

Statement of corporate intent 2023-24





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.

SHAREHOLDER AGREEMENT

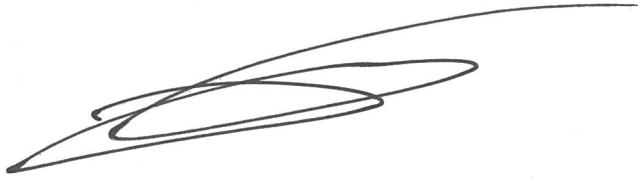
This 2023-24 Statement of Corporate Intent for the Forestry Corporation of NSW has been agreed between:



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.



STATEMENT OF EXPECTATIONS

This 2023-24 Statement of Corporate Intent (SCI) has been prepared and submitted to the shareholding ministers in accordance with the *State Owned Corporations Act 1989* and the *Forestry Act 2012*.

The strategic direction of the 2023-24 SCI aligns with the Statement of Expectations for Forestry Corporation of New South Wales issued by the shareholding ministers in February 2022. Further detail on these expectations is published in the full Statement of Expectations issued by the NSW Government, which are published on the Forestry Corporation website. Forestry Corporation's Statement of Expectations Action Plan is detailed later in this document.

Forestry Corporation is working with the Government to reevaluate its Statement of Expectations in due course. This process will include reviewing Forestry Corporation's priorities to ensure they align with the Government's objectives. While the review is underway, Forestry Corporation has identified the following key priority areas for the coming year:

- be a successful and growing business that protects the state's forest ecosystem and biodiversity, and supports timber supply and tourism
- be a valued land manager that contributes to community services, such as fire protection and pest and weed management
- operate in a way that is consistent with the Government's Net Zero Plan, including Stage 1 of that plan to fast-track emissions reduction over the next decade
- ensure robust procurement, employment, and reporting practices to support positive economic and social outcomes
- build trust with customers, stakeholders and the community through providing transparent, meaningful and timely information and engagement.

The Government has made an election commitment to establish the Great Koala National Park (GKNP) on the Mid North Coast. While the GKNP is being established, the Government has implemented a halt to harvesting in koala hubs within the assessment area for the GKNP (effective from 1 September 2023). The Government is working with Forestry Corporation on timber supply options.

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 are one of the largest managers of public land in NSW responsible for around 1,800,000 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.

As a land manager, we deliver community services including environmental conservation, broad-scale monitoring and research, tourism, community access, Aboriginal partnerships and cultural heritage management, access for primary production, fire protection and pest and weed management.

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.

We are a major primary producer of sustainable timber and wood products. Timber is the most renewable building product available and the hardwood and softwood products we produce play a critical role in meeting the community's increasing demand for wood. We are also investing in a renewable future by exploring new opportunities for renewable energy production.

Our forest management is underpinned by sustainability and independently certified to the internationally recognised Australian Standard for Sustainable Forest Management, Responsible Wood.

Our purpose is to care, connect and grow and our strategic goal is to be recognised as a valued forest manager and to grow the business in all areas.

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

MAJOR DEVELOPMENTS



Home safe every day

Forestry Corporation's goal is for everyone to return home, injury free, every day. The organisation continues to implement a range of strategies, systems and initiatives to drive towards a target of halving the number of injuries and eliminating serious injuries by 2025. Safety is an organisational priority. More detailed safety reporting is included in the following section of this SCI.



Investing in resilience

Forestry Corporation is delivering record investments in recovery from and preparedness for natural disasters.

Construction will ramp up through 2023 and 2024 to restore infrastructure impacted by flooding over recent years for the benefit of communities and industry. The three-year Forest Infrastructure Repair program is the largest ever Government investment in forest roads and will reopen crucial alternative links through forests relied upon by regional communities and restore access to forests for both industry and visitors.

Work is also continuing to shore up fire preparedness and deliver on the recommendations of the various inquiries into the 2019-20 fires. Assets including fire tankers and light vehicles are being renewed or retrofitted to ensure the firefighting fleet remains safe, fit-for-purpose and ready for rapid deployment.

Major investments are also being made in strategic fire trails and installing hardware to transition to the Government Radio Network and fireground radios. Fire management is underpinned by closer than ever collaboration with the Rural Fire Service and other land managers. Forestry Corporation is continuing to contribute to and implement cross-tenure risk management plans developed by local Bush Fire Management Committees. Ongoing focus and investment ensures Forestry Corporation remains prepared and equipped for fires, which will increase in importance as the weather conditions are projected to return to a drier cycle following several years of La Nina conditions.



Managing environmental outcomes

Timber is the ultimate renewable and is managed carefully to ensure it is responsibly supplied over the long term.

