Climate related financial disclosure (CRFD)

Outline

CRFD

What it is…

Why its important for forest valuation.

Sector awareness

Insights from FWPA funded project- survey

Next steps

Role FA Valuation Standards Committee can play in **harmonising guiding/interpreting** the CRFD implementation.

1. What CRFD is…

…Australia's **mandatory** reporting framework (AASB S2) that-

requires entities to **disclose information** about **climate-related risks** and **opportunities** that could reasonably be expected to affect the entity's **cash flows**, its access to finance, or its cost of capital over the **short**, **medium**, or **long term**.

4 disclosure pillars

Governance- oversight of climate risks and opportunities.

Strategy- impacts on business models, financial planning, and scenario analysis.

Risk management- processes for identifying and managing climate risks.

Metrics and targets- emissions, internal carbon price, climate targets.

The purpose is to provide information about how climate change affects enterprise value.

2. The Standards landscape

Climate-related financial disclosure

TCFD/IFRS Foundation
- TCFD- global blueprint for reporting
- ISSB global baseline for disclosures (IFRS S1 and S2)

Australian adoption decision (2023-2024)
- Treasury commits to **mandatory reporting**
- AASB begins localisation of IFRS S2

ASRS Framework issued (Sept 2024)
- AASB S2 released

Australian implementation (2024-2026)
- Phased adoption and assurance pathway

Forest Valuation

Forest Valuation Standard (ANZ)
Guided by...
- AASB 13-Fair value measurement
- AASB 116-Property, plant & equipment
- AASB 141-Agriculture

- **B9 Disclosure of Uncertainty**
- **B10 Discount rate**

TCFD- Task Force on Climate-related Financial Disclosure
IFRS- International Financial Reporting Standards
ISSB- International Sustainability Standards Board
AASB- Australian Accounting Standards Board
ASRS- Australian Sustainability Reporting Standards

CRFD adds a new layer of disclosure expectations, interfacing directly with Forest Valuation practice

3. CRFD-who is reporting and when

Group 1- (Jan 2025)
- ≥$500 m revenue,
  ≥$1 b assets,
  ≥500 employees

Group 2- (1 July 2026)
- ≥$200 m revenue,
  ≥$500 m assets,
  ≥250 employees

Group 3- (1 July 2027)
- ≥$50 m revenue,
  ≥$25 m assets,
  ≥100 employees

[2 of 3 criteria]

Larger shareholders of forestry assets and forest entities, already reporting.

Other forest entities to report in 2026-2027.

CRFD is active now, and expectations for climate-related valuation inputs will cascade across sector

4. Why is CRFD important for Forest Valuation

…Uncertainty and risk management interface

Because **climate risk (opportunity)** directly influences:

- Growth and yield
- Fire
- Drought
- Storms (wind, rain, snow, etc)
- Pest/disease
- Carbon yield

These impacts feed into key forest valuation inputs: woodflows, costs, prices, discount rates.

These inputs generate the cash flows—cash flows that **underpin forest valuations**.

Valuers may need to test or independently introduce climate-related assumption

FWPA analysis and survey

“Evaluating the Impact of Climate-Related Financial Disclosures on Forest Valuations and Standards”

6. Sector preparedness

'Evaluating the Impact of Climate-Related Financial Disclosures on Forest Valuations and Standards'

The project comprised:

- Discussion paper examining climate-related financial disclosure (CRFD) as it relates to the forest sector.
- Survey of leading professionals as to how climate-related financial disclosure requirements are to be implemented in forest valuation and standards.
- Observations and recommendations.

6. Sector preparedness

Survey insights-

- **High awareness but low operational maturity-** sector recognises the need to align AASB S1/S2 with forest valuation standards.
- Understanding of how to implement this alignment is **still emerging.**
- **Major challenges** include scope interpretation, data gaps, and aggregation across assets.
- Respondents expect AASB S2 to **drive greater standardisation and transparency** over time.
- **Unclear expectations** for Forest Valuers
- Strong support for supplementary **CRFD guidance** within the **ANZ Forest Valuation Standard.**

Stakeholders recognise the need for harmonise… but remain in the early stages of formulating their views.

6. Sector preparedness

CRFD guidance within the ANZ Forest Valuation Standard

1. **Applicability of AASB S2**
   → Guidance needed on which entities (trusts, non-corporates) are required to report under AASB S2.

2. **Linking entity and asset level reporting**
   → Guidance required on reconciling asset data with fund of entity-level disclosures.

3. **Emissions and Valuations**
   → Guidance required to define how emission-reporting data should (should not) affect forest valuations.

4. **Carbon pricing**
   → Guidance required on the treatment and valuation of internal or project-level carbon pricing.

5. **Climate scenarios**
   → Guidance required on translating climate change scenarios under AASB S2 into valuation assumption and disclosures.

6. Sector preparedness

CRFD guidance within the ANZ Forest Valuation Standard

6. **Climate reporting and Valuations**
   → Broader guidance required on linking **climate-related reporting** with **valuation frameworks,** plus coordinated research effort.

7. **Yield uncertainty**
   → Guidance required for integrating climate impacts on growth/productivity into valuation models.

8. **Modelling approaches**
   → Guidance or collaborative development needed for new or enhanced valuation models reflecting climate scenarios.

Need industry support for preparing additional guidance harmonise CRFD with Forest Valuation Standard.

6. Sector preparedness

Follow-up actions from the analysis

- Valuation Seminar- wider discussion for practitioners and asset managers.
- Engagement R&D- assist in reporting obligations.
- AFPA/FWPA growers groups disseminate current observations and discuss next steps.

Next steps Forest Valuation Committee proposes…

- Interim steps- transitional arrangement for the introduction of AASB S2
  - **Engagement between reporting entities/forest valuers-** understand specific reporting requirements.
  - Agree on what aspects can be **quantified in short/medium/long term**, and required data
- Develop guidance for forest valuers for treatment of CRFD (harmonise).

7. Key takeaways

- AASB S2 is already influencing forest valuation expectations
- Climate impacts must be explicitly linked to cash flows and asset values.
- Group 1 reporters are first movers and are establishing precedents for the sector.
- IFRS S2 requires climate-resilience assessment and scenario analysis, making these essential forest valuation inputs.
- Credible valuation practice requires transparent assumptions, scenario analysis, and clear disclosure.
- Forestry companies entering the regime in 2026–27 must prepare now to enhance valuation credibility and reduce compliance risk.
- **Further guidance required under ANZ Forest Valuation Standard to harmonise with AASB S2.**
  - Forest Valuation Committee Strategy Development

Thanks

CRFD

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5. How CRFD interfaces with Forest Valuation

...Extent depends on client expectations in complying with and reporting under AASB S2

Forest owner/manager/investor-
- Request for Proposal/ Terms of reference.

Forest valuer
- address requirements of RFP/ ToR,

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Data room- information to support valuation.
May include Forest Model, may include climate change risk reporting (AASB S2).

- Climate impacts flow directly into long-term woodflows, discount rates, and cash-flow projections.
- Where impacts cannot be reliably quantified → creates valuation **uncertainty**.
- Sensitivity and scenario analysis help bound uncertainty.
- Clear disclosure of data gaps and estimation limitations is essential.
- Transparency strengthens investor confidence and comparability across assets.
- **Valuers may need to test or independently introduce climate-related assumptions.**