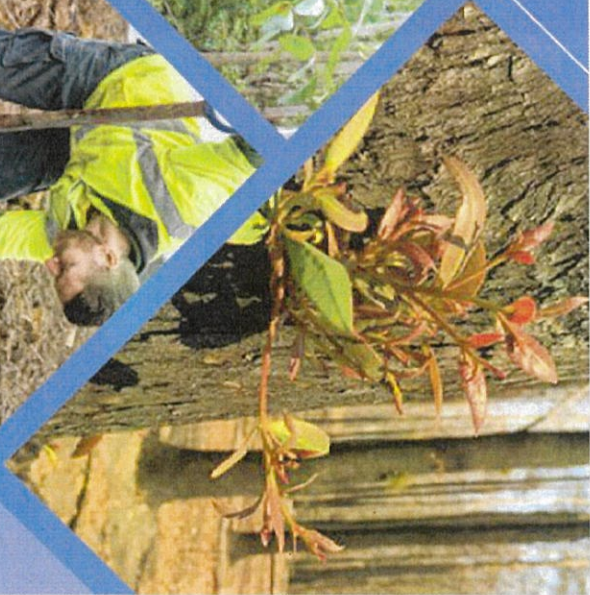
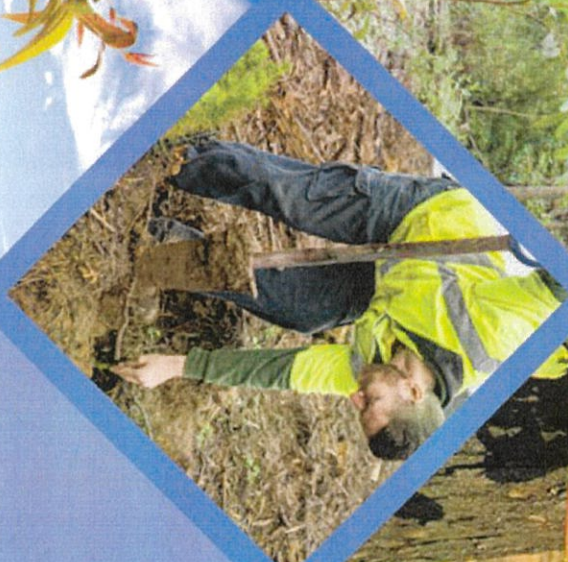




Statement of Corporate Intent 2020-21



Shareholder Agreement



This 2020-21 Statement of Corporate Intent for the Forestry Corporation of NSW has been agreed between:

A handwritten signature in black ink, appearing to be "James M. Millar", written over a horizontal line.

James M. Millar AM
Chairman
Forestry Corporation of NSW

A handwritten signature in black ink, appearing to be "Anshul Chaudhary", written over a horizontal line.

Anshul Chaudhary
Acting Chief Executive Officer
Forestry Corporation of NSW

A handwritten signature in blue ink, appearing to be "Dominic Perrottet", written over a horizontal line.

The Hon. Dominic Perrottet, MP
Shareholder

A handwritten signature in blue ink, appearing to be "Damien Tudehope", written over a horizontal line.

The Hon. Damien Tudehope, MP
Shareholder

Date: _____

Our Objectives



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

1. The principal objectives of the Corporation are as follows:
 - (a) to be a successful business and, to this end:
 - (i) to operate at least as efficiently as any comparable business, and
 - (ii) to maximise the net worth of the State's investment in the Corporation.
 - (b) to have regard to the interests of the community in which it operates.
 - (c) where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the *Protection of the Environment Administration Act 1991*
 - (d) to Contribute towards regional development and decentralisation,
 - (e) To be an efficient and environmentally sustainable supplier of timber from Crown-timber land and land owned by it or otherwise under its control or management.
2. Each of the principal objectives of the Corporation is of equal importance.
3. The Corporation also has, in exercising its functions as the land manager of a forestry area, the objectives of a land manager under Part 5 of the *Forestry Act 2012*.
4. The provisions of section 20E of the *State Owned Corporations Act 1989* do not apply to the Corporation.

