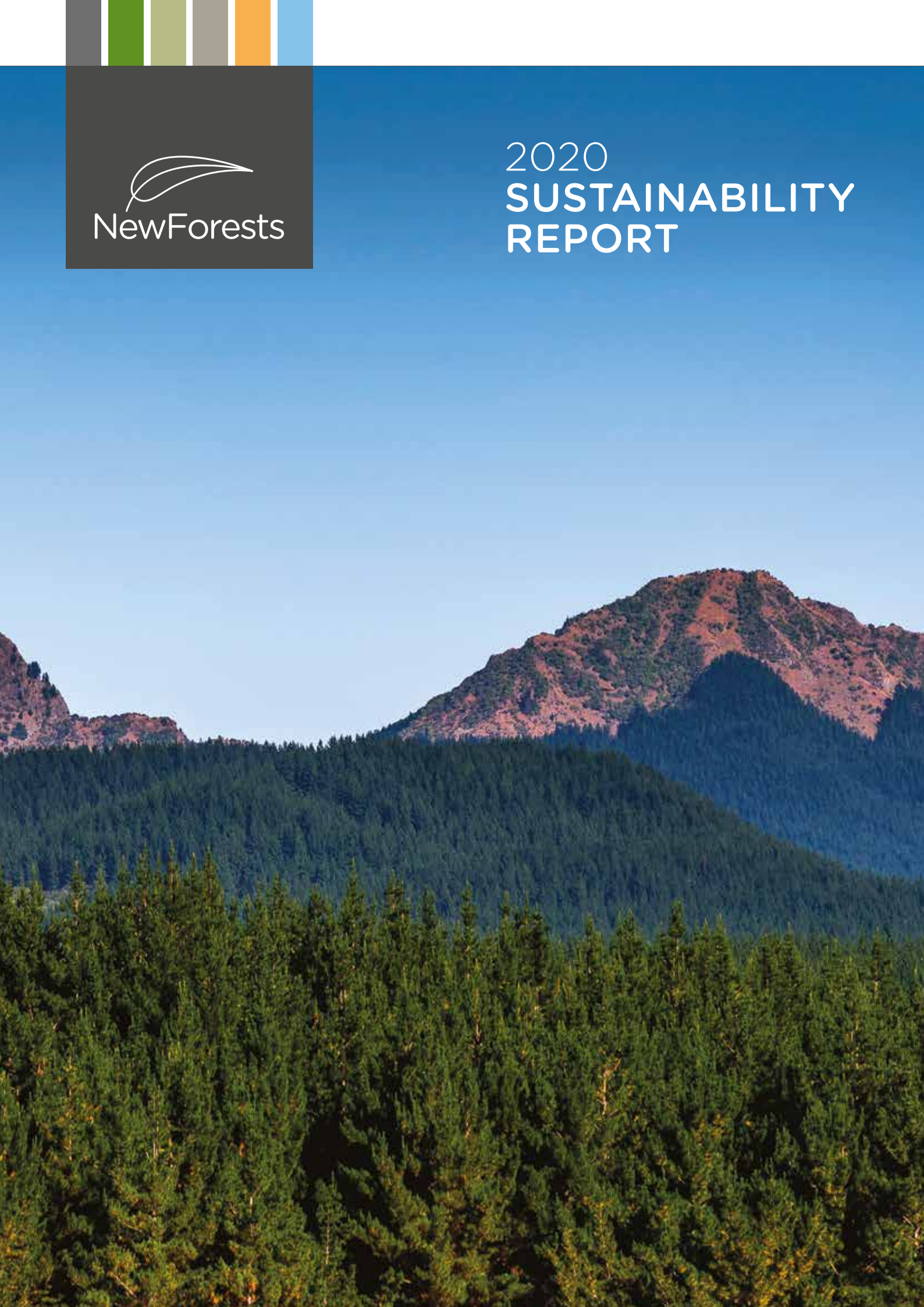




2020 SUSTAINABILITY REPORT



About This Report

This 2020 Sustainability Report is New Forests' 10th annual sustainability report and is shaped by the company's enduring commitment to sustainability in our business and across the investments we manage. Sustainability reporting is a key component of our stakeholder engagement, reflecting our values of transparency and disclosure around material sustainability issues. The report itself is informed by New Forests' corporate purpose and vision, which are inextricably linked to global sustainability issues, and by a materiality assessment, which was refreshed in the development of this report. We seek to incorporate our stakeholders' perspectives and needs regarding the issues we report on, while generating constructive discourse around the environmental and social challenges and opportunities facing our business. Our approach seeks to combine facets of best practice for corporate sustainability reporting with our clients' and stakeholders' interests to help them understand ESG and impact reporting across the investments we manage. To support benchmarking and understanding of our performance over time, prior sustainability reports are available on New Forests' website.

The reporting period focuses on the financial year ending in 2020 for New Forests' investments under management, with fund-level impact data presented as at 30 June 2020 for Australia and New Zealand and data for Southeast Asia and US funds presented as at 31 December 2020. Data related to New Forests' direct business operations are presented as at 31 December 2020 and reflect our global operations, unless otherwise noted. Data is quality assured by New Forests' Operations and Sustainability teams but is not third-party assured.

This report was developed by New Forests' Sustainability team, working closely with staff throughout the business, especially those who have oversight for asset management. New Forests' Executive Committee reviews and approves this report. Comments and questions are always welcome; please contact info@newforests.com.au

Report published: April 2021



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Letter From Our CEO

The world has been wrestling with the COVID-19 pandemic and its implications for more than a year, the societal and personal costs of which cannot be understated. Throughout 2020 we also saw a rising call for action against racism, gender-based violence, and societal inequality; all of this culminated in a year of significant unrest and tumult.

2020 was a wake-up for society – the scale of our global economy and population, and associated impacts, are creating a rising set of risks that must be tackled proactively across sectors and regions. I hope that 2020 will prove itself to have been a turning point where businesses reckoned with the systemic risks of social injustice, environmental degradation, and the fragility of supply chains and affirmed that we will build back better. New Forests is determined that our business will contribute to this effort through executing on our vision to see forestry as a key sector helping to lead the transition to a sustainable future.

I have confidence in this vision as I reflect on the milestones we marked in 2020 – our 15th year in business – which we share with you in this Sustainability Report. Since 2005, New Forests has grown, gained experience, and continued to pursue contributions to broader efforts in managing landscapes for timber production and conservation, climate change mitigation, the protection and enhancement of biodiversity, and supporting thriving communities.

This report describes our overarching approach as well as progress and challenges as we address these systemic issues through our investment strategies and active management.

However, we know that we cannot address these issues alone. We work with our clients and peers in the investment industry, the forest sector, and the broader business community to realise our vision and accelerate the scaling of sustainable forestry investment. In 2020 we saw important collaborative progress, such as



David Brand
CEO, New Forests

the launch of the Net Zero Asset Managers Initiative and the Finance for Biodiversity Pledge, both of which New Forests joined as a founding member. In this report, you will read about some of these engagements, and we invite you to join us in our aspirations for impact and advocacy. We aspire to continue to build our business and deliver great returns to our clients, while also expanding our positive social and environmental impacts.

I hope our 2020 Sustainability Report provides some insight into the efforts we are making in our investment management business to contribute to the transition to a sustainable society.





About New Forests

New Forests celebrated its 15th anniversary in July 2020. As the business grows, our board and staff remain committed to a corporate purpose and vision based on sustainable development.

New Forests' corporate purpose is investing to create productive and sustainable landscapes for the benefit of our clients and the communities where we operate.

New Forests' vision is to see forestry as a sector helping to lead the transition to a sustainable future.

As global demand for resources grows, there is a need to increase productivity while ensuring the conservation of the world's remaining forests. New Forests seeks to create investment strategies that provide lasting solutions to this challenge.

Through responsible management of forests and other real assets, New Forests creates shared benefit for investors and local communities alike. New Forests believes that meeting the needs of a broad range of stakeholders will provide better long-term returns.

New Forests' Business

New Forests is a specialist investment manager offering leading-edge strategies in forestry, land management, and conservation.

Our investment philosophy recognises that institutional investment can drive both the productive use and long-term stewardship of forests and land.

Our clients include institutional investors, such as pension funds, sovereign wealth funds, and development finance institutions, as well as family offices and other sophisticated or qualified investors.

The New Forests group of companies is led by parent organisation New Forests Pty Ltd and is headquartered in Sydney, Australia. The corporate group includes entities and employees in New Zealand, Singapore, and the United States. New Forests invests in and manages assets across Australia, New Zealand, Southeast Asia, and the United States.





Countries invested in:

Australia, New Zealand, Malaysia, Indonesia, Laos, United States



Headquarters in Sydney

Offices in: Melbourne, Mt Maunganui, Singapore, San Francisco

Assets under management:

5.7 billion AUD
794,692
hectares of forests and land



Financial Licenses:

Australian Financial Services License (Australia)
Registered Investment Adviser (United States)
Capital Markets Services License (Singapore)

25 active clients | **16** fellow PRI signatories



Our clients come from **10 countries** and represent **7.6+ million** beneficiaries



Governance and Compliance




New Forests' governance and compliance frameworks are driven by best practice and regulatory obligations. New Forests' governance and compliance systems and procedures encompass funds management, administration, and operational controls. With dedicated Company Secretarial and Risk and Compliance teams, we strive to uphold best practice in governance for the management of New Forests' business as well as for our role as manager and fiduciary for the investments we manage.

New Forests' governance objectives:

- Promote ethical and responsible decision-making
- Recognise and manage risks
- Maintain fiscal responsibility
- Enable solid foundation for management and oversight
- Make timely and balanced disclosures

New Forests Pty Ltd Board of Directors	Executive Committee	Other Corporate Committees
<ul style="list-style-type: none"> • David Brand* (Chair) • Radha Kuppalli* • Hans Mehn • Masaru Namiki • Charl Pienaar[†] • John Rogers • Daniel Weiss <p>*Executive Director.</p> <p>[†]Retiring from board in 2021 and will be replaced by an independent non-executive director.</p>	<ul style="list-style-type: none"> • David Brand – Chief Executive Officer • Margaret Cole – General Counsel • Radha Kuppalli – Managing Director, Investor Services • Katie Lintner Chambers – Executive Director, Human Resources • Mark Rogers – Senior Managing Director, Australia-New Zealand and US • Geoffrey Seeto – Managing Director, Asia • Brian Shillinglaw – Managing Director, United States • Adrian Williams – Chief Financial Officer 	<p>Board committees:</p> <ul style="list-style-type: none"> • Remuneration Committee • Risk and Compliance Committee • Valuation Committee • Product Approval Committee • Nominations Committee <p>Corporate and/or fund committees:</p> <ul style="list-style-type: none"> • Investment Committees • Management Committees

The information below reflects material metrics in relation to board composition and activities in 2020. New Forests' board continues to seek to improve its governance practices. Our plans for 2021 include bringing on more female directors and independent directors. An independent, non-executive director is expected to join the board in the first half of 2021; a woman has been selected to fill this position.

					
Female Directors	Independent Directors	Executive Directors	Average Tenure of Directors	Number of Board Meetings Held	Independent Chair
14%	0%	71%	6.8 years	8	No

Human Capital

New Forests’ employees are our greatest asset. We are focused on providing a workplace environment where everyone can thrive and understand how they contribute to the execution of our vision and mission.

To elevate the importance of human capital in New Forests, in 2020 the board included human resources as an Executive

Committee role, filled by Katie Lintner Chambers (Executive Director, Human Resources). Other notable achievements supporting human capital in 2020 include:

- The formalisation of new leave policies, including allowance for two paid volunteer days per year and making parental leave policies gender/career neutral so that all parents receive 13 weeks of paid parental leave.
- Development of a Diversity, Equity, and Inclusion (DEI) Policy to support DEI within New Forests and, over time, extending our DEI initiatives outside the business.
- Establishing a Flexible Working Policy that seeks to support work-life balance and align with DEI initiatives.

COVID-19 response measures and employee assistance

Our response to the COVID-19 pandemic included a heightened focus on employee well-being. Since the initial crisis response, we have strived to keep employee well-being, including stress management, a central focus for management as we continue to assess resourcing, strategy, and priorities in the ongoing pandemic.

Some of the response measures implemented by New Forests include:



Introducing a special exemption allowing unlimited leave for employees who need to prioritise personal and family care in response to COVID-19, such as managing school closures and illness



Supporting establishment of at-home, ergonomically safe offices



Encouraging the use of the Employee Assistance Program, which includes free counselling for employees and families as well as other online services and information



Providing a one-time wellness subsidy for employees to purchase home office equipment and/or services to sustain mental and physical health and wellness



Adapting our leadership training to include managing through uncertainty

Investment Programs Overview

As an investment manager offering services to institutional investors, New Forests is committed to providing scaled investment solutions in sustainable real assets that address critical challenges around climate change, biodiversity loss, and sustainable development through opportunities in forestry, land use, conservation, and related infrastructure assets.

Australia and Zealand



AUD 5.1 billion

- Australia New Zealand Forest Fund (ANZFF)
- Australia New Zealand Forest Fund 2 (ANZFF2)
- Australia New Zealand Forest Fund 3 (ANZFF3)

Forestry investment in Australia and New Zealand provides exposure to mature timber markets, well-established forestry management systems, and new opportunities from increasing Asian demand for wood products. New Forests' Australia and New Zealand investment program provides balanced exposure to Australian softwood and hardwood plantations and New Zealand softwood plantations in a stable, low-risk environment. All assets are managed on a sustainable basis with a view to enhancing long-term productivity and asset value. Our Australia and New Zealand investments are characterised by high-quality certified forestry estates capable of generating attractive cash yield and long-term capital appreciation.

Highlights of program activity during 2020 include:

- Finalising the extension of ANZFF to a semi-permanent capital structure, enabling long-term planning and management to preserve and create value for the ANZFF investors.
- Overseeing property management and fibre sale activities through COVID-related disruptions, including operational pauses in New Zealand.
- Continued deployment of ANZFF3 into a high-quality, diversified portfolio.

Southeast Asia



AUD 210.8 million

- Tropical Asia Forest Fund (TAFF)

The forestry sector of Southeast Asia is at a critical inflection point as the industry shifts toward plantation-based timber supply and the development of additional processing to meet rising Asian timber demand. This provides an opportunity for investors to acquire and develop efficient, sustainably managed, fast-growing plantations. New Forests focuses on certified plantation forestry with an emphasis on technological and silvicultural improvements and a rigorous approach to environmental and community values and good governance. New Forests has pioneered institutional investment in the forestry sector of Southeast Asia through our Tropical Asia Forest Fund (TAFF).

Highlights of program activity during 2020 include:

- The successful completion of TAFF's portfolio-wide Forest Stewardship Council (FSC) certification, with certificates in place at all three operating portfolio companies.
- Planning and securing funding for a landscape-wide program for regional fire protection, biodiversity conservation, and connection of high conservation value (HCV) habitats with natural corridors at PT Hutan Ketapang Industri, TAFF's portfolio company in Indonesia.
- Substantially progressed development of a veneer mill at Mekong Timber Plantations, TAFF's portfolio company in Laos, which will add value to the forest investment and provide new employment opportunities.

United States



AUD 403.9 million

- Forest Carbon Partners (FCP)
- Carbon Forestry Separate Accounts (US Carbon Forestry)

Forestry investment in the United States can now deliver additional value from carbon sequestration alongside core timber revenue. With in-house expertise in conservation finance and forest carbon markets, New Forests has developed a US Carbon Forestry investment strategy that capitalises on a new source of forest value from the California carbon market. New Forests uses proprietary technology to identify high carbon value forests, then optimises timber and carbon management to enhance returns through the sale of carbon offsets while transitioning the forest to higher value timber production. New Forests has developed this strategy to provide investors access to a valuable re-segmentation of the mature United States forestry market while directly mitigating climate change through sustainable forest management.

