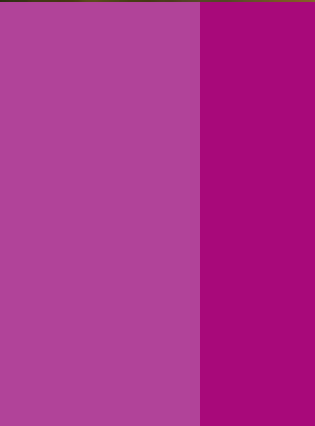
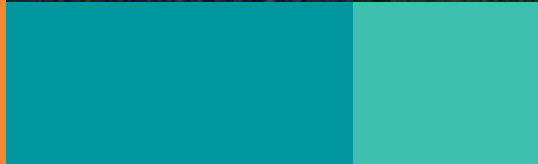
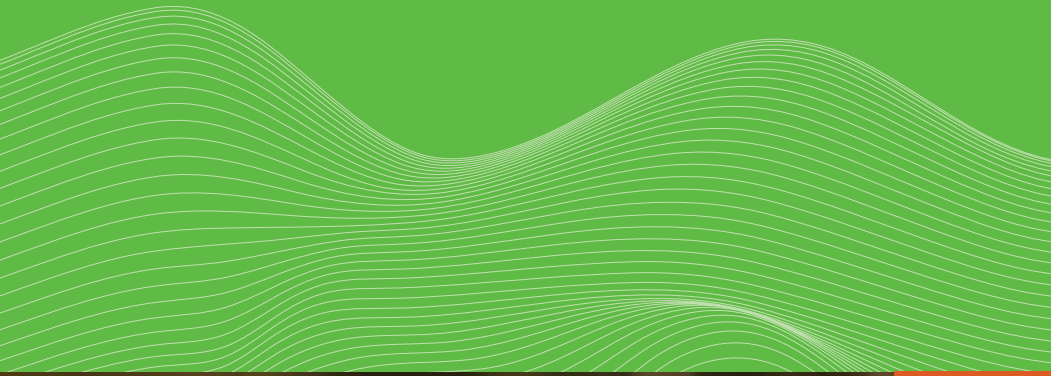


2021 ————— Sustainability Report


New Forests



About This Report

New Forests has been producing an annual Sustainability Report for over a decade, 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 communications, reflecting our values of transparency and disclosure around material sustainability issues. The report is informed by New Forests' purpose and vision, which are linked to global sustainability issues, and seeks to uphold best practice in reporting. We incorporate our stakeholders' perspectives and needs regarding the environmental, social and governance (ESG) issues on which we report, as informed by a stakeholder materiality assessment. We also seek to generate constructive discourse around the ESG challenges and opportunities facing New Forests' investment management business. Our approach is aimed at supporting our investment clients' and stakeholders' understanding of ESG and impact performance across New Forests' managed investments and the linkages to investment strategy and performance.

This report focuses on the 2021 financial year. The reporting period for the 2021 financial year differs across the regions in which we operate as follows:

- **Global business operations (New Forests Pty Ltd):**
1 July 2020–30 June 2021
- **Australia and New Zealand funds under management (New Forests Asset Management Pty Ltd):**
1 July 2020–30 June 2021
- **Southeast Asia and US funds under management (New Forests Asia and New Forests Inc, respectively):**
1 January 2021–31 December 2021

Significant events that occurred in global business operations and the Australia and New Zealand funds under management between 1 July 2021 and 31 December 2021 are included in the narrative of the report but not in the data.

The report was developed by New Forests' corporate sustainability team, working with staff throughout the business, especially those who have oversight for asset management. New Forests' Executive Committee has reviewed and approved its release.

To support benchmarking and understanding of our performance over time, prior annual sustainability reports are available on New Forests' [website](#).

We welcome feedback and questions; please contact impact-team@newforests.com.au.

Date published: May 2022

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A Note from Our CEO

New Forests' vision is to see investment in forestry and land use as central to the transition to a sustainable future. As we release New Forests' annual Sustainability Report for 2021, it is worth reflecting on the challenges facing the world including the ongoing pandemic, significant geopolitical instability, disrupted supply chains, and the intensifying pressures of climate change-related events.



Government, businesses, and civil society must continue to work together to progress solutions to these complex issues. In this context, to build resilience in the economy and in our communities, New Forests will continue to work with our clients to direct capital into strategies that protect and rebuild nature while mitigating climate change and creating sustainable economic opportunity for more people.

Recognition of the importance of investment in climate and nature sharpened in 2021. Both were on the agenda at COP26 in Glasgow, which resulted in pledges to end deforestation, build an international emissions trading scheme, improve the management of agricultural and forestry lands, and invest in large-scale ecosystem restoration. New Forests was proud to announce during COP26 a partnership with CDC, Finnfund, and Norfund to launch a sustainable forestry investment platform for Africa. We also joined the Forest Investor Club, hosted by the US Government, to scale investment in climate-positive and nature-positive forestry investment.

We had an increasing number of conversations with investors during the year around the role of forestry in contributing to portfolio decarbonisation. Investors are keen to better understand how to quantify and manage the climate benefits associated with forestry and other land assets, participate in carbon markets, and create positive biodiversity outcomes. New Forests is actively working to improve our reporting on climate action to support our clients' understanding.

It is also important to note that 2021, the second year of the COVID-19 pandemic, continued to present a challenging set of circumstances for investors. Each region in which we operate had different responses and take up of vaccines. Despite lockdowns and travel restrictions, I am proud of how our employees worked with each other and with our business partners across offices and time zones to deploy capital, manage assets and supply chains, and support health and safety and our sustainability outcomes. We are hopeful in the coming year to see more of each other and our investment clients and to spend more time in the field.

As always, we welcome feedback and questions on our report and look forward to hearing from our clients and stakeholders.

David Brand
CEO, New Forests

Introduction to Our 2021 Report

2021 – Accelerating Demand for Nature-based Solutions

The rising levels of ambition around climate action by the finance and corporate sectors accelerated demand for nature-based solutions in 2021. In the lead-up to COP26 in Glasgow in November 2021, an increasing number of institutional investors, asset managers, and companies announced net zero commitments. Nature was on the agenda at COP26, resulting in pledges to end deforestation, improve the management of agricultural and forestry lands, and invest in large-scale ecosystem restoration. The rule book for Article 6 of the Paris Agreement, governing international trade in carbon credits, was also negotiated, creating a pathway for more financing of nature-based carbon projects.

At the same time, the stakeholder, regulatory, and disclosure environment evolved rapidly, in the direction of more transparency and improved performance with respect to the climate, biodiversity, and social impacts of investments in forestry and land use. These developments ranged from efforts to standardise natural capital and sustainability-related disclosures and reporting standards to greater stakeholder debate around the integrity of carbon markets. The table on the following page highlights notable trends and developments during the year that are shaping our thinking and approach to sustainability, impact strategy, and reporting.



Disclosure Regulation	<ul style="list-style-type: none"> • EU Sustainable Finance Disclosure Regulation (SFDR) was released, requiring asset managers to provide standardised disclosures on how ESG factors are integrated at both an entity and product level. Seeks to level the playing field among asset managers. • Government regulation on climate risk disclosure accelerated. The US Securities and Exchange Commission proposed climate risk disclosure requirements in regular reporting for publicly listed companies, including disclosure of scope 1 and 2 and material scope 3 emissions.
Integrated Reporting Frameworks	<ul style="list-style-type: none"> • IFRS Foundation announced the formation of an International Sustainability Standards Board (ISSB). The ISSB will develop the IFRS Sustainability Disclosure Standards, including disclosure requirements that address companies' impacts on sustainability matters relevant to assessing enterprise value and making investment decisions, enabling companies to provide comprehensive sustainability information for the global financial markets.
Greenhouse Gas (GHG) Accounting, Carbon Markets and Net Zero	<ul style="list-style-type: none"> • The GHG Protocol continued work on its Land Use and Removals Guidance. This is a critical framework to quantify the climate impacts of the forestry and land use sector in a standardised manner. • The Task-force on Voluntary Carbon Markets and the Voluntary Carbon Markets Integrity Initiative furthered stakeholder dialogue and frameworks to ensure quality and impactfulness of voluntary carbon markets both in terms of demand-side integrity and supply-side integrity.
Natural Capital, Biodiversity and Reporting Frameworks	<ul style="list-style-type: none"> • Nature recovery by 2050 is quickly emerging as the analogue to net zero by 2050. To achieve this goal, the Task Force on Nature-related Financial Disclosures (TNFD) started work to create a disclosure framework around nature-related risks. A beta version was released in March 2022, with 2023 being the target completion date for the framework. • As a member of the World Business Council on Sustainable Development (WBCSD), New Forests must have in place Science-based Targets for Nature (SBTN) that supports nature recovery by January 2023. The SBTN framework is in development and expected in 2023.

As New Forests operates in this evolving environment, we recognise that our impact ambition, investor education, product offering, and reporting and disclosure must continue to transform to meet the needs of our stakeholders. In our work to make impact central to New Forests' performance, we are focusing our efforts on five critical areas: Impact Targets, our Climate Action Plan, Biodiversity and Natural Capital, Integrated Reporting, and Advocacy. In the diagram on the following page we have highlighted our near-term ambition in each of these areas.

This year we have begun to evolve the Sustainability Report, providing a more integrated view of market and commercial performance alongside sustainability outcomes. The Report is also organised around New Forests' three key areas of impact aligned with our vision: contributing to shared prosperity, investing

in nature-based solutions, and supporting the circular bioeconomy. This new annual report structure will make our impact and the challenges and opportunities we face clearer to stakeholders as we move towards adopting impact targets in these areas. Finally, the Report includes more detail on our methodology and analysis of emissions, removals, and carbon storage, which will be a significant improvement and provide more meaningful analysis to our clients and stakeholders on climate action and performance.

The 2021 Sustainability Report is intended to provide clear insights into the impact outcomes associated with New Forests' investments and how we operate as a business and into the areas in which we continue to seek improvement.

We welcome a conversation with all our stakeholders on our progress to date.



Impact Targets

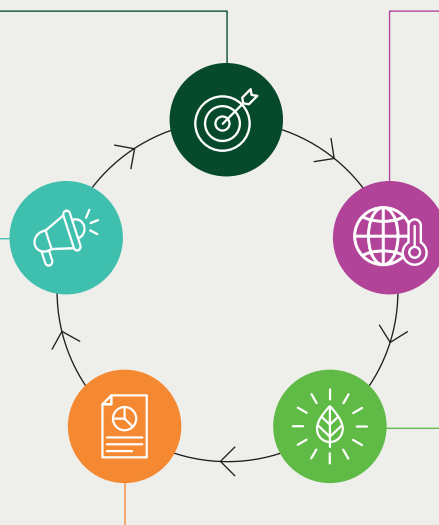
- Adopt impact targets aligned with New Forests' 2030 vision and integrated across our asset management business

Advocacy

- Continue to use our voice to advocate for policies and standards that will drive increased investment in sustainable forestry and nature-based solutions

Integrated Reporting

- Look to adopt internationally accepted sustainability reporting standard(s)
- Provide our clients with fund-level ESG and impact reporting integrated with financial statements



Climate Action Plan

- Task Force for Climate-related Financial Disclosures (TCFD) aligned reporting to clients
- Complete greenhouse gas inventory, documented in alignment with the GHG Protocol
- Emission reduction plans in place for global portfolio

Biodiversity and Natural Capital

- Development of biodiversity and nature related impact targets
- Investigate adoption of the TNFD



About New Forests

New Forests is a global investment manager of nature-based real assets and natural capital strategies, with AUD 7.8 billion (USD 5.8 billion) of assets under management across 1.1 million hectares (2.7 million acres) as of 30 June 2021. We manage a diversified portfolio of sustainable timber plantations and conservation areas, carbon and conservation finance projects, agriculture, timber processing and infrastructure.



Countries invested in:

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



Headquarters in Sydney

Offices in: Melbourne, Tauranga, Singapore, San Francisco



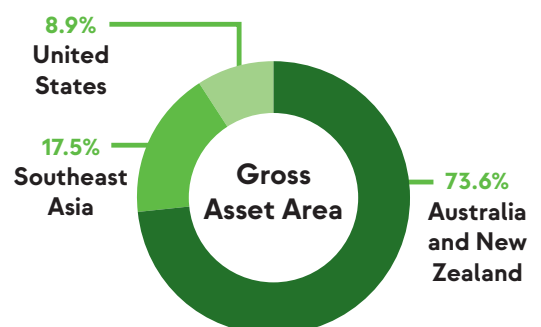
Latest B Corp Score:
120.5

Latest PRI Score:
A+

The Tropical Asia Forest Fund 2 won the Best Private Impact Fund

of the Year at the Financial Investigator Impact Investing Awards, 2021

Selected to be part of the **ImpactAssets 50**, an annual list of the world's leading impact investment managers



New Forests' 2030 Vision

New Forests' vision is to see investment in forestry, agriculture, and other land use as central to the transition to a sustainable future.

Forests cover approximately one third of the world's habitable land, equivalent to 4 billion hectares, and are home to most of the world's biodiversity, store more carbon than is in the atmosphere, and support the livelihoods of billions of people around the world, including the provision of water and food.¹ Meanwhile, almost half the world's habitable land is used for agriculture.

In much of the world, deforestation, forest and land degradation, poor agricultural practices, and soil loss continue to contribute to some of the biggest challenges of our time – climate change, biodiversity loss, and unsustainable development.

New Forests believes that to address these challenges, new investment models must channel finance into strategies and companies that protect and restore ecosystems and improve working lands as a part of their investment thesis and long-term value creation approach. By 2030 we want to see all capital allocations to forests and other land use invested in strategies that create climate-positive and nature-positive landscapes, meaning that they integrate conservation, restoration, and sustainable production and generate shared value for communities.

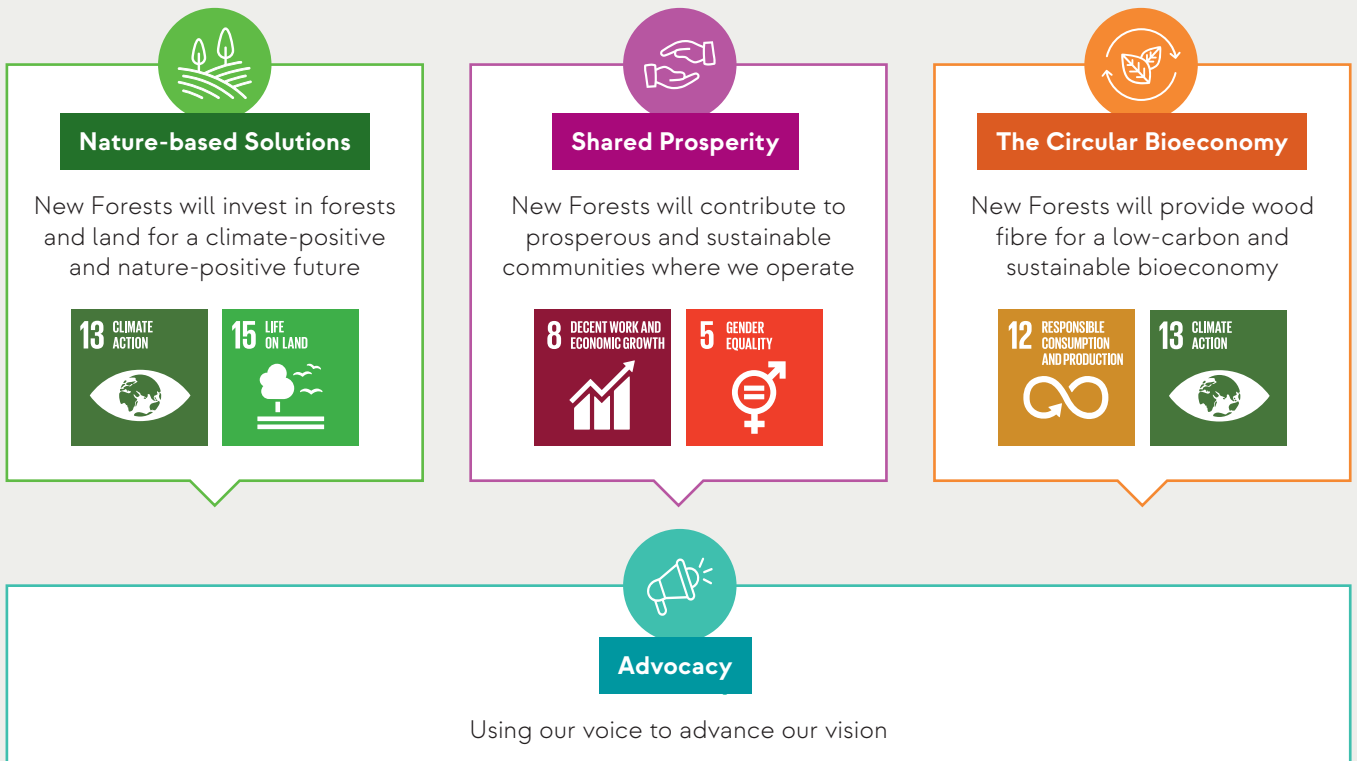
To advance our 2030 vision, New Forests' investment strategies will support the role of forests as nature-based solutions and will create positive ESG impacts at scale in three critical areas: Nature-based Solutions, Shared Prosperity, and the Circular Bioeconomy.

To ensure action in these areas, New Forests will:

- Be a world leader in managing nature-based investments.
- Set ESG impact targets that drive outcomes across these critical areas.
- Integrate ESG impact outcomes associated with our vision with financial reporting, so our clients have a full understanding of the value delivered by their investments.

We will also use our voice through advocacy, working with governments, industry, and civil society to amplify our influence and advance our vision.

Our 2021 Sustainability Report intends to provide our clients and stakeholders with an update on how we are progressing toward our 2030 vision.



1 Food and Agricultural Organisation of the United Nations, *The State of the World's Forests 2020* Forests, biodiversity and people.

Investing Toward Our Vision

New Forests invests in assets across Australia and New Zealand, Southeast Asia, and the United States, and is in the process of expanding to Africa. We offer dedicated strategies in each region, giving our clients exposure to a diversified set of markets as well as different risk-return profiles and impact objectives. Our investment approach is centred around business excellence, analytical capability, innovation, agility, sustainability, and continuous improvement.

Australia and New Zealand

New Forests has operated in Australia and New Zealand since 2005. New Forests is the largest forestry investment manager by area in Australia² and the sixth largest in New Zealand.³ New Forests' first Australia New Zealand Forest Fund was closed in 2010. Between 2010 and 2021 New Forests invested AUD 3 billion in Australia and New Zealand, in a portfolio consisting of sustainable eucalyptus and pine plantations, agricultural properties, conservation areas, infrastructure and timber processing, and carbon projects. In FY21, New Forests-managed investments in the region sold 4.5 million m³ of forest products and were issued over 38,800 carbon credits.

