



# STAKEHOLDER AND MATERIALITY ASSESSMENT

Integrating the Needs and Concerns of  
Stakeholders in New Forests' Responsible  
Investment and Sustainability Strategy





Through New Forests' sustainability program and responsible investment practices, we seek to consider and support the needs and interests of stakeholders to create shared value.

New Forests identifies our employees, clients, business partners, and the communities in which we operate as key stakeholders. Through stakeholder engagement and materiality assessment, we aim to enhance the effectiveness of our sustainability programs and improve the disclosures we make about our business and its impacts on the environment and society. This document describes how we engage with these stakeholder groups to improve our business practices and create lasting benefits through the investments we manage.





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**Purpose**

Investing to create productive and sustainable landscapes for the benefit of our clients and the communities where we operate.

**Vision**

Forestry is a key sector helping to lead the transition to a sustainable future.

**Mission**

To be the world's leading forestry investment manager.

**Values**

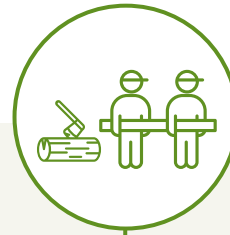
- Respect
- Integrity
- Client Focus
- Persistence
- Collaboration
- Sustainability
- Transparency and Accountability

**Stakeholders and New Forests' purpose, vision, and mission****Employees**

New Forests' purpose depends on the organisational capabilities and strengths we cultivate in our most important resource: our employees. Our team brings our values to life, supported by our Code of Conduct that guides how we work with each other and our external stakeholders.

**Clients**

Clients are at the heart of our purpose and company values, as our investment management business exists to service their needs while also contributing to creating productive and sustainable landscapes.

**Business partners**

Service providers such as legal, financial, and auditing firms support the integrity of our investment management services. At the asset level, business partners include the local property management and operating portfolio companies; it is through the direct day-to-day work of these groups that our investment strategies can achieve real world impact.

**Communities**

New Forests' global portfolio has a growing geographic footprint, increasing the number and extent of communities who live and work in or around the forests, land, and other assets we manage. Regionally specific engagement activities, guided by our corporate purpose, seek to ensure our investment activities contribute benefits and shared prosperity to these communities.



# Stakeholder Assessment

## Employees

Achievement of New Forests' purpose depends on the organisational capabilities and strengths we cultivate in our most important resource: our employees. New Forests focuses on supporting employees by providing rewarding work, fair and aligned remuneration, comprehensive support to enable work/life balance, and training and development to ensure all employees can develop skills to better serve their futures. Commencing in 2020, we have been conducting quarterly employee engagement surveys, which provide feedback to New Forests' leadership about employee experience and sentiments. In 2021, New Forests launched its Diversity, Equity, and Inclusion (DEI) Policy, which is designed to promote employee engagement, retention, and satisfaction while furthering the company's aspirations to promote DEI in its business and operations. DEI reporting is provided quarterly to New Forests' Board, providing oversight of performance against our DEI aspirations.



### Needs and concerns:

- Employment & livelihoods
- Human rights
- Labour rights



### Engagement:

- Collaboration
- Consultation
- Ability to influence outcomes in business and investments



### Example outcome:

- Human resources policies that reflect optimal work opportunities, including training and Diversity, Equity, and Inclusion



## Clients

New Forests' clients are at the heart of both our purpose and company values; our investment management business exists to service their needs while also contributing to creating productive and sustainable landscapes. Our clients come from 10 countries and include institutional investors, development finance institutions, impact investors, insurance and reinsurance companies, and more (see chart below). For New Forests, it is important to remember that behind each investment institution we count as a client, there is a myriad of people who are impacted by the investment decisions we make. These ultimately include the pensioners and beneficiaries of institutional clients, such as teachers, autoworkers, doctors, and public service employees; our estimates indicate that there are more than 7.6 million beneficiaries across our client base.

New Forests takes pride in having fostered strong and lasting client relationships where our investment offerings can contribute to our clients' portfolio objectives, including financial and non-financial parameters. Clients are engaged with New Forests on sustainability matters via quarterly reporting; annual environmental, social, and governance (ESG) reports for each fund; and on several ad hoc topics relating to their investments. New Forests values two-way engagement with clients, particularly in areas of emerging best practices in investment management, such as climate risk, impact management, human rights, and the transition to a Paris-Agreement-aligned and sustainable future.



