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WPMA Submission – on the revision of AS/NZS 4708

Background

The Wood Processors and Manufacturers Association (WPMA) is an advocacy body acting on behalf of its Members, specifically ensuring the processing and manufacturing arm of New Zealand's forest industry has both profile and a collective voice in political and public arenas. As part of its role the WPMA has worked to support the operation of certification schemes to provide assurance on the sustainability of the management of New Zealand forests. The key programmes are the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC). PEFC is the world's largest certification system for sustainable forest management.

PEFC have established standards and guides for sustainable forest management. These include benchmark standards that are used to guide the development of National Forest Standards. In New Zealand PEFC is managed by New Zealand Forest Certification Association (NZFCA) which is also the PEFC National Governing Body for New Zealand. It received its most recent PEFC endorsement following a review in 2014. PEFC in New Zealand have used a formally-adopted Australian Standard for *Sustainable Forest Management*, referenced as AS/NZS 4708:2014. Currently a review and consultation process is in place to update this Standard to joint standard status facilitated by the PEFC National Governing Body for Australia trading as *Responsible Wood Ltd*. This joint process is undertaken in accordance with Standards New Zealand and Standards Australia processes and under the legal aegis of the bilateral trade agreement (CER/TTMRA).

AS/NZS 4708 has an important role in defining rules for the sustainable management of forests and has an important role in building trust in forestry and managing the expectations of the New Zealand forestry sector and other stakeholders – including –, consumers, markets, forestry Investors, regulators and wider society. The revision of AS/NZS 4708 provides an opportunity to ensure that the expectations of these important stakeholders can be effectively addressed. The revised standard will provide a robust resource for demonstrating the sustainability of the Australasian forestry sector and defining the scope of the PEFC programme in New Zealand.

This submission by the WPMA provides a background explanation of the operating context of forestry sustainability assurance programmes and more specifically AS/NZS 4708 and PEFC. It also provides some suggestions for the revision of the Standard. The WPMA sees the review of the NZ *Sustainable Forest Management Standard* as an opportunity to significantly enhance the integrity and value of PEFC, establish a greater alignment with WPMA's objectives and values and those of the NZ public.

The WPMA see specific potential in relation to enhancing the criterion on “Social and Economic Benefits” especially in relation to local industry support and development at a time when forestry operations in NZ have come under intense political, legal and public scrutiny.

The roles of Forestry Sustainability Assurance programmes

Forestry sustainability assurance programmes such as PEFC have an important role in documenting best practices for sustainable forestry management and through the associated auditing process, provide an assurance of compliance with these. Best practices are not static, and it is important that they are reviewed and updated regularly to meet changing stakeholders’ expectations and needs. Some insights on stakeholder expectations and perceptions of forestry sustainability programmes are shared below.

Market Assurance

A key role for forestry sustainability programmes has been to provide an assurance to buyers of wood products that what they are purchasing has integrity and addresses the broad range of considerations encompassed in globally accepted concepts of sustainability and the bio-circular economy. There is strong interest from wood manufacturers and retailers to use compliance with forestry sustainability programmes as a product ‘representation’ and a key strategy to ensure that their brands are protected against any association with negative social and environmental impacts. The USA-based but international *Sustainability Consortium* has developed a range of sustainability assurance tools that are used by over 1,500 manufacturers representing almost US\$1 trillion of consumer products annual sales¹.

The credibility of voluntary sustainable standards (VSS) including forestry sustainability programmes is facing increased criticism as reflected in a recent report *Not Fit-for Purpose*². This report provided a detailed analysis of many VSS (including forestry schemes) and their associated assessment programmes and identified significant issues including that many set weak and subjective standards that fail to address the root causes of abuses; they employ inadequate mechanisms to detect abuses and maintain the credibility of their standards; and they do not offer access to effective remedy.

Investors

The New Zealand forestry industry has a large number of overseas investors – many of these are “impact” investors³. Traditionally forestry investors have used compliance with forestry stewardship programmes as an assurance that social and environmental commitments are being effectively managed. There are growing concerns from the rapidly expanding impact investor community in the quality of sustainability assurance that these schemes provide. Investing at a time of COVID-19 recovery has only served to heighten these concerns. The recent Global Impact Investing Network (GIIN) report *Scaling Impact Investment in Forestry*⁴ highlighted some specific issues in relation to forestry sustainability standards and certification.