Responsible environmental management includes a range of programs and initiatives and includes compliance with environmental regulations. Regulatory compliance is driven by a suite of measures including ongoing training, system reviews and continuous quality assurance audits.

The Auditor General completed an investigation into native forest regulation in early 2023 and the recommendations will be implemented to further bolster compliance and assurance.

In line with the ongoing Regional Forest Agreement review cycle, long-term sustainable yield forecasts will be reviewed and updated in late 2023 drawing on inventory remeasurement and detailed modelling.

The Forest Management Plan for the Western forests and Cumberland State Forest will be reviewed. Forest Management Plans summarise forest management

practices, demonstrate delivery of Ecologically Sustainable Forest Management (ESFM) and articulate Forestry Corporation's ESFM Strategy. The review will incorporate these areas in the plan for the coastal hardwood forests and softwood plantations, which were reviewed with stakeholder input in 2022–23, producing a comprehensive Forest Management Plan.

New broad-scale monitoring programs are being implemented across the landscape to ensure management is informed by robust data and delivering the intended environmental outcomes.

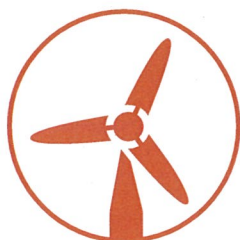


Exploring plantation expansion

In FY23, Forestry Corporation withdrew from a bid to purchase a large private plantation estate in the central west and the south west slopes after the Australian Competition and Consumer Commission (ACCC) raised concerns due to the size and scale of the corporation's existing holdings in the local market.

Forestry Corporation is committed to extracting maximum value from its softwood plantation estate to maintain an ongoing sustainable timber supply. Targeted initiatives include delivering the accelerated replanting program post 2019–20 fires and improving estate evaluation to underpin business decision-making.

As NSW's largest plantation manager, with significant plantations concentrated around key regional markets, acquisition of existing plantations will be challenging. However, a targeted land acquisition strategy is being developed to support expansion where commercially viable.



Climate change and renewable future

Sustainable forest management that delivers an ongoing yield of renewable timber production has been recognised as delivering large, sustained climate change mitigation benefits.

Forestry Corporation's climate change mitigation strategy further strengthens action to reduce emissions and impacts of climate change.

New renewable energy opportunities to facilitate renewable energy production in the softwood plantation estate are being explored. A market process commenced in FY22 seeking proposals for renewable energy projects in four key locations. Submissions will be considered to identify projects that can be facilitated while maintaining timber supply and delivering community benefits.



Diverse, skilled and engaged workforce

Forestry Corporation's success is built upon a diverse and engaged workforce, who have the professional skills, training and support required to deliver on our objectives and obligations.

Building on successes in improving gender diversity over recent years, Forestry Corporation is implementing targeted initiatives to further enhance workforce diversity and inclusion.

Action plans will be implemented to respond to focus areas identified through the employee engagement survey. These include retention of forestry experience and recognition of high performance.

The Enterprise Agreement, which sets employment conditions for most employees, has been renewed for another year, ending 30 June 2024. We will continue to review the conditions of employment to ensure we are meeting legislative requirements as well as the mutual needs of our people and business.



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:

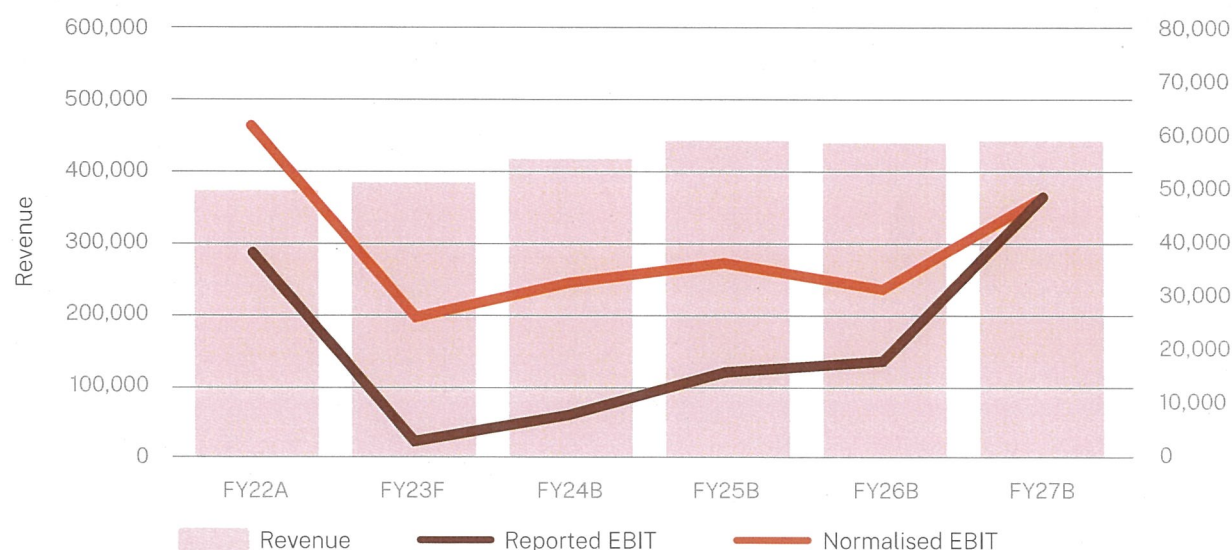
- Build an agile workforce
- Secure and simplify our systems
- Embed good governance