### Needs and concerns:

- Financial returns
- Demonstrated sustainability outcomes



### Engagement:

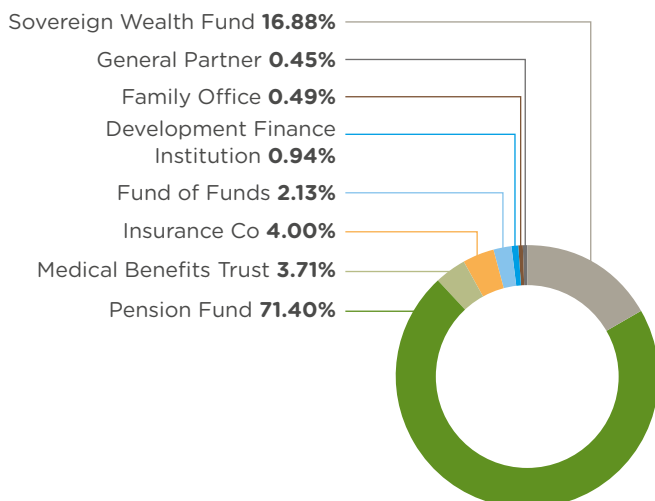
- Quarterly and annual reporting
- Data requests
- Site visits



### Example outcome:

- Carbon storage in productive forests contributes to clients' net zero goals

## Capital commitments by client type



**25**  
clients



**10**  
countries



**7.6+**  
million  
beneficiaries



## Business Partners

New Forests' value chain spans financial services and investment, the forest sector and wood products, environmental markets, and land management. Across our business, we value relationships with business partners who support our ambition to create productive and sustainable landscapes. Upstream value chain partners include the service providers within financial services that are critical for the execution of investments and required services, such as legal, financial, and auditing. Our downstream partners include the significant role of local property management and portfolio companies; it is through the direct day-to-day work of these business partners that our investment strategies can achieve real world impact. We aspire for our business partners' futures to be aligned with our own, where success in our mission supports a broader ecosystem of service providers across the value chains in which we invest.



### Needs and concerns:

- Employment & livelihoods
- Human rights
- Labour rights



### Engagement:

- Supplier questionnaire
- Ongoing work with property managers and portfolio companies



### Example outcome:

- No instances of modern slavery found in corporate supply chain





## Communities

New Forests' global portfolio has an expanding geographic footprint, increasing the number and extent of communities who live and work in or around the forests, land, and other assets we manage. Engagement is critical to understand how our business may affect the objectives and needs of these communities and to identify opportunities to foster shared prosperity through the investments we make and manage. New Forests engages with the communities in which it operates via its managed investments and related third-party property managers or operating portfolio companies, who are responsible for ongoing stakeholder projects. Therefore, our progress against community engagement goals is tracked at the asset level, using specific Key Performance Indicators where relevant.



### Needs and concerns:

- Employment & livelihoods
- Human rights
- Labour rights
- Ecosystem services



### Engagement:

- Regionally specific projects
- Information about operations



### Example outcome:

- Implementing an outgrower scheme





## Continual Improvement for Stakeholder Engagement

New Forests values engagement with and input from its stakeholders and seeks to continually improve these processes. We look forward to our future efforts in this space and welcome any feedback.





# Materiality and Sustainable Landscape Investment

New Forests informs its ESG strategy and management approaches through materiality assessments to build on our experience with sustainability challenges and opportunities facing the forest sector.

Materiality assessment is a process for identifying and evaluating the ESG issues that may affect a business and its stakeholders. Our initial materiality assessment took place in 2014 via an internal sustainability workshop, resulting in the launch of the Sustainable Landscape Investment (SLI) framework in 2015. We have continued to expand upon and refine the SLI framework since then; for example, by using materiality assessments to inform the development of the company's SLI metrics. The SLI framework includes six themes, each with a set of sub-themes and related indicators that address potential ESG and impact outcomes of managed investments.

In seeking to better integrate stakeholder feedback to our sustainability reporting, New Forests launched a stakeholder survey for ESG materiality. The items included in the survey were based on the sub-themes and related indicators of the SLI framework and New Forests' advocacy priorities, which address megatrends for the forestry and land use sector (see SLI materiality themes figure on right).