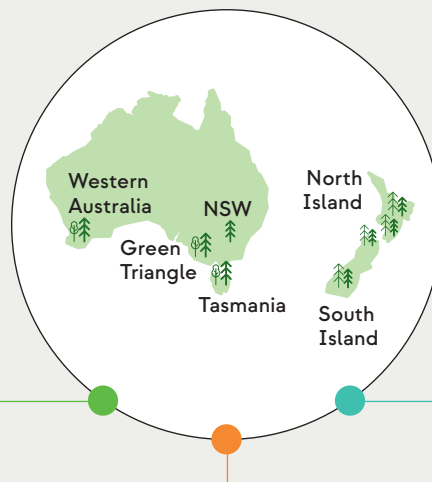
FY21 Highlights

- Supported a wide range of ESG initiatives including the establishment of new conservation covenants (Marberry Estate), the Tyenna River Recovery Program (Lenah Estate), the Hear4U program supporting mental health in the Tairāwhiti Region (Aratu Forests), the Tolaga Bay School trees purchasing program (Aratu Forests), and establishment of forest certification (Peppermint Estate).
- Finalised settlement of claims relating to impacts prior to New Forests management of Aratu Forests from the Tolaga Bay storm of July 2018.
- Progressed New Forests expansion into agriculture with a signed agreement to purchase Lawson Grains, a leading corporate grain grower in Australia.⁴
- Partnered with an investor to develop Australian Carbon Credit Unit (ACCU) projects on third-party owned agricultural land in Australia.⁵
- Timberlink announced large-scale investment in bio composites (page 51).
- Tasmanian Forest Trust released its second Natural Capital Report (page 40).

Australia New Zealand Forest Fund (ANZFF)

Australia New Zealand Forest Fund 2 (ANZFF2)

Australia New Zealand Forest Fund 3 (ANZFF3)



Investment Opportunity

- Low-risk sovereign investment environment
- Optionality around land management and rising carbon prices creates opportunity to manage landscapes for sustainable timber and agricultural production alongside climate change mitigation outcomes
- Strong underlying demand factors for wood products and agricultural commodities
- Proximity to Asian markets creates competitive advantage for Australia and New Zealand compared to other regions

Regional Challenges

- Rising agricultural commodity prices creates competition for land use with forestry
- Rising competition for high quality assets
- Geopolitical issues creating some challenges for Australian timber export markets
- Need for long-term Australian climate policy in order to create further certainty in the forward carbon price
- Intensifying climate change risks related to extreme weather and fire

New Forests' Approach

- Optimisation of land use among softwood and hardwood timber plantations, agriculture, reforestation and conservation
- Systematic focus on continuous improvement in genetics, management, and cost structures
- Application of state-of-the-art asset management information systems and spatial analytics
- Active development of timber markets, especially in Asia
- Apply rigorous ESG approach including certification of asset management to international standards
- Advocacy for national climate policies aligned with the Paris Agreement and for high-integrity carbon markets

2 New Forests' analysis. Figures as at 30 Sept 2021.

3 New Zealand Forest Owners Association 2020–21 Facts and Figures.

4 Data related to acquisition of Lawson Grains is not included in this Report.

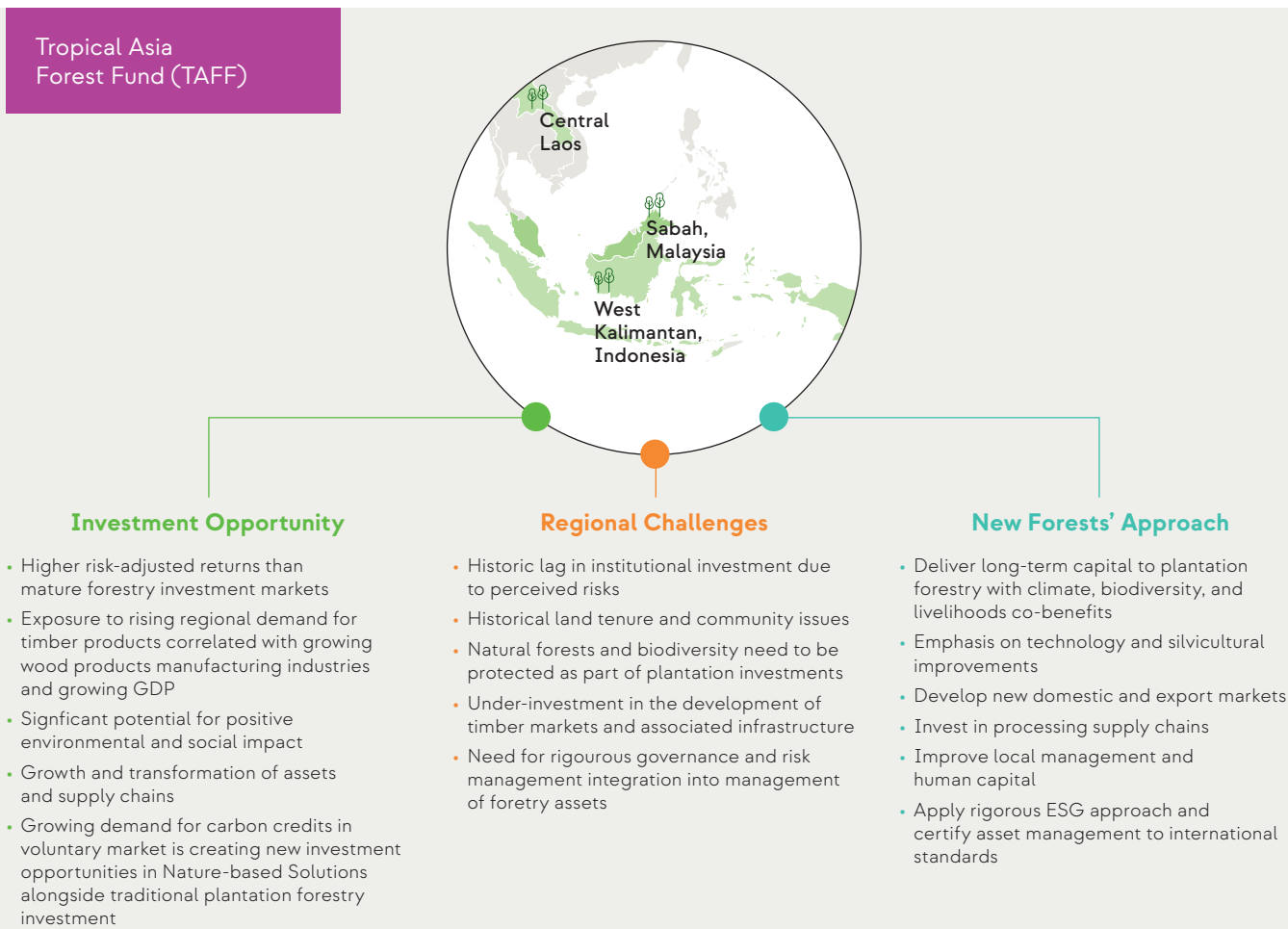
5 Data for this project is not included in this Report.

Southeast Asia

New Forests has operated in Southeast Asia since 2008 and is the only global forestry investment manager with a dedicated presence in the region. New Forests invested in Indonesia, Malaysia, and Laos through its first investment vehicle, the Tropical Asia Forest Fund (TAFF), which commenced its investment period with USD 170 million in capital commitments in 2012. TAFF developed a portfolio consisting of sustainable tropical hardwood plantations, conservation areas, and timber processing, integrated with investment in rural livelihoods and community development. New Forests announced the first close of the Tropical Asia Forest Fund 2 (TAFF2) in March 2022, which seeks to continue investment in Indonesia, Malaysia, Vietnam, Laos, Cambodia, and Thailand. New Forests introduced a blended finance structure to TAFF2 that will enhance the fund’s ability to invest in climate, community, and biodiversity impact integrated into management of plantation forestry assets.

FY21 Highlights

- Commenced construction of a veneer processing facility at Mekong Timber Plantations (Laos, page 49).
- Launched a landscape-level biodiversity and fire management program at Hutan Ketapang Industri (Indonesia) and supported a biodiversity monitoring research study at Acacia Forest Industries (Malaysia, page 43).
- COVID-19-related travel restrictions hindered asset management activities.
- TAFF2 received [Best Impact Fund, Financial Investigator Awards 2021](#).



United States

New Forests has operated in the United States since 2007, leading in innovative climate-smart forestry and conservation finance investments. New Forests' US investments go beyond traditional timber management to encompass returns driven by carbon markets and conservation management strategies. In 2011, New Forests launched Forest Carbon Partners, which has developed 18 forest carbon projects covering 152,000 hectares across the United States for the California carbon market. Since 2016, New Forests has invested USD 400 million in forestry assets managed for both sustainable timber production, carbon stock protection and atmospheric carbon removal.

FY21 Highlights

- Acquired the 63,000-hectare Klamath Forest asset in July 2021, located in northern California and Oregon.⁶
- Avoided material forest loss during extreme fire conditions in Northern California during the 2021 fire season.
- Progressed development of a carbon project across the 167,000-acre Shasta Cascade Timberlands forest asset in Northern California, which is designed to support reduced timber harvesting and increase carbon removal over the next decade.
- Generated over USD 29 million in revenue for Native American Tribes through Forest Carbon Partners (page 29).

Forest Carbon Partners (FCP)

Carbon Forestry Separate Accounts (US Carbon Forestry)



Investment Opportunity

- Exposure to forestry investments in low-risk and mature investment geography
- Opportunity to re-segment the US market through optimised management of forests for timber and carbon credits for compliance and voluntary carbon markets
- Develop carbon offset projects to generate additional value from forests as a climate solution (driven by the California regulated carbon market, one of the largest in the world)
- Sustainably manage forestland assets for timber production to meet increasing demand driven by housing exports, as well as emerging mass timber, biofuel, and biomass products
- Requires specific technical, environmental, and financial capabilities to access opportunities

Regional Challenges

- Limited availability of high carbon natural forestland assets for acquisition
- Increased climate related forest risks, including wildfire, which need to be accounted for in acquisitions and asset management
- Mature traditional wood product markets are relatively insular, limiting potential growth, and do not promote the growth of new wood product technologies
- Changing forest management regimes due to changing timber and carbon values
- Nascent timber processing sector for inputs into the circular bioeconomy (i.e., CLT and GLT)

New Forests' Approach

- Proprietary geospatial analysis used to identify high carbon value forests to optimise timber and carbon management and returns
- Climate change mitigation through sustainable forest management
- Manage forests for operational improvements, optimising total return from log and carbon income and inventory growth
- Implement additional conservation finance strategies such as conservation easements
- Apply rigorous ESG approach including certification of asset management to international standards
- Advocacy for continuous improvement and integration of latest climate science into California's forest carbon protocol
- Ensure efficient use of landscapes
- Support regional economies and job growth
- Support positive conservation outcomes

⁶ Data for Klamath Forest is not included given it was acquired mid-way through the reporting period.

Our Approach

New Forests applies consistent and comprehensive structures, frameworks, and processes to effectively control and manage all aspects of our business and investments globally.

New Forests' approach to corporate governance, risk management, and responsible investment seeks to align with best practice.



Governance

Governance encompasses the system by which an organisation is controlled and operates, and the mechanisms by which it, and its people, are held to account.⁷ New Forests recognises that good governance leads to better financial and non-financial performance.

New Forests

At the highest level, New Forests is governed by our Board of Directors. Board effectiveness is determined by attributes such as a diversity of view and experience, independence of thought and decision making, and trust. The figure below shows key characteristics of our Board which proxy for these attributes.

In May 2021, the appointment of Christine Loh added independence to New Forests' Board. Her appointment also improved gender diversity, bringing it in line with the 30% targeted by industry initiatives.⁸

Assets Under Management

Where assets managed by New Forests are governed by a board of directors, experienced independent directors are engaged to provide governance rigour. Across the 16 portfolio company boards in New Forests' portfolio in 2021, representation is 7% female and 5% independent. New Forests recognises the need to improve these proportions and has actively done so since the date of this report (including, for example, adding two female independent directors to the board of directors of the Tasmanian Forest Trust).

Ethics

New Forests has implemented a number of policies and procedures to support its commitment to conducting the company's business ethically and in a way that is open and accountable to clients and other stakeholders, including our Code of Conduct.



Directors who are neither independent nor executive are individuals with a material relationship with New Forests and therefore cannot be considered in either category.

⁷ Governance Institute of Australia.

⁸ Including the [2XChallenge](#) and the [30% Club](#).

Risk Management

New Forests

New Forests operates an enterprise risk management (ERM) system that identifies risks and sets tolerance levels for relevant risks across our business and investment management operations. The ERM covers a range of risks including operational, health and safety, and ESG risks.

The ERM covers all investments and includes the development of risk registers and a risk appetite statement for each investment or business with the involvement of property managers or investees and New Forests' Operations and Risk and Compliance teams. 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. All investments also have operating-level risk management systems in place.

Assets Under Management

All New Forests-managed assets are required to use a risk-based approach to developing management systems. Risk registers are developed at the asset level; these are reviewed and updated annually during strategic review processes. New Forests also requires third party forest certification of our management activities, which covers many ESG-related risks. In emerging markets, we also require alignment with the International Finance Corporation Performance Standards. Risks are regularly reported to clients and the appropriate New Forests Committees.

Case Study

Integrating the TCFD for Risk Management

The Taskforce for Climate-related Financial Disclosures (TCFD) is the leading framework for companies and financial institutions to disclose their climate-related risks and opportunities. In FY20, New Forests developed a TCFD-aligned climate risk and opportunity assessment within the asset level strategic planning process, which was rolled out to all assets in FY21.

This assessment identifies material risks and strategic projects that can manage and, where possible, mitigate those risks. Key risks and opportunities and related strategic projects identified for the FY21 cycle included:

Topic	Strategic Project
Risks	
Increased instances of fire	Quantify possible fire risk under different climate scenarios
Decreased rainfall affecting species	Match species genotype to sites in low rainfall areas and research water stress tolerance of species
Negative biodiversity impacts due to climate change	Review current policies and procedures and develop nature enhancement projects
Changes in yield due to climate	Develop new growth, mortality, and carbon stock models under different climate scenarios
Land value decreases due to climate risk	Review asset-level valuations
Emissions	Identify opportunities to reduce emissions
Opportunities	
Novel markets for products	Analyse opportunity to introduce new products to the market that are aligned with a climate transition and contribute to the circular bioeconomy
Develop new carbon contracts	Assist in the development of new carbon methodologies that may benefit the asset
Natural Capital Accounting	Develop an economic, natural, and social capital accounting model to capture future benefits under different scenarios

These risks will be monitored using several metrics identified in the process; these include Mean Annual Increment/Average Annual Yield, tree crop loss, and greenhouse gas emissions, among others. However, identifying metrics that are comparable and relevant across all regions remains challenging.

We will continue to refine our TCFD approach over time. For more information, New Forests' process was featured in the Principles for Responsible Investment's *Technical Guide: TCFD for Real Assets Investors*.

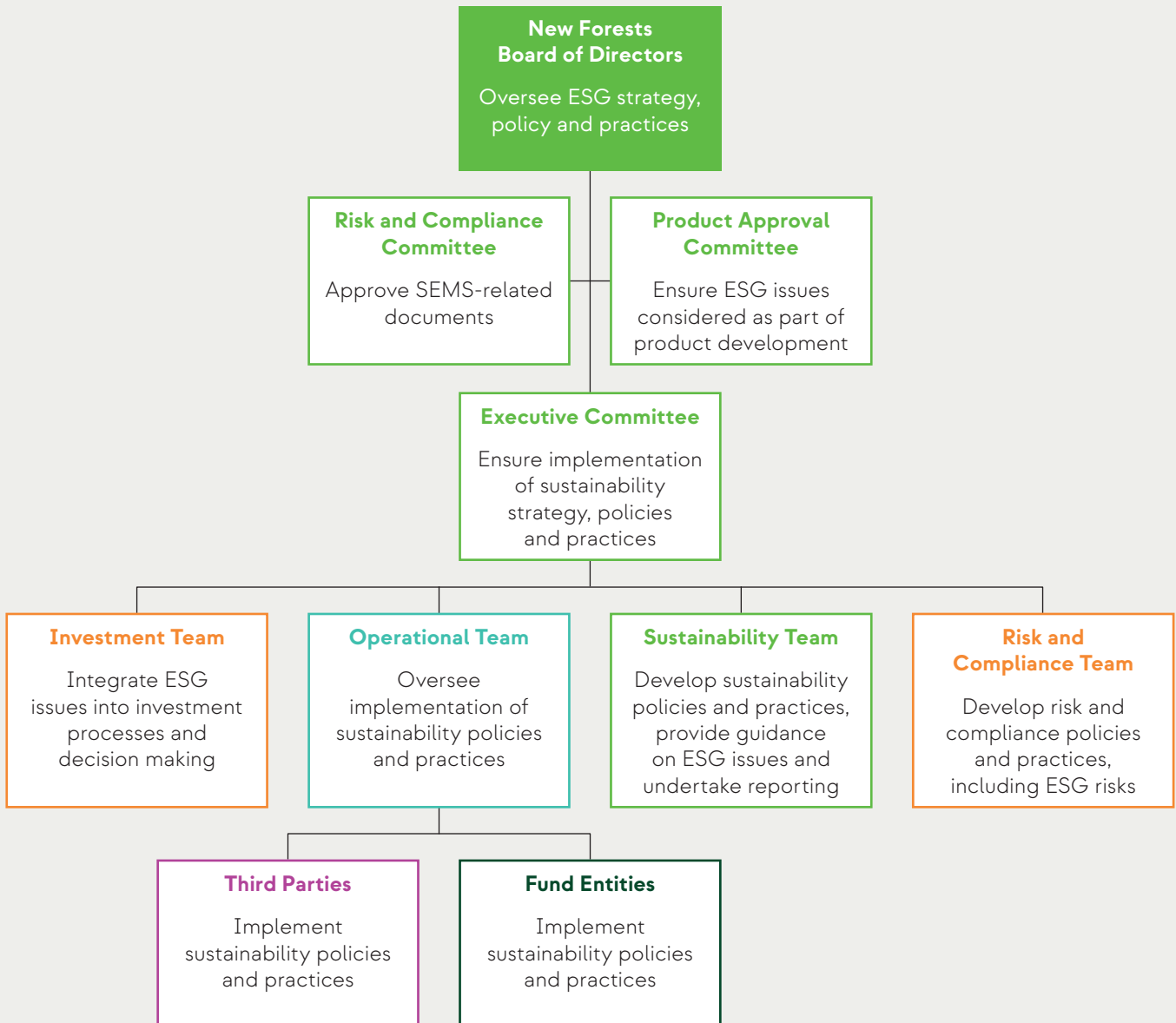
Responsible Investment

Responsible Investment (RI) ensures that ESG risks, opportunities, and impacts are incorporated into all investment and asset management processes and decision making.

New Forests' RI Policy sets our approach to, and requirements for, achieving RI at each stage of the investment lifecycle. Our Social and Environmental Management System (SEMS) and Sustainable Landscape Investment (SLI) framework are key aspects of implementing and monitoring compliance with New Forests' RI Policy.

As outlined in the RI Policy, ESG governance, management and implementation includes various roles and responsibilities (see chart below).

