



FOREST
INVESTMENT
ASSOCIATES

2021 ESG and Impact Report



ABOUT THIS REPORT

The 2021 ESG and Impact Report is Forest Investment Associate's (FIA's) third annual public report on sustainability and is shaped by our lasting commitment to being a responsible business and investment manager. This report describes activities that occurred throughout the calendar year 2021, and data are reported as of December 31, 2021 unless otherwise stated. While FIA has refined its ESG metrics, we aim for alignment where possible with the IRIS+ system of the Global Impact Investing Network. Where IRIS+ metrics are used in data tables, the IRIS label and number are provided as references. FIA modifies definitions and integrates regional considerations for reporting where necessary.

The report is structured to provide a clear understanding of our business, how we identify material ESG issues, and how we seek to manage them for positive value for our clients, society, and the environment. We aim for transparency and accuracy in our disclosures as we continue our ESG journey, and we welcome your feedback as we work toward continual improvement in our sustainable investment practices, reporting, and engagement.

FIA, organized in 1986 is a Registered Investment Adviser providing investment management services for investors in timberland. Our mission is to provide high-quality, sustainable forest investments that deliver superior performance while cultivating client relationships based on mutual trust and exceptional service.

Published: May 2022

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Foreword

In 2021, Forest Investment Associates (FIA) celebrated our 35th anniversary. As one of the first Registered Investment Advisers in the asset class, FIA helped pioneer the nascent industry of institutional investments in timberland and began a long tradition of advocating for the many benefits provided by sustainably managed forests.

Founded by foresters, a strong stewardship ethic was woven into the fabric of our culture from the beginning. We adopted our initial Environmental Policy for managing timberland investments in the early 1990s. In 2001, we achieved our first forest management certification. Milestones like these were precursors to the growing recognition of today's environmental, social, and governance (ESG) considerations and demonstrate our commitment to continual improvement in meeting growing investor demand for responsibly managed sustainable investments.

FIA has always taken great pride in our active and hands-on management of client investments. Increasingly, ESG considerations are becoming a larger part of our clients' stated interests, which we now actively incorporate into our strategies and management plans. Not only do these focus areas seek to enhance returns and help manage risk for our clients, but they also promote environmental and social benefits. We anticipate that a growing awareness of the environmental and social construct around the asset class will create opportunities to deliver even more value to our clients through nature-based solutions rooted in forest ecosystems. In addition to burgeoning demand for renewable wood products, the value of attributes such as carbon sequestration, water quality protection, improved wildlife habitat, maintaining biological diversity, and the health of rural economies all continue to grow and garner recognition by investors and broader society alike.

This report also reflects our progress in managing ESG considerations and in formalizing our views and practices as sustainable investors. Throughout 2021, FIA increased our focus on ESG with the development of an ESG and impact roadmap, which reaches throughout our business to enhance our capabilities in ESG integration and leverage our strengths in sustainable forestry investments. We believe this will support us in realizing opportunities for our clients

and our business alongside increasing interest in forestry as a nature-based solution. We feel that our efforts in ESG initiatives must be part of a long-term commitment and vision. Therefore, we aspire to be intentional and thoughtful in how we structure our ESG program, the commitments we make, the claims we state, and in how we engage with our stakeholders. There has been rising scrutiny of ESG investing and issues like carbon credit integrity that have left many confused by conflicting information or uncertain what is the best course for their investment programs or portfolio management. Nevertheless, we see the field of sustainable investing has reached the momentum needed to help elevate forestry as a critical asset class, and we hope to support our clients and our partners in meeting societal expectations for integrity in forest management and value-added timberland investment strategies.

Few things in business are certain, but one thing that is for sure is that problems and opportunities we never anticipate will eventually crop up. That was the case with COVID-19. While COVID was an unprecedented public health challenge, the world has since changed in other ways as well – inflation, volatile stock markets, war in Ukraine, and a surging housing market. Historically, forestland has been an excellent hedge against inflation, and we believe that correlation will continue if high inflation persists. On the positive, COVID seemed to ignite long languishing new home construction and the repair and remodeling of existing homes as well. Forest products demand has subsequently boomed, driving log prices higher in many markets and improving forestry investment returns. The future of forestry is indeed bright!

We trust this report is helpful and provides a glimpse into how we continue to evolve and adapt our business. Moreover, we hope that 2021 was a seminal year when we all began to truly see the value in the forest and not just the trees.

Warmest regards,



Marc A. Walley
President
Forest Investment Associates



About FIA

FIA's mission is to provide high-quality, sustainable forest investments that deliver superior performance while cultivating client relationships based on mutual trust and exceptional service.

OUR MISSION FOR SUSTAINABLE FORESTRY INVESTMENT

Since FIA's establishment in 1986, we have taken pride in working with institutional investors to help them understand, access, and invest responsibly in timberland. We were pioneers in the original class of foresters and finance professionals who truly developed a new asset class, which came to be known for its unique fit and the financial characteristics it brings to large, diversified portfolios. Throughout our history, we have distinguished ourselves with our customized and client-centric approach, primarily through separately managed accounts but also through funds with distinct investment theses – the constant being our responsiveness to market dynamics and investor needs.

This approach has supported steady growth alongside the forestry asset class. We have completed more than \$8 billion in acquisitions and dispositions and currently manage more than 2 million acres of forests. Through these activities, FIA has expanded our presence across major timber markets of the United States and key markets of Latin America.

Today, we find that FIA's roots as a valued partner to clients looking to understand and invest in forestry remain a critical component of our work. However, we also recognize that the global ESG agenda is driving a new wave of interest in forestry investment and encouraging broadening conversations about the role of the asset class. Like in the late 1980s with the development of the timberland asset class, we intend to pioneer and provide market leadership in authentic solutions to global challenges that intersect with forests and natural areas.

While competition and demand for attractive forestry assets continues to tighten, our core competencies of helping our clients acquire and actively manage investments will continue to underpin our business and services to clients. Moving forward, further investment in our ESG capabilities and engagement with our clients on ESG integration is essential. Ultimately, we believe that by managing ESG risks and developing strategies to intentionally pursue environmental and social benefits alongside financial returns, FIA and the investments we manage are positioned to perform well across the dimensions of risk, return, and impact.

OUR STRATEGIES – FORESTRY INVESTMENT ACROSS TARGETED OPPORTUNITIES

FIA's investment programs extend through the spectrum of all major timberland markets in the world, with a focus on the Americas. Our business has grown through long-term management strategies, supported with an attentive and meaningful client-relationship management approach. Each client works directly with a Portfolio Manager whose role is to ensure that investor objectives are understood, achieved,

and well communicated. These Portfolio Managers coordinate closely with FIA's internal staff, including the client accounting, real estate transactions, and investment management teams. Within the investment management function, the Portfolio Managers coordinate closely with FIA's internal forestry operations experts, the Regional Investment Foresters and Operations Managers, establishing property-level business plans that seek to optimize performance.

Increasingly, ESG considerations are becoming a larger part of our clients' stated objectives and interests and integrated into those plans. FIA believes ESG considerations can be embedded in strategy development and asset management, at varying scales from sustainably themed investment strategies to specific business plans at the forest level that aim to deliver attractive risk-adjusted returns while also producing environmental and social benefits.



DIVERSIFIED AND CUSTOMIZED SEPARATELY MANAGED ACCOUNTS (SMAs)

- The majority of FIA's business focuses on customized SMAs for institutional investors, matching investors' financial portfolio requirements with diversified forestry portfolios. Each strategy is guided by FIA's asset allocation, which is typically anchored in significant exposure to the largest timberland market, the US South, complemented by targeted exposures to northern hardwoods, the Pacific Northwest, and Latin America. These strategies balance timber markets, geographies, forestry attributes, and more to deliver an allocation that is customized and able to evolve with client needs over long-term relationships.
- FIA's current separately managed accounts total AUM of \$3.47 billion.



BALANCING GROWTH AND VALUE ATTRIBUTES FOR COMMINGLED FUNDS

- FIA's commingled fund strategies emerged from FIA's desire to be responsive to global forestry investors seeking more targeted financial returns by balancing the considerations of traditional growth vs. value investments with their corollaries in forestry investment. This approach adjusts asset allocation across the growth phases of forests, enabling investors to select for higher cash flow or higher biological asset value accretion.
- FIA's current funds total AUM of \$832 million.



CLIMATE-ALIGNED INVESTMENT STRATEGIES

- FIA has developed a taxonomy of climate investment strategies that provide investors access to a range of climate-aligned investment objectives. These include abilities to directly incorporate climate objectives alongside financial return objectives. These strategies enable investors to pursue climate targets such as portfolio decarbonization and net zero, to contribute to global efforts for climate mitigation and adaptation, and/or participate in established carbon markets.
- FIA's climate-aligned investment strategies are anticipated to launch in 2022.



2021 Highlights

FIA's Investment Activity and Portfolio


CELEBRATED OUR
35-year
Anniversary
IN MAY 2021


COMPLETED THE
EXTENSION OF THE
FIA Timber
Growth Partners,
LP


MARKED
15 Years
OF THE
Broad Arrow
Timber Company
(BATCO)


20
SEPARATELY MANAGED
ACCOUNTS AND
3
COMMINGLED FUNDS


\$4.3 billion
in assets
UNDER MANAGEMENT


2.2 Million
Acres
WITH 77%
CERTIFIED BY AREA


11.5+
Million Tons
TIMBER PRODUCED

FIA Governance and Committees

RISK
MANAGEMENT
COMMITTEE



ESG
COMMITTEE



EXECUTIVE
COMMITTEE

- › INVESTMENT MANAGEMENT
- › REAL ESTATE TRANSACTIONS
- › CLIENT RELATIONS & BUSINESS DEVELOPMENT
- › ADMINISTRATIVE
- › CLIENT ACCOUNTING



