


Sustainability Report 2022





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About this Report

New Forests has produced its annual *Sustainability Report* for more than a decade, shaped by the company's enduring commitment to sustainability in our business and across the investments we manage.

The *2022 Sustainability Report* aims to help existing and prospective clients, employees, business partners and wider stakeholders understand the environmental, social and governance (ESG) issues that are important to New Forests and how we perform in relation to these across our corporate operations and assets under management. Increasingly, the report presents the positive impact created for our business, our stakeholders, society and the environment.

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' vision and mission, both driven by the principle of sustainability, and seeks to uphold best practice in sustainability reporting.

We aim to incorporate our stakeholders' perspectives and needs regarding the ESG issues on which we report, as informed by a stakeholder materiality assessment, as well as generate constructive discourse around the ESG challenges and opportunities for New Forests' business.

The data included in this report has been gathered from several sources, including sustainability metrics reported by our assets and New Forests' internal company reporting. This report focuses on the 2022 financial year, which differs across businesses as follows:

- **Global business operations (New Forests Pty Ltd):** 1 July 2021 – 30 June 2022
- **Australia and New Zealand funds under management (New Forests Asset Management):** 1 July 2021 – 30 June 2022
- **Southeast Asia, US, Africa and New Agriculture funds under management (New Forests Asia, New Forests Inc., New Forests Africa and Lawson Grains Pty Ltd):** 1 January 2022 – 31 December 2022.

Significant events that occurred in the global business operations and in the Australia and New Zealand funds under management between 1 July 2022 and 31 December 2022 are mentioned in the report narrative but not in the data.

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

To support benchmarking and understanding our performance over time, previous annual sustainability reports are available upon request.

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

Date published: April 2023



Abbreviations

| | |
|-----------|---|
| ACCUs | Australian Carbon Credit Units |
| AFIP | African Forestry Impact Platform |
| ANZFF | Australia New Zealand Forest Fund |
| CDFW | California Department of Fish & Wildlife |
| CCOs | California Carbon Offsets |
| DEI | diversity, equity, inclusion |
| EPF | Eco Products Fund |
| ERM | enterprise risk management |
| ESG | environmental, social and governance |
| FCP | Forest Carbon Partners |
| FSG | Forest Solutions Group |
| GBF | Global Biodiversity Framework |
| GHG | greenhouse gas |
| GIIN | Global Impact Investing Network |
| HBU | highest and best use |
| HKI | Hutan Ketapang Industri |
| IFC | International Finance Corporation |
| ILO | International Labour Organisation |
| LTIFR | lost time injury frequency rate |
| MTIFR | medical treatment incident frequency rate |
| MTP | Mekong Timber Plantations |
| NBS | nature-based solutions |
| NCA | natural capital accounting |
| NCS | natural climate solutions |
| NZAMI | Net Zero Asset Managers Initiative |
| NZUs | New Zealand Units |
| PEFC | Programme for the Endorsement of Forest Certification |
| PRI | Principles for Responsible Investment |
| RAP | reconciliation action plan |
| RCC | Risk & Compliance Committee |
| RCP | Representative Concentration Pathway |
| RIAA | Responsible Investment Association Australasia |
| SBTi FLAG | Science-based Targets Initiative Forest, Land, and Agriculture Guidance |
| SCT | Shasta Cascade Timberlands |
| SDGs | Sustainable Development Goals |
| SEMS | social and environmental management system |
| TAFF | Tropical Asia Forest Fund |
| TCAT | Tasmanian Carbon Afforestation Trust |
| TCFD | Task Force on Climate-related Financial Disclosures |
| TNFD | Task Force on Nature-related Financial Disclosures |
| UNGC | United Nations Global Compact |
| WBCSD | World Business Council for Sustainable Development |

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A Joint Note From Our Chair and CEO



When New Forests was founded 18 years ago, it was based on the belief that sustainable forestry and landscape management could deliver attractive investment returns while also having a positive impact on our environment and local communities.

Today, with the demand for nature-based investments increasing and the willingness of the corporate and finance sectors to play a positive role in addressing the challenges of climate change and biodiversity loss, New Forests' investment thesis has become mainstream. From carbon removals to enhancing biodiversity, the outcomes presented in the *2022 Sustainability Report* demonstrate the targeted environmental and societal outcomes achieved through our business activity across continents.

In recognition of the scale of the opportunity in front of us and to accelerate our next phase of growth, in 2022 we announced that Mitsui & Co. Ltd, one of the largest companies in Japan, and the Nomura Group, a global financial services company, would become majority shareholders of New Forests. This is a significant and exciting development for New Forests, with both organisations aligned with our vision to see investment in land use and forestry as central to the transition to a sustainable future.

New Forests' 2022 expansion into Africa enhances our participation in sustainable development globally. This takes place at a critical time, as the UN has found that in Africa four million hectares of forests are disappearing yearly. Informed by our transformative work on other continents, including in Southeast Asia, we will focus on expanding the plantation forest sector, while supporting forest conservation, restoring degraded land and expanding community-based forestry programs.

'Investment in forestry and agriculture assets represent tremendous opportunities for investors today. Not only are markets for sustainably produced timber and food growing, but new opportunities in conservation finance, climate-change mitigation, renewable energy development and landscape management are rising.

The transition to sustainable land use is driving the emergence of a broader, more holistic natural-capital asset class, with multiple sources of return and multiple opportunities for positive social and environmental impact.'

David Brand, Chair



After 18 years at the helm of New Forests, David Brand has relinquished his role as CEO. He continues as Chair of New Forests, and Mark Rogers has been appointed CEO. We believe this change, along with the arrival of our new shareholders, positions New Forests for our next stage of growth and cements our reputation as a leader in the natural-capital investment space across developed and emerging markets.

The timing could not be better given the increasing urgency in the transition to a sustainable land-use system. Both the Climate Change and Biodiversity United Nations Conference of the Parties have set ambitious goals to decarbonise the global economy and become nature positive. The nature of forestry, agriculture and conservation

investing is changing into what is considered a new natural-capital asset class. We expect this will expand the investable universe and create new opportunities for investors in coming years. Integrated reporting across financial metrics and impact metrics will become common practice in our business.

In this report, you will read about these developments and the unique opportunities they present, as well as how we are delivering for our investors and using New Forests' advocacy and engagement to amplify our voice in pursuit of our vision. As a global leader in nature-based investments, New Forests is committed to innovating and working collaboratively to support the transition to a sustainable society. We welcome you joining with us on this important journey.

'New Forests has been driving change in natural capital investments for almost two decades and our passion for creating world leading investment returns alongside sustainability and impact outcomes continues to be at the centre of everything we do.

The next step for the natural capital sector is to create truly global markets for natural capital commodities like carbon and biodiversity. New Forests will continue to work diligently to deliver critical food and fibre production into a circular bioeconomy, alongside carbon storage, biodiversity restoration, economic and social development in regional communities and other sustainability and impact outcomes.

New Forests will also strive to be transparent in the many ways we deliver these outcomes across the environments in which we operate.'

Mark Rogers, CEO



Introduction

For New Forests, 2022 marked a momentous year. We expanded our operations and the opportunities to deliver positive impacts in new markets and geographies.

This was accompanied by a notable acceleration globally in sustainable investment regulation and reporting standards, in the pursuit of greater transparency, accountability and action industry-wide.

One of the most significant recent developments in sustainability has been the global movement towards standardised disclosures. At the same time, the importance of the climate-nature nexus in financial disclosures is emerging rapidly with regulators, companies and investors seeking to address the twin crises of climate change and biodiversity collapse.

In 2022, facing energy security challenges presented by the war in Ukraine, the G7 reiterated its commitment to mandatory climate-related financial disclosures based on the Task Force on Climate-related Financial Disclosures (TCFD) framework.¹ Governments across the G20, including the United States, the United Kingdom, the European Union, Australia,

New Zealand, Singapore and Japan, have begun introducing legislation to mandate TCFD-aligned disclosures for listed companies, large firms and financial institutions.² At the same time, the International Sustainability Standards Board (ISSB), an entity created by the International Financial Reporting Standards Foundation, made significant progress during the year in developing standardised disclosures, with the ISSB scheduled to issue disclosure standards on general sustainability reporting and climate reporting by mid-2023.³ In 2022, the Task Force on Nature-related Financial Disclosures (TNFD) also released beta versions of its disclosure standard on nature-related impacts, aligned with the TCFD and which will ultimately be integrated into the ISSB disclosure framework.

In this rapidly evolving environment, New Forests has continued to work towards integrating the reporting of financial and ESG outcomes for our clients and stakeholders. For instance, in 2022 we provided clients, for the first time, with independently audited financial accounts and carbon accounts (limited assurance). Readers of this year's *Sustainability Report* will see the results of the assurance work reflected in updated greenhouse gas accounting, included on pages 58–60.

We also developed New Forests' 'Value Creation Story.' This represents the first step in adopting the internationally recognised Integrated Reporting framework. It depicts how an organisation takes six forms of capital and, through its business model and activities, creates or diminishes value for itself, its stakeholders and the environment. We will integrate the Value Creation Story into our upcoming business-planning cycle, so that our measurement of business success (i.e., through our scorecard metrics) is aligned with the measures of value creation.

During the reporting period we celebrated the launch of our New Agriculture and African businesses, and these have been integrated into the report for the first time.

The report is organised around New Forests' three focus areas of impact, aligned with our 2030 vision: contributing to shared prosperity, investing in nature-based solutions and supporting the circular bioeconomy. The *2022 Sustainability Report* is intended to provide insights into the impact outcomes associated with New Forests' investments, as well as insights into our business operations and areas for continuous improvement. We welcome a conversation with all our stakeholders on our progress to date.

1 US Department of the Treasury, 'G7 Finance Ministers and Central Bank Governors' Statement on Climate Issues', 12 October 2022.

2 MSCI, 'As TCFD Comes of Age, Regulators Take a Varied Approach', 21 April 2022.

3 IFRS, 'ISSB ramps up activities to support global implementation ahead of issuing inaugural standards end Q2 2023', 17 February 2023.

About New Forests

New Forests is a global investment manager of nature-based real assets and natural-capital strategies, with AUD 10.7 billion (USD 7.3 billion) of assets under management across 1.27 million hectares (3.14 million acres) as of 31 December 2022.⁴

We manage a diversified portfolio of sustainable timber plantations and conservation areas, carbon and conservation finance projects, agriculture, timber processing and associated infrastructure.

As an asset manager, New Forests provides investors with opportunities to invest at scale in the productive use and long-term stewardship of forests and land. Our clients include institutional investors, such as pension funds, sovereign wealth funds and development finance institutions, as well as family offices and other sophisticated or qualified investors.

The sustainable management of certified plantation forests in Australia and New Zealand constitutes our largest concentration of assets, alongside timber processing and agricultural assets. In the United States, our carbon forestry strategy is focused on the sustainable management of certified natural forests, optimised for both timber production and carbon offset generation. This leads to improved sustainable management of forests while increasing carbon sequestration to help mitigate climate change.

In emerging markets, our Southeast Asian investment strategy focuses on sustainable management of certified plantations, with an emphasis on technological and silvicultural improvements and a rigorous approach to good governance, alongside improving environmental and social values. Our recently launched Africa strategy provides investors with access to sustainable forestry operating companies and related assets, with the aim of delivering commercial returns and sustainable development and conservation outcomes at scale.



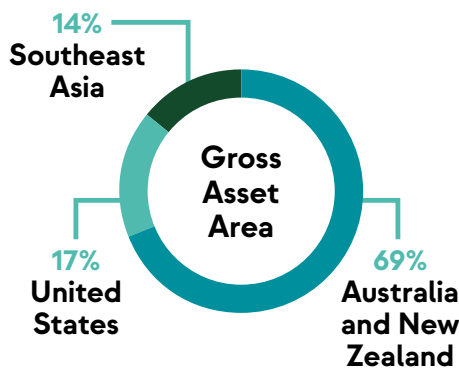
Countries invested in:

Australia, New Zealand, Malaysia, Indonesia, Laos, United States, Mozambique*, Tanzania*, Uganda*

*effective 2023

Headquarters in Sydney

Offices in: Melbourne, Tauranga, Singapore, San Francisco, Nairobi



New Forests' mission is to be the world's leading manager of nature-based investments.

New Forests' values are integrity, persistence and accountability.

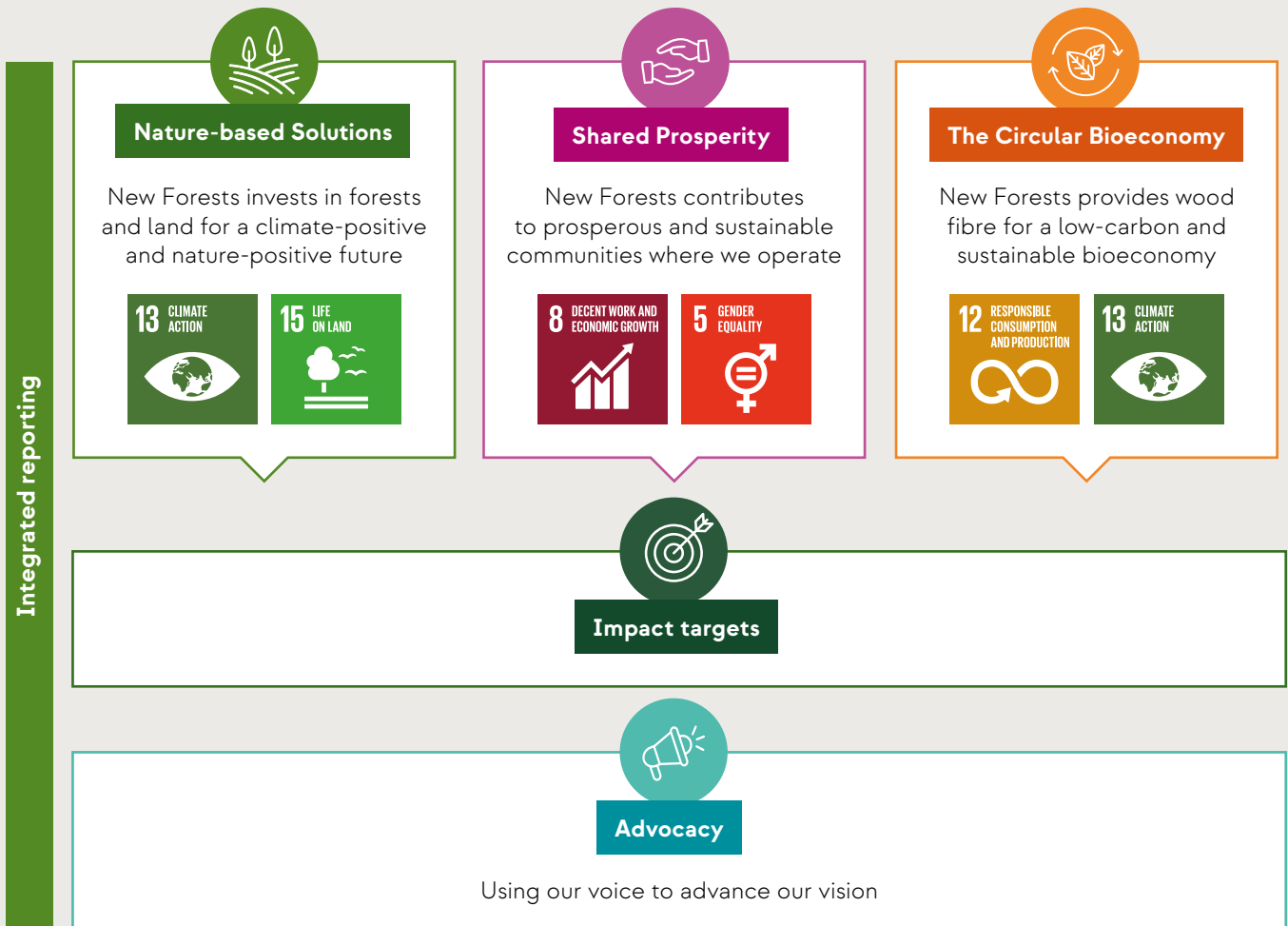
⁴ The assets under management number includes unaudited figures as of 31 December 2022. Assets under management also includes AUD 1.15 billion of committed uncalled capital from fund vehicles and managed accounts.

Our 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.

To advance our vision, our investment strategies support the role of forests, agriculture and other natural capital as nature-based solutions to create net positive impacts at scale in three critical impact areas: nature-based solutions, shared prosperity, and the circular bioeconomy.

The 17 Sustainable Development Goals (SDGs) provide a shared blueprint for peace and prosperity for people and the planet, now and into the future. Of the 17 SDGs, there are five to which we believe we can most meaningfully contribute through our core activities. New Forests' contribution to these SDGs is summarised in Annex 1.



How New Forests Creates Value

Historically across the global economy, the success of a business has typically centred around its ability to maximise financial returns for shareholders.

While this has led to tremendous economic progress, it also has major social and environmental downsides. This has precipitated a shift to a more holistic approach to measuring success; one that factors in a wide range of stakeholders including society and the environment.

The global International Financial Reporting Standards Foundation is the leading voice on this 'integrated thinking' which considers the impact of business on six forms of capital – financial, social and relationship, intellectual, natural, human and manufactured capital – for a range of stakeholders.

Our 'Value Creation Story' depicts how New Forests takes these six forms of capital and, through our business model and activities, produces outcomes that increase or decrease the stock of these

forms of capital, thereby creating or eroding value for New Forests and our stakeholders, including society and the environment.

The purpose of the Value Creation Story is to show the connectivity and interdependencies between the various factors that affect our ability to create value over time. It helps everyone across the business better understand how their activities – and the decisions that underpin them – lead to value creation or erosion. This is called 'integrated thinking' and is the foundation for integrated reporting.

The Value Creation Story, as outlined on page 12, is organised into three sections: our inputs, business model and outcomes (the value created).

Our inputs

These indicate the most significant forms of capital that New Forests draws on to create value. Not all forms of capital are equally relevant or important to New Forests; however, there is interaction with all capitals to some extent.

Our business model

New Forests is an investment management business. Through our business model and activities, we either increase or decrease the total stock of the capitals.

Our outcomes

The internal and external consequences (positive and negative) for the capitals that arise as a result of our business model, activities and outputs.

Those depicted show how New Forests can most meaningfully increase the stock of capital to create value either internally, for our business, and/or externally, for our stakeholders.

Size and Direction of Our Impact

We can determine the size and direction of our impact by measuring and monitoring metrics associated with each form of capital. Where the metrics move in a positive direction, we are creating value; where the metrics move in a negative direction, we are eroding value.

We continually review and identify the most appropriate metrics for value creation that are meaningful to our shareholders, employees, clients and wider stakeholders.

Setting Targets to Achieve Greater Impact

A priority for the coming year is to set targets for the value-creation impacts we want to achieve from our corporate operations and assets under management. Targets will provide focus, informing our investment strategies, helping us prioritise and allocate resources appropriately, and better enabling the monitoring and assessment of progress.



Photo: A. Silcocks, BirdLife Australia

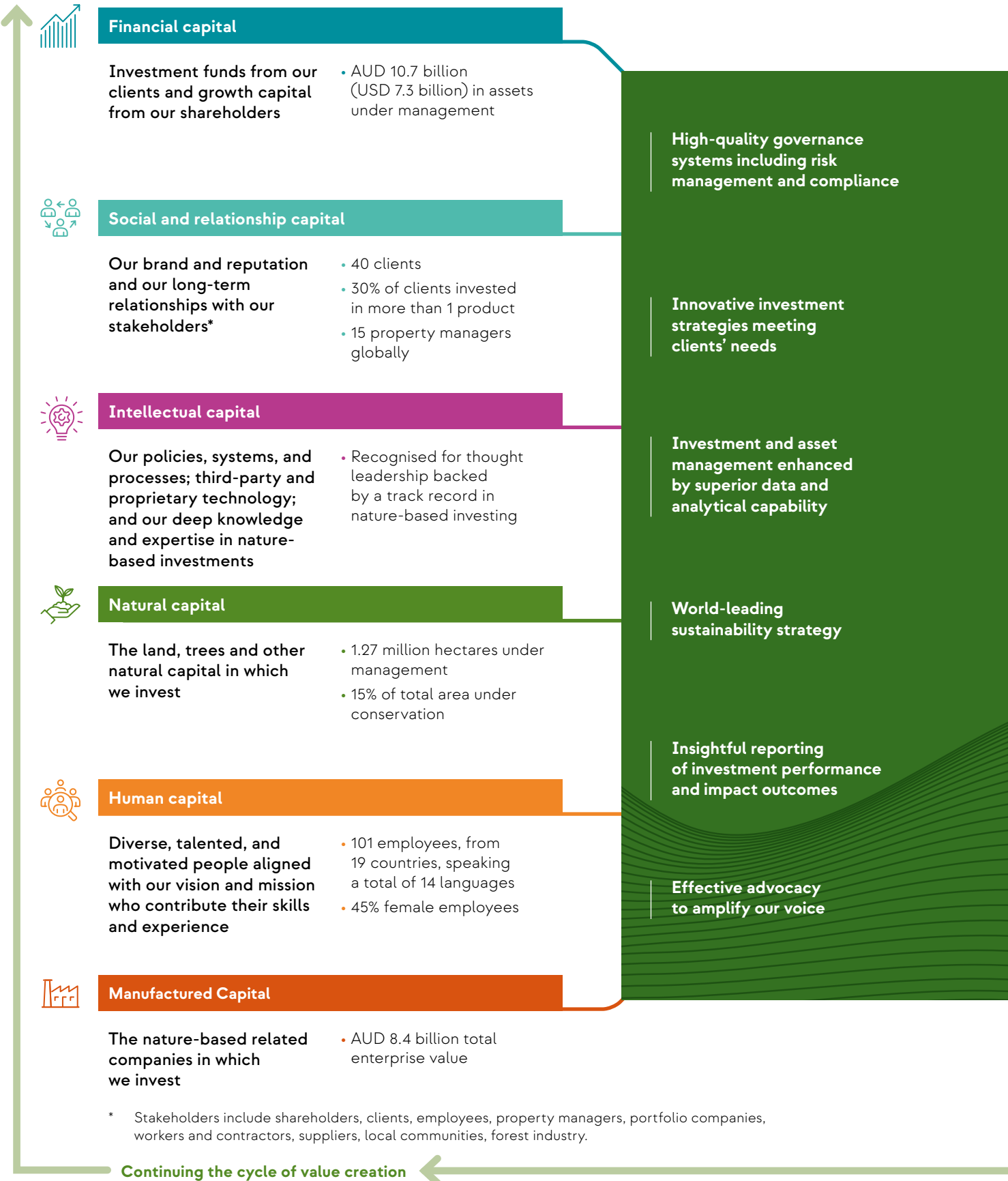
Value Creation Story

What we draw on

The 6 capitals

Investment management

Our value-adding business activities



The impact we create

The value we create aligned with our vision and mission



New Forests

- Growth in assets under management
- Returns to clients that meet or exceed the hurdle rate
- Growth in returns to shareholders meet or exceed expectations
- Improved financial strength

Managed assets

- Improved financial strength



New Forests

- Enhanced brand and reputation
- Stronger relationships with stakeholders

Managed assets

- Prosperous and sustainable communities where our assets operate



New Forests

- Stronger governance, finance, risk, sustainability, and analytics
- Increased innovative investment strategies and products
- Contribution to a strong and supportive policy and stakeholder environment

Managed assets

- Asset level thought leadership



New Forests

- Growth in area under management
- Increased investments that support the transition to a low-carbon and sustainable bioeconomy

Managed assets

- Increased climate action
- Increased biodiversity and other natural capital



New Forests

- More satisfied employees
- Enhanced capabilities of employees
- Improved diversity, equity and inclusion of New Forests' employees

Managed assets

- Improved diversity, equity and inclusion of employees
- Improved the health and safety of employees, contractors and visitors



New Forests

- New and innovative products developed and implemented
- Growth in the companies in which we invest

Managed assets

- Growth in the biological and environmental products supplied to the market above benchmark

Our Impact at a Glance



Shared Prosperity

5,680

Individuals employed



23%

Percentage of female employees at assets



Percentage of female leaders at assets

12%



Risk management systems

100% of assets



280+ Participants

Engaged in outgrower, smallholder and livelihood planting programs



Safety

33% reduction
in lost time incidents
(2021 to 2022)

50% reduction
in medical treatment
incidents (2021 to 2022),
returning to pre-pandemic levels



Nature-based Solutions

202,000,000+
tCO₂e

Carbon stored in production forests



884,000+
tCO₂e

Carbon removals from production forests



Carbon offsets generated

2,950,500+



Seedlings planted

19,648,900+



Total conservation area
157,700+ hectares

33,400+ hectares

Permanently protected conservation area (i.e., under legal protection mechanisms)

440 hectares

Area of environmental reforestation



Circular Bioeconomy

906,790+
hectares

Area of certified forest

7,093,000+
cubic metres

Volume of timber harvested

Percentage of timber produced that is certified

97%

Volume of agricultural product harvested

214,600+
tonnes

Corporate sustainability and leadership

Certified
B
Corporation

Latest B Corp Score⁵:
102

Latest PRI Score:
88%

The purchase of Lawson Grains won the **Global Farmland Deal of the Year 2021** from Agri Investor



The Responsible Investment Association Australasia labelled us as a **Responsible Investment Leader 2022**



5 Our B Corp score was reported incorrectly in our 2021 Sustainability Report. We are pleased to share that our B Corp score increased from 88 to 102 following completion of the latest B Corp certification.



