FOREST INVESTMENT ASSOCIATES®

Investor Briefing

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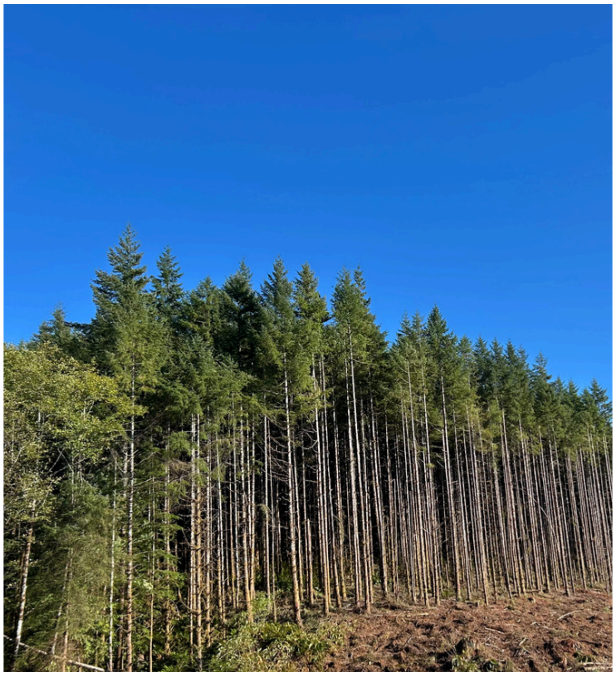
From Timberlands to Brussels: Why EU Policy Matters for Forestry Investors

Forest Investment Associates (FIA) tracks and engages in EU policy developments strategically through the National Alliance of Forest Owners (NAFO) Global Forestry Task Group. Since its launch in 2024, this effort has provided a platform for US forest owners to engage with European policymakers and stakeholders at a critical juncture—where climate ambition, sustainable trade, and regulatory complexity intersect with global forestry.

Our involvement reflects both responsibility and necessity: the EU is a major export market for wood products and a global leader in climate and environmental regulation. What is decided in Brussels increasingly shapes supply chains, investor expectations, and access to markets far beyond Europe. With a client base that includes European and international institutional investors, FIA has a duty to understand, anticipate, help shape, and ultimately comply with these frameworks on behalf of our investors.



This work is not abstract. Policy shifts in the EU carry direct consequences for risk, return, and the operating environment for forest investments worldwide. For example, the EU Deforestation-free Regulation (EUDR) presents risks for global commodity supply chains, which will need to demonstrate traceability requirements that ensure goods, including forest products, entering the EU market are not linked to deforestation. While aligned with sustainable forestry in principle, policy measures like EUDR need to be implemented across a level playing field with pragmatism informed by real-world experience.

What's at Stake for Forest Investors?

For US forest owners, managers, and investors, EU "policy files" carry real implications for risk, return, and market access. These legislative packages ripple far beyond Europe, shaping markets and investment flows worldwide. With nearly four decades of experience across the US and Latin America, FIA brings a practical, globally balanced forestry investment perspective—connecting operational realities with investor expectations to ensure well-managed forests are recognized as economic contributors, climate assets, and long-term investment opportunities.

Key EU Policy Files with Potential to Shape Sustainable Forestry Markets

- **EUDR (EU Deforestation-free Regulation)** – Creates significant compliance and traceability demands, with rigid risk criteria that could disrupt forest products supply chains even in countries posing a low risk for deforestation like the US. Without changes to the law to allow more flexible implementation, sustainably produced wood risks exclusion from EU markets. Engagement helps ensure the regulation reflects credible sustainability practices and diverse ownership models, keeping responsibly managed forests connected to global supply chains.

- **Carbon Removals & Carbon Farming Frameworks** – Current proposals emphasize "permanent" technological removals over nature-based solutions, risking reduced recognition of forestry's climate contribution and sidelining the benefits of sustainable forest management. Constructive input can help ensure climate-smart forestry is acknowledged for delivering durable, scalable removals. This alignment is important for both climate outcomes and investor access to diversified income streams.

- **International Carbon Market Access** – The EU's 2040 climate package hints at post-2036 eligibility for international credits, but rules for nature-based credits remain unclear. Engagement can help shape clearer market signals and avoid excluding credible forestry projects. Greater clarity would expand revenue opportunities and ensure high-integrity forest credits play a role in future compliance markets.

- **Biodiversity Markets & Regulation** – The EU is exploring frameworks for biodiversity credits, which could evolve into a new global asset class or provide new revenue sources for nature-positive forest management. Poorly designed rules risk creating market distortions or excluding non-EU actors. Broader dialogue is needed to ensure biodiversity finance is scalable, inclusive, and grounded in real conservation outcomes.

- **Land Use, Land Use Change, & Forestry (LULUCF) & Climate Targets** – Rules on how forest sinks are counted toward EU climate goals will shape the credibility of forestry as a climate solution. Recognition of managed harvesting cycles and replanting as climate-positive is essential to sustaining forestry's contribution to mitigation and resilience.

- **EU Bioeconomy Strategy (forthcoming)** – The update will define how renewable materials like wood are positioned in Europe's industrial policy, including potential to deal with topics like the GHG benefits of the "substitution effect" – displaced emissions when wood products are used in place of higher carbon-embodied products like steel and concrete. Ensuring that wood is recognized as a pillar of the bioeconomy would create durable demand for sustainable forest products. Sourcing restrictions are likely to be a factor, and it will be critical for forestry interests to demonstrate how existing systems already provide confidence in responsible forest management.

