

Independent performance review: Final report

Williams, Pattinson, Wilcox and Ball



**Forest & Wood
Products Australia**

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DISCLAIMER

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EXECUTIVE SUMMARY

BACKGROUND

This report presents the outcomes of an independent performance review of Forest & Wood Products Australia (FWPA). FWPA is an unlisted public company limited by guarantee. It was established under and is subject to the provisions of the *Corporations Act 2001* (Cth).

FWPA is one of 15 rural research & development corporations (RDCs) in Australia. Its authority is granted by the *Forestry Marketing and Research and Development Services Act 2007*, section 12 of which allows for the Minister to declare a company to be the forestry industry services body.

Section 8 of the Act allows the Minister to enter into a contract with the declared company to provide for the Commonwealth to make forestry service and matching payments to it. The current contract between the Commonwealth and FWPA is the Statutory Funding Contract 2017-21 (SFA). Under this contract, FWPA is required to engage an independent organisation to conduct a comprehensive review of its performance at least six months prior to the expiry of the contract.

This review is the third for FWPA and covered the period from August 2017 to January 2021. The review was comprised principally of an extensive document review and consultations with approximately 50 stakeholders: growers, processors, manufacturers, and importers; industry peak body representatives; FWPA Board members, management and staff; Grower Research Advisory Committee (GRAC) members; Commonwealth officers; research providers; and other industry participants. Consultations were made by telephone call or videoconference. A simple website for the review was established and the review was widely promoted throughout the industry and submissions invited (none were received). An online survey was also offered which attracted a healthy 113 responses.

Preliminary findings were discussed with a selection of the FWPA Executive Team and a draft report was subsequently prepared. This draft report was provided to the Board and the Commonwealth Department of Agriculture, Water and the Environment (DAWE). Following feedback, this final version of the report has been produced.

FWPA is a small RDC with annual revenue of around \$15 million. Its primary source of discretionary revenue is industry levies. There are a range of compulsory levies on various forest and wood products. The levy of greatest total contribution is the softwood sawntimber levy at 29 cents per m³, while the grower levy is set at 5 cents per m³ of plantation logs produced in Australia.

In addition, state and territory governments make voluntary levy-equivalent contributions to FWPA. Importer/wholesalers of timber products contribute to FWPA through monies collected under the *Primary Industries (Customs) Charges Act 1999*. Finally, eligible RD&E expenditure by FWPA using levy funds or voluntary contributions also receives matching funds from the Commonwealth.

The levy is low by the standards of most industries, considering the value of a high-quality sawlog is around \$80/m³. Further, the levy is specific (as distinct from *ad valorem*) and such levies decline in real value over time. The current grower levy amount of 5 cents/m³ was set in 2007 and has not been increased since that time although the forestry industry has recently voted on a proposed increase in the forest grower levy to 13.5 cents/m³. Voting on the levy increase closed on 21 December 2021.

Like most industries, the last 12 to 18 months has seen significant change in the operating environment primarily due to massive bushfires in southern and eastern Australia, the COVID-19 pandemic and trade tensions with China. These issues and changes to the company's activities over time have prompted the FWPA Board to announce it will undertake a 'clean slate' review of its strategic direction to take effect in the 2021-26 strategic plan. No doubt, key industry risks and future opportunities will form a key component of that review.

FINDINGS

This review found that FWPA is a small but highly regarded company which is making a significant contribution to the forest and wood products industry. This review found no instances of non-compliance with SFA obligations. The recommendations from the 2017 performance review have been fully considered and implemented. There are things that FWPA does very well, while there are some areas in which performance could be improved. This executive summary primarily focuses on these.

FWPA's governance arrangements are very sound. The Board meets five times per year with meetings (usually) held in a range of locations nationally to facilitate interactions between the Board and stakeholders. As a recommendation of the 2017 performance report, FWPA modified its Board Performance Review Policy to incorporate external facilitation every three years. The first externally facilitated review was conducted by the Australian Institute of Company Directors (AICD) in September 2018. Board meetings are reported to be well chaired and constructive. Most recently there has been a change in Chair.

There are two standing Board committees: Audit, Finance and Risk (AF&RC) and Nominations and Human Resources (N&HRC). The charter of the AF&RC was expanded following a recommendation of the 2017 review of performance to add 'risk' to the remit of the existing Audit & Finance Committee, in order to '*ensure additional focus on risk management*'. This was done in 2017.

The SFA requires that FWPA maintain a governance framework that includes various specified documents such a board charter, delegations of authority and a code of conduct. FWPA also has a comprehensive Policy and Procedure Manual. While these documents are all in place, some are not dated, and it is recommended that FWPA address this situation. The website makes available FWPA's key governance documents, but this review found they were not easy to find. Again, some easily achieved recommended improvements are available in this regard.

FWPA is a comparatively small organisation with 19 people 'on the organisational chart', including some contractors. The management structure of FWPA is very flat, unsurprisingly. The management team are generally well regarded by stakeholders – 84 per cent of respondents to the review survey, when asked about their experience when interacting with staff from FWPA, provided the rating 'above average' or 'excellent'. A topic of frequent discussion during this review was succession planning, mainly as it applies to the Managing Director. The previous performance review noted the challenges of succession planning in a small organisation such as FWPA and made a recommendation in relation to it and this has been enacted. The Board is very conscious of this issue.

FWPA's planning and reporting are robust and have progressively improved over time. The strategic plan is somewhat different to other RDCs in that it is based around five outcome-based programs rather than the more traditional focus on RD&E and marketing activities. These five programs are supported by five 'desired outcomes' against which are listed a number of key performance indicators (KPIs). Organisational KPIs were the subject of a recommendation from the 2017 performance review and have since been enhanced. There is a strong line of sight between the strategic plan, annual operating plans, and annual reports at a program level,

but somewhat less so at an outcome (KPI) level. Further consideration of KPIs and development of a brief organisational performance report annually to increase transparency to stakeholders are recommended. A systematic review of FWPA's performance against its KPIs has shown positive outcomes.

FWPA facilitates the procurement of and provides the operational oversight for a diverse suite of RD&E and marketing activities across the forestry and wood products value chain. The organisation's approach of integrating marketing and RD&E activities across all programs seeks to ensure that the focus is on industry outcomes but does make categorisation of activities as either RD&E or marketing difficult. Furthermore, the development of a portfolio analysis of RD&E and marketing activities across time, sectors and risk is not an easy task, but valuable. A recommendation has been made to review the portfolio analysis processes.

Like many other RDCs, FWPA has continually reviewed and evolved the process for identification of RD&E investments and activities that will deliver outcomes in relation to industry agreed priorities. Currently, FWPA operates a direct targeted investment process, with either investment or advisory committee structures setting investment theme areas and identifying research partners that have the capacity to deliver projects within those areas.

The forestry sector (overseen by the Grower Research Advisory Committee (GRAC)) has several investment plans and a thorough and commendable benefit-cost analysis (BCA) process that ranks industry priorities for that sector. Within the remaining programs, individual sub-program plans have been developed that are in themselves very comprehensive, with clear priorities and likely project investments nominated in most cases. These plans cover areas such as WoodSolutions™, fire engineering, the circular economy, timber durability, wellness design, ForestLearning and the Mid-rise Advisory Program (MAP). While these are good plans, the linkage back to the strategic and operating plans is not always obvious, so it can be difficult to see how the successful delivery of outcomes from each plan contributes to the achievement of the strategic plan objectives. There also appears to be no consistent approach to *ex ante* BCA that allows comparison between investments across the sub-plans. This contrasts with the excellent GRAC processes. Recommendations are made that may further enhance these activities.

External R&D providers spoken to for the review indicated that FWPA provides thorough and efficient project management. There was good support for and positive feedback on the engagement between FWPA and industry stakeholders through the industry associations (including the AFPA industry chambers) and advisory committees.

FWPA has a very strong and direct focus on establishment and management of 'brands' and trademarks that generate a significant degree of awareness and engagement within industry and the broader community. The Ultimate Renewable™ and WoodSolutions™ are the two prominent and highly successful brands used to engage the whole of industry (consumer campaign) and specifiers, respectively. The prominence and success of these brands provides FWPA with an ability to directly target marketing and extension activities and more importantly to track the impact of activities through surveys. The ForestLearning education program, targeted at school teachers, is also highly regarded.

FWPA is highly collaborative within the industry, playing important roles in a number of research and advisory hubs and centres. It also recognised as a collaborative organisation with other RDCs, despite the opportunities for such collaboration being fewer than those available to some other organisations. FWPA contributes to cross-sector activities through the Council of Rural Research & Development Corporations.

FWPA engages well and constructively with industry associations and individual stakeholders. Engagement at MD/CEO and Chair level could be slightly improved, and there are opportunities to achieve this with the

increased acceptance of videoconferencing over the last year. FWPA has a good relationship with, and is well regarded by, DAWE.

FWPA maintains a solid evaluation process that is under continuous improvement and includes the requirement for preparation of independent *ex post* impact assessments on projects that FWPA has funded. The results from the three sets of impact assessments (2018, 2019 and 2020) and the associated meta-analysis demonstrate that FWPA's RD&E activities deliver value to the sector. The same is true of FWPA's investment in marketing, based on the results from the 2015 analysis by the CIE. However, some enhancements in relation to FWPA's evaluation activities are recommended (e.g. assigning the random selection of projects for assessment to the independent consultant and estimating the distribution of project benefits between industry sectors). In addition, there has been no recent evaluation of FWPA's 'marketing' projects: a gap that should be addressed. While the results from the impact assessments clearly demonstrate value to the industry, this may not be evident to all, in part due to a lack of understanding about the benefit-cost methodology leading to scepticism about the results. Communication of these results could also be improved. Again, a recommendation is made that this can be easily addressed.

RECOMMENDATIONS

This review makes a series of recommendations for FWPA's consideration. The recommendations are listed below, in the order in which they appear in the report, and each is rated either:

- ⊕ Critical: should be implemented as a matter of urgency in order for FWPA to meet its legal and regulatory obligations.
- ⊕ Important: actions that are expected to deliver significant benefits to the organisation and sector.
- ⊕ Better practice: expected to deliver incremental performance improvements.

RECOMMENDATION		PRIORITY
1	FWPA should apply version control to, and date, all policy and procedure documents.	Better practice
2	FWPA should make governance and related documents easier to find on the website.	Better practice
3	FWPA and the Commonwealth should continue the requirement that FWPA formally reviews its strategic plan annually, but not require the development of a completely new plan. An exchange of correspondence with both Government and industry detailing the changes should suffice.	Better practice
4	FWPA should consider the inclusion of a greater level of detail in the evaluation framework, especially in relation to KPIs and how they will be measured, in order to extract greater value from the framework.	Important
5	FWPA should include in its AOPs a short section describing how it balances its investments across dimensions such as risk/reward and term.	Important

RECOMMENDATION		PRIORITY
6	FWPA should systematically report against its KPIs in annual reports. It could also consider producing a short annual performance report which builds on the two-page annual report summary.	Important
7	Specific non-forestry sub-program plans should have a clear line of sight to the strategic plan and if appropriate should be made publicly available as a resource on the website.	Better practice
8	FWPA should consider annual review and reporting on progress against the GRAC investment plans, using a process linked to the corporate evaluation framework.	Better practice
9	FWPA should consider assigning the random selection of projects for assessment to the independent consultant contracted to prepare the impact assessment and ensure that the process is reported.	Better practice
10	FWPA should ask its impact assessment provider to provide commentary on the likely distribution of benefits from projects between sectors of the Australian forest and wood product industry, notably between growers, processors, exporters and importers.	Better practice
11	FWPA should consider engaging an independent consultant to prepare an update of the 2015 economic analysis of the benefits of its investment in marketing and promotion.	Better practice
12	FWPA should communicate the results from the impact assessments of RD&E to stakeholders using clear, simple language in its annual report and levy-payer magazines using case studies and time-series.	Important

ACRONYMS AND ABBREVIATIONS

ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
ABS	Australian Bureau of Statistics
AF&RC	Audit, Finance and Risk Committee
AFPA	Australian Forest Products Association
AGM	Annual general meeting
AICD	Australian Institute of Company Directors
AOP	Annual operating plan
ARC	Australian Research Council
ASX	Australian Stock Exchange
ATIF	Australian Timber Importers Federation
BCA	Benefit-cost analysis
BCR	Benefit-cost ratio
CRRDC	Council of Rural Research & Development Corporations
DAWE	Department of Agriculture, Water and the Environment (Cth)
DRS	Director Selection Committee
EWPA	Engineered Wood Products Association of Australia
FWPA	Forest & Wood Products Australia
GCF	Growers' Collaboration Fund
GRAC	Grower Research Advisory Committee
HS	Harmonised System
IP	Intellectual property
IRB	Industry representative body

IRR	Internal rate of return
KPI	Key performance indicator
MAP	Mid-rise Advisory Program
MD	Managing Director
MGP	Machine Graded Pine
MIRR	Modified internal rate of return
N&HRC	Nominations and Human Resources Committee
NIFPI	National Institute for Forest Products Innovation
NPV	Net present value
PPM	Policy and Procedure Manual
PVB	Present value of benefits
PVC	Present value of costs
R&D(&E)	Research and development (and extension)
RDC	Research & Development Corporation
RR&D4P	Rural R&D for Profit (Program)
QDAF	Department of Agriculture and Fisheries (Queensland)
SFA	Statutory funding contract (agreement)
USC	University of the Sunshine Coast

1. INTRODUCTION

1.1 PURPOSE OF THE REVIEW

Under its Statutory Funding Contract 2017-21 (SFA) with the Commonwealth Government (clause 18), FWPA is required to engage an independent organisation to undertake a comprehensive review of its performance, at least 12 months prior to the expiry of the agreement.

As per clause 18.2, the terms of reference for the review were agreed with the Commonwealth. They were 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 2017-2021 with the Commonwealth and under the Forestry Marketing and Research and Development Services Act 2007.*
 - ⊕ *implementation of its rolling 5-year Strategic Plan 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 best practice 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 members, Levy Payers, the Australian forest and wood industry and the broader community, and meeting the needs of members Levy Payers and the 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 limited to, an assessment of FWPA's:*
 - ⊕ *Investments at a portfolio level in research and development, and marketing*
 - ⊕ *Extension and communication of research findings*
 - ⊕ *Management of intellectual property.*
3. *Assess FWPA's effectiveness in addressing and implementing the recommendations from the 2017 performance review.*

4. *Make findings, conclusions, and recommendations to improve FWPA's performance in delivering research and development, and marketing (promotion) services.*

The outcome of the review was defined as '*Identification of FWPA's effectiveness and efficiency in meeting the priorities set out in the Company's strategic and annual operating plans, including the benefits to industry & the community and alignment with Commonwealth Government R&D priorities*'.

The review covered the period from the previous review, delivered in February 2017.

1.2 REVIEW METHODOLOGY

The following approach was taken to the review. Note that the desktop review, consultation and reporting stages were overlapping.

1. Inception meeting: an inception meeting was held by videoconference between the consultants and several senior managers of FWPA shortly after confirmation of appointment. The purpose of the inception meeting was to confirm the scope, methodology, timeframes and deliverables of the review, as well as any periodic reporting requirements that FWPA may have; agree the input requirements of FWPA (including access to appropriate documentation, personnel, key stakeholders to be interviewed); and discuss any more general background that may assist the review.
2. Establishment of communication channels: a simple website for the review was established with the address www.fwpareview.org. The site provided the terms of reference for the review and other general background information, as well as advice on how stakeholders may make a submission to the review. The purpose of the site was to provide a communication channel with stakeholders that was clearly independent of FWPA.

The review and the website were publicised by FWPA via its ForWood e-newsletter and articles in the three main trade magazines.

An online survey of FWPA stakeholders using Survey Monkey® was also set up. The survey was open from 17 November to 13 December 2020 and attracted 113 respondents. The survey questionnaire and summary of responses is provided in Appendix 1.

3. Data collection / desktop review: a large number of relevant documents were made available to the consultants via a secure portal and were progressively reviewed. A list of the documents reviewed is provided in Appendix 2.
4. Consultation: a list of interviewees for the review was drawn up in consultation with FWPA. Approximately 50 individuals were interviewed, from amongst:
 - ◆ FWPA members, associate members and other levy payers;
 - ◆ Industry representative bodies (IRBs) – Australian Forest Products Association (AFPA), Engineered Wood Products Association of Australasia (EWPA) and the Australian Timber Importers Federation (ATIF);
 - ◆ FWPA directors, management and staff;
 - ◆ Grower Research Advisory Committee (GRAC), Industry Advisory and Interest Group members;

- ♦ Relevant officers of the Commonwealth Department of Agriculture, Water and the Environment (DAWE);
- ♦ The Council for Rural Research and Development Corporations (CRRDC); and
- ♦ Key service providers such as R&D providers and consultants.

All interviews were conducted by videoconference or telephone conference, due to the movement restrictions imposed by the COVID-19 pandemic. Interviews ranged from 30 to 90 minutes in duration.

5. Development and testing of preliminary findings: preliminary findings of the review were workshopped with the management team on 22 January 2021. This meeting provided an opportunity to clarify areas of uncertainty and to test key findings and draft recommendations.
6. Preparation of report: a draft report was prepared and was provided to the FWPA Board and DAWE for consideration. Following revisions for any errors of fact, the draft report was finalised and re-submitted as this final report.

2. OVERVIEW OF FOREST & WOOD PRODUCTS AUSTRALIA

2.1 HISTORY AND LEGAL FRAMEWORK

FWPA is an unlisted public company limited by guarantee. It was established under and is subject to the provisions of the *Corporations Act 2001* (Cth). FWPA was incorporated in September 2007.

FWPA is one of 15 rural research & development corporations (RDCs) in Australia. It is an industry-owned company that *'collaborate(s) with government and industry stakeholders to determine strategy, invest in effective and relevant R&D and deliver programs designed to grow the market for forest and wood products, increase productivity and profitability across the value chain and ensure positive environmental and social outcomes.'*¹ Its authority is granted by the *Forestry Marketing and Research and Development Services Act 2007*, section 12 of which allows for the Minister to declare a company to be the forestry industry services body.

Section 8 of the Act allows the Minister to enter into a contract with the declared company to provide for the Commonwealth to make forestry service and matching payments to it. The current contract between the Commonwealth and FWPA is the Statutory Funding Contract 2017-21 (SFA).

The FWPA Constitution was most recently amended at the November 2015 annual general meeting (AGM).

FWPA has two classes of membership: voting members and associate members. Any person who has had an obligation to pay a levy and has paid that levy is eligible to become a voting member. A person may become an associate member if they have *'a relationship with the Industry, their objects (if any) are or include representing or other involvement in the Industry or a significant sector of the Industry and it meets all other criteria for Associate Membership set by the Board from time to time'*.²

Under clause 15.2 of the SFA, *'FWPA must ensure eligible Levy Payers and State Growers who are not members of FWPA are advised of their entitlements to become members, and how they may become members of FWPA'*. At 30 June 2020, FWPA had 180 voting members, representing more than 90 per cent of the sector by volume,³ and 39 associate members.⁴ The survey conducted for this review (Appendix 1) asked a question (Q14): *'If you are a levy payer but not a member, why not?'* Of the 24 respondents for whom the question was relevant, two said that *'it's not worth the trouble'*, eight said that *'I didn't know I could become a member'*, and 14 said *'I don't know what membership entails'*. It is difficult to tell how significant these numbers are, and we

¹ www.fwpa.com.au

² Constitution, clause 3.3

³ www.fwpa.com.au/members/full-members.html

⁴ FWPA Annual Report 2019-20

note that most industry-owned RDCs find it a challenge to achieve anything even approximating full membership.

2.2 FUNDING

FWPA is a relatively small RDC with annual revenue of around \$15 million. Its primary source of revenue is industry levies. There are a range of compulsory levies on various forest and wood products. The levy of greatest total contribution is the softwood sawntimber levy at 29 cents per m³, while the grower levy is set at 5 cents per m³ of plantation logs produced in Australia.

There are separate levies on cypress sawlogs, export woodchip hardwood and softwood (currently zero-rated) pulplogs, hardwood sawlogs, low grade softwood sawlogs, paper pulplogs, plywood and veneer logs, softwood roundwood logs, other softwood sawlogs and wood panel pulplogs.

FWPA's levy payers are wood processors, forest growers, and Australian importers of forest products. State and territory governments do not pay levies *per se* to FWPA, as the Commonwealth has no power to levy them. State and territory governments do however make voluntary levy-equivalent contributions to FWPA. Importers of timber products contribute to FWPA through monies collected under the *Primary Industries (Customs) Charges Act 1999*.⁵

The levy is low by the standards of most industries, considering the value of a high-quality sawlog is around \$80/m³.⁶ Further, the levy is specific (as distinct from *ad valorem*) and such levies decline in real value over time. The current forest grower levy amount of 5 cents/m³ was struck in 2007 and has not been increased since that time. AFPA is currently advocating for an increase in the forest grower levy to 13 cents/m³, comprising 8.5 cents/m³ to forestry research through FWPA and 4.5 cents/m³ to the biosecurity levy. Voting on the levy closed on 21 December 2021⁷ and secured over 90 per cent support among eligible voters.⁸

Eligible expenditure on research, development and extension (RD&E) expenditure by FWPA receives matching funds from the Commonwealth. Since 2016, FWPA has been able to claim matching payments for voluntary contributions made to FWPA for R&D. This is a similar mechanism to that available to a number of other RDCs, such as Meat & Livestock Australia. Unlike other RDCs, for whom the total matching payments (including those for voluntary contributions) are capped at 0.5 per cent of the industry's gross value of production, matching for levy and voluntary contributions received by FWPA is capped at a specific amount each year as specified in the *Forestry Marketing and Research and Development Services Regulations 2008*. For the 2017/18 financial year the maximum amount was \$1.382 million while for 2018/19 and subsequent financial years it is \$1.659 million.

⁵ FWPA Strategic Plan 2020-25

⁶ FWPA, personal communication

⁷ <https://ausfpa.com.au/forest-growers-levy/>

⁸ FWPA, personal communication

We understand that voluntary matching has been fully subscribed over the review period, including the current year, and is fully subscribed for 2021/22.

FWPA's revenues over the review period are summarised in Table 1.

Table 1: FWPA revenue by source over the review period

	FY20 ('\$000) (F)*	FY19 ('\$000)**	FY18 ('\$000)**
Revenue from contracts with customers			
Voluntary contributions	1,675	1,666	1,395
Government grants	2,605	829	719
Industry project contributions	125	140	215
Grower research contributions	103	174	-
<i>Total revenue from contracts</i>	<i>4,508</i>	<i>2,810</i>	<i>2,330</i>
Industry contributions (levies)			
Processors	3,079	3,366	3,601
Importers	879	1,186	1,188
Growers	1,016	1,126	1,186
State growers	401	435	452
Penalties	9	15	8
<i>Subtotal</i>	<i>5,385</i>	<i>6,127</i>	<i>6,435</i>
Commonwealth matching	2,749	4,529	4,395
Voluntary matching	1,619	1,659	1,382
Other income	589	267	172
<i>Subtotal</i>	<i>4,957</i>	<i>6,454</i>	<i>5,948</i>
<i>Total revenue from industry contributions</i>	<i>10,342</i>	<i>12,581</i>	<i>12,383</i>
Interest revenue	116	177	143
TOTAL REVENUE	14,966	15,568	14,856

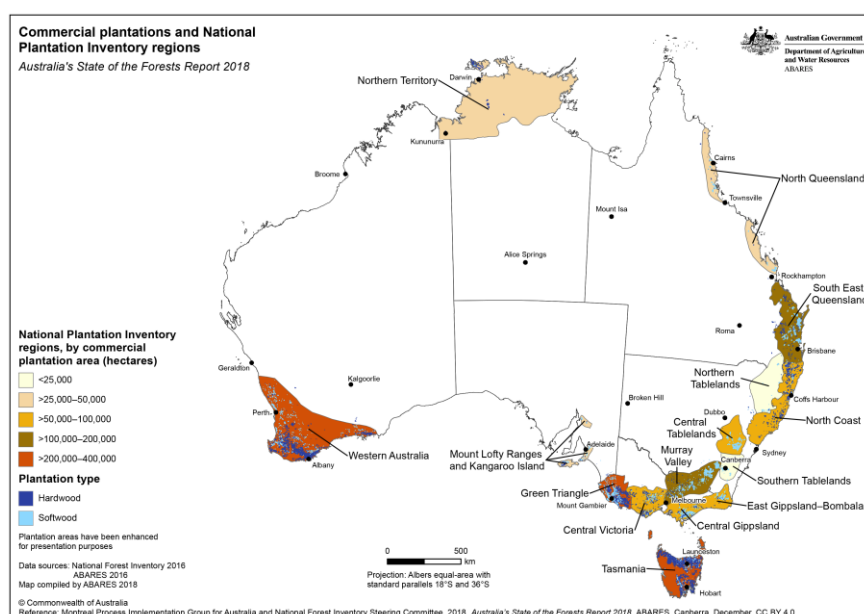
Source: Annual reports. FY18 figures adapted to most recent format.

