



**DRAFT  
SHAREHOLDER'S LETTER OF EXPECTATIONS**

**BETWEEN**

**THE MINISTER OF FORESTS AND RANGE  
(AS REPRESENTATIVE OF THE SHAREHOLDER,  
THE GOVERNMENT OF BRITISH COLUMBIA)**

**AND**

**THE CHAIR OF FORESTRY INNOVATION INVESTMENT LTD.  
(AS REPRESENTATIVE OF THE CORPORATION)**

**PURPOSE**

This Shareholder's Letter of Expectations between the Shareholder and the Corporation is an agreement on the respective roles and responsibilities of each, and serves as the basis of agreement between the Shareholder and the Corporation on corporate mandate including high-level performance expectations, public policy issues and strategic priorities<sup>1</sup>. It will be reviewed annually and updated as required. The Shareholder's Letter of Expectations is the basis for the development of the Corporation's Service Plans and Annual Service Plan Reports. The Letter applies to the Shareholder and the Corporation. This Letter does not create any legal or binding obligations on the part of the Shareholder or the Corporation but rather is intended to define and promote a positive and co-operative working relationship.

---

<sup>1</sup> The Province of British Columbia's Crown Agency Accountability System (CAAS) ([http://www.gov.bc.ca/cas/down/crown\\_agencies\\_reader.pdf](http://www.gov.bc.ca/cas/down/crown_agencies_reader.pdf)) establishes guiding principles for the governance of Crown corporations. The CAAS also identifies roles and responsibilities for the Shareholder and Crown corporations, and provides for a Shareholder's Letter of Expectations (Letter) to be jointly developed.

## **CORPORATION ACCOUNTABILITIES**

Government has provided the following mandate direction to Forestry Innovation Investment Ltd. (FII):

- help maintain, build and diversify demand for BC forest products in key world markets,
- help break down trade and market barriers to ensure opportunities for BC wood,
- work with forest industry to promote BC's world-leading forest products and forest management to the global marketplace; and
- help ensure that the forest sector, through strong international sales, continues to be a leading contributor to the BC economy.

In responding to government's performance expectations and the general and specific frameworks and direction of the Shareholder, the Corporation will:

- conduct its affairs to achieve its mandate and the performance expectations and objectives of the Shareholder, including establishing and implementing corporate strategies, policies, programs, plans and financial outcomes that are consistent with the Shareholder's general direction and consistent with principles of efficiency, effectiveness, and customer service;
- prepare Service Plans with clearly articulated goals, objectives, strategies and performance measures and targets, and Annual Reports that detail progress toward achieving those goals, and post both documents on its website;
- display all annual Statement of Financial Information schedules prepared under the *Financial Information Act* in an easily accessible location on its website (some of this information is included in annual reports and does not need to be otherwise displayed);
- conduct its operations and financial activities in a manner consistent with the legislative, regulatory and policy framework established by the Shareholder;
- develop and implement strategies to manage risks identified in the Service Plan;
- provide the Shareholder with reports and other information that would enable the Shareholder to carry out its responsibilities;
- provide information to the Shareholder if the Corporation is unable to meet the targets identified in its Service Plan; and
- take appropriate action to ensure that if Shareholder-directed transactions affect the Service Plan or financial targets of the Corporation, the Shareholder is informed of any impacts.

In addition, the Shareholder directs the Corporation to take the following specific actions:

- continue to work closely with industry and government representatives in international markets;
- harmonize export promotion programs with those of the Government of Canada;
- maintain access to key existing markets by overcoming misconceptions about forest products, practices and wood-based construction;
- work to remove barriers in emerging markets with regard to building and fire codes, seismic characteristics, phytosanitary measures, and concerns about the reliability and