INVESTMENT
COMMITTEE

- › 7 MEMBERS
- › AVERAGE FIA TENURE 23 YEARS
- › AVERAGE INDUSTRY EXPERIENCE 34 YEARS

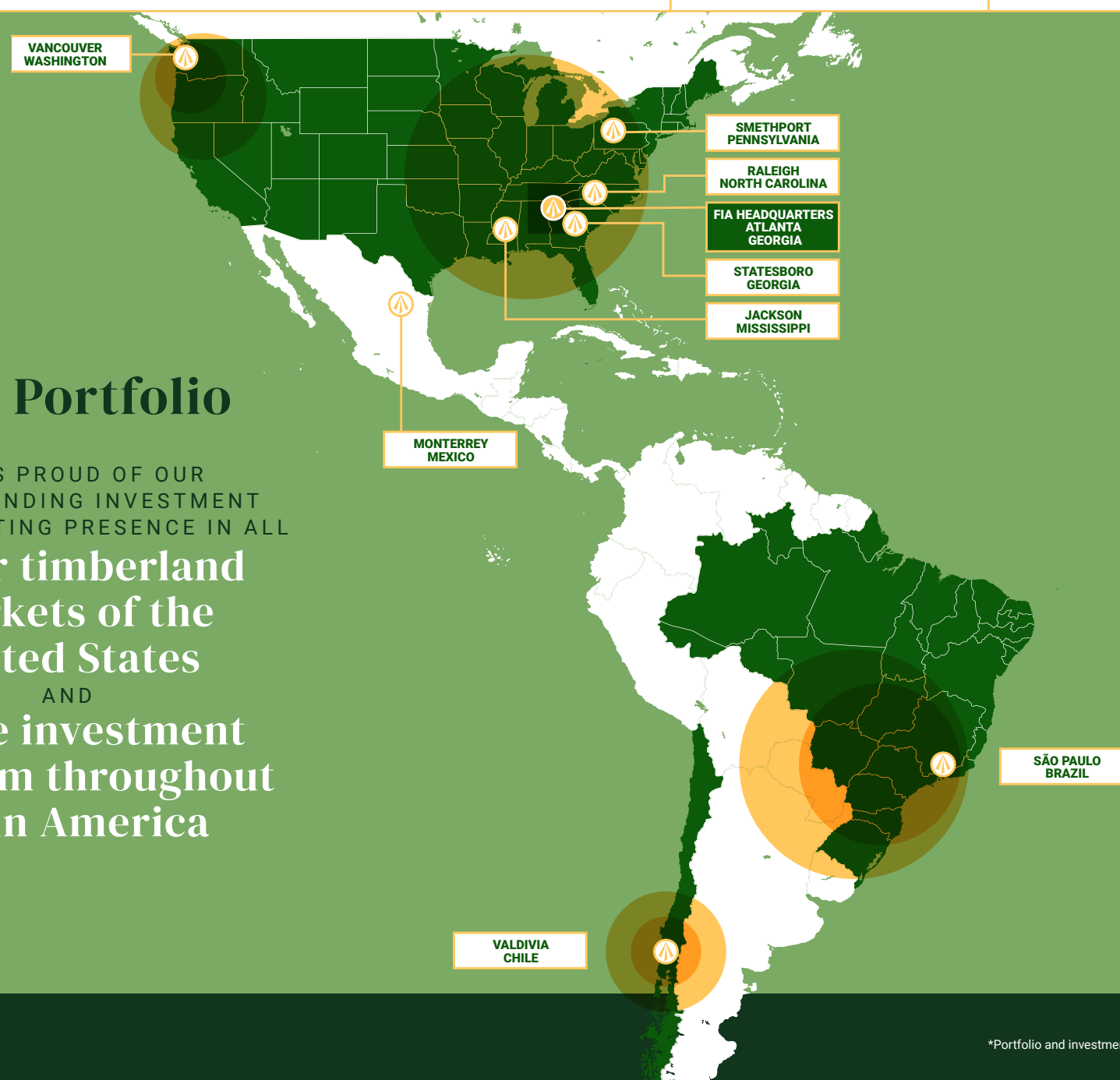



FIA INC.
BOARD OF DIRECTORS

FIA Portfolio

FIA IS PROUD OF OUR
LONG-STANDING INVESTMENT
AND OPERATING PRESENCE IN ALL

major timberland
markets of the
United States
AND
active investment
program throughout
Latin America



FIA Team



53 People

26% OF EXECUTIVE AND
SENIOR EMPLOYEES AND
47% OF ALL EMPLOYEES
ARE WOMEN



Majority
employee-owned
business

WITH 47 OF 53 EMPLOYEES
AS ACTIVE SHAREHOLDERS



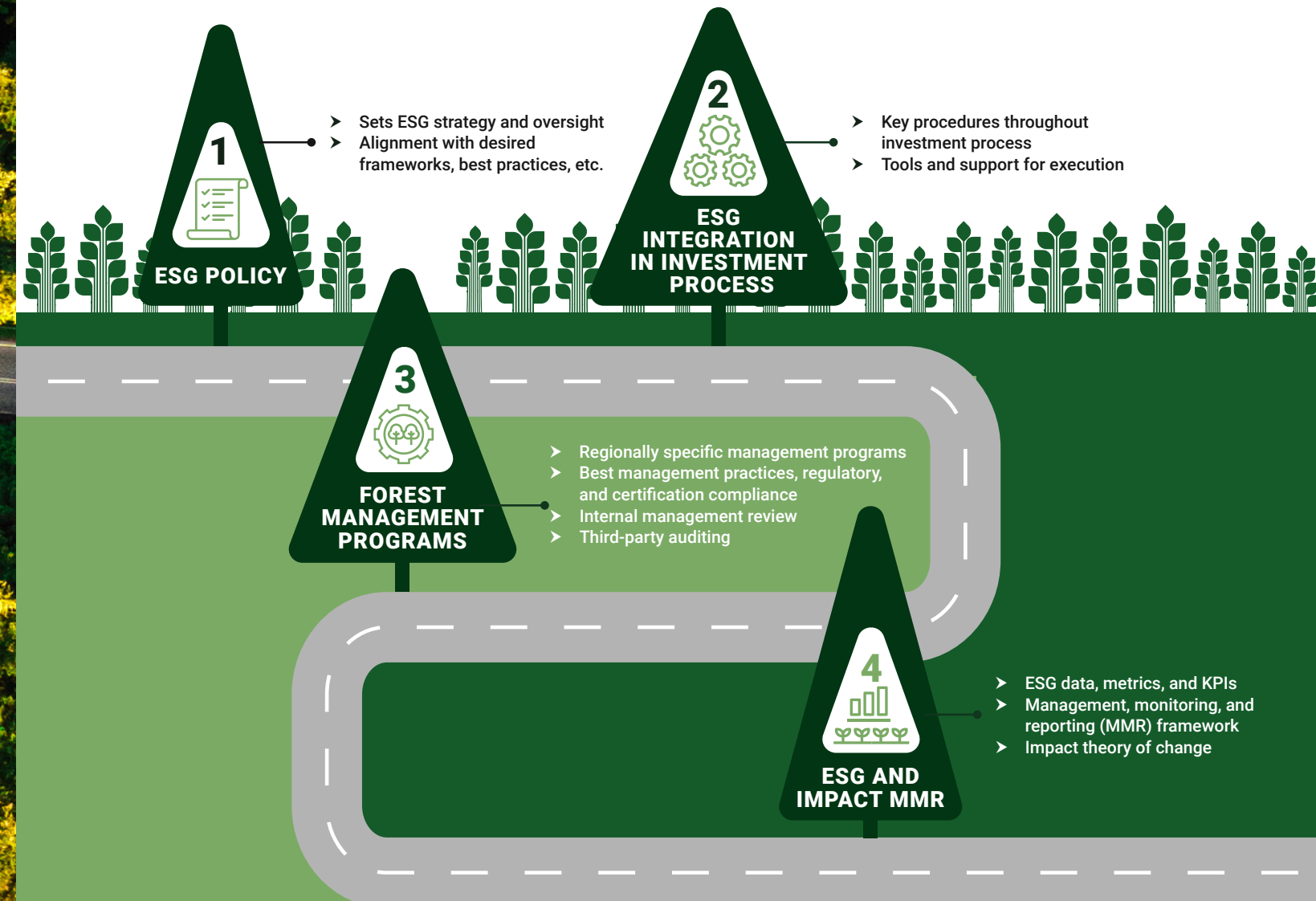
A Roadmap for ESG and Impact at FIA

FIA embraces an approach to ESG and impact that values continual improvement and seeks to move us forward, together with clients and the forest sector, in sustainable investment.

We are committed to honoring our strong foundation in sustainable forestry through linking this expertise to services and solutions for clients that deliver meaningful value from ESG management. Throughout 2021, FIA's ESG Committee undertook a comprehensive assessment that aimed to inform our shared understanding of FIA's positioning relative to emerging best practices for ESG integration and impact investing. The assessment results were used by the committee to develop an ESG and Impact Roadmap, which was subsequently endorsed by FIA's Executive Committee and Board of Directors. FIA envisions this roadmap supporting both tactical and strategic improvement, so that ESG and impact can be key value-adding components of FIA's strategy. The roadmap prioritized updating foundational ESG building blocks, such as policies and procedures in 2021, further

building ESG integration and performance management capabilities and systems in 2021 and through 2022, and positioning FIA for ambitious aspirations where ESG and impact add value to our business and our clients' investments.

FIA concentrated on establishing an ESG and Impact Framework in 2021 to further our capabilities and strengthen the foundation of our ESG management. The framework builds upon the existing practices and programs of the company while bringing added focuses on ESG policy, the formalization of ESG integration, and the development of a data-driven approach to enable ESG-inclusive decision-making. We will continue to develop and roll out this framework throughout 2022 as we execute on our ESG and Impact Roadmap.





FIA believes we can protect and grow value through ESG strategy, governance, and accountability

ESG STRATEGY AND GOVERNANCE

Governance and oversight are critical components of ESG management, ensuring controls for consistency and continual improvement across FIA's diverse portfolio of investments. Governance of our responsible investment commitment rests with FIA's highest bodies of oversight: the FIA Board of Directors and the Executive Committee. To provide cross-company leadership on management of environmental and social issues in the investment process, FIA launched its Stewardship Committee in 2019, which in 2020 transitioned its remit to a broader scope as the ESG Committee. In 2021, the Board formally called for the establishment of the ESG Committee as a committee of the Board. A charter was developed in 2021 and approved by early 2022. The ESG Committee benefits from representatives throughout FIA, including investment management, compliance, and business development. This interdisciplinary composition supports the committee in engaging with ESG topics and finding ways to improve our business policies, procedures, and practices through adopting responsible investment best practices. The graphic below overviews the committees, teams, and individuals that have oversight and accountability for ESG.

ESG STRATEGY AND GOVERNANCE HIGHLIGHTS FROM 2021

- Completed first reporting to the Principles for Responsible Investment
- Developed ESG and Impact Roadmap from situational assessment and best practices benchmarking
- ESG Committee became a formal committee reporting to the FIA Board of Directors

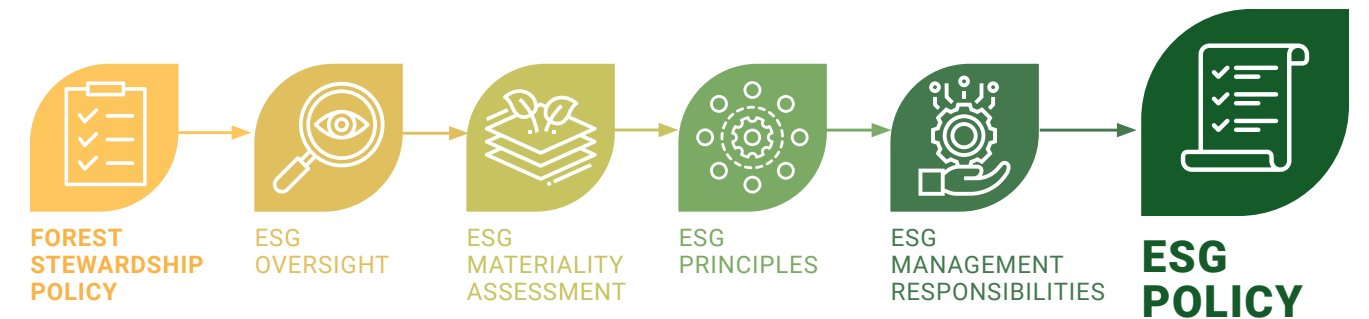


Also in 2021, FIA's inaugural Director of Sustainability and ESG was hired, providing enhanced capacity to deliver on FIA's ESG vision. The role includes responsibility for executing on the ESG and Impact Roadmap, supporting all FIA teams in ESG integration, and promoting the inclusion and development of best practices for ESG in forestry investment, including ESG strategy, management, monitoring, and reporting.

