

Towards a New Natural Capital Asset Class

Presentation by
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About New Forests

Founded in 2005 to manage institutional forestry investments, New Forests is now the world's second largest private forestry investment firm¹, investing in both the productive use and long-term stewardship of forests and land through sustainable real assets investment.

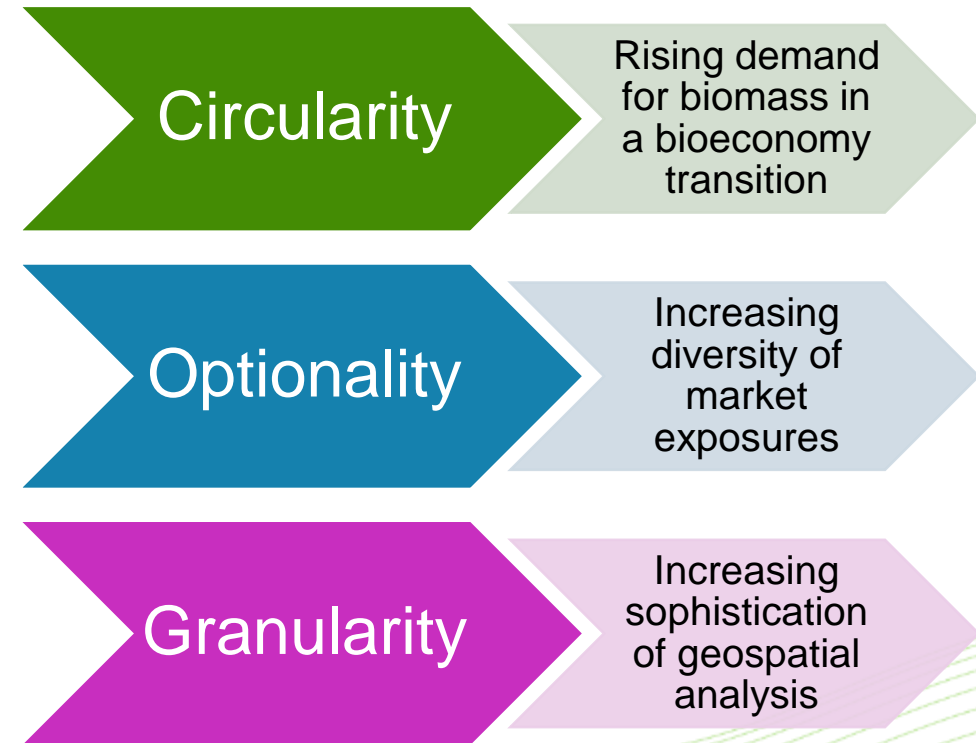
- Approximately AUD 10.9 billion (USD 7.2 billion) in assets under management² including over 1.3 million hectares (3.2 million acres)³ of land across the regions in which we operate.
- Regional investment strategies offering focused investment opportunities in real assets and natural capital, across developed and emerging markets.
- Head office in Sydney; 125+ employees across Australia, New Zealand, Singapore, the US and Kenya.

Our vision is to see investment in land use and forestry as central to the transition to a sustainable future.