- durability of wood in certain climates and to familiarize foreign developers, builders and regulators with wood construction products and techniques;
- ensure that foreign customers and government regulators are aware of BC's sustainable forest management standards and practices;
  - continually assess FII's broader operating context to identify strategic opportunities and potential barriers that need to be overcome;
  - follow government best practices in procurement and contracting policies, including ownership of intellectual property;
  - raise other funding in such manner and on such terms and conditions as FII deems appropriate, in consultation with the Minister, for purposes of funding the Programs and the administrative costs and other expenses of FII;
  - establish investment strategies and other Programs from time to time in consultation with the FII's industry Strategy Committee, and in particular:
    - a. maintain, operate and deliver Market Development Programs in accordance with a strategy that:
      - fosters product research and development for non-proprietary forest product initiatives;
      - overcomes technical barriers to trade for the forestry industry (foreign building codes, etc.);
      - cost-shares technology transfer to the Province's primary and secondary manufacturing industries;
      - connects the Province's forest industry and government forest product marketing initiatives;
      - provides for fair representation of the Province's forest species and forest products; and
      - pursues both existing and emerging markets for forest products.
    - b. maintain, operate and deliver a Market Communications Program in accordance with a strategy that:
      - communicates British Columbia's record in sustainable forest management to key international forest product customers, stakeholders and the public through a website, promotional materials, international trade shows, conferences and other means; and
      - responds to issues raised regarding forest management practices within British Columbia, particularly where those issues may affect purchasing decisions.
  - fund non-proprietary activities undertaken by industry trade associations, research institutes, and academic institutions according to annual Requests for Proposals and transparent evaluation processes in accordance with the strategies developed for each Program;
  - manage funding processes in a timely and efficient manner;
  - reimburse eligible recipients only for costs that are reasonable and in accordance with FII's eligible cost rules;
  - ensure that programs delivered by its wholly-owned subsidiary in China are in full compliance with recognized Canadian business practices, subject to complying fully with Chinese laws and taking into account the prevalence of cash-based transactions in China;

- enter into an annual funding agreement with the Ministry of Forests and Range that will provide for, among other things, audit plans, internal audits, monthly, quarterly and annual reporting, and annual reconciliation statements;
- participate in, and implement any changes arising from, a review of the composition of the Board of Directors to be lead by the Shareholder; and
- review current policies regarding cost-sharing requirements, and make recommendations to the Minister by November 2006 for consideration in the context of any subsequent Shareholder's Letter of Expectations.

## **SHAREHOLDER'S RESPONSIBILITIES**

The Shareholder is responsible for the legislative, regulatory and public policy framework in which Crown corporations operate. In order to meet these responsibilities and support achievement of government's performance expectations, the Shareholder will:

- establish, review, revise and communicate Crown corporations' mandates;
- establish the overall and Crown-specific financial frameworks under which Crown corporations operate (borrowing, investment, and payment to the Shareholder);
- issue performance management guidelines, including guidelines for service planning and annual reports (<http://www.gov.bc.ca/cas/rpts/>);
- provide strategic input and advice to Crown corporations in the development of their Service Plans and Annual Reports;
- provide broad policy direction and confirmation of general frameworks/principles to Crown corporations, within which the Crown corporations may establish and apply specific policies/processes;
- advise Crown corporations of government's priorities, strategic decisions and public policy and performance objectives and expectations that may impact the Crown corporations; and
- issue directives or orders or sponsor submissions on behalf of Crown corporations that may be required to seek decisions or policy direction by the Executive Council or its committees, in order to facilitate Crown corporations fulfilling their mandates and achieving the performance targets outlined in Crown corporations' Service Plans.

The Shareholder has developed policies for ministries and Crown corporations for Capital Asset Management (<http://www.fin.gov.bc.ca/tbs/camf.htm>), and Board remuneration policies for Crown agencies. The shareholder has also issued Best Practice Guidelines for board governance and disclosure to be implemented by April 2006 (<http://www.fin.gov.bc.ca/oop/brdo/corporateguidelines.pdf>). During the term of this Letter, the Shareholder may provide policy direction to the Crown agency sector, and will communicate any such direction, including implementation expectations, to Crown corporations as decisions are made.

