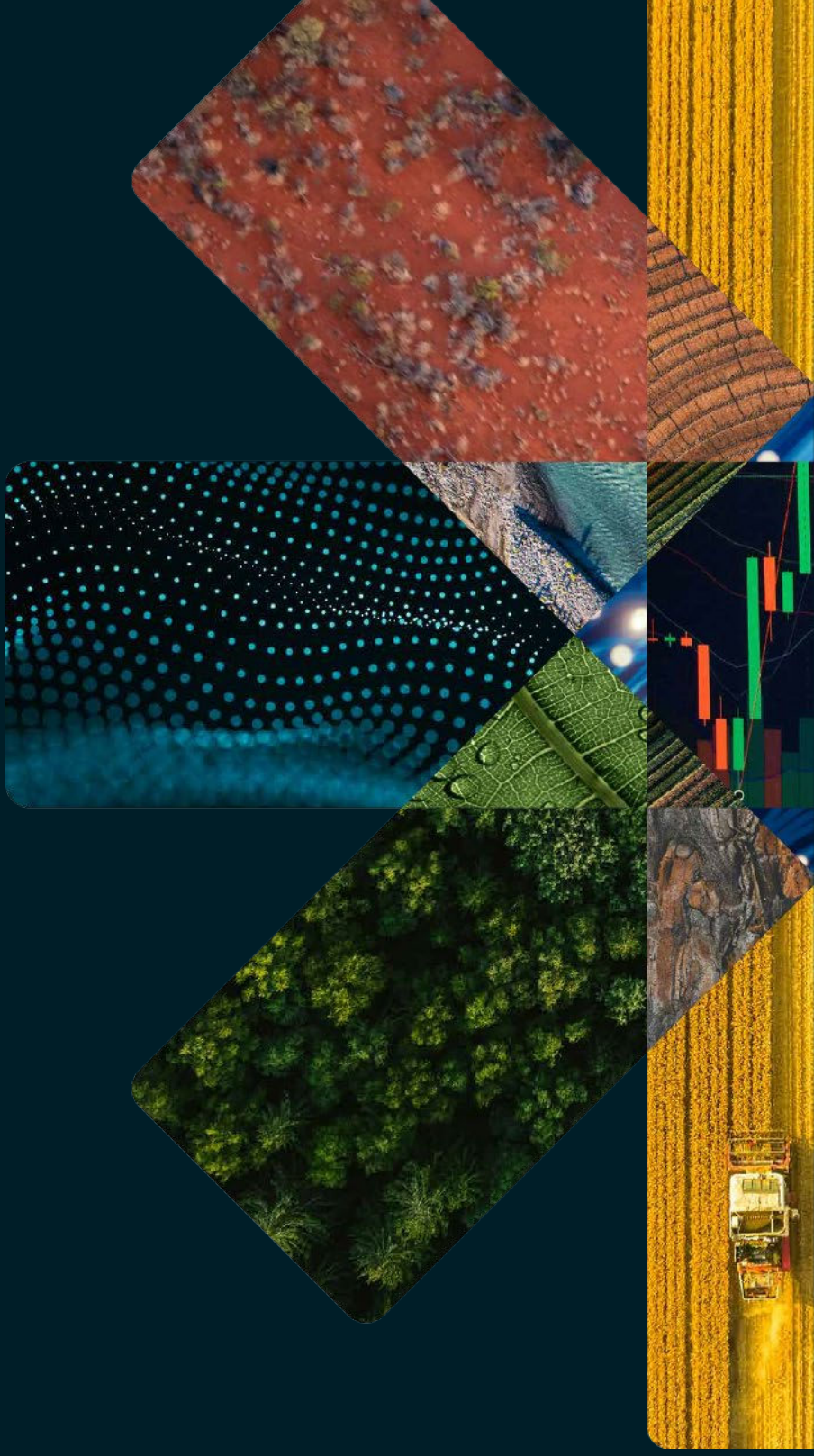
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*Natural Capital Investing. Advanced



Materiality Assessment 2024

Stakeholder and Double Materiality Findings

Important Note

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1. Overview

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

As a result, New Forests is committed to making social and environmental impact central to our performance. This is achieved with an integrated thinking mindset, whereby sustainability and impact are embedded in all drivers of value.

