



Forest and Wood Products Australia Limited

FWPA - Review of Performance

Final report

February 2017

Executive summary

This report presents the findings of the statutory review of performance of Forest and Wood Products Australia Limited (FWPA) for the period 2012 to 2017 as required under its Statutory Funding Agreement (SFA) with the Commonwealth Government. The current SFA is due to expire in August 2017 and the outcomes of this review will guide discussions on the content of the replacement SFA.

This is an independent review of performance completed by external consultants from GHD Pty Ltd. The terms of reference for the review were to:

1. Assess the FWPA performance in delivering research and development, and marketing (promotion) services for the Australian forest and wood industry;
2. Assess the delivery of benefits to the Australian forest and wood industry, including the achieved value for money and return on investment to levy-payers, the industry and the Australian community, and the contribution to increasing market share of wood and improving productivity of the value chain;
3. Assess FWPA's effectiveness in addressing and implementing the recommendations from the 2011 performance review; and
4. Make findings, conclusions, and recommendations to improve FWPA's performance in delivering research and development, and marketing (promotion) services.

In addition, there was a requirement to specifically address the collaboration activities of FWPA with its stakeholders and also the commercialisation of outputs adopted by industry.

Methodology

The independent review was completed in two key phases:

1. Document review and analysis – including publically available documents sourced from the FWPA website and additional documents provided by FWPA and uploaded onto a FWPA password-protected portal; and
2. Stakeholder consultation, which comprised:
 - An online survey of members and other stakeholders, which was advertised in industry publications and circulated to levy payers and members. A total of 134 responses were received (72 members, 15 associate members, 47 non-members).
 - Face-to-face interviews with:
 - FWPA Board members
 - Department of Agriculture and Water Resources (DAWR) representatives.
 - Telephone interviews with:
 - FWPA staff
 - Service providers and other industry stakeholders.

Findings

This performance review has found that FWPA has met all of its obligations under the SFA and has also delivered benefits to levy payers and the industry generally, including communicating effectively with stakeholders. The Company is pro-active in ensuring that its operational processes comply with the various policies it has established by regularly conducting system

audits by external consultants and correcting the relatively minor issues identified. This approach is evidence of FWPA's philosophy of 'continuous improvement' in its operations to ensure the efficient and effective use of levy funds and matching government contributions.

Evidence of improvements to its operations is also seen by the fact that it has addressed and implemented all of the recommendations from the previous 2011 performance review.

While this review has found that FWPA has met its obligations under the SFA, GHD has identified some areas of improvement for FWPA's consideration that would further enhance its performance in delivering research and development, and marketing (promotion) services for the Australian forest and wood industry. These are presented below as recommendations for both Board governance and general operational issues.

Recommendations

Board governance

1. Update the Fraud Control Plan in line with AS 8001 Fraud and Corruption Control (we note that this is currently in progress) and separate this from the Risk Management Plan. Complete annual reviews of the Fraud Control Plan and Risk Management Plan (currently formally reviewed tri-annually).
2. Establish an Audit, Finance and Risk Committee (reconstituted from the current Audit and Finance Committee) to ensure additional focus on risk management.
3. Adopt a clear overall framework for managing risk by bringing together all risk management documents (policy, plan, methodology, risk registers etc.) to allow systematic periodic review against contemporary risk management methodologies resulting in regular updates to the risks and controls.
4. Consider using an external facilitator to assist with Board performance review to enable the best methodology and production of a clear report on outcomes and plans to address areas for improvement identified.
5. Develop a Diversity Policy to articulate FWPA's approach and goals in relation to increasing diversity (including gender) in the recruitment of Board appointees and Company employees.
6. Develop an induction process for new Board members.

General

7. Establish consistent terms of reference for all Advisory and Reference Groups, and date and include these in the Policies and Procedures Manual.
8. Ensure improved version control of the Policies and Procedures Manual by including dates when last reviewed.
9. Minimise duplication within the new SFA – the current SFA includes many aspects covered by the Corporations Act.
10. Consider ways to better quantify expected and actual performance (e.g. Key Performance Indicators – KPIs) in place of the largely qualitative measures currently used.
11. An addition to the Administration and Human Resources section of the Policies and Procedures Manual with regards to succession planning.

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Appendices

Appendix A – Documents reviewed

Appendix B – Survey

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Appendix D – Performance against SFA obligations

Appendix E – Performance against ASX Principles and Guidelines

Acronyms used in this report

ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
AGM	Annual General Meeting
AOP	Annual Operating Plan
AR	Annual Report
ASX	Australian Stock Exchange
BCA	Benefit Cost Analysis
BCR	Benefit Cost Ratio
CAP	Cost Allocation Process
DAWR	Department of Agriculture and Water Resources
FWPA	Forest and Wood Products Australia
IP	Intellectual Property
KPI	Key Performance Indicator
NPV	Net Present Value
R&D	Research and Development
RD&E	Research Development and Extension
RDC	Research and Development Corporation
SFA	Statutory Funding Agreement
SP	Strategic Plan
TDA	Timber Development Association

1. Introduction

1.1 Forest and Wood Products Australia

Forest and Wood Products Australia Limited (FWPA or the Company) is the rural Research and Development Corporation (RDC) for the Australian forest and wood products industry (the industry). FWPA was established on 3 September 2007 as an industry-owned unlisted public Company limited by guarantee under the Corporations Act.

The Company administers statutory levies imposed on businesses for logs delivered to mills for processing, on exported logs and on certain forest products imported into Australia, along with matching Commonwealth funds for approved research and development (R&D). The funds are invested for the purposes of conducting research, development, extension and marketing services for the forest and wood products industry.

FWPA's vision is:

To ensure that forest and wood products are the preferred, sustainable material that meets the market needs.

The Company's mission is:

To work with stakeholders to identify and deliver collaborative programs that improve the competitiveness, market and community preference for the industry's products.

FWPA has a Statutory Funding Agreement (SFA) with the Commonwealth that guides the Company's administration of the statutory levies in accordance with the *Forestry Marketing and Research and Development Services Act 2007* (the Act). One requirement of the SFA is for FWPA to conduct an independent performance review to consider its delivery of research, development and marketing services, and assess the delivery of benefits to the Australian forest and wood products industry.

This report is the outcome of the independent performance review completed by GHD Pty Ltd of FWPA's activities for the period 2012 – 2017. A previous performance review to 2011 was completed by SED Consulting in January 2012.

1.2 Purpose of this report

GHD Pty Ltd was contracted by FWPA to complete the performance review for the period 2012 – 2017 with the terms of reference of the review as follows:

1. Assess the FWPA performance in delivering research and development, and marketing (promotion) services for the Australian forest and wood industry.

This will include assessment of FWPA's:

- Performance in meeting its roles and obligations under the Agreement 2012-2017 with the Commonwealth.
- Implementation of its Strategic Plan 2012-2016, as occasionally amended, and Annual Operating Plans and of FWPA's effectiveness in meeting the priorities, targets and budgets set out in these plans.
- Performance in developing, implementing and maintaining a framework of good corporate practices, including in the areas of risk management, fraud control and intellectual property management.

- Performance in ensuring structures and operations of the Company and the Board are efficient, effective, appropriate and ethical.
 - Effectiveness with which the Company carried out those plans, including, but not limited to, consideration of the following:
 - FWPA structure and processes
 - Liaison with stakeholders (including levy-payers, members, representative bodies, state and Commonwealth governments)
 - Corporate governance
 - Alignment with and delivery against industry priorities, and the opportunities for and ability of levy-payers and other contributors to influence the investment of levies
 - FWPA's collaboration with other rural research and development corporations, and other research providers in Australia and internationally.
2. Assess the delivery of benefits to the Australian forest and wood industry, including the achieved value for money and return on investment to levy-payers, the industry and the Australian community, and the contribution to increasing market share of wood and improving productivity of the value chain. This will include, but not be limited to, an assessment of FWPA's:
 - Investments at a portfolio level in research and development, and marketing
 - Extension of research findings
 - Management of intellectual property
 3. Assess FWPA's effectiveness in addressing and implementing the recommendations from the 2011 performance review
 4. Make findings, conclusions, and recommendations to improve FWPA's performance in delivering research and development, and marketing (promotion) services.

In addition, there was a requirement to specifically address the collaboration activities of FWPA with its stakeholders and also the commercialisation of outputs adopted by industry.

1.3 Methodology

The independent review was completed in two key phases:

1. Document review and analysis – including publically available documents sourced from the FWPA website and additional documents provided by FWPA and uploaded onto a FWPA password-protected portal. A complete list of the documents reviewed is provided at Appendix A.
2. Consultation, which comprised:
 - An online survey of members and other stakeholders (see Appendix B for a copy of the survey and Appendix C for a summary of the survey results), which was advertised in industry publications and circulated to levy payers and members. The survey was not intended to be a statistical survey sample size however a strong response rate was received with 134 responses (72 members, 15 associate members, 47 non-members).
 - Face-to-face interviews with:
 - FWPA Board members
 - Department of Agriculture and Water Resources (DAWR) representatives.
 - Telephone interviews with:

- FWPA staff
- Service providers and other industry stakeholders.

1.4 Report overview

This report presents the independent review findings across the following areas:

Chapter 2 – Company operations and funding

Chapter 3 – Program planning and effective delivery

Chapter 4 – Delivery of benefits

Chapter 5 – Engagement, consultation and communication

Chapter 6 – Company structure and staffing

Chapter 7 – Corporate governance

Chapter 9 – Conclusions and recommendations

Appendix A lists the documents reviewed.

Appendix B provides a copy of the survey and Appendix C shows a summary of the results. The complete survey results have been provided to FWPA and can be used for the purposes of continuous improvement.

Appendix D provides a summary of FWPA's performance against the SFA obligations.

Appendix E provides an overview of FWPA's performance relative to the ASX governance principles and guidelines.

2. Company operations and funding

2.1 Background

The operations of FWPA are prescribed in its constitution, which includes the objects and powers of the Company with respect to its funding and expenditure of funds. The current version is dated November 2015, however the constitution is updated from time to time with changes ratified at Annual General Meetings (AGM).

The constitution outlines the different classes of membership (members and associate members), the process of applying for membership and their voting entitlements.

The constitution also describes the processes for the appointment and election of directors. This includes the establishment of a Director Selection Committee to identify persons for election at general meetings with the aim that, in recommending directors, the Board will collectively possess the knowledge, skills and experience to discharge the duties of the Company.

The constitution also prescribes the content requirements of key Company documentation such as the strategic plan and annual operating plans (see Section 3).

The key FWPA stakeholders who have input to and rely on its operations are shown in Figure 1.

Figure 1 Overview of FWPA stakeholders



Source: 2016-2021 Strategic Plan

2.2 Funding

FWPA revenue comes from three main sources: industry contributions via compulsory levies, voluntary project contributions and Commonwealth matching funding. Levy payers (i.e. growers, millers, exporters and/or importers) are liable to pay the levies in the following categories:

- Domestic levy: logs produced in Australia and delivered to a mill for processing;
- Export charge: logs produced in and exported from Australia as unprocessed wood; and
- Import charge: logs and certain classes of primary processed forest products imported into Australia.

The levy rates for the different categories of forest and wood products are shown in Table 1, noting that levies are not collected from the pulp and paper industry (domestic and importers)

nor from softwood woodchip exporters. The Commonwealth makes matching payments for eligible R&D expenditure up to a maximum of 0.5% of the gross value of production.

Table 1 Levy and export charge rates

Product	Levy / export charge (cents per cubic metre)
Softwood sawlogs (other than cypress sawlog)	29
Cypress sawlogs	22
Hardwood sawlogs	29
Plywood and veneer logs	15
Wood panel pulplogs	10
Low grade softwood sawlogs	8
Softwood roundwood logs	8
Export woodchip hardwood pulplogs	3.5
Export woodchip softwood pulplogs	Nil
Paper pulplogs	Nil

In 2016 an addendum was made to the SFA to enable FWPA to claim matching Commonwealth payments for voluntary contributions for R&D as per the *Forestry Marketing and Research and Development Services Amendment Regulation 2015*. For projects funded under the voluntary contributions program, a number of additional requirements must be met by project proponents:

1. Cash contributions from at least two non-related entities must be received by FWPA. A multiparty funding agreement will be entered into by all parties to the project. Voluntary contributions can be matched up to 1:1 with Government funds dependant on program demands (maximum amounts shown in Table 2).
3. Cash contributions sourced from either Commonwealth or State Government appropriations to support R&D are not eligible for matching purposes.
4. Proposed research objectives must align to industry and government research priorities.
5. Any intellectual property created in projects funded under the voluntary contributions program must be appropriately protected and made accessible to third parties with minimal delay.

There is a maximum amount for matching voluntary contributions by the Commonwealth as shown in Table 2.

