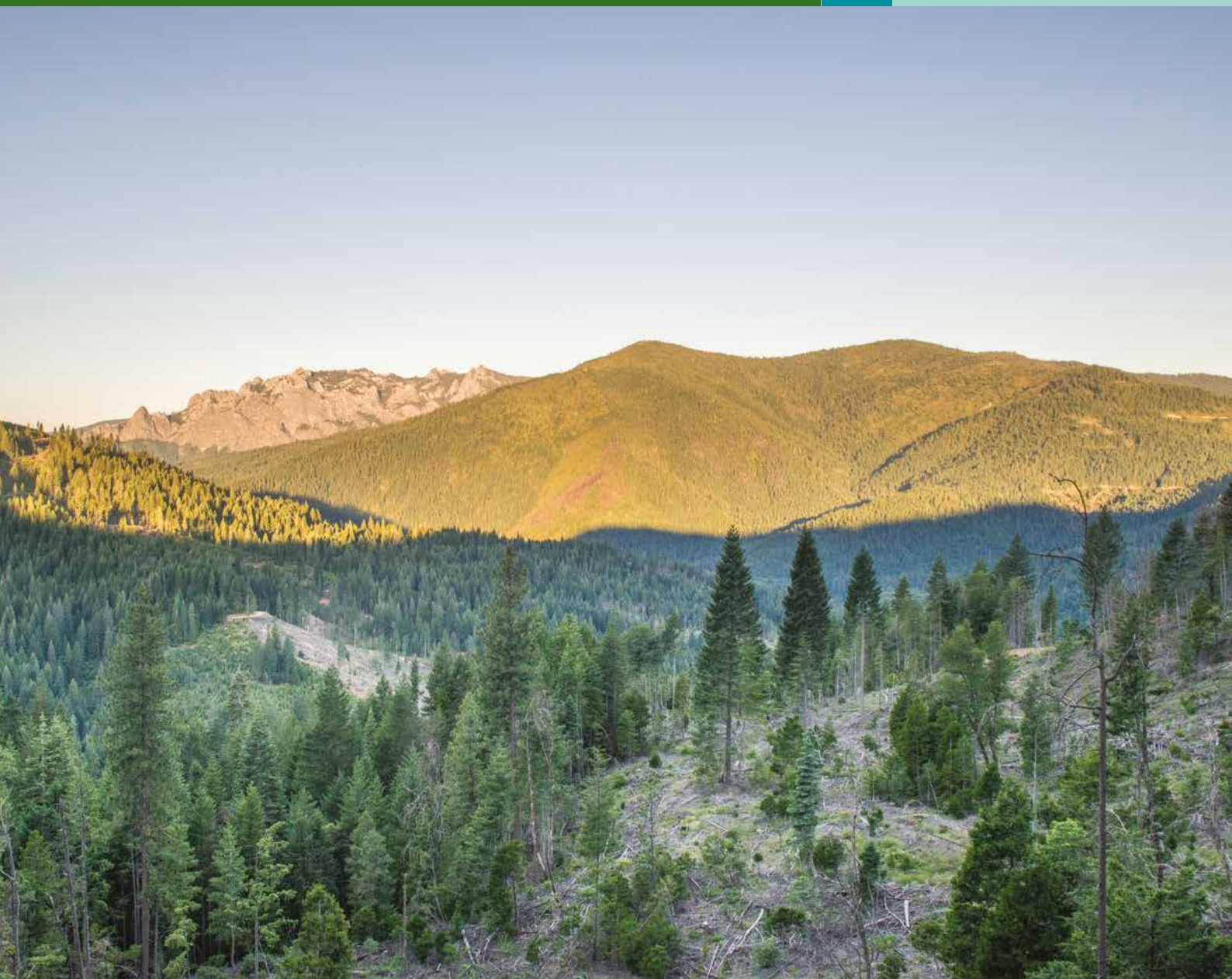
New Forests

Carbon Credits Integrity

New Forests' Position Statement

This statement sets out New Forests' position on addressing quality and integrity in the development and use of carbon credits. It addresses our views on supply-side integrity, i.e. that carbon credits deliver the emissions reduction they claim to represent, and demand-side integrity, i.e. that the purchaser of the carbon credit is using it as part of a credible strategy in line with achieving the goals of the Paris Agreement. Our position is based not only on our current understanding and assessment of global best practice and stakeholder expectations, but also our own beliefs around what comprises quality and integrity, and leads to positive impact, given our many years of experience investing in sustainable forestry and carbon projects.