Highlights of program activity during 2020 include:

- Securing a separately managed account of up to USD 500 million to invest in climate-smart forestry in North America.¹
- Registration of two new offset projects, including New Forests' third project on forests managed for New Forests' clients and the Chugach Alaska forest carbon project, which completed the conservation of more than 49,000 acres of old-growth forest in the Gulf of Alaska and the permanent retirement of the Bering River Coal Field.
- Achieving issuance of more than 7 million tonnes of California Compliance Offsets from improved forest management projects in FCP and forestry separate accounts.

¹ The separate account is not included in the 2020 AUM for the United States.



Sustainability at New Forests

Sustainability Strategy and Governance

New Forests’ strategy is focused on innovating, delivering, and scaling sustainable investments in forestry, land, conservation, and related infrastructure. New Forests’ investment products meet market definitions for sustainable themed investments and/or impact investments, as shown in the graphic below.

Financial-only	Responsible	Sustainable	Impact	Impact-first	Impact-only
Delivering competitive financial returns					
	Mitigating ESG risks				
		Pursuing ESG opportunities			
		Focusing on measurable high-impact solutions			
Limited or no regard for environmental, social, or governance (ESG practices)	Identify and mitigate ESG risks in order to protect value	Identify and pursue ESG opportunities that may enhance value or deliver environmental and social (E&S) benefits	Address E&S challenges that generate competitive financial returns for investors	Address E&S challenges where financial returns are less proven	Address E&S challenges where financial returns may be below market

Adapted from Bridges Ventures.

Sustainability is central to our investment approach, with the investments we manage being 100% ESG integrated, defined by the Principles for Responsible Investment as “the explicit and systematic inclusion of ESG issues in investment analysis and investment decisions.”²

Our approach is guided by the company’s Sustainable Landscape Investment philosophy (described on page 26), which recognises that ESG issues are critical to investment performance and are interconnected facets that require holistic management.

New Forests’ Board of Directors and Executive Committee have direct oversight of sustainability programs, ensuring integration into business strategy and all aspects of business management. Organisational capabilities in sustainability are enhanced by allocation of clear roles and responsibilities in support of sustainability and ESG integration.

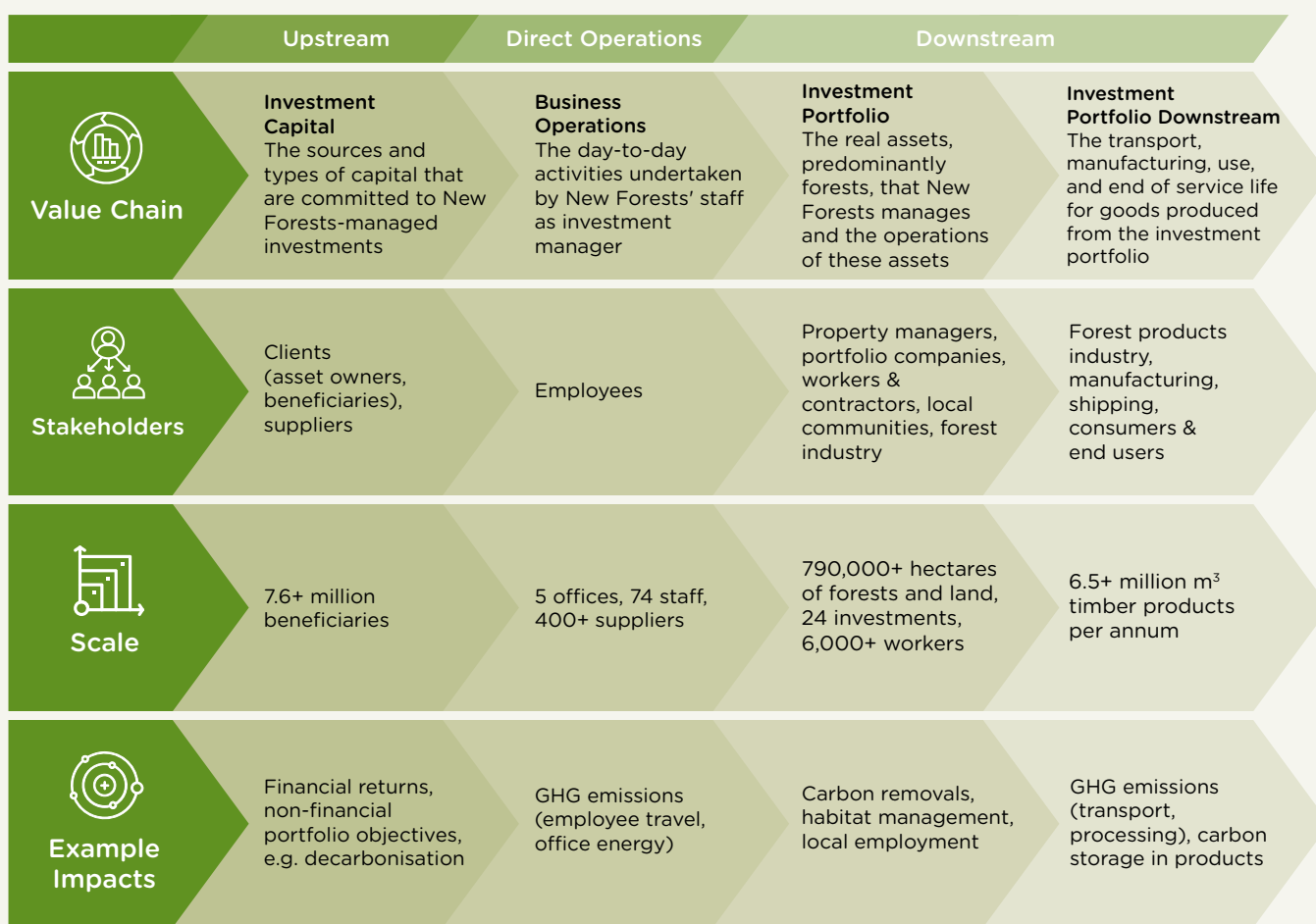
Sustainability and ESG Roles and Responsibilities

 Board	Oversee sustainability strategy and responsible investment policies
 Executives and Management	Oversee sustainability programs through strategic decision-making, policy setting, and key procedures
 Corporate and Fund Committees	Ensure ESG management and compliance meets requirements, as relevant
 Sustainability Team	Manage sustainability programs through internal systems, guidance on ESG issues, reporting, and investment ESG sign-off
 Investments and Operations Teams	Implement ESG integration in investment process for assets and oversee ESG in funds and assets
 Third Parties	Property managers and operating portfolio company staff implement sustainability management and activities at the asset level

2 See <https://www.unpri.org/fixed-income/what-is-esg-integration/3052.article>.

New Forests' sustainability and engagement in the supply and value chains

New Forests seeks to work with our stakeholders and across our supply and value chains to promote better outcomes for the environment and society. As a financial services firm that focuses on real assets, New Forests considers both the services and goods that flow through our supply chain, which extends from the beneficiaries of our institutional investment clients to end-users of products made from wood fibre harvested on the forestry investments we manage and other goods produced, such as carbon offsets or agricultural goods. Our downstream impacts are the focus of the Investment ESG and Impacts section of this report.



Upstream - We engage with our clients and the broader investment community to enhance the understanding and uptake of investment opportunities in sustainable forestry and land use. Our priorities align with our Climate Action Plan, seeking to enhance the role of forestry as a climate solution. We also support sustainable finance and practise diligence in Know-Your-Client and Anti-Money-Laundering assessments.

Direct Operations - We work throughout all facets of our business to improve our sustainability, using the B Impact Assessment and our Certified B Corp status to guide our activities, including across office sustainability, DEI, and corporate social responsibility to the environment, workers, and communities. Our direct operations are the focus of the Sustainability at New Forests section of this report.

Downstream - We recognise that the most material impacts in our value chain occur in the investment portfolio owing to the direct and tangible nature of our investment activities in the landscape and with regard to employment and the community. External engagements, such as with the Forest Solutions Group of the World Business Council for Sustainable Development (WBCSD), promote sustainability in forestry and forest products industries. We work through our Responsible Investment Policy, Social and Environmental Management System, and Sustainable Landscape Investment framework to pursue positive impacts while mitigating against the risk of adverse impacts.

Corporate Sustainability

New Forests' corporate sustainability approach focuses on embedding corporate purpose and ESG throughout our business and the services we provide.

As a Certified B Corp, New Forests is committed to considering the impacts of our business on workers, customers, suppliers, community, and the environment. The Certified

B Corp community of leaders is a global movement of people using business as a force for good. For the Australian financial year ending 30 June 2021, New Forests adopted a group-wide key performance indicator (KPI) tied to our performance as a B Corp. We seek to make continual improvements in our B Impact Assessment score, which is a tool

to measure the impact on our workers, community, environment, and customers and which supports recertification. Since becoming a B Corp in 2018 with a verified score of 88.1, New Forests' improvement efforts have resulted in an unverified score of 119; the score will be finalised and verified in the 2021 recertification.



2020 Improvements Supporting B Corp Performance and Group Sustainability



Workers

- Supplementary health benefits for part-time employees
- Equal paid leave for primary and secondary caregivers
- Group-wide employee engagement surveys



Community

- Formalising charity donation matching for employees
- Encouraging use of paid volunteer time
- Launch of Diversity, Equity, and Inclusion program



Environment

- Purchasing green energy
- Offsetting GHG footprint
- Processes to monitor and report on waste, electricity, and water usage



Customers

- Public facing reports on impact performance
- Further development of blended finance products



Governance

- Managers aligned to mission - added B Corp performance to remuneration KPIs
- Planning for inclusion of B Corp legal requirement in company constitution

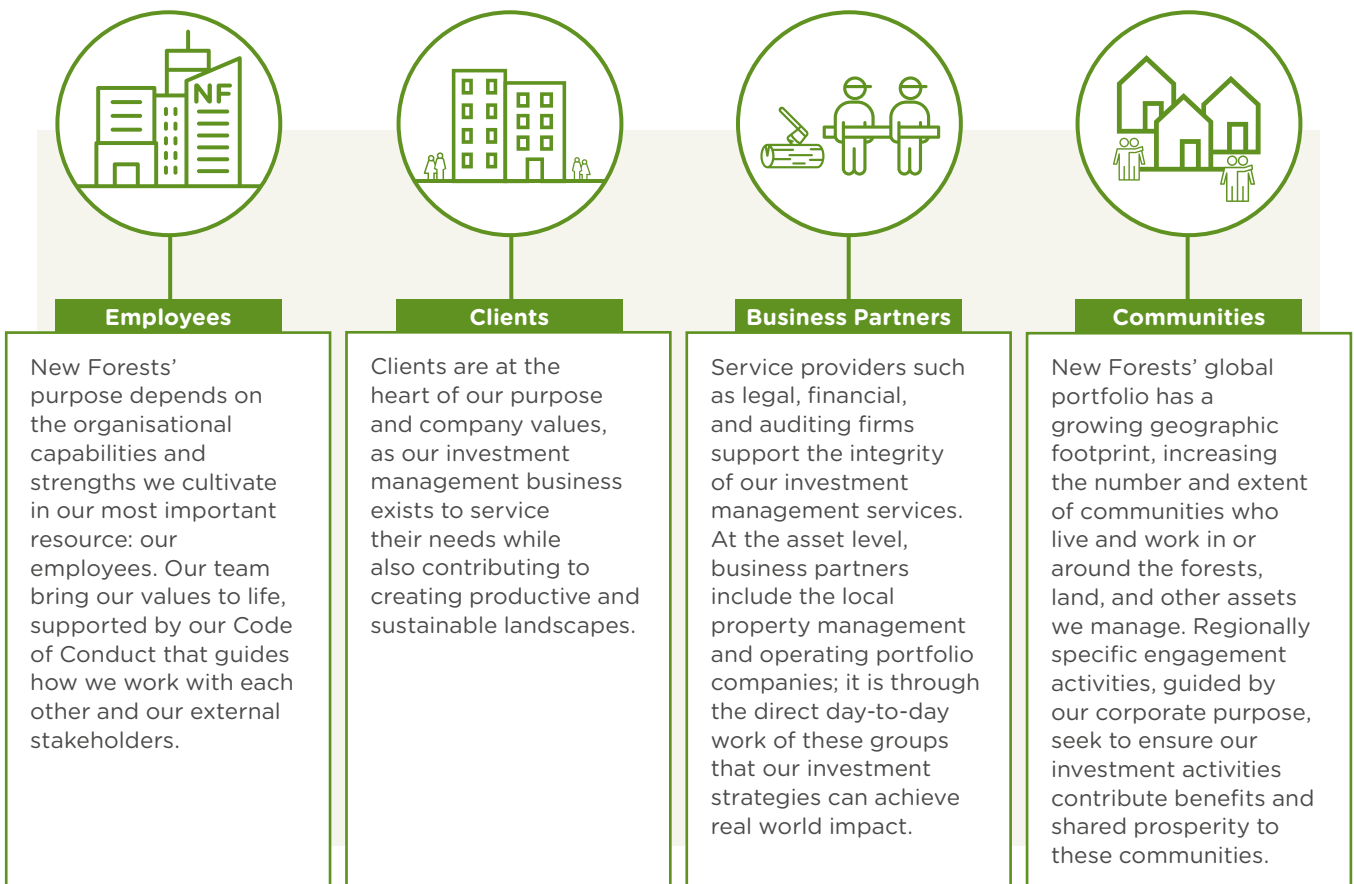
Stakeholders

New Forests’ stakeholders contribute to and should benefit from our mission to be the world’s leading sustainable forestry investment manager.

Two key stakeholder groups – clients and communities – are referenced directly in our corporate purpose: investing to create productive and sustainable landscapes for the benefit of our clients and the communities where we operate.

Furthermore, it is our remaining two stakeholder groups – our employees and our business partners – who deliver on this purpose through their day-to-day work.

Stakeholders and New Forests’ purpose, vision, and mission



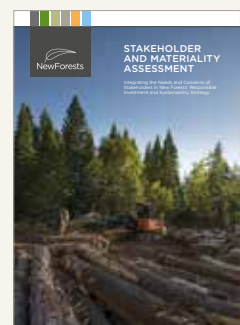
Materiality

With a strong view on the sustainability challenges and opportunities facing the forest sector, New Forests informs its ESG strategy and management approaches through materiality assessments, which is a process for identifying and assessing the ESG issues that may affect a business and its stakeholders. Our materiality assessment focuses on the ESG issues relating to the investments we manage rather than our direct business operations, because of the significant and tangible nature of our investment activities in the landscape and with regard to employment and the community.

In seeking to better integrate stakeholder feedback to our sustainability reporting, New Forests launched a stakeholder survey for ESG materiality.

Learn more

For more information about how New Forests assesses materiality and uses the Sustainable Landscape Investment (SLI) framework to support impact management and reporting, see our [Materiality and Sustainable Landscape Investment Overview](#).



Advocacy

New Forests has identified investment in natural climate solutions (NCS), generation of shared prosperity, and the emergence of the circular bioeconomy as central issues where we want to not only have impact as an investment manager but also advocate for a policy and industry environment that supports investment in these areas at scale. Our next step as a business is to develop an advocacy plan that sets out objectives for our advocacy work, including collaboration with networks and industry bodies, policy engagement, and thought leadership tied to impact we demonstrate through our investments.

