

Insights

Five Drivers of Natural Capital as an Asset Class



New Forests' Case Studies on Bridging Investment Returns and Environmental Impact

In the face of climate change, biodiversity loss, and mounting environmental degradation, the global financial system is undergoing a paradigm shift. Investors, asset managers, governments, and regulators are increasingly recognising that long-term economic prosperity is linked to the health of the natural world.¹

In response, natural capital – the world's stocks of natural assets including geology, soil, air, water, and all living things – is rapidly emerging as a distinct and investable asset class. This shift holds the promise of delivering both competitive financial returns and measurable environmental and social impacts.

Historically, major economic systems have treated nature as a free and infinite resource, external to financial calculations. In the 1990s, however, ecological economists popularised the term 'natural capital' by extending economic theories of capital to nature and its associated environmental goods and services.²

A controversial article published at the time, on the 'Value of the World's Ecosystem Services and Natural Capital', argued that the world's ecosystems provided approximately USD\$33 trillion per annum in economic benefits to human society, roughly equal to the Gross

World Product (GWP) at the time.³ Today, almost half of global GDP, approximately USD\$44 trillion, is estimated to be moderately or highly dependent on nature and its ecosystem services.⁴

While the concept of natural capital was initially criticised by both environmentalists and corporates, there has been continued pressure and momentum over the past three decades to reconsider how economic systems are designed, measured, and operating beyond solely financial outcomes.

This short paper highlights five drivers of natural capital and how New Forests' assets across forestry and agriculture have delivered positive impacts on nature, climate and local communities.



Drivers of the Rise of Natural Capital Investment

Natural capital assets can take many forms. They include sustainable forestry, regenerative farming, biodiversity conservation areas, and carbon sequestration projects such as reforestation or peatland restoration.

These assets have the potential to not only generate income through sustainable land use, product sales, or ecosystem services but also create positive environmental externalities, such as increased carbon storage, improved water quality, soil restoration, and enhanced biodiversity.

Several intersecting trends are propelling the rise of natural capital as a mainstream asset class, including the integration of climate and nature risk into financial decision making, the growth and expansion of nature-based carbon markets, increasing regulatory and policy support, and ongoing innovations in finance.

1. Integrating Climate and Nature Risk as Financial Risks

Institutional investors increasingly recognise nature-related risks as material financial risks.⁵

The Taskforce on Nature-related Financial Disclosures (TNFD) – launched in 2021 and built on the momentum of the Taskforce on Climate-related Financial Disclosures (TCFD) – encourages companies and investors to disclose how nature risks affect their portfolios.

The TNFD, an international framework for corporate and financial institution action, operates within an ecosystem of comparable frameworks (e.g., Science-Based Targets Initiative), corporate reporting standards (e.g., Global Reporting

Initiative, International Financial Reporting Standards), sustainability disclosures and accounting frameworks (e.g., International Sustainability Standards Board (ISSB), European Corporate Sustainability Reporting Directive), and ratings agencies (e.g., MSCI and Morningstar).

New Forests was an early signatory of the TNFD and in 2020, its portfolio company Forico produced Australia's first natural capital report, placing a dollar value on the ecological assets on Forico's Tasmanian estate.⁶

Case Study



Forico's Natural Capital Report

Forico, Tasmania's largest private forestry company, has pioneered natural capital accounting by annually publishing comprehensive Natural Capital Reports since 2020.

These reports quantify and value key ecosystem services – like carbon sequestration, water regulation, sediment control, and biodiversity – using financial-style statements. Guided by international frameworks such as the UN SEEA and the Natural Capital Protocol, Forico developed a methodology to assess and value natural assets across its estate. It became the first company globally to apply corporate-level environmental-economic accounts aligned with Accounting for Nature standards, gaining third-party assurance from KPMG and other certifiers.

This innovative approach embeds nature into Forico's core decision-making, with sustainability oversight in collaboration with the finance team. The company has already shifted operational strategies – such as moving to longer plantation rotations – to enhance ecological outcomes. Forico's leadership has been recognised with several national and international sustainability awards, including the Banksia Award and Finance for the Future accolades.

Looking ahead, Forico aims to deepen its reporting with science-based targets for nature and expand into social capital accounting. By integrating environmental value into business systems, Forico sets a global benchmark for sustainable land management and nature-positive finance.



