Illustrative Example of Integrated TCFD + TNFD Disclosures

for The Tasmanian Forest Trust

Prepared September 2023

Tall Riceflower

Pimelea ligustrina

forico

future fibre

work safe home safe

employer of choice

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Acknowledgment of Country

Forico acknowledges and pays respect to the Tasmanian Aboriginal peoples as the Traditional Owners and spiritual custodians of the land on which we do business.

We acknowledge the traditional and sustainable management of the landscape for over 40,000 years and the connection to land, sea and community.

We acknowledge the Tasmanian Aboriginal Elders past and present.

Disclaimer

Forward-looking statements

This report includes forward-looking statements regarding the plans, strategies, objectives, ambitions and commitments of Forico Pty Limited (Forico) in relation to identifying, assessing and responding to potential dependencies, impacts, risks, and opportunities associated with nature loss and climate change. In line with the TNFD and TCFD frameworks, the statements presented in this report relate to potential nature and climate exposures in the future. This report does not predict or purport to suggest likely future nature loss or global warming outcomes, or possible policy, regulatory, market or technology environments. The information contained in this report is provided for informational purposes only. The forward-looking statements in this report are not statements of fact, guarantees or predictions, and have not been prepared to provide any guidance, in relation to the future performance of Forico.

These forward-looking statements are based on Forico's expectations as at the date of this report and reflect judgements, assumptions, estimates and other information available at the date of this document and/or the date of the Forico's planning processes. Readers are cautioned not to place undue reliance on such statements, particularly considering the time horizons which this report discusses and the inherent uncertainty in possible policy, regulatory, market and technological developments in the future.

No representation or warranty, express or implied, is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forward-looking information contained in this report. Forward-looking statements are subject to known and unknown risks, uncertainties, assumptions, contingencies and other factors, many of which are beyond Forico's control, and which may cause the actual results, performances or achievements of Forico to differ materially from those expressed or implied in the statements contained in this document.

The scenario analysis has been informed by climate scenarios which have been used to stress-test possible risk exposure and support strategic decision making. Scenario analysis utilises a range of scenario and metrics to understand the climate-related impacts of plausible futures. Scenarios have intrinsic assumptions and limitations, and the future is inherently uncertain, and it is difficult to predict which, if any, of the scenarios might eventuate. Where our analysis or elements of it relate to the future (such as a projection or forecast) actual results are likely to be different from those produced by the analysis and those differences may be material. Climate scenarios do not constitute definitive outcomes or probabilities, and scenario analysis relies on assumptions that may or may not be, or prove to be, correct and may or may not eventuate. Climate scenarios may also be impacted by additional factors to the assumptions disclosed.

Except as required by applicable regulations or by law, Forico does not undertake any obligation to publicly update or review any forward-looking statements, whether as a result of new information or future events.

About this Report

Introduction

Nature loss and climate change are two of the biggest crises that humanity faces today. According to the World Economic Forum 2023[1] report, six of the top ten economic risks in the coming decade are environmental, Climate action failure and biodiversity loss are considered the top risks. At the same time, there are numerous exciting business opportunities associated with the transition to a more sustainable future, including new nature-positive markets and revenue streams.

“Forests cover about 4 billion hectares (30% of the earth’s land mass) and host about 80% of the world’s biodiversity. Although the world’s forests are threatened by deforestation and degradation, the global rate of forest loss has substantially decreased over recent decades. This is mainly due to a reduction in deforestation in certain countries and increases in forest area through afforestation and natural expansion of forests in others. The global forest growing stock is 557 billion m^3, while the forest carbon stock is 658 gigatons of CO2 equivalent”[2]

Forico Pty Limited (Forico) is Tasmania's largest private land manager, overseeing approximately 173,000 hectares of estate across the State on behalf of the Tasmanian Forest Trust. As leaders in sustainable forest management, Forico sits at the heart of this climate-nature nexus. The increasing frequency and severity of extreme weather events presents escalating risks from bushfires and other natural disasters which can undermine the integrity of biodiversity and ecosystem services. At the same time, sustainable forest management is a critical part of the solution set for reducing global CO2 levels, increasing resilience to natural hazards, and reversing the trend of biodiversity loss.

At Forico we aim to embed sustainability into all our decision-making and strategic planning, for planet, people and the prosperity of our investors. To deliver these goals, defined metrics and targets are required as well as the clear and credible reporting structure. This led Forico to prepare our three annual Natural Capital Reports and has further driven our ambition to further embed the most recent and innovative reporting frameworks into our business in the years ahead. Forico is also committed to aligning our targets for climate and nature to the Paris Agreement[3] and Global Biodiversity Framework[4].

We believe that integrated action on **nature and climate**, underpinned by integrated disclosures, has huge potential to drive positive changes both for our business and the Tasmanian and wider national and global community. Our strategic vision is focused on the idea that sustainable forestry can make a significant positive contribution to the mitigation of

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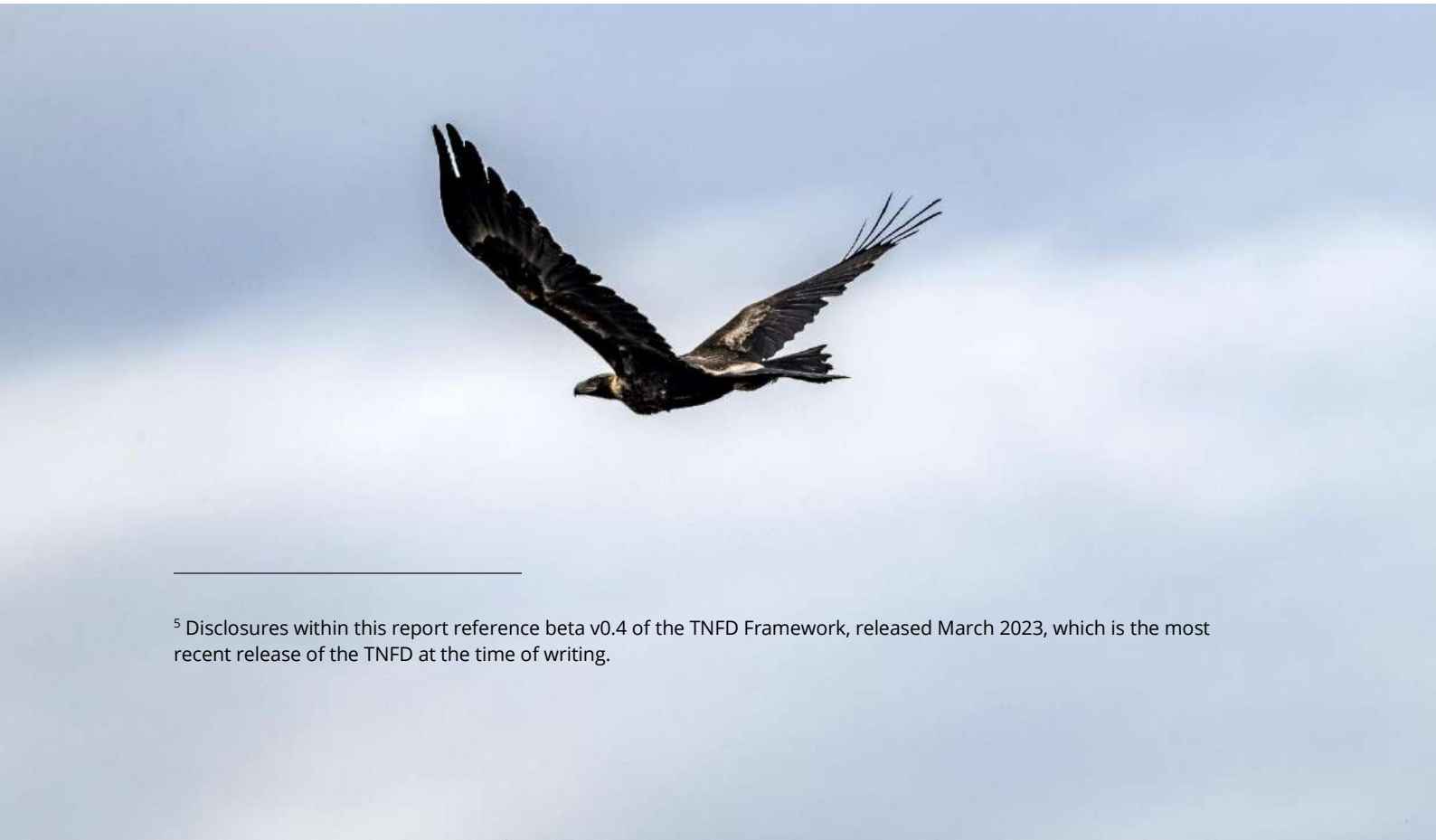
[1] https://www.weforum.org/reports/global-risks-report-2023/in-full/1-global-risks-2023-today-s-crisis/#:~:text=These%20are%3A%20cost%2Dof%2D,implications%20and%20knock%2Don%20effects.
[2] https://www.eib.org/attachments/lucalli/20220173_forests_at_the_heart_of_sustainable_development_en.pdf
[3] https://unfccc.int/process-and-meetings/the-paris-agreement/
[4] https://www.cbd.int/gbf/

climate change and biodiversity loss, while implementing innovative solutions to proactively manage a warming climate. As custodians of the natural environment, we aim to provide the nature-based solutions to transition to a circular economy and live within our planetary boundaries, which require clear understanding of emerging nature and climate risks and opportunities.