Table 2 Maximum amounts for matching voluntary contributions

Financial year	Maximum amount of matching payments for voluntary contributions (\$m)
2015/16	0.480
2016/17	1.152

Financial year	Maximum amount of matching payments for voluntary contributions (\$m)
2017/18	1.382
2018/19 (and onwards)	1.659

Source: Strategic Plan 2016-2021

Table 3 provides a break-down of FWPA revenue from the 2015/16 Annual Report. This shows overall revenue as well as the contributions from each of the industry sectors. Similar information for all financial years in the review period is available in the respective annual reports, which are independently audited.

The revenue is then expended across each program area as discussed in Section 3.3. Note that annual expenditure may vary from annual income and this is addressed via FWPA's "Reserves" policy which specifically aims to:

- Ensure that FWPA can address emerging or emergency issues
- Enable FWPA to manage cash flow imbalances within a year relating to differences in timing of availability of funds from the levy payers compared with expenditure requirements
- Provide FWPA with some flexibility for the Board to develop new strategic investments in a timely manner
- Enable 'smoothing' of project expenditure over a period of years when levy income may fluctuate due to seasonal conditions
- Provide a balance between funding security and flexibility in recognition of the long term of certain R&D contractual commitments.

Table 3 Revenue, 2015/16

Revenue	\$
Revenue	
Commonwealth matching	3,801,871
Voluntary matching	479,591
Industry contributions	5,605,464
Total revenue	9,886,926
Industry contributions	
Processors	3,089,881
Importers	1,033,102
Growers	1,041,209
State growers	428,001
Penalties	13,271
Total industry contributions	5,605,464

Revenue	\$
Other revenue	
Bank interest received	164,655
Industry project contributions	15,000
Voluntary project contributions	479,591
Others	176,151
Total other revenue	835,397

Source: 2015/16 Annual report

2.3 Funds used consistent with the SFA and the Act

Both the SFA and the constitution require that funds are expended appropriately as outlined in these documents. To assist in demonstrating transparency in the collection and expenditure of funding, various statutory and other audits are completed by external reviewers. In addition to the audit of financial reports for each financial year, FWPA aims to undertake at least two internal audits per annum. A series of internal audits have been completed that demonstrate FWPA expenditure of funds complies with the SFA and the Act. These include:

- R&D Processes (BDO, 2011¹);
- Financial Control Framework Review Report (Grant Thornton, 2012);
- Review of Cost Allocation Policy (Crowe Horwath, 2013); and
- Review of Research and Development Processes and Project Management (RSM, 2016)

For example, the Crowe Horwath audit objectives and scope were to review the adequacy of the Cost Allocation Process (CAP) with respect to the:

- Appropriate categorisation of costs into: Direct Costs and Indirect Costs;
- Overall adherence with the latest requirements set forth in the SFA;
- Provide an opinion to the Board of Directors pertaining to the CAP employed by FWPA.

The audit found the cost allocation method employed by FWPA is deemed reasonable and adheres to the requirements under the SFA, with the key principles recommended under the SFA addressed in the method of allocating costs for all activities.

Where relevant, each audit report includes a series of recommendations and an associated management response, with responsibilities and timeframes clearly specified. These management responses are subsequently reviewed as a 'check-list' to ensure each recommendation is addressed.

Consultation with DAWR supports the finding that Company operations are in compliance with SFA requirements and that DAWR has not identified any issues with FWPA's cost allocation approach.

¹ This is prior to the review period however the findings remain relevant for the purposes of the review.

2.4 Funds not used for agri-political activity

At times research projects funded by FWPA are politically sensitive or can have agri-political implications, which is likely to be the case for any rural RDC. Importantly, however, on the basis of the documents reviewed and stakeholder consultation undertaken, including GHD consultation with DAWR, the review team is satisfied that FWPA has not utilised its funds for agri-political purposes.

2.5 Conclusion

The review demonstrates FWPA's compliance in its operations and funding of activities with the SFA, the Corporations Act and its Constitution. Where internal audits have recommended areas for improvement, FWPA management appears to respond appropriately to ensure continuous improvement.

Of interest, while the change to the SFA to allow voluntary contributions and matching by the Commonwealth has increased the potential funding available to FWPA, the current eligible matching funding of R&D by the Commonwealth is around 0.2% of GVP (i.e. less than the allowable 0.5% limit). FWPA is mindful of this, however maximising matching R&D funding is not considered to be an objective in itself as any increase in R&D funding would need to demonstrate value to stakeholders. To maximise matching R&D contributions from the Commonwealth would likely require re-balancing the current proportion of R&D/marketing expenditure or an increase in total levy income (or both) which may not be supported within the current strategic plan (Section 3). The Board is conscious of the issue and continually reviews its position with respect to R&D funding and Company strategy.

3. Program planning

3.1 Background

The activities funded by FWPA are predominantly directed by its Strategic Plans and associated Annual Operating Plans. Strategic Plans are 5-year rolling plans that are updated annually to take account of changes in industry outlook.

FWPA's planning process is depicted in Figure 2.

Figure 2 FWPA planning process



Source: Strategic Plan 2016 – 2021

A number of formal and informal activities are used to inform the strategic planning process. These include:

- An annual two-day Board strategy session with senior FWPA staff;
- Recommendations from the Advisory Groups and Reference Groups:
 - Market Access & Development Advisory Group
 - Wood Processing Advisory Group
 - Sustainability and Resources Advisory Group
 - Statistics & Economics Reference Group
 - Standards Reference Group
 - Wood Marketing Reference Group
- Consultation with industry associations (Table 4).

There are four national representative bodies that contribute to FWPA's strategic planning (via members sitting on the advisory groups and by providing input to occasional strategic reviews), as shown in Table 4. These organisations also provide input to the director election process, as discussed in Section 7.2.1.

Table 4 National representative bodies

Industry association	
Australian Forest Growers	National association representing private forestry and commercial tree growing interests in Australia
Australian Forest Products Association	Peak national industry body representing the resources, processing, and pulp and paper industries
Australian Timber Importers Federation	Represents the timber importer sector of the national timber industry
Engineered Wood Products Association of Australasia	Represents the veneer, plywood and laminated veneer lumber and wood panel manufacturers in Australia, New Zealand, Fiji and Papua New Guinea and suppliers of goods and services to the industry.

In addition, less frequent forums are used to gather feedback from members and other stakeholders. For example, the Company convened a summit in February 2012 to identify and prioritise investment programs. FWPA aims to engage a professional external facilitator to assist with strategic planning every three years to achieve maximum efficiency and effectiveness of investments with the limited funds available, and also to ensure that all SFA requirements are met.

3.2 Strategic and Annual Operating Plans

3.2.1 Development, implementation and review

FWPA has reviewed and updated its strategic plan on an annual basis throughout the review period, as required by the SFA and to reflect the upcoming 5-year outlook.

For the first four years of the review period, FWPA's 5 strategic program areas were focussed on the Company's operational areas:

- Generic promotion
- Research, development and extension
- Capacity and education
- Building codes and standards
- Statistics and economics

In 2016, however, the Company shifted its strategic focus and identified the following five strategic priorities that are outcomes-based:

- Promoting the advantages of wood products
- Aligning products to market needs
- Assisting value chain optimisation
- Increasing resource availability and reducing risk
- Impacting decision making and industry capability

The intent behind this change was to improve stakeholder engagement and ownership of the plan, by emphasising the desired outcomes of FWPA activities as opposed to internal Company functional areas.

3.2.2 Alignment with Commonwealth R&D priorities

As part of the strategic planning approach, FWPA needs to demonstrate alignment with the Commonwealth's R&D priorities, especially in view of the matching funding for these R&D activities provided by the Commonwealth.

Throughout the review period, FWPA's strategic plans have clearly articulated the alignment of the Company's strategic priorities with the Commonwealth Government's R&D priorities, as demonstrated in Table 5 from the current Strategic Plan 2016 – 2021.

Table 5 Alignment with Commonwealth R&D priorities

National Science & Research Priorities	Rural R&D Priorities	FWPA Programs
2. Soil and Water	Soil, water and managing natural resources Biosecurity	4. Increasing resource availability and reducing risk
3. Transport 5. Energy 7. Advanced manufacturing	Advanced technology Adoption of R&D	1. Promoting the advantages of wood products 2. Aligning products to market needs 3. Assisting value chain optimisation 5. Impacting decision making and industry capability

Source: Strategic Plan 2016 – 2021

3.3 Alignment of planned versus actual expenditure

Our review of documents indicates that there is a clear alignment between the strategic plan, annual operating plans and annual reports. Table 6 provides a summary of planned versus actual expenditure throughout the review period, across each of FWPA's program investment areas. The majority of expenditure occurs in 'generic promotion' and 'research, development and extension', and this has been consistent throughout the review period.

Table 6 Planned versus actual expenditure (\$'000), 2012/13 – 2016/17

Program area	2012/13		2013/14		2014/15		2015/16		2016/17 ²
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned
Generic promotion	2,160	2,419	2,720	3,073	3,346	3,355	3,506	4,291	3,508
Research, development and extension	4,180	3,537	2,710	3,116	3,705	3,535	3,611	4,043	3,682
Capacity and education	700	727	620	470	289	503	282	285	288
Building codes and standards	320	268	310	452	744	712	781	447	797
Statistics and economics	-	637	1,330	593	806	751	832	643	848
Voluntary contributions	-	-	-	-	-	-	960	959	2,400 ³
Total	8,420⁴	7,588	7,690	7,704	8,890	8,856	9,011	9,709	11,522

Source: FWPA annual reports and annual operating plans unless otherwise stated

² 2015-20 Strategic Plan

³ Assuming all voluntary contributions are matched 1:1, the maximum available would be \$2.304 million (Table 2)

⁴ Includes corporate costs of \$1.06 million

3.4 Collaboration

Collaboration has benefits to the strategic planning process, implementation of activities, and uptake and commercialisation of R&D outcomes. The 2016-2021 Strategic Plan notes the changing industry demographic, particularly over the last decade, from government enterprises and 'public good organisations' such as CSIRO towards private entities. This has influenced the nature and extent of collaboration within the industry, with reduced drivers for public good research. Some interviewees commented that this has also reduced the R&D capacity within the industry.

While the reduced R&D capacity is of concern, the additional investment in R&D by companies as a result of the voluntary contributions program will offset the reduction. The results of this research by private organisations will be available to the broader industry because any intellectual property created in projects funded under the voluntary contributions program must be appropriately protected and made accessible to third parties with minimal delay.

FWPA maintains a number of collaborative arrangements. Examples are provided in Table 7.

Table 7 Examples of FWPA collaboration

Collaborator / partner	Details
Forest and wood products industry	
Field force	Partnership between industry-leading companies and organisations for a technical on-ground presence to advise architects, engineers and others involved in the design and construction process about the use of wood and wood products.
National Centre for Timber Durability and Design Life	Partnership between University of the Sunshine Coast, University of Queensland, and Queensland Department of Agriculture and Fisheries, with funding and leadership from FWPA, State and Federal governments, and other universities. The Centre will create a predictive model to guide architects and building specifiers in the selection of the most appropriate timber product depending on its application. The Centre will also provide a tool to accurately predict the structural performance and design life of timber depending on where and how it is used.
Australian Forest Education Alliance	Member of the alliance that informed the development of FWPA's ForestLearning program, which aims to embed forestry and wood product topics in school curricula and provides resources to teachers
Innovawood consortium	Member of European network (which covers furniture manufacture, forest and timber education and technology transfer, advanced wood processing and engineering, and timber research), to strengthen relationship with European-based researchers.
International Union of Forest Research Organisations	Member of this union which is an international network of forest scientists that promotes global cooperation in forest-related research.