2. Nature-Based Carbon Markets

The voluntary carbon market (VCM) has and continues to grow as companies pursue net-zero goals.⁷

Likewise, several regulated carbon markets operate around the world, including in the European Union, Australia, and North America, where verified carbon credits are monetisable and can trade at a premium. Natural climate solutions play a critical role in these markets and for global decarbonisation pathways.⁸

Case Study

New Agriculture and McPhee Beef Farms

Background

McPhee Beef Farms, to be known as Benditi Pastoral Co, located in the New England agricultural area of New South Wales, Australia, spans approximately 8,400 hectares and specialises in high-quality F1 Wagyu production from Angus cows and Wagyu bulls.

In August 2025, New Forests' Australia New Zealand Landscapes Opportunities Fund acquired half of McPhee Beef Farms⁹, with specialist agricultural expertise provided by New Agriculture through a whole-of-landscape approach to optimise investments by integrating carbon sequestration, sustainable forestry, biodiversity conservation, and regenerative agriculture practices.

Carbon Strategy

Through this partnership, Benditi Pastoral Co will seek to develop a comprehensive carbon strategy

central to its regenerative agriculture transition. The strategy complements activities across the landscape and optimises carbon sequestration through soil and forest management practices, climate forecasting, and electrification of onfarm machinery. Soil carbon sequestration will be enhanced through rotational grazing and pasture management informed by climate modeling and forecasts. Investments in renewables and electric vehicles will further seek to reduce operational emissions.

Pasture Development Program and Regenerative Grazing

Benditi Pastoral Co' pasture development is among the most advanced in the region. Innovations in genetics have increased production while reducing environmental impacts. Combined seasonal and perennial forage rotations

offer high quality forage options complementary to other activities and infrastructure investments that optimise resource use and, likewise, enhance soil fertility and carbon retention.

Integrated Landscape Approach

Benditi Pastoral Co exemplifies New Forests' vision of sustainable land use through multi-use management activities that combine high-quality beef production, sustainable forestry, carbon sequestration, and biodiversity conservation. Environmental sustainability and stewardship drive regenerative investments and outcomes. Benditi Pastoral Co is aligned with New Forests' mission to deliver climate-positive, nature-based solutions across landscapes, and its integrated landscape model positions it as a benchmark for institutional-scale regenerative agriculture.

3. Regulatory and Policy Support

Increasingly, governments are establishing and mandating nature-positive frameworks. The Kunming-Montreal Global Biodiversity Framework, adopted at the United Nation's Convention on Biological Diversity COP15 in 2022, called for redirecting USD\$500 billion in annual harmful subsidies toward biodiversity-positive investments.¹⁰

Public finance is also being deployed to de-risk private capital, particularly in emerging markets. Brazil, for example plans to raise USD\$125 billion for the Tropical Forest Finance Facility (TFFF), as a solution for conserving approximately 1 billion hectares of tropical forests worldwide.



Case Study

Regulatory and Policy Support

New Forests takes an active role in national and international collaborative bodies to amplify our effort, voice, and influence in pursuit of achieving our vision. We engage with governments, regulators, industry bodies, and investors to help shape the future of land use.

Growth of the International Sustainable Forestry Coalition (ISFC)

ISFC, a leading international voice for sustainable forestry, has grown considerably in the past two years as more companies join forces to create a cohesive international platform. ISFC was spearheaded by New Forests' founder and former executive chair, David Brand, and established in 2023 with New Forests as one of nine founding members. As of June 2025, the coalition has expanded to more than 22 major forestry companies from around the world stewarding more than 18 million hectares of land across 37 countries.

Informing Policy for California's Cap-and-Trade Program

California's Cap-and-Trade Program is undergoing reauthorisation in the California State Legislature in 2025. Over the past decade, the Program has provided nearly USD\$33 billion in investments in California, and it is fundamental to the state's 2045 carbon neutrality goal. New Forests' U.S. strategies include nature-based carbon projects within the Program. Reauthorisation provides opportunities to strengthen the many economic benefits the

Program provides for all Californians, including contributions to industry-wide decarbonisation and the co-benefits of nature-based offset projects. New Forests works closely with local partners, coalitions, industry peers, non-profits and tribes to support Program reauthorisation. Through these collaborations, New Forests advises policymakers and stakeholders on the critical role of carbon offsets – both as a cost-effective mechanism for Program compliance and as a key contributor to environmental conservation, wildfire management, habitat protection, and broader ecosystem services that can deliver significant ecological co-benefits across California.

Launching New Forests' Nature Positive Campaign

In September 2024, New Forests published "Investing in a Nature Positive Future," available to download from our [website](#). The report explores the historical context and future trajectories of nature positive investments as central to not only investor portfolios but larger societal transformation. Members of New Forests' executive team presented on nature positive investments at several conferences, including founder David Brand at the 2024 Global Nature Positive Summit in Sydney, Australia. New Forests continues our nature positive campaign through recent and ongoing partnerships with the Nature Positive Institute, the Task Force for Nature-related Financial Disclosures, ISFC, and others.