2.3 TRENDS IN PRODUCTION, PRICES AND MARKETS

The Australian forest and wood product industry produces timber and processed wood products from native, commercial plantations and 'other' forests. The industry gross value of production in 2018/19 was \$7.9 billion, which includes the logs harvested and the added value of processing.⁹

There is a total of 134 million hectares of forest across Australia, 98 per cent of which is native forest, 1.4 per cent commercial plantations and the remaining 0.6 per cent 'other' forests. Native forests are spread across all states and territories, with the largest areas in Queensland (39 per cent), Northern Territory (18 per cent), Western Australia (16 per cent), and New South Wales (15 per cent).¹⁰ A significant portion of the native forest area is not accessible for harvesting. Figure 1 shows the area of commercial plantations and National Plantation Inventory regions.

Figure 1: Australia's commercial plantations and National Plantation Inventory regions



Source: DAWE/ABARES 2021, <https://www.agriculture.gov.au/abares/forestsaustralia/forest-data-maps-and-tools/forest-maps#key-maps-from-australias-state-of-the-forests-report-2018>

⁹ ABARES 2020, Data on the Australian Forest and Wood Products Sector, 2020; and Jim Houghton, FWPA, personal communication

¹⁰ DAWE/ABARES 2021, <https://www.agriculture.gov.au/abares/forestsaustralia/australias-forests>

The commercial plantations are a major source of commercial wood products, with around 50 per cent of the plantations being exotic softwood (mainly *Pinus radiata*).¹¹ Some of the native forests are accessible for harvesting for commercial wood products, and much of these forests are hardwood (such as eucalyptus). In 2018/19, 88 per cent of the total volume of logs harvested in Australia were from commercial plantations (59 per cent of which was softwood and around 41 per cent hardwood), with the remaining 12 per cent of harvested logs in Australia from native forests (96 per cent of which was hardwood and 4 per cent softwood).¹²

The volume and value of logs harvested in Australia has risen since the recent low in 2012/13 (Figure 2). After peaking at a total of 32.95 million cubic metres of logs harvested in 2018/19 with a gross value of \$2.75 billion, production fell in 2019/20 to 27.616 million cubic metres of logs with a value of \$2.42 billion.¹³ Of the total volume of logs harvested in 2019/20, 58.2 per cent were softwood logs and 41.8 per cent were hardwood logs, while the share of the total value was 56.1 per cent for softwood and 43.9 per cent for hardwood. This was a substantial change of shares from 2018/19, with a significant drop in the proportion of hardwood by volume and value share. In 2018/19, the volume share for hardwood was 47.8 per cent and the value share was 43.9 per cent.

The value of production of plantation hardwood has risen sharply since 2013/14, up from \$356.9 million in 2013/14 to \$975.8 million in 2018/19.¹⁴ The value of production of plantation softwood has also risen, although at a slower rate, up from \$823.4 million in 2012/13 to \$1,389.0 in 2018/19. Production of native hardwood and of native softwood has been relatively static over this time period, rising from \$356.5 million and \$15.2 million in 2012/13 to \$393.6 million and \$20.0 million in 2018/19.¹⁵

¹¹ DAWE/ABARES 2021, <https://www.agriculture.gov.au/abares/forestsaustralia/australias-forests>. Data downloaded on 24th January 2021. Detailed data is not available for 2019/20

¹² DAWE/ABARES 2021, *ibid*

¹³ DAWE/ABARES 2021, *ibid*

¹⁴ Detailed data is not available for 2019/20

¹⁵ DAWE/ABARES 2021, *ibid*

Figure 2: Value and volume of logs harvested in Australia



Source: DAWE/ABARES 2021, <https://www.agriculture.gov.au/abares/research-topics/forests/forest-economics/forest-wood-products-statistics>

Of the volume of Australian-grown logs processed in 2018/19, 64 per cent went to sawnwood and veneer, 29 per cent went to paper and paperboard, 8 per cent went to wood-based panels and 3 per cent went to 'other' products. The proportion going to production of sawnwood and veneer has lifted from the low of 58 per cent in 2012/13, while the proportion going to paper and paperboard has slid from 32 per cent in 2012/13.¹⁶

The domestic Australian market is the major destination for Australian-produced timber and wood products. In addition to the domestic production and supply of wood and wood products to the Australian domestic market, imported wood products are also an important source. The annual total value of wood and wood product imports rose from \$4.12 billion in 2012/13 to a peak of \$5.92 billion in 2018/19, then fell back to \$5.61 billion in 2019/20.¹⁷

Aggregate volume data for imports is unavailable as the Australian Bureau of Statistics (ABS) records a mixture of units which vary between Harmonised System (HS) code timber products. For example, the ABS records

¹⁶ DAWE/ABARES 2021, <https://www.agriculture.gov.au/abares/forestsaustralia/australias-forests>. Data downloaded on 24th January 2021. Detailed data not available for 2019/20

¹⁷ DAWE/ABARES 2021. *Ibid.* These figures include pulp and paper products which are not subject to a levy

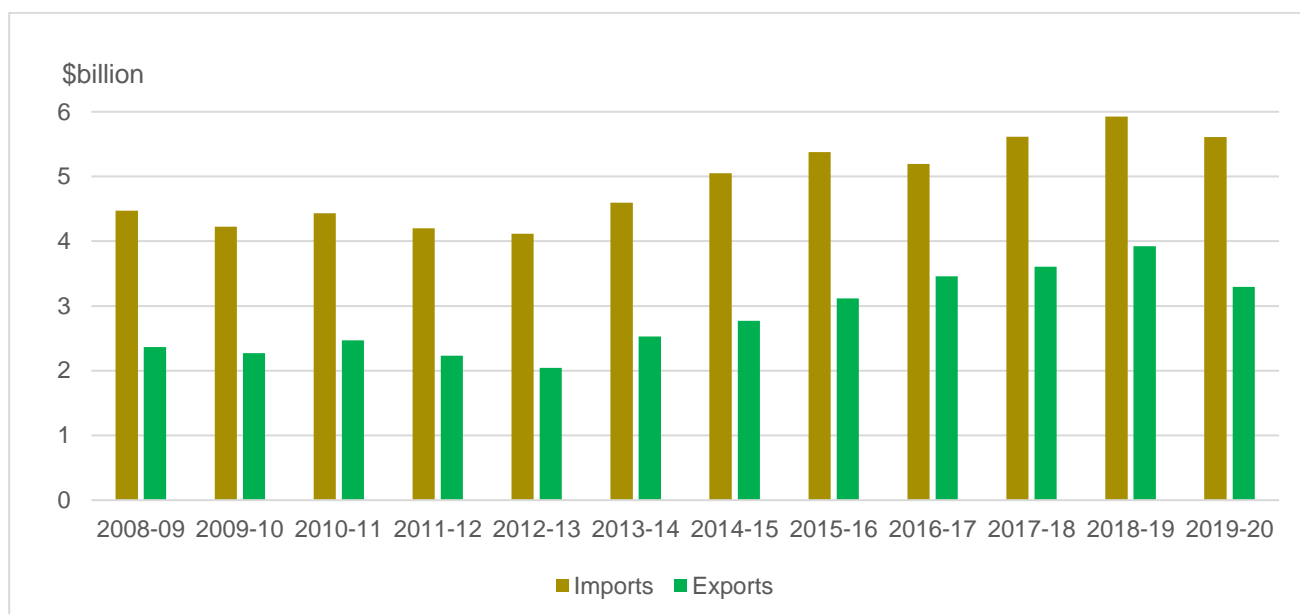
tonnes for paper and paperboard imports, but records only cubic metres for roundwood and sawnwood and only cubic metres and square metres for wood-based panels.

The value of Australia's exports of timber products peaked in 2018/19, with a total export value of \$3.92 billion, a 90 per cent increase since 2012/13. It fell back in 2019/20 to \$3.29 billion.¹⁸ The total volume data was not available for exports due to the mix of units recorded for each HS code timber product.

According to statistics from ABARES, the major export market for Australian wood and wood products was China in 2019/20, with exports totalling \$1.50 billion. Japan and the United States are also significant markets, with exports to the value of \$497 million and \$202 million respectively.¹⁹

Figure 3 shows the trends in the value of Australia's imports and exports of forest and wood products between 2008/09 and 2019/20.

Figure 3: Value of Australia's forest and wood product imports and exports



Source: DAWE/ABRES 2021, <https://www.agriculture.gov.au/abares/research-topics/forests/forest-economics/forest-wood-products-statistics>

In general, prices for timber products in Australia peaked in the second half of 2018 in line with the peak of the most recent housing cycle, then eased through 2019 and 2020. According to data collected by FWPA, the

¹⁸ DAWE/ABARES 2021, <https://www.agriculture.gov.au/abares/forestsaustralia/australian-forest-and-wood-products-statistics>

¹⁹ DAWE/ABARES 2021, *ibid*

average annual prices for <120mm structural Machine Graded Pine (MGP – treated and untreated) were down by 5 per cent to 6 per cent in 2020 compared with 2019, although prices remain within historical ranges.²⁰

The easing of prices is no surprise given the challenges the industry faced during 2019 and 2020.

The first significant challenge was, of course, the COVID-19 pandemic. The pandemic and associated lockdowns in Australia and economic impact in Australia and in key markets had a clear impact on the Australian forest and wood product industry. The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) predicted that residential dwelling commencements in Australia in 2020-21 will be 37 per cent lower than would otherwise have been the case, although the decline in actual housing approvals appear to have been less severe. Nevertheless, the COVID-19 pandemic impacts, plus the associated reduction in net migration, will have a negative effect on housing development and potentially demand for sawn wood and wood-based panels. However, Australian exports and imports of wood product have so far remained within historical ranges.

The second significant test for the industry in 2020 and into 2021 was and continues to be the difficult trade relationship between Australia and China. As noted previously, China is by far the largest export market for Australian wood products, accounting for around three-quarters of exports. Between October and December 2020, the General Administration of Customs of China notified Australian exporters that live forest pests had been discovered in log timber imported from every state, effectively halting log timber imports from Australia.

The extensive bushfires across major portions of forest through south-eastern Australia which peaked between December 2019 and January 2020 did not appear to affect the immediate supply of the main building materials or prices.²¹ Even so, with an estimated 18.6 million hectares or 186,000 square kilometres burnt, including 8.3 million hectares of native forests and more than 130,000 hectares of plantation,²² the impact will be felt almost immediately and for the long term because of the reduction in log supply. There will also be a short-term impact on wood quality from logs harvested from the burnt forests.

All of these developments in the external environment directly affect FWPA, in the issues it needs to address in its activities and how it engages with its stakeholders.

²⁰ FWPA Data Dashboard. <https://www.fwpa.com.au/resources/statistics-data-dashboard/dashboard-login.html> Eastcoast A\$ per m³ free in-store. Data downloaded 24th January 2021

²¹ Jim Houghton, personal communication

²² DAWE/ABARES 2020. Effects of bushfires and COVID-19 on the forestry and wood processing sectors. <https://www.agriculture.gov.au/abares/products/insights/effects-of-bushfires-and-covid19-forestry-wood-processing-sectors> Accessed 24th January 2021

3. GOVERNANCE

3.1 OVERVIEW

The SFA (clause 14.1) requires that FWPA ‘*must maintain, implement and regularly review a framework of good corporate practices to ensure proper use and management of the Funds, which should draw on better practice guides, including guidelines provided by the Commonwealth and the ASX [Australian Stock Exchange] Corporate Governance Council’s Corporate Governance Principles and Recommendations (Third edition) (2014).*’

In its annual reports up to and including 2018-19, FWPA provided a summary of how the company met the recommendations of the ASX Principles and Recommendations. The annual reports for 2016-7, 2017-18 and 2018-19 indicate that FWPA was satisfying these guidelines, except in a few cases where they were not applicable.

This summary does not appear in the Annual Report 2019-20. In fact, the latter document does not include a specific section on corporate governance. There is no obligation on FWPA to do so under the SFA (which incorporates annual reporting requirements under the *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012*).²³

The SFA contains a number of specific provisions in respect to governance documentation and the composition of the board and its committees. These are considered below.

3.2 COMPOSITION OF THE BOARD

Under clause 13.1 of the constitution, the FWPA Board must comprise between five and nine directors, including the Managing Director (MD). FWPA has had between seven and nine directors throughout the review period. At the November 2020 AGM, the Board elected not to fill the vacancy created when the Chair retired and was replaced by one of the existing directors.

At least two of the directors must be non-member directors. This requirement has been met during the review period.

The SFA (clause 14.3) requires that FWPA have a skills-based board ‘*which can demonstrate collective expertise against each of the following:*

- 6.1 *Corporate governance;*
- 6.2 *Production and/or processing in the Forest and Wood Products industry;*
- 6.3 *Finance and business management; and*

²³ ASX-listed companies are required under Listing Rule 4.10.3 to include in their annual report a statement or a URL link to a statement which ‘*discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period*’ (i.e. the ASX Principles and Recommendations). FWPA is not subject to these rules, of course

6.4 *Research and Development; technology and technology transfer; commercialisation and adoption*²⁴.

The constitution (clause 13.11) includes a similar list, with the addition of:

- ✚ Marketing and promotion of forest and wood products, including product promotion and retail marketing;
- ✚ Commerce, including domestic and international market development and domestic and international trade;
- ✚ Conservation and management of natural resources; and
- ✚ Public policy and administration.

All of these skills appear to have been covered by the directors collectively throughout the review period.

Director nominations are managed through a Director Selection Committee (DSC; described in clause 13.7 of the Constitution). The DSC comprises a director who is not seeking reappointment at the next general meeting, a representative of each national representative body and at least one other suitably qualified person as determined by the Board. The DSC works closely with the Nominations and Human Resources Committee (N&HRC – see section 3.4) *‘to ensure an ongoing focus on Board composition to meet legal obligations, stakeholder requirements and best practice corporate governance’*.²⁴ The DSC recommends candidates for nomination by the Board for election at the next general meeting (clause 13.7). A candidate may only be elected as a director if nominated by the Board, following a recommendation by the DSC or by the Board itself if the DSC fails to make a recommendation (clause 13.6).

The review heard mainly positive views about the director selection process. Some interviewees felt that the process favoured industry insiders and made it difficult to identify talent from outside the industry. Of the small number of respondents (34) to a question on the director selection process in the review survey (Q17, Appendix 1), 91 per cent rated the process as ‘average’, ‘above average’ or ‘excellent’.

3.3 BOARD PRACTICE

The Board meets five times per year. Meetings are held in a range of locations nationally to facilitate interactions between the Board and stakeholders. In the 18 months prior to COVID-19, for example, the Board met variously in Melbourne, Canberra, Launceston, Sydney and Bunbury. This policy of moving meetings around the country is commendable and appears to be well regarded by stakeholders who are distant from Victoria.

The 2017 review of performance recommended that FWPA *‘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’*. In response to this recommendation, FWPA modified its Board Performance Review Policy to incorporate external facilitation every three years. The first externally-facilitated review was conducted by the Australian Institute of Company Directors (AICD) in September 2018.

²⁴ N&HRC Terms of Reference

Board meetings are reported to be well chaired and constructive. Whilst some opportunities for improvement were identified, there were no major concerns with the structure or operation of the Board raised in the AICD-facilitated review.

The 2017 performance review recommended that FWPA ‘develop an induction process for new Board members’. At its meeting of February 2019, the Board approved an induction checklist which appears comprehensive.

3.4 COMMITTEES

There are two standing board committees: Audit, Finance and Risk (AF&RC) and Nominations and Human Resources (N&HRC).

The charter of the AF&RC was expanded following a recommendation of the 2017 review of performance to add ‘risk’ to the remit of the existing Audit & Finance Committee, in order to ‘ensure additional focus on risk management’. The revised committee charter was approved by the Board in August 2017. The AF&RC comprises three non-executive directors, one of whom is chair.

As FWPA noted in annual reports up to 2018-19, the membership of the Audit & Finance Committee and now AF&RC follows the recommendations of the Australian Stock Exchange (ASX) Corporate Governance Principles. It also meets the requirement of the SFA (clause 14.4) that at least half of the members of the committee be independent directors.

The role of the N&HRC is ‘to help ensure that the Company’s nominations and human resources policies and systems support the Board’s desired organisational culture and capacity and the renewal of the Board’.²⁵ The N&HRC works with the DSC, as described above (section 3.2). Membership of the N&HRC comprises at least three non-executive directors including at least one non-member director.

3.5 GOVERNANCE DOCUMENTATION

The SFA (clause 14.2) requires that FWPA’s governance framework includes:

- ✚ Board charter;
- ✚ Matters reserved for the Board;
- ✚ Board delegations of authority;
- ✚ Charter of the AF&RC and N&HRC;
- ✚ Board appointments (including requirements for diversity and a number of independent directors); and
- ✚ Code of conduct for directors and senior management.

These documents are all in place, although some are not dated (for example, the Board Performance Review Policy and Director Code of Conduct as accessed on the website).

²⁵ N&HRC Terms of Reference

The 2017 review of performance recommended that FWPA ‘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’. A Diversity and Inclusion Policy was put in place in 2018.

There is a Policy and Procedure Manual that acts less as a compendium than as a comprehensive general description of how the company operates and is governed, with signposts to the full policies and procedures. The manual is a useful document for gaining a thorough overview of the company. Certain other RDCs (such as Cotton Research & Development Corporation) maintain one compendium or ‘handbook’, or a series of these, comprising all of the company’s policies and procedures in full. This approach can be useful to facilitate access, consistency and cross-referencing between key documents and may be worthy of FWPA’s consideration.

The 2017 review recommended that FWPA ‘ensure improved version control of the Policies and Procedures Manual by including dates when last reviewed’. This has been implemented. We also understand that version control and dating is being progressively applied to all of the policies and procedures themselves, too. Rather than wait until documents are due to be reviewed, we suggest FWPA puts all current policies and procedures into a template with version control, especially those made publicly available on the website.

RECOMMENDATION 1: FWPA SHOULD APPLY VERSION CONTROL TO, AND DATE, ALL POLICY AND PROCEDURE DOCUMENTS.

The website makes available FWPA’s key governance documents. Our observation, though, is that some are not easy to find. The main ones are listed under ‘Board / Board charter and policies’ while some others (such as the Constitution, the SFA and the Diversity and Inclusion Policy) are listed under ‘About / Corporate documents’. The ‘Corporate documents’ section also lists each individual document in no particular order. Whilst it is not a major issue, the FWPA website would be improved by making these documents easier to find. This might include grouping similar documents together under sub-menu headings (e.g. annual reports, strategic plans, performance reviews).

RECOMMENDATION 2: FWPA SHOULD MAKE GOVERNANCE AND RELATED DOCUMENTS EASIER TO FIND ON THE WEBSITE.

3.6 RISK MANAGEMENT AND COMPLIANCE

FWPA undertakes two internal audits of key functions each year. These are carried out by an external firm. We note that the same firm provided both internal and external audit functions for some period of time, although a new internal audit provider was appointed in late 2019 following a tender process. It is recommended practice

that the external and internal auditors be separate companies in order to protect the independence of both processes so this is a positive development.^{26,27}

In addition to the recommendation about the AF&RC (see above), the previous review of performance made two other recommendations in respect to risk: to update the Fraud Control Plan and separate it from the Risk Management Plan, and review both annually; and to adopt an overall framework for managing risk by bringing together all risk management documents. Both of these recommendations have been implemented.

FWPA's risk management and fraud control plans were also reviewed by the company's internal auditors in 2020. This audit found three opportunities for improvement and these were subsequently addressed, with the Board approving revised plans in October 2020. These plans appear thorough and contemporary.

Discussions with directors for this review revealed some level of sentiment that risk requires a closer look, although this largely relates to industry rather than corporate risk. Risks related to climate and biodiversity are two examples. It will be important that the Board participates fully in the development of the new strategic plan (see section 4.2), a process that will undoubtedly involve a thorough examination of both industry and corporate risks. The FWPA Board will need to review its own risk matrix in the light of the strategic planning process.

3.7 MANAGEMENT TEAM AND CULTURE

There were 19 people on the organisational chart as of June 2020, including the MD (18 as at January 2019).²⁸ This figure includes a number of contractors. Five personnel (two of whom are contractors) make up the Mid-rise Advisory Program team, which is funded by voluntary contributions matched by the Commonwealth. The program is overseen by a management committee.

The management structure of FWPA is very flat, unsurprisingly for a small organisation. The Managing Director has nine direct reports. Six of these are employees and three are contractors.

The management team are generally well regarded by stakeholders. In response to a question asked as part of the survey conducted for this review (Appendix 1), *'How do you rate your experience when interacting with staff from FWPA?'*, 84 per cent responded 'above average' or 'excellent'. Notably, this is a somewhat more positive rating than that found by GHD in its survey for the 2017 performance review (68 per cent).

The survey result is consistent with the views expressed by interviewees. Management as a group was described as positive, committed and proud of their organisation. On the other hand, there was some indication from staff themselves of a degree of silo behaviour among managers despite weekly meetings. To some extent this is inevitable in an organisation in which staff are busy with their own priorities, but it may warrant some further investigation.

²⁶ <https://asic.gov.au/regulatory-resources/financial-reporting-and-audit/auditors/internal-audit/>

²⁷ https://aicd.companydirectors.com.au/-/media/cd2/resources/director-resources/director-tools/pdf/05446-3-2-mem-director-tools_managing-relationships-auditors_a4_web.ashx

²⁸ <https://www.fwpa.com.au/about/corporate-documents/2104-organisation-chart-as-of-june-2020.html>

The MD has a strong focus on the mental health of employees. Experts have been brought in to work with staff on this issue from time to time. The MD is reported to have managed the impact on staff of the COVID-19 pandemic very well. Regular online meetings and 'check-in' social events were held while staff were working from home, and board directors joined some of these meetings in the early stages.

A topic of frequent discussion with stakeholders during this review was succession planning, mainly as it applies to the MD. The previous performance review noted the challenges of succession planning in a small organisation such as FWPA although it did recommend *'an addition to the Administration and Human Resources section of the Policies and Procedures Manual with regards to succession planning'*. The Board considered this recommendation at its meeting of October 2018. We understand that it determined it would have a 'conscious conversation' periodically on management and Board succession planning and the nominations process and, if appropriate, include a relevant section in the Board charter. The current version of the Board charter mentions only that planning for succession in the MD role is a responsibility of the Board. The Policy and Procedure Manual does not refer to succession planning. However, the N&HRC Terms of Reference does include in the scope of the committee *'developing a longer term perspective on the Board composition with an emphasis on succession planning.'*

There are mixed views among Board members on whether the Board should be more active in succession planning. Clearly, planning for succession of the MD is a challenge in a small organisation. This issue has been identified by the Board as requiring regular review.

4. PLANNING AND REPORTING

4.1 OVERVIEW

While FWPA is a relatively small organisation, it still has the same planning and reporting obligations as any other industry-owned RDC. FWPA's requirements in relation to strategic plans, annual operational (operating) plans (AOPs), evaluation plans and annual reports are clearly documented in FWPA's SFA with the Commonwealth Government.

This review has found that FWPA has met its obligations under the SFA, but there are certain areas that could be enhanced to improve organisational efficiency and transparency to stakeholders.

4.2 STRATEGIC PLAN

FWPA's requirements in relation to strategic plans is contained in clause 30 of the SFA. Clause 30.1 deals with the process of review and seeking the endorsement of the Commonwealth, while clause 30.2 details the 12 specific areas that the plan must address. Clauses 30.3 to 30.6 outline the requirements to prepare and implement a consultation plan to obtain input into the plan from levy payers, the Commonwealth, IRBs and other RDCs, or approval from the Commonwealth that such is not required.

This review has examined the four strategic plans (2017-2022 through to 2020-2025) pertinent to the timeframe for this review. An examination of those plans and discussions with FWPA management and representatives of DAWE have confirmed that all obligations listed within the SFA in relation to strategic plans have been met.

In the Strategic Plan 2017-22, FWPA noted that in the 2016-21 plan, *'there was a substantive change in the plan through a revision of the vision and mission, and a shift from functional programs (e.g. generic promotion, R&D) to the following five outcome-driven programs:*

- ✦ *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'*

This is an interesting approach, and somewhat different to most other RDCs who tend to operate on an R&D and marketing configuration in plans. Nonetheless it is an approach which works well for FWPA and is supported by directors, staff and stakeholders.

The strategic plan has sound vision and mission statements. Apart from its programs, FWPA also builds its planning around five 'desired outcomes' that will benefit the industry as a whole. They are:

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

A useful matrix of the intersection of programs and desired outcomes is included in each of the plans, which helps to clarify how the programs seek to help achieve the desired outcomes.

FWPA notes that it *‘operates in accordance with best corporate governance and reviews its 5-year strategic plan on an annual basis to determine what has changed in our operating environment and to establish activities for the Annual Operating Plan’*.²⁹ This is a very good process. While other RDCs in Australia do review their strategic plan regularly, usually annually, the authors are unaware of organisations that actually prepare and publish a new plan every year. It could be argued, in part, that such a practice negates the value of an AOP and is a draw on resources, both financial and human (particularly the MD).

RECOMMENDATION 3: FWPA AND THE COMMONWEALTH SHOULD CONTINUE THE REQUIREMENT THAT FWPA FORMALLY REVIEWS ITS STRATEGIC PLAN ANNUALLY, BUT NOT REQUIRE THE DEVELOPMENT OF A COMPLETELY NEW PLAN. AN EXCHANGE OF CORRESPONDENCE DETAILING THE CHANGES WITH BOTH GOVERNMENT AND INDUSTRY SHOULD SUFFICE.

