



AFS/01-10-01



PEFC™

PEFC/21-1-1

AUSTRALIAN FORESTRY STANDARD LIMITED

Annual Review of Activities
2011-12



Introduction

2011-12 has been a year of consolidation for Australian Forestry Standard Limited (AFS Ltd) and for the operation of the Australian Forestry Certification Scheme (AFCS) in Australia. In addition to operating and maintaining the AFCS, AFS Ltd continued to operate as the PEFC National Governing Body for Australia.

Certification

Forest Management Certification

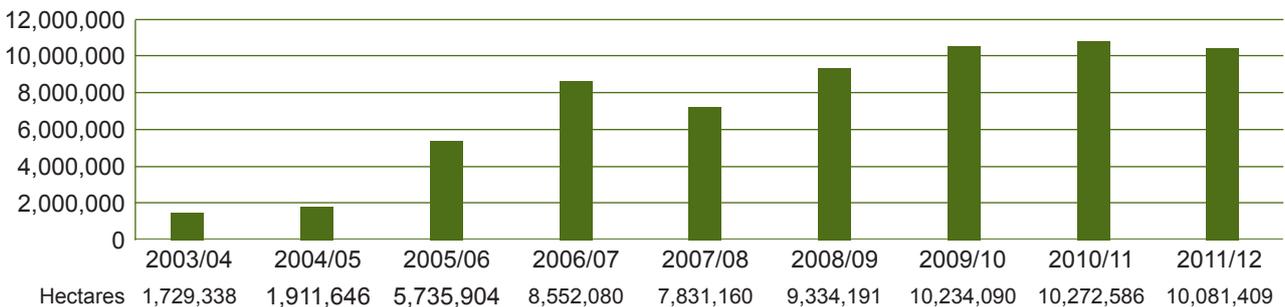
The majority of Australia’s production forests (plantations and native forests) continued to be certified against the Australian Forestry Standard (AS4708-2007 Forest management – economic, social, environmental and cultural criteria and requirements for wood production) in 2011-12.

The total area of certified forest in Australia (the sum of the individual Defined Forest Areas (DFAs)) remained relatively constant at a little over 10 million hectares. The total number of forest management certificates was unchanged at 25. However, there were some minor changes in certificates and DFAs primarily as a result of mergers and acquisitions and commercial and administrative changes in the operations of certified forest managers.

Total Forest Area Certified

The combined Defined Forest Area covered by all the current forest management certificates issued against AS4708 (Australian Forestry Standard) (hectares) as shown in Figure 1 below.

**Figure 1
Certified Hectares**



Note: Care should be taken in interpreting the above figures as the total area is highly sensitive to the way in which the public native forest managers and their certification bodies have determined the Defined Forest Areas in each case.

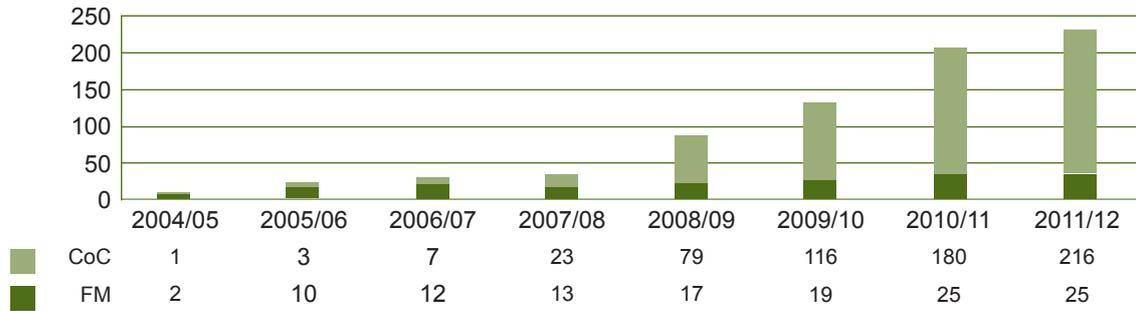
Chain of Custody Certification

AFS Ltd recognises chain of custody certificates issued against the Australian Standard (AS4707-2006 Chain of custody for certified wood and forest products) and the PEFC Standard (PEFC ST 2002:2012 Chain of Custody of Forest Based products - Requirements).

