



Bill Pender
Inquiry Secretary
House of Representatives R1 121
Parliament House
Canberra ACT 2600

9 June 2011

Dear Mr Pender

Standing Committee on Agriculture, Resources, Fisheries and Forestry

Inquiry into the Forestry Industry

Thank you for your invitation to make some comments to the above Inquiry. The purpose of our submission is to inform the committee of the origins, role and current activities of the Forest Stewardship Council (FSC) in Australia and the positive and constructive role FSC is and expects to continue to play in Australian forest management. We feel government can play an important role in supporting these activities. As a minimum we would hope that government could play a benign and impartial role on the question of forest certification.

Members of FSC Australia share a vision for a forest industry in Australia; an industry that is widely respected by all members of the Australian community, that operates in a way that respects environmental and social values and, makes a positive contribution to the Australian community. The role we play in fulfilling this vision is in bringing all stakeholders together in a constructive and mutually respectful environment. We see our role as providing stakeholder endorsed standards against which responsible forest managers can be assessed; as supporting a verification system and a chain of custody system that has strong integrity and meaning for customers and; allowing customers to buy wood products with peace of mind. If we are successful we believe FSC Australia can also play a constructive role in the Pacific region.

This submission asks the Parliament and Government to support FSC Australia, in particular, our efforts to develop a stakeholder endorsed forest management standard. A strong FSC Australia with a national forest management standard that has wide stakeholder support will enhance the market access and attractiveness for Australian wood and paper products. This will contribute to a sustainable industry that provides long term job security for people in Australia's forest dependent communities and industries. We believe progress has been made by FSC Australia in stimulating dialogue between forest stakeholders and winning industry support for our work. This indicates we have a place in the industry. It now remains for Government to recognise that place and support our work for the benefit of all Australians.



Background

FSC is an international, not for profit organisation that drives responsible forest management for social, economic and environmental benefits. In response to increasing public concern for forests, FSC was founded in 1994 by environmentalists, trade unions, indigenous peoples' groups, responsible retailers and forest companies. The impact of FSC is global. More than 140 million hectares of forest have been certified to FSC standards and about 20,000 companies participate in the system.

FSC Australia was established in 2006. More than 600,000 hectares of forest are certified to FSC standards, including native forests and tree plantations. About 250 Australian companies participate in the FSC supply chain. FSC Australia has almost ninety members including some of the country's major environment groups, forest product companies, wood wholesalers, paper and printing companies, a trade union and timber community organisation.

FSC Forest Management Standards are based on the globally recognised ten principles and 56 criteria for responsible forest management developed by all major stakeholders. Currently Australian forest managers are certified under interim FSC standards. FSC Australia is developing an Australian forest management standard that reflects Australian conditions and has been widely considered an endorsed by the full range of forest stakeholders.

Attached to this submission please find our 2010 Annual Report and our work plan for developing an Australian FSC Forest Management Standard. I would be happy to answer any questions you or members of the committee may have of FSC Australia.

Best wishes

Michael Spencer
Secretary/Honorary CEO



FOREST
STEWARDSHIP
COUNCIL

BECAUSE
FORESTS
MATTER

FSC AUSTRALIA

RESPONSIBLE FOREST MANAGEMENT AUSTRALIA LIMITED

DEVELOPMENT OF AN AUSTRALIAN FSC FOREST MANAGEMENT STANDARD

December 2010

Responsible Forest Management Australia Limited (trading as FSC Australia)
Responsible Forest Management Australia Public Fund
ABN 81 120 667 870
GPO Box 152 Melbourne Vic. 3001
Tel: (03) 8636 2661 Fax (03) 8636 2674 Mob: 0439 38 1144
Web: www.fscaustralia.org E-mail: info@fscaustralia.org
Secretary/Honorary CEO: Michael Spencer
Accountants: Morey Wickham (Chartered Accountants)

Message from the CEO

An FSC Forest Management standard represents the consensus view of all relevant stakeholders on how responsible forest management can be verified. The standard creates benefit by resolving disputes through the multi-stakeholder processes that are required for its development; it creates benefit for end users of wood and other forest products by providing them with assurance that the product they are buying is responsibly sourced; it creates benefits for forest growers, wood, paper and board producers seeking to access markets for responsibly sourced wood products, and; it creates benefits for people and nature through forest manager complying with its requirements.

Over the past five years in Australia (and approaching 20 years internationally) FSC has proved its worth to people and groups interested in the health and sustainability of forests and those interested in market acceptance of forest products. Today there is more interest in FSC than ever as forest managers recognise that responding to market demand for products from responsibly managed sources will be the key to the long term health of their industry.

The FSC system does not generate sufficient resources to fund the extensive stakeholder consultation program required to develop and complete a national standard development program. It requires people and organisations that are interested in seeing responsible management of forests or, interested in resolving long term forest conflict or, interested in ensuring customers can buy forest products with 'peace of mind', to fund this process. This document sets out the process requirements for developing a standard and the financial resources required. The Board of FSC Australia hopes you will support this program.

Michael Spencer
Secretary/Honorary CEO

Summary

FSC Australia will be undertaking a process to prepare a multi-stakeholder endorsed and FSC accredited national forest management standard. To undertake this work it is seeking financial support from philanthropists, industry and government.

The standard produced will be consistent with the internationally recognised FSC Principles and Criteria for Responsible Forest Management (FSC-STD-01-001) and the standards set by FSC International for developing national standards (FSC-STD-60-006 and FSC-STD-60-002).

The standard would contribute significantly to achieving consensus on responsible forest management in Australia and thereby improve market acceptance of Australian wood products while ensuring high ecological and social values were maintained in forests and tree plantations.

Key elements of this process will be:

1. Stakeholder identification and engagement
2. Establish a multi-stakeholder Standards Development Group (SDG) that enjoys support of key forest stakeholders with clear Terms of Reference (TOR), a work plan and budget.
3. Finalise Draft 1 national standard, conduct an extensive consultation program and complete a range of technical and scientific reviews that resolve disputes over contested science;
4. Complete further Drafts by the SDG and field testing of these drafts to the point where the SDG can agree by consensus to a final field tested version to be submitted for approval.
5. Complete a report on the process used to accompany the final draft.

Financial requirements for this process are between \$1.05 million and \$1.4 million over two years (depending on the final cost of consultancy work and the amount of additional technical work required). FSC Australia would need to have at least the first year of work substantially underwritten before commencing the project. At this time, FSC has secured about 10 per cent of first year funds.

Contents

Message from the CEO	2
Summary	3
The need for an FSC Forest Management Standard for Australia	5
FSC Forest Management Standards.....	6
Process for developing an Australian standard	8
Future work program	9
Phase 1 Pre-consultation, engagement and establishment.....	9
Phase 2 Standard development.....	9
Phase 3 Agreement and approval	10
Detailed work program	12
Budget.....	13
Appendix A: Vision Statement for FSC Standards Development Process.....	14
Appendix B: Projects Completed by FSC Australia 2007 - 2010.....	15
Appendix C: Relationships between existing projects, FSC standards and future work	17
Appendix D: FSC International Approval Process	18
Appendix E: Background on the Forest Stewardship Council	19
Appendix E: Responsible Forest Management Australia Fund	21

The need for an FSC Forest Management Standard for Australia

Forests have been a major source of social and environmental conflict in Australia for the past 30 years. While there has been a recent breakthrough in Tasmania, prospects for the agreement between environmental groups and industry are dependent on further development of some key FSC concepts such as High Conservation Values and the market for FSC certified wood. In other states, there are signs of a potential escalation in conflict. Forest conflict has drivers from an environmental, a social and an economic perspective.

Environmental

Since the arrival of Europeans in Australia, 75 per cent of rainforests and nearly 50 per cent of all forests have been lost (Australian Museum). Over this period, hundreds of species have become extinct including at least 50 bird and mammal species and more than 60 plant species. Current endangered species include; 19 species of fish, 16 frogs, 16 reptiles, 47 birds, 39 mammals and 612 plants. More are considered vulnerable. Habitat loss (including forest disturbance or loss) is one of the two main threats to the continuation of species in Australia (Australian Academy of Science).

High Conservation Values including endangered eco-systems are regarded as under threat or potentially under threat from forest management activities in all Australia bio-regions. Expansion of tree plantations has consequences for biodiversity as a result of changing land-use. Conversion of natural forests to tree plantations and other non-forest uses such as agriculture is still occurring in Australia. Globally, an area of forest the size of Belgium is lost every year.

Other issues of concern in Australia have been the use of chemicals by plantation companies and relationships between tree plantation companies and the communities where they operate.

Communities

Changing market demand for forest and wood products has also had a major impact on communities. If customers suddenly have an opportunity to obtain FSC certified material and stop buying from non-FSC certified sources this can have a major impact on communities. Communities will have a more stable economic base where their forest and tree plantation resources meet international standards for responsible forest management.

Business

The Australian wood and paper market has been a dumping ground for products from some of the most poorly managed forests in the world. FSC provides an opportunity to clearly distinguish responsibly managed Australian sources of wood and fibre and gain market rewards available from customers seeking to avoid supporting bad forest practices. It also offers customers the opportunity to choose wood with confidence due to the ‘peace of mind’ the FSC system can offer.

Existing FSC standards

In Australia, forest and tree plantation managers are currently certified to interim FSC standards developed by FSC certification bodies. These standards have not been subjected to the same rigorous stakeholder consultation processes as would be the case with a national standard. At some point in the next two to three years, they will be replaced with international generic indicators if a national standard has not been developed. Generic indicators will not have the same local stakeholder involvement and could be more difficult for local forest managers as they will not be developed for Australian conditions using Australian indicators.