4. Innovative Financial Instruments

New structures – such as natural capital funds, blended finance models, biodiversity credits, conservation finance, and sustainability-linked bonds – are expanding access to the asset class.¹¹

In 2023, New Forests' Tropical Asia Forest Fund 2 (TAFF2) raised USD\$130 million and was established as a blended finance model with two classes of investors. Class A investors are commercial investors with an impact lens who seek a preferred investment return. Class B investors are impact first investors that receive a concessional return and invest to achieve demonstrated impact. This structure enables TAFF2 to integrate investment in impact activities focused on climate action, community engagement and livelihoods, and biodiversity conservation into the fund's plantation forestry portfolio an example of which is below.

Case Study

Kuan Kreng Landscape in Southeast Asia

The Kuan Kreng Landscape (KKL) holds Thailand's second largest peat swamp forest area and includes an area of 70,715 hectares. More than 60,000 local people depend on fishing and other non-timber forest products from these peat swamp forests for sustenance and livelihoods. Two thirds of the KKL peat swamp forest is degraded due to drainage canal networks associated with agricultural land use, which lowers water tables and causes carbon emissions from peat oxidation.

New Forests has established a local entity, Restore Nature (Thailand), to work closely with the Thai government and local community groups to design and implement a project that aims to raise the ground water table in select areas by constructing semi-permanent canal blocks to restore degraded peatland.

In addition, the project will undertake revegetation and enrichment planting to create biodiversity corridors to support the regeneration of fauna and flora. We will also work to design and develop a carbon project to further protect and restore degraded peatland and peat swamp forest, and to improve biodiversity. This, in turn, will enhance the ability of the local community to continue making a living from the peatland.

Approximately 40% of the KKL landscape is suitable for a carbon project and, according to New Forests' 2024 projections, has the potential to generate on average over 500,000 carbon credits per year. Completing the restoration work and developing a carbon project has the potential to directly benefit local communities, increase the value of the land, and provide an income stream our investors.





Case Study

Delivering impacts in Africa

In 2022 New Forests launched the African Forestry Impact Platform (AFIP), providing investors with access to sustainable forestry with the aim of delivering commercial returns alongside tangible impact outcomes.

Another innovation in the natural capital space has been New Forests' Africa strategy which has been developed with four impact targets, one of which is to increase the area (in hectares) of quality habitat protected or restored by 14%.

A portion of New Forests' remuneration is tied to achieving these four impact outcomes across biodiversity, climate change, gender diversity, and communities and livelihoods.

AFIP's first investment was Green Resources (known as GRAS), the largest forest and wood processing company in East Africa. GRAS manages over 85,000 hectares of sustainable forestry plantations across Mozambique, Tanzania, and Uganda. The trees are grown on its land to manufacture high quality timber products through operating two sawmills, three pole treatment plants, and a veneer plant. This investment has a focus on creating positive community impacts by contributing to the local economies through employment and community investments.

In 2023, GRAS qualified and was formally recognised as a "2X Challenge Investment," which is a global industry standard for assessing and structuring investments that provide women with leadership opportunities.

As part of the 2X criteria, AFIP has a gender diversity target aiming for 30% of women employed across its assets and in senior leadership roles, which is above the 25% target set by 2X.

Additionally, New Forests operates a Social Development Fund that focuses on developing self-sufficiency over dependency to encourage local community members to sustainably harvest wood for fuel from our forests.

New Forests distributes tree seedlings and shares best practices for growing trees for communities to establish private and community wood lots to create shaded recreation areas and improve the soil and carbon sequestration. In 2024, New Forests deployed 1.8 million tree seedlings.

5. Performance and Returns

Natural capital assets are proving that achieving environmental outcomes does not have to be at the expense of financial returns.

- Sustainable forestry has the potential to deliver stable, inflation-hedged returns over time, which are uncorrelated with other asset classes. For example, in developed markets the net Internal Rate of Return (IRR) can be in the range of 7–11%, while in emerging markets the net IRR can be in the range of 10–15%.¹²
- Carbon credit-generating projects can provide both asset appreciation and yield, particularly as global carbon prices are projected to rise significantly over the next decade.¹³
- Carbon credit projects can also provide regular income to indigenous communities, see example below.
- Regenerative agriculture practices can improve soil health, water retention, and yield over time, often resulting in lower input costs and improved profit margins.
- Ecosystem restoration projects increasingly attract results-based payments from governments, corporations, or multilateral institutions.