Our Approach to Sustainability

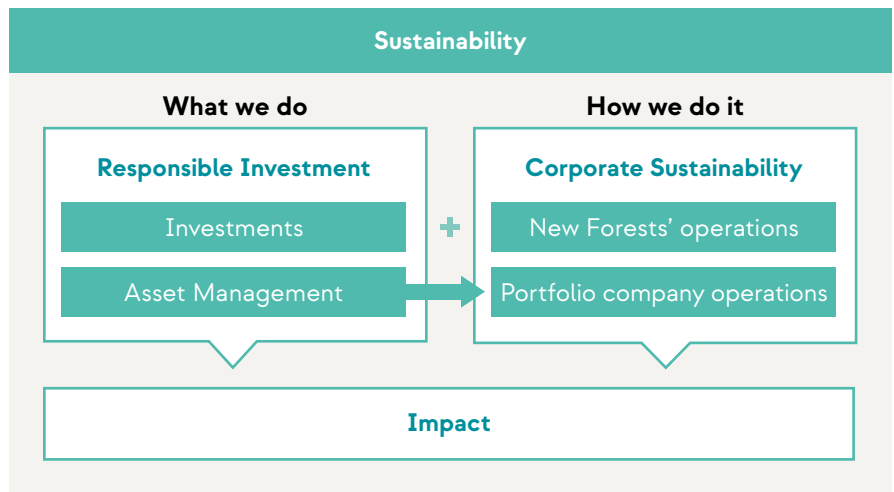
Sustainability at New Forests comprises three interrelated concepts: responsible investment, corporate sustainability and impact.

Responsible investment refers to the 'strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership.' This definition is from the Principles for Responsible Investment (PRI), the leading global industry body that encourages and supports the uptake of responsible investment practices in the investment industry. New Forests has been a member of the PRI since 2010.

Corporate sustainability refers to 'an approach to conducting business that creates sustainable, long-term stakeholder value in financial, environmental, social and ethical terms.' This definition is adapted from the United Nations Global Compact (UNGC), the world's largest global corporate sustainability initiative. New Forests has been a member of the UNGC since 2021.

Impact refers to the intentional, measurable positive real-world outcomes for the economy, society and environment resulting from our investment activities and operations. This definition aligns with the Global Impact Investing Network's (GIIN) definition of impact investments; that is, investments made with the intention to generate positive, measurable social and environmental impacts alongside financial return. New Forests' definition is broader because it also includes impact created through our business operations and encapsulated in our certification as a B Corp.

Bringing these concepts together, New Forests defines sustainability as factoring in social and environmental risks and opportunities and intentionally creating positive measurable impact in all that we do and in all the decisions we make.



Investing Responsibly

New Forests' Responsible Investment Policy sets out our approach to and requirements for responsible investment at each stage of the investment lifecycle. Our Social and Environmental Management System (SEMS) and sustainability metrics are key instruments for implementing responsible investment and monitoring compliance with our policy.

New Forests' responsible investment approach is informed by our membership of industry bodies, including the PRI and the Responsible Investment Association of Australasia (RIAA) through their guidance and their reporting and assessment frameworks. These collaborations allow us to learn from other members and target improvements over time. New Forests received a score of 88%⁶ in the updated 2021 PRI reporting framework, and 15/20 in our 2022 RIAA assessment.

Social and Environmental Management System

New Forests' SEMS, which is aligned with the International Organisation for Standardisation 14001 Standard for Environmental Management Systems, provides detailed requirements and guidance that ensure social and environmental issues are considered in a standardised manner across the investment lifecycle. Key elements of the SEMS are:

- 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 under management to clearly define management, mitigation, monitoring and reporting requirements; and
- A management review of SEMS-related items to ensure processes are being followed and completed.

Various supporting procedures also provide more detailed guidance in specific areas, including impact assessment and risk categorisation. New Forests is committed to continuous improvement in how we consider ESG risks, opportunities and impacts when undertaking investment and asset management processes and decision-making. The SEMS is translated to funds through a fund-specific SEMS Declaration Document, which identifies the fund's roles and responsibilities for ESG management and includes an ESG policy with relevant regional requirements.

Sustainability Metrics

New Forests first developed a set of sustainability metrics in 2016 to ensure comprehensive and consistent monitoring and management of ESG-related risks and opportunities. The sustainability metrics cover activities associated with corporate operations and assets under management. Data for these metrics is collected at least annually and is reported to stakeholders through various channels, including fund-level ESG and impact reports and our annual *Sustainability Report*. We seek to align our metrics with industry standards, such as the GIIN IRIS+ metrics, and comply with regulatory requirements such as the EU Sustainable Finance Disclosure Regulation for relevant funds.

Monitoring

- Investment/Portfolio company
- Fund
- Corporate

Implementation Responsibilities

- Risk categorisation
- Acquisitions
- Operations
- Reporting
- Exit



RI Policy

- Requires ESG integration
- Specific implementation components

SEMS

- Sets operational controls and management requirements

Fund SEMS Declaration Document

- ESG Policy for each fund
- Implementation responsibilities for each fund

⁶ Benchmarking with peers was not available for 2021 PRI reporting. New Forests hopes to provide our relative performance with our peer group in future reporting, as provided by the PRI, which did not conduct reporting in 2022.



Driving Impact in the African Forestry Impact Platform

The African Forestry Impact Platform (AFIP) has a mandate to deliver positive impact outcomes across the themes of climate, biodiversity, gender, and community and livelihoods. Emerging best practice for impact investments includes setting quantified impact targets as part of the fund development. AFIP's 10-year impact targets are to:

- Generate 2.26 million tonnes of additional carbon sequestration
- Increase by 14% the area of quality habitat protected or restored
- Achieve the '2X' qualification (gender-diversity targets; see the 'Diversity, Equity and Inclusion' section) at 80% of investments
- Increase by 14% the number of additional people earning an income or with an improved livelihood.

New Forests will review these impact targets after full deployment of AFIP, revising them as necessary to align with the asset types. The pathway to achieve the targets has been outlined in an internal 'Theory of Change', which will help New Forests track progress against the targets.

Additionally, an impact-linked portion of AFIP's performance fee will only be paid out in full if impact targets are met. Connecting management incentives with impact outcomes is increasingly viewed as best practice for asset managers.

'AFIP is New Forests' first fund where impact targets have been integrated into a fund and its compensation structure' said Stephanie Bishop, Associate Director, Environmental & Social, Africa. 'New Forests' Africa team is excited to demonstrate how integration of impact can work over a long period of time. Measurement and reporting of impact will be aligned to international best practice and relevant certification standards. We aim to use new technology to improve transparency, traceability and verification of collected data.'

Corporate Sustainability

In 2022, New Forests launched its Corporate Operations Sustainability Policy, which applies to global corporate and virtual office operations and to related activities, such as travel. The policy covers our current activities and future ambitions in four areas deemed to be the most material for our corporate operations: employees, environment, community, and suppliers and contractors. These areas are based on the assessment themes undertaken to certify New Forests as a B Corp.

B Corp certification is a global sustainability accreditation program in which companies undergo a rigorous assessment of their impact on society and the environment: the B Impact Assessment. Certified since 2018, New Forests views B Corp certification as a key measure of sustainability because it provides a comprehensive and transparent global framework against which our impact is assessed and improved.

To remain B Corp certified, New Forests completes the B Impact Assessment every three years, and this evaluates our performance in governance, workers, customers, community and environment.

To achieve certification, a company must score a minimum of 80 out of 200 points on assessment and meet additional requirements related to legal accountability and transparency. In our most recent assessment, New Forests achieved a score of 102, an increase of 14 points on our previous score of 88.

Stakeholder Engagement

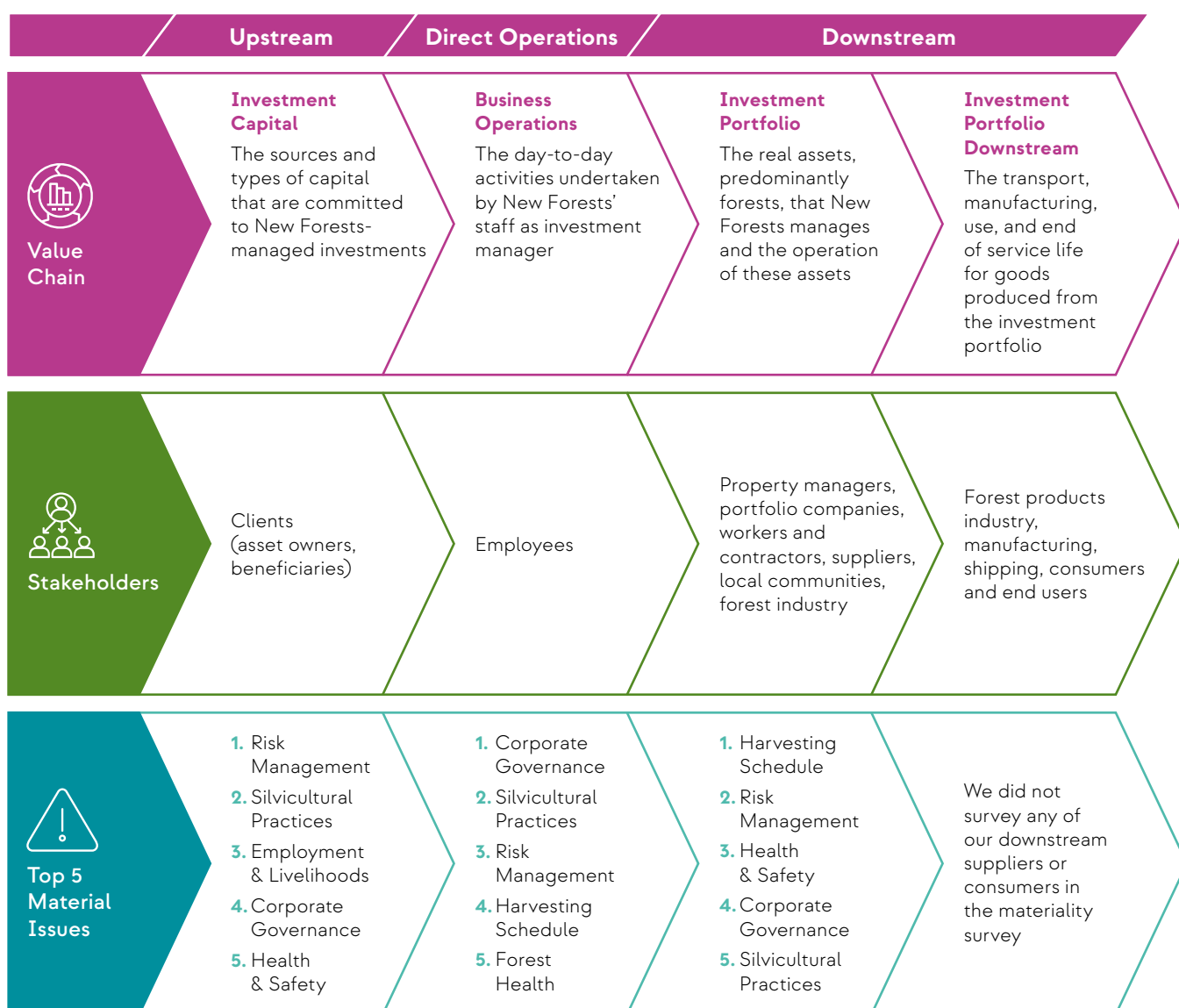
New Forests identifies our employees, clients, business partners and the communities in which we operate as key stakeholders. Through stakeholder engagement, including a materiality assessment,⁷ we aim to enhance the effectiveness of our sustainability programs and improve the disclosures we make about our corporate operations and the assets that we manage, and the associated positive outcomes.

In the 2021 financial year, New Forests conducted a Stakeholder and Materiality Assessment to understand how our stakeholders view key ESG factors in terms of materiality to their interests. We selected 16 ESG factors (informed by our sustainability metrics and advocacy priorities) and asked stakeholders to rank them according to two criteria:

- 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 following figure. While there are many similarities across the groups, it is important for New Forests to understand how the priorities of our stakeholder groups both converge and differ. These priorities help guide what is included in this report.

In the 2023 financial year, we will prepare a holistic stakeholder engagement plan, which will include an updated Stakeholder and Materiality Assessment, which will also encompass the New Agriculture business.



⁷ Materiality assessments are formal exercises to engage stakeholders to find out how important specific ESG risks and opportunities are to them.

Risk Management

Exposure to risk is unavoidable in pursuit of New Forests' vision and mission. Well-controlled risks can present new opportunities, resulting in value creation, but uncontrolled risks can hinder long-term strategic objectives and our ability to succeed.

New Forests operates an enterprise risk management (ERM) program, which provides a strong foundation from which we can successfully deliver our strategic priorities. The ERM program enables a culture of risk awareness across the business by identifying risks and defining controls that mitigate or manage them, in line with the risk-appetite statement. The program helps our leaders identify, evaluate, communicate and address risks. We believe our ERM creates value through being an early warning system that positions the business to adjust the strategy and business model to capitalise on market opportunities and emerging risks.

The ERM covers New Forests' corporate operations and all assets under management. At the corporate level, the New Forests Board approves the ERM, sets the business's risk appetite and works with the leadership team to proactively identify, monitor and manage material and emerging risks and opportunities. The Board and Risk & Compliance Committee (RCC) provide oversight of all our risk and compliance management activities. The RCC meets at least four times a year and receives quarterly reports on our enterprise risk register.

With regards to assets under management, risks and opportunities, including those related to sustainability, are identified and documented in asset-level risk registers and a risk-appetite statement, which defines levels of risk that can be tolerated. These are developed collaboratively between New Forests' Risk & Compliance and Operations teams and the property managers or portfolio companies.

These asset-level risk registers inform fund-level registers, which are reviewed by New Forests on a regular basis.

To manage and mitigate the risks and exploit the opportunities identified in the register, all assets must also have operating-level risk-management systems. Asset-level risk management is reviewed and updated annually during strategic planning review processes.

Asset-level risks and opportunities are also identified and managed through sustainable forest management certification, and in emerging markets, we require alignment with the International Finance Corporation Performance Standards. Additionally, New Forests' sustainability metrics, discussed earlier in this report, are used to identify other ESG and impact-related risks and opportunities. Through New Forests' ERM, sustainable forest management certification and our sustainability metrics, the

CEO Sustainability Collaboration

In September 2022, New Forests engaged the CEOs of our Australian, New Zealand and US portfolio companies and property managers on ESG challenges and opportunities. The purpose of the two-day sustainability leadership workshop in Sydney was to spur collaboration towards positive climate, nature, employee and community outcomes. This was the first time these leaders from developing markets were in the same room together. Over the two days, the CEOs exchanged ideas, best practice and learnings related to integrated reporting, climate, nature, working with First Nations peoples, safety, advocacy and communications.

'The scale and scope of the investment pool that New Forests manages on behalf of investors enables us to leverage knowledge and best practice from individual businesses across asset managers. Having the CEOs in one room brainstorming and collaborating across ESG issues enables us to establish common best practice and identify targeted projects for improvement.'

Matt Crapp, Head of Asset Management, Developed Markets



ESG topics identified in our stakeholder materiality assessment are addressed.

Corporate and asset risks are regularly reported to clients and the appropriate New Forests committees.

Key ESG risks and opportunities of relevance to New Forests are as follows.

Climate Change-related Risks and Opportunities

Climate-related risks can be physical – either acute (event-driven) or chronic (long-term changes) – or transitional (linked to regulatory, market or other changes). To identify material climate impacts and strategic projects to address the risks and harness the opportunities, New Forests is a formal supporter of the TCFD and uses a TCFD-aligned climate risk and opportunity assessment in our annual asset-level strategic planning process. The TCFD provides the leading framework for companies and financial institutions globally to report and act on their climate-related risks and opportunities.

New Forests' climate risk and opportunity assessment uses three scenarios to evaluate how climate change may impact our assets under management:

1. **Ambitious Global Action Scenario:** low emissions and high ambition, with the world actively working to keep the average global temperature to well below 2°C, preferably to 1.5°C, above pre-industrial levels. This scenario is aligned with the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) 1.9, which is the goal of the Paris Agreement;
2. **Business as Usual Scenario:** moderate emissions and moderate ambition, set in a world where governments deliver on policies presently in place (but nothing else), which are projected to reduce baseline emissions and result in about 3.2°C of warming above pre-industrial levels. This scenario falls within the temperature rise estimates for RCP 6; and
3. **Runaway Climate Change Scenario:** high emissions and low ambition, set in a world in which current government policies and measures are only partially realised and warming reaches more than 4.5°C above pre-industrial levels. This aligns with the worst-case scenario presented by the IPCC, RCP 8.5.

Risks relevant to New Forests' assets under management are primarily related to changes in the physical environment and regulatory or market standards.

Climate-related opportunities are largely driven by wood fibre and carbon market opportunities, but may also include increased biological growth, supply chain and operating efficiency and opportunities for environmental restoration and conservation projects that promote ecosystem resilience.



Examples of such climate risks and opportunities identified for New Forests’ assets under management are set out in the following table.

| Risks and Opportunities | Scenario | | | Timeframe | Examples of Management Controls |
|--|--------------------|--------------------|--------------------|-------------|---|
| | Action | BAU | Runaway | | |
| Risks | | | | | |
| Increase in floods | Some what negative | Negative | Negative | Near-term | Dam audits and maintenance program |
| Increase in extreme temperatures | Negative | Very negative | Very negative | Long-term | Reduced species survival leading to evaluation of species with greater heat tolerance |
| Increase in high winds | Some what negative | Some what negative | Some what negative | Near-term | Standard operating procedures |
| Increase in storm severity | Some what negative | Some what negative | Some what negative | Near-term | Review infrastructure engineering specifications |
| Increase in bushfire severity | Very negative | Very negative | Very negative | Near-term | Enhanced fire detection and response programs |
| Reduced soil moisture | Some what negative | Some what negative | Negative | Long-term | Review silvicultural regimes |
| Changes to the water table | Some what negative | Some what negative | Negative | Long-term | Review alternative species options and silvicultural regimes |
| Increased stringency on water-related policies | Negative | Negative | Very negative | Long-term | Water-use projects and improved understanding of soil and groundwater use |
| Biodiversity loss | Some what negative | Some what negative | Negative | Long-term | Fire management plan |
| Changing seasonal patterns | Some what negative | Some what negative | Some what negative | Near-term | Review alternative species, planting and infrastructure programs (including road maintenance) |
| Increased droughts | Some what negative | Very negative | Very negative | Long-term | Evaluation of different species with drought tolerance |
| Changes in humidity | Some what negative | Very negative | Very negative | Long-term | Engage in industry initiatives related to pest and disease management |
| Technology changes | Some what negative | Some what negative | Some what negative | Medium-term | Engage in industry groups and employ new technologies as available |
| Opportunities | | | | | |
| Increased droughts | Some what positive | Some what positive | Positive | Long-term | Standard operating procedure updates for a longer harvesting window |
| Increased average temperatures | Very positive | Very positive | Very positive | Long-term | Optimise species allocations and climate modelling |
| Changes to soil moisture | Some what positive | Some what positive | Positive | Long-term | Update operating procedure due to decreased moisture lengthening harvest window |
| Drying seasonal conditions | Some what positive | Some what positive | Positive | Long-term | Update operating procedure due to decreased wet weather area lengthening harvest window |
| Water conservation policies | Positive | Positive | Positive | Medium-term | Develop water-rights register and commission water strategy to understand water assets |
| Carbon policies and regulations | Very positive | Very positive | Very positive | Near-term | Advocate for forest methodologies and develop carbon strategies as carbon prices create value for removals |
| Technology changes | Positive | Positive | Very positive | Medium-term | Engage on alternative fuels development |
| Market changes | Positive | Positive | Positive | Medium-term | Monitor market trends as consumer preferences for wood products change, and engage with downstream partners |
| Climate mitigation | Positive | Very positive | Very positive | Medium-term | Engage in emissions reductions projects with partners to reduce climate change |

Key: ■ Very negative ■ Negative ■ Some what negative ■ Some what positive ■ Positive ■ Very positive

Alignment with the TCFD recommendations is challenging and we continue to refine our approach. Some of the challenges and lessons learned to date follow:

- Scenario analysis is complicated, and using bespoke, internal scenarios is not appropriate in the long term. New Forests is looking to leverage publicly available science-based regional scenarios to support a best-practice approach to scenario analysis.
- It is crucial to have a streamlined approach to consolidating asset-level climate-related risks and opportunities to inform a portfolio risks and opportunities register. New Forests is looking to standardise how risks and opportunities are reported to allow for such consolidation.
- It remains challenging to link climate-related risks and opportunities to financial impacts; this is an area in which we need to provide more guidance to our third-party property managers and portfolio companies.

In 2023, New Forests will publish a climate and nature disclosure report, an updated overview of how we integrate climate and nature risk and opportunity analysis into both our business strategy and role as an asset manager. For more information, please see our current [Climate Disclosure Report](#).

Modern Slavery Risks

As New Forests is a specialist investment manager, there is minimal risk of forced labour in our direct workforce. But we recognise the potential risk of modern slavery in the investments we manage. Forestry is viewed as a high-risk sector for modern slavery due to its exposure to informal employment, including outsourcing, contracting and subcontracting, and engagement of casual, seasonal and migrant workers. Our investment operations include workers employed by portfolio companies, and more than 5,600 workers (excluding New Forests employees) were involved in our investment operations in the reporting year. Some 75% of the third-party workforce engaged in activities related to assets managed by New Forests is temporary or contract labour. Therefore, New Forests-managed assets have significant 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 seeks to understand, manage and mitigate this risk in our supply chain, specifically:

- We embed considerations of human rights risks, including modern slavery, into our corporate policies and frameworks;
- We perform due diligence on all business relationships to prevent modern slavery in our supply chains and operations;
- We use monitoring, compliance and reporting mechanisms to support our understanding of the effectiveness of our policies and processes to uphold human rights and eliminate modern slavery; and
- We advocate through industry groups and engage with industry experts and peers to exchange best practices for responding to human rights issues in the forest and agriculture sectors.