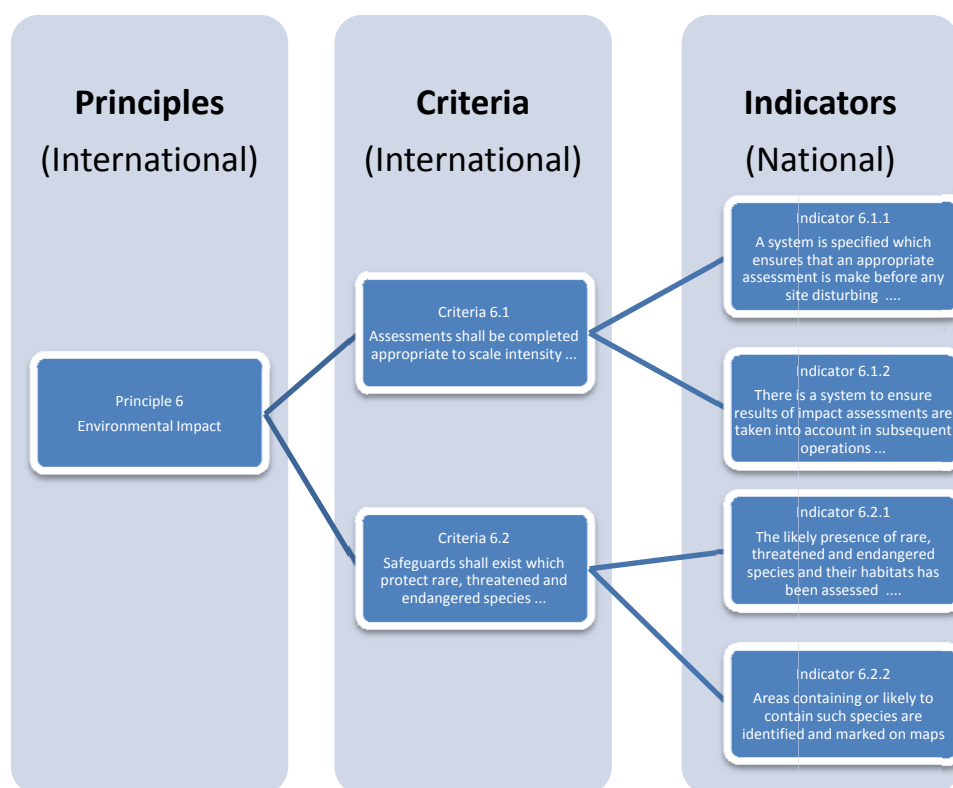
FSC Forest Management Standards

FSC Forest Management Standards are built around FSC's international 10 Principles and 56 Criteria for responsible forest management. The Principles are:

- I. Respect for laws, international treaties and agreements
- II. Tenure and use rights and responsibilities
- III. The legal and customary rights of indigenous people
- IV. Community relations and workers rights
- V. Recognition of multiple benefits from forests
- VI. Conservation of biological diversity, water resources, soils, ecosystems and landscapes
- VII. Management plans for forests
- VIII. Monitoring to assess the condition of forests, yields, management activities and impacts
- IX. The maintenance and preservation of high conservation values in forests
- X. The management of tree plantations to promote restoration of natural forests

National Forest Management Standards provide the locally relevant indicators (and supporting verifiers) that independent auditors use to verify that the Principles and Criteria are being implemented in a particular forest area. For example, using the FSC Principle 6 *Environmental Impact* and Criteria 6.1 and 6.2, a national standard would specify indicators an auditor needs to look for to verify compliance.

Figure 1: Example from Principle 6 of relationship between FSC Principles, Criteria and Indicators



FSC International is currently reviewing its Principles and Criteria. This process is expected to be completed in the first half of 2011 and any national standard developed in Australia will need to align with the new Principles and Criteria.

The FSC international standard (FSC-STD-60-006 (V1-2)), *Process requirements for the development and maintenance of National Forest Management Standards*, sets out requirements an Australian process would need to meet including the role of a Standards Development Group (SDG). The SDG needs to 'command the confidence' of all stakeholders who will be effected by or have an interest in the national standard. It must be provided with clear Terms of Reference by FSC Australia and operate in a way that ensures all voices are heard. It must be composed of at least six people –two from the economic, two environmental and two from the social chamber – who must strive to achieve consensus on key issues. The SDG is complemented by a Consultative Forum to ensure all interested and affected stakeholders have an opportunity to comment as the standard is developed.

Content requirements for a national standard are set out in FSC-STD-60-002 (V1-0) *Structure and Content of National Forest Stewardship Standards*. Indicators must relate to criterion set out in the P&C, be specific, measurable, achievable, relevant and tangible and include examples of a means of verification. The standard must go through a consultation process and be signed-off by the SDG before being forwarded to FSC International for review and endorsement. While it is not a requirement of FSC-STD-60-006, it is envisaged that the SDG will be independent of FSC Australia who will only approve that the standard complies with the SDG Terms of Reference and meets the requirements of the FSC International standards before it is forwarded for approval.

In 2006, FSC Australia convened a workshop of interested stakeholders to discuss the process for developing a national standard and the key issues such a process would face. There was wide representation of stakeholders at the meeting. Following the workshop, the Board of FSC Australia agreed a Vision Statement for the standards development process (see Appendix A).

Development of locally adapted standards is the most important task for FSC Australia. This process has been delayed because of lack of financial resources. As a result, the process is now several years behind schedule. With growing interest in FSC certification from forest management organisations it is important this work is completed as quickly as possible to maintain the momentum that has been developed through, for instance, the recent agreement in Tasmania.



Figure 2: Participants in the 2006 FSC Standards Development Workshop taken late on the final day after a number of participants had left. Over the two days, approximately 70 people participated.

Process for developing an Australian standard

While the overall development of the FSC national standard has been delayed, parts of the project have progressed with small grants made available from private philanthropists, sympathetic organisations, sponsors and industry contributions. These are detailed in Appendix B but include:

- Preparation of a 'straw dog' or consultants draft national standard (2007)
- Established a Pesticides Policy Advisory Group (2007)
- Development of a 'Controlled Wood' national risk assessment (2008)
- Draft framework for evaluating high conservation values in Australian forests (2009)
- Indigenous Steering Committee Report (2009/10)
- Consultation on sustainable yield in an Australian context (2010)

FSC Australia is currently finalising the following projects:

- Draft 2 of the framework for evaluating high conservation values in Australian forests
- Guide to sources and tools to support the high conservation values framework

The relationship of these projects to the standards development process is illustrated in Appendix C.

The future work program will be based around the following elements:

- Ensuring widespread stakeholder understanding and engagement with the standards development process and understanding of stakeholder issues by FSC Australia and SDG
- Finalisation of vision, terms of reference and work plan for SDG
- Transparent process for appointing members of SDG
- Resolution of technical or scientific issues through objective evidence by SDG
- Pilot testing and field trials of the standard to ensure it is workable and accessible
- Achieving broad stakeholder consensus for the standard submitted for approval

The key tasks envisaged are:

- Pre-consultation and stakeholder engagement in the process (stakeholder identification and information program)
- Incorporation of work completed so far in revised 'straw dog' standard
- Creation of a multi-stakeholder SDG
- Agreement by SDG on Draft 1 standard, consultation program and technical work program
- Implementation of a consultation and field testing program
- Finalisation, consensus and sign-off on the standard by the SDG
- Endorsement by FSC Australia and approval by FSC International

This work program is divided into three Phases as set out in Table 1. This process would be undertaken by the independent SDG with support of the FSC Australia Policy and Standards Manager and FSC International Policy and Standards Unit.

Future work program

Phase 1 Pre-consultation, engagement and establishment

The FSC system expects all relevant stakeholders to be engaged in a standards development process. While FSC Australia has successfully engaged many of the leading national and even state groups in its process, many regional interest groups have not been identified or engaged. The first project identified will involve moving beyond the current circle of stakeholders by identifying people in regional areas (and outside of the major capitals) who have an interest in the outcome of an FSC standards development process (or will be impacted by the standard). It is envisaged that an independent expert consultant will be engaged to manage this process. Through this project, FSC Australia's existing stakeholder database will be expanded and a proactive information and outreach program will be undertaken by the consultants with support from FSC Australia. This will take a number of forms in order to have the best chance of reaching stakeholders. A dedicated web site will be established with information on the standards development and a questionnaire so people can register their issues and concerns. Information briefings will be arranged with people and groups so they understand the process and how to participate. During this process, an issues inventory will be collated by the project team to feed into subsequent projects. This will build on and review work undertaken at the first FSC standards development workshop in Lancefield in 2006. During this project, stakeholders will also be informed that a Standards Development Group (SDG) will be formed to lead the standards development process and expressions of interest from potential participants will be sought. The project team will prepare a report on this project and issues identified for consideration by the SDG. It will make recommendations to FSC Australia on the composition of the SDG, issues the SDG needs to consider and the stakeholder consultation process that the SDG will subsequently managed. Consultants will also brief the SDG at their first meeting.

Phase 2 Standard development

A revised 'Straw Dog' standard will be presented to the first meeting of the SDG as well as briefings on other projects undertaken, the requirements of various FSC International standards and details of the proposed Work Plan and Terms of Reference for the group. Following consideration by the SDG of the 'Straw Dog' (and other requirements) a consultation draft (Draft 1) will be finalised.

Draft 1 Standard

The immediate work program will include two elements:

1. Additional technical work. There are likely to be technical issues on which the SDG requires further advice. This advice may be required prior to Draft 1 being released for consultation or it could be sought while Draft 1 is being circulated for comment (subject to a decision of the SDG). Either way, this will require appointment of a technical advisory team with some resources to help the SDG resolve matters of a technical nature.
2. Consultation on Draft 1. FSC-STD-60-006 requires that Draft 1 is published and circulated to stakeholders with a 60 day consultation period and that a Consultation Forum be established. The consultation process would build on the stakeholder list compiled during Phase 1. This will involve working through the Consultation Forum as well as conducting regional meetings and making information available electronically. Should the SDG appoint consultants or staff to liaise on their behalf, they would be expected to have a clear presentation on the full standard and be

equipped to discuss with stakeholders areas of concern. Feedback gathered through these face to face meetings (expect up to 12 meetings) and written feedback would be compiled for consideration by the SDG and a written summary prepared for stakeholders.

The SDG will consider reports on both the consultation and the technical work at a further meeting once these processes have been completed. They will review the implications of the consultation and additional technical work for Draft 1. Areas for modification and improvement will be identified, discussed, agreed and implemented in Draft 2. Additional technical work will be identified and a program for field testing Draft 2 will be identified and agreed. A further round of stakeholder consultation (not less than 30 days) would be held for comment on Draft 2 of the standard.

Draft 2 Standard

Although only a 30 day consultation period is required, it is expected that a 60 day consultation would be appropriate. Once again, this will involve publishing the standard and circulating the revised draft with areas of change from the previous version clearly identified. Further technical advice is likely to be required by the SDG and this work needs to be specified. Another round of meetings with the Consultation Forum and regional groups (again up to 12 in different regions) will be undertaken and feedback collated into a report compiled for the SDG. An important objective for this round of consultation will be to move from identifying issues to identifying the main blocks to achieving consensus on the standard.

Field trials will also need to be conducted with Draft 2 in a range of forest areas and forest types to test with the standard is achieving its objectives and to test the workability of the standard. Accredited certification bodies would be involved in the conduct of field trials and independent assessors would prepare a report for the SDG and issues and obstacles identified.

