



LEA 02	Disclosures Monetary	Reason for interaction	Principle PRI 1,2,3
<p><b>Type of engagement</b> Individual/ internal staff engagements</p>	<p><b>Reason for interaction</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</li> <li><input checked="" type="checkbox"/> To influence corporate practice or identify the need for additional or enhanced information</li> <li><input checked="" type="checkbox"/> To engage internal ESG advisors</li> <li><input type="checkbox"/> Other: specify</li> <li><input type="checkbox"/> We do not engage in internal staff</li> </ul>		
<p><b>Type of engagement</b> Collaborative engagements</p>	<p><b>Reason for interaction</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</li> <li><input type="checkbox"/> To influence corporate practice or identify the need for additional or enhanced information</li> <li><input type="checkbox"/> To engage internal ESG advisors</li> <li><input type="checkbox"/> Other: specify</li> <li><input type="checkbox"/> We do not engage in collaborative engagements</li> </ul>		
<p><b>Type of engagement</b> Service provider engagements</p>	<p><b>Reason for interaction</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</li> <li><input type="checkbox"/> To influence corporate practice or identify the need for additional or enhanced information</li> <li><input type="checkbox"/> To engage internal ESG advisors</li> <li><input type="checkbox"/> Other: specify</li> <li><input type="checkbox"/> We do not engage in service provider engagements</li> </ul>		

# RI TRANSPARENCY REPORT

## 2013/14

New Forests Pty Limited

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
⚠	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

## PRI disclaimer

This document is based on information reported by signatories and responses have not been independently audited by the PRI Secretariat, PRI working groups, or any other third party. While this information is believed to be reliable, no representations or warranties are made as to its accuracy and no responsibility or liability can be accepted for any error or omission.

# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	🔒	n/a							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Private							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
OA 15	ESG issues for internally managed assets not reported in framework	✓	Public							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Private							✓

# New Forests Pty Limited

## Reported Information

## Public version

## Organisational Overview

## PRI disclaimer

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## Basic Information

OO 01	Mandatory	Gateway/Peering	General
-------	-----------	-----------------	---------

OO 01.1 Select the services you offer.

Fund management

% of assets under management (AUM) in ranges

<10%

10-50%

>50%

Fund of funds, manager of managers, sub-advised products

Other, specify

Execution and advisory only services

OO 02	Mandatory	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

Australia

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

1

2-5

6-10

>10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

40

OO 02.4 Additional information. [Optional]

As of end of calendar year 2013, New Forests had 40 FTE. As of March 1, 2014 the company has 43 FTE.

OO 03	Mandatory	Descriptive	General
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**OO 03.1**

Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- Yes
- No

**OO 04**

**Mandatory**

**Gateway/Peering**

**General**

**OO 04.1**

Indicate the year end date for your reporting year.

31/12/2013

**OO 04.2**

Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		2	140	600	000
Currency	AUD				
Assets in USD		1	933	601	533

**OO 04.3**

Indicate the level of detail you would like to provide about your asset class mix.

- Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

**OO 06**

**Mandatory**

**Descriptive**

**General**

**OO 06.1**

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- Publish our asset class mix as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	0	0
Fixed income – corporate	0	0
Fixed income – government	0	0
Fixed income – other	0	0
Private debt	0	0
Private equity	0	0
Property	0	0

Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Forestry	97	0
Farmland	0	0
Inclusive finance	0	0
Cash	0	0
Other (1), specify	3	0
Other (2), specify	0	0

'Other (1)' specified

**Carbon and Mitigation Banking**

- Publish our asset class mix as broad ranges
- Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 08	Mandatory to Report Voluntary to Disclose	Peering	General
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**OO 08.1** Indicate the breakdown of your organisation's AUM by market.

Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

New Forests' investment strategies are geographically focused around forestry, timber market, environmental market, and conservation forestry opportunities and include a mix of developed, emerging, and frontier markets as target investment countries.

Our funds include mandates for investing in the following countries by market type:

- Developed: Australia,\* New Zealand, United States\*
- Emerging: Indonesia, Malaysia,\* Thailand, and southern China
- Frontier: Cambodia, Laos, Philippines, Solomon Islands, Vietnam

\*Denotes country location of assets under management during the reporting period.

