

# Statement of corporate intent

## 2024–25



# Acknowledgement of Country



Forestry Corporation of NSW acknowledges the traditional custodians of the land on which we live and work, and pay our respects to Elders past, present and future.

We recognise the connection to their land, their waters and surrounding communities and acknowledge their history here on this land.

We also acknowledge our Aboriginal and Torres Strait Islander employees who are an integral part of our diverse workforce and recognise the knowledge embedded forever in Aboriginal and Torres Strait Islander custodianship of Country and culture.

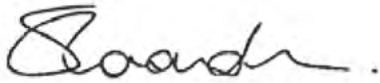
## Contents

Shareholder Agreement	3
Our objectives	4
Business overview	5
Strategy 2025	6
FY25 strategic priorities	7
Financial summary	8
Performance measures	9
Sustainability	10
Statement of Expectations Action Plan	11
Representation and Commitment Statement	12



# Shareholder Agreement

This 2024-25 Statement of Corporate Intent for the Forestry Corporation of NSW has been agreed between:



**Stefanie Loader**

Chair  
Forestry Corporation of NSW



**Anshul Chaudhary**

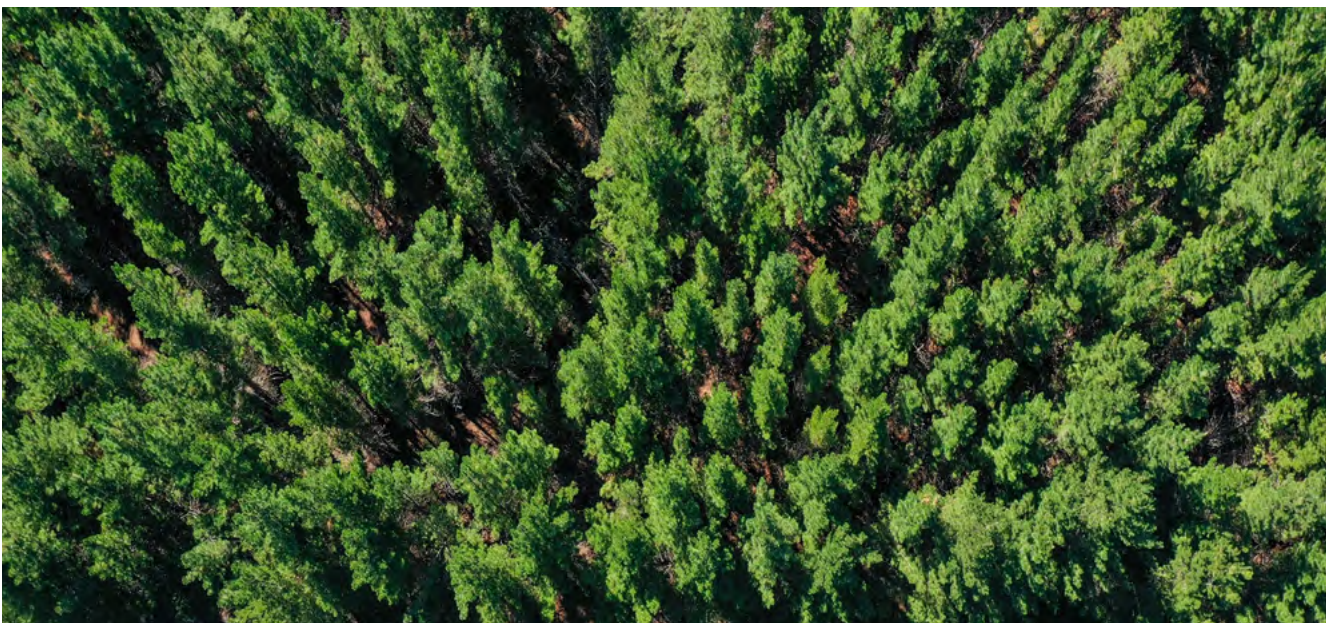
Chief Executive Officer  
Forestry Corporation of NSW



**The Hon. Daniel Mookhey, MP**  
Treasurer



**The Hon. Courtney Houssos, MLC**  
Minister for Finance



# Our objectives

The objectives of the Forestry Corporation of NSW as set out in the *Forestry Act 2012* are outlined below.