New Forests' advocacy priorities respond to forestry and land use opportunities



Natural Climate Solutions	Macro Context	2020 Progress
<p>In seeking to scale natural climate solutions, New Forests will advocate for policies and industry-led efforts that will enable forestry investment to contribute to positive climate outcomes that also promote biodiversity and the conservation of nature.</p>	<p>Climate change is a globally significant, systemic driver of risks and opportunities. Natural Climate Solutions (NCS) could provide up to 30% of required climate change mitigation by 2030 to meet Paris Agreement targets. NCS are an important business and investment opportunity. New Forests' strategy includes integrating climate positive actions in the forestry investments we manage, innovating investment models and structures for climate action, and seeking to embed higher ambition climate targets into new investment products.</p>	<ul style="list-style-type: none"> Established a business development team focusing on NCS opportunities Collaborated to develop A 2030 Investment Vision for NCS and engaged with asset owners Participated in technical working group revisions to the Greenhouse Gas (GHG) Protocol to include carbon removals Participated in the WBCSD NCS Group and the NCS Alliance



Shared Prosperity	Macro Context	2020 Progress
<p>In seeking to generate shared prosperity at scale, New Forests will advocate for forestry investment models and business practices that will support more prosperous communities and sustainable development.</p>	<p>Global inequalities continue to escalate, and macro-shocks like COVID-19 have further demonstrated the vulnerabilities in our society, particularly for people of colour, Indigenous Peoples, and casual and contract-based workers who lack labour protections. New Forests aims to manage investments in a way that does not exacerbate the systemic drivers of inequality. Rather, through focusing on human rights, ensuring the integrity of work, and supporting more resilient supply chains, we believe we can encourage shared prosperity. This means our strategies seek to work with suppliers and investees who employ business practices that support local community development, provide equitable access to opportunity, and promote diversity, equity, and inclusion (DEI).</p>	<ul style="list-style-type: none"> Adopted the UN Guiding Principles on Business and Human Rights Implemented modern slavery risk program, including launch of supplier surveys on modern slavery Supported property managers and portfolio companies to manage supply chain and community impacts of COVID-19



Circular Bioeconomy	Macro Context	2020 Progress
<p>In seeking to advance the emergence of a circular bioeconomy, New Forests will advocate for policies and industry-led efforts that will support the provision of forest products for a low-carbon and sustainable economy.</p>	<p>Worldwide demand for timber and wood fibre, agricultural goods, and other commodities continues to increase, driven by rising population and consumption. Traditional patterns of production and consumption have followed a one-way, linear path from production to manufacturing to use and disposal. This model is fundamentally extractive and unsustainable.</p> <p>By contrast, the circular bioeconomy has emerged as a new model where resource efficiency, use and reuse, and process innovation are critical. As a forestry investment manager, New Forests is intrinsically exposed to timber demand as a driver for investment return, but we also recognise that the efficient and expanding use of wood fibre and timber will be vital to a future net zero economy. The growth of the circular bioeconomy should be positively correlated with the success of sustainable forestry and land use investments.</p>	<ul style="list-style-type: none"> Supported the investment plan of Timberlink Australia (a portfolio company) to develop mass timber production facilities Supported the Forest Solutions Group engagement in the circular bioeconomy work of the WBCSD



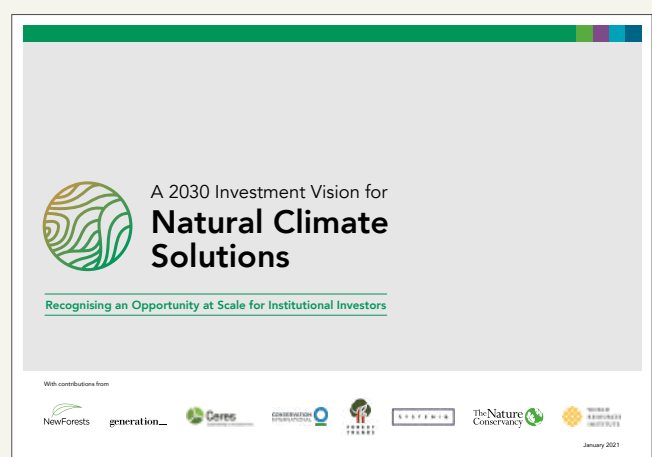



2030 Investment Vision for Natural Climate Solutions

To achieve a net zero emissions economy, institutional investment in natural climate solutions (NCS) is required alongside the clean energy transition. Hundreds of billions of dollars need to be invested in NCS over the next decade – yet investment to date has been limited and investors have little understanding regarding how to access these investments. To increase investor awareness, New Forests, working with Generation Investment Management, Ceres, Conservation International, Forest Trends, SYSTEMIQ, The Nature Conservancy, and the World Resources Institute (WRI), developed *A 2030 Investment Vision for Natural Climate Solutions*.

The vision seeks alignment of institutional investment portfolios with a sustainable land use transition that not only addresses climate targets but also protects biodiversity and supports the Sustainable Development Goals. Over the course of 2020, New Forests and Generation engaged with a wide range of asset owners about the vision. This investor engagement culminated in a virtual convening in February 2021, which focused on accelerating deployment of investor resources into NCS. Over 30 leading asset owners and asset managers totalling approximately USD 10 trillion in assets under management attended.

The vision and the convening proceedings can be accessed online at www.newforests.com.au/NCSvision. In 2021, New Forests will continue this strategic investor engagement on the NCS Investment Vision with a focus on embedding NCS into portfolio decarbonisation frameworks.





Collaborating to Enhance Corporate GHG Accounting for Forestry and Land Use

The WBCSD and WRI are developing updated GHG Protocol guidance on how companies and organisations should account for GHG emissions and carbon removals from land use, land use change, bioenergy, and related topics in their GHG inventories, building on the Corporate Standard and Scope 3 Standard.³

New Forests supports the benefits of this update, as the more complete inclusion of land-use-related emissions and carbon removals within GHG inventories can be an important incentive to reduce emissions and increase carbon removals from land use. Comprehensive accounting would enable better climate target setting, allow investors to understand forestry portfolio emissions/removals, and provide consistency in understanding how forestry and land use contribute to climate change and climate mitigation. Accordingly, New Forests participated in the guidance update via the Carbon Removals technical working group. New Forests believes that carbon emissions and removals from forests and land should be considered “in the scopes” of the GHG Protocol, thus providing the greatest transparency and ability to incentivise increasing carbon stocks in forests and on land.

A more novel and critically important consideration is also including the climate impact of stored carbon in biogenic products, such as harvested wood products, within the scopes. New Forests coordinated with forest sector participants to develop a proposal that includes the carbon storage function of such products to be included as a carbon removal in the scopes of the GHG Protocol. Taken together, these related aspects of accounting for emissions and removals on land and valuing the carbon storage of harvested wood products offer the potential to increase the forest sector visibility and contribution to global climate mitigation efforts. The GHG Protocol revisions with the Carbon Removals Standard are anticipated to be piloted starting in 2021; New Forests will pilot the new guidance as part of our Climate Action Plan.

³ See <https://ghgprotocol.org/blog/new-greenhouse-gas-protocol-guidance-carbon-removals-and-land-use>

New Forests and the Sustainable Development Goals

New Forests supports the Sustainable Development Goals (SDGs) as the global agenda to systematically and comprehensively address the most challenging environmental, social, and development challenges of our times.

We believe the investments we manage are best positioned to deliver positive progress toward Goal 8: Decent Work and Economic Growth, Goal 12: Responsible Consumption and Production, Goal 13: Climate Action, and Goal 15: Life on Land. These themes are critical to the investments we manage, and we provide a report on contributions to the Global Goals in our SDG Dashboard. Throughout this report, we use the SDG icons to link case studies to New Forests' actions in support of the Global Goals.

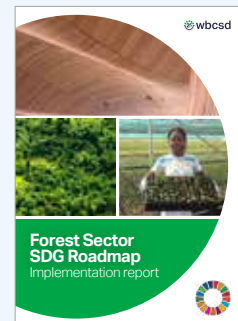
Economy-wide action is needed to deliver on the SDGs. To support this shift, New Forests is proud to participate in the World Business Council for Sustainable Development (WBCSD) sector-based Forest Solutions Group (FSG), which developed the SDG Roadmap for the forest sector and in 2020 published its Implementation Report on progress.

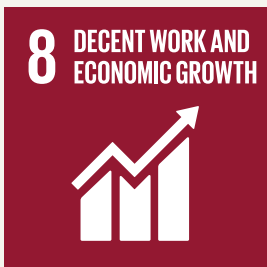
SUSTAINABLE DEVELOPMENT GOALS

Learn more

Check out the *Forest Sector SDG Roadmap*

<https://www.wbcsd.org/Sector-Projects/Forest-Solutions-Group/Resources/Forest-Sector-SDG-Roadmap-Implementation-Report>





- Achieve higher levels of productivity
- Job creation
- End modern slavery and child labour



- Sustainable management and use of natural resources
- Sustainable consumption and production



- Mobilise climate finance
- Emissions reductions
- Carbon dioxide (CO₂) removals



- Sustainable forest management
- Ecosystem restoration
- Increase afforestation and reforestation
- Reduce natural habitat degradation, biodiversity loss, and extinction of threatened species

New Forests' 2020 Contribution to the SDGs

		8	12	13	15
Individuals employed with workers' rights requirements	6,000+ people	●			
Tonnes timber produced/net productive hectare	14 tonnes per hectare	●	●		●
Ratio of production area to conservation area	1.8:1	●	●		●
Volume of certified timber produced	6.1 million m ³		●		●
Percentage of timber production that is certified	95%		●		●
Carbon stored in production forests	169.3 million tonnes CO ₂ e		●	●	
Net carbon sequestration in production forests over 2020	2 million tonnes CO ₂ e			●	
Carbon offsets generated	7.5 million tonnes CO ₂ e			●	
Low-carbon investment – dollars invested	AUD 409.8 million			●	
Area of certified forest management	754,000+ hectares		●		●
Area of environmental restoration	8,200+ hectares				●
Area of commercial reforestation	22,240+ hectares				●
Area of environmental reforestation	420+ hectares				●

Engagement and Industry Leadership

New Forests participates in industry initiatives, networks, and organisations to advance responsible investment and sustainable forestry through collaboration, knowledge sharing, and development of best practices.



New Forests was honored to receive the following recognitions in 2020.



Responsible Investment

Responsible Investment (RI) is an approach that incorporates ESG factors throughout the investment process; New Forests' sustainability framework supports implementation of the RI Policy throughout all investment activities.

New Forests uses RI as a tool to enhance its ESG impact. This includes promoting land use that considers ecosystem services and preserves critical natural values; supporting the development of local communities and promoting diversity, equity, and inclusion; enhancing best practices for governance; and encouraging the development of products that have positive impacts on society and the environment.

New Forests celebrated its 10th anniversary as a signatory to the Principles for Responsible Investment in mid-2020. We remain committed to working with the PRI and its network to promote the role of forestry and land use as sustainable investments. New Forests' PRI Transparency Report and Assessment Report are publicly available on our website or via the secure data portal of the PRI for fellow signatories. New Forests obtained an A+ rating in the 2020 assessments, which covered 2019 ESG activities.

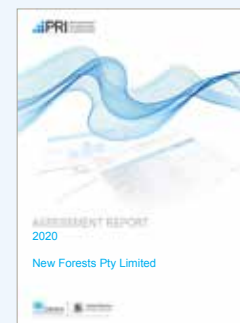


A+ Rating

Strategy and Governance

See report here:

<https://newforests.com.au/wp-content/uploads/2020/07/2020-Assessment-Report-for-New-Forests-Pty-Limited.pdf>



Responsible Investment Policy

During 2020, New Forests undertook a review of its RI Policy with a view to meet or exceed the ESG requirements from our clients and evolving best practice standards for corporate social responsibility. We believe the new RI Policy and the internationally recognised sustainability frameworks referenced within it represent best practice. New Forests' Executive Committee recommended the updated RI Policy to New Forests' Board of Directors for approval in early 2021. The Board endorsed the RI Policy update and its ability to contribute to New Forests' targeted business excellence and impact and advocacy objectives.

Learn more

New Forests' RI Policy is available on our website at:

www.newforests.com.au/RIPolicy



Aligning with Best Practices to Enhance Responsible Investment Integration

[OECD Guidance for Multinational Enterprises and related guidance for Responsible Business Conduct for Institutional Investors](#)

[UN Guiding Principles on Business and Human Rights \(UN GPBHR\)](#)

[UN Global Compact](#)

[International Labour Organization \(ILO\) and its Core Conventions](#)

[Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries, and Forests \(VGGT\)](#)

[World Business Council for Sustainable Development \(WBCSD\)](#)



Social and Environmental Management System

New Forests' Social and Environmental Management System (SEMS) is a cornerstone of the company's approach to responsible investment and is designed to ensure effective management of E&S issues related to New Forests' investment activities. The SEMS is New Forests' framework to systematically identify, manage, and report on E&S issues and potential impacts of the investments we manage.

SEMS activity in 2020 focused on a complete review and revision of the SEMS Policy Manual as well as conducting a management review of New Forests SEMS activities. The updated manual and review were approved by New Forests' Executive Committee in early 2021.

The management review focused on assessing the adequacy of New Forests' SEMS to ensure its appropriateness to deliver the company's strategy and commitments, manage ESG issues, and meet stakeholders' expectations and requirements. Some of the key areas for improvement moving forward are:

- Formalising SEMS integration into the investment process via guidance documents and compliance monitoring,
- Updating fund-level SEMS Declaration Documents to reflect current best practice and team needs, and
- Conducting all-staff and new-staff trainings on the SEMS to ensure alignment.

The review complemented the full revision and update of the SEMS Policy Manual; together the review and updated SEMS Policy Manual present a path forward for continual improvement.

Sustainable Landscape Investment

To support New Forests' vision, mission, and objectives, New Forests employs its Sustainable Landscape Investment (SLI) approach that focuses on business, environmental, and social performance and accounts for the material ESG impacts and aspects of our real-assets investment program. The SLI framework reflects our view that conservation, production, and societal values can be combined in the landscape and that managing material ESG issues supports better investment performance in forestry, land use, and conservation. We use the SLI approach to support ESG and impact management; the Investment ESG and Impact Report section discusses how we implement the SLI framework and the 2020 impact data. This SLI philosophy is at the heart of our sustainability agenda, and key actions through 2020 sought to further embed SLI into the policies, procedures, and systems that support the investments we manage.



Climate Action Plan and Disclosure Update

New Forests embarked on an ambitious Climate Action Plan (CAP) in March 2020, together with publishing the group’s first Climate Disclosure Report. The CAP reflects the climate ambition of our business and seeks to identify the climate action opportunities in the investments we manage. New Forests launched a diverse staff consultancy group in 2020 to address the goals of the CAP. The key outcomes for the CAP in 2020 related to collaborating to standardise forestry climate impact and greenhouse gas (GHG) emissions reporting, a Task Force for Climate-related Financial Disclosures (TCFD) alignment project, and achieving climate neutrality for our business.

New Forests embarked on a project to align management of its portfolio with TCFD recommendations in April 2020, with a focus on implementing climate scenario analysis and climate-risk management at the asset level.

New Forests piloted its TCFD-aligned strategic planning framework with its Australian and New Zealand assets in the second half of 2020; we expect to do the same for US and Asian assets in 2021.

Climate Disclosure Report

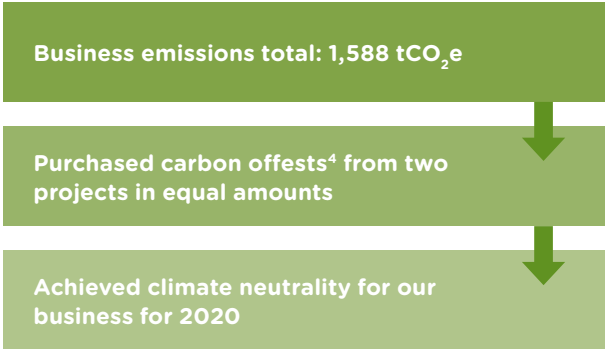
New Forests’ inaugural Climate Disclosure Report was published in March 2020 and received the TCFD Report of the Year award from Environmental Finance. The report introduced our approach to climate strategy and governance, risk management, and our plans for supporting TCFD alignment in the investments we manage. It also disclosed New Forests’ key physical and transition risks and opportunities.