Collaborator / partner	Details
Australia-New Zealand Solid Wood Innovations research consortia	Member of this research initiative which sought to create value for stakeholders in Australia and New Zealand in the area of solid wood processing. The consortia wound up in June 2016.
Timber Development Association (TDA)	Representing all segments of the NSW timber industry, from manufacture to supply, around a third of TDA's income comes from FWPA.
Southern Tree Breeders Association	R&D collaboration with partner universities and CSIRO
Various industry businesses and organisations	Membership of the 'Wood. Naturally Better.' Partner Program, which enables use of the Program logo and access to promotional items
Industry organisations, training bodies and government	Sponsorship of events along the supply chain, e.g. National Carpenters Day, industry conferences, award ceremonies and seminars
Other RDCs	
National Forum of the Research, Development and Extension Strategy	Member and funder along with other RDCs, government and research providers, to implement the National Primary Industries RD&E Framework
Council of Rural Research and Development Corporations	Member along with other RDCs and investment in cross-sectoral climate change research strategy for primary industries
Dairy Australia	Member of the CSIRO-led project team for 'Lifting farmgate profitability through high value modular agroforestry', funded by the Rural R&D for Profit program. Other project team members include Greening Australia and Forico.
Cotton RDC	Member of the CRDC-led project 'Accelerating precision agriculture to decision agriculture'.
Other research providers	
ABARES ⁵	Formal partnership to improve the collection and reporting of key industry statistics
Universities	Funding contributions for relevant post-graduate scholarships and ARC Industry Transformation Training Centres
CSIRO, universities and other research providers	FWPA full / partial funded R&D projects
Other	

⁵ Australian Bureau of Agricultural and Resource Economics and Sciences

Collaborator / partner	Details
Planet Ark	Consumer promotional activities under Planet Ark's 'Make it Wood' program
Private entities	Collaboration / funded R&D projects

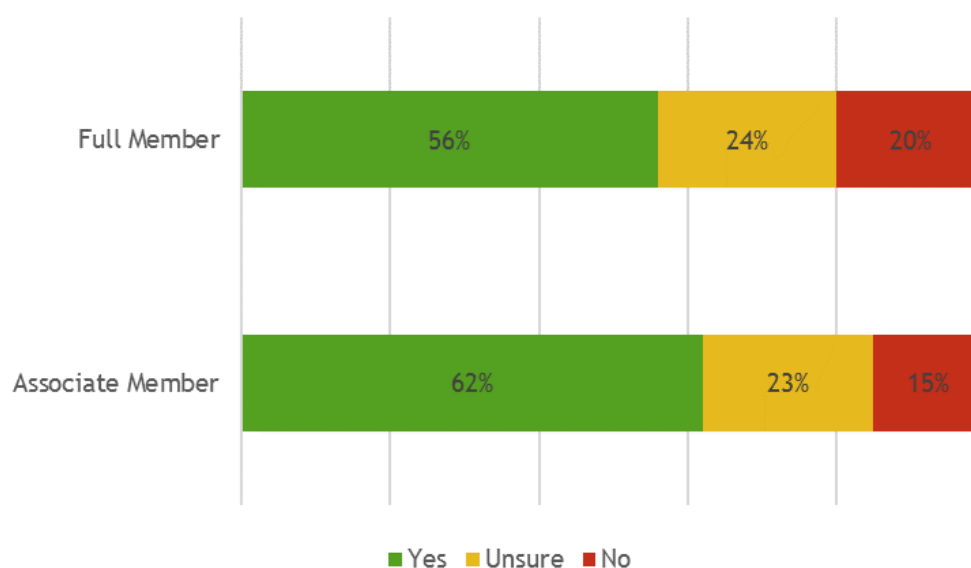
3.5 Consultation results

This section supplements that above with feedback obtained from GHD's stakeholder consultation, including survey results. Note that survey results are those obtained from members and associate members only because GHD considers feedback from non-members could lead to response bias due to the 'uncontrolled' semi-public deployment of the survey. Full anonymous survey results from all respondents have been provided to FWPA for its information and use in future operational matters. A similar consultation results section is included in each of the following chapters.

3.5.1 Input to strategic planning

The majority of full members (56%) and associate members (62%) surveyed⁶ agree they have sufficient opportunities to inform the strategic planning and investment process.

Figure 3 Survey results – opportunities to inform strategic planning



There were differing views from some of the industry stakeholders interviewed, however, for example:

- Some interviewees feel the advisory group process is an effective way of ensuring different perspectives are considered, whereas others are concerned the advisory groups do not adequately represent the diversity of the industry and therefore direct R&D funding towards specific providers for particular pieces of work; and
- Other stakeholders perceive that the current investment planning process is too broad and offers little guidance to research providers preparing proposals, whereas other interviewees

⁶ GHD survey of stakeholders undertaken to inform the review.

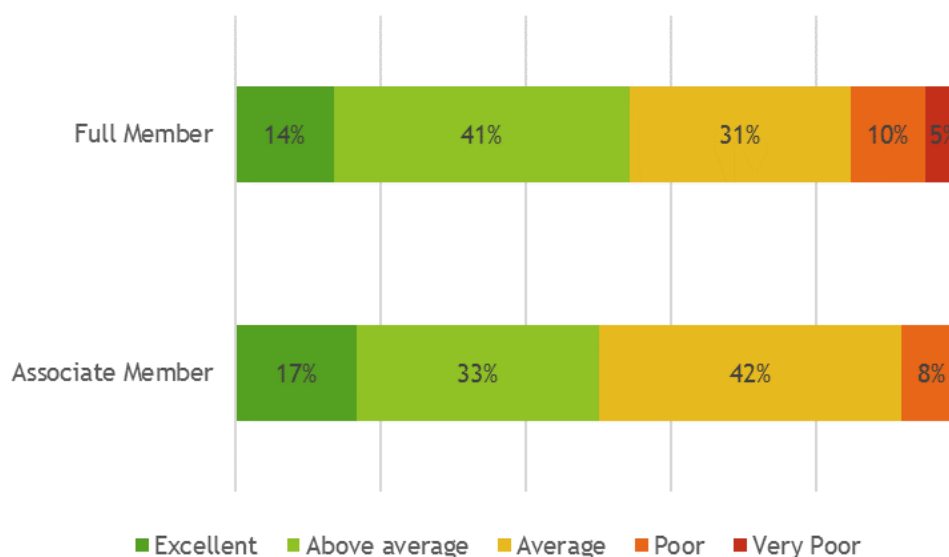
feel the process is too heavily influenced by the advisory groups and the opportunity for innovation by research providers is reduced.

Further details regarding the way in which FWPA levy payers and other stakeholders inform the Company's planning process are provided in Section 5.

3.5.2 Collaboration

Around half of members surveyed consider FWPA plays an excellent or above average role in fostering collaboration within the industry (Figure 4).

Figure 4 Survey results – fostering collaboration



One interviewee commented that maintaining continuity in FWPA and its R&D partners is important given the long-term nature of forestry and the value of knowledge accumulated over time. Similarly, another interviewee commented that even if the commercial outcome of a R&D proposal is long-term (e.g. 15 years), FWPA is not deterred, and that this is appreciated by R&D providers.

Some respondents expressed concerns that the industry has a silo mentality. GHD notes that FWPA has sought to change this perception with the shift towards outcomes-based priorities in the Company's latest strategic plan.

3.6 Conclusion

GHD considers that FWPA has an effective program planning approach as evidenced by its rolling 5-year Strategic Plans, Annual Operating Plans and Annual Reports that are consistent with the relevant strategy. FWPA works collaboratively within the industry and with research providers to develop strategies despite the somewhat limited opportunities for collaboration with other rural RDCs that differ in their structure to FWPA.

The various Advisory and Reference groups play a key role in strategy development and selection of projects for funding. Their roles would be enhanced by having terms of reference and procedures that are consistent between groups, dated and included in the Policies and Procedures Manual (PPM). GHD notes that FWPA intends to review the roles of each of the groups in 2017.

While there is always room for improvement in consulting with stakeholders in developing strategic plans and investment decisions, FWPA is constrained by a limited budget that needs to satisfy a range of competing demands. GHD considers that FWPA continually seeks to

engage with stakeholders to ensure that its plans are reflective of the contemporary requirements of the industry.

4. Delivery of benefits

4.1 Background

As an organisation funded by compulsory levies and Commonwealth funding, it is important that FWPA's investments demonstrate benefits to industry.

FWPA's evaluation activities include:

- Project and program benefit cost analyses;
- Surveys, e.g. Stakeholder Perceptions Survey, tracking studies; and
- Independent performance reviews of the Company.

The strategic plans list key outcomes and measures resulting from FWPA investments. For example, the 2016 – 2021 Strategic Plan lists the following five outcomes:

- Increased demand;
- Increased community acceptance;
- Increased productivity;
- Increased sustainability credentials; and
- Increased capability.

Each of these outcomes has a series of 'key measures' however most of these are qualitative and do not include quantitative indicators of performance.

4.2 Benefit and cost of program investments

FWPA has commissioned a number of independent benefit cost analyses (BCA) to assess the benefits and costs of randomly selected project / program investments. GHD reviewed five BCA reports undertaken during the review period. The reports included an evaluation of FWPA's generic marketing activities over the period 2007/2008 to 2014/15, a net benefit analysis of increased height allowances for the deemed to satisfy (DTS) provisions in the National Construction Code (NCC), and BCAs undertaken for randomly selected projects in 2013, 2014 and 2016.

All of these assessments demonstrated positive Net Present Values (NPVs), indicating positive economic impacts from FWPA's investment. The Benefit Cost Ratios (BCRs) reported ranged from 1.53 (formaldehyde testing of wood panels) to 44.0 (contemporary sound and fire rated timber). A summary of BCAs undertaken during the review period is provided in Table 8.

Table 8 Benefit cost analyses

Project / program	Period funded	Author	BCR
Generic marketing	2007-08 to 2014-15	CIE (2015)	7.2

Project / program	Period funded	Author	BCR
Increasing deemed to satisfy height limits for timber construction	10 year outlook	CIE (2014)	\$103 million benefit
Operational deployment of LiDAR derived information into softwood resource systems	2012-13 to 2014-15	CIE (2016)	13.8
Predicting wood quality to improve sawlog value in Radiata pine: e-Cambium	Three year project	CIE (2016)	5.2
Commercial building costing case studies	Completed January 2015	CIE (2016)	2.5
Development of mill ready Cant-Opti technology	2009 to 2015	CIE (2016)	9.7
Contemporary sound and fire rated timber	2006/07 to 2008/09	Ross McLeod (2014)	44.0
Industry standards for recycled timber	2007-2009	Ross McLeod (2014)	14.54
Utility of molecular breeding	2010/11	Ross McLeod (2014)	7.17
On Board computers	2008/09 to 2010/11	Ross McLeod (2013)	8.84
Formaldehyde testing of wood panels	2005 to 2010	Ross McLeod (2013)	1.53
Vineyard post treatment	2008/09	Ross McLeod (2013)	1.78

4.2.1 Consumer research

In addition to BCAs, FWPA's activities can be measured by tracking studies of stakeholder perceptions. This is discussed further in Section 5.2.

4.2.2 Extension

The above evaluation outcomes are in part due to extension activities of R&D findings. Each R&D project proposal is required to include a specific industry engagement and technology transfer plan. Extension of R&D outcomes occurs through a variety of means. These are further described in Section 5 and include:

- End-of-project workshops, seminars and presentations;
- FWPA website including research report search engine;
- Fortnightly webinars which are recorded and uploaded to the FWPA website (with associated final reports). GHD notes there is an aim to have fortnightly webinars however actual frequency is approximately monthly;

- FWPA newsletters;
- Media releases and articles; and
- Social media.

4.3 IP management

FWPA has an Intellectual Property Management Plan dated May 2014, with the overall aim of its IP policy being to ‘vest ownership of Project IP, other than copyright as outlined in the Plan, with the researcher. The Company will, however, retain an equity position in Project IP in proportion to its investment in a project in order to create a potential income stream in the event Project IP is commercialised. An alternative, negotiated position may be reached where appropriate’.

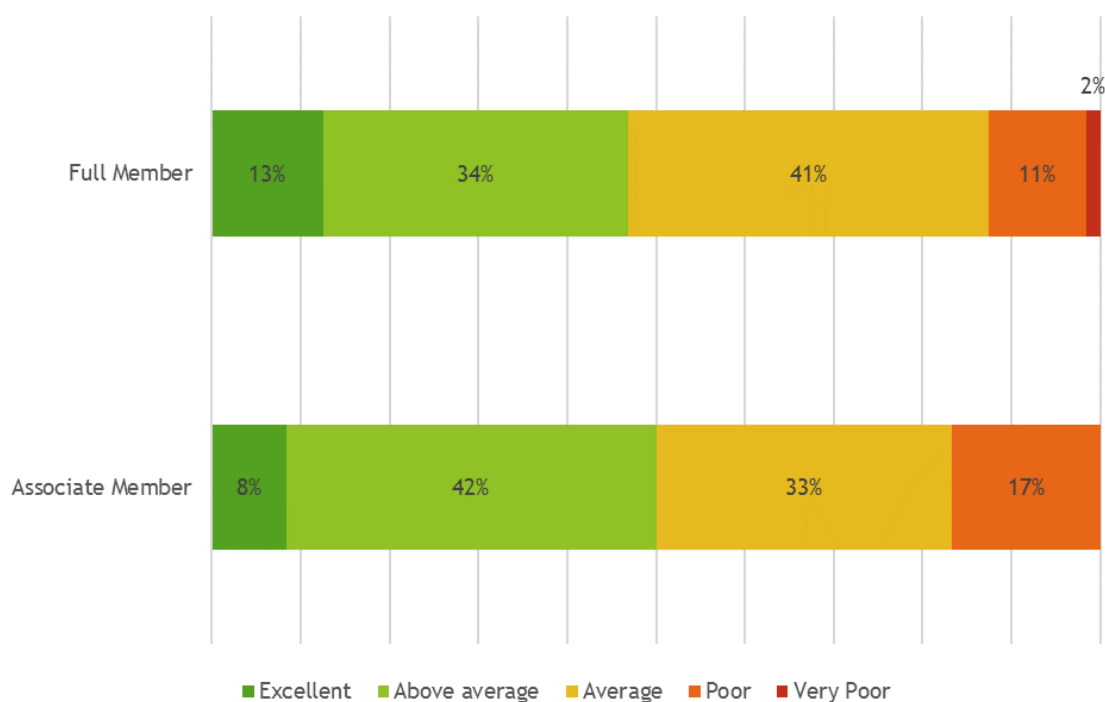
The policy is designed to result in an equitable sharing of R&D outcomes by industry participants and no major concerns were raised during the review (see consultation findings below).