Through the delivery of our business model, New Forests produces outcomes that increase or decrease different types of capital including financial capital; social and relationship capital; intellectual capital; natural capital; and human and manufactured capital. Put simply, our business activities either create or erode these forms of capital, delivering positive or negative outcomes for New Forests and our stakeholders, including society and the environment.

To determine where New Forests' business has the greatest impact on these drivers of value, and consistent with best practice sustainability management, we regularly conduct a materiality assessment, which identifies the themes that are most important to our stakeholders and are most significant to our business success.

This stakeholder engagement helps us to understand the environmental, social, governance and other business themes that are most important to stakeholders. This information is then considered in the context of our business strategy, risk management and sustainability reporting. It also assists in the prioritisation of activities that maximise value creation for our stakeholders and better cultivate different types of capital.

In FY24, New Forests engaged in its most comprehensive assessment to date, identifying **35 materiality themes**, engaging **seven stakeholder groups**, and collecting **228 responses**.

New Forests analysed the feedback with a number of themes emerging that are material to stakeholders, financially material to New Forests, or a combination of the two.

2. Our Approach to Materiality

> **With sustainability central to our vision and mission, New Forests' materiality assessments seek to reflect best practice.**

There are an increasing number of sustainability-related frameworks which require a regular materiality assessment to be undertaken. These include the internationally-recognised Integrated Reporting (IR) Framework, the Global Reporting Initiative (GRI), the Taskforce on Climate Related Disclosures (TCFD) and the Taskforce on Nature Related Disclosures (TNFD).

In alignment with the International Sustainability Standards Board's (ISSB's) Climate-Related Disclosure, the identification and reporting of (financially) material climate risks and opportunities is also soon to become a regulatory requirement in Australia, and similar requirements are appearing across other jurisdictions.

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What is a materiality assessment?

Materiality assessment is the process of identifying, refining, and assessing numerous potential environmental, social and governance issues that could affect a business, and/or its stakeholders, and condensing them into a short-list of topics that inform company strategy, targets, and reporting.[1]

2.1 Double Materiality

As a global business that recognises the interconnectedness of financial and non-financial performance, and that seeks to integrate both dimensions into its decision-making processes, New Forests considers double materiality as best practice in assessing materiality.

This aligns with the GRI as well as the newly introduced European Sustainability Reporting Standards (ESRS), both of which extend beyond 'financial materiality' i.e. the actual or potential impacts of society or the environment on the business to include 'impact materiality' i.e. a business' actual or potential impacts on society or the environment.

Double materiality is therefore the consideration of a sustainability-related theme on both company financial performance and on the broader economic, social and environmental systems in which the organisation operates.

Financial Materiality	Impact Materiality[2]	Double Materiality
The impact of society and the environment on a company	The impact of a company on society and the planet	Consideration of both Financial Materiality and Impact Materiality

2.2 Evolution of Our Materiality Assessment Approach

New Forests' materiality assessment is updated regularly, with our last assessment conducted in 2021. With a focus on continual improvement, each materiality assessment New Forests conducts evolves in terms of approach and comprehensiveness.

The FY24 materiality assessment sought to align with emerging guidance and/or requirements regarding materiality assessments. This included the identification and prioritisation of stakeholders, expansion of materiality themes, and the gathering and analysis of stakeholder views. The assessment followed six stages:

1. Stakeholder Prioritisation
2. Sustainability Themes Determination
3. Financial Materiality Assessment
4. Impact Materiality Assessment

[1] KPMG 'The Essentials of Materiality Assessment'.

[2] Also referred to as Stakeholder Materiality.