The Shareholder will also, on a continuing basis, monitor the achievement of the goals, objectives and targets identified in Crown corporations' Service Plans.

Specific to the Corporation, the Shareholder:

- approves the Company's mandate to operate under the *Business Corporations Act* ;
- confirms the role of the Minister of Finance as fiscal agent to the Corporation;
- preserves its right to broad policy direction and confirmation of general frameworks/principles, within which the Company may establish and apply specific policies and process, in the following areas:
  - Market Development;
  - BC Market Outreach Network, and
  - Corporate Services.
- will consult with FII on raising other funding in such manner and on such terms and conditions as FII deems appropriate from time to time for purposes of funding the Programs and the administrative costs and other expenses of FII;
- will deposit into the FII's bank account an amount as specified in a Funding Agreement with the Ministry of Forests and Range; and
- will review the composition of the Board of Directors to reaffirm that the strategic intent and necessary expertise are in place to facilitate efficient and effective operation.

## **AREAS OF SHARED ACCOUNTABILITY:**

### **Communications**

It is agreed by both the Shareholder and the Corporation that, to ensure effective and efficient day-to-day communications and relationship building, officials representing both parties will be tasked with implementing the contents of this Letter and keeping the Minister Responsible and the Board of Directors informed of progress in a timely fashion.

### **Reporting**

The Shareholder and the Corporation are committed to enhanced transparency and accountability to the public. The Shareholder has put in place a public reporting structure set out in the Budget Transparency and Accountability Act, the Financial Administration Act, and the Financial Information Act. The Shareholder has provided the Corporation with a reporting calendar which sets out financial and performance reporting requirements (<http://www.gov.bc.ca/cas>). The Corporation agrees that it will meet these financial and performance reporting requirements. If government determines that changes to the reporting requirements are necessary, the Shareholder will communicate these to the Corporation.

It is agreed by both the Shareholder and the Corporation that there will be advance discussion and review of key strategic documents such as Service Plans, Quarterly Financial Reports and Annual Reports. These discussions will be completed sufficiently in advance of deadlines to ensure effective and timely input by the Shareholder.

In addition to these financial and performance reporting requirements, the Corporation agrees to provide information to the Shareholder related to risks and opportunities anticipated in achieving financial forecasts.

The Shareholder and the Corporation agree that, as a matter of course, each will advise the other in a timely manner of any issues that may materially impact the business of the Corporation or the interests of the Shareholder.

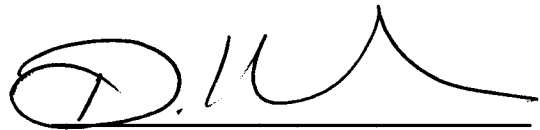
It is agreed that the Corporation will post the most recent signed copy of the Shareholder Letter of Expectations on its website. Crown Agencies Secretariat will also post a signed copy of the Letter on its website.

**Review and Revision of this Letter**

The Minister of Forests and Range is accountable for undertaking reviews of this Letter and monitoring its implementation. The Crown Agencies Secretariat is responsible for co-ordinating the overall process for preparing Shareholder's Letters of Expectation, and may assist the Minister in undertaking reviews of this Letter and monitoring its implementation. If deemed necessary by either party, the Shareholder and the Corporation will discuss any issues and may agree to amend this letter.



Honourable Rich Coleman  
Minister of Forests and Range



Doug Konkin  
Chair of the Board

*NOV 10/06*

Date

*Nov 10/06*

Date

- cc. Honourable Gordon Campbell  
Premier
- Jessica McDonald  
Deputy Minister to the Premier and Cabinet Secretary
- Dana Hayden  
Deputy Minister, Strategic Policy, Natural Resources and the Economy
- Tamara Vrooman  
Deputy Minister and Secretary to Treasury Board  
Ministry of Finance
- Molly Harrington  
A/CEO  
Crown Agencies Secretariat
- Doug Konkin  
Deputy Minister  
Ministry of Forests and Range
- Ken Baker  
Chief Executive Officer  
Forestry Innovation Investment Ltd.