

FINANCE FOR THE FUTURE

10 YEAR ANNIVERSARY

Sustainability | Leadership | Innovation



Deloitte.

Fortico: Calculating the value of natural capital

Winner: Embedding an integrated approach (non-listed companies)

What?

Tasmanian forestry and landscape manager Forico published 2020 and 2021 natural capital reports that show the link between financial and environmental performance, using the structure and language of financial reporting. Natural capital impacts and dependencies are translated into Australian dollars.

The reports tell a clear and credible story about the value of natural capital in a format that can be easily understood by stakeholders used to traditional annual reports. Independent limited assurance over the reporting metrics provides extra credibility. Forico's finance team led the process to develop the natural capital reports, and a new environmental accountant role was embedded into the team to support this work.

A new recognition of how important nature is to the company – the natural capital balance sheet is three times greater than the financial balance sheet – has changed conversations. Forico is now better equipped to value nature appropriately in its strategic decision making. This has led to operational changes and new opportunities for diversifying the company's activities.

The company has shared its story within its industry and beyond. By publicly showcasing the value of natural capital reporting, Forico hopes to inspire other organisations to take similar steps.

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Through the preparation and use of their Natural Capital Report, the team at Forico has changed the way they run their business. The judges were particularly impressed by Forico's willingness and determination to share what they have learned with a wide range of organisations, which has given them a well-deserved reputation as leaders in natural capital reporting.

Finance for the Future Awards judges

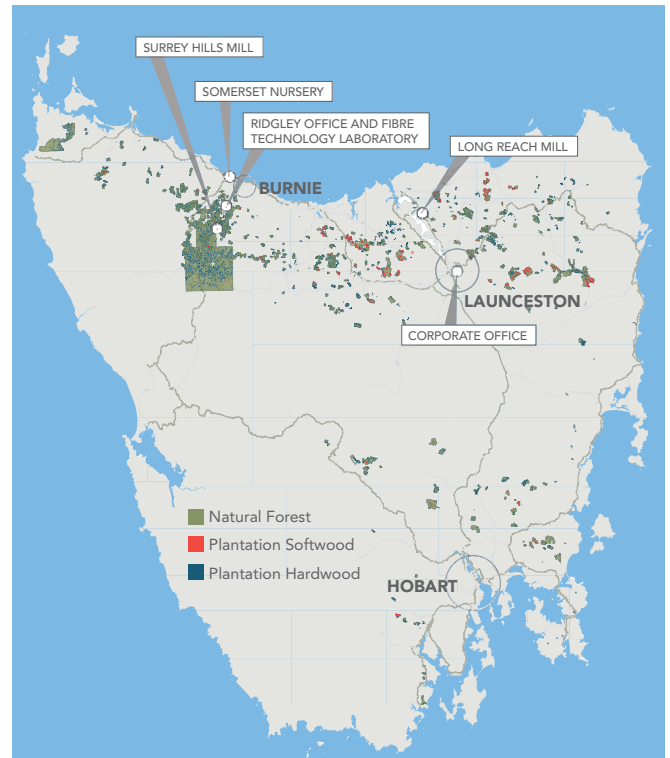
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Why?

Forico sees itself as a custodian of the natural environment. As one of the largest forestry and landscape managers in Tasmania, Forico recognised that nature was an important business asset – but did not have a clear picture of its value.

The company wanted to understand more clearly the value of natural assets that were not generating an income stream and were not reflected on a traditional financial balance sheet. This would, in turn, help Forico to communicate its story beyond the business. Using the structure and language of financial reporting was key to creating a logical and credible narrative that would resonate with investors, the forestry industry, policymakers and the wider community.

Equally as important to Forico was the ability to take this insight into the value of natural capital and integrate it into strategic and operational decision-making processes. The company would have the tools to balance how it assessed risk and deployed financial resources, making sure that nature was appropriately considered in decision making at all levels.



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It's no coincidence that our natural capital report looks and feels like a traditional annual report in language, structure and format, but with a different story. It's deliberate to make sure that our stakeholders were presented with a story of natural capital that was logical and familiar, to enable comparison with more established financial capital disclosures and values using existing accounting frameworks and standards.

Rayne van den Berg, CFO, Forico

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How?

Forico's natural capital reports are supported by a robust methodology, laying strong groundwork for the company's future natural and social capital reporting:

- › Forico's initial work on natural capital was guided by the System for Environmental Economic Accounting, and the company built up a wide range of data. It then turned to the Natural Capital Protocol to explore ways of translating that data into a format that would support business decision making.
 - › Following Natural Capital Protocol guidance, Forico did a materiality assessment and selected the six most material metrics for the company: biomass provisioning, carbon sequestration, carbon emissions, water flows, sediment control and biodiversity. Sticking to a limited number of metrics in its first two reports has given Forico a solid foundation from which it can expand its reporting.
 - › Forico took the extra step of preparing natural capital reporting in a format that was deliberately as close as possible to the look and feel of an annual report. Finance developed a disclosure methodology to support this.
 - › A limited assurance opinion gave the report extra credibility. For Forico, an important benefit was the independent professional challenge that the assurance process provided. Getting assurance helped the company to clarify its thinking on disclosures and the basis of preparation.
- › Forico uses its reports to inform operational and strategic decisions. Based on its findings, the company has converted some of its short rotation plantations into longer rotations, increasing carbon sequestration. The company is also exploring new options for how its plantation timber is used and how it can reduce emissions in its supply chain.
 - › The CFO continues to lead Forico's work in this area, and the sustainability team is now part of the CFO's remit. The CFO also has strategic priority projects that are tied to finding ways to monetise the company's natural capital. The aim of monetising natural capital is to reward responsible investment across the estate and gain an income stream that can be reinvested into more conservation programmes.
 - › So far Forico has focused on establishing baselines and reporting historic data. Now the company is forecasting and setting targets for its future impact, with the next natural capital report set to include science-based targets for nature. Forico is also expanding its work into social capital and is currently preparing its first social capital report.

www.forico.com.au



The Finance for the Future Awards recognise the role of finance in driving sustainable economies.

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