5. Analysis & Final Report
6. Strategic Business Integration

Key improvements include:

- Wholistic stakeholder mapping process to identify and rank stakeholders, resulting in a wider range of stakeholder groups;
- Number of responses from across the stakeholder groups increased from 56 to 228;
- A more comprehensive list of themes (expanded from 16 to 35) to test with stakeholders, including those commonly appearing in external and internal frameworks, and those relevant to our New Agriculture business. For more information see Appendix A;
- Determination of financial materiality of themes in order to explore and report on double materiality more accurately;
- Combining financial materiality and impact materiality results to understand which themes are important to both (or not); and
- Use of the SenseMaker® tool to conduct the survey which considers all data valuable including outliers, rather than just concentrating on normed results, therefore providing a combination of quantitative and qualitative data (see Appendix B).

For an overview of the Methodology conducted to assess materiality, refer to Appendix C.

3. Stakeholders

> **New Forests engaged in a stakeholder mapping exercise which included creating a long list of stakeholder groups and conducting an assessment to rate each group by their proximity to our business.**

Those stakeholders assessed as Level 1 (having direct and immediate influence) are as follows:

Stakeholder Group	Relationship to New Forests
Employees	Achievement of New Forests' mission depends on the organisational capabilities and strengths we cultivate in our employees located in Australia, New Zealand, Singapore, Kenya, and the United States.
Property Managers and Portfolio Companies	As an asset manager, it is through the direct day-to-day work of our local property managers and portfolio companies that our investment strategies can achieve real world impact.
Board	As our highest governing body, the New Forests board has significant influence over the business and by extension, our impact on society and the environment. *While Board responses were included in the overall results, the data set was too small for distinct analysis and reporting.*

Stakeholder Group	Relationship to New Forests
Investors	Clients are at the heart of our mission and company values, as our investment management business exists to service their needs while also contributing to creating productive and sustainable landscapes.
Environmental NGOs	Being a responsible investor and manager of nature-based real assets, New Forests has a symbiotic relationship with nature. To ensure that we capture the needs and priorities of our natural environment, Environmental NGOs are a proxy stakeholder for nature.
Shareholders	In 2023, Mitsui & Co and Nomura Holdings became the majority shareholders of New Forests. As shareholders they are deeply invested in the company's growth and commitment to sustainability. *While Shareholder responses were included in the overall results, the data set was too small for distinct analysis and reporting.*
Local Communities	New Forests' global portfolio has a growing geographic footprint, increasing the number of communities who live and work in or around the forests, land and other assets we manage. Particularly in an emerging market context, where livelihoods are part of our impact strategy, local communities are an important stakeholder group. *While Local Communities were determined as a key stakeholder, and efforts were made to engage Local Community Representatives in emerging markets, the methodology for the Materiality Assessment did not lend itself to meaningful engagement with this disparate group. As a result, they are not included in the FY24 Materiality Assessment.*