In light of this, we are delighted to present our first Illustrative example of an Integrated Taskforce on Climate-related Financial Disclosures (TCFD) and Taskforce on Nature-related Financial Disclosures (TNFD)[5] report, which captures our current efforts towards management of both nature and climate risks and opportunities. These frameworks support a more climate and nature resilient business.

This integrated reporting approach is symbolic of our efforts to unlock value creation opportunities by considering the value of our estate and operations from a more holistic perspective, demonstrating our progress towards being a nature and climate resilient business and our key focus areas for the near future. We also hope it will assist us to advance a more meaningful and trusted dialogue with our investors and public. Above all, we aspire for this integrated approach to be another step in our journey to better understand and pursue the sustainable creation of shared value for our integrated world – not only for business, but also society, and the environment we all depend upon.



[5] Disclosures within this report reference beta v0.4 of the TNFD Framework, released March 2023, which is the most recent release of the TNFD at the time of writing.

General Requirements

Approach to materiality

We have adopted a materiality definition in line with the International Sustainability Standards Board (ISSB) guidance, and Global Reporting Initiative (GRI) processes for impact materiality. Consistent with the Natural Capital Protocol Framework, we have conducted a materiality assessment of our impacts and dependencies on nature, with consideration of our value chain to the extent allowed by the available data. We have endeavoured to align our disclosures with Target 15 of the Global Biodiversity Framework which champions the need to assess and disclosure dependencies, impacts, risks and opportunities. To ensure this is rigorous and context-specific, our assessment was informed by CSIRO's Natural Capital Risk Assessment for Australian Forestry[6]. In determining materiality, the assessment seeks to align with a double materiality approach by considering the potential significance of impacts on both our business and society. The results of this materiality assessment have been used to inform the content of our Natural Capital Report for the last three years, with our reporting designed to address the areas of highest significance and impact potential for value-based decision making.

Material nature and climate issues are also identified through our Strategic Risk and Opportunity Management processes, and thereby overseen as a component of our strategy and governance structures. Materiality of potential benefits and consequences are assessed using our enterprise strategic criteria, which includes measures for commercial, legal, safety, environmental, and reputational benefits and consequences. Commercial benefits and consequences are quantitative, with materiality categories described as a percentage of net asset value (NAV).

Scope of our aligned disclosure

This disclosure seeks to respond to all core recommendations of the TCFD and the TNFD in an integrated reporting format. This integrated disclosure describes our approach to co-manage **climate and nature** risks and opportunities, particularly as they relate to our assets and direct operations. For future reporting periods, we intend to refine our process for assessing nature-related dependencies, impacts, risks, and opportunities, and to incrementally extend this across our upstream and downstream value chains.

[6] Smith, G.S., Ascui, F., O'Grady, A., Pinkard, L., (2020) natural Capital Risk Assessment – Australian Forestry. Hobart, Australia: CSIRO

Links between climate and nature-related dependencies, impacts, risks and opportunities

Forico acknowledges that nature risks and opportunities arise from how we impact and depend upon nature. A schematic of the linkages is provided in the diagram below.

There is not yet a formalised procedure integrating the results of our impacts and dependencies assessment in our strategic risk and opportunity analysis. However, understanding our impacts and dependencies has implicitly informed our assessment of risks and opportunities. This understanding is demonstrated in *Strategy*, which profiles our climate and nature risks and opportunities, and whether these arise predominantly from our impacts or dependencies on nature.

Location specificity of climate and nature-related dependencies, impacts, risks and opportunities

At Forico, our assets are geographically dispersed across Tasmania, consisting of:

- softwood and hardwood plantations grown to produce wood fibre products;
- natural vegetation managed for conservation and biodiversity values;
- a forest seedling nursery; and
- processing facilities.

Figure 1 - Forico's Tasmanian Footprint.

We understand that climate and nature issues can be deeply localised and acknowledge the importance of taking a location-based approach to managing these issues. For this reason, many of the assessments described in this report consider issues pertaining to specific locations, for example, in "Our interface with priority ecosystems" in *Strategy*. Our natural capital accounts further demonstrate our commitment to understanding the stocks and flows of ecosystem services related to where we operate. We also acknowledge the importance of working with local stakeholders and land custodians, who, as direct controllers of nature on the ground often possess a deeper understanding of the specific localised needs of the ecosystem.

Integration with other sustainability disclosures

We understand the importance of aligning climate and nature disclosures with other business and sustainability disclosures. Our annual Natural Capital Reports have historically presented an integrated view of our impacts on climate, nature, and society. This report presents the next step in that journey: an integrated report using both TCFD and TNFD frameworks to provide additional context to our Natural Capital Report disclosures on environmental impacts and dependencies, with insights on our governance, strategic planning, and risk and opportunities assessments, which frame these disclosures.

Stakeholder engagement

Meaningful stakeholder engagement is an essential part of how we do business, and we illustrate key achievements in our publicly available reports and throughout our company website, but more specifically on our Stakeholder Engagement webpage. In acknowledgement of this, we have embedded a “communication and consultation” phase into our Enterprise Risk & Opportunity Management Framework, which encompasses climate and nature issues. We engage with all our stakeholders on these issues through a variety of channels, including through focus groups, surveys, active consultation and collaboration, and by welcoming feedback on our Natural Capital Report. However, further effort will be required to specifically engage stakeholders in our assessment of and response to climate and nature-related dependencies, impacts, risks, and opportunities.

Governance

Oversight through our Board and sub-committees

In acknowledgement of the fundamental importance of climate and nature both to our business and to society, Forico’s **Board of Directors** has a stated objective to maintain and enhance natural capital value across the company’s assets aligned to globally recognised sustainable forest management Forest Stewardship Council® (FSC®) Certification Scheme and the Responsible Wood (RW) Certification Scheme, with the later endorsed through the Programme for the Endorsement of Forest Certification (PEFC). The Board reviews and approves Forico’s strategy and budget, as well as the release of our Natural Capital Report and related disclosures. This includes oversight of the Strategic Priority Projects (SPP) Plan, which shapes Forico’s approach to managing strategic risks and opportunities, encompassing those relating to climate change and natural capital.

The Board also receives updates from Forico’s management on the strategic risks and opportunities assessed as being “Extreme” or “High” on a quarterly basis. The Board is comprised of Independent Non-Executive Directors as well as representatives from our Fund Manager, New Forests and Investors.

New Forests Asset Management act as the fund manager for the Tasmanian Forest Trust Estate and hold key governance roles on behalf of the Investors. New Forests Pty Limited, the parent company is governed by a Board of Directors. Among other responsibilities, The Board oversees sustainability issues including policies and procedures such as the Responsible Investment Policy and impact performance management.

The Audit, Risk & Compliance Committee (ARC Co) is the sub-committee by which the Board oversees the assurance of the climate and nature data we use to inform our decision-making and disclose in our Natural Capital Report. The committee is also responsible for ensuring we remain compliant with our independently audited sustainable forest management certification schemes, such as FSC®, RW, PEFC and ISO14001. The committee meets three times per calendar year, and is comprised of representatives from the Board, Executive Management, New Forests as Fund Manager and our Investors.

The Remuneration Committee (REM Co) sub-committee is another means by which the Board overseas our environmental performance, by providing employee incentives to promote a positive and passionate workforce delivering sustainable outcomes.

Management of climate and nature risks and opportunities

Forico's Executive **Leadership Team** is responsible for identifying, assessing, and managing our climate and nature risks and opportunities as part of our broader Enterprise-wide Strategic Planning process. This includes conducting the Strategic Risk & Opportunity Assessment, preparing SPP Plans to address the highest priority risks and opportunities identified, and proposing these to the Board. Each SPP is led by a member of the Executive, who is accountable for meeting the Key Performance Indicators (KPIs) and objectives described in the plans.

Management is also responsible for ensuring that the Strategic Risk & Opportunity Assessment is up-to-date with reference to changes in the external environment, providing updates to the Board on a quarterly basis. In addition, the Chief Financial Officer (CFO) is responsible for facilitating the preparation of Forico's climate and nature disclosures, including our annual Natural Capital Reports that involves a multi-disciplinary team from across the business.

Additionally, management is responsible for providing training to staff to support the achievement of Forico's Safety, Health and Environment Objectives as outlined in its Operational Risk Management Procedure. This includes delivering Environmental Awareness Training for staff and contractors throughout the business, as well as providing them with Forico's Environmental Sustainability Policy. Management also supports staff awareness of climate and nature issues through dedicated inductions, professional development, and internal communications. Overall, Management bears responsibility for Governing Forico according to our three values, of which one is "sustainability" – operating safely with regard to sound environmental, social, and governance principles.

Another of our core values is "people". In acknowledgement of the importance of people and communities to the success and viability of our business, Forico intends to develop and release a Social and Human Capital report in the coming years. Management will be responsible for overseeing the preparation of this report and shaping our strategy with an acknowledgement of the interrelationships between the wellbeing of people and the wellbeing of our planet.