Business Overview



About us

Forestry Corporation is a state-owned corporation managing over two million hectares of publicly owned forest for the benefit of the people of NSW. Our forest management is certified to the Australian Standard for Sustainable Forest Management and delivers a high level of environmental protection; access to the forest estate for local communities and tourists; and a long-term supply of renewable timber to regional industry. Forestry Corporation plays a significant role in the State's forest and wood products industry, which employs more than 22,000 people and adds \$2.4 billion to the State's economy per annum.

Forestry Corporations plays a significant part in regional NSW. The regional location of the forests provides employment for our staff and the many thousands employed through the operations of timber mills, forestry operation contractors, suppliers and related businesses.

The State forest estate includes approximately 230,000 hectares of fast-growing pine plantations producing sawlogs for conversion into predominantly structural lumber for the Australian housing market and pulpwood for production of paper and board products approximately two million hectares of native forests and 34,000 hectares of hardwood plantations, producing a range of log products that are converted into a variety of timber products by the domestic hardwood processing industry.

We balance environmental conservation with timber production and access for other primary industries such as grazing and beekeeping to ensure our forests sustainably deliver multiple benefits to the community for the long term. We permanently protect a million hectares for wildlife and preservation and welcome millions of visitors to the forests each year. As the appointed land manager, we manage pests, weeds and importantly fire across the State forest estate.

Major Developments

The devastating **bushfires of 2019/20** bushfires had a significant and severe impact on the Corporation. Approximately 25% of the softwood plantations estate and more than 50% of the hardwood forests were impacted by the fires. The loss of softwood biological assets value is approximately \$371 million. The Corporation also sustained substantial damages to its road network and other infrastructure assets.

The 2019/20 bushfires impacted the forest landscape including native flora and fauna. The Corporation is working with the Environment Protection Authority (EPA) to operate in fire-affected native forests. The Corporation is engaging with Government on cross tenure land management issues including the management of wildlife post the fires.

Timber supply which has been impacted by the fires is being managed by the Corporation in conjunction with its customers while the revised yield modelling is finalised.

The Corporation has developed a **revised strategic plan** which focuses on **rebuilding the business and re-establishing the lost trees** to ensure a sustainable supply of timber in the long term.

Additionally, the Corporation had to adjust its operations for the impact of the **global pandemic COVID-19**. Timber production continues with appropriate control measures in place.

Our Strategy – immediate priorities



STRATEGY 2022 – fire recovery plan on a page FY21

OUR PURPOSE:

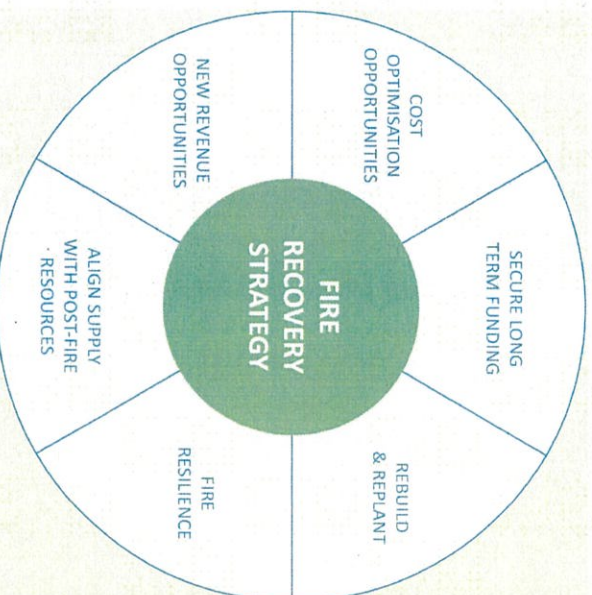
GROWING SUSTAINABLY - MANAGING COMMERCIAL - SUPPORTING COMMUNITIES IN A CHANGING WORLD.