Phase 3 Agreement and approval

Reports on the field trials, further consultation and technical work will be considered by the SDG at its third round meeting and a Draft 3 standard would be prepared. At this point the SDG would need to decide if a third round of consultation would be beneficial to resolve additional issues or whether the SDG would need to resolve any outstanding issues itself or with a sub-group of stakeholders. The process provides for further technical work and consultation should this be required by the SDG to resolve any outstanding issues.

At the conclusion of the technical work program, field testing and consultation the SDG will need to sign off on a final draft standard. Agreement will need to be achieved on the basis of consensus with all members of the SDG having adequate opportunity to express their view. Once sign-off has been achieved, a report will be completed on the process and the final draft forwarded to FSC Australia. The role of FSC Australia is to ensure that the standard meets the Terms of Reference and complies with FSC standards (in terms of both the process and the content of the standard). Providing the standard meets these requirements, FSC Australia will forward the standard to FSC International for approval. FSC International will need to verify compliance with the FSC Principles and Criteria and FSC Standards before forwarding the standard, with a recommendation to approve or not approve, to the FSC International Board of Directors. Should there be any issues with the standard at any point of the approval process the SDG will need to be reactivated to review its work.

Table 1: Key phases of future work program

Phase	Work elements	Outcomes
Phase 1 Establishment	<ul style="list-style-type: none"> Pre-consultation and engagement of stakeholders Pre-consultation report and recommendations Finalisation of vision, terms of reference and workplan for SDG Call for expressions of interest in SDG Appointment of SDG Finalisation of current FSC Australia projects and incorporation into revised 'straw dog' standard Agreement Request to FSC IC for agreement to proceed with development process 	<ul style="list-style-type: none"> Agreement from FSC IC Report on stakeholder issues Draft 2 'straw dog' standard Vision, TOR, Workplan for SDG Stakeholders supported SDG Engaged stakeholders
Phase 2 Development	<ul style="list-style-type: none"> First meeting of SDG Briefing on process and requirements Develop technical work plan Establish Consultation Forum Establish consultation program Publish Draft 1 of FSC National Standard Undertake consultation program Commission technical work Second meeting SDG Review Draft 1 standard Publish Draft 2 Further consultation and technical work Field trials of Draft 2 standard 	<ul style="list-style-type: none"> Compliance with FSC I process Technically sound standard Stakeholder supported process Draft standard field tested
Phase 3 Agreement	<ul style="list-style-type: none"> Third meeting SDG Agree field tested Draft 3 Further consultation and technical work (if required) Sign-off on final standard and report FSC A reviews for compliance with TOR and FSC I standards FSC A approves and forwards to FSC I Policy and Standards Unit reviews Recommendation to FSC I Board Standard published Review process published 	<ul style="list-style-type: none"> SDG consensus draft FSC A endorsed process FSC 1 approved standard Report on process/learning Future review program

Detailed work program

The following table sets out a more detailed work program and time-frame for development of the FSC Australian Forest Management Standard.

Table 2: Development of Australian FSC forest management standard, work program and timeframes

Date	Task	Responsibility
Nov. 2010	Standards Development Workshop - review	FSCA
December	Fundraising program for 2011 work	FSCA
Feb. 2011	Subject to fundraising, recruitment of staff and consultants to support standards development process commences	FSCA
April	Staff and consultants in place to commence Phase 1	FSCA
May	Pre-consultation: stakeholder identification, information and engagement	FSCA/Consultants
May	FSC Australia Policy Forum	FSC A
	Call for Expressions of Interest in SDG	
	Report on all current projects	
June	Report on stakeholder engagement and recommendations for SDG, Consultation Forum and consultation processes	FSCA/Consultants
	Finalisation of 'Straw Dog' standard	FSCA
July	Finalisation of vision, terms of reference and work plan for SDG	FSCA
	Appointment of SDG	
August	FSC IC Approves Australian Development Process	FSCA/FSC IC
August	SDG Meets; Reviews 'Straw Dog' Standard, Report on Stakeholder Engagement Process, agrees consultation and technical work program.	SDG
	Potentially publishes Draft 1	
September	Technical Work/Consultation Program	SDG/Consultants
October	Technical Work/Consultation Program	SDG/Consultants
November	Technical Work/Consultation Program	SDG/Consultants
December	Technical Work/Consultation Program	SDG/Consultants
Jan/Feb 2012	SDG Meets, Reviews Technical Work and Consultation. Agrees further work and consultation.	SDG
	Potentially publishes Draft 2	
March	Consultation/Technical Work/Field Trials	SDG/Consultants
April	Consultation/Technical Work/Field Trials	SDG/Consultants
May	Consultation/Technical Work/Field Trials	SDG/Consultants
June	SDG Meets to review Field Trials, Technical Work and Further Consultation Report. Agrees further revisions for Field Tested Draft	SDG
	Contingency technical/consultation work	
July	SDG meets to sign-off on Final Draft and report including proposed revision process for standard	SDG/Consultants
August		SDG
September	FSC Australia sign-off	FSCA
Oct/Nov	FSC IC Reviews	FSC IC
November	FSC IC Approves	FSC IC
December	FSC Australia Publishes New Australian FM Standard	FSC A
Dec. 2012	Process Complete	

Budget

The budget estimated for this project is between \$1.05 million and \$1.4 million. The final amount will be determined by the amount of technical work required, tender quotes received from consultants invited to undertake Phase 1 and advise the SDG on subsequent consultation program and, whether contingency consultation and technical work will be required. As indicated in the previous table, this work program would take place over two years with \$450,000 to \$500,000 required in Year 1. FSC Australia would need to see that these funds were substantially available before commencing Phase 1 of the two year program.

Table 3: Budget for two year work plan

Phase 1	Stakeholder Pre-consultation and Report <ul style="list-style-type: none"> • Stakeholder identification • Stakeholder engagement • Process recommendations 	\$200 - \$250k (2011)
Phase 2	Stakeholder Consultation, Technical Work and Standard Revision <ul style="list-style-type: none"> • Consultation on Draft 1 • Technical Work for Draft 2 • SDG Meeting • Revision and preparation of Draft 2 	\$250-\$300k (2011)
Phase 3	Stakeholder Consultation, Technical Work, Field Trials <ul style="list-style-type: none"> • Consultation on Draft 2 • Further Technical Work • Field Trials • Preparation of 'forest-tested' Draft 	\$250K
	Contingency Work	\$100-\$200k
Phase 4	Final SDG Draft and Report	\$50 - \$100
Other	FSC Australia support <ul style="list-style-type: none"> • Policy and Standards Manager • Support • Office • Travel 	\$300k
Total		\$1.05m - \$1.4m

Appendix A: Vision Statement for FSC Standards Development Process

[The] objective [of the FSC Australia Standards Development process] is to jointly develop an FSC national standard for Australia that is:

- Practical and effective;
- Can be adopted widely by large as well as small scale operators
- Can be applied to different forest types and tree plantations in Australia.
- Achieves outcomes that benefit the environment, communities, workers, indigenous peoples and committed forest managers.

We will achieve this objective by working together with mutual respect and understanding that this process will require negotiation and 'give and take'. In this regard;

- Economic stakeholders recognize that there are commercial benefits from FSC endorsement but that this will require a change in management practices
- Environmental stakeholders recognize that people have an historic and legitimate relationship with forests including commercial forestry
- Social stakeholders recognize forests have a variety of legitimate roles in the community and must be managed for future generations as well as the present.

The processes we adopt will be based on openness, transparency, inclusiveness and consensus building where different views are treated with respect. The basis for this process will be the relevant FSC standards and draft standards including:

- The FSC Principles and Criteria
- FSC Draft Standards for Process Requirements
- FSC Draft Standards for the form and content of national standards
- The experience of other FSC standards development groups

The scope of the FSC Australian standard will be all natural forests and tree plantations, both large and small, and including private and community-based operations, taking account of specific circumstances.

Appendix B: Projects Completed by FSC Australia 2007 - 2010

While the overall development of the FSC national standard has been delayed, parts of the project have progressed with small grants made available from private philanthropists, sympathetic organisations, sponsors and industry contributions. These include:

