

Australian Forestry Standard Limited

ANNUAL REVIEW OF ACTIVITIES

2013–2014



OBJECTS

The objects for which the Company is established are:

- (a) to promote sustainable forest management in Australia's forests through an Australian Forestry Standard to be owned by the Company (AFS);
- (b) to support and maintain the development of the AFS, and other related or complementary standards;
- (c) to maintain accreditation as a Standards Development Organisation;
- (d) to support and facilitate the use of the AFS, and any related standards, for forestry certification within Australia; and
- (e) to seek and maintain mutual recognition for the AFS internationally.

INTRODUCTION

Australian Forestry Standard Ltd (AFS Ltd) is a not-for-profit public company that promotes the sustainable management of Australia's forests and traceability of wood products through its management of the Australian Forest Certification Scheme (AFCS).

At the heart of the AFCS sit two Australian Standards® and in order to manage the Scheme effectively, AFS Ltd is a Standards Development Organisation accredited

by the Accreditation Board for Standards Development Organisations (ABSDO) to develop and maintain Australian Standards® within its scope of accreditation.

AFS Ltd is the Australian member of the Programme for the Endorsement of Forest Certification (PEFC) and the AFCS is one of 35 national forest certification schemes endorsed by the PEFC.

Each year, AFS Ltd publishes an Annual Review of Activities to inform its members, stakeholders and the general public of progress in administering the AFCS.

This review covers the period 2013-14 and was presented to members at the Annual General Meeting of AFS Ltd in Melbourne in October 2014.

Cover and Contents photo:

House of Cupboards, WilderCoyle Furniture and Design

Winner, Excellence in the use of timber products, Australian certified timber category (sponsored by AFS Ltd), Australian Timber Design Awards 2014

Photographer: Sunny Wilder of WilderCoyle

CONTENTS

Australian Forest Certification Scheme.....	4
2012-13 Review of Activities	6
Certification	6
Forest management certification.....	6
Chain of custody certification.....	6
Accredited certification bodies.....	7
Standards and Accreditation	7
ABSDO.....	7
PEFC.....	7
Standards Review.....	8
Communications.....	9
Finance and Administration.....	9
Membership	9
Governance	9
Finance.....	10
Management	11

BOARD OF DIRECTORS

Kate Carnell AO (Chair)
Alison Carmichael
Craig Dunn
Hans Drielsma
Colin Fitzpatrick
Suzanne Little
Craig Smith
Nathan Trushell
David West

NATIONAL SECRETARY

Richard Stanton

AUSTRALIAN FOREST CERTIFICATION SCHEME

The Australian Forest Certification Scheme sets out the specifications and procedures that ensure the highest standards of management, transparency and accountability in Australia's forest sector.

In order to ensure best practice, two Australian Standards sit at the heart of the Australian Forest Certification Scheme – the Australian Standard® for Sustainable forest management (AS 4708) and the Australian Standard® for Chain of custody of forest products (AS 4707).

Australian Standard® AS 4708 provides reassurance to consumers of certified wood and paper products, that the forests from which those products originated are independently audited and verified as well managed.

Obtaining certification demonstrates that management practices meet requirements for best practice in sustainable forest management, including:

- Biodiversity of forest ecosystems is maintained or enhanced
- The range of ecosystem services that forests provide is sustained
 - they provide food, fibre, biomass and wood
 - they are a key part of the water cycle, act as sinks capturing and storing carbon, and prevent soil erosion
 - they provide habitats and shelter for people and wildlife; and
 - they offer spiritual and recreational benefits
- Chemicals are substituted by natural alternatives or their use is minimised
- Workers' rights and welfare are protected
- Local employment is encouraged
- Indigenous peoples' rights are respected
- Communities have an opportunity to provide input into the process.

Chain of custody certification against Australian Standard® AS 4707 ensures requirements for tracking certified material from the forest to the final product are met and that the wood contained in the product or product line originates from certified forests and controlled sources.

Internationally, the Australian Forest Certification Scheme is endorsed by PEFC, the world's largest sustainable forest certification scheme, which sets the highest standards for forest certification and sustainable forest management in line with society's ever evolving understanding and expectations.