STRATEGIC INTENT:

To rebuild the business after the 2019-20 bushfires whilst ensuring the wellbeing of our people, relationships with our customers, engagement with communities and care for the environment.

OUR VALUES:

Wellbeing
Integrity
Respect
Innovation



OUR OBJECTIVES:

- All objectives are of equal importance*
- Commercial outcomes
 - Community interests
 - Environment compliance
 - Regional development
 - Sustainable timber supply

ENABLING STRATEGIES:

SAFETY

PEOPLE

INNOVATION & TECHNOLOGY

PROCESSES

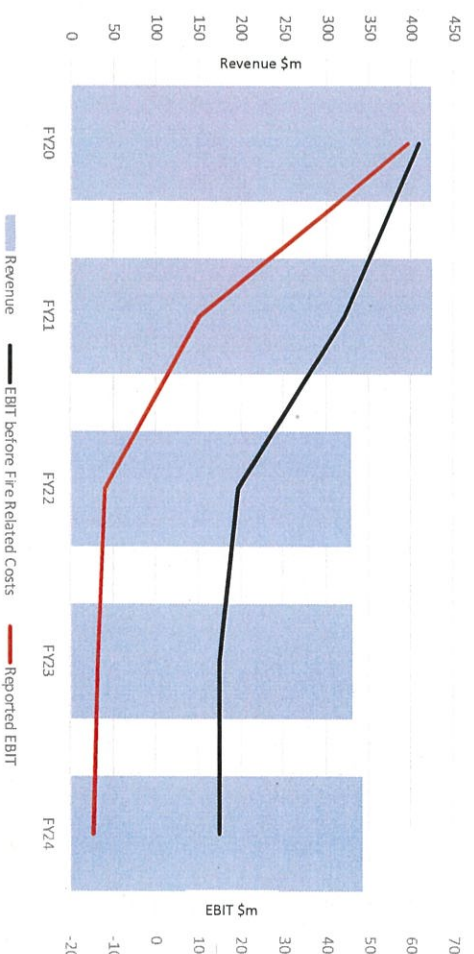
COMMUNITY ENGAGEMENT

Financial Performance Targets



Financials	Measure	FY20	Budget			
			FY21	FY22	FY23	FY24
Revenue	\$ mil	424.4	425.2	328.0	330.9	342.9
EBITDA	\$ mil	69.7	21.5	0.6	2.5	2.9
EBITDA on sales	%	16%	5%	0%	-1%	-1%
EBIT before Fire Related Costs	\$ mil	61.8	44.2	19.6	15.2	15.2
Reported EBIT	\$ mil	59.4	10.4	11.9	13.8	14.5
Operating Profit before Tax	\$ mil	54.1	5.4	16.9	18.8	19.6
NPAT	\$ mil	308.2	3.8	16.9	18.8	19.6
Dividend	\$ mil	-	-	-	-	-
Return on Equity (excl. land assets)	%	9%	2%	-2%	-2%	-3%

FY21 to FY24 Outlook



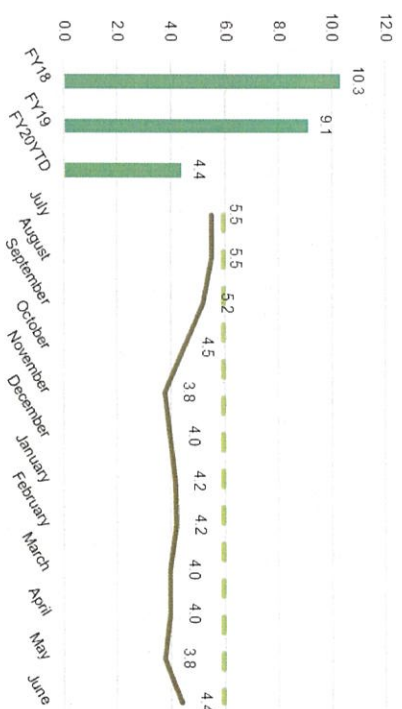
Dividend Policy Note:

Forestry Corporation has a dividend policy which pays out dividend to its shareholders on a payout ratio of 70%. Historically, the Corporation has been meeting its dividend policy, however due to the devastating bushfires of 2019/20, the Corporation has been exempted from paying dividends for the 2019/20 financial year. The Corporation is reinvesting the funds back in the business to assist with the fire-recovery and replanting efforts.