In December 2022 we released our third Modern Slavery Statement. Updates to our program during the reporting period include:

- Development of our [Human Rights Policy](#), which aligns with international human rights and forestry sector guidelines and certification requirements;
- Review of our tier 2 supply chain,⁸ focusing on high-risk products and industries;
- Engagement of industry experts and peers to exchange best practice for responding to human rights issues in the forestry sector; and
- Increased use of research tools and external due diligence to identify potential sources of modern slavery in proposed investments.

In 2023, we will implement company-wide training on our Human Rights Policy, support our third-party managers to enhance their human rights practices through access to tools and policies, and improve the accessibility of our grievance and remediation systems.



For more information, please see [New Forests' FY22 Modern Slavery Statement](#).

⁸ Tier 2 is defined as companies that provide goods and services to our direct suppliers.

Q&A with Paul Kennedy, Global Head of Risk and Compliance

As we emerge from the COVID-19 era, how has the risk environment changed?

The main lesson coming out of the COVID-19 pandemic is that the traditional approach to risk management simply does not work. The pandemic fundamentally challenged how companies need to identify, assess, manage and monitor risk, changing our previously held beliefs around security, IT resilience, crisis management and business continuity planning. Now more than ever, there is the need to anticipate operational events and plan how to remain resilient, to ensure the business can withstand shutdowns or major attacks. Risks are more interconnected than ever, and this reinforced our approach, commencing in 2018, to shift to more enterprise-wide risk management.

What are some of the emerging risks to which we need to pay attention?

Climate change is increasing the frequency and severity of natural disasters, such as wildfires and cyclones, which can damage or destroy timberland and agriculture assets. Climate change can also impact timber growth rates and forest health, affecting the long-term value of the asset.

The increasing demand for sustainable and responsibly sourced timber is leading to greater scrutiny of supply chains. Failure to ensure transparency in the supply chain can lead to reputational damage and legal liability for timberland owners. Social and political instability in regions where timberland assets are located can lead to disruptions in supply chains, damage to property and legal and regulatory risks.

How has New Forests' launch of an investment platform in Africa made you think differently about our risk management approach?

Investing in the forestry sector in Sub-Saharan Africa presents significant challenges and risks, but also substantial opportunity. Thoughtful risk management for New Forests requires a balance between the economic potential of an opportunity and the costs required to mitigate the risks associated with that opportunity. Where we have needed to modify our risk management framework and processes is in order to increase the level of business integrity related risk management and due diligence to meet the requirements of our investors, but to also fully understand the increased third-party risks that we are taking on. Our overarching approach to business integrity for Africa is designed to ensure the following key components are in place:

Business Integrity Management System

Business Integrity Policies

- Business integrity policies form the framework for the risk management approach towards business integrity
- The policies clearly and simply set out the objectives and principles that guide those accountable and responsible for their implementation

Stakeholder Management

- Variety of channels available to communicate internally and with investors and other stakeholders about how the business integrity related policies and risk management processes are functioning

Performance Management

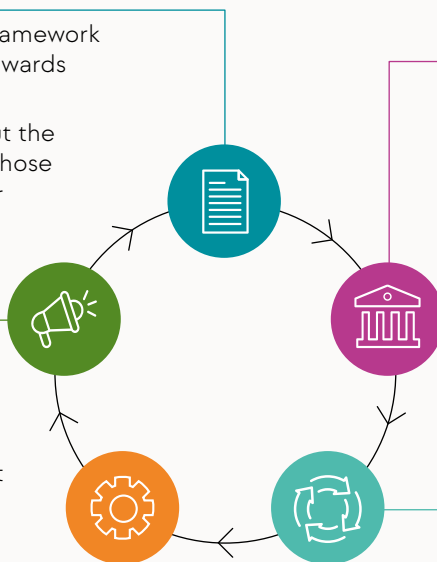
- Program of reviewing business integrity performance that includes details on the type of risk assessment undertaken, the frequency of the risk assessment and how the outcomes are reported within the governance arrangements

Roles, Responsibilities and Oversight

- A clear explanation of who is responsible for developing and driving the policies behind the business integrity approach
- Who participates in each element of business integrity implementation and who has overall responsibilities for the various activities within the business integrity risk management

Procedures

- Clear and appropriate procedures outlining what needs to be done at the various stages of the investment cycle
- Procedures underpinned by specific tools to ensure consistent application



Governance

Governance and Ethics

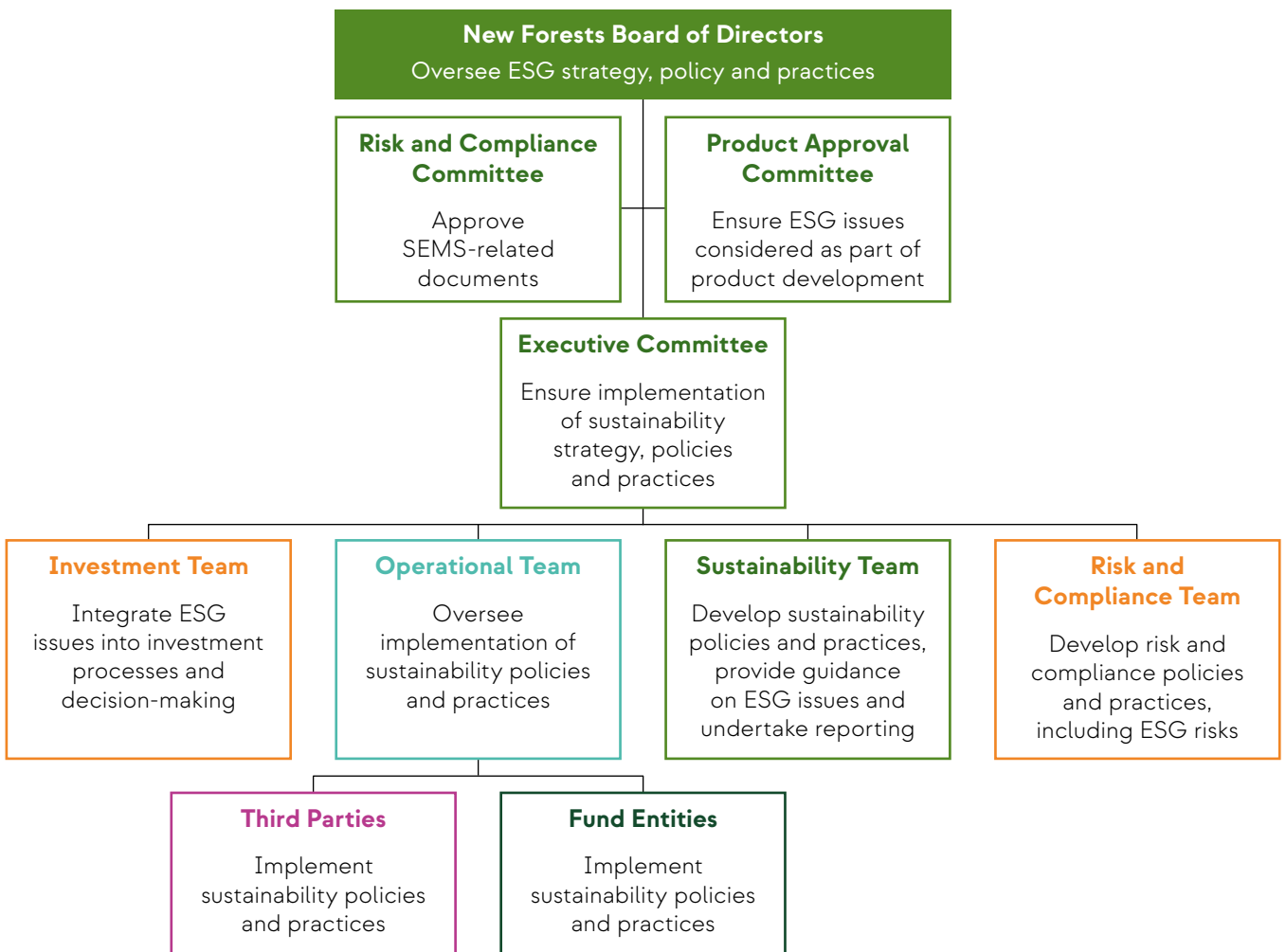
Governance is the system by which an organisation is controlled and operates, and the mechanisms through which it and its people are held to account.⁹ New Forests recognises that good governance leads to better financial and non-financial performance, creating value for our stakeholders, including clients, employees and communities, and supporting achievement of our vision and mission.

Effective and sound governance practices underpin New Forests' commitments to the 'G' in ESG. Our corporate and asset management activities are overseen by relevant governance structures, policies and procedures, and we are committed to continuous improvement of our enterprise approach to governance.

New Forests

At the highest level, New Forests Pty Ltd, the parent company of our group of companies, is governed by a Board of Directors. Among other responsibilities, the Board oversees sustainability issues, including key trends, policies and procedures, and impact performance. As outlined in the Responsible Investment Policy, other internal committees and teams are also responsible for ESG implementation across the business (see diagram below).

Governance Framework for Sustainability



⁹ Governance Institute of Australia, 'What is governance?', 14 March 2023.

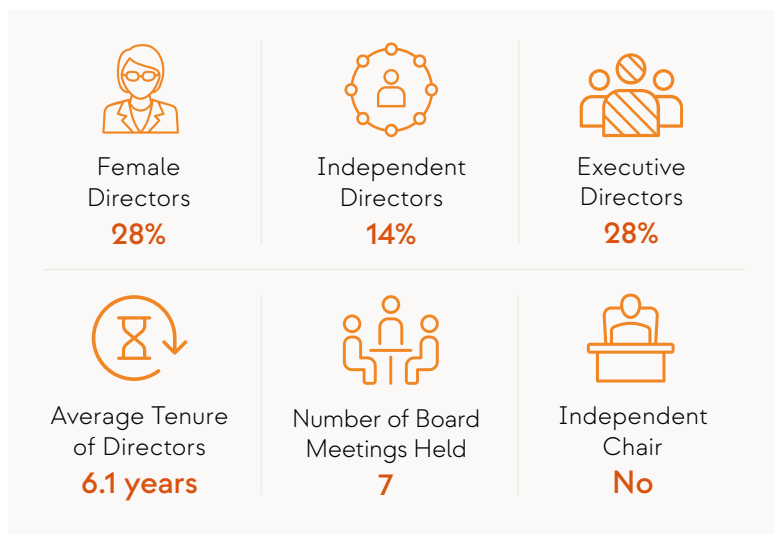


Board effectiveness is determined by attributes such as a diversity of view and experience, independence of thought and decision-making, and trust. The figure to the right shows key characteristics of the New Forests Board regarding these attributes.¹⁰ Its members undergo ongoing training to remain up to date on emerging topics and trends within the industry.

In January 2023, Mitsui and Nomura became majority shareholders of New Forests. Representatives from these organisations are now on the Board. Another key change is the CEO, with Mark Rogers becoming New Forests' CEO in April 2023.

Assets Under Management

New Forests is committed to a robust governance structure across our business, including our asset management activities. Governance structures and processes for each of the assets and portfolio entities consider the requirements of relevant constituent documents as well as governance best practice.



¹⁰ Data as of 31 December 2022; this does not include new Board members due to shareholder transition.

Remuneration and Sustainability

A set of key performance indicators (KPIs) is linked to employee remuneration across the business, two of which focus on sustainability: ESG integration and the B Impact Assessment. The first of these focuses on compliance with internal and external requirements for ESG integration, procedures and reporting; the second relates to continual improvement in our B Corp score. Employee achievement of these KPIs is reviewed annually.

The African Forestry Impact Platform is New Forests' first fund to formally incentivise sustainability within an investment strategy, linking achievement of its impact targets to payment of performance fees. Alignment of impact outcomes with fees is increasing across asset managers,¹¹ as a means of strengthening impact outcomes.

Commitments

Progress buttons: ● Not started ● Delayed ● On track/completed

| | FY22 Targets | FY22 Actions | FY22 Progress | FY23 Targets |
|-------------------------------|--|---|---------------|---|
| Integrated Reporting | Develop Value Creation Story | Value Creation Story developed | ● | Align 2023 Sustainability Report with Integrated Reporting recommendations Develop a climate and nature disclosure report |
| Impact Targets | Develop impact targets for new funds | Impact targets developed for AFIP | ● | Develop impact targets for new funds |
| Stakeholder Engagement | Update stakeholder engagement and materiality assessment | Began review of best practice for stakeholder materiality assessments | ● | Complete stakeholder materiality assessment |
| Risk Management | Climate change: integrate alignment with the TCFD recommendations into annual fund reporting Modern slavery | Pilot with US separately managed account | ● | Integrate into all funds' annual reporting Implement company-wide training on our Human Rights Policy; support third-party managers to enhance their human rights practices and improve the accessibility of our grievance and remediation systems |

¹¹ Responsible Investor, "Funds linking management compensation to impact performance, finds research." 2021.



Our Investments

New Forests invests across Australia and New Zealand, Southeast Asia, Africa and the United States

We offer dedicated strategies in each region, giving our clients exposure to diversified markets as well as differing risk-return profiles and sustainability and impact objectives. Our investment approach is centred on 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, raising its first dedicated Australia and New Zealand-focused forestry fund in 2010. We are the second-largest forestry investment manager by area in Australia¹² and the sixth-largest in New Zealand.¹³ We currently manage AUD 8.4 billion in assets in this region, using a landscape approach to manage a portfolio consisting of sustainable eucalyptus and pine plantations, agricultural properties, conservation areas, and timber processing and carbon projects. In the 2022 reporting year, the Australia and New Zealand portfolio produced more than 6.7 million cubic metres of forest products and generated more than 344,000 carbon credits.

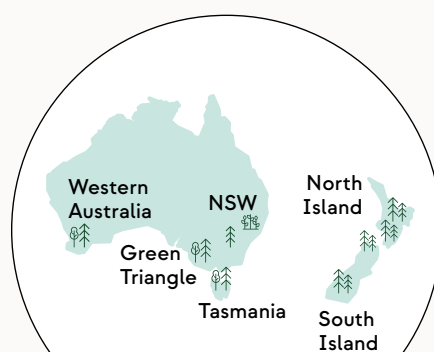
Highlights

- Announced New Agriculture, a platform for large-scale sustainable agriculture investment and asset management;
- Launched ActivAcre, a project to develop carbon projects on third-party land (page 58);
- Hosted a two-day sustainability workshop in Sydney for all our property managers in Australia, New Zealand and the United States (page 20); and
- Supported a number of conservation, restoration, and species-focused programs (pages 65–67).

Challenges

- While overall health and safety incident rates improved, there remained a small number of material safety incidents across the assets under management, particularly relating to contract workers (page 47);
- Increased operational costs associated with Russia’s invasion of Ukraine; and
- Decreased demand for wood products, linked to Chinese economic slow-down and fewer residential housing starts in the United States.

- Australia New Zealand Forest Fund
- Australia New Zealand Forest Fund 2
- Australia New Zealand Forest Fund 3
- Tasmanian Carbon Afforestation Trust
- Lawson Ag Holdings



Investment Opportunity

- Low-risk sovereign investment environment
- Optionality in land management and rising carbon prices create 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 creating competition for land use with forestry
- Rising competition for high quality assets
- Geopolitical issues creating some challenges for Australian timber export markets
- While there has been some recent improvements, there remains a need for stronger 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

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

12 New Forests’ analysis, figure at 30 September 2022.

13 Forest Owners Association, ‘New Zealand Forest Owners Association 2020-21 Facts and Figures’, 2021.



The New Agriculture team, from L-R, Ben Pickles, Bruce King, Ben Mason and Jamie Lord.

Launch of New Agriculture

In August 2022, New Forests announced a new business division, New Agriculture, which would build a portfolio of agriculture assets globally, focusing initially on Australia and New Zealand.

New Agriculture already manages Lawson Grains, a 100,000-hectare agricultural asset spanning Western Australia and New South Wales, on behalf of Alberta Investment Management Corporation.

New Agriculture's objective is to generate market-leading returns through investments in sustainable agricultural production, while also contributing to New Forests' vision and impact areas of nature-based solutions, shared prosperity and the circular bioeconomy.

The division is led by Bruce King, former chief executive of the Australian Government's Regional Investment Corporation. 'Development of an agriculture business expands investment opportunities significantly', says King. 'While Australia has around

two million hectares of productive and mostly Forest Stewardship Council®-certified plantation forests available for investment, agricultural land covers more than 380 million hectares of the continent.'

Investing in agriculture is a natural extension to New Forests' 18-year track record in sustainably managing forestry. It will allow for a holistic landscape-management approach that takes into consideration the ecological, social and economic aspects of the land.

Agriculture is an asset that provides investors with a strong cash yield, a natural inflation hedge and is uncorrelated to other asset classes. By combining New Forests' experience in forestry with agriculture, we seek to optimise the value of the land between sustainable food and fibre production, carbon sequestration, conservation and community benefits.

'Landscapes have natural boundaries such as rivers and mountains', explains David Shelton, Head of Investments, Developed Markets for New Forests. 'When land is managed based on straight lines, paddocks and property titles, it doesn't take into account landscape boundaries where soils and rainfall change. By managing across landscapes, we can be sympathetic to the underlying optimal land use, rather than following an investment thesis that says we can only invest in forests, therefore we only plant trees.'

Including agriculture diversifies the investment, Shelton explains. 'When you invest in forestry, you're exposed to the underlying land value, plus housing and/or woodchip markets', he says. 'Integrating forestry and row crops through a landscape approach creates the opportunity to increase returns and reduce risk, via diversification of revenue streams and market cycles.'

Southeast Asia

New Forests has operated in Southeast Asia since 2008, and it 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). The fund developed a portfolio of sustainable tropical hardwood plantations, rubber, conservation areas and timber processing, integrated with investment in rural livelihoods and community development, such as smallholder planting and community-benefit programs. Our Tropical Asia Forest Fund 2 (TAFF2) aims to continue investment in the region through a blended finance structure that will enhance the fund's ability to invest in climate, community and biodiversity impact activities.

New Forests currently manages AUD 370 million in assets in Southeast Asia.

Highlights

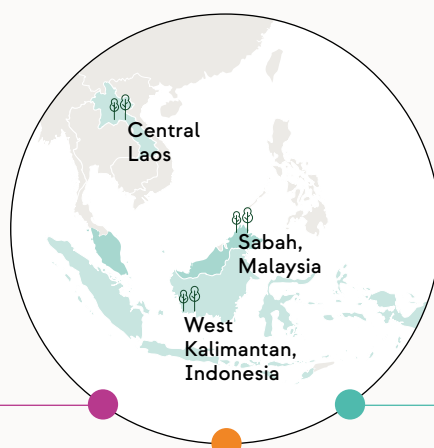
- Announced the first close of TAFF2 in March 2022;
- Announced a partnership with the Restoration Seed Capital Facility to accelerate investments into nature-based solutions;
- Supported the development and implementation of a program to support tertiary education in Laos (page 50);
- Commenced a seasonal wetland-restoration program at Mekong Timber Plantations (MTP) in Laos;
- Began production at the new mill at MTP (page 72);

- Implemented a community-benefit program at Hutan Ketapang Industri (HKI) in Indonesia (page 49); and
- Supported the design and implementation of a conservation-management program (page 64) and conservation-corridor development at HKI.

Challenges

- Softening market for sawn timber required adjustment in output at the processing facility in Laos; and
- Lack of a national policy regarding voluntary carbon-market credit trading, and associated uncertainty for investment in several Southeast Asian countries.

Tropical Asia Forest Fund
Tropical Asia Forest Fund 2



Investment Opportunity

- Higher risk-adjusted returns than mature forestry investment markets
- Exposure to rising regional demand for timber products correlated with growing wood products manufacturing industries and growing GDP
- Significant potential for positive environmental and social impact
- Growth and transformation of assets and supply chains
- Growing demand for carbon credits in voluntary market is creating new investment opportunities alongside traditional plantation forestry investment

Regional Challenges

- Lag in investment due to perceived risks
- Historical land tenure and community issues
- Natural forests and biodiversity need to be protected as part of plantation investments
- Under-investment in the development of timber markets and associated infrastructure
- Need for rigorous governance and risk management integration into management of forestry assets

New Forests' Approach

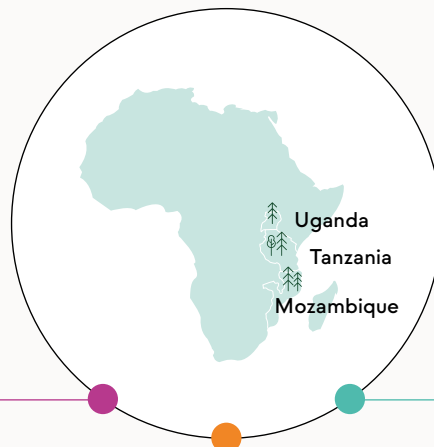
- Deliver long-term capital to plantation forestry with climate, biodiversity, and livelihoods co-benefits
- Emphasis on technology and silvicultural improvements
- Develop new domestic and export markets
- Invest in processing supply chains
- Improve local management and human capital
- Apply rigorous ESG approach and certify forest management to international standards

Sub-Saharan Africa

New Forests has operated in Sub-Saharan Africa since 2021, through our Nairobi office. In October 2022, New Forests announced the launch of the African Forestry Impact Platform. We are excited to have closed on the first AFIP transaction in February 2023, with the acquisition of Green Resources, East Africa’s largest forest development and wood processing company. Our strategy in Africa is centred on the following areas: consolidation and restructuring of sustainable forest

plantation assets, investment in portfolio company growth and enhancing environmental, social and governance impact. Our focus will be on sustainable forest-management operations, alongside investments in conservation, rehabilitation and community benefit projects. We currently manage AUD 294.9 million in assets in the region.

African Forestry Impact Platform



Investment Opportunity

- Increased regional and global demand for sustainable and certified forest products
- Growing global carbon markets
- Aggregation of existing companies and assets into profitable and competitive enterprises
- Supportive regional demographic trends, including economic growth and development and increased dialogue around the bioeconomy
- Increased interest from international development partners to support commercial businesses to achieve impact objectives

Regional Challenges

- Historic under-investment in plantation forestry and related infrastructure leading to a sector that is below capacity to meet demand
- Limited collaboration across the sector, resulting in existing companies and projects operating in vacuums and minimal cross-sectoral benefits
- Nascent formal timber processing industry
- Social and environmental pressures on natural forest
- Diverse, complicated and historic land tenure issues

New Forests’ Approach

- Supply long-term capital to forest and natural capital investments
- Support consolidation, collaboration and restructuring to increase organisational growth and impact outcomes
- Implement a mixed landscape approach to create synergies across plantations, infrastructure and nature-based solutions
- Apply a rigorous approach to scaling positive impact with quantified targets
- Ensure international best practice across investments to mitigate land tenure and social problems



Meet the New Forests Africa Team

The New Forests Africa team is led by dedicated professionals with deep experience in the region. Senior Director Paul Ohaga came to New Forests with a background in corporate finance, venture capital and private equity. He is responsible for managing the execution of New Forests' strategy in the region and was crucial in the design and first close of the AFIP strategy. 'I am motivated by New Forests' approach to tackling some of the world's complex challenges around nature-based solutions. New Forests uniquely integrates climate, livelihoods and sustainable returns seamlessly in its investment approach.'

Associate Director, Environmental & Social, Stephanie Bishop has 15 years' experience in African forestry, with a focus on management of environmental and social issues. She is overseeing and implementing New Forests' ESG and impact

strategy in the region through direct engagement with portfolio companies. 'The vision of the Platform to consolidate, restructure and foster growth within the industry across the continent leaves tremendous room for scalable impact. It is great to be part of the strong Kenya team, with support from New Forests' wider and highly esteemed portfolio and experienced management.'

