



Environmental, Social and Governance (ESG) Position Statement

Effective Date: March 1st, 2021

At The Forestland Group, we are fully committed to integrating Environmental, Social, and Governance (ESG) factors into our investment processes. We believe that having sustainability at the center of our investment and property management practices helps generate long-term value for our investors.

Defining ESG

In accordance with the United Nations-supported Principles for Responsible Investment (PRI), we consider responsible investment as a strategy and practice to incorporate Environmental, Social, and Governance (ESG) factors in investment decisions.

Our Approach to ESG

The Forestland Group's mission is sustainable management of natural forest systems to create economic and ecological value. As a natural continuation of our mission and journey since 1995, we have formalized the integration of ESG factors into our responsible investment and land management practices. The tenets of this position statement apply to 100% of our funds and investments across all regions and markets in which we operate. The position statement also serves as a guideline to our employees and covers:

- **Investment Thesis:** Sustainable forest management is at the core of our investment objectives and criteria
- **Stewardship:** The ecosystems TFG stewards provide economic, environmental, and social benefits to a broad range of stakeholders; we manage our properties to sustain and enhance these benefits
- **Transparency:** Detailed internal reporting supported by external verification of sustainable management practices and climate change mitigation efforts ensure we are accountable for the outcomes of our management
- **Governance:** ESG criteria are important to our company's strategic decision-making and structure; adherence to industry best practices and key network guidelines help keep us on track

Investment Objectives and Criteria

Objectives

The Forestland Group's (TFG) investment objectives are to generate financial returns, mitigate climate change, and generate positive ecological impact through the sustainable management of natural forest systems. To accomplish these objectives, TFG considers a vast universe of ESG issues throughout our investment process. Below are some representative examples of the positive attributes and negative screens that TFG considers as material to the selection and subsequent management of forestry investments.

Criteria

TFG screens out properties that are managed under unethical or unsustainable practices that are fundamentally misaligned to our [Responsible Investing Principles](#), and/or our [Natural Forest Management Principles](#), which dictate our approach to sustainable on-site operations.

TFG uses a wide range of environmental, social, and governance considerations to target natural forest management assets that present an opportunity to meet and exceed our investment objectives.

Key ESG Considerations

E – Environmental	S - Social	G - Governance
<ul style="list-style-type: none"> ○ Avoided and sequestered carbon dioxide emissions ○ Acres of land under sustainability certifications ○ Acres (current and/or future potential) under sustainable forest management plans ○ Potential for carbon offset projects ○ Presence of wetlands and streams with water quality 	<ul style="list-style-type: none"> ○ Employee engagement, diversity, and inclusion ○ Workplace health and safety ○ Health and safety of foresters and on-site consultants ○ Community access to land and recreational activities ○ Presence of any hazardous materials or conditions 	<ul style="list-style-type: none"> ○ TFG is positioned with capacity for sound management ○ Risk management ○ Legal, regulatory, and judicial environment

Stewardship

TFG is committed to managing our forest assets to sustain ecological benefits and enhance local economic opportunity using governance practices that ensure property oversight and worker safety. TFG stewards properties using our **Natural Forest Management Principles**. These principles are the backbone of TFG’s land ethic, a key driver of performance, and the framework through which our Regional Directors design long-term, property-level sustainable management plans. We implement these plans on the ground through agreements with vetted forestry consultants and contractors. We monitor and evaluate contractors' work and ensure they have sufficient training to execute day-to-day management decisions at the property and adhere to our company-level ESG commitments. Our Regional Directors manage relationships and stewardship activities to produce positive financial, ecological, and social outcomes that last far beyond our land ownership tenure.