OO 09	Voluntary	Descriptive	General
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## NEW FORESTS' INVESTMENT PRODUCTS

New Forests offers commingled funds across the timberland and environmental markets asset classes. New Forests' targeted investment strategies provide clients with diversity and choice around risk-adjusted returns, geography, and market exposure:

- **Sustainable timberland investment in Australia and New Zealand.** Timberland investment in Australia and New Zealand offers exposure to mature timber markets, well-established forestry management systems, and exposure to new opportunities from increasing Asian demand for wood products. As one of the largest timberland investment managers in Australia, New Forests plays a leading industry role in our home region.
- **Sustainable forestry in emerging markets of Southeast Asia.** Tropical Southeast Asia is a frontier for sustainable plantation forestry investment by institutional investors. Our Southeast Asian investment strategy focuses on certified plantation forestry with an emphasis on technological and silvicultural improvements and a rigorous approach to sustainability in the areas of environmental and social management and corporate governance.
- **Environmental markets and conservation forestry in the United States.** Forestry investment in North America has evolved to encompass returns driven by conservation strategies and valuing ecosystem services in addition to timber production. New Forests' US investment strategy capitalises on our experience as a leading investor in the commercialisation of ecosystem services and includes focused strategies for conservation forestry, mitigation banking, and forest carbon.

## RESPONSIBLE INVESTMENT

The company is committed to responsible investment and to sustainable land management practices that positively contribute to the natural environment and community livelihoods. In order to achieve these commitments and deliver superior investment returns and service to clients, New Forests has defined a policy framework, and put in place monitoring and reporting systems for the social and environmental performance of its investments.

To deliver on this mission, New Forests designed a Social and Environmental Management System ("SEMS") in 2010 and began full implementation in 2011. The SEMS is designed to systematically identify, manage, and report on social and environmental aspects and potential impacts of New Forests' investments by:

- Establishing a consistent approach to social and environmental management across all investment activities;
- Monitoring performance and identifying areas for corrective action;
- Providing management controls to ensure corrective actions are taken and lead to continual improvement in performance; and
- Ensuring management review and Board-level oversight of the system as a whole.

## SOCIAL & ENVIRONMENTAL POLICY

Responsible and environmentally sustainable management of land and natural resources is at the centre of New Forests' investment philosophy and corporate culture. We are committed to this approach not only for risk management purposes but also because of commercial opportunities associated with innovation in forest management and environmental markets investment.

## Guiding Principles

The core of New Forests' Social and Environmental Policy is our commitment to four guiding principles:

- **Responsible Investment:** New Forests is committed to responsible investment in which environmental, social, and governance considerations are integrated into investment decision making. New Forests is a signatory to the Principles for Responsible Investment (PRI) and reports on progress toward implementing the principles through the PRI's assessment process.
- **Third-party Certification:** Management practices will be certified by accredited, independent third parties to globally recognised standards for social and environmental performance in the forestry and environmental markets asset classes, where practical and commercially feasible.
- **Transparency:** New Forests will be transparent in engaging and communicating with stakeholders related to social and environmental issues and sharing decision making criteria and processes with clients and employees.
- **Continual Improvement:** New Forests will practice good environmental stewardship, pursue opportunities to improve habitats and livelihoods where practical and commercially feasible, and will work toward continually improving management practices and communication with stakeholders related to social and environmental issues.

New Forests applies the principles guiding our Social and Environmental Policy to our entire business, including at three strategic planning levels - corporate strategy and annual business plans, investment strategy and products, and asset-level management strategy. In doing so, we are able to establish objectives and targets for social and environmental management and ensure that we can identify and manage potential social and environmental impacts throughout the investment process. To guide this process and provide external verification at an operating level, New Forests uses third-party certification and standards systems to support social and environmental management, in accordance with the company's Certification and Standards Guidance.

## Gateway asset class implementation indicators

OO 11	Mandatory	Gateway	General
<b>OO 11.1</b>	Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.		
	<input checked="" type="checkbox"/> Forestry <input checked="" type="checkbox"/> Other (1) <input type="checkbox"/> None of the above		
	'Other (1)' [as defined in OO 05]		
	Carbon and Mitigation Banking		
OO 12	Mandatory	Gateway	General

**OO 12.1**

The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.

**Core modules**

- Organisational Overview
- Overarching Approach (including assets which do not have a separate module)

**Closing module**

- Closing module

**Note:** Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

# New Forests Pty Limited

## Reported Information

### Public version

### Overarching Approach

## PRI disclaimer

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## Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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**OA 01.1** Indicate if you have a responsible investment policy.

