



SUSTAINABILITY ACCOUNTING STANDARD  
RENEWABLE RESOURCES & ALTERNATIVE ENERGY SECTOR

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# FORESTRY & LOGGING

## Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #RR0201

Prepared by the  
Sustainability Accounting Standards Board®

December 2015  
Provisional Standard

# FORESTRY & LOGGING

## Sustainability Accounting Standard

### About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly-listed corporations in the U.S. in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization. Through 2016, SASB is developing standards for 79 industries in 10 sectors.

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# INTRODUCTION

## Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for the Forestry & Logging industry.

SASB Sustainability Accounting Standards are comprised of **(1) disclosure guidance and (2) accounting standards on sustainability topics** for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as the Form 10-Q, Form S-1, and Form 8-K.

SASB Standards identify sustainability topics at an industry level, which may constitute material information—depending on a company’s specific operating context—for a company within that industry. SASB Standards are intended to provide guidance to company management, which is ultimately responsible for determining which information is material and should therefore be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB Standards provide companies with standardized sustainability metrics designed to communicate performance on industry level sustainability topics. When making disclosure on sustainability topics, companies can use SASB Standards to help ensure that disclosure is standardized and therefore decision-useful, relevant, comparable, and complete.

SASB Standards are intended to constitute “suitable criteria” as defined by AT 101.23–.32<sup>1</sup> and referenced in AT 701<sup>2</sup>, as having the following attributes:

- *Objectivity*—Criteria should be free from bias.
- *Measurability*—Criteria should permit reasonably consistent measurements, qualitative or quantitative, of subject matter.
- *Completeness*—Criteria should be sufficiently complete so that those relevant factors that would alter a conclusion about subject matter are not omitted.
- *Relevance*—Criteria should be relevant to the subject matter.

## Industry Description

The Forestry & Logging industry consists of companies that own and/or manage natural and planted forestry lands and timber tracts, operate non-retail tree nurseries and rubber plantations, or conduct logging and harvesting operations that produce timber. The industry operates in naturally regenerated and planted forests, which 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 U.S.-listed companies primarily operate in and are domiciled in the U.S. and Canada. Some have

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<sup>1</sup> [http://pcaobus.org/Standards/Attestation/Pages/AT101.aspx#at\\_101\\_fn7](http://pcaobus.org/Standards/Attestation/Pages/AT101.aspx#at_101_fn7)

<sup>2</sup> <http://pcaobus.org/Standards/Attestation/Pages/AT701.aspx>

international operations including in Brazil. While some integrated companies may also operate sawmills, wood products facilities, and pulp and paper facilities, sustainability issues arising from these activities are addressed in SASB's Building Products & Furnishings (CN0603) and Pulp & Paper Products (RR0202) industry standards.

# Guidance for Disclosure of Sustainability Topics in SEC Filings

## 1. Industry-Level Sustainability Topics

For the Forestry & Logging industry, SASB has identified the following sustainability disclosure topics:

- Ecosystem Services & Impacts
- Climate Change Adaptation
- Rights of Indigenous Peoples

## 2. Company-Level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available."<sup>3,4</sup>

SASB has attempted to identify those sustainability topics that are reasonably likely to have a material effect on the financial condition or operating performance of companies within each SIC industry. SASB recognizes, however, that each company is ultimately responsible for determining what information should be disclosed within the context of Regulation S-K and other guidance.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires companies, among other things, to describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."

Furthermore, Instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."<sup>2</sup>

The SEC has provided guidance for companies to use in determining whether a trend or uncertainty should be disclosed. The two-part assessment –prescribed by the SEC, based on probability and magnitude, can be applied to the topics included within this standard:

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<sup>3</sup> TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).

<sup>4</sup> C.F.R. 229.303(Item 303)(a)(3)(ii).

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.
- Second, if a company's management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant's financial condition or results of operation is not reasonably likely to occur.