4.4 Consultation findings

4.4.1 RD&E activities

About half of members feel FWPA’s RD&E activities provide an above average or excellent return on investment (Figure 5). The introduction of voluntary contributions for RD&E that are eligible for matching Commonwealth funding is likely to boost this result as this facility is more widely adopted in the future. One interviewee noted that the voluntary contributions and matching funds is a very positive development as it allows certain member interests to be promoted efficiently without being held back by more resource constrained parts of the industry.

Figure 5 Survey results – return on investment from R&D

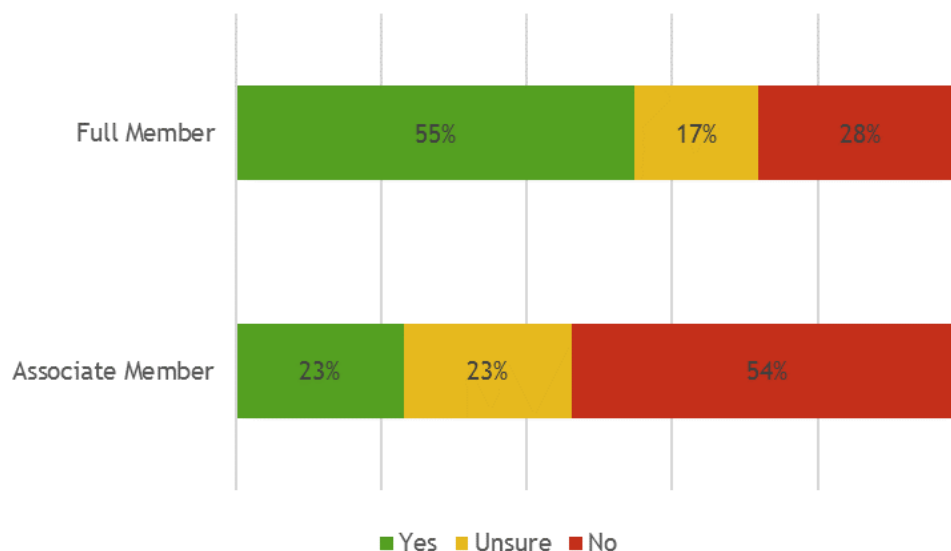


As a result of the positive returns on investment, more than half of the member respondents reported adopting or applying the research undertaken by FWPA (Figure 6). Respondents

stated that FWPA investments are generally focussed on projects with clear commercial outcomes although others considered the outcomes of very technical work are often incremental and commercial success is therefore not necessarily apparent at the end of each research phase. One interviewee noted that R&D tends to focus on the growing and processing end of the value chain, however said it is generally recognised that this benefits the industry overall, despite benefits at the individual firm level sometimes being difficult to identify.

One respondent identified the ‘Deemed to Comply’ outcome for mid-rise buildings using wood-based products is a success that could not have been achieved at the individual Company level and which has directly created new market opportunities for forest and wood products.

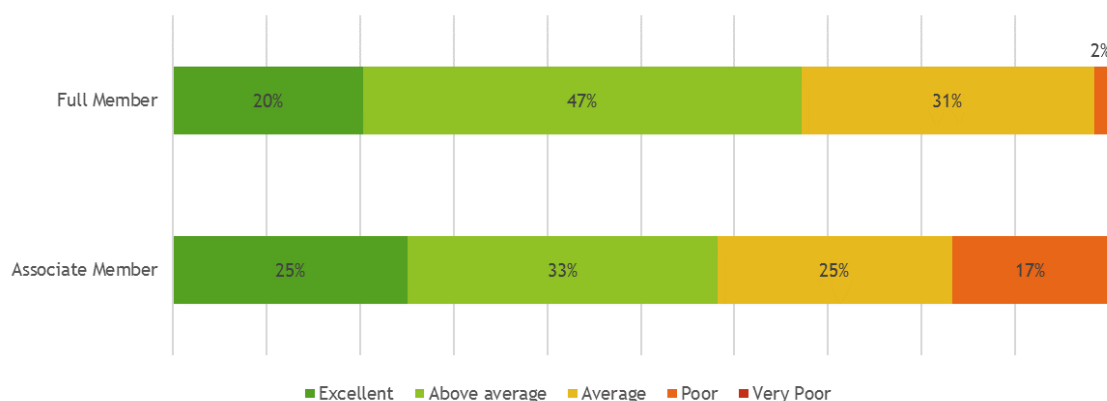
Figure 6 Survey results – adoption of research



4.4.2 Promotion activities

The majority of full member and associate member respondents agreed that FWPA's promotion of forest and wood products provides an above average or excellent return on investment (Figure 7).

Figure 7 Survey results – promotion of forest and wood products



4.4.3 Intellectual property

The majority of stakeholders interviewed agree that FWPA manages IP well. One research provider commented that on occasion FWPA is ‘too willing to give away or make public

proprietary information' and cited the example of industry developed standards that have been transferred to Standards Australia without joint copyright, resulting in industry needing to pay to use these standards. In contrast, another service provider said that this was an issue in the past but has since improved.

One interviewee reflected that allowing IP to be owned by the R&D provider results in a much larger pool of projects and enables R&D outcomes to be acted upon more quickly, while protecting industry's interests via the benefits sharing mechanisms involved.

4.5 Conclusion

FWPA undertakes a variety of evaluation activities to measure and communicate the delivery of benefits of its investments to stakeholders. This includes regular periodic BCAs by external consultants of randomly selected completed projects and tracking studies of consumers that demonstrate positive changes towards the use of wood products as a result of FWPA's promotion and marketing activities.

While the evaluation and communication of benefits is carried out regularly, FWPA does not have a documented evaluation plan that is appropriately segmented to provide insight into future requirements of members, associate members and other stakeholders. GHD considers that the development of a written evaluation plan including baseline measurements and quantifiable key performance indicators (KPIs) would augment the Company's monitoring and evaluation activities and assist in the communication of benefits to industry.

5. Engagement, consultation and communication

5.1 Background

FWPA has a range of stakeholders that require to be kept informed of its activities and outcomes (see stakeholder diagram in Figure 1).

A variety of communication and engagement techniques are employed including industry events, face-to-face meetings, webinars, and a range of other web-based materials including social media. The main products include:

- WoodSolutions Wood. Naturally Better. events
- ForestLearning events
- FWPA newsletters
- WoodSolutions newsletters
- Wood. Naturally Better. newsletters
- ForWood newsletters
- Forest Learning newsletters
- Media releases via WoodSolutions database
- Media releases via news outlet
- Facebook posts
- Twitter posts

As part of the continuous improvement philosophy within FWPA, a review of existing communications processes with members and levy payers was completed in February 2015, with the purpose of identifying improved communications strategies. This resulted in the 2016 FWPA Communications Strategy, with the main outcome being the segmentation of target audiences for improved efficiency. The target audiences were identified as follows:

- Consumers – wood should be their preferred building material because of its unmatched range of advantages;
- Stakeholders (levy payers, Commonwealth government, FWPA members, industry and industry bodies) – FWPA is delivering value for money because they act on researched information to initiate innovative activities and have independently assessed success;
- Industry (supply chain) – FWPA offers programs to support use of wood products in construction, e.g. Wood Naturally Better, Wood Solutions;
- Educational – increase awareness of ForestLearning website including free lessons and teaching materials; and
- Specifier – increase awareness of new building code with engineers, designers etc.

The Company intends to review its communications strategy in 2017 as well as updating the FWPA website.

5.2 Outcomes of engagement

5.2.1 Improvements in consumer understanding

FWPA undertakes consumer research and specifier tracking studies to gauge stakeholder understanding and perceptions of the value of FWPA activities.

Consumer research during the period included a:

- Tracking study to assess the effectiveness of the 'Wood. Naturally Better.' television and online advertising campaign (which ran from 2011/12 to 2013/14); and
- Larger, ongoing tracking study which investigated several areas such as attitudes towards building materials and their attributes, factors that influence the choice of materials, and consumer recall of FWPA advertising.

The results of the research indicate a significant increase in consumer awareness of the:

- Advantages of wood;
- Carbon storage qualities of wood and wood products, even when harvested; and
- Environmentally friendly qualities of wood as a building material.

Specifier research undertaken during the period shows a growing awareness of the WoodSolutions program amongst specifiers and an associated improvement in specifiers' perceptions of wood as an environmentally sustainable and 'value for money' building material (FWPA 2013/14 annual report).

5.2.2 Stakeholders understand approach to engagement

FWPA undertakes a variety of activities to gauge stakeholder understanding and attitudes towards its activities and to help ensure communication and engagement are effective. A key activity during the review period was a stakeholder perceptions study.

Key findings arising from the Stakeholder Perceptions study (Pollinate, 2015) include:

- FWPA staff and Board members – there is room for improvement on industry engagement and involvement in decisions; and
- Advisory Group members – FWPA is strategic, professional, aligned to industry.

The results of the Stakeholder Perceptions Study indicate continued effort is required in stakeholder communication and engagement activities (as already recognised by FWPA in its new Communications Strategy); however, it should be noted that this message is generally applicable for most RDCs.

5.2.3 Levy payers understand how to become a member

One of the objectives of FWPA's communications approach is to ensure that all levy payers understand Company processes and the ways and means of involvement in decision making. This is achieved by the various engagement processes described above in Section 5.1.

This review has found a high degree of understanding of the process of becoming a member (see consultation findings below in Section 5.4).

5.3 Field Force

A significant outcome from FWPA's activities in recent years has been changes to the National Construction Code relating to the use of timber framing and massive timber in the mid-rise multi-residential market (see Table 8 for the benefits of increasing deemed to satisfy height limits for timber construction).

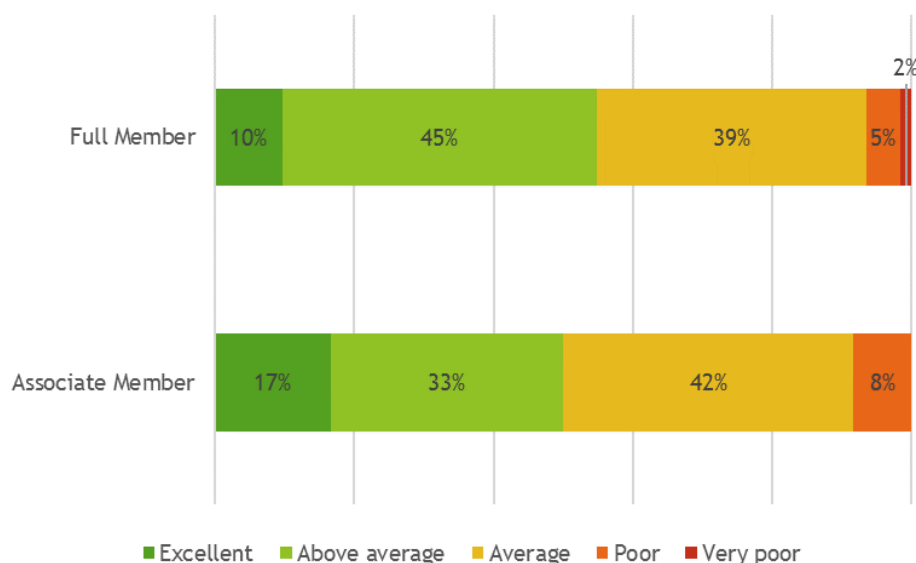
For extension and adoption purposes, FWPA has recently established the WoodSolutions Field Force project, commencing as a three-year pilot. The pilot aims to foster uptake on the recent changes for mid-rise timber dwellings and is primarily located in Victoria with a minor extension into Queensland. Expansion will be dependent on the outcomes of the pilot.

5.4 Consultation findings

Survey respondents generally have a good understanding of FWPA's approach to stakeholder engagement, however there are differing views as to the quality and impact of engagement activities.

Around half of members surveyed consider FWPA's communication of activities and findings to be above average or excellent (Figure 8).

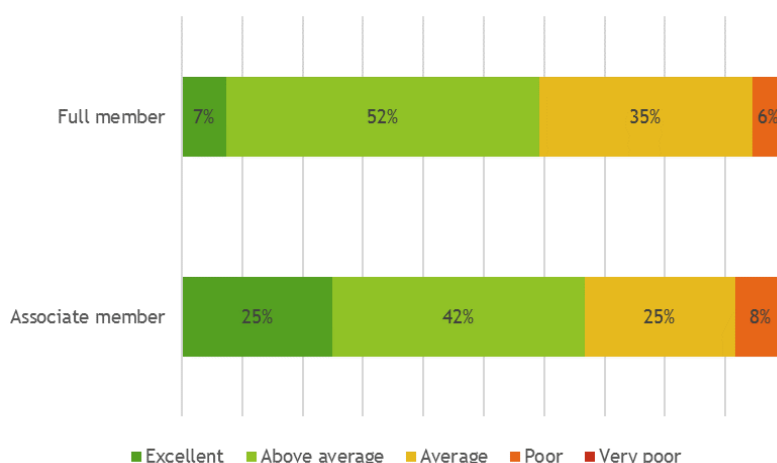
Figure 8 Survey results - communication of findings



More than half of members and associate members consider the FWPA website to be 'excellent' or 'above average' (Figure 9). There was broad agreement among stakeholders interviewed that FWPA's external communications have improved markedly, with interviewees citing the:

- Company's efforts in promoting wood as a climate friendly building material, which has demonstrably changed public opinion;
- WoodSolutions website is well regarded and recent changes have been implemented well; and
- Planet Ark television campaign is a good promotional platform.

