Australian Forestry Standard Ltd
Trading as Responsible Wood
ABN 34 105 321 702

30 Boothby Street
Kedron Qld 4031

PO Box 786
New Farm Qld 4005

T +61 7 3359 1758
E info@responsiblewood.org.au

responsiblewood.org.au

Responsible Wood RW/1-10-1

Meeting your ESG Obligations using Responsible Wood and PEFC Certified Forest Products

Executive Summary

This overview explores how the alignment of Environmental, Social, and Governance (ESG) principles with the Australian Standard for Sustainable Forest Management (SFM)-AS/NZS 4708-2021.ESG frameworks can help organisations implement practices promoting environmental sustainability, social justice, and responsible governance, which are increasingly essential for managing reputational and operational risks, meeting stakeholder expectations, and contributing to societal and environmental goals. Originating in response to regulatory and investor demand, ESG has become vital for long-term value creation and aligning with global sustainability initiatives.

AS/NZS 4708 defines sustainable forest management as the practice of meeting timber and paper forest resource needs while protecting environmental, social, economic, and cultural values for future generations. Core pillars include environmental, economic, social, and cultural sustainability, with an emphasis on ecological conservation, economic viability, community welfare, and respect for Indigenous rights. The standard's rigorous independent third-party audited certification process, developed collaboratively, ensures scientific validity and inclusivity, with audits by competent experts ensuring integrity and credibility.

Annual audits under AS/NZS 4708 go beyond mere reporting, reinforcing operational consistency and encouraging adaptive management to identify gaps, drive continuous improvement, and ensure impact alignment with sustainability and ESG objectives. These audits also track environmental, social, and economic impacts, enhancing transparency and stakeholder trust while proactively managing risks.

The AS/NZS 4708 standard demonstrates key ESG indicators are being met in the procurement of timber and paper products:

- Environmental - Emphasises efficient resource use, emissions reduction, waste management, biodiversity protection, and pollution prevention.
- Social - Focuses on employee health and safety, diversity, community engagement, human rights, with specific respect for Indigenous rights and integration of traditional knowledge and consumer protection.
- Governance - Encompasses ethical leadership, anti-corruption, regulatory compliance, and transparent reporting, reinforcing ethical governance and cultural sustainability.

The integration of Indigenous values within AS/NZS 4708 further strengthens its alignment with ESG by addressing stakeholder inclusivity and supporting cultural heritage. This alignment

ensures AS/NZS 4708 not only provides a robust framework for responsible forestry but also upholds the broader ESG criteria, promoting a balanced, sustainable approach to forest management.

Definition of ESG (Environmental, Social, and Governance)

ESG, as outlined in a recently published ISO document "PD ISO IWA 48:2024-Framework for the Implementing Environmental, Social and Governance (ESG) Principles, is a strategic and operational framework designed to help organisations implement and report on practices that promote environmental sustainability, social justice, and responsible governance. ESG helps organisations consider their impact on society and the environment and manage the influence these external factors have on the organisation itself.

Origins of ESG

The concept of ESG has evolved to address the growing concerns around sustainability and corporate responsibility. ESG frameworks are increasingly influenced by regulatory and voluntary standards globally, such as the UN Sustainable Development Goals (SDGs). Initially driven by investor interest and regulatory demand, ESG has become essential for building trust, meeting stakeholder expectations, and managing reputational and operational risks.

Core Elements of ESG

The core elements of ESG are outlined in the sections below.

Environmental (E)

Focuses on reducing negative impacts on the planet. This includes climate change mitigation, sustainable resource use, pollution prevention, biodiversity conservation, and energy efficiency.

Social (S)

Involves addressing social issues such as human rights, labour practices, community relations, health and safety, and consumer privacy. It also includes engagement with and support for stakeholders, including employees and communities.

Governance (G)

Relates to how an organisation is managed. It includes corporate governance practices, board composition, executive compensation, anti-corruption measures, political involvement, and respect for the rule of law and property rights. Governance ensures that environmental and social efforts are overseen effectively and are an integral part of the organisation's operations.

Broad Criteria and Indicators for ESG

Environmental Indicators

Resource use efficiency, emissions reductions, waste management, biodiversity impact, and pollution prevention.