Transparency

Impact Reporting

TFG’s [Annual Impact Reports](#) are an ESG reporting exercise that requires the input of each department in the company. We gather data on our impacts from:

- Geographic Information Systems (GIS) analysis
- Transactional reports on acquisitions and dispositions
- Forest Information Portal (FIP) – TFG’s internal proprietary system to track property attributes and management plans as well as harvesting, contracting, and pricing activities and trends
- Accounting team and TFG investor portal tracking of assets under management
- Third party certification auditing reports
- Forest carbon offset project development and verification reports

TFG’s Annual Impact Reports provide an opportunity to revise and improve internal data management processes, as well as evaluate the sustainability of our management practices. They are also critical tools to ensuring transparency of TFG operations and ESG outcomes with stakeholders at all levels. TFG engages with our external sustainability consultant, [KKS Advisors](#), to improve our ESG integration and to continue to adhere to best practices. Together, TFG and KKS set annual targets for improving ESG performance, which are subsequently published in our impact reports.

Third-Party Certification

TFG is committed to third-party certification of our forest management ownership. The standards and criteria of the Forest Stewardship Council (FSC) and the Sustainable Forestry Initiative (SFI) are baselines for establishing and maintaining conformance to ESG best practices. Annual third-party audits conducted by FSC and SFI have demonstrated that TFG’s portfolio investments are aligned with the interests and integrity of the communities and ecosystems where we operate. The results of our annual certification audits are made publicly available on both the FSC and SFI websites.



Forest Carbon Offset Verification

Whether internally or in collaboration with a project developer, The Forestland Group develops forest carbon projects according to approved protocols. These protocols were established under significant scientific review and include strict methodologies for implementation to ensure that GHG reductions, represented by the carbon offsets generated, produced from our projects are real, additional, quantifiable, permanent, verifiable, and enforceable. TFG's forest carbon projects undergo a comprehensive third-party verification to be approved under the relevant protocol. Regular inventories and audits ensure carbon benefits claimed are carbon benefits delivered. The Forestland Group has experience with the California Air Resources Board, American Carbon Registry, and VERRA protocols and methodologies.

Governance

Responsibility for Implementation

TFG's ESG Position Statement was developed in collaboration with KKS Advisors and has been approved by The Forestland Group's Management Committee. The Forestland Group's Management Committee is responsible for reviewing the content of the ESG Position Statement and associated principles and codes on an annual basis. TFG's Impact Team has responsibility for tracking and reporting TFG's performance and addressing risks associated with ESG issues in the operation of our business. The Impact Team reports directly to the Management Committee. The Impact Team is led by our Director of Investor Relations, and includes our Northeast Regional Director, and Vice President of Conservation and Chief Forester.

Associated Policies

TFG's ESG Position Statement is reflected and implemented through several existing complimentary corporate policies, including the following:

- [TFG Responsible Investing Policy](#)
- [TFG Natural Forest Management Principles](#)
- [TFG Forestland Group's Forest Operations Policy and Procedure Manual](#)
- [TFG Code of Ethics](#)
- [TFG Code of Conduct](#)

Industry and Network Memberships

Participation in industry associations and networks is an important aspect of TFG's governance as it relates to ESG. These associations and networks offer an opportunity for TFG to engage with peers across sectors that are also pursuing leadership and accountability in ESG integration. These networks and associations promote responsible investment, share best practices on sustainable land management, and set clear performance benchmarks.

- TFG became a signatory to the United Nations (UN) **Principles for Responsible Investment (PRI)** in January 2019; a Transparency Report will be submitted to the PRI on an annual basis
- TFG applied to **B-Lab** for registered **B-Corp** status in December 2020; this requires annual re-certification (as of April 2021 TFG's B-Corp status is still pending)
- TFG is a member of the **Global Impact Investing Network, Intentional Endowments Network, Forest Climate Working Group**, and the **National Association of Forestland Owners**
- As investors in low carbon, climate sensible investments, The Forestland Group is supportive of the **Task Force on Climate-related Financial Disclosures (TCFD)** as well as the goals of the **Paris Agreement** under the **United Nations Framework Convention on Climate Change**

TFG employees are locally, regionally, and nationally engaged in various industry groups that all include a code of ethics for membership, including: Society of American Foresters, Association of Consulting Foresters, Forest Stewards Guild, Certified Financial Planners, American Institute of Certified Public Accountants, etc.