The total number of chain of custody certificates registered increased by 20% from 180 at 30 June 2011 to 216 at 30 June 2012.

For total current certificates see Figure 2 below.

Figure 2
Total Current Certificates (as at 30 June)



Note: Current Australian chain of custody certificates include those issued against AS4707 and PEFC ST 2002:2010 (and previously PEFC Annex 4).

Accredited Certification Bodies

There were no substantial changes to the number of certification bodies accredited to issue certificates against the three standards identified above. There are four certification bodies accredited by JAS-ANZ to issue certificates against AS4708 and these four, plus one additional body, are also accredited by JAS-ANZ to issue certificates against AS4707. In addition, seven other certification bodies are accredited internationally (by the relevant national accreditation body) and recognised in Australia to certify against the PEFC chain of custody standard.

Standards and Accreditation

ABSDO

AFS Ltd is one of five Australian entities accredited as a Standards Development Organisation (SDO) by the Accreditation Board for Standards Development Organisations (ABSDO). AFS Ltd was audited by ABSDO in September 2011. As a result of the audit it was determined that AFS Ltd have its accreditation as a SDO continued and a surveillance audit be carried out in one year.

PEFC

The Australia Forest Certification Scheme (AFCS) is endorsed by the Programme for Endorsement of Forest Certification (PEFC), an international non-profit, non-governmental organization dedicated to promoting Sustainable Forest Management (SFM) through independent third-party certification. With about 30 endorsed national certification systems and more than 230 million hectares of certified forests, PEFC is the world's largest forest certification system.

PEFC is an umbrella organization. It works by endorsing national forest certification systems developed through multi-stakeholder processes and tailored to local priorities and conditions. To ensure consistency across all PEFC-endorsed standards, all national systems wishing to be PEFC recognized undergo rigorous independent assessment to ensure their compliance with PEFC's Sustainability Benchmark.

PEFC criteria, regulations and guidelines also include provisions for standards development and implementation, and define requirements for stakeholder engagement in standard setting and scheme development; regional and group certification, certification and accreditation procedures, Chain of Custody, Logo Use, and complaints and appeals mechanism.

The AFCS was most recently reindorsed by the PEFC in July 2009 for a five year period ending July 2014. The reindorsement process takes approximately nine months and it will therefore be necessary for AFS Ltd to submit the necessary documentation to PEFC for the next reindorsement of the AFCS by October 2013.

In addition to the routine reindorsement process mentioned above, PEFC has also adopted a number of policies which the AFCS must be consistent with by a specified date. In November 2010, the PEFC Council General Assembly adopted three new standards (PEFC ST 1001:2010 (Standard setting – requirements), PEFC ST 1002:2010 (Group forest management certification – requirements) and PEFC ST 1003:2010 (Sustainable forest management – requirements)) and decided on a transition period of 30 months (until 13 May 2013) for all schemes which have been assessed against the current PEFC Council requirements.

Standards Review

A review of AS4708 commenced in earnest in 2011-12 and is scheduled to be completed in 2012-13.

Consistent with Standards Australia requirements, the review is being undertaken by a Standards Review Committee made up of individuals with a broad range of interests and expertise in relation to forest management.

The Committee released a revised draft standard for public comment in March 2012 and the comment period closed in May. Approximately thirty detailed submissions were received from stakeholders, primarily the forest managers who are certified against the Standard. The majority of the submissions were broadly supportive of the content of the revised draft Standard but they included more than 500 specific/individual comments or suggestions about how particular clauses in the draft could be further improved. The Committee considered all the comments and released a second public comment draft in August 2012.

A Standards Reference Committee is currently being formed for the review of AS4707 which will commence in late 2012 and it is hoped can be completed relatively quickly in early 2013.

Communications

AFS Ltd continues to undertake a range of communication activities including maintenance of its website (www.forestrystandard.org.au), limited advertising, publication of media releases and occasional opinion pieces. Distribution of a new monthly e-newsletter to members, certified organisations and stakeholders commenced in July 2012.