The Strategic Plan 2020-2025 plan differed from previous plans in its content and ‘look’ driven, in part, by the changed operating environment due to bushfires and COVID-19 in late 2019 and early 2020. However, FWPA staff point out that, while these impacts were great, they did not necessitate a substantial change to their plans (although there were some additions such as educational resources and community workshops for bushfire areas).

It is noteworthy that the KPIs for each of the desired outcomes were altered in the 2018 version of the plan. We understand this was in response to a recommendation of the 2017 performance review that FWPA should *‘consider ways to better quantify expected and actual performance (e.g. Key Performance Indicators – KPIs) in place of the largely qualitative measures currently used’*. New KPIs were far more quantitative – for example, *‘Increase the use of WoodSolutions resources by 10% per year’* and *‘Increase the use of ForestLearning teaching resources by 10% per year’*. Such quantitative and attributable KPIs are commendable. However, some of the KPIs appear to be aspirational (confirmed as such by FWPA management) and very difficult to measure or attribute solely to FWPA activities. These include: *‘Increase the productivity of the forest estate by at least 1% per year’* and *‘Increase productivity along the value chain (output per person) at rate of 2% per year’*. KPIs such as these should either be listed separately and specifically described as aspirational or removed from subsequent plans. We suggest that, at the time of preparing a new strategic plan, the KPIs be closely re-examined.

The programs and priorities for each five-year period are well detailed. All requirements of the SFA are covered although further focus could be placed on:

- ✚ Linkage to Commonwealth Government priorities;
- ✚ Collaboration with other RDCs; and

²⁹ FWPA Strategic Plan 2019-2024

✚ Details on how technology transfer and commercialisation of R&D will be addressed.

Interestingly, the section on ‘operating environment’ is provided towards the end of the strategic plan, which is somewhat different to most other SPs. This is an observation rather than a criticism, but we would argue that a sound analysis of the operating environment, risks and opportunities forms the foundation for the subsequent rationale of a strategic plan.

The requirement for a consultation plan is covered by clauses 30.3 to 30.6 of the SFA. As noted above, there was a substantial change to the strategic plan in the 2016-21 version (which was developed outside the period of this review), but since then only minor changes have been made. For this reason, FWPA has not needed to develop a consultation plan. FWPA places great emphasis on consultation as indicated in its current strategic plan, viz: *‘The FWPA Board views industry consultation and feedback from members and stakeholders as critical considerations in the formulation of strategy, program priorities and investment decisions’*.

FWPA has indicated that it intends to undertake a ‘clean slate’ strategic planning process in early 2021, given this performance review, the upcoming renewal of the SFA and changes in the operating environment due to recent large-scale bushfires, the COVID-19 pandemic and a volatile international market. A formal consultation plan for this strategic planning process will certainly be needed.

4.3 EVALUATION FRAMEWORK

Section 31 of the SFA requires FWPA to develop an evaluation framework within six months of the effective date of the agreement, and that the framework is consistent with the strategic plan and ensures that key performance-related information is routinely collected and monitored, amongst other things. FWPA must consult with the Commonwealth in preparing the plan and provide adequate expenditure for the purpose.

FWPA developed an evaluation framework and submitted it to DAWE in 2018. We understand that DAWE reviewed the framework, although specific approval of the documentation has not been sighted.

Obviously, the monitoring, evaluation and reporting of progress is of considerable importance to stakeholders of the organisation. The evaluation framework provides some detail on how FWPA evaluates its potential, ongoing and completed projects. However, it is less thorough than the evaluation frameworks of other RDCs, including smaller ones like FWPA. There is no description of program-level KPIs and lower-level KPIs that might be adopted at project level.

Evaluation frameworks do not need to be long or complex documents. In our view, though, the evaluation framework would benefit from slightly greater detail, especially in relation to KPIs (see also section 4.6).

RECOMMENDATION 4: FWPA SHOULD CONSIDER THE INCLUSION OF A GREATER LEVEL OF DETAIL IN THE EVALUATION FRAMEWORK, ESPECIALLY IN RELATION TO KPIS AND HOW THEY WILL BE MEASURED, IN ORDER TO EXTRACT GREATER VALUE FROM THE FRAMEWORK.

4.4 ANNUAL OPERATING PLANS

FWPA's requirements in relation to AOPs are set out in clause 32 of the SFA. Clause 32.1 lists what must be set out in each AOP, while clause 32.2 identifies what FWPA must do should alterations to the AOP be made.

This review and discussions with representatives of DAWE have confirmed that obligations listed within the SFA in relation to AOPs have been met.

Five AOPs were reviewed as part of this performance review. These plans have a clear line of sight to the programs listed in the strategic plan. Each year the priorities for the year within each program are reviewed and are listed in each new AOP. Also listed are KPIs which are taken from the revised strategic plan, along with a listing of priority measures for the year. Expenditure budgets are listed at a program and 'other' level.

There is limited detail in relation to the projects to be invested in and the level of expenditure except at the program level. We understand that this is, in part, intended so as not to relay specifics about key priorities or projects that might be of interest to competitors or industry antagonists.

One area that could be enhanced is to provide greater '*detailed information on how FWPA intends to implement and operationalise a Balanced Portfolio for the next Financial Year*', as per clause 32.1(d) of the SFA. This SFA requirement is one that, in our experience, is often not well addressed by RDCs. As for the evaluation framework, we believe that this element of planning need not be overly detailed nor complex but should provide some indication of how FWPA balances its investments across dimensions such as risk/reward and term. A good example is the 'Balanced portfolio' section of the Wine Australia AOP 2020-21.³⁰

RECOMMENDATION 5: FWPA SHOULD INCLUDE IN ITS AOPS A SHORT SECTION DESCRIBING HOW IT BALANCES ITS INVESTMENTS ACROSS DIMENSIONS SUCH AS RISK/REWARD AND TERM.

4.5 ANNUAL REPORTS

Four annual reports have been produced during the period of this review. The annual reports are good documents, full of information, and perhaps the best of the various planning and reporting documents reviewed. They have also progressively improved over time.

Clause 33 of the SFA covers the requirements of annual reports. Clause 33.1 requires that the annual report be compiled in accordance with the requirements of the SFA, the Corporations Act and the *Australian Charities and Not-for-profits Commission Act 2012*. The latter requirement appears somewhat unique to FWPA.

Clause 33.2 details the number of copies required; clause 33.3 specifies what matters the annual report must cover and clause 33.4 provides commentary on what other information can be included.

³⁰ <https://www.wineaustralia.com/about-us/strategy-and-planning>

This review and discussions with representatives of DAWE have confirmed that obligations listed within the SFA in relation to annual reports have been met.

The annual reports over the period tend to follow a similar and comprehensive reporting structure which includes, amongst other things, a 'highlights' section for the year just completed (in an appealing infographic layout), a listing of programs and 'dot-points' of specific achievements within each program, and a detailed description of the activity, outputs and outcomes. This provides a clear line of sight from the strategic plan through the AOP to the annual report. FWPA advised that it reports especially on 'hero projects / outcomes' to demonstrate value to stakeholders (an example of a hero project being the work FWPA has successfully completed in relation to building codes). FWPA also prides itself on collaboration and has a section of the annual report dedicated to that activity.

The annual reports also provide a listing of voluntary matching projects, levy-funded projects, alignment of FWPA research projects with national and rural priorities and, of course, comprehensive financial statements. One possible area for improvement would be the inclusion of some commentary on the rationale for the mix of projects included in the balanced portfolio, as discussed in section 4.4.

FWPA staff advised that the annual report is mailed out to all members, while a two-page summary is sent to non-member levy payers. An example of the two-page summary (2016-17) was sighted and is strongly supported. Several other RDCs produce a similar document.

There are links back to the KPIs listed in the strategic plan and AOPs although they tend not to be systematically reported. We suggest that such a systematic reporting process may enhance perceptions of value and transparency for stakeholders (see also section 4.6).

RECOMMENDATION 6: FWPA SHOULD SYSTEMATICALLY REPORT AGAINST ITS KPIS IN ANNUAL REPORTS. IT COULD ALSO CONSIDER PRODUCING A SHORT ANNUAL PERFORMANCE REPORT WHICH BUILDS ON THE TWO-PAGE ANNUAL REPORT SUMMARY.

4.6 OVERALL PERFORMANCE AGAINST PLANS

One way to assess the overall performance of FWPA is to compare outcomes against their listed KPIs. These KPIs and an assessment of achievement are included in Table 2 below. It makes for impressive reading, especially when the aspirational targets in relation to demand and productivity are taken into account.

Table 2: Summary of FWPA's performance against plans over the review period

KEY PERFORMANCE INDICATOR	OUTCOME	SOURCE OF INFORMATION
Increase demand		
Increase wood consumption at a rate of 1% above GDP growth	<ul style="list-style-type: none"> Aspirational target not easily measured, but value and volume of logs harvested in Australia and imports have steadily increased over the period Also, The Ultimate Renewable™ branding downloaded by 155 organisations 	See Section 2.3 of this review and FWPA Annual Report 2019-20
Achieve (and maintain) consumer and building specifier perception that 'wood is good' greater than 75%, based on tracking studies	<ul style="list-style-type: none"> Achieved – 75% of specifiers were aware of the positive impact of wood on wellbeing, largely due to online content, communications from professional associations and magazine articles 	FWPA Annual Report 2018-19
Increase the use of WoodSolutions™ resources by 10% per year	<ul style="list-style-type: none"> Achieved – increase of 16.3%. WoodSolutions™ website had – sessions: 812,800; page views: 2 million; users: 614,800; downloads: 116,384 WoodSolutions™ seminars – 12,000 participants across 24 events 	FWPA Annual Report 2019-20
Increase in the number of wood encouragement policies by two per year	<ul style="list-style-type: none"> Achieved – Glenelg (SA) and Baw Baw (Vic) councils adopt 	FWPA Annual Report 2019-20
Increase community acceptance		
Achieve (and maintain) community acceptance of timber harvesting above 60% based on tracking studies	<ul style="list-style-type: none"> Achieved – following advertising campaign, 67% of consumers who saw the advertisement said it had made them more supportive of the forestry industry 	FWPA Annual Report 2019-20
Increase the use of ForestLearning teaching resources by 10% per year	<ul style="list-style-type: none"> Achieved – increase of 22% Website had 24,500 visitors with 122,100 page views 	FWPA Annual Report 2019-20
Increase productivity		
Increase the productivity of the forest estate by at least 1% per year	<ul style="list-style-type: none"> Aspirational target not easily measured but FWPA continues to examine 	FWPA management
Increase output along the value chain at rate of 2% per year	<ul style="list-style-type: none"> Aspirational target not easily measured but FWPA continues to examine 	FWPA management

KEY PERFORMANCE INDICATOR	OUTCOME	SOURCE OF INFORMATION
Provide industry benefits from company's investments at least double the investment (i.e. benefit-cost ratio greater than 2)	⊕ Achieved – meta-analysis showed aggregate weighted average for BCRs of 7.4:1 (see section 7)	⊕ FWPA reports
Increased sustainability credentials		
Achieve (and maintain) the credibility of the forest and wood products industry a source of information on the environment at greater than 60%, based on tracking studies	⊕ Achieved – following advertising campaign, 67% of consumers who saw the advert said it had made them more supportive of the forestry industry ⊕ 72% rated FWPA communication as 'above average' or 'excellent'	⊕ FWPA Annual Report 2019-20 ⊕ FWPA Performance Review survey 2021 (see Appendix 1)
Increased capacity		
Increase the use of the statistics aggregation system and Statistics Count by 10% per year	⊕ Achieved – number of subscribers to Statistics Count in 2018/19 was 622, and in 2019/20 721, representing an increase of 15.9%	⊕ FWPA Annual Report 2019-20
Attractiveness of the sector is in the top four comparable industries based on tracking studies	⊕ Achieved - Forest and wood products is the most desirable employment sector of all major primary industries	⊕ Pollinate consumer tracking survey, 2019

This table in no way provides a comprehensive summary of the value delivered by FWPA, but it does provide a snapshot against its listed KPIs. This 'template' might be something that FWPA considers in its performance reports (see Recommendation 6). It is understood that these KPIs are also constantly evolving.

FWPA's annual reports provide further information on outputs and outcomes from FWPA activities. A further assessment of FWPA's value can also be seen in this performance review in section 7.

5. OPERATIONS

5.1 PROGRAM STRUCTURE

FWPA facilitates the procurement and provides the operational oversight for a diverse suite of RD&E and marketing activities across the forestry and wood products value chain. These investments are linked to priorities guided by the strategic plan within the five outcome-based programs. These programs were established in the 2016 strategic plan. As noted in section 4.2, these programs are as follows:

1. Promoting the advantages of wood products;
2. Aligning products to market needs;
3. Assisting value chain optimisation;
4. Increasing resource availability and reducing risk; and
5. Impacting decision making and industry capability.

A feature of FWPA's program architecture is the integration of marketing and RD&E activities across all programs. This reflects FWPA's belief that it is a service provider and deliverer for the forestry and wood products industry rather than an 'RDC'. This approach is also a deliberate attempt to ensure that the focus is on industry outcomes rather than on the separation of activities by RD&E or marketing. In fact, rather than report on investment levels by RD&E and marketing, FWPA describes investments 'matchable' (RD&E), 'partially matchable' (advisory, technology transfer) or 'non-matchable' (predominantly television advertisements, sponsorships etc).

Because of this approach, separating FWPA activities into 'RD&E' and 'marketing', as described in the SFA, is difficult and potentially subjective. Nevertheless, the following sections have been developed to provide a review of the operational activities of FWPA relative to traditional RDC roles and responsibilities.

Most RD&E activities and expenditure reside within programs 2, 3, 4 and 5, however there are activities within program 1 that have been classified by FWPA as being eligible for matching Government funding (e.g. ForestLearning).

5.2 RD&E MANAGEMENT

5.2.1 PRIORITISATION AND PROCUREMENT

One of the key issues identified by both internal and external interviewees was the marked decline in RD&E capacity and capability available to the forestry and wood products industry. Traditional research capacity that existed within CSIRO and state forestry corporations has been dramatically eroded over the last two decades, and this has been further exacerbated by the commercial models that are being adopted by state government-owned forestry services. FWPA recognises this critical risk and is working with industry to develop national research capability through either direct development and investment in university-based research centres or innovation hubs (e.g. National Centre for Timber Durability and Design Life), or in national collaborations such as the National Institute for Forest Products Innovation (NIFPI). These investments are further discussed in later sections.

As noted in section 3.5, FWPA has a comprehensive Policy and Procedure Manual (PPM) that was updated in August 2020. This manual provides clear internal instructions on the R&D project lifecycle including

procurement, application, development, management, and project completion. It provides information on the structure and engagement of industry advisory groups and the formation of interest groups to formulate R&D activities. Importantly, the document has a clear definition for eligibility of funding for R&D activities.

The PPM also provides extensive descriptions of the program objectives, the developmental process within each program and the management of 'brands' and trademarks within each of the five programs. There are further details on R&D activities and alignment within each program and the development of communication and extension activities relating to each program. Noting that the PPM is for internal use only, whilst sections are comprehensive, they are sometimes difficult to follow and would benefit from the inclusion of flow charts and logic frameworks showing how priorities (objectives), outcomes, activities, KPIs etc fit together. In some areas the structure of the document varies in language used and would benefit from greater internal consistency.

Like many other RDCs, FWPA has continually reviewed and evolved the process for identification of RD&E investments and activities that will deliver outcomes in relation to the industry agreed priorities. Currently, FWPA operates a direct targeted investment process, with either investment or advisory committee structures setting investment theme areas and identifying research partners that have the capacity to deliver projects within those theme areas.

The forest growers have developed eight investment plans and a thorough benefit-cost analysis (BCA) process that sets industry priorities for future investment (see section 5.2.3). For the remaining programs, individual plans have been developed that are in themselves very comprehensive, with clear priorities and likely project investments nominated in most cases. These plans cover areas such as WoodSolutions™, fire engineering, the circular economy, timber durability, wellness design and the Mid-rise Advisory Program (MAP).

We would make a few observations about these plans. Firstly, the links between the plans and the overall objectives within the strategic plan are not obvious, so it is difficult to see how the successful delivery of outcomes from each plan contributes to the achievement of the strategic plan objectives (except in the general sense of delivering on the company mission). Secondly, there appears to be no consistent approach to *ex ante* BCA that allows comparison between investments across the plans. This contrasts with the processes of the Grower Research Advisory Committee (GRAC – see below). We note, however, that the costs associated with the entire GRAC process were high and that they were incurred in part to support the business case for additional funding. This is further discussed in section 7.2.

Finally, these plans are not easy to find. Potential RD&E providers may be unaware of their existence and FWPA may therefore be missing the opportunity to attract different providers for key tasks. We note FWPA's advice however that some of these plans are commercial-in-confidence.

RECOMMENDATION 7: SPECIFIC NON-FORESTRY PROGRAM PLANS SHOULD HAVE A CLEAR LINE OF SIGHT TO THE STRATEGIC PLAN AND IF APPROPRIATE SHOULD BE MADE PUBLICLY AVAILABLE AS A RESOURCE ON THE WEBSITE.

A key point of difference between FWPA and other RDCs is the fixed level of co-investment that is offered for R&D investments. FWPA has a stated policy of giving preference to service providers who can provide competitive leveraging of FWPA's funds, either in cash, in kind or a combination of both. Furthermore, FWPA

generally provides cash contributions to a maximum of 50 per cent of the total budget of the project. There appear to be mixed view on this policy. Some stakeholders believed that the 50 per cent leveraging requirement ensures that only projects with good industry engagement potential are funded. However, some external providers believe that the policy restricts the opportunity for truly innovative, 'blue sky' projects to be funded where industry leverage may be difficult to attract.

In addition, there is a level of concern amongst some internal and external stakeholders that the targeted commission approach has made it difficult for transformational projects to be identified and for new RD&E providers to emerge. This is noted in the context of the decline in RD&E capacity described above. FWPA advises that this is one of the reasons for its support for dedicated thematic research centres such as the National Centre for Timber Durability and Design Life.

5.2.2 PROJECT MANAGEMENT

External R&D providers interviewed for the review indicated that FWPA are thorough and efficient project managers. Some providers indicated that the project application template, although well constructed, is quite long and complex compared to similar applications forms from other RDCs. Contracting and processing of project milestones and final reports were seen as professionally managed with good templates for both milestone and final reports. The end-of-project financial audit information ensures appropriate compliance and governance.

FWPA has a customised project management and reporting system ('WOODBASE') that appears to allow good contract management, milestone reporting and final project sign-off. However, we understand that project and program managers do not have access to real-time budget and expenditure data and often run their own spreadsheets or rely on reports from the financial team. Whilst this is not an uncommon finding among RDCs, it could be expected to reduce the efficiency of managers and warrants attention by FWPA.

Overall, external RD&E providers believe that FWPA requirements are relatively straightforward to comply with and that FWPA staff are very responsive. Project variations appear to be well handled, particularly in the last year during COVID-19.

5.2.3 ADVISORY STRUCTURES

The advisory group process to be employed under the 2017-2022 strategic plan is somewhat different to the previous practice in which defined advisory groups assisted FWPA management to develop outcome goals within each program before an open-call process was employed to source investments matching those priorities. FWPA believed that this process resulted in significant overhead costs and inefficiencies. Since 2017, it has been actively commissioning specified individuals and teams to deliver the various elements required for each priority of the strategic plan.

The Grower Research Advisory Committee (GRAC) was established in 2017. The vision of the GRAC is to double the value of Australia's commercial forests by 2040, '*by fostering an innovation culture in our enterprises, applying world's best practices, collaborating and investing into research and development as appropriate*'. The GRAC is comprised of executive or senior delegated managers of grower members of FWPA. The GRAC has the following objectives:

- ✚ Identifying forest grower priorities;
- ✚ Selecting projects and research providers;

- ✚ Program development;
- ✚ Monitoring and evaluation of projects and programs; and
- ✚ Dissemination of outcomes.

To support the GRAC vision and objectives, FWPA has developed eight investment plans that reflect industry objectives and priorities within key areas. These plans have been written by external service providers with relevant expertise and have been endorsed by the GRAC. Of note, most of the plans indicate that FWPA is just one of the potential funding partners, demonstrating that there is a substantial industry or other co-investment required to support the implementation of the plan. Those plans are summarised in Table 3.

Table 3. GRAC investments plans

INVESTMENT PLAN	TIME SCALE	INVESTMENT LEVEL	RETURNS
A Plantation Nutrition Investment Plan for FWPA	2018-2023	\$25 million	\$0.6 to 3.0 billion†
Resource Modelling and Remote Sensing Investment Plan	2018-2023	\$1.76 to 3.5 million	5-20% improvement
Forest Operations and Supply Chain	2019-2024	\$10.05 million	\$600 million
An Investment Plan for Research, Development and Extension to Minimise Threats from Forest Damage Agents	2019-2023	\$7.8 million	\$20-23 million
Investment to Minimize the Impacts of Fire on Australia's Commercial Forest Estate	2019-2024	\$3.450 million	\$11-22 million
Sustainably Maximise Value Gains through Tree Breeding & Genetic Improvement	2019-2024	\$14.3 million	\$80 million NPV
Native Forest Silviculture	2019-2023	\$5.1 Million	\$14.6 million NPV (20 years)
Silviculture Investment Plan	2020-2025	\$1.65-2.20 million	5-20% improvement

† total increase in yield

The plans differ somewhat in format and structure, but generally have the following key features:

- ✚ Objectives;

- ⊕ Background of previous and current RD&E investment;
- ⊕ High-level review of national and international relevant research and operational practices;
- ⊕ Short-, medium- and long-term investment priorities and targets;
- ⊕ BCA of the investments within the plan as rationale or business case;
- ⊕ Stakeholders consulted in the development of the plan; and
- ⊕ Future RD&E beyond the current plan.

The investment plans are essentially 'owned' and therefore implemented by the GRAC. We note that the plans are not consistent in some key areas, particularly the business case rationale where different methodologies and assumptions for payoff time and discount rates have been used. This results in difficulty in comparing expected outcomes across the eight plans. It would be preferable if all plans followed a similar template or structure with a 'plan on a page' executive summary provided that would encourage greater engagement with stakeholders in the forest growing sector.

Whilst there is no standard *ex ante* benefit-cost methodology applied across the plans, the GRAC has implemented a rigorous process for the evaluation of investments in the forestry sector. A customised financial tool was developed to evaluate 108 potential projects and a comprehensive process was used to ensure that assumptions used resulted in defensible *ex ante* benefit-cost estimates. A projected overall return of 14:1 shows that there is considerable gain available from RD&E investment within this sector.³¹

The further availability of a dedicated dynamic mixed integer linear programming model, the ABARES Forest Resource Use Model (FORUM) has allowed the GRAC to evaluate *ex ante* returns (profit and revenue) across several of the research areas.

Some GRAC members indicated that, given the importance of the investment plans, they should be reviewed annually and progress reported back to grower members and to the broader industry. This should include the funding support that FWPA is providing to each investment plan to provide the grower sector with greater transparency of investments.

RECOMMENDATION 8: FWPA SHOULD CONSIDER ANNUAL REVIEW AND REPORTING ON PROGRESS AGAINST THE GRAC INVESTMENT PLANS, USING A PROCESS LINKED TO THE CORPORATE EVALUATION FRAMEWORK.

An important FWPA contribution to the success of the GRAC is the provision of a dedicated research manager who also serves as an executive officer for the committee. Several GRAC members indicated that this resource has been a catalyst in generating engagement and momentum within the committee and therefore increased confidence to invest future funds in the Growers' Collaboration Fund (GCF – see below). Furthermore, the

³¹ GRAC 2019, Development and implementation of a financial tool to conduct an analysis of the GRAC / FWPA draft research investment plans. Revision of the model assumptions and model re-run

GRAC now provides a single point of contact for several R&D providers and the grower sector, which has been noted as enhancing collaboration and engagement between those groups.

As noted above, though, the GRAC process has been a major investment of time of money. FWPA estimates that it has taken five years and cost in the vicinity of \$900,000.

The GCF was established in 2019 following agreement by 23 GRAC members to provide quarterly, voluntary financial contributions during 2019/20 and 2020/21 to support collaborative forest grower activities. It is essentially a voluntary matching consolidation mechanism. The fund was created to perform the following functions:

- ✚ Serve as an interim measure while a longer-term and more sustainable funding model is developed for RD&E activities;
- ✚ Be used for collaborative activities that provide value and help rebuild important RD&E capacity for the sector; and
- ✚ Provide a potential means of funding collective operational initiatives raised by the AFPA Growers Chamber (e.g., safety or forest biosecurity).

In June 2020, growers agreed, through the AFPA Growers Chamber, to continue contributions to the GCF from 2021/22.

Outside of the GRAC process, FWPA facilitates the identification and prioritisation of projects through the creation of industry interest groups that relate to a key sector or theme area. Interest groups are created primarily from among FWPA member levy payers, i.e. primarily from the forest and wood products industry. FWPA has a stated preference that interest groups where possible are comprised of individuals employed by FWPA member companies. The formation of an interest group requires two or more member companies. Once these are in place, other interested parties such as research providers or industry associations may also be included. Secretariat support for each of the group is provided by FWPA staff or discipline-specific contractors provided by FWPA..

FWPA has indicated that interest groups are valuable to FWPA's prioritisation processes because they usually only co-invest in RD&E activities they believe will deliver direct benefit. Furthermore, because of the co-investment, adoption of outcomes is usually more straightforward. Members of interest groups who were interviewed for the review indicated that these structures are valuable, however some did note that funded activities are usually more short term and very applied in nature.