4. Importance of New Forests' Three Impact Areas

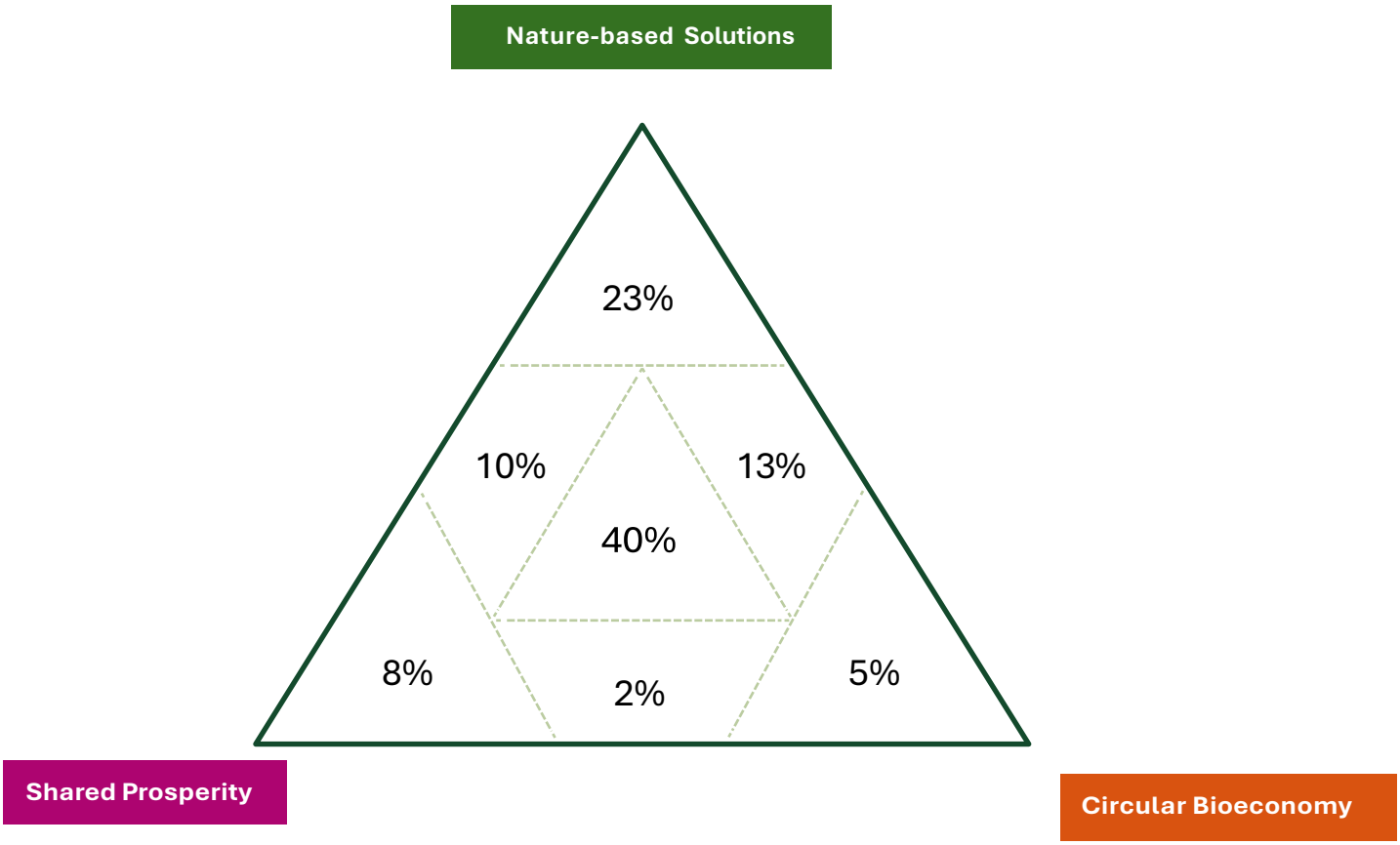
To advance our vision, New Forests' investment strategies support the role of forests, agriculture and other natural capital to create net positive impacts at scale in three critical impact areas:

Nature-based Solutions	Shared Prosperity	Circular Bioeconomy
Investing in forestry, agriculture and land for a climate-positive and nature-positive future.	Contributing to prosperous and sustainable communities where we operate.	Providing wood fibre for a low-carbon and sustainable bioeconomy.

Stakeholders were asked to indicate which of these impact area/s are most important to them by placing a marker in a triangle closest to the impact area of greatest importance.

Just under half of all stakeholders (40%) are concerned about all three impact areas, while there is a notable bias (23%) towards Nature-based Solutions, compared to Shared Prosperity and the Circular Bioeconomy. This focus is unsurprising as it aligns with New Forests' core assets under management being in forestry plantations in developed markets.

Figure 1 – Stakeholder prioritisation of New Forests' three impact areas



5. Materiality Assessment Findings

5.1 Impact Materiality

5.1.1 Consolidated Findings

For stakeholders as a whole, the most material themes are Health and safety; Managed forest health; Labour rights, Land conversion/deforestation; and Transparency. These themes mostly relate to foundational aspects for conducting business responsibly and profitably in the forestry sector.