- Yes
- No

**OA 01.2** Indicate if you have other guidance documents or more specific policies related to responsible investment.

- Yes
- No

New Forests manages investments in sustainable forestry and environmental markets for institutional and private equity investors. The company is committed to responsible investment - integrating social, environmental, and governance considerations into investment decision making - and to sustainable land management practices that positively contribute to the natural environment and community livelihoods. In order to achieve these commitments and deliver superior investment returns and service to clients, New Forests has defined a policy framework and put in place monitoring and reporting systems for the social and environmental performance of its investments.

To deliver on this mission, New Forests designed a Social and Environmental Management System ("SEMS") in 2010 and began full implementation in 2011. The SEMS is designed to systematically identify, manage, and report on social and environmental aspects and potential impacts of New Forests' investments by:

- Establishing a consistent approach to social and environmental management across all investment activities;
- Monitoring performance and identifying areas for corrective action;
- Providing management controls to ensure corrective actions are taken and lead to continual improvement in performance; and
- Ensuring management review and Board-level oversight of the system as a whole.

SEMS-related objectives, targets, and programs occur at three strategic levels within New Forests' business:

- Corporate strategy and business plans
- Investment strategy and products
- Asset management strategy and business plans

#### **Corporate Strategy**

At the highest level, New Forests sets sustainability and responsible investment objectives as part of the company's business strategy and annual business plans. These objectives are typically set by senior management and documented in three-year business plans with annual updates and support New Forests' aim to be a leading sustainable and responsible investment manager. Progress toward such objectives may be reported in New Forests' Annual Sustainability Report.

#### **Investment Strategy and Products**

New Forests' business is established around three core investment strategies, each of which is defined by an attractive market opportunity for institutional investors within a geographic region. New Forests has developed an approach to responsible investment in forestry and environmental markets that we believe addresses key sustainability risks and opportunities. This includes incorporating social and environmental impact assessment and management as part of investment strategy development as well as directly through social and environmental management practices within investment products. Each investment product is required to have a SEMS Declaration Document that describes how New Forests as manager of that investment product will comply with the New Forests Social and Environmental Policy. Declaration Documents include a Social and Environmental Policy or Certification Policy specific to the investment product that describes the required and permitted use of third-party standards and certification systems and that may include target timeframes for achieving certification.

#### **Asset Management Strategy**

Assets managed by New Forests are subject to the SEMS. The SEMS Declaration Document

for each investment product lays the foundation for asset-level management required to comply with the SEMS. New Forests may be directly responsible for asset management or may use third parties, but in all cases New Forests shall endeavour to ensure that targets are met in a timely and effective manner. As part of third-party standards and certification, New Forests may require management plans or documentation that includes monitoring of social and environmental impacts, and in some cases, that establish social and environmental objectives or targets.

OA 02	Mandatory	Core Assessed	PRI 6
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OA 02.1	Indicate if your responsible investment policy is publicly available.
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Yes

OA 02.2	Provide a URL to your responsible investment policy.
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URL	
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<http://newforests.com.au/sustainability/sepolicy.php>

No

OA 02.3	Indicate if your other policies or guidance documents related to responsible investment are publicly available.
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Yes

No

OA 02.5	Additional information. [Optional]
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New Forests has publicly listed our statement on Responsible and Sustainable Investment on our website, and we also list a summary of our Social and Environmental Policy online. Our Social and Environmental Policy is a component of our responsible investment approach, and it is included as part of our Social and Environmental Management System (SEMS) within our governance framework. Our SEMS is a proprietary system that enables our proactive management of social and environmental issues associated with our investment activities. As such, we believe it is an important competitive advantage. Therefore, we do not make this information public. Clients and other interested stakeholders can request a copy of the SEMS, and clients are welcome to review associated internal documentation and audit reports.

OA 03	Mandatory	Core Assessed	PRI 1,2
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OA 03.1	Indicate the components/types and coverage of your responsible investment policy and guidance documents.
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Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Engagement/active ownership policy <input type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

**OA 03.2** Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]

Approximately 2% of our AUM is not covered explicitly by our Social and Environmental Management System. This is because one joint venture fund pre-dated the creation of the system, and it was not viable to retroactively enforce our internal policy on the joint venture. However, the assets in this fund are managed in accordance with the system but not included formally.