The third core value is "customers". We strive to be reliable, easy to do business with, and deliver high quality products and returns to investors. Maintaining a sustainable relationship with nature is an essential part of us delivering upon this value.

Engaging our stakeholders

Forico's understands that our actions and decisions can contribute positively or negatively to the wellbeing not only of our own people, but also the communities in which we work. For this reason, meaningful stakeholder engagement is an essential part of our strategic plan, ensuring we maximise shared value and maintain our social license to operate.

We have embedded a "communication and consultation" phase into our Enterprise Risk and Opportunity Management Framework and also have a Stakeholder Engagement Policy to ensure that relevant stakeholders are informed of, consulted on, and, if necessary, involved in our risk management activities. As nature and climate are inextricably embedded in our enterprise risk management they are implicitly captured within this process. However, further effort may be required to specifically engage stakeholders in our assessment of and response to nature-related dependencies, impacts, risks and opportunities.

Stakeholder engagement activities and outcomes are included in our quarterly Board updates. Key structures shaping engagement with our stakeholders include:

- **Stakeholder Engagement Policy**: sets out Forico's specific commitments to engage and communicate with all Forico stakeholders.
- **Stakeholder Engagement Plan**: Describes Forico's communication strategy and approach to stakeholder management, including methods of engagement with interested and affected stakeholders, as well as the business' complaint, grievance and dispute resolution process.
- **Sustainable forest management credentials:** maintaining our certification under sustainable forest management standards such as FSC®, Responsible Wood, PEFC and ISO14001 requires us to comply with principles around engaging with interested and affected stakeholders.

Forico has identified the Tasmanian Aboriginal community as an important stakeholder. As part of our reconciliation journey, in January 2021 we proudly launched our first Reconciliation Action Plan (RAP) – our **Reflect Reconciliation Action Plan** that captures and communicates our commitment to meaningfully engage with the Tasmanian Aboriginal community, and develop respectful relationships to deliver opportunities. Our next RAP, Innovate RAP is currently being finalised and will continue this rewarding journey. Further detail is available on the Stakeholder Engagement pages of our website.

Strategy

As a custodian of the natural environment, we see the significant value of sustainably managed forest ecosystems that can be maintained and enhanced through our identification of nature and climate opportunities. At Forico we see the additional values contained within the estate and the correlation between financial outcomes and world leading sustainability practice. At the same time, nature and climate risks may significantly impact our business. Forico works to ensure resilience in its operations and ecosystems across the value chain. Nature and climate risks and opportunities have been identified and embedded in business strategic planning.

Risks and Opportunities

Since our establishment in 2014, Forico has recognised the risks posed by nature loss and climate change, as well as embracing the opportunities of nature and climate-positive business practices.

Forico's approach to combined climate and nature risks and opportunities applicable to the Tasmanian Forest Trust

Both climate change and nature loss are anticipated to impact our business over the short- (current), medium- (2035), and long-term (2070) timeframes. These impacts are associated with:

- **Impacts:** Direct, indirect, or cumulative changes in the state of nature.
- **Dependencies:** Business dependencies on ecosystem services and the effects of impact drivers on those.
- **Risks:** Dependencies and impacts on nature, and exposures to climate hazards, resulting in social, financial, operational, and environmental consequences (e.g., losses, disruptions, and threats)
- **Opportunities:** Adaptation, mitigation and strategic transformation addressing climate risks and/or nature-related risks, impacts and dependencies.

Given that this report integrates climate and nature disclosures, we summarise risks, opportunities, impacts and dependencies under the three following categories:

Physical *Either acute events (e.g., heatwaves, floods) or long-term chronic trends (e.g., temperature, rainfall)*	**Transition and Business Performance** *Associated with a transition to a lower-carbon and a nature positive global economy driven by policy and legal actions, technology changes, market responses, and reputational considerations*	**Sustainability performance** *New opportunities for enhanced business performance arising from substitution of natural resources and activities supporting ecosystem protection and restoration*
• Acute • Chronic	• Policy • Liability (Legal) • Technology including Resource efficiency • Market including Products & Services • Reputation including Reputational capital • Capital Flows and Finance	• Ecosystem production, restoration and regeneration • Sustainable use of natural resources

Forico has facilitated dedicated internal workshops with key staff, stakeholders, and Directors to identify and prioritise climate and nature risks and opportunities most material to our business. These workshops also documented how we are implementing current mitigation efforts and identified new opportunities to increase resilience. Nature and climate risks and opportunities are reviewed annually and integrated into our risk management and strategic planning process.

Table 1 below describes key climate and nature risks and opportunities, as well as response measures. Key risks are driven by wildfire, biosecurity incursion and market disruption. Emergence of

biodiversity and carbon markets, shifting consumer preferences for sustainable products, and increasing demand for renewable energy represent some of the key opportunities.

Table 1- Our climate and nature risks [R] and opportunities [O], impacts [I] and dependencies [D]. Our most material priority risks are shaded in blue and opportunities in green.

R/O	I/D	Driver / Hazard	Timeframe	Potential impacts on our businesses, strategy, and financial planning	Response measures
Physical					
Acute					
R	D	Wildfires	Short to long term	Damage to key assets (wood, infrastructure, carbon, and biodiversity), and increases to tree crop insurance premiums.	Firebreaks, road access, internal wildfire management capability, landscape management
R	D	Biosecurity incursion	Medium-term	Asset damage, decrease in productivity, lost sales, legal liability and/or reputational damage.	Site inductions, Biosecurity risk assessments, weed management plan, Integrated Management, industry research.
R	D	Increase in extreme weather events	Short to long term	Port closure due to severe weather, road closure, harvesting schedule.	Infrastructure management, crop management for adaptable harvesting.
Chronic					
R	D	Prolonged multi-year drought	Medium to long term	Reduced productivity in drought affected plantations during planting - equates to about two Site Quality demotions.	Geographically diverse estate, optional species diversity. Seedling management.
O	D	Increase in mean temperatures	Medium to long term	Slight improvement in productivity.	Climate scenario modelling. Heatmap and sensitivity analysis. Environmental monitoring of temp, soil moisture, humidity, smoke.
Transition and business performance					
Policy & Legal					
R	I	Competition for alternative productive land uses	Long term	Decreases in land productivity and revenue in other parts of Australia and internationally.	Geographically diverse estate, understanding of infrastructure project across portfolio.
R	I	Water rights	Medium to long term	Scarcity or increased cost of water rights impacting the productivity of plantations.	Tradable water licence, irrigation schemes.
Technology including resource efficiency					
O	I	Wind projects get political support	Short term	Political support for wind projects and diversification of revenue streams.	Invest in wind data. Engage with project proponent and state government.
O	I	Increased operational efficiency	Medium term	Decreasing operating costs and simplify business operations creating financial benefits to offset costs of adoption and implementation.	Strategic Resource Planning with automated, integrated earned value management, high-quality data collation, analytics, and management.
O	I	Uptake of new technologies in our fleet	Medium term	Reduced operating cost and emissions exposure through implementation of new technology such as biofuel or EVs in fleet.	Implementing new technologies. Introduce electric trucks in our supply chain, increase in biodiesel use.
Market including products & services					
R	D	Geopolitical instability disrupting markets	Medium term	Disruption in supply chains and resource availability causes global instability and migration resulting in reduced revenue leading to financial loss including trade sanctions/tariffs, civil unrest and/or disease.	Diversification of revenue streams; Options for domestic processing.
O	I	Timber market opportunities	Short term	Diversified revenue through opportunities for sustainable sawn timber and chips.	Stakeholder engagement, research and networking. Investigate opportunities for circular economy products such as residue utilisation for renewable diesel and other fibre-based products.

R/O	I/D	Driver / Hazard	Timeframe	Potential impacts on our businesses, strategy, and financial planning	Response measures
Reputation including reputational capital					
O	D	Change in consumer preference for wood products	Medium term	Increased revenue and reputational capital due to consumer demand for wood-based building fabrication products.	Downstream hardwood processing market feasibility assessment, plant co-investment. Mill capex planning.
R	I	Damage to company reputation	Medium term	Reduced revenue or investment due to poor public perception of fauna management.	Support campaigning across wider forestry sector (APFA, World Business Council Sustainable Development); stakeholder engagement strategy; FSC®, RW, PEFC certification. Netting solutions/other forms of non-lethal controls.
R	I	Damage to company's social licence	Medium term	Reduced revenue or investment due to land use competition.	Assessing alternative / mixed use land options and partnering where possible.
Capital flows and finance					
O	I	Increased demand from financial institutions for sustainable asset classes	Short term	Increased valuation in light of increasing demand from investors seeking to tap into "green premium" assets Potential increase in access to capital from lenders with strict ESG requirements	Continue to improve data collected to support sustainability performance, and explore additional opportunities for discounted loans where applicable
Sustainability performance					
Ecosystem protection, restoration, and regeneration					
O	I	Resource efficiency and circular economy activities	Medium term	Diversify revenue streams utilising residues/by-products with favourable public perception.	Explore opportunities with technology partners to utilise plantation by-products and develop into commercial arrangement.
Sustainable use of natural resources					
O	I	Products and services: Biodiversity credit monetarised	Medium term	Increased revenue and revenue diversification through additional sequestration projects.	Natural Capital Report thought leadership and branding; stakeholder engagement strategy and feasibility projects for potential investors.
O	I	Products & Services: Carbon credits	Medium term	Increased revenue and revenue diversification through additional sequestration projects.	Advocacy. Resource and market positioning, strategic plan for carbon options market.