When comparing with the previous materiality assessment, the first three themes appeared in the Top 10, however not with the same level of priority.

This is the first materiality assessment where Land conversion/deforestation and Transparency have been tested. Land conversion/deforestation, defined as 'conversion of intact natural ecosystems to alternative land use', stands out in fourth place. Its prioritisation likely reflects the heightened attention around deforestation globally and its role in climate change and nature loss, reflected in recent initiatives such as the European Union Deforestation Regulation and Kunming-Montreal Global Biodiversity Framework.

Labour rights has risen in its ranking with stakeholders since the last materiality assessment, potentially influenced by increasing global advocacy around paying workers a living wage, as well as continuing scrutiny on labour rights violations in global supply chains.

Table 1 – Top 10 material themes for stakeholders

Ranking (out of 35)	Material Theme
1	Health and safety
2	Managed forest health
3	Labour rights
4	Land conversion/deforestation
5	Transparency
6	Financial performance
7	Employment
8	Biodiversity/ecosystem health
9	Risk management
10	Corporate governance

5.1.2 Findings by Region

The material themes for stakeholders show some variation when explored by the region in which the stakeholder is based, however Health and safety remains a priority theme across all regions.

For emerging markets (Africa and Asia), the priority themes are social in orientation, including Human rights, Land rights, and Labour rights, along with Transparency. While these are markedly different from the previous materiality assessment (where in Asia, Harvesting practices, Corporate governance, Silviculture practices and Risk management were most important), they reflect fundamental business concerns for developing countries.

Interestingly, despite their geographic proximity, most priority themes differ between Australia and New Zealand, with Health and safety as the exception. The prioritisation of Risk management and Land conversion/deforestation in New Zealand are likely influenced by recent climate events which resulted in forest debris damaging properties and infrastructure, and debates about appropriate land use given the country's challenging terrain for forestry.

Table 2 – Top 3 material themes by region[3]

Region	Top 3 Material Themes
North America	Managed forest health Health and safety Financial performance
Europe	Sample too small to derive shortlist
Asia	Health and safety Human rights Labour rights Transparency
Africa	Health and safety Land rights Human rights
Australia	Health and safety Transparency Employment Managed forest health
New Zealand	Health and safety Risk management Biodiversity/ecosystem health Land conversion/deforestation

5.1.3 Findings by Stakeholder Type

When explored by stakeholder type, the material themes are less homogeneous. Property managers and portfolio companies, Employees and Investors all view Health and safety, along with Managed forest health, as top priorities.

However, the priority themes for Investors have changed, potentially influenced by the external regulatory environment. For example, the new European Union Deforestation Regulation potentially influenced Land conversion/deforestation appearing this year as a priority theme.

Unsurprisingly, Environmental NGOs have an exclusive focus on environmentally focused materiality themes as priorities.

[3] For some regions there were equal results, resulting in four priority themes.

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Table 3 – Top 3 material themes by stakeholder type

Stakeholder	Top 3 Materiality Themes
Employees	Health and safety Managed forest health Financial performance
Environmental NGOs	Land conversion/deforestation Biodiversity/ecosystem health Managed forest health
Investors	Health and safety Managed forest health Land conversion/deforestation
Property Managers and Portfolio Companies	Health and safety Labour rights Managed forest health

5.2 Financial Materiality

Based on New Forests internal assessment (see Appendix C for methodology), 15 of the 35 materiality themes were determined as financially material (either high or very high financial materiality).

Table 4 – Top 15 financially material themes (no order)

- Animal welfare
- Asset diversity
- Carbon sequestration
- Corporate governance
- Extreme weather events
- Financial performance
- Food safety
- Health and safety
- Land conversion/deforestation
- Land rights
- Managed forest health
- Political stability
- Pollution
- Risk management
- Stakeholder engagement

5.3 Impact and Financial Materiality

As well as looking at which themes are material to stakeholders, and which themes are financially material, we also combined results to understand which themes are material having both an impact and financial materiality lens i.e. double materiality.