Within the ESG and Impact Roadmap, our 2021 priorities focused on foundational aspects that formalize ESG in policy and procedures while ensuring core capabilities for ESG integration. The graphic below indicates the key steps through which we built upon FIA's existing Forest Stewardship Policy toward the development of a comprehensive ESG Policy. We began with development of the ESG Committee Charter, which not only articulates the role of the committee as an advisor to the FIA Board of Directors but establishes an ESG vision and enumerates the duties of the committee and FIA in managing ESG matters to benefit our clients, stakeholders, and the environment. From there, FIA established an impact management project

group to conduct an ESG materiality assessment and support the committee in developing ESG Principles. These principles each refer to a material ESG matter, state its relevance to forestry investors, and explain how FIA manages beyond risk mitigation to enable positive impact. While these principles are both foundational and guiding to our work, it is through the ESG management responsibilities that the "how" of our ESG approach comes to fruition. All these components are brought together in the ESG Policy, which FIA began revising in 2021 and completed in early 2022.

The FIA ESG Policy supersedes the Forest Stewardship Policy and furthers our ESG vision by articulating a clear scope, ESG Principles, Standards and Alignment, and Responsibilities. These components set the stage for the delivery of ESG integration throughout the investment process while describing the principles through which we aspire to manage forests to deliver multiple ESG benefits in complement to financial returns. The ESG Policy is available on FIA's website, and the foundational and guiding principles are explained on the following pages.





ESG Principles

FORESTRY AS AN ESG SOLUTION AND OPPORTUNITY

FIA's ESG Principles are a natural extension of our long-term forest stewardship ethos and corporate citizenship. Since our establishment in 1986, FIA's approach to sustainable forestry investment has benefited from our commitment to continual improvement, best management practices, research, and science. These factors continue to inform the development and oversight of rigorous, site-specific management strategies for each forest we manage.

FIA FOUNDATIONAL TENETS

FIA employs two foundational tenets to manage our impact on the environment and society:



DO NO HARM

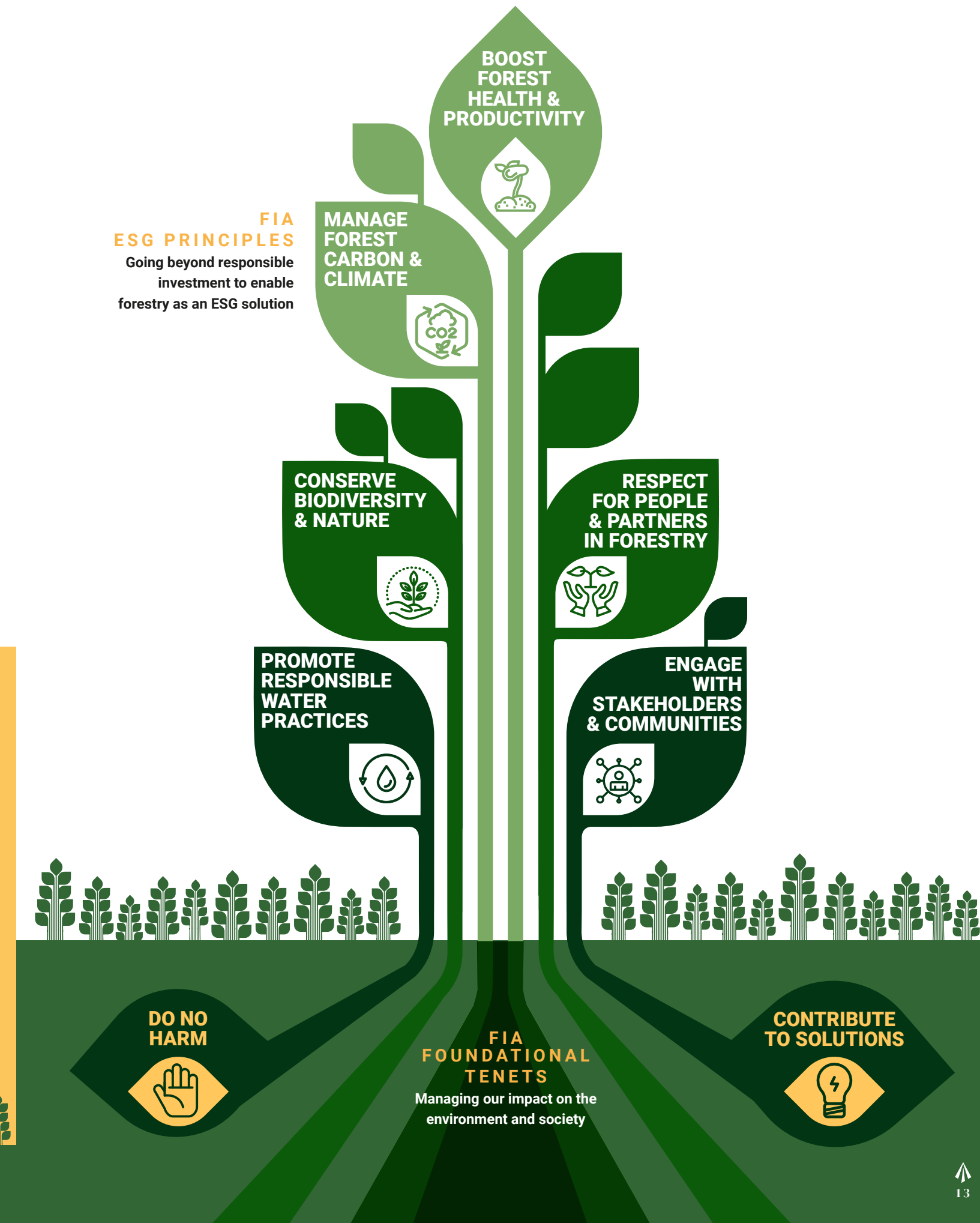
Our *Do No Harm* approach is reinforced by the precautionary principle, safeguards, policies, and best management practices that support FIA in identifying and managing potential risks. ESG risks are addressed, where relevant, in our investment activities. Examples include human rights, workers' rights and safety, modern slavery, environmental compliance, deforestation, illegal logging, and air or water pollution.



CONTRIBUTE TO SOLUTIONS

Our *Contribute to Solutions* approach is founded in our understanding of the benefits that sustainable forestry and land use can provide. ESG opportunities align with sustainable forestry as a thematic ESG solution for some investors while others may seek to invest intentionally for the achievement of target ESG outcomes, such as climate mitigation, biodiversity conservation, and rural economic benefits.

**FIA
ESG PRINCIPLES**
Going beyond responsible
investment to enable
forestry as an ESG solution





FIA ESG PRINCIPLES

The FIA ESG Principles respond to the opportunity for responsible investment in forestry to go beyond a risk-only lens to also enable forestry as an ESG solution. They are designed to foster consistent consideration of material ESG factors within all phases of our investment process, while also describing how we aim to manage toward positive net impact. To implement the ESG Principles, we aspire to use data-driven and science-based management to integrate active management across traditional forestry investment values as well as ESG values.



MANAGE FOREST CARBON & CLIMATE

Forests play a pivotal role in the global carbon cycle, with managed forests offering potential to enhance carbon storage and sequestration while also producing essential wood products that contribute to the low-carbon economy. FIA seeks to manage both climate-related risks and opportunities to enhance outcomes for our investors while aligning with global efforts to mitigate and adapt to climate change.



CONSERVE BIODIVERSITY & NATURE

Investors increasingly recognize nature-related financial risks as well as opportunities for conserving biodiversity, because forest ecosystems and the range of flora and fauna they safeguard provide many of the goods and services upon which our planet and humanity depend. FIA promotes landscape management approaches that include protection and conservation of nature within forest management programs, including considering the impacts of forest management on wildlife, watersheds, and ecosystem services.



PROMOTE RESPONSIBLE WATER PRACTICES

Forests are essential to the functioning of many water resources and systems, which are vital for people, planet, and aquatic life. This includes supporting water quality and quantity and regulating local water cycles that are increasingly essential for natural resilience to environmental change. FIA seeks to ensure a positive impact on water resources and watershed management through adherence to best management practices and promoting the integration of water resource management within forest ecosystems.



ENGAGE WITH STAKEHOLDERS & COMMUNITIES

The world's forests are an integral part of global society, with communities dependent on them for livelihoods, freshwater supply, timber and non-timber resources, recreation, and more. As responsible forest stewards, FIA uses stakeholder engagement practices to understand and respect the needs of those who take an interest in, depend upon, or join us in enjoying the forests we manage.



RESPECT FOR PEOPLE & PARTNERS IN FORESTRY

Building and maintaining relationships founded in mutual respect and trust is critical to delivery of FIA's business model, especially for the local forestry businesses with whom we partner for the execution of silvicultural, harvesting, and transport activities. FIA seeks to be a partner of choice in the forest sector, which enables us to work with the best companies and individuals so that we can deliver on investment objectives with excellence.



BOOST FOREST HEALTH & PRODUCTIVITY

The ability of forests to produce goods and services for future generations is a hallmark of sustainable forestry, and a focus on regeneration after harvest provides long-term investment value. FIA seeks to promote the productivity of the forests and soils under our stewardship and to protect them from adverse impacts that may threaten their long-term health and productivity. To achieve this, FIA seeks to use the best available science, leverage our own internal forestry expertise, and work with highly qualified experts to deliver on management objectives for each forest.



SUSTAINABLE DEVELOPMENT GOALS

FIA ESG PRINCIPLES AND THE SUSTAINABLE DEVELOPMENT GOALS

FIA's ESG Principles inform the way we develop investment strategies, perform investment evaluation, and actively manage assets. Moreover, they guide FIA's participation in the forestry asset class and as a participant in the forestry sector. They also enhance our alignment with the United Nation's Sustainable Development Goals (SDGs), which launched in 2015 as a roadmap for peace and prosperity on the planet. The SDGs provide guidance to businesses and investors on the risks and opportunities to

environment, society, and sustainable economic development. FIA has compared our ESG materiality assessment and ESG Principles with the SDGs, finding strong alignment with five of the 17 SDGs. Keeping in mind our foundational tenets to Do No Harm and to Contribute to Solutions, FIA strives to implement safeguards aligned with the Goals and Targets to prevent against the risk of environmental or social harm while also looking to the Goals as an aspirational framework that encourages beneficial ESG outcomes.