The Standards are reviewed every five years to ensure they represent best management practice and reflect community expectations.





Glenworth Valley House, Sanctum Design
Winner, Excellence in the use of timber products, Australian certified timber category, Australian Timber Design Awards 2012
Photographer: Simon Wood Photography

REVIEW OF ACTIVITIES 2013–14

In 2013-14 Australian Forestry Standard Ltd (AFS Ltd) completed the reviews of the Australian Standards® which underpin the Australian Forest Certification Scheme (AFCS). The successful completion of these reviews is a fundamental requirement of AFS Ltd's accreditation as a Standards Development Organisation (SDO) by the Accreditation Board for Standards Development Organisations (ABSDO) and the ongoing endorsement of the AFCS by the international Programme for Endorsement of Forest Certification (PEFC).

2013-14 has also seen further consolidation of AFS Ltd's circumstances and, 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

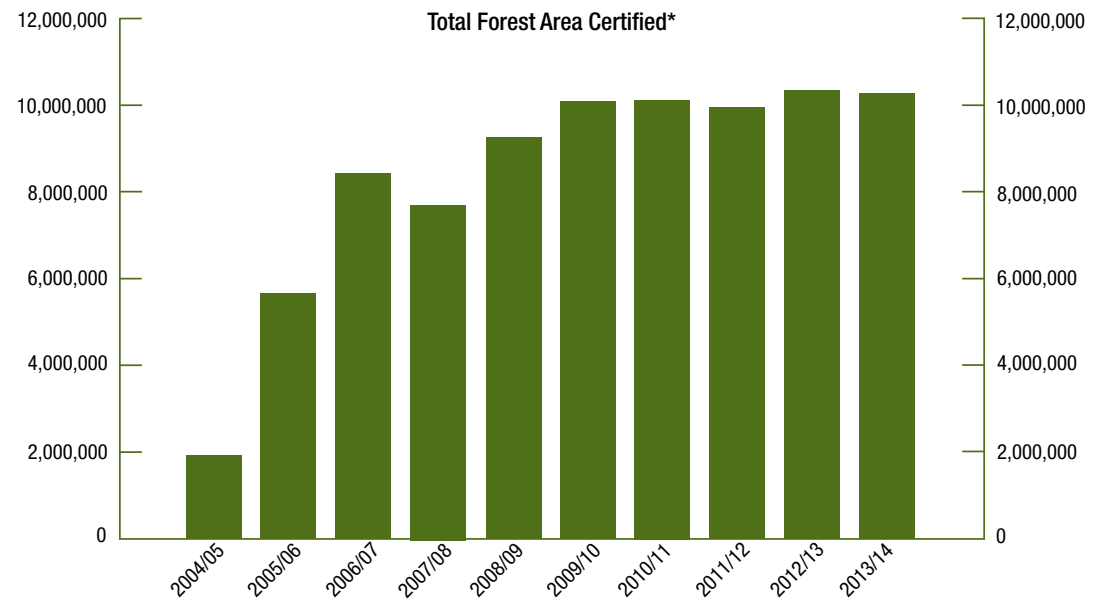
The majority of Australia's production forests (plantations and native forests) continued to be certified against the Australian Forestry Standard (AS 4708 Sustainable forest management – economic, social, environmental and cultural criteria and requirements) in 2013-14.

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 remained unchanged at 22 and 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.

Chain of custody certification

AFS Ltd recognises chain of custody certificates issued against the Australian Standard® (AS 4707 Chain of custody for forest products) and the PEFC Standard (PEFC ST 2002:2013 Chain of Custody of Forest Based Products – Requirements).



* Combined Defined Forest Area covered by all the current forest management certificates issued against AS 4708 (hectares as at 30 June). 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 Area in each case.

The total number of chain of custody certificates registered declined by 2.6%, from 235 at 30 June 2013 to 229 at 30 June 2014.

This overall decline is a combination of new certifications and the transfer, cancellation or withdrawal of certifications. There are a range of reasons why a certification may be cancelled or withdrawn including: a company's wish to no longer be certified, failure to comply with the Standard, merger, acquisition, ceasing trading or insolvency.