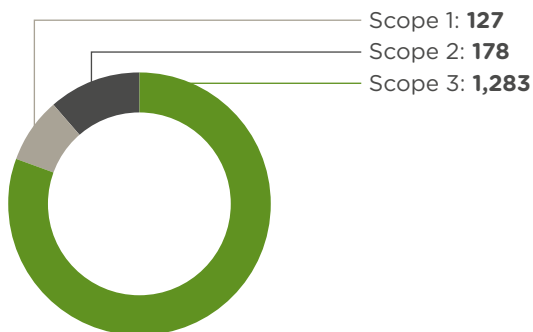
Climate disclosure data updates can be found in the Land Use Planning and Ecosystem Services sections of this report.

www.newforests.com.au/CDR2020

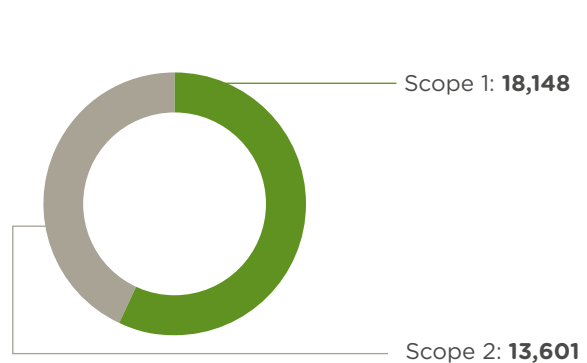
New Forests conducted its first GHG inventory in 2020 to calculate the Scopes 1, 2, and 3 emissions for our business operations and Scopes 1 and 2 for the investments we manage. From this, we were able to achieve climate neutrality for our business for 2020 by purchasing offsets from accredited projects. New Forests purchased 1,588 credits from two Verified Carbon Standard + Climate, Community and Biodiversity Alliance (VCS+CCBA) verified projects, which means they comply with the Verified Carbon Standard and the Climate, Community, and Biodiversity Alliance Standards.



Total business GHG emissions (tCO₂e)



Total investment GHG emissions (tCO₂e)



4 New Forests purchased offsets from Wildlife Works Southern Cardamom REDD+ Project and Cool Effect’s Katingan Project.

Sustainability Targets

Sustainability targets have always been integral components of New Forests’ business plan, although we have not consistently disclosed progress and challenges related to targets through our public reporting. We will systematically report on our business’ sustainability targets via this and future public reports.

Remuneration Linked to ESG Key Performance Indicators

As part of its Remuneration Policy, for the financial year ending 30 June 2021, New Forests implemented a set of ESG-related key performance indicators (KPIs) linked to employee remuneration across four areas of the business, two of which focus on sustainability: ESG integration and B Impact Assessment. ESG integration focuses on compliance with internal and external requirements for ESG integration, procedures, and reporting.

The B Impact Assessment relates to the assessment system used as part of being a Certified B Corp; New Forests conducts quarterly updates to the B Impact Assessment as a means of monitoring alignment and performance as a Certified B Corp. As this is a pilot year for these KPIs, we will assess how they impacted employee attention to these critical issues at the end of the financial year and make any adjustments as we start FY2022.

ESG Integration	Meet or exceed 95% pass rate on all ESG obligations, as recorded in compliance tracking.
B Impact Assessment	Meet or exceed the median B Impact Assessment score for peer group in FY21.

Climate Action Plan Targets

New Forests launched its Climate Action Plan (CAP) in 2020; the full plan and targets are described in New Forests’ Climate Disclosure Report 2020.

We are proud of the progress made against 2020 objectives and will continue to execute our CAP with a focus on climate neutrality, collaborating on forestry as a

climate solution, and demonstrating scaled investment pathways to net carbon removals.

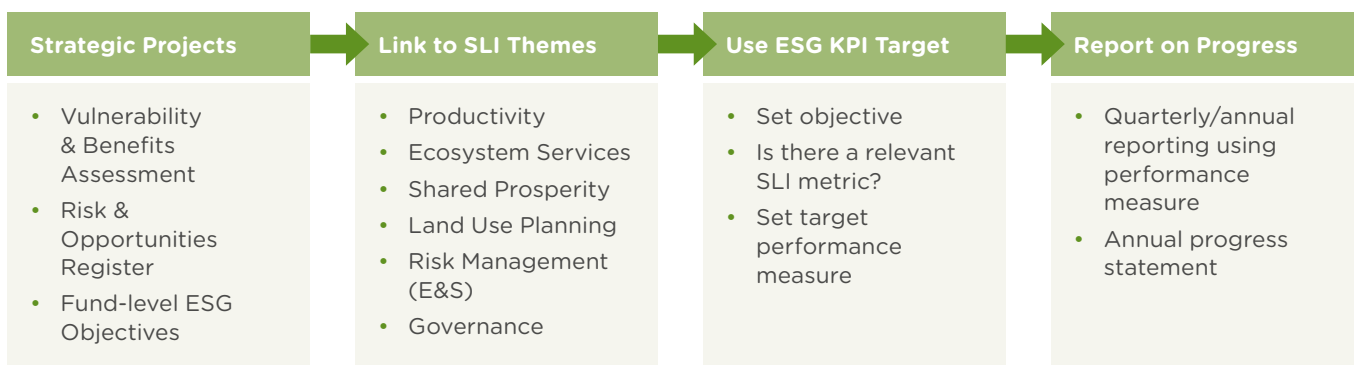
	We will be a climate neutral business	We will work collaboratively to ensure that forestry is recognised as a climate solution	We will demonstrate investable pathways to transition the forestry sector from a net GHG emissions source to a source of net carbon removals
2020 Target	Measure and report the GHG footprint (Scopes 1, 2, and 3) of our business operations and achieve climate neutrality.	Advance forestry GHG accounting through collaborative working groups, and pilot GHG footprint of investment operations.	Work with clients to embed forestry investment in net zero commitments.
2020 Status	Completed – See page 23 for New Forests’ GHG inventory and climate neutrality achievements.	Ongoing – See page 41 for improvements in New Forests’ GHG reporting for investments. See page 17 for an update on New Forests’ collaboration for GHG accounting in forestry.	Ongoing – New Forests collaborated with others to create a 2030 Investment Vision for NCS and engaged with asset owners; New Forests joined the Net Zero Asset Managers initiative.

Setting Impact Targets in Managed Investments

New Forests has a track record of delivering on environmental and social performance in the investments we manage in alignment with our Sustainable Landscape Investment approach.

As part of the review of our asset-level strategic planning framework and efforts to align ESG and impact management throughout the associated procedures, in 2020 New Forests developed a simple guidance document and template for setting impact targets in managed investments.

The approach uses the SLI framework and risk and opportunity assessments to inform the establishment of targets. We aspire to deepen our approach to setting and delivering impact targets.



Investment ESG and Impact Report

New Forests’ Sustainable Landscape Investment (SLI) framework supports our approach to managing ESG issues and impact as part of investment performance, recognising that ESG management is vital for risk management and can also create financial and non-financial value for the investment, the environment, and society. The SLI framework includes six interconnected themes: productivity, land use planning, ecosystem services, shared prosperity, risk management, and governance.

PRODUCTIVITY

Primary Production, Resource Description, Resource Efficiency, Research and Development

Enhancing biological productivity and resource efficiency through technology and innovation

ECOSYSTEM SERVICES

Biodiversity, Carbon and Climate, Water, Recreation and Cultural Services

Effectively valuing and promoting positive externalities from forestry and land management

SHARED PROSPERITY

Community Development, Employment and Livelihoods, Industry and Supply Chain

Addressing social and financial inequality to empower local communities

LAND USE PLANNING

Conservation Land Use, Production Land Use, Social Land Use, Land Use Change

Analysing economic, social, and environmental values to determine optimal land allocation

RISK MANAGEMENT

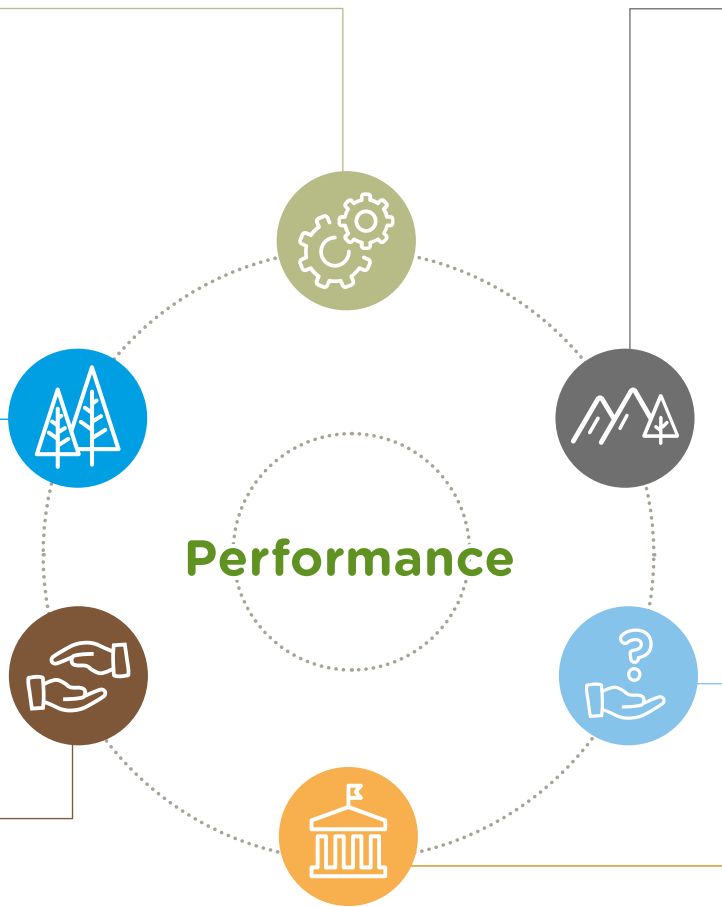
Risk Management Systems, Health and Safety, Climate Risk

Identifying and managing risks across all operational facets to ensure resilience

GOVERNANCE

Strategic Planning, Systems and Policies, Management and Oversight

Upholding best practices for governance and compliance to create more valuable businesses



The SLI metrics, as well as discussion of the material issues to which they relate, form the basis of the reporting in this section.⁵ The definitions of metrics relating to data in this report are provided on page 57. The following sections describe our approach to managing the material SLI issues and provide aggregated data at the fund level, where possible, for each of our commingled investment funds with the following exceptions:

- Data pertaining to the investments held in US Carbon Forestry separate accounts are reported in aggregate.
- The Australia New Zealand Forest Fund (ANZFF) sawmilling investments operating as Timberlink are not included for Productivity, Land Use Planning, and Ecosystem Services but are included for relevant Shared Prosperity, Risk Management, and Governance data.

- Forest Carbon Partners (FCP) data is not reported for most indicators because the FCP activities are undertaken on land owned by third parties who are responsible for land management. FCP activities are restricted to offset project development and carbon credit marketing and do not include operational forestry management.

Productivity

Efficient and responsible production of renewable resources is a key component of a future sustainable economy. Productivity is a central driver of investment return and value, but it is also important to ensure that responsible scaling does not adversely impact ecosystem values that underpin production and long-term asset stability.

New Forests’ SLI framework focuses on the Productivity sub-themes of Resource Description, Primary Production, Resource Efficiency, and Research and Development.

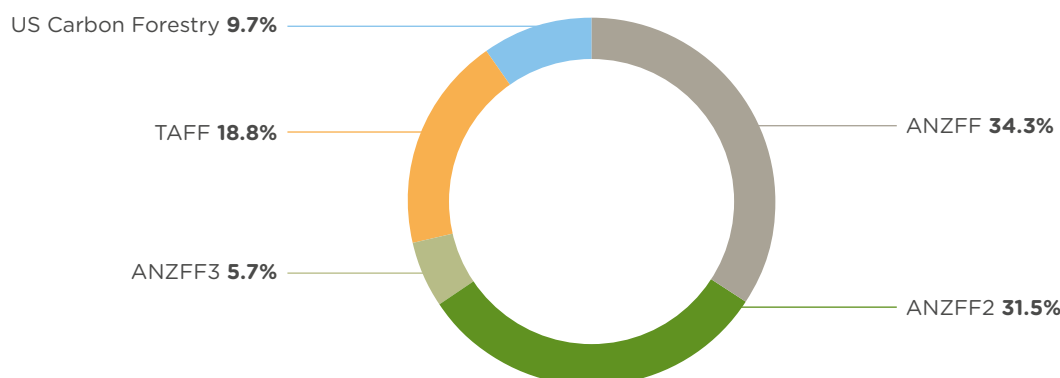
Resource Description and Management

Resource Description and Management metrics are used to monitor the key characteristics of our production forests, including growth rates, standing volume, harvested volume, and growth volume. The majority of this SLI data is used for internal asset management functions rather than being oriented toward external environmental and social impact reporting.

In total, New Forests’ forestry funds encompass 794,692 hectares (gross) of forests and land, of which the net managed production forest area is around 58%. See page 34 for more information about Production Land Use and areas under management.

Gross Asset Area (hectares)

ANZFF	ANZFF2	ANZFF3	TAFF	US Carbon Forestry	All Funds (sum)
272,577	250,513	45,018	149,308	77,276	794,692



⁵ As a fiduciary managing privately held assets, New Forests discloses ESG performance and impacts that are viewed as having material importance to external stakeholders. Metrics that are not used for public disclosure contribute to client reporting and/or to support asset management and internal decision-making. While we are committed to transparency in support of the stakeholders who are interested in and may be affected by the investments we manage, we must balance disclosure with commercial sensitivities.

Sweetening Returns with Integrated Forestry and Manuka Honey Production

In October 2019, ANZFF3 acquired a property in the Wairarapa region of New Zealand's North Island. New Forests purchased the property from a manuka honey producer and as part of the transaction entered into a long-term apiary agreement to enable continued honey production on the land. Manuka honey is produced from the manuka tree, which is native to New Zealand. The property contains a mix of manuka vegetation, ideal for honey production, and areas of hilly grazing country, on which New Forests has established a new *Pinus radiata* plantation. Not only does the apiary agreement enable the former owner to continue to access the land for honey production, but it also ensures the manuka vegetation remains utilised. Honey is a non-timber forest product (NTFP) and, in the case of New Zealand manuka honey, represents a high-value product that relies on indigenous vegetation. It also provides mutual commercial benefit, as ANZFF3 shares in the revenue from the honey. The combined production of timber and honey is an example of how integrated production systems can produce a range of benefits: producing wood fibre from new plantations, sequestering carbon from a growing forest estate, producing food from NTFPs, sustaining native plants and biodiversity, supporting local jobs, and enhancing the overall utility of the land.



Primary Production

New Forests’ investments harvested and sold more than 6.4 million tonnes of timber in 2020. A total of 95% of timber harvested came from forests certified under FSC and/or PEFC.

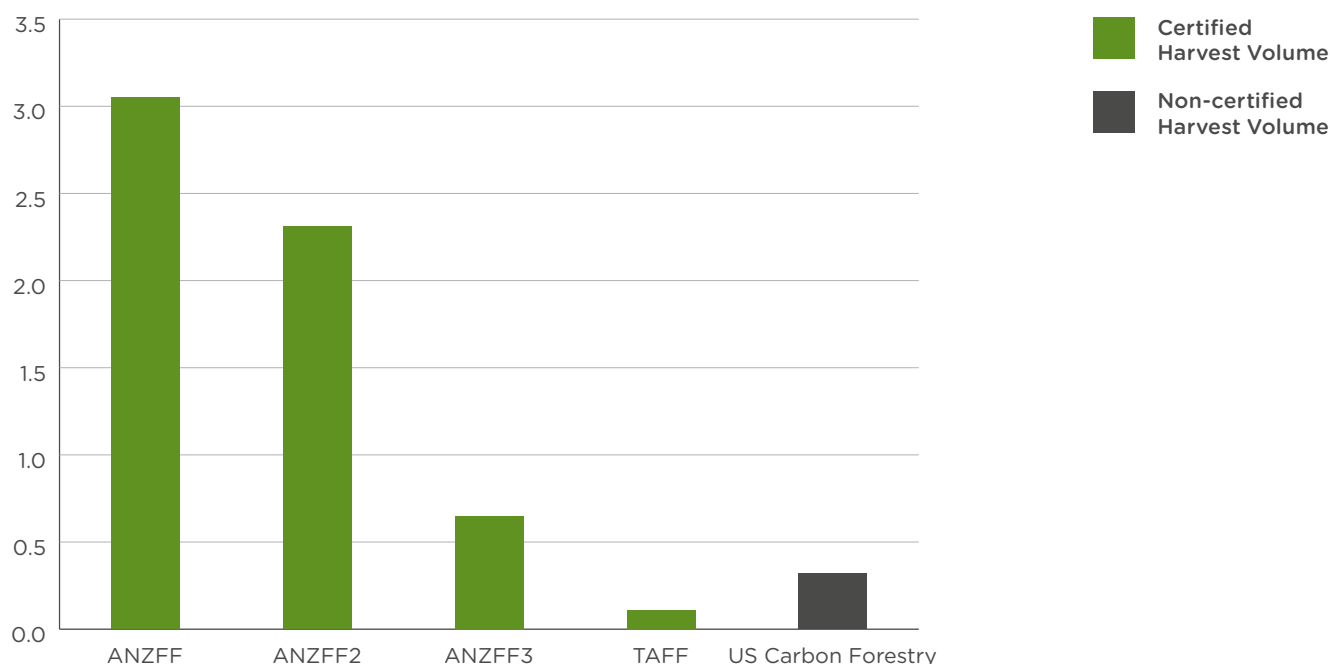
A US Carbon Forestry asset was uncertified from January through November 2020 due to the property manager withdrawing from certification while addressing ongoing corrective actions.

