FESBC’s performance, ensuring management is qualified, reviewing FESBC’s material risks, and overseeing a succession planning process to ensure continued leadership.

The Board is committed to conducting business in a legal and ethical manner.

The FESBC Board meets on an as needed basis several times each year.

### **Organizational Overview**

In February 2016, the B.C. Government announced the formation of a new organization called the Forest Enhancement Society of BC (FESBC). At the time of its formation, the B.C. Government provided an initial contribution of \$85 million to the Society. In February 2017, an additional \$150 million grant was received from the Government under its Forest Carbon Initiative.

The purposes of the Forest Enhancement Society of British Columbia are:

A. To advance environmental and resource stewardship of British Columbia's forests by:

- i. preventing and mitigating the impact of wildfires,
- ii. improving damaged or low value forests,
- iii. improving habitat for wildlife,
- iv. supporting the use of fibre from damaged and low value forests, and
- v. treating forests to improve the management of greenhouse gases.

B. To advocate for the environmental and resource stewardship of British Columbia's forests.

C. To do all such other things as are incidental and ancillary to the attainment of the foregoing purposes and the exercise of the powers of the Society.

## **Contact Information**

FESBC

101 – 925 McMaster Way

Kamloops, B.C.

V2C 6K2

Toll-Free: 1.877.225.2010

Local: 1.778.765.0980

Office Email: [office@fesbc.ca](mailto:office@fesbc.ca)

Website: [www.fesbc.ca](http://www.fesbc.ca)

For FESBC media inquiries, please contact:

Aleece Laird, Amplify Consulting Inc.

Phone: 250.574.0221

Email: [communications@fesbc.ca](mailto:communications@fesbc.ca)