The survey results inform our understanding of the perspectives of employees, clients, and business partners as to which ESG issues are most material. The survey results were analysed to produce two materiality matrices showcasing different aspects of materiality for New Forests' business. The results from the survey informed New Forests' 2020 Sustainability Report and will be considered in future alterations to the SLI framework and related ESG and impact management tools.





## New Forests' materiality assessment and continual improvement in ESG and impact management



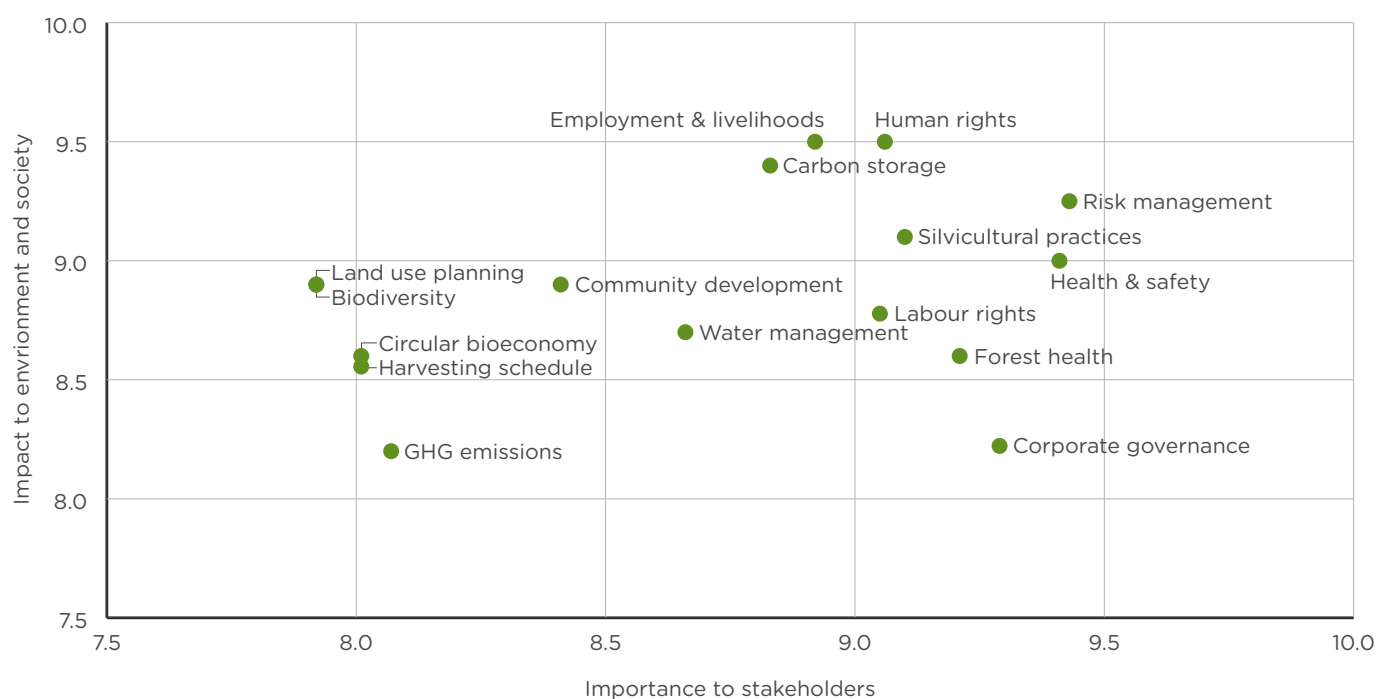
## SLI materiality themes

SLI theme	SLI sub-theme	Materiality survey topics
 Productivity	<ul style="list-style-type: none"> <li>Resource description</li> <li>Primary production</li> <li>Resource efficiency</li> <li>Research &amp; development</li> </ul>	<ul style="list-style-type: none"> <li>Silvicultural practices</li> <li>Forest health</li> <li>Harvesting schedule</li> <li>Circular bioeconomy</li> </ul>
 Land Use Planning	<ul style="list-style-type: none"> <li>Conservation land use</li> <li>Production land use</li> <li>Social land use</li> <li>Land use change</li> </ul>	<ul style="list-style-type: none"> <li>Land use planning</li> </ul>
 Ecosystem Services	<ul style="list-style-type: none"> <li>Biodiversity</li> <li>Carbon &amp; climate</li> <li>Water</li> <li>Recreation &amp; cultural services</li> </ul>	<ul style="list-style-type: none"> <li>Carbon storage</li> <li>Water management</li> <li>Biodiversity</li> <li>GHG emissions</li> </ul>
 Shared Prosperity	<ul style="list-style-type: none"> <li>Community development</li> <li>Employment &amp; livelihoods</li> <li>Industry &amp; supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Employment &amp; livelihoods</li> <li>Human rights</li> <li>Labour rights</li> <li>Community development</li> </ul>
 Risk Management	<ul style="list-style-type: none"> <li>Risk management systems</li> <li>Health &amp; safety</li> <li>Climate risk</li> </ul>	<ul style="list-style-type: none"> <li>Risk management</li> <li>Health &amp; safety</li> </ul>
 Governance	<ul style="list-style-type: none"> <li>Strategic planning</li> <li>Systems &amp; policies</li> <li>Management &amp; oversight</li> </ul>	<ul style="list-style-type: none"> <li>Corporate governance</li> </ul>

## Stakeholder Materiality

Stakeholder materiality informs our engagement, reporting, and disclosure practices, helping us focus on impact management and reporting that is of the greatest utility to stakeholders. Ratings of the importance of ESG issues to stakeholders were ranked against the potential impacts of the ESG issues to the environment and society on a scale of 1 to 10 (low to high).