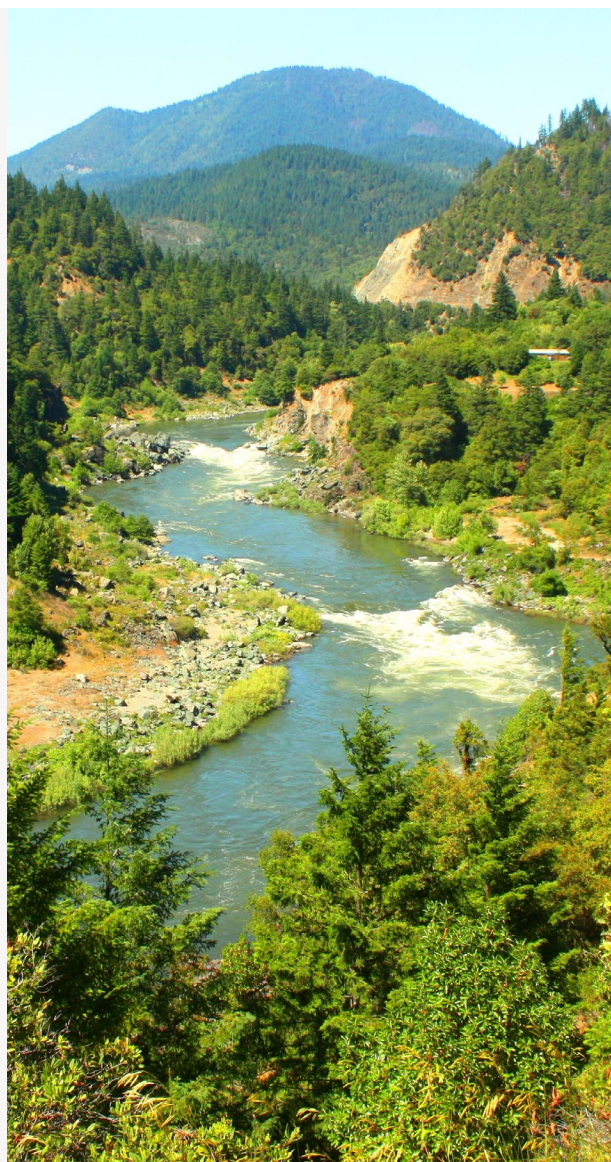
Case Study

Re-matriating Land to the Yurok Tribe in Northern California

New Forests has worked with the Yurok Tribe – the largest Tribe in California with more than 6,300 members that manages over 50,000 acres of land along the Klamath River – for over a decade. In 2011, New Forests and the Yurok Tribe co-developed the first forest carbon project for California's emissions trading system.

In 2018, New Forests collaborated with the Yurok Tribe and the Trust for Public Land (TPL) to return 2,424 acres of culturally and ecologically important land to the Tribe in perpetuity. The land, which was owned by one of New Forests' forestry funds, is located within the political boundaries of the Yurok Reservation, along Ke'pel Creek – an important part of the Klamath River watershed that provides drinking water to the Tribe and supports wildlife habitat. Through the collaboration, TPL assisted the Yurok Tribe in accessing funds from the California Natural Resources Agency to finance the purchase. The sale was completed in the first half of 2021.

Historically, the Yurok maintained lands extending along the Pacific coast, from north of modern-day Klamath to Mendocino. Acquiring this additional land from New Forests supports the Yurok Tribe's efforts to reclaim their ancestral territory and serves as an example of New Forests' collaborations with native and local communities to return culturally and ecologically significant land to their historical owners.



The Road Ahead

The shift toward natural capital investing represents a reimagining of capitalism – one that recognises that human and economic wellbeing depends on thriving ecosystems.

In the coming years, New Forests believes we are likely to see:

- Greater standardisation of impact metrics and taxonomies (e.g., through TNFD, International Sustainability Standards Board, or the European Union's Nature Restoration Law).
- Emergence of new markets for biodiversity.
- Expansion of public-private partnerships to mobilise capital for global biodiversity hotspots.
- Increased allocations to natural capital, becoming a key part of investors' portfolios.

Natural capital is fast becoming a strategic pillar of sustainable finance. By aligning investment strategies with the regeneration of ecosystems, the natural capital asset class not only meets the demands of climate action and biodiversity recovery¹⁴, but can also unlock new avenues for value creation and long-term resilience.

In a world where natural systems are under pressure, investing in nature is no longer optional, it is a fiduciary responsibility – and we believe one of the most promising opportunities in global finance.



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