Figure 9 Survey results – FWPA website



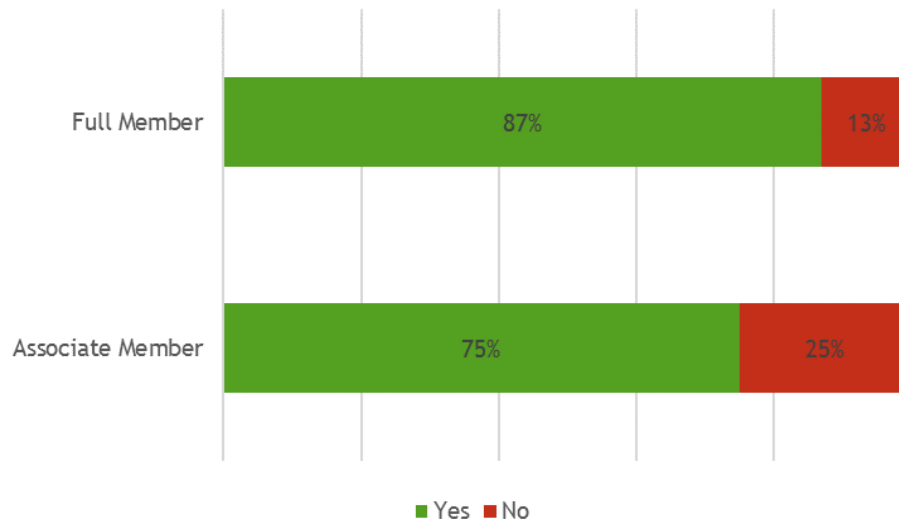
There was mixed feedback from interviewees regarding FWPA's internal (i.e. to industry) communications:

- Education and capacity building activities such as technical seminars, webinars and tutorials are very valuable (though one interviewee felt these were too Sydney and Melbourne-centric, and that there needed to be an increased focus on developing the knowledge base of the retail end of the supply chain);
- Industry award events are commendable; and

- There is too much internal communication, particularly written communication, which results in some information being ignored. Two interviewees perceived there to be 'too much content and not enough substance' and one of these added that there is a tendency for FWPA to over-promote itself.

The vast majority of members and associate members understand how to become a member (Figure 10).

Figure 10 Survey results – understand how to become a member



5.5 Conclusion

FWPA's engagement, consultation and communication activities are generally well regarded and stakeholders agree there has been a significant improvement in these activities over the last few years. The review of communications processes in 2015, that resulted in the 2016 FWPA Communications Strategy with its segmentation of target audiences, will have contributed to this positive outcome. The Field Force pilot program is also likely to have contributed to the positive feedback.

Some further opportunities for improvement have been identified by FWPA as follows, noting that these are already being implemented:

- Increased face-to-face activities;
- More targeted communication (facilitated by audience segmentation and preferred methods of communication) ; and
- Further improvements to the FWPA website.

6. Company structure and staffing

6.1 Background

FWPA has a lean staffing structure, as evidenced by the organisation chart in Figure 11⁷. Note that there are additional staff for the Field Force pilot program.

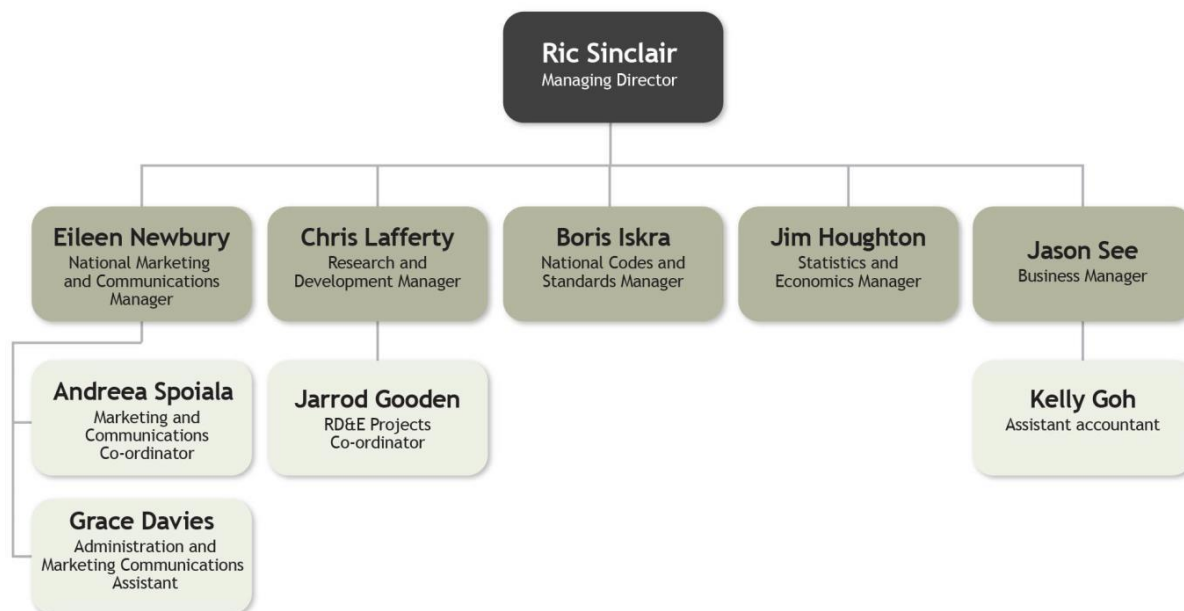


Figure 11 FWPA organisation chart

Source: FWPA 2015-16 Annual Report

6.2 Policies and procedures

FWPA seeks to operate the Company as an efficient, effective, appropriate and ethical organisation as demonstrated by its Policy and Procedures Manual. This manual includes aspects of Board governance (see Section 7 below), outlines of the major investment programs, as well as internal office management and HR procedures.

Audits of Board governance and investment programs are undertaken as per Corporations Act requirements and strategic planning processes respectively. In addition, office structure and staffing are reviewed via internal audits as part of the Company's commitment to continuous improvement, with relevant internal audits including:

- BDO (2011), Forest and Wood Products Australia Human Resources / Payroll Review, Internal Audit Report.
- Crowe Horwath (2014), Review of Current Salary Sacrifice Arrangements.
- Timber Trade Industrial Association (2015), Safety Audit.
- Timber Trade Industrial Association (2016), Safety Audit.

For the R&D projects, management is facilitated by the Woodbase contract management system. An internal audit by RSM in 2016 found investment planning and delivery processes to be generally very sound, with findings and recommendations summarised below:

⁷ Chris Lafferty (R&D Manager) is also Company Secretary.

- Receipt and evaluation of proposals – Findings: Policies and Procedures Manual ensures a structured approach to project assessment and management, advisory committees ensure projects are aligned with investment priorities. Recommendations: Formal process required for committee members to declare conflict of interest, dedicated email address required for receipt of project proposals.
- Contract execution – Findings: delegations of authority in place and contracts executed accordingly.
- Ongoing contract management – Findings: project details recorded in Woodbase contract management system.
- Project completion – Findings: researchers submit audited financial report, reports undergo peer review.

6.3 Consultation findings

Feedback from senior management indicates that staff generally work very well together and there is an increasingly collaborative work environment. Staff are encouraged to take ownership of their particular areas of responsibility within the confines of the Strategic and Annual Operating Plans, and the absence of 'micro-management' enhances staff performance and job satisfaction.

Succession planning of staff within the organisation has been discussed, however the ability of recruiting additional staff for training is constrained by the small size of the organisation. Historically the necessity for succession planning has been kept to a minimum as staff turnover rates are low which is a reflection of their positive job satisfaction. However a statement with regards to succession planning of staffing for the organisation could be a useful addition to the HR policy in the Policies and Procedures Manual.

Survey respondents generally reported positive responses with respect to how efficient FWPA is as an organisation (Figure 12) and their interaction with FWPA staff (Figure 13).

Figure 12 Survey results - efficiency of FWPA as an organisation

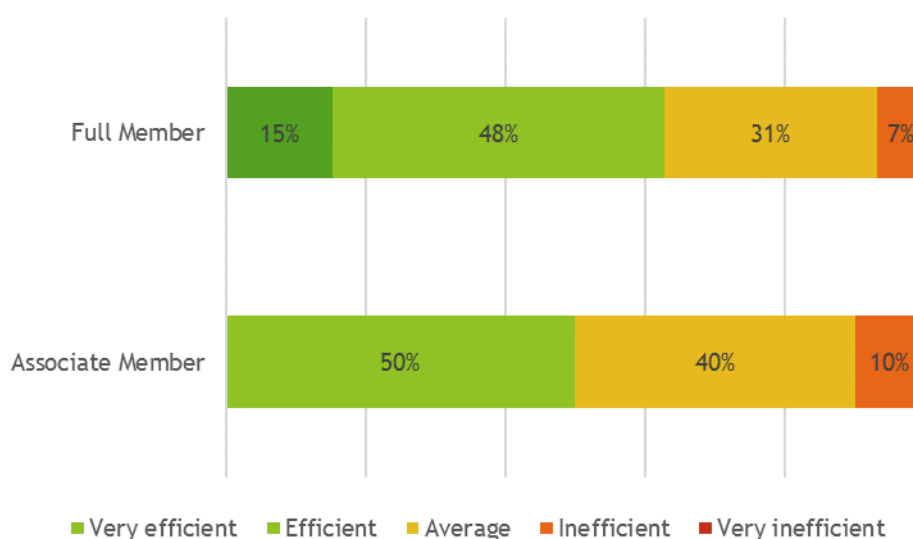
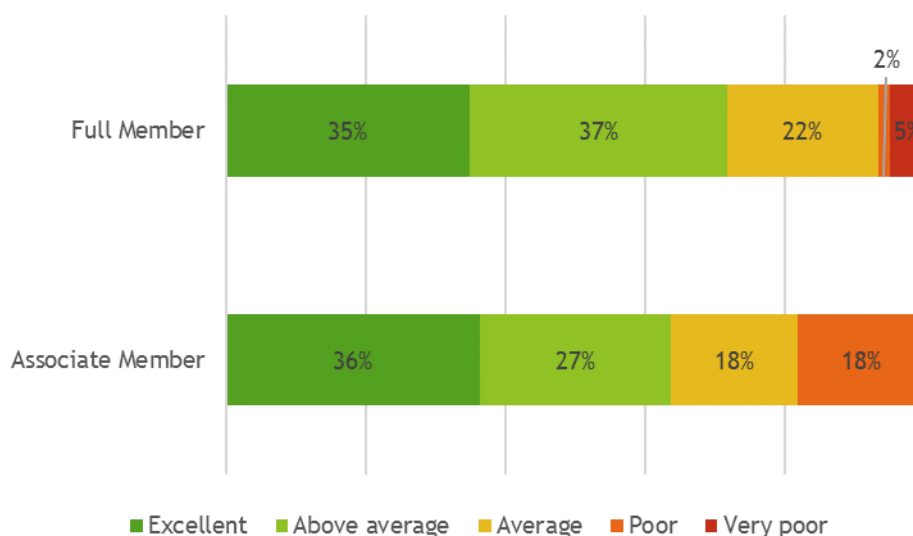


Figure 13 Survey results - interaction with FWPA staff



6.4 Conclusion

FWPA is a small organisation with a lean staffing structure that ensures that overhead costs are minimised to allow the majority of funding to be expended on investments that benefit the industry. FWPA has investigated opportunities to improve administrative efficiencies (e.g. sharing functions with other RDCs) but potential changes were deemed to not be cost effective.

FWPA regularly reviews its administrative processes (including audits by external consultants) and implements identified improvements where necessary. Succession planning is a challenge given the size of the organisation.

The Company's staff and its operations are generally highly regarded by stakeholders.

7. Corporate governance

7.1 Background

FWPA is responsible for management and investment of statutory levy funds and as a result the SFA requires the Company to implement a framework of good corporate practices in managing and investing these funds. The SFA provides that, as appropriate, the Company should draw on the most current ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (see Appendix E for the list of principles and guidelines) and in particular it states that FWPA should aim:

- To structure its Board to add value (Principle 2);
- For the establishment of a Skills Based Board recommended by a nomination committee; and
- To undertake an annual review of the performance of the Board and its committees.