Associate Director, Investments, Moses Kimani has a background in private equity, with a focus on investments across the African food chain. He is responsible for the origination and execution of investment transactions in Africa, focusing on innovative and high-quality investments. 'Since its formation, New Forests' global business has proven that landscape-based investments can deliver commercial returns alongside positive impact outcomes.'

AFIP's open-ended structure is innovative and is consistent with the long-term nature of biological assets it will be investing in, by providing management teams with the time required to build a commercially sustainable platform.'

Associate Director, Operations, Kuda Phairah has more than 20 years' experience in African forestry operations, most recently in South Africa. He provides strategic and technical support to a portfolio of plantation forestry, conservation forest land, and processing investments in Sub-Saharan Africa. 'I am excited to support AFIP, an innovative long-term, large-scale, value creation-focused and actively managed platform that will invest across the Sub-Saharan forest landscape to deliver maximum impact, aligned to New Forests' vision.'

United States

New Forests has operated in the United States since 2007, leading in innovative climate-smart forestry and conservation finance investments by going beyond traditional timber management to encompass returns driven by carbon markets and conservation management strategies, such as conservation easements. We currently manage AUD 1.4 billion (USD 919.7 million) in assets across forestry assets managed for sustainable timber production and increased carbon sequestration on behalf of separate account clients and a commingled fund, the Forest Climate Solutions Fund.

Highlights

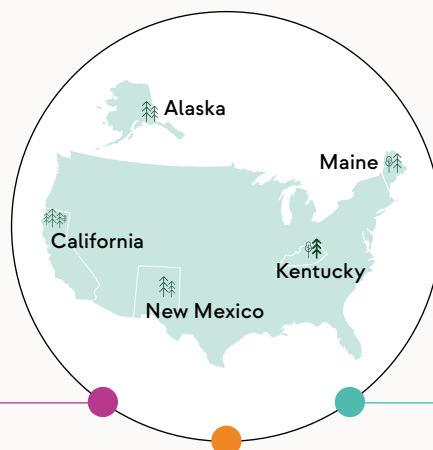
- Achieved the first close of the Forest Climate Solutions Fund in June 2022;
- Gained approval of the LiDAR-based carbon inventory at Shasta Cascade Timberlands (page 59);
- Supported ongoing biodiversity monitoring in Northern California assets (page 68); and
- Submitted comments on the draft Forest Stewardship Council® US Standard to engage in the development process.

Challenges

- Wildfire impacts and ongoing fire-risk monitoring, as well as drought-related mortality and tree weakening, on assets in Northern California;
- Softening of lumber markets in response to decreased housing builds due to rising interest rates (recovery is expected in FY23, as there is an underlying housing shortage in the US); and
- Increasing criticism of ESG in the US, primarily at the state level, including 75 individual anti-ESG bills introduced in the first months of 2023.

Forest Carbon Partners

- Carbon Forestry Separate Accounts (US Carbon Forestry)
- Improved Forest Management Fund
- Forest Climate Solutions Fund



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 exports, as well as emerging products such as biofuel and biomass
- 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
- Forests managed for operational improvements, optimising total return from timber and carbon income and inventory growth
- Implement additional conservation finance strategies such as conservation easements
- Apply rigorous ESG approach using certification of asset management to international standards
- Advocate 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

The World Around Us

For the past 18 years New Forests has developed investment strategies that create value from the sustainable management of forests and enhancement of natural capital.

These have been framed around critical themes and macro-economic drivers in the rural land-use and commodity sector, including:

- The rise of Asian food and forest product demand;
- The declining availability globally of arable land for agriculture and natural forests for timber production;
- The establishment of functioning compliance and voluntary markets for the trade of carbon credits from forest and farmland carbon sequestration projects;
- The growing importance of ESG-impact objectives alongside financial outcomes; and
- The increasing demand from institutional investors for sustainably managed farmland and forest assets to provide greater diversification in their real asset portfolios.

The past three years has seen changes in geopolitics, supply-chain disruptions and intensification of global efforts to address the twin crises of climate change and biodiversity loss. These issues translate into both an acceleration of previous trends and new opportunities and risks for investors in sustainable forestry and broader land use. Read further at [New Forests' Outlook for Forestry Investment](#).

Forest and Agricultural Products and Carbon Markets

In the past year, the Russian invasion of Ukraine, China's zero-COVID policy and rising interest rates have caused significant disruption of global forestry and agricultural markets. Simultaneously, government policies have impacted carbon pricing across regulatory markets. New Forests' long-term investing approach and portfolio and markets diversification have supported managing through a volatile period.

Economic sanctions against Russia, the world's largest exporter of softwood timber, have curbed supply globally. Europe receives approximately 10–15% of its timber from Russia, so European suppliers have started to pull back their exports to North America and Australia.¹⁴ At the same time, rising fuel prices, spurred by the war, have created higher shipping costs globally, affecting the competitiveness of South American woodchip exporters to China and creating advantage for Australian and Southeast Asian suppliers. The war has also impacted on agricultural markets, given Russia's position as the world's largest exporter of nitrogen-based fertiliser and the globally dominant position of Russia and Ukraine in wheat production. Demand for Australian wheat has grown because of the war, but the cost of synthetic fertiliser has doubled, driving down operating margins despite increased wheat prices.

The slow-down in Chinese economic growth due to its nationwide zero-COVID policy has led to decline in Chinese demand for softwood imports during the year, impacting New Zealand, the largest supplier of softwood logs to China. Rising interest rates have slowed housing demand in the United States and brought lumber prices back to pre-COVID levels, a significant market correction after historically high prices during the pandemic as demand for housing and remodelling skyrocketed.¹⁵

Climate change policy and emissions trading systems in major forestry economies are increasing the carbon sequestration value of forests, with New Forests-managed investments having exposure to California Carbon Offsets (CCOs), Australian Carbon Credit Units (ACCUs) and New Zealand Units (NZUs). Rising carbon prices drive new investment in forestry, agriculture and land management. As the price rises, greater value and expected investment return shifts from timber to carbon; this leads to revised species use, moving from short to long rotations, establishing greenfield plantations and permanent carbon sinks in plantations, native revegetation and soil improvements. During 2022, the different price trajectories in these government-regulated carbon markets demonstrated the impact of pricing policies; for example, Australian Government policy caused ACCU prices to fall by 50% at the beginning of 2022,¹⁶ while Californian legislation requiring regulated emitters to purchase 50% of their CCOs from Californian projects resulted in higher prices for those projects.

¹⁴ Fastmarkets, 'Will the Russia-Ukraine war cause a global lumber supply shock?', 20 April 2022.

¹⁵ Wall Street Journal, 'Lumber prices fall back to around their pre-covid levels', 27 September 2022.

¹⁶ For example, see Jarden, 'ACCUs', 14 March 2023.

Integrity of Nature-based Climate Solutions and Net Zero

The acceleration of voluntary net zero commitments by the corporate and financial sectors has raised scrutiny over the integrity of carbon markets and the role of carbon offsets in credible net zero strategies.¹⁷ The voluntary carbon market has sought to address integrity, quality and governance issues through industry initiatives. In 2022, the Integrity Council for the Voluntary Carbon Market released the draft '[Core Carbon Principles](#)', with the intention of creating integrity labels for carbon credits, expected to be released by mid-2023. The Voluntary Carbon Markets Integrity Initiative also emerged to provide guidance to companies around making credible claims with respect to voluntary use of carbon credits to meet climate-change mitigation commitments.¹⁸ Integrity concerns have also impacted government-regulated markets. The 2022 '[Chubb Review](#)' in Australia focused on the integrity of ACCU project methodologies developed by the federal government and governance of the Australian carbon

market, and it put forward a set of recommendations in early 2023 for continuous improvement. In New Zealand, it is becoming increasingly commercially attractive to plant permanent pine and/or redwood plantations as the carbon price rises. This has created concern for some farmer groups, given land is being removed from agricultural use, creating tension between forestry and farming.¹⁹

Amid these challenging issues, investors increasingly want to understand the commercial and reputational risks associated with investing in the carbon markets, as carbon pricing is now an integral part of the investment strategy in forestry, agriculture and land, and for growing investment allocation to nature-based climate solutions. New Forests' [Carbon Credits Integrity Position Statement](#), published in 2021, has been a valuable framework for discussing our approach to integrity with investors and buyers of carbon credits.

New Forests has also observed a rising disconnect between climate science – which requires acceleration of nature-based removals to keep global warming at 1.5°C – and the role of removals in net zero frameworks. For instance, the Net Zero Asset Owners Alliance published a framework prohibiting carbon removals from being counted towards emission reduction targets prior to 2030.²⁰ The draft Greenhouse Gas Protocol Land Sector and Removals Guidance also proposes onerous rules on removals accounting and prohibiting nature-based removals from being netted against Scope 1 and Scope 3 emissions.²¹ However, to address the growing threat of climate change, investment in nature-based climate solutions and the transition to a circular bioeconomy will require billions of dollars of investment over the coming decade, underpinned by supportive policies, aligned net zero frameworks and stakeholder engagement. New Forests continues to work for these supportive policies and frameworks through our advocacy engagements.

17 For example, see '[Revealed: more than 90% of rainforest carbon offsets by biggest certifier are worthless, analysis shows](#)', *The Guardian*, 30 January 2023; the response from Verra is at '[Verra Response to Guardian Article on Carbon Offsets](#)', 18 January 2023.

18 See [VCMI Initiative](#).

19 '[How New Zealand's Climate Fight Is Threatening Its Iconic Farmland](#)', *The New York Times*, 11 August 2022.

20 [Net Zero Asset Owners Initiative Commitments](#). '[Investor Group Bans Carbon Removal from CO2 Reduction Plans](#)', *Reuters*, 1 February 2023.

21 Based on the draft of the 'GHG Protocol Land Sector and Removals Guidance', currently not publicly available. A project overview is available on the Protocol [website](#).

The Global Goal for Nature

The global goal for nature – nature positive by 2030²² – was developed by major international non-governmental organisations, research organisations and the World Business Council for Sustainable Development, with an objective to focus attention on the biodiversity crisis. For businesses and investors to contribute, their individual actions must collectively contribute to meeting the global goal for nature, the ambition of which is to reach zero net loss of nature from 2020, net positive by 2030 and full nature recovery by 2050.

The implications of working towards this include:

- Disclosure of impacts on and exposure to nature-related risks and opportunities;
- Targets to drive towards nature-positive outcomes; and
- Emergence of markets to create value for biodiversity.

New Forests attended the UN Biodiversity Conference (COP15) in Montreal, in November 2022, which brought biodiversity and nature centre stage, formalised by the Global Biodiversity Framework, which sets out 23 targets to halt and reverse biodiversity loss by 2030. COP15 sent a clear message that nature, climate and people are intricately linked and that the land sector has an important role to play across these spheres. To address the nature-related financing gap, there was increased interest at the conference in innovative financing mechanisms, including blended finance – the type of structure that New Forests has employed in its Tropical Asia

Forest Fund 2. Natural-Capital Accounting, which has been undertaken by New Forests' portfolio company Forico,²³ was presented as an opportunity to financially quantify nature-related risks and opportunities and to bring nature onto the balance sheet. COP15 also highlighted the potential of biodiversity credits; while the concepts around these credits are in their early stages, they present opportunities to direct financial flows to conservation and restoration.

In 2022, the Taskforce on Nature-related Financial Disclosures (TNFD) released its beta framework. TNFD is a global market-led initiative with a mission to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks and opportunities; its ultimate aim is to support a shift in global financial flows away from nature-negative to nature-positive outcomes. TNFD is emerging as the world leader in developing a global framework, and New Forests is exploring how we might adopt it, where there are gaps in data and capacity and how the TNFD framework can be used to service our investment clients and stakeholders. New Forests will pilot the TNFD framework in 2023. Given the framework's success and alignment with climate-related disclosures and adoption of net zero ambition, New Forests anticipates that it will be instrumental in driving more interest in new investment models around nature.

²² See [Nature Positive website](#).

²³ See [Forico Natural Capital Report web page](#).

Contributing to Shared Prosperity

New Forests contributes to prosperous and sustainable communities where we operate and works to create shared prosperity for our employees and the workforce associated with our supply chain, while delivering value for clients.

In our 2021 Stakeholder Materiality Assessment, we asked stakeholders (New Forests staff, clients, and third-party property managers and portfolio companies) to provide input on materiality in the areas of health & safety, employment & livelihoods, human rights, labour rights and community development. This section of the report provides insights related to these themes.



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

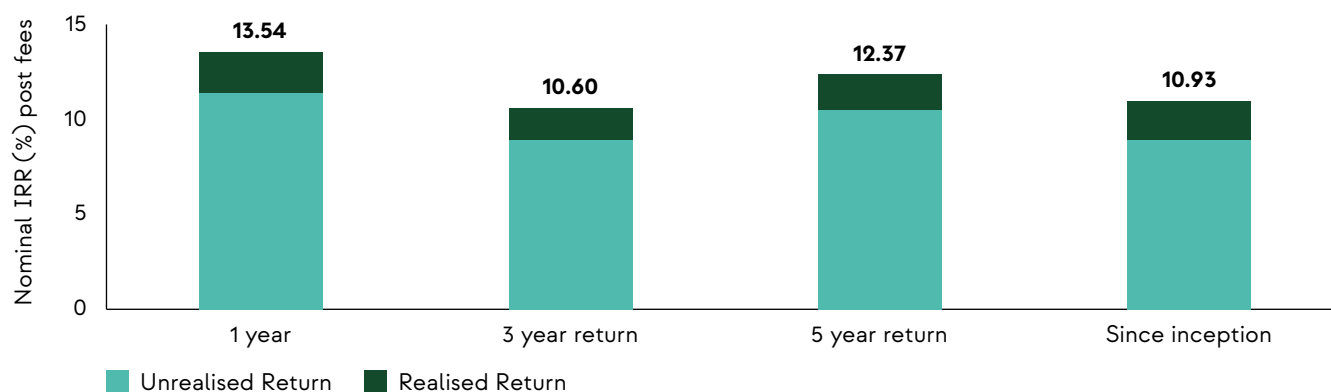


Our Clients

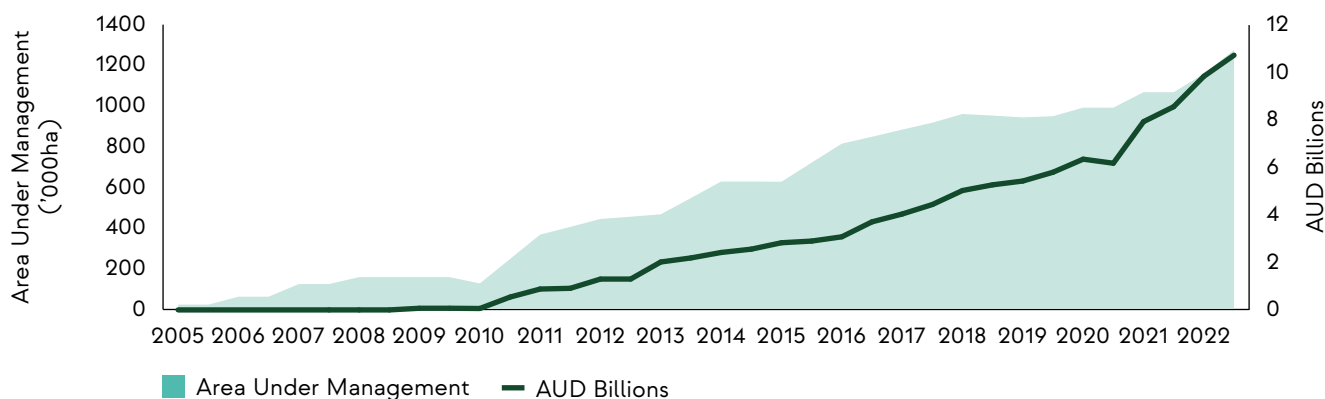
As indicated in the graphs below, New Forests has consistently delivered positive aggregate financial performance across its global portfolio while steadily growing its assets under management.

A track record of active asset management delivering performance 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. As indicated previously, the returns derived from New Forests' assets under management are influenced by a variety of macroeconomic, market and asset-level factors that vary widely across our regions and strategies. The graph below reflects aggregate performance at the global level.

New Forests' Aggregated Client Returns in Forestry Managed Funds²⁴



New Forests area and assets under management²⁵



²⁴ 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), Eastland Estate Limited (inception July 2019), Taieri Forest Limited inception September 2021 and Tasmanian Carbon Afforestation Trust (TCAT, inception February 2022), collectively the ANZ Funds; Tropical Asia Forest Fund (inception June 2012) and Tropical Asia Forest Fund 2 (inception June 2022); and three New Forests-managed US accounts (inception dates August 2016, October 2017 and April 2021). Returns to 31 December 2022 are net of management fees and fund expenses (including holding company and asset-level expenses and taxes) and are pre-investor tax. For the ANZ Fund assets, independent valuations are typically conducted on an annual basis at 30 June, the end of the Australian financial year, which is the date of the latest (2022) 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 annually at 31 December. The last audit for TAFF and the managed US accounts is 31 December 2022, when the 0.6781 exchange rate was applied to convert USD to AUD. Past performance is not an indicator of future performance.

The Eco Products Fund (inception 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. Returns for EPF and FCP are available upon request. Past performance is not an indicator of future performance.

²⁵ As at 31 December 2022. 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

New Forests has been a member of the UN Global Compact since 2021.²⁶ We are formally committed to aligning our strategies and operations with its 10 principles on human rights, labour, environment and anti-corruption, and to taking strategic action to advance broader societal goals, such as the UN’s SDGs.

New Forests developed a stand-alone Human Rights Policy in 2022, which clarifies and confirms our corporate and asset management commitments to advancing human rights.



We recognise upholding human rights is ongoing and we practice continual improvement across our corporate operations and assets under management.

To assess and advance human rights across our assets under management, we integrate relevant issues in our due diligence and operational processes. Some key areas of consideration during due diligence include evaluating labour

rights, exposure to modern slavery, working conditions and regionally specific issues.

Our approach to modern slavery is outlined in page 23 of this Report. Findings from due diligence are integrated in investment papers and related metrics are tracked throughout the ownership period.

Providing Decent Work

New Forests believes our greatest social impact comes through employment opportunities at New Forests and our assets under management. But providing employment alone is not sufficient; we believe that ensuring decent work opportunities has a positive impact on employees. The International Labour Organisation (ILO) defines ‘decent work’ as work opportunities that are productive and provide a fair income, security in the workplace, social protection and better prospects for personal development and social integration. It allows freedom for people to express their concerns and to organise and participate in the decisions that affect their lives, and it gives equality of opportunity and treatment for all women and men.²⁷

New Forests

As of 31 December 2022, New Forests directly employed 101 people globally, an increase of nearly 9% on the previous year. We meet or exceed the ILO definition of providing decent work, and examples from the reporting period include the following:

- All employees can undertake intrinsically meaningful work aligned with New Forests’ vision and mission, and our development programs support an individual’s role, leadership, career development and 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 locally legislated requirements.
- We conduct biannual satisfaction surveys to enable employees to express their views anonymously, with the goal of continual improvement in the satisfaction score.

²⁶ UN Global Compact.

²⁷ ILO, ‘Decent work’, 14 March 2023.

Assets Under Management

Assets managed by New Forests support the employment of 5,680 people, although this figure fluctuates depending on activity at the asset level. This includes direct employees, i.e., individuals employed by portfolio companies or third-party property managers responsible for day-to-day operations at assets, and indirect 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' Responsible Investment 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. In 2022, New Forests introduced a metric to measure the lowest wage paid to a direct employee; we will work to evaluate this data to improve our understanding of how to advance a living wage.

Our assets under management have codes of conduct to support decent working practices. In 2022, 96% of assets had a code that covers direct employees and 48% had a code that covers contract workers.

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 responsible for the day-to-day operations. In 2022, we began measuring the percentage of portfolio company employees and property managers local to the operating region: 92% were local for the reporting period, so there are few areas in which we are not supporting local employment. We also encourage the use of local contractors, who are an important part of the forestry, agriculture and land use supply chain.



5,680
total employees and temporary/contract workers



22%
direct employees



78%
indirect/temporary employees

Case study

Bringing Silviculture In-house at Aratu Forests



Aratu Forests, an Australia New Zealand Forest Fund 3 (ANZFF3) portfolio company, manages one of the largest forestry estates in the Gisborne District of New Zealand's North Island, managing around 27,000 hectares of Radiata pine plantation.

Forestry in New Zealand typically uses contract labour for planting and harvesting, but Aratu is bucking the trend with an in-house silviculture team, which is focused on tree-thinning.

Tree-thinning is the removal of low-quality trees or portions of trees to promote forest health. Thinning events can improve the quality and growth of the trees that remain and can salvage trees that may die before the final harvest.

The decision to establish the now five-person team was prompted by a shortage of silviculture contract workers and high contracting costs. After a successful six-month trial, during which workers were paid a salary and provided with necessary equipment, the team was made permanent in 2022.

The benefits of bringing the thinning work in-house are many. As permanent staff,

the silviculture workers now have greater job security and employment benefits, including a production-based incentive scheme. At the same time, Aratu Forests now has a reliable supply of labour, with a highly motivated team that is exceeding production and quality expectations. Overall, this approach reduces risks for the business, the silvicultural activity and, importantly, the thinning crew.

William Grogan, Aratu Forests' Manager – Tree Crop, explains, 'If the weather doesn't allow the crew to work safely or comfortably, they will either be offered alternative work, or they will stand down for the day and receive payment. This provides stability of income for the thinners and doesn't push them to go to work when the conditions do not allow for safe and productive working conditions.'



Diversity, Equity and Inclusion

New Forests is committed to all forms of diversity, equity, inclusion (DEI) and non-discrimination in our corporate operations. Our DEI Policy outlines our approach and formalises our commitment to advancing DEI across our business.

Our current initiatives include:

- Tracking the gender pay gap for direct employees as part of New Forests' annual remuneration review;
- Measuring diversity of country of birth, languages spoken and gender identity informally through employee self-reporting;
- Conducting an employee satisfaction survey biannually, with questions related to inclusivity, representation, psychological safety and other topics (we seek a broad response across the business to better understand DEI topics); and
- Recruiting people who align with our mission, values and vision.

DEI at New Forests

New Forests is committed to advancing diversity, equity and inclusion. This work is led by our Human Resources Team, in consultation with employees. Helen Jesse, Associate Director, Human Resources, shared her perspective on DEI at New Forests.

How does New Forests define DEI?

| | | | |
|--|--|---|--|
|  <p>Diversity: This is about difference. Workplace diversity may result from a range of factors, life experiences and other characteristics that make people unique.</p> |  <p>Equity beyond equality: Equality is about the same level of access and opportunity; equity goes further, to acknowledge (and ideally address) the disadvantages that mean equal opportunity alone will not be enough to lead to more inclusive outcomes.</p> |  <p>Inclusion: This occurs when people feel valued and respected; when everyone belongs because of their characteristics; when people have access to opportunities and resources, and are able to progress in their life and career goals, and can contribute their perspectives and talents.</p> |  <p>Access: This means removing barriers to participation and providing equitable access to opportunities.</p> |
|--|--|---|--|

How does New Forests integrate DEI into the workplace?

Through our DEI Policy and ongoing implementation plan, which includes tracking DEI metrics that are reported to the Executive Committee and the New Forests Board; engagement and consultation with employees regarding DEI implementation; using employee feedback to improve our practices and develop new initiatives; reviewing and structuring recruitment and selection processes across the business to ensure a diverse range of candidates is considered for each role; DEI-focused training programs; and supporting the development of a broader and more diverse pool of skilled and experienced employees, who, over time, will be ready for leadership, executive and Board positions.

What projects are you working on that you're excited to implement?