Operationalizing ESG Across Investments

FIA's ESG integration allows not only for ESG incorporation into asset selection but also throughout active ownership.

The FIA ESG and Impact Framework provides for two avenues through which ESG is consistently applied and operationalized in our investment management activities. The first is through ESG integration in the investment process and the supporting norms and requirements for ensuring ESG matters are incorporated into decision-making. The second is a set of Forest Management Programs that govern the on-the-ground forest management practices that manage key environmental and social risks and benefits.

ESG IN THE INVESTMENT PROCESS

FIA has defined its key steps in ESG integration, outlining core responsibilities throughout investment management functions. The graphic below describes how these apply within the investment cycle. In addition, FIA considers ESG in investment strategy development, client relations, and stakeholder engagement.





ESG IN ACTIVE FORESTRY INVESTMENT MANAGEMENT

Forestry investments rely on healthy, productive forests to deliver biological growth and value across renewable cycles of harvest and regeneration. Managing forest productivity alongside other environmental factors is a core tenet of sustainable forestry that FIA has always practiced. Third-party forest management certifications can provide independent assurance of the integrity of management practices, including requirements for managing what are ultimately the most material on-the-ground ESG issues in forestry. FIA works within the leading certification systems, including the Sustainable Forestry Initiative® (SFI®, which is recognized by the global Programme for the Endorsement of Forest Certification) and the Forest Stewardship Council® (FSC®). The feature on the next page describes FIA's efforts to increase total area managed under certification, because of the valuable role such systems can play in third-party assurance and sustainable wood markets. In 2022, we anticipate reaching 99% certification of assets under management by area.

FIA works with leading forest management companies across the US, Brazil, and Chile to provide the local services that help ensure all FIA investment properties are operated according to appropriate best management practices and forest practices laws. FIA's expertise contributes to the on-ground execution through our set of internally administered and regionally specific Forest Management Programs and close operational oversight, including ensuring capabilities are suitable at the property level. Our Operations Managers

and Regional Investment Foresters ensure that field service providers execute operational plans in accordance with our programs and policies. Conformance with best management practices is continually monitored and closely evaluated as part of annual management reviews within FIA's systems.

For all US investments, FIA's regionally designed and tailored Forest Management Programs provide a basis for ensuring adverse environmental and social impacts are avoided and/or mitigated while also promoting beneficial environmental and social outcomes. The programs are aligned with the target certification standard – either SFI or FSC—and cover critical aspects of sustainable forestry practices, providing a minimum standard that all field service providers must meet in their on-ground management of FIA's clients' forests.

For investments outside the US, FIA ensures that forest management and certification requirements are clearly embedded into operations of our portfolio companies. Where the investments include direct employees responsible for forest operations, the portfolio company teams develop forest management plans and manage the systems to deliver on these plans across all aspects from plantation establishment to silviculture and harvesting, inclusive of supportive elements, such as stakeholder relations, workers' rights programs, and training and development.



Forest Certification and a Nature-Positive Future

– FIA's Journey to 100% Certification

FIA has managed investments certified to third-party standards and systems since 2001. Typically, the decision to certify has been driven by client interests and market demand for certified products, leading to around 77% of management units being certified over recent years.

FIA understands that forestry is at the nexus of critical issues on the global ESG agenda. This is because forests provide us renewable materials and ecosystem services that sustain societies and economies around the world. The balance of these factors is at the heart of the sustainability challenge and opportunity for forests. Third-party forest certification schemes have been designed to address these factors, with principles and criteria that have been reviewed and validated by multi-stakeholder groups and through decades of practice.

In 2021, FIA undertook a review of forest certification across the managed investment portfolio. We sought to identify potential to secure future value for clients through achieving and maintaining third-party certification while ensuring that the required practices and restrictions of certification did not compromise long-term forest valuation. Fortunately, the team was able to identify key mitigants that addressed areas of concern, such as managing clear-cut size and adjacency considerations. These mitigations rely on the close knowledge of the Regional Investment Foresters of each property and the ability to plan silvicultural and harvest prescriptions with landscape considerations over time. Furthermore, the team found that there is real option value in forest certification, which enables forest owners to potentially participate more easily in value adding opportunities, such as carbon markets.

Ultimately, the FIA Investment Committee endorsed a recommendation to pursue full certification of all management units and asked Portfolio Managers to engage with clients holding non-certified properties and encourage their inclusion into FIA-managed certificates in the US and to achieve direct certification elsewhere. This has been a fruitful process, furthering our relationships with clients through candid discussions about the potential financial value of certification as well as its reputational benefits and alignment with today's responsible investment practices.

We are pleased to report that FIA is now moving forward with nearly full certification of our forestry portfolio, with 120+ properties encompassing more than 1.7 million acres anticipated to achieve or maintain certification in 2022.

FIA anticipates that certified forestry investments are positioned for accountability in nature-positive goals and outcomes through the criteria and indicators that require identification and management of risks to the environment and to promote the conservation of biodiversity. FIA believes that as investors take on increasingly ambitious nature-positive goals, the forest sector can deliver tangible results and leadership in an effort of global significance through local actions at the forest property level that support landscape-level and regional outcomes.



2020 NET ZERO LOSS

No conversion of areas of exceptional conservation value
Assessment and management of threatened and endangered species risks

2030 NET POSITIVE

Inclusion of biodiversity attributes in forest management, harvest planning, and regeneration

2050 FULL RECOVERY

Broadening of forestry asset class to include reversing nature loss through forest restoration and valuation of natural capital

FOREST CERTIFICATION CRITERIA AND APPROACHES PROVIDE A FOUNDATION FOR NATURE-POSITIVE MANAGEMENT TOWARD THE GLOBAL OBJECTIVE TO HALT AND REVERSE THE LOSS OF NATURE



ESG and Impact Management, Measurement, and Reporting

The intention to ground our ESG management in a data-based and materiality-driven approach motivated the formal steps we took in 2021 to develop our ESG and Impact Framework. We also prioritized building on our existing policies and systems while providing consistency for the integration of ESG throughout the end-to-end investment process.

MANAGING WHAT MATTERS – MATERIALITY

FIA's ESG approach focuses on the materiality of ESG factors that can influence the performance of the investments we manage as well as those that may present significant impacts to the environment and society. We do this so we can focus on managing what matters. This approach to “double materiality” is particularly apt in forestry investments where every investment presents direct and tangible impacts on forests, ecosystem services, and production of renewable resources. We believe managing ESG factors well can in turn support investment performance through reduction of risk, maintenance of forest health and productivity, and promotion of ancillary forest values, such as carbon sequestration, recreational qualities, and alignment with societal goals and needs.

To progress in the formal ESG materiality assessment and improve upon our existing ESG data systems, FIA convened a project group that included expertise in our Forest Management Programs, acquisitions, operations, analytics, and data systems. This team worked through three steps of aggregating potential ESG issues from well-recognized, third-party systems and standards; a materiality assessment undertaken through a quantitative lens; and then prioritizing and refining a robust set of forest investment data metrics that can be used in ESG management. FIA aims to phase in these ESG metrics throughout 2022, building on earlier ad-hoc ESG data reporting and our carbon reporting framework.

The graphic below describes the steps taken by the impact management group to complete a materiality assessment and enhance our ESG data approach.

MATERIALITY AND IDENTIFICATION OF ESG DATA



AGREGATED ESG ISSUES & IMPACT STRATEGIES

- Forest Certification Criteria
- Financial and Investment Reporting Standards
- Sustainable Development Goals



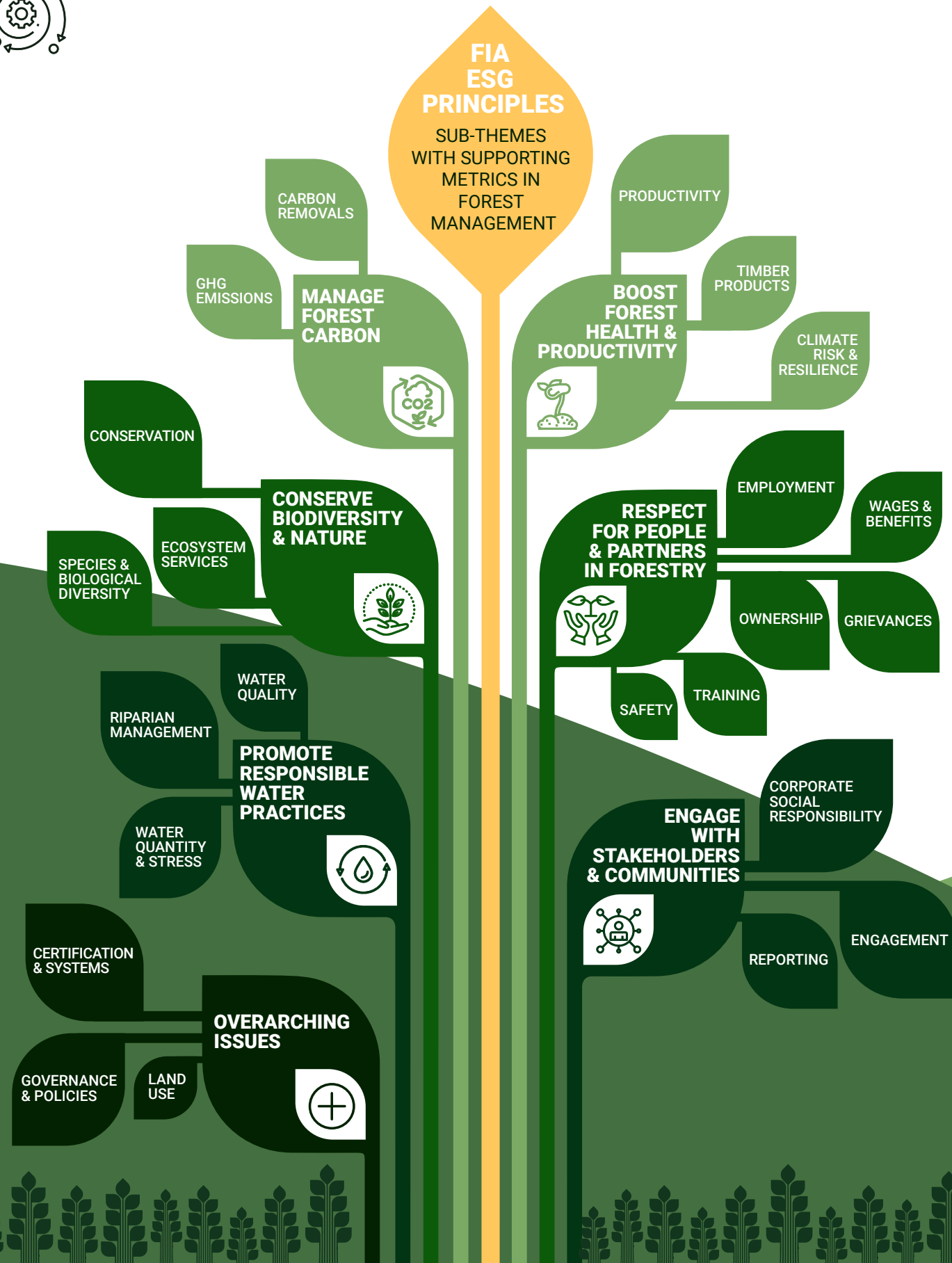
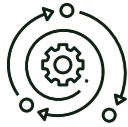
MATERIALITY ASSESSEMENT

- Rating of Risk and Opportunity
- Rating of Strategic Relevance
- Rating of Potential for Positive and Negative Impact Across ESG Parameters



ESG DATA FRAMEWORK

- Do No Harm – supported by safeguards and criteria
- Contribute to Solutions – supported by metrics and theory of change
- Core ESG Metrics
- Supplementary ESG Metrics and Guidance for ESG Objectives



ESG PRINCIPLES IN ACTION

FIA has undertaken a careful process to evaluate materiality of ESG issues within our investment strategies and portfolio properties. This allows us to better articulate our ESG Principles with a stronger understanding of the double materiality where not only are issues germane to the success of our investments, but there is real and significant potential for environmental risk and opportunity. In this section of the report, we describe the relevance of these principles to our investments, the environment, and society and explain how we seek to manage to do no harm and contribute to solutions in each area. We also aspire to be transparent by describing what types of safeguards and metrics we can use to manage these factors. Due to the nature of our many separately managed accounts, this public report provides data in an aggregated manner by region for some of our core ESG indicators. FIA also maintains additional data that supports our portfolio management and client engagement, and we are seeking to expand on these capabilities as we advance our ESG program. Over time, we aspire for ESG metrics to help us build a dataset of information that promotes better investment decision-making while factoring in ESG performance and outcomes.