Social Indicators

Employee well-being, health and safety, diversity and inclusion, community engagement, human rights adherence, and consumer protection.

Governance Indicators

Board diversity, executive pay linked to sustainability, ethical behaviour, anti-corruption measures, regulatory compliance, and transparent reporting.

Definition of Sustainable Forest Management (SFM)

AS/NZS 4708:2021 defines sustainable forest management as the practice of managing forest resources to meet current needs while ensuring the protection and preservation of environmental, social, economic, and cultural values for future generations.

Core Elements of SFM

The core elements of SFM are outlined in the sections below.

Environmental Sustainability

Involves maintaining ecological processes, biodiversity, and the physical environment (soil, water, carbon storage).

Economic Sustainability

Focuses on the financial viability of forest operations, optimising benefits such as income, employment, and products, within ecological limits.

Social Sustainability

Includes upholding ethical standards, community norms, and human rights to benefit society at large.

Cultural Sustainability

Emphasises respect for cultural heritage, Indigenous rights, and the transmission of knowledge across generations.

Origin of SFM Certification

The concept of sustainable forest management certification emerged to address growing concerns about deforestation in the 1990s. Developed as a response to market and regulatory demand, it establishes a structured framework to protect forest ecosystems while meeting economic and societal needs.

Rigour of Certification to AS/NZS 4708

AS/NZS 4708 was developed collaboratively by a Standards Reference Committee with representation across diverse stakeholder groups including government, industry, scientific, workers, environmental, Indigenous and supply chain, ensuring scientific rigor, inclusivity, and alignment with international benchmarks such as PEFC. This collaborative approach fosters continual improvement and adapts to new environmental, social, and regulatory insights.

The standard's development process itself is based on inclusivity, with stakeholder representation from environmental, cultural, economic, and social groups, ensuring the standard reflects diverse values.

Certification under AS/NZS 4708 is designed to ensure independence and objectivity, achieved through third-party assessments by accreditation bodies, and suitably qualified expert auditors. Certification provides assurance that forest management aligns with rigorous, science-based criteria, avoiding conflicts of interest through the separation of standard development and certification processes.

Including the preservation of Indigenous knowledge and practices, is a fundamental part of sustainable forest management under this standard. It acknowledges Indigenous peoples as stewards of their land, whose knowledge contributes to ecological balance and cultural continuity.

Importance of ESG

ESG frameworks enable organisations to contribute positively to societal and environmental goals, making them more attractive to investors, customers, and employees who value sustainability. Additionally, ESG practices help organisations manage risks, improve resilience, and ensure long-term value creation. Implementing ESG aligns organisations with global sustainability efforts, promoting environmental protection, social well-being, and good governance in a structured, measurable way.

Challenges for ESG

Complexity and Lack of Standardisation

The ESG landscape currently involves a variety of overlapping and sometimes conflicting standards and frameworks. This complexity can make it difficult for organisations to determine which guidelines to follow, potentially leading to inconsistent reporting and reduced credibility.

Greenwashing

Without stringent and standardised metrics, organisations may make ESG claims that do not align with their actual impact.

Overemphasis on Reporting vs. Action

There is a risk that ESG becomes primarily about reporting instead of real action. Organisations may focus on checking boxes for compliance rather than implementing meaningful changes.

Measuring Impact and Outcomes

ESG involves both financial and non-financial metrics - and measuring non-financial impacts (like social and environmental outcomes) can be challenging. These areas may lack reliable data or standardized indicators, leading to gaps in assessment and potential subjectivity in reporting.

Resource Intensity

ESG reporting and implementation can be resource-intensive, which may disadvantage smaller organisations or those in developing regions with limited capacity.

Subjectivity

Determining what is "material" for ESG reporting can be subjective and vary between organisations. Assessments must balance stakeholder interests and regulatory needs, but organisations may face criticism if they selectively prioritise certain areas that align with a positive image rather than addressing actual impacts.

Beyond Reporting – Certification Audits

Annual audits against AS/NZS 4708 go far beyond reporting (often a challenge with ESG), playing a critical role in sustaining and strengthening forest management systems. They provide regular, structured assessments that reinforce operational consistency and adaptive management, ensuring that practices align with the requirements and sustainability objectives of AS/NZS 4708. These audits drive continuous improvement by identifying gaps and encouraging innovative solutions that enhance performance, resource efficiency, and environmental protection.