When we bring together the Top 10 most material themes for stakeholders and the 15 financial materiality themes, five themes emerge as having both 'high impact and financial materiality'.

Table 5 – Themes with both impact and financial materiality

Ranking	Themes
HIGH (Top 10 for stakeholders)	
1	Health and safety
2	Managed forest health
3	Land conversion/deforestation
4	Financial performance
5	Corporate governance
MEDIUM (Top 10–20 for stakeholders)	
6	Land rights
7	Carbon sequestration
8	Pollution
9	Stakeholder engagement

5.3.1 High Impact and High/Very High Financial Materiality

Mirroring the impact materiality results, Health and safety is the most significant theme in demonstrating both high impact and financial materiality. This is a predictable yet important result, reinforcing that the wellbeing of workers is foundational to the business, ahead of all other activity.

Managed forest health and Land conversion/deforestation both constitute high impact and financial materiality. Managed forest health is defined as 'the overall condition, vitality, and resilience of a managed forest or plantation' and is core to profitable forestry.

Financial performance and Corporate governance rank highly for impact and financial materiality, despite Environmental NGOs' very low prioritisation of these three themes (likely explained by their focused environmental mandate).

5.3.2 Medium Impact and High/Very High Financial Materiality

A number of themes demonstrated both financial materiality and impact materiality in the Top 10-20 ranking: Land rights, Carbon sequestration, Pollution, and Stakeholder engagement.

This was the first materiality assessment including Land rights as a materiality theme. While it didn't feature in the Top 10 for stakeholder materiality overall, it was ranked higher by Investors and Environmental NGOs, and was the top theme for Africa-based stakeholders.

Similarly, Stakeholder engagement was tested for the first time. Alongside being deemed financially material, it appeared in the Top 10 for Environmental NGOs and received its highest ranking from New Zealand-based stakeholders.

5.3.3 Low Impact and High/Very High Financial Materiality

A small number of themes were considered financially material by New Forests, however were not prioritised by stakeholders: Food safety, Animal welfare, Extreme weather and Political Stability.

The inclusion of Food safety and Animal welfare here is potentially linked to the majority of stakeholders engaged in the FY24 study relating to New Forests through a forestry lens. These agriculture-focused themes may become more material as we grow the New Agriculture business and correspondingly broaden our stakeholders.

Table 6 – Double materiality matrix

Financial Materiality (high or very high)	Impact and Financial Materiality (Double Materiality)
Animal welfare	Health and safety
Asset diversity	Managed forest health
Extreme weather events	Land conversion/deforestation
Food safety	Financial performance
Political stability	Corporate governance
Risk management	Land rights
	Carbon sequestration
	Pollution
	Stakeholder engagement
Not Material	**Impact Materiality (Top 10–20)**
–	Labour rights
	Transparency
	Employment
	Biodiversity/ecosystem health

6. Integration of Findings

> **The origin of the Materiality Assessment lies in its uncovering of themes that are material to stakeholders, and has been subsequently used to guide sustainability reporting.**

However, as sustainability becomes more deeply embedded in risk management and ultimately, business strategy, the results of materiality assessments now provide valuable input into strategic planning.

New Forests will consider the findings of the Materiality Assessment in relation to:

- Informing business strategy by examining how material themes are considered in fund strategies as well as risks and opportunities;
- Enhancing stakeholder engagement by understanding and responding to the priorities of stakeholders;
- Influencing reporting to deliver meaningful data and insights to business and stakeholders;

- Measuring performance by identifying what needs to be measured and managed; and
- Informing resource allocation to ensure priority themes receive necessary attention.