The principal objectives of the Corporation are as follows:

- (a) to be a successful business and, to this end:
  - i. to operate at least as efficiently as any comparable business, and
  - ii. to maximise the net worth of the State's investment in the Corporation.
- (b) to have regard to the interests of the community in which it operates.
- (c) where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the *Protection of the Environment Administration Act 1991*

(d) to Contribute towards regional development and decentralisation,

- (e) To be an efficient and environmentally sustainable supplier of timber from Crown-timber land and land owned by it or otherwise under its control or management.

Each of the principal objectives of the Corporation is of equal importance.

The Corporation also has, in exercising its functions as the land manager of a forestry area, the objectives of a land manager under Part 5 of the *Forestry Act 2012*.

The provisions of section 20E of the *State Owned Corporations Act 1989* do not apply to the Corporation.





# Business overview



## About us

Forestry Corporation of NSW sustainably grows and manages the ultimate renewable resource – our State forests. State forests both contribute to and complement NSW's conservation estate, delivering a range of benefits to communities, from access for tourism and recreation to protection of cultural heritage, fire protection and renewable timber production.

We manage approximately 1.7 million hectares of multiple-use public native forests, including coastal native forests, cypress forests and red gum forests, approximately 225,000 hectares of softwood timber plantations in the central west, south and north of NSW and just under 35,000 hectares of hardwood timber plantations in north east NSW.

Timber is the most renewable building product available, storing carbon for the life of products, using less energy than other alternatives and continually regrowing, and we are expanding our investment in a renewable future by exploring new opportunities for renewable energy production across the estate.

NSW is a net importer of timber, and the renewable hardwood and softwood timber products we produce play a critical role in meeting the community's increasing demand for timber and wood products. Our forest management is independently certified to the Australian Standard for Sustainable Forest Management Responsible Wood, and our operations underpin a vital and vibrant renewable timber industry in regional NSW.

As a statutory firefighting authority, we play a key role in preventing and managing fires and protecting communities as part of the State's coordinated firefighting response. We employ a highly trained and skilled firefighting workforce and carry out annual hazard reduction, training and maintenance programs. We also maintain a firefighting fleet, equipment and heavy plant as well as a network of fire trails and fire towers to aid rapid detection and early suppression of fires in State forests.

Our purpose is to Care, Connect and Grow for a better future. We value innovation, integrity and the wellbeing of our people and communities, with respect for country, community, customers, suppliers and one another at the forefront of all that we do.

Strategic operating guidance is set out under in the Statement of Expectations and is found at [www.forestrycorporation.com.au](http://www.forestrycorporation.com.au)





# STRATEGY 2025

Our strategic goal:

To be recognised as a **VALUED FOREST MANAGER** and **GROW** the business in all areas.



Halve the number of injuries and eliminate serious injuries by 2025



Reposition the business so the community recognises our delivery of balanced and sustainable outcomes for all



Grow the value of the hardwood and softwood estates

This will be supported by our enabling strategies of:

- Build an agile workforce
- Secure and simplify our systems
- Embed good governance

# FY25 strategic priorities

Strengthen our contractor safety management



Support our people in challenging times



Reposition for a sustainable native forestry future



Drive the value and profitability  
of softwood plantations



Establish a new line of business for  
renewable energy in softwood plantations



Become more resilient to the long-term  
impacts of climate change



# Financial summary

Financials*	Measure	FY24F	Budget			
			FY25B	FY26B	FY27B	FY28B
Revenue	\$ mil	404.6	412.3	413.3	400.4	412.4
EBITDA	\$ mil	8.9	17.5	23.6	23.3	31.6
EBITDA margin	%	2%	4%	6%	6%	8%
EBIT	\$ mil	(2.5)	5.5	11.2	11.0	19.5
Operating Profit before Tax	\$ mil	(4.5)	1.6	6.7	5.6	14.0
NPAT	\$ mil	(3.2)	1.1	4.7	3.9	9.8
Dividend**	\$ mil	-	0.8	3.3	2.7	6.9
Return on Equity (excl. land assets)	%	0%	1%	1%	1%	2%

\* Excludes statutory adjustments such as defined benefit retirement obligations, changes in biological assets and impairments. The FY24F and FY 25 business plan were prepared based on information and current events known during the budget process in April 2024.