**OA 03.3** Additional information. [Optional]

Fund formation documents include restrictions on asset types or investment exclusions due to ESG consideration. In addition, we have restrictions on certain types of forest management activities, which are included in Social and Environmental Management System and/or fund documents. Further, our due diligence requirements in some funds may lead to the exclusion of a potential asset for failure to meet ESG investment criteria.

<b>OA 04</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>General</b>
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**OA 04.1** Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

Yes



New Forests has a Conflicts of Interest (COI) policy in place that applies to all directors, officers, and employees of the company. This information summarises key aspects of the rationale for and composition of the COI policy. As a registered Australian Financial Services licensee, section 912A(1)(aa) of the Corporations Act 2001 requires that New Forests "have in place adequate arrangements for the management of conflicts of interest that may arise wholly, or partially, in relation to activities undertaken in the provision of financial services." Sections 180 and 181 of the Corporations Act also stipulate that directors and officers of New Forests must exercise their powers and discharge their duties in good faith, with care and diligence, in the best interests of the company, and for a proper purpose. Consequently, New Forests shall endeavour to eliminate and/or mitigate conflicts and potential COIs from its business, and where necessary, disclose material conflicts to clients. Our COI policy reflects the variety of controls, procedures, and oversight mechanisms that New Forests has adopted in order to identify and manage conflicts of interest that may arise.

Identifying real and potential conflicts of interest is the responsibility of all New Forests' board members, committee members and employees, and in particular, each individual is responsible for:

- Being aware of and complying with the obligations of the policy.
- Formally disclosing all personal interests, regardless of materiality, in accordance with the policy.
- Assessing whether personal and business interests conflict or have the potential to conflict with their duties.
- Avoiding a conflict of interest, where possible.
- Complying with any New Forests directives in relation to the management of conflicts of interest.

The components of our COI policy include guidance and instruction on:

- identifying COIs
- managing COIs
- implementation of the policy and responsible parties
- recordkeeping
- report of breaches
- oversight mechanisms

To ensure COIs are appropriately managed, New Forests shall implement an appropriate response by controlling, disclosing, and avoiding real and potential COIs, where appropriate. In addition, New Forests shall record all COIs in a Conflicts of Interest Register. The register shall include details of the COI and the steps taken to manage the conflict of interest in a way that the quality of New Forests' financial services is not significantly compromised as a result of controlling the effects of the conflicts.

Maintaining the conflicts management arrangements of the policy is the responsibility of the Manager, Risk, Compliance, & Legal who shall ensure that the arrangements (i.e. measures, processes, and procedures) adopted to control conflicts of interest are:

1. Approved and endorsed by the Risk and Compliance Committee.
2. Tailored according to the nature, scale and complexity of New Forests' business.
3. Effectively implemented and accompanied by compliance monitoring designed

to ensure that the conflicts management arrangements are actually followed and appropriate action is taken where non-compliance is identified.

4. Regularly reviewed and, where necessary, updated to ensure that the arrangements are adequate to identify, assess and evaluate and successfully control conflicts of interest.

No

## Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General
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**OA 05.1** Indicate if your organisation sets objectives for its responsible investment activities.

Yes

**OA 05.2** Indicate how frequently your organisation sets or revises objectives for responsible investment.

- At least once per year  
 Less than once per year

**OA 05.3** Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- Quarterly  
 Biannually  
 Annually  
 Every two years or less  
 It is not reviewed

No

**OA 05.4** Additional information. [Optional]

New Forests sets responsible investment goals as part of corporate business planning and reviews and reports on performance on an annual basis in our Annual Sustainability Report. At the level of each investment fund, asset management targets are set in order to comply with the company's Social and Environmental Management System. Key social and environmental performance and issues are reported each quarter for all funds, and annual internal audits of SEMS compliance (including with objectives for asset management and certification) are conducted for each fund. Finally, each staff member has a key performance indicator related to responsible investment that is reviewed biannually as part of performance reviews and evaluation.

OA 06	Voluntary	Descriptive	General
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**OA 06.1** List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.

Add responsible investment objective 1

Objective 1	Enhance staff alignment with sustainability and responsible investment objectives.
Key performance indicators	All employees to have a sustainability or responsible investment objective included within their performance review objectives.
Describe the progress achieved	For year end FY13 performance reviews, objectives were created for each employee, including activities to manage for sustainability outcomes as part of employee performance evaluation.