Audits also enable systematic impact tracking, validating the ecological, social, and economic effects of the systems monitoring forest operations. This transparency is key to building stakeholder trust, supporting meaningful engagement, and fostering accountability. By proactively managing risks and aligning practices with long-term sustainability goals, annual audits help forest managers maintain credible certification and meet stakeholder expectations for responsible, sustainable forest products.

Linking ESG & AS/NZS 4708

AS/NZS 4708:2021 standard comprehensively addresses key ESG indicators. It establishes rigorous environmental, social, and governance guidelines that are essential for sustainable forest management and aligned with ESG principles, providing a framework for transparent and ethical forest management operations.

Environmental Indicators

Resource Use Efficiency

Section 11.1.1 - Maintain Carbon Stocks and 11.4 - Soil and Water Resources: Focuses on maintaining resources, carbon stock, and efficient water and soil use.

Emissions Reductions

Section 11.1.2 - Climate Positive Practices: Requires forest managers to implement practices that reduce greenhouse gas emissions and enhance carbon storage.

Waste Management

Section 11.2.11 - Waste Management: Emphasises responsible waste disposal and reducing pollution within forest areas.

Biodiversity Impact

Section 11.3 - Biodiversity: Covers identifying, monitoring, and managing biodiversity to maintain ecological balance, including specific provisions for protecting threatened species.

Pollution Prevention

Section 11.2 - Forest Ecosystem Health: Encourages preventive measures for environmental pollution, including pesticide and fertilizer management.

Social Indicators

Employee Well-being, Health, and Safety

Section 11.7.2 - Health and Safety: Sets guidelines for safe working conditions and health measures to protect employees.

Diversity and Inclusion

Section 11.7.4 - Equal Employment: Specifies non-discriminatory employment practices and equal opportunities within forest operations.

Community Engagement

Section 7.4 - Stakeholder Communication and Engagement and 11.7.13 - Community Well-being: Calls for proactive communication with local communities, Indigenous groups, and other stakeholders.

Human Rights Adherence

Section 11.7.1 - Human Rights and Needs: Reinforces respect for human rights, including fair treatment, non-discrimination, and the rights of Indigenous peoples.

Consumer Protection

Section 7.4.5 - Chain of Custody Claims: Ensures traceability of forest products to offer transparency and accountability, protecting consumer interests by verifying sustainable sourcing.

Governance Indicators

Board Diversity and Ethical Behaviour

Section 5 - Leadership: Requires commitment from top management to sustainable forest management principles, promoting ethical practices and leadership accountability.

Leadership Linked to Sustainability

Section 5.2 - Sustainable Forest Management Policy: Embedding sustainability in organisational objectives indirectly supports linking executive responsibility to sustainability outcomes.

Anti-Corruption Measures

Section 11.7.7 - Ethical Behaviour: Encourages ethical behaviour standards, discouraging corrupt practices within forest management.

Regulatory Compliance

Section 6.1.2 - Compliance Obligations: Requires adherence to legal and regulatory standards, including environmental, health, and labour laws.

Transparent Reporting

Section 9 - Performance Evaluation and 7.4.4 - Public Summary: Mandates transparent reporting of forest management activities, public summaries, and regular performance evaluations.

Indigenous Rights & Inclusivity

AS/NZS 4708 strongly emphasises respecting Indigenous rights, values, and cultural sustainability. AS/NZS 4708's recognition of Indigenous rights and cultural values strengthens its alignment with ESG criteria, underscoring ethical governance and robust social engagement. Indigenous aspects are woven into environmental, social and governance responsibilities and contribute significantly to the holistic, sustainable approach the standard aims to achieve.

Section 11.6 - Cultural Values

11.6.1 - Heritage Values and 11.6.3 - Indigenous Cultural Values: Requires forest managers to recognise and protect sites of cultural significance, respecting Indigenous traditions and practices.

11.6.2 - Indigenous Peoples' Rights, Responsibilities, and Values: Emphasises the importance of Indigenous rights in forest management. This includes consulting and collaborating with Indigenous communities and respecting traditional land management practices.