### 3. Sustainability Accounting Standard Disclosures in Form 10-K

#### a. Management's Discussion and Analysis

For purposes of comparability and usability, companies should consider making disclosure on sustainability topics in the MD&A, in a sub-section titled **"Sustainability Accounting Standards Disclosures."**<sup>5</sup>

#### b. Other Relevant Sections of Form 10-K

In addition to the MD&A section, it may be relevant for companies to disclose sustainability information in other sections of Form 10-K, including, but not limited to:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment or that are primarily for the purpose of protecting the environment.
- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

#### c. Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, "such further material information, if any, as may be

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<sup>5</sup> [SEC \[Release Nos. 33-8056; 34-45321; FR-61\] Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations](#): "We also want to remind registrants that disclosure must be both useful and understandable. That is, management should provide the most relevant information and provide it using language and formats that investors can be expected to understand. Registrants should be aware also that investors will often find information relating to a particular matter more meaningful if it is disclosed in a single location, rather than presented in a fragmented manner throughout the filing."

necessary to make the required statements, in light of the circumstances under which they are made, not misleading.”

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via <http://www.sasb.org/approach/conceptual-framework/>.

## Guidance on Accounting for Sustainability Topics

For each sustainability topic included in the Forestry & Logging industry Sustainability Accounting Standard, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when preparing disclosures on the sustainability topics identified herein.

As appropriate—and consistent with Rule 12b-20<sup>6</sup>—when disclosing a sustainability topic identified by this Standard, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

- The registrant’s **strategic approach** to managing performance on material sustainability issues;
- The registrant’s **relative performance** with respect to its peers;
- The **degree of control** the registrant has;
- Any measures the registrant has undertaken or plans to undertake to improve performance; and
- Data for the registrant’s **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the [Sustainable Industry Classification System \(SICSTM\)](#). If a registrant generates significant revenue from multiple industries, SASB recommends that it also consider sustainability topics that SASB has identified for those industries and disclose the associated SASB accounting metrics.

In disclosing to SASB Standards, it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings.

## Users of the SASB Standards

The SASB Standards are intended to provide guidance for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act),<sup>7</sup> for use in SEC filings, including, without limitation, annual

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<sup>6</sup> SEC Rule 12b-20: “In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading.”

<sup>7</sup> Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has

reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

## Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities that are consolidated for financial reporting purposes as defined by accounting principles generally accepted in the United States for consistency with other accompanying information within SEC filings;<sup>8</sup>
- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and
- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand the effect of sustainability topics on the company's financial condition or operating performance (typically, this disclosure would be limited to risks and opportunities associated with these entities).

## Reporting Format

### Use of Financial Data

In instances where accounting metrics, activity metrics, and technical protocols in this standard incorporate financial data (e.g., revenues, cost of sales, expenses recorded and disclosed for fines, etc.), such financial data shall be prepared in accordance with the accounting principles generally accepted in the United States of America ("US GAAP") and be consistent with the corresponding financial data reported within the registrant's SEC filings. Should accounting metrics, activity metrics and technical protocols in this standard incorporate disclosure of financial data that is not prepared in accordance with US GAAP, the registrant shall disclose such information in accordance with the SEC Regulation G.

### Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparability of disclosure, to the extent that they are not already disclosed in the Form 10-K (e.g., revenue, EBITDA, etc.).

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more than \$10 million in assets.

<sup>8</sup> See US GAAP consolidation rules (Section 810).



Such data—termed “activity metrics”—may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for Internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.
- Be deemed generally useful for an investor relying on SASB accounting metrics in performing their own calculations and creating their own ratios.
- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.<sup>9</sup>

Where relevant, SASB recommends specific activity metrics that—at a minimum—should accompany SASB accounting metric disclosures.

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Area of forestland owned, leased, and/or managed by the registrant	Quantitative	Acres	RR0201-A
Aggregate standing timber inventory <sup>10</sup>	Quantitative	Cubic meters (m <sup>3</sup> )	RR0201-B
Timber harvest volume <sup>11</sup>	Quantitative	Cubic meters (m <sup>3</sup> )	RR0201-C

## Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

## Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables such as the reliance on data from third-party reporting systems and technologies,

<sup>9</sup> *Improving Business Reporting: Insights into Enhancing Voluntary Disclosures*, FASB Business Reporting Research Project, January 29, 2001.

<sup>10</sup> Note to **RR0201-B**—The registrant may additionally note if it uses other units of measure to define its standing timber inventory, and it shall disclose any conversion factors used.