Add responsible investment objective 2

Objective 2	Increase transparency and visibility of our sustainable and responsible investment activities.
Key performance indicators	
Describe the progress achieved	We created a sustainability section on our website, describing our commitment to RI, our S&E Policy, and provide links to our PRI public reports.

Add responsible investment objective 3

Objective 3	Develop framework of measurable sustainability indicators
Key performance indicators	
Describe the progress achieved	We participated in reporting initiative events (PRI and GRI) and included relevant GRI metrics in our 2013 sustainability report in an effort for continual improvement.

**OA 06.2** List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.

Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	Develop a corporate sustainability plan for the New Forests group of companies.
Key performance indicators	Elements of plan integrated into corporate business plan

Add responsible investment objective 2 for the next reporting year

Objective 2 for the next reporting year	Increase engagement with clients, property managers, and investee companies to enhance monitoring and review of ESG performance
Key performance indicators	Engagement meetings held with sample of clients, property managers, and investee companies

Add responsible investment objective 3 for the next reporting year

<b>OA 06.3</b>	Additional information.
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New Forests' sustainability and responsible investment reporting has typically occurred in line with our 1 July - 30 June financial year; however, this PRI report is for 2013 calendar year. Therefore, we are reporting on our FY13 objectives and progress toward achieving them as completed, and we report on the FY14 objectives as for the next reporting year.

## Governance and human resources

<b>OA 07</b>	Voluntary	Descriptive	General
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New Forests is committed to conducting business in a responsible and ethical manner. We have in place a governance and compliance framework driven by regulatory compliance (including for the company's Australian Financial Services Licence); funds management governance, administration, and operational control systems; and a Social and Environmental Management System. Key aspects of New Forests' approach include a body of company policies and procedures and regular compliance training.

New Forests' governance bodies work across the business to promote ethical and responsible decision making; recognise and manage risks; maintain fiscal responsibility; lay a solid foundation for management and oversight; and make timely and balanced disclosures. This governance approach is also closely linked to the involvement of senior management and the New Forests Board of Directors in ensuring our business' success, including our commitment to responsible investment.

Our responsible investment activities are directly integrated into this governance framework via our Social and Environmental Management System (SEMS). New Forests' SEMS operates across our business with integration at the Board, corporate, and investment product levels. New Forests' Board of Directors is responsible for setting the company's Social and Environmental Policy. The SEMS is administered at the corporate level by the SEMS Manager with responsibility for overseeing the implementation of the SEMS, including oversight of its implementation within all New Forests' investment products and annual evaluation and reporting as part of internal SEMS audits. At the investment product level, Portfolio Manager(s) are responsible for applying the guidance in the SEMS to each investment product and integrating the SEMS policies throughout the investment management process as defined in the SEMS Declaration Documents. The SEMS Manager reports on SEMS performance, at least once per year, to the Risk and Compliance Committee and the New Forests Board of Directors for review and recommendations for continual improvement. The Board provides input and feedback, which are used to generate improvement within the SEMS and New Forests' business in terms of managing social and environmental risks and impacts.

I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

## Overview of New Forests' Governance Bodies

Governance Body	Key Responsibilities
<b>Board of Directors</b>	Approve business strategy and responsible for corporate governance and financial management
<b>Executive Committee</b>	Develop and oversee implementation of company strategy
<b>Management Committees</b>	Determine and manage the strategy for each investment, monitor day-to-day operations, and make key decisions related to our assets under management
<b>Investment Committees</b>	Review and approve investments and asset sales for New Forests' funds per Investment Committee charter
<b>Risk and Compliance Committee</b>	Assist the Board of Directors to fulfil its corporate governance responsibilities with key focus on internal controls, risk management, and legal and regulatory compliance.

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<b>OA 08</b>	<b>Mandatory</b>	<b>Gateway/Core Assessed</b>	<b>General</b>
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<b>OA 08.1</b>	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.
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	Roles present in your organisation
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- Board members or trustees
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify  
**Executive Director, Investor Services**

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- External managers or service providers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify
  - Manager, Risk, Compliance, & Legal**
    - Oversight/accountability for responsible investment
    - Implementation of responsible investment
    - No oversight/accountability or implementation responsibility for responsible investment
  - Other role, specify

<b>OA 08.2</b>	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]
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	Number
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3

New Forests has a Manager, Sustainability & Communications who leads the company's sustainability and responsible investment programs and has oversight for the system, reporting both to the Risk & Compliance Committee and the Board of Directors on responsible investment activities across the New Forests group of companies. Within funds management teams, there are sometimes investment analysts/managers who have dedicated ESG-related roles and implement responsible investment throughout investment analysis, acquisition, and asset management (e.g., Manager, Operations - ESG for our Tropical Asia Forest Fund and Manager, Operations - Stewardship & Conservation for our Australian assets).