Scenario Analysis

Scenario analysis is used to explore our prioritised climate and nature risks and opportunities (as summarised in Table 1 above). Nature and climate scenario analysis can be carried out via 'top down' and 'bottom up' approaches, both of which we have started to explore. These two complementary methods are valuable for understanding the financial impacts of nature and climate risks and opportunities on our managed assets, as well as implications for business strategy and resilience. Both methods rely on use of measurements and modelling simulating the recent past exposure to understand the baseline climate and nature states and a guide to predict future states.

Top Down 'Normative' Scenario Analysis

The 'top down' approach is most closely aligned with TCFD **climate scenario** guidance. It uses climate projections simulating 'normative' scenarios of environmental and socio-economic futures and global efforts (e.g., Intergovernmental Panel on Climate Change [IPCC]) that reflect different rates of global warming and progress in global efforts to reduce greenhouse gas emissions. Forico has assessed future physical and transition changes under three climate scenarios with qualitative physical and transitional characteristics tailored to Tasmania, aligned to IPCC scenarios. Findings are described in Table 2 below.

Table 2 - Findings from our qualitative state-based scenario analysis for the medium to long term future under three scenarios associated with low to high global warming by 2100.

	Global Action	Business As Usual	Runaway Climate Change
SCENARIO SUMMARY	*The world is moving towards the Paris Agreement goals of global warming under2°C by 2100. Emissions reduction policies led to the countries getting on-track to achieve net zero emissions by 2050.*	*Current global climate targets and policies are met, resulting in global warming of about 3°C by 2100. New energy technologies reduce in costs but limited policy intervention results in low incentive for innovation and an uncoordinated global transition.*	*Limited global climate action leads to more than 4°C global warming by 2100. above pre-industrial levels. Increasing severity in physical risks majorly impacts the planet, varying regionally in severity of impacts.*
PHYSICAL CHANGES	• **Acute:** Moderate increase expected in extreme weather events. • **Chronic:** Moderate rise in average temperature and reduction in rainfall. Areas such as the central highlands may have small gains in productivity and extended growing elevations.	• **Acute:** Increasing strong winds and defoliating insects will have a slight negative impact on operations. • **Chronic:** Small increase in temperature resulting in a slight improvement in productivity. There is a possible comparative advantage in the regions protected from the worst impacts.	• **Acute:** More severe weather events and the lengthening of the fire season will also impact on yield. • **Chronic:** Reduction of frost, higher temperatures, and increased CO_2 will improve productivity in the short to medium term, but possibly not long term.
TRANSITION CHANGES	• **Policy & Legal:** Carbon prices are rising globally, changing the business case for natural climate solutions. • **Markets:** Sustainable forest management and working forests recognised as a natural climate solution and increasing consumer preferences for products seen as better for the environment. There is an Increasing demand for wood as a construction material. • **Reputation:** Stakeholders and customers increasingly focus on emissions intensity of their supply chains.	• **Policy & Legal:** Patchy policies and carbon prices drive limited investment in low carbon solutions • **Markets:** The market for wood products is fragmented, with strong drivers such as strong global trade, as some countries deal with supply-demand imbalances exacerbated by climate change induced supply disruptions (e.g., pests in some regions), which may create some temporary oversupply. • **Reputation:** Some stakeholders/customers put a lot of emphasis on carbon while others focus on price or other sustainability aspects (such as forest certification).	• **Policy & Legal:** Production costs are impacted by the physical climate impacts (delays and disruptions) more than regulatory measures. • **Markets:** Less opportunities for product diversification than in other scenarios. • **Reputation:** Competition exists between agriculture and forestry for securing reliable productive land banks due to growing demand for food and wood products and reducing overall suitable land. Customer focus is on the resilience of companies supply chain as opposed to the emissions intensity.

Bottom Up 'Exploratory' Scenario Analysis

In the absence of a singular global target for nature loss and the locationally-specific nature of the challenge, a different approach is recommended by the TNFD for **nature scenario** analysis. This 'bottom up' approach uses 'exploratory' scenarios to explore a range of plausible futures based on how different critical uncertainties may play out in future. The two critical uncertainties recommended for consideration by the TNFD are the rate of ecosystem service degradation, and the alignment of

market and non-market forces. This approach follows the TNFD's "LEAP" approach for understanding and responding to nature-related risks and opportunities[7]

We have begun our exploratory scenario analysis by hosting multi-day workshops with internal stakeholders. Leveraging a Natural Capital Protocol aligned methodology, these workshops referenced qualitative scenarios, which considered plausible futures and implications for our nature and climate impacts and dependencies.

Since the commencement of Forico in 2014, a comprehensive annual program of assessing and mapping the fauna and flora values present within the plantation and natural vegetation that we manage has been completed. Improving our knowledge of these natural values, has enabled Forico to credibly communicate through to our stakeholders the ecosystem services that are known to occur within the Forico managed resource. Where management intervention is recommended following a monitoring assessment to maintain or enhance the biodiversity and conservation values, then a structured program is implemented often in collaboration with adjacent land managers to deliver greater positive outcomes at a landscape level.

3PG Project summary

Since July 2019, Forico has partnered with the CSIRO on a multi-year project "*Towards Adaptable Growth and Yield for Forico's Future Plantation Production - Application of the 3-PG model".* 3-PG refers to Physiological Processes in Predicting Growth and this project has been ground truthing complex growth models using climate, soils and species data as inputs and actual inventory data to verify model outputs. Early results show strong correlation between modelled and actual growth. This customised and ground-truthed model can be used to simulate future climate events to predict yield responses. Next phases of this project include:

- Simulating a draft climate change scenario model for Radiata Pine (*Pinus radiata*) and Shining Gum (*Eucalyptus nitens*) for resilience testing and strategic decision making; and
- Simulating a water deficit or stress model to indicate threshold levels for plantation survival based on age.

This project complements other technical scenario analysis approaches we have conducted to inform an understanding of our exposure to climate and nature-related risks and opportunities. This includes a 2022 analysis of changes in the suitability of the Tasmanian landscape for our commercially important plantation species under different climate scenarios, referencing 2030 and 2050 timeframes.

Resilience of our Strategy

Forico recognises the importance of climate and nature impacts on plantation operations, investment returns and business productivity. We already incorporate nature and climate risks and opportunities into our corporate strategy through our strategic planning process. We have identified the priority risks and opportunities for value creation for our business.

Our strategy focusses on a holistic approach of total resource utilisation at a landscape level – seeking sustainable value creation from every asset including, but not limited to land, plantations,

[7] The LEAP approach encourages users to **L**ocate their interface with nature, **E**valuate their dependencies and impacts on nature, **A**ssess corresponding risks and opportunities, and **P**repare to respond to nature-related risks and opportunities and report on progress. Refer to the TNFD Global for further detail.

natural forests and non-forest, water, wind, solar, biomass, natural capital, carbon, non-timber forest products, and recreational activities.

The results of the scenario analysis were first embedded into our 2021/22 strategic plan and have been reviewed each subsequent year. In 2024 and beyond, we are planning to stress test our corporate strategy and estate quantitatively to identify which regions/parts of the estate are most impacted by climate now and in future, and estimate associated financial impacts across our value chain.

Our interface with sensitive locations

As a sustainable forest asset manager with direct impacts on nature and dependencies on the ecosystem services it provides, monitoring and managing the state of the ecosystems we interface with is essential to the sustainability of our business. While we have yet to conduct a comprehensive assessment of the priority ecosystems we interface with using the TNFD's LEAP methodology, we do collect and use data on the health, condition and vitality of the ecosystems we work within and rely upon. For example:

- **Biodiversity importance:** We have developed an innovative "biodiversity heatmap", which uses spatial mapping, known species locations and habitat modelling to map biodiversity values in our natural forest and plantation areas.
- **Ecosystem integrity (managed natural forests and non-forests):** Vegetation Condition Assessments (VCAs) allow us to monitor the extent and condition of the natural forest and non-forest vegetation we manage, with periodic monitoring providing insight into change over time. Our VCA methodology has received endorsement from Accounting for Nature's (AfN) Science Accreditation Committee and through FSC® Ecosystem Services success, demonstrating the scientific rigour of our approach. Consequently, we were audited to the AfN approved methodology in June 2023 with a successful outcome.
- **Ecosystem integrity (plantations):** In 2022, in partnership with Ecological Australia, we conducted a fauna survey of the area in and around our northern Surrey Hills operations. This includes our mid-elevation plantations as well as adjacent wet-sclerophyll forests, rainforests, and acacia melanoxylon vegetation types. Mapping biodiversity values in the region has helped us build an understanding of how plantation age and nearby native vegetation impacts the abundance and diversity of fauna in the area.
- **High physical water risk:** We have assessed water stress in our key areas of operation and note no areas of high risk. Refer to the "Water" section in our Natural Capital Report, where we present some of the key metrics we use to assess and sustainably manage the catchments we interface with. This includes water and sediment flows, as well as riparian corridor management and rehabilitation, which is conducted in compliance with our operation Forest Practice Plans and associated legal planning obligations.