In general, there was good support for and positive feedback on the engagement between FWPA and industry stakeholders through the various industry and advisory committees. Most people interviewed believed that there were several opportunities to engage with FWPA in setting both R&D priorities and in reviewing projects that were relevant to their sector. The exception was the hardwood production and natural timber sectors that believed that investments in key priorities had been lacking in the past.

Some smaller-scale stakeholders indicated that they found it difficult to allocate time and resources to participate in advisory structures unless there was a direct benefit to the company.

5.2.4 EXTENSION AND ADOPTION

GENERAL

A strength of FWPA operations is the conscious effort to ensure that extension and adoption are not isolated activities within a range of programs that the organisation delivers to industry. The program structure clearly links most R&D and marketing activities to extension platforms or adoption processes.

In addition, FWPA has a very strong and overtly direct focus on establishment and management of 'brands' and trademarks that generate a significant degree of awareness and engagement within industry and the broader community. The Ultimate Renewable™ and WoodSolutions™ are the two prominent brands used to engage the whole of industry (consumer campaign) and specifiers, respectively.

Both programs offer a series of dedicated resources available including websites, newsletters, webinars, podcasts, on-line resource videos and publications and sponsorship opportunities that promote information and awareness. A key success criterion of both these programs is the external on-line tracking research conducted approximately every six months, depending on relevant advertising activity. This provides FWPA with real-time monitoring of the impact of both programs in terms of awareness and use of products and services that are offered. It also provides valuable longitudinal data on consumer and industry attitudes towards key elements of wood use and product design.

Several industry stakeholders indicated that FWPA has a tremendous amount of R&D information available in a wide range of final reports and publications, but in general information is hard to find on the FWPA website. There were several calls from stakeholders for FWPA to invest in the infrastructure and processes to make useful R&D information more visible. This includes historic reports which remain valuable.

FWPA has numerous products and activities that can be considered part of 'extension'. These include:

- ✚ Websites: FWPA's own site, The Ultimate Renewable™, WoodSolutions™ and ForestLearning;
- ✚ Newsletters: ForWood, R&Dworks, Statistics Count, ForestLearning enews;
- ✚ Webinars;
- ✚ Guides and technical documents;
- ✚ Data portal;
- ✚ Podcasts;
- ✚ Industry workshops and presentations;
- ✚ Support for industry conferences and promotions;
- ✚ Key sponsorships of industry organisations; and
- ✚ Social media pages and channels: FWPA – Facebook, LinkedIn, YouTube; WoodSolutions™ and ForestLearning – Facebook, LinkedIn, YouTube, and Vimeo.

In general, there was very strong support and recognition of value for almost all of these activities. Websites and newsletter were generally rated as being 'above average' or 'excellent' (65-85% of surveyed respondents) in the survey (Appendix 1).

FORESTLEARNING

The ForestLearning education program focuses on providing quality resources for teachers and educators, enabling them to integrate forestry and sustainable wood product information into their classroom teaching, while aligning with Australian Curriculum outcomes.

ForestLearning is guided by a 3-year strategic plan (2020-2023) with three priority areas: relevant and robust resources, productive partnerships and strategic promotions. An essential part of this success of this program is that it partners with a range of teaching bodies and the Australian Forest Education Alliance. Core to the program is the dedicated website (www.forestlearning.edu.au), e-newsletters, a range of social media platforms and the ForestVR™ (virtual reality) toolkit and apps. The ForestLearning website was rated by 65% of respondents to the survey for this review as being either 'above average' or 'excellent'.

WOODSOLUTIONS MID-RISE ADVISORY PROGRAM

Industry partners agreed to establish a voluntary fund that allows for a national program to accelerate the growth in Australian mid-rise projects utilising wood products, by engaging with the market to improve its understanding of both the availability of wood products and systems, and how it can utilise the WoodSolutions™ resources to improve the performance and code compliance of designs. That fund supports the Mid-rise Advisory Program (MAP) which is a small group of technical and industry experts based in Victoria and Queensland, with contractors in other states. The overall objective of the MAP is to promote the use of lightweight and engineered timber systems in the design and construction of mid-rise projects of up to 25 metres in height. Specifically, it has an operational model that is designed to achieve the following:

- ⊕ Increased demand for wood products in the mid-rise market;
- ⊕ Increased projects for potential construction in wood products;
- ⊕ Increased engagement between the supply chain and building professionals and identification of challenges; and
- ⊕ Support for the WoodSolutions™ brand and its tools.

The MAP provides 'free' independent technical advice, principally to design consultants, builders and developers, certifiers, local authorities and other professionals that operate in the mid-rise construction industry. Advice is provided through a combination of education programs, presentations and workshops through a variety of delivery points.

MAP is funded by voluntary contributions from 17 organisations based on a two-tier system of individual or group partnership. As it is a technical extension activity, FWPA has determined that MAP is eligible for Government matching funds. No levy funds are spent on the program although FWPA provides administrative support.

MAP goals and progress are monitored by a project management committee comprising representatives from cash investors in the project. FWPA believes that the independence of the project steering committee affords MAP with credibility and impartiality within the marketplace. The MAP team reports to the management committee via bi-monthly meetings and also produces a range of newsletters and reports to all member partners outlining activities of the team and feedback from the marketplace.

There appears to be strong industry support for MAP, which is regarded as very customer-focussed.

5.2.5 BUILDING CODES AND STANDARDS

For a number of years, FWPA had identified that codes and standards related to the built environment were a potential barrier to efficient and effective use of wood products. As a result, a whole program, managed by a dedicated manager, was established to further consultation with the industry and reduce some of the impediments to timber product use and therefore growth of the industry. A key outcome of the program is to establish a set of key standards codes and handbooks that can inform the whole industry of current requirements for wood products used in the built sector.

A measure of success of investments in this program has been the effect on the National Construction Codes (NCC),³² where outcomes have led to six proposals for change from 2014-2019. This has directly benefited wood product use.

Communication and engagement with stakeholders was and continues to be fundamental to the success of this program with FWPA providing regular updates on the development and maintenance of standards and codes via email, website updates, trade articles and social media the Standards Industry Network (SIN). FWPA views the SIN as an important vehicle for soliciting views of the whole industry. In addition, FWPA maintains regular engagement with several key organisations that have direct input into the NCC.

Furthermore, FWPA maintains a close association with the AFPA Solid Woods Technical Committee to help prioritise projects investments and activities. Notably FWPA projects and investments are channelled through the Standards Australia Resource pathway which allows for additional funding and in-kind contributions from industry stakeholders.

The adoption pathway for outcomes from this program (specifically better awareness and use of the NCC) is enhanced through the WoodSolutions™ website which consistently delivers key information to a large number of subscribed stakeholders.

5.2.6 STATISTICS AND ECONOMICS PROGRAM

In 2012, after extensive consultation with industry during 2010-11, FWPA implemented a strategy to improve industry understanding on the types, volume, quality and uses of wood products within Australia. This information was identified as being essential to promoting the benefits of wood products and for informing decision-making by companies in the sector.

The program has developed a range of metrics in areas such as production, harvesting, imports/exports, pricing trends, product use and built industry consumption. Data on industry health and safety is also collected and recently in conjunction with ABARES a significant suite of metrics concerning socio-economic dimensions of the industry have been added.

A key element of success of this program has been the establishment of relationships with commercial companies to access most of the data needed. We understand that approximately 88 companies contribute data which demonstrates the engagement and value this service provides to industry. Another important element of the program is a longstanding partnership with ABARES. This relationship provides FWPA and

³² <https://www.abcb.gov.au/Connect/Categories/National-Construction-Code>

industry with a range of reliable industry statistics and also access to ABARES' expertise in economic modelling, econometric modelling and forecasting. The ABARES FORUM model has also been used by FWPA in *ex ante* project assessments (see section 7.2.3).

As a safeguard to confidentiality FWPA has third-party hosting of a data portal that allows confidentiality of the data to be maintained (at company level) as well as access to individual and aggregated data summaries. This third-party hosting essentially keeps FWPA at arm's length from individual company data.

To assist with dissemination of information to industry participants (companies), FWPA commissioned the development of a data dashboard which provides access to information in a logical fashion. Aggregated data of industry significant is reported in the monthly Statistics Count e-newsletter.

There was strong support and acknowledgement of the value of industry statistical information among commercial stakeholders interviewed. Most interviewees complimented FWPA on the accuracy and robustness of the data, although some thought that more could be done with the data in terms of driving industry direction and setting national priorities.

5.3 MARKETING

As noted earlier, the separation between marketing, extension and advisory services is difficult as many of the activities are intricately linked. Most marketing activities are situated within program 1 and program 2.

Generic marketing and promotion of wood and wood products is seen as a key function of FWPA. In the survey for this review, 70 per cent of respondents indicated that they had a 'good' or 'excellent' understanding of generic promotion of forest and wood products, and 84 per cent indicated that FWPA's performance in this area was either 'above average' or 'excellent'.

As indicated above, promotional activities linked to the two key brands of The Ultimate Renewable™ (consumer) and WoodSolutions™ (design and build professionals) appear highly valued by stakeholders. Interviews indicated, however, that while stakeholders are strongly supportive of generic promotion, they would not like to see FWPA consider moving into product promotion.

Consumer tracking and market research of marketing activities is notably strong. Post-campaign evaluations have been completed by an experienced external brand and strategist provider (Pollinate). These evaluations showed that one in four Australians recalled seeing the television commercial or accompanying outdoor advertisements for The Ultimate Renewable™. Pollinate also coordinated a comprehensive market research program for the building specifier sector. That research has provided longitudinal tracking of attitudes to factors that affect the specification of materials and it is clear that FWPA has acted on this information in the generation of some of the newer program plans. Key outcomes include the awareness of wood as a material for mid-rise construction and the health benefits of using wood products. Notably, support for the forest industry and wood products is increasing backed by messages on sustainability, usability and cost.

A survey of target sectors of WoodSolutions™ showed that 84 per cent of the target audience was aware of the initiative and 96 per cent of that group thought that it was useful.³³ These results indicate positive outcomes from FWPA marketing investments.

A new activity in 2020 was the creation and release of a series of WoodSolutions™ InFocus videos. There are five videos in the series, which currently has 640 subscribers and has attracted over 16,000 views of the cross-laminated timber video alone.

5.4 COLLABORATION

5.4.1 INDUSTRY COLLABORATION

As noted, capacity and capability development for forestry and wood products RD&E is a key issue for the industry. Given this challenge, FWPA has sought to either directly partner with or provide supporting services to a range of forestry and wood products national initiatives. These initiatives are usually centred on universities and are often in collaboration with both state organisations or industry partners.

NATIONAL INSTITUTE FOR FOREST PRODUCTS INNOVATION

Initiated in 2016, the National Institute for Forest Products Innovation (NIFPI) is an initiative of the Commonwealth and the Governments of South Australia, Tasmania and Victoria. The NIFPI program represents a combined initial commitment of \$12 million: \$2 million from each state government and \$6 million from the Australian Government. This has enabled three NIFPI centres to be established, at the University of South Australia in Mount Gambier, the University of Tasmania in Launceston and Federation University in Gippsland.

Industry-driven regional advisory committees work to determine each centre's research priorities and projects. FWPA acts as the secretariat for each NIFPI centre and contracts selected NIFPI projects. FWPA does not select these projects.

NATIONAL CENTRE FOR TIMBER DURABILITY AND DESIGN LIFE

The National Centre for Timber Durability and Design Life is a joint venture between the Universities of the Sunshine Coast and Queensland, Queensland Department of Agriculture and Fisheries, and FWPA. FWPA was the initiator of the centre's formation and helped in the appointment of the first centre lead. Currently FWPA is the primary funder of the centre.

The centre linked to industry through a FWPA advisory committee and has the goals of:

- ✚ Creating coordinated research in timber durability; and
- ✚ Educating a new cadre of research scientists to carry on the work across Australia.

³³ Pollinate 2020, Building specifier research: 2020 tracking survey results, September

As noted by a range of industry stakeholders, the centre provides an expert advisory and extension service for stakeholders seeking information in wood product durability and standards. This service appears to be highly valued.

FWPA RESEARCH CENTRE FOR FUTURE AVAILABLE RESOURCE FROM INTENSIVELY MANAGED PRODUCTION FOREST LANDSCAPES (FAR)

Based on the success of the 'Durability' centre, FWPA in 2019 developed a business case for the establishment of a centre that focuses on the challenge of generation of high wood quality from plantations that have effective and efficient rotational lengths. The negative correlation between these two factors is a key limitation to current and future plantation profitability for both softwood and hardwood estates. A further RD&E initiative is to generate an understanding of how wood variability impacts the properties of current and future wood products. This will be a vital question to be answered if innovation in next generation wood products is to be achieved from Australian-grown product.

Due to delays caused by COVID-19, no university has yet been selected to host the establishment of FAR, although FWPA has advised that this will be a key activity in 2021.

FWPA sees that its commitment to these two centres achieves two outcomes: certainty in domain capacity and capability, and a pathway to blue sky and innovation R&D.

FORESTRY INDUSTRY TRANSFORMATION HUBS

Three dedicated forestry industry transformational research hubs, supported by the Australian Research Council (ARC), have been established and are located within universities with recognised expertise and commitment to the forestry and wood products industry. The three hubs are:

- ✦ University of Tasmania's Centre for Forest Value, an ARC Industrial Transformation Training Centre;
- ✦ University of Melbourne's Training Centre for Advanced Manufacturing of Prefabricated Housing (CAMPH); and
- ✦ University of Queensland's Future Timber Hub, an ARC Industrial Transformation Research Hub.

To date, FWPA has a formal contractual relationship with the first two hubs and is currently identifying opportunities with the third. These relationships are primarily based on project-by-project funding that provides resources for staff and student support and RD&E activities.

5.4.2 EXTERNAL COLLABORATION

As noted by FWPA management, there are fewer opportunities to collaborate with other agriculture-based RDCs than those afforded to RDCs with greater commonalities in production or technology. Notwithstanding, FWPA is an active collaborator with other RDCs in cross-sectoral research on issues such as climate change, plant biosecurity, education and capacity building. Collaborative projects in which FWPA is the lead or an active contributor include:

- ✦ Plant Biosecurity Research Initiative (since 2017) – with Plant Health Australia, DAWE and the seven plant-based RDCs;

- ✚ Rural R&D for Profit (RR&D4P) project 'Lifting farm gate profit through high value modular agroforestry' led by FWPA in collaboration with CSIRO, Private Forests Tasmania, Dairy Australia, AgriFutures Australia, University of Tasmania, Greening Australia, Forico, and Tasmanian Farmers and Graziers Association;
- ✚ RR&D4P project 'Increasing farm gate profits, the role of natural capital accounts' led by FWPA in collaboration with CSIRO, Cotton Research and Development Corporation, Fisheries Research and Development Corporation, Eco Logical Australia, HVP Plantations, VicForests, ABS, Australian Bureau of Meteorology and OneFortyOne Plantations;
- ✚ RR&D4P project 'Improving plant pest management through cross industry deployment of smart sensor, diagnostics and forecasting' led by Horticulture Innovation Australia in collaboration with over 20 organisations including FWPA.

In addition, FWPA invests in specific RDC initiatives. This includes its sponsorship of evoke^{AG} with AgriFutures Australia which has brought awareness of the agtech ecosystem to some members of the forestry industry.

In 2020/21 FWPA is expecting to be a foundation member of the newly-formed, special-purpose investment vehicle (Agriculture Innovation Australia; AIA) that has been created to improve cross-sector collaboration between the RDCs. AIA is essentially owned by and resourced by the 15 RDCs in collaboration, with seed funding from the Australian Government. Its focus will be on addressing climate change, resource use (land and water) and seeking international co-investment and collaboration.

5.4.3 OBSERVATIONS FROM RD&E PROVIDERS

RD&E providers interviewed for the review noted that FWPA is limited by two key issues. Firstly, both R&D capacity and capability (specifically within state-owned institutions) has declined and to arrest that decline will require FWPA to adopt a much longer-term strategic approach to R&D funding. Several providers believe that opportunities for funding beyond the current five-year time scale is required with 10-year+ programs preferred to allow the recruitment and development of early-stage forestry and wood products scientists.

In addition, capacity building will be increasingly important, so the challenge will be for FWPA to get industry partners to recognise that universities and education are businesses and need continual support. As in any industry, providing cost effective and economically viable pathways for skills and training will be challenging, with FWPA expected to play a significant role in addressing those challenges. Thus, there is an increasing expectation for FWPA to be the catalyst that drives industry capacity building.

The second issue was simply that, in the opinion of many providers, FWPA lacks scale and financial resourcing. The current cap on voluntary matching was noted as a key barrier to increasing access to additional industry funds that could be matched for future R&D. A few providers (and industry stakeholders) indicated that industry has the potential and the desire to increase voluntary matching contributions if government would be prepared to review the cap based on the total value of the forestry and wood products industry.

Another point noted by R&D providers was that, whilst FWPA does look at international collaboration, it could do better, particularly in fire and timber management. R&D outcomes from New Zealand and North America could be better integrated into the current investment plans and potentially FWPA needs to be more conscious of leveraging international opportunities. However, they did note that progressing international collaborations is always more problematic than building national programs with Australia.

As noted earlier, R&D providers generally acknowledged that FWPA was providing an efficient and mostly effective service for industry, with sound project management processes and staff who are responsive to both industry and provider needs.

5.5 PORTFOLIO DIMENSIONS AND BALANCE

FWPA's SFA has requirements in several clauses requiring FWPA to plan for and report on an appropriately 'balanced portfolio' of investments. As noted in section 4.4, FWPA does not appear to place great emphasis on this aspect of its portfolio management. A recommendation has been made that in section 4.4 that FWPA provide more information in respect of its portfolio balance.

5.6 INTELLECTUAL PROPERTY MANAGEMENT

As required under the SFA, FWPA has a comprehensive intellectual property (IP) management plan in place that is required to be reviewed every 3 years. The present plan was amended and subsequently approved by the board in May 2020. The plan states that *'Rapid and effective adoption by the industry of project results is a key outcome sought by FWPA. This can be through commercialisation or alternative adoption pathways leading to uptake by industry'*. The plan further states that it is *'intended to provide a platform for maximising the commercial, environmental, social and economic benefits that accrue to the company's stakeholders, the Australian forest and wood products industry and the Australian Government'*.

The IP management plan overall is a well-constructed and comprehensive document, with clear definitions of IP.

The plan identifies that most FWPA RD&E activities are directed towards development of precompetitive collaborative knowledge that has limited commercialisation potential but is adoptable by members and stakeholders. The IP position adopted by FWPA evolves from two key principles:

1. FWPA recognises that the more control it has over project IP and the commercialisation processes relating to it, the greater its exposure, obligations, liabilities and potential cost in achieving a proposed level of exploitation. Researchers are often better placed and resourced to undertake such commercialisation activity.
2. FWPA recognises that the forest and wood products levy income, to which it has access for investment in research and development activity, is intended to underpin growth and development of the industry, not to develop commercial positions *per se*.

FWPA has a central policy that, unless otherwise agreed, ownership of project IP vests with the researcher. This position is specified in the company's standard research agreement. Notwithstanding this, the company adopts and specifies an equity position (related to investment quantum) in the event that project IP is successfully commercialised and exploited by the researcher.

FWPA expects that any projects with commercialisation potential require a commercialisation plan as part of the project application. This ensures that all aspects of IP are considered before contracts are exchanged. Further safeguards to IP management are included in both milestone reports and in the final report. Amendments of adoption and commercialisation plans for RD&E projects are usually completed as part of the final report process.

FWPA does have a formal IP register for major projects. However, tracking of IP commercialisation is through relationships with the researchers. This carries some risk as researchers often move roles and employers.

6. ENGAGEMENT WITH STAKEHOLDERS

6.1 INDUSTRY ASSOCIATIONS

Stakeholders generally indicated a good level of engagement between FWPA and its members and stakeholders, particularly through the industry representative bodies AFPA, ATIF and EWPAA.

FWPA and AFPA have a close relationship. The Chair-to-Chair engagement is reportedly good as is the direct relationship between the two CEOs. Key FWPA staff attend all the quarterly meetings of AFPA's chambers and this appears to have enhanced the relationship and the capacity for industry priority setting. The exception was that some hardwood chamber members believed that FWPA could do more for that sector, for example by providing a dedicated resource within FWPA as is provided to the GRAC.

ATIF represents the interests of timber importer/wholesalers which provide the second largest levy revenue stream to FWPA. ATIF-associated stakeholders indicated that there is good communication between the companies, although given resource limitations the relationship is less interactive than it could be. Some suggested that engagement is limited through lack of resources rather than lack of intent to engage with FWPA. Again, ATIF stakeholders believed that further support from FWPA would allow this group and importer stakeholders in general to provide greater insights and interactions within industry further down the timber products value chain.

EWPAA also reported a positive relationship with FWPA. However, it did express the view that FWPA needs a more formal engagement mechanism with the post-forest value chain, equivalent to the GRAC, to coordinate input to FWPA on its RD&E priorities.

6.2 LEVY-PAYERS / MEMBERS

Stakeholder interviews indicated that, given the diversity of scale, sector and ownership type of FWPA members, the 'needs' of the member are often quite different and varied. There appears for example to be an opportunity for FWPA to improve the way it engages with the small number of exceptionally large vertically-integrated companies that are either privately owned or semi-commercial state government entities. Large levy payers in every industry generally have engagement needs and expectations that differ from those of smaller operators.

There was some indication too that Chair or CEO-level engagement could be improved. We note a suggestion by the CEO of a large member company that, with the new levels of familiarity and comfort with videoconferencing facilitated by COVID-19, there is an opportunity for regular (say quarterly) virtual meetings between the FWPA MD and member CEOs.

In terms of more general stakeholder engagement, the survey conducted for the review showed positive results. Seventy-two per cent of respondents rated FWPA's communications overall as 'above average' or 'excellent' (Q13). Equivalent ratings of specific communications vehicles ranged between 51 per cent (podcasts) and 85 per cent (The Ultimate Renewable™). A range of suggestions for improvement were made and are listed in Appendix 1, although there are no particularly strong themes.

A less clearly positive response was provided on the question of whether FWPA provides sufficient opportunities for levy payers, members and other stakeholders to inform the company's strategic planning and

investment of funds (Q7), but this was mainly due to a high level of 'unsure' responses. Thirty-eight per cent responded in the positive, 55 per cent were unsure and seven per cent responded 'no'.

6.3 COMMONWEALTH GOVERNMENT

Under clause 23.1 of the SFA, the Chair of FWPA or other nominated director is required to meet with the Commonwealth at no more than six-monthly intervals to provide a briefing on a range of matters specified matters, including progress in implementing the AOP and strategic plan, consultations with IRBs and so on.

We understand that these meetings have taken place and have been fully minuted. We also understand from discussions with DAWE representatives that Government is very satisfied with the level and quality of engagement with FWPA.

7. DELIVERY OF BENEFITS

7.1 INTRODUCTION

As with all Australian RDCs, FWPA faces the challenge of demonstrating the value and impacts of its activities and investments to its levy payers (both members and non-members), others in the forest and wood industry to which they provide RD&E services, the community and the government. FWPA has an additional challenge not faced by many RDCs which is to demonstrate the value of their marketing programs. There are a few other RDCs with this same issue, such as Wine Australia, Meat and Livestock Australia and Australian Wool Innovation.

Unlike private businesses which rely on profit, dividends and share prices to show the value they produce, RDCs, including FWPA, instead depend on other measures of value and impact through both quantitative economic measurement and qualitative assessments, as well as tracking surveys to monitor marketing and promotion programs where appropriate. This value and impact go beyond economic benefits and include impacts which cannot have a dollar estimate attached. These include environmental and social benefits.

As specified in FWPA's SFA, this independent performance review is required to assess FWPA's performance in '*...delivering benefits to members, Levy Payers, Industry and the broader community and meeting the needs of members, Levy Payers and the Industry.*'

FWPA's terms of reference for this independent performance review interprets this requirement in more detail: '*Assess the delivery of benefits to members, Levy Payers, the Australian forest and wood industry and the broader community, and meeting the needs of members, Levy Payers and the 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.*'

7.2 MEASUREMENT METHODOLOGY

7.2.1 OVERVIEW

As explained in more detail in section 4.3, FWPA has developed and had approved an evaluation framework as required under clause 31.1 of the SFA. This evaluation framework is in line with FWPA's strategic plan. The SFA specifically says that the evaluation framework must '*...include a structured plan for the systematic evaluation of the efficiency, effectiveness and impact of FWPA's key investments...[and]...include a means of publishing and disseminating relevant Research and Development outcomes and the outcomes of evaluations*'.

Furthermore, the SFA requires that '*FWPA must...participate in any Commonwealth or collective RDC evaluation project relevant to FWPA's operations*'.

FWPA's evaluation framework includes the requirement for preparation of '*Regular randomised post-project evaluations...undertaken by independent consultants in accordance with the evaluation protocols published by the Council of Rural Research and Development Corporations*'. The evaluation framework states that each year, projects that have been completed within the previous 12 – 72 months are randomly selected across three FWPA expenditure bands. These selected projects are then assessed using benefit-cost analysis (BCA). Furthermore, the evaluation framework states that the results of each project assessment '*...are aggregated*'.

into a five year rolling total BCA statements and reported to the Annual General Meeting and provided to the Council of Rural R&D Corporations as requested’.