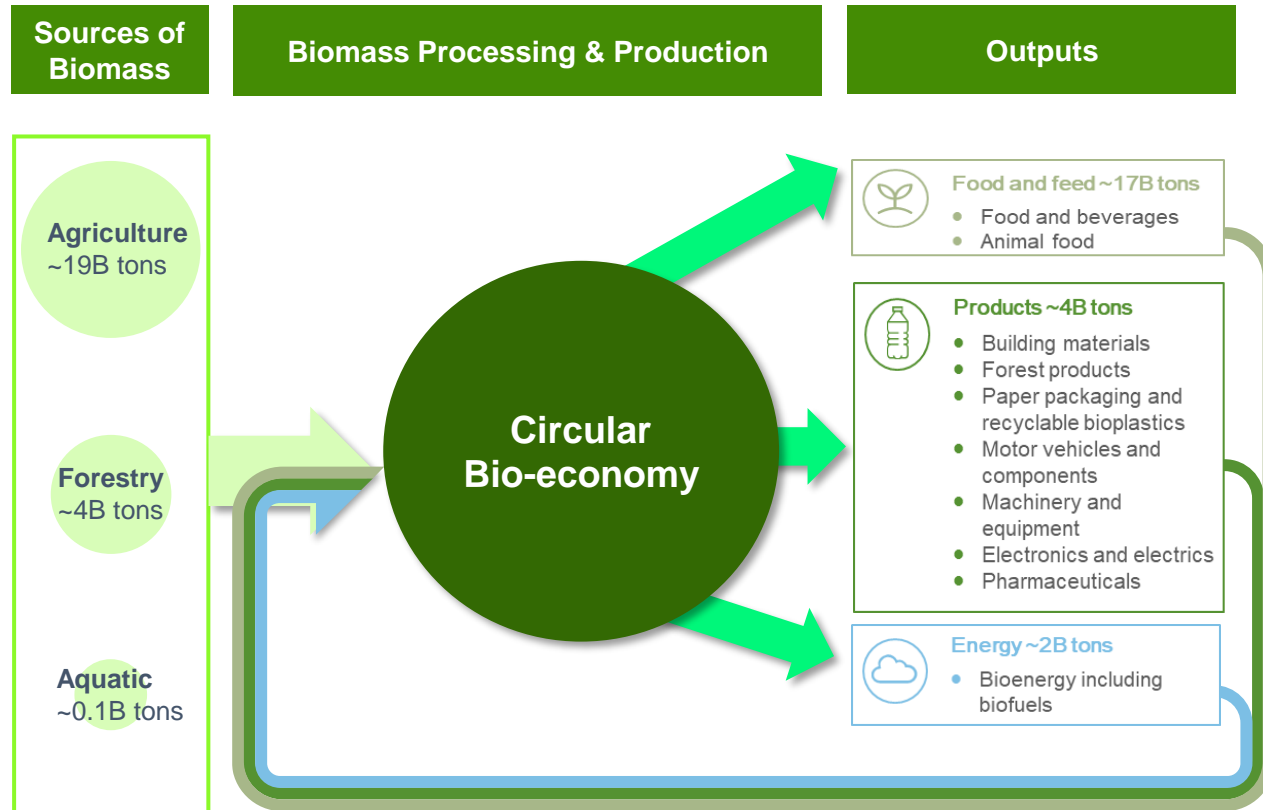
Evolving the investment approach for a changing world

Investment Management in forestry and agriculture needs to consider new concepts



The transition to a circular bioeconomy

Demand for sustainable, re-usable, recyclable, and renewable materials is rising.



How do the forestry and agriculture sectors contribute to the bioeconomy transition?

Systematic substitution of biomass-based materials for petroleum-based or high embodied energy materials (e.g. plastic, concrete and steel)

Multiple opportunities are emerging in parallel:

- **Cellulosic fabrics**
- **Bio-based packaging**
- **New engineered wood materials and multi-story wood construction systems**
- **Biochemicals and bioplastics**
- **Biomass energy and fuels**

The world produces 4b tonnes of concrete, 2b tonnes of steel and 400m tonnes of plastics each year - *Much of this could be replaced with wood and biomass*

Rising Option Value in Forestry, Agriculture and Land Use

Option Value relates to alternative sources of return that can be complementary or compete with each other in determining investment strategy

- Example of infrastructure like airports
- In Forestry, Agriculture and Land Use the sources of option value are proliferating
 - Food, fibre, timber, climate finance, biodiversity finance, solar farms, wind farms, water rights, green infrastructure payments, etc
- Option value can increase income, increase valuations, and diversify market exposures reducing volatility

Carbon Pricing Systems

There are now multiple regulatory and voluntary markets for forest carbon offsets