Forico recognises risks and opportunities posed by nature loss and climate change as part of our wider strategic planning. Forico continues developing our understanding and mitigating the effects of our operations on nature and climate including expanding biodiversity heatmapping, leveraging the ecosystem integrity, integrating circular economy nature-based solutions, and balancing the trade-offs in our supply chain.

Figure 2 - GIS heatmap of Forico's Woolnorth biodiversity profile

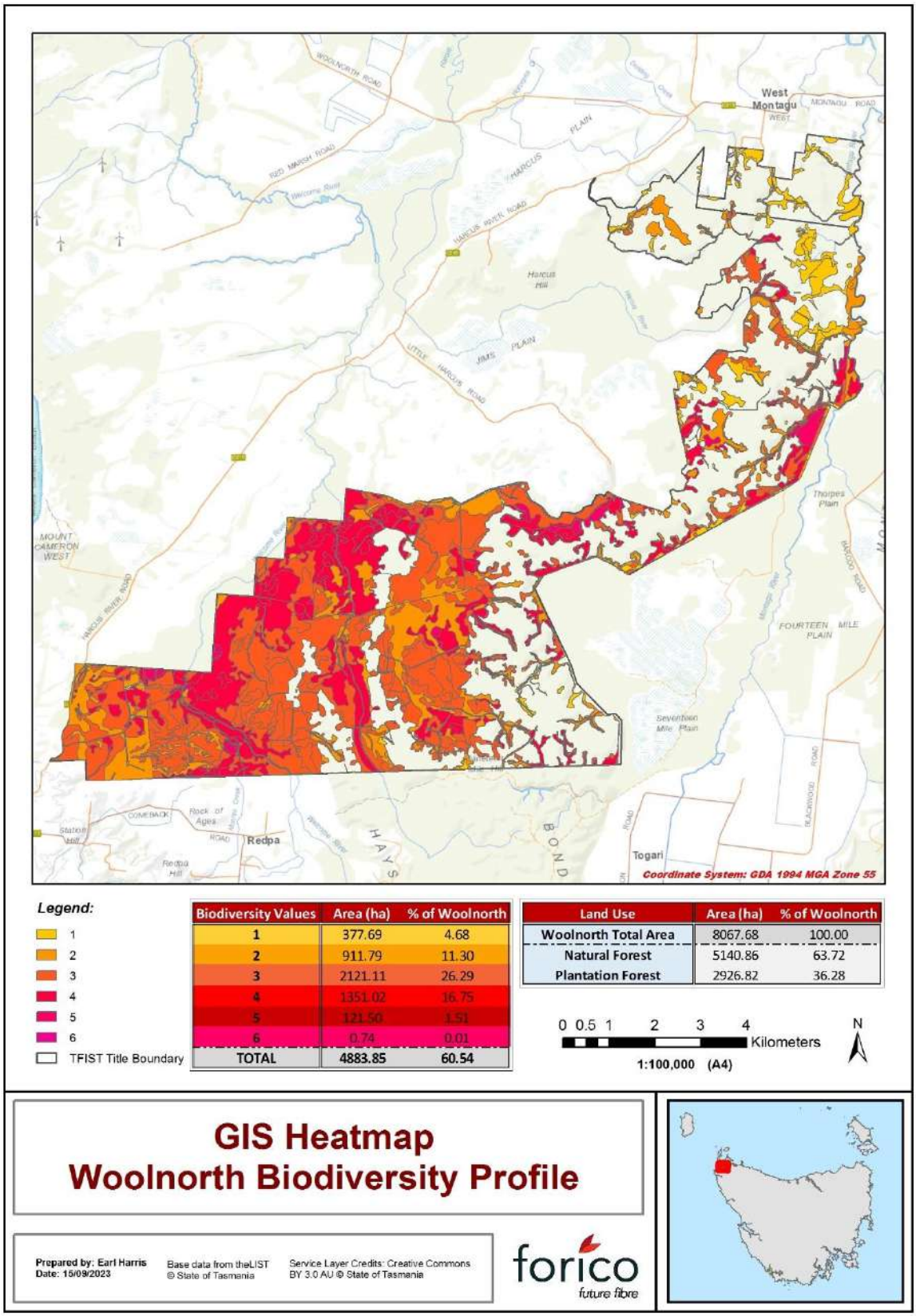
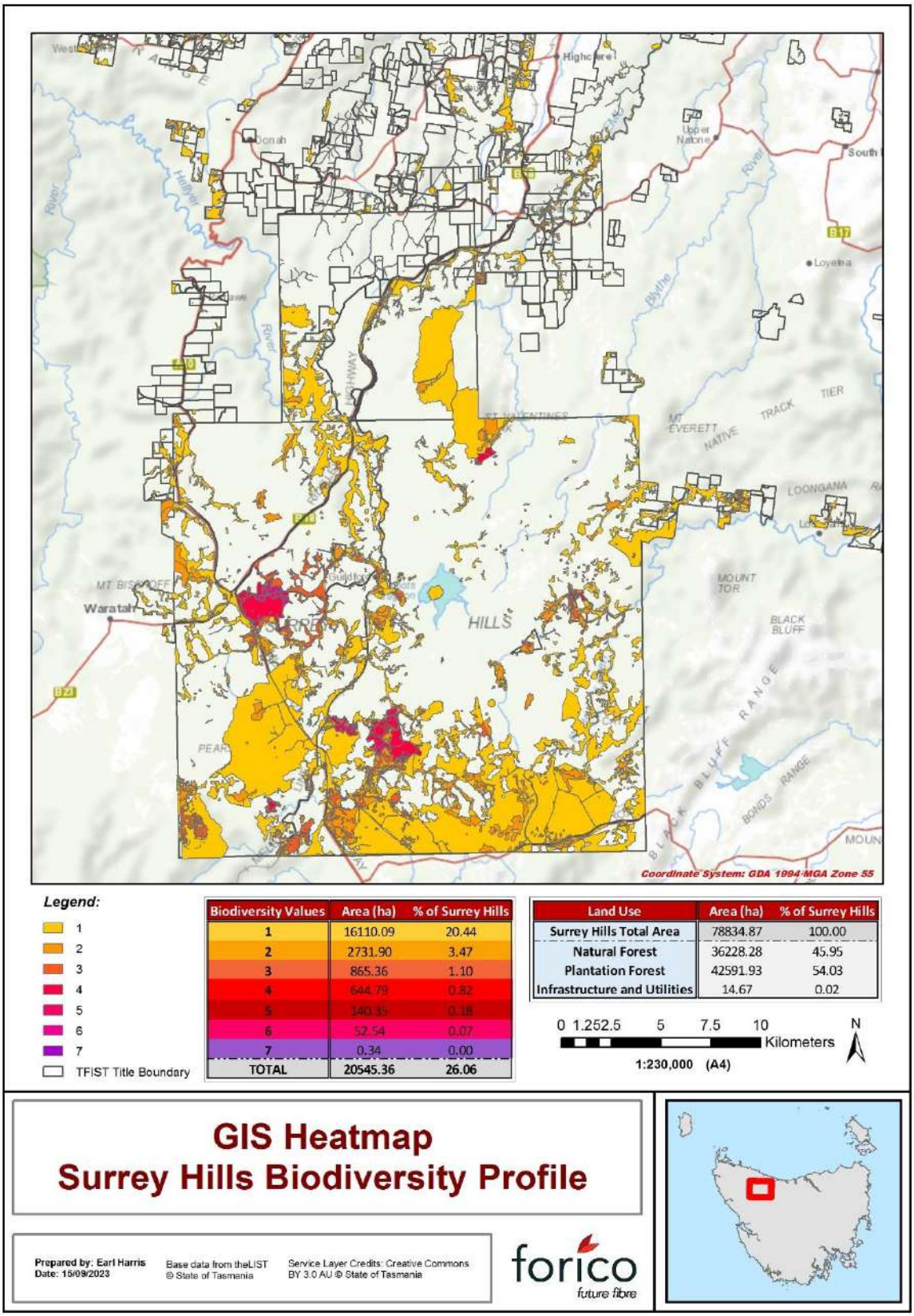


Figure 3 - GIS heatmap of Forico's Surrey Hills biodiversity profile



Risk & Impact Management

Identifying, assessing, and managing our impacts and dependencies on nature

Consistent with the Natural Capital Protocol Framework, we have conducted a materiality assessment of our impacts and dependencies on nature, with consideration of our direct operations and upstream and downstream value chains to the extent allowed by the available data. To ensure this is rigorous and context-specific, our assessment was informed by CSIRO's Natural Capital Risk Assessment for Australian Forestry. In the future we will further consider additional upstream and downstream value chains.