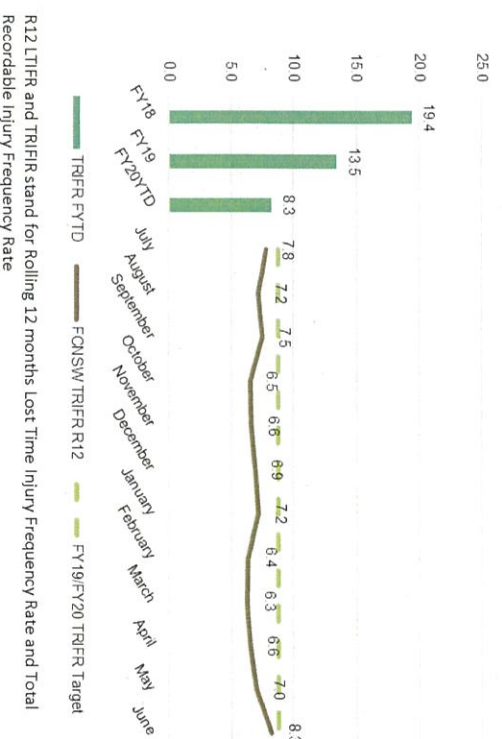
- The 2019/20 bushfires have severely impacted the earning potential of the Corporation. While FY20 and FY21 still has fire-salvage volumes, revenue is set to decline by \$100m or 25% from FY22 onwards.
- Once the fire salvage volume has been recovered, the sawlog volume drops significantly and coupled with fire related expenditure, the earnings drop to a deficit position.
- EBIT is viewed both in terms of before Fire Related Expenditure and Reported EBIT, the difference being large infrastructure repair costs and replanting activities.
- Increased replanting activities in the forward estimates is required to restock the estate after the bushfires to meet future wood flow demands.
- The financial estimates do not contain assumptions for additional government funding, however a funding plan is being prepared in conjunction with Treasury and Department of Regional NSW to address the deficit position.
- The Corporation is expecting a softening in the housing market in the next 12 months due to the COVID-19 global pandemic.

Non-Financial Performance Targets - Safety

FCNSW - LTIFR (R12) Inc Contractors



FCNSW - TRIFR (R12) Inc Contractors



R12 LTIFR and TRIFR stand for Rolling 12 months Last Time Injury Frequency Rate and Total Recordable Injury Frequency Rate

- FCNSW is committed to providing a safe work environment that protects and promotes the physical, psychological and emotional health and wellbeing of its workers, contractors, visitors and the broader communities we engage.
- Our goal is to provide an adaptive governance framework for Work Health and Safety that is incorporated into all aspects of the business integrating health, safety and wellbeing into all parts of the business.
- During FY20, FCNSW have made progress in a number of areas:
 - Development of a Fire Support Program to engage frontline workers and improve mental health outcomes while reducing stigma related to mental illness.
 - Implementation of a wellbeing debrief program to promote solidarity and support the mental health of workers.
 - Rapid and coordinated response to a pandemic event providing leadership and structure for the organization to support business continuity while minimizing infection risk.
 - Implementation of a Critical Incident Response process providing detailed investigations and executive monitoring of corrective and preventative action.
 - Roll out of the 'Pocket Safety App' to all mobile devices to support timely reporting of incidents and near misses.
- There has been a decline in Lost Time and Total Recordable Injury Frequency Rates due to a change in reporting culture. The management team remains firmly committed to preventing significant injuries and promoting early intervention for all workers.
- Safety incidents and near misses continue to be monitored and reported on a monthly basis with the Executive Safety Committee meeting quarterly to review performance and support continuous improvement across the organisation.