While activities in 2021 set foundational pieces of the ESG data framework and clarified intended relationships to the external frameworks that are referenced in the FIA ESG Policy, the ESG and Impact Management Framework is still developing. We recognize that the majority of our publicly reported ESG data to date is reflective of investment attributes, operational activities, and asset management controls rather than representing delivered outcomes. As our program matures, we aspire to bring an increasing focus on intentional impact management. For example, FIA has developed guidance for the elaboration of ESG targets and key performance indicators, which leverage the ESG data framework and our Forest Management Programs while being tailored to property-specific and investment-relevant issues. FIA looks forward to engaging with our clients and partners as we continue to develop and implement this framework. In the meanwhile, we hope the following sections of this report provide context for our ESG and impact management, measurement, and reporting (MMR) approach and the potential of forestry to deliver on the sustainable development agenda.



Promote Forest Health and Productivity

Good forest stewardship ensures that forests can continue to produce goods and services for future generations. For this to happen, forests must be healthy, resilient, and productive. These factors directly link to the core financial value of forestry investments, which is driven by a combination of expected income and appreciation from biological growth. FIA believes that sustainable intensification, which includes increasing production, is required to provide forest resources for a growing global population. The sustainable intensification of managed forests also may promote enhanced return and value as each acre of forest can produce more over time. In fact, one of the greatest sustainability impacts of forestry investment can be enhancing the production of renewable, certified timber products and wood fiber while managing against adverse impacts to biodiversity, water resources, and society.

FIA seeks to promote the productivity of the forests under our stewardship and to protect them from adverse impacts that may threaten their long-term health and productivity. Regeneration after harvest is carefully managed to ensure the next forest generation, or rotation, exhibits strong productivity. Ongoing silvicultural decision-making considers efficient use of inputs and the timing of treatments, such as fertilization and thinning, to optimize productivity gains and meet long-term forest management objectives. To inform these activities, FIA participates in research cooperatives and programs aiming to enhance understanding of forest outcomes and to promote continual improvement in best management practices and silviculture. Our foresters seek to apply the best available science to deliver on management objectives for each forest, including sustainable intensification.

Forest health is also particularly relevant in light of environmental risks to forests, such as weather-related damage, stress, pests, and disease. Healthier forests are more resilient to these threats and in the face of climate-related risks. FIA assesses forest health and environmental threats as part of investment due diligence and ongoing asset-protection measures.

Because productivity and forest health are central to managing and valuing forests, there is a range of common forestry data that can support understanding of investments from an ESG perspective as well. FIA has also defined a set of forest-cover types to help us better describe the forests we manage, ranging from plantation forests, to production semi-natural and natural forests, to areas that have been restored for conservation purposes. These land use and area-based data are important for managing forests as part of a broader landscape, which must provide for a range of ecosystem services. Measures of forest productivity like site index and mean annual increment help investors understand the observed growth of forests by a certain point in time or over time. Other measures such as merchantable timber volumes and harvest volumes provide useful context for growth and production. Timber inventory data can also be used to estimate carbon sequestration and storage, linking forest productivity to climate outcomes. On the other hand, forest health can be more difficult to measure and report in a standardized way. Traditionally, forest-health monitoring has relied on the expertise of field foresters to identify and assess forest-health risks and issues; however, advancements in technology, such as remote sensing and drones, are providing new and potentially scalable ways to monitor and report on forest health.

FOREST MANAGEMENT AND CERTIFICATION (ACRES)

	IRIS	ID	UNITED STATES	LATIN AMERICA	TOTAL
Total Area	Land Directly Controlled: Total	OI5408	1,934,017	231,991	2,166,008
Production Area	Land Directly Controlled: Cultivated	OI1674	1,613,688	165,267	1,778,955
Certified Area	Operational Certifications	OI1120	1,489,792	172,930	1,662,722
Area Treated with Chemicals	Land Directly Controlled: Treated with Pesticides	OI2569	70,445	42,342	112,787

HARVEST (TONS)

	IRIS	ID	UNITED STATES	LATIN AMERICA	TOTAL
Total Harvest Units/Volume	Units/Volume Produced	PI1290	7,611,583	3,886,498	11,498,081
Certified Harvest Units/Volume	Units/Volume Produced	PI1290	5,616,148	3,138,498	8,754,646
	Operational Certifications	OI1120			

REFORESTATION AND REGENERATION (ACRES)

	IRIS	ID	UNITED STATES	LATIN AMERICA	TOTAL
Commercial Afforestation Area	Area of Land Reforested	PI4907	–	–	–
Commercial Reforestation Area	Area of Land Reforested	PI4907	98,188	11,457	109,645
Commercial Regeneration Area	Area of Land Reforested	PI4907	3,023	–	3,023

77%
OF AREA CERTIFIED
TO PEFC AND/OR
FSC STANDARDS

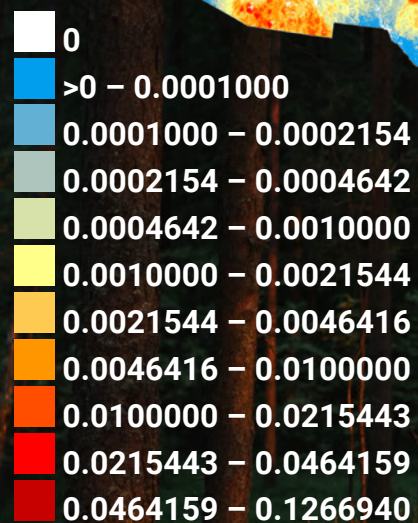
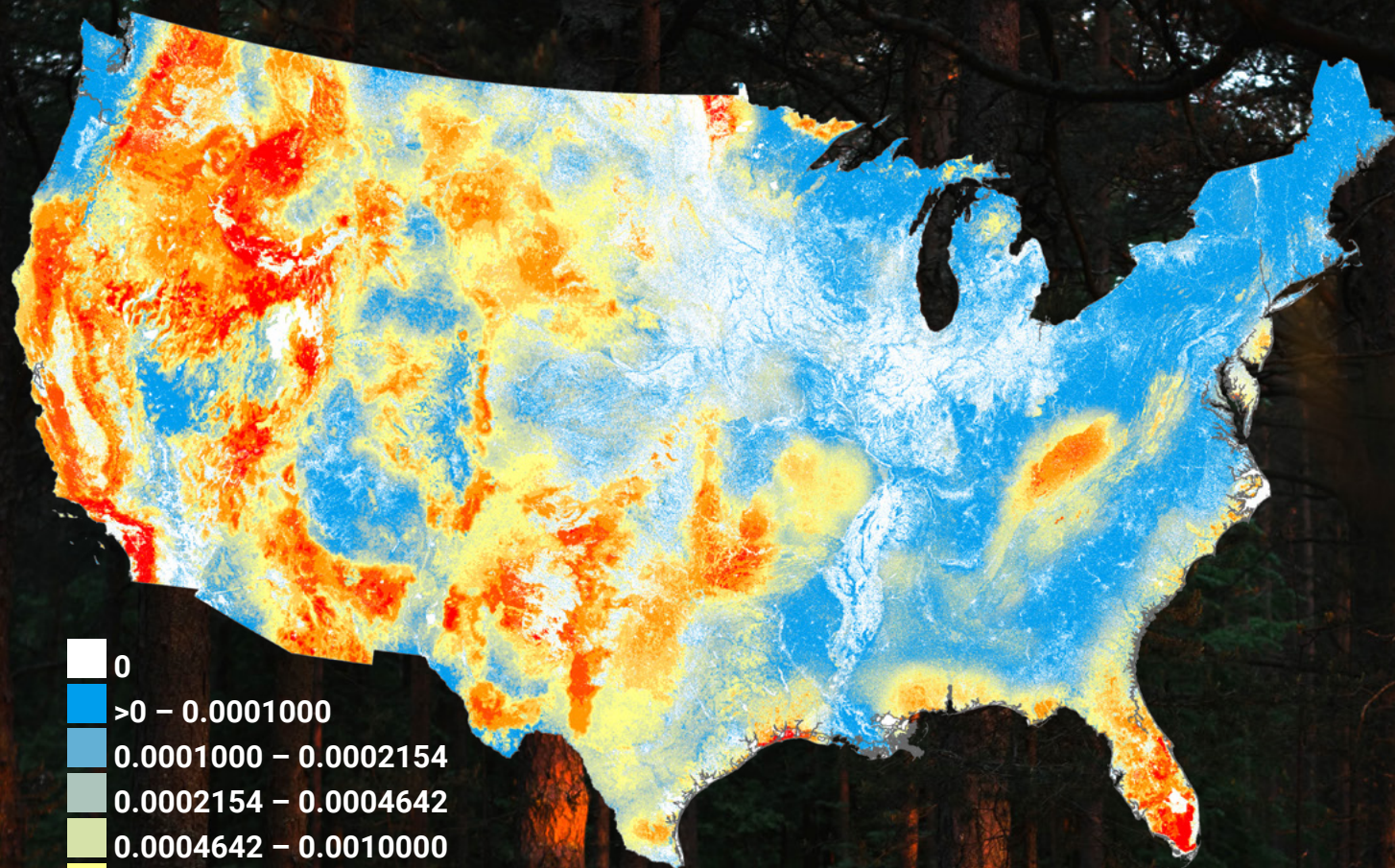
76%
OF HARVEST FROM
CERTIFIED FORESTS

5%
OF AREA TREATED
WITH CHEMICALS
FOR SILVICULTURE

112,000
ACRES OF FOREST
REGENERATION
AND RE-PLANTING
AFTER HARVEST



FIRE RISK IN THE US



Annual burn probability from the geospatial Fire Simulation (FSim) system developed by the USDA Forest Service Missoula Fire Sciences Laboratory (Finney et al. 2011). This dataset provides a consistent method for understanding threats to highly valued resources (including timberland investments) and comparing wildfire risk on a continental scale. The data presented here represent modeled burn probability for the United States at a 270-meter grid spatial resolution.