There are several exciting projects coming up for the Human Resources Team. We're continuing to roll out DEI education and training opportunities for all employees globally. We are also developing First Nations initiatives, which include formalising current practices, such as Acknowledgement of and Welcome to Country meeting protocols and introducing new practices. We are continuing to investigate how we can best support members of the LGBTQIA+ community in our workplace and demonstrate allyship. We are also enhancing our DEI reporting capabilities through our new human resources information system. Better access to data will help us identify additional opportunities!



Gender Diversity

New Forests is dedicated to scaling gender diversity, given the relatively low levels of women involved in investment management, forestry and agriculture. Gender diversity is also 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’, launched at the G7 Summit in 2018. Companies are deemed to be aligned with 2X if they meet one of five criteria. The criteria that are relevant for New Forests are 30% women in senior leadership, 30% women on the Board or the Investment Committee and 30% women in the workforce.²⁸

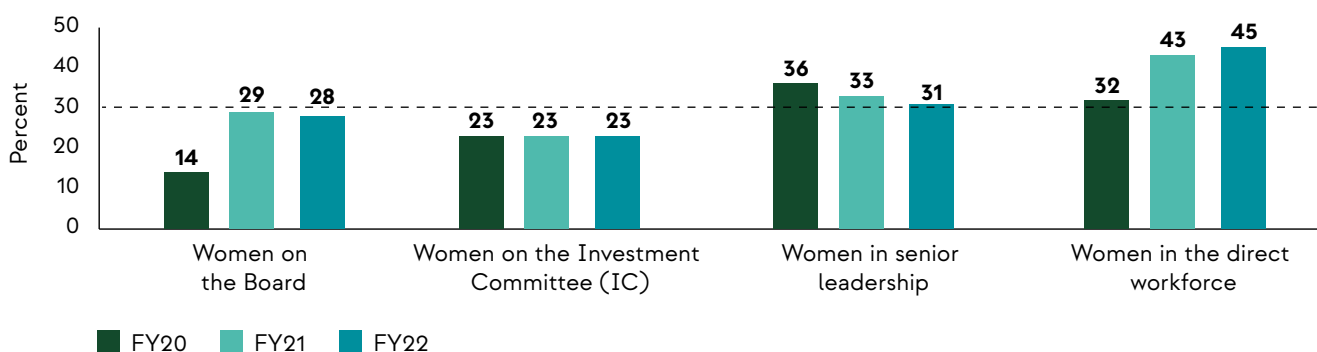
New Forests

Our corporate alignment with the 2X criteria between 2020 and 2022 financial years is demonstrated in the graph below.

The proportion of women employed by New Forests increased from 43% to 45% 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 the 19% average of professional female staff reported by the “Australian Private Capital Industry Scorecard”.²⁹ However, there are specific areas in our business where gender diversity remains low, including in our investments and operations teams.

In terms of senior leadership,³⁰ the percentage of women holding such positions exceeded the 2X threshold for the second year. Again, while short of our objective, this is higher than the 30% threshold. Nevertheless, we are cognisant that our proportion of female leaders has been decreasing over time; through our DEI initiatives, we strive to reverse this trend.

New Forests’ Corporate Alignment with the 2X Criteria (%)



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

29 Australian Investment Council, ‘Australian Private Capital Industry Scorecard.’ 2020.

30 Senior leaders are defined as Executive Committee members and director-level employees.



Assets Under Management

Globally, the forestry sector has failed to attract a significant proportion of women into the workforce. For example, in the United States, women comprise less than 20% of the sector’s participants³¹ and only 23% of students enrolled in forestry programs are female.³²

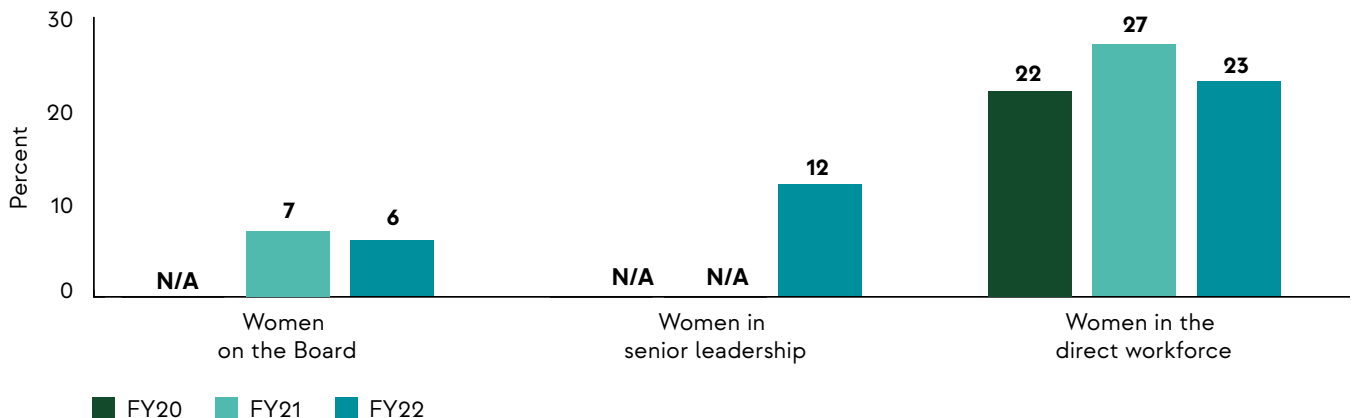
New Forests strives to improve gender diversity in our assets under management. However, since FY21 the percentage of female direct employees across our assets has decreased from 27% to 23%.

Recognising that this falls short of the 2X benchmark of 30%, we will continue to work with our portfolio companies and third-party property managers to support hiring women. For example, Mekong Timber Plantations (MTP), a portfolio company in Laos, had 31% female direct employees in 2022, which is an increase of 8% on 2021. This was driven by new hiring for the MTP mill in alignment with its Equal Opportunity and Employment Policy, resulting in near equal gender balance in new hires.

New Forests’ African Forestry Impact Platform (AFIP) has set

a target to achieve 2X qualification at 80% of investments; this will require increasing the proportion of women in leadership positions and the workforce (30% women at leadership level and 40% within the workforce). While increasing diversity in AFIP investments is important for equity, it will be challenging to reach the ideal levels projected due to a recent shift towards mainstreaming diversity, which will increase demand for female employees, and historic cultural norms, which may cause women to not seek work outside the home.

New Forests’ Assets Under management Alignment with the 2X Criteria (%)³³



31 American Forest Foundation, ‘Women’s Forest Congress: Developing Strategies and Solutions for Forests by Women, for Women’, 12 October 2021.

32 Society of American Foresters, ‘SAF Celebrates Women’s History Month’, 18 March 2022.

33 Senior leadership includes directors, vice presidents, CEOs and other C-suite-level positions.

Case study

Supporting Women in Forestry



In October 2022, Rosalie Carnam, Certification and Sustainability Manager for FWS Forestry (the property manager for New Forests' assets in Northern California, a subsidiary of F&W Forestry), attended the inaugural Women's Forestry Congress, an event aimed at expanding diversity in the forestry sector. We put some questions to her.

Why did you want to attend and how were you involved with the Women's Forestry Congress?

I was nominated to be a congress delegate, and I helped create the [2022 Women's Forest Congress Declaration](#) to guide organisations towards diversity and inclusion. The declaration has five themes: leadership for equity and inclusion; workforce opportunities; catalysts for change; greatest forest challenges; and supporting each other. I worked particularly hard over the months leading up to the congress on the workforce opportunities theme, as well as working on outreach within the forestry sector in my community. It was important to me to represent this focus, as my career is so meaningful and rewarding that I want to share this opportunity with others who may not have considered working in the forestry field.

In a male-dominated field where the female attrition rate is high, it is critical to recruit a diverse group of students to the wider natural resources departments.³⁴ The Workforce Opportunities Committee directly relates to my community outreach. As a woman speaking about a wide range of opportunities in forestry, I could be the face of a non-traditional pathway. I did not pursue a degree in forestry, yet my natural resource-based schooling and training together with my community-based upbringing created a solid foundation for both the landscape level and detailed management planning required in forestry.

What were your key takeaways from the congress?

A key takeaway was recognising the power of having nearly 500 women from different states and countries and working in the forest sector gathering to share their experiences



and discuss how their perspectives contribute to the ideas that resulted in the declaration. It was aimed at creating a more equitable and inclusive future by developing specific strategies for the field through an inclusive lens.

How can we better encourage women to get involved in forestry?

Encourage women to be the spokespeople for their companies, so that young women can imagine themselves in leadership roles in the forestry sector. Developing more opportunities for women to network in the field will also create a system of support and mentorship. As a direct result of the congress, F&W Forestry has begun a monthly group titled Professional Women in Forestry to provide opportunities for women to network in F&W Forestry. The congress has planned a Women's Forest Congress virtual gathering that will further these goals.

³⁴ As of 2020, 71.8% of forestry degree holders in the United States are male and 79.8% of degree holders are white; 62.7% of degree holders are white men. Data USA, 'Forestry & Natural Resources & Conservation', 14 March 2023.

Commitments

Progress buttons: ● Not started ● Delayed ● On track/completed

| | FY22 Targets | FY22 Actions | FY22 Progress | FY23 Targets |
|--|---|---|---------------|---|
| Uphold human rights | Develop a Human Rights Policy that applies groupwide, including all assets under management | Developed Human Rights Policy | ● | Develop and begin rolling out the Human Rights Policy implementation plan |
| Support a living wage | Expand understanding of a living wage among our assets under management | Collected data on the lowest wage paid to a direct employee among assets | ● | Analyse wage data provided by assets under management against benchmarks |
| Improve diversity, equity and inclusion | Conduct DEI training for corporate employees; complete ongoing engagement with employees | Formal training for all employees; tracking and reporting DEI metrics; ensure diverse recruitment practices and other initiatives | ● | Join regional diversity networks |
| | Include DEI factors in iterations of our Stakeholder and Materiality Assessment | Began review of best practice for stakeholder materiality assessments | ● | Complete stakeholder materiality assessments |
| | Add sustainability metric on women in senior management at assets under management | Added metric on women in senior management at assets under management | ● | |
| | Include gender diversity targets as part of new fund formation | Target developed for AFIP | ● | Include gender diversity targets for new funds Report on progress towards gender diversity targets in AFIP |
| Support local employment | Add a sustainability metric to measure local direct employees and contractors | Metric added for local direct employees | ● | Add sustainability metric for local contractors |

Providing Safe and Healthy Workplaces

New Forests seeks to promote holistic wellness across our corporate operations and assets under management.

New Forests

New Forests has an employee assistance program (EAP) to promote holistic wellness to our direct employees called AccessEAP. This is a benefits program designed to help employees with personal and work-related problems such as an illness, work-life balance, relationship and perinatal issues, and grief and major life events. AccessEAP also has support lines available for LGBTQIA+ and Aboriginal and Torres Strait Islander communities.

Assets Under Management

Through our assets under management, New Forests offers fulfilling employment in and around the forest environment; this provides a valued outdoor work environment, complementary to good physical fitness and a healthy lifestyle. In fact, forestry-related workers are some of the happiest in the United States, according to the Bureau of Labor Statistic’s American Use Time Survey.³⁵ Forestry operations can, however, pose a range of health and safety risks given the manual labour and machinery required for operations, such as thinning, harvesting and transport.

35 Andrew Van Dam, ‘The happiest, least stressful, most meaningful jobs in America’, *The Washington Post*, 6 January 2023.

While the transition to greater mechanisation of some of these tasks has helped lower safety risks, in some cases it has had unintended consequences for workers, with reduced physical activity leading to lower levels of fitness and increased risks of obesity. Health and safety programs are evolving to ensure holistic health consideration.

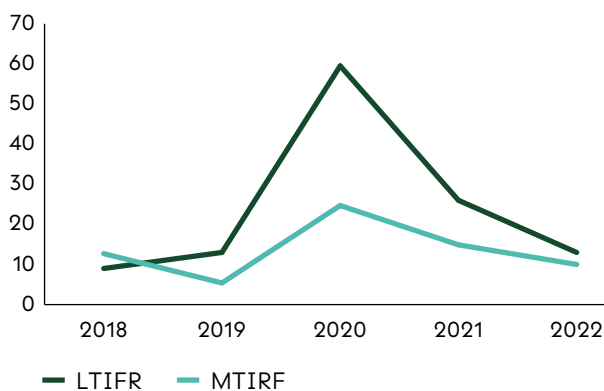
Third-party property managers and staff at portfolio companies have workplace health and safety programs to ensure they are meeting their responsibilities. New Forests oversees these programs which include standardised reporting back to New Forests on safety performance.

New Forests uses medical treatment incident frequency rates (MTIFR) and lost time injury frequency rates (LTIFR) to assess our health and safety systems.

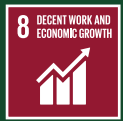
In the reporting year, the LTIFR and MTIFR continued to decline across assets, as operations returned to business-as-usual following the peak impact of COVID-19. However, there was a fatality of a haulage subcontractor at an Australian asset, due to a single motor vehicle crash. Following the incident, the contractor installed fatigue and distraction systems in all its work vehicles. Several of New Forests' third-party property managers have installed similar systems to help prevent incidents.

While the materially adverse consequences of the pandemic, including disruptions to the workforce, have largely subsided, New Forests will continue to monitor COVID-19 requirements and caseloads across our operating geographies to support a healthy and safe work environment.

Average LTIFR and MTIFR – All Funds



Case study



Promoting Mental Health for Foresters

In May 2022, Forico, the property manager for the Tasmanian Forest Trust, announced support for Rural Alive and Well (RAW) and its Cutting Through program, which aims to support mental health and suicide prevention in the forest sector.

RAW promotes positive mental health by reducing stigma, addressing life stress factors and providing access to support services, particularly for individuals in rural areas. Tailored to the needs of the forestry sector in Tasmania, Cutting Through offers workplace 'Fast 5' talks on mental and physical health, referral pathways for individuals, one-on-one support, employer support and accreditation programs for safe workplaces.

Forico CEO Evangelista Albertini says, 'RAW expertly delivers support services that address an essential and unfortunately growing need in our communities. We are proud to support its work in forestry and expect it to deliver tangible benefits broadly across our industry.'





Communities

Engagement is crucial for building community support for land-management activities undertaken at assets managed by New Forests. This social licence to operate is not only critical to the commercial performance of the assets and to risk management but is also important for the growth and success of the forestry, agriculture and land-use sectors more broadly.

Community engagement is primarily undertaken at the asset level by our third-party property managers and portfolio companies, overseen by New Forests. New Forests' focus on communities prioritises local employment and shared prosperity, largely through creating income opportunities and supporting community development.

Creating Income Opportunities

Assets Under Management

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

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

One example of income generation is stumpage paid through smallholder and outgrower programs.³⁶ These programs are formalised and integrated with management of plantation forestry activities and can provide a framework to engage many individuals.

In the reporting year, the number of smallholders decreased by 5% on FY21. This was driven by Australian share-farm participants exiting the program.³⁷ New Forests expects the total number of smallholders may decrease in the near term due to investment exits but that it will increase again as portfolio companies in new emerging markets funds develop their programs.



286
smallholders
and outgrowers

New Forests also supports income generation through alternative revenue streams for communities. Examples of relevant project types include access to non-timber forest products, developing carbon projects on farmers' unproductive land and providing support for income-producing community and traditional activities, as illustrated by the example from Hutan Ketapang Industri operations in West Kalimantan on the following page.

³⁶ 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.

³⁷ Share farming refers to a landowner extending land to a farmer, the two parties sharing operating expenses and profits.

Supporting Community Development

New Forests

One area where New Forests' corporate employees can have a positive impact on the communities in which we operate is through volunteering. To advance this impact, New Forests provides corporate employees with two volunteering days per year. As part of our Corporate Sustainability Policy, we commit to increasing the number of volunteering days used, and in 2023 we will coordinate volunteering days at each of our offices.

Assets Under Management

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

The case study below outlines activities being undertaken to create additional income streams for communities in Indonesia.

Case study

Creating Additional Income Streams for Communities in West Kalimantan



Hutan Ketapang Industri operates a large-scale rubber plantation in West Kalimantan, Indonesia, and is a portfolio company of New Forests' Tropical Asia Forest Fund.

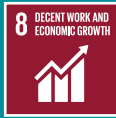
HKI has been working with Sukaria sub-village in Mekar Utama village to enhance honey cultivation and production, and the marketability of the honey to create additional income streams for the community. The actions of an initial group of 22 households have so far included obtaining health certification for honey production from the Food and Health Department, acquiring seeds for planting species attractive to bees and suitable for honey production, constructing honey-production centre and designing packaging and labels. HKI is now enrolling additional farmer groups in the initiative.

HKI has also contributed to establishing a sewing studio in which women from Kedondong village and surrounding areas receive training and produce, alter and repair clothing, including work uniforms for HKI staff. This program seeks to provide participants with skills to generate additional income and better meet the economic needs of their families.



Case study

Supporting Higher Education



One of the ways our portfolio companies and third-party property managers can support the communities in which they operate is through sponsoring opportunities for students to interact with forestry operations to learn about future career opportunities. Two examples from property managers' 2022 activities are outlined below.

M&R Forestlands, a property manager in New Zealand, hosted two higher-education groups at Chestnut Forest Blenheim Estate and Kaiuma Forest Marberry Estate to demonstrate aspects of forest management.

M&R provided an educational tour for forestry students from Marlborough Boys College, one of the only institutions in New Zealand to offer forestry in its curriculum. The physical tour of a forest assisted students with the unit's standard assessments required as part of the course. The aim is for students to have a certain level of New Zealand Qualifications Authority credits, so they have some units on completing their education that will help them gain employment in the forest industry. The tours are also an opportunity for M&R to promote the forest industry and attract new people to work in our industry.

In partnership with the University of Canterbury, M&R discussed and demonstrated freshwater monitoring and the impacts of harvesting in sensitive environments. M&R demonstrated its freshwater-monitoring program to students, and how it is used as a measure of operational performance.



The visit also covered the National Environmental Standards and resource-consent process, and M&R's environmental management and planning process for a sensitive site.

With these initiatives, M&R and New Forests hope to showcase the benefits of a career in forestry.

Mekong Timber Plantations (MTP), a New Forests portfolio company in Laos, is committed to enhancing the livelihoods of local communities. One means of doing this is by facilitating access to tertiary education.

In July 2022, MTP launched its Major Guidance Program. MTP representatives visited local high schools to answer questions about tertiary-education opportunities and courses of study in Laos, and provide information about different majors, including descriptions, career opportunities, high-school preparation and application requirements for programs. MTP visited 12 schools and reached an estimated 1,800 students.

MTP also extended scholarships to four students from villages adjacent to MTP operations. These students showed particular promise in their respective fields of study, specifically environmental management, land management, forestry and social development. The scholarships are transformational, with the capacity to make great changes in the lives of the recipients.

Pany is an MTP scholarship recipient currently undertaking a Bachelor of Social Science at the National University of Laos. When asked what compelled her to apply, Pany says she 'has always had a desire [to work] in the field of community development, with a particular aim to address child rights issues and strengthen youth development in rural Laos'. Before receiving the scholarship, she used to work three shifts to save money for study. The fully funded scholarships undeniably help students by reducing the financial burden of meeting study and living costs, giving students more time and energy to focus on their studies.

Without having to maintain a part-time job, Pany has time to enhance her experience and knowledge through self-learning and participating in volunteering programs and networking events. Currently, Pany and her volunteer group are raising funds to support children in northern Laos.

Scholarships also provide student-support services, which contribute to students' academically and personally; they include consultation on academic-skills development and support for students who may have difficulties learning or adapting to university life, therefore helping scholarship-holders to grow personally and professionally.

MTP is strongly committed to the mission of community development, and scholarships are one piece in a jigsaw that can build a solid foundation for the long-term success of project communities.

Engaging with First Nations Peoples

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

Carbon-project development provides an opportunity to protect the land of First Nations peoples and enables income generation. In FY22, New Forests' Forest Carbon Partners in the United States engaged with five Native American Tribes and Tribal Organisations, resulting in more than USD 27 million of income to the Tribes during the year. Over the life of FCP, USD 174.1 million has been generated for Tribes through the sale of carbon credits in the regulated Californian carbon market.

New Forests also engages with First Nations peoples to support their land rights and spiritual and cultural connections with the land. In Australia, one means to do this is through reconciliation action plans (RAPs), which are based on a framework of relationships, respect and opportunities developed by Reconciliation Australia.³⁸ Through varying levels of engagement, RAPs aim to increase reconciliation activities in Australia. At the end of FY22, three of New Forests' Australian assets under management were covered by a RAP. While we did not progress our goal of expanding the proportion of our assets covered by RAPs this year, it remains a priority for Australian assets.

Other actions to support First Nations peoples include protecting and providing access to culturally significant sites. In the reporting year, 22 assets under management provided access to the sites for cultural heritage programs.

Commitments

Progress buttons: ● Not started ● Delayed ● On track/completed

| | FY22 Targets | FY22 Actions | FY22 Progress | FY23 Targets |
|--|---|--|---------------|---|
| Enhance community engagement | Develop fund-level impact targets aimed at expanding engagement with stakeholders, including a strong focus on family farmers and First Nations peoples | Community engagement target developed for AFIP | ● | <p>Include community engagement targets as part of new fund formation</p> <p>Report on progress towards funds' community engagement targets</p> |
| Engage with First Nations Peoples | Increase number of Australian assets under management covered by RAPs | Three assets under management covered by RAPs, as per FY21 | ● | <p>Engage with property managers to increase Australian assets under management covered by RAPs</p> <p>Investigate developing a New Forests corporate RAP</p> <p>Implement regionally appropriate First Nations peoples initiatives at corporate operations</p> |

³⁸ See [Reconciliation Australia's website](#) for more information.

Investing in Natural Capital

New Forests invests in forests, agriculture 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 to provide co-benefits.³⁹

Climate positive

refers to a state where carbon removal exceeds GHG emissions.

Nature positive

refers to the process of acting to halt negative impacts and scale positive impacts, with the ultimate aim of transforming a business' relationship with nature so that positive impacts exceed negative impacts.

New Forests offers investors a pathway to invest in sustainable landscapes that can deliver NBS and climate- and nature-positive outcomes that align with global goals and stakeholder expectations. New Forests seeks to consider the highest and best use of an area based on the needs of the landscape balanced with requirements for forestry, agriculture, conservation and society.

In our 2021 Stakeholder Materiality Assessment, we asked our stakeholders to provide input on the materiality of carbon storage, biodiversity, water management, land-use planning and greenhouse gas (GHG) emissions. We provide insights related to these themes in this section of the report.

Climate Positive

Action on climate was centre stage in 2022. New Forests attended the UN's COP27, in November, along with more than 40,000 government officials, observer parties and civil society representatives in Sharm el-Sheik, Egypt, to determine the steps needed to implement the Paris Agreement. While COP27 had many successes – including a decision to develop a fund for climate losses and damage, and integrating agriculture and the voices of non-state actors – challenges remain on climate-change mitigation, quantified goals and scaling climate finance commitments. To combat the worst effects of climate change, we need robust emission-reduction plans and to integrate the benefits of removals. New Forests advocates for the following pathway to meet these goals:

1. **Accurate and transparent GHG accounting is the foundation of net zero.** New Forests aligns our GHG accounting and reporting

to the GHG Protocol, the most widely used GHG standard globally, and believes that without robust accounting we cannot ensure we are moving towards a climate-positive future. New Forests also supports standardised accounting measures that allow for comparability across forestry and land-use asset managers. In 2022, New Forests reconciled our emissions and removals inventory with peers, to understand how different methodologies affect results and to improve our methodology.