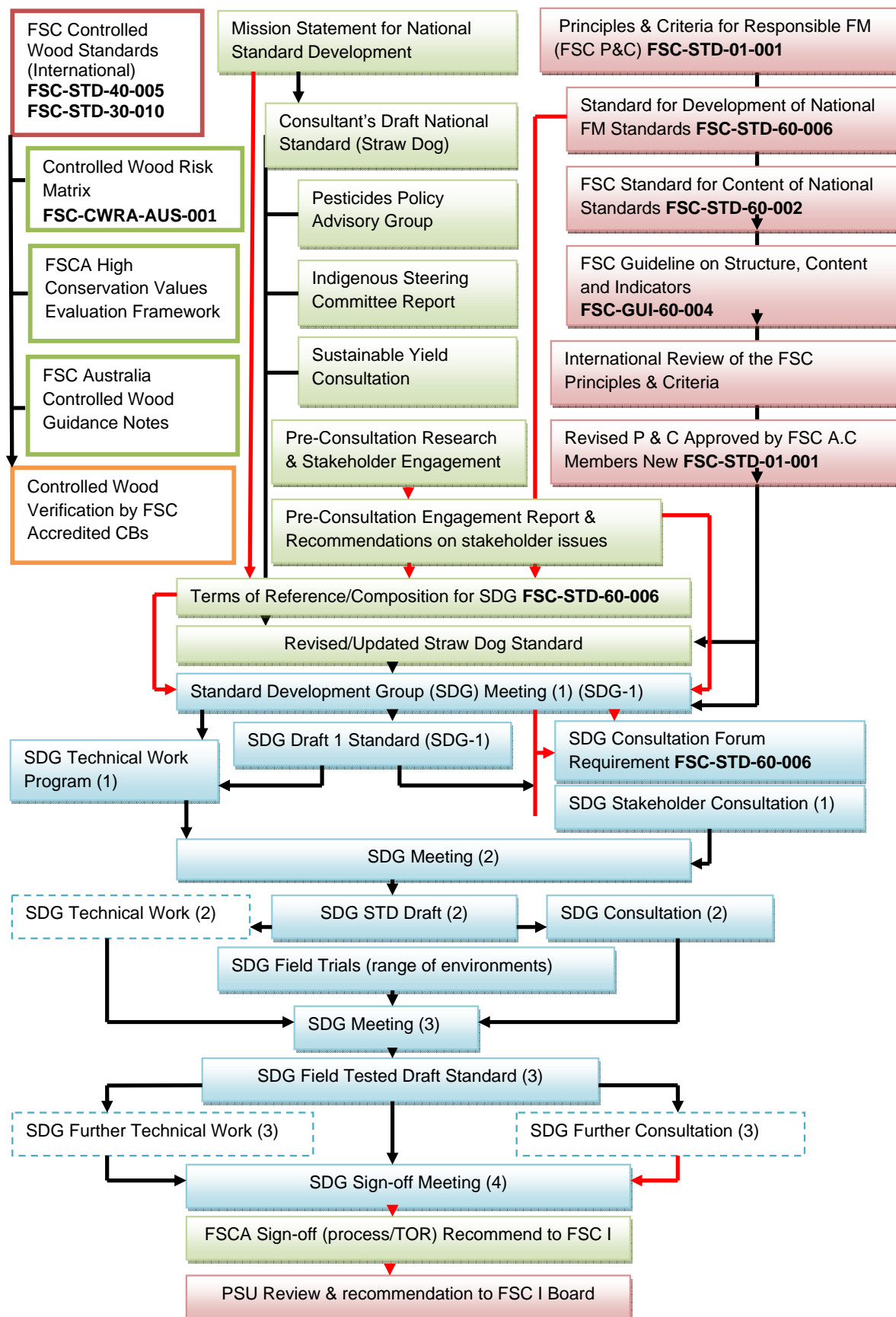
- In 2007 a 'straw dog' or consultants draft national standard was produced. This highlighted priority areas of work for the national office including; indicators for high conservation values in Australian forests, relations with traditional owners and, the definition of sustainable yield in Australian forests.
- In 2007, FSC Australia established a Pesticides Policy Advisory Group. This group comprised three 'experts' – one nominated by each chamber. The group has established processes for considering requests by FSC certified forest management companies to use chemicals on the FSC 'highly hazardous' list. The group provides independent advice to the FSC Australia Board on chemical issues.
- In 2008 FSC Australia assembled a team of 'experts' to undertake a risk analysis for companies sourcing controlled wood (non-FSC certified wood that can be mixed with FSC certified wood in a 'Mixed Sources' labelled product). The risk analysis, known as a 'risk matrix', identified that any wood sourced in Australia could potentially come from an area where forest management practices were endangering high conservation values. It also identified that there was a risk wood sourced from Tasmania and the Northern Territory could come from an area where forests were being converted to plantations.
- As a result of the work on controlled wood, the same expert team embarked on a process to develop a framework for evaluating high conservation values in Australian forests. This work was intended to help companies meet the requirements for a controlled wood assessment (provide an evaluation tool) and contribute to the FSC Forest Management Standard (by pointing to appropriate indicators for management of high conservation values).
- In 2009, with some private philanthropic funds, FSC Australia initiated a project on how best to include the views of traditional land owners in Australia. Steve Ross, then Coordinator of the Murray and Lower Darling Rivers Indigenous Nations and Neva Collings a lawyer with the NSW Environment Defenders Office were commissioned to undertake the work and reported to the Board of FSC Australia in March 2010.

FSC Australia is currently finalising the following projects:

- Completion of work on an evaluation framework for high conservation values in Australia. The draft framework was available for stakeholder comment between October 2009 and February 2010. These comments have been reviewed by the 'expert' technical working group and a fresh draft framework is being developed. It will be submitted for further consultation before it is finalised and considered by the FSC Australia Board.
- Development of an approach to 'sustainable yield' in an Australian context. Australia has a range of forest types and tree plantations. What sort of growth cycle is 'sustainable' will require careful consideration and stakeholder input to agree a consensus view. A draft paper setting out the issues was circulated for comment. These comments have been collated and are being reviewed in the context of the national standard process.

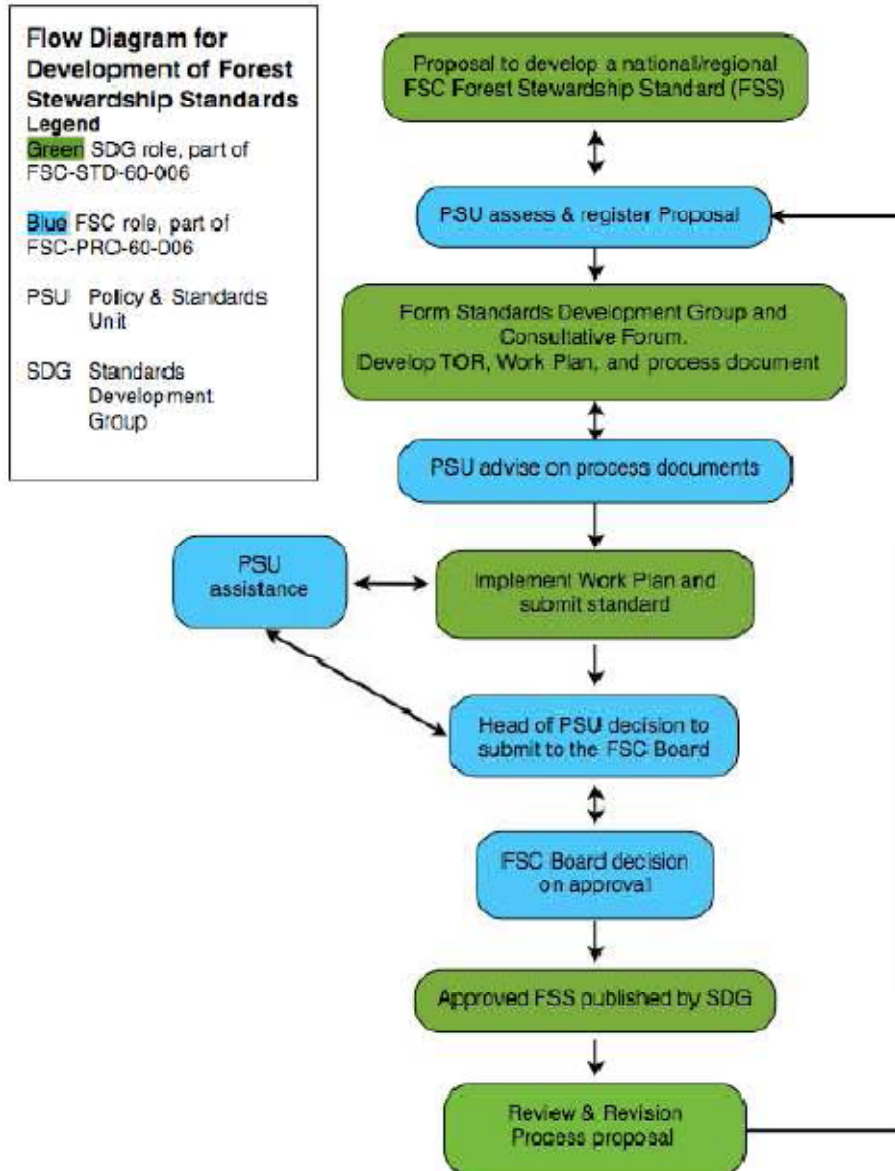
- The work on high conservation values, sustainable yield, chemical use and relations with traditional owners will be incorporated into the next draft FSC Australian forest management standard to be reviewed by a multi-stakeholder working group prior to its release more broadly, on behalf of the working group, for stakeholder comment.

Appendix C: Relationships between existing projects, FSC standards and future work



Appendix D: FSC International Approval Process

As FSC Australia has decided to establish a Standards Development Group separate from FSC Australia, the role of the Standards Development Group in the diagram below is split between FSC Australia and the SDG (as per Appendix C).



Appendix E: Background on the Forest Stewardship Council

The Forest Stewardship Council (FSC) is a not for profit standard setting and labelling organisation. It creates a market-based driver for responsible forest management (environmentally responsible, socially beneficial and economically viable). It is based on stakeholder balanced decision-making and credible verification. A member of the ISEAL Alliance, FSC shares an approach to standard setting, labelling and verification with organisations such as Fairtrade and the organics federation (IFOAM).

FSC was founded in 1993 by environment groups, indigenous peoples' organisations, trade unions, community groups and responsible business. It has a unique governance structure that recognises environmental interests, social interests and economic interests as equal partners. This balance protects the integrity of the FSC system and ensures it is a driver for change in forest management.

FSC Australia was established in 2006. Its Board comprises major environment groups (TWS, FOE and NEFA), leading industry players (Elders Forestry, Fuji Xerox Australia, Australian Bluegum Plantation) and, community groups (such as Timber Communities Australia). Eight forest managers have been certified in Australia (1,000 globally) representing just over 600,000 hectares of mainly tree plantations (134 million ha internationally) and 230 companies (19,000 globally) are certified to participate in the FSC supply chain.



The Global Financial Crisis precipitated a significant shift in market conditions for Australian forest products. Customers have more influence and are demanding FSC certification of forest products. Key companies in the sector are looking to change forest management practices to comply with FSC standards. Others are expected to follow as market pressure grows. FSC Australia plays a key role in moving forest management toward a model that has the support of environmental groups as well as social and industry groups.

FSC is market driven. It creates a direct link between end customers for forest products and forest managers. It does this through a trademark and labelling system and a chain of custody verification process that requires every organisation who takes control of FSC certified wood products all along the supply chain to be certified. Chain of Custody certification supports claims that products sold as being FSC certified are verified as being from an FSC certified forest or plantation.

Figure 3: Tracking FSC through the supply chain – chain of custody follows legal ownership to facilitate audit



Figure 4: Three FSC Product Labels; 100% FSC, Post-Consumer Recycled and Mixed Sources

	<p>100%</p> <p>Products with a 100% FSC label come from forests certified as meeting the environmental and social standards of the Forest Stewardship Council (FSC).</p>
	<p>Recycled</p> <p>Post-consumer reclaimed material includes wood and/or wood fibre that has been reclaimed from a product after that product has been used for its intended end-use purpose by individuals or businesses.</p>
	<p>Mixed Sources</p> <div style="display: flex; justify-content: space-around;">    </div> <p>Products with a Mixed Sources label support the development of responsible forest management worldwide. The wood comes from FSC certified well managed forests, company controlled sources and/or post-consumer reclaimed material.</p> <p>Controlled wood is not FSC certified, but is controlled by the company to exclude:</p> <ol style="list-style-type: none"> Wood from forest areas where traditional or civil rights are violated; Wood from forests where high conservation values are threatened; Wood from genetically modified (GM) trees; Illegally harvested wood; Wood from natural forests which have been harvested for the purpose of converting the land to plantations or other non-forest use. <p>The recycling symbol identifies post-consumer reclaimed content in these products.</p> <p>There are five variations of the FSC "Mixed Sources" label. For more information please refer to www.fsc.org</p>

Certification in the FSC system is undertaken by independent third party certification bodies accredited internationally by Accreditation Services International (ASI) a company associated with FSC International. ASI also accredits certification bodies for the Marine Stewardship Council. The separation of certification bodies from standard setting bodies conforms to international norms for certification processes.