The Secretary General of PEFC International, Ben Gunneberg made two outreach visits to Australia in 2011-12, in July 2011 and June 2012. These visits included a range of seminars, functions and individual meetings with stakeholders and customers in Sydney, Melbourne, Perth, Adelaide, Brisbane, Canberra and Hobart. AFS Ltd very much appreciates the recognition and support provided by the PEFC Council. These visits are part of PEFC's effort to promote sustainable forest management, mainstream forest certification, improve market conditions for certified products, and to advance knowledge and collaboration.

In addition to the above activities, certified companies, through their own marketing and communication activities, make an enormous contribution to the promotion of the AFS and PEFC logos and the concept of forest management and chain of custody certification in Australia. As the number of certified companies increase, logo use is becoming more common and logo recognition is increasing. Several high profile companies producing consumer goods (particularly paper and sanitary products) have begun using the logo in recent years and this is now the major vehicle driving increased awareness of certification.

The uptake of certification in various product supply chains has been influenced by a number of public (Government) and private (corporate) procurement policies and related mechanisms. AFS Ltd continues to work to ensure that AFCS and PEFC certification are given due recognition by all such procurement policies and other such mechanisms which recognise and encourage the use of wood and paper products certified under credible forest management schemes.

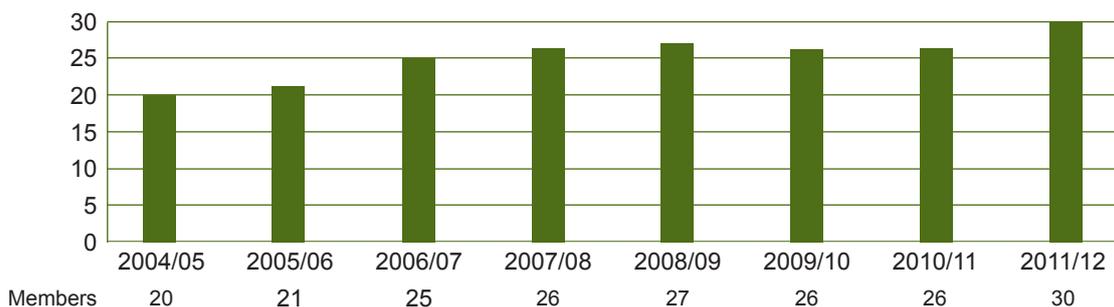
Finance and Administration

Membership

AFS Ltd is a not-for-profit public company limited by guarantee. Membership of AFS Ltd is open to all organisations and individuals who support the Objects of the company as set out in the Constitution. As at 30 June 2012 the number of AFS Ltd members had increased slightly on the previous year. AFS Ltd welcomed the following new members in 2011/12:

- Australian Forest Contractors Association Ltd
- Australian Forest Growers (rejoined)
- Australian Paper
- Green Triangle Forest Products Pty Ltd
- Victorian Association of Forest Industries.

Figure 3
Total Current AFS Ltd Members (as at 30 June)



Governance

The Directors Report and Audited Financial Reports for 2011-12 were prepared and provided to members in accordance with the Corporations Act requirements.

Several Directors retired during the 2011-12 financial year or soon after. AFS Ltd thanks Michael Bullen, Malcolm Tonkin, Ian Tyson and Travis Wacey for their contribution to the organisation as Directors. The Board also welcomed several new Directors: Julian Mathers, Nathan Trushell and Craig Smith.

At the time of preparation of this report the Directors of AFS Ltd were Mr Geoff Gorrie (Chair), Dr Hans Drielsma, Mr Wayne Hammond, Ms Jodie Mason, Mr Julian Mathers, Dr David Pollard, Mr Craig Smith and Mr Nathan Trushell.

