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[Draft] IFRS S2 Climate-related Disclosures Appendix B Industry-based disclosure requirements

Volume B41—Forestry Management

Comments to be received by 29 July 2022



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Introduction

This volume is part of Appendix B of [draft] IFRS S2 Climate-related Disclosures and is an integral part of that [draft] Standard. It has the same authority as the other parts of that [draft] Standard.

This volume sets out the requirements for identifying, measuring and disclosing information related to an entity's significant climate-related risks and opportunities that are associated with specific business models, economic activities and other common features that characterise participation in this industry.

The industry-based disclosure requirements are derived from SASB Standards (see paragraphs B10–B12 of [Draft] IFRS S2 *Climate-related Disclosures*). Amendments to the SASB Standards, described in paragraph B11, are marked up for ease of reference. New text is underlined and deleted text is struck through. The metric codes used in SASB Standards have also been included, where applicable, for ease of reference. For additional context regarding the industry-based disclosure requirements contained in this volume, including structure and terminology, application and illustrative examples, refer to Appendix B paragraphs B3–B17.

Forestry Management

Industry Description

The Forestry Management industry consists of companies that own and/or manage natural and planted forestry lands and timber tracts, or operate non-retail tree nurseries and rubber plantations. The industry conducts its operations on lands that can be company-owned or leased from public or private landowners. Companies typically sell timber to wood products manufacturers, pulp and paper producers, energy producers, and a variety of other customers. The industry's largest companies operate primarily in and are domiciled in the U.S. and Canada. Some have international operations including in Brazil and New Zealand. While some integrated companies may also operate sawmills, wood products facilities, or pulp and paper facilities, sustainability issues arising from these activities are addressed in SASB's Building Products & Furnishings (CG-BP) and Pulp & Paper Products (RR-PP) industry standards.

Sustainability Disclosure Topics & Metrics

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Ecosystem Services & Impacts	Area of forestland certified to a third-party forest management standard, percentage certified to each standard ⁶⁸	Quantitative	Acres (ac), Percentage (%)	RR-FM-160a.1
	Area of forestland with protected conservation status	Quantitative	Acres (ac)	RR-FM-160a.2
	Area of forestland in endangered species habitat	Quantitative	Acres (ac)	RR-FM-160a.3
	Description of approach to optimizing opportunities from ecosystem services provided by forestlands	Discussion and Analysis	n/a	RR-FM-160a.4
Climate Change Adaptation	Description of strategy to manage opportunities for and risks to forest management and timber production presented by climate change	Discussion and Analysis	n/a	RR-FM-450a.1

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Area of forestland owned, leased, and/or managed by the entity	Quantitative	Acres (ac)	RR-FM-000.A

continued...

⁶⁸ Note to RR-FM-160a.1 – The entity shall describe forestry management practices for non-certified forestlands, and for any forest management certifications that were suspended or terminated, the entity shall disclose the number, associated acreage, and stated reason for suspension or termination.

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ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Aggregate standing timber inventory ⁶⁹	Quantitative	Cubic meters (m ³)	RR-FM-000.B
Timber harvest volume ⁷⁰	Quantitative	Cubic meters (m ³)	RR-FM-000.C

⁶⁹ Note to RR-FM-000.B – The entity may additionally note if it uses other units of measure to define its standing timber inventory, and it shall disclose any conversion factors used.

⁷⁰ Note to RR-FM-000.C – The entity may additionally note if it uses other units of measure to define its timber harvest volume, and it shall disclose any conversion factors used.

Ecosystem Services & Impacts

Topic Summary

Along with their timber output, forests provide valuable ecosystem services including carbon sequestration, wildlife habitat, water purification and storage, soil formation, and recreational opportunities. Meanwhile, in many regions, regulations related to water quality and endangered species protection, as well as harvesting rights that are contingent upon environmental preservation, can create operational risks for companies. As such, protecting or enhancing ecosystem services within managed forestlands could mitigate reputational, demand, and operational risks related to the potential adverse environmental impacts of forestry. Companies increasingly utilize third-party certification to demonstrate sustainable forestry management practices that serve to enhance the value and productivity of their forest assets, as well as to meet rising customer demand for sustainably produced forest products.