- **EU Taxonomy & Sustainable Finance Rules:** The Taxonomy, Sustainable Finance Disclosure Regulation (SFDR), and Corporate Sustainability Reporting Directive (CSRD) together shape what counts as "sustainable" in investment markets within the EU and are influencing investor sentiment globally. Forestry's treatment will directly influence capital flows and disclosure expectations. Well-calibrated rules can support capital allocation to climate-smart practices and strengthen the role of forests in sustainable portfolios.

- **Corporate Sustainability Due Diligence Directive (CSDDD):** Will require downstream companies to implement due diligence on human rights and environmental impacts, with obligations cascading through supply chains. Clear, practical systems are needed so forestry supply chains can comply efficiently and credibly, preserving wood's competitiveness in global markets.

- **Nature Restoration Law:** Establishes binding restoration targets for ecosystems, including forests. Depending on implementation, this could add compliance pressures or create new investment pathways for restoration-linked finance. Effective design will determine whether the law works with, rather than against, sustainable forest management.

Elevating Forests as Pillars of the Green Transition

In July 2025, FIA joined NAFO's Global Forestry Task Force delegation in Brussels to engage directly with EU policymakers and business peers. The delegation arrived at a pivotal moment—just as the EU introduced its 2040 climate targets, as EU-US trade negotiations were ongoing, and amid rising calls for regulatory simplification across sustainability files.

Led by NAFO's Chief Strategy Officer Kate Gatto, Weyerhaeuser's VP of Government Affairs Kristen Sawin, and FIA's Managing Director and Head of Business Development & Sustainability, MaryKate Bullen, the group partnered with Acumen Public Affairs to advance dialogue with officials across the European Commission's climate, agriculture, and environment departments, as well as Members of the European Parliament and representatives of EU member states. They also met with a wide range of groups active in land use and environmental policy forums, such as forest ownership groups from other countries and representatives from other commodity business associations.

> "Over the past year, we have built valuable relationships with EU sector partners and policymakers. Our focus remains on being a credible voice in the dialogue and a reliable partner for policymakers looking for practical solutions. It's essential to engage on the ground in Brussels to ensure that EU stakeholders recognize the value of sustainable forest management. US working forests and sustainably produced forest products can both play an instrumental role in helping the EU meet its climate and bioeconomy ambitions – if we are allowed to."
> – **Kate Gatto, NAFO**

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The NAFO delegation outside of EU Parliament. From left to right: MaryKate Bullen, Kristen Sawin, Kate Gatto.

Throughout four intensive days of meetings, the team shared operational realities and investment insights from beyond the EU forest sector—highlighting how sustainable forest management and global forest trade are critical to decarbonization, materials substitution, and rural development.

"We have a responsibility to provide grounded, practical perspectives that help shape policy frameworks that can be fairly and effectively implemented," said MaryKate Bullen of FIA. "Global forest trade is critical to sustainable forestry and to meeting the potential of a sustainable bioeconomy; the value of forest products and natural capital provides the economic incentive for long-term stewardship."

Looking Ahead: Aligning Policy and Investment

With the EU prioritizing simplification and regulatory review through 2025 and likely into 2026, this is a pivotal moment to align regulatory ambition with economic reality. FIA remains committed to international engagement to ensure forests are recognized and empowered as both climate solutions and economic engines.

We are grateful to NAFO and to Acumen for convening and supporting this timely and productive mission. As stewards of valuable timber and natural resources, we believe forestry investors must have both a voice and a vision in shaping the green transition—reinforcing global wood markets, strengthening sustainable fiber use, and ensuring forests are treated as critical natural infrastructure. For investors, this translates into protecting long-term market access, securing diversified revenue streams, and positioning timberlands as resilient, forward-looking assets.

In 2025, FIA also joined the International Sustainable Forestry Coalition (ISFC), which will play a crucial role in shaping the global standards and frameworks that demonstrate forestry's value—across wood products, climate, nature, and more. Collaboration and engagement are essential. Whether in Brussels, Washington, or other capitals, FIA is proud to represent forestry investors and to help ensure this asset class is positioned to deliver competitive returns while advancing climate and sustainability outcomes.

Meeting Investor Needs for EU Sustainability and Disclosure

FIA supports investors in meeting evolving EU sustainability requirements through robust governance, transparent data systems, and integration of ESG and climate considerations across our portfolios. Our processes align with leading European regulatory expectations while reflecting FIA's practical forestry expertise. Highlights include:

- **Sustainable Finance Disclosure Regulation (SFDR) Reporting:** Provide data to support investor-level SFDR disclosures, including relevant forestry and land-use indicators.
- **EU Taxonomy Roadmap:** Developed a reporting template and implementation plan for assessing alignment with Climate Change Mitigation and Adaptation objectives.
- **Physical Climate-Risk Assessment:** Conduct asset-level vulnerability assessments to integrate climate risk into diligence and portfolio management.
- **ESG Governance:** Embed ESG oversight in investment and asset management through senior leadership and FIA's cross-functional ESG Committee.
- **Natural Capital & Impact Reporting:** Conduct impact reporting using standardized metrics and participate in the ISFC's Natural Capital and Taskforce on Nature-related Financial Disclosures project to harmonize forestry sector reporting.
- **Policy Engagement:** Engage through the NAFO Global Forestry Task Group and ISFC to help shape practical, globally consistent sustainability frameworks.

These initiatives position FIA to help investors navigate EU regulatory expectations and connect credible sustainability performance with long-term value creation in forestry.