**Promoting responsible investment**

OA 10

Mandatory

Core Assessed

PRI 4,5

OA 10.1

Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

Yes

OA 10.2

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

**Select all that apply**

- Asian Corporate Governance Association
- Association for Sustainable & Responsible Investment in Asia

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced
- Australian Council of Superannuation Investors
- CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced
- CDP Forests



Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- Global Investors Governance Network (GIGN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

New Forests participated in the pilot reporting and assessment, including follow up interviews. We also attended several of the PRI Australia Network events.

- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

ASRIA and RIAA

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify

Forest Stewardship Council Australia

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

New Forests has a representative participating in the Standards Development Group to develop an Australian FSC standard, which will be a key certification tool for responsible forest management and timberland investment.

- Other collaborative organisation/initiative, specify

Forest Stewardship Council, A.C.

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

This is the international body of the FSC, and New Forests has participated in surveys and initiatives to prepare for the upcoming General Assembly, including participating in small working groups on key topics such as forest conversion.

- Other collaborative organisation/initiative, specify

National Mitigation Banking Association

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Other collaborative organisation/initiative, specify

Australian Forest Products Association

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

New Forests has contributed to AFPA's policy development processes, particularly to support proactive lobbying around climate change policy.

No

OA 11	Mandatory	Core Assessed	PRI 4
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**OA 11.1** Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

Yes

**OA 11.2** Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Other, specify

No

**OA 11.3** Additional information. [Optional]

Some examples of activities for promotion of responsible investment outside of the listed collaboration include:

- Organising and leading a field tour for ESG due diligence for a group of our clients to a potential investment site, which involved a two-way sharing of responsible investment approaches and gave the clients first-hand insight as to how we approach due diligence of key environmental and social impacts.
- Over the past year we have included information about our PRI signatory status and how we pursue responsible investment and sustainable forest management during informational meetings with prospective clients, timber customers, investee companies, and government representatives (e.g. including one or more slides in a presentation pack).
- We have included information about our approach to responsible investment in investment, forestry, and other types of conferences, including responsible investment conference presentations in addition to those highlighted in the collaborations noted above.
- We authored the article "Responsible Investment in Emerging Timberland Markets," published in *ETFRN News v54*. (see [http://www.etfrn.org/publications/etfrn\\_news\\_54\\_-\\_individual\\_articles](http://www.etfrn.org/publications/etfrn_news_54_-_individual_articles))
- We published our biennial *Timberland Investment Outlook*, which includes a discussion of ESG in the asset class (see <http://newforests.com.au/news/pdf/articles/NewForestsTimberlandInvestmentOutlook2013.pdf>).
- We published our PRI Public Responsible Investment Report on our website, and we include reference to the PRI in our standard marketing materials and slide deck templates.

<b>OA 12</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 4,5,6</b>
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**OA 12.1** Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.

- Yes
- Yes, individually
- Yes, in collaboration with others

**OA 12.2** Select the methods you have used.

- Endorsed written submissions to governments, regulators or standard-setters developed by others
- Drafted your own written submissions to governments, regulators or standard-setters
- Participated in face-to-face meetings with government members or officials to discuss policy
- Other, specify

**OA 12.3** Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.

- Yes, publicly available

provide URL

[https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CCgQFjAA&url=http%3A%2F%2Fwww.environment.gov.au%2Fsubmissions%2Femissions-reduction%2Ftor%2F145-new-forests-asset-management-pty-ltd.docx&ei=IWErU9pD7-LIAbDEgLG&usq=AFQjCNGY9xvzEHwQ5ft0vgXs7GulZsxy7A&sig2=28\\_wxi6zXNtftS9DUXQ9ww](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CCgQFjAA&url=http%3A%2F%2Fwww.environment.gov.au%2Fsubmissions%2Femissions-reduction%2Ftor%2F145-new-forests-asset-management-pty-ltd.docx&ei=IWErU9pD7-LIAbDEgLG&usq=AFQjCNGY9xvzEHwQ5ft0vgXs7GulZsxy7A&sig2=28_wxi6zXNtftS9DUXQ9ww)

No

No

**OA 12.4** Additional information.

New Forests contributes to public policy dialogue regarding climate change, forest stewardship, water rights and policy, mitigation banking, forest carbon, and other issues that relate to key ESG impacts of our investments. These activities include direct dialogue and engagement, written submissions, working group participation, and activities via industry groups. Although these submissions are made openly and directly by New Forests or via collaborations, they are not always publicly available online.