Appendix E: Responsible Forest Management Australia Fund

FSC Australia has a gift deductible fund known as the Responsible Forest Management Australia Fund. Trustees of the Fund are: Mark Rubbo OAM, Managing Director Readings; Fiona Bennett (has held senior executive positions in commercial and financial management, governance, risk and audit with leading listed companies), and; Chris Loorham (lawyer and municipal planner).

FSC Australia Board of Directors:

Environment Chamber

- Sean Cadman* (The Wilderness Society)
- Susie Russel (North East Forest Alliance)
- Jono La Nauze (Friends of the Earth)

Economic Chamber

- Vince Erasmus (ITC Limited)
- Amanda Keogh (Fuji Xerox)
- Tony Price (Australian Blue Gum)

Social Chamber

- Tim Anderson* (individual who has worked in community forestry)
- Jim Adams (Timber Communities Australia)
- [vacant]

* The Chair is rotated between Chambers. The symbol indicates people who have served as Chair of the Board

Secretary and Honorary CEO, Michael Spencer, is a former Head of Marketing and Communication at FSC International in Bonn. He previously worked as Head of Corporate Citizenship at National Australia Bank, in various other corporate capacities and with the Victorian Government.

Details:

Responsible Forest Management Australia Limited trading as FSC Australia
Responsible Forest Management Australia Public Fund
ABN 81 120 667 870
GPO Box 152 Melbourne Vic. 3001
Tel: (03) 8636 2661 Fax (03) 8636 2674 Mob: 0439 38 1144
Web: www.fscaustralia.org E-mail: info@fscaustralia.org
Secretary/Honorary CEO: Michael Spencer
Accountants: Morey Wickham (Chartered Accountants)



**RESPONSIBLE FOREST MANAGEMENT AUSTRALIA
LIMITED**

**ACN– 120 667 870
ABN – 81 120 667 870**

ANNUAL REPORT 2010



Responsible Forest Management Australia Ltd
ACN- 120 667 870

Your directors present this report on the company
for the financial year ended 31 December 2010.

1. DIRECTORS AND MEETING ATTENDANCE

The Board of Directors met seven times in 2010 as follows:

28 January	Melbourne
18 March	Melbourne
27 April	Melbourne
19 May	telephone conference
14 July	Melbourne
21 September	Hobart
18 November	Melbourne

The name of each person who was a Director during the year 2010 and their meeting attendance is shown below. Director's details are shown in Appendix 1.

NAME	MEETINGS ATTENDED
Adams, Martin James	5
Anderson, Tim	6
Cadman, Sean	6
Erasmus, Vincent Malcolm	6
Hesketh, Lindsay (term expired 27 April)	2
Keogh, Amanda	6
La Nauze, Jonathan	7
Anthony Price (from 27 April)	3
Susan Russell (from 27 April)	4
Neva Collings (from 27 April until 18 November)	2
O'Grady, Kevin (until 16 February)	1

2. OFFICE BEARERS

Chair: Anderson, Tim (until 19 May)
Keogh, Amanda (from 19 May)

Secretary: Spencer, Michael



3. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

4. PRINCIPAL ACTIVITIES

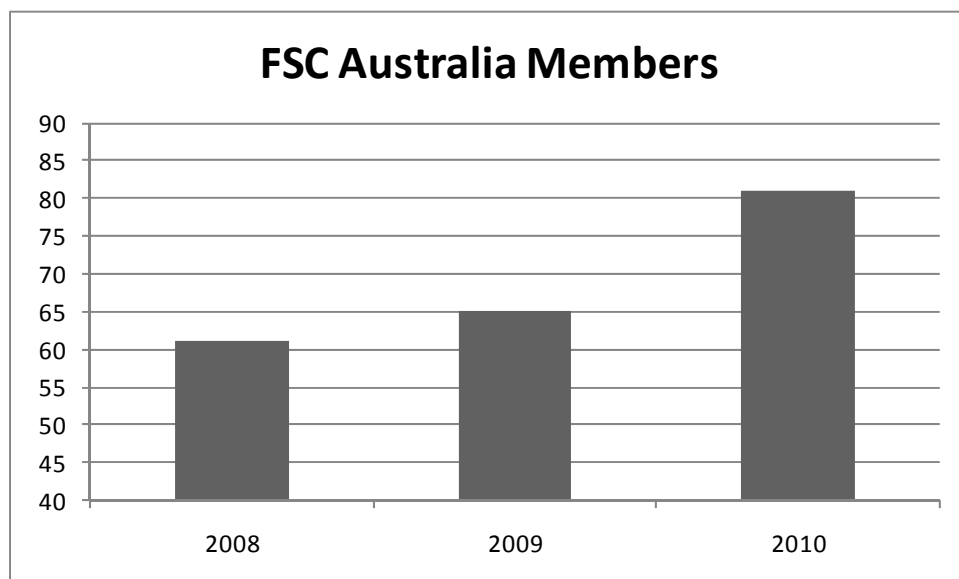
FSC Australia is a not for profit membership based organisation established to promote responsible forest management in Australia and in countries supplying the Australian wood and fibre market. Principal activities in pursuit of this mission fall into three broad areas: Organisational Development and Administration; Policies and Standards Development, and Market Development.

Organisational Development and Administration

In 2010 the organisation pursued a policy of recovery from a difficult 2009. Expenses were minimised while continuing to service existing members and attract new members. This policy resulted in a very successful 2010 with growth in membership and a strong financial position at year's end. A part-time Business Manager was employed from mid 2010 who provided administrative support and developed a comprehensive trademark management program. Toward the end of the year the full-time position of Business Development and Marketing Manager was advertised and an appointment made in early 2011. The former part-time Business Manager is expected to transition to a part-time trademark management role in 2011 serving Australia as well as New Zealand and the Oceania region.

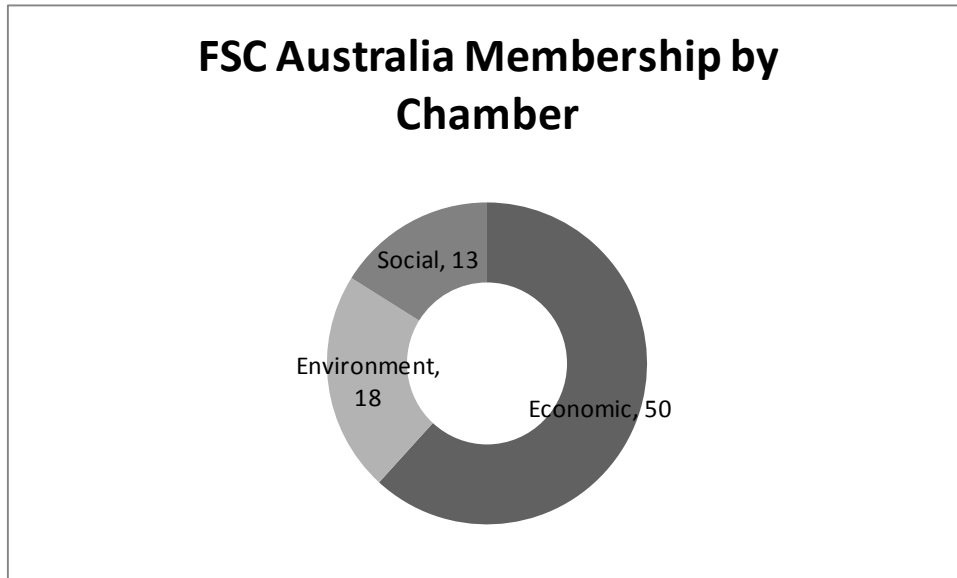
Membership

Membership of FSC Australia grew from 65 in 2009 to 81 at the end of 2010.

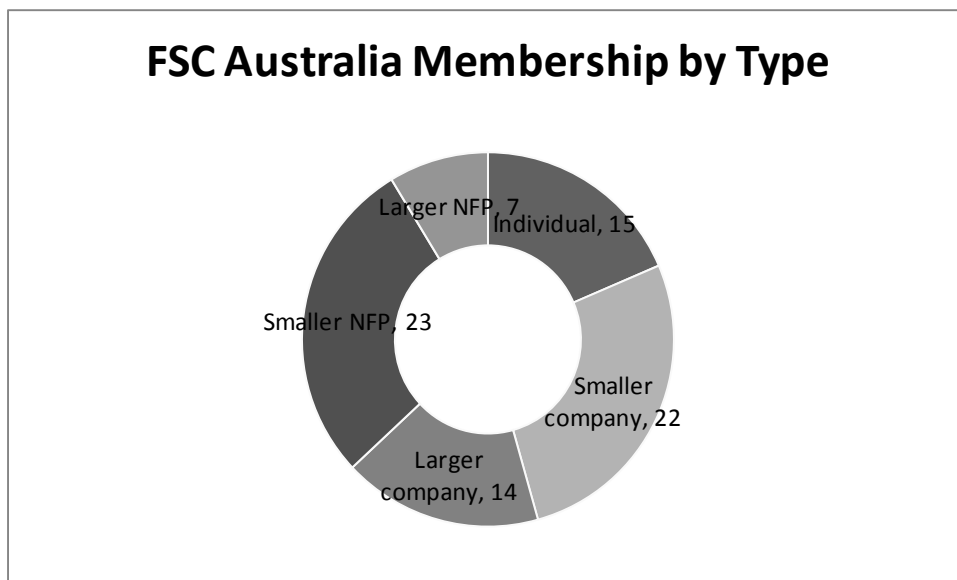




The Economic Chamber remains the largest Chamber numerically although there has also been growth in the Environment Chamber with new members representing smaller regional groups and in the social chamber with additional union membership.



Smaller companies and not-for-profits are the predominant membership type.



Analysis of membership shows a bias toward Victoria with more than half of FSC Australia members being from that State. This issue will need to be addressed.