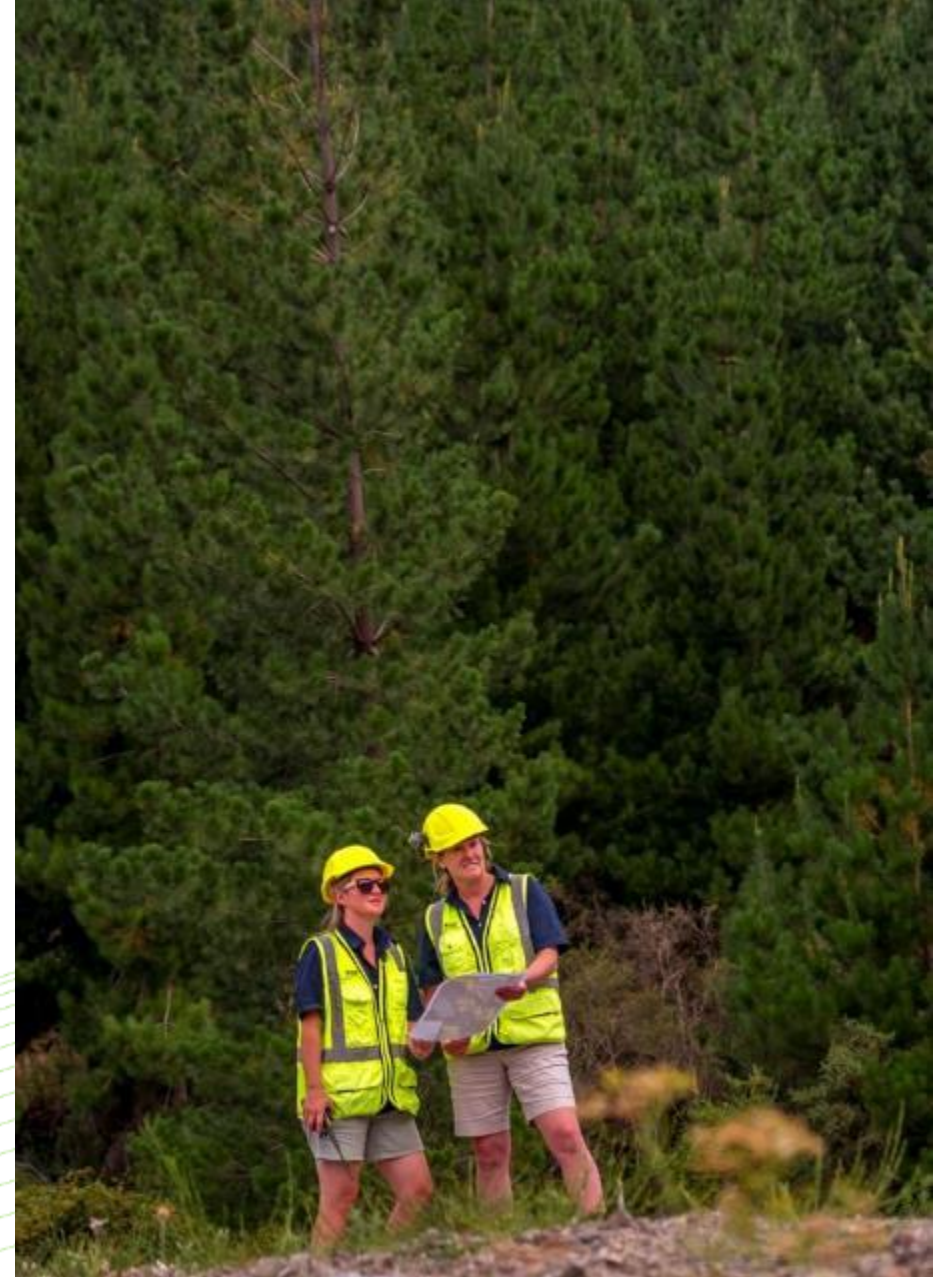
Offset Program	Current Pricing	Main Protocols	Market Features	Outlook
California incl Quebec (Western Climate Initiative)	\$US27/t	Improved forest management across USA	Price floor rising annually reduces volatility, credits with Direct Environmental Benefits to California rising in value	Extended to 2030 with supermajority in legislature
New Zealand Emissions Trading System	\$US36/t	Reforestation	Market price sensitive to recent lifting of price cap to about USD 50	Linked to NZ Gov't 2030 Target under Paris Agreement, but subject to revisions by future governments
Australian Emission Reduction Fund and Safeguard Mechanism	\$US24/t	Reforestation and extended rotations	Reverse auction with Government as primary buyer, but with increasing corporate secondary demand supporting market	Government has committed to Net Zero by 2050. Labor government creating more demand through safeguard mechanism.
REDD+ and other voluntary credits including CORSIA	\$US2-15t	Conservation, reduced impact logging, restoration and reforestation	Pricing rose substantially in 2021, then pulled back in 2022 as criticism of the rigour of the market increased.	Task force on Voluntary Carbon Markets seeking to increase credibility and transparency; CORSIA, major corporate commitments will drive demand.