Importantly, what is material to stakeholders is subject to change, and shifts can be rapid depending on the social, economic and political environment. New Forests is therefore committed to updating the Materiality Assessment on a regular basis to understand changing priorities and emerging material topics which could affect our ability to create value.

Appendix A – Materiality Themes

The FY24 Materiality Assessment expanded upon the number of themes that were tested with stakeholders in earlier assessments, both in recognition of developments in sustainability standards and reporting frameworks, as well as New Forests' evolving business.

To determine the appropriate themes, New Forests conducted a comprehensive desk review of different sustainability frameworks (such as the GRI and Sustainability Accounting Standards Board (SASB)), along with internal documentation, to develop a list of possible themes. The list was refined through determining a theme's frequency of use in measurement and reporting, with a final 35 themes included in the assessment process. Of these themes, 11 related to Social, 15 related to Environmental, 6 related to Governance and 3 were Non-Environmental, Social, Governance (ESG) related.

Environmental	Social	Governance	Non-ESG
– Biodiversity/ecosystem health – Managed forest health* – Land restoration – Land conversion/deforestation* – Soil health – Extreme weather events* – GHG emissions – Carbon sequestration* – Water use – Pollution* – Pesticide use – Animal welfare* – GMO use – Waste – Circularity	– Human rights – Health and safety* – Diversity, equity and inclusion – Employment – Community development – Labour rights – Indigenous rights and engagement – Land rights* – Cultural and recreational access – Supply chain management – Food safety*	– Corporate governance* – Risk management* – Transparency – Certification – Stakeholder engagement* – Advocacy and lobbying	– Financial performance* – Political stability* – Asset diversity*

** These 15 themes were determined internally to have high or very high financial materiality for New Forests.*

Appendix B – About SenseMaker®

SenseMaker® is a decision support tool, a proprietary product developed by Cognitive Edge Ltd, based on complexity principles,[4] that:

- Collects a lot of information in a short time;
- Has a key strength in providing quantitative analysis on qualitative data;
- Presents the aggregated information in ways that assists 'sense making' of the current situation; and
- Neither interprets or makes judgements.

Triads and stones canvases are unique to SenseMaker®. These are used to encourage respondents to reflect more deeply on what matters to them. This process is called 'self-signifying'. It permits the respondent to make sense of their experience, prior to other forms of analysis. Together the triads and stones canvases form a signification framework that guides subsequent interpretation.

Triads

One triad was included in the New Forests instrument which asked stakeholders to consider which areas were most important to them; nature-based solutions, shared prosperity or circular bioeconomy. Each option is located on one corner of a triangle. Participants move a dot within the triangle to suggest a balance that reflects their perspective, or if not relevant, select not applicable.

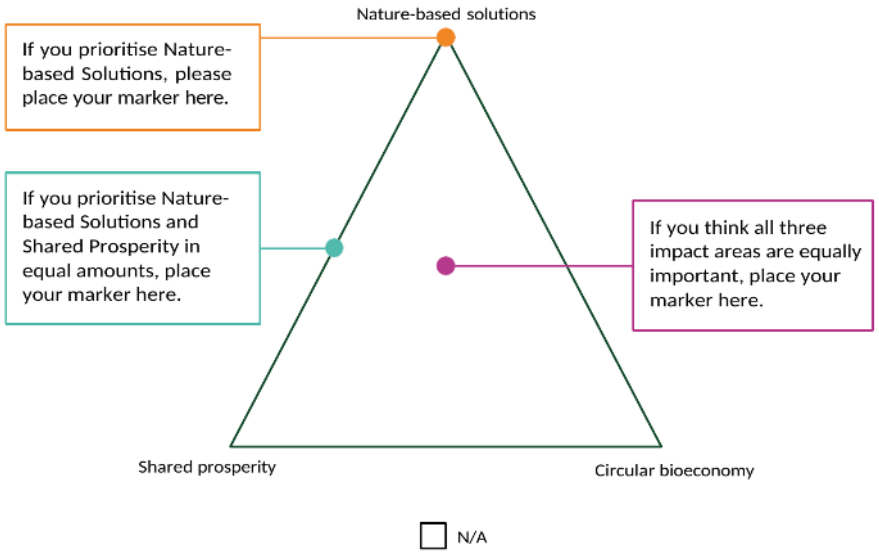


Figure 2 – Example triad: "Which of these impact areas is most important to you?"