<sup>11</sup> Note to **RR0201-C**—The registrant may additionally note if it uses other units of measure to define its timber harvest volume, and it shall disclose any conversion factors used.

or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

## Estimates

SASB recognizes that scientifically based estimates, such as the reliance on certain conversion factors or the exclusion of *de minimis* values, may occur for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

## Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

## Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company, and therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

## Forward-Looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as "forward-looking" and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

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The following sections contain the disclosure guidance associated with each accounting metric such as guidance on definitions, scope, accounting, compilation, and presentation.

The term “shall” is used throughout this document to indicate those elements that reflect requirements of the Standard. The terms “should” and “may” are used to indicate guidance, which, although not required, provides a recommended means of disclosure.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
<b>Ecosystem Services &amp; Impacts</b>	Area of forestland certified to a third-party forest management standard, percentage certified to each standard <sup>12, 13</sup>	Quantitative	Acres, Percentage (%)	RR0201-01
	Area of forestland with protected conservation status	Quantitative	Acres	RR0201-02
	Area of forestland in endangered species habitat	Quantitative	Acres	RR0201-03
	Discussion of approach to optimizing opportunities from ecosystem services provided by forestlands	Discussion and Analysis	n/a	RR0201-04
<b>Rights of Indigenous Peoples</b>	Area of forestland in indigenous land	Quantitative	Acres	RR0201-05
	Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and the local community	Discussion and Analysis	n/a	RR0201-06
<b>Climate Change Adaptation</b>	Discussion of strategy to manage opportunities for and risks to forest management and timber production presented by climate change	Discussion and Analysis	n/a	RR0201-07

<sup>12</sup> Note to **RR0201-01-A**—For any forest management certifications that were suspended or terminated, the registrant shall disclose the number, associated acreage, and stated reason for suspension or termination.

<sup>13</sup> Note to **RR0201-01-B**—The registrant shall describe forestry management practices for non-certified forestlands.

# Ecosystem Services & Impacts

## Description

Along with their timber output, forests provide other valuable ecosystem services including carbon sequestration, wildlife habitat and biodiversity, water purification and storage, soil formation, and recreational opportunities. In some instances, there may be opportunities to generate additional revenue from non-timber ecosystem services, such as recreational fees. However, certain forestry management practices could adversely affect water quality, wildlife habitat, and biodiversity in the absence of action to mitigate such impacts. In developed economies such as the U.S. and Canada, stringent regulations related to water quality and endangered species protection, as well as harvesting rights that are contingent on environmental preservation, can create operational risks for companies. Some U.S.-listed companies have forestry operations in countries which may lack effective legal frameworks or incentives for sustainable forestry management, posing higher risks of illegal logging, deforestation, and other unsustainable practices. Protecting or enhancing ecosystem services within 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 forest 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.

## Accounting Metrics

### **RR0201-01. Area of forestland certified to a third-party forest management standard, percentage certified to each standard**

.01 The registrant shall disclose its total forestland area, in acres, that is certified to a third-party forest management standard, where:

- The scope includes forestlands owned, leased, and/or managed by the registrant.
- 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.
- Third-party forest management certifications include, but are not limited to, those promulgated by the following organizations (or the equivalent):
  - American Tree Farm System (ATFS)
  - Forest Stewardship Council (FSC)
  - Programme for the Endorsement of Forest Certification (PEFC)
  - Forest certification systems endorsed by the PEFC
  - Sustainable Forest Initiative (SFI)

- .02 If a forestland area is certified to multiple certification standards, the registrant shall not account for the acreage more than once when calculating the total forestland area certified to a third-party forest management standard.
- .03 The registrant 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).
- The registrant 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 registrant.
- .04 The registrant shall disclose the percentage of acres that are certified to multiple certification schemes.

Note to **RR0201-01-A**

- .05 The registrant shall disclose whether any forest management certifications were involuntarily suspended or terminated during the fiscal year (i.e., for failure to meet the standard or resolve major non-conformities).
- .06 The registrant 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.
- .07 The registrant should discuss any relevant corrective actions that it has put in place in response to a certification being suspended or terminated.