7.2 Board corporate governance

Following are GHD's findings with respect to FWPA's Board corporate governance for the review period based on a review of an extensive list of corporate documents and face-to-face interviews with each of the directors, including the Managing Director. Note that the previous performance review made several recommendations on improvements to corporate governance and this is discussed in the following section (see section 8).

GHD considers that FWPA complies with its corporate governance obligations and that its governance frameworks and policies are sound and reasonably well developed. FWPA's corporate governance practices have been reconciled with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations in Appendix E. The ASX principles have been designed for companies listed on the Australian Stock Exchange, however they can largely be applied to FWPA, but with some adaptation given FWPA's different governance model, its not-for-profit status, and its purpose of managing and investing industry levies and contractual payments.

Areas of particular note are detailed in the sub-sections below.

7.2.1 Director selection

There is considerable evidence of FWPA structuring its Board to add value (Principle 2 of the ASX guidelines) and complying with its obligation to establish a Skills Based Board recommended by a Nomination Committee (entitled the Director Selection Committee). FWPA developed a skills matrix which is linked to its constitutional requirements and to its strategic plan processes, and this matrix has been utilised by the Director Selection Committee.

A challenging area for the Board of FWPA is the composition of the Director Selection Committee. Under the constitution, a representative of each of the National Representative Bodies is nominated to the committee. The intention of this provision seems to be to ensure that the Board does not become a 'closed shop' and to engage Members and provide transparency and legitimacy to the director election process. The difficulty encountered is that nominees to the Director Selection Committee often have no experience of Boards and corporate governance.

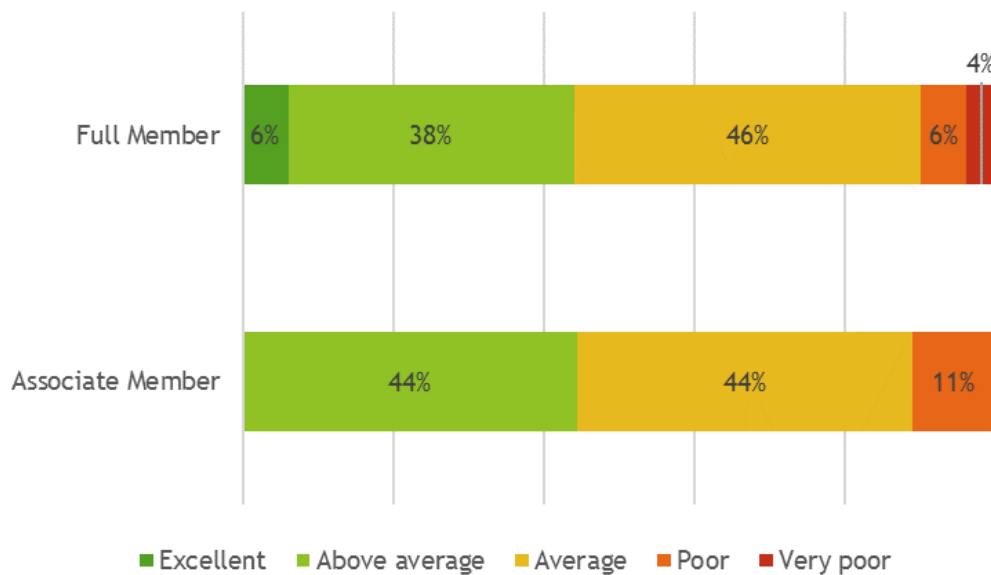
In recent times, the Selection Committee has been strengthened with the addition of a human resources professional (who is the secretary of the Nominations and Human Resource Committee) as a non-voting member and an additional Board member. In addition, efforts have been made to educate Members about the need to nominate appropriately experienced people to the committee and for the committee to educate those who are nominated to the committee on what is required of a good director.

One third of the directors (other than the Managing Director and any director who has served less than 3 years) are required to retire each year (although they can stand for up to 3 x 3 year terms). This, combined with a perception that there can be a degree of bias against incumbency in the selection process, leads to Board 'churn' (7 changes in Board composition in 8.5 years) which can result in loss of corporate knowledge and a need to repeatedly rebuild the relationship dynamic of the Board, and between the Board and Managing Director. One change which is being considered is to conduct the Board performance evaluation earlier so that the results can feed into the election process and material concerning an incumbent's performance will be available to the selection committee. There is no fixed view amongst Board members as to whether constitutional change is necessary to reduce Board 'churn'.

For the time being, the committee has resolved to consider further ways of improving the selection process although it is difficult within the constraints of the constitution. We agree with

this approach. It should also be noted that survey respondents have a favourable view of the Director Selection Committee and process of Board appointments (Figure 14).

Figure 14 Survey results – role of Director Selection Committee and Board appointment process



7.2.2 Independence of directors

The ASX good governance Principle 2 suggests that on a listed Company Board a majority of the directors and the Chairman should be ‘independent’. This is to ensure that the Board as a whole does not get dominated by the wishes of a major shareholder or advisor or become ‘captive’ to management. What it is seeking to achieve is to promote independent judgement by directors about what is in the best interests of the Company untainted by a director’s other loyalties.

The FWPA Board does not have a majority of ‘independent’ Board members - four out of the seven non-executive directors are employed by Members. This is not unusual for non-ASX listed companies which have constitutions that build representation into the governance model, as is the case for FWPA and other RDCs. The point of the RDC governance model is to ensure that the Company is closely aligned to the industry which is paying the levy (or other contractual payments) but should not be ‘captured’ by industry. The SFA and the requirement to have a performance review such as this builds in a level of transparency and accountability which is overseen by DAWR and is open to other stakeholders. Rather than focussing on the ASX notion of ‘independence’, FWPA’s constitution (which was amended in 2015) has a requirement that there be two ‘non-member directors’ - FWPA currently has two. As well as building in a level of ‘independence’, this requirement provides an opportunity to ensure that the Board has some directors with specialised governance / financial skills. We note that the current Chair is a non-member director.

7.2.3 Diversity

ASX guidelines suggest that companies have a diversity policy with measurable objectives for achieving gender diversity. FWPA does not have a diversity policy. It has nine employees, of whom four are women. There is one female Board member. We understand that the Director Selection Committee has looked for female candidates in the past and will continue to do so. There is not much diversity on the Board in gender, age or ethnicity, but this lack of diversity reflects the profile of the industry, and it can also be harder to achieve diversity in a small

Company. Diversity of perspective can add valuable different insights to Board and management decision making.

We recommend that FWPA develop a diversity policy and include diversity as something to be considered in the director selection process.

7.2.4 Risk Management and Fraud Control Plan and Intellectual Property Management Plans

The Risk Management and Fraud Control Plans are only required by FWPA to be reviewed tri-annually. However, we recommend that these be formally reviewed annually as risk methodology continues to evolve and concepts such as articulating risk appetite and risk tolerance are part of contemporary approaches.

A number of directors observed that risk management methodology was an area which requires additional focus. The terms of reference of the Audit and Finance Committee cover oversight of risk and we recommend that this committee play a stronger role in the risk area. It may be useful to add 'Risk' to the name of the committee to make this clearer - an additional meeting may be needed.

The Fraud Control Plan appears to require an update to identify changed and new risks and to bring it into line with AS 8001 Fraud and Corruption Control. FWPA has advised that the Fraud Control Plan is currently being formally updated by an internal auditor (as are the Risk Management and IP plans) and that the 2017 version will be separate from the Risk Management Plan.

We recommend that all risk management documents (policy, plan, methodology, risk registers etc.) be brought together so the whole framework for managing risk is clear. The documents should then be reviewed against contemporary risk management methodologies and the risks and controls updated regularly.

FWPA has a detailed Intellectual Property Plan and stakeholders are generally satisfied by the way IP is managed, as discussed in Section 4.3 above.

7.2.5 Board role and interface with management

The interface between the Board and the Managing Director seems functional although not without some 'creative tension'. There is no evidence of the Board being captured by the Managing Director or vice versa – both seem to perform their roles robustly.

7.2.6 Managing Director performance review

The Board conducts Managing Director performance reviews annually.

7.2.7 Board meetings

We observed one Board meeting as part of the review process and this was well chaired. The Board members were prepared and engaged in meaningful discussion, with Board members' skills and experience being drawn upon. Consistent with good governance practice, the Board has as standing agenda items an 'in camera' discussion without management present and time to reflect at the end on the outcomes of the meeting and any learnings.

Agenda and Board papers appear well structured and have appropriate content.

7.2.8 Board member induction

More recently appointed directors reported that there was no real induction process. We recommend that FWPA develop an induction process for new Board members.

7.2.9 Remuneration structure

The Board plays an active role in setting the Company remuneration policy and structure.

7.3 Conclusion

Overall, we consider that FWPA has sound governance systems, processes, policies and relationships in place and meets the principles set out in the ASX Council's governance guidelines to a high degree. Board members and management appear to take good governance seriously and seek to continuously improve in their already sound governance. We have identified some areas of improvement in governance processes and make the following recommendations:

1. Update the Fraud Control Plan in line with AS 8001 Fraud and Corruption Control (we note that this is currently in progress) and separate this from the Risk Management Plan. Complete annual reviews of the Fraud Control Plan and Risk Management Plan (currently reviewed tri-annually).
2. Establish an Audit, Finance and Risk Committee (reconstituted from the current Audit and Finance Committee) to ensure additional focus on risk management.
3. Adopt a clear overall framework for managing risk by bringing together all risk management documents (policy, plan, methodology, risk registers etc.) to allow systematic periodic review against contemporary risk management methodologies resulting in regular updates to the risks and controls.
4. Consider using an external facilitator to assist with Board performance review to enable the best methodology and production of a clear report on outcomes and plans to address areas identified for improvement.
5. Develop a Diversity Policy to articulate FWPA's approach and goals in relation to increasing diversity (including gender) in the recruitment of Board appointees and Company employees.
6. Develop an induction process for new Board members.

8. Addressing the recommendations of the previous review

The 2011 performance review made four recommendations which were all concerned with corporate governance. GHD has assessed FWPA's response in addressing and implementing the recommendations from the 2011 performance review. We consider that all recommendations have been implemented with details provided in Table 9, noting that we recommend an external facilitator be engaged to conduct the next Board performance review.

Table 9 Addressing the previous review recommendations

Recommendation	FWPA implementation
Develop a Board charter and ensure the Company Secretary	Documented Board charter in place and actively used.

Recommendation	FWPA implementation
keeps abreast of legal and compliance requirements.	
Develop a policy for Board performance reviews, outlining the frequency and manner of such reviews, and encompassing reviews of Board committee performance.	FWPA now has such a policy. The Policy says that the FWPA Board will conduct reviews annually, but there is only evidence of reviews being conducted in 2013 and 2015. The reviews conducted by FWPA are extensive, however there is not much evidence of how the findings and insights are used, i.e. they are not captured in a report or a plan. We would recommend that FWPA consider using an external facilitator next time to assist with working out the best methodology and produce a clear report on outcomes and a plan to address any areas for improvement identified.
Develop a conflict of interest policy for the Board, setting out the application of the Corporations Act provisions and outlining how the Board deals with any conflict that arises in the Board's deliberations of the matter.	There is now a written Conflict of Interest Policy and there appears to be a robust process for handling potential conflicts of interest and a culture of recognising and managing conflicts effectively.
Develop a code of conduct for directors.	Documented Board code of conduct in place and actively used.

9. Conclusions and recommendations

GHD completed the review of performance of FWPA for the period 2012 to 2017 as required by the SFA. The methodology included a review of an extensive range of documents and reports, a survey of the industry and consultation (face-to-face and phone interviews) with directors, staff, service providers and members.

Our analysis has found that FWPA has met all of its obligations under the SFA and has also delivered benefits to levy payers and the industry generally, including communicating effectively with stakeholders. The Company is pro-active in ensuring that its operational processes comply with the various policies it has established as outlined within its Policies and Procedures Manual and regularly engages external consultants to conduct system audits. The relatively minor issues identified by these audits are then corrected by FWPA.

This approach is evidence of FWPA's philosophy of "continuous improvement" in its operations to ensure the efficient and effective use of levy funds and matching government contributions. Evidence of improvements to its operations is also seen by the fact that it has addressed and implemented all of the recommendations from the previous 2011 performance review.

The organisation appears to operate efficiently with its lean staffing structure, and staff obtain job satisfaction as a result of the responsibility they are given for their relevant areas of operation. Feedback from survey respondents is generally positive although, as expected, some outline areas that are in need of improvement. The relatively high adoption rate by industry of

outputs from FWPA research and the positive responses to its engagement, consultation and communication processes are further evidence its strategic planning and investment decisions are well founded.

GHD has identified some areas of improvement for FWPA's consideration that would further enhance its performance. These are presented below as recommendations for both Board governance and general operational issues. A detailed assessment of performance against each of the requirements of the SFA is provided in Appendix D.