This resulted in only 3.5% of US Carbon Forestry’s annual harvest being completed under certification; however, the asset was managed under sustainable forest management principles throughout the year as the property managers worked to reinstate certification.

Timber Harvest and Certification

	ANZFF	ANZFF2	ANZFF3	TAFF	US Carbon Forestry	All Funds (sum)
Timber Harvest Volume (m³)	3,049,929	2,310,956	645,737	112,500	332,780	6,451,902
Certified Timber Harvest Volume (m³)	3,049,929	2,310,956	645,737	112,500	11,831	6,130,953
Certified Harvest (%)	100	100	100	100	3.5	95

Timber Harvest Volume (million m³)



The Timberlink sawmills (owned by ANZFF) operate with FSC chain of custody certification and purchase the bulk of their wood supply from New Forests’ certified plantations,

with the remainder coming from local third-party plantations that meet the company’s responsible sourcing requirements. In 2020, Timberlink sold over 501,000 m³

of solid wood (84% certified) and over 205,000 bone dry metric tonnes (BDMT) of woodchip (87% certified).

Building Better with Wood - Timberlink's Investment in Mass Timber

Timberlink, a wood processing business owned by New Forests' ANZFF, has announced plans to build a cross-laminated timber (CLT) and glue-laminated timber (GLT) manufacturing facility in Tarpeena, South Australia. This is an innovative and exciting addition to the region's timber manufacturing base and addresses rising demand for sustainable building solutions in Australia. Timberlink will begin construction of the facility in 2021, with expected completion in 2023. The mill will create 27 jobs in the first operating year, peaking to 50 when fully operational. It will be the first combined CLT/GLT plant in Australia, making it uniquely positioned to meet increasing demand for these products and reduce Australia's reliance on imported materials.

CLT and GLT are produced from thin pieces of timber glued together to make a larger, stronger panel. These materials are primarily used for residential and midrise buildings, as they are cost effective, enhance liveability, and allow for simple, efficient construction. They are sustainable alternatives to traditional building materials, such as steel or concrete, not only due to the carbon stored in the wood products but also because they substitute for products that themselves are GHG emissions intensive. Therefore, increasing the use of CLT and GLT in construction and reducing equivalent amounts of emissions-intensive building materials could reduce the sector's overall carbon footprint. CLT and GLT are also important aspects of the circular bioeconomy, which refers to the sustainable production, use, recycling, and retirement of materials and products. Advancements in CLT and GLT mean that these products are anticipated to grow in usage, enhancing the circularity and renewable sourcing of products in the built environment. Supporting innovation and market development for advanced wood products supports New Forests' commitment to advancing the circular bioeconomy across our value chain.

Learn more at: <https://www.timberlinkaustralia.com.au/articles/what-is-clt-glt>.



TIMBER LINK
AUSTRALIA | NEW ZEALAND

Research and Development

New Forests manages assets to create long-term value for our clients. One way we do this is by investing in research and development (R&D). R&D initiatives are aligned to the asset management

strategy for each investment and/or fund. Across all funds, R&D expenditure in 2020 totalled AUD 3 million, or approximately AUD 3.8 per gross hectare of forestry investments. Collaborating with our

property managers and investee companies, New Forests also seeks to foster cross-investment and industry collaboration to support continual improvement in forest management.

R&D and Industry Collaboration (AUD)

	ANZFF	ANZFF2	ANZFF3	TAFF	US Carbon Forestry	All Funds (sum)
R&D Expenditure	1,184,361	807,734	88,728	784,385	149,542	3,014,750
Industry Collaboration Expenditure	821,618	930,479	26,589	341,145	88,975	2,208,806



Using Artificial Intelligence and Remote Sensing to Measure and Manage Forests

New Forests partnered with a geospatial assessment company to conduct a forest biometric analysis of Shasta Cascade Timberlands (SCT). The analysis combined machine learning and statistical methods with aerial multispectral imagery and LiDAR to measure various characteristics of the forest. The field is rapidly advancing due to improvements in remote sensing and artificial intelligence. New Forests initiated the project to enhance best practices in forest management and to inform the development of a carbon offset project at SCT.

Multispectral aerial imagery of SCT was collected using a fixed-wing aircraft to map species and disturbance across the forest. Collecting data in this way represents a new best practice strategy for the sector because it provides high levels of detail in a cost-effective manner. The team combined the images from the spring of 2020 with LiDAR data collected in fall 2019 to:

- Generate canopy height and canopy closure values for the property; these variables help predict timber and carbon volumes and values.
- Create maps with colourised data, allowing for individual tree analysis.
- Calculate tree crown points, which can be used to approximate tree locations.

New Forests' will use this analysis to establish a management plan for SCT that uses highly spatially resolved biophysical information about the forest.

Land Use Planning

New Forests' Land Use Planning theme focuses on Conservation, Production, and Social land uses as well as reporting on Land Use Change. Land use planning approaches are guided by both regulatory requirements and forest management standards. In this section, we report on land use activities across the investments we manage and discuss the economic, social, and environmental values provided by sustainable forestry and land management.

Conservation Land Use

Central to New Forests' vision for sustainable forestry is the belief that forests should contribute to regional and global conservation aims, including those of local communities. The high conservation value (HCV) approach and other land use planning tools support better decision-making for conservation, protection, and restoration alongside commercial investment activities.

To understand how conservation value is integrated in land use planning, New Forests uses metrics that describe the areas that are managed for environmental restoration, environmental market projects, permanently protected areas, conservation zones, and natural forest and remnant vegetation areas.

Conservation Land Use Areas (hectares)

	ANZFF	ANZFF2	ANZFF3	TAFF	FCP	US Carbon Forestry	All Funds (sum)
Environmental Restoration Management Area*	0	271	10	7,600	N/A	327	8,208
Environmental Markets Project Area	3,439	6,000	20,933	0	152,079	12,137	194,588
Permanently Protected Area	4,646	11,855	201	17,883	N/A	8,231	42,816
Conservation Zone or Protected Area	29,191	43,996	1,819	54,229	N/A	11,777	141,012

*Note: Environmental Restoration Management Area shows only areas with active management during the year; areas in ongoing succession following prior treatments are included in Conservation Zone or Protected Area.

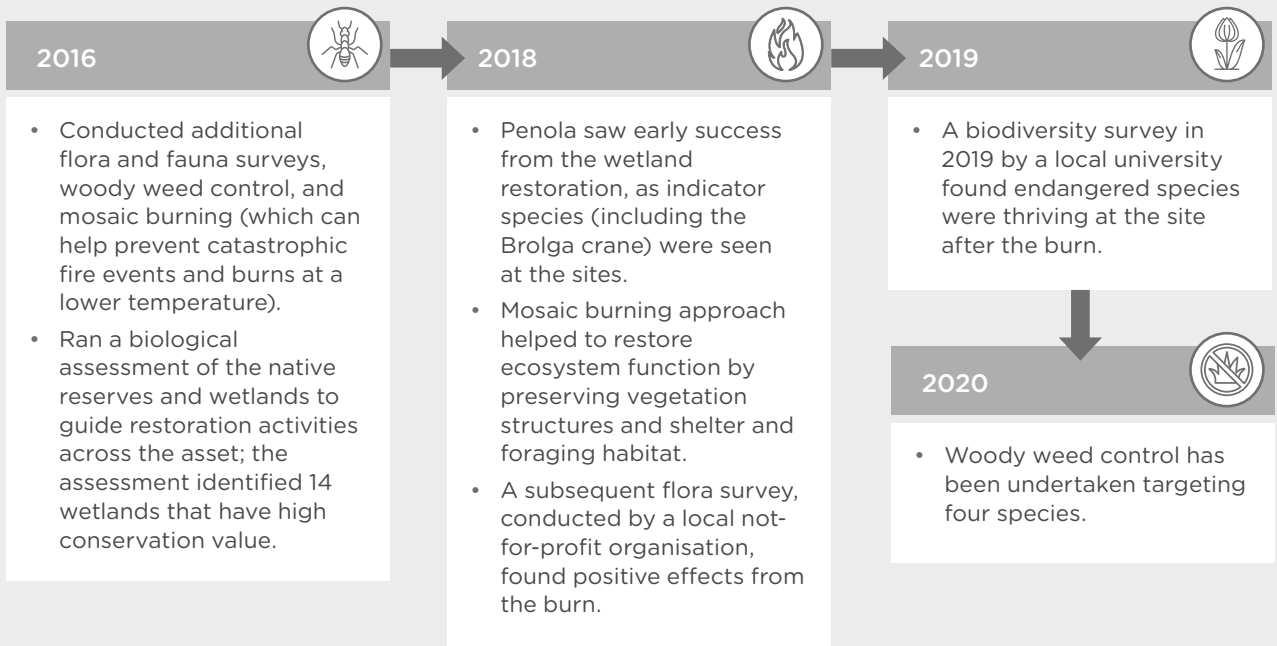


Long-term Ecological Monitoring at Penola Plantations

Impressive efforts have been made at Penola Plantations in South Australia to restore and enhance ecosystem services through improved land management techniques. In 2013, an ecological survey identified 80 hectares of damp heathland at the Werrikoo property, which is a significant habitat of high conservation value.

Further assessments identified two endangered fauna species present on the site, the heath mouse and the Swamp Antechinus, both of which are sensitive to fire risks.

To conserve this ecosystem, Penola Plantations adopted a series of management activities from 2016 to 2020:



Specialists recommended that the next ecological burn take place in 2022. Overall, Penola’s long-term environmental projects have had significant impacts on the local flora, fauna, and ecosystem services at the site.



Production Land Use

New Forests manages investments that include a range of forest types used for commercial timber production. While most of the investments we manage are for timber production, we also manage

an investment in a sustainable rubber plantation and areas within large forestry estates that are dedicated to agricultural production (primarily wheat and canola). New Forests also has a growing investment program

in the US that includes regenerated and semi-natural forests. As of 31 December 2020, New Forests manages investments incorporating 754,124 hectares of certified forests.

Production Land Use Areas (hectares)

	ANZFF	ANZFF2	ANZFF3	TAFF	US Carbon Forestry	All Funds (sum)
Certified Area	255,302	242,133	40,089	139,324	77,276	754,124
Natural and/or Semi-natural Production Forest Area (net)	2,033	0	0	0	39,797	67,768
Planted or Regenerated Production Forest Area (net)	110,675	136,449	31,141	38,783	30,534	347,582
Agricultural Land (net)	16,629	4,163	0	0	0	20,792



Roading within Landscape Planning

In December 2020, ANZFF3 acquired Summer Hills, a property located between two other assets already owned by New Forests' funds in the Wellington region of New Zealand. Through aggregating the management of these small but contiguous plantation forests, treating them as a larger, cohesive forest unit, less roading will be required to harvest the tree crop. Less road construction and fewer skid sites in the forests are expected to result in reduced erosion and consequently less run-off into the adjacent Wainuioru River, leading to net environmental benefits for the region and catchment. Further, these synergies are expected to lead to mutual commercial benefit for the respective funds through reduced roading and skid site construction costs.

15 LIFE ON LAND



Land Use Change

Land use change is a critical societal concern as degradation and loss of natural ecosystems present negative environmental impacts and can diminish social or cultural values associated with the land. New Forests is committed to a “no deforestation” approach, which we seek to execute through our adherence to forest certification and responsible forestry.

Land use change must be managed responsibly and consider the balance of environmental, social, and economic values of the land and proposed changes with stakeholder concerns such as biodiversity safeguards, access to resources, and productive capacity of forests and land.

Keeping in mind these values, New Forests engages primarily in three types of land use change:

- **Commercial Reforestation** – Replanting and new planting areas, established with the intention of management as production forest.⁶
- **Environmental Plantings and Reforestation** – Areas that are (re)forested/(re)planted for conservation management.
- **Reversion Area** – Areas that are reverted from forestry plantations back to previous agricultural land uses.

Land Use Change Areas (hectares)

	ANZFF	ANZFF2	ANZFF3	TAFF	US Carbon Forestry	All Funds (sum)
Commercial Reforestation Area⁷	11,301	7,555	1,443	1,450	500	22,249
Environmental Plantings/ Reforestation Area	84	121	0	233	0	428
Reversion Area	4,215	7,730	0	153	568	12,666

Social Land Use

New Forests encounters important social land use values in all the regions in which we operate; however, respecting these rights is often most important when considering Indigenous Peoples and local communities who may be marginalised from poor governance of land tenure and rights.

New Forests aims to support and uphold customary rights through applying the best practices of the FSC Principles and Criteria and the IFC Performance Standards, as applicable. In addition, we seek to be an active and engaged investor that contributes to advancing discussions around land tenure, rights, and social land use needs.

Social land use values and rights can be important components of investment strategy, including for the development of partnerships and investment structures, as well as influencing ongoing management.

6 Note that in New Forests’ SLI metrics, for simplicity we do not distinguish between afforestation and reforestation. Afforestation typically refers to the establishment of forest on lands that were not previously forest. Reforestation refers to the re-establishment of forests on lands that have previously been forest. In our SLI metrics, reforestation includes all planting of trees where forest cover is anticipated; we distinguish between (a) commercial reforestation, which is typically intended to include commercial timber production and also includes replanting areas after harvest and (b) environmental reforestation, which is typically not intended for commercial timber production

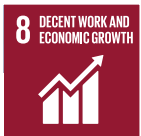
7 Note this area includes both replanting after harvest and planting of areas that were previously not forest, such as bare and degraded land.



COVID-19 Challenges for Social Land Use Projects

While New Forests, our property managers, and our investee companies endeavoured to manage through COVID-19-related challenges, the impact on community and stakeholder engagement priorities has been significant. Restrictions on travel and social gatherings impeded key initiatives in the TAFF portfolio.

- At Mekong Timber Plantations in Laos, recruitment plans for the Mekong Smallholder Development Program were paused due to restrictions on convening group consultations and information sessions. Fortunately, the local health measures implemented have maintained low levels of COVID-19 prevalence in Laos. Recruitment is anticipated to ramp up as community meetings and engagement opportunities allow in 2021.
- In Sabah, Malaysia, at Acacia Forest Industries (AFI), local impacts from the Controlled Movement Order of the Malaysian Government negatively affected some individuals and communities as employment and livelihoods suffered. AFI provided assistance packages of foods and other goods to impacted local households. However, the company also had to delay planned initiatives such as outreach on its benefit sharing scheme whereby local communities can participate in shared land use projects with the company.
- Hutan Ketapang Industri in West Kalimantan, Indonesia was in process to interpret and then implement revisions to the Indonesian forestry regulations for tanaman kehidupan, or livelihoods plantings; however, progress was hindered by the company's inability to conduct face-to-face meetings with government or to hold community meetings to discuss the revised regulations and implications for its planned program.