Note to **RR0201-01-B**

- .08 The registrant shall provide a brief description of its forestry management practices implemented for non-certified forestlands owned, leased, and/or managed by the registrant.
- .09 The registrant should discuss:
- 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 (GMO), chemical usage, community involvement, indigenous communities, and aesthetics and recreation, among others.
  - 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 registrant, an industry

organization, a third-party organization (e.g., a non-governmental organization), a governmental agency, or some combination of these groups.

- How the registrant enforces the sustainable forestry management plans in its non-certified forestlands, including the type and frequency of inspections.

.10 Where policies and practices to ensure sustainable forest management differ significantly by forestland, the registrant shall describe differences for each non-certified forestland and indicate the percentage of acres to which they were applied.

#### **RR0201-02. Area of forestland with protected conservation status**

.11 The registrant 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:

- Areas legally designated as protected by government regulation, including national parks, national wildlife refuge sites, wilderness areas, state forests, state parks, and Natura 2000 sites.
- Areas protected by international bodies and/or treaties, including Ramsar Wetlands of International Importance, International Union for Conservation of Nature (IUCN) Protected Areas (categories I-VI), UNESCO World Heritage sites, and Biosphere Reserves recognized within the framework of UNESCO's Man and the Biosphere (MAB) Programme.
- Sites that meet the IUCN's definition of a protected area: "A protected area is a clearly defined geographical space, recognized, dedicated, and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values."
  - These sites may be listed in the World Database of Protected Areas (WDPA) and mapped on ProtectedPlanet.net.

.12 The scope includes areas of conservation status that are actively logged by or for the registrant and excludes areas of conservation status that are exclusively set aside for conservation and are not actively logged.

.13 The registrant may choose to disclose the percentage of the area of forestland with protected conservation status that is certified to a third-party forest management standard.

.14 The registrant should 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.

.15 The registrant may choose to 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).

- .16 The registrant may choose to provide discussion around forestlands that are located in protected areas but present low risk to biodiversity or ecosystem services. The registrant may choose to provide similar discussion for forestlands located in areas with no official designation of high biodiversity value but that present high biodiversity or ecosystem services risks.

**RR0201-03. Area of forestland in endangered species habitat**

- .17 Forestlands are considered to be in endangered species habitat if a species that is classified by local, state, or federal law as endangered or threatened inhabits the registrant's forestlands.
- .18 The scope of disclosure includes forestlands owned, leased, and/or managed by the registrant.
- .19 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.
- .20 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.
- .21 Endangered species habitat includes critical habitat areas where the registrant owns, leases, and/or manages forestlands that are officially designated by applicable state and/or federal regulations including:
- The U.S. Endangered Species Act;
  - The Canada Species at Risk Act; and
  - Applicable regulatory endangered species lists in the regions where the registrant owns, leases, and/or manages forestlands.
- .22 The registrant may disclose the types of endangered or threatened species in its forestlands.
- .23 The registrant shall disclose whether there is any overlap between the areas identified in RR0201-02 and RR0201-03.
- .24 The registrant may choose to provide discussion around forestlands that are located in endangered species habitat, but present low risk to biodiversity or ecosystem services.
- .25 The registrant should discuss the likelihood of a change to the area of its owned, leased, and/or managed forestland that is considered to be endangered species habitat, including if:
- There are endangered or threatened species habitat(s) near, but not currently in, the registrant's forestlands, and the likelihood that the habitat(s) could overlap with the registrant's forestlands.
  - There are species in or near the registrant's forestlands that are classified as endangered or threatened in non-regulatory lists, but not currently by regulatory lists, and the likelihood that these species may be classified as endangered or threatened by a regulatory endangered species list.
    - Examples of non-regulatory endangered species lists include the IUCN Red List of Threatened Species.



- The current endangered or threatened species habitat in the registrant's forestlands is expected to change and/or expand in the future.
- The registrant should disclose the likelihood of these scenarios occurring and the area of its forestlands that could be affected.