### Stakeholder materiality



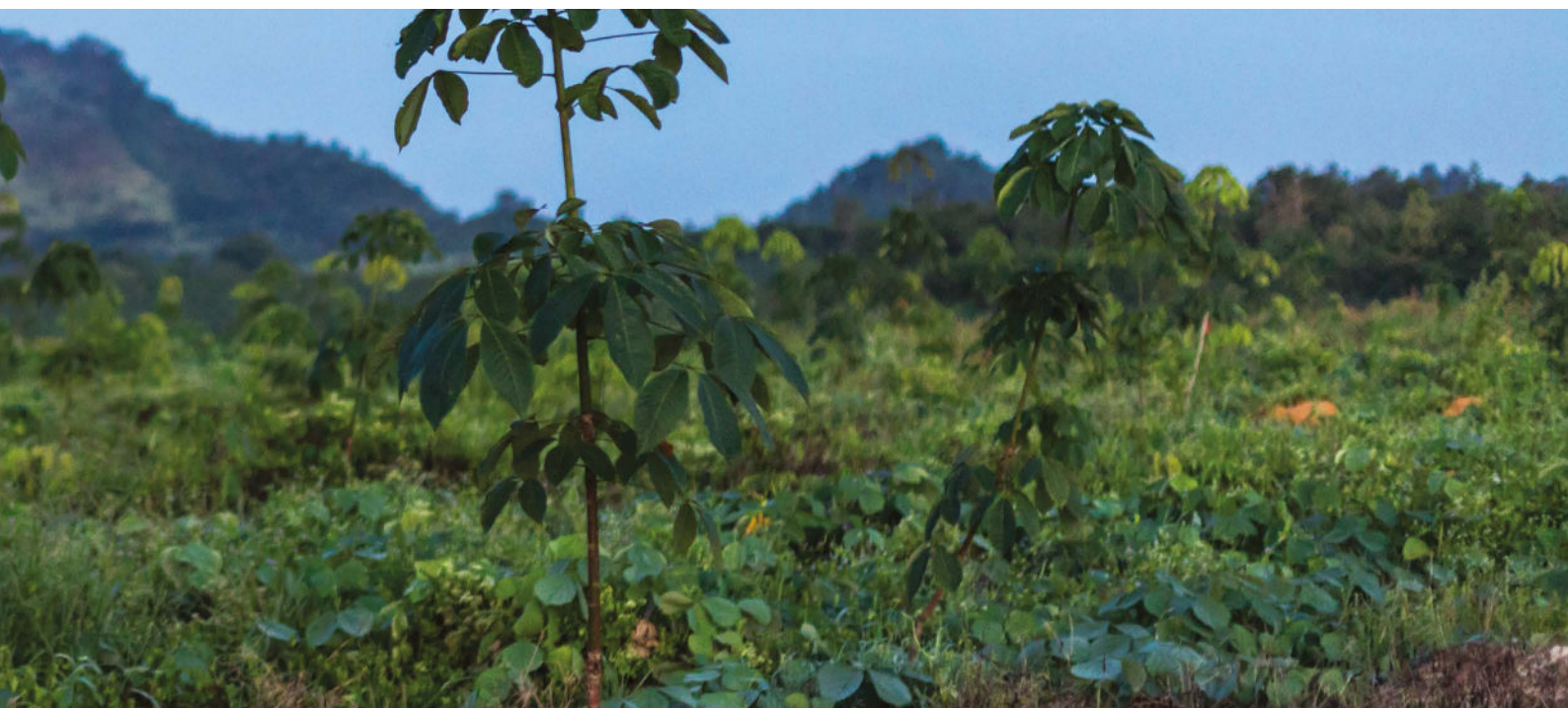


We analysed the results by stakeholder type to ascertain if there were different priorities across the stakeholder groups. The highest-ranking stakeholder materiality topics were risk management, human rights, and employment & livelihoods. Suppliers reported a higher materiality for silviculture and health & safety while Clients reported a higher materiality for carbon storage.

Ranking	All Respondents	Staff	Externals	Clients
Most important	Risk management	Forest health	Harvesting practices	Carbon storage
Second most important	Human rights	Health & safety	Risk management	Human rights
Third most important	Employment & livelihoods	Risk management	Health & safety	Risk management