Ecosystem Services

Ecosystem services are the benefits we all receive from natural ecosystems; they form an important component of our planet’s “natural capital.” New Forests considers ecosystem services across the GIIN’s IRIS+⁸ classifications as depicted in the graphic below. While these four classifications of provisioning, regulating, supporting, and cultural services are all material to a range of stakeholders, our SLI framework focuses on areas where forestry management

activities may significantly influence outcomes related to Carbon and Climate, Biodiversity, Water, and Recreation and Cultural Services. We view these as the most relevant ecosystem services supported by investments we manage, noting that factors related to other ecosystem services are also covered in other areas of the SLI framework (e.g., timber production as a provisioning service is covered in the Productivity section).

The increasing pricing of ecosystem services, through both regulatory and voluntary means, presents risks and opportunities for investors. New Forests aims to position our investment strategies and assets to capture financial value, where possible, through emerging and growing markets for ecosystem services.

Types of ecosystem services provided by investments managed by New Forests

 <p>Provisioning Values/Services:</p> <ul style="list-style-type: none"> • Biological raw materials • Biomass fuel • Freshwater 	 <p>Regulating Values/Services:</p> <ul style="list-style-type: none"> • Air quality maintenance • Climate regulation • Water timing and flows regulation • Erosion control • Soil quality maintenance • Pest mitigation • Pollination • Natural hazard mitigation • Water purification and waste treatment • Disease mitigation 	 <p>Supporting Values/Services:</p> <ul style="list-style-type: none"> • Habitat • Nutrient cycling • Primary production • Water cycling 	 <p>Cultural Values/Services:</p> <ul style="list-style-type: none"> • Recreation • Ethical and spiritual values • Educational and inspirational values
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8 GIIN IRIS (2020). IRIS, 2020. Conservation Priority Characteristics (PD9009). v5.1.

Biodiversity

Biodiversity refers to the diversity of living organisms on earth. Biodiversity management is incorporated in third-party certification schemes and standards, such as through the HCV approach required for FSC certification and the Critical Habitat requirements of the IFC Performance Standards. The principles, criteria, and requirements of these systems together with legal and regulatory requirements form minimum standards for managing biodiversity across our investments. Through the SLI framework, New Forests encourages the inclusion of biodiversity-positive activities at every asset. Examples across the categories of Conservation Programs, Habitat Improvement and Restoration, and Species-focused Research are provided in the table below.



New Forests is a founding signatory to the Finance for Biodiversity Pledge, which formalises our commitment to advance conservation priorities through 2024. New Forests will continue to collaborate to advance biodiversity, engage with portfolio companies to develop relevant projects, assess our impact, set targets, and report on our progress. Learn more about New Forests' leadership in our [Biodiversity Primer](#).

Conservation Programs	Habitat Improvement or Restoration	Species-focused Research
<ul style="list-style-type: none"> Bird monitoring program; partnership with non-profit (Australia) Conservation covenants (New Zealand) Securing conservation easements in priority areas (United States) 	<ul style="list-style-type: none"> Restoring aspen meadow areas as elk habitat (United States) Wetland ecosystem restoration and revegetation (Australia) Reduce weed infestation on riparian zones (Australia) Native species restoration, e.g., Mountain Totara (New Zealand) 	<ul style="list-style-type: none"> Orangutan population monitoring and habitat studies (Indonesia) Tasmanian devil facial tumour research (Australia) Wedge-tailed eagle tracking (Australia) Giant freshwater crayfish management (Australia) Koala management and surveys (Australia)

Conservation Management Activities (% of total)

	ANZFF	ANZFF2	ANZFF3	TAFF	US Carbon Forestry	All Assets (average)
Conservation Programs in Operation	100	63	100	100	100	93
Habitat Improvement or Restoration Programs	100	89	100	100	100	98
Species-focused Research or Conservation Programs	75	63	67	67	100	74
HCV Management Plans in Place	100	89	100	100	100	98

The data above reflects the percentage of assets (by number of assets, not by value or size) that have specific types of conservation programs and plans in place. As assets are onboarded into New Forests' management approach, biodiversity management plans and programs typically develop over time. Therefore, it is not uncommon that more recent investments do not have conservation programs, HCV plans, species research and conservation, or habitat improvement and restoration programs in place. Furthermore, not all types of programs may be suitable for every investment.



Sun Bear Conservation at PT Hutan Ketapang Industri

New Forests’ managed investment in West Kalimantan, Indonesia, Hutan Ketapang Industri (HKI), has been conducting sun bear surveys since 2017. Sun bears are a vulnerable species according to the International Union for Conservation of Nature (IUCN); habitat loss and poaching are the key drivers of species decline. However, the secretive nature of sun bears makes understanding their population difficult. Therefore, HKI’s studies are critical knowledge-gathering opportunities to help preserve sun bear populations.

The 2017 study measured climate conditions, geology, and flora and fauna to predict if the area could support a sun bear population, and local patterns of human use and tenure to determine potential stressors on the animals. The survey found traces and signs of sun bears, such as scratch marks on trees and nests, indicating there was a resident population. HKI now supports annual sun bear surveys that build on these preliminary findings.

In January 2020, a rescued sun bear was released into HKI’s sun bear corridor by a local wildlife department. HKI was selected because it is the only area in West Kalimantan where targeted sun bear studies and ongoing monitoring have taken place. This was an excellent result of the program and demonstrates the ongoing collaboration between HKI and local agencies.

In November 2020, six researchers spent several days conducting surveys and remeasuring the geophysical metrics. The team found a higher number of sun bear signs than in 2017, 2018, or 2019, perhaps indicating the area is better suited to the resident population. However, disturbances from fire, cultivation, and illegal logging remain issues. The team at HKI installed signs marking sun bear corridors to decrease human activity in those areas and restored areas with a mix of production crops and enrichment plants, such as fruit trees, to enhance the landscape. The team paid particular attention to riverbank restoration, as these are important water sources and pathways for sun bears. Ongoing monitoring at HKI will continue to provide insights as to how these restoration activities support a better habitat for sun bears.



PT HUTAN KETAPANG INDUSTRI

Carbon and Climate

Throughout New Forests' investment programs, we pursue a range of forest-climate solutions, both through dedicated climate strategies and within broader investment mandates. In Australia, New Zealand, and Southeast Asia, New Forests participates in voluntary and regulatory carbon markets to add value to core forestry investments, principally through extending rotation lengths, changing from shorter to longer rotations, and reforestation-based greenfield investments.

In the United States, through Forest Carbon Partners, we work with third-party landowners, such as Native American tribes and family forest owners, to develop improved forest management (IFM) carbon offset projects. Our US Carbon Forestry program also implements IFM carbon projects on investor-owned production forests, combining the timber and carbon values of forests for improved climate outcomes and financial returns.

Under the SLI framework and aligned with the TCFD recommendations, New Forests reports on the climate impacts of our investments. In our efforts for continual improvement in this reporting, New Forests includes an estimate of the long-term carbon storage of the harvested wood products sold from its investments during the year. Reporting now also includes Scope 1 and 2 GHG emissions associated with each investment; New Forests intends to add Scope 3 GHG emissions in future reporting.

	ANZFF	ANZFF2	ANZFF3	TAFF	US Carbon Forestry	FCP	All Funds (sum)
Carbon Emissions and Removals							
Carbon stock in production forest (thousand tCO₂e)⁹	60,653	55,806	33,548	3,535	15,776	N/A	169,318
Carbon stock associated with purchased/sold assets (thousand tCO₂e)	-	-	32,093	-	-	N/A	32,092
Annual carbon stock change in production forest (thousand tCO₂e)¹⁰	(449)	2,153	(4)	546	(237)	N/A	2,008
Annual carbon stock change in production forest (%)	(1)	4	(0.3)	18	(1)	N/A	1
Harvested wood products - long-term carbon storage (thousand tCO₂e)	145	142	117	2	38	N/A	444
Scope 1 and 2 GHG emissions (thousand tCO₂e)	23	4	0.6	4.5	0.034	N/A	31.7
Carbon Projects							
Number of carbon projects	1	6	2	0	3	18	31
Number of carbon offsets issued	0	103,437	33,001	0	990,783	6,408,507	7,535,728

9 Reflects best estimates of carbon storage at the end of the reporting period. Note that for some assets, adjustments to carbon storage may have been made from prior years' reporting for factors related to carbon pools, boundaries, and/or changes in inventory and forest resource data.

10 Reflects best estimates of annual carbon flux due to harvest, growth, mortality, and natural processes. Does not include factors related to carbon pools, boundaries, and/or changes in inventory and forest resource data. These factors are recorded separately.

As noted, New Forests will work toward reporting GHG inventories in alignment with the GHG Protocol and intends to pilot the forthcoming carbon removals and land use guidance. Throughout 2020, New Forests supported the development of improved GHG reporting for forestry and land use activities within the context of the GHG Protocol and its working group to develop a Carbon Removals Standard. While this new standard remains in development, New Forests anticipates it will enhance standardisation of GHG reporting in forestry and land use investments. This is an important step toward investors and corporations including forestry and land use in their net zero targets.

New Forests recognises that a range of stakeholders are concerned about how carbon credits generated by forestry activities will be used by companies in claiming emission reductions and carbon neutrality. These concerns have heightened over the past year with growing net zero commitments by companies and announcements of intentions to invest heavily in nature-based climate solutions activities. New Forests supports the NCS Alliance and other organisations that are building a knowledge base and developing principles for the responsible use of natural climate solutions and carbon offsets as part of long-term climate action.

We believe NCS is a vital bridging strategy to a low-carbon and sustainable future and that the use of NCS should complement, rather than displace, other climate ambitions such as direct emissions reductions. In particular, New Forests believes the biodiversity and community benefits associated with NCS must be materially valued and that long-term and commercially sustainable financing must be directed toward a range of NCS activities, including forest conservation and reforestation.

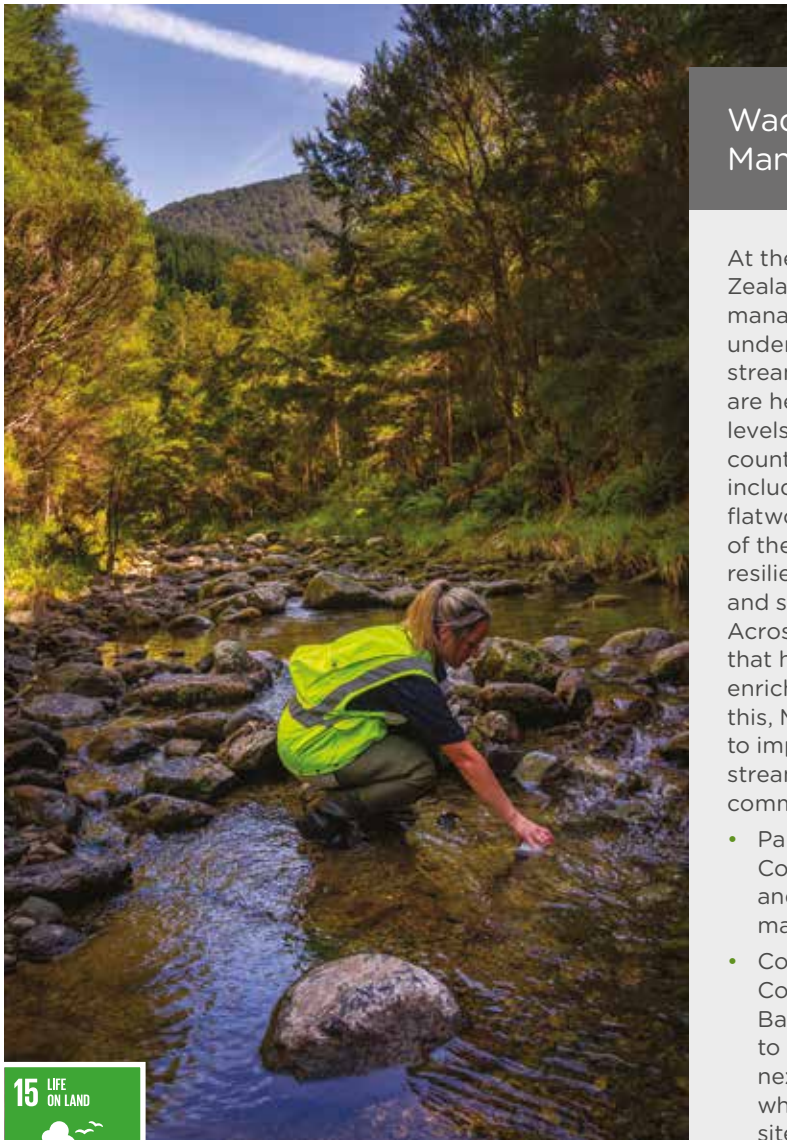


Water

Healthy aquatic systems are one of the key elements of a sustainable and thriving landscape. The world's forests also play critical roles in provisioning drinking water; one-third of the world's largest cities obtain a significant portion of their drinking water from well-managed natural areas.¹¹ New Forests is committed to responsible water management and conservation across our managed assets to ensure associated ecosystems and communities are supported.

Such water management addresses the key issues of water quality and water quantity or availability for other users. As part of forest management certification, all forests are managed to avoid and minimise any disruption to water quality and quantity. Beyond this, managing forests in a way that is optimised for local conditions, such as soil and terrain, supports functioning ecosystems that can provide reliable, high-quality water resources.

Water management is highly location specific, and New Forests finds that the context of water management, including regulatory requirements, risks, and opportunities, is highly variable across the investments we manage.



Wading into Water Management in New Zealand

At the Blenheim and Marberry Estates on New Zealand's South Island, New Forests' property manager M&R Forestland Management Ltd undertakes freshwater monitoring to ensure the streams that run through the plantations it manages are healthy. They measure nitrogen and phosphorus levels as water quality indicators. They also count macroinvertebrates present in the streams, including mayflies, stoneflies, beetles, snails, flatworms, and other species. The distribution of these populations can show how viable and resilient the streams are to temperature changes and sediment increases, among other factors. Across both properties, there was only one stream that had moderate organic pollution and nutrient enrichment; all the others were pristine. To address this, M&R Forestland Management Ltd is working to improve the riparian margin alongside the stream in the area it manages. They also work with communities in the following downstream projects:

- Partnering with the Avon Provide Catchment Community Group to support stream monitoring and educational programming on freshwater management for local farmers.
- Collaborating with the Marlborough District Council to install sediment plates in the Kaiuma Bay estuary; these will be regularly monitored to assess the sediment accumulation over the next 10 years. Additional monitoring will be done when harvesting operations take place. Another site will also be added downstream of farmland and harvest activities to improve the study.



¹¹ Learn more in Dudley, Nigel; Stolton, Sue. 2003. Running Pure: The Importance of Forest Protected Areas to Drinking Water. World Bank/WWF Alliance for Forest Conservation and Sustainable Use. © World Bank. <https://openknowledge.worldbank.org/handle/10986/15006> License: CC BY 3.0 IGO.

Recreation and Cultural Services

Forests provide important recreational opportunities and can include features and sites of cultural significance. Ensuring equitable access to forests and maintaining these values must be carefully considered in forest management planning. In some cases, these

values may generate modest ancillary revenue, while in other cases, these ecosystem services are made available as part of the commitment of forest managers to contribute to local communities and users. Access to working forests and conservation areas must be carefully

managed, and in some cases, access is restricted due to risks, such as wildfire and active operations. The table below summarises the types of recreation and cultural services provided in each of New Forests' funds.

	ANZFF	ANZFF2	ANZFF3	TAFF	US Carbon Forestry
Hiking, Biking, Horseriding	Yes	Yes	Yes	Yes	Yes
Motorised Vehicles	Yes	Yes	Yes	Yes	Yes
Camping	No	No	No	Yes	Yes
Hunting	No	Yes	Yes	No	Yes
Access to Sites of Religious or Cultural Importance	Yes	Yes	Yes	Yes	Yes
Nature Viewing and Tourism	Yes	Yes	Yes	Yes	Yes

The table above indicates whether each type of recreation and/or cultural service is provided by at least one asset of a given fund. It does not indicate that the service is provided by all assets of a fund.