ESG Governance Framework





Social and Environmental Management System

New Forests' Social and Environmental Management System (SEMS), which is aligned to ISO 14001, provides more detailed requirements and guidance for ensuring social and environmental issues are considered in a standardised manner across the investment lifecycle. Key elements of the SEMS are outlined below:

SEMS

- Requirements for integrating ESG into the due diligence, acquisition, asset management, and exit processes.
- ESG risk categorisation guidance.
- Management controls used to address ESG-related risks and opportunities.
- Processes for corrective action(s).
- Certification requirements for forestry, carbon, and other environmental assets.
- Obligations for SEMS development at assets to clearly define management, mitigation, monitoring and reporting framework.
- Requires a biennial Management Review of SEMS-related items to ensure processes are being followed and completed.

There are also various supporting procedures for specific areas, including impact assessment and risk categorisation. New Forests is committed to continuous improvement in the way we consider ESG risks, opportunities, and impacts throughout the investment and asset management processes and decision-making.

The SEMS is translated into funds through a fund-specific SEMS Declaration Document that identifies the roles and responsibilities for ESG management of that fund and includes an ESG Policy with relevant regional requirements.

Sustainable Landscape Investment (SLI)

New Forests developed its SLI framework in 2016 to ensure comprehensive and consistent monitoring and management of ESG-related risks and opportunities. The SLI is divided into six material ESG themes and identifies key metrics to measure performance in each of these themes. The six themes are Productivity, Land Use, Ecosystem Services, Governance, Risk Management, and Shared Prosperity. Data on these metrics is collected from our third-party property managers and investee companies at least annually and is reported to stakeholder in various formats including fund-level ESG reports and this Sustainability Report. The responses are reviewed by New Forests' Operations and Sustainability teams.

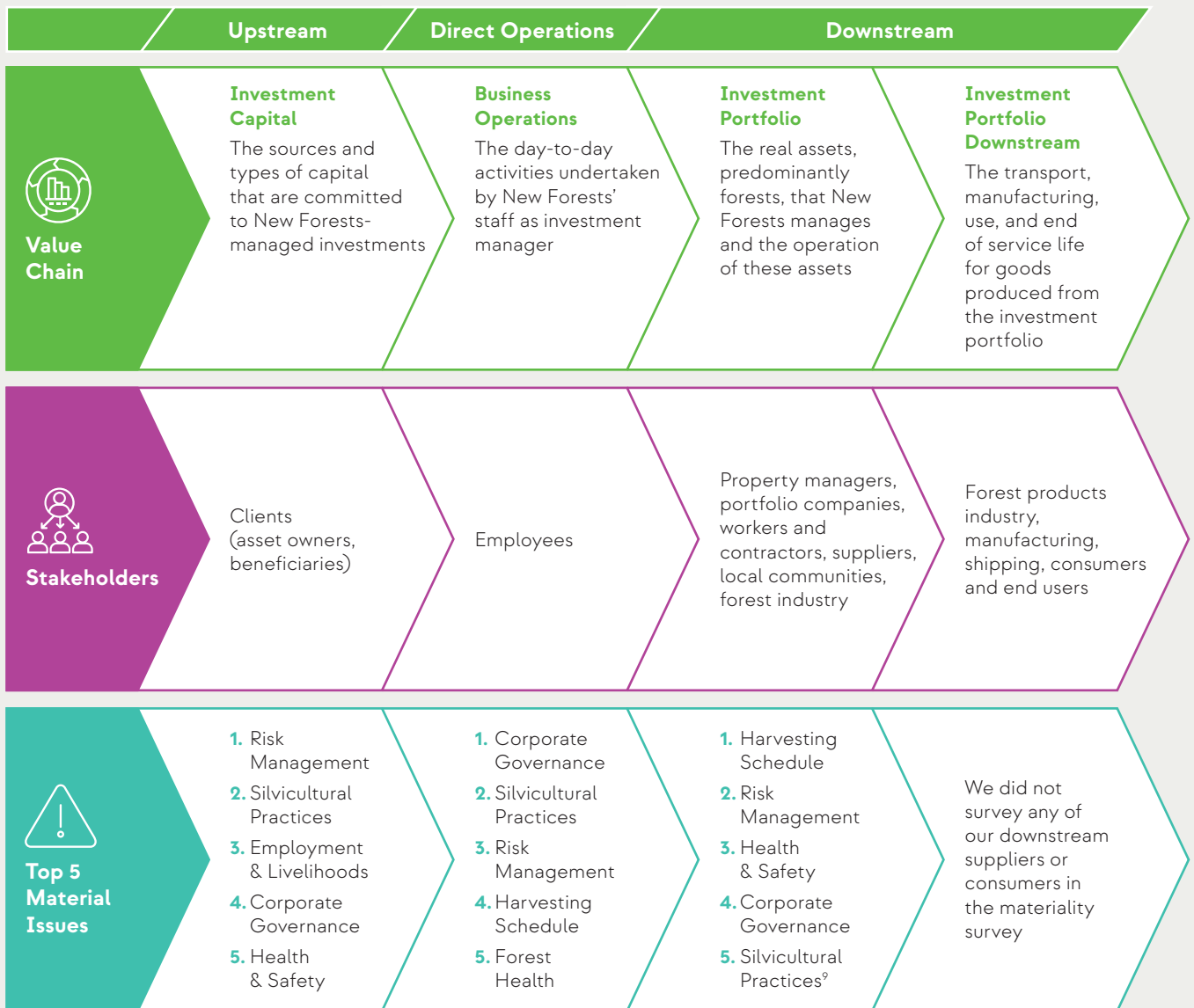
Reporting What Matters

Understanding what ESG factors are most material to New Forests' business strategy and stakeholders is critical to our success and effectiveness meeting our strategic goals. Our stakeholders come from various stages of New Forests' value chain and include our employees, clients, business partners, and the communities in which we operate.

In FY21, we conducted a [Stakeholder and Materiality Assessment](#) to understand how these stakeholders view key ESG factors in terms of their materiality. We selected 16 ESG factors and asked stakeholders to rank them by their:

- Importance to stakeholders and impact on the environment and society and
- Impact on New Forests' business and the level of New Forests' control.

Our stakeholders' position in our value chain and their top five ESG issues are outlined in the figure on the next page. While there are many similarities across the groups, it is also important for New Forests to understand how the needs of our stakeholder groups differ. The results of the Assessment were reviewed by members of New Forests' Executive Committee.



The material ESG factors and New Forests performance in relation to them are described in the following chapters.

⁹ Note that these responses are from third-party property managers and investee companies only. We will aim to include community views in future iterations of the assessment.

Contributing to Shared Prosperity

New Forests will contribute to prosperous and sustainable communities where we operate. New Forests seeks to create shared prosperity for all our key stakeholder groups.



Clients

We seek to realise the investment and ESG objectives of our clients



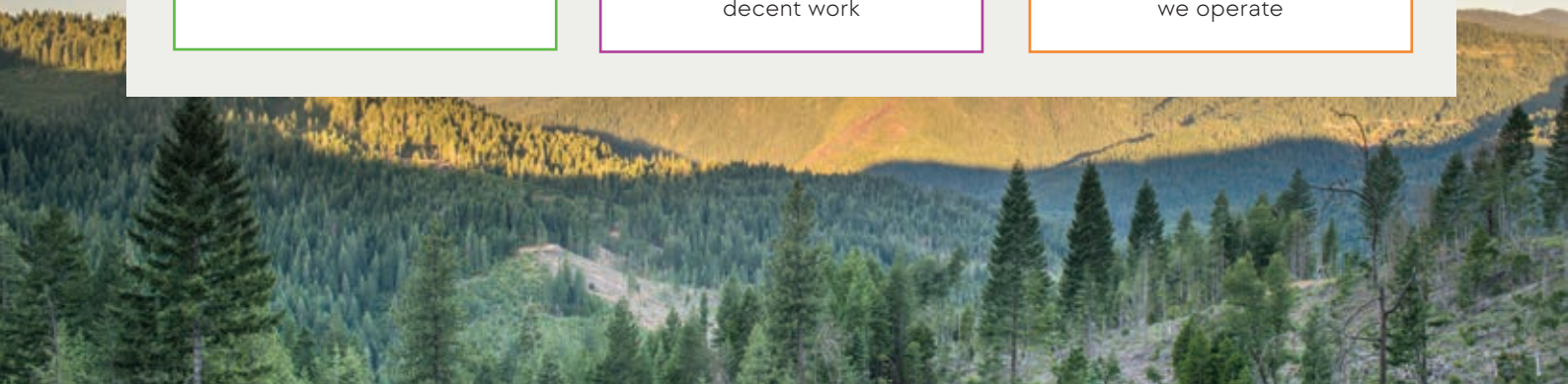
Employees, Workforce and Supply Chain

We respect human rights, create safe workplaces and supply chains, and provide decent work



Communities Where We Operate

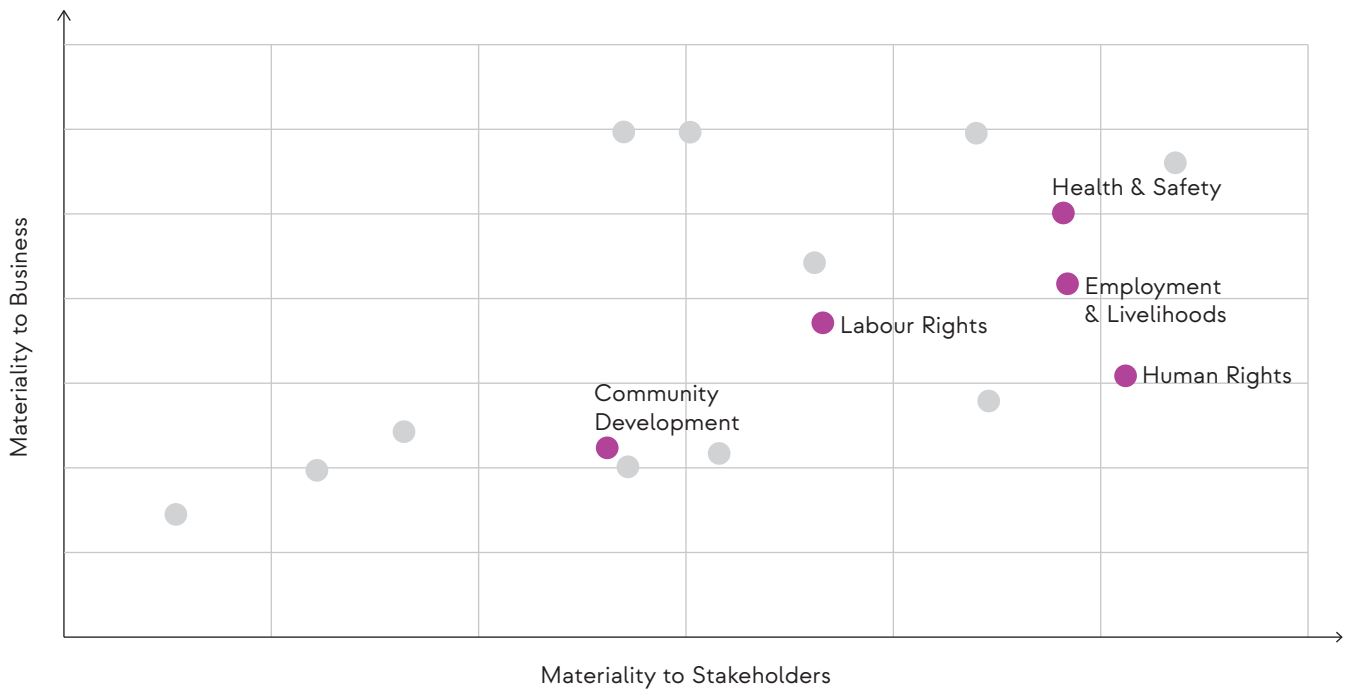
We contribute to the prosperity and sustainability of the communities where we operate





The graph below highlights our stakeholders' views on the materiality of issues related to shared prosperity. Given increased focus by stakeholders, New Forests has also included information on gender diversity in this section of the Report.

Materiality of Shared Prosperity Themes¹⁰



¹⁰ The axes on the graph reflect the two views on materiality we asked stakeholders to provide (i.e., importance of the ESG factor to them and the materiality to New Forests' business, as described in the Reporting What Matters section, page 15), scored from 0 to 10 (10 being most material). The scores from these two questions were averaged for the purposes of the graph. The arrows reflect the direction of increasing materiality.

Our Clients

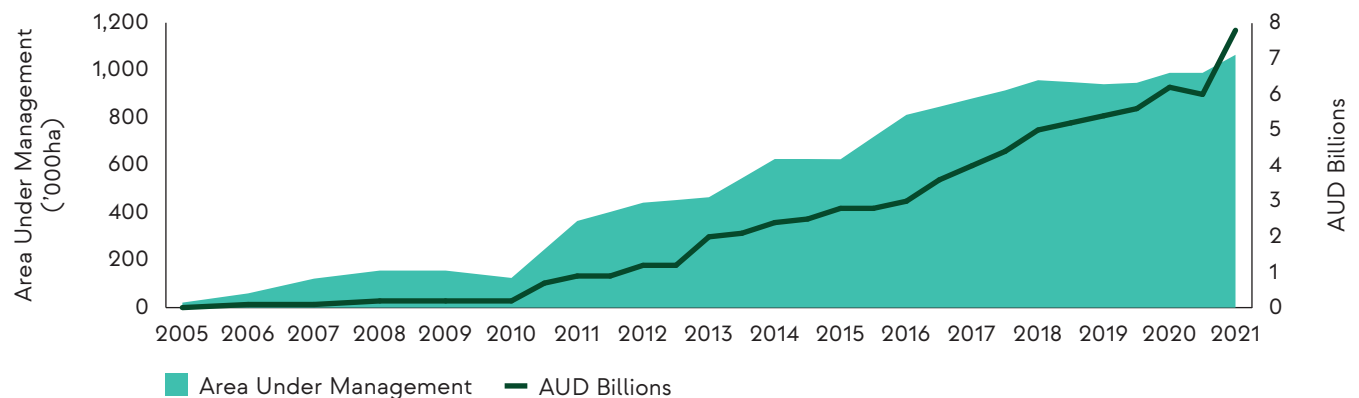
As indicated in the graphs below, New Forests has consistently delivered positive aggregate financial performance across its global portfolio while steadily growing assets under management.

A track record of delivering performance and active asset management in service of our clients is critical to ensuring the growth of our business and our capacity to keep innovating and scaling impact in alignment with our vision.

New Forests' Managed Funds Consolidated Total Returns¹¹



Total Area Under Management¹²



11 As at 30 June 2021. The graph above shows the weighted average total returns (realised and unrealised) for the New Forests Australia New Zealand Forest Fund (inception August 2010), Forestry Investment Trust (inception January 2011), Green Triangle Forest Trust (inception March 2012), New Forests Australia New Zealand Forest Fund 2 (inception June 2013), Tasmanian Forest Trust (inception September 2014), New Forests Australia New Zealand Forest Fund 3 (inception January 2017) and Eastland Estate Limited (inception July 2019) (collectively the ANZ Funds); Tropical Asia Forest Fund (TAFF, inception June 2012); and two New Forests managed US accounts (inception dates August 2016 and October 2017). Returns to 30 June 2021 are net of management fees and fund expenses (including holding company and asset level expenses and taxes) and are pre-investor tax and pre-performance fees unless otherwise specified. ANZFF and FIT are post performance fees as of 30 June 2021, and one of the US managed accounts is post performance fees as of 31 December 2020. For the ANZ Fund assets, independent valuations are typically conducted on an annual basis at 30 June, the end of the Australian financial year. 30 June 2021 is the date of the latest audited financial statements and independent asset valuations for the ANZ Funds. For the TAFF assets and New Forests' managed US Timberland accounts, independent valuations are typically conducted on an annual basis at 31 December. The last audited financial statements and independent asset valuations for TAFF and the managed US accounts is 31 December 2020. The 30 June 2021 0.7518 exchange rate was applied to convert USD to AUD.

The Eco Products Fund (inception in 2008 and exited in 2020) has been excluded from these return figures as this vehicle was invested in non-timberland assets (e.g. US wetland and stream mitigation banks and forest carbon offset projects). New Forests' Forest Carbon Partners (FCP) vehicle has been operating since 2011 and has been excluded from these return figures because it has invested only in financing US forest carbon offset projects and has not made any investments in forestry. Please note that EPF and FCP assets under management total less than USD 50 million. Past performance is not an indicator of future performance.

12 As at 30 June 2021. Gross hectares under management includes a variety of land uses such as timber plantations, natural forest areas, conservation areas, and carbon projects. In some carbon projects in the United States, New Forests manages carbon projects held on third-party owned land.

Our Employees, Workforce and Supply Chain

Respecting Human Rights

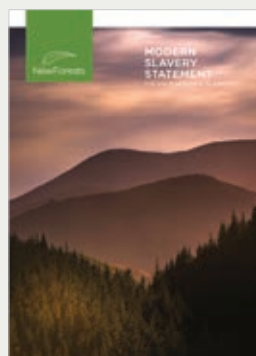
In recognition of the high materiality of human rights, New Forests became a member of the UN Global Compact in 2021. By doing so we formally committed to aligning our strategies and operations with the Ten Principles on human rights, labour, environment, and anti-corruption and taking strategic actions to advance broader societal goals, such as the UN Sustainable Development Goals (SDGs). We use this Sustainability Report to communicate progress against the Ten Principles and the SDGs, as outlined on our [UN Global Compact participant page](#).

Eliminating Modern Slavery

Forestry is viewed as a high-risk sector for Modern Slavery given its exposure to informal employment, including the use of outsourcing, contracting and sub-contracting, engagement of casual and seasonal workers, and migrant labour. Seventy-eight percent of the third-party workforce supporting assets managed by New Forests is temporary or contract labour. Therefore, New Forests-managed assets have high exposure to this potentially high-risk group of workers.

Eliminating Modern Slavery is crucial to promoting the human right to decent work. New Forests continually works to understand, manage, and mitigate Modern Slavery risks in our supply chain. In December 2021, we released our second Modern Slavery Statement; some of the key updates from this Statement are:

- Expanding supplier risk mapping to include Tier 2 suppliers.
- Screening all high-risk suppliers with Ethixbase, an ESG risk management tool.
- Incorporating living wage-related metrics into New Forests' SLI framework.



Modern Slavery Statement

<https://newforests.com.au/wp-content/uploads/2021/04/Modern-Slavery-Statement.pdf>

Case Study

Taking Action to Eliminate Child Labour

Mekong Timber Plantations (MTP), a TAFF portfolio company, identified the potential for child labour as high risk for the region shortly after TAFF acquisition in 2017. The company first developed a policy eliminating child labour from its workforce and then developed processes for identifying youths under 18 years of age in its contracted and seasonal workforce and monitoring mechanisms to ensure procedures were followed.

In recognition of the importance of youth contribution to family livelihoods in the region, MTP joined The Centre for Child Rights and Business' [Joint Action Pledge](#) to develop a youth inclusion program that comprised (i) defining non-hazardous work positions within their operations in accordance with national law and the International Labour Organisation (ILO) conventions, (ii) a training program for interested youths, and (iii) and provision of non-hazardous employment opportunities for youths between 16 and 18 years of age. The MTP Pledge focuses on the following five areas:

Further extending due diligence, remediation, and monitoring activities to increase understanding of child labour in supply chains.