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 the Joint Accreditation System of Australia and New Zealand (JAS-ANZ) to issue certificates against AS 4708 and these four, plus one additional body, are also accredited by JAS-ANZ to issue certificates against AS 4707. In addition, six 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

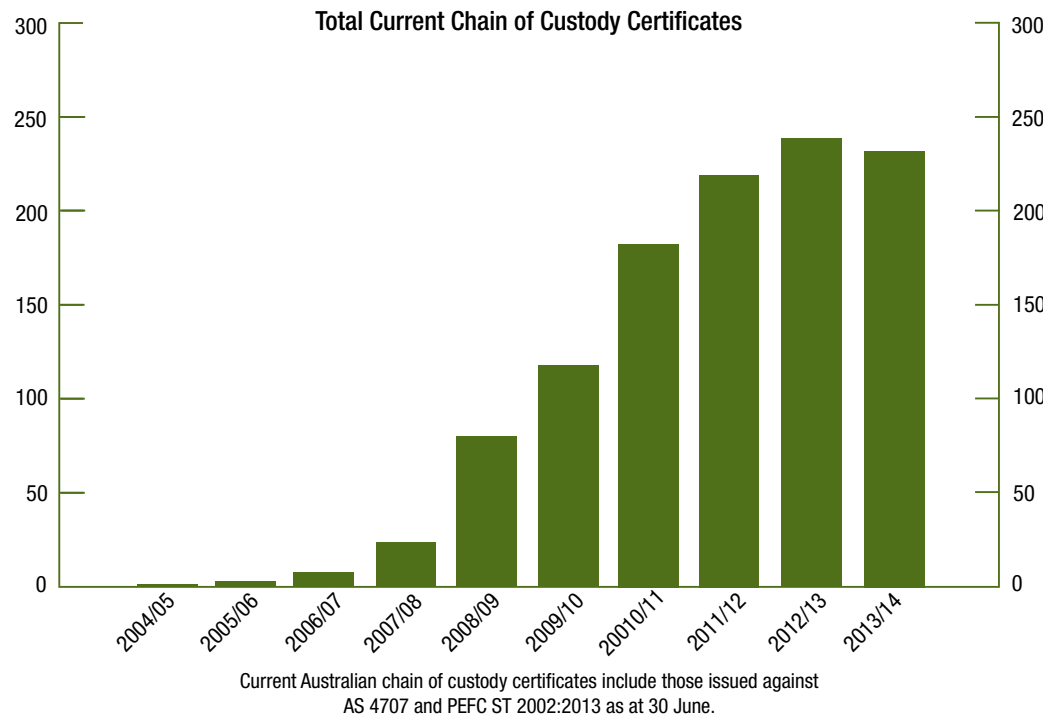
ABSDO

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 subject to a full re-accreditation audit by an ABSDO appointed auditor in November 2013. As a result of the audit ABSDO re-accredited AFS Ltd as an SDO to develop Australian Standards® for forest management and Australian Standards® that support the Australian Forest Certification Scheme. This accreditation is valid until 1 January 2017 subject to successful annual surveillance audits.

PEFC

The Australian Forest Certification Scheme (AFCS) is endorsed by the Programme for Endorsement of Forest Certification (PEFC), an international non-profit, non-governmental organisation dedicated to promoting sustainable forest management through independent third-party certification. With 35 endorsed national certification systems and approximately 250 million hectares of certified forests, PEFC is the world's largest forest certification system.

PEFC is an umbrella organisation. 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 recognised undergo rigorous independent assessment to ensure their compliance with PEFC's Sustainability Benchmarks.

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 a complaints and appeals mechanism.

The AFCS was most recently re-endorsed by the PEFC in July 2009 for a five year period ending July 2014. The re-endorsement process takes approximately nine months and, in light of a number of developments, AFS Ltd sought a six month extension to its endorsement.

An extension to 14 January 2015 was granted by the PEFC Board of Directors. AFS Ltd prepared the necessary documentation for the next PEFC re-endorsement during 2013-14 and it was submitted in July 2014.