We also analysed the results by country/region in which stakeholders are involved, using New Forests' office locations and regional investment geographies. It is interesting to note that topics such as water management and biodiversity emerged as part of the regional breakdown; this may indicate ESG topics that are of more primary concern in these areas. Where more than one item is listed, the score was equal for these topics. New Forests' clients were not included in the geographic breakdown, as some clients invest in multiple regional strategies.

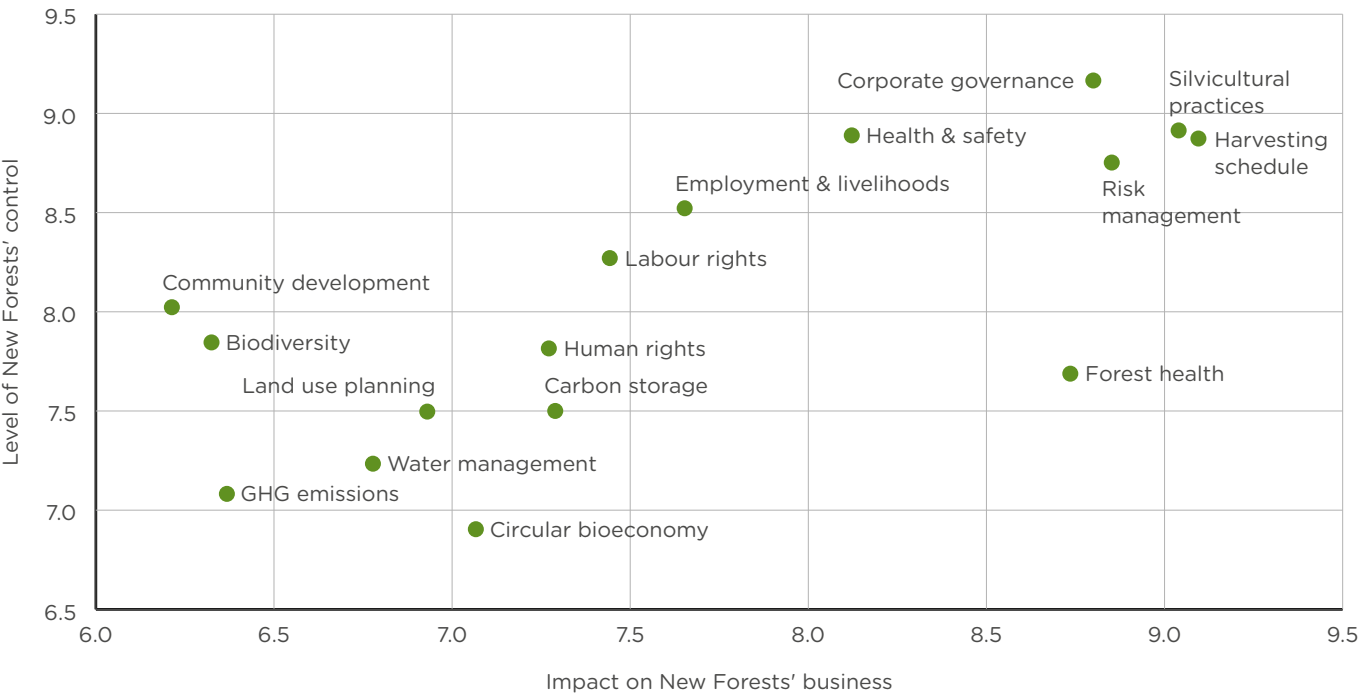
Ranking	Australia	New Zealand	Singapore/Asia	United States
Most important	Health & safety	Water management/ Health & safety	Forest health	Harvesting practices
Second most important	Corporate governance	Harvesting practices	Biodiversity	Risk management
Third most important	Risk management	Employment & livelihoods	Risk management	Carbon storage