Metrics

RR-FM-160a.1. Area of forestland certified to a third-party forest management standard, percentage certified to each standard

- 1 The entity shall disclose its total forestland area, in acres, that is certified to a third-party forest management standard, where:
 - 1.1 The scope includes forestlands owned, leased, and/or managed by the entity.
 - 1.2 Third-party forest management standards are those that certify that forests are harvested in a sustainable manner and cover environmental and social criteria including legal compliance, land rights, community and worker relations, environmental impact and biodiversity, forest management plans and practices, land use, wildlife habitat conservation, and water conservation, among others.
 - 1.3 Third-party forest management certifications include, but are not limited to, those promulgated by the following organizations (or the equivalent):
 - 1.3.1 American Tree Farm System (ATFS)
 - 1.3.2 Forest Stewardship Council (FSC)
 - 1.3.3 Programme for the Endorsement of Forest Certification (PEFC)
 - 1.3.4 Forest certification systems endorsed by the PEFC
 - 1.3.5 Sustainable Forest Initiative (SFI)
- 2 If a forestland area is certified to multiple certification standards, the entity shall not account for the acreage more than once when calculating the total forestland area certified to a third-party forest management standard.
- 3 The entity shall disclose the percentage of the total certified forestland that is certified to each forest management standard (e.g., FSC, SFI, PEFC, and ATFS) and indicate the associated certification(s) (e.g., FSC Forest Management Certification, SFI Forest Management Standard, PEFC Sustainable Forest Management certification, or ATFS Individual Third-Party certification).

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- 3.1 The entity shall calculate the percentage of forestland certified to each forest management standard as the number of acres that are third-party certified to the respective standard divided by the total number of certified acres owned, leased, and/or managed by the entity.
- 4 The entity shall disclose the percentage of acres that are certified to multiple certification schemes.

Note to **RR-FM-160a.1**

- 1 The entity shall provide a brief description of its forestry management practices implemented for non-certified forestlands owned, leased, and/or managed by the entity.
- 2 The entity may discuss:
 - 2.1 The topics and criteria addressed by the practices(s), such as: forest productivity and health, protection from ecological and biodiversity impacts, protection of water resources, noise impacts, discharges to water, protection of special sites, plantation farming, harvesting techniques, use of monocultures, use of genetically modified organisms (GMOs), chemical usage, community involvement, indigenous communities, and aesthetics and recreation, among others.
 - 2.2 How the entity enforces the sustainable forestry management plans in its non-certified forestlands, including the type and frequency of inspections.
 - 2.3 The underlying references for its forestry management plan(s) for non-certified forestlands, including the degree to which its forest management practices are aligned with criteria outlined in third-party sustainable forestry management standards and ASTM D7480, Guide for Evaluating the Attributes of a Forest Management Plan; whether these references are codes, guidelines, standards, or regulations; and whether they were developed by the entity, an industry, organization, a third-party organization (e.g., a non-governmental organization), a governmental agency, or some combination of these groups
- 3 Where policies and practices to ensure sustainable forest management differ significantly by forestland, the entity shall describe differences for each non-certified forestland and indicate the percentage of acres to which they were applied.
- 4 The entity shall disclose whether any forest management certifications were involuntarily suspended or terminated during the reporting period (i.e., for failure to meet the standard or resolve major non-conformities).
- 5 The entity shall disclose which certification(s) was suspended or terminated, the total acreage of land for which certification was suspended or terminated, the reason stated by the certification body or bodies for why the certification was suspended or terminated, and any other explanatory information about the suspension or termination.
- 6 The entity may discuss any relevant corrective actions that it has put in place in response to a certification being suspended or terminated.