[4] https://cynefin.io/wiki/Design_principles_for_managing_complexity.

Stones Canvases

Stones canvases are used for a relative comparison of more than three elements along two axes that make visible how different parties perceive the same issue. Stones (or dots) are placed on a canvas to illustrate relative location in relation to the X and Y Axis. When participants place named stones on the canvas, Stones are considered more evaluative than triads.

The New Forests instrument had one stones canvas (repeated twice) for stakeholders to place the 35 materiality themes based on X Axis: Importance to stakeholder, and Y Axis: The impacts New Forests has on this theme.

The SenseMaker® software aggregates the responses within the triad and stones canvases and displays them visually.

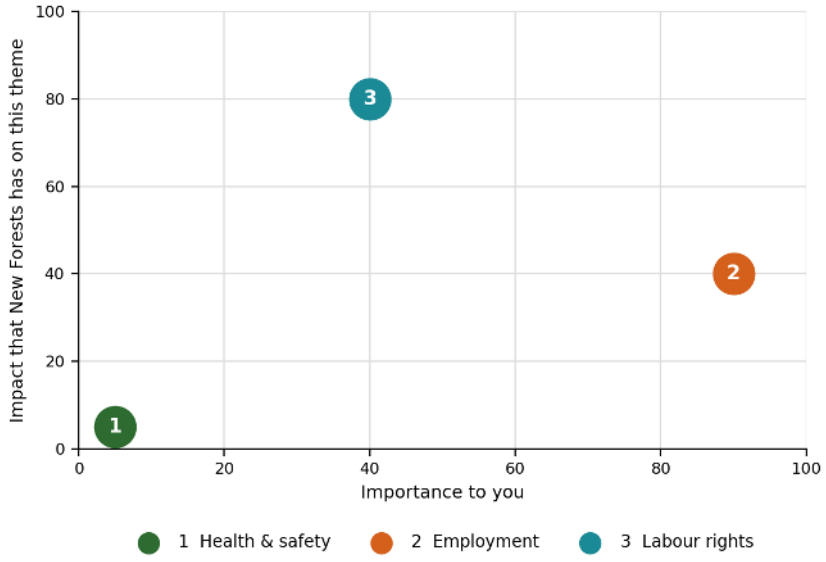


Figure 3 – Example stones canvas

Appendix C – Materiality Assessment Methodology

Impact Materiality Assessment

A SenseMaker® digital survey was distributed to stakeholder groups for completion between November 2023 and January 2024.

In the survey, stakeholders were asked to plot each materiality theme on a canvas with a X and Y axis. The X axis represented the importance of the theme to the respondent as a New Forests' stakeholder, while the Y axis represented the impacts that New Forests has on the theme through its investment activity.

The majority of stakeholder responses appeared in the top quadrant of the canvas, therefore analysis focused on the data in this quadrant.

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Financial Materiality Assessment

New Forests' senior executives were asked to rate the financial materiality of the 35 materiality themes, on a scale between being non financially material to having very high materiality.

A theme that is financially material was defined as one that could reasonably be expected to affect New Forests' prospects going forward.

New Forests established the weighted median[5] for each theme, with 15 themes determined as high to very high financial materiality. These 15 themes were then included for analysis alongside the stakeholder materiality results. See Appendix A for the list of the 15 themes.

[5] Weighted median is calculated by a) assigning weights to each response based on its frequency b) arranging responding response in ascending order along with their corresponding weights c) finding the cumulative sum of the weights d) identifying the position where the cumulative sum crosses the midpoint of the total weight e) the corresponding response at that position is the weighted median.

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