11.6.5 - Traditional Knowledge and Management Practices: Encourages the use of Indigenous knowledge to support sustainable forest practices, fostering cultural sustainability and aligning management approaches with traditional ecological insights.

Integration with ESG Indicators

AS/NZS 4708 requires forest managers to incorporate Indigenous perspectives which aligns closely with several ESG indicators.

Environmental

Section 11.3.1 - Biodiversity: Supports adaptive management and a precautionary approach to protect biodiversity, a perspective often aligned with Indigenous worldviews. This approach ensures careful consideration of potential impacts on significant cultural and ecological values, promoting adaptive management informed by Indigenous practices.

Social Indicators

The standard's requirements for stakeholder engagement and Indigenous rights specifically address fair and respectful treatment, inclusion, and partnerships with

Indigenous groups. This aligns with social ESG indicators focusing on community engagement and human rights.

Governance Indicators

Recognition of Indigenous rights and integration of traditional practices enhance transparency and ethical governance, demonstrating accountability and cultural respect in management.

ESG, Responsible Wood and ISO ESG Mapping

ESG themes are mapped here against the **Responsible Wood Standard (AS/NZS 4708:2021)** and aligned with relevant clauses from the **ISO ESG Framework (IWA 48:2024)**:

ESG Theme	Responsible Wood Standard	Description	Relevant ISO ESG Clause
Environmental	**11.1 Maintain Forests and Carbon**	Promotes carbon stocks, climate-positive practices, and conversion prevention for sustainable forest management.	**5.2.1 Framework**: Identifies and evaluates environmental risks and opportunities, including carbon management.
	11.2 Forest Ecosystem Health	Ensures pest management, invasive species control, and resilience to damage agents, supporting forest health.	**5.3 Examples**: Actions for biodiversity and ecosystem health improvement.
	11.3 Biodiversity	Identifies and protects biodiversity, threatened species, and habitats at risk, maintaining ecological balance.	**5.3 Examples**: Conservation of biodiversity and restoration of natural habitats.
	11.4 Soil and Water Resources	Emphasizes soil protection, water quality, and infrastructure planning to mitigate environmental impacts.	**5.4 Environmental KPIs**: Normalized water consumption and land-use considerations.
	11.5 Forest Productive Capacity	Balances resource extraction with forest regeneration and non-wood product management for long-term productivity.	**5.4.3 Second Priority**: KPIs related to sustainable resource use and responsible procurement.
Social	**11.6 Cultural Values**	Protects Indigenous cultural values, heritage, and traditional uses, ensuring equitable participation and respect.	**6.4 Social KPIs**: Focus on inclusivity and the preservation of cultural values.

	11.7 Social and Economic Benefits	Addresses workers' rights, equal employment, and fair treatment, supporting community well-being and local economies.	**6.2 Social Framework**: Emphasizes equity and economic inclusivity.
	7.4 Stakeholder Communication and Engagement	Ensures inclusive participation in forest management decisions through transparent stakeholder engagement.	**4.4 Identification and Engagement**: Framework for stakeholder inclusion and communication.
Governance	**5.1 Leadership and Commitment**	Sets leadership responsibilities for implementing and maintaining the sustainable forest management policy.	**7.2 Governance Framework**: Promotes leadership in ESG strategy and implementation.
	9.3 Management Review	Requires continual improvement through management reviews to align operations with sustainability goals.	**7.5 Continual Improvement**: Ensures regular evaluations and improvements in ESG practices.
	10.2 Nonconformity and Corrective Action	Establishes mechanisms for addressing noncompliance and improving adherence to the standard.	**8.3 Conformity Assessment**: Mechanisms for maintaining ESG compliance and rectifying issues.
	4.4 Forest Management System	Establishes a comprehensive system for implementing sustainable management practices across forest operations.	**7.3 Examples of Governance Actions**: Provides structured frameworks for governance practices.
	Compliance with Legal Obligations	Ensures adherence to laws, including labour, safety, and environmental standards, to maintain integrity.	**8.1 General Compliance**: Emphasizes the importance of adhering to regulatory and ESG-specific requirements.