Government regulatory and policy reference

Compliance with forestry sustainability programmes are referenced in a range of New Zealand regulations and policies as providing evidence of compliance with regulatory requirements. In relation to advancing social and economic wellbeing, examples include:

- *Overseas Investment Office (OIO)* – Assurance by FSC or PEFC is used as evidence by the regulator for compliance with sustainability investment criteria. It should also serve as

¹ <https://www.sustainabilityconsortium.org/impact/impact-report/>

² MSI Integrity, *Not Fit-for-Purpose: The Grand Experiment of Multi-Stakeholder Initiatives in Corporate Accountability, Human Rights and Global Governance*, July 2020. <http://www.msi-integrity.org/not-fit-for-purpose/>

³ Impact investing refers to an investment strategy that not only generates financial returns but also creates a positive social or environmental impact. Investors who follow impact investing consider a company's commitment to corporate social responsibility or the duty to positively serve society as a whole.

⁴ <https://thegiin.org/research/publication/forestry>

evidence of the contribution to local social and economic wellbeing required by the OIA to justify the privilege of foreign investment in NZ assets.

- *Legal harvesting compliance* - Assurance by FSC or PEFC are recognised by governments as providing assurance in relation to satisfying wood legality and legal harvesting requirement⁵.

As outlined, the WPMA submission focus relates to the social and economic criterion -Section 11.7 of the draft revised AS/NZS 4708. In the development of this submission the WPMA wishes to highlight that its submission is in full alignment with New Zealand Government policies for increasing wood processing in New Zealand and building a zero-carbon and bio-circular economy by 2050 including:

- *Overseas Investment Office* - The activities of the OIO are directed by a Ministerial Directive letter – with the latest one provided in 2017⁶. In relation to forestry investment in forest land it provided the following guidance.

Overseas investments in forest land

18. The Government recognises that overseas investment in the forestry sector, and the associated downstream processing industries, has the potential to add significant value to the overall economy and the environment.
19. The Government wishes to encourage an increase in the value added processing of raw products and the advancement of its forestry-related strategies. The Minister therefore directs the regulator that the following factors will generally be of high relative importance for overseas investments in 'forest land'² (the forest land directive):
 - 19.1. The 'increased processing of primary products' factor (section 17(2)(a)(vi)); and
 - 19.2. The 'advance significant Government policy or strategy' factor (regulation 28(f)).
20. The Minister would generally expect the regulator to impose specific conditions of consent on overseas investors whose investment plan involves processing in New Zealand. These could include, where appropriate, a condition requiring the overseas investor to enter into a supply arrangement with a local processor. Conditions imposed on overseas investments in forest land may need to be imposed for longer periods given the often long-term nature of such investments.

This guidance has been reflected in the OIO *Benefits to New Zealand Test* for the assessment of investment applications *Applicants seeking consent to acquire non-residential sensitive land under the benefit test must show that the investment is likely to benefit New Zealand. One of these relates to increased processing of primary products*⁷.

- Ministry of Primary Industries (Forestry New Zealand Te Uru Rākau) - Strategic Intentions 2018-2023 page 27⁸ - ***Capturing value - Ensure a domestic market for New Zealand forestry products across the supply chain is developed***--- *Over the next four years, Te Uru Rākau will explore ways to increase the security of domestic log supply, and enable the domestic wood processing sector to generate greater regional development and employment.*
- New Zealand Government Cabinet Paper 2020- *Preparing the forest system for the future*⁹. This includes reference to the importance of increasing the level of local wood processing.

WPMA Submission

As outlined the WPMA submission is focused on the social and economic benefits criterion AS/NZS 4708 (Section 11.7 of the draft revision). This submission has been submitted to provide guidance for the revision of the Standard to ensure that the expectations of stakeholders, including wood consumers and value chain actors, investors and regulators are effectively met.

AS/NZS4708 Draft Revision

11.7 Social and economic benefits (Objective)

Forest management shall maintain and enhance long-term social and economic benefits.