In addition to the routine re-endorsement process mentioned above, 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.

PEFC undertook an extraordinary assessment process of the compliance of schemes with key elements of the three new standards and AFS Ltd provided all the necessary documents to ensure the ongoing PEFC endorsement of the AFCS.

Standards Review

The review of AS 4708:2007 which commenced in earnest in 2011-12 was essentially completed in May 2013. The revised Standard AS 4708:2013 was published in August 2013. All new certifications after publication of the revised Standard were required to be against the revised Standard. Existing certified companies had 12 months to transition to the revised Standard.

Consistent with Standards Australia requirements, the review was undertaken by a Standards Review Committee (SRC4708) made up of individuals with a broad range of interests and expertise in relation to forest management. The Committee released two versions of a revised draft standard for public comment, one in March 2012 and the second in August 2012.

The process to review the Australian Standard® for Chain of custody for forest products (AS 4707:2006) was initiated in mid-2013 and AFS Ltd approved a revised Standard in May 2014.

The review of AS 4707:2006 was carried out by a Standards Reference Committee (SRC4707) in accordance with the AFS Ltd procedures and as required by the Accreditation Board for Standards Development Organisations (ABSDO). The SRC4707 comprised 12 people who collectively represent all parts of the forest products industry sector in Australia and span all significant interests. An independent chair was appointed for the committee.

A draft revised standard based on the Programme for Endorsement of Forest Certification's ST 2002:2013 was prepared and provided for public comment from 6 September to 15 November 2013. A total of 10 submissions were received. Submissions addressed a range of issues and clauses and each of these was specifically discussed by the SRC4707 and a decision was taken on how to deal with each.

AS 4707:2014 was published in July 2014. Certification bodies can continue to issue certificates against AS 4707:2006 until 31 December 2014. From 1 January 2015 all new chain of custody certificates must be issued against AS 4707:2014.

Existing certified clients may choose for their next scheduled audit, following the publication of AS 4707:2014, to be audited against either AS 4707:2014 or AS 4707:2006. Transition from AS 4707:2006 to AS 4707:2014 may occur during a surveillance audit. If the client chooses to be audited to AS 4707:2006 a transition plan must be discussed with the audit team and described in the audit report. All clients should comply with AS 4707:2014 by 31 December 2015.

From left: Ron Adams, Chairman FWPA; The Hon. Katrina Hodgkinson MP, NSW Minister for Primary Industries; Senator the Hon. Richard Colbeck, Parliamentary Secretary to the Minister for Agriculture at the Building Stronger Value Chains Seminar sponsored by AFS Ltd.



Image courtesy of Jim Bowden, Timber and Forestry eNews.

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 monthly e-newsletter to members, certified organisations and stakeholders continued in 2013-14. The AFS Ltd website was replaced with a new and much improved

version in February 2013 and this has been further improved during 2013-14 and is continuously updated.

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.

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.

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 2014, AFS Ltd had 26 members, unchanged from the previous year.

Governance

The Directors Report and Audited Financial Reports for 2013-14 were prepared and provided to members prior to the 2014 AGM, in accordance with the Corporations Act requirements.

In accordance with changes made to the AFS Ltd Constitution at the 2012 AGM, all Directors were required to retire at the 2013 AGM and new Director appointment arrangements were implemented. As a result, Erica Hansen and Julian Mathers retired from the Board and AFS Ltd thanks them both for their valuable contribution to the organisation.

Alison Carmichael, Colin Fitzpatrick, Craig Smith, Nathan Trushell and David West continued to serve

through 2013–14 as Directors appointed by the Members. Long-serving Director, Hans Drielsma, was invited by the Board to continue his vital contribution to AFS Ltd as an Independent Director. Following a public call for applications and a high level of interest, the Board also agreed to appoint Suzanne Little as an Independent Director.

Also at the 2013 AGM, Geoff Gorrie advised members that he would be retiring as Chair of the company and he reflected on the history of the company and his experience as the inaugural Chair since its commencement in 2003–04. Hans Drielsma provided

the AGM with a brief summary of Mr Gorrie's substantial contribution to AFS Ltd as the company's inaugural Chair. On behalf of all the current and former Members, Directors and staff of AFS Ltd Hans thanked Geoff for his dedication and enthusiasm.