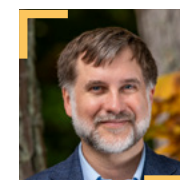


CASE STUDY

CLIMATE RISK ASSESSMENT IN FORESTRY ACQUISITIONS

FIA's Real Estate Transactions Team (RETT) endeavors to accurately value each prospective investment. This includes understanding the long-term forest production capacity, forest health, and potential environmental risks to ongoing forest production and value. Investment evaluation therefore must include an assessment of the climate risk and vulnerability of the properties involved. While there are a range of tools that support this analysis, there is no single tool that comprehensively assesses climate risk and helps ascribe a risk value. However, the RETT must describe the risks and potential impacts of climate change qualitatively and quantitatively. These include, for example, changing frequencies and severities of extreme weather events, such as storms, hurricanes, and drought, as well as shifting ranges and risks of potential pests and diseases. This Q&A with VP and Director of RETT, Andrew Boutwell, explores some of the ways he and his team leverage best available data and science to inform climate risk assessments.

FIA: What are some of the forest health and productivity threats considered in investment evaluation?



Andrew: The primary threats to forest health and productivity are environmental risks, specifically the risk of fire, droughts, wind, or ice damage. In regions where these risks are elevated, there will be heightened attention to the potential impact of climate change and how it may increase risk over time.

While forest fires receive a lot of public attention because of their impacts to air quality and quality of life, another significant climate-related risk for forests is hurricane damage. We also consider factors like changing precipitation patterns and drought, which may also impact growth rates and productivity.

FIA: How do you bring these risks into your formal analysis and decision-making process?

Andrew: The framework we have focuses first on understanding historical risk, which lets us use observed data to inform a quantitative assessment of risk, such as the probability of a fire or wind event. We can then also look at long-term environmental patterns to understand if risks are likely to become greater in the future. It's difficult to quantify how risk will change, but using the current risk level and then estimating and discussing future risks gives us a framework to compare risks across the region or other properties we have evaluated or managed.

FIA: Can you share examples of the tools you deploy for this analysis?

Andrew: We are constantly evaluating new opportunities to improve our analysis. In 2021, we used a US Forest Service spatial analysis that predicts wildfire probabilities based on weather, topography, and historical ignitions and that provides nationally consistent information for the purpose of comparing wildfire risk across the US. We have evaluated more than 400 properties in the US South with

this data to understand how risk varies across investments we are considering. Using it, we can ascribe a potential net present value impact from fire risk as well as compare probability of fire across properties in the region. Another example would be the American Society of Civil Engineers' Hazard Tool that we use to quantify the probability of severe wind events.

FIA: Does climate-related risk affect any long-term strategy or allocation issues?

Andrew: Yes, we have made decisions to exit certain high-risk geographies, from a climate perspective, that did not align with our risk tolerance. It's a financial decision based on risk-adjusted returns, but we have exited some markets, such as California properties with high fire risk, where the market values were higher than our assessment of the value based on the associated risks. Markets do change and there may be times where other participants overestimate risks based on recent events, but it is important to have an analytical framework to guide decisions and find forests that offer the best risk-adjusted returns.

FIA: Can you share some examples of the physical impacts you consider with asset allocation or a particular investment decision?

Andrew: Again, more marginal areas, such as the inter-mountain west in the US, typically require more attention. These areas are less productive and have lower growth rates, and they are generally riskier due to the higher probability and severity of threats. Another example would be how closely we look at precipitation changes and their potential impact on fast rotations in places like Brazil. With shorter rotation lengths, one or two years of low rain will have a much greater impact on investment performance.

FIA: Bringing this together, how does the FIA Investment Committee consider climate-related risks?

Andrew: All things considered, forests are generally low-risk from an environmental risk perspective, despite the existence of properties at the extreme end of the risk spectrum. Most investment-grade assets are resilient to climate change. For our clients, FIA's role as an investment manager is to evaluate investment risks, describe them quantitatively and qualitatively, and bring that information together into a recommendation for discussion by the IC. Functionally, these risks can be accounted for by directly embedding likely impacts into the assessment of the forest's future value. This can include adjusting costs and growth rates, as well as adjusting the discount rate to account for properties with higher or lower risk. Our IC considers risk and its impact on investment value as we look to accurately price assets. This really can affect the way properties transact. This also comes back to FIA's core investment objectives – climate-related risks help us think comprehensively around value impacts from issues that may affect forest productivity and where forest health promotes greater resilience to threats.



Promote Responsible Water Practices

Forests play an integral role in the functioning of the Earth's water cycles. Forests act as a natural filter to capture rainwater, slow its movement through ecosystems, and help recharge underground water resources as well as prevent erosion and pollution from reaching surface waters, like streams and rivers. Forests also contribute to localized weather cycles and can play an important buffering role to mitigate extreme weather events. Because of these critical functions, responsible investment in forests helps contribute to ensuring the provision of clean, abundant water resources. In the US, for example, nearly 30% of drinking water comes from privately managed forests.¹ Importantly for forestry investors, water as a natural resource is also increasingly valuable, with some localized markets and opportunities enabling financial rewards, such as via water trading, for good water stewardship. At the same time, trees themselves are made up of more than 50% water, which means forestry investments also rely on water for their health, growth, and value.

Responsible water practices rated highly in the FIA materiality assessment, because there are strong direct relationships between the way in which forests are managed and good water outcomes that are valuable for society and the environment. Best

management practices (BMPs) designed by state forestry agencies include specifications tailored to water-related issues in each region. Such BMPs are considered essential for safeguarding and promoting water quality and quantity. For example, riparian buffers are maintained alongside waterways to enhance the filtration of water being released into streams as well as to provide habitat and shade for aquatic life. Careful road planning and water crossings also help prevent adverse impacts to water resources.

While water-related issues rated highly in the FIA materiality assessment, most safeguards and indicators for water currently focus on proxy information, such as conformance to best management practices, and area or length-based measures, such as area of streamside management zones or length of significant waterways. Fortunately, BMPs are supported by a large body of evidence on avoiding adverse impacts and ensuring good outcomes for water quality, water quantity, aquatic life, and watershed functions. In addition, direct water quality monitoring can be used to assess areas that may be at risk or where focused interventions aim to improve water quality.



RIPARIAN RESTORATION WITHIN PRODUCTION AND CONSERVATION LANDSCAPES



Water quality management in the Pacific Northwest is a primary environmental concern throughout industrial timberlands. While riparian management zones and water practices are embedded into state-based forest practice rules as well as forest certification requirements, there are often opportunities for additional management activities to enhance water outcomes. One such example is the multi-year effort taking place on the FIA-managed Bear Creek forest area in Oregon. Located in the Fiddle Creek watershed, this area has been a focus for the Siuslaw Soil & Water Conservation District for nearly a decade. The watershed contains valuable agricultural and timberland uses while also containing Siltcoos Lake, a water source for local residents and a recreational destination. Importantly, the watershed also sustains healthy populations of Steelhead and Coastal Cutthroat Trout as well as one of the best native runs for Coho Salmon in Oregon. FIA supports environmental restoration at Bear Creek that aligns with the district's long-term planning to enhance watershed services and functions.

The project aims to restore healthy riparian and aquatic habitats while aligning with local commercial land uses. The healthy conditions include cool, clean water and quality habitats for native species. An initial project phase from 2017 to 2021 included a range of activities, such as placing woody debris into streams to recreate natural conditions, planting native species, and constructing significant areas of fencing to exclude livestock and/or game species from plant protection areas. In total, more than 1.6 miles of stream length has been restored with around 10 acres of restoration. Throughout 2021 activity focused on monitoring works undertaken previously and conducting supplementary plantings where needed and mending fences that protect the area. The watershed district is conducting periodic vegetation assessments that help monitor the condition and improvements over time. Moving forward, there are additional opportunities for more environmental restoration along Bear Creek, which are planned in subsequent phases through 2024. Partnering with local resource agencies provides an effective way to ensure FIA's forest management objectives promote regional water quality priorities while also ensuring that forestry is viewed as an active partner in promoting water quality, responsible land stewardship, and fisheries.



Conserve Biodiversity and Nature

While international efforts to halt and reverse the loss of nature accelerate, sustainable forest management has long provided a business model aligned with conserving biodiversity. Because forests safeguard most of the world’s biodiversity, they are in the spotlight for market-based and financial initiatives seeking to enhance identification and management of biodiversity risks as well as efforts to conserve nature. Forestry investors can also benefit from protecting biodiversity, because healthy and resilient forests rely on biodiversity to sustain functioning ecosystems that underpin successful forestry investments. Without functioning ecosystems, investments face increased risk from environmental threats and asset value may be at risk if productivity cannot be sustained.

Biodiversity management rated highly in the FIA materiality assessment, because forests provide wildlife habitat and conservation objectives can be integrated into sustainable forest management plans. Our approach to conserving biodiversity centers around application of biodiversity criteria in forest certification programs, such Principle 4 of the Sustainable Forestry Initiative: Protection of Biological Diversity. All FIA-managed forests are assessed for the potential presence of threatened and endangered species; where species may or are known to be present, our foresters develop conservation plans to monitor and protect these species and the habitat they require. In addition, FIA properties are managed to promote forest characteristics that are important for sensitive and locally important species. We participate in the Wildlife Conservation Initiative as a NAFO member, with the objective of contributing to the understanding of biodiversity outcomes on the lands we manage and enhancing industry-wide ability to contribute to positive biodiversity outcomes.

The following case study explores how our forest management in a global biodiversity hotspot, the North American Coastal Plain, is used to promote protection of an endangered species, the Louisiana pinesnake.

FIA’s ESG and Impact Framework aims to support and advance our ability to manage and report on biodiversity impacts. We recognize that biodiversity metrics in finance are still nascent, and we aspire to use our on-the-ground experience and knowledge to inform approaches to biodiversity management and reporting. As we begin biodiversity reporting, we initially are focused on the systems and approaches applied, and we intend for our data collection over time to support identification of opportunities for our clients. Ultimately, FIA believes biodiversity and nature conservation will remain rooted in local knowledge and site-specific objectives, which means as forestry investors we have the opportunity for local action toward a global ESG priority.