RR-FM-160a.2. Area of forestland with protected conservation status

- 1 The entity shall disclose the area of its owned, leased, and/or managed forestland (by acreage) that has protected conservation status, where an area is considered to have protected conservation status if it is located within any of the following:
 - 1.1 Areas legally designated as protected by government regulation, including national parks, national wildlife refuge sites, wilderness areas, state forests, state parks, and areas under conservation easement, as well as sites categorized as such by NatureServe and State Natural Resource Agencies, and agencies associated with the network of Natural Heritage or Conservation Data Centers, or Natura 2000 sites.
 - 1.1.1 These sites may be listed in the World Database of Protected Areas (WDPA) and mapped on ProtectedPlanet.net.
- 2 The scope includes areas of conservation status that are actively managed by or for the entity and excludes areas of conservation status that are exclusively set aside for conservation and are not actively managed.
 - 2.1 The scope includes areas of conservation status that are government-owned and managed by the entity.
- 3 The entity may disclose the percentage of the area of forestland with protected conservation status that is certified to a third-party forest management standard.
- 4 The entity may discuss the likelihood of a change to the area of its owned, leased, and/or managed forestland that is considered to have protected conservation status.
- 5 The entity may separately identify forestland areas with additional ecological, biodiversity, or conservation designations, such as those listed by the A-Z Guide of Areas of Biodiversity Importance prepared by the United Nations Environment Programme's World Conservation Monitoring Centre (UNEP-WCMC).

RR-FM-160a.3. Area of forestland in endangered species habitat

- 1 The entity shall disclose the area of its owned, leased, and/or managed forestland (by acreage) that is located in endangered species habitat.
- 2 Forestlands are considered to be an endangered species habitat if a species that is classified by national, state, or local law as endangered or threatened inhabits the entity's forestlands.
- 3 The scope of disclosure includes forestlands owned, leased, and/or managed by the entity.
- 4 An endangered species is defined ~~in the U.S. Endangered Species Act~~ as any species that is in danger of extinction throughout all or a significant portion of its range.
- 5 A threatened species is defined ~~in the U.S. Endangered Species Act~~ as any species that is likely to become an endangered species within the foreseeable future throughout all or a significant portion of its range.

- 6 Endangered species habitats includes critical habitat areas where the entity owns, leases, and/or manages forestlands that are officially designated by applicable state and/or federal regulations including:
 - 6.1 The U.S. Endangered Species Act
 - 6.2 The Canada Species at Risk Act
 - 6.3 Applicable regulatory endangered species lists in the regions where the entity owns, leases, and/or manages forestlands
- 7 The entity may disclose the types of endangered or threatened species in its forestlands.
- 8 The entity shall disclose whether there is any overlap between the areas identified in RR-FM-160a.2 and RR-FM-160a.3.
- 9 The entity may provide discussion around forestlands that are located in endangered species habitats, but present low risk to biodiversity or ecosystem services.
- 10 The entity may discuss the likelihood of a change to the area of its owned, leased, and/or managed forestland that is considered to be an endangered species habitat.
 - 10.1 Discussion includes, but is not limited to:
 - 10.1.1 Whether there are endangered or threatened species habitat(s) near, but not currently in, the entity's forestlands, and whether the habitat(s) could overlap with the entity's forestlands
 - 10.1.2 Whether there are species in or near the entity's forestlands that are classified as endangered or threatened in non-government regulatory lists, but not currently by government regulatory lists, and whether these species may be classified as endangered or threatened by a regulatory endangered species list
 - 10.1.3 Whether the current endangered or threatened species habitat in the entity's forestlands is expected to change and/or expand in the future
 - 10.2 The entity may disclose the likelihood of these changes occurring and the area of its forestlands that could be affected.

RR-FM-160a.4. Description of approach to optimizing opportunities from ecosystem services provided by forestlands

- 1 The entity shall discuss its strategy to optimize the opportunities created by the ecosystem services that its forestlands provide, where:
 - 1.1 Ecosystem services are defined by the Millennium Ecosystem Assessment as the benefits obtained from ecosystems, which include: provisioning services (i.e., goods or products obtained from ecosystems), such as food, fresh water, timber, and fiber; regulating services (i.e., benefits obtained from an ecosystem's control of natural processes), such as climate, erosion, and pollination; cultural services (i.e., nonmaterial benefits obtained from an ecosystem), such as recreational and spiritual benefits; and supporting

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services (i.e., services that maintain the other ecosystem services), such as nutrient cycling, primary production, and water cycling.