Delivering programs to support juvenile workers and to create decent work opportunities for young workers.

Building the capabilities of companies and their suppliers to address child labour risks through training and support.

Offering practical support to parent workers and their children through family friendly workplace activities and programs.

Working collaboratively as a group to share learnings and establishing best practices to address child labour.

MTP has since identified and remedied several instances of child labour in contractor workforces, which led to a review of potential workstreams and re-assignment of those individuals to non-hazardous tasks allowed for youth. MTP also hired two youths for nursery work via the company's Youth Employment Program after they completed training with the company. An additional trainee under this program has subsequently joined a construction contractor engaged for MTP mill construction following his eighteenth birthday.

Providing Decent Work

According to the ILO “decent work” involves opportunities for work that is productive and provides a fair income, security in the workplace, social protection,¹³ and better prospects for personal development and social integration; allows freedom for people to express their concerns and to organise and participate in the decisions that affect their lives; and gives equality of opportunity and treatment for all women and men.

New Forests

At the end of FY21, New Forests directly employed 93 people globally, which is an increase of 20% since the same time last year. To align with best practice, New Forests meets or exceeds the ILO definition of decent work for our employees. For example:

- All employees can undertake intrinsically meaningful work aligned with New Forests’ mission and vision, and New Forests’ development programs support an individual’s role, leadership, and career development alongside their personal growth.
- Employee remuneration exceeds local minimum wage requirements.
- We consider the holistic health of our employees; our Worker Health & Safety and Employee Assistance programs promote physical and mental wellbeing, while our leave and insurance programs provide social protections, in some cases above local legislative requirements.
- We conduct bi-annual Engagement Surveys to provide an opportunity for employees to express their views anonymously, with the goal of continual improvement.

Assets Under Management

Assets managed by New Forests support the employment of over 5,000 people, although this figure fluctuates depending on the level of activity at the asset level. This includes direct employees,

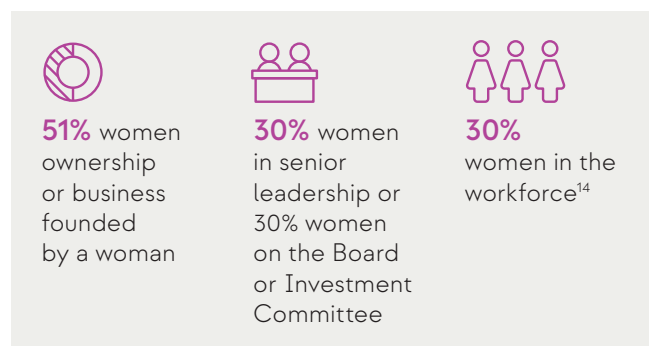
who are individuals employed by third-party property managers or investee companies responsible for day-to-day operations at assets, and indirect or temporary employees, which includes contract or seasonal workers. Since 2018, the total workforce employed through our asset management activities has remained relatively stable.

A key component of decent work is providing equitable and fair wages. New Forests’ RI Policy includes a commitment to advancing a living wage. The pay for direct and indirect employees at our assets under management is aligned with peers and in some cases higher.

New Forests is committed to supporting local employment through our investment programs. In the case of land-only assets, this is done by hiring local third-party property managers who are responsible for the day-to-day operations. New Forests also encourages the use of local contractors, who are an important part of the forestry and land use supply chain.

Gender Diversity

New Forests is dedicated to scaling gender diversity, given the relatively low levels of women involved in investment management and forestry. Gender diversity is also becoming increasingly important to New Forests’ clients as they aim for more equitable representation across their portfolios. One initiative to promote broader action in private financial markets around gender diversity is the 2X Challenge, which launched at the G7 Summit in 2018. Companies are deemed to be aligned with 2X if they meet one of five criteria. The three criteria that are relevant for New Forests are:



¹³ Social protection is a human right, defined as a set of policies and programs designed to reduce and prevent poverty, vulnerability, and social exclusion. It includes nine areas: child and family benefits, maternity protection, unemployment support, employment injury benefits, sickness benefits, health protection, old-age benefits, invalidity/disability benefits, and survivors’ benefits. [World Social Protection Report 2020-2022](#).

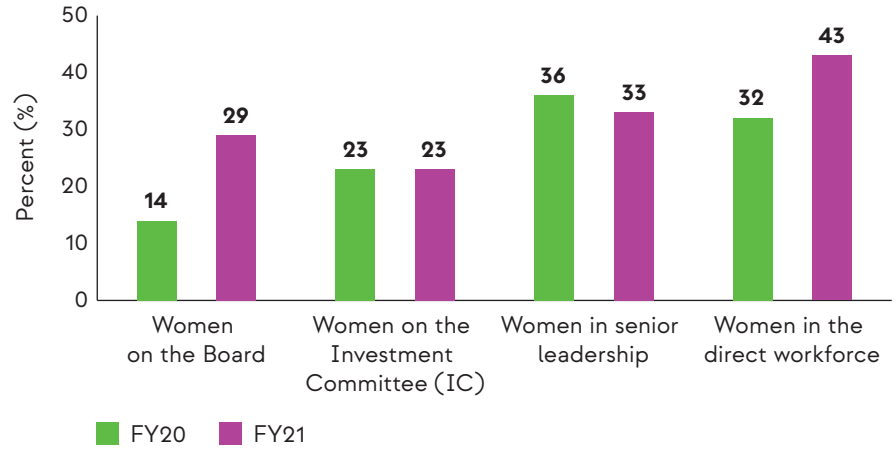
¹⁴ Note that the 30% threshold for women in the workforce was determined based on 2X benchmarks for the infrastructure sector.

New Forests

Our corporate alignment with these three 2X criteria in FY20 and FY21 is demonstrated in the graph to the right.

The proportion of women employed by New Forests increased from 32% to 43% of total employees during the reporting period. While short of our objective of equal representation, it is well above the 30% threshold and significantly higher than across the “Australian Private Capital Industry”, where only 19% of professional staff were women.¹⁶ However, there are specific areas in our business where gender diversity remains low, including in the Investments and Operations teams.

New Forests’ Corporate Alignment with the 2X Challenge – 30% Gender Diversity¹⁵



In senior leadership, the percentage of women exceeded the 2X threshold for the second year. Again, while short of our objective, this is significantly higher than other sectors in private markets investment; for example, only 10% of all private equity and venture capital senior positions are held by women.¹⁷

New Forests is committed to all forms of Diversity and Inclusion within our corporate operations. Our current practices include:



Recruitment

- Diverse shortlists and first round interview pools
- Diverse selection panel (by gender and level)



Workforce Planning

- Track gender, ethnicity, and language spoken across employee levels¹⁸
- Talent and succession planning follow Equal Employment Opportunity principles



Compensation

- Pay gap tracking and reporting and incorporation into remuneration review process and promotion considerations
- Use objective market data for remuneration review
- Remuneration adjustments completed through calibration and approval process



Training

- Mandatory Diversity, Equity and Inclusion training, including unconscious bias training



Leave

- Cultural and religious considerations in leave policies and flexible working arrangements

¹⁵ Senior leadership for New Forests’ corporate operations is defined as individuals at the Director level or higher. Women in the workforce does not include temporary or contract workers.

¹⁶ Australian Investment Council’s Women In The Australian Private Capital Industry Scorecard 2020.

¹⁷ Moving Toward Gender Balance in Private Equity and Venture Capital.

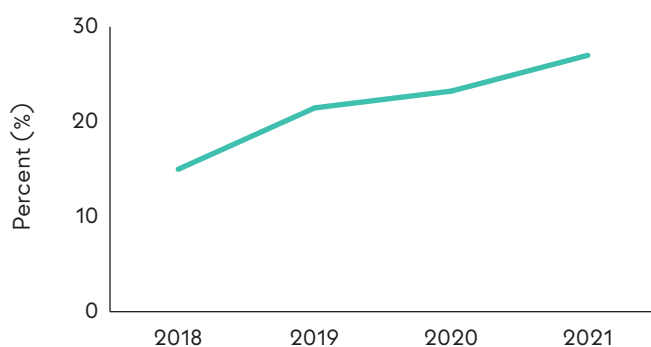
¹⁸ Reporting ethnicity and language spoken are voluntary.

Assets Under Management

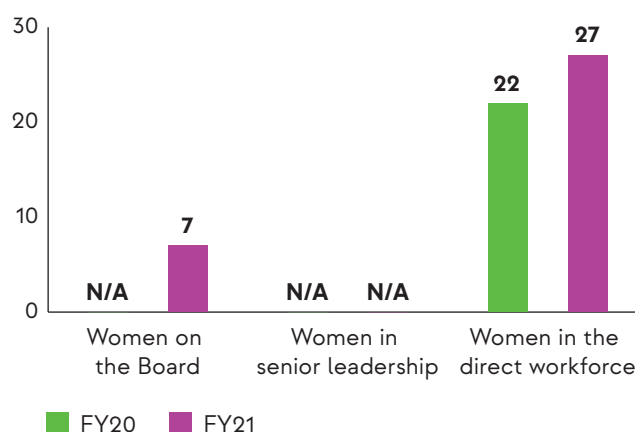
Globally, the forestry sector has failed to attract a significant proportion of women into the workforce. The Australian Government found that only 18% of the forestry workforce is female¹⁹ and in the United States, women hold less than 16% of forestry management positions.²⁰

New Forests strives to improve diversity and inclusion in our assets under management. Since 2018, the percentage of female direct employees across our assets has increased from 12% to 27%. While this falls slightly short of the 2X benchmark of 30%, we are encouraged by the progress we have made and will continue to work with our third-party property managers and investee companies to support female hiring.

Percent of Female Direct Employees – All Funds



New Forests' Assets Under Management Alignment with 2X Challenge – 30% Gender Diversity²¹



Commitments

Key: ● Not started ● Delayed ● On track/completed

	FY21 Actions	FY21 Progress	FY22 Actions
Uphold human rights	Develop a Human Rights Policy – delayed due to resourcing constraints	●	Develop a Human Rights Policy that will apply group-wide including all our assets under management
Support a living wage	Add annual SLI metric related to living wage	●	Expand understanding of living wage in our assets under management
Improve diversity, equity, and inclusion	Introduce unconscious bias training for corporate employees	●	Conduct DEI training for corporate employees and complete ongoing engagement with employees
	Add an annual SLI metric to measure Board gender diversity at assets under management	●	Include gender diversity and equity in subsequent iterations of our Stakeholder and Materiality Assessment Add SLI metric on females in senior management
	Develop impact targets for new funds related to gender diversity	●	Include gender diversity targets as part of new fund formation
Support local employment		●	Add an SLI metric to measure local direct employees and contractors

¹⁹ Diversity in Australia's Forestry Industry Workforce.

²⁰ Gender Diversity in the Wood Products Industry.

²¹ Note that New Forests did not collect data on Board diversity in FY20 or senior leadership diversity in FY20 or FY21.



Providing Safe and Healthy Workplaces

Assets Under Management

New Forests offers fulfilling employment in and around the forest environment, which provides a valued outdoor work environment, complementary to good physical fitness and a healthy lifestyle. However, forestry operations can pose a range of health and safety risks given the manual labour and machinery required for operations, such as thinning, harvesting, and transport.

Third-party property managers and portfolio companies have workplace health and safety programs in place to ensure that they are meeting their responsibilities. New Forests maintains an oversight framework that requires the maintenance of adequate workplace health and safety programs, with standardised reporting to New Forests on their overall safety performance.

New Forests uses the Medical Treatment Incident Frequency Rate (MTIFR) and Lost Time Injury Frequency Rate (LTIFR) to assess the performance of our health and safety systems.

In FY21, the LTIFR and MTIFR declined significantly. This was mainly due to the unusually high number of minor slips, trips, and falls in FY20 caused by COVID-19 travel restrictions. The travel restrictions resulted in a shortage of regular planting and silvicultural crews. Replacement crews were less experienced, leading to more instances of injury.

In FY21, there was one fatality of a chainsaw operator employed by a contractor at a portfolio company in Laos.

Average LTIFR and MTIFR – All Funds²²



²² The LTIFR and MTIFR as shown as an average of fund level data. Note that updates were made to the 2020 LTIFR and MTIFR values since the 2020 reporting period.



Case Study

Expanding Timberlink's Mental Health Program

In FY21, Timberlink, an ANZFF portfolio company, partnered with their Employee Assistance Provider (EAP) to establish a Mental Health and Fitness Program, which is comprised of four pillars. Expanding their EAP reflects Timberlink's ongoing commitment to holistic worker health.



Protect

Primary Intervention

Protection of work related factors to impact mental health

- Risk culture
- Workplace Health and Safety culture



Respond

Secondary and Tertiary Interventions

Support and address mental health problems among workers

- Mental health awareness
- Stigma reduction
- Employee support



Promote

Develop positive aspects of work as well as worker strengths and positive capacities

- Engagement
- Mental fitness



Assess

Strategies that meet organisational objectives

- Return on investment
- High employee trust
- Accessibility

Graphic content courtesy of Timberlink.

COVID-19 Response

New Forests

New Forests continued our proactive approach to helping employees manage their well-being during the second year of the COVID-19 pandemic. Specifically, actions New Forests has undertaken include:



COVID-19 special leave (paid and unlimited) to care for self and others who may have COVID-19



Flexible and remote working in all locations
Provided equipment for all employees



Support for Rapid Antigen Testing costs (where applicable)



Employee Assistance Programs to support mental and emotional health and wellbeing



Regular staff engagement surveys



Consultative approach to Return to Work plans

Assets Under Management

The COVID-19 pandemic remained a challenge across New Forests' global portfolio during the reporting period, as summarised below. Responding to these challenges required addressing labour shortages and disruptions to supply chains, working around travel restrictions, and simply delaying some activities until restrictions eased. New Forests continues to work with our business partners to deploy capital, responsibly manage assets and maintain health and safety as we move into the next chapter of the pandemic.



Region

Australia and New Zealand

Southeast Asia

United States



Challenges

Border closures resulting in:

- Labour shortages and employment of less experienced operators to fill shortages
- Some operational disruption
- Delays in the transport of sold product

Border closures affected training regimes e.g., international trainers for chainsaw certification

Community development programs slowed

High number of COVID-19 cases during variant waves, resulting in some operational disruption

Communities

Community engagement is crucial for building stakeholder support for the land management activities undertaken at assets managed by New Forests. This “social license to operate” is not only critical to the commercial performance of the assets and risk management but is also important for the overall growth and success of the forestry and land use sector.

Community engagement is primarily undertaken at the asset level by our third-party property managers and investee companies, overseen by New Forests. New Forests’ community engagement work prioritises local issues and generating shared prosperity, largely through creating income opportunities and supporting community development.

Creating Income Opportunities

New Forests believes the greatest positive impact we can have on communities is providing an income stream based on economically, socially, and environmentally sustainable activities. This can be done through both:

- Partnerships with individuals or communities where trees are planted on their land and, on harvest, the owner is paid for the timber i.e., stumpage; and
- Rental payments to landowners where New Forests leases land for forestry activities.

One example for income generation from stumpage is smallholder and outgrower²³ programs. These programs are formalised and integrated with management of plantation forestry activities and can provide the framework to engage a large number of individuals.

In FY21, the number of smallholders increased slightly (3%) compared to FY20. New Forests expects this number to increase in the future as our investee companies in emerging markets build out their programs.



340
smallholders
and outgrowers

New Forests also aims to develop projects that provide indirect employment and revenue streams for farmers. In 2021, we progressed a project in Australia that seeks to establish new sustainable forestry plantations on farmers’ less productive land and develop carbon offsets, thereby providing farmers with diversified income streams. The project will generate sustainable timber and carbon credits while promoting other ecosystem services, such as providing shelter for animals and control of erosion.

Supporting Community Development

New Forests supports community development undertaken by our assets and third-party property managers. Community support activities are wide ranging and aim to build healthier, more vibrant, and resilient communities and local environments.

Case Study

Supporting Waterways Restoration



M&R Forestland Management, the property manager at Blenheim Estate in New Zealand, supports the Avon Valley Catchment Group, which aims to restore waterways in the catchment downstream from a Blenheim Estate forest. M&R provides expert advice to local farmers and interested parties on water testing and quality and streamside management and invasive species removal. The Group seeks improved understanding and support in water management, water quality testing, and related aquatic life benchmarking for the greater good of stream quality and biodiversity in the Avon Valley Catchment. Currently, five farms are involved in the project and the Group recently applied for additional funding from the Ministry for Primary Industries to expand the program.

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



Case Study

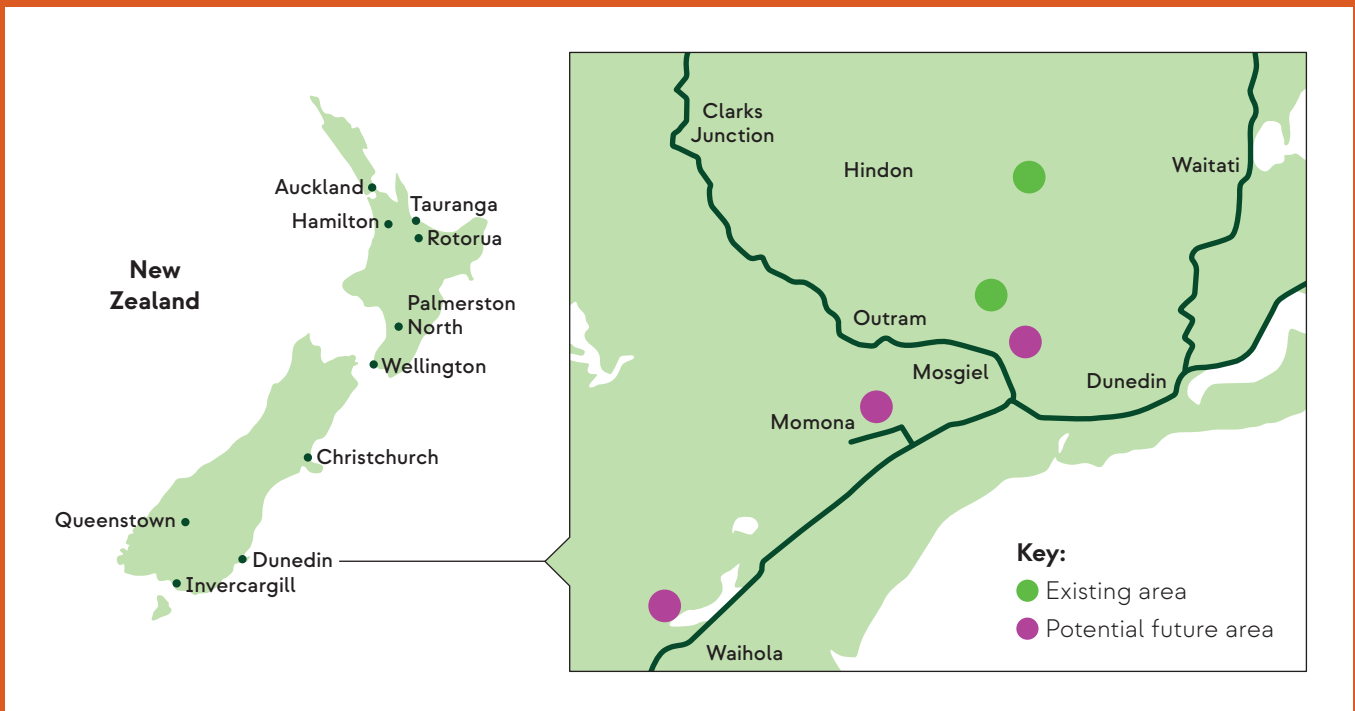
Coming Together for Conservation



Wenita Forest Products joined New Zealand’s Predator Free Dunedin initiative in June 2021, which is a network of 22 organisations aiming to eradicate stoats, rats, and possums from the region to enhance native biodiversity, create connectivity for species movement across landscapes, and build stronger communities around a common cause. The targeted species were all introduced to the country and can have negative impacts on native New Zealand species such as the kārearea (or New

Zealand falcon), South Island robin, and kākā (a large parrot). The work will focus initially on the Mount Allan and Silverstream regions on and near the estate.