The results of this materiality assessment have been used to inform the content of our Natural Capital Report. While not explicitly integrated into our assessment process, this deep understanding of our impacts and dependencies on nature have no doubt informed our identification and assessment of the strategic risks and opportunities relevant to our business, and how we manage these.

Risk and opportunity metrics and targets

As a sustainable forest asset manager, we understand that climate and nature are inextricable parts of our business. In response we have deeply embedded these issues in our long-standing enterprise risk and opportunity management process:

1. **Identify** risks and opportunities, and record in the Risks & Opportunities Register.
2. **Assess** using Risk Appetite Statement as well as likelihood and benefit/consequence assessment criteria.
3. **Evaluate** the priority of risks and opportunities using the Risk and Opportunity Matrix.
4. **Treat and Mitigate** high priority risks and opportunities by identifying options and developing a response plan.
5. **Monitor and Review** risks and opportunities, in some cases using KPIs.
6. **Communicate and Consult** with key stakeholders throughout the management of risks and opportunities.

Climate and nature risks and opportunities are assessed using the same systematic approach used for other strategic risks and opportunities to the business, applying the same risk appetite statement, likelihood and benefit/consequence assessment criteria, and visualised in our risk and opportunity matrix. Risks, opportunities and associated mitigation actions are recorded in the strategic risks and opportunities register. Management reports any material changes to the assessment of risks and opportunities to the Board on a quarterly basis. The Forico Significant Incident Investigation Standard Guidelines for Reporting Material Matters to the Board and Directors Policy, requires the escalation of any environmentally significant events to the Board within 24 hours of identification of the issue. This includes 5 major but not catastrophic events for the Financial Year 2023.

In October 2021, Executive Management underwent a process of identifying and assessing strategic risks and opportunities to inform Forico's FY22-27 Strategic Plan, which is shared with Investors via our Fund Manager, New Forests. We assessed the likelihood and consequences of all our nature and climate risks and opportunities out to 2070 under a high emission ('business as usual') climate scenario.

Forico understands there are material opportunities developing in the medium term (2035), including alternative fuels, electric vehicle replacements for wood fibre cartage, residue utilisation, water rights, and changes in consumer preferences for wood products. In the long term (2070), favourable climate change predictions for Tasmania relative to other regions may potentially give the forest resource material yield improvements and growth rates.

Managing climate and nature risks and opportunities

Management is responsible for developing a Strategic Priority Projects (SPP) Plan to mitigate the highest priority risks and realise the highest priority opportunities summarised in *Strategy*. SPPs are actionable, five-year plans with clearly defined objectives, budgets, timeframes, and KPIs, and are each led by a member of Senior Management team. The draft SPP Plan is recommended by Management to the Board and Fund Manager for review and approval. Once approval is obtained, Management leads the design and implementation of initiatives, tasks, and staff KPIs to enable achievement of the SPPs.

Risks and opportunities assessed as being "Extreme" or "High" are also profiled in the Quarterly Board Report. For our Strategic Plan, Forico has developed SPPs for the five opportunities and three risks ranked as "High". Of these projects, four are categorised as directly impacting natural capital. These are:

OPPs to address "high" and "medium" risks	SPPs to address "high" and "medium" opportunities
• Wildfire prevention, early detection and response management. • Understand and manage potential impacts of drought risk on plantation productivity. • Proactive monitoring of estate for biosecurity risks; biosecurity incident early detection and response plan.	• Natural Capital Monetisation. • Saw-line and Engineered Timber Products. • Wind Farm Development. • Residue Utilisation via e-Fuels.

Integration of climate and nature into our Enterprise Risk and Opportunity Management

In April 2022, we adopted a Strategic Risk and Opportunity Framework to complement our existing Operational Risk Management Framework. Together, these two structures form our Enterprise Risk and Opportunity Management Framework, shaping our approach to managing climate and nature risks and opportunities at both strategic and operational levels. Our *Strategic Risk and Opportunity Framework* describes the Board and Management's responsibilities for managing "big picture" risks and opportunities: namely, those with potential implications so significant that they should be considered in the design and implementation of Forico's strategy.

The content of this framework is informed by the Asset Level Strategic Plan provided by our fund manager, which was updated in 2021 to require the inclusion of TCFD risk assessment. The “six capitals” approach, which includes natural capital, also shapes how we categorise risks and opportunities. In this way, both climate and nature are essential components of our enterprise risk and opportunity management.

Simultaneously, our *Operational Risk Management Framework*, as described in our Risk Management Policy and Risk Management Procedure, provides a methodology for day-to-day management of health, safety and environmental risks in the workplace. This document is a critical structure for managing and mitigating any nature-related hazards and risks which may arise from our operations, providing coverage of on- and off-site harm to areas of environmental value.

Enterprise Risk Management Framework Including the Risk Appetite Statement and the Risk and Opportunity Register	
Strategic Risks and Opportunity Framework • **Informs strategic decision-making** • **Considers causes external to Forico which, should they occur, may be serious enough to merit a change in strategic direction** • **Managed by Board and Executive Management.**	**Operational Risk Management Framework** • Informs day-to-day operational duties • Considers causes internal or external to Forico which, should they occur, may impact the achievement of Forico’s current strategy • Managed by the business management and escalated to Board where Catastrophic / Major.

Next Steps in management of our risks and opportunities

For future strategic risk and opportunity assessments, we intend to build a deeper understanding of the potential cost and capital impacts which could result from the realisation of climate and nature risks and opportunities, particularly over the short-term transition period. We also plan to refine our process for assessing nature-related dependencies, impacts, risks, and opportunities across our value chain, and aspire to involve key stakeholders more explicitly in our overall assessment of both direct and value chain risks and opportunities. When assessing the potential implications of climate and nature risks and opportunities for our strategy, in future periods we intend to better consider the potential trade-offs between climate and nature-related issues, and the implications this might have for the diversification of our portfolio and value chain.

Metrics and Targets

Forico aims to embed climate and nature in all our actions and decision-making processes, underpinned by transparent metrics and targets. Every year since 2020, we have published our Natural Capital Reports, which include a broad scope of operational metrics related to our activities to drive better outcomes for our business, understand impact trends and correlations between actions and impacts, the natural environment, and the Tasmanian community. While not explicitly developed to inform TCFD- or TNFD-aligned disclosures, many metrics provided in the Natural Capital Reports provide insights into our nature-related impacts, dependencies, risks and opportunities on nature.

We are conscious that reporting to date has largely focused on baselining and understanding current impact and dependencies. From this year and as part of a wider TCFD and TNFD program we aim to start setting measurable targets for continuous improvement.

Metrics in this report have been selected to align, where possible, with both guidance from the TCFD and the TNFD beta framework v0.4. This includes:

- The 9 'core' disclosure indicators (plus GHG emissions) relating to impacts and dependencies on nature. Each is aligned with the Global Biodiversity Framework (GBF) Targets. Note that some of these targets refer users to sector-specific guidance, which has yet to be released for the Forestry and Paper sector. Many of Forico's targets and goals align to GBF targets as detailed in Table 3.
- The five 'core' recommended disclosure indicators for risks and opportunities, as well as other optional indicators where relevant data is available.
- Relevant response metrics, which describe the extent of action being taken by Forico to address nature-related issues and associated with Greenhouse Gas (GHG) emission reduction.
- In some instances, we have also included relevant metrics we use to measure our performance against relevant Sustainable Development Goals (SDGs):
    - Goal 8 (Decent work and economic growth);
    - Goal 12 (Responsible consumption and production);
    - Goal 13 (Climate Action); and
    - Goal15 (Life on Land).

Reporting against these metrics is a work in process. We are aligning our data collection and analysis processes with the TNFD and TCFD recommended disclosures. As such, our disclosures against recommended TNFD and TCFD metrics are for the moment incomplete. For now, our targets are mostly qualitative; however, where appropriate, we have begun the process of defining quantitative targets for inclusion in future disclosures over the next twelve to twenty-four months.

Impacts and dependencies metrics and targets

The table below is a summary of Forico's metrics, and qualitative or quantitative targets associated with TNFD core indicators. GHG scope emissions are relevant to both TCFD and TNFD frameworks. We have provided our current state of these metrics if they are already being collected.

Table 3 - Organisation-level nature and climate impacts and dependencies core metrics based on the core metrics in the TNFD Annexes Table 1 guidance[8] and aligned to TCFD emission metric guidance. Our current state estimates are for the year ended 30 June 2022.