2. **Develop credible science-based net zero targets.** Net zero refers to a state in which GHGs released into the atmosphere are balanced by removals from the atmosphere. In recent years, we have seen a huge uptick in the number of net zero commitments made by corporates, governments and financial institutions. Net zero targets should focus on emissions reductions and be supported by a credible emission-reduction pathway. In 2022, New Forests' adopted a new methodology for setting our net zero target and is in the process of updating our targets in line with this new methodology, to be submitted to the Net Zero Asset Manager Initiative later this year.
3. **Scaled investment in removals.** Approximately one-third of cost-effective climate-change mitigation by 2050 can be provided by 'natural climate solutions' (NCS); that is, by actions that increase biogenic sequestration, including the protection of threatened forests, improved management of forestry and agricultural production systems, and reforestation of landscapes.⁴⁰ Developing and scaling NCS within this decade is crucial to

³⁹ Based on definitions from the International Union for Conservation of Nature and the United Nations Environment Assembly.

⁴⁰ Stephanie Roe et al., 'Contribution of the Land Sector a 1.5°C World', *Nature Climate Change*, October 2019, <https://www.nature.com/articles/s41558-019-0591-9>.

avoid the worst impacts of climate change. This transformation in land use will require hundreds of billions of dollars' investment 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 provide strategies that deliver NCS and support pathways to net zero emissions by developing investment products that protect at-risk carbon stocks and scale carbon sequestration, and reducing GHG emissions.

GHG Accounting

In 2022, New Forests undertook limited third-party assurance for our assets under management emissions and removals data for the first time.⁴¹ Achieving assurance for the emissions and removals accounts adds robustness to the accuracy of data and provides confidence to clients using this information for their own carbon accounting or net zero targets. There is increasing emphasis on the materiality of emissions and removals data from a regulatory perspective. We expect this trend to continue, and for an added level of scrutiny of climate-related accounting to follow. For example, the Australian Accounting Standards Board and the Australian Auditing and Assurance Standards Board have issued joint statements that climate-related information should be reported in financial accounts,⁴² and the International Accounting Standards Board has stated that climate needs to be considered with material assumptions shown for numbers.⁴³ Undertaking assurance of our fund's emissions and removals data aligns New Forests with best practice and positions us ahead of regulatory requirements. We are pleased to provide the summarised audited data throughout this section of the report. Our 2022 GHG accounting methodology is available on our [website](#).

41 Note that the emissions and removals data in this report has received third-party assurance for Australia and New Zealand assets only; assurance for Lawson Grains and US assets is ongoing. Assets in Southeast Asia were excluded from the assurance process due to the life stage of the fund. Additionally, Lawson Grains did not have removals data to report in FY22.

42 Australian Government, 'Climate-related Risks', 14 March 2023.

43 IFRS, 'Climate-related Disclosures', 14 March 2023.

Case study

Piloting the GHG Protocol Land Sector and Removals Guidance



For the last couple of years, the GHG Protocol 'Land Sector and Removals Guidance' has been in development.

This will provide the framework for how organisations should account for GHG emissions and removals from land use, land-use change, bioenergy and related activities in their GHG accounts, building on the Corporate Standard and Scope 3 Standard. New Forests commends the GHG Protocol Secretariat for leading the development of the guidance and believes that developing an accounting framework for land-based emissions and removals is crucial to support increased investment in NBS.

To understand the difference between our existing removals accounting and the draft guidance, New Forests participated in a pilot of the draft in 2022. Based on the results from our pilot, we question the guidance's ability to be implemented in practice and promote NBS investment. Some of the key challenges we see with the draft guidance are as follows:

- The ability for organisations to track and monitor through the supply chain to end use. If organisations cannot meet the significant monitoring requirements, removals from these products cannot be included, which negates the importance of wood products in sustainability transition.
- The requirements for calculating uncertainty related to removals are very high (costly and time consuming) and significantly higher than the requirements for emissions accounting.

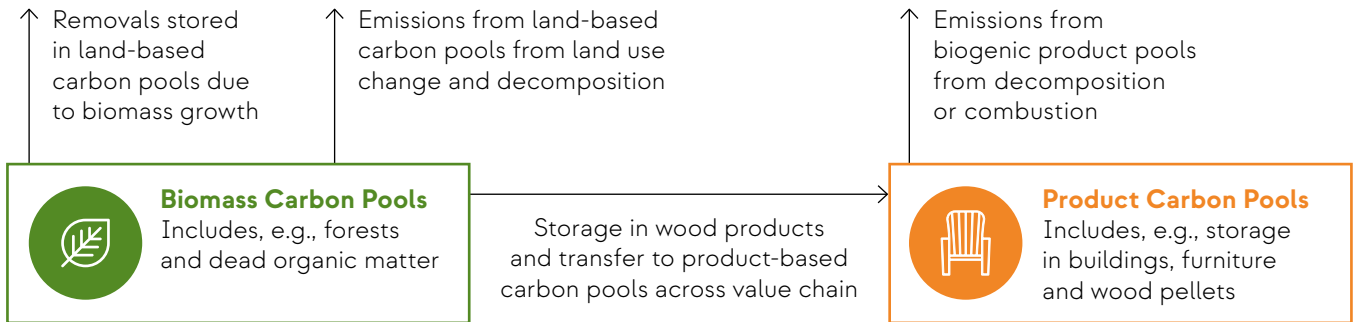
- Any land-based removals are considered non-permanent and require reporting separately. This means these removals cannot be netted against Scope 1 or Scope 3 emissions, which negates the incentives to invest in climate-positive land use as a climate solution.
- Land sales are currently considered reversals if organisations cannot continue to receive removals data from the buyer of the land. This is inconsistent with the approach taken for emissions accounting and removes incentives to have climate-positive management strategies if any benefits are negated upon the land sale.
- Forests in which harvest exceeds growth cannot report removals, and yet there are several instances in which harvest will be greater than growth in a sustainable forestry management system. As currently written, the guidance will inadvertently limit what sustainable forestry looks like or cause adverse outcomes.

While the guidance is still in draft form, New Forests views the items above as threshold issues that must be addressed to properly incentivise scaled investment in land-based removals as a climate solution. New Forests is actively working with others in our sector to advocate for workable, credible and science-based solutions to deliver an effective guidance outcome.

Carbon Sequestration

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

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



Carbon Storage

Compared with carbon removals, carbon storage is longer term and refers to the maintenance of carbon in a carbon pool. New Forests’ assets under management maintain carbon pools in the standing forests; that is, in the woody biomass of trees and debris.

Carbon Removals

- **Scope 1 removals:** carbon dioxide 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 managed by New Forests.
- **Scope 3 removals:** carbon dioxide 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 our value chain.

Note that the GHG Protocol is still considering what actions may constitute Scope 1 and Scope 3 removals in forestry and land use. Pending the final ‘Land Sector and Removals Guidance,’ New Forests may update our approach to removals’ accounting.

During the reporting period the carbon removals from New Forests assets under management were as follows:

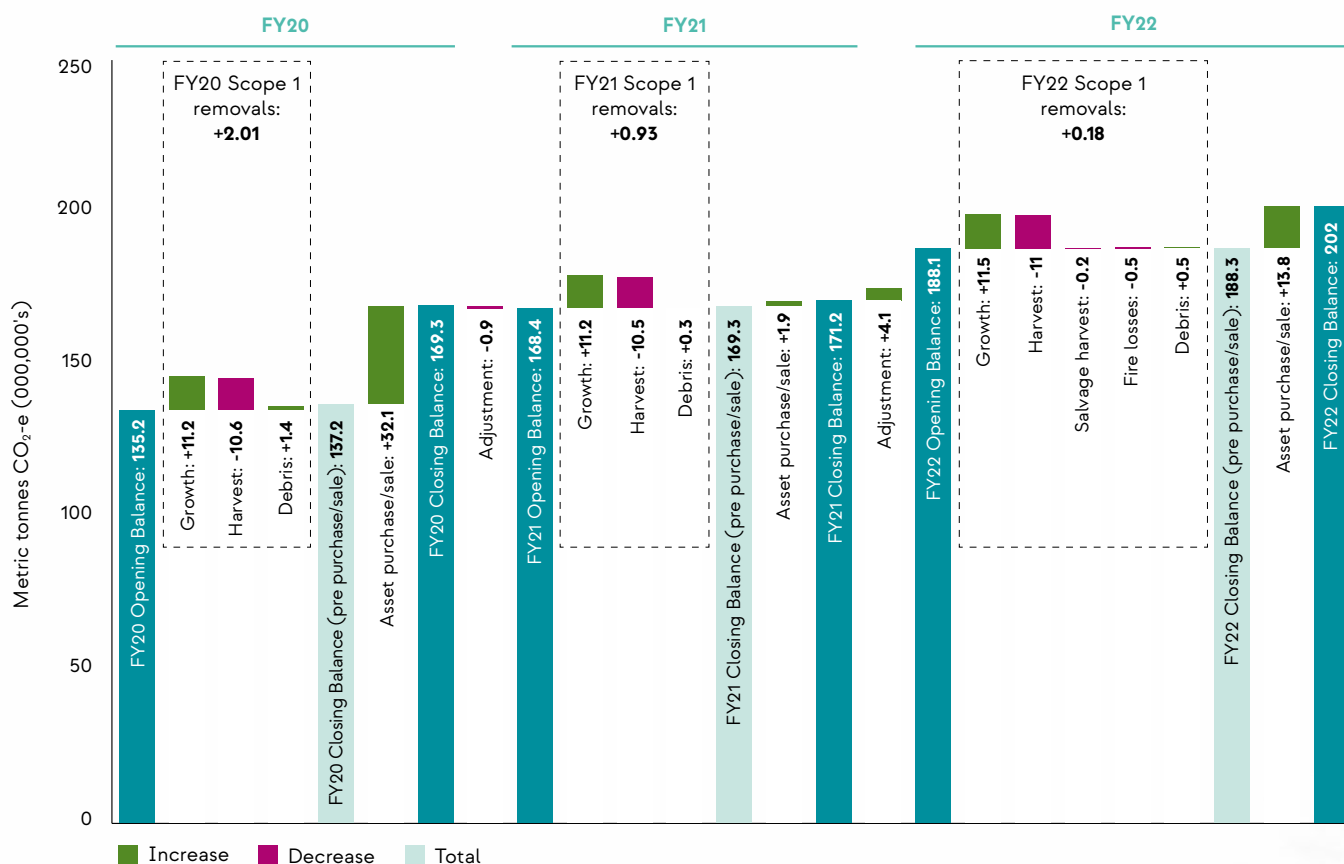
| | | |
|---|---|---|
| <p>184,700+ tCO₂e Scope 1 removals⁴⁴</p> | <p>699,200+ tCO₂e Scope 3 removals⁴⁵</p> | <p>884,000+ tCO₂e Total FY22 removals</p> |
|---|---|---|

The FY22 changes in carbon stock includes US data for salvage harvests after fire and carbon stock lost from fires but not harvested; for information on fire-related emissions in the US see page 62. New Forests will seek to include carbon stock losses after fire for other regions in future reporting. The removals value excludes removals that were enrolled in a carbon credit program and sold as carbon credits to third parties.

44 Scope 1 removals include removals from production areas only (i.e., does not include removals from non-production or conservation areas). New Forests will seek to expand the area included in our Scope 1 removals in the future.

45 Note that there are variations in methodology for long-term harvested wood product carbon storage between regions.

Carbon Storage and Carbon Removals (Scope 1)



Adjustments between the FY21 closing balance and the FY22 opening balance are due to refined input parameters and asset remapping in ANZ, asset updates and actual harvest reconciliations in Asia, and updated asset inventories in the US.

Carbon Offsets

Carbon markets are an important tool for climate change mitigation by creating a financial incentive to increase carbon sequestration and avoid GHG emissions.

Carbon Markets Explained

All climate modelling that limits global warming to under 2°C requires eliminating deforestation as well as reforesting hundreds of millions of hectares by 2050 to remove carbon from the atmosphere. Carbon removals are critical to achieving net zero, whereby GHGs released into the atmosphere are balanced by emissions removals.

As part of various national and regional programs for climate-change mitigation, many governments operate carbon markets that have created substantial new value for carbon sequestration associated with forestry and land management.

What is a carbon market and what are carbon offsets?

Carbon markets, in which carbon emissions, carbon emission reductions, and/or atmospheric carbon removals are priced, can take many forms.

Some government-regulated markets, such as those in the European Union and in California, are “cap and trade” systems where all greenhouse gas emissions (including carbon dioxide) are capped for certain emitters and sectors, and the emissions cap is reduced over time in alignment with climate policy targets. Regulated emitters are able to buy and sell government-issued emissions allowances. In some instances, sectors that are not covered by the emissions cap – which may, for example, include forestry – can sell offsets to emitters to help them achieve emission reduction objectives. Government-regulated systems vary greatly around the world, given particular climate policy objectives, stakeholder and economic interests, and political context.

The voluntary carbon market enables organisations that have emission reduction objectives, beyond what is required by law, to support projects that reduce carbon emissions or enhance atmospheric carbon removals through the purchase of carbon offsets (or also known as carbon credits). The voluntary market is underpinned by third party certification bodies, such as Verra or the Gold Standard, which help carbon offset project developers assess, quantify, and verify climate impact through project-based methodologies.

The carbon market continues to increase. 2021 saw a record USD\$84 billion of global carbon pricing revenue, around 60% higher than in 2020⁴⁶. More than US\$10 billion in voluntary carbon market deals were announced in 2022⁴⁷ and Washington announced its first regulated emissions allowance auction in 2023.⁴⁸

What role can forests play in carbon markets?

Forest-based carbon offset creation activities are some of the most cost-effective natural climate CO₂ mitigation pathways available to the global economy. They can also provide co-benefits relating to water quality, flora and fauna biodiversity and soil protection. As a result, carbon offsets based on forestry and land use activities have been rapidly increasing in recent years and accounted for 46% of voluntary activity in 2021 (up from 28% in 2020).⁴⁹

46 World Bank, ‘[State and Trends of Carbon Pricing](#)’, 2022.

47 Abatable, ‘[What happened in the VCM in 2022 and where it will go in 2023](#)’, 22 December 2022.

48 Department of Ecology, State of Washington, ‘[Washington’s cap-and-investment program](#)’, 14 March 2023.

49 S. Donofrio et al., ‘[State of the Voluntary Carbon Markets, 2022 Q3](#)’, *Ecosystem Marketplace*, 2022.



As noted elsewhere in this report, the integrity of carbon markets is a key issue for project developers and credit buyers. New Forests supports the integrity of our carbon projects through:

- Primarily engaging in regulatory carbon markets with high thresholds for additionality, permanence and other criteria;
- Requiring all carbon projects developed on our assets under management to comply with our SEMS carbon principles and related guidance; and
- Assessing buyers of carbon credits to ensure their use of carbon offsets is part of credible climate action. Please see our [Carbon Credits Integrity Statement](#) for more information.

New Forests currently engages only in the regulatory carbon markets. Depending on the program, carbon sequestration resulting from the following activities can be registered. Carbon projects at New Forests' assets under management currently use a subset of these activities.

| 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 deforestation • 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 the reporting year, New Forests had 34 carbon projects under management that issued nearly 3 million 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 | 423,106 | 376,574 ⁵⁰ |
| FY22 | 34 | 2,950,526 ⁵¹ | 423,106 |

The increase in the number of carbon credits issued from FY21 is primarily due to a greater number of credits 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 Government-regulated carbon market. This increase is normal given the age of the projects and credit issuance cycles. The increase in project area from FY21 is due to new projects being enrolled in Australia and New Zealand.

To scale carbon project across landscapes, the New Agriculture Team is actively investigating the Australian Government's Emissions Reduction Fund Integrated Farm Methodology for potential implementation. This allows for stacking multiple carbon projects (e.g., soil carbon, biodiversity, human-induced restoration, improving cattle liveweight gain) on the same property in the same project. This work will support a robust baselining of natural capital and carbon at Lawson Grains. New Agriculture is also represented on the Educational/Engagement Sub-Committee of the Integrated Farm Management Method Taskforce for the Emissions Reduction Fund.

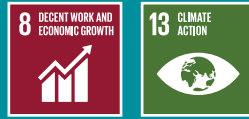
50 Note that this value has been adjusted from our 2021 Sustainability Report due to an incorrect conversion of US project area from acres to hectares. The value in this report is correct.

51 Note that this value reflects a reversal of issued credits that occurred on a Forest Carbon Partners project in the US. The reversal was from fires in 2020, with the reversal being verified in 2022. Credits that were lost due to the fires were replaced from the California Air Resources Board buffer pool



Case study

Co-creating Carbon Projects



In July 2022, New Forests launched ActivAcre, a project aimed at increasing trees in the landscape while enabling landowners to capture the benefits of both carbon and timber.



This will be achieved through carbon credit generation via new plantings and extended rotations, alongside timber sales.

ActivAcre aims to create supplementary revenue for landowners, primarily farmers, through 30-year lease agreements and provides co-benefits, such as reduced environmental impact on-farm, shelter creation, soil improvement and increasing water efficiencies. ActivAcre thus strives to have positive impacts beyond climate-change mitigation.

The ActivAcre team is currently enrolling participants and more information is available via the [website](#).

Case study

Breaking New Ground with LiDAR-based Carbon Inventory



In January 2023, New Forests passed verification of the carbon project inventory for the Shasta Cascade Timberlands (SCT) asset in Northern California.

Verification ensures credibility of the project through a third-party review of the project design and data. Passing verification is a significant milestone for the asset, and SCT represents the first remote-sensing-based inventory ever to be tested under the rigour of the California Compliance Offset Protocol for US Forests.



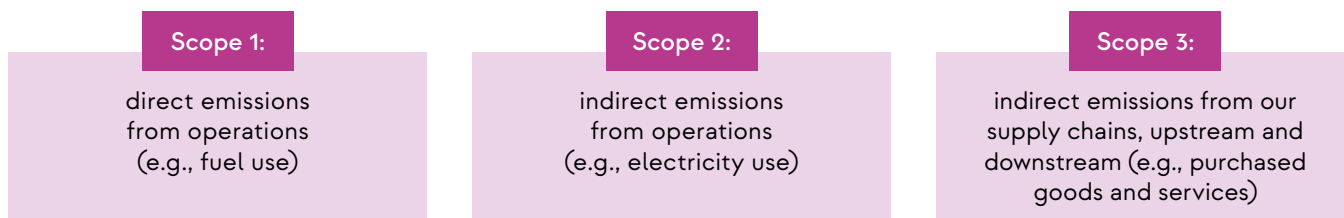
SCT used LiDAR for remote sensing, which uses lasers to create high-resolution 3-D maps. Data was collected by flying a fixed-wing aircraft equipped with LiDAR over SCT; data were then used to map forest attributes, including canopy height and closures. Using LiDAR to measure both the carbon project inventory and ongoing operations allows for increasingly accurate quantification of forest metrics at a detailed spatial resolution and more effective management of the asset for both timber and carbon values over time.

The demonstrable viability of remote-sensing technologies in the context of forest carbon-offset verification charts a course for LiDAR to potentially reduce the barriers to forest landowners participating in offset markets by reducing costs associated with developing and maintaining an accurate forest inventory.

'With carbon offset quality and integrity at the forefront, New Forests is proud to be at the leading edge of implementing a new technology to quantify the forest carbon inventory at our Shasta Cascade Timberlands forest carbon project', said Emily Warms, Associate Director, Operations, New Forests.

Greenhouse Gas Emissions

New Forests tracks GHG emissions associated with our corporate activities, offices and assets under management. Following the GHG Protocol, we classify our emissions into Scopes 1, 2 and 3. As noted earlier, our 2022 GHG accounting methodology is available on our [website](#).



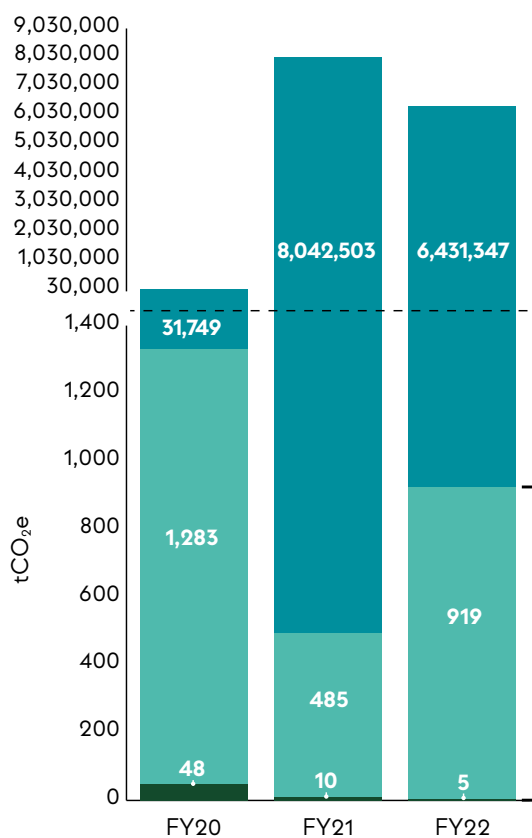
New Forests

During the reporting period, New Forests' total corporate emissions were 919 tCO₂e. Compared with FY21, corporate Scope 1, 2, and 3 emissions increased by 28%, primarily due to increased staff travel after COVID-19, when travel restrictions were lifted.

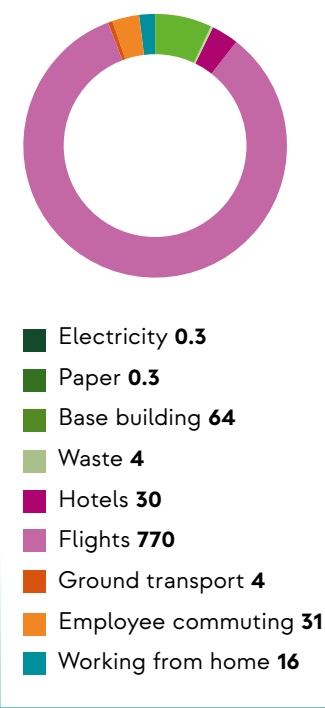
It should be noted that we have updated how we report our share of emissions related to our assets under management, moving from an equity share to an operational control approach. Therefore, all asset-related emissions are included in Scope 3 category 15.

In 2022, we once again purchased offsets to achieve carbon neutrality for our corporate Scope 1, 2 and 3 emissions, excluding investment-related emissions. New Forests' only source of Scope 1 and 2 emissions is electricity; we will seek to have 100% renewable energy procurement at corporate offices by 2025. Currently, 84% of our corporate office electricity comes from renewable sources.

New Forests Absolute FY22 Corporate Emissions (tCO₂e)



FY22 Corporate Scope 3 Absolute Emissions Excluding Investments (tCO₂e)



Scope 1 – N/A
 Scope 2
 Scope 3 (non-investment related)
 Scope 3 (investments)

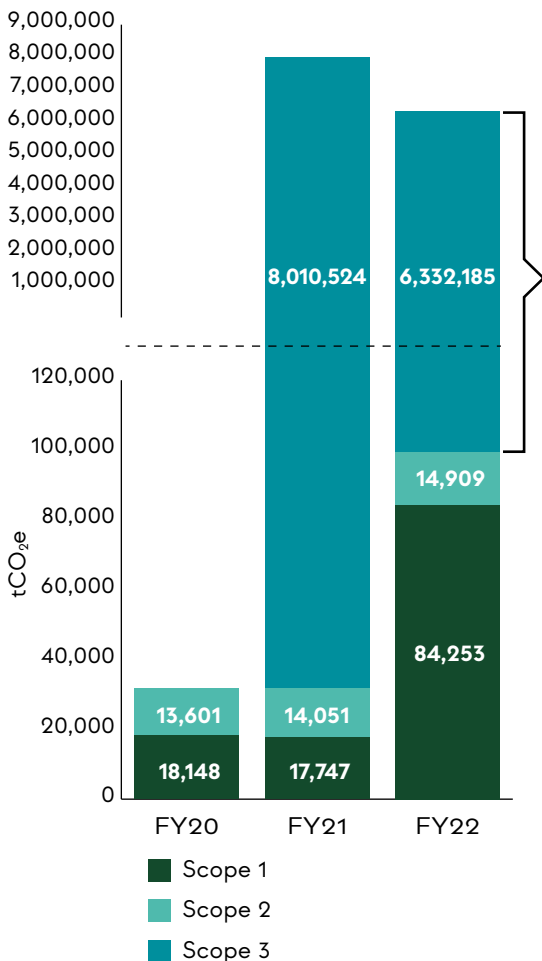
Assets Under Management

Fossil fuel based Scope 1 and 2 emissions from our assets under management predominantly come from the onsite use of fuel, fertiliser and electricity.⁵² During the reporting period, Scope 1 emissions were 84,253 tCO₂e; this is an increase of over 370% on the previous year. The major reason for the increase in Scope 1 emissions was the increased fertiliser application from the inclusion of Lawson Grains in the emissions inventory for the first time. Consistent with FY21, FY22 Scope 2 emissions were 14,909 tCO₂e; 79% of these emissions were from electricity use at Australian processing assets.