Wenita will engage in the program over a four-year period, ending in 2025. The project could extend further after this time to connect with iwi²⁴-lead projects, at Sinclair Wetlands and new communities in Mosgiel and across the Taieri Plains.



²⁴ The largest political grouping in pre-European Māori society was the iwi (tribe). This usually consisted of several related hapū (clans or descent groups).

Engaging with First Nations Peoples

Engagement with First Nations Peoples is critical to land-based activities, such as forestry and agriculture, due to the ties these groups have with the land. However, we recognise the institutionalised inequity that historically occurred between First Nations Peoples and settlers. New Forests aims to address these wrongs by engaging First Nations Peoples in our management strategies and developing programs that directly benefit them through creating income opportunities and supporting their community development.

Carbon project development is an opportunity to protect First Nations Peoples' land and enable them to generate an income. In FY21, New Forests' Forest Carbon Partners (FCP) in the United States engaged with seven Native American Tribes and Tribal Organisations, which resulted in over USD 29 million of income to the Tribes during the year. Over the life of FCP, USD 146.5 million of income has been generated for Tribes from the sale of carbon credits in the regulated California carbon market.

New Forests also engages with First Nations people to support their land rights and their spiritual and cultural connection with the land.

Other actions to support First Nations People include protecting and providing access to culturally significant sites. In FY21, 21 of our assets under management provided access to the sites for cultural heritage programs.

Case Study

Taking Action Through Reconciliation Action Plans

Timberlands Pacific (TPPL), the property manager for Taswood and Penola Plantations in Australia, had its Reconciliation Action Plan (RAP) approved by Reconciliation Australia in FY21. The development of the RAP included engagement from all TPPL staff, led by the company's Reconciliation Working Group.

TPPL visited Taswood forest area with an elder of the melythina tiakana warrana Aboriginal Corporation (mtwAC) to undertake her peoples' culture, stories, and links to Country.

The visit focused on plant species present and opportunities for collection for cultural practices, stream side reserve planting, bush tucker initiatives, cool burning, and the recent release of dual names for the region.

Future visits are being discussed to identify potential collaboration opportunities with mtwAC and other First Nation Groups.



Similarly, Penola Plantations implemented a collaborative project in FY21 to improve biodiversity values and foster increased community understanding of biodiversity and cultural values. TPPL partnered with Burrardies Aboriginal Corporation, Nature Glenelg Trust, and two local school groups to run several activities at the Penola Park Swamp to bring together learnings in cultural connection to Country, social inclusion, water within the landscape, and biodiversity values.

TPPL will continue to improve and increase engagement at Taswood and Penola. Of particular interest is identifying opportunities to develop culturally safe employment opportunities for First Nations members.

Commitments

Key: ● Not started ● Delayed ● On track/completed

	FY21 Actions	FY21 Progress	FY22 Actions
Enhance community engagement	Develop impact targets for new funds	●	Develop fund-level impact targets aimed at expanding our engagement with stakeholders, including a particular focus on family farmers and First Nations Peoples
Engage with First Nations People	Implement RAPs at Australian assets (completed at three assets)	●	Increase Australian AUM covered by RAPs

Investing in Nature-based Solutions

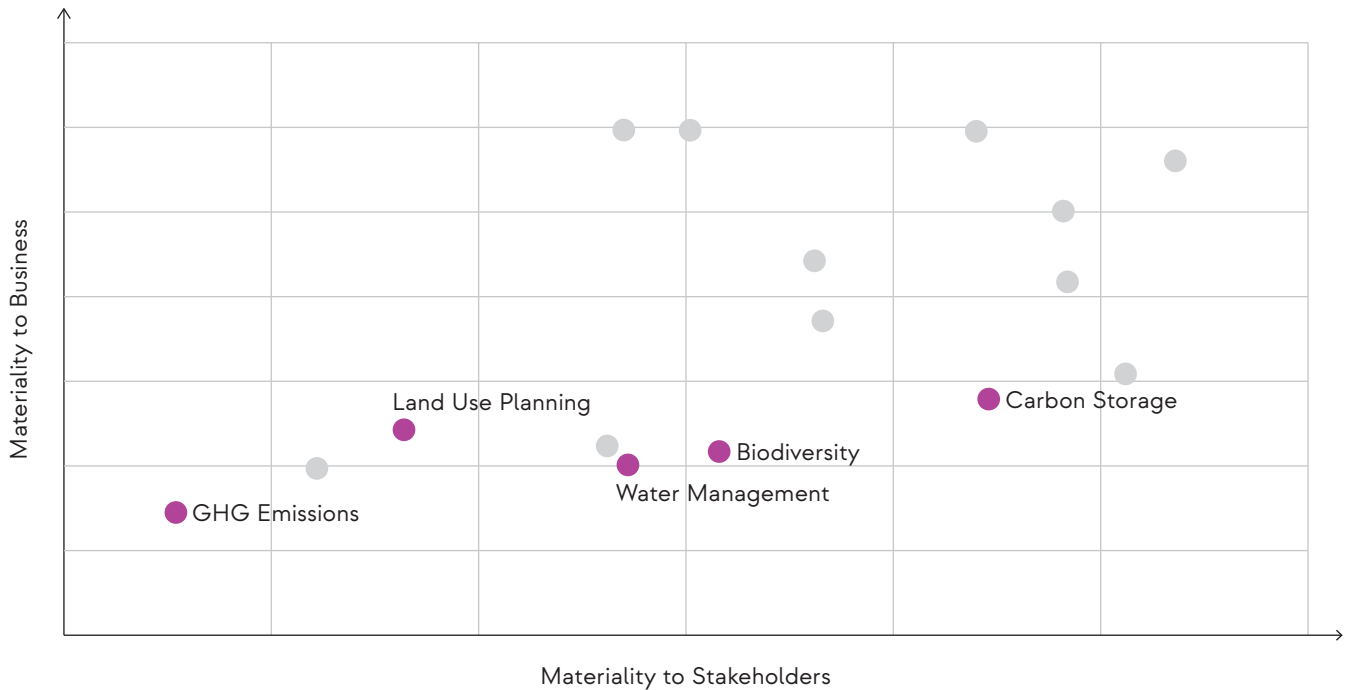
New Forests will invest in forests and land for a climate-positive and nature-positive future.



Nature-based Solutions (NBS) are actions to conserve, restore, and sustainably manage natural and modified ecosystems to address environmental, social, and economic challenges and provide co-benefits, based on definitions from the International Union for Conservation of Nature and the United Nations Environment Assembly. New Forests offers investors a pathway to invest in sustainable land use that can deliver NBS through climate-positive and nature-positive outcomes in alignment with global goals and stakeholder needs.

The graph below highlights our stakeholders' views on the materiality of issues related to NBS themes.

Materiality of Nature-based Solutions Themes²⁵



²⁵ The axes on the graph reflect the two views on materiality we asked stakeholders to provide (i.e., importance of the ESG factor to them and the materiality to New Forests' business, as described in the Reporting What Matters section, page 15), scored from 0 to 10 (10 being most material). The scores from these two questions were averaged for the purposes of the graph. The arrows reflect the direction of increasing materiality.

Climate-positive

In 2021, the IPCC released its Sixth Assessment Report, which paints a dire picture of climate change impacts in the face of limited action. Deforestation, agricultural production, and processes that degrade land and nature currently contribute about one-quarter of GHG emissions. All modelling that limits global warming to under 2°C requires both eliminating deforestation as well as reforestation of hundreds of millions of hectares by 2050 to remove carbon from the atmosphere.²⁶ “Removals” are critical to achieving net zero – a state in which GHGs released into the atmosphere are balanced by emissions removals out of the atmosphere. Modelling of potential activities that can limit global warming to under 2°C by 2030 indicates that approximately a third of cost-effective mitigation by 2050 can be provided by “Natural Climate Solutions” (NCS) – the protection of threatened forests, improved management of forestry and agricultural production systems, and reforestation of landscapes.²⁷

Developing and scaling NCS within this decade is crucial to avoid the worst impacts of climate change. This transformation in land use will require the mobilisation of hundreds of billions of dollars of investment. This investment must be channelled into strategies and companies that protect and restore ecosystems and improve working lands as a part of their investment thesis and long-term value creation approach.

New Forests seeks to invest in NCS and support pathways to net zero emissions by both developing investment strategies that protect at-risk carbon stocks and scale carbon sequestration, as well as reducing GHG emissions in our corporate operations and assets under management.

Accurate and transparent GHG accounting forms the foundation of moving towards net zero. New Forests aligns our GHG accounting and reporting to the GHG Protocol, the most widely used GHG standard globally. Importantly, the GHG Protocol is now developing the GHG Protocol [Land Sector and Removals Guidance](#), which will provide a

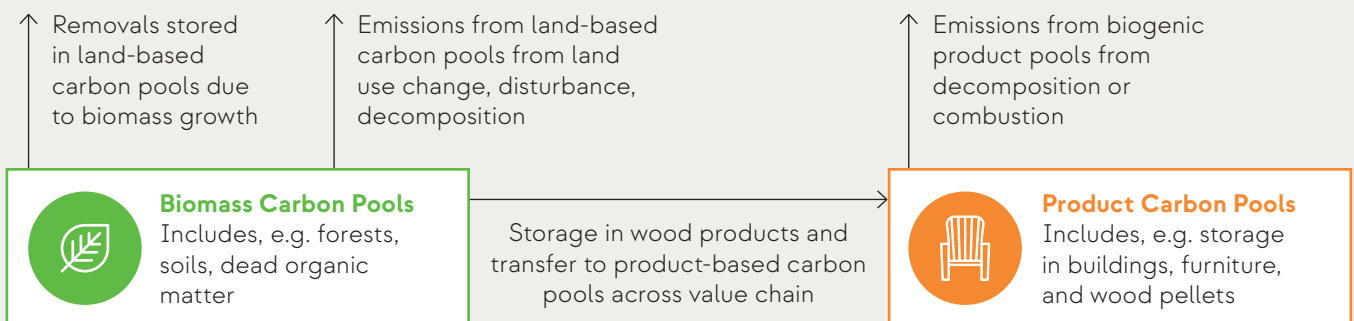
framework for how organisations should account for GHG emissions and removals from land use, land use change, bioenergy, and related topics in their GHG accounts, building on the Corporate Standard and Scope 3 Standard.²⁸ New Forests expects to align our accounting with the guidance once it is finalised.

As part of this 2021 Sustainability Report, New Forests is releasing our GHG accounting methodology, which outlines our approach to calculating carbon removals and storage as well as GHG emissions. In this section of the Sustainability Report, we provide a summary and analysis of our carbon sequestration and emissions and how we seek to improve in alignment with our net zero commitments.

Carbon Sequestration

New Forests’ assets under management contribute to carbon sequestration in biomass-based carbon pools and in product-based carbon pools, as shown in the diagram below.

Accounting for Emissions and Removals in Land Management and Biogenic Products, Forestry Example



26 United Nations Intergovernmental Panel on Climate Change (2021), *Special Report: Climate Change and Land*.

27 Roe et al (2019), “Contribution of the Land Sector a 1.5°C World,” *Nature Climate Change*.

28 Note that the forthcoming guidance on removals will cover not only biogenic systems but also technology-based removals such as Carbon Capture and Storage.

Carbon Removals

Carbon removals refer to the carbon transferred into the carbon pool during the reporting period. New Forests' assets under management deliver:

- Scope 1 Removals:** carbon dioxide (CO₂) sequestered and then stored by growing forests managed by New Forests. We refer to these as scope 1 removals, as consistent with scope 1 emissions, because they are direct removals by sources that are controlled or owned by New Forests.
- Scope 3 Removals:** CO₂ sequestered by entities in the value chain, including the long-term carbon storage in harvested wood products. We refer to these as scope 3 removals, as consistent with scope 3 emissions, because they are indirect removals by assets not owned or controlled by New Forests, but by its value chain.

Note that what actions may constitute scope 1 and scope 3 removals in forestry and land use are still under consideration by the GHG Protocol. New Forests will update its approach in alignment with final guidance from the GHG Protocol.

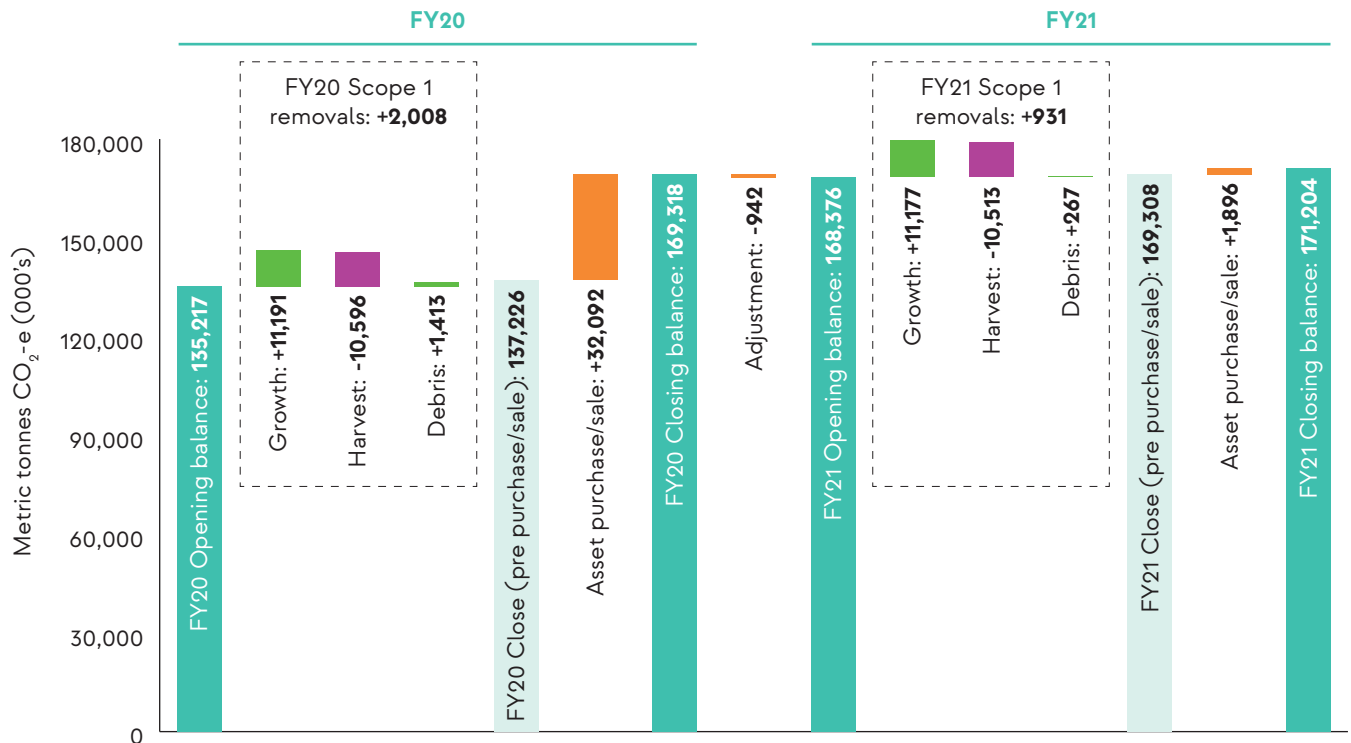
This is the first year that we are reporting our carbon removals. During the reporting period the carbon removals from New Forests assets under management were as follows:

931,334 tCO ₂ e Scope 1 removals	1,367,340 tCO ₂ e Scope 3 removals	2,298,674 tCO ₂ e Total FY21 removals
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Carbon Storage

Compared to carbon removals, carbon storage is longer-term and refers to the maintenance of carbon within a carbon pool. New Forests' assets under management maintain carbon pools in the standing forests, for example, in the woody biomass of trees and debris.

Carbon Storage and Carbon Removals (Scope 1)



The adjustment from FY20 closing balance to F21 opening balance reflects minor changes to the method applied in 2021 versus 2020, including a new inventory approach in the Shasta Cascades Timberlands asset, and modification of the calculation of the debris pool in the ANZ assets. Losses due to fire are not included in the analysis.

Carbon Credits

Depending on the program, carbon sequestration resulting from the following activities can be registered. Examples of climate change mitigation activities associated with forestry and land use that can be registered include the following:

Australia – Emissions Reduction Fund	New Zealand – Emissions Trading System	California – Western Climate Initiative
<ul style="list-style-type: none"> Extended rotations in plantation forestry, reforestation with commercial and native species, and avoided deforestation²⁹ Improvement in soil carbon stock in agricultural lands 	<ul style="list-style-type: none"> Increase in carbon stocks Reforestation with commercial and native species 	<ul style="list-style-type: none"> Extended rotations Protecting carbon stocks in forests from harvest Reforestation with natural forests

In FY21, New Forests had 32 carbon projects under management that were issued over 423,000 credits.

	Total Carbon Projects under Management (#)	Total Carbon Credits Issued during the Reporting Period (#)	Total Carbon Project Area (ha)
FY20	31	7,535,728	194,588
FY21	32 ³⁰	423,106	376,574

The decrease in the number of carbon credits issued from FY20 to FY21 is primarily due to a lower number of credits being issued from projects associated with a New Forests-managed vehicle, Forest Carbon Partners, which develops carbon projects across the United States for sale into the California carbon market. This decrease is normal given the age of the projects and credit issuance cycles. The change in Carbon Project Area increased from FY20 to FY21 due to more projects being enrolled in Australia and New Zealand.

As mentioned earlier, in 2021, New Forests progressed a new program to develop carbon projects on third-party land in Australia. The program seeks to undertake reforestation on currently under-utilised areas within farms well suited to the establishment of plantation forest carbon projects. The investment will generate additional income for the farmers and produce climate benefits.

Throughout FY21, we saw an increased interest in government-regulated and voluntary carbon markets from institutional investors, corporations, and the media. The acceleration of voluntary net zero commitments by the corporate and financial sectors has raised scrutiny over the integrity of the voluntary carbon market and the role of carbon credits in credible net zero strategies. Scrutiny over the quality and integrity of government-regulated carbon credit program design also increased.