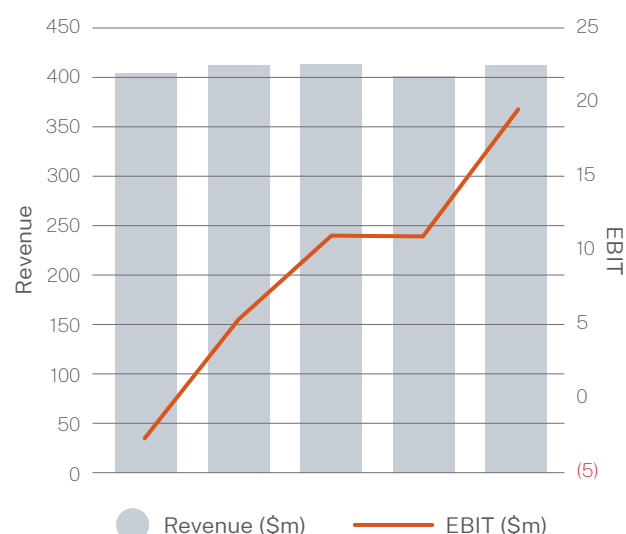
\*\* Dividend policy note: Forestry Corporation has budgeted a return to shareholders of 70% net profit after tax (NPAT)

A range of market and regulatory challenges have affected Forestry Corporation's financial performance in recent reporting periods. These include a softening housing market, flooding in Western NSW hampering redgum harvest, regulatory changes including ceasing operations in koala hubs in the proposed Great Koala National Park and new protocols for Greater Gliders.

The EBIT trend over the budget years shows a progressive and marked improvement, although revenue will remain relatively flat, reflective of economic market outlook and continued lower expectations.

Safety, compliance and fire management continue as key strategic priorities for the business. These are supported by ongoing and new programs of work including raising critical risk awareness, proactive musculoskeletal injury prevention, strengthening chain of responsibility, increased environmental compliance resourcing, use of differential GPS to improve accuracy in operations, and investment in early fire detection technology and fire fighting infrastructure.






## FY24 to FY28 Revenue and EBIT (\$m)





# Performance measures



Strategy Area	Area	Goals	Measures
	Safety	<ul style="list-style-type: none"> <li>● Provide a safe workplace for our staff and contractors</li> <li>● Ensure people go home safe every day</li> </ul>	<ul style="list-style-type: none"> <li>● Total recordable injury frequency rate (TRIFR)</li> <li>● Lost time injury frequency rate (LTIFR)</li> </ul>
	Environmental compliance	<ul style="list-style-type: none"> <li>● Be a responsible forest manager complying with world-class environmental standards</li> </ul>	<ul style="list-style-type: none"> <li>● Maintain international forestry certification</li> <li>● Regulatory actions</li> </ul>
	Fire management	<ul style="list-style-type: none"> <li>● Protect our community and estate from the impact of wildfires</li> </ul>	<ul style="list-style-type: none"> <li>● Hazard reduction burns</li> </ul>
	Employees	<ul style="list-style-type: none"> <li>● Ensure a highly engaged and diversified workforce</li> </ul>	<ul style="list-style-type: none"> <li>● Employee engagement index</li> <li>● Diversity index</li> </ul>
	Financial	<ul style="list-style-type: none"> <li>● Ensure Forestry Corporation is a commercially-focused business whilst balancing community and environmental outcomes</li> </ul>	<ul style="list-style-type: none"> <li>● Earnings before interest and tax (EBIT)</li> <li>● Estate valuation</li> <li>● Dividend</li> </ul>

# Sustainability

## Our commitment to Ecologically Sustainable Forest Management

### Forest Management System

Forestry Corporation maintains a robust Forest Management System (FMS). The FMS is a framework of policies, processes and procedures that outlines how we will plan, implement procedures, audit, report and review performance to achieve sustainable forest management.

The FMS ensures we have:

- objectives and targets that can be tracked and reported
- controls to minimise environmental impacts
- a process to identify and resolve issues and continuously improve
- regular audits to ensure activities and systems comply with regulations and are best practice
- review of management systems and processes.

### Sustainability reporting

Sustainability is a core principle underpinning our forest management and is built into every aspect of our business. Our annual Sustainability Report provides an overview of how we are tracking against sustainability indicators.

The report is available to the public in an interactive format and includes detailed data as well as case studies.

### Responsible Wood certification

Management of NSW State forests is certified sustainable to Responsible Wood, the Australian Standard for Sustainable Forest Management (AS4708:2021), which is part of the largest global certification scheme - the Programme for Endorsement of Certification (PEFC). Certification Independently verifies that our forest management is world-class.

### Climate change strategy

Forestry Corporation's climate change strategy sets clear objectives and targets to identify and mitigate potential impact of climate change on the forests we manage, minimise emissions from our activities and articulate the net benefit of sustainably managed production forests.