FINANCIAL PERFORMANCE TARGETS

		Forecast	Budget			
		FY23	FY24	FY25	FY26	FY27
FINANCIALS	Measure					
Revenue	\$ mil	384.8	417.6	443.3	441.5	442.3
EBITDA	\$ mil	13.3	18.7	27.8	30.1	60.7
EBITDA on sales	%	3%	4%	6%	7%	14%
Normalised EBIT	\$ mil	26.0	32.9	36.6	31.5	48.1
Reported EBIT	\$ mil	3.2	7.9	16.2	17.9	48.1
Operating profit before tax	\$ mil	0.4	4.0	10.9	11.2	39.9
NPAT ¹	\$ mil	0.3	2.8	7.7	7.8	28.0
Dividend	\$ mil	13.5	2.0	5.4	10.5	29.6
Return on equity (excl. land assets)	%	0.4	0.9	1.8	2.0	5.5

¹ Excludes statutory adjustments such as define benefit retirement obligations, changes in biological assets and impairments.

Financial summary \$'000s



Normalised earnings (EBIT) are presented to demonstrate performance without the program of additional replanting to clear the land bank resulting from the bushfire season of 2019-20.

Reported EBIT dips in FY23 and FY24 with the softening of the housing market and then trends upwards and reflects significant growth in FY27 with additional renewable energy revenues from the first site financial close.

Safety and compliance continue as key strategic priorities for the business. The related existing and new programs of work include raising critical risk awareness, proactive musculoskeletal injury prevention, strengthening chain of responsibility, increased on the ground compliance resourcing and use of differential GPS to improve accuracy.

NON-FINANCIAL PERFORMANCE TARGETS

SAFETY



Lost time injury frequency rate

	FY22	FY23 TARGET	FY23
Rolling 12-month LTIFR including contractors	9.3	7.8	9.6

Total recordable injury frequency rate

	FY22	FY23 TARGET	FY23
Rolling 12-month TRIFR including contractors	17.6	14.7	18.2

LTIFR refers to lost time injuries and TRIFR refers to total recordable injuries. R12 refers to a rolling 12-month measurement period. Both measures are expressed as a function of one million hours worked.

FY24 LTIFR Target = 6.2

Forestry Corporation is committed to halving the number of injuries and eliminating serious injuries by 2025.

Our health, safety and wellbeing strategy is focused on both the management of critical risks to prevent serious injuries and potentially fatal incidents, as well as the prevention of body stressing injuries and maintaining psychological health. Safety initiatives are underpinned by a strong culture of reporting, learning and continuous improvement.

Work is continuing to raise awareness of critical risks and ensure controls to manage these risks are in place, effective and understood. A comprehensive review of Chain of Responsibility practices is being undertaken to strengthen policies, procedures, training, contract management and reporting, ensuring heavy vehicle safety is being appropriately managed across all transport activities.

The first quarter of the financial year saw an increase in safety incidents in the softwoods business. Since then, the incidents have reduced significantly and stabilised, however this did cause the full year metrics to miss target.

Body stressing injuries have significantly reduced this year due to investment in an injury prevention program engaging on-site physiotherapists. This has been implemented in nine key locations across the business. The program aims to reduce the risk of musculoskeletal injuries, which make up the largest portion of injuries recorded. The program encourages early intervention and treatment of muscular stress, implementing strategies in the field to reduce the risk from manual tasks, and assisting our workforce to maintain their fitness and health.

Forestry Corporation's Executive Safety Committee meets monthly to review performance and support continuous improvement of systems, processes and procedures. Formal and informal forums have also been established to regularly communicate and share emerging risks, successful initiatives and lessons from incidents or near misses among both staff and contractors. The Board also has a Safety Committee which monitors management strategies to improve safety across the workforce.