Category	TNFD/TCFD Indicator	Our Metric	Our Current State (for the year ended 30 June 2022)	2022 NCR Reference	Status
Climate Change	GHG emissions	Scope 1	22,800 tCO_2-e	Note 5. Scope 1, 2 and 3 Carbon Emissions, p64	Forico are in the process of developing GHG emission targets aligned to the GHG protocol and Paris Agreement. We are undertaking a detailed assessment of our scope 3 emissions including assessment of scope 3 across our domestic and international value chains. In relation to GBF target #7, Forico has procedures in place to ensure operational control measures are implemented when using pesticides and fertilisers across its estate to reduce pollution risks aligned to our Environmental Sustainability Policy and certification obligations.
		Scope 2	1,050 tCO_2-e		
		Scope 3	90,100 tCO_2-e[9]		
Land/ freshwater/ ocean use change	Total extent of land/ freshwater/ ocean use change	Total area of natural forest under management	77,024 ha	Key Sustainability Indicators, p30	Forico has an internal Resource Information team of GIS analysts who manage the identification and currency of spatial records and data
		Total area of plantation forest under management	90,483 ha		
		Area of freshwater catchment in Forest Management Unit (FMU)	173,611 ha	Note 6a. Water provisioning services, p65	
		Total area of Forico managed productive plantation in catchment.	88,375 ha		
		Total area of natural forest restoration / rehabilitation[10]	12.3 ha	Key Sustainability Indicators, p30	
		Total length of streamside rehabilitated	1.7 km		
	Land/ freshwater/ ocean-use change in prioritised ecosystems	Information on prioritised ecosystems to be provided in sector-specific guidance, which is yet to be issued. However, Forico does undertake its own analysis of key ecosystems through monitoring together with the development of a biodiversity heatmap.		N/A	

[8] Based on v0.4 which was available through the compilation of this illustrative disclosure.
[9] Includes Category 4, 5, 6, 7, and 11 Scope 3 emissions. Forico are in the process of developing GHG emission targets aligned to the GHG protocol and Paris Agreement. We are undertaking a detailed assessment of our scope 3 emissions including assessment of scope 3 across our domestic and international value chains.
[10] Total area of natural forest restoration/rehabilitation 2017-2022 = 323 ha. Total area of streamside rehabilitation 2017-2022 = 49 kms.

Category	TNFD/TCFD Indicator	Our Metric	Our Current State (for the year ended 30 June 2022)	2022 NCR Reference	Status
Pollution/ pollution removal	Total pollutants released to soil split by type[11]	Total amount of solid waste	251t landfilled waste 22,295t composted organic waste	N/A	In relation to GBF target #7, Forico use slow-release fertilisers and uses pesticides judiciously. Forico tests identified watercourses on our estates for pollutants as part of certification and compliance. Our environmental monitoring results are documented for key sites such as Surrey Hills Mill and Long Reach Mill. Whilst we do not have a quantitative measurement for volume, our qualitative monitoring is conducted and voluntarily reported to the appropriate water authority or Environmental Protection Authority. We are working towards alternate and biodegradable / compostable materials for any seedling netting deployed throughout our estate. We are currently actively working with potential suppliers for viable solutions.
		Total amount of fertilisers used.	12t Nitrogen Fertilisers	Note 5 – Scope 1,2 & 3 Emissions, p64	
		Total amount of pesticides used.	Pesticides – (by active ingredient) Volumes recorded and reported to regulatory authorities	N/A	
	Volume of wastewater discharged and concentrations of key pollutants in the wastewater discharged	Total amount	Water discharges are monitored at each site for pollutants	N/A	
	Total amount of hazardous waste generated	Forico does not currently collect this data as potential impact is not considered material		N/A	
	Total non-GHG air pollutants	Forico does not currently collect this data as potential impact is not considered material		N/A	
Resource use/ replenishment	Water withdrawal and consumption from areas of water stress	Forico does not withdraw from any areas identified as being under water stress.		N/A	Related to GBF target #11, Forico have an annual natural forest budget to maintain and/or improve native forests that is evaluated and re-prioritised for restoration (if necessary) annually. In relation to GBF target #5, Forico do not harvest or trade rare, threatened, and endangered species. Forico does not harvest timber from native forests. Forico does sustainably harvest non-timber forest products such as honey and pepper berries. Harvesting of natural commodities is regulated by internal Forico policies to ensure sustainable harvest methods and timeframes are adopted.
	Quantity of high-risk natural commodities* sourced from land/ ocean/ freshwater*	Total amount of harvested and grown Eucalypt trees	1,365,013 harvested, 1,219,472 grown	Key Sustainability Indicators, p30	
		Total amount of harvested and grown Radiata trees	45,853 harvested, 116,537 grown		
		Nursery plantation seedlings sown	6.7 million		
	Quantity of natural commodities sourced from priority ecosystems	Wild honey	5000kg	Responsible consumption & production, p22-23	
		Pepper berries	825kgs		

* As per Science Based Targets Network (SBTN) High Impact Commodity List (HICL), which includes timber.

[11] Pollutants includes numerous substances and environmental factors, however in our disclosures the most relevant pollutants are solid waste, fertilisers, pesticides, wastewater, and hazardous waste.

Risk and opportunity metrics and targets

The table below summarises the TNFD core[12] and TCFD guidance metrics associated with our risks and opportunities in *Strategy*.

Table 4 | Organisation-level nature and climate risk and opportunity disclosure indicators and metrics.

Category	Metric	Forico's Progress and Targets
Nature and Climate Risks	(TNFD Core) Proportion and total annual revenue exposed to 1) physical risks and 2) transition risks.	Our estate is exposed to wildfires, drought, biosecurity incursion, geopolitical instability disrupting markets, and foreign exchange pressuring commodity pricing. Future quantitative scenario analysis will be combined with our asset value and revenue to understand future financial exposure and subsequent development of a proportion of our portfolio exposed to physical and transition nature and climate risks.
	(TNFD Core) Proportion and value of assets exposed to nature-related 1) physical risks and 2) transition risks.	
	(TCFD) Amount and extent of assets or business activities vulnerable to transition risks	
	(TCFD) Amount and extent of assets or business activities vulnerable to physical risks	
	(TNFD Core) Proportion and value of assets/total annual revenue exposed to risks by risk ratings (for example, high, medium, low)	We have begun rating priority risks and opportunities out to 2070 (see Risk Management). We are planning to continue this process in future and include the distribution of revenue exposed to risks.
	(TNFD Core) Proportion and total annual revenue/value of assets with substantial dependence on ecosystem services or with a high impact on nature.	Our Natural Capital Report acknowledges that our operations and revenue rely wholly on ecosystem services.
Nature and Climate Opportunities and Capital	(TNFD Core) Value of capital allocated to nature-related opportunities, by type of opportunity, with reference to a government or regulator green investment taxonomy.	Further work will be required to enable quantitative disclosure against this metric. However, our qualitative analysis to date has identified nature opportunities related to increase in yield production due to warmer temperatures and higher CO_2 concentration. We also acknowledge that increase in residues utilised in circular economy represents an opportunity for us.
	(TCFD) Proportion of revenue, assets, or other business activities aligned with climate-related opportunities	Using quantitative scenario analysis in 2023 and beyond, we will develop value metrics and targets associated with our prioritised nature and climate opportunities associated with temperature rise, resource efficiency & circular economy projects, biodiversity and carbon credits, and market consumer changes in wood product preferences.
	(TCFD) Amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities	We have started to estimate our losses related to R&Os and refining investment in adaptation and mitigation.
Internal Carbon Pricing	(TCFD) Price on each ton of GHG emissions used internally by an organization	Based on NCR 2022 this is $35 per t CO_2.
Remuneration	(TCFD) Proportion of executive management remuneration linked to climate considerations	Our Employee Bonus Plan awards a 3% for sustainability-linked initiatives such as waste reduction.

[12] https://tnfd.global/

Response Metrics

The response metrics detailed below support our management of upcoming nature and climate related market opportunities.

Category	Metric	Quantity
Changes to nature (dependency and impact): mitigation hierarchy steps	Circular material use rate (%)	Forico is looking to better utilise by-products and forestry residues with a dedicated strategic priority project for FY24 to review the feasibility of alternative options.
	Credible and transparent third-party certification: % and/or value of production, consumption and sourcing of raw materials, per certification type	**Long Reach Mill** FSC® Mix & Responsible Wood FSC® Mix & Responsible Wood **Burnie Port** FSC® Mix & Responsible Wood
	Production, consumption and sourcing of raw materials that is traceable (%)	100%
	Restoration of negatively impacted ecosystems (investment and extent) split into ecosystem/biome type and split into: • Required by regulation Forest Practice Plans regulated under FPA (Forest Practice Authority) • Required by certifier – not required but additional undertaking for FSC® for Ecosystem Services Demonstration completed • Voluntary – Natural Forest Operations Plan	Total area restored for FY22 – 12.3ha Natural Forest rehabilitation 1.7 kms Streamside rehabilitation
Voluntary conservation, restoration and regeneration	Extent, duration and monitoring frequency of voluntary ecosystem restoration projects Targeted sustainability programs – rehabilitation, weed control, ecological burning.	12 new VCA/s year
Participation in voluntary and mandatory credit market schemes	Australian Carbon Credit Units (ACCUs) generated through the Emissions Reduction Fund	No of ACCUs generated per year FY22 – 22,112 KACCUs

Our Roadmap towards Resilience

Forico sees proactive and integrated action on nature and climate as central to growing business resilience in the coming years. Through the scenario analysis process, and in alignment with our focus on sustainable and climate resilient business practices, we have identified three main strategic objectives to support a more nature and climate resilient business:

1. **Lowering our Scope 3 emissions**
2. **Building circular economy into business practices**
3. **Growing future value of the natural environment.**

Our adaptation, mitigation, and forest management can be enhanced via the activities below with key strategic activities bolded.