⁵ <https://www.mpi.govt.nz/exporting/forest-products/wood-and-wood-products/exporting-wood-products-to-korea/>

⁶ https://www.lin.govt.nz/sites/default/files/media/doc/oio_directive-letter_20171128.pdf

⁷ <https://www.lin.govt.nz/overseas-investment/applying-for-consent-purchase-new-zealand-assets/preparing-your-application-oio/benefit-new-zealand-test/increased-processing-primary-products>

⁸ <https://www.mpi.govt.nz/dmsdocument/31056/direct>

⁹ <https://www.agriculture.govt.nz/dmsdocument/38234/direct>

WPMA fully supports this objective as it reflects the key role of social and economic dimensions of sustainable forest management.

11.7.6 Remuneration and conditions

AS/NZS 4708 Draft Revision 11.7.6 Remuneration and conditions

The forest manager shall monitor and demonstrate that:

- (a) all forest workers are engaged freely and are duly compensated;*
- (b) it, and its contractors and subcontractors are in compliance with legal obligations creating minimum employee entitlements including but not limited to those set out in national legislation and collective bargaining agreements;*
- (c) wages of forest workers shall meet or exceed at least legal, industry minimum standards or, where applicable, collective bargaining agreements;*
- (d) wages, salaries, superannuation and other entitlements and employment contracts are paid on time; and*
- (e) working hours and leave shall comply with state or national legislation, or applicable collective agreements.*

The forest manager shall ensure that all competent forest workers are paid at rates that meet or exceed:

- (a) minimum forest industry standards;*
- (b) recognized forest industry wage agreements; or*
- (c) living wages, where these are higher than the legal minimum wages.*

Where living wages exceed minimum forest industry standards and/or recognized forest industry wage agreements, the forest manager shall seek to attain increased wages towards a living wage over time in addition to increases for inflation, through engagement with forest workers and representatives of organizations of forest workers.

When none of these exist, the forest manager shall develop mechanisms for determining living wages through engagement with forest workers and representatives of organizations of forest workers.

NOTE: Where unit rates are paid, an operation cost model can convert piece-rate productivity into an equivalent annual, daily or hourly rate of pay.

Where workers or contractors are required to live away from home, the forest manager or its contractors shall ensure that accommodation is adequate and decent. Accommodation must not cost the worker more than a reasonable proportion of their income and must be consistent with equivalent commercial market rates. Forest workers shall enjoy their fundamental human rights and freedom of association in particular. Workers' accommodation arrangements should not restrict workers' rights and freedoms and provide suitable transport.

NOTE: Accommodation standards should include sufficient minimum space per person, supply of safe water, adequate sewage and garbage disposal systems, heating, cooling, cleanliness and adequate sanitary conveniences, washing facilities, privacy, a separate bed for each worker, and separate gender accommodation.

11.7.6 Remuneration and conditions

The WPMA supports the inclusion of remuneration and conditions standards in the revised AS/NZS 4708. It however does not support the reference to the living wage as the basis for setting the minimum rate of pay because:

- The "Living Wage" is not set by government but by an arbitrary method of a community of interest, grouped within a New Zealand Incorporated Society¹⁰. As a result it is unpredictable as it is not regulated or influenced by the New Zealand Government.

¹⁰ <https://www.livingwage.org.nz/about>

- It is anticipated that NZS 4708 will likely be cited, in sections, by government as a means of demonstrating legality of exported wood products, logs and timber. So it also has the potential to become cited in law.
- The WPMA is unclear how this will be audited and, it could create a source of confusion over whether non-primary sectors of the labour force are included as forest workers.

The WPMA suggests the *PEFC Benchmark Standard* is used to guide the replacement of the reference to a living wage.

PEFC Benchmark Standard (PEFC ST 1003:2018)¹¹

6.3.4 Health, safety and working conditions

6.3.4.3 *The standard requires that wages of local and migrant forest workers as well as of contractors and other operators operating in PEFC-certified areas shall meet or exceed at least legal, industry minimum standards or, where applicable, collective bargaining agreements.*

Note: Where wages are below the living wage of a country, steps should be taken to attain increased wages towards a living wage level over time in addition to increases for inflation.