Shared Prosperity

New Forests seeks to support thriving communities in the areas in which we invest and to ensure that the way we manage investments also provides benefits to the people who live and work in or around New Forests’ managed investments.

Our SLI framework highlights Shared Prosperity through the

lenses of Community Development, Employment and Livelihoods, and Industry and Supply Chains.

Community Development

New Forests seeks to promote the systematic identification of opportunities to support community objectives that align with, or are

complementary to, sustainable forest management in the regions in which we operate.

Where possible, New Forests aims to support community development through investment strategies that incorporate benefits agreements or shared prosperity objectives into core investment activities.

Smallholders and Outgrowers¹² (individuals)

ANZFF	ANZFF2	ANZFF3	TAFF	US Carbon Forestry	All Funds (sum)
0	260	0	72	0	332



Re-matriating Land to the Yurok Tribe

New Forests has worked with the Yurok Tribe for a decade. The Yurok Tribe, which has over 6,300 members and manages over 50,000 acres of land along the Klamath River, are currently the largest Tribe in California. In 2011, New Forests and the Yurok Tribe co-developed the first forest carbon project for California’s emissions trading system. In 2018, New Forests started collaborating with the Yurok Tribe and the Trust for Public Land (TPL) to return 2,424 acres of culturally and ecologically important land to the Tribe in perpetuity. The land, currently owned by one of New Forests’ forestry funds, is located within the political boundaries of the Yurok Reservation, along Ke’pel Creek, and is an important part of the Klamath River watershed that provides drinking water to the Yurok Tribe and supports wildlife habitat. The collaboration with TPL has assisted the Yurok Tribe in accessing the funds from the California Natural Resources Agency to finance the purchase. The sale was significantly progressed in 2020 and is expected to complete during the first half of 2021. Acquiring this additional land from New Forests supports the Yurok Tribe’s efforts to reclaim their ancestral territory. Historically, the Yurok maintained lands extending along the Pacific coast, from north of modern-day Klamath to Mendocino.



12 Generally, smallholders have land holdings less than 10 hectares, while outgrowers enter into contracts with companies to grow and sell products, such as trees, on small parcels of personal land.

Employment and Livelihoods

Forestry investment supports employment opportunities, mostly in rural and regional areas where primary industries are major components of local economies. The table below reports on employment related to the operational management of investments managed by New Forests and does not include New Forests' staff. New Forests believes that upholding the fundamental rights of workers

is an essential component of responsible investment and, furthermore, can establish the basis for promoting beneficial social impacts through employment and livelihoods initiatives. Forest management certification and the IFC Performance Standards include criteria on workers' rights, and as of 2021, New Forests' RI Policy and SEMS include explicit commitments to the core conventions of the ILO and to promoting a living wage.

In total, more than 6,020 people were involved in our investment operations in 2020, of which more than 3,140 were direct permanent employees of the operating portfolio companies; the remainder were subcontracted or temporary employees. The percentage of employees that were female was 23% across all funds. Since 2018, the number of female employees across all funds has increased by 8 percentage points.

	ANZFF	ANZFF2	ANZFF3	TAFF	US Carbon Forestry	All Funds (sum)
Total Employees	632	138	35	2,324	18	3,147
Female Employees	89	38	3	593	8	731
Temporary/Contract Workers	969	637	322	884	64	2,876
Total Employees and Workers	1,600	774	357	3,208	82	6,021



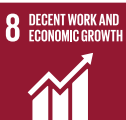


Ending Modern Slavery and Ensuring Safe Work with Integrity

The forestry sector contributes to the employment and economic growth of both developed and emerging economies. Providing a healthy and safe working environment and respecting human rights are central to advancing sustainability within the sector.

Unfortunately, the forestry sector has a high risk of modern slavery, which includes the exploitation of individuals or people for personal or commercial gain. New Forests views our modern slavery risk program as a continual effort, and we seek to address risks in our direct operations as well as in the investment portfolios we manage, where risks are deemed more severe due to the nature of work and the involvement of a significant contracted/subcontracted workforce. New Forests adheres to the use of third-party standards and systems, such as FSC, PEFC, and the IFC PS, that prohibit modern slavery and assist with the identification of risks of modern slavery. In addition, we are strengthening and formalising a commitment, as a sustainable business and responsible investor, to ending modern slavery. Actions taken in 2020 include:

- Advanced our modern slavery risk management and reporting program in compliance with the Commonwealth Modern Slavery Act. As of March 2021, our first modern slavery statement has been published and is available on our website.
- Launched supplier questionnaires on modern slavery to assess risks among significant suppliers.
- Undertook development of a Supplier Code and Third-party Due Diligence Procedure.
- Engaged with portfolio companies that also publish modern slavery statements and/or policies.
- Supported direct action in portfolio companies, such as Mekong Timber Plantations' child rights program, which addresses the underlying issues that drive child labour in the region.



Industry and Supply Chains

Shared prosperity initiatives may also come through industry and supply chain collaboration and innovation. Creating a more vibrant, resilient forest products value chain can benefit the investments we manage by strengthening markets, enhancing reputations, and positioning forestry as a key industry in sustainable development and communities.

Skills development and training is an increasing focus for the forest industry as new technologies come into use, changing the way we grow, harvest, and process wood products. Work safety training remains an important focus that goes hand in hand with skills development and leadership training.

New Forests seeks to drive health and safety improvements by setting an expectation of best practice, monitoring safety performance on a regular basis, keeping a constant focus on continual improvement, and supporting intervention when needed. Safety is discussed in the Risk Management section of this report.



Capacity Development to Support SME Contractors

In the first half of 2020, two TAFF portfolio companies, Acacia Forest Industries (AFI) in Malaysia and Mekong Timber Plantations (MTP) in Laos, conducted training programs for forestry and plantation contract workers who were recruited from the surrounding communities for capacity building and to further encourage local hiring.

The program was supported by the Dutch development bank, FMO. New Forests engaged the Centre for the Modernisation of Operations (CMO) to conduct the contractor training at both companies. For example, at AFI, over the course of seven weeks, 31 participants engaged in sessions focused on finance and cost management analysis, forest operations management, environmental management, forest certification and compliance, productivity and cost operations management, silvicultural operations management, and human resource management. These sessions were designed to develop the contractors' business skills and expertise, which is expected to enhance capabilities for work opportunities and support community development. New Forests believes these trainings are additive to AFI and MTP's ongoing employee engagement and training and looks forward to learning more about related outcomes.



Risk Management

Through risk management, New Forests seeks to create more resilient, profitable, and sustainable investments. Our risk framework starts with our corporate management of business risks and flows through to the culture of risk management we bring to our management of funds and investments.

Integrating risk management throughout the commercial, environmental, social, and operational facets of our funds under management is central to our investment management approach. Within the Risk Management theme, our SLI framework focuses on Risk Management Systems and Safety.

Of course, risk management is a broad governance concern, and New Forests seeks to ensure that risk management approaches in the investments we manage are appropriate to the nature and scale of the risks facing each investment, and that they align with the risk tolerance established by New Forests.

Risk Management Systems

Risk management is a critical enabler to successful investments. New Forests' SLI indicators track the quality and nature of both risk and occupational, health, and safety (OHS) systems in place for property managers and investees. In terms of risk management systems, we encourage the use of comprehensive systems that cover commercial, operational, ESG, and safety issues

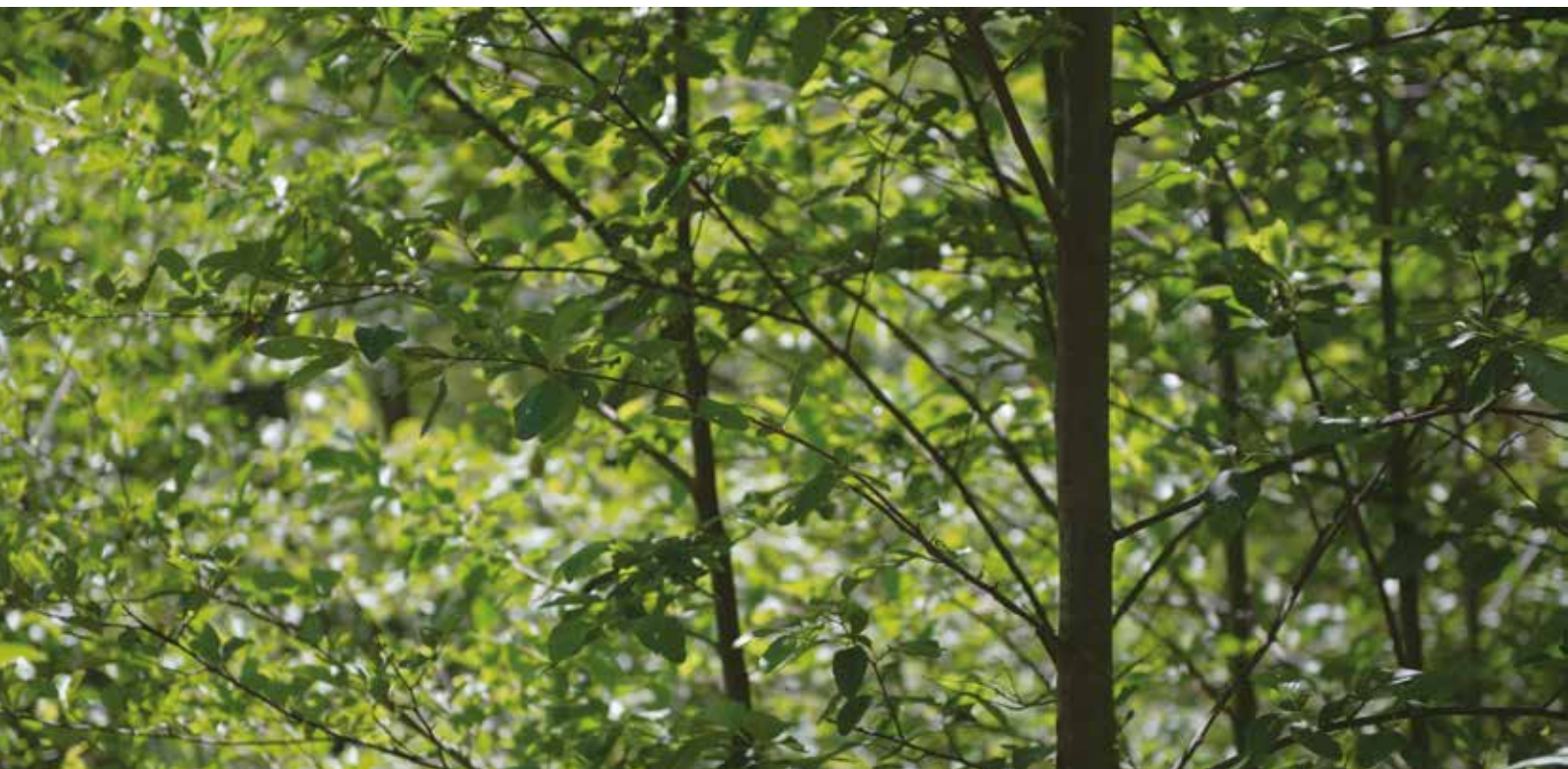
in an integrated fashion. The table below shows the percentage of investments in each fund that have operating-level Risk Management Systems in place that cover all these important aspects. New Forests believes it is vital to build on our current risk practices to achieve high social and environmental goals.

All investments are covered by New Forests' Enterprise Risk Management Framework. Through this framework, risk registers are developed for each investment with the involvement of property managers or investees, New Forests' operations staff, and New Forests' risk and compliance team. These investment-level risk registers inform fund-level registers, which are reviewed by New Forests' Management Committees on a regular basis to support asset management functions.

Comprehensive Risk Management Systems (%)

ANZFF	ANZFF2	ANZFF3	TAFF	US Carbon Forestry	All Funds (average)
100	100	100	100	100	100

Table indicates the percentage of investments within each fund that have comprehensive risk management systems covering commercial, operational, ESG, and safety issues.





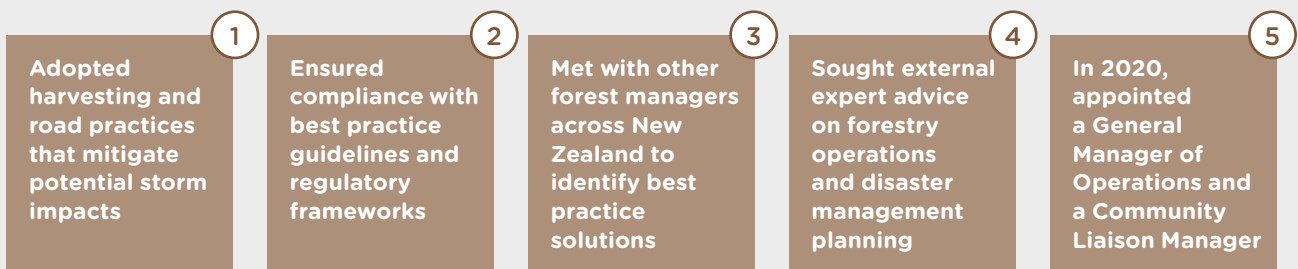
Weathering the Storm - Learning from the Past at Aratu

The East Coast region of New Zealand’s North Island has historically experienced high intensity rainfall events. In June 2018, prior to New Forests’ investment in the area, flood waters from a storm event mobilised substantial woody debris from harvested plantations in the region, causing damage to waterways, beaches, and rural property.

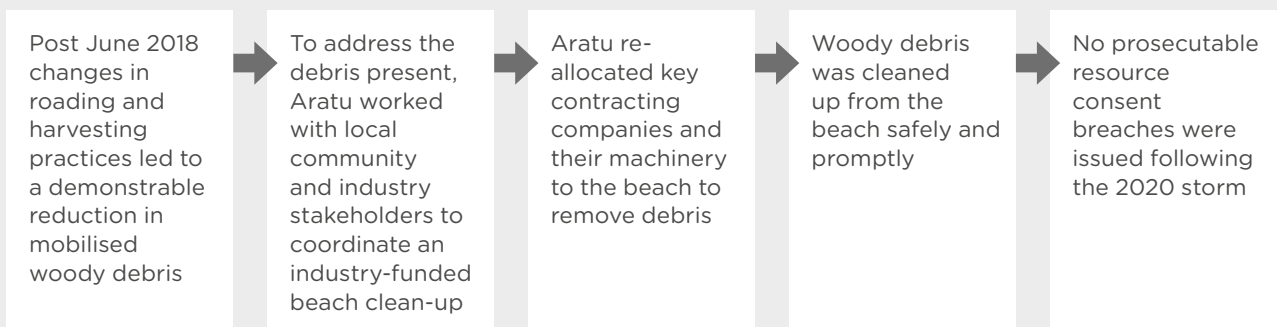
Poor forestry practices, which were not compliant with local regulation, exacerbated the volume of debris that then created problems for the environment, neighbouring landowners, and local communities.

One of the ten responsible companies was Hikurangi Forest Farms Ltd, a privately owned 35,000-hectare plantation asset, which was subsequently acquired by a New Forests managed investment group in July 2019 and rebranded as Aratu Forests Ltd.

One of New Forests’ asset management focus areas is the preparation for and mitigation of rising acute physical climate change impacts. To better address extreme weather events, Aratu implemented the following changes:



Another East Coast flood event in July 2020 tested the efficacy of Aratu’s operational changes, bringing woody debris onto local waterways and beaches. By working with the community and government stakeholders, Aratu prioritised response activities that best met the communities’ needs.



The efforts to refine crisis preparation and response practices is ongoing, and Aratu continues to work to reduce environmental impacts from storm events and collaborate with the local government and community to ensure that its practices and disaster response plans reflect their expectations. There remains much to be done, but New Forests is encouraged by the progress to date and the support of local stakeholders.