Governance	**Operations** • **Further investigating activities for farms and residue utilisation** **Value Chain** • **Engagement with top suppliers to support their GHG emission reporting and partner for aligned emission reduction** • Incorporating more sustainable end markets and consideration of fossil fuel replacements across our value chain • Expanded nature and climate education and training beyond operational staff and extending to contractors and investors
Strategy	**Operations and Value Chain** • **Expanding scenario analysis to quantitatively understand localised impacts on our estate, including expansion of our 3PG growth modelling** • Conducting qualitative scenario analysis for nature aligned to the LEAP framework across our value chain, including consideration of tipping points • Consider tipping points in nature scenario analysis
Risk Management	**Operations** • Better understand the costs and capital of climate and nature related impacts on Forico in the short-term transition period, associated with return and risks • Uptake of silviculture practices for enhanced forestry management (e.g., residues, tree planting, preparing land and markets for all the residues) **Value Chain** • Refine our process for identifying and assessing upstream, downstream, and financed nature-related dependencies, impacts, risks, and opportunities • **Long term implementation of wind and renewable energy / diesel and circular** economy **practices**
Metrics and Targets	**Operations** • Developing metrics and targets particularly on asset and portfolio exposure to nature and climate risks and opportunities **Value Chain** • Expanding scope 3 emissions and developing reduction pathways • Developing renewable energy, circular economy and waste reduction metrics and targets to align with our key strategic objectives

Appendices

Glossary of terms

Circular economy	Economic system that uses a systemic approach to maintain a circular flow of resources, by regenerating, retaining or adding to their value, while contributing to sustainable development.
Decarbonisation	Reducing and removing greenhouse gas outputs and increasing the use of energy efficient, low or zero emission products and services. Includes lessening our reliance on products and services that have greater carbon emissions than others.
Ecosystem	A dynamic complex of plant, animal, and microorganism communities and the nonliving environment, interacting as a functional unit.
Ecosystem Services	Ecosystem services are the benefits people obtain from ecosystems. These include *provisioning services* such as food and water; *regulating services* such as flood and disease control; *cultural services* such as spiritual, recreational, and cultural benefits; and *supporting services*, such as nutrient cycling, that maintain the conditions for life on Earth.
FSC®	The Forest Stewardship Council® is an international, non-governmental organisation dedicated to promoting responsible management of the world's forests.
GHG Protocol	Greenhouse Gas Protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions.
GRI	Global Reporting Initiative is an international independent standards organisation that helps businesses, governments and other organisations understand and communicate their impacts on issues such as climate change, human rights and corruption.
IPCC	The Intergovernmental Panel on Climate Change (IPCC) is an intergovernmental body of the United Nations. Its job is to advance scientific knowledge about climate change caused by human activities.
IEA	The International Energy Agency (IEA) is a Paris-based autonomous intergovernmental organisation, established in 1974, that provides policy recommendations, analysis and data on the entire global energy sector.
ISO14001	ISO 14001 sets out the criteria for an environmental management system and can be certified to. It maps out a framework that a company or organization can follow to set up an effective environmental management system.
ISSB	International Sustainability Standards Board is responsible for developing IFRS Sustainability Disclosure Standards to provide a truly global baseline of high-quality, comprehensive sustainability disclosures.
LEAP Approach	LEAP is a voluntary integrated assessment process for nature-related risk and opportunity management recommended by the TNFD, structured according to four key phases: • **Locate** your interface with nature; • **Evaluate** your dependencies and impacts; • **Assess** your risks and opportunities; and • **Prepare** to respond to nature-related risks and opportunities and report.
Natural Capital	The stock of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people.
Nature-positive	A high-level goal and concept describing a future state of nature (e.g. biodiversity, *ecosystem services and natural capital*) which is greater than the current state.
Nature-based solutions	Actions to protect, sustainably manage and restore natural or modified ecosystems that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits.
NGFS	The Network for Greening the Financial System (NGFS) is a group of Central Banks and Supervisors willing, on a voluntary basis, to exchange experiences, share best practices, contribute to the development of environment and climate risk management in the financial sector, and to mobilize mainstream finance to support the transition toward a sustainable economy.
Paris Agreement	The Paris Agreement is a legally binding international treaty on climate change which was adopted by 196 Parties at the UN Climate Change Conference (COP21) in Paris, France, on 12 December 2015. Its overarching goal is to hold "the increase in the global average temperature to well below 2°C above pre-industrial levels" and pursue efforts "to limit the temperature increase to 1.5°C above pre-industrial levels."
PEFC	Programme for the Endorsement of Forest Certification is an international non-profit organisation dedicated to promoting responsible forest management and preservation.

RCP	Representative Concentration Pathways (RCP) are scenarios that include time series of emissions and concentrations of the full suite of greenhouse gases and aerosols and chemically active gases, as well as land use/land cover.
Rehabilitation	Measures taken to rehabilitate degraded ecosystems or restore cleared ecosystems following exposure to impacts that cannot be completely avoided and/ or minimised. Rehabilitation emphasises the reparation of ecosystem processes, productivity and services, whereas the goals of restoration also include the re-establishment of the pre-existing biotic integrity in terms of species composition and community structure.
Resilience	The level of disturbance that an ecosystem or society can undergo without crossing a threshold that creates different structures or outputs.
Responsible Wood	Responsible Wood is a member of PEFC International and a national forest certification system for forest owners and managers in Australia and New Zealand to demonstrate sustainable forest management and show commitment to economic, social, and environmental responsibility.
Restoration	Any intentional activities that initiate or accelerates the recovery of an ecosystem from a degraded state.
Scope 1	Scope 1 emissions are direct GHG emissions from facilities where Forico has operational control.
Scope 2	Scope 2 emissions are indirect GHG emissions from purchased energy (electricity and/or heating, cooling and steam if any) at facilities where Forico has operational control.
Scope 3	Scope 3 emissions are all other indirect GHG emissions resulting from activities in Forico's value chain but outside of our operational control.
SSP	Shared Socio-economic Pathways are scenarios of projected socioeconomic global changes up to 2100. They are used to derive greenhouse gas emissions scenarios with different climate policies.
Water stress	Ability, or lack thereof, to meet the human and ecological demand for water. Water stress can refer to the availability, quality, or accessibility of water. Water stress is based on subjective elements and is assessed differently depending on societal values, such as the suitability of water for drinking or the requirements to be afforded to ecosystems. Water stress in an area may be measured at catchment level at a minimum.

TNFD/TCFD Content Index

Pillar	Disclosure	Location
TNFD v0.4 Beta Framework		
Governance	A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.	*Oversight through our Board and sub-committees,* p6
	B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	*Management of climate and nature risks and opportunities,* p7
Strategy	A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium, and long term.	*Risks and Opportunities,* p8-10
	B. Describe the effect nature-related risks and opportunities have had and may have on the organisation's businesses, strategy, and financial planning.	*Risks and Opportunities,* p8-10
	C. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.	*Scenario Analysis,* p11-13
	D. Disclose the locations where there are assets and/or activities in the organisation's direct operations, and upstream and/or downstream and/or financed where relevant, that are in priority areas.	*Our interface with priority ecosystems,* p13-14
Risk & Impact Management	A. (i) Describe the organisation's processes for identifying and assessing nature-related dependencies, impacts, risks and opportunities in its direct operations.	*Identifying and assessing our climate and nature risks and opportunities,* p15-16 *Identifying, assessing, and managing our impacts and dependencies on nature,* p15
	A. (ii) Describe the organisation's approach to identifying nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s) and financed activities and assets.	*Identifying, assessing, and managing our impacts and dependencies on nature,* p15
	B. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities and actions taken in light of these processes.	*Managing climate and nature risks and opportunities,* p16-17
	C. Describe how processes for identifying, assessing and managing nature-related risks are integrated into the organisation's overall risk management.	*Integration of climate and nature into our Enterprise Risk and Opportunity Management,* p17
	D. Describe how affected stakeholders are engaged by the organisation in its assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	*Engaging our stakeholders,* p17-18
Metrics & Targets	A. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.	*Metrics and targets,* p23
	B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.	*Metrics and targets,* p19-22
	C. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.	*Metrics and targets,* p19-24

Pillar	Disclosure	Location
TCFD Framework		
Governance	a. Describe the board's oversight of climate-related risks and opportunities.	*Oversight through our Board and sub-committees,* p6
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	*Management of climate and nature risks and opportunities,* p7
Strategy	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	*Risks and Opportunities,* p8-10
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	*Risks and Opportunities,* p8-10
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	*Scenario Analysis,* p11-13
Risk & Impact Management	a. Describe the organization's processes for identifying and assessing climate-related risks.	*Identifying and assessing our climate and nature risks and opportunities,* p15-16
	b. Describe the organization's processes for managing climate-related risks.	*Managing climate and nature risks and opportunities,* p16-17
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	*Integration of climate and nature into our Enterprise Risk and Opportunity Management,* p17
Metrics	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	*Metrics and targets,* p23
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	*Metrics and targets,* p19
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	*Metrics and targets,* p19-24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