Given rising investor queries about integrity issues, we released our Carbon Credits Integrity Position Statement in December 2021. The Position Statement outlines New Forests' approach to supply-side and demand-side integrity in government-regulated and voluntary carbon credit instruments. New Forests believes both supply- and demand-side integrity are critical to ensuring that carbon credits are used in a way that supports genuine emission reductions in line with achieving net zero emissions across the global economy by 2050. For more information, please read our [article](#) that accompanies the [statement](#).



Carbon Credits Integrity Position Statement

https://newforests.com.au/wp-content/uploads/2021/12/NWF_-301817_Carbon-Credits-Integrity_WEB.pdf

²⁹ Extending rotations provides a climate benefit by optimising the carbon storage in the forests with increasing carbon sequestration in the forest relative to a baseline.

³⁰ The change in the number of carbon projects is due to six projects transitioning out of the FCP vehicle and seven projects being added in Australia and New Zealand.



Case Study

Forest Carbon Credits in the Californian Carbon Market

As carbon pricing has expanded globally, we have seen an appropriate increase in debate on how carbon pricing systems should be organised, including how such systems incorporate Natural Climate Solutions. The California emissions trading system is an important element of the state's climate policies and goal to reduce emissions 40% below 1990 levels by 2030 and reach climate neutrality by mid-century. Between 2013 (when California's cap and trade program commenced) and 2019, GHG emissions in the State decreased 7%.

Since becoming fully operational in January 2013, the California carbon market has become the largest such market in North America and one of the largest in the world.³¹ The market includes the use of project-based offsets, known as California Carbon Offsets (CCOs), including those issued from forestry projects under the "California Offset Protocol for U.S. Forest Projects"³² adopted by the California Air Resources Board (CARB). Offset projects are real, additional, permanent, and verifiable actions taken to reduce or avoid GHG emissions by an entity not subject to a cap on its GHG emissions.³³ Offset projects developed on U.S. forestlands have contributed approximately 82% of total offset supply to the California market to date.³⁴

While emissions avoided and atmospheric carbon removals achieved by California's offset program are not included in the emissions reductions measured by California to meet its targets, as of November 2021, 183 million tCO₂e have been avoided or sequestered in California-enrolled forest carbon projects across the United States.

Based on the science, New Forests believes that climate policy must rapidly reduce GHG emissions, protect irrecoverable terrestrial carbon stocks in temperate and tropical natural and working lands, reduce co-pollutant burdens in vulnerable communities, and incentivise significant atmospheric carbon removal through 2100. California's offset program has been one of the largest sources of finance for protecting irrecoverable forest carbon stocks and incentivising management of forests in the United States for atmospheric carbon removal over the past decade.³⁵ This has been accomplished through rigorous carbon project requirements.

We expect debate over climate policy design to continue in California and globally. In the table on the following page, we note some of the research questions that were raised around the California program in 2021 and New Forests' position on these issues.

³¹ World Bank. [State and Trends of Carbon Pricing 2021](#).

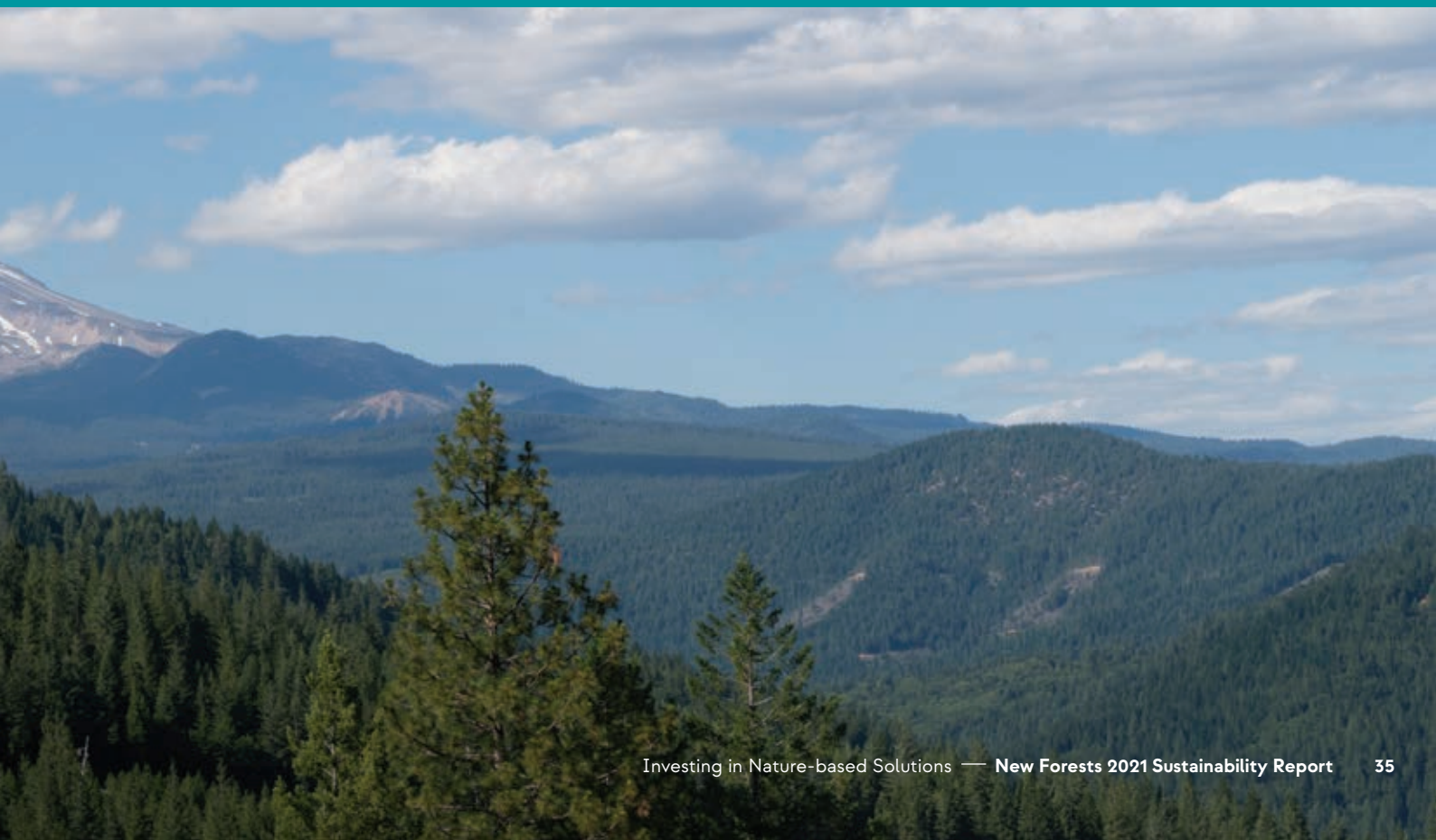
³² California Air Resources Board. [Compliance Offset Protocol U.S. Forest Offset Projects](#).

³³ California Air Resources Board. [Compliance Offset Program](#).

³⁴ California Air Resources Board. [ARB Offset Credit Issuance](#); New Forests' analysis.

³⁵ See [Nature 2020](#) for a discussion of irrecoverable carbon – carbon stored in ecosystems that is irreplaceable in a timeframe relevant for the Paris climate targets – and [Nature 2021](#) for recent efforts to map such irrecoverable carbon globally.

California System Requirements	Research Question	New Forests' Response
Establish a Baseline – used to determine the “business as usual” amount of carbon storage and removals. The system’s additionality criteria require that credits are only issued for avoided emissions if they are above the regional baseline, based on actual asset-level data.	The regional baselines used are based on US Forest Service (USFS) inventory data across relatively broad ecoregions.	The CARB system was developed to provide an objective, performance standard based approach to setting baselines. While the CARB system was developed with the best available data at the time, New Forests supports greater federal investment in spatial/temporal resolution of the USFS inventories and regularly updating and improving baseline systems with improved data.
Maintain Permanence – defined as 100 years from offset issuance. To address potential reversal of sequestered carbon (e.g., from fire) all projects contribute 10–20% of issued credits to a buffer pool, which compensates for reversals due to natural disturbance.	In the context of historical fire suppression and changing climate risk, the buffer pool may not be adequate to address fire risks to carbon stock permanence.	New Forests supports additional research to review natural disturbance impact forecasts, buffer pool requirements, and actual wildfire impacts to forest carbon stocks to ensure a high confidence in carbon stock permanence.
Manage Leakage – requires third-party certified or other approved sustainable harvesting practices and credit issuances are automatically reduced by 20% of the difference in harvest volumes between the carbon project scenario and the baseline scenario to account for the concept of harvest “leakage” to other properties as a result of the carbon project.	20% leakage value may not be sufficient.	While the CARB system was developed with the best available data at the time, New Forests supports active research in forest carbon leakage and periodic updates to the California protocol.





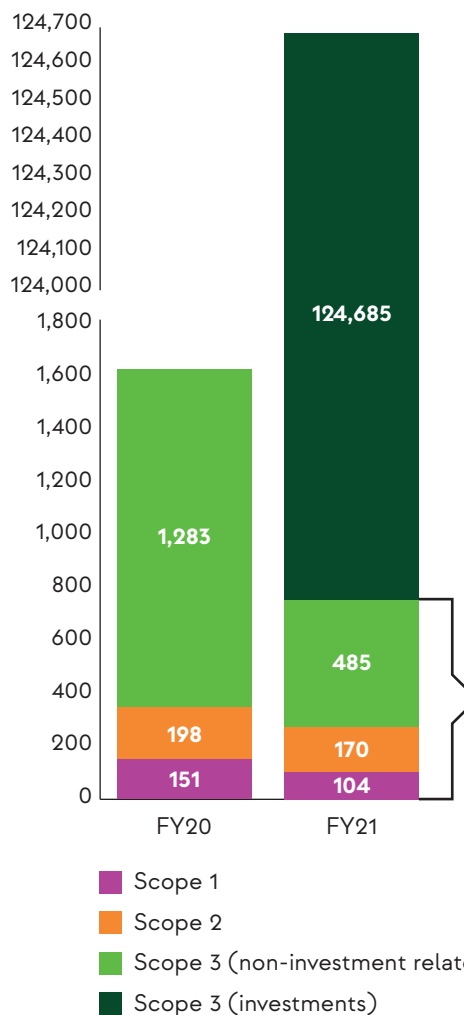
GHG Emissions

As a member of the Net Zero Asset Managers Initiative, New Forests is committed to achieving net zero by 2050. In 2021, we set an interim target to reduce our scope 1 and 2 emissions by 53% by 2030, relative to our baseline year of 2020.³⁶ We will continue to refine our net zero target in 2022.

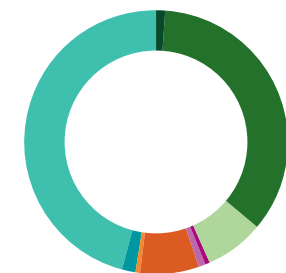
Corporate Emissions

During the reporting period, New Forests' total corporate emissions were 125,444 tCO₂e. Compared to FY20, corporate scope 1, 2, and 3 emissions declined by 41% due to reduced travel given the COVID-19 pandemic travel restrictions. However, in FY21 we have included for the first time scope 3 emissions associated with our equity share of assets under management (equivalent to 124,685 tCO₂e) which made our total FY21 emissions higher than FY20.

Corporate Emissions
FY20 to FY21 Scopes 1-3 (tCO₂e)³⁷



Corporate Emissions by Source
(Excluding Investments
Scope 3, tCO₂e)



- Electricity **10**
- Investment (scopes 1 and 2) **264**
- Paper **0.3**
- Base building **56**
- Waste **3**
- Hotels **7**
- Flights **55**
- Ground transport **4**
- Employee commuting **12**
- Working from home **347**

³⁶ This target currently covers 72% of our scope 1 and 2 emissions.

³⁷ Note that the total FY20 scope 1 and 2 emissions increased slightly due to an increase in the investment emissions equity share. This is due to a methodology change.

Assets Under Management

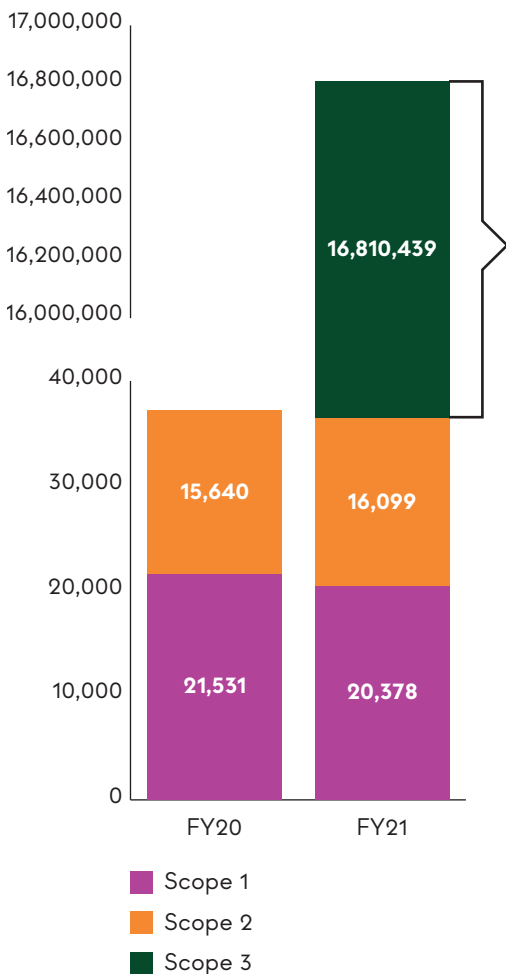
Scope 1 and 2 emissions from our assets under management predominantly come from the onsite use of fuel, fertiliser, and electricity.³⁸ During the reporting period, scope 1 and 2 emissions were 36,477 tCO₂e, a decrease of 1.9% from the previous year. The majority of FY21 scope 1 emissions were from operational activities and fuel use, primarily at investee companies in Southeast Asia and processing and larger forestry assets in Australia. For FY21 scope 2 emissions, 80% of the emissions were from electricity use at Australian processing assets.

The emissions intensity of New Forests' assets under management scope 1 and 2 emissions was 0.011 tCO₂e/t timber harvested, which is low compared to other real assets.⁴⁰

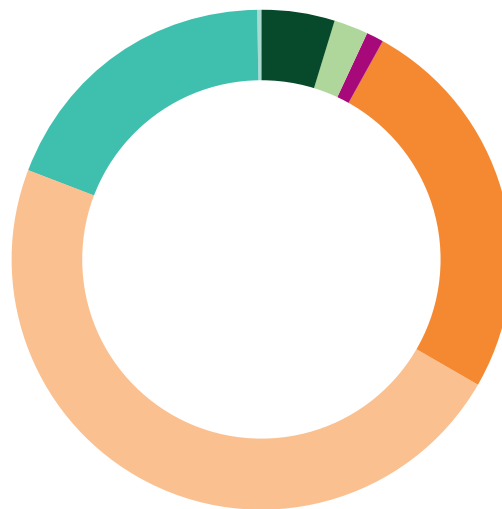
- **Forest products:** 0.42 mt CO₂e/t
- **Steel:** 1.8 tCO₂e/t
- **Cement:** 0.9 tCO₂e/t
- **Plastic:** 2.9 tCO₂e/t

In 2021, New Forests expanded our GHG emissions inventory to include scope 3 emissions, which totalled 16,810,440 tCO₂e. These emissions sources are related to upstream and downstream activities related to assets under management. Across the global portfolio, the largest sources of scope 3 emissions are the processing of sold products, downstream transportation and distribution, and the end of life of sold products.

Assets Under Management FY20 to FY21 Emissions Scope 1-3 (tCO₂e)³⁹



Investments Scope 3 Emissions by Source (tCO₂e)



Category

- 1. Purchased goods and services **811,273**
- 2. Capital goods **7,476**
- 3. Fuel- and energy-related activities **2,952**
- 4. Upstream transportation and distribution **355,101**
- 5. Waste **203,196**
- 6. Business travel **64**
- 7. Employee commuting **4,071**
- 8. Upstream leased assets **222**
- 9. Downstream transportation and distribution **4,265,279**
- 10. Processing of sold products **7,939,620**
- 11. Use of sold products **2,244**
- 12. End of life of sold products **3,185,084**
- 13. Downstream leased assets **33,829**

38 Emissions from fire events are not included.

39 The FY20 scope 1 and data has been updated to reflect a change in the data collection methodology to include additional data from some assets, leading to an increase in scope 1 and 2 emissions.

40 All sector values from [WBCSD Forest Sector Net Zero Roadmap](#).

Climate Action Plan

New Forests' Climate Action Plan (CAP) reflects the climate ambition of our business and seeks to identify the climate action opportunities in the investments we manage.

We made meaningful progress on our CAP during FY21, achieving all the priority actions (as outlined in the Commitments table below). Now that we have a complete GHG emissions inventory across the corporate operations and the assets under management, the priority area of focus will be setting ambitious Emissions Reduction Plans in line

with achieving net zero by 2050 across these two areas. The setting of Emissions Reduction Plans across our assets under management will form the basis for expanding our current 2030 emissions reduction target to cover 100% of our assets. Initially the Emissions Reduction Plans will focus on scope 1 and scope 2 emissions.

Scope 3 emissions are by far the largest source of emissions across New Forests' value chain, with the processing of sold goods responsible for nearly half of total scope 3

emissions. The current calculation of processing emissions is based on industry standard emission factors. Our first priority is to engage with processing facilities in our supply chain to obtain actual emission factors from these entities. This will allow New Forests to benchmark facilities and develop a more targeted strategy of engagement with processors to reduce their emissions and other actions to reduce emissions from processing of end products.

Commitments

Key: ● Not started ● Delayed ● On track/completed

	FY21 Actions	FY21 Progress	FY22 Actions
Progress Climate Action	<ul style="list-style-type: none"> • Purchase renewable energy for Melbourne and New Zealand offices • Add sustainability questions to corporate travel request • Purchase carbon credits to achieve climate neutrality for our business • Develop TCFD-aligned strategic planning for assets under management across all regions • Develop scope 3 emissions investments inventory • Set emissions reduction target for 2030 for corporate operations and assets under management 	●	<p>Set and verify Science-based Targets for our corporate operations and assets under management</p> <p>Develop fund-level Emissions Reduction Plans</p>
	Begin developing impact targets for new funds	●	Establish impact targets for new funds to increase carbon sequestration and avoided emissions

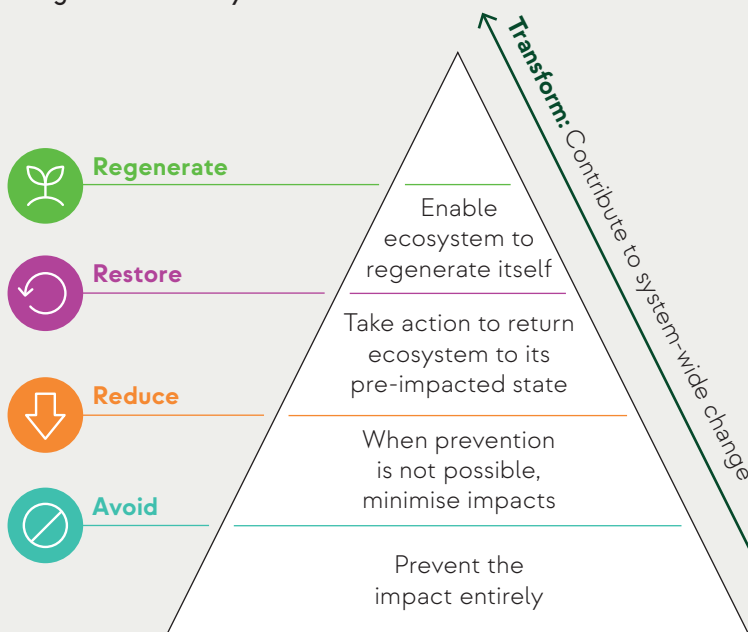
Nature-positive

In its *2021 Global Risks Report*, the World Economic Forum found that biodiversity loss ranked fourth for potential impact on the economy. *The Economics of Biodiversity: The Dasgupta Review* reinforced this message; that we are wholly dependent upon nature and yet biodiversity is declining faster than at any other point in history. Institutions have thus far failed to protect nature and price in ecosystem impacts, a trajectory that must be rapidly reversed. Informed by best practice science, New Forests believes nature-positive is a critical initiative to promote healthy ecosystems and sustain global economic functioning.