Recommendations

Board governance

1. Update the Fraud Control Plan in line with AS 8001 Fraud and Corruption Control (we note that this is currently in progress) and separate this from the Risk Management Plan. Complete annual reviews of the Fraud Control Plan and Risk Management Plan (currently reviewed tri-annually).
2. Establish an Audit, Finance and Risk Committee (reconstituted from the current Audit and Finance Committee) to ensure additional focus on risk management.
3. Adopt a clear overall framework for managing risk by bringing together all risk management documents (policy, plan, methodology, risk registers etc.) to allow systematic periodic review against contemporary risk management methodologies resulting in regular updates to the risks and controls.
4. Consider using an external facilitator to assist with Board performance review to enable the best methodology and production of a clear report on outcomes and plans to address areas identified for improvement.
5. Develop a Diversity Policy to articulate FWPA's approach and goals in relation to increasing diversity (including gender) in the recruitment of Board appointees and Company employees.
6. Develop an induction process for new Board members.

General

7. Establish consistent terms of reference for all Advisory and Reference Groups, and date and include these in the Policies and Procedures Manual.
8. Ensure improved version control of the Policies and Procedures Manual by including dates when last reviewed.
9. Minimise duplication within the new SFA – the current SFA includes many aspects covered by the Corporations Act.
10. Consider ways to better quantify expected and actual performance (e.g. Key Performance Indicators – KPIs) in place of the largely qualitative measures currently used.
11. An addition to the Administration and Human Resources section of the Policies and Procedures Manual with regards to succession planning.

Appendices

Appendix A – Documents reviewed

Australian Business Class 2012, FWPA Summit Summary of Discussions and Outcomes, February

BDO Australia 2011, Forest and Wood Products Australia Research and Development Processes Internal Audit Report, March

BDO Australia 2011, Forest and Wood Products Australia Human Resources/ Payroll Review Internal Audit Report, October

Crowe Horwath 2013, Forest and Wood Products Australia Review of Cost Allocation Policy (CAP), June

Crowe Horwath 2014, Forest and Wood Products Australia Salary Packaging Review – Issues Register, July

The Centre for International Economics 2014, Cost-Benefit Analysis for Three Selected FWPA Projects; Contemporary Sound and Fire Rate Timber, Industry Standards for Recycled Timber and Utility of Molecular Breeding, April

The Centre for International Economics 2013, Cost-Benefit Analysis of Three Selected FWPA Projects; On Board Computers, Formaldehyde Testing of Wood Panels and Vineyard Post Treatment, April

The Centre for International Economics 2016, Evaluation of FWPA Funded Research Projects, July

The Centre for International Economics 2015, Forest and Wood Products Australia Generic Marketing Promotions Evaluation, October

The Centre for International Economics 2015, Forest and Wood Products Australia Increasing Deemed to Satisfy Height Limits for Timber Construction – Cost Benefit analysis, June

DLA Phillips Fox 2013, Constitution Forest and Wood Products Australia

DLA Piper Australia 2015, Constitution Forest and Wood Products Australia, November

Ernest and Young Global Limited 2016, Megatrends and the Australian Forest and Wood Products Sector March

Forest and Wood Products Australia (FWPA) 2012, Annual Operating Plan 2012-2013

Forest and Wood Products Australia (FWPA) 2013, Annual Operating Plan 2013-2014

Forest and Wood Products Australia (FWPA) 2014, Annual Operating Plan 2014-2015

Forest and Wood Products Australia (FWPA) 2015, Annual Operating Plan 2015-2016

Forest and Wood Products Australia (FWPA) 2016, Annual Operating Plan 2016-2017

Forest and Wood Products Australia (FWPA) 2012, Annual Report 2011-2012

Forest and Wood Products Australia (FWPA) 2013, Annual Report 2012-2013

Forest and Wood Products Australia (FWPA) 2014, Annual Report 2013-2014

Forest and Wood Products Australia (FWPA) 2015, Annual Report 2014-2015

Forest and Wood Products Australia (FWPA) 2016, Annual Report 2015-2016

Forest and Wood Products Australia (FWPA), Board Audit and Finance Committee Terms of Reference

Forest and Wood Products Australia (FWPA) 2016, Board Charter, March

Forest and Wood Products Australia (FWPA), Board Code of Conduct

Forest and Wood Products Australia (FWPA), Board Performance Review Policy

Forest and Wood Products Australia (FWPA) 2012, Business Case for Future FWPA Investments 2013 to 2018

Forest and Wood Products Australia (FWPA) 2015, Communications Strategy 2016, December

Forest and Wood Products Australia (FWPA) 2013, Communique from Chatham House Rule Strategy Conversation, February

Forest and Wood Products Australia (FWPA) 2012, Company Performance Review, January

Forest and Wood Products Australia (FWPA), Director Code of Conduct

Forest and Wood Products Australia (FWPA) 2010, Intellectual Property Management Plan, September

Forest and Wood Products Australia (FWPA) 2014, Intellectual Property Management Plan, May

Forest and Wood Products Australia (FWPA) 2012, Investment Plan Forest Biosecurity and Preparedness, March

Forest and Wood Products Australia (FWPA) 2010, Investment Plan for Climate Change and Commercial Forestry – Improved Decision Making and Risk Reduction, October

Forest and Wood Products Australia (FWPA) 2010, Investment Plan for Genetic Improvement to Increase Productivity and Wood Quality, and Manage Risks, July

Forest and Wood Products Australia (FWPA) 2011, Investment Plan for Increasing The Use of Wood Products in Residential Construction, February

Forest and Wood Products Australia (FWPA) 2011, Investment Plan for Water Use Efficiency, Access to Water Resources and Balanced Policy Outcomes, May

Forest and Wood Products Australia (FWPA) 2010, Investment Plan for Wood as a Sustainable Building Material, April

Forest and Wood Products Australia (FWPA) 2011, Investment Plan for Improving Wood Quality and Yield, and Tools for Forest Management, September

Forest and Wood Products Australia (FWPA) 2012, Investment Plan Increased use of Timber and Wood Construction Systems in Multi-Residential and Commercial Buildings, December

Forest and Wood Products Australia (FWPA) 2012, Investment Plan Maximizing Product Yields and Values from Current Forest Resources, December

Forest and Wood Products Australia (FWPA) 2015, Investment Plan Research Needs and Priorities for Australian Log Exports and Woodchip Exports, September

Forest and Wood Products Australia (FWPA) 2012, Investment Plan Solid-Wood and Engineered Wood Products: Performance and Yield, December

Forest and Wood Products Australia (FWPA), Email Communications, Media Releases and Social Media Posts, 2012-2016

Forest and Wood Products Australia (FWPA), Minutes of FWPA Board Meetings, 2015-2016

Forest and Wood Products Australia (FWPA) 2015, Minutes of Sixth FWPA Annual General Meeting

Forest and Wood Products Australia (FWPA) 2016, Policies and Procedures Manual (PPM)

Forest and Wood Products Australia (FWPA), Program advisory and reference group meeting papers and minutes, 2012-2016

Forest and Wood Products Australia (FWPA) 2016, Reserve Policy

Forest and Wood Products Australia (FWPA) 2012, Reserve Policy

Forest and Wood Products Australia (FWPA), Risk Management Plan and Fraud Control Plan, 2010, 2014

Forest and Wood Products Australia (FWPA) 2015, Stakeholder Communications Plan

Forest and Wood Products Australia (FWPA), Statutory Funding Agreement 2012-2017

Forest and Wood Products Australia (FWPA), Strategic Plan – 2013-2018

Forest and Wood Products Australia (FWPA), Strategic Plan – 2014-2019

Forest and Wood Products Australia (FWPA), Strategic Plan – 2015-2020

Forest and Wood Products Australia (FWPA), Strategic Plan – 2016-2021

Forest and Wood Products Australia (FWPA) 2012, The Business Case for expanding collaborative investments in the forest and wood products sector

Forest and Wood Products Australia (FWPA) 2013, Wood Products Levy Information

Forest Industry Advisory Council 2015, Meeting Future Market Demand, Australia's Forest Products and Forest Industry, March

Forest Industry Advisory Council 2016, Transforming Australia's forest products industry: recommendations from the Forest Industry Advisory Council, May

G.A. Kile, E.K.S. Nambiar & A.G. Brown 2014, The rise and fall of research and development for the forest industry in Australia, Australian Forestry, 77:3-4, 142-152, DOI: 10.1080/00049158.2014.990867 December

Myoora Investments, FWPA Investment Review Forum

Thornton, Grant Forest and Wood Products Australia Financial Control Framework Review Report Internal Audit Report 2012, May

Timber Trade Industrial Association 2015, Safety Audit Forest and Wood Products Australia, June

Timber Trade Industrial Association 2016, Safety Audit Forest and Wood Products Australia, August

Pollinate 2015, FWPA Stakeholder Perceptions , January

RSM Australia 2016, Forest and Wood Products Australia Internal Audit Report Review of Research and Development Processes and Project Management, May

Strategic Enterprise Development Consulting (SED) 2012 Forest and Wood Products Australia Company Performance Review, January

Appendix B – Survey

Background

This survey seeks to obtain feedback on the performance of Forest and Wood Products Australia (FWPA) in:

- Meeting the company's requirements under its statutory funding agreement (SFA) with the Commonwealth Government; and
- Delivering benefits for the Australian forest and wood products industry.

The information collected will inform an independent performance review of the organisation (undertaken by GHD Pty Ltd), as required under the SFA.

All survey responses are confidential and only aggregated responses will be used for the purposes of reporting.

About You

* 1. What is your role in the forest and wood products industry? (please select all that apply)

- | | |
|---|---|
| <input type="checkbox"/> Grower | <input type="checkbox"/> Forest products importer |
| <input type="checkbox"/> Harvester | <input type="checkbox"/> Forest products exporter |
| <input type="checkbox"/> Processor | <input type="checkbox"/> Peak body or industry organisation |
| <input type="checkbox"/> Wholesaler or trader | <input type="checkbox"/> Researcher or other service provider |
| <input type="checkbox"/> Other (please specify) | |

* 2. Are you a FWPA levy payer?

- ☐ Yes
- ☐ No

* 3. Are you a FWPA member?

- ☐ Full member
- ☐ Associate member
- ☐ Not a member

* 4. Where does your business operate? (please select all that apply)

☐ ACT

☐ SA

☐ NSW

☐ TAS

☐ NT

☐ VIC

☐ QLD

☐ WA

Strategic planning and investment

5. How familiar are you with FWPA's activities in each of the following areas?

	Excellent understanding	Good understanding	Some understanding	Not familiar at all
Generic Promotion of forest and wood products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Research, Development and Extension	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Grow the industry's capacity and capability through education	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Coordinate the industry's standards and building codes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Coordinate the collection and analysis of key statistics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Any additional comments?

6. How do you rate FWPA's performance (ie return on investment) in each of the following areas?

	Excellent	Above average	Average	Poor	Very Poor
Generic Promotion of forest and wood products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Research, Development and Extension	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Grow the industry's capacity and capability through education	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Coordinate the industry's standards and building codes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Coordinate the collection and analysis of key statistics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Any additional comments?

7. Does FWPA provide sufficient opportunities for levy payers and other stakeholders to inform the company's strategic planning and investment of levy funds?

- ☐ Yes
- ☐ No
- ☐ Unsure

Any additional comments?

Impact on your business/organisation

8. Do you consider the activities funded by FWPA to be relevant to your business/organisation?

- ☐ Yes
- ☐ No
- ☐ Unsure

Any additional comments?

9. Has your business/organisation adopted/applied any of the research or marketing activities undertaken by FWPA?

- ☐ Yes
- ☐ No
- ☐ Unsure

If yes, what has been the impact/return on investment for your organisation?

Communication

10. How do you rate FWPA's communication of its activities and findings?

- ☐ Excellent
 ☐ Poor
- ☐ Above average
 ☐ Very poor
- ☐ Average

Any additional comments?

11. How do you rate each of the following FWPA communications activities?

	Excellent	Above average	Average	Poor	Very poor
FWPA's main website.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<i>Wood. Naturally Better™</i> website and products addressing the general consumer market.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<i>WoodSolutions</i> website and products targeting design and building professionals.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<i>ForWood</i> newsletter – for corporate activities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<i>R&DWorks</i> newsletter – for research and development activities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Webinars (periodic on R&D activities and outcomes)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The <i>ForestLearning</i> website for teachers and education providers.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Any additional comments?

12. How do you rate FWPA's role in fostering collaboration between all stakeholders in the forest and wood products industry?

☐

Excellent

☐

Poor

☐

Above average

☐

Very poor

☐

Average

Any additional comments?

13. What could FWPA do to improve its communication?

Membership

14. Do you understand how to become a member of FWPA?

☐ Yes

☐ No

15. If you are a member, how easy was it to become a member?

☐ Very easy

☐ Difficult

☐ Easy

☐ Very difficult

☐ Average

Any additional comments?

16. If you are a levy payer but not a member, why not?

☐ I don't know how to become a member

☐ I don't join industry associations generally

☐ I don't see any benefit for me

☐ Other

Comments

Board

17. Have you applied for a position on the Board in the past?

- ☐ Yes
- ☐ No
- ☐ Comments

18. How do you rate the role of the Director Selection Committee, and the process of Board appointments at the AGM?

- | | |
|-------------------------------------|---------------------------------|
| <input type="radio"/> Excellent | <input type="radio"/> Poor |
| <input type="radio"/> Above average | <input type="radio"/> Very poor |
| <input type="radio"/> Average | |

Any additional comments?