FWPA’s strategic plan has a target to ‘Provide industry benefits from company’s investment at least double the investment (i.e. benefit-cost analyses (BCA) greater than 2)’.³⁴

It is noted that, at the time of this performance evaluation of FWPA, the CRRDC is reviewing its impact assessment methodology, and in particular the use of the economic BCA in part due to the difficulty of communicating of the results of BCAs to levy payers and other stakeholders. This review has not been completed and an alternative methodology has not been approved by the CRRDC. Therefore, the use of the impact assessment methodology currently endorsed by the CRRDC, including the triple bottom-line approach and the use of BCA, is the best available approach to demonstrating the value of the industry and Government investment in RD&E in each rural industry. As well, the FWPA evaluation framework explicitly requires the use of this impact assessment methodology. This performance evaluation therefore focuses on the *ex post* impact assessments and the *ex ante* BCAs that have been commissioned by FWPA during the review period to demonstrate the delivery of benefits by FWPA.

7.2.2 RD&E INVESTMENT EX POST IMPACT ASSESSMENT

FWPA commissions independent impact assessments of RD&E projects to evaluate the benefits that FWPA’s investment delivers to members, levy payers, industry and the broader community under a triple-bottom-line framework addressing economic, environmental and social impacts. The assessments provide input to FWPA’s annual reporting to the Australian Government and reporting to stakeholders, and contribute to the performance assessment of RDCs compiled for the CRRDC.

Five impact assessment reports have been prepared on a total of eight projects funded by FWPA over the period of this performance review (July 2017 to June 2021).³⁵ Table 4 lists the impact assessments conducted over the review period and the number of projects that were assessed each year.

The assessment prepared by Agtrans Research and reported in October 2018 was part of an assessment of a suite of projects funded mainly by the Queensland Department of Agriculture and Fisheries (QDAF) and the University of the Sunshine Coast (USC). One project in this assessment was funded in part by FWPA and so included in this review.

For the assessments initiated by FWPA, the projects were randomly selected by FWPA. While there is no documentation of the random sampling process, FWPA’s RD&E Manager has advised that the process for each impact assessment is:³⁶

³⁴ Strategic Plan 2019-24, page 7. The measure of 2 actually refers to the benefit-cost ratio (BCR), one of the several metrics reported in the use of BCA

³⁵ An impact assessment of recently-funded projects is scheduled to be begin in the first half of 2021 (Chris Lafferty, personal communication)

³⁶ Chris Lafferty, personal communication

1. Collation of an Excel® spreadsheet showing all the projects which have been completed in the previous five years, allowing for 12 months from the completion date to ensure that the results of any project selected have had time to be taken up by the industry. (Note that this means selected projects may have been completed between 12 months and 72 months prior to the impact assessment.)
2. Stratifying the projects into three FWPA funding bands: <\$50,000 (tier 1); \$50,000 to \$250,000 (tier 2); >\$250,000 (tier 3).
3. Using a random number generator, the General Manager RD&E selects one project from each funding band for the impact assessment. This selection process is witnessed by chosen FWPA staff. For the August 2020 selection, the MD, the Forest Research Manager and the RD&E Projects Coordinator witnessed the project selection.

Applying this project selection process, in June 2017 there were three projects selected for assessment from a project population with completion dates between June 2010 and June 2016. There was a total of 163 projects in this period with a total FWPA nominal investment of \$20.71 million (95 projects with a total investment of \$2.02 million from tier 1; 49 projects with a total investment of \$5.32 million from tier 2; and 19 projects with a total investment of \$13.37 million in tier 3). The BCA impact assessments were conducted by Sylva Systems, with the results reported in three separate reports dated June 2019.

FWPA selected four projects in August 2020 for appraisal from a project population with completion dates between June 2013 and June 2019. There was a total of 107 completed projects in this period with a total FWPA nominal investment of \$12.08 million (63 projects with a total investment of \$1.37 million from tier 1; 33 projects with a total investment of \$3.20 million from tier 2; and 11 projects with a total investment of \$7.51 million in tier 3). The BCA impact assessment was conducted by Natural Capital Economics (NCEconomics). The results were reported in a single report delivered in December 2020, with investment criteria results reported for each project. This report provided the summary results of each assessment, supported by four appendices providing the details of each project assessment.

Table 4: Impact assessments completed – July 2017 to December 2020

MONTH AND YEAR DELIVERED	PRINCIPAL FUNDER	PROVIDER	NUMBER OF PROJECTS	PROJECT COMPLETION DATE
October 2018	QDAF, USC (funding from FWPA for 1 project)	Agtrans Research	<u>One*</u> PNC361-1415	June 2018
June 2019	FWPA	Sylva Systems	<u>Three</u> PNC135-0809 PNB045-0809 PNC304-1213	September 2012 June 2011 May 2014
November 2020	FWPA	Natural Capital Economics	<u>Four</u> PNA371-1516 PNC228-1011 PRA344-1314 VNA471-1819	September 2018 November 2014 July 2015 May 2019

* Four projects were included in the assessment, but only one project had FWPA funding.

For the assessments commissioned by FWPA, allowing for at least 12 months since the completion of a project for it to be included in the BCA project selection process means that the industry has had an opportunity to at least be informed about the findings from the project through FWPA webinars, newsletters and other communications, and potentially have begun to adopt the findings. This means that the BCA assessment has greater chance of being a true *ex post* assessment rather than '*ex project*' assessment. The impacts being assessed are therefore more likely to be actual impacts on the industry, rather than potential impacts. This makes the task easier for the teams conducting the assessments as they are more likely to have access to objective data on adoption and impact, rather than needing to make significant assumptions, guided by researchers and industry participants.

In contrast, the impact assessment prepared by Agtrans Research for QDAF and USC was prepared very soon after the completion of the project, which meant that Agtrans Research had to make significant assumptions about potential adoption and impact rather than having access to objective data.

A downside of including projects with a completion date of up to 72 months means that some projects selected for assessment were completed well before the beginning of the current SFA, which began in 2017, and were funded under the previous two SFAs (between 2007 and 2011, and between 2012 and 2017 respectively).

All nine project assessments followed the CRRDC Guidelines methodology.³⁷

³⁷ CRRDC 2018, Cross-RDC impact assessment program: Guidelines

A notable contribution recently by FWPA is the funding of a meta-analysis of BCAs for RD&E investments in Australia's forest industry, which was conducted by Agtrans Research and reported in November 2019³⁸. The objective of the meta-analysis was to assist FWPA and the AFPA to communicate the benefits of investment in RD&E to stakeholders, funding partners and the Australian and state Governments. The meta-analysis reviewed 37 BCAs that had been conducted during the 15 years to 2019 and aggregated the results to provide an estimate of the benefits of the RD&E investment to the forestry and wood products industry and the Australian economy. The 2018 and 2019 impact assessments commissioned by FWPA were included in this meta-analysis.

7.2.3 RD&E INVESTMENT *EX ANTE* ASSESSMENT

In the past two years FWPA has developed a formal *ex ante* BCA assessment process to assist with priority setting and to assist in the business case for additional investment in RD&E by forest growers. This involved the commissioning of a BCA analysis of eight GRAC RD&E investment plans. These eight investment plans included 108 sub-topics of RD&E. These 108 sub-topics were subject to a formal financial analysis using BCA, with the model used linked to the ABARES Forest Resource Use Model (FORUM).³⁹ The results from the financial BCA modelling included estimates of net present value (NPV), internal rate of return (IRR) and benefit-cost ratios (BCRs) for the 108 sub-topics. The results were then used by GRAC to determine research priorities for future FWPA investment.

Other RD&E project investments by FWPA outside the GRAC process are not subject to the same *ex ante* assessment, as there has not been the same process in train to increase the levy or for additional investments.

7.2.4 MARKETING & PROMOTION INVESTMENT

FWPA's marketing and education investment, including WoodSolutions™, television and other advertising campaigns (including The Ultimate Renewable™ campaign) and ForestLearning is assessed through various measures, including website metrics (hits, downloads and so on), consumer tracking surveys and industry and material specifier tracking surveys. In 2015, FWPA commissioned a formal BCA assessment of its generic marketing promotion investment between 2007/08 and 2014/15, which was conducted by the Centre for International Economics (CIE).⁴⁰ This analysis has not been repeated.

³⁸ Agtrans Research 2019, A meta-analysis of BCAs for forest RD&E investments. Report to FWPA, November

³⁹ Sylva Systems 2019, Development and implementation of a financial tool to conduct an analysis of the GRAC/FWPA draft research investment plans, September, and Development and implementation of a financial tool to conduct an analysis of the GRAC/FWPA draft research investment plans: Revision of the model assumptions and model re-run, December

⁴⁰ The Centre for International Economics 2015, FWPA generic marketing promotions, October

7.3 DEMONSTRATED BENEFITS

As noted above, the majority of project assessments followed the CRRDC Guideline analysis methodology. However, the reports from the three project assessments reported in 2019 did not.⁴¹ These reports only provided NPV and BCR results and did not report the present value of the project benefits (PVB), the present value of project costs (PVC), the IRR or the modified internal rate of return (MIRR).

The 2018 assessment by Agtrans Research and the 2020 assessment by NCEconomics both followed the CRRDC Guidelines for reporting.

The aggregate investment results for the RD&E projects funded by FWPA that were assessed in the eight impact assessments it contracted were almost all strongly positive (Table 5). The BCR by project ranged from 1.2:1 to 429:1. The NPV ranged from \$270,000 to \$85.7 million, while the MIRR (where it was reported) ranged from 9.1 per cent to 74 per cent. The BCR for the assessed projects in the three groups of assessments exceeded FWPA's target of 2:1, with the exception of project PNC304-1213 (which had a BCR of just 1.2).

As noted above, the 2019 assessment only provided NPV and BCR estimates and did not provide other investment measures, including PVB, PVC, IRR or MIRR. Furthermore, the 2019 assessment did not use or report a standard set of years (i.e. 5, 10, 20, 30) and provided results up to 60 years from completion of the project. While this extended period may be justified in the forest industry (given the extended period for plantations trees to reach maturity), the CRRDC Guidelines should be followed and at least include the years recommended as well as a longer timeframe if it is necessary. It is pleasing to see that the 2020 assessment by NCEconomics followed the recommended CRRDC Guidelines on reporting and timeframes.

The strong economic returns presented in Table 5 from the investments in the eight impact assessments were accompanied by social and environmental benefits which could not be quantified but are also important. These benefits and impacts are listed in each report from the 2018 and 2020 assessments, as required under the CRRDC Guidelines. However, the reports arising from the 2019 assessment provided no commentary on environmental impacts and benefits, and only scant mention of social impacts and benefits. This is a weakness. The fact that the 2020 impact assessments included these is a very good step forward.

⁴¹ CRRDC Guidelines, pages 75 to 79

Table 5: Summary of ex post evaluations of FWPA-funded projects

ECONOMIC MEASURE	YEAR OF ASSESSMENT		
	2018 (1 project)	2019 (3 projects)	2020 (4 projects)
Present value of benefits (\$m)	\$17.84	na	\$0.56 to \$15.40
Present value of costs (\$m)	\$3.07	na	\$0.05 to \$1.98
Net present value (\$m)	\$14.77	\$0.27 to \$85.7	\$0.49 to \$13.43
Benefit-cost ratio	5.81	1.2 to 429	6.00 to 20.38
Internal rate of return (%)*	19.0%	na	na
Modified internal rate of return (%)*	10.7%	na	9.1% to 74%

Notes: Measures over 30 years discounted at 5%, in real terms based on total investment.

Sources: Agtrans Research (2018), Evaluation of RD&E Investments by the Collaborative Partnership between the Department of Agriculture and Fisheries (Queensland) and the University of the Sunshine Coast. Final report to QDAF.
 Sylva Systems (2019), An impact assessment of FWPA project PNC135-0809: Active genetic conservation and utilisation of native radiata pine germplasm. Report to FWPA June 2019.
 Sylva Systems (2019), An impact assessment of FWPA project PNC304-1213: Predictive relationships to assist fertiliser use decision-making in eucalypt plantations. Report to FWPA June 2019.
 Sylva Systems (2019), An impact assessment of FWPA project PNB045-0809: Evaluation of super-heated steam vacuum drying viability and development of a predictive drying model for four Australian hardwood species. Report to FWPA June 2019.
 NCEconomics (2020), Benefit cost analysis of FWPA R&D Projects. Report to FWPA, November 2020.

The random selection methodology used by FWPA is sound. However, the CRRDC Guidelines recommend that, if random project selection is used, this is done by the independent consultant contracted to prepare the impact assessment and that the selection process for projects evaluated is presented clearly in the report.

RECOMMENDATION 9: FWPA SHOULD CONSIDER ASSIGNING THE RANDOM SELECTION OF PROJECTS FOR ASSESSMENT TO THE INDEPENDENT CONSULTANT CONTRACTED TO PREPARE THE IMPACT ASSESSMENT AND ENSURE THAT THE PROCESS IS REPORTED.

One issue with the impact assessments commissioned by FWPA is that there are no comments provided about the distribution of impacts along the supply chain. A considered assessment of the distribution of the impacts, such as between growers, processors, exporters and importers, that takes into account the supply and demand elasticities, would be more valuable. These groups are likely to be interested in the approximate portion of the impacts that may accrue to each sector.

RECOMMENDATION 10: FWPA SHOULD ASK ITS IMPACT ASSESSMENT PROVIDER TO PROVIDE COMMENTARY ON THE LIKELY DISTRIBUTION OF BENEFITS FROM PROJECTS BETWEEN SECTORS OF THE AUSTRALIAN FOREST AND WOOD PRODUCT INDUSTRY, NOTABLY BETWEEN GROWERS, PROCESSORS, EXPORTERS AND IMPORTERS.

The meta-analysis of industry BCAs conducted since 2007 commissioned by FWPA also demonstrated a strong return from investment in RD&E in the forest and wood products industry. It showed positive BCRs ranging from 1.2 to 429.0 to 1, and an estimated aggregate NPV of between \$645.18 million and \$1,030.55 million (in 2018/19 \$ terms). The analysis estimated that the aggregate weighted average BCR was 7.4 to 1. That analysis also noted that a number of the BCA assessments suffered from inconsistent and incomplete methodologies.⁴²

EX ANTE ASSESSMENT OF GRAC PRIORITIES

In the review team's experience, very few RDCs have a formal *ex ante* process for selection of RD&E projects and priorities. Furthermore, the *ex ante* BCA assessment of FWPA's GRAC priorities is the most rigorous process seen in the 13 reviews that have been undertaken by the team. FWPA is to be commended on this. As noted in section 7.2.3, though, the main driver for this process was to assist in the business case for additional investment in RD&E by forest growers.

As noted in 5.2.1, there would be value in adopting a similar but reduced approach in the other areas of FWPA's RD&E portfolio. This would need to be significantly less resource intensive and less costly than the approach used for GRAC, but would be a useful addition to the FWPA's project selection process as it provides a consistent methodology to guide selection.

ASSESSMENT OF MARKETING & PROMOTION ACTIVITIES

While the assessment by CIE of FWPA's investment in marketing and promotion in 2015 was prepared outside the timeframe for the current performance review, it is worth noting that this valuable analysis showed that FWPA's investment in marketing and promotion activities achieved a gross return of \$230 million with a BCR of 7.2. This is a very good return on the \$32 million (real terms) invested by FWPA in its marketing and promotion campaigns between 2007 and 2015. Such an analysis is worth repeating to further display the benefits FWPA is providing to levy payers and stakeholders.

⁴² Agtrans Research 2019, A meta-analysis of BCAs for forest RD&E investments. Report to FWPA, November

RECOMMENDATION 11: FWPA SHOULD CONSIDER ENGAGING AN INDEPENDENT CONSULTANT TO PREPARE AN UPDATE OF THE 2015 ECONOMIC ANALYSIS OF THE BENEFITS OF ITS INVESTMENT IN MARKETING AND PROMOTION.

7.4 COMMUNICATING THE DEMONSTRATED BENEFITS

The results from the three sets of impact assessments (2018, 2019 and 2020) demonstrate that FWPA's RD&E activities deliver economic, social and environmental value to the sector. The same is true of FWPA's investment in marketing, based on the results from the 2015 analysis by the CIE. This is probably not evident to all in the industry, in part due to a lack of understanding about the benefit-cost methodology, leading to scepticism about the results. This is always a challenge for RDCs, so a focus needs to be on clear communication of the methodology and the results, perhaps including the use of case studies.

As well, FWPA's reporting of the results from the impact assessments is quite limited, reflecting concerns about the difficulty in communicating the results to levy payers and stakeholders. The full reports from the 2019 and 2020 impact assessments, and the report from the meta-analysis, are available on the FWPA website in the 'Market access' subsection of the 'Resources' section. Finding them is not straightforward. The results from the 2019 impact assessment were not reported in FWPA's Annual Report 2018/19 and the results from the meta-analysis of BCAs were not reported in the Annual Report 2019/20. The results were not reported at the 2019 or 2020 AGMs. The results from previous BCA analyses were included in the annual report and in the AGM reporting (for example, the Annual Report 2016/17 provided the BCR results for RD&E investment in forest growing and in wood processing). There is no evidence of any other reporting of the results from the recent impact assessments of RD&E investments, even at a high level. This is despite FWPA's evaluation framework stating that the results of each project assessment '*...are aggregated into a five year rolling total BCA statements and reported to the Annual General Meeting*'. The RD&E Manager has advised that this five-year rolling total BCA statement has not yet been implemented.

While communicating the triple bottom-line results from the *ex post* impact assessments to levy payers and other stakeholders provides challenges, some RDCs have been successful by providing case studies to explain the benefits to an individual company in the industry. While this involves more than simply reporting a selected metric, such as the BCR, it provides interested participants in the industry a richer understanding of the benefits from the RD&E investment.

The 2015 report by The CIE on the assessment of FWPA's marketing and promotion campaign is available on the FWPA website. As well, there is a summary of the results on the website, and the results appear to have been well communicated to stakeholders through the website. As well, the results were reported in the AGM reporting and in the Annual Report 2015/16.

Some other RDCs prepare short six-monthly or annual performance reports which include a summary of results from impact assessments they commission, as well as key results from other evaluations of RD&E and marketing activities they have undertaken. FWPA does not have such a document included in its evaluation framework. This is worth considering as a way of reporting back to stakeholders (see also recommendation 6, section 4.5).

RECOMMENDATION 12: FWPA SHOULD COMMUNICATE THE RESULTS FROM THE IMPACT ASSESSMENTS OF RD&E TO STAKEHOLDERS USING CLEAR, SIMPLE LANGUAGE IN ITS ANNUAL REPORT AND LEVY-PAYER MAGAZINES USING CASE STUDIES AND TIME-SERIES.

7.5 LEVY-PAYER PERCEPTIONS OF VALUE

Whilst impact assessments of the type described above provide a ‘hard’, objective measure of the benefits delivered by an RDC, their results may not match the perceptions of value held by levy payers and other stakeholders.

The overall sentiment from the interviews conducted for this review was that FWPA is a highly valued and respected part of the forest and wood products industry and that it achieves a great deal with limited resources. As noted at various points throughout this report, certain initiatives were especially singled out for praise: WoodSolutions™, The Ultimate Renewable™, MAP, FWPA’s work on building codes and standards, and the statistics and economics function. The GRAC process is highly regarded among forestry members. The high level of voluntary contributions was also noted as a mark of confidence in FWPA.

Opinions vary between sectors, unsurprisingly. For example, importers and some processors appear to see limited value in RD&E (the latter because of low margins).

The survey findings presented in Appendix 1 also provide some useful insights on levy-payer perceptions of value. FWPA has asked the consultants who undertake its independent performance reviews, including this one, to include a survey of this type in their methodology. There has been continuity in questions between reviews which allows for some tracking of progress over time.

Overall performance and satisfaction ratings from the 2020 survey are summarised in Table 6. The ratings indicate a positive reflection on FWPA, notably on FWPA’s performance in generic promotion, RD&E and provision of key statistics.

The strong positive for FWPA is that the significant majority of levy payers who responded are ‘comfortable’ with paying the levy for FWPA, well above the proportion of those who are ‘uncomfortable’. As well, almost three-quarters of respondents rate highly the value for money delivered by FWPA. Caution is needed with these results, and in particular on the question of comfort in paying the levy, as the number of respondents was rather limited.

Table 6: Respondent ratings of FWPA performance from 2020 survey

ATTRIBUTE	SCORE
Rating of FWPA's performance in individual areas (% rating 'Excellent' or 'Above average')	
Generic promotion	85%
RD&E	73%
Education	55%
Industry standards	68%
Statistics	73%
Rating value for money provided by FWPA (% rating 'Excellent' or 'Above average')	73%
Levy paying comfort*	
% comfortable	66%
% uncomfortable	15%

Source: Forest Hill. Survey conducted for 2021 FWPA Performance Review.

* Percentage of those who pay the levy

The results from the survey are further discussed throughout this report, with full details including specific comments from respondents in Appendix 1.

8. IMPLEMENTATION OF RECOMMENDATIONS OF THE PREVIOUS PERFORMANCE REVIEW

The independent performance review of FWPA in 2017 made 11 recommendations, six of which were categorised as relating to 'Board governance', the remaining five as 'General'.

The FWPA Board reviewed and accepted the findings of the GHD review in February 2017. FWPA management developed an implementation plan for the review recommendations and this was approved by the Board in May 2017.

These actions met the provisions of the 2012-2017 SFA (predecessor to the current SFA), which required:

- ✚ The development of a response to the recommendations of the performance review report and proposed implementation plan within three months of Board acceptance of the report;
- ✚ Provision of the response to the Commonwealth within 30 days of the Board's acceptance of it;
- ✚ Reporting to the Commonwealth at scheduled six-monthly meetings on progress in implementing the recommendations of the performance review; and
- ✚ Publication of the final performance review report and response on the FWPA website.

These requirements were all met within the specified timeframes.

Commentary on the implementation of the 2017 recommendations is provided in Table 7.

Table 7: Commentary on the implementation of recommendations of the 2017 independent performance review

RECOMMENDATION		COMMENTARY
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).	Revised Fraud Control and Risk Management Plans were approved by the Board in August 2017. Both plans have been reviewed annually since then.
2	Establish an Audit, Finance and Risk Committee (reconstituted from the current Audit and Finance Committee) to ensure additional focus on risk management.	The terms of reference for the reconstituted committee were approved by the Board in August 2017.

RECOMMENDATION		COMMENTARY
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.	A revised Risk Management Plan, incorporating all relevant documents, was approved by the Board in August 2017.
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.	A revised Board Performance Review Policy, incorporating external facilitation every three years, was approved by the Board in August 2017. First externally-facilitated Board performance review was completed in September 2018 by AICD.
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.	A Diversity and Inclusion Policy was developed and approved by Board by circular out-of-session in November 2018.
6	Develop an induction process for new Board members.	The Board approval an updated induction checklist in February 2019.
General		
7	Establish consistent terms of reference for all Advisory and Reference Groups, and date and include these in the Policies and Procedures Manual.	Consistent terms of reference have been established, but they have not been included in the PPM.
8	Ensure improved version control of the Policies and Procedures Manual by including dates when last reviewed.	Version control has been implemented. Further action in this area has been recommended by this review.
9	Minimise duplication within the new SFA – the current SFA includes many aspects covered by the Corporations Act.	This recommendation is outside control of FWPA.
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.	Quantitative measures were introduced into the new strategic plan. Further consideration of KPIs has been recommended by this review.

RECOMMENDATION		COMMENTARY
11	An addition to the Administration and Human Resources section of the Policies and Procedures Manual with regards to succession planning.	No such section has been added to the PPM, but succession planning has been actively considered by the Board (see section 3.7).

9. CONCLUSIONS AND RECOMMENDATIONS

This review found that FWPA is a small but highly regarded company which is making a significant contribution to the forest and wood products industry. This review found no instances of non-compliance with SFA obligations. The recommendations from the 2017 performance review have been fully considered and implemented.

FWPA's governance is of a high standard and its staff and Board are well regarded. Corporate-level planning and reporting are robust. Operational processes are effective and efficient although a few opportunities to refine these have been identified by the review. FWPA has strong and constructive relationships with many of its stakeholders, including government, and it communicates well. It is an active collaborator throughout the forest and wood products industry and with other RDCs.

FWPA has demonstrably delivered value to levy payers over the review period. Certain FWPA initiatives are held in especially high regard among stakeholders: WoodSolutions™, The Ultimate Renewable™, MAP, FWPA's work on building codes and standards, and the statistics and economics function.

This review makes a series of recommendations for FWPA's consideration. The recommendations are listed below, in the order in which they appear in the report, and each is rated either:

- ⊕ Critical: should be implemented as a matter of urgency in order for FWPA to meet its legal and regulatory obligations.
- ⊕ Important: actions that are expected to deliver significant benefits to the organisation and sector.
- ⊕ Better practice: expected to deliver incremental performance improvements.

We note that no 'critical' recommendations have been made.