Bushfire mitigation and prevention are a primary focus. Other key areas include investing in modelling and research, improving data collection, reducing or offsetting emissions from vehicles and transitioning to green energy.

Timber remains the most renewable building product available, and the Intergovernmental Panel on Climate Change (IPCC) recognises that sustainably managed production forests that maintain carbon in growing trees while producing an annual yield of timber deliver a large, sustained climate change mitigation benefit.



# Statement of Expectations Action Plan



Headline expectation	High level description of key activities to meet expectations
Align the business's plans with the Government's priorities	<ul style="list-style-type: none"> <li>● Maintain regular communication with Treasury, shareholder Ministers and portfolio Minister to align the business's activities to Government priorities and the Corporation's statutory objectives.</li> <li>● Forestry Corporation of NSW will work with the Government through the recently announced Forestry Industry Action Plan process.</li> </ul>
Ensure FCNSW balances the priorities of customers, the environment, communities and other stakeholders	<ul style="list-style-type: none"> <li>● Deliver a range of benefits to communities in line with our role as leading multiple-use forest manager.</li> <li>● Ensure business investment is mainly made in regional centres (e.g. land expansion, capex, etc.).</li> <li>● Maximise current plantation value and consider future expansion.</li> <li>● Ensure majority of workforce is regionally located.</li> </ul>
Maintain high standards of public accountability and corporate governance	<ul style="list-style-type: none"> <li>● Maintain regular communication with Treasury, shareholder Ministers and portfolio Minister.</li> <li>● Maintain strong governance frameworks overseen by the Board.</li> </ul>
Ensure the Government's investment of its capital is used efficiently	<ul style="list-style-type: none"> <li>● Strive to achieve financial and non-financial targets set in Statement of Corporate Intent and Business Plan and continually monitored and reported against.</li> <li>● Ensure major capital investments are supported by business cases and that capital structure is agreed with Treasury.</li> </ul>
Operate the business sustainably	<ul style="list-style-type: none"> <li>● Adhere to requirements of Regional Forest Agreements, relevant regulations and Responsible Wood certification.</li> <li>● Implement corporate strategy encompassing climate change response.</li> <li>● Ensure we protect our forests from significant natural events, such as bushfires, floods and droughts.</li> <li>● Monitor forest health and biodiversity and maintain biosecurity.</li> </ul>
Ensure robust procurement and employment practices that support the economic and social outcomes of the State	<ul style="list-style-type: none"> <li>● Maintain the practice of having procurement policy and tender processes in place with relevance given to a range of criteria covering economic and social elements.</li> <li>● Ensure accounts payment times reported regularly.</li> <li>● Ensure the Diversity and Inclusion Strategy is in place and progress reported regularly.</li> </ul>



# Representation and Commitment Statement



The Board of Forestry Corporation confirms that:

- Key performance indicators within the 2024-2025 SCI are based on and supported by the Corporation's Business Plan.
- The Voting Shareholders will be provided with financial and other information to assess the performance against commitments in this SCI and to assess the value of the Shareholders' investment in the business.
- Asset maintenance policies and processes are adequate and appropriate to manage, and control risks associated with physical assets.
- All known key risks and major emerging contingent liabilities, including climate related and cyber security, which could materially impact the current and future results of Forestry Corporation for the coming year have been disclosed.
- Internal audit and risk management practices are consistent with standards recommended for Australian Securities Exchange (ASX) listed companies and where appropriate and relevant, has applied any additional requirements that are set out in Internal Audit and Risk Management Policy for the General Government Sector (TPP20-08) for the NSW Public Sector.
- The Chief Executive Officer has an employment contract and performance agreement. The employment contract is appraised annually with the next appraisal scheduled for August 2024. The contract expires on 1 October 2026.
- Forestry Corporation adheres to Commercial Policy Framework policies, as listed in State Owned Corporations: Applicable TPPs under the Commercial Policy Framework.
- Forestry Corporation agrees it will pay charges fixed by the Treasurer in respect of government guarantee fees for borrowings from TCorp, in accordance with section 20U of the *State Owned Corporations Act 1989*.
- Forestry Corporation complies with NSW Treasury accounting circulars and policies applicable for SOCs.
- Forestry Corporation agrees to provide information during the year to Treasury, as the representative of the Voting Shareholders, as specified in the State Owned Corporation Reporting Obligation Requirements.
- Forestry Corporation considers the guidance of the current government policy M2023-04 -NSW Government Fair Pay and Bargaining Policy 2023.