Certification

The awarding of Tasmania's first forest management (FM) certificate for native forests attracted considerable attention and provided a strong message that FSC certification was achievable for well managed natural forest areas. The Downie family's 6,500 ha Lagoon of Islands property in the Central Highlands straddles two highland lakes and is used for wood production, nature conservation, carbon trading, grazing, recreation and plantation. The property is managed to meet and exceed relevant environmental and production standards. Key performance areas include:

- About half the property managed for nature conservation, with 500ha under perpetual conservation covenants;
- Threatened and under-reserved vegetation types have been zoned for nature conservation;
- Management of harvested forests has been designed to maintain high standing wood volumes and forests with a range of natural age classes;
- Silvicultural methods have been designed to maximise production of higher value products such as sawlogs and veneer logs;
- Threatened species locations and habitat have been identified and accounted for in the management plan;
- Enhanced streamside reserves have been provided to protect the freshwater environment;
- Old growth forests have been conserved and provision made for their re-establishment in and around wood production areas;
- Wood production areas (~2,500ha) have been carefully sited to minimise visual impact and protect water values in Woods Lake and Lagoon of Islands;
- Wood production has been scheduled in a dispersed pattern to scatter disturbed areas and protect water resources;
- Plantations (~200ha) have only been established on previously cleared land; and
- 1080 is not used in any part of property management.



The Lagoon of Islands

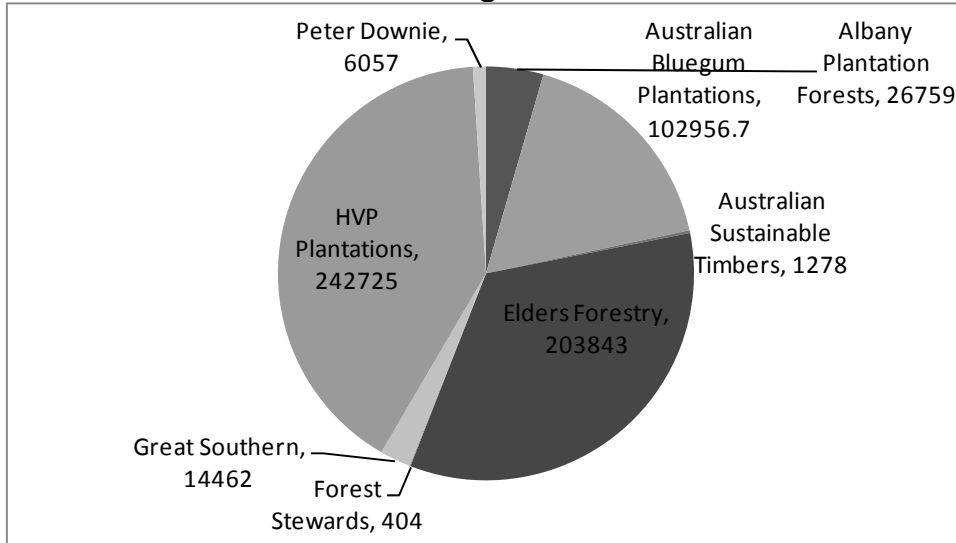
The management regime for Lagoon of Islands was developed by proactively engaging stakeholders; environmental performance was achieved, wood production objectives were met and disruption to property management minimised by:

- Releasing a detailed ‘consultation draft’ management plan prior to commencing the certification process
- Providing detailed information on all relevant social, environmental and production issues on the property;
- Actively seeking comment from a broad range of stakeholders, including in writing, through field days and one-on-one meetings;
- The owners being committed to meet and exceed FSC principles;
- Having a ‘conservation-production’ matrix to set guidelines for assessing the balance of management zones, and for reporting this to stakeholders.

In terms of the plantation sector in Australia, during the year some instability continued as a result of the Global Financial Crisis and its impact on Australian Managed Investment Schemes (MIS). One forest management certificate lapsed as a result of the company being placed in administration. At year’s end, there were eight forest management certificates in Australia representing a total certified area of 598,484 hectares compared to 445,006 in 2009 (the previous year had also been impacted with the former Timbercorp certificate being suspended while Australian Bluegum Plantations, the subsequent owner, was recertified). Pleasingly, there were at least two substantial forest products companies seeking FSC certification at the end of 2010 including Norske Skog who received their FM certificate in March 2011.



Distribution of FSC Forest Management Certificates, 2010



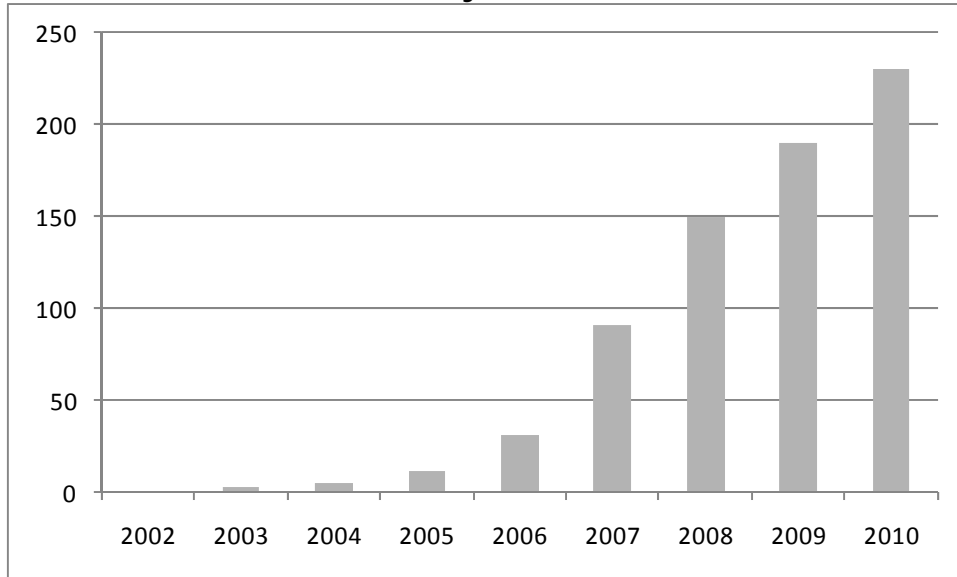
The rate of growth of Chain of Custody certificates has also been impacted by economic conditions although the number of certificates still grew by more than 20 per cent in 2010. New certificates contributed further to growth in the supply chain particularly for building products. A significant achievement during 2010 was the awarding of Australia's first FSC Project Certification to the Grocon Pixel building in Melbourne. This was also the first full FSC Project Certification for a multi-story office building outside of the UK. During the year, growth in supply of FSC certified products at the retail end, with major DIY stores as well as office supply companies, ensured increasing visibility for FSC certified products.



Grocon Pixel Building in Melbourne. First FSC Project Certification in Australia. Grocon subsequently announced an innovative multi-story wood apartment building on the same site that would utilise FSC certified wood.



Growth in FSC Chain of Custody Certificates, Australia



Marketing and Events

During the year, FSC Australia organised and hosted a number of events. The largest of these was the successful Annual FSC Dinner and Awards night held at Atlantic in Melbourne. The dinner once again attracted a large and diverse crowd and despite the subdued business environment awards were presented in most of categories. Guest speaker for the evening was FSC International Head of Policy and Standards Dr Hans Joachim 'Achim' Droste who spoke about developments with the FSC system and the FSC strategic plan.



FSC International Policy Director Dr Hans Joachim Droste at the 2010 annual dinner



Responsible Forest Management Australia Ltd
ACN- 120 667 870

In September, FSC Australia hosted a series of events in Hobart including a workshop on Certification for Small and Community Landholders. The workshop attracted participants from throughout the Asia Pacific area but particularly the Pacific region. Funding was received from Dutch development organisation ICCO and the South Pacific Commission EU FACT program but unfortunately no support for this activity was forthcoming from the Australian Government. FSC Australia subsequently hosted a meeting of Asia Pacific FSC National Initiatives that was facilitated by new FSC Global Network Director Gemma Boetekees and outgoing Director Alan Smith. A centrepiece of this series of events was a community dinner attended by more than 100 people and addressed by the founding Executive Director of FSC International Dr Timothy Synnott. That FSC was able to bring together such a diverse group of forest stakeholders for the dinner attracted considerable comment and was noted by Tasmanian Greens MP Tim Morris who welcomed delegates to Tasmania.



Peter Downie talks to participants in the FSC workshop for small private and community forest owners at his Lagoon of Islands property

In December, FSC Australia hosted a meeting of Asia Pacific Social Chamber members of FSC International. This meeting was an initiative of the FSC International Board of Directors to promote participation by Social Chamber in the FSC General Assembly scheduled for June 2011.

Other activities to promote and inform the industry and public at large included:

- Continuing development of the FSC on-line communication through an upgrade of the web-site and continuing production of an e-newsletter
- FSC also participated in a range of industry forums and conferences
- Through an MOU with The Shape Group for marketing support, FSC was also regularly invited to present to groups of architects and other specifiers.



Responsible Forest Management Australia Ltd
ACN- 120 667 870

- FSC provided support to a number of certificate holders by offering staff briefings on the opportunities offered by the FSC system.

FSC Australia was pleased to announce the appointment of Natalie Houghton as Marketing and Business Development Manager in April 2011. Natalie brings a wealth of experience to the position. This is expected to result in an increase in activity in this area in 2011/12.

Policies and Standards

During the year, FSC Australia continued its policies and standards work with a high priority on development of a High Conservation Values Evaluation Framework for Australia. This framework is intended for use in conjunction with the Controlled Wood Risk matrix agreed in 2009 but will also inform the ongoing development of an FSC Australian Forest Management standard. Draft 2.0 of the Framework was presented to a stakeholder meeting in April 2011 and Draft 2.1 was published for stakeholder comment soon after. During 2010 FSC Australia received, analysed and published responses to Draft 1 and developed Draft 2 based on this feedback. Draft 2 adopted a different approach based on work of FSC US.

FSC Australia has published a two year development plan for its Australian National Forest Management Standard. A workshop was held in November to brief stakeholders on this project and the roadmap developed by FSC Australia (based on requirements of FSC International and local factors). This project is expected to be accelerated during 2011 with the appointment of a full-time Policy and Standards Manager. FSC is seeking support for this project from the philanthropic community and other donors.

FSC Australia undertook consultation on the interpretation of Principle 5.6 (sustainable yield) in an Australian context. In evaluating the consultant's draft of the Australian FSC Forest Management Standard, FSC Australia identified the definition of 'sustainable yield' as an area requiring further work and consultation. Sustainable yield refers to the rate at which timber can be harvested in a forest on an indefinite basis. Principle 5.6 says: "The rate of harvest of forest products shall not exceed levels which can be permanently sustained." Feedback on this consultation was provided to stakeholders and further work will occur during development of the national standard.