RESTORATION AND CONSERVATION (ACRES)

	IRIS	ID	UNITED STATES	LATIN AMERICA	TOTAL
Environmental Restoration Area	Ecological Restoration Management Area	P19556	3,968	34,044	38,012
Conservation Reforestation Area	Area of Land Reforested	PI4907	10	–	10
Environmental Projects Area	N/A	–	33,479	–	33,479
Area Managed for Conservation/Protection - Total	Protected Land Area: Total	PI4716	314,450	60,651	375,101
Area Managed for Conservation/Protection - Permanent	Protected Land Area: Permanent	PI3924	64,150	59,022	123,172
Biodiversity Assessment (percentage of properties)	Biodiversity Assessment	O15929	100%	100%	100%



CASE STUDY

NATURE-POSITIVE OUTCOMES – THE LOUISIANA PINESNAKE IN WORKING FORESTS

17%
OF AREA
MANAGED FOR
CONSERVATION
AND PROTECTION

100%
OF PROPERTIES
ASSESSED FOR
BIOLOGICAL
DIVERSITY

33,000+
ACRES ENROLLED
IN CARBON AND
BIODIVERSITY
CREDIT
PROJECTS

The Louisiana pinesnake (*Pituophis ruthveni*) is a federally listed, threatened species that naturally occurs throughout parts of Louisiana and Texas, including within FIA’s portfolio footprint in the Gulf region. The pinesnake uses burrows and tunnels made by its main prey species, the Baird’s pocket gopher (*Geomys breviceps*). This close association with gophers means the pinesnake spends most of its time underground, making it difficult to study and detect in the wild. Pinesnakes prefer open-pine habitat with sandy soils, particularly in areas with a well-developed herbaceous understory. The historic range of Louisiana pinesnakes has decreased to a few areas with viable habitat on National Forests and timberlands. In fact, researchers have found some of the highest concentrations of Louisiana pinesnakes on industrial timberlands managed for the species. Efforts to promote pinesnake habitat and populations now include using prescribed fire burns to encourage regeneration of the herbaceous understory, which attracts species like Baird’s pocket gophers back onto the landscape, in turn providing both a food source and tunnels that Louisiana pinesnakes need.

FIA supports Louisiana pinesnake conservation on management units in several parishes of Louisiana through an agreement with the Louisiana Department of Wildlife and Fisheries and the U.S. Fish and Wildlife Service. In total, nearly 85,000 acres are enrolled in a wildlife management agreement that prioritizes silvicultural practices that promote pinesnake habitat, including controlled burning, woody release, clear cutting, and thinning. As part of this agreement, activity in 2021 focused on implementing habitat management actions on upland, pine-dominated forests, preferably by applying prescribed fire to maintain and improve herbaceous groundcover conditions for Baird’s pocket gopher populations on soils preferred by Louisiana pinesnakes. There is strong alignment with FIA’s interest to ensure that woody competition is controlled, which benefits the target commercial trees and enhances the habitat for Baird’s pocket gophers. Monitoring by the project partners has confirmed the presence of the pinesnake in target areas managed by FIA. By working with conservation partners, FIA can ensure our biodiversity promotion activities align with regional conservation priorities and the latest science to support threatened species.



Engage with Stakeholders and Communities

Forests are integral to communities throughout the world. In key timber-producing regions, this integration is highlighted in the relative importance of forestry to local livelihoods and economies. FIA's 2020 Sustainability Report explored the role of forestry in rural economies, which also highlighted the important interconnections that people have as forest stakeholders. Our company has deep roots not only in forestry but with many employees who come from families and communities that are intertwined with forestry. This helps inform FIA's approach to stakeholder engagement, which benefits from our values in transparency and our commitment to ethical operations.

The FIA materiality assessment found that stakeholder and community risks and opportunities rated as moderately significant. Although we identified strong materiality for the impacts that can be experienced by society and communities from the management of forestry investments, we found that our direct control of these impacts was sometimes limited. FIA's investment model uses either third-party contractors or portfolio companies to execute most field-based forestry activities, and so we do not directly employ workers on site and we are typically a step removed from direct stakeholder engagement at the asset level. Accordingly, our approach is focused on using

our influence as an asset manager, including through disseminating stakeholder-management guidance through the forest certification standards we apply and our management plans.

To monitor and report on stakeholder engagement and social issues, FIA's ESG and Impact Framework is focused on ensuring application of best practices for stakeholder management as well as attention to emerging social risks and needs. FIA operates with a largely non-vertically integrated asset management model. While we maintain internal control for property-level strategy and business planning, because we engage forestry consultants to perform on-the-ground management, it is their local presence that is most directly linked to community and stakeholder relations. FIA finds this to be beneficial because local forest managers and workers are in tune with local issues and needs. Furthermore, most stakeholder engagement activities rightly occur under the direct actions of the field service provider. On the other hand, FIA is able to engage most directly at the level of regional and national industry associations and networks, where our experience as a larger land manager gives us the ability to support broader stakeholder issues. Our staff are actively involved in organizations and initiatives including forest research and science, policy, markets, wildlife management, and a range of forest sustainability issues.



CASE STUDY

LEVERAGING LOCAL EXPERTISE TO PROMOTE LOCAL BENEFITS FROM FORESTS

FIA leverages a network of experienced forestry consulting firms with which we partner for the execution of our forest management plans. The relationships these firms and their employees have with the people and communities in which we operate are essential. To explore the dynamic interplay of forest management, stakeholder engagement, and community benefits from forestry, FIA turned to Ken Kane, President and Owner of Generations Forestry, based in Kane, Pennsylvania.

FIA: Can you share with us why working with local forestry consultants is important for forestry investors?



Ken: Good forest management means we need knowledge and understanding of the unique forest type we manage. Local consultants have important insights, such as who to hire for which jobs, which are the better contractors to work with, and how to understand the local culture. Another aspect that is especially important in our unique forest ecosystem is that our foresters have lived with it and experienced it most or all of their lives. They can help make decisions that avoid learning the hard way – through mistakes.

FIA: You mention a unique forest ecosystem, can you share more with us?

Ken: Our natural hardwood forests need management that is dramatically different from the majority of industrial timberlands. Black Cherry matures economically at about 80 years and biologically at around 100-120 years. This means that a forester who starts a forest rotation will be gone by the time it is mature. It is naturally a multi-generational forest base. We typically manage Black Cherry with a shelterwood regime and a regeneration harvest, and we are always looking to balance species diversity for forest function and desired timber characteristics.

FIA: What does Generations Forestry do to engage local stakeholders in relation to forest management?

Ken: Most of our staff are highly engaged in forest health issues by serving on many professional and industry boards, and that is why we are invited to be at the table. We meet with policymakers and community groups to help them understand forest management and its long-term implications. Take invasive species, like common buckthorn, as an example. They have unintended consequences that most people do understand, so we try and educate people about these issues. Poor forest health means less tourism, less enjoyable recreation like hunting, and other problems, too. When you live alongside, it is something you see over time.

FIA: How can FIA encourage better local outcomes from the forest assets we steward?

Ken: Continue to support the use of well-qualified, local foresters in the field. These trained professionals should have latitude for effective decision-making that uses their local expertise while aligning with your long-term management objectives and plans as well as the interests of neighboring communities.



Managing Forest Carbon & Climate

Forests play a pivotal role in the global carbon cycle, and the latest reports of the Intergovernmental Panel on Climate Change continue to advance understanding of possible climate futures and the importance of reaching net zero CO₂ emissions worldwide.² Within this advancing body of scientific evidence, there is a clearly identified need for managing the world's vast stores of carbon in forests as well as harnessing the potential of nature-based solutions for climate change. The forest industry and forestry investors are responding through efforts to better estimate, manage, and report on forest carbon and how it is managed.

Managing forest carbon rated highly in the FIA materiality assessment, because of our potential to manage for improved forest carbon outcomes as well as exposure to carbon pricing, whether through carbon markets or option value for investors seeking to decarbonize or achieve net zero.

Managed forests are at the heart of nature-based solutions to climate change. Managed forests sequester carbon dioxide in growing trees, store that carbon in living biomass and healthy soils, and provide long-term carbon storage in wood products. This promotes a positive cycle of carbon accrual in forests and wood products, which has even greater total benefits to the climate when wood products are used to substitute for higher-embodied emissions products.

Throughout 2021, FIA continued our three-part commitment to climate action as described in the table on page 35. Our purpose in these activities

is to position our clients' forestry investments to be resilient toward physical and transition risk as well to ensure readiness to contribute to and benefit from climate-related opportunities, such as rising demand for low-carbon products and a rising value of carbon sequestration and storage.

FIA has reported on the forest carbon stock and changes in forest carbon stock on the investments we manage since 2019. We do this through regionally specific methodologies that convert forest inventory data to estimates of stored carbon in the living biomass of the forests. Our reporting to date has focused on aboveground living biomass, including a gross figure for total carbon storage in living biomass and the annual stock change in living biomass. For 2021 reporting, we have improved the granularity to separate out the impacts of purchasing and selling forests and better reflect the actual climate impact related to net forest carbon stock changes over the year. The figures reported do not include the estimated carbon storage for the harvested wood products, which provides an ongoing climate benefit after harvest, particularly for long-lived wood products. While we provide aggregate regional and country-level totals in this report, FIA can provide quarterly and/or annual carbon reporting for clients. Through 2022, we will continue to improve our carbon reporting capabilities, because we recognize that carbon metrics and data are critical for investors seeking to set and track climate goals. For this reason, we also contribute to efforts to enhance standardization and improve the inclusion of forestry in global carbon reporting and related climate initiatives.

FIA MANAGED FORESTS IN THE US
HAD NET CARBON REMOVALS OF
1.4 million
TCO₂E

	FIA'S COMMITMENT	2021 PROGRESS
ADVOCATE	We advocate for enabling policies and environments that enhance the contribution of forests and forest products to mitigating climate change	<ul style="list-style-type: none">Participated in the National Alliance of Forest Owners (NAFO) Air Task GroupParticipated in the GHG Protocol Carbon Removals working group
MANAGE	We manage climate-related risks and opportunities within our fiduciary duty and seek to position our clients and their forests for long-term value	<ul style="list-style-type: none">Conducted physical risk assessments as part of investment evaluationFurthered carbon modeling capabilities with the development with timber-carbon models to support acquisitions and asset managementEvaluated opportunistic carbon project feasibilityConvened a company-wide forest carbon training to enhance shared understanding of climate risk and opportunities
REPORT	We report on the contribution of the forestry investments we manage toward mitigating climate change and promoting forest resilience	<ul style="list-style-type: none">Reviewed our carbon reporting capabilities and created a plan for improvement to add additional carbon pools and emissions reportingDeveloped an internal methodology for IPCC-aligned carbon reporting at the investment level

CARBON STORAGE AND SEQUESTRATION

	UNITED STATES	LATIN AMERICA*	TOTAL
Carbon Storage in Forest Land (tCO ₂ e)	147,249,275	6,115,540	153,364,815
Net Sequestration (tCO ₂ e)	1,429,325	(1,466,001)	(36,676)

* Note that a carbon loss of approximately 1.4 million tCO₂e was reported in Latin America from a timber deed investment for which the FIA investment manages area through to harvest and does not hold reforestation rights, resulting in negative net sequestration over the rotation. In addition, 2.2 million tCO₂e of carbon storage was removed from the net stock change assessment due to the sale of a timber deed to a third party.