**ESG issues in asset allocation**

OA 13	Voluntary	Descriptive	PRI 1
<b>OA 13.1</b>	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.		

Yes

**OA 13.2**

Describe how you apply ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.

New Forests' business model is to provide investment management services related to sustainable forestry and environmental markets in the Asia Pacific and the United States. We present a set of geographically defined investment strategies within the forestry asset class that encompass timber, ecosystem services, and rural land markets, and we seek to attract sophisticated institutional investment clients with an orientation towards sustainable and responsible investment. Our approach to responsible investment in forestry and environmental markets addresses key sustainability risks and opportunities, and takes into account macro events and drivers such as climate change, population growth, and natural resource depletion. Each strategy we develop includes these factors in investment thesis and strategic asset allocation. This includes incorporating social and environmental impact assessment and management as part of investment strategy development as well as directly through social and environmental management practices within investment products.

Strategic asset allocation for ESG consideration is a key factor of the types of assets in which we invest in -- sustainable forestry and environmental markets. For example, in our Australia and New Zealand Forest Funds, we have investment exclusions around investing in native forests (motivated by ESG factors), but as a whole the investment funds are dedicated to sustainable plantation forestry capable of third-party certification. In this way the entire allocation has already accounted for ESG issues, but we continue to apply ESG integration processes through investment selection.

New Forests also sets asset allocation targets based on the ESG considerations of different geographic markets by country, for example as in the case of our Tropical Asia Forest Fund (TAFF). TAFF has a "tier 1" allocation with emerging market countries selected for a combination of ESG factors that will support investment activities (e.g. rule of law, investment readiness, assets of scale, clear land tenure, etc.) while still enabling ESG improvements for assets within those countries (e.g. environmental management improvements, enhanced stakeholder engagement, improved corporate governance, etc.). The "tier 2" countries offer more challenging investment conditions, generally speaking, due to both ESG factors and the scale and quality of assets. For some of our clients with a particularly strong responsible investment and impact orientation, investing in these frontier markets is a primary motivation for investing in TAFF, whereas others take a more cautious approach to investing in emerging markets and prefer to limit exposure to frontier markets. Therefore, we seek to balance tier 1 and tier 2 countries within the TAFF portfolio through geographically based asset allocation strategies.

No

OA 14	Voluntary	Descriptive	PRI 1
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**OA 14.1**

Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

Yes

**OA 14.2**

Indicate the percentage of your total AUM invested in environmental and social themed areas.

	% of total AUM
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100

<b>OA 14.3</b>	Please specify which thematic area(s) you invest in and provide a brief description.
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	Area
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- Clean technology
- Green buildings
- Sustainable forestry

	Asset class invested
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- Forestry
- Other (1)

Carbon and Mitigation Banking

All of New Forests' funds are focused on sustainable forestry and environmental markets, providing a combination of social and environmental benefits in addition to commercial returns.

- **Sustainable timberland investment in Australia and New Zealand.** Timberland investment in Australia and New Zealand offers exposure to mature timber markets, well-established plantation forestry management systems, and exposure to new opportunities from increasing Asian demand for wood products. As one of the largest timberland investment managers in Australia, New Forests plays a leading industry role in our home region.
- **Sustainable forestry in emerging markets of Southeast Asia.** Tropical Southeast Asia is a frontier for sustainable plantation forestry investment by institutional investors. Our Southeast Asian investment strategy focuses on certified plantation forestry with an emphasis on technological and silvicultural improvements and a rigorous approach to sustainability in the areas of environmental and social management and corporate governance.
- **Environmental markets and conservation forestry in the United States.** Forestry investment in North America has evolved to encompass returns driven by conservation strategies and valuing ecosystem services in addition to timber production. New Forests' US investment strategy capitalises on our experience as a leading investor in the commercialisation of ecosystem services and includes focused strategies for conservation forestry, mitigation banking, and forest carbon.