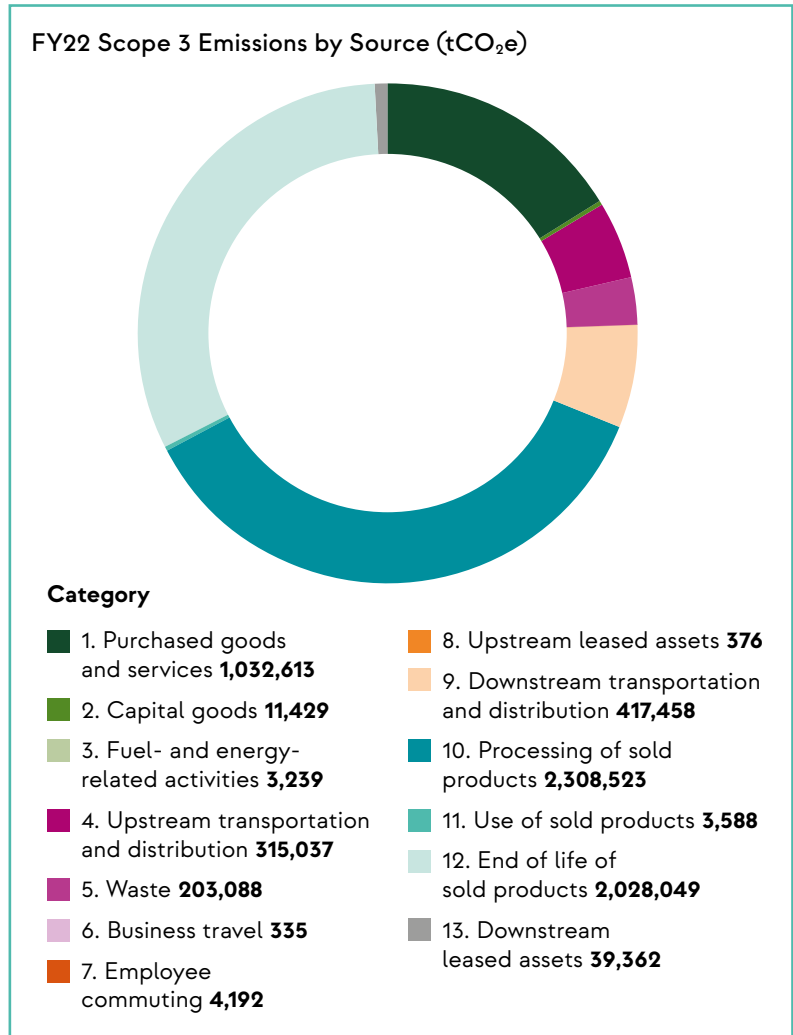
Scope 3 emissions from New Forests’ assets under management far exceed Scope 1 and 2 emissions; the total Scope 3 emissions were 6,332,185 tCO₂e. This represents a decrease of nearly 21% from FY21. Scope 3 emission sources come from upstream and downstream activities related to assets under management. Across the global portfolio, the largest sources of Scope 3 emissions are processing of sold products, the end-of-life of sold products and purchased goods (e.g., construction, engineering services and contractor services).

Per the GHG Protocol, New Forests reports biogenic emissions separately from the Scopes. In FY22, there were 9,924 tCO₂e of biogenic emissions from asset activities, primarily from biomass burned in kilns at processing assets. Additionally, there were over 1,763,000 tCO₂e of fire-related emissions from assets in the US; this value excludes the decrease in carbon stock reported on page 55. New Forests will work to expand our calculation and disclosure of emissions from fire in other regions in future reporting.

Absolute Emissions from Assets Under Management FY20 to FY22 (tCO₂e)



FY22 Scope 3 Emissions by Source (tCO₂e)



In 2022, New Forests corrected our emissions methodology, which resulted in a significant reduction of the reported FY21 emissions.⁵³ The majority of changes were related to Scope 3 emission sources, reflecting the challenges of accurately calculating and reporting Scope 3 emissions. For example, we updated the calculation for emissions related to processing to reflect the actual wood volume that enters the mill, regional mill efficiency values and the proportion of different wood products produced. We believe our 2022 methodology more accurately reflects the emissions profile of our assets under management and we will continue to refine our approach.

⁵² Emissions from fire events are not included in the graph above.

⁵³ In our 2021 Sustainability Report, we reported Scope 3 emissions as 16,810,440 tCO₂e.



Emissions Reductions

As a member of the Net Zero Asset Managers Initiative (NZAMI),⁵⁴ New Forests is committed to achieving net zero by 2050. In 2021, we submitted a draft interim target to NZAMI based on the Science-based Targets Initiative. This reporting year, based on feedback from NZAMI on our draft target, we reviewed and updated the methodology⁵⁵ used to set our net zero targets. We determined that the Net Zero Investment Framework was the most suitable for our asset class.

In 2023, New Forests' will seek to release our net zero target and establish implementation plans.

Commitments

Progress buttons: ● Not started ● Delayed ● On track/completed

| | FY22 Targets | FY22 Actions | FY22 Progress | FY23 Targets |
|--------------------------------|---|---|---------------|---|
| Progress climate action | Set and verify science-based targets for our corporate operations and assets under management | Reviewed target-setting methodologies and adopted the Net Zero Investment Framework | ● | Finalise our corporate emissions reduction target, including 100% renewable energy procurement at corporate offices by 2025 |
| | Develop fund-level emission-reduction plans | Delayed | ● | Set interim 2030 net zero target for assets under management under the Net Zero Asset Manager Initiative |
| | Establish impact targets for new funds to increase carbon sequestration and avoided emissions | Target developed for AFIP | ● | Develop fund-level emission-reduction plans |
| | | | | Include climate targets as part of new fund formation |
| | | | | Report on progress towards fund climate targets |
| | | | | Ongoing improvements to emissions and removals methodology |

⁵⁴ See [Net Zero Asset Managers website](#).

⁵⁵ The NZAM Initiative has approved the Science-based Targets Initiative for Financial Institutions, Net Zero Investment Framework and Net Zero Asset Owner Alliance Target Setting Protocol as target-setting methodologies.



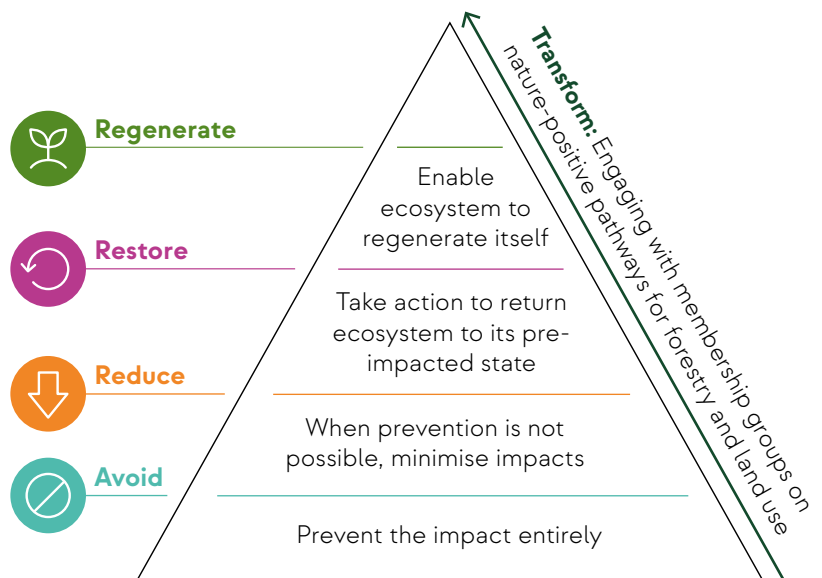
Nature Positive

New Forests’ nature-positive approach is aligned to the mitigation hierarchy (see diagram). As a member of the World Business Council for Sustainable Development, we will set targets to be nature positive by 2030 as part of our membership requirements.

As noted earlier in this Report, 2022 was a milestone year for nature, with the finalisation of the Global Biodiversity Framework (GBF) at COP15 in Montreal and gathering momentum of the Task Force for Nature-related Financial Disclosures. As for climate, we need a robust accounting methodology to understand the value of nature so we can strive to meet the goals of the GBF and materially disclose in line with TNFD. Natural Capital Accounting (NCA) is a framework to assign a monetary value to the positive and negative impacts a business has on nature, by measuring the nature-related inputs and outputs of 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. New Forests’ portfolio company Forico is a leader in NCA, as highlighted in its third *Natural Capital Report*, published in 2023. More information on Forico’s natural-capital approach is available on its website.

The TNFD and NCA may be useful tools to support the development of a biodiversity credit market. New Forests supports the expansion of a credible, science-based biodiversity-focused market that is developed in consultation with relevant stakeholders to support their diverse needs.

Mitigation Hierarchy



Source: Forest Solutions Group at WBCSD.

New Forests

In 2022, New Forests joined the TNFD Forum and subsequently signed up to pilot the draft TNFD guidance. We are in the early stages of our nature-related assessments and plan to release a climate and nature disclosure report in 2023 that will closely align with the disclosure recommendations of the TNFD and TCFD.

The TNFD uses a 'LEAP' approach – locate, evaluate, assess and prepare – to understand how organisations interact with nature. The TNFD [website](#) provides more information on this approach.

As a starting point, New Forests has completed an initial LEAP assessment of our corporate offices (see table). We have not yet done this for our suppliers or asset management activities, although we recognise that the more material nature-related impacts, dependencies, risks and opportunities will be associated with at our assets under management.

Locate your interface with nature.

Evaluate your dependencies and impacts.

Assess your risks and opportunities.

Prepare to respond and report.

| LEAP Step | Topic | Corporate Offices |
|-----------|---------------|---|
| Locate | Footprint | Our corporate offices are located in urban biomes and do not materially interact directly with ecosystems, given the urban environment is a degraded ecosystem. |
| Evaluate | Dependencies | <p>Our corporate operations are directly dependent on water, paper, electricity and aviation fuel. In 2022, we used 260 reams of paper and consumed 61,455 kWh of renewable energy and 1,772 kWh of fossil-fuel based energy. We did not measure water consumption in 2022 as we do not view this as a material dependency; however, we will evaluate this in later years as some of the regions where we operate may face high water stress.⁵⁶</p> <p>Our corporate operations are indirectly dependent on nature-related regulatory services (e.g., air filtration, protection from natural disasters, etc.). Without functioning ecosystems around our offices, it may not be safe for our employees to get to work.</p> <p>The success of our corporate operations is also highly dependent on the success of our assets under management.</p> |
| | Impacts | <p>Our corporate operations primarily impact on nature through GHG emissions, resource use and waste. In 2022, we emitted 919 tCO₂e (excluding our operational-control share of emissions from assets under management) and produced 2.75 tonnes of waste for landfill.</p> <p>As noted, a much greater impact on nature occurs through our assets under management.</p> |
| Assess | Risks | <p>Key nature-related risks for our corporate offices are increased depletion of water resources globally, increased demand for physical inputs for resources and climate change, which make our office locations unliveable or difficult to access.</p> <p>Material risks related to nature also exist within our asset management activities.</p> |
| | Opportunities | <p>Primary opportunities to reduce our impact are to have zero waste by 2030, shift to 100% renewable energy by 2025 and to reduce our Scope 3 emissions (see Climate Positive section).</p> <p>There are significant opportunities to positively impact nature through our asset management activities.</p> |

56 Jay Famiglietti, 'A Map of the Future of Water,' Pew, 3 March 2019; Martin Armstrong, 'Where Water Stress Will Be Highest by 2040,' Statista, 22 March 2023.

Assets Under Management

New Forests' assets under management can have positive impacts on nature through conservation, restoration and biodiversity enhancement programs:



Conservation typically refers to setting aside land for protection to promote ecosystem services. The land does not typically form part of an active management program. Conservation is important for protecting valuable or vulnerable natural ecosystems, supporting endemic flora and fauna populations and promoting connectivity across a landscape.



Restoration programs actively manage 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.



Biodiversity refers to the variety of species, whether across species or among members of the same species according to genetic variability. Biodiversity enhancement aims to improve or increase biodiversity.

Case study

Scaling Conservation in Indonesia

TAFF portfolio company Hutan Ketapang Industri (HKI), in Indonesia, advanced two conservation programs in 2022 that will have direct and positive benefits on its natural areas.



Partnerships for Forests (P4F) Landscape Program

The P4F Landscape Program aims to design and implement a fire and conservation management strategy through a multi-stakeholder collaboration in West Kalimantan. The UK government-funded program, initiated in early 2021, comprises engagement of communities, government authorities and neighbouring industrial concession holders to contribute to conservation.

The South Ketapang landscape area was selected to implement a landscape-level sustainable management approach because the vast majority of the palm oil companies there are Roundtable on Sustainable Palm Oil members, with 'no deforestation, no peat, no exploitation' (NDPE) policies in place. Similarly, the main timber plantation companies have committed to high standards for responsible production.

Among these, HKI is leading in its commitments to Forest Stewardship Council® certification and the International Finance Corporation's Performance Standards on environmental and social sustainability.

The 2022 program included developing baselines of local communities, biodiversity areas and High Conservation Value areas; analysing fire hotspots; undertaking robust stakeholder engagement and reviewing existing management plans. These include integrated conservation management and restoration plans for both HKI and its stakeholders to preserve key remaining habitat and restore habitat for connectivity to bordering national protection areas. The program will be implemented in 2023, with the focus being fire prevention and wildfire fighting, as well as protecting and restoring fragmented habitat that is home to keystone threatened species, including the Orangutan.

HKI Corridor Development Program

HKI has also developed a program to enhance habitat connectivity between High Conservation Value natural forest habitat areas within its concession area. Efforts in 2022 focused on planting native trees across several corridors to support biodiversity, including selecting tree species suitable for Orangutan foraging and nesting, in addition to species considered likely to successfully establish corridors given site specific conditions.



Conservation

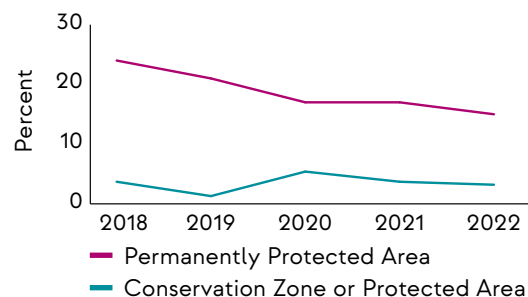
At the end of reporting year, New Forests had more than 33,400 hectares of legally and permanently protected area (3.2% of gross area) and more than 157,700 hectares of conservation zone, or voluntarily protected area (15% of gross area) across our regions.⁵⁷ During FY22, the proportion of permanently protected area and total conservation area decreased due to property sales and the acquisition of assets without legal mechanisms for protection and/or dedicated conservation areas.

Examples of conservation projects in New Forests' managed assets in 2022 include:

- Designating High Conservation Value areas in Northern Californian assets to support connectivity and habitat conservation for threatened flora and fauna species;
- Undertaking noxious weed and pine-wilding control in High Conservation Value areas of Penola Plantations in the Green Triangle, Australia, to help support native species growth in these areas; and
- Engaging in a partnership with the Lower Blackwood Vertebrate Pest Management Group at Peppermint Plantations, New Zealand, to develop a feral pig-control program to conserve the Scott Coastal Plain.

⁵⁷ Permanently protected areas have a legal mechanism that protects an area in perpetuity. Conservation zones, or protected areas, are 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.

Conservation Area as Percent of Gross Area



Lake and Pond Conservation

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



249

lakes/ponds conserved

Case study

Verifying Biodiversity Benefits in Plantation Areas

In November 2022, Forico, the manager of New Forests' Tasmanian Forest Trust, became the first Australian company to obtain certification of its plantation areas under the Forest Stewardship Council® (FSC) Ecosystem Services Procedure.

Achieving this third-party verification adds robustness and credibility to Forico's nature-positive work.

The procedure has five verification standards: biodiversity conservation, carbon storage and sequestration, watershed services, soil conservation and recreation services. Forico's certification is for the biodiversity conservation pathway.

Forico demonstrated positive biodiversity outcomes in the sustainably managed plantations through the conservation of natural forest characteristics and species diversity; there are 38 threatened flora species and 25 threatened fauna species across the TFT estate. This outcome helps demonstrate that sustainable forest management can support biodiversity alongside other ecosystem services.

'Having our ecosystem services certified within the FSC® framework highlights our commitment to sustainable forest management. It allows us to verify our outcomes based on credible and robust monitoring and assessment, and to then communicate confidently on how we are making a measurable difference in fighting biodiversity loss and ultimately climate change not only through our conservation areas but also our in our sustainably managed plantations', says Simon Cook, Forico Sustainability Manager.

New Forests will continue to support Forico's efforts to demonstrate the nature-related benefits of sustainable forestry and land use, and its ongoing leadership in this space.





Restoration

Incorporating restoration areas into landscapes is an important aspect of land-use planning and sustainable management. During the reporting period, New Forests actively reforested 440 hectares of restoration land; most of this in Australia, New Zealand and Indonesia. In total, New Forests managed more than 2,700 hectares of land set aside for restoration at the end of FY22. In recent years, the proportion of environmental restoration area of the gross area under management has decreased slightly due to new assets being added that have smaller or no restoration areas.

Examples of habitat improvement or restoration programs conducted at New Forests' assets in 2022 include:

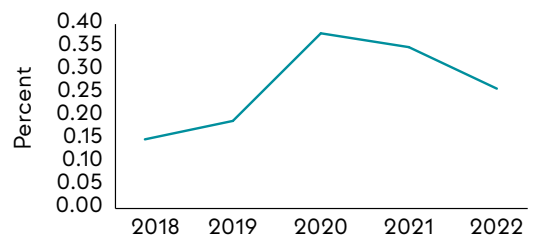
- Removing overstory conifers on 20 hectares of meadow habitat on Shasta Cascades Timberlands, US, to promote restoration for elk and mule deer;
- Mekong Timber Plantations', Laos, planned restoration of 320 hectares of seasonal wetlands in Laos, which considers adjacent high conservation biodiversity (limestone karst and limestone forests);
- Establishing tree seedlings at Peppermint Plantation, New Zealand, to support restoration within the Dunmore region.
- Conducting cultural burning with First Nations people on swamp reserves in pine plantations at Penola Plantations, Green Triangle, Australia, to reduce fire risk, promote regeneration and improve biodiversity; Penola also conducted regeneration burning on wet-heath areas, with the aim to improve flora diversity for endangered and vulnerable small ground-dwelling mammals; and
- Undertaking grassland burning at Tasmanian Forest Trust, Australia, to support native vegetation growth.

Wetlands and River-System Restoration

New Forests also supports the active enhancement of water bodies. To measure our impact, we collect data on the area of wetlands restored or protected and the length of streams and rivers restored or protected.

The majority of water-body restorations occurred in Australia, New Zealand and Indonesia.

Environmental Restoration Management Area (% of Gross Area)



3,345 ha
of wetlands
restored/protected



5,050 km
of streams or rivers
restored/protected

Biodiversity

Conservation and restoration programs alone do not necessarily increase biodiversity. Therefore, New Forests supports biodiversity enhancement through active monitoring and research programs.

New Forests' assets under management 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 species present on or adjacent to New Forests-managed assets. But it may also include invasive species threatening the health of these at-risk species. Both aspects are important to better understand biodiversity.

Highlights from species-focused monitoring and research conducted in 2022 include:

- 32 adult Northern Spotted Owls, threatened in California, were confirmed at or near Acer Klamath Forests.
- Long-tailed Bats, the only native mammal species in New Zealand and currently considered threatened, were found roosting at Blenheim Estate.
- As part of a long-term biodiversity study, many conservation-significant species were identified at the Forest Investment Trust (FIT), Australia, including the Numbat, Baudin's Cockatoo and Australasian Bitterns.
- Australian property manager PF Olsen was featured in *BirdLife Australia* magazine for long-term bird monitoring at FIT and Border Plantations. PF Olsen is currently working to integrate guidelines into plantation management to protect and enhance habitat for the Gang Gang Cockatoo, listed as a vulnerable species.
- Marberry Estate, New Zealand, partnered with the Tasman Environmental Trust on a pest-control program to support the protection of the endangered native Blue Duck (Whio).
- Game-camera monitoring of Tasmanian Devil dens at Lenah Estate, New Zealand.
- A radio-collar tracking project at FIT, Australia, to study the movement of Koalas before, during and after harvest in blue gum plantations to better inform harvest planning and operations.

Commitments

Progress buttons: ● Not started ● Delayed ● On track/completed

| | FY22 Targets | FY22 Actions | FY22 Progress | FY23 Targets |
|----------------------------------|--|---------------------------|---------------|---|
| Progress action on nature | Set pathway and target for corporate operations to be nature positive by 2030 | Engaged in TNFD pilot | ● | Develop nature strategy |
| | Establish biodiversity targets for new funds that incorporate quality habitat considerations | Target developed for AFIP | ● | Include biodiversity targets as part of new funds formation Report on progress towards funds' biodiversity targets |



Case study



Using Game Cameras in Wildlife Management

Game cameras are a non-invasive, non-intensive method to track fauna species in a forest.

In 2022, FWS Forestry, the property manager for New Forests' assets under management in Northern California, identified several interesting species through game-camera footage.

In 2021, the California Department of Fish & Wildlife (CDFW), the entity responsible for tracking wildlife within the state, used game cameras to identify a pair of Grey Wolves on the Shasta Cascade Timberlands (SCT) and Acer Klamath Forests (AKF) assets for the first time. During that breeding season, seven pups were confirmed from the Whaleback pack, one of only two known breeding packs in California. A state endangered species, the Grey Wolf had been eradicated from California in the 1920s, until the first confirmed sighting of a wild wolf that travelled down from north-east Oregon's Imnaha pack in 2011. FWS Forestry has been assisting CDFW monitor the Whaleback pack through game cameras and collecting faecal samples for genetic analysis; and, in the 2022 breeding season, eight new pups were confirmed. FWS Forestry will continue to work with CDFW to monitor the pack and provide access for collaring.

During the year, FWS also identified Rocky Mountain Elk, Greater Sandhill Cranes and Black Bears through cameras placed in meadow restoration areas at SCT. Since 2004, active restoration has taken place to enhance habitat for native meadow species, with more than 81 hectares restored to date. This restoration has supported the resurgence of sensitive species within the SCT boundary.

Historically, the range of Rocky Mountain Elk extended into Northern California. The population severely declined with increased human settlement in the region but rebounded in the 1970s due to elk reintroductions in California. Since then, the population has risen to approximately 1,500 individuals. The Egg Lake herd frequents SCT, which was part of its historic range. In recent years, it has not been uncommon to see groups of 40-50 elk across the property in late autumn, concentrated around meadow and riparian areas and in young clear-cut areas. Fire suppression and a decrease in timber harvest on public and private lands has resulted in reduced snag forests and an increase in the meadow habitats that benefit elk and deer. Even-aged silviculture and meadow restoration efforts on SCT provide crucial habitat for these species.