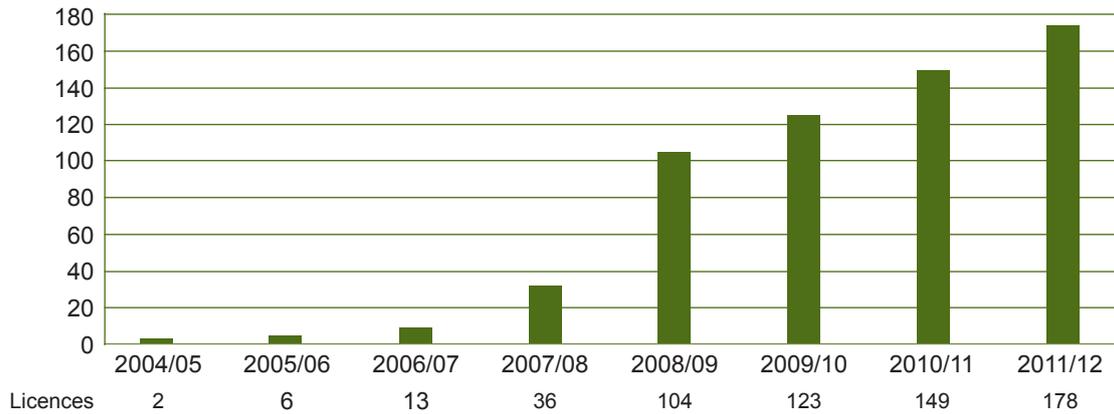
Finance

The audited accounts show the financial outcome for AFS Ltd for 2011-12 was a surplus of \$25,526, increasing Net Assets (Total Equity) to \$80,510. Net Current Assets improved from \$4,999 at 30 June 2011 to \$36,900 at 30 June 2012. Cash increased by \$76,886 over the year to \$122,103 at 30 June 2012 due to the surplus and some prepayments of membership and logo licence fees for 2012-13.

The majority of certified companies, both forest management and chain of custody, purchase a logo licence which allows them to use the AFS and/or PEFC logos on products and in promotional materials provided they do so in accordance with the logo use rules. Certified companies are not required to purchase a logo licence if they do not wish to use the logo. As the number of certificates registered has increased the number of logo licences has also increased (see Figure 4).

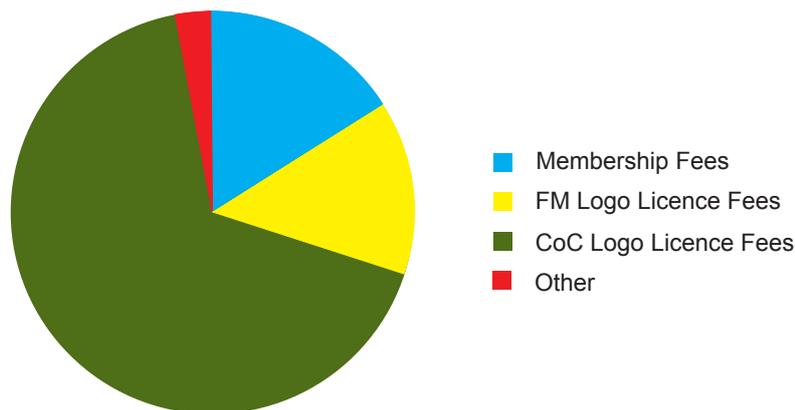
2011-12 saw the continuation of the transition of AFS Ltd’s income sources away from complete dependence on sponsorship and subscription fees paid by members towards an increased reliance on logo licence fees (see Figure 5). This transition has been anticipated since the inception of the AFCS as forest management certification is intended to be a “market-based” mechanism where the demand for certified products is pulled along the supply chain from the consumer back to the forest manager. The desire for access to the AFS and/or PEFC logo from more businesses along the supply chain suggests that there is growing demand in a number of markets.

Figure 4
Total Current AFS/PEFC Australia Logo Licences (as at June 30)



Note: Includes logo licences issued to Category B (Forest Management), Category C (Chain of Custody) and Category D (Off-product) logo user groups. Companies holding more than one certificate can have a single logo licence.

Figure 5
AFS Ltd Income by Source



Note: In the small number of instances where companies hold both FM and CoC certification their logo licence fees are included in the CoC category.

Management

Following three years as Chief Executive Officer Kayt Watts left AFS Ltd in October 2011. The Board expressed its appreciation of Kayt's efforts and achievements during her time with the company.

Richard Stanton commenced as National Secretary in October 2011. AFS Ltd had no other employees in 2011-12. On-going contract services were provided by Gary Featherston (Forest Strategy Pty Ltd) – Project Manager for the Review of AS4708; Alan Snow (Alan Snow Konsulting) – Standards development and SDO accreditation advice; and Pat Lavery – book-keeping and administrative support.