Mr Gorrie attended the PEFC Annual General Assembly in Kuala Lumpur, Malaysia, 11-15 November 2013 as the AFS Ltd delegate and stepped down as a Director and Chair on 2 December 2013.

The AGM was also advised that the Directors intended to appoint Ms Kate Carnell AO as an Independent

Director and Chair of AFS Ltd commencing 2 December 2013. Ms Carnell is currently CEO of the Australian Chamber of Commerce and Industry and has substantial skills and experience including as the:

- Chief Minister of the ACT;
- Chief Executive of the National Association of Forest Industries;
- Chair of the Cooperative Research Centre for Forestry; and
- CEO of Beyond Blue and the Australian Food and Grocery Council.

Finance

The audited accounts show the financial outcome for AFS Ltd for 2013-14 was a surplus of \$182,362, increasing Net Assets (Total Equity) to \$385,173. Net Current Assets improved from \$178,994 at 30 June 2013 to \$371,146 at 30 June 2014. Cash increased by \$170,487 over the year to \$427,084 at 30 June 2014 due to the surplus.

AFS Ltd is a not-for-profit company. The Board has sought to build a small surplus to ensure that the company can operate effectively and manage any future changes in financial circumstances in an orderly manner. This has now essentially been achieved and will allow the company to increase investment in marketing and communication and to start making provisions for future review processes during 2014-15.



Dr Hans Drielsma presents Geoff Gorrie, inaugural and outgoing Chair of AFS Ltd, with a gift in recognition of his long and outstanding service to the Company.



From left: Kate Carnell AO, Chair, Australian Forestry Standard Ltd; John Halkett, General Manager, Australian Timber Importers Federation; Senator the Hon. Richard Colbeck, Parliamentary Secretary to the Minister for Agriculture; Suzanne Little, Director, Australian Forestry Standard Ltd at the Australian Timber Design Awards Presentation Night.

During 2013-14 AFS Ltd advised that it has established new arrangements for the registration of certificates issued under the Australian Forest Certification Scheme (AFCS) and PEFC Scheme in Australia and the collection of AFCS/PEFC notification fees associated with those certificates. These arrangements cover certificates issued against the forest management standard (AS 4708) and chain of custody standards (AS 4707 and PEFC ST 2002:2013).

These new arrangements do not involve any increase in AFCS/PEFC Australia logo licence fees. However,

the timing and mechanism for fee collection changed from 1 July 2014 and the requirement for all certified companies to pay the fee, regardless of their intention to use the AFS/PEFC logos, is now being enforced.

Under the new arrangements Certification Bodies (CBs) are responsible for collecting AFCS/PEFC notification fees annually from all clients as part of the certification/recertification/surveillance process and they will pass these fees on to AFS Ltd.

All certified companies will be entitled to use the AFS and/or PEFC logos (as appropriate and in accordance with the rules) provided they have entered into a logo licence agreement with AFS Ltd. Certified companies will no longer be required to pay a logo licence fee directly to AFS Ltd. AFS Ltd continues to urge all certified companies to make maximum use of the logos to improve community and customer awareness.

2013-14 saw little change in the balance of income sources between subscription fees paid by members and logo licence fees.

MANAGEMENT

Richard Stanton, National Secretary and Jennifer Litteboy, Administration/Communications Officer continued as AFS Ltd's only employees in 2013-14.

On-going contract services were provided by:

- Mark Parsons – *Project Manager for the Review of AS4707*
- Alan Snow (Alan Snow Consulting) – *Standards development and SDO accreditation advice*
- Pat Lavery – *Book-keeping and administrative support*
- Victoria Taylor (Flourish Communications) – *Communications support.*



Australian Forestry Standard Ltd
PO Box 7031
Yarralumla ACT 2600
Ph: +61 (2) 6122 9000
Em: info@forestrystandard.org.au
www.forestrystandard.org.au