Non-Financial Performance Targets – Forest Management

Forest Management & Environmental Performance

Number of fines (penalty infringement notices) issued to Forestry Corporation by regulators	F16	F17	F18	F19	F20
Threatened Species Conservation Act 1995	0	0	0	0	3
Protection of the Environment Operations Act 1997	0	0	0	2	0
Plantations and Reafforestation Act 1999	0	0	0	0	0
National Parks and Wildlife Act 1974	2	0	0	0	0
Fisheries Management Act 1994	0	0	0	0	0
Number of convictions recorded against Forestry Corporation	F16	F17	F18	F19	F20
Threatened Species Conservation Act 1995*	0	0	1	0	0
Protection of the Environment Operations Act 1997	0	0	0	0	0
Plantations and Reafforestation Act 1999	0	0	0	0	0
National Parks and Wildlife Act 1974	0	0	0	0	0
Fisheries Management Act 1994	0	0	0	0	0

* Conviction related to failure to identify or protect a rocky outcrop prior to logging operations in 2013.

- The Corporation places a high level of importance on managing the environment both in respect of the impact of its operations and land management duties and the impact of factors like biosecurity and forest health on its business.
- Operations adhere to strict environmental standards and regulations, and the Corporation continues to maintain its independent certification to internationally recognised standards of forest management.
- The Corporation tracks the number of non-conformances and complaints, which are followed up with the required corrective actions.
- The Corporation's operations are audited by external parties on a nine month cycle.

Operational compliance

- Hardwood Forests Division and Softwood Plantations Division are both certified under ISO14001 and the internationally recognised Australian Standard for Sustainable Forest Management (AS4708).
- The Corporation is subject to intense regulation through the Coastal Integrated Forestry Operations Approvals (IFOA) and Western IFOAs administered by the EPA and Plantation and Reafforestation Regulations.
- Contractors and employees are regularly trained in the requirements of the IFOAs and the Forestry Corporations Forest Management System.

Representation and Commitment Statement



1. The Board of Forestry Corporation confirms that:

- a) performance targets within the 2020-21 Statement of Corporate Intent (SCI) are based on and supported by the Corporation's Business Plan;
- b) voting Shareholders will be provided with financial and other information, including information on major capital expenditure projects, on a quarterly basis to assess the performance against commitments in this SCI and to assess the value of the Shareholders' investment in the business;
- c) asset maintenance policies and processes are adequate and appropriate to manage and control risks associated with physical assets;
- d) all known 'key risks' and 'major emerging contingent liabilities' which could materially impact the current and future results of the Corporation for the coming year have been disclosed;
- e) internal audit and risk management practices are consistent with standards recommended for Australian Securities Exchange (ASX) listed companies and where appropriate, the Corporation has applied any additional requirements that are set out in NSW TC09/8 Internal Audit and Risk Management Policy; and
- f) the Chief Executive Officer (CEO) has an employment contract and performance agreement which is appraised annually. In May 2020 the CEO announced his resignation from the role and the Board appointed the CFO as Acting CEO and engaged an executive search firm to commence recruitment of a new CEO.

The Corporation adheres to Commercial Policy Framework policies, as listed in State Owned Corporations Applicable TPPs under the Commercial Policy Framework.

The Corporation complies with NSW Treasury accounting circulars and policies applicable for SOCs, as listed in the State Owned Corporations Mandatory Accounting Policies – NSW Treasury Circulars and Treasury Policy Papers.

2. Forestry Corporation has agreed to comply with the requirements of:

- a) Premier's Memoranda M2012-08 Application of Biofuels.
- b) Premier's Memoranda M2013-04 Implementation guidelines for procurement of publicly funded construction services.