- 1.2 Opportunities from effective ecosystem services management can include higher land value, increased productivity and timber yield, direct payments for timber and non-timber forest products, and improved relationships with stakeholders.
- 2 For ecosystems services that the entity currently does not receive direct payments for, the entity shall describe its approach to managing these ecosystem services. The discussion shall include:
 - 2.1 The type(s) of ecosystem service(s) the entity currently manages, where types of ecosystem services include, but are not limited to: air quality, soil stabilization and erosion control, and cultural value.
 - 2.2 The entity's management actions, including decisions about harvesting, management of conservation areas or areas of high biodiversity, or conserving forested watershed.
- 3 For the ecosystem services that the entity does receive direct payments for, the entity may disclose the amount the entity receives for non-timber ecosystem goods and services and the type of compensation it receives, which can include:
 - 3.1 Public payments to landowners (from the government);
 - 3.2 Voluntary payments to landowners (from businesses, individuals, and non-governmental organizations); and
 - 3.3 Compliance-driven payments (payments made to comply with government regulations).
- 4 The entity may disclose whether it expects the revenues received from these non-timber or timber ecosystem services to change in the future and the methods or models used to develop these scenarios, including the use of global models or scientific research provided by governmental and non-governmental organizations.
- 5 The entity may discuss how management of non-timber ecosystem services is expected to affect tree growth and timber yield.

Climate Change Adaptation

Topic Summary

Global climate change may create long-term business uncertainty for some forestry management companies. Variations in precipitation patterns and temperatures, more frequent extreme weather events and forest fires, and an increased prevalence of tree diseases and pests could adversely impact timberlands through increased mortality or diminished productivity. Conversely, climate change could also facilitate forest productivity through increased atmospheric carbon dioxide, a longer growing season, moderating temperatures in high latitudes, greater precipitation, and expanded geographic ranges for some species, positively impacting forest productivity. In light of such variability, companies could benefit from identifying and understanding potential long-term impacts of climate change on the productivity of forestlands, and adjusting forestry management strategies to optimize the productivity of their forestland assets.

Metrics

RR-FM-450a.1. Description of strategy to manage opportunities for and risks to forest management and timber production presented by climate change

- 1 The entity shall discuss the risks and/or opportunities that are presented by climate change scenarios to its owned, leased, and/or managed forestlands, including, where relevant, those presented by:
 - 1.1 Physical impacts including, but not limited to: increased temperatures, changes in growth rates, changes in seasonality, availability of water, pest migration, increased frequency of fires, and increased frequency of extreme weather events
 - 1.2 Existing and potential legislation and regulation related to climate change, including those that limit emissions, tax emissions, set up cap-and-trade systems, affect the demand for the entity's products, or otherwise affect the entity
 - 1.3 International accords relating to climate change
 - 1.4 Indirect consequences of regulation or business trends, including legal, technological, or other developments related to climate change
 - 1.5 Other political and social risks, such as increased harvesting restrictions, or stakeholder perceptions or concerns (e.g., those from local communities, non-governmental organizations, and regulatory agencies)
- 2 ~~Disclosure shall be additional but complementary to the U.S. SEC's Commission Guidance Regarding Disclosure Related to Climate Change.~~
- 2 3 For each of the risks and/or opportunities identified, the entity shall provide the following:
 - 2.1 ~~3.1~~ A description of the risk or opportunity, including an explanation and qualitative assessment of current and anticipated (long-term and short-term) significant risks or opportunities associated with climate change

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5.3 ~~6.3~~ The entity's alleviation strategies, which may include, but are not limited to: use of insurance; diversification of tree species; actions to strengthen the adaptive capacity of forestlands; strategies to reduce the risk and intensity of pest, disease, and fire outbreaks; or plans to reduce risk and intensity of potential damage

5.4 ~~6.4~~ The entity's adaptation strategies, which may include, but are not limited to: improving ecosystem management and biodiversity; monitoring changes; developing tolerant tree varieties; and optimizing the timing of planting and harvesting

5.5 ~~6.5~~ The costs associated with these actions

5.5.1 Disclosure corresponds with CDSB Climate Change Reporting
~~6.5.1~~ Framework 4.12.

5.6 ~~6.6~~ Disclosure corresponds to CDP Climate Change Questionnaire CC2.1.