Nature-positive refers to the process of acting to halt negative impacts and scale positive impacts, with the ultimate aim of transforming a business's relationship with nature. This approach is aligned to the mitigation hierarchy (see diagram). New Forests, as a member of the World Business Council for Sustainable Development (WBCSD), will set targets to improve biodiversity as part of its membership requirements; the WBCSD will provide guidance to its members on measuring progress towards nature-positive in 2022, and we look forward to engaging in this work.

New Forests applies land use planning to support nature-positive outcomes, such as having a zero tolerance for deforestation of high conservation value forests and using a whole of landscape approach to land management that undertakes conservation and restoration activities where they can have the most positive impact.

Mitigation Hierarchy



Source: Forest Solutions Group at WBCSD.

Case Study

Implementing the Mitigation Hierarchy at Eastland Estate

Eastland Estate, a 35,199-hectare estate located in the North Island of New Zealand managed by Aratu Forests, entered a 90-year land management agreement with eLandNZ, an entity focused on sustainable land use in New Zealand. The focus of the project with Eastland is to create permanent native forest buffers along waterways within the estate. This project demonstrates the mitigation hierarchy by:

Avoiding further adverse impacts to waterways.

Reducing the plantation forestry activities happening within riparian areas.

Restoring and revegetating the streamside buffer zones with native species.

Promoting the **regeneration** of the ecosystem through improved biodiversity outcomes, nature-positive management, and community engagement. Local Māori have been involved in the development of the project and led community meetings to discuss the environmental remediation needed in the region.

Aiming to **transform** forestry in New Zealand to integrate sustainable riparian management.

The first trees were planted in September 2021 and so far 63 hectares have been planted. This active planting will be the focus of the next 25 years to establish permanent streamside native forests.

For future updates, please see the [project's website](#).

New Forests is also supporting an emerging method of understanding the value of nature known as Natural Capital Accounting (NCA). NCA is a framework to assign a monetary value to the positive and negative impacts a business has on nature; this is accomplished by measuring the nature-related inputs and outputs from a business.

New Forests believes NCA could be a tool to promote nature-positive as companies and investors better understand the potential economic value of their natural capital. Applying NCA could also be a step towards reaching the objectives outlined in the Dasgupta Review, such as better valuing nature, developing a new framework for measuring success, addressing the market failures that led to destruction of nature, and promoting better awareness of positive and negative nature impacts.

Case Study

Landmark Natural Capital Accounting Report

In 2021, the Tasmanian Forest Trust (TFT), managed by Forico, a Tasmanian forestry portfolio company managed by New Forests, released its second [Natural Capital Report](#), which outlines the value of TFT's dependencies and impacts on nature. TFT owns 174,000 hectares, including approximately 74,000 hectares of natural forest area. Along with its predecessor, this report is the first of its kind in Australia and positions TFT as a global leader in NCA. The report found that under a conventional accounting method, TFT's plantation asset value is approximately AUD 490 million. When using NCA, the company's assets provide ecosystem services worth AUD 3.4 billion; this includes plantation areas, carbon sequestration, ecosystem services associated with water, and natural forest habitats.

The international conversations started by this report have been unprecedented and span government, NGOs, standards bodies, and other companies in land use. TFT expects to publish a social capital report next year.

"While the many and varied conversations are yet to result in new income streams associated with the natural capital, that's the end game. Given the level of traction, we expect to see some monetisation of nature in the coming year." – Rayne van den Berg, Chief Financial Officer, Forico.

Conservation

Conservation is important for protecting valuable or vulnerable natural ecosystems, supporting endemic flora and fauna populations, and promoting connectivity across a landscape. Generally, conservation projects set aside land for permanent protection to promote ecosystem services and do not typically form part of an active management program.

At the end of FY21, New Forests had over 31,400 hectares of legally permanently protected area (3.7% of gross area) and over 172,100 hectares of conservation zone or voluntary protected area (17% of gross area) across our regions.⁴¹ During FY21, the proportion of permanently protected area decreased due to property sales at different assets. However, the overall proportion of conservation area increased as a result of more assets setting up conservation programs related to certification requirements and other objectives.

We use land use planning, including Highest and Best Use considerations, to identify conservation areas, oftentimes aligned with the High Conservation Value approach outlined under Forest Stewardship Council (FSC)^{®42} certification. Ensuring conservation areas are identified early in New Forests' strategic asset management is an important step to meeting FSC[®] certification requirements.

Examples of conservation projects at New Forests-managed assets in 2021 include:

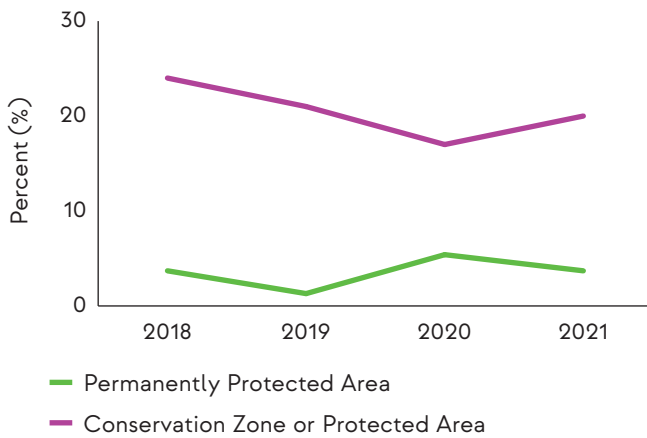
- Developing new conservation covenants in New Zealand and conservation easements in California to protect land in perpetuity.
- Integrating Northern Spotted Owl conservation area into acquisition models in the Western United States.
- Developing carbon projects in the United States that protect irrecoverable carbon for 100 years.



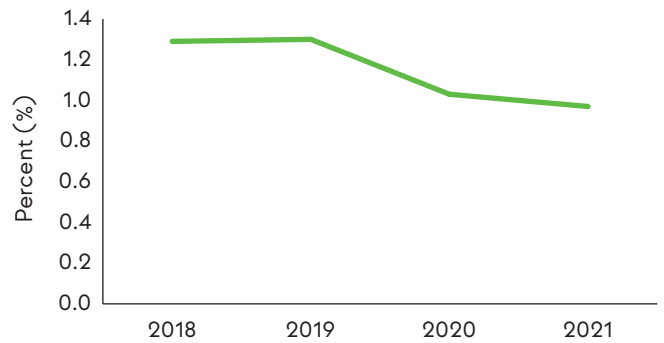
⁴¹ Permanently protected areas have a legal mechanism that protects an area in perpetuity. Conservation zones or protected areas are areas of land managed for environmental protection and conservation; this includes land subject to legal land use restrictions set for the purposes of maintaining biological diversity and natural resources.

⁴² New Forests holds non-certification trademark license N002114. FSC[®] is not responsible for and does not endorse any financial claims on returns or investments.

Conservation Area as Percent of Gross Area



Environmental Restoration Management Area as Percent of Gross Area



Wetlands and River System Conservation

New Forests does not materially draw water from lakes or ponds present on the assets we manage. We encourage the conservation of these water sources to promote sustainable, healthy forests.

To reflect this, we added a new conservation-related question to our SLI framework for FY21 on the number of lakes or ponds conserved.

263
lakes/ponds conserved

Restoration

Restoration programs actively manage the land to promote healthy natural ecosystems and repair damaged or modified ecosystems; this may include planting native species, removing invasive species, and reviving riparian areas. The United Nations declared 2021–2030 the [Decade of Ecosystem Restoration](#) to help accelerate global action around the restoration of ecosystems. New Forests fully supports the efforts of the Decade of Ecosystem Restoration and seeks to scale our restoration work in alignment with this global goal.

During the reporting period New Forests actively reforested 69 hectares of land in Australia and New Zealand set aside for restoration. In total, New Forests managed over 8,100 hectares of land set aside restoration at the end of FY21. In recent years, the proportion of environmental restoration areas compared to the gross area under management has decreased slightly due to new assets being added that have smaller restoration areas. Incorporating restoration areas into landscapes is an important aspect of land use planning and sustainable management.

Examples of habitat improvement or restoration programs conducted at New Forests assets in 2021 include:

- Ground cover planting in High Conservation Value areas in Australia to restore native plant compositions.
- Ecological grasslands burning in Australia to promote natural ecosystem processes and promote native species.
- Wilding conifer and willow management in New Zealand to encourage native species.
- Habitat restoration of elk meadow in California.
- Streamside native plantings in Indonesia.

Wetlands and River System Restoration

New Forests also supports the active enhancement of water bodies. To measure our impact, we added two new questions on water restoration to our FY21 SLI data collection; 1) the area of wetlands restored or protected and 2) the length of streams or rivers restored or protected. The majority of the restoration of these water bodies occurred in Australia, New Zealand, and Indonesia.

3,442 ha
of wetlands restored/protected

4,939 km
of streams or rivers restored/protected

Biodiversity

Biodiversity refers to the variety of species, whether across species or amongst members of the same species through genetics.

Conservation and restoration programs alone do not necessarily increase biodiversity. Therefore, New Forests also focuses on the active enhancement of biodiversity through monitoring and research programs. Supporting, protecting, and enhancing biodiversity is critical to healthy natural and modified ecosystems.

New Forests conducts species-focused monitoring to better understand the flora and fauna biodiversity present at our assets under management. Based on the findings, we can adapt our management practices to better support these species. We can also better understand how biodiversity is changing.

Species monitoring tends to focus on Rare, Threatened, and Endangered (RTE) species present either on or adjacent to New Forests-managed assets. However, it may also include invasive species that are threatening the health of these RTE species. Both aspects are important to better understand biodiversity.

Examples of species-focused monitoring and research conducted in 2021 focused on:

- In New Zealand, native long-tailed bats, rare native giant land snails, and feral pig population control.
- Bird diversity, sunset frog, and freshwater crayfish monitoring in Australia.
- Marbled murrelet surveys, Pacific Fisher Habitat retention, Cascade frog, and grey wolf monitoring in the United States.
- Sun bear, orangutan, and pangolin monitoring in Indonesia.
- Camera trapping for biodiversity monitoring in Malaysia.

Case Study

Long-term Planning for Biodiversity

The Forestry Investment Trust, an approximately 165,000-hectare hardwood plantation asset in Australia, completed a research project in 2021 to develop a 10-year Landscape Biodiversity Investment Plan. The objectives were to:

- Review existing data to identify and document the values and threats to significant biodiversity assets and associated management issues;
- Provide prioritised conservation goals for these assets;
- Determine management actions to achieve conservation goals;
- Present options and opportunities for external funders to invest in conservation management actions;
- Review and update management plans for High Conservation Value land to protect and conserve threatened species; and
- Develop a 10-year management plan with a clear, achievable monitoring and reporting targets.

The 10-year management plan subsequently identified sites for active management based on the opportunity to efficiently enhance a range of significant biodiversity values including:

9 sites

Woody weed control

7 sites

Wetland assessments

3 sites

Native vegetation offset site establishment

4 sites

Protection of endangered ecological vegetation classes through grassy weed control

Whole of plantation estate

Large tree inventories

In the first three years, the focus will be on assessing the sites and developing site-specific biodiversity management plans. The following seven years will focus on the implementation of management actions and monitoring to assess biodiversity and provide feedback to ensure the effectiveness of management actions.



Case Study

Supporting Regional Mammal Research in Malaysia



Acacia Forest Industries, a 24,919-hectare estate in Sabah, Malaysia, supported a research study conducted by Sunway University on the gradients and mammal species composition on the Bengkoka Peninsula of Sabah.⁴³ The research team placed 59 cameras across three land use types – natural forest, *Acacia* plantations, and non-*Acacia* plantations – to better understand mammal distribution in the region. During the research period, more than 22 mammal species were observed across 1,572 sampling locations. Some of the key findings were:

- Natural forest area was positively associated with mammal species richness and detections of threatened mammals.
- Native forests and *Acacia* plantations had similar values for species richness (i.e., the number of species) and diversity, including several threatened species, but non-*Acacia* plantations scored lower in both metrics.
- Overall detections of mammals increased with decreasing elevation, but decreased within and close to *Acacia* plantations.

The region still supports valuable mammal diversity but retaining, expanding, and restoring native areas will be critical to their continued presence. On plantation areas, enforcing speed limits on roads and patrolling could help mammals that use the roads for their own travel. Additionally, conducting vehicle checks and checking for snares could reduce wildlife hunting pressure.



Commitments

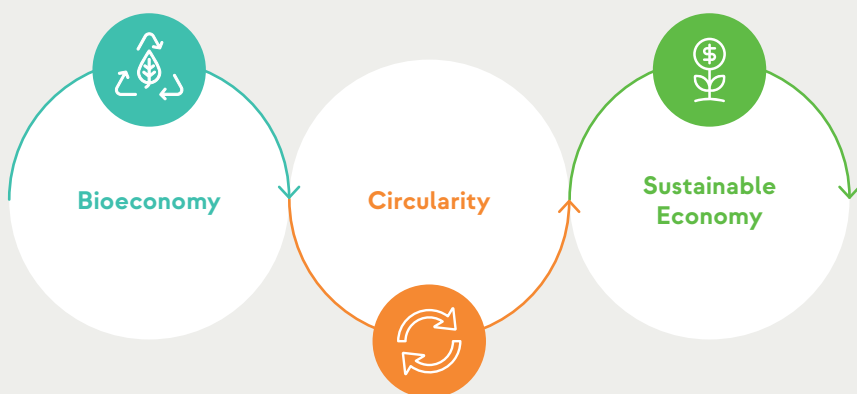
Key: ● Not started ● Delayed ● On track/completed

	FY21 Actions	FY21 Progress	FY22 Actions
Progress nature-positive actions	<ul style="list-style-type: none"> Establish nature-positive baseline through nature readiness assessment provided by WBCSD Identify biodiversity impact targets for new funds 	●	<ul style="list-style-type: none"> Set pathway and target to be nature-positive by 2050 for corporate operations Establish biodiversity targets for new funds that incorporate quality habitat considerations

⁴³ Wai Pak Ng, Frank T. van Manen, Stuart P. Sharp, Siew Te Wong, Shyamala Ratnayake. (2021). Mammal species composition and habitat associations in a commercial forest and mixed-plantation landscape. *Forest Ecology and Management, Volume 491*. <https://doi.org/10.1016/j.foreco.2021.119163>.

Supporting the Circular Bioeconomy

New Forests will provide wood fibre for a low-carbon and sustainable circular bioeconomy.



Bioeconomy⁴⁴ – the production of biomass and the conversion of these resources and waste streams into value adding products including food, feed, other bio-products, and bioenergy.

Circularity⁴⁴ – the retention of the value of circulating resources, products, parts, and materials by creating a system that allows for renewability, long life, optimal (re)use, refurbishment, remanufacturing, recycling, and biodegradation.

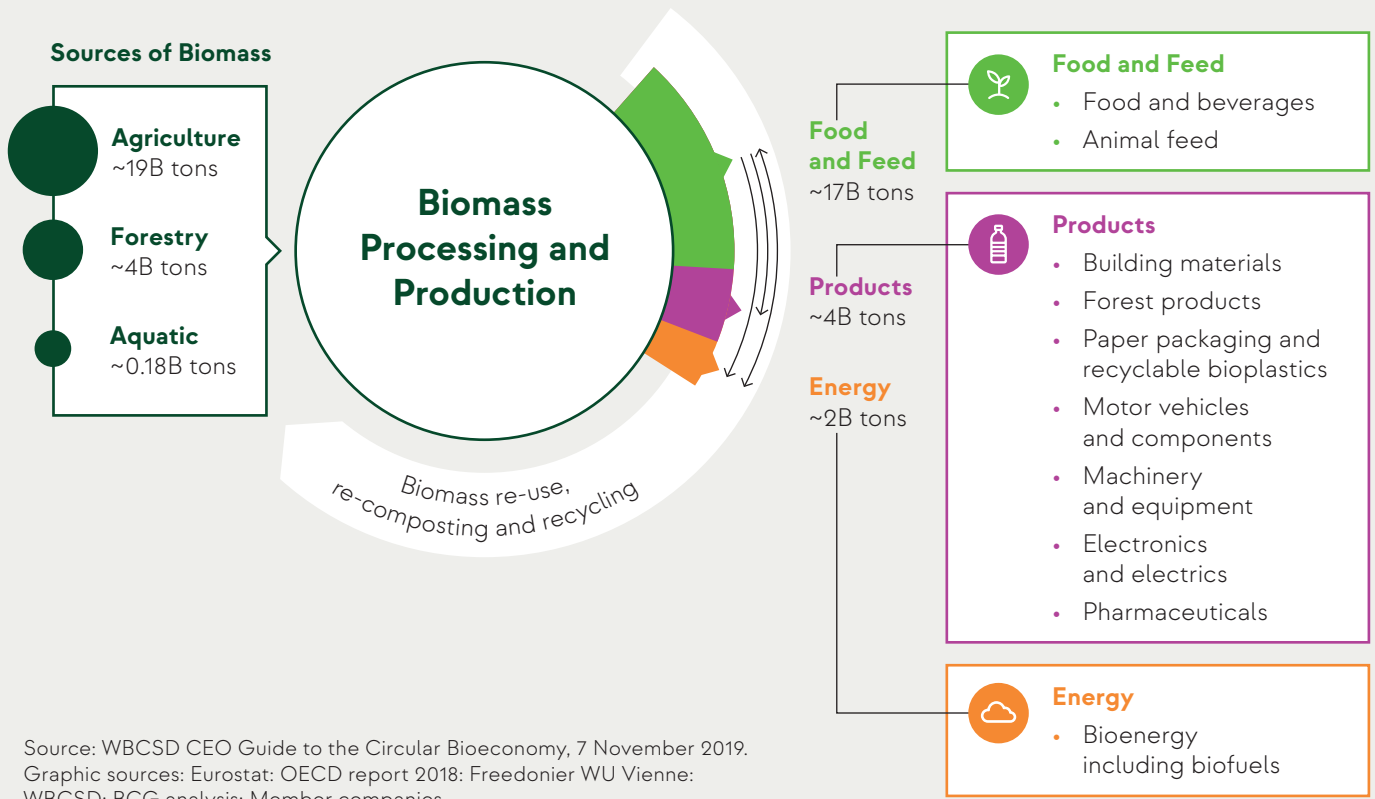
The circular bioeconomy brings together two key elements that are required to transform the global economy to one that is sustainable.