Company Management

19. How efficient do you think FWPA is as an organisation?

- | | |
|--------------------------------------|--|
| <input type="radio"/> Very efficient | <input type="radio"/> Inefficient |
| <input type="radio"/> Efficient | <input type="radio"/> Very inefficient |
| <input type="radio"/> Average | |

Any additional comments?

20. How do you rate your experience when interacting with staff from FWPA?

- | | |
|-------------------------------------|---------------------------------|
| <input type="radio"/> Excellent | <input type="radio"/> Poor |
| <input type="radio"/> Above average | <input type="radio"/> Very poor |
| <input type="radio"/> Average | |

Any additional comments?

General

21. How do you rate the value for money provided by FWPA?

- | | |
|-------------------------------------|---------------------------------|
| <input type="radio"/> Excellent | <input type="radio"/> Poor |
| <input type="radio"/> Above average | <input type="radio"/> Very poor |
| <input type="radio"/> Average | |

Any additional comments?

22. Is there anything else you would like to comment on regarding the performance of FWPA?

Thank you for participating in this survey

Appendix C – Summary of survey results

Survey Question Topics	% Above average	% Average	% Below average
How do you rate the FWPA's performance (ie return on investment) in each of the following areas?			
Generic Promotion of forest and wood products	55%	34%	11%
Research, Development and Extension	49%	37%	14%
Grow the industry's capacity and capability through education**	30%	51%	19%
Coordinate the industry's standards and building codes	60%	38%	2%
Coordinate the collection and analysis of key statistics **	57%	35%	7%
How do you rate FWPA's communication of its activities and findings?	54%	39%	7%
How do you rate FWPA communications activities? **	52%	40%	6%
How do you rate the FWPA's role in fostering collaboration between all stakeholders in the forest and wood products industry?	52%	36%	12%
How do you rate the role of the Director Selection Committee, and the process of Board appointments at the AGM?	44%	45%	11%
How do you rate the efficiency of FWPA as an organisation?*	56%	35%	8%
How do you rate your experience when interacting with staff from FWPA?	68%	20%	12%
How do you rate the value for money provided by FWPA?**	46%	36%	17%
	Yes	No	Unsure
Does the FWPA provide sufficient opportunities for levy payers and other stakeholders to inform the Company's strategic planning and investment of levy funds? **	59%	18%	24%
	Easy	Average	Difficult
If you are a member, how easy was it to become a member?	69%	20%	11%

*Question rephrased to simplify table

**Not equal to 100% due to rounding

Appendix D – Performance against SFA obligations

Clause	Details	Assessment by GHD
3.1 (a) – (c)	Consult with Commonwealth on changes to Constitution, give copy of proposed motion to Commonwealth at the same time as notice to members, give notice of change to Commonwealth	Constitution amended in 2015 to enable FWPA to claim matching Commonwealth payments for voluntary contributions for R&D. DAWR advises appropriate consultation and notice was undertaken by FWPA.
3.2	Deliver research, development and marketing services for the benefit of industry and the Australian community	FWPA activities are consistent with this objective, with evaluation activities undertaken to measure impact.
3.3	Ensure levy payers and growers who are not members are advised of entitlement to become members and how to become members	Survey feedback suggests that member entitlement is not a major issue
4.1 (a) – (c)	Implement good corporate practices in managing and investing funds, drawing on ASX Corporate Governance Council's Corporate Governance Principles and Recommendations including: structure Board to add value, establish a skills based Board recommended by a nominations committee, and undertake annual review of performance of Board and committees	High degree of compliance
4.2	Report to Minister in six-monthly meetings of steps taken to improve Board corporate governance	Achieved – DAWR advises appropriate communication undertaken by FWPA.
5.3	Pay Commonwealth invoices within 30 days of receipt of invoice	Achieved
6.1	Spend funds on approved activities and in a manner that is consistent with the strategic plan, annual operating plan, the guidelines, and in a manner that is efficient, effective and ethical	Expenditure of funds appears appropriate and consistent with plans.
6.2	Only apply matching payments for, or in relation to, research and development activities for the benefit of industry and the Australian community	Expenditure of funds appears to comply and DAWR advises no issues in this regard.

Clause	Details	Assessment by GHD
6.3	Ensure a clear distinction between expenditure on research and development activities and expenditure on marketing and other activities	Achieved – external audit of cost allocation policy
6.6	Not engage in, or use funds for, agri-political activity	No concerns from DAWR or other stakeholders suggesting non-compliance
7.1	Establish accounting systems, processes and controls to ensure funds are spent in accordance with the SFA and Act	Appropriate systems, processes and controls appear to be in place as per past audit findings
7.2	Ensure accounting systems, processes and controls take into account risk management and fraud control plans	Audit and Finance Committee plays an important role. External audit included in each Annual Report
7.3	Notify the Commonwealth on request of the details of accounting systems, processes and controls	No concerns raised by DAWR
7.4 (a)	Keep complete and detailed accounts and records of receipt, use and expenditure of funds	Appropriate systems, processes and controls appear to be in place as per annual audit of financial statements
7.4 (b)	Keep accounts and records separate for Forest and Wood Products Services Levy Payments, State Growers' Contractual Payments, research and development activities, and Matching Payments	Achieved – external audit of cost allocation policy
7.4 (c)	Keep accounts and records in relation to the funds separate from other accounts and records	Achieved – external audit of cost allocation policy
7.5	Progressively implement any additional systems, processes and controls using an implementation plan agreed with the Department	No concerns raised by DAWR FWPA operates a continuous improvement approach
8.1 (a) – (d)	<p>Strategic plan covers a 3 to 5 year period and the Company:</p> <ul style="list-style-type: none"> - Reviews and, if necessary, updates the plan each year - Strategic and annual operating plans meet the intent of the Program Framework before the expiry of the SFA 	Achieved – strategic plan is a 5-year rolling plan and updated annually to reflect the 5-year industry outlook. Plan sent to levy payers and published on website. No concerns raised by DAWR.

Clause	Details	Assessment by GHD
	<ul style="list-style-type: none"> - Makes the plan available to levy payers and national representative bodies - Within 30 days of Board acceptance or amendment of the plan, provide a copy to the Commonwealth 	
8.2	Strategic plan content requirements	Achieved
8.3 (a) – (d)	In developing the strategic plan consult with the Minister, levy payers and state growers, national representative bodies and take into account the priorities of levy payers, state growers, the National Rural R&D priorities and the Guideline	Achieved
8.4 (a) – (g)	Prior to 1 July each year provide an annual operating plan to the Commonwealth that meets the content requirements	No concerns raised by DAWR
8.5	In developing the annual operating plan consider any directions from the Minister, stakeholder expectations in setting remuneration packages, investments to support the development and implementation of the National Primary Industries Research, Development and Extension Framework, collaboration with other RDCs, and the establishment of a structured evaluation plan including participation in relevant evaluation projects for all RDCs and adequate expenditure for evaluation.	No concerns raised by DAWR. Achieved, however no formal written evaluation plan.
8.7	Report progress in required meetings and annual reports as per content requirements of Schedule 2	Achieved
9.1 (a) – (c) and 9.2	Must maintain a risk management, fraud control and intellectual property management plan; review these at intervals of no more than 3 years; and within 30 days of Board acceptance or amendment of the plans, provide a copy to the Commonwealth	Achieved – fraud control plan currently being reviewed. No concerns raised by DAWR.
10.1	Provide Commonwealth with 4 hard copies of annual report when providing the report to members	Achieved – no concerns raised by DAWR.
10.2	Meet with the Minister at not more than 6-monthly intervals	Achieved.

Clause	Details	Assessment by GHD
10.3	Meet with national representative bodies at not less than 6-monthly intervals	Achieved.
11.1	Report to the Minister within 30 days any matters that will or may materially impact ability to achieve objectives or comply with obligations	Achieved – no concerns raised by DAWR.
11.2	Satisfy any other Commonwealth reporting requirements as required	Achieved – no concerns raised by DAWR.
11.3	Consult with Commonwealth if remedial action required	Achieved – no concerns raised by DAWR.
12.1	Commission independent performance review	Achieved.
12.2 (a) – (f)	Meet reporting requirements of the performance review including publishing review on website	FWPA will publish the review on its website as per the previous review.
14.1 (a) – (d)	Within 5 months after the end of the Financial Year, give the Minister a Compliance Audit Report as per content requirements	Achieved – no concerns raised by DAWR.
14.3 (a) – (c)	Within 5 months after the end of the Financial Year, give the Minister a certification report signed by the chairperson of the Board and the managing director as per content requirements	Achieved – no concerns raised by DAWR.
14.5	Prepare other audit report or opinion if requested by the Commonwealth	Achieved – no concerns raised by DAWR.
18.2	Notify Commonwealth of any conflicts of interest or risk of conflicts of interest and take agreed steps to avoid or resolve the conflict	Achieved – no concerns raised by DAWR.
19	Acknowledge the provision of matching payments by the Commonwealth	Achieved
Schedule 3	Cost allocation policy requirements	Achieved – external audit of cost allocation policy
Schedule 4	Program framework guidelines	Achieved – strategic planning, evaluation and collaboration processes etc.

Appendix E – Performance against ASX Principles and Guidelines

ASX Principle & recommendations	GHD assessment	Documents/Methods
1. Lay solid foundations for management and oversight		
1.1 (a) Disclose respective roles & responsibilities of management and	Yes	Board Charter
(b) Those matters expressly reserved for the Board and those delegated to management	Yes	Delegation Authority
1.2 Undertakes appropriate checks before appointing a person or putting forward a candidate for election as director	Yes	Director Selection Committee Terms of Reference
1.3 Has a written agreement with each director and senior executive setting out the terms of their appointment	Director terms set by Constitution Yes	Constitution Letters of appointment for senior executive
1.4 Company secretary accountable directly to the Board through the chair on all matters to do with the proper functioning of the Board	Yes	Board Charter 2016 Constitution
1.5 Diversity policy – measurable objectives for achieving gender diversity	No	
1.6 Process for evaluating performance of the Board and its committees and individual directors	Yes	Board Performance Evaluation Policy Board performance evaluation results
1.7 Process in place for periodically evaluating the performance of senior executives	Yes	Policy in Board charter Minutes of meetings reporting on performance review
2. Structure the Board to add value		
2.1 Nomination committee	Yes	Nominations and Human Resources Committee Director Selection Committee
2.2 Board skills matrix	Yes	Constitution Committee documents

ASX Principle & recommendations	GHD assessment	Documents/Methods
2.3 Disclosure of names of directors considered by the Board to be 'independent' directors	N/A but 'non-member directors identified	Constitution Annual Report Director Selection Committee documentation
2.4 Majority of independent directors	No	
2.5 Chair should be an independent director	N/A but Chair is a non-member director	Annual Report Chair's CV
3. Act ethically and responsibly		
3.1 Have a code of conduct for its directors , senior executives and employees	Yes	Code of Conduct
4. Safeguard integrity in corporate reporting		
4.1 Audit committee - all non-executive members and chaired by an independent director who is not the chair of the Board	Yes	Audit and Finance Committee Terms of Reference
4.2 Before Board approves financial statements should receive from CEO and CFO a true and fair declaration and that opinion formed on the basis that a sound system of risk management and internal control which is operating effectively	Yes	The terms of reference of the Board Audit and Finance Committee include management reports
4.3 Ensures that external auditor attends its AGM	Yes – can be by phone	
5. Makes timely and balanced disclosure	Yes	Annual Report Industry Advisory committees
6. Respect the rights of security holders	Yes	Website
6.1 Provides information about itself and its governance via its website		
6.2 Have an investor relations program to facilitate effective two way communication with investors	Yes (for Members)	Industry Advisory Committees
6.3 Policies and procedures in place to facilitate and encourage participation at meetings of security holders	Yes	Notification of AGMs

ASX Principle & recommendations	GHD assessment	Documents/Methods
6.4 Should give security holders the option to receive communications electronically	Yes	
7. Establishes a sound risk management framework and periodically review the effectiveness of that framework	Yes	Audit and Risk management terms of reference Risk Management plan and policy and Fraud Control Plan
7.1 Committee to oversee risk management		
7.2 Review the risk management framework annually	Yes	Audit and Finance Committee and Board minutes
7.3 Disclose if whether have an internal audit function	Yes	Internal Auditor reports
7.4 Should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if so how does it manage them	Yes	Risk Management Plan etc.
8. Remunerate fairly and responsibly	Yes	Nomination Remuneration and Human Resources Committee Policy
8.1 Remuneration committee		
8.2 Disclose policies and practices regarding the remuneration of non-executive and executive directors and other senior executives	Yes	Nomination Remuneration and Human Resources Committee Policy
8.3 Equity based remuneration scheme	N/A	

Scope and limitations

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