NON-FINANCIAL PERFORMANCE TARGETS

FOREST MANAGEMENT

Forest management and environmental performance

NUMBER OF FINES (PENALTY INFRINGEMENT NOTICES) ISSUED TO FORESTRY CORPORATION BY REGULATORS	FY19	FY20	FY21	FY22	FY23
Biodiversity Conservation Act 2016 (formerly Threatened Species Conservation Act 1995)	0	3	4	0	0
Protection of the Environment Operations Act 1997	2	0	0	0	0
Plantation and Reafforestation Act 1999	0	0	0	0	0
National Parks and Wildlife Act 1974	0	0	0	0	0
Fisheries Management Act 1994	0	0	0	0	0
Forestry Act 2012	0	0	3	4	0

NUMBER OF CONVICTIONS RECORDED AGAINST FORESTRY CORPORATION	FY19	FY20	FY21	FY22	FY23
Biodiversity Conservation Act 2016 (formerly Threatened Species Conservation Act 1995)	0	0	0	4	0
Protection of the Environment Operations Act 1997	0	0	0	0	0
Plantation and Reafforestation Act 1999	0	0	0	0	0
National Parks and Wildlife Act 1974	0	0	0	0	0
Fisheries Management Act 1994	0	0	0	0	0
Forestry Act 2012	0	0	0	3	0

FY24 TARGET = 0

Sustainable forest management is underpinned by robust environmental management systems and processes, ongoing monitoring of outcomes and continuous improvement.

Forestry Corporation is committed through the Regional Forest Agreements to delivering Ecologically Sustainable Forest Management and, as a land manager and timber producer, adheres to detailed and rigorous environmental regulations.

Compliance with environmental regulations is fundamental and over the past few years Forestry Corporation has bolstered investment in staff resources and reviewed and improved systems and processes to drive compliance improvements.

The Forest Management System is the framework for all forest management activities and is built on the principle of continuous improvement.

Contractors and employees are regularly trained in the Forest Management System and the requirements of the various regulations.

Forestry Corporation's operations are independently regulated, with ongoing external audit and oversight. Each operating division maintains independent certification to the internationally recognised Australian Standard for Sustainable Forest Management, trademarked as Responsible Wood (AS4708:2021), with external audits taking place on a twelve-monthly cycle. The Auditor General also reviewed compliance during FY23.

Forest management and environmental performance are also measured on an ongoing basis through long-term forest monitoring programs. A wide range of monitoring is carried out to inform forest management, many of which have been maintained

for several decades including localised species-specific monitoring, long-term water quality monitoring and annual plantation health surveys.

Forestry Corporation has further enhanced its monitoring program by rolling out a new broad-scale monitoring program across 300 sites in State forests along the east coast, from the Queensland border to Victoria. This program will involve 600 recording plots monitored over five years, providing substantial data to allow forest ecologists to track the trends for species in relation to climate change, bushfires, floods and timber harvesting.

**600
recording
plots
monitored
over five
years**



STATEMENT OF EXPECTATIONS ACTION PLAN

HEADLINE EXPECTATION	HIGH LEVEL DESCRIPTION OF KEY ACTIVITIES TO MEET EXPECTATION
Maintain high standards of public accountability and corporate governance	<ul style="list-style-type: none"> ■ Regular communication with Treasury, shareholder Ministers and portfolio Minister. ■ Strong governance frameworks in place and overseen by Board.
Ensure the Government's investment in capital is used efficiently	<ul style="list-style-type: none"> ■ Financial and non-financial targets set in Statement of Corporate Intent and Business Plan and continually monitored and reported against. ■ Major capital investments are supported by business cases. Capital structure is agreed with NSW Treasury.
Operate the business sustainably	<ul style="list-style-type: none"> ■ Adhere to requirements of Regional Forest Agreements, relevant regulations and Responsible Wood certification. ■ Implement corporate strategy encompassing climate change response. ■ Ensure we protect our forests from significant natural events, such as bushfires, floods and droughts. ■ Monitor forest health and biodiversity and maintain biosecurity.
Ensure robust procurement and employment practices that support the economic and social outcomes of the state	<ul style="list-style-type: none"> ■ Procurement policy and tender processes in place with relevance given to a range of criteria covering economic and social elements. ■ Accounts payment times reported regularly. ■ Diversity and Inclusion Strategy in place and progress reported regularly.
Support decentralisation and regional development	<ul style="list-style-type: none"> ■ Vast majority of forestry workforce is regionally located. ■ Business investment is mainly made in regional centres (e.g. land expansion, capex, etc.). ■ Maximise current plantation value and consider future expansion. ■ Deliver a range of benefits to communities in line with role as leading multiple-use forest manager.

REPRESENTATION AND COMMITMENT STATEMENT

The Board of Forestry Corporation confirms that:

- Key performance indicators within the 2023-24 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 2023. 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 *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 has agreed to adopt the terms of M2022-05 NSW Public Sector Wages Policy 2022.
- Forestry Corporation has agreed to comply with the requirements of the New South Wales Industrial Relations Guidelines: Building and Construction Procurement July 2013 (updated September 2017).