**RR0201-04. Discussion of approach to optimizing opportunities from ecosystem services provided by forestlands**

.26 The registrant shall discuss its strategy to optimize the opportunities created by the ecosystem services that its forestlands provide, where:

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

.27 For ecosystems services that the registrant currently does not receive direct payments for, the registrant shall describe its approach to managing these ecosystem services. The discussion shall include:

- The type(s) of ecosystem service(s) the registrant currently manages, where types of ecosystem services include, but are not limited to: air quality, soil stabilization and erosion control, and cultural value.
- The registrant's management actions, including decisions about harvesting, management of conservation areas or areas of high biodiversity, or conserving forested watershed.

.28 For the ecosystem services that the registrant does receive direct payments for, the registrant should disclose the amount (in U.S. dollars) the registrant receives for non-timber ecosystem goods and services and the type of compensation it receives, which can include:

- Public payments to landowners (from the government);
- Voluntary payments to landowners (from businesses, individuals, and non-governmental organizations); and
- Compliance-driven payments (payments made to comply with government regulations).

- .29 The registrant should 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.
- .30 The registrant should discuss how management of non-timber ecosystem services is expected to affect tree growth and timber yield.

# Rights of Indigenous Peoples

## Description

Forests contribute directly to the livelihoods of millions of people worldwide. Effective relations and engagement with local communities and indigenous populations can be of critical importance to forestry companies. Communities may be affected by forestry and logging operations as a result of environmental degradation or competition for natural resources such as land and water. The rights of indigenous peoples are being more formally recognized worldwide, which could create risks for companies that poorly manage community relations. Formal disagreements with communities and indigenous populations can affect a company's ability to operate and can cause reputational impacts. Conversely, companies can provide benefits to community stakeholders through employment opportunities, revenue sharing, and increased commerce. Companies can adopt various community engagement strategies to manage the risks and opportunities associated with community rights and interests, such as maintaining positive relations with local stakeholders and accommodating communities' needs. A strong engagement process can mitigate the risk of protests and legal challenges and the loss of the ability to operate on or near indigenous peoples' lands. Sustainable forestry certifications incorporate the considerations of community relations and the rights of indigenous peoples, which can influence reputations and demand for the products of forestry and logging companies.

## Accounting Metrics

### RR0201-05. Area of forestland in indigenous land

- .31 The registrant shall disclose the area (by acreage) of its owned, leased, and/or managed forestlands that are located in areas that are considered to be indigenous peoples' land.
- .32 Indigenous lands are defined as those occupied by those who self-identify as indigenous and likely have one or more of the following characteristics based on the working definition of "Indigenous Peoples" adopted by the United Nations:
- Historical continuity with pre-colonial and/or pre-settler societies
  - A strong link to territories and surrounding natural resources
  - Distinct social, economic, or political systems
  - Distinct language, culture, and beliefs
  - Forming non-dominant groups of society
  - A resolve to maintain and reproduce ancestral environments and systems as distinctive peoples and communities
- .33 The registrant should disclose if there are adjacent indigenous communities that may be impacted by the registrant's operations and/or may pose a risk to the registrant's logging operations.

**RR0201-06. Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and the local community**

.34 Due diligence processes and practices the registrant employs to ensure compliance can include, but are not limited to, impact evaluations, assessment reports, monitoring and audits, processes to receive and respond to public inquiries, partnerships and agreements with indigenous peoples and local communities, community meetings and multi-stakeholder dialogues, or other industry-specific practices.

.35 The registrant shall describe its due diligence practices and procedures with respect to upholding the principles covered in human rights frameworks, such as:

- International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the fundamental ILO conventions on freedom of association (No. 87), collective bargaining (No. 98), forced labor (No. 29 and No. 105), child labor (No. 138 and No. 182), fair wages (No. 100), and discrimination (No. 111)
- United Nations Guiding Principles on Business and Human Rights, specifically Human Rights Due Diligence (Principle 17a-c)
- United Nations Declaration on the Rights of Indigenous Peoples
- Voluntary Principles on Security and Human Rights
- FSC International Standard Principle 4: Community
- SFI Forest Management Standard Objective 12: Community Involvement and Landowner Outreach
- PEFC International Forestry Management Standard Criterion 6: Maintenance of other socioeconomic functions and conditions