Safety

Ensuring the health and safety of all workers is a primary concern across the forest sector. We recognise that employees of third-party property managers, investees, and contractors face day-to-day risks in forestry operations, transport, and processing. New Forests encourages

and promotes implementation of best practice in health and safety as we strive toward having a “safety first” culture across our business and managed portfolio. We work to ensure that occupational health and safety are a consistent focus in asset management and governance.

New Forests monitors key safety data, and property managers and portfolio companies set safety targets appropriate to their operations. As part of regular monthly and quarterly reporting, standardised metrics are reported.

Safety and Injury Frequency Rates (average per 1 million hours worked)

	ANZFF	ANZFF2	ANZFF3	TAFF	US Carbon Forestry	All Funds (average)
Lost Time Injury Frequency Rate (LTIFR)	7	8	2	3.9	0	43
Medical Treatment Injury Frequency Rate (MTIFR)	42	106	8	8.5	96	52



Acacia Forest Industries Becomes First ISO 45001 Certified Forestry Company in Malaysia

New Forests actively manages investments to promote a high level of Occupational Health & Safety (OHS) performance. As part of a series of a policy updates, Acacia Forest Industries (AFI) in Malaysia went through a two-year process to create and update its OHS systems and management approaches in order to protect staff, contractors, and surrounding community members. AFI sought a robust systems-based approach, selecting the ISO 45001: 2018 standard as the most appropriate management system given its status as a global benchmark for OHS best practice.

An independent consultant was engaged to conduct a pre-certification audit to identify gaps in AFI OHS management and provide recommendations for strengthening its systems and procedures. After addressing identified gaps, AFI achieved certification in March 2020, becoming the first plantation forestry company in Malaysia to achieve this standard.

New Forests and AFI management first implemented a top-down approach in revamping the OHS system, initially focusing on clear policies and principles to disseminate to staff, articulating the objectives of the company in instilling a strong safety culture. An OHS Manual was developed comprising 20 work instructions and procedural documents that cover critical avoidance procedures (e.g., requirements for training, personal protective equipment, electrical), job-specific safety risks and requirements (e.g., procedures for working with heavy machinery, working from heights, harvesting, and log-yard activities), accident response mechanisms (e.g., emergency preparedness and response), and safety monitoring and inspection protocols. AFI documented a socialisation strategy, with induction and refresher training implemented, quarterly safety meetings used as a feedback mechanism, routine monitoring and reporting standards, and annual review of the system conducted with consideration of continuous improvement.



Governance

New Forests' governance framework is driven by the belief that good governance creates more valuable businesses. Our own corporate governance informs the approach we bring to the investments we manage, with New Forests' legal, risk, compliance, and company secretary teams supporting asset management activities. Our SLI framework focuses on three areas of governance that support New Forests' efforts to foster accountability and alignment with strategic objectives for each investment: Strategic Planning, Systems and Policies (including forest certification), and Board/Operational Governance.

Strategic Planning

New Forests employs an annual strategic planning cycle for every investment we manage. The strategic planning process is guided by New Forests' central commitments to risk management and impact management, which lay a foundation to improve operational performance. During 2020, New Forests' team updated the strategic planning process to include climate considerations and to ensure that ESG and impact considerations were embedded within the planning process. This is designed to ensure a consistent approach to asset management across our investment programs while allowing for customisation to investment characteristics and operating environment.

Systems and Policies

Forest certification and verifiable standards are important tools for responsible investment in the forest and land use sector. All investments managed by New Forests are required to obtain certification. In addition to providing standards, reputable certification programs offer credible assurance for both timber and wood product markets and stakeholders. New Forests' SEMS guidance on the use of standards was updated as part of the 2020 revision, which introduced Principles for certification across asset types, as outlined on the right.

New Forests' preferred certification for forestry investments is the Forest Stewardship Council (FSC)^{*}, but it also recognises the Programme for Endorsement of Forest Certification Systems (PEFC) as a robust alternative. In emerging markets, New Forests applies the IFC Performance Standards.

9 assets dual certified to both FSC and PEFC



22 assets certified to FSC and/or PEFC



6,451,902 tonnes timber produced from certified assets

In 2020, the TAFF portfolio achieved **100% FSC certification**
A significant milestone for the fund and sector



775,132 hectares certified

^{*}FSC is not responsible for and does not endorse any financial claims on returns on investments.


New Forests’ Sustainable Forestry and Land Use Principles guide our approach to ESG and impact management and relate to the types of certifications we use.

1 

New Forests and all investments we manage must comply with all laws and regulations.

3 

New Forests provides a living wage across its business and all operations that it directly controls while promoting a living wage in all investments.

6 

New Forests supports the generation of multiple benefits, including economic, environmental, and social from long-term, sustainable forest management for both local and broader global communities.

2 

New Forests requires that the ILO core labour conventions are upheld across its business and all investments we manage; these requirements relate to:

- Prohibiting modern slavery and other forced labour;
- Prohibiting child labour, including all forms of slavery, illicit activities, and work that could do harm to the health, safety, and/or morals of children;
- Respecting equal rights regardless of gender, race, or religious background;
- Allowing the formation and joining of trade unions;
- Applying all ILO conventions on occupational health and safety; and
- Combating all kinds of corruption.

4 

New Forests and all its investments seek to uphold Indigenous rights, including the right to Free, Prior, and Informed Consent. New Forests is committed to robust stakeholder engagement with potentially affected communities and seeking informed consent for business activities.

7 

For other assets types, New Forests’ SEMS identified additional guidance.

- Agricultural assets: New Forests follows the PRI Responsible Investment in Farmland guidelines.¹³
- Environmental markets: the SEMS outlines that offset credits should be real, additional, and independently verified; address permanence and leakage; and do no net harm.

5 

New Forests commits to conserving and promoting High Conservation Values (HCVs) and does not tolerate deforestation or conversion of HCV areas.

13 PRI “Responsible Investing in Farmland.” <https://www.unpri.org/farmland/responsible-investment-in-farmland/716.article>

Board and Operational Governance

As a forestry investor, New Forests' governance approach is adaptable to the ownership structure for each investment and its strategic asset management objectives. In terms of board and operational governance, it is important to consider the

structure of the investment and its implications for governance and oversight. The indicators reported here include Board Independence (only for investments with operating company boards), Code of Conduct (CoC), and Anti-corruption Training.

New Forests also monitors reportable incidents, timeliness of governance and management reporting, and employee development and training.

Governance Statistics

	ANZFF	ANZFF2	ANZFF3	TAFF	US Carbon Forestry	All Assets (average)
Code of Conduct - Employees (percent of investments for which the CoC applies to all employees ¹⁴)	100	100	100	100	100	100
Code of Conduct - Contractors (percent of investments for which the CoC applies to all contractors ¹⁵)	75	40	67	100	100	76
Code of Conduct - Oversight (percent of investments for which the CoC has senior management oversight)	100	100	100	100	100	100
Board Independence (percent of directors who are independent)	17	13	17	5	20	14
Anti-corruption Training (percent of employees trained)	56	46	37	91	0	46
Average Number of Governance Meetings Held per Fund	4	4	6	4	4	4

Most forestry fund assets in Australia and New Zealand are structured as real-assets investments in managed trusts, where a trustee (Responsible Entity) is the owner of the asset and New Forests acts as manager. In these cases, New Forests uses an "Operations Committee" as a proxy for a governance body at the investment level. These committees are typically composed of senior staff of the property manager and New Forests and therefore do not have independent directors. Where the Australia and New Zealand investments are held by fund-owned vehicles, there is a board of the relevant vehicle.

The US Carbon Forestry investments have also adopted the Operations Committee model but are owned and managed under varying legal entity structures that sometimes require a board of directors. In these cases, independent directors may be appointed, typically at clients' discretion.

The Southeast Asian investments employ a private equity style investment approach, whereby the investment fund takes share ownership in businesses that operate forestry assets. In these cases, New Forests appoints directors in accordance with shareholders agreements for each investment.

¹⁴ Includes part-time and full-time employees.

¹⁵ Includes contractors, subcontractors, casual, and fixed-term, projects, seasonal, or intermittent work performed.



Improving Governance in New Zealand Portfolio Companies

New Forests prioritises good governance practices for all assets and investments it manages, as we believe they can improve performance, transparency, employment outcomes, and disclosures. In 2020, two ANZFF3 assets in New Zealand, Wenita Forest Products and Aratu Forests Ltd, went through governance reviews, including:

- Dedicated workshops with staff to identify governance challenges and opportunities,
- Revising company policies to streamline processes and bring them up to best practice, and
- Introducing structured risk assessments and strategic planning procedures.

Additionally, to support company performance, Aratu appointed an independent director to its board and changed its CEO remuneration to be aligned with financial and non-financial performance. New Forests also hired a dedicated company secretary in New Zealand to support asset boards, which will create greater standardisation and alignment of its managed investments in the country. Governance improvements like these are important to support long-term stability and to develop the organisational capabilities that can deliver on E&S risk management and the pursuit of ambitious asset management objectives.



Advancing Sustainable Landscape Investment

In the 15 years since New Forests' establishment, the world has increasingly come to understand that business must help deliver solutions to ever-growing threats from climate change, biodiversity loss, the growing human population, and rising pressure on natural resources.

Throughout 2020, this recognition became more acute, with the vulnerability of global social, business, and economic systems resulting in significant financial and societal costs alongside the COVID-19 pandemic. Despite these challenges, we believe there is building momentum and progress towards New Forests' vision: to see forestry as a key sector helping to lead the transition to a sustainable future.

New Forests believes that the way in which we invest in and manage assets in forestry, conservation, and land use can contribute to greater resilience for the environment and society. We apply our Sustainable Landscape Investment approach to systematically identify ESG risks and opportunities and to manage for enhanced outcomes. We also strive to participate in and help develop

the international best practices that are arising in areas such as climate risk disclosure, nature-based solutions, modern slavery, and impact investment; we believe we can contribute our experience while benefiting from collaboration with peers and experts.

Investing in the world's forests and natural infrastructure should be central to global action to build back better. Forests provide natural resources, ecosystem services and biodiversity, and are a significant source of livelihoods and subsistence globally. Furthermore, the conservation, restoration and sustainable management of forests will play an important role in achieving net zero emissions objectives. We appear to be at an inflection point where governments, business, and investors are stepping up to commit to net zero pathways

with meaningful timelines. For New Forests, our opportunity is to advance investment strategies and models that capture the power of forests for carbon removals while also generating other goods, services, and benefits for society.

We hope that our 2020 Sustainability Report provides meaningful disclosure of the risks and opportunities we are managing and furthers knowledge-sharing and discourse around the potential for the forestry asset class to be a solution to major environmental and social challenges. New Forests remains steadfast in our mission to be the world's leading forestry investor – sustainability is at the centre of this effort. We welcome questions, ideas, and opportunities for engagement as we look forward.



SLI Glossary

Productivity

Gross Asset Area	The gross area of land including all land and forest title and/or tenure types.
Harvest Volume	Volume harvested from the estate.
Certified Harvest Volume	Volume harvested from the estate from areas under active forest management certification.
R&D Expenditure	Investment and expenditure in forest-related research, extension and development, and education.

Land Use Planning

Environmental Restoration Management Area	Area of land managed for environmental restoration. Area included should be managed with a plan for intentional restoration of environmental values through specific management prescriptions.
Environmental Markets Project Area	Area listed and/or registered under one or more environmental markets projects, including carbon, mitigation banking, or other.
Permanently Protected Area	Area of land under a permanent mechanism for environmental protection and conservation, e.g., conservation easement, covenants. The protection mechanism must be legal in perpetuity.
Conservation Zone or Protected Area	Area of land managed for environmental protection and conservation. Includes land subject to legal land use restrictions set for the purposes of maintaining biological diversity and natural resources.
Natural Forest and/or Remnant Vegetation Area	Area of land that is predominantly under natural forms of vegetation and not used for cultivation. This area may include environments of varying naturalness and condition.
Certified Area	Area under third-party sustainability certification and managed on behalf of the investment and/or within certification held by the asset manager that includes forest and/or land management practices, e.g., FSC®, PEFC, Organic.
Natural and/or Semi-Natural Production Forest Area (net)	Area of natural forest and/or semi-natural forest that is managed for timber production.
Planted or Regenerated Production Forest Area (net)	Area of planted plantation and/or regenerated plantation that is managed for timber production. Includes planted forest and area naturally regenerated from planted forests and under timber production regime.
Agricultural Land	Area of land primarily used for agricultural production activities. Includes by lessees or share farmers. For the avoidance of doubt, does not include agricultural activities undertaken by communities on customary or community land in Asia.
Commercial Reforestation Area	Area of land planted for commercial forest management, i.e., from unplanted to planted / new establishment and including replanted areas.
Environmental Plantings/Reforestation Area	Area of land (re)forested/(re)planted for conservation management.
Reversion Area	Area of land reverted from forest to non-forest or which has been harvested and will not be replanted to forest cover.

Ecosystem Services

Biodiversity Conservation Programs	Active programs in place targeting the conservation or enhancement of biodiversity, including species-specific or habitat initiatives such as an HCV management plan, a program that targets species research or conservation, or a program that targets habitat condition improvements and restoration.
Forest Carbon - Productive Area Carbon Storage	Forest carbon stock in production areas of the forest estate.
Forest Carbon - Annual Change	Change in forest carbon stocks as at the end of the financial year compared to the prior financial year. Reported as net positive sequestration as a positive number and net emissions as a negative number.
Carbon Projects	Number of active carbon projects.
Carbon Offsets Issued	Carbon offsets issued during the reporting period.
Recreation and Cultural Services	The company/asset provides access for recreation or cultural purposes, such as hiking, biking, horseriding, motorised vehicles, camping, hunting, religious or cultural importance, nature viewing, tourism, birdwatching, etc.

Shared Prosperity

Smallholders and Outgrowers	Number of participants engaged in outgrower, smallholder, and livelihood planting programs.
Employees - Female	Full-time equivalents of female employees, including part-time and full-time employees.
Employees - Total	Full-time equivalents of employees of the external manager, including part-time and full-time employees.
Temporary/Contract Workers	Full-time equivalents of temporary employees engaged by the external manager during the reporting period. Temporary employees include contractors, subcontractors, and casual, and fixed-term, project-based, seasonal, or intermittent work.
Collaboration - Financial Contribution	Value (financial) of collaborative industry development initiatives supported by the investment, e.g., industry associations, collaborative research, and best practice development.

Risk Management

Risk Management System	Asset has an active risk management system that covers all aspects of the asset, including commercial, environmental, and safety.
Lost Time Injury Frequency Rate	The number of Lost Time Injuries occurring per 1 million hours worked.
Medical Treatment Injury Frequency Rate	The number of Medical Treatment Injuries occurring per 1 million hours worked.

Governance

Anti-corruption Training	Percent of manager's employees who have received training on anti-corruption and bribery policies and procedures.
Code of Conduct	A Code of Conduct or equivalent policy is in place that applies to all employees, contractors, and/or has senior management oversight.
Board or Operational Committee Independence Percentage	Percentage of the members of the Board or Operational Committee who are independent.
Governance Meetings	Number of Board of Director meetings (for investee companies) or Operations Committee meetings (as applicable) held.



As global demand for resources grows, there is a need to increase productivity while ensuring the conservation of the world's remaining natural forests. New Forests seeks to create investment strategies that provide lasting solutions to this challenge. Through responsible management of forests and other real assets, we create shared benefit for investors and local communities alike. We believe that meeting the needs of a broad range of stakeholders will provide better returns over the long term.

New Forests has international reach, with offices and assets in Australia, New Zealand, Southeast Asia, and the US. This gives us a global perspective combined with local expertise that allows us to understand and manage our assets more effectively. Wherever we operate in the world, our strength lies in our people and their drive to make investments that create the best possible outcomes. By investing with integrity and transparency we aim to generate strong returns while helping tackle some of the world's great sustainability challenges.

To learn more, visit us at www.newforests.com.au or contact us at info@newforests.com.au.

New Forests is part of the Certified B Corp community, a global movement of people using business as a force for good

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