- Sustainable agriculture
- Microfinance
- SME financing
- Social enterprise / community investing
- Affordable housing
- Education
- Global health
- Other area, specify

No



<b>OA 14.4</b>	Additional information.
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New Forests' ability to develop and execute forward-looking investment strategies is supported by our view of the long-term sustainability of the assets and sectors in which we invest. Alongside the evolution of forestry plantations into an institutional asset class, there is also growing consensus on the need for holistic solutions that integrate production and conservation efforts at a landscape scale and mechanisms like third-party certification that provide transparency through supply chains to consumers on the underlying source of wood products. A key part of the evolution to a stabilisation of natural forests will be successful implementation of new markets for ecosystem services like carbon, biodiversity, and water catchment protection. While these eco-markets are still in their early stages, we expect that they will be supported by investors and will in turn reward investors who take a wider view of their responsibilities and the social and environmental outcomes from their investments.

**Asset class implementation not reported in other modules**

OA 15	Voluntary	Descriptive	General
<b>OA 15.1</b>	Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.		

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Forestry	<p>The main process through which ESG issues are managed in our forestry investments is the implementation of our Social and Environmental Management System (SEMS). As part of our governance framework, SEMS issues are managed and reported in the Management Committee, Risk &amp; Compliance Committee, and to the Board of Directors.</p> <p>New Forests' SEMS is designed to systematically identify, management, and monitor social and environmental issues associated with our investment activities. The SEMS establishes a framework for each New Forests investment product to determine how it will comply with New Forests' Social and Environmental Policy by requiring the development of a SEMS Declaration Document for all investment products. This Declaration Document includes required steps for risk categorisation, due diligence, asset management, recordkeeping, and reporting. An annual internal audit of New Forests' compliance with the SEMS is conducted for each fund, resulting in annual audit reports that are used for management review, client reporting, and annual sustainability reporting.</p> <p>New Forests' SEMS includes guidance for the use of internationally-recognised third-party standards and certification schemes. The Certification and Standards Guidance of the SEMS sets a minimum standard for the use of third-party certification and standards across all of our funds. For forestry assets, we seek to achieve forest management certification with the Forest Stewardship Council (FSC) for all eligible assets. In cases where an asset is not eligible for full FSC certification, an alternate standard will be selected. The SEMS also includes standards guidance for the use of Environmental Management Systems, the IFC Performance Standards, and forest products chain of custody certifications. Thus, a main objective of the SEMS is achieving and maintaining the appropriate third-party certifications, which results in certified assets that can sell certified timber products.</p>
Other (1) [as defined in Organisational Overview module]	<p>As with forestry, ESG issues of our Carbon and Mitigation Banking investments are managed through our SEMS and within relevant committees as noted above. In addition, our investments in this asset class are fundamentally dedicated to delivering positive environmental outcomes, such as greenhouse gas emissions reductions through forest carbon sequestration and storage or increasing area of streams and wetlands through restoration of degraded ecosystems. Owing to this importance, ESG issues are prominent in the day-to-day portfolio management, such that the environmental services goods will be created, verified, and brought to market. The SEMS also has explicit guidance for third-party certification and standards to be pursued for our environmental markets investments. As with forestry, our environmental markets investment funds are subject to annual internal audits.</p>

OA 15.2

Additional information.

In addition to the processes described above, New Forests employs operational management staff who have oversee third-party property managers and investee companies, working closely across a variety of ESG issues above and beyond certification requirements.

Innovation

OA 18	Voluntary	Descriptive	General
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OA 18.1	Describe any specific features of your approach to responsible investment that you believe are particularly innovative.
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New Forests has developed its business around forward-thinking sustainable forestry and environmental markets investment. Some of our innovations and achievements include:

- fund manager wholly-dedicated to sustainable forestry and environmental markets investments that seek to deliver commercial returns
- timberland fund manager with regionally-based teams able to provide local presence and insight, which enhances our ability to identify and manage ESG issues and engage with stakeholders
- developing first-of-their-kind funds for regulated environmental markets opportunities, targeting a sophisticated institutional client base
- developing and launching the first institutional investment fund dedicated to plantation forestry in Southeast Asia
- implementing a company-wide social and environmental management system that applies consistent standards across all investment products and includes an audit system, management review, and continual improvement
- engaging with clients throughout due diligence to foster collaboration on ESG issues management (in the case of our Tropical Asia Forest Fund)
- robust due diligence process for review of ESG risks and opportunities and ability to comply with leading internationally-recognised standards for social and environmental performance