FIA's public carbon reporting provides information about the carbon storage of managed timberlands as of December 31, 2021 and the net sequestration on managed timberlands during the year. Figures include tCO₂e of carbon storage in aboveground biomass of production forest area only and associated net sequestration. Reported values account for growth and harvest on managed acres where FIA-managed investments own and

manage the forest resource. Transactions and activity that reflect change in ownership of the forest and associated carbon (such as acquisition or sale of a forested area) are not included in net sequestration, because they do not reflect an emission or removal from the atmosphere. US reporting is based on growth and harvest estimated quarterly for all active stands. Latin America reporting is based on annual net stock change in the managed area.



SUSTAINABLE LANDSCAPE MANAGEMENT INTEGRATES THE “PROTECT – MANAGE – RESTORE” OBJECTIVES OF NATURAL CLIMATE SOLUTIONS (NCS) WITH PRODUCTION AND CONSERVATION LAND USES

NCS CAN PROVIDE
37%
OF NEAR-TERM
CLIMATE MITIGATION

MORE THAN
two-thirds
OF NCS POTENTIAL
IS IN FORESTED
ECOSYSTEMS

**Managing
&
improving**
FOREST RESOURCES



NATURAL CLIMATE SOLUTIONS
IN A BRAZILIAN FORESTRY
INVESTMENT LANDSCAPE

The NGB Florestal business in the Brazilian states of Parana and Santa Catarina includes a diverse landscape, with mixed plantation and natural forest cover types across its approximately 71,000-acre (28,800-hectare) land bringing exposure to the rising wood fiber markets of Brazil through sustainable plantation management.

NGB Florestal's integrated forest management plan exemplifies how forest businesses can contribute across each of the three broad approaches to natural climate solutions: Protect, Manage, and Restore. Natural climate solutions have the potential to provide more than one-third of near-term, cost-effective climate mitigation through 2030, and roughly two-thirds of that potential is found in activities related to forests. For NGB Florestal, natural climate solutions are core to its business model, where sustainable production is integrated alongside forest conservation and protection.

PROTECT – Across the company's properties, there are more than 18,000 acres (7,300 hectares) of protected areas that are dedicated to biodiversity conservation. These conservation areas provide an important network of biodiversity corridors with protected forest that support the movement of wildlife throughout the mixed landscape. The company also maintains a Private Permanent Natural Reserve of 1,150 acres (~460 hectares), ensuring long-term biodiversity conservation.

MANAGE – More than 53,000 acres (~21,400 hectares) of pine and eucalyptus plantation area managed under a sustainable intensification model, seeking to produce a high volume of certified wood logs and fiber for local markets. The plantations were established on previously degraded land before they started to be acquired on behalf of FIA's clients starting in 2015.

RESTORE – To promote healthier forests and their conservation objectives, NGB Florestal has promoted restoration across its legal forest reserve and permanent protected areas. Key activities include allowing natural regeneration of native species in previously degraded areas, monitoring its recovery and working with local environmental agencies to properly record forest recovery.

NGB Florestal is located in a highly threatened forest biome known as the Atlantic Forest, where sustainable management of existing forest resources and restoration of degraded areas are both important for overall ecosystem services and function. It is estimated that 85-90% of the Atlantic Forest has been cleared, but the area is still considered a conservation priority as a biodiversity hotspot due to high levels of species diversity and endemism. This makes forest protection and restoration here even more important, and NGB Florestal shows how natural climate solutions and global biodiversity priorities can be integrated into commercial forestry investments at scale.



Respect for People and Partners in Forestry

Globally, forestry is an important industry and sector of economies, with more than 45 million people estimated to be employed through the formal forest sector and more than \$580 billion in global labor income.³ Small and medium-sized enterprises are particularly crucial, comprising as much as 80-90% of forest businesses⁴ and around 20 million jobs.⁵ Beyond this, millions more are engaged in the informal forest sector and rely on forests for a portion of livelihoods.⁵ Acting as a responsible business within the forestry value chain can reduce investment risk by providing access to quality service providers, delivering efficiencies in operations, and supporting positioning to manage through challenging operational or market conditions. Contributing to a vibrant and thriving forest sector and value chain also enhances the ability of the sector to attract talent, which is important in the face of demographic shifts, including the rural-to-urban transition and changing workforce needs.

FIA's ESG efforts and business model are dependent on strong relationships with the people with whom we work and transact in the forest sector. Respect for People and Partners in Forestry is not only an ESG principle for FIA, but also fully aligned with [our stated company values](#). FIA's service model includes internal forestry expertise and engaging locally based forest management consultants to implement forest management plans and activities on the ground. Through this model, FIA works with dozens of small and medium businesses across our forest management activities as well as the Broad Arrow Timber Companies, which execute

our delivered log sales programs. This approach enables FIA to access leading talent and local insights within each market in which we invest and operate. It is important to us that we maintain strong relationships built on mutual trust and respect.

Health and safety are also key concerns in forestry operations and the value chain. Forest management involves heavy machinery and natural hazards, and it is critical that forestry professionals and those engaged in harvest, transport, and processing are well trained and provided with the means for safe work. FIA's agreements with forestry consultants and logging companies ensure all staff are qualified and trained under leading systems, such as the Sustainable Forestry Initiative's program for qualified logging professionals.

Throughout the COVID-19 pandemic, we have sought to be clear and transparent in our activities and to work collaboratively with others to find solutions in the changing forest industry. As a member of the Forest Resources Association (FRA) and National Alliance of Forest Owners (NAFO), we work alongside other forest owners, managers, and businesses to promote stable work environments, strong timber markets, and elevate technical and operational expertise to address workforce and supply chain issues. As an example, see the Q&A on the following page that describes FIA's involvement in FRA's trucker insurance program, which aims for collaborative solutions to a challenge that affects individuals and small businesses as well as the broader value chain.

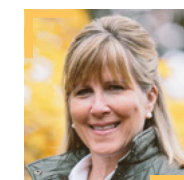


CASE STUDY

SUPPORTING THE FOREST TRUCKING INDUSTRY AND WOOD PRODUCTS SUPPLY CHAIN

COVID-19-related disruptions of global supply chains have affected parts of the forest industry, including exacerbating challenges for timber transport. Throughout most of the US forest products industry, independent small trucking businesses provide the haul and transport needed to move raw logs and wood products throughout the supply chain and to market. These businesses are vulnerable to operational disruption, rising costs, and tight labor markets. FIA's Southern Operations Manager Tom Trembath hopes to support such businesses through his leadership role with the Forest Resources Association (FRA), an industry association that promotes the public policy interests of the forest products industry's supply chain and works to advance safety, operational and technical efficiencies, and supply chain relations. In this Q&A with Tom and FRA President Deborah Hawkinson, FIA explores the challenges and potential for collaborative solutions to forest industry trucking issues.

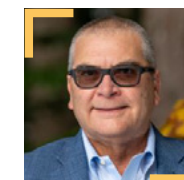
FIA: What are the key challenges for individuals and small businesses in forest trucking?



Deborah: Key challenges for logging businesses before the COVID-19 pandemic were primarily declining markets due to mill curtailments or shutdowns and workforce issues in terms of equipment operators and truck drivers. There have been employee shortages in both areas. High insurance costs for logging and hauling businesses erode profit margins for these businesses.

FIA: How did COVID affect the challenges for forest haul and transport?

Deborah: COVID-19 amplified our workforce shortage issues, making it more difficult to keep and find skilled equipment operators and truck drivers. In addition, drivers are leaving the industry at a high rate. The supply chain crisis has additionally made it more difficult for logging businesses to repair or upgrade equipment. Rapidly increasing fuel costs make it difficult to enter into agreements for wood delivery.



Tom: The forest sector relies heavily on trucking as the means to transport logs from our woods to woodyards and mills. FRA estimates more than 15 million truckloads of logs are moved

from forests to consumers each year. Log trucks frequently are required to operate on rugged logging roads, requiring the skill and patience of drivers to deliver logs safely. We need skilled, safe, and reliable partners to ensure our wood reaches markets.

FIA: What is FRA doing about trucking challenges?

Deborah: FRA addresses the log truck transportation challenges in several ways. FRA provides funding for research, such as for safety and efficiency of transporting raw forest products and the rapidly increasing and high insurance costs for log hauling businesses. This information is used to educate and inform FRA members and policymakers on what policy actions can be taken to improve the movement of logs to the mills. FRA additionally reviews and prepares comments on regulations that can affect log truck drivers and businesses. Most recently we were successful in making changes to short-haul regulations that benefited log truck drivers, and other ongoing activities including working with other sectors, too. An example of this is the Drive Safe Coalition, which addresses the workforce issue in the transportation industry.

FIA: How can investment managers like FIA help support the individuals and businesses involved in this part of our value chain?

Tom: FIA participates in FRA teams, committees, and legislative fly-in sessions. This work allows us to support the entire value chain. We also need to promote what we learn from our collaboration with FRA. For example, recent FRA-sponsored research determined opportunities to improve timber transportation safety and avoid future insurance premium increases in the US South. It is important for FIA to find appropriate ways to get this information out to our vendors and, where we can, assist them in taking advantage of these opportunities.

Deborah: FRA is the only national association that works with the entire wood supply chain. Our diversity of membership provides a unique perspective to members of Congress and administrators. FIA can help support FRA through continuing active membership on FRA committees. It is important that FRA staff is informed about issues affecting our members so we can collectively work towards solutions.

3. FAO (2020). State of the World's Forests

4. Profor, "Unlocking the Potential of Small and Medium Forest Enterprises."

Available at: <https://www.profor.info/knowledge/unlocking-potential-small-and-medium-forest-enterprises>.

5. FAO (2020).




FIA's ESG Journey and Future


The forestry asset class and businesses throughout the forest sector are positioned to play a strong role as sustainable investment trends continue to deepen ESG integration.


FIA's ESG Principles are structured to guide us in ensuring ESG risks are identified and that property and portfolio-level strategies can deliver environmental and social benefits. We aspire for these principles to support us in navigating evolving risks and opportunities, as well as in engaging with clients, business partners, and other stakeholders to enhance alignment around ESG management and objectives.

Our ESG and Impact Roadmap lays out our aspirations for continued consolidation of policies and capabilities to promulgate excellence in ESG; to develop and utilize an ESG data framework to enhance decision-making and ESG-inclusive performance management; and to address the most salient ESG topics at the forefront of sustainable forestry investment through leadership and collaboration. We aspire for our clients to be our partners in this ESG journey. We also will continue to work openly with business partners, peers in the industry, and our broader forest value chain. Realizing the potential of forests to address some of the world's most pressing challenges – including climate change, biodiversity loss, and rising resource scarcity amidst a growing global population – means that we must manage locally while thinking globally. We hope this report sheds light on how FIA is approaching this responsibility and opportunity, showing concrete actions, real-life challenges, and our efforts to manage forests responsibly for the benefit of our clients, the environment, and stakeholders near and far.



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