.36 The registrant shall describe its due diligence practices and procedures with respect to indigenous rights of communities in which it operates or intends to operate, including:

- Upholding ILO Convention No. 169
- Use of free, prior, and informed consent (or consultation) processes
- FSC International Standard Principle 3: Indigenous Rights
- SFI Forest Management Standard Objective 8: Recognize and Respect Indigenous Peoples' Rights

.37 The registrant shall describe its processes and practices with respect to the communities in areas where it conducts business, including practices to protect the following principles:

- Economic rights and interests, including the right to employment opportunities, training, fair wages, payment transparency, and respect for infrastructure and agricultural land.
- Environmental rights and interests, including the right to clean local air and water, as well as safe discharge and disposal of waste.

- Social rights and interests, including the right to adequate health care, education, and housing.
- Cultural rights and interests, including the right to protection of places of cultural significance (e.g., sacred sites or burial sites).

.38 The discussion shall include how practices apply to business partners, such as contractors, sub-contractors, suppliers, and joint venture partners.

#### **Additional References**

Clifford Hickey and Mark Nelson, [\*Partnerships Between First Nations and the Forest Sector: A National Survey\*](#), Sustainable Forest Management Network, January 2005.

[FSC International Standard](#)

[SFI Forest Management Standard](#)

[PEFC International Forestry Management Standard](#)

# Climate Change Adaptation

## Description

Global climate change may create long-term business uncertainty for some forestry 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. 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. Therefore, companies are likely to experience variations in the productivity of their timberlands. Firms can begin to manage climate change's effects by identifying and understanding its potential impacts.

## Accounting Metrics

### **RR0201-07. Discussion of strategy to manage opportunities for and risks to forest management and timber production presented by climate change**

.39 The registrant 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:

- 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.
- 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 registrant's products, or otherwise affect the registrant.
- International accords relating to climate change.
- Indirect consequences of regulation or business trends, including legal, technological, or other developments related to climate change.
- 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).

.40 Disclosure shall be additional but complementary to the SEC's Commission Guidance Regarding Disclosure Related to Climate Change.

.41 For each of the risks and/or opportunities identified, the registrant shall provide the following:

- 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.
  - Disclosure corresponds to CDSB Climate Change Reporting Framework 4.9, 4.10, and 4.11.

- Strategic analysis of the long-term and short-term impact climate change actually and potentially has on the registrant’s strategic objectives.
    - Disclosure corresponds to CDSB Climate Change Reporting Framework 4.6.
  - The potential impact (direct or indirect) the risk or opportunity may have on the registrant’s business, and the projected magnitude of the impact.
    - Where the registrant has quantified the potential financial impacts of the risk or opportunity, it shall disclose this information (Disclosure corresponds to CDSB Climate Change Reporting Framework 4.7.)
  - The timeframe in which the risk or opportunity is expected to manifest.
    - Disclosure corresponds to CDSB Climate Change reporting framework 4.11.
  - The likelihood that the risk or opportunity will manifest.
  - Disclosure corresponds to CDP Climate Change Questionnaire CC5.1 and CC6.1.
- .42 The registrant shall discuss how potential climate change risks or opportunities may vary among the following, and how it prioritizes the risks and opportunities identified (disclosure corresponds to CDP Climate Change Questionnaire CC2.1c):
- the geographic regions where the registrant owns, leases, and/or manages forestlands
  - the registrant’s products, services, and/or markets
  - the types of tree species harvested by the registrant
  - the registrant’s plantation forestlands and its natural forestlands
- .43 The registrant shall provide a discussion of the scenarios it uses to determine the risks and opportunities presented by climate change, including:
- 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 (e.g., [Intergovernmental Panel on Climate Change Climate Scenario Process](#)).
- .44 The registrant shall discuss its risk management procedures with respect to climate change risks and opportunities, including:
- How far into the future risks are considered;
  - The frequency of monitoring;
  - The registrant’s alleviation strategies, which may include, but are not limited to, use of insurance; diversifying 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;

- The registrant’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.
- The costs associated with these actions; and
  - Disclosure corresponds with CDSB Climate Change Reporting Framework 4.12.
- Disclosure corresponds to CDP Climate Change Questionnaire CC2.1.



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