FSC Australia was recognised for its leadership in developing an FSC Pesticides Policy Advisory Group (PPAG). This group was established as a technical reference group on matters relating to the use of chemicals. Experience from the PPAG is being used by FSC International in developing a new policy note, particularly the role National Offices can play in reviewing requests for derogations.

FSC Australia has kept abreast with other international developments, particularly the review of the FSC Principles and Criteria for Responsible Forest Management that is



Responsible Forest Management Australia Ltd
ACN- 120 667 870

being undertaken by FSC International. FSC International Policy Director Dr Achim Droste briefed the FSC Australia Board on this work.

FSC Australia received the report of the Indigenous Steering Committee In May 2010. It made recommendations to the Board on mechanisms and approaches for engaging with traditional owners in Australia. This project was led by the Coordinator of the Murray and Lower Darling Rivers Indigenous Nations Steve Ross. Further work is being undertaken on this project by the Board of FSC Australia and will be discussed with members.

The extensive program of Policy and Standards work undertaken by FSC Australia during 2010 would not have been possible without the voluntary contributions of members and the support of philanthropic donors. In particular, FSC Australia would like to acknowledge the contribution of the Australian Environmental Grantmakers Network and Secretary Sue Matthews of the Mullum Trust. Contributors to the FSC work program included The Mullum Trust, the Reichstein Foundation, Diversicon Environmental Foundation, Andrew Hall, the Hunt Foundation, the E.M Horton Family Fund and others. Their contributions are gratefully acknowledged.

Governance

In pursuit of the highest standards of governance, FSC developed new and appropriate policies during the year to deal with Conflicts of Interest and clarify the role FSC Australia plays in certification decisions. In the latter case, the main point to emphasise was that FSC Australia had no standing in certification decisions; these decisions were made by independent third party certification bodies, accredited by the international body Accreditation Services International (ASI) following rules set by FSC International. Complaints should be lodged in the first instance with companies undergoing certification; in the second instance with the relevant certification body; if that is unsatisfactory with ASI, and; if the outcome is still unsatisfactory through the FSC International disputes process. In relation to conflicts of interest, FSC Australia adopted the following policy:

FSC Australia, its agents and employees (whether paid or volunteer) does not provide consulting services to certified companies or companies seeking certification. In particular, it does not act on behalf of such companies or accept financial remuneration to assist such companies gain or maintain certification against FSC standards.

In this context, consultancy services are distinguished from educational services and facilitation of stakeholder interaction. Provision of education services about FSC and the requirements of the FSC system are a core part of FSC Australia's activities. However, these services are limited to the provision of information as distinct from assisting an entity gain certification. Facilitation of interaction between stakeholders is also a core part of FSC Australia's activities. In this context, facilitation services are provided on the basis of neutrality between stakeholders and cannot be provided in a manner



Responsible Forest Management Australia Ltd
ACN- 120 667 870

that can be perceived as support for the entity seeking certification or support for one stakeholder group over another.

Staff

During 2010, FSC Australia relied heavily on volunteer labour (particularly in the first half of the year). James Taylor managed the office on a volunteer basis until June and Adam Trumble was subsequently employed part-time as Business Manager. Adam took a strong lead on trademark management issues, provided support for governance activities, worked with the FSC accounting firm Morey Wickham on financial management and supported FSC Australia events and activities. Chartered Accountants Morey Wickham, provided accounting support to FSC Australia on a pro bono basis through 2010 and considerably improved financial management, administration, accounting processes and statutory reporting. The firm has been appointed as accountants for FSC Australia in 2011. Pina Gervassi joined FSC Australia on a consultancy basis during 2010 to support the policy and standards program. Pina made a significant contribution through her experience as a Policy Manager at FSC International in Bonn and with FSC in Peru and Argentina. Unfortunately Pina returned to Peru at the end of 2010 for personal reasons. Given encouraging growth in membership and administrative demands, a medium term staffing structure was agreed by the Board following a strategic review and these positions will be filled progressively through 2011.

Finance

FSC Australia has announced an improved financial position following active management to contain expenditure and sustained growth in revenue. The organisation was, pleasingly, able to strengthen its position during 2010 and finished the year with a surplus of \$86,343. FSC Australia was greatly assisted by generous donations from the philanthropic community. During the year FSC Australia was granted Deductible Gift Recipient status by the ATO. The combined impact of these initiatives has provided the foundation for a robust and sustainable FSC Australia able to fulfil its role in Australia and the Asia Pacific region.

5. OPERATING RESULTS

The surplus for the year was \$86,343. The Company is exempt from paying income tax.

6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the company during the financial year, other than those referred to elsewhere in this report.



Responsible Forest Management Australia Ltd
ACN- 120 667 870

7. AFTER BALANCE DATE AFFAIRS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial year.

8. FUTURE DEVELOPMENTS

It is most probable that developments in operations of the company and the expected results of those operations in future financial years will follow the current pattern.

9. DIVIDEND PAYMENT

The company is a company limited by guarantee incorporated and domiciled in Australia. It does not have share capital. The directors of the company are precluded by the company's Constitution from recommending the payment of any dividend.

10. AUDITOR'S INDEPENDENCE DECLARATION

The independent audit report of the auditor for the year ended 31 December 2010 is attached.

Signed in accordance with a resolution of the Board of Directors:

Amanda Keogh

Director

Dated this April 2011



APPENDIX 1

DIRECTORS' PARTICULARS

ADAMS, Martin James

Qualifications: Diploma of Forest Science - Creswick

Experience: 25 years of experience working in the forestry sector including in public and private ownership, native and plantation forests, softwood and hardwood forests as well as in the MIS sector. He has experience also in business having successfully run his own company in forests sector for a period. As well he has extensive community credentials having served in local government including in the capacity of Mayor. He is currently the CEO of Timber Communities Australia Limited where he is able to bring together his understanding of the forests sector with his deep commitment to community.

Responsibilities: Member of the Finance sub-committee.

ANDERSON, Tim

Experience: Wombat Forest Community Consultative Committee (1991 – 93), Wombat Forest Society (1994 – 02), Western Victorian Forest Protection Network (1998 – 02), Midlands Reference Group (2001), West RFA Sawlog Farming Steering Committee (2001 – 05), Sustainable Yield Review, Portland FMA, Environment Victoria (2001), Project Manager Community Forestry Department of Sustainability & Environment (2003-07).

Responsibilities: Chair of Board
Member Advertising and Marketing sub-committee.

CADMAN, Sean

Qualifications: BSc, Biology & Food & Nutrition (Double major), Environmental Auditor training & various other short courses.

Experience: 30years in environmental management, environmental policy development and advocacy specialising in forest policy and forest management.

Responsibilities: Chair of Policy and Standards sub-committee



Responsible Forest Management Australia Ltd
ACN- 120 667 870

ERASMUS, Vincent Malcolm

Qualifications:Dip For. South Africa (Saasveld)

Experience: 20 Years of senior timber industry appointments in the South African Timber industry. Extensive experience in both Forestry and in solid wood conversion.
Chief Executive Officer and MD of Elders Forestry since February 2006. Numerous Directorships on industry Associations including Vice President NAFI, Director of FWPA and past Director of FEA Limited.

Responsibilities: Member of Economic Chamber and Board Member

HESKETH, Lindsay

Qualifications: Victorian HSC (1974)
Qualified Automotive Mechanic (General Stream 1997)
Commercial Pilot (general Aviation 1977)

Experience: General Aviation in Australia from 1977 until 1992. Employed in small businesses and Company Chief Pilot 1984 to 1992.

Automotive industry from 1992 to 2001. Employed in small businesses and self employed. Environmental advocacy & campaigning from 1992 to present (professionally from 2001).

Responsibilities: Member of Environment Chamber and Board

KEOGH, Amanda

Qualifications: Master of Sustainable Development (Macquarie University) and Bachelor of Arts (Trinity College Dublin)

Experience: 2007 - present day Fuji Xerox Australia Sustainability Manager;
2005-2007 Corporate Sustainability Research Assistant Macquarie University;
2000-2002 Marketing Manager Eontec;
1997-2000 Marketing Manager IONA Technologies

Responsibilities: Economic Chamber Member; Chair Business Sub Committee and Member Membership sub-committee.



Responsible Forest Management Australia Ltd
ACN- 120 667 870

LA NAUZE, Jonathan

Qualifications: Bachelor of Arts (University of Melbourne), Associate Diploma of Music (Performance) (Australian Musical Examinations Board)

Experience: 2002 - present: Red Gum campaign coordinator, Friends of the Earth Melbourne

Responsibilities: Member Environment Chamber, Membership Committee (January – April) & Business & Finance Sub-Committee (April – December).

PRICE, Anthony

Qualifications: Bachelor of Science (Forestry) (ANU) and Post Graduate Diploma in Business Management

Experience: 25 years experience in the forest industry in a range of senior positions. Extensive experience in forest management, harvesting and marketing.
Managing Director of Australian Bluegum Plantations since December 2009.

Have had numerous Directorships in the past, including Director and Vice President of NAFI

Responsibilities: Member of Economic Chamber, Board Member and member of the Policy and Standards sub-committee.

RUSSELL, Susan

Experience: Office bearer on North Coast Environment Council since 1999, Regional Coordinator for the North East Forest Alliance since 1996. Formerly held positions on the NSW Government's Forest Advisory Council and Natural Resource Advisory Council. Holds Director position in several other companies.

Responsibilities: Member of the Environment Chamber, Board Member, Membership and Selection sub-committees.



Responsible Forest Management Australia Ltd
ACN- 120 667 870

Auditor's Independence Declaration

To the directors of **Responsible Forest Management Australia Ltd**

Under section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31st December 2010 there have been:

1. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

David Folley
Chartered Accountant
11 Royton Street
East Burwood 3151

2011



Responsible Forest Management Australia Ltd
ACN- 120 667 870

**RESPONSIBLE FOREST MANAGEMENT AUSTRALIA LTD
ACN 120 667 870**

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes as set out on pages 19 to 28 are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting standards and Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 December 2010 and of the performance for the year ended on that date of the company.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

.....