RECOMMENDATION		PRIORITY
1	FWPA should apply version control to, and date, all policy and procedure documents.	Better practice
2	FWPA should make governance and related documents easier to find on the website.	Better practice
3	FWPA and the Commonwealth should continue the requirement that FWPA formally reviews its strategic plan annually, but not require the development of a completely new plan. An exchange of correspondence with both Government and industry detailing the changes should suffice.	Better practice
4	FWPA should consider the inclusion of a greater level of detail in the evaluation framework, especially in relation to KPIs and how they will be measured, in order to extract greater value from the framework.	Important
5	FWPA should include in its AOPs a short section describing how it balances its investments across dimensions such as risk/reward and term.	Important

RECOMMENDATION		PRIORITY
6	FWPA should systematically report against its KPIs in annual reports. It could also consider producing a short annual performance report which builds on the two-page annual report summary.	Important
7	Specific non-forestry sub-program plans should have a clear line of sight to the strategic plan and if appropriate should be made publicly available as a resource on the website.	Better practice
8	FWPA should consider annual review and reporting on progress against the GRAC investment plans, using a process linked to the corporate evaluation framework.	Better practice
9	FWPA should consider assigning the random selection of projects for assessment to the independent consultant contracted to prepare the impact assessment and ensure that the process is reported.	Better practice
10	FWPA should ask its impact assessment provider to provide commentary on the likely distribution of benefits from projects between sectors of the Australian forest and wood product industry, notably between growers, processors, exporters and importers.	Better practice
11	FWPA should consider engaging an independent consultant to prepare an update of the 2015 economic analysis of the benefits of its investment in marketing and promotion.	Better practice
12	FWPA should communicate the results from the impact assessments of RD&E to stakeholders using clear, simple language in its annual report and levy-payer magazines using case studies and time-series.	Important

APPENDIX 1: SUMMARY OF SURVEY RESULTS

1. Please identify your role in the forest & wood products industry (you may provide more than one answer)

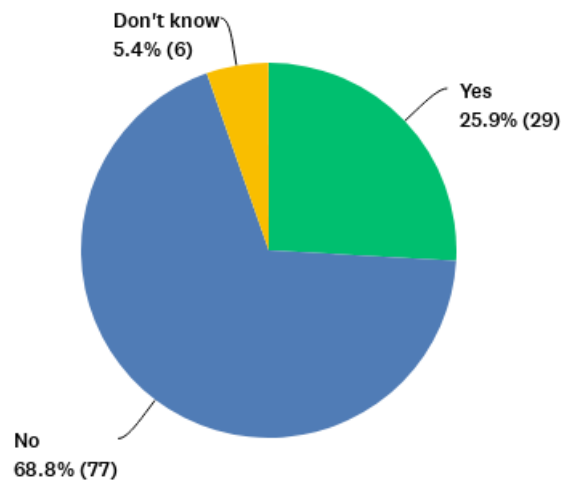
CATEGORY	%	NO.
Researcher	26.6%	30
Grower	20.4%	23
Other (please specify)	17.7%	20
Processor	16.8%	19
Other service provider	12.4%	14
Peak body or industry organisation	11.5%	13
Wholesaler or trader	8.9%	10
Government agency	8.9%	10
Forest products exporter	8.0%	9
Harvester	6.2%	7
Forest products importer	0.0%	0
Other	0.0%	0

'Other' roles identified were:

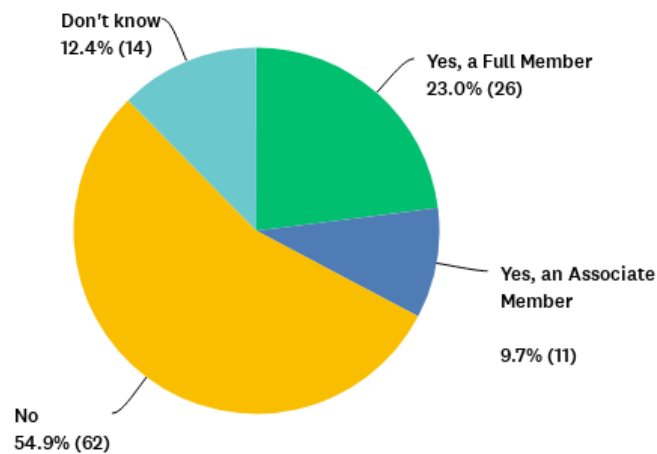
- ⊕ Local government association with forest and timber industry in their municipality
- ⊕ Consultant
- ⊕ Forestry consultant
- ⊕ Consultant in engineered wood products
- ⊕ Supply chain procurement and sales
- ⊕ Frame & truss supplier
- ⊕ We are an overseas processor and have an own importing company in Australia
- ⊕ Producer of products for wood floor installations (adhesives, finishes, ...)
- ⊕ Trainer and assessor
- ⊕ Fund manager
- ⊕ Retired researcher

- ⊞ Overhead polemounted network utility
- ⊞ Industry association
- ⊞ Environmental foundation
- ⊞ Global forest industry consultant
- ⊞ Consultant, NED
- ⊞ Investment manager
- ⊞ Retired forester
- ⊞ Consultant
- ⊞ Wood modifier

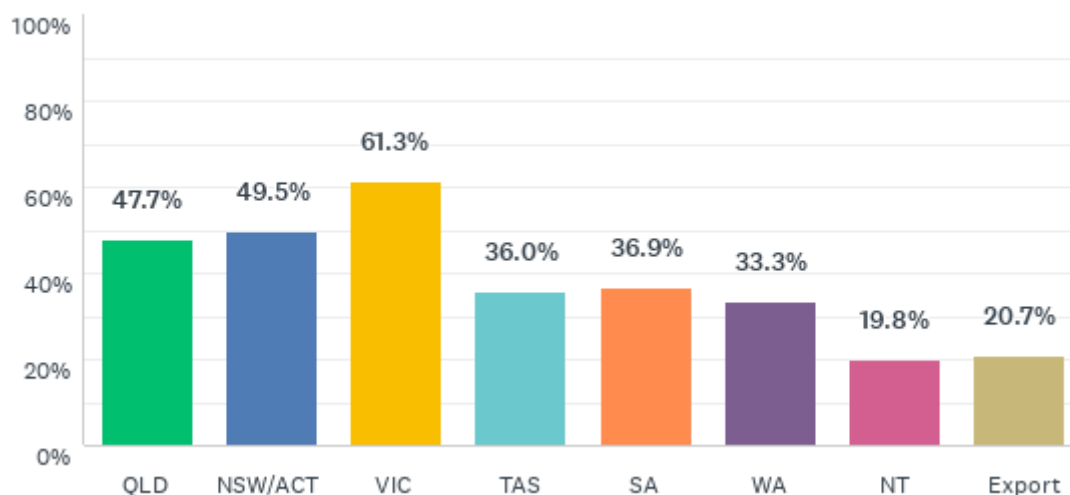
2. Are you a levy payer to FWPA?



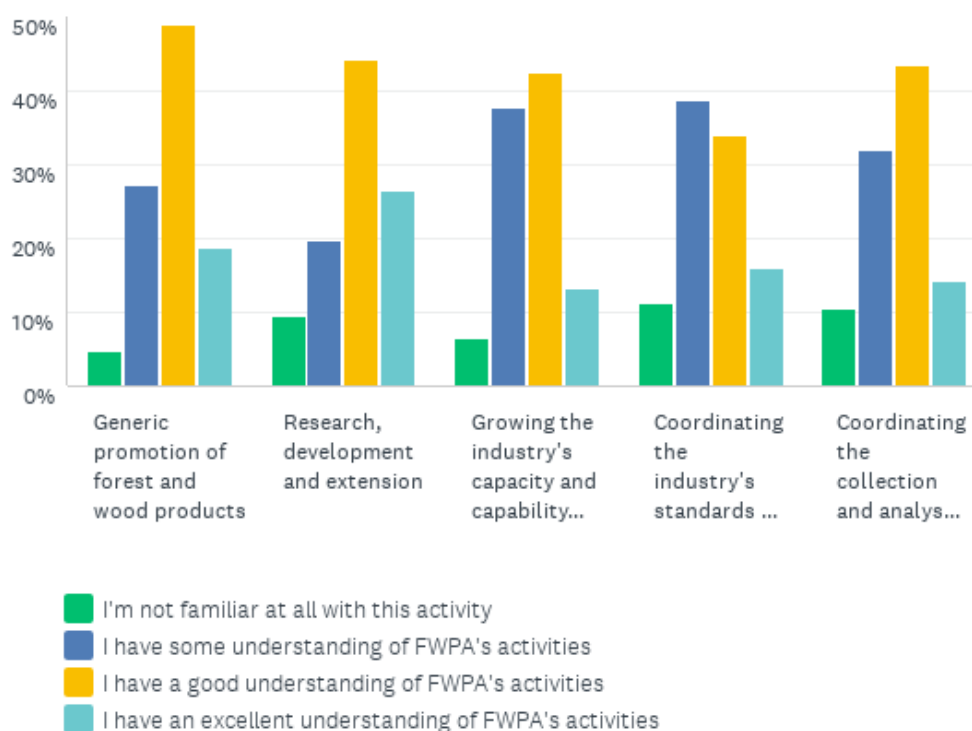
3. Are you a member of FWPA?



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



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



The following comments were made:

- FWPA has great resources on their web and regularly communicates key developments to all FWPA interested parties – this helps in keeping informed on FWPA's role in the Forest and Wood Products space in Australia

- ✚ Contributing to and direct involvement in 2 FWPA research projects
- ✚ Incredibly valuable resources are made available by FWPA. In particular in 2020, there has been an increase in the quantity of tools and they are excellent
- ✚ As a non member small grower I am unable to access some areas of FWPA work
- ✚ This is a vital and dynamic need for wood poles for powerlines
- ✚ As a business we have a good understanding of each of the above mentioned functions
- ✚ FWPA address a necessary missing link in industrial forest trade
- ✚ I have held other executive and CEO level roles for levy paying companies so have a strong familiarity with FWPA's work

6. How do you rate FWPA's performance in each of the following areas? (You do not need to rate areas you are not familiar with)



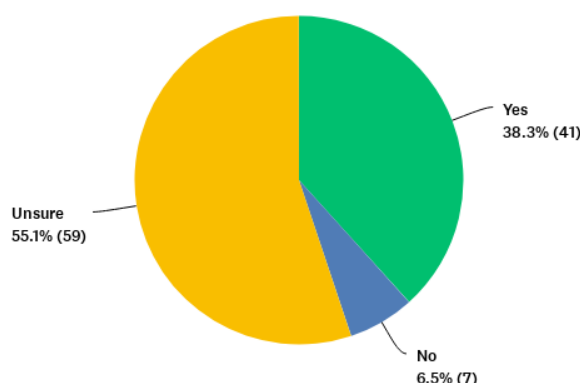
The following comments were made:

- ✚ Based on the 2 projects we are involved in
- ✚ Again these ratings are based on what I can access and am told
- ✚ Most technical R&D services for innovation growth in the Western economies have been financially constrained since Thatcherism monetarism. This is no different. This can be corrected by better cost benefit analysis for future generation valuation. There are serious theoretical and consequential strategic weaknesses in extending perfect market assumption as ceteris paribus indefinitely long term. UNE and ANU unpriced values analysis, such as that by Prof Geoff Bennetts, can better price value research for innovation safety and productivity over time. Handling climate change impacts in dry lightning in increasing drought severity and frequency dictates need to reform thinking wrt fuel reduction preventative

such as traditional First Nation Fire Stick Management, and not the Southern Kentish perspective of universe, alone

- ✚ Except for the first 2 performance areas. I do not have enough information to make an assessment of the last 3 measures
- ✚ I am a researcher by training and there are never enough resources for research
- ✚ Wood Solutions is a great and well known brand. With regard to analysis of stats, it would be good to see additional work / or a focus on lead indicators rather than lag
- ✚ Well respected in addressing its work objectives
- ✚ Not aware of most activities, so can't rate performance

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

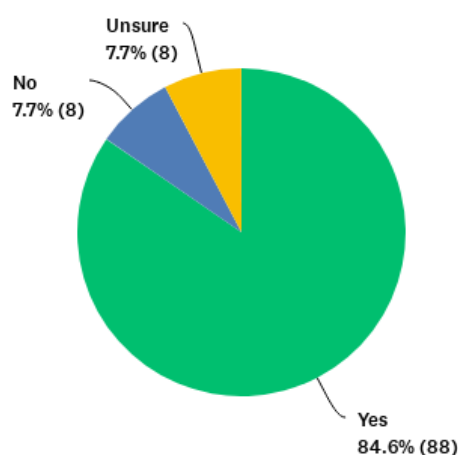


The following comments were made:

- ✚ The cooperation with GRAC growers and the AFPA subcommittees has been a positive improvement in stakeholder engagement
- ✚ Never tried
- ✚ FWPA are very collegiate and open to input from a range of stakeholders. This is a significant strength of the organisation. Key staff at FWPA keep informed of latest developments not just in Australia but overseas. This is seen through the Company's strategic planning and investment of funds
- ✚ Selected unsure as not sure to what extent the opportunities for "other stakeholders" actually do inform on FWPA's strategic planning and strategic investment of funds. I am more inclined to say yes wrt providing sufficient opportunities for levy payers and members
- ✚ I believe they do based on the interaction we have with them but I can't be 100% definitive in this response
- ✚ Applicable to R&D of plantation management for wood production
- ✚ Not aware of process
- ✚ I think there is a gap if stakeholders definition is in the wider context of social licencing, the ultimate taxpayers and those impacted by dynamic needs in strategy for long growth cycle assets utilisation

- ✚ It would be valuable to have FWPA facilitate annually a broad meeting of all industry supply chain representatives to discuss strategic industry needs
- ✚ However, these processes can be onerous and lack transparency on final decision making. It is unclear how much the feedback adds to final decisions
- ✚ I think that the communication channels with all members of the industry could be improved. Much of the information flow seems to stop within the FWPA reps and not flow onto the greater industry, e.g. very little is known about research programs except one I am actively involved in
- ✚ More engagement / discussion around the activities and future direction would be beneficial. In the past, various workshops have been held in this area
- ✚ To the best of its ability
- ✚ Static opportunities – web based , surveys like this etc, are ok – but the dynamic 'reach out' is limited other than the contact Ric Sinclair appears to have with everyone more or less continuously
- ✚ Used to run Advisory and Interest groups – with participation sponsored by FWPA (costs etc)

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



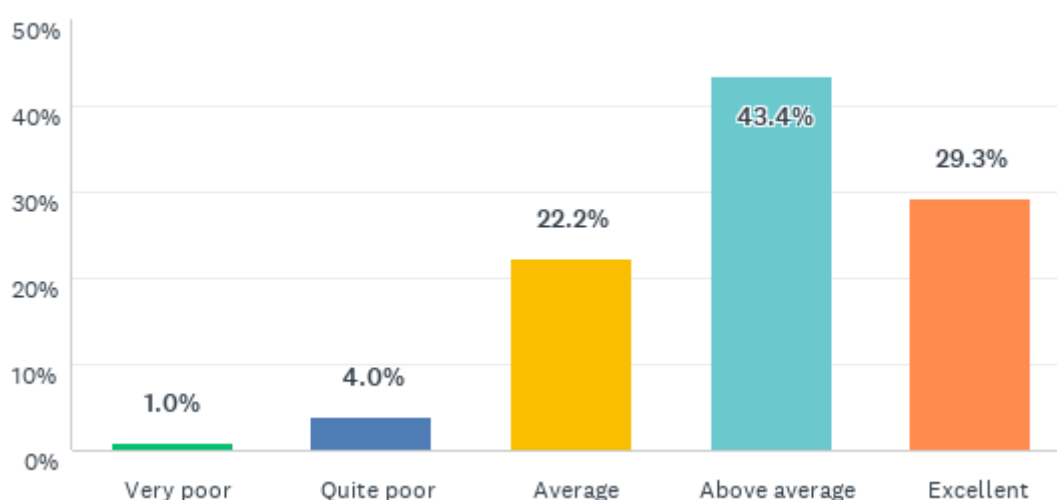
The following comments were made:

- ✚ Forestry Education; Interest Groups; Value adding; timber construction; furniture industries
- ✚ Building Code, research and development, promotion of wood products and research into social license, education
- ✚ The bottom up built generic industry promotion was outstanding and something not possible through one or a few companies. The same holds true for growers research
- ✚ Research and extension activities more important than other activities
- ✚ Education, levy management, research
- ✚ Climate impacts on species suitable for plantations, building standard impacts on timber demand, education impacts on community acceptance of plantation land use are relevant examples

- ✚ They are relevant to the extent that they support the success and growth of the sector
- ✚ It is only through FWPA's supportive funding that our Industry Members can participate in the extended research activities and opportunities that they do, backed by the science and expertise required to achieve appropriate industry outcomes and address key forestry industry needs
- ✚ Education and supporting the use of timber in residential construction
- ✚ R&D growth and wood production of plantations
- ✚ R&D projects directed to building capacity for farm forestry enterprises and small private forest growers
- ✚ It only supports local Australian producers
- ✚ R&D in all wood related things
- ✚ Keeping up to date with latest technology s a must for Professional Development
- ✚ All
- ✚ Investment in research is relevant to us.
- ✚ I'm retired
- ✚ Sustainable wood power pole supply at quality, and strengths to suit Wind Code changes with climate change that are relatively faster than tree growth rate production, and not as fast as the Fire Cycle with increasing fire severity and frequency
- ✚ Seminars and published results from research have been very helpful
- ✚ Co-funding of RD&E. Provision of whole of industry data and information
- ✚ Generic marketing, R&D, Standards & Codes, Education, all WoodSolutions™ activities
- ✚ R and D and education, Trans-Tasman activities potential to operate with Trans-Tasman commonality
- ✚ R&D activities and education
- ✚ I feel that the imported timber levy we pay subsidises local domestic wood promotion and sales. In fact, I feel that imported timber is treated as an almost illegal product compared to local domestic wood. Timber, no matter where it comes should be promoted as a renewable sustainable product. The mere suggestion that imported timber may come from dubious origins absolutely does the Timber industry NO favours long term as consumers latch on to any negativity. Until the entire industry is united we will never properly compete with non sustainable building alternatives. Our product should only have positive promotion....full stop!
- ✚ Promotion, backed by credible research, in expanding markets
- ✚ R&D and education activities are very useful.
- ✚ Industry & wood promotion
- ✚ Research collaboration"
- ✚ Promotion
- ✚ All of FWPA activities need continual and additional funding to continue and improve these activities
- ✚ Overall the activities are relevant to the industry and by default are relevant to our organisation
- ✚ Promotion of the environmental and health/biophilic benefits of timber
- ✚ Ensures a good technical and honest basis for the wood fibre industry

- # statistical collection and, timber promotion and building standard changes and R&D project management
- # Sharing newsletters with relevant information
- # R&D / education / codes
- # There needs to be overarching body representing the industry which FWPA ably does
- # Data provision, research projects and commentary
- # Marketing, research and extension
- # Focus on timber building products which our business does not participate in
- # I believe all of the activities are helpful for our business
- # FWPA's Wood Solutions website provides excellent technical resources
- # Promotion, information and data
- # As part of the wood supply chain their activities and promotion is critical to the entire industry
- # Collating and providing data to and for industry, backing that up with qualitative research and outreach programs is very helpful
- # The Ultimate Renewable is great – just needs to be ongoing and strategic marketing capacity and collaboration is something FWPA should be sponsoring with education/ networking within the industry. More sectorial focus on R&D for Processing sector would be helpful – need to engage levy payer technical managers on what to collaborate on

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

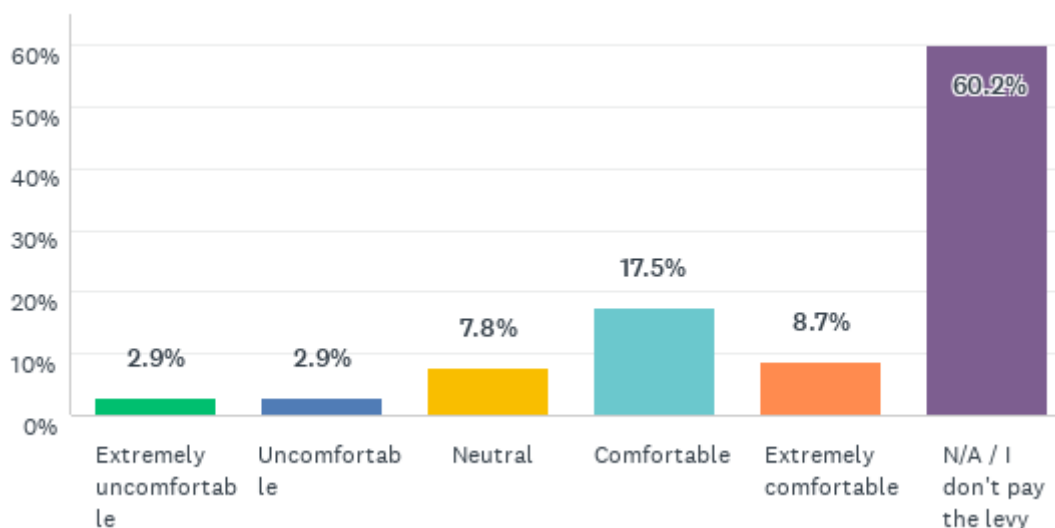


The following comments were made:

- # Unique and diverse network of stakeholders and education next generations respecting wood futures and value added futures, importance of wood/timber value chains
- # 5c per tonne gives access to a huge economy of information that would otherwise be astronomically out of reach for a small grower embedded within an ACT Government agency

- # For the 2 projects I am involved in
- # Do very well on a relatively small budget
- # For the very limited and specialized info I'm looking for, it is really good
- # Levy is not high
- # I commend FWPA for good delivery on a limited resourcing basis. I wish the funding was better matched to the Public Infrastructure Auditable Resilience Contingency Planning requirement in the UN International Protocol signed by Federal Government in 2015. The nation relies on the expertise in FWPA to develop and support a Transition Timeline Contingency Plan for sustaining wood power pole resupply and quality for the existing 6 million power poles mostly increasingly vulnerable to bushfire risks, as are their growing tree pole replacements
- # It is difficult to quantify the value or ROI. Focussed R, D & E, conversion of the market, new market opportunities etc would drive the value higher
- # They perform to the best of their ability
- # No funding received yet
- # Does an excellent job with fairly limited resources. Ric has built a really capable team
- # I don't contribute money so this is not an issue for me

10. How comfortable are you paying the levy collected by government to fund FWPA's activities?

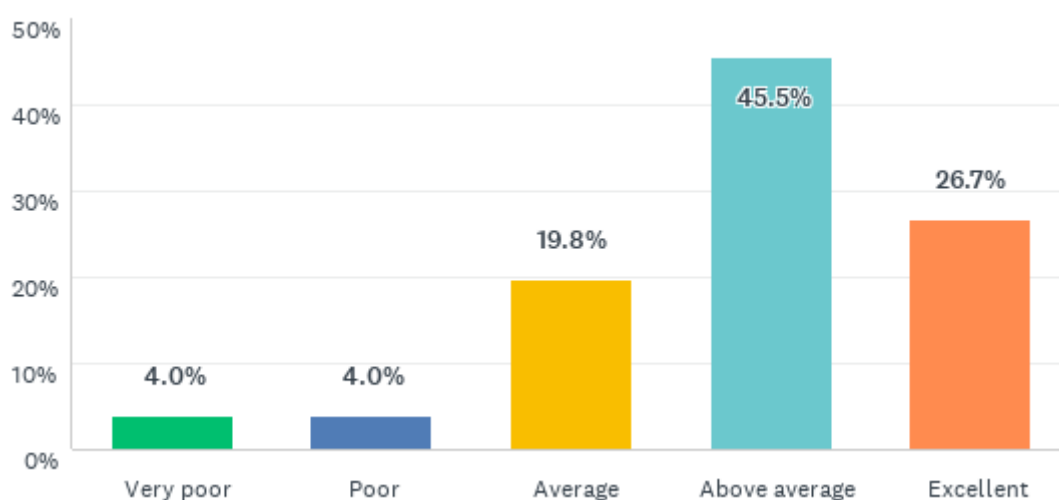


The following comments were made:

- # I work for a university and the conversation has not been held as we do not have wood research in our school but institution holds wood research within an institute
- # Our organisation supports an increase in levies and uncapped voluntary matching
- # Don't think the late payment penalties are appropriately scaled
- # See above

- ⊞ Although I don't pay the levy, our Member companies do and I support that
- ⊞ As an industry peak body rep I have been involved in recent consultations to increase the levy rates. Our members (small forest growers) were overwhelmingly supportive of the proposal to increase levies for R&D and Forest Health
- ⊞ FWPA is not levying the ENA?
- ⊞ We expect to be in a position to join next year

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

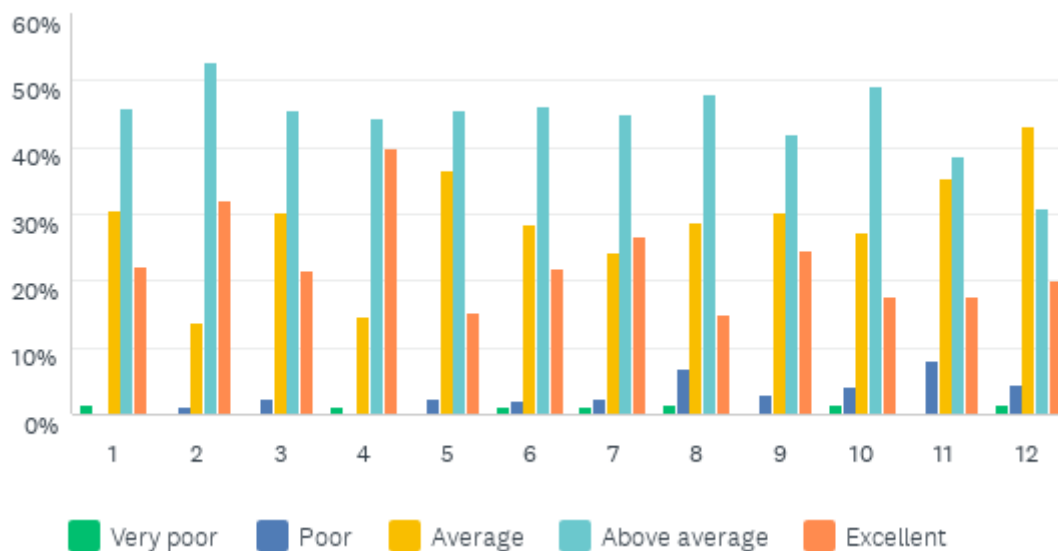


The following comments were made:

- ⊞ Not as often as I would like. The content of reports and webinar diversity across topic area is extensive and welcomed.
- ⊞ FWPA provide a number of avenues for you to be informed. I have always found them accessible and helpful
- ⊞ Strong effort is made for communications through the web sites, webinars, industry peak bodies, regional networking dinners etc.
- ⊞ Need more workshops, greater engagement
- ⊞ Difficulty is having time to read newsletters, emails etc, however FWPA does manage to distribute information through many channels
- ⊞ Regular, clear and informative. Also manage to celebrate achievements across the sector. They are also very equitable and fair in their communications
- ⊞ But could be better
- ⊞ They do try, and I very much appreciate that
- ⊞ Both seminars and publications have been excellent
- ⊞ Good online newsletters with a logical and structured approach to information and programs

- # Communication informative and user friendly
- # There is sometimes a long delay between completion of activities and publication of findings. Also publications in the form of long reports, while of very good standard and useful for reference not useful for wider distribution. More summary findings, social media notes, videos would help with engagement
- # Quarterly updates / exec summaries of activities would better engage members
- # Excellent use of wide ranging communications via newsletters, face-to-face meetings, workshops, social media, briefings and media releases
- # An excellent communication portfolio replacing former forestry advocates
- # Regular emails, publications etc
- # Ric gave me a response to a document I prepared twice, a very good boss. A fortnightly electronic newsletter would be good, hard to know everything going on in the organisation
- # As an industry association fully dedicated to timber, I would have thought FWPA would continually be seeking our input and at least bringing together like minded bodies to discuss areas of commonality
- # Social media interface is fairly rudimentary
- # Just suffer newsletter and webinar fatigue – particularly this year; hard with Covid for F2F

12. How do you rate each of the following FWPA communications activities? (You do not need to rate activities you are not familiar with)



Legend:

3. FWPA's main website
4. The Ultimate Renewable™ website and products addressing the general consumer market
5. The Naturally Better program (was run from 2008-2018)
6. WoodSolutions™ website and products targeting design and building professionals

7. ForWood newsletter – for corporate activities
8. R&DWorks newsletter – for research and development activities
9. Webinars (periodic on R&D activities and outcomes)
10. Workshops
11. The ForestLearning website for teachers and education providers
12. The Statistics Count newsletter
13. Data portal
14. Podcasts

The following comments were made:

- ✚ Webinars and workshops are good when they happen, but are too infrequent. The educational material is good, but too passive, FWPA needs to be more proactive
- ✚ Brilliant resources
- ✚ Not able to comment on some areas as unable to access
- ✚ I appreciate the information and encourage IoT data streaming
- ✚ Don't generally participate in many of these
- ✚ It is a misnomer to say wood is the ultimate renewable for this technically based organization. The best timbers in terms of wood fibre strength/seasoned etc. for housing are still in the older buildings being demolished for new structures with Chinese hardware. What FWPA should be doing is a program to ensure that all this good timber resource is being recycled rather than dumped as landfill. Today that type of timber is unavailable
- ✚ Not familiar with the ForestLearning Website

13. What could FWPA do to improve its communication?

The following comments were made:

- ✚ The communications are very good and this survey placed renewed interest in your fine work
- ✚ Continue to hit hard with the FACTS that support an extraordinary industry develop better daily media access to present these. Continue to bring to schools, programs that balance the Green 'propaganda' that is brainwashing young people into believing that our industry is destroying our forests
- ✚ We have been satisfied with the communications from FWPA
- ✚ Improved linkage with industry peak bodies. Dedicated resource for processing sector. Improved use of video conferencing for stockholders
- ✚ Provide more global context - what is happening elsewhere
- ✚ More workshops/webinars
- ✚ Keep refreshing the approach and relevance to societal changes

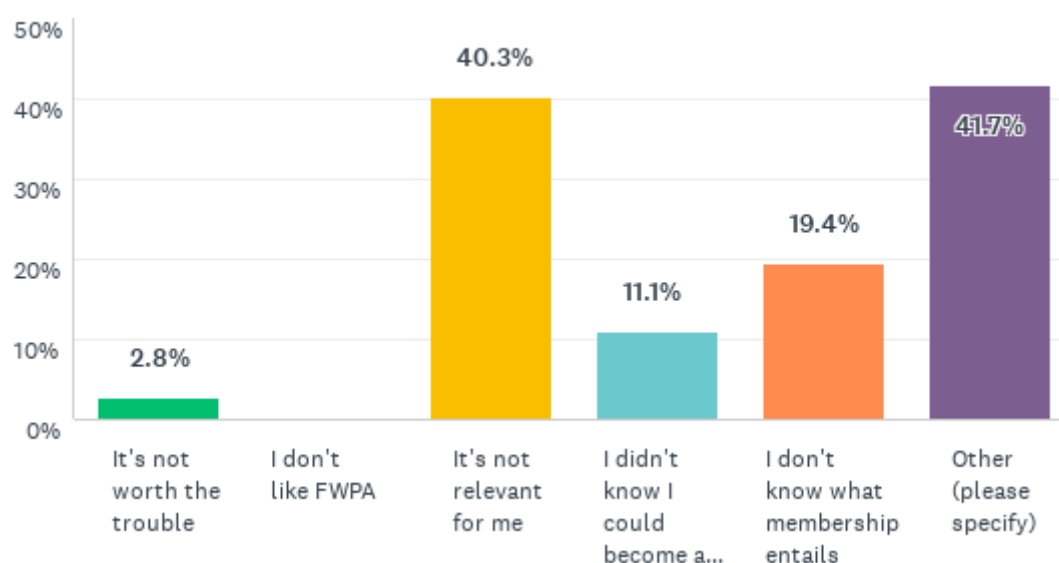
- # Keep communicating in the same manner – potentially linking in with some international Research and Development groups a little more might be useful – contextualising the Australian Landscape in the international. Which is done – but maybe also create more opportunities for FWPA and Levy payers
- # Great program with limited funds that targets audiences well. Of course it would be great to get more profile for wood through expanded public promotion but understand that resources are limited
- # My perspective is that FWPA is already improving its communication through the broad communication forums it supports as well as its broader dissemination base of information. Communication remains a two-way street and even with the best communication dissemination processes, the onus is still on the recipient of the communicated information to optimise the opportunity presented to read/listen/learn and take up/more broadly disseminate that material appropriately
- # Place articles in the trade mags which growers read
- # You are doing a great job
- # More webinars including recording post-event access on website
- # IMO it does not need any significant improvement
- # Communication levels are acceptable currently
- # Do not see much activity in Qld Hardwood
- # Focused research presentations for regions and topic areas. Areas where cross research going on eg climate change
- # I enjoy current communication methods
- # Organise roadshow presentations of programs and results in key geographies
- # I think what is done is efficient, and with more funding I think more could be done
- # More export information on international markets
- # The communication is excellent
- # The IoT era smart forestry sensor data streams are not integrated in Sense-T operational now in Tasmania as they could be for two-way data flow 24/7 benefit. Few appreciate the pace of climate change impacts on pathogen migrations for tree and wood products: That needs more awareness education and accessibility for both natural pathogens and introduced pathogens. The study of soft rots in Australian Wood species is grossly underfunded for its economic impact on power poles , bridges, etc. The use of biocontrols as developed for European Tree Poles such as by MycoSolutions in Switzerland and Germany has lagged for Australian Hardwood Species, except in funding by TasNetworks at UTas for improved soft rot detection and matching improved chemical and biocontrol. Soft rot is second only to termites for wood pathogen risk. A long growth product of 30 to 200 years, and a product service life of from 30 to 65 years has timescale significance for Climate Change Simulation model predictions timelines. The risk can not be ignored in comparable timescale impacts? Grow trees for timely needs in future timeline demand/supply and grow them now with better fire management to match changing risks to survive them to harvest and utilisation sustainably, rather than retreating down the quality slope to lesser durable species not yet consumed as a never ending slide
- # Unsure
- # Less quantity but more frequent on a regular cycle
- # Look to hold annual face to face supply chain engagement, feedback and strategic sessions

- ✚ Currently OK. Wider press coverage. Expand beyond reaching converted
- ✚ More summary findings, social media notes, videos would help with engagement. Also on topical issues, like bushfire management, silviculture, forest health, logistics, etc... summaries of latest research or "state of the science" with links to references would be good
- ✚ Some further industry engagement in regional areas
- ✚ Increase activity on social accounts
- ✚ Can't comment
- ✚ Make research reports more readily accessible and easily searchable
- ✚ Communication is at a very high level, so nothing I can suggest to improve it
- ✚ Make greater use of wood fibre products as paper and Timber in their promotions. To not campaign to salvage the old growth building timbers is unforgivable
- ✚ Clear and more regular communication with the timber hubs, I feel like there is a bit of duplication
- ✚ It does communication well already
- ✚ More direct one on one communication
- ✚ I believe that the FWPA communication is very good so I do not have an improvement suggestion
- ✚ More information on research and collaborations
- ✚ Greater focus on how RE&E is increasing the profitability in the sector and facilitating new investment
- ✚ Use different communication channels
- ✚ Organise more webinars and keep all members informed
- ✚ No issues for me
- ✚ Greater brand presence – valuable role educating the community about value of wood, particularly carbon capture. Greater alignment with brand ambassadors like Grand Designs or other relevant TV identities
- ✚ No suggestions, limited by funding
- ✚ FWPA is delivering an excellent performance
- ✚ Targeted subscription to different products
- ✚ Not sure specifically. Is generally pretty good. Hard keeping across such a wide portfolio of responsibilities
- ✚ Fortnightly newsletters. Regular articles for members/ others
- ✚ Involve us, we are not a small association and we are a major player in the hardwood sector. There should be regular dialogue
- ✚ Continue with the current program
- ✚ Just be consistent and creative moving forward
- ✚ I'm not sure it's about what FWPA can do, but how associations can help promote the work FWPA does. Whether this is by seeking approval from our members to sign them up to the programs or not I'm unsure about
- ✚ Would like to see a louder voice for the support of the native timber industry
- ✚ Perhaps trying to do a little too much internally on the R&D and data communications. There are specialist firms working in industry that could be more closely partnered. If someone else is doing the same thing

as FWPA, that provides the opportunity to leverage those activities by closer partnering and not duplicate them

- ✚ Have Interest Groups that are active from levy payers and allowing other relevant participants as guests depending on topics – communication is 2-way

14. If you are a levy payer but not a member, why not? (You may give more than one answer)

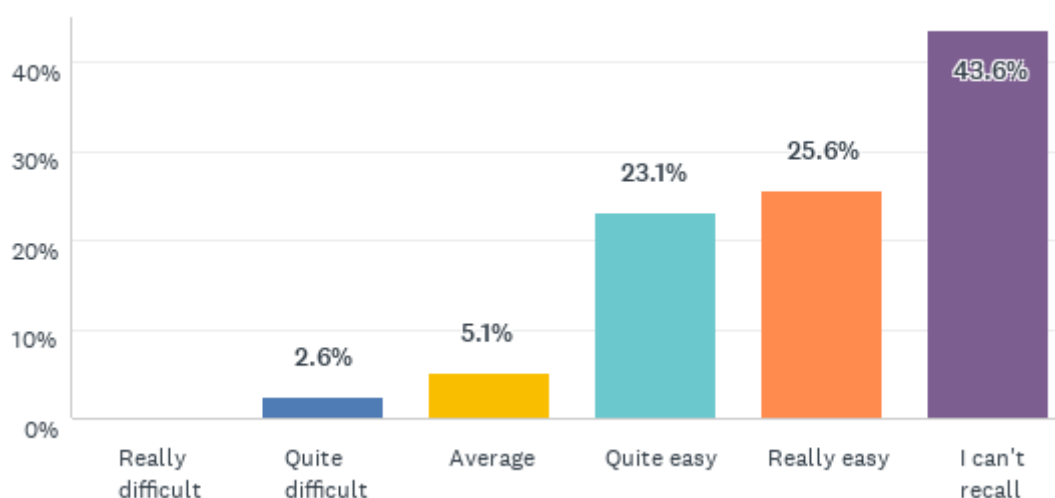


'Other' responses were (note that 'not applicable' responses have been removed):

- ✚ University academic in design-construction-value chains-UNSDG integration
- ✚ Government agency
- ✚ I am a member but don't have information in front of me to say full or associate
- ✚ Many of our stakeholders and members are members of FWPA so I have considered myself a member by proxy. However, this is an option for me
- ✚ Not aware there is a difference between member and levy payer
- ✚ Our Australian Distributor did forward me some of the research, from that I found the newsletter
- ✚ End Customers are ignored ? If so that says a lot about perspective for funding?
- ✚ I'm retired
- ✚ Associate member only
- ✚ I am moving into twilight years and it is time for the younger generation to move the forest industry on. However, there is less employment opportunities for forest industry specialists even with this survey, there are no consultants with an industry background. That makes a mockery of the question as to where is the forest industry heading when such detailed work opportunities/reviews are going to outsiders – is this to keep them employed. I am highly surprised that there are not better forest industry specialists who can give a much better future directions to government and the industry

- ⊞ Overseas outside advisor of an FWPA committee
- ⊞ The Investment fund pays the levy rather than the forest manager
- ⊞ Managed corporately - outside of my activity
- ⊞ Retired
- ⊞ We are still establishing ourselves within the region and are not quite ready
- ⊞ Membership through JV principals

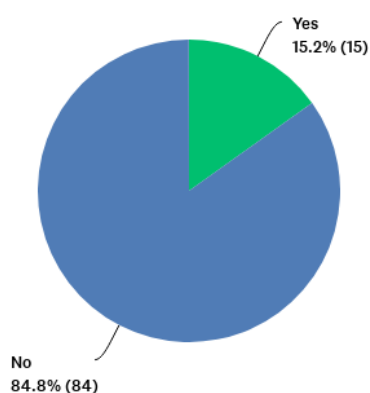
15. If you are a Member, how easy was it to become a Member?



'Other' responses were (note that 'not applicable' responses have been removed):

- ⊞ Don't know
- ⊞ I don't know as I was not involved in this process
- ⊞ We had to seek special consideration to become an associate member. We represent over 800 members and industry of over 5500 enterprises!!!
- ⊞ I think I'm an Associate member but not sure now

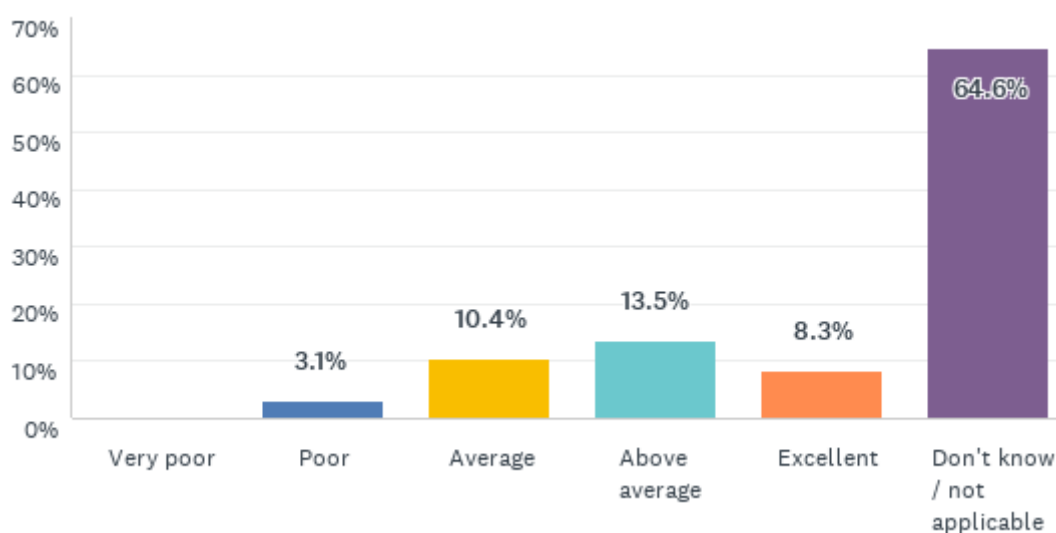
16. Have you applied for a Board position in the past?



The following comments were made:

- ✚ I have been a board member.
- ✚ Might in future
- ✚ You would not survive the debates
- ✚ As a levy payer our organisation has had Board positions on the past
- ✚ Outside the country
- ✚ Retired, would consider if no travel

17. How do you rate the performance of the Director Selection Committee and the process of Board appointments at the AGM?

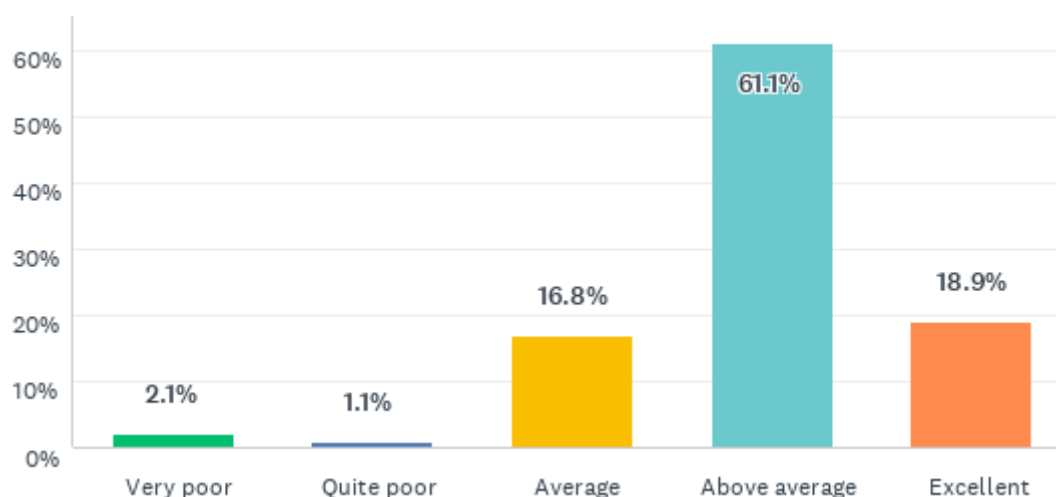


The following comments were made:

- ✚ Hope ongoing selection process seeks gender equity where possible (UNSDG 5)

- # It is unusual for the board and CEO to have such limited little influence on board member selection. The chair selection process has been not well defined in the past but has improved for future selection
- # I observed the process but I'm not comfortable I am informed enough to respond
- # New blood combined with ongoing directors good mix. Seems some directors have been there a long time
- # At least it has some industry representation
- # Director Selection Process is poor and the process discourages some excellent potential Directors. Term is too short. AGM appointment process works fine
- # Applied and was unsuccessful so didn't get to experience anything beyond that
- # Opaque

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

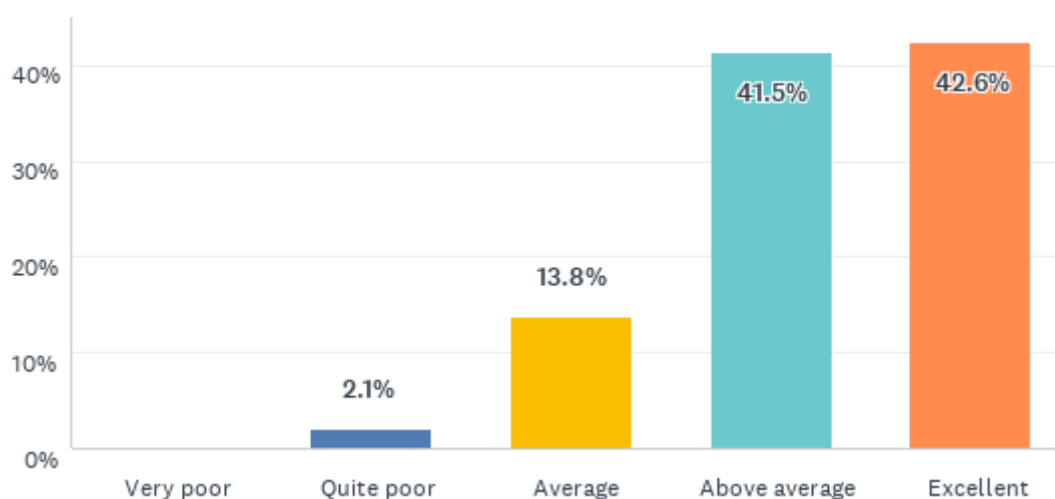


The following comments were made:

- # A valued resource and organisation that more people should know about. Could further champion interdisciplinary exchange
- # Outstanding results in promotion, code change, mid-rise, statistics and R&D
- # The research prioritisation and GRAC process was nice in principle but I think that it is too inflexible and wasted time, money and effort has resulted, along with some poor outcomes. It feels like the process was implemented to make the job for FWPA easier and reduce industry complaints about priorities not being addressed, but I don't think it has been successful. The process is too rigid and has prevented flexibility in funding research as priorities. Perhaps there should be a split of long term funded research funded under this structure and a block of cash left available for more reactive projects
- # Extremely organised. Each person at FWPA is highly experienced and knowledgeable. Each person is super friendly and professional. They are very practical and always have industry as their focus and achieve a lot with a small team. Always very impressed with the FWPA team and their drive and commitment

- # My working experience and collaboration with FWPA has been excellent over the past 2 years
- # In the parts that I have seen, they are very efficient
- # Not many staff
- # I think FWPA should fund R&D into non-traditional wood products e.g. chemicals from bark, sawdust etc
- # Unsure
- # Well done given the market situation
- # Can't comment
- # FWPA could be such a good organisation if it involved the whole of industry, not just its establishing entities. it has good people, just a poor philosophy
- # Does a lot with a little

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



The following comments were made:

- # Very knowledgeable, courteous, and well-focused on industry needs and community cooperation and understanding of the importance of forest to wider health and well-being
- # This is driven by the CEO and the culture of the team and board
- # Communication can be sporadic, the lack of support for the FPMRC on the FWPA website is a particular frustration
- # Courteous, knowledgeable, quick responders
- # See above comments
- # I had only limited need to interact with staff from FWPA, but that was good
- # Never have interacted
- # Great team!
- # No contact

- # Can be cryptic. Can be condescending. Can be excellent. Sometimes in a bubble
- # Staff are knowledgeable and available
- # Good service
- # Have had minimal interaction so can't score
- # Staff are very professional, well regarded and well led in my opinion. Great team
- # Ric Sinclair is a great manager
- # Open, engaged and full of inquisitiveness about the industry and its development

20. Are there any other comments you would like to make in regard to the performance of FWPA?

- # Seek some more explicit referencing to: UNSDGs; further general and evidenced-based city-wide contribution of wood to cities, and advent of interactions in Circular Economy via specification, construction, domestic high-value-added wood utilisation impact metrics defining proportional and aspirational goals in this regard.
- # FWPA is an exceptional organisation and is an asset to the forest and timber industry
- # To improve research capability an increase in levies and voluntary matching would be strongly welcomed by levy payers. FWPA remains the only RDC with capped voluntary matching. Levy increase recommendations from levy payers says it all. This needs to be approved by government for continued performance improvement and innovation in the sector
- # I hope that it continues to operate!!
- # I just want to take this opportunity to let the FWPA team know what a great team they are and what a great impact they make to the Forest and Wood Product Industry in Australia
- # I highly value the collaborative and professional relationship I have with FWPA to support key industry needs through committed research and other activities where relevant to achieve healthy, sustainably productive and more resilient forests
- # Great platform supporting R&D of plantations
- # Southern States focused
- # As and overseas importer we can't see any help or support for our segment – one should not forget, no matter how much talk and also initiatives there are (and certainly some for a good reason) – the Australian sawmilling industry will never be able to cover the demand of the building industry. As an importer we are confronted with a wall of obstacles, from port issues to wrong information about the sustainability of imported products. A lot needs to be done, and all these topics have to be handled by the individual importers. The ATIF does certainly their bit, but is too small of an organization to cover all these issues. We also pay levy and we would appreciate if some of this levy would be directly focused to support importers and not free promotion videos for local producers
- # ... we sell products globally so I keep myself "globally informed". With that in mind: FWPA makes a really good job!
- # Much better than previous body. Review and evaluation always brings new ideas and how the results are used is critical to maintain relevance and support

- # I think FWPA do an overall excellent job in meeting member expectations and interacting with researchers. Funds are limiting and hopefully there will be a higher levy payment soon so they can deliver more value to industry
- # FWPA is playing a very important role in promoting the use of timber
- # Please try and ignore political short term thinking to look at longer term strategy. Few politicians are so dumb as to leave a memorial of folly when given a soundly prepared long term planning strategy as a legacy for stewardship on their watch. Do not underestimate a good politician's ability to fly two flags at once very very well. Let the science be free to be true longer term, even if gagged in the short term. Trees take a long time to grow, and poles need to be in service a long time, both sustainably. I think the use of Intumescent Coatings is needing more user education for more prudent uses and adoption for wood product resilience
- # FWPA is mostly hampered by a lack of industry investment which limits its effectiveness in research investment. This lack of capability to invest is what is holding the industry back. In comparison to other comparable industries the industry investment is between 10 and 20 times lower per unit of industry contribution to GDP. This is the main issue, rather than the performance of the FWPA itself, which is an excellent institution that has been a key driver in promotion of wood and forests
- # Get excited about our great industry and show some passion! Be more nimble and flexible and less bureaucratic (understanding the strictures applied by Government funding). Get our funding levels from Government up to our peers in agriculture, etc.
- # All the staff do an excellent job and should be commended for their great work
- # Believe the Trans Tasman aspect has become somewhat lost in promotion and deliberateness in collaboration
- # FWPA is key service provider to industry. Could sharpen focus in some components. Overall A+ mark
- # Above average organization, which performs its core functions well. Room for improvement include modernization of communication channels, streamlined consultation and decision making processes
- # I am glad FWPA is finally doing some research and collating some statistics on the impact of fire on plantations. Fire is probably the biggest risk to our industry and has been neglected in the past
- # Highly motivated team excellent marketing and communication materials and always lifting the benchmark
- # Continue progression towards industry led research rather than researcher led
- # Very high level of performance by the whole team. They are a joy to work with
- # Just ensure it stays forest industry specific and represented by qualified forest industry personnel
- # Well run and focused in the right places. Terrific marketing. Could build further in technical support and capability not through consultants but in house capability. Needs more funding from Government to do more
- # The company provides valuable services to the industry in a cost effective way. With more government matching of research projects, much more could be done
- # Keep going you are doing a great job

- ✚ No mention of commercialisation of research or other outcomes. Just seems to be a missing part of the program/strategy, resulting in outcomes doomed to failure from the very outset. Relying on researchers to effect commercialisation is not clear thinking
- ✚ Very happy overall
- ✚ Overall and well managed organisation delivering excellent results
- ✚ We look forward to an inclusive and closer working relationship with FWPA!
- ✚ Keep up the good work.
- ✚ Works well across the industry and with complementary associations
- ✚ Would like to encourage FWPA to continue in its efforts to support the development of the timber industries
- ✚ It's a challenge as the organisation is supposed to be a service organisation for the industry but often the industry doesn't know or have consensus on what it wants/ requires so FWPA Innovation agenda needs to be stronger and with more conspicuous industry leadership

21. We may wish to follow up with you on responses in this survey. If you are happy to be contacted please provide the following details. (This is entirely optional)

51 of the 113 respondents provided contact details.