Table 1 Draft AS/NZS 4708 Revision with WPMA suggestions

Proposed Draft	WPMA suggested revision
<p>11.7.6 Remuneration and conditions <i>The forest manager shall monitor and demonstrate that:</i> <i>(a) all forest workers are engaged freely and are duly compensated;</i> <i>(b)it, and its contractors and subcontractors are in compliance with legal obligations creating minimum employee entitlements including but not limited to those set out in national legislation and collective bargaining agreements;</i> <i>(C)wages of forest workers shall meet or exceed at least legal, industry minimum standards or, where applicable, collective bargaining agreements;</i> <i>(d) wages, salaries, superannuation and other entitlements and employment contracts are paid on time; and</i> <i>(e)working hours and leave shall comply with state or national legislation, or applicable collective agreements.</i></p> <p><i>The forest manager shall ensure that all competent forest workers are paid at rates that meet or exceed:</i> <i>(a) minimum forest industry standards;</i> <i>(b) recognized forest industry wage agreements; or</i> <i>(c) living wages, where these are higher than the legal minimum wages.</i> <i>Where living wages exceed minimum forest industry standards and/or recognized forest industry wage agreements, the forest manager shall seek to attain increased wages towards a living wage over time in addition to increases for inflation, through engagement with forest workers and representatives of organizations of forest workers.</i></p>	<p>11.7.6 Remuneration and conditions <i>The forest manager shall monitor and demonstrate that:</i> <i>(a) all forest workers are engaged freely and are duly compensated;</i> <i>(b)it, and its contractors and subcontractors are in compliance with legal obligations creating minimum employee entitlements including but not limited to those set out in national legislation and collective bargaining agreements;</i> <i>(c)wages of forest workers shall meet or exceed at least legal, industry minimum standards or, where applicable, collective bargaining agreements;</i> <i>(d) wages, salaries, superannuation and other entitlements and employment contracts are paid on time; and</i> <i>(e)working hours and leave shall comply with state or national legislation, or applicable collective agreements.</i></p> <p><i>The forest manager shall ensure that all competent forest workers are paid at rates that meet or exceed:</i> <i>(a) minimum forest industry standards;</i> <i>(b) recognized forest industry wage agreements; or</i> <i>(c) living wages, where these are higher than the legal minimum wages.</i> <i>Note Where wages are below the living wage of a country, steps should be taken to attain increased wages towards a living wage level over time in addition to increases for inflation.</i></p>

11.7.10 Local industry support and development

Adding value to NZ’s commodity log industry through greater domestic processing aligns with the actions of the majority of other aboral nations. Countries such as Canada have long acted to ensure that logs are processed domestically, and higher value processed wood products exported. The most recent example is Russia’s proposed 2022 prohibition on raw softwood exports, presumably intended

¹¹ <https://cdn.pefc.org/pefc.org/media/2019-01/b296ddcb-5f6b-42d8-bc98-5db98f62203e/6c7c212a-c37c-59ee-a2ca-b8c91c8beb93.pdf>

to replace the current regime of log export taxes employed by that country as a counter to preferential and NTB treatment in favour of raw log imports. Both Russia and those countries importing Russian logs understand the value of wood in a bio-circular and GHG-emissions constrained economic future.

AS/NZS 4708 Draft Revision - 11.7.10 Local industry support and development

Subject to forest product supply constraints, the forest manager shall:

- a) engage proactively with local and regional forest products processors and consider their needs for supply;*
- b) offer supply to local processing and value-added facilities, where commercial viability including price of non-local and local options, are at least equivalent; and*
- c) make reasonable attempts to establish or support and encourage the establishment of local processing and value-added activities where not currently available.*

WPMA supports the intent of this criterion in relation to supporting local industry development however makes the following suggestions.