Amanda Keogh
Director

Dated this April 2011



Responsible Forest Management Australia Ltd
ACN- 120 667 870

RESPONSIBLE FOREST MANAGEMENT AUSTRALIA LTD
ACN 120 667 870

BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	2010 \$	2009 \$
CURRENT ASSETS			
Cash assets	4	110,281	3,222
Receivables & Prepayments	5	48,225	28,606
TOTAL CURRENT ASSETS		<u>158,506</u>	<u>31,828</u>
NON CURRENT ASSETS	6	<u>1,607</u>	<u>2,374</u>
TOTAL ASSETS		<u>160,113</u>	<u>34,202</u>
CURRENT LIABILITIES			
Payables	7	<u>75,716</u>	<u>36,148</u>
TOTAL CURRENT LIABILITIES		<u>75,716</u>	<u>36,148</u>
TOTAL LIABILITIES		<u>75,716</u>	<u>36,148</u>
NET ASSETS		<u>84,397</u>	<u>(1,946)</u>
EQUITY	8		
Retained surplus (accumulated deficit)	9	<u>84,397</u>	<u>(1,946)</u>
TOTAL EQUITY		<u>84,397</u>	<u>(1,946)</u>

The accompanying notes form part of these financial statements



Responsible Forest Management Australia Ltd
ACN- 120 667 870

RESPONSIBLE FOREST MANAGEMENT AUSTRALIA LTD
ACN 120 667 870

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 \$	2009 \$
Revenue from ordinary activities	2	274,779	157,748
Expenses	3		
Administration expenses		(45,633)	(70,665)
Event Operations		(124,609)	(72,550)
Employee & Contractors		<u>(18,194)</u>	<u>(83,492)</u>
Net surplus(deficit) from ordinary activities	8	<u>86,343</u>	<u>(68,959)</u>

The accompanying notes form part of these financial statements



Responsible Forest Management Australia Ltd
ACN- 120 667 870

RESPONSIBLE FOREST MANAGEMENT AUSTRALIA LTD
ACN 120 667 870

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	\$ Accumulated Funds
Balance as at 1 January 2009		<u>67,013</u>
Surplus for the year		<u>(68,959)</u>
Balance as at 31 December 2009		<u>(1,946)</u>
Surplus (Deficit) for the year		<u>86,343</u>
Balance as at 31 December 2010		<u>84,397</u>

The accompanying notes form part of these financial statements



Responsible Forest Management Australia Ltd
ACN- 120 667 870

RESPONSIBLE FOREST MANAGEMENT AUSTRALIA LTD
ACN 120 667 870

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	\$	\$
Cashflow From Operating Activities:		
Cash receipts in the course of operations	254,697	138,729
Cash payments in the course of operations	(148,101)	(200,529)
Interest received	463	990
	<hr/>	<hr/>
Net Cash provided by (used in) operating activities	107,059	(60,810)
	<hr/>	<hr/>
Cashflow From Investing Activities:		
Net cash provided by (used in) investing activities	-	(2,374)
	<hr/>	<hr/>
Cashflow From Financing Activities:		
Net cash provided by (used in) financing activities	-	-
	<hr/>	<hr/>
Net increase (decrease) in cash	107,059	(63,184)
Cash at the beginning of the financial year	3,222	66,406
	<hr/>	<hr/>
Cash at the end of the financial year	110,281	3,222
	<hr/>	<hr/>

The accompanying notes form part of these financial statements



Responsible Forest Management Australia Ltd
ACN- 120 667 870

RESPONSIBLE FOREST MANAGEMENT AUSTRALIA LTD
ACN 120 667 870
NOTES TO AND FORMING PART OF THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

RECONCILIATION OF CASH

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:-

	2010	2009
	\$	\$
Cash deposits with banks	<u>110,281</u>	<u>3,222</u>
	<u>110,281</u>	<u>3,222</u>

**RECONCILIATION OF CASH FLOW FROM OPERATIONS
WITH OPERATING SURPLUS FROM ORDINARY ACTIVITIES**

Operating Surplus (Deficit)	86,343	55,346
Changes in Assets and Liabilities		
(Increase)/decrease in Receivables	(19,619)	(10,577)
Increase/(decrease) in Trade Creditors and Accruals	39,568	9,970
	<u>106,292</u>	<u>54,739</u>
CASH FLOW FROM/(USED IN) OPERATIONS	<u>106,292</u>	<u>54,739</u>

The accompanying notes form part of these financial statements



Responsible Forest Management Australia Ltd
ACN- 120 667 870

**RESPONSIBLE FOREST MANAGEMENT AUSTRALIA LTD
ACN 120 667 870**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

Note 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS').

The financial report covers Responsible Forest Management Australia Limited as an individual entity. Responsible Forest Management Australia Limited is a company limited by guarantee, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Revenue Recognition

Revenue from the rendering of a service is recognised upon delivery of the service to the customer.

Revenue from sponsorships and grants is recognised when the right to receive a sponsorship or grant is established.

(b) Income Tax

The company is a non-profit entity and is exempt from income and payroll tax. The company does collect and pay goods and services tax.

(c) Trade and Other Creditors

These amounts represent unpaid liabilities for services provided to the company prior to the end of the financial year. The amounts are unsecured.

(d) Cash

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks, deposits at call and money market investments which are readily convertible into cash.



Responsible Forest Management Australia Ltd
ACN- 120 667 870

**RESPONSIBLE FOREST MANAGEMENT AUSTRALIA LTD
ACN 120 667 870**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

Note 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(e) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

1(f) Critical Accounting Estimates and Judgements

The directors' estimates and judgements incorporated into the financial report are based on historical results and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data from internal and external sources.

1(g) Adoption of new and revised Accounting Standards

In the current year, the company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

1(h) Trust liabilities and right of indemnity

The company acts as trustee of the Responsible Forest Management Australia Ltd Public Fund. The Public Fund was established during the 2007 year. Liabilities incurred as trustee on behalf of the Public Fund are not recognised in the financial report when it is not probable that the company will have to meet any of those trust liabilities from its own resources. When it is probable that the company will have to meet some trust liabilities, a liability for the Deficiency in Trust Right of Indemnity is brought to account. As at 31 December 2010, the Public Fund had no liabilities.



Responsible Forest Management Australia Ltd
ACN- 120 667 870

**RESPONSIBLE FOREST MANAGEMENT AUSTRALIA LTD
ACN 120 667 870**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010	2009
	\$	\$
Note 2 REVENUES		
Revenue from operating activities:		
Subscriptions	71,995	43,395
Entrance Fees	2,600	425
Event & Sponsorship Income	153,497	76,508
Policy & Standard (PPAG)	5,000	21,400
Training	-	10,000
Donations & Grants	27,197	5,030
FSC AC Activities Compensation	14,027	-
Interest	463	990
Total revenue	<u>274,779</u>	<u>157,748</u>
Note 3 EXPENSES		
<u>Administration Expenses</u>		
Travel	6,035	2,315
Audit, Bookkeeping & Accounting	10,140	6,775
CRAT & ISC Expenses	5,450	35,756
Depreciation	767	-
Advertising & Promotion	1,027	3,923
Legal Fees & Consultancy	1,225	4,660
Postage, Printing & Stationary	366	6,403
Telephone	6688	428
Internet	1,537	1,545
Computer Expenses	630	300
Meetings	1,611	2,232
Sundry	2,431	1,176
Website Design	9,100	-
Bank Fees	523	821
Insurance	4,123	4,331
	<u>45,633</u>	<u>70,665</u>
<u>Event Expenses</u>		
	<u>124,609</u>	<u>72,550</u>



	2010	2009
	\$	\$
<u>Employee & Contractor Expenses</u>		
Employee	2,336	70,292
Contractor & Consultants	15,858	13,200
	<u>18,194</u>	<u>83,492</u>
Note 4 CASH ASSETS		
Cash deposits with banks	110,281	3,222
	<u>110,281</u>	<u>3,222</u>
Note 5 RECEIVABLES – CURRENT		
Other Debtors & Prepayments	10,176	-
Trade Debtors	38,049	28,606
	<u>48,225</u>	<u>28,606</u>
Note 6 NON CURRENT ASSETS		
Computer – Written Down Value	<u>1,607</u>	<u>2,374</u>
Note 7 PAYABLES – CURRENT		
GST	3,759	1,720
Creditors and accruals	71,957	34,428
	<u>75,716</u>	<u>36,148</u>
Note 8 MEMBERS' GUARANTEE		
The company is limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute \$100 each towards meeting any outstanding obligations of the company.		
Note 9 RETAINED EARNINGS		
Retained surplus/(Accumulated deficits) at the beginning of financial period	(1,946)	67,013
Net operating surplus(deficit) for period	86,343	(68,959)
	<u>84,397</u>	<u>(1,946)</u>



Responsible Forest Management Australia Ltd
ACN- 120 667 870

**RESPONSIBLE FOREST MANAGEMENT AUSTRALIA LTD
ACN 120 667 870**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

Note 10 RELATED PARTY TRANSACTIONS

Directors' Remuneration

There was no remuneration paid or payable to the directors of the company.

Note 11 COMPANY DETAILS

The registered office of the company is:

C/- Morey Wickham
Level 1, 1091 Toorak Road
Camberwell 3124

Note 12 ECONOMIC DEPENDANCY

A significant portion of income is received
From member subscriptions.

**Responsible Forest Management Australia Ltd
Independent Auditors Report**

To the members of the Responsible Forest Management Australia Ltd

Scope

We have audited the financial report, being a special purpose financial report of the Responsible Forest Management Australia Ltd for the year ended 31st December 2010 as set out on pages *14 to 23*. The Directors are responsible for the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. We have conducted an independent audit of the financial report in order to express an opinion on it to members of the Responsible Forest Management Australia Ltd.

The financial report has been prepared for the purpose of fulfilling the requirements of the Corporations Act 2001 and the reporting requirements in accordance with the constitution of the Responsible Forest Management Australia Ltd. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination on a test basis of evidence supporting the accounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether in all material respects, the financial report is presented fairly in accordance with the accounting policies described in Note 1 so as to present a view which is consistent with our understanding of the Responsible Forest Management Australia Ltd's financial position and performance as represented by the results of its operations.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

The Council has taken up a liability of \$11,314 in respect of employee's superannuation entitlements. These entitlements had not been remitted to the employee's superannuation funds by the due dates and as a consequence it is anticipated that the Australian Taxation Office will impose interest and administrative charges in due course. No provision has been made in the financial statements to reflect the charges if any, that may be imposed.

With this exception our opinion the financial report of Responsible Forest Management Australia Ltd presents a true and fair view of the financial position of the Responsible Forest Management Australia Ltd as at 31st December 2010 and the results of its operations for the year ended then ended in accordance with the accounting policies described in Note 1 to the financial statements.

.....
David Folley
Chartered Accountant
11 Royton Street
East Burwood 3151

Dated.....