A bioeconomy uses biological resources as the production input; in a circular system, these resources are renewable, being sustainably managed, recovered, and reused as much as possible. By building in circularity to the bioeconomy, the value from biomass is maximised by increasing its productivity including through the utilisation of what were conventionally waste streams.

The circular bioeconomy addresses the challenges associated with increased consumption. While the global population has doubled in the last 50 years, resource extraction has tripled, contributing to the climate crisis, biodiversity loss, and resource scarcity. A circular bioeconomy could alleviate resource supply concerns, minimise waste, reduce fossil fuel consumption, and relieve pressures on land usage. A circular bioeconomy also makes a strong business case; it allows companies to enter new markets and customer segments, mitigate regulatory and societal risks, provides a competitive advantage, and leads to innovations across the supply chain. The WBCSD estimates that the bioeconomy represents a \$7.7 trillion opportunity through 2030.

44 Circularity definition: WBCSD, [Circular Transition Indicators V2.0 Metrics for business, by business](#). Bioeconomy definition: Food and Agriculture Organization of the United Nations, [Bioenergy and bioeconomy](#).

The Circular Bioeconomy



Source: WBCSD CEO Guide to the Circular Bioeconomy, 7 November 2019.
 Graphic sources: Eurostat; OECD report 2018; Freedonier WU Vienne;
 WBCSD: BCG analysis; Member companies.

The forestry sector is one of three sources that can supply the bioeconomy with the biomass needed as inputs. In the circular bioeconomy, biomass is used to produce a broad range of goods and services, and upon end-of-use, these products are reused, re-composted, and organically recycled.

New Forests is committed to contributing to and growing the circular bioeconomy through:

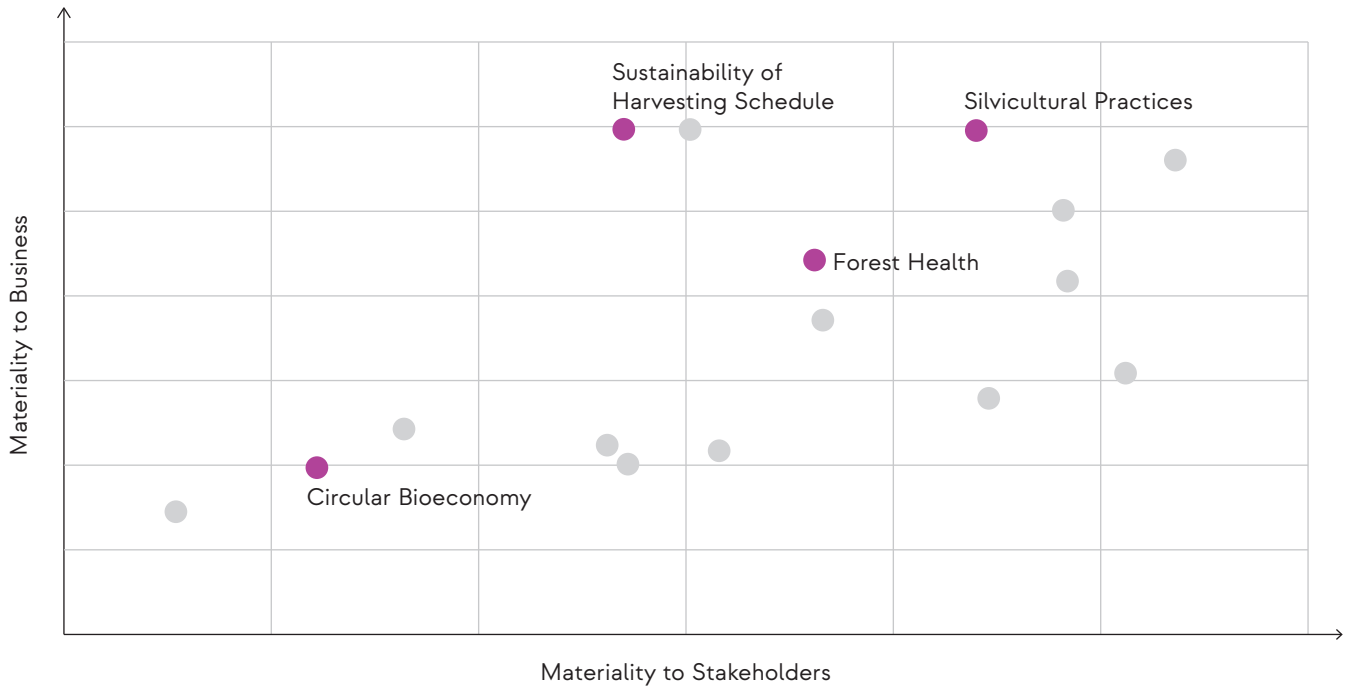
- The provision of sustainable wood fibre.
- Sustainable production and processing into various products.
- Supporting and promoting the circularity of wood products.

By delivering on these elements and promoting growth, diversification and innovation in timber markets, New Forests:

- Helps drive a circular bioeconomy that aligns with positive climate action.
- Positions the forestry sector to benefit from the transition to a low-carbon future.
- Generates new opportunities and expands into new markets.

The figure below highlights our stakeholders' views on the materiality of issues related to the circular bioeconomy.

Materiality of Circular Bioeconomy Themes⁴⁵



Sustainability of Wood Fibre

In order to expand, the circular bioeconomy must be supplied by wood fibre that is sustainably grown, harvested, and replanted. To give independent assurance of the sustainability of our forest management practices, New Forests requires third party certification across all assets, primarily through FSC® certification.

In 2021, over 95% of New Forests-managed assets⁴⁶ were certified to a third-party standard, predominantly FSC®. During the reporting period, New Forests' assets under management harvested over 4.5 million m³ of timber. Only 2% of this harvested timber was not

certified; these assets were recently acquired and are still working through the certification process. New Forests' SEMS stipulates that an asset has between 18–36 months to achieve certification from the time of acquisition.

In addition, through the production of certified timber from sustainably managed plantations, New Forests is seeking to displace harvesting of natural forests areas. These efforts are particularly important to our strategy in Southeast Asia, where historically wood products have been sourced from unsustainable logging of natural forests.



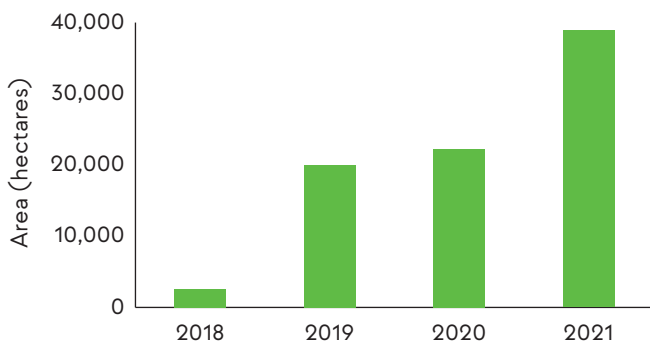
45 The axes on the graph reflect the two views on materiality we asked stakeholders to provide (i.e., importance of the ESG factor to them and the materiality to New Forests' business, as described in the Reporting What Matters section, page 15), scored from 0 to 10 (10 being most material). The scores from these two questions were averaged for the purposes of the graph. The arrows reflect the direction of increasing materiality.

46 Based on area.

New Forests also continues to ensure the supply of certified sustainable, plantation wood fibre is continually replaced by new planting and replanting i.e., reforestation. In FY21, over 38,800 hectares of commercial area was reforested at our assets under management.

New Forests' assets under management are also continually seeking to improve the sustainability of their land management practices.

Commercial Reforestation Area



Case Study

Reducing the Use of Chemicals

California Timberland Investments, a New Forests-managed vehicle that owns a mixed species forest consisting of 5,949 hectares in Northern California, conducted a project to evaluate non-chemical and non-glyphosate herbicide to reduce the volume of chemicals used at the asset. The study found that lower toxicity chemicals alongside non-chemical controls (such as manual pruning, grubbing, and mulching and biochar or woodchip production) will control and prevent the growth of unwanted weed species and reduce the reliance on chemical pesticides. This is a proactive step forward in lowering the chemical controls used in production forest areas.



Expanding Existing Sustainable Forest Products

The wood fibre harvested at New Forests’ assets under management is turned into a number of forest products, primarily sawn timber, wood chip, and other wood products, which feed into the circular bioeconomy in different ways, as shown below.⁴⁷

Critical to the bioeconomy is ensuring that the forest products are processed and/or produced sustainably. Through our SEMS, New Forests requires the mill facilities in our portfolio of assets under management to have an Environmental and Social Management System.

We also require FSC® Chain of Custody (CoC) certification, which traces the wood products along the supply chain to certify they are sustainably harvested, processed, and transported.

New Forests is seeking to expand the quantity of existing forest products such as saw log, wood chip, and veneer. Our investment strategy in Southeast Asia, and more recently in Africa, includes the expansion of the supply of certified sustainable forest products.



Product Use			
Current Product Use	Woodchips: mulch, bioenergy, and alternative products. Pulp: paper and cardboard. Dissolving pulp: viscose and pharmaceutical products.	Sawn timber for building and construction , e.g., beams and planks for framing, flooring and furniture.	Man-made wood, or manufactured board for building and construction e.g., particle board, plywood, veneer, laminated timber.
Objectives Supporting the Circular Bioeconomy	Increase use of paper and cardboard for packaging to displace plastic, and which can be recycled multiple times. Increase use of viscose for rayon to replace nylon and polyester which are derived from fossil fuels and cotton which is more water intensive to produce. Increase use of the pulp bi-product, lignin, or black liquor, to generate energy to power the mill. Increase government support for resource recovery and recycling within production and post-consumer.	Increase use of timber and plywood for furniture to reduce plastic laminated particle board which is higher in volatile organic compounds.	Increase mass timber (e.g., cross laminated timber) which can be used to replace steel and concrete to reduce embodied emissions in building and construction. Develop new products utilising waste timber and/ or other waste materials e.g., composite wood products. Increase government support for investment in research and development for new products.

New Forests cannot expand the circular bioeconomy on its own as a feedstock producer but will engage with our value chain and will advocate for supportive policy and investment environment through participation in industry groups.

⁴⁷ Product allocation based on information provided by third-party property managers as part of New Forests’ scope 3 emissions inventory process. Values that do not total to 100% include an “other” category.

Case Study

FSC® Certified Veneer and Sawn Timber Mill Construction in Laos



Mekong Timber Plantation (MTP), a TAFF portfolio company in Laos, began construction on an integrated saw log, veneer, and chipping mill in 2021, which will significantly increase market access for the company's FSC® certified timber. MTP will pursue FSC® Chain of Custody certification for the mill in 2022, which would make it the first FSC® Chain of Custody mill in Laos.

The mill will process approximately 150,000 m³ of raw logs per annum, producing 7,500 m³ of sawn timber, 45,000m³ of veneer, and 60,000 gross metric tonnes of wood chips annually. Sixty-five percent of wood waste will be used to fuel the mill boilers, with the remainder spread throughout plantations.

During construction, the mill employed six MTP employees and approximately 50 contracted employees. When the mill is operational, expected by Q2 2022, it is expected to maintain 90 new full-time direct employees.



New Forests is also supporting the industry to grow the quantity and type of forest products. For example, New Forests is participating in the development of the Te Uru Rakau – New Zealand Forest Service Forestry and Wood Processing (ITP) Industry Transformation Plan being represented on the Forestry ITP Advisory Group. The aim of the ITP is to:

- Lift productivity across the sector.
- Produce more products from logs domestically.
- Contribute more inputs to New Zealand's economy.
- Unlock the sector's potential to support climate change goals.



Case Study

Investment in New Timberlink Australia Mill to Produce CLT and GLT



A key component of contributing to the bioeconomy is developing low-carbon or no-carbon products for a net zero future. An example of this is mass timber, which is made from compressed layers of wood; examples of this are Cross Laminated Timber (CLT) and Glue Laminated Timber (GLT). Mass timber is low carbon and has the potential to replace steel and concrete.

Using mass timber for building construction would significantly reduce the embodied emissions of these buildings. Recent research shows that substituting steel or concrete with mass timber reduces the emissions associated with manufacturing, transporting, and installing the building materials by 13–25%.⁴⁸

To address the projected future demand for mass timber, Timberlink launched their new brand, NeXTimber, which will manufacture CLT and GLT in South Australia. A new softwood processing and manufacturing plant for these projects, Australia's first combined CLT/GLT facility, will be constructed alongside Timberlink's existing facilities. Expanding production of mass timber supports the growing bioeconomy and emissions reduction objectives.

It is expected that the facility will open in 2023 and create 27 new full-time jobs, increasing to 50 jobs at full output. The facility will reduce Australia's dependency on importing engineered timber and support economic recovery in the region following the COVID-19 pandemic.

NeXTimber
by Timberlink

In addition to expanding the volume of existing sustainable timber and wood products, New Forests is supporting the development of new and innovative products that will further contribute to the circular bioeconomy. To ensure we continue to be on the forefront of creating new products for the bioeconomy, New Forests has been involved in R&D programs via our assets under management. New Forests has also been involved in a range of industry lead R&D projects through both the Forest and Wood Products Australia and the Forest Growers Research Trust, New Zealand.

Increasing Circularity

A circular economy is fundamental to moving towards a level of resource consumption more in line with the Earth's ability to produce resources (i.e., the planetary boundary). Increasing circularity reduces waste and maximises the productivity and value of biological resources.

New Forests is supporting the development of new and innovative technologies, products, and processing to increase the circularity of bio-products.

48 Pasternack, Wishnie, M. and Clarke, C. et al. [What Is the Impact of Mass Timber Utilization on Climate and Forests?](#)

Case Study

Expanding Tasmania's Circular Bioeconomy

Timberlink is building Tasmania's first Bio Composite Plant at their Bell Bay site. The Plant will produce a wood and plastic composite which is an innovative and environmentally conscious method of repurposing waste materials and creating products with value.

The Plant will upcycle sustainable plantation timber waste from Timberlink's existing activities at Bell Bay, along with plastic waste sourced by diverting High Density Polyethylene (HDPE) plastics from landfills, resulting in an 83% increase over current HDPE recycling levels in Tasmania. The proximity of the existing supply of the timber waste provides considerable transport, processing, and cost advantages, and allows for direct re-use of residue material on site in a highly sustainable manner. The main products produced at Bell Bay will be decking and screening.

The project received grant funding from the Tasmanian and Australian Federal Governments due to its significant environmental benefits associated with upcycling plastic waste and timber residues.

The project represents a significant investment in increasing waste recycling capacity and relieving pressure on domestic landfill in Tasmania. The facility's net environmental benefit will be maximised through the installation of solar panels and the harvesting of rainwater for use in the production process. Timberlink plans for production to commence at the end of 2023, creating an additional 18 permanent full-time jobs.



Commitments

Key: ● Not started ● Delayed ● On track/completed

	FY21 Actions	FY21 Progress	FY22 Actions
Support inputs to the circular bioeconomy	Develop a sustainable timber impact target for new funds	●	Set impact targets for new funds to increase volumes of certified timber sold into markets
Scale emerging markets processing	Commence construction of veneer mill at Mekong Timber Plantations	●	Promote smallholder and outgrower third-party certification in new funds
Support increasing circularity			Work with portfolio companies on new products
Measure the circular bioeconomy			Add SLI metrics to assess waste streams and material pathways

Advocacy

Through our advocacy engagement, New Forests aims to amplify our effort, voice and influence.

We participate in industry initiatives, networks, and organisations to advance responsible investment, sustainable forestry, and carbon markets through collaboration, knowledge sharing, and development of best practices. This includes being a signatory to the Principles for Responsible Investment and a member of the World Business Council for Sustainable Development. A complete list of our memberships is given below.



Highlights from our advocacy program in 2021 include:

- Co-hosting the “[Asset Owner Convening on A 2030 Investment Vision for Natural Climate Solutions.](#)”
- Reviewing the draft GHG Protocol Carbon Removals and Land Use guidance, via our membership in the WBCSD Forest Solutions Group.
- Releasing our [Position Statement on Carbon Credits Integrity.](#)
- Engaging with forestry sector peers and conservation organisations in the US to discuss successes, challenges, and next-generation potential improvements to US offset protocols, including research and data gaps.
- Becoming a member of the UN Global Compact and joining the Task force for Nature-related Financial Disclosures Forum.
- Ongoing engagement with FSC®, particularly on the draft update to the US standard.
- New appointments and ongoing engagements by New Forests staff on a range of relevant industry Boards, including FSC® Australia New Zealand, AFPA, and others.
- Engagement with regional hubs on a range of plantation expansion initiatives.
- Contributing to relevant government reform programs in Australia and New Zealand.

Commitments

Key: ● Not started ● Delayed ● On track/completed

	FY21 Actions	FY21 Progress	2022 Actions
Support standardised climate accounting and reporting	Engage with peer organisations on the GHG Protocol Carbon Removals and Land Use guidance; piloting phase delayed due to process	●	Plan to pilot the updated GHG Protocol, including the Carbon Removals and Land Use guidance
	Provide input to the first draft of the Science Based Targets Initiative Forestry, Land use, and Agriculture (FLAG) Guidance	●	Continue to review drafts of the FLAG Guidance
Engage with emerging nature disclosure frameworks	Join the Task Force for Nature-related Financial Disclosures (TNFD) Forum	●	Explore pilot testing of the TNFD framework Review the first draft of the TNFD
Develop regional advocacy plans	Develop regional advocacy plans – delayed due to resourcing constraints	●	Develop regional plans

Glossary

Environmental, Social and Governance (ESG): a means of evaluating positive and negative impacts of an organisation to society and the environment.

Forest Stewardship Council (FSC®): third-party forestry certification aimed at promoting the responsible management of the world's forests.

Greenhouse Gas (GHG): gases that trap heat in the atmosphere; includes carbon dioxide, methane, nitrous oxide, and fluorinated gases.

Nature-positive: the process of acting to halt negative impacts and scale positive impacts, with the ultimate aim of transforming a business's relationship with nature.

Nature-based Solutions (NBS): actions to conserve, restore, and sustainably manage natural and modified ecosystems to address environmental societal, and economic challenges and provide co-benefits.

Natural Climate Solutions (NCS): actions to conserve, restore, or improve the management of ecosystems that increase carbon storage and/or avoid greenhouse gas (GHG) emissions.

Net Zero: the balance of GHGs in the atmosphere, aiming for equivalent carbon emissions and carbon removals.

Social and Environmental Management System (SEMS): New Forests' system for management environmental and social risks and opportunities.

Sustainable Landscape Investment (SLI): New Forests' ESG measurement framework, which includes metrics across six material themes.

Supply Chain or Value Chain: refers to the system of which a good or service is produced; for New Forests, this includes upstream (investment capital), direct operations, and downstream activities (New Forests' investment portfolio and its downstream supply chain).

World Business Council for Sustainable Development (WBCSD): CEO-led organisation of over 200 companies committed to accelerating the system transformations needed for a net zero, nature-positive, and more equitable future.



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