Materiality to Sustainability Strategy

Materiality to sustainability strategy informs prioritisation, helping us understand where to focus efforts in order to achieve greater gains in our sustainability agenda. Ratings of the importance of ESG issues to business and investment performance were ranked against New Forests’ perceived ability to control or influence the ESG issue on a scale of 1 to 10 (low to high).

Materiality to sustainability strategy





The highest-ranking strategy materiality topics were harvesting practices, corporate governance, and silvicultural practices. Ratings across the stakeholder groups were generally consistent. It is noteworthy that the highest-ranking issues relate largely to strategic decisions and controls (e.g. risk management and harvesting practices) that prevent adverse impacts and help promote beneficial impacts, such as in other ESG topics. This reflects the higher level of New Forests' influence for these ESG topics, which are closely tied to systems and procedures under direct control.

Ranking	All Respondents	Staff	Externals	Clients
Most important	Risk management	Forest health	Harvesting practices	Carbon storage
Second most important	Human rights	Health & safety	Risk management	Human rights
Third most important	Employment & livelihoods	Risk management	Health & safety	Risk management

Once more, we considered the data separated by country/region. In this case, results appeared slightly more homogeneous across the groups. Interestingly, almost all top-ranking items again relate to systems, policy, or practice-focused elements. The exception is carbon storage within the United States submissions, likely reflecting the core integration of carbon and climate into New Forests' investment strategy in that region.

Ranking	Australia	New Zealand	Singapore	United States
Most important	Corporate governance	Silvicultural practices	Harvesting practices	Harvesting practices
Second most important	Risk management	Corporate governance	Corporate governance	Risk management
Third most important	Silvicultural practices	Health & safety	Silvicultural practices/ risk management	Carbon storage

## Materiality Implications for Reporting

The above materiality assessments inform New Forests' views on what ESG issues to prioritise and how to report our performance in doing so. New Forests distinguishes between two levels of impact: (i) our corporate impact, which we report through the B Impact Assessment as a Certified B Corp and (ii) the impacts related to the investments we manage. We believe the latter has significantly more scope for societal and environmental impact regarding risk of adverse outcomes and the opportunity to intentionally pursue positive outcomes. We note that with the high materiality rating of aspects like corporate governance and risk management, it is important to disclose and report on New Forests' own systems, policies, and procedures in these areas. At the same time, because all items surveyed ranked high in materiality, we consider that these topics should be considered in management decision-making.

As we seek to improve our ESG and impact management and reporting practices, New Forests considers that impact reporting will be increasingly material to more clients, communities, and civil society at large. There is growing interest and demand to understand the extent to which sustainable finance is delivering on the ESG agenda and sustainable development needs. We hope our reporting balances the objectives of addressing stakeholder interest and needs and advancing best practices for forestry investors in impact disclosure. New Forests welcomes further stakeholder input as we continue to refine our materiality assessments and seek to implement effective sustainability strategies and report on outcomes that matter most to our business and our stakeholders.



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

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

To learn more, visit us at [www.newforests.com.au](http://www.newforests.com.au) or contact us at [info@newforests.com.au](mailto:info@newforests.com.au).

Certified



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