Prices as of August, 2023

A Coming Revolution in the Analysis of Land Use Investment

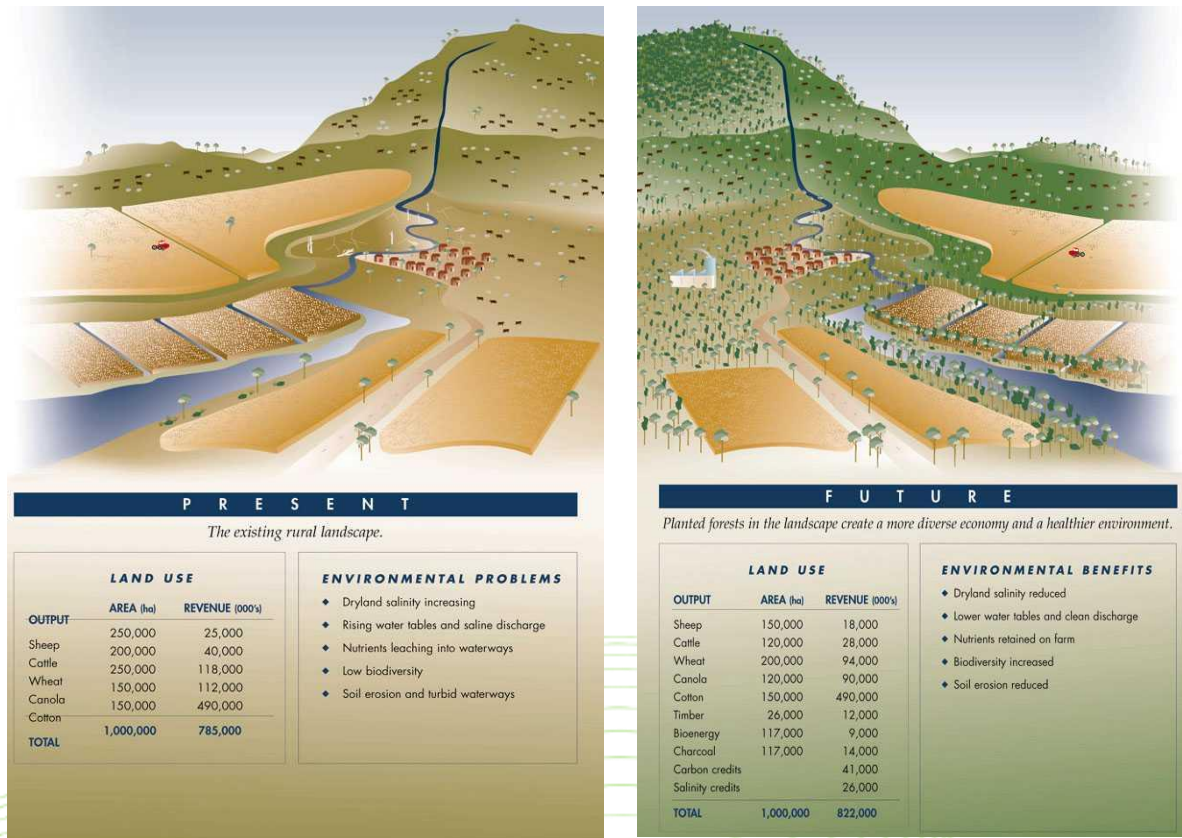
Complex investment strategies will need more analytical horsepower and more 'granularity'

- Surge of development in geospatial analysis tools or 'heat mapping'
 - Where is unrealised value found in landscapes exposed to carbon price signals?
 - What farms are underperforming or what parts of farms are uneconomic and could be converted to reforestation projects or wind or solar farms
 - What is the spatial distribution of rates of return from reforestation in landscapes based on various assumptions of land value, cropping vs forestry productivity and carbon pricing
 - Land use continuously evolves in response to price signals from multiple sources of option value
- New forms of multi-objective optimisation software are needed that encompass both mathematical and AI components
 - Current analytical tools struggle with the level of complexity now emerging



Example—Australia New Zealand Landscape Investment

- Forestry and agriculture investment should become more integrated in Australia and New Zealand:
 - Can invest across forestry, agriculture, conservation finance and circular bio-economy processing options
 - Land use may shift in response to evolving physical and environmental market price signals
 - Higher returns can be generated from expanded access to option value and more granular allocation of land use over space and time.



Thank You



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