- This requirement for local industry support or development is subjective and capable of interpretation in a way that would undermine the very objective for 11.7. The conditional wording of 11.7.10 (using words such as– *subject to, engage proactively; offer; consider; make reasonable attempts*) does not set any defined requirement or require any real commitment to the local economy by the company that is being certified. WPMA’s concern at a loosely defined requirement is based upon our perception of a cynical historical response to this requirement and the demonstrable domestic under-investment in domestic processing and increased investment in log export infrastructure. We suggest that continued lack of clarity and commitment to local processing risks the integrity and impact of forestry sustainability programmes and AS/NZS 4708 as the basis of consumer and investor assurance.
- In revising AS/NZS 4708 the WPMA highlights the need for alignment with the 2020 *Commerce Commission Guidelines for making environmental claims*¹². Specificity is required in this and other parts of the standard to ensure that AS/NZS 4708 and those that are certified to it through PEFC are not in breach of Australian and NZ consumer assurance statutes such as NZ’s Fair-Trading Act. The NZ Commerce Commissions guidelines on environmental claims compliance with the FTA highlight the need for all claims to: be truthful; be accurate; be specific; substantiate claims; use plain language; not exaggerate; take care when relying on tests or surveys.

WPMA suggests the following wording for this section:

11.7.10 Local industry support and development

The forest manager shall:

- a) engage proactively with local and regional forest products processors and consider their needs for supply over a time period needed to justify domestic investment in processing;
- b) take account of documentary evidence of tariff and non-tariff influences applying in log importing countries by proportionate adjustment of the export-parity price of logs sold domestically;
- c) supply local processing and value-added facilities, where commercial viability including price of non-local and local options, are at least equivalent; and
- d) establish or support and encourage the establishment of local processing and value-added activities where not currently available. Support mechanisms such as the establishment of long-term wood supply contracts with local wood processors is a good example of an appropriate response.

¹² https://comcom.govt.nz/_data/assets/pdf_file/0017/220247/Environmental-claims-guidance-July-2020.pdf

Table 2 Draft AS/NZS 4708 Revision with WPMA suggestions

<p>11.7 Social and economic benefits Forest management shall maintain and enhance long-term social and economic benefits.</p>	<p>11.7 Social and economic benefits Forest management shall maintain and enhance long-term social and economic benefits.</p>
<p>Proposed Draft</p>	<p>WPMA suggested revision</p>
<p>11.7.10 Local industry support and development Subject to forest product supply constraints, the forest manager shall: a) engage proactively with local and regional forest products processors and consider their needs for supply; b) offer supply to local processing and value-added facilities, where commercial viability including price of non-local and local options, are at least equivalent; and c) make reasonable attempts to establish or support and encourage the establishment of local processing and value-added activities where not currently available.</p>	<p>11.7.10 Local industry support and development a) engage proactively with local and regional forest products processors and consider their needs for supply over a time period needed to justify domestic investment in processing; b) take account of documentary evidence of tariff and non-tariff influences applying in log importing countries by proportionate adjustment of the export-parity price of logs sold domestically; c) supply local processing and value-added facilities, where commercial viability including price of non-local and local options, are at least equivalent; and d) establish or support and encourage the establishment of local processing and value-added activities where not currently available. Support mechanisms such as the establishment of long-term wood supply contracts with local wood processes is a good example of an appropriate response.</p>

WPMA recommend that the Guidance Note (01- AS/NZS 4708 -2014)¹³ is updated to reflect the changes resulting from the revision of AS/NZS 4708. In relation to the current Guidance Note section 01 Requirement 9.1 Regional Development (Draft revised version 11.7 Social and Economic Benefits) this should include;

- Type of verification requirement
Currently this is based on a document-based evaluation and consultation with relevant regional bodies. It is suggested that in relation to establishing compliance with section 11.7.10 a) evidence of activity in relation to supporting local wood processing is also obtained through seeking information on tariff and non-tariff distortion in global log pricing and consultation with:
 - Government agencies such as the Overseas Investment Office, MPI, NZ Forest Authority and MBIE;
 - Wood Industry organisations such as the WPMA;
- Indicators
 - The WPMA recommend the annual reporting against standard quantitative measures including the total volume of wood supplied to New Zealand added value wood processing (as a % of the total annual wood volumes harvested).
 - Report on the value, volume and term of long-term supply contracts that the company has entered into for wood processing to be undertaken in New Zealand.

Yours faithfully



Jon Tanner
Chief Executive

¹³ https://www.responsiblewood.org.au/wp-content/uploads/2017/11/NZ_Guidance_Note_01-16_NZS_AS_4708_Final.pdf