APPENDIX 2: DOCUMENTS REVIEWED

ACTS AND FUNDING AGREEMENTS

- ✚ [Statutory Funding] Agreement 2012-17
- ✚ Statutory Funding Contract 2017-21 and Deed of Variation dated 2 May 2016
- ✚ *Forestry Marketing and Research and Development Services Act 2007*
- ✚ *Forestry Marketing and Research and Development Services Regulations 2008*
- ✚ *Corporations Act 2001*
- ✚ *Australian Charities and Not-for-profits Commission Act 2012*

2017 PERFORMANCE REVIEW

- ✚ GHD, Review of performance – final report, February 2017
- ✚ Implementation plan – response to GHD's independent performance review, February 2017 (Board paper attachment)

CORPORATE AND GOVERNANCE

- ✚ Australian Stock Exchange Corporate Governance Council, *Corporate Governance Principles and Recommendations*, 3rd edition, 2014
- ✚ Constitution (current version), November 2015
- ✚ Board charter, November 2019
- ✚ Board performance review policy, undated
- ✚ Director code of conduct, undated
- ✚ Conflict of interest policy, undated
- ✚ Policy and procedure manual, August 2020
- ✚ Diversity and Inclusion Policy, October 2018
- ✚ Intellectual property management plan and Board paper seeking approval, May 2020
- ✚ Risk management plan, including risk registers, August 2020
- ✚ Fraud control plan, August 2020
- ✚ Gift and benefits policy (draft), December 2020
- ✚ Code of business conduct and ethics, December 2020
- ✚ Director induction checklist and various related documents
- ✚ Audited financial statements 2017-18, 2018-19 and 2019-20
- ✚ Board papers and minutes including out-of-session requests, 2016-2020
- ✚ AICD, Board performance review, September 2018

- ✚ RSM, Cost allocation matching guidelines, October 2015
- ✚ Internal audit reports: Penetration testing, January 2019; Review of Risk management framework, Fraud management plan and Intellectual property management plan, February 2017
- ✚ Committee terms of reference
- ✚ N&HRC papers and minutes and various related documents e.g. skills matrix, 2016-20

STRATEGIC AND ANNUAL OPERATING PLANS, ANNUAL REPORTS

- ✚ Strategic plans 2016-21, 2017-22, 2018-23, 2019-24 and 2020-25
- ✚ Annual operating plans 2017-18, 2018-19, 2019-20 and 2020-21
- ✚ ATIF submission to FWPA Strategic plan 2019-24, June 2020
- ✚ Annual reports 2016-17 (and summary), 2017-18, 2018-19 and 2019-20

OPERATIONS

- ✚ Forms and templates: project application, milestone report, research final report, final financial report
- ✚ Project lists
- ✚ RSM, Review of research and development processes and project management (internal audit report), May 2016
- ✚ GRAC – Charter – management of the Growers' Collaboration Fund, March 2020; Executive Committee charter, March 2020; Terms of reference, November 2019; Investment evaluation and decision process, November 2019; investment plans (x8 as listed)
- ✚ Establishing an FWPA Research Centre for Future Available Resource from Intensively Managed Production Forest Landscapes – draft business case, undated
- ✚ National Centre of Excellence for Timber Design Life and Durability, January 2017
- ✚ Timber Development Association of NSW, Fire engineering issues on exposed mass timber commercial buildings and the way forward, 2020
- ✚ Timber Development Association of NSW, Research requirements and priorities for timber and wood product use in wellness design, 2020
- ✚ ForestLearning strategic plan 2020-23
- ✚ Industry Advisory Group meeting notes, June 2017
- ✚ The development of a trust mark relating to EWP and structured solid timber products: issues paper (draft), February 2020
- ✚ WoodSolutions™ Mid-rise Advisory Program strategic plan
- ✚ Welch 2018, Evaluation of the Mid-rise Program, July 2018

MONITORING AND EVALUATION

- ✚ Evaluation framework 2018

- ✚ Various *ex post* impact assessments and BCAs as listed in the report
- ✚ Sylva Systems, Development and implementation of a financial tool to conduct an analysis of the GRAC / FWPA draft research investment plans (September 2019) and Development and implementation of a financial tool to conduct an analysis of the GRAC / FWPA draft research investment plans: Revision of the model assumptions and model re-run (December 2019)
- ✚ Development impacts collaboration non-tangible values analysis project – preliminary draft report, undated
- ✚ Pollinate, Building specifier research: 2020 tracking survey results, September; FWPA consumer tracking: 2019 post-campaign evaluation, August; FWPA career insights: Consumer tracking data, December 2019
- ✚ InFocus Video subscriber data
- ✚ The CIE, Forest and Wood Products Australia generic marketing promotions: evaluation, October 2015

COMMUNICATIONS

- ✚ ForWood, various editions 2017-20
- ✚ R&DWorks, various editions 2017-20
- ✚ MD's AGM presentation slide packs 2014, 2016, 2017
- ✚ InFocus Video subscriber data
- ✚ WoodChat listenership statistics

INDUSTRY PLANS AND STATISTICS

- ✚ Australian Government, Growing a better Australia: a billion trees for jobs and growth, 2018
- ✚ ABARES, Effects of bushfires and COVID-19 on the forestry and wood processing sectors, 2020
- ✚ ABARES, Australian plantation statistics 2020 update, June 2020
- ✚ ABARES, Australia's plantation log supply 2015-2059, December 2016
- ✚ Forest Industry Advisory Council, Meeting future market demand – Australia's forest products and forest industry: A strategic directions issues paper, March 2015

APPENDIX 3: PERFORMANCE AGAINST FUNDING AGREEMENT OBLIGATIONS

OBLIGATION	SFC CLAUSE	FWPA COMPLIANCE
4. Access to records and use of information		
<i>Access by the Commonwealth</i>		
Grant access to premises or data, accounts etc if required by the Cth or Auditor-General etc	4.1-4.3	Not required
<i>Confidential information</i>		
Use any confidential information provided for proper purpose and not disclose	4.4-4.6	Achieved
<i>Use of reports</i>		
Grant the Cth a licence to use the copyright in any document provided to the Cth for any Cth purpose	4.7-4.9	Achieved
5. Indemnity		
Indemnify the Cth, its officers and agents	5.1-5.5	Achieved

OBLIGATION	SFC CLAUSE	FWPA COMPLIANCE
7. Assignment		
Not assign or novate agreement or any right or obligation unless under certain conditions	7.1	Achieved
14. Corporate governance		
Maintain, implement and regularly review framework of good corporate governance practice drawing on better practice guides including guidelines from the Cth and <i>ASX Corporate Governance Council's Corporate Governance Principles and Recommendations</i>	14.1	Achieved
Framework to include governance policy which includes a clear statement of FWPA's commitment to effective governance and cover: (a) Board charter; (b) matters reserved for the Board; (c) Board delegations of authority; (d) charter of the Audit Committee and Nomination Committee; (e) Board appointments, composition (including requirements for diversity and a number of independent directors), renewal and succession planning; (f) code of conduct for Directors and senior management	14.2	Achieved
<i>Board</i>		
Establish a skills-based board with collective expertise in: (a) corporate governance; (b) production and/or processing in the forest and wood products Industry; (c) finance and business management; and (d) research and development, technology and technology transfer, commercialisation and adoption	14.3	Achieved
Audit Committee to comprise at least half independent directors	14.4	Achieved

OBLIGATION	SFC CLAUSE	FWPA COMPLIANCE
<i>Disclosure of pecuniary interests</i>		
Any member of an FWPA committee or panel concerned with the selection and funding of R&D and/or marketing activities to declare any relevant pecuniary interest	14.5	Achieved
15. Role of FWPA		
FWPA to ensure it effectively represents and reflects the R&D and marketing interests of its members and levy payers	15.1	Achieved
Ensure non-member eligible levy payers and state growers are advised of entitlement and process to become members	15.2	Achieved
Not use funds to engage in agri-political activity or activities that aim to influence public policy and resource allocation decisions; nor imply it is an IRB; nor encourage nor support any campaign for the election of a candidate, person or party to public office	15.3	Achieved
<i>FWPA constitution</i>		
Ensure remains appropriate to functions and consistent with Agreement, consult with and advise Cth re any proposed and actual changes to constitution	15.4	Achieved
16. Notification of significant issues		
Give reasonable notice to the Cth if becomes aware of any issues that will materially affect or have affected FWPA or any of its subsidiaries' ability to achieve the objectives stated in its Strategic Plan or comply with its obligations under the Agreement or the Act	16.1	Not required

OBLIGATION	SFC CLAUSE	FWPA COMPLIANCE
17. Conflict of interest		
Notify the Cth of any conflict of interest existing or arising in performance of obligations and take steps to resolve or avoid	17.1-17.2	Not required
18. Review of performance		
Complete a performance review at least six months before the expiry of the Agreement, but no more than 12 months before expiry without agreement of the Cth	18.1	Achieved
Agree terms of reference of the review with the Cth at least three months prior to commencement	18.2	Achieved
Engage an independent organisation to undertake the performance review, organisation not to have carried out any corporate governance activity or reviews, performance audit or similar reviews within last four years	18.3	Achieved
Terms of reference for review to take into account the performance of FWPA in meeting its obligations under the Agreement and Act; implementing governance arrangements and practices for ensuring proper use and management of the funds; meeting the planned outcomes and targets of its strategic plan; delivering benefits to members, levy payers, industry and the broader community and meeting the needs of members, levy payers and the industry; consulting with levy payers and IRBs; and any other matters consistent with FWPA's strategic plan and the Act, which the Cth requires the performance review to cover	18.4	Achieved
Provide the Cth with the draft review report at the same time as FWPA receives a copy	18.5	Not yet applicable
Provide the Cth with the final review report within 14 days of acceptance by the Board	18.6	Not yet applicable

OBLIGATION	SFC CLAUSE	FWPA COMPLIANCE
Develop a response to final review report and a proposed implementation plan for recommendations including dates and milestones within one month of Board acceptance of the report, provide response to the Cth within 30 days of Board's acceptance of response	18.7	Not yet applicable
FWPA and Cth to take into account the findings of the performance review when negotiating renewal of Agreement	18.8	Not yet applicable
Publish latest performance review report on website no later than 10 days after finalisation	18.9	Not yet applicable
19. Performance management		
Give the Cth any additional reports or explanations requested by the Cth as soon as reasonably practicable	19.3	Not required
If Cth requests an audit report or opinion, promptly obtain the audit report or opinion from FWPA's auditor; or if requested by Cth, from another auditor; at own expense and provide within 14 days of receipt	19.4	Not required
If Cth requires FWPA to take actions in respect to Clause 19, comply within reasonable or specified timeframe, and in response to any report supplied by the Cth: (i) within 30 days of receiving the report, provide a notice to the Cth detailing the actions it intends to undertake to address the recommendations of the report; (ii) within 60 days of receiving the report, negotiate in good faith with the Cth any recommendations of the report or review that FWPA has not agreed to implement; and (iii) within 90 days of receiving the report, provide the Cth with a written report detailing progress and substantiating the actions it has taken in implementing the recommendations of the report	19.5	Not required
In each annual report, include a written report detailing progress and substantiating the actions taken in implementing the recommendations of any report provided under clause 19.5, until all the recommendations are implemented to the satisfaction of the Cth	19.6	Not required

OBLIGATION	SFC CLAUSE	FWPA COMPLIANCE
20. Reduction, suspension or termination of the agreement		
If Cth issues notice to terminate agreement, prepare cessation plan including arrangements for repayment of funds to Cth, payment of employee entitlements and other commitments and management of any activities extending beyond the termination date	20.1-20.4	Not required
21. Repayment of funds on termination		
Repay funds to Cth as required if Agreement terminated	21.1-21.2	Not required
22. Agreement-related assets and liabilities		
Ensure FWPA has appropriate contractual or other rights enabling it to deal with its Agreement-related assets and liabilities in the manner determined by the Cth if FWPA no longer the industry services body; if requested by the Cth, provide a list of all such assets and liabilities within 10 business days of receiving the request	22.1-22.4	Not required
23. Consultations with the Commonwealth		
Chair or other director nominee to meet with the Cth at no more than six-monthly intervals, or other time requested by the Cth, to brief the Cth on progress on implementing the AOP, strategic plan and other plans referred to in clause 25.4; progress on implementation of relevant RD&E Framework strategies; consultation with levy payers and their representative bodies; measures taken to enhance corporate governance in accordance with clause 14; progress in developing and implementing the evaluation framework; progress on implementing the recommendations from the most recent performance review; development and implementation of additional systems, processes and controls necessary to meet the Agreement	23.1-23.2	Achieved

OBLIGATION	SFC CLAUSE	FWPA COMPLIANCE
<i>Changes to the guidelines</i>		
Board to notify the Cth if any proposed variation to the Guidelines by the Cth would 'require the directors to act, or omit to act, in a manner that may breach any duties owed by the directors to any person, or cause the contravention of any law, or be likely to prejudice commercial activities carried on by or behalf of FWPA, or be contrary to the public interest or the best interest of industry	23.3-23.4	Not required
24. Payment of funds		
Provide a non-binding estimate of the amount of levy Cth matching payments payable to FWPA for the current and forward financial years upon request by the Cth	24.5	Achieved
Provide a certificate signed by the CEO, the CFO or the Secretary of FWPA, certifying that FWPA has spent a particular amount on R&D, to claim the Cth matching payments	24.6-24.7	Achieved
Supporting the final Cth matching payment claim for a financial year, provide an independent audit report which confirms: (a) the amount of R&D expenditure expended for the financial year, and (b) that claims for Cth matching payments and the declared R&D expenditure for that financial year are accurate and in accordance with the Act and Agreement	24.8	Achieved
25. Management of the funds		
Establish and maintain accounting systems, processes and controls to ensure funds are spent only in accordance with the Agreement and Act, all dealings with the funds are properly authorised, conducted and accounted for, and an auditor is able to readily verify that the funds have been used only in accordance with the Agreement and the Act	25.1	Achieved

OBLIGATION	SFC CLAUSE	FWPA COMPLIANCE
Notify Cth of any details of systems etc in 25.1 on request	25.2	Not required
Not delegate or outsource the responsibility for the management, allocation or investment of funds to third parties, including to IRBs	25.3	Achieved
Maintain, implement and regularly review a Risk Management Plan, a Fraud Control Plan, an Asset Management Plan and an Intellectual Property Management Plan	25.4	Achieved
Provide to Cth any material variations or updates to plans in 25.4 within 30 days of the variations or updates being adopted	25.5	Achieved
Systems etc in 25.1 to take into account plans listed in 25.4 and Cost Allocation Policy	25.6	Achieved
Keep complete and detailed accounts and records of receipt, use and expenditure of the funds in accordance with good accounting practice including all applicable Australian accounting standards, separately in relation to the forestry service payments, Cth matching payments and voluntary contributions, and to enable to enable disclosure of the full costs of R&D and marketing programs	25.7	Achieved
26. Application of the funds		
Spend the funds only in accordance with Act and Agreement and consistent with strategic plan, AOP and Guidelines	26.1	Achieved
Apply forestry service payments only to R&D and marketing activities related to industry, for benefit of members and levy payers; and Cth matching payments only to R&D activities related to industry, for benefit of members and levy payers and the Australian community generally, and/or to make payments to the Cth under sec 9	26.2	Achieved

OBLIGATION	SFC CLAUSE	FWPA COMPLIANCE
Do not spend funds on payments to IRBs, except membership fees where consistent with pursuing objects of the Act, or payments to procure goods or services, only if procurement is open, transparent and competitive, conditions of transaction are same as they would be for would be for an arm's length transaction with any third party providing those goods and services, and arrangement incorporates appropriate measures to demonstrate the performance of the relevant body; such assessment to be provided to the Cth on request	26.4	Achieved
Repay all or part of funds to Cth if spent other than in accordance with Agreement or the Act and so required by the Cth	26.5	Not required
Publish any written notice under 26.5 in next annual report	26.6	Not required
27. Acknowledgement of funding		
Acknowledge provision of Cth matching payments in all significant publications and publicity where matching payments used	27.1	Achieved
28. Consultations with industry		
Communicate directly with levy payers and members to review priorities for R&D and marketing activities; and report on performance against the strategic plan and AOP	28.1	Achieved
Meet with IRBs at not more than six-monthly intervals to review industry priorities for R&D and marketing investments, including regional equity considerations; and report on performance against the strategic plan and AOP	28.2	Achieved

OBLIGATION	SFC CLAUSE	FWPA COMPLIANCE
29. Information on activities		
Make available on website this Agreement; governance policy developed per clause 14.2; strategic plan, including the consultation plan developed per clause 30.3 and other information relating to its development and any changes; the priorities used to determine which projects will be funded; overview of planned outcomes and programs to achieve those outcomes; key funded R&D (and extension) and marketing activities; evaluation framework and evaluation outcomes; AOP; annual report; performance review report and response to its recommendations; details of industry consultation including feedback received from IRBs through consultation conducted under clause 28; and public submissions received on the development of the strategic plan under clause 30.4	29.1	Achieved
Information published under 29.1 not to include personal information as defined in the <i>Privacy Act 1988</i> , unless permitted by the <i>Privacy Act 1988</i> ; information about the business, commercial, financial or professional affairs of any person if it would be unreasonable to publish that information, e.g. confidential information; or information which would or could be reasonably expected to damage FWPA, the industry or the national interest	29.2	Achieved
Where funds invested towards projects initiated under an open call or tender process, provide feedback on the outcomes of funding applications to all applicants	29.3	Achieved
30. Strategic plan		
Maintain 3-5-year strategic plan, review every year and update if needed; obtain Cth endorsement of any proposed new or amended strategic plan before it comes into effect; provide Cth with copy of new or amended strategic plan within 30 days of Board approval; publish strategic plan on website within 30 days of approval; and consult with Cth during term of Agreement to ensure strategic plan has regard to the Guidelines	30.1	Achieved

OBLIGATION	SFC CLAUSE	FWPA COMPLIANCE
Strategic plan to include: roles and responsibilities as declared research body under the Act including mutual obligations as partner with the Cth in delivering services to members and levy payers and responsibilities for proper use and management of the funds; an overview of the priorities and outcomes identified by levy payers and IRBs during consultations, including an explanation on the extent to which these priorities are reflected in the plan; key investment priorities and planned outcomes for the period of the plan; details of the programs that FWPA intends to deliver R&D and marketing activities to achieve the planned outcomes, including details of key activities under those programs; key deliverables and performance indicators that clearly set out how planned outcomes will be achieved; details of planned evaluation activities to demonstrate the extent to which planned outcomes have been delivered; details on how the programs link, and give effect, to the Guidelines; planned collaboration with other RDCs on priority R&D issues; planned contributions to the implementation of relevant industry sector and cross-sectoral strategies under the National Primary Industries RD&E Framework; details on how extension, technology transfer, and commercialisation of R&D will be addressed and demonstrating that extension and adoption are incorporated into the planning and approval processes; estimates of income and expenditure for the life of the plan including broad estimates of expenditure separately for the R&D and marketing programs; and an overview of FWPA's approach to ensuring a balanced portfolio of investment appropriate to the Industry	30.2	Achieved
In developing or varying strategic plan, develop consultation plan that includes details of consultations with levy payers, the Cth, IRBs and other RDCs as appropriate; include provision for online and electronic submissions; discuss consultation plan with IRBs and gain Cth approval before commencement; may request approval not to develop a consultation plan for minor variations	30.3-30.6	Achieved

OBLIGATION	SFC CLAUSE	FWPA COMPLIANCE
31. Evaluation framework		
Develop an evaluation framework within six months of the effective date, to be consistent with strategic plan; ensure that key performance related information is routinely collected and monitored; include a structured plan for the systematic evaluation of the efficiency, effectiveness and impact of FWPA's key investments; and include a means of publishing and disseminating relevant R&D outcomes and the outcomes of evaluations	31.1	Achieved
Consult with the Cth in preparing the evaluation framework, participate in any Cth or collective RDC evaluation project relevant to FWPA's operations, and demonstrate commitment to provide adequate expenditure for this purpose	31.2	Achieved
Publish evaluation framework on public website within 30 days of adoption	31.3	Achieved
32. Annual operational plan		
Before 1 July each year provide Cth with an AOP to implement the strategic plan during the next financial year; to include all activities to be funded during next financial year; performance indicators, key deliverables, timetables and milestones for proposed activities and expenditure which demonstrate progress towards planned outcomes; estimates of all income and expenditure for the year separately detailed; and detailed information on how a balanced portfolio will be implemented and operationalised	32.1	Achieved
Provide any material variations or updates to the AOP to the Cth within 30 days of their adoption	32.2	Achieved

OBLIGATION	SFC CLAUSE	FWPA COMPLIANCE
33. Annual report		
Prepare annual report compliant with the Corporations Act, <i>Australian Charities and Not-for-profits Commission Act 2012</i> and Agreement	33.1	Achieved
Provide four copies to Cth by December each year	33.2	Achieved
Include in the annual report comprehensive coverage of sources of all income separately identified; full cost of R&D and marketing programs, with costs being allocated according to the cost allocation policy; progress against KPIs specified in the strategic plan and AOP; key marketing and R&D program deliverables and associated outcomes achieved; IP creation and protection, including management of IP arising from R&D activities or acquired with the funds; subsidiaries and joint ventures formed; collaboration with members and levy payers and other research providers; directions given by the Minister; consultation undertaken with stakeholders referred to in clause 30.3 on strategic plan, AOPs, programs and activities; details of senior executive and board remuneration; rationale for mix of projects in balanced portfolio; and other relevant matters notified by the Cth; can include additional comprehensive information beyond the requirements of the Corporations Act in the annual report or provide separately to the Minister at the same time	33.3-33.4	Achieved
34. Compliance audit report		
Within five months of end of financial year, provide a compliance audit report to Cth on compliance with clauses 25 and 26; must be prepared in accordance with Australian Auditing and Assurance Standards, include review of accounting systems, processes and controls required under clause 25.1, include any qualifications and material incidences of non-compliance, and contain detailed explanation of any material incidences of non-compliance; include statement that prepared for Cth for purposes of Agreement and acknowledgement that report will be relied upon by the Cth	34.1-34.2	Achieved

OBLIGATION	SFC CLAUSE	FWPA COMPLIANCE
35. Certification report		
Within five months of end of financial year, Board to provide certification report to Minister, signed by Chair and CEO, certifying that FWPA has complied with obligations under the Act and Agreement during the financial year; confirming that the Audit Committee has carried out all of its functions/responsibilities in accordance with its charter; detailing any material non-compliance and providing an explanation of the non-compliance; and acknowledging report will be relied upon by the Cth	35.1	Achieved



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