The Greater Sandhill Crane is a threatened species in California. Prior to 2016, there were no historic sightings of it nesting on the SCT asset documented in the California Natural Diversity Database. Following the observation of a nesting adult in 2016, and then a family of two adults and two fledglings in 2017, the Greater Sandhill Crane has been documented using multiple meadows on SCT for foraging and stopovers. Along with game-camera footage, FWS Forestry staff observed the crane using two meadows on SCT on multiple occasions during 2022.

The Black Bear is an integral part of California's forest ecosystems, playing an important role in seed dispersal and helping maintain populations of prey species. Black Bears were observed foraging, wallowing and napping in several meadows on SCT in 2022.

With more than 60% of the land in the United States in private ownership, these lands play a critical role in the conservation of at-risk species and in connectivity of the habitats these species depend on. FWS will continue to monitor species and restore native habitats to support their needs, showcasing the positive benefits that can occur with sustainable land management.



Supporting the Circular Bioeconomy

New Forests provides wood fibre and agricultural products for a sustainable circular bioeconomy.

The circular bioeconomy brings together two key elements 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 and as sustainably managed, recovered and reused to the extent possible. By building circularity into the bioeconomy, the value from biomass is maximised by increasing its productivity, including through the utilisation of what were conventionally considered waste streams.

Efforts to scale the circular bioeconomy are increasing globally. In 2022, the Food and Agriculture Organisation became the first UN agency to make the bioeconomy a strategic priority, and countries

are increasingly integrating bioeconomy solutions into their nationally determined contributions to cut GHG emissions.⁵⁸ The circular bioeconomy represents a strong business opportunity – the World Business Council for Sustainable Development estimates it could be worth USD 7.7 trillion by 2030⁵⁹ – and is a means to address the challenges associated with increased consumption by alleviating resource-supply concerns, minimising waste, reducing fossil-fuel consumption and relieving pressures on land use.

The forestry and agricultural sectors can supply the circular bioeconomy with the biomass inputs needed to produce a broad range of goods and services that can be reused, re-composted and organically recycled at the end of their useful life.

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

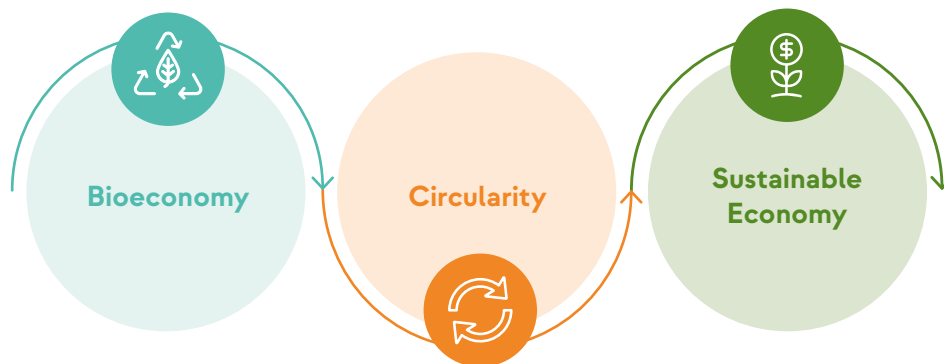
- Provision of sustainable wood fibre, food and feed;

- Sustainable production and processing into various products; and
- Supporting and promoting the circularity of forest and agricultural products.

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

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

In our 2021 Stakeholder Materiality Assessment, we asked stakeholders for input on the materiality of silvicultural practices, the sustainable harvesting schedule, forest health and the circular bioeconomy. In this section of the report, we provide insights related to these themes.



Bioeconomy – 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

Circularity – 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

58 Nationally determined contributions are country-level commitments to reduce national emissions and to adapt to climate-change impacts in line with the goals of the Paris Agreement. M. Gomez San Juan, S. Harnett and I. Albinelli, *Sustainable and Circular Bioeconomy in the Climate Agenda: Opportunities to Transform Agrifood Systems*, Food and Agricultural Organisation, Rome, period after 2022.

59 WBCSD, 'Circular bioeconomy: The business opportunity contributing to a sustainable world', 23 November 2020.

Sustainability of Wood Fibre and Agricultural Products

To continue to expand, the circular bioeconomy must be supplied by food and fibre that are sustainably grown, harvested and replanted. New Forests requires third-party forest management certification across all assets to give independent assurance of our sustainable management program, primarily through FSC® certification or a standard under the Programme for the Endorsement of Forest Certification (PEFC).

In 2022, 97% of New Forests-managed forestry assets⁶⁰ were certified to a third-party forest management standard, either PEFC and/or FSC®. During the reporting period, our forest assets under management harvested more than 7 million cubic metres of timber; only 3% of this was not certified, due to some assets being recently acquired and undertaking certification.

New Forests' SEMS stipulates that a forestry asset has 18–36 months to achieve certification after the time of acquisition.

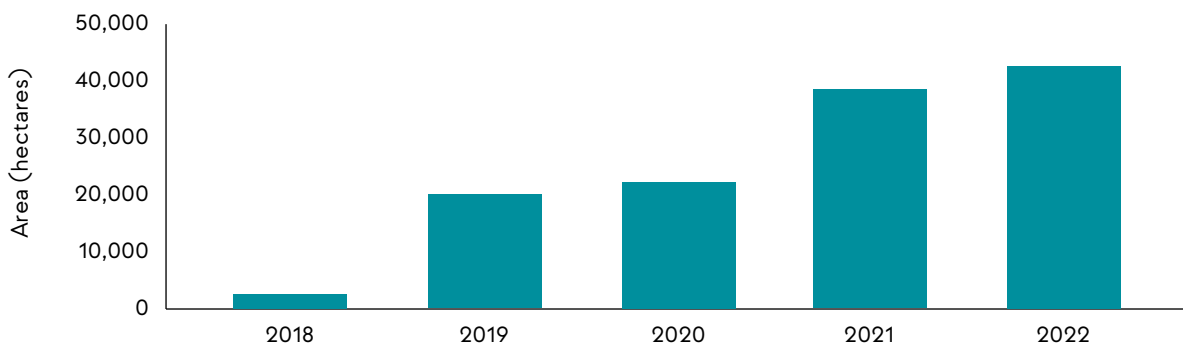
Through the production of certified timber from sustainably managed plantations, New Forests is also seeking to displace illegal logging. These efforts are particularly important to our strategy in Southeast Asia and Africa, where historically wood products have been sourced from unsustainable logging of natural forests.

New Forests also ensures the supply of certified sustainable, plantation wood fibre is continually replaced by new planting and replanting; that is, reforestation. In FY22, more than 42,500 hectares of commercial area was replanted with 20 million seedlings at our assets under management.

For agriculture, a key challenge is the lack of a global certification standard equivalent to those for forestry. To address, in 2022 New Agriculture supported the development of the Leading Harvest Australian Standard, observing the pilot process and providing feedback on the standard's feasibility and regionally specific updates. As the standard develops, we will evaluate its applicability for our agricultural assets under management. In the meantime, these assets are all managed under our SEMS, which outlines minimum sustainability requirements for agriculture.

In 2022, New Forests' agricultural assets under management harvested more than 214,600 tonnes of products.

Commercial Reforestation Area



⁶⁰ Based on area.



Case study

Advancing Sustainability at Lawson Grains



In February 2022, New Agriculture took over management of Lawson Grains, a large-scale broadacre cropping company in Australia. Lawson Grains was already a sector leader and follows best-practice management activities to enhance sustainability. To enhance positive impact, the strategic direction of Lawson Grains (with the assistance and guidance of New Agriculture) includes expanded sustainability initiatives.

| Existing Best Practice | Future Projects |
|---|--|
| Soil Health | |
| <p>Controlled farming traffic to minimise compaction, maximise moisture infiltration and optimise machinery efficiency.</p> <p>Stubble retention to maximise organic matter, conserve moisture, promote soil microbial activity and minimise soil erosion from wind and water.</p> <p>Minimum tillage to promote good soil structure and conserve moisture.</p> <p>Soil amelioration and use of lime and gypsum to improve soil pH and structure.</p> <p>Crop rotation for soil health and to minimise soil-borne and foliar disease issues.</p> | <p>Use the soil management baseline to support the development of an integrated carbon project.</p> <p>Trial of microbial products to promote carbon sequestration in the soil and to reduce application of synthetic fertiliser.</p> |
| Water | |
| <p>Latest technology and farming practices to improve water-use efficiency across dryland and irrigated crops.</p> <p>Best-practice farming techniques, such as controlled traffic farming and stubble retention, reduces soil erosion and thereby improves water quality.</p> | <p>Monitor water quality over time to show how the targeted use of fertiliser and agri-chemicals, the avoidance of soil erosion and the maintenance of groundcover and soil structure have a positive effect on water quality across its portfolio.</p> |
| Efficiency | |
| <p>Precision agriculture allows for applying variable rates of fertiliser and chemicals across the field, which reduce chemical use and related earnings drag from less-productive areas and optimises production across the field.</p> <p>Soil testing to enable targeted fertiliser use.</p> | <p>Implement a business intelligence tool to drive innovation in data collection and use. This will unlock valuable insights, support key decision-making and keep key personnel informed of results in real-time, with detailed analysis against strategic plans, budgets and iterative forecasts.</p> <p>Promote investment in new equipment for operational efficiency.</p> |
| Highest and Best Use | |
| | <p>Review existing land use to establish the highest and best use (HBU) for low-profitability land. In establishing HBU for Lawson Grains, New Agriculture will consider guidance from relevant agricultural certification standards and seek to promote net positive ESG outcomes, including retention of High Conservation Values.</p> |

To support the advancement of these initiatives, New Agriculture will continue to actively seek a high-quality third-party sustainability standard against which to certify Lawson Grains. This will ensure best-practice management of material ESG issues such as sustainable land use, conservation, water use and biodiversity.

Expanding Existing Sustainable Forest and Agriculture Products

Wood fibre harvested at New Forests' assets under management is turned into various products, primarily sawn timber, veneer and woodchip. Critical to the expansion of the bioeconomy is ensuring these forest products are sustainably grown, processed and/or produced. Through our SEMS, New Forests requires mill facilities in our portfolio 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.

Agricultural products from our assets under management are predominantly used for food and animal feed. Other opportunities for their inputs to the circular bioeconomy include fibre, chemicals and energy.⁶¹

New Forests believes we can support the growth of the bioeconomy through three key levers:



Case study

Processing Updates from Australia and Laos

Expanding the quantity of existing products in Laos

The Mekong Timber Plantations processing facility started production in September 2022, after training the initial 130 employees. To the end of 2022, the veneer output was 3,834 cubic metres. Some 2,821 tonnes of woodchips were also made and sold. The small sawmill attached to the plant has yet to fully start, due to the current downturn in the Vietnamese export markets for FSC® certified lumber. The processing facility is the newest in Laos and is expected to come into full production in 2023. It will add significant value to logs produced by MTP (and, in due course, MTP's farm forestry scheme).

Supporting the development of new products in Australia

In February 2023, Timberlink, a New Forests portfolio company in ANZFF celebrated 10 years of business. The company continues to innovate and develop new products that will support a circular bioeconomy and regional economic growth. Construction of Timberlink's cross-laminated timber (CLT) and glue-laminated timber (GLT) manufacturing facility in Tarpeena progressed significantly in 2022, and production is expected to begin in late 2023. These products will provide a sustainable substitute to traditional building materials. Timberlink's wood-plastic composite plant will commence production in mid-2023, becoming Australia's first composite timber manufacturing facility integrated into a sawmill, with its residue feedstock coming directly from the co-located timber mill. As one of the few plants in the world achieving this, the Timberlink facility will upcycle value through the use of its residue timber material combined with the use of recycled plastics.

These new product lines also help diversify Timberlink's business, providing future revenue streams not tied to traditional timber markets. Timberlink's business-wide new think tank process is already reviewing future opportunities to invest in new technologies and in market areas in which the incredible natural properties and benefits of its renewable timber fibre can be sustainably optimised.



61 Institute for European Environmental Policy, 'The Circular-Bioeconomy in agriculture and forestry', 14 March 2023.

Case study

New Forests Timber Products supporting innovations in packaging material



New Forests Timber Products (NFTP) supplies *Eucalyptus globulus* and *E. nitens* wood chips from different assets to mills across China and Japan. The plantation fibre is used to produce biodegradable products to replace plastics for packaging and disposable food-related products, such as straws, plates and bowls.

An example is Jujo Thermal (owned by NFTP customer Nippon Paper Group), which has produced SHIELDPLUS®, a biodegradable, recyclable and flexible packaging material that consists of wood-based fibres coated with a water-based barrier coating. It is a sustainable alternative for the packaging industry, minimising use of plastic and aluminium. In 2022, SHIELDPLUS® won the business category of Productive Idea, a competition held annually by the Junior Chamber International in Finland, which recognises entrepreneurship and innovation.

We will continue to explore opportunities to partner with NFTP's customers to advance the circular bioeconomy.



Increasing Circularity

A circular economy is fundamental to moving towards a level of 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 aims to support new and innovative technologies, products and processing to increase the circularity of bio-products.

Commitments

Progress buttons: ● Not started ● Delayed ● On track/completed

| | FY22 Targets | FY22 Actions | FY22 Progress | FY23 Targets |
|--|---|--|---------------|--|
| Support inputs to the circular bioeconomy | Set impact targets for new funds to increase volumes of certified timber sold into markets | This was inappropriate for AFIP | ● | Determine appropriate impact metrics for this area and pilot with new funds |
| Scale emerging markets processing | Promote processing in emerging markets through investments in Southeast Asia and Sub-Saharan Africa | Mill at MTP is operational | ● | Continue to identify opportunities for processing investment in emerging markets |
| Support increasing circularity | Work with portfolio companies on new products | Supported Timberlink product development | ● | |
| Measure the circular bioeconomy | Add metrics to assess waste streams and material pathways | Added annual metric | ● | Analyse results of data collection on waste streams and material pathways |

Advocacy

International momentum on climate change mitigation and biodiversity within the finance and corporate sectors reached new heights in 2022, propelled by advances in legislation and regulation across many jurisdictions.

Through our advocacy program, New Forests aims to amplify our effort, voice and influence in pursuit of our vision, which aligns with these urgent objectives.

New Forests also participates in industry initiatives, networks and organisations – both in global and regional contexts – to advance responsible investment, sustainable forestry and robust carbon markets through collaboration, knowledge-sharing and development of best practice. A complete list of memberships is given below.



Highlights from our 2022 Advocacy Activities

Contributing to Carbon Market Development

New Forests supports the development of carbon markets with high integrity as this is critical for their success, both in terms of mitigating climate change and for creating trust among stakeholders regarding the outcomes of carbon credit projects.

- **Independent Review of Australian Carbon Credit Units (Chubb Review)**

In 2022, the Australian Government announced a review into the integrity of Australian Carbon Credit Units to ensure the scheme is robust and credible, and recognised as such by participants, purchasers and the broader community.

New Forests provided a [submission](#) in September 2022 and worked with the Australian Forest Products Association and with the Carbon Markets Institute, of which we are a member, to support their respective submissions. New Forests welcomed the review's findings that the scheme is essentially sound, along with a range of recommendations to improve transparency, clarify governance and enhance confidence in the integrity and effectiveness of the scheme.

- **Review of the California Air Resources Board's US Forest Projects Compliance Offset Protocol**

In late 2022, New Forests participated in a workshop convened by the California Air Resources Board, as part of a review of the state's forest offset protocol. The workshop focused on ways to improve implementation of the protocol to address concerns around additionality and permanence of forest offset projects.

New Forests continues to work with industry groups, California Forest Carbon Coalition and the Verified Emission Reduction Association to promote continuous improvement of the forest carbon offset protocol, timely updates to underlying data and science, and efficiency in verification and issuance.

• **Voluntary Carbon Market**

New Forests also reviewed and submitted high-level commentary to the Integrity Council for the Voluntary Carbon Market on its Core Carbon Principles.

GHG Protocol Land Sector and Removals Guidance

As described in the ‘Climate Positive’ section of this report, New Forests participated in pilot testing of the Greenhouse Gas Protocol Land Sector and Removals Guidance, which outlines the accounting requirements for land-based and technological removals to achieve net zero ambitions. The guidance is important for achieving standardised carbon accounting for the forest, agriculture and land use sector, allowing for comparisons in performance between companies.

In conducting the pilot, New Forests has identified and provided feedback on various important threshold issues in the guidance that need resolving to correctly account for the environmental benefits of land-based removals.

Australian Government Consultation on a Market for Biodiversity

The Australian Government is actively developing legislation for a ‘nature repair market’, which would provide a national framework for creating biodiversity conservation and restoration projects. New Forests supports this concept as a means to increase private- and public-sector capital to nature-positive outcomes. In September 2022, New Forests made a submission to the government and offered a number of recommendations regarding how to shape the framework to attract investment and ensure integrity. New Forests is active in providing feedback to the government on these policy developments.

SEC Consultation on ESG Disclosures

New Forests’ US team participated in two Securities and Exchange Commission (SEC) public consultations related to public climate disclosure requirements (‘ESG Disclosures and Investment Advisors and Investment Companies’) and the use of ESG-related terms in fund names (‘Investment Company Names’) to support enhanced and standardised disclosures.

Commitments

Progress buttons: ● Not started ● Delayed ● On track/completed

| | FY22 Targets | FY22 Actions | FY22 Progress | FY23 Targets |
|--|---|---------------------------------------|---------------|--|
| Support standardised climate accounting and reporting | Plan to pilot the updated GHG Protocol, including the Carbon Removals and Land Use guidance | Piloted the updated GHG Protocol | ● | Advocate to resolve the threshold issues within the guidance |
| | Continue to review drafts of the SBTi FLAG Guidance | Reviewed Corporate SBTi FLAG Guidance | ● | |
| Engage with emerging nature disclosure frameworks | Explore pilot testing of the TNFD framework | Engaged in TNFD pilot | ● | Complete TNFD pilot |
| | Review the first draft of the TNFD | Reviewed TNFD guidance materials | ● | |
| Develop regional advocacy plans | Develop regional advocacy plans | Established advocacy leads in the US | ● | Develop regional advocacy plans |

Conclusion

As this report shows, land management is a global sector, with complex supply chains that are linked to a variety of supply and demand factors, such as geopolitics, global uncertainty, interest rates and increasing regulatory requirements. The rise of environmental markets, too, is shifting what land management looks like.

Change creates challenges; for example, market shifts will require restructuring across supply chains, potentially impacting how New Forests can invest and manage assets. Additionally, criticisms persist in relation to sustainability integration into investment management and the credibility of carbon markets. These denunciations may disincentivise scaling sustainable investment or limit new investors entering the land use sector. New Forests must remain resilient in the face of challenges in the near and long-term to support strong financial and impact outcomes for investors and our business growth.

Despite the headwinds, New Forests views market changes as opportunities to create a future-focused land use sector. As wood supplies shift from natural forests to intensive forest plantations, we can move towards a more sustainable supply of fibre. As demand for timber and wood fibre rises in Asia, we can support the development of

regional processing and international supply of raw materials to those markets. As the market increasingly recognises the importance of the circular bioeconomy, climate-change mitigation and biodiversity, we can create innovative financing structures to support solutions to these global problems.

New Forests' track record positions the company well, and we need to continue to develop innovative products and deepen impact-management practice and reporting, building on the growing momentum and appetite for climate- and nature-positive investment solutions. In 2022, we supported the delivery of positive outcomes across shared prosperity, nature-based solutions and circular bioeconomy topics through both traditional and innovative investment strategies. We will continue to pursue our vision in 2023 and beyond.

We welcome engagement with this report and can be contacted at impact-team@newforests.com.au.

Glossary

Best practice: New Forests uses the following frameworks to define best practice across our operations:

- **Reporting:** Integrated Reporting
- **Corporate operations:** B Corp certification
- **Risk management:** ISO 31000 – Risk Management: Principles and Guidelines.
- **Forestry:** third-party forest management certification (e.g., FSC® and PEFC approved schemes) and IFC Performance Standards in emerging markets. In regard to FSC®, New Forests holds non-certification trademark license N002114. FSC® is not responsible for and does not endorse any financial claims on returns or investments.

Environmental, Social and Governance (ESG): a means of evaluating positive and negative environmental, social and governance risks and opportunities within investment processes and decision making

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

Greenhouse gas: gases that trap heat in the atmosphere, including carbon dioxide, methane, nitrous oxide and fluorinated gases

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

Nature-based solutions: actions to conserve, restore and sustainably manage natural and modified ecosystems to address environmental, societal and economic challenges and to provide co-benefits

Natural climate solutions: actions to conserve, restore or improve the management of ecosystems that increase carbon storage and/or avoid greenhouse gas emissions

Net zero: the balance of greenhouse gasses in the atmosphere, aiming for equivalent carbon emissions and carbon removals

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

Supply chain / value chain: refers to the system through 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)

Annex I. Our Contribution to the United Nations Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs) provide a shared blueprint for peace and prosperity for people and the planet, now and into the future. The SDGs recognise that ending poverty and other deprivations must go hand in hand with strategies that improve health and education, reduce inequality and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

Of the 17 SDGs, there are five to which we believe we can most meaningfully contribute through our activities:



SDG 5:
Achieve gender equality and empower all women and girls



SDG 8:
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



SDG 12:
Ensure sustainable consumption and production patterns



SDG 13:
Take urgent action to combat climate change and its impacts



SDG 15:
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss

New Forests' 2022 contribution to the SDGs from our assets under management



Impact Area: Shared Prosperity

| | | | | | |
|---|---------------|---|---|--|--|
| Individuals employed with workers' rights requirements | 5,680 | | ✓ | | |
| Percentage of female employees at assets | 23% | ✓ | | | |
| Percentage of female leaders at assets | 12% | ✓ | | | |
| Participants engaged in outgrower, smallholder and livelihood planting programs | 280+ | | ✓ | | |
| Employee Codes of Conduct | 96% of assets | | ✓ | | |
| Rate of lost time incidents | 33% reduction | | ✓ | | |
| Rate of medical treatment incidents | 50% reduction | | ✓ | | |

Impact Area: Nature-based Solutions

| | | | | | |
|---|---------------------------------|--|--|---|---|
| Carbon stored in production forests | 202+ million tCO ₂ e | | | ✓ | |
| Carbon removals from production forests | 884,000+ tCO ₂ e | | | ✓ | |
| Carbon offsets generated | 2,950,500+ | | | ✓ | |
| Total conservation area | 157,700+ hectares | | | | ✓ |
| • Permanently protected conservation area (i.e., under legal protection mechanisms) | 33,400+ hectares | | | | ✓ |
| • Area of environmental reforestation | 440 hectares | | | ✓ | ✓ |
| Lakes and ponds conserved | 240+ | | | | ✓ |
| Length of streams and rivers restored or protected | 5,050 kilometres | | | | ✓ |
| Area of wetlands restored or protected | 4,340+ hectares | | | | ✓ |

Impact Area: Circular Bioeconomy

| | | | | | |
|---|-------------------------|--|--|---|--|
| Area of certified forest management | 906,790+ hectares | | | ✓ | |
| Volume of certified timber produced | 6,872,800+ cubic metres | | | ✓ | |
| Percentage of timber production that is certified | 97% | | | ✓ | |





New Forests 2023. New Forests refers to New Forests Pty Ltd (ACN 114 145 274) and its subsidiaries.

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New Forests
Level 23
141 Walker Street
North Sydney, NSW 2060
Australia

www.newforests.com



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