The central role of Natural Climate Solutions

To meet the goals of the Paris Agreement and limit global warming to 1.5°C above the pre-industrial era, decarbonisation across the global economy is needed, including land use.

Agriculture, deforestation, and other degradation of land and nature, currently contribute to about a quarter of global greenhouse gas emissions. However, it is estimated that the land sector can help deliver around one-third of the net emission reductions, or approximately 10 billion tonnes of CO_2 emissions reductions and removals, required annually through 2030. In order to achieve this objective, hundreds of billions of dollars need to flow into sustainable land use. Land-based climate change mitigation including sustainable forestry and agriculture, conservation of natural ecosystems and restoration of degraded land—collectively known as Natural Climate Solutions (NCS)—must become directly accessible to investors at scale.

New Forests invests to create sustainable, climate-positive and nature-positive landscapes that integrate production, conservation and restoration, while supporting rural livelihoods, economic development and biodiversity enhancement. We believe that a variety of NCS are critical to climate change mitigation and resilience—improved forest management activities; reforestation with commercial species as well as native species; forest conservation and protection; and enhancement of soil carbon. Our investment strategies and products seek to create value for institutional investors across these NCS assets at scale.

The role of carbon credits in financing NCS at scale

Trillions of dollars of public and private sector investment are required to finance the climate transition in both the energy and land use sectors. Despite their considerable potential for cost effective climate mitigation and potential to generate biodiversity and sustainable development outcomes, public investment in NCS to date has been limited. As with the clean energy transition, private capital will be central to scaling NCS in alignment with Paris Agreement targets.

Carbon pricing is widely recognised as a critical mechanism to create value for sustainable land use. New Forests' investment experience with government regulated carbon credit markets in the US, Australia, and New Zealand shows that modest carbon pricing (for example, $15 per tonne of CO_2) creates meaningful incentives for incremental management changes to increase carbon sequestration like extended rotations, and slightly higher prices (such as $30 per tonne) creates incentives for investment in ecosystem restoration and in new commercial plantation development.





New Forests is becoming more active in the voluntary carbon market. Analysis by McKinsey estimates that this market will rise to $50 billion per annum in 2030 in alignment with corporate net zero commitments—a functioning carbon market of this size would lead to significant conservation and reforestation of tropical forests across landscapes in Asia, Latin America, and Africa. New Forests is therefore supportive of carbon markets as a mechanism to scale investment in NCS across developed and developing markets. We will continue to invest in a variety of government regulated and voluntary carbon markets.

Furthermore, companies that cannot yet reduce their emissions in alignment with Paris Agreement targets can make a real difference to climate change mitigation in the short term by supporting NCS and by prioritising both forest protection and reforestation. Protecting intact ecosystems locks away at-risk carbon, and reforestation removes carbon from the atmosphere. As it takes time for forests to grow and to scale NCS, it is critical to direct capital to NCS now to get the benefit of climate change mitigation for decades to come.

NCS also provide cost-effective emissions abatement and removals that will support more climate change mitigation in the near-term. While technology for capture and long-term storage of carbon is under development, it is not currently available at the scale required, whereas NCS are available now. There is a time value of reducing emissions today rather than letting emissions accumulate in the atmosphere. It is important to aim for significant emissions reductions and removals from the land sector now to have any chance of achieving the goals of the Paris Agreement, while hard to abate sectors develop technological solutions to abate theirs.

New Forests also believes that carbon credits are only one mechanism to finance NCS. New Forests will support and engage concurrently in other actions that will also strengthen NCS. These include stronger government climate policy, advocacy for deforestation-free commodities, nature-positive corporate value chains, and new products and markets that value nature and biodiversity.

Given the significant impact of the land use sector to climate change mitigation, we believe commitments to net zero by 2050 by governments and companies implicitly means not only a commitment to reducing emissions related to fossil fuel use, but also a commitment to supporting the reduction of emissions from land use and enhancing carbon sequestration from forests and other natural systems. Credible net zero commitments are going to have to support action to reduce emissions and increase removals outside their value chain, in particular to NCS.





The need for integrity in carbon markets

New Forests believes that quality and integrity in the development and use of carbon credits are vital to ensure they strengthen global action towards achieving the goals of the Paris Agreement and global net zero emissions by 2050.

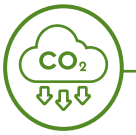
We support the efforts of various initiatives and stakeholders—government, NGOs, business, and investors[1]—to develop guidelines to build credibility and trust in the carbon markets to ensure market-based approaches including carbon credits remain a component of credible action to achieving this time-critical ambition.

Our principles regarding supply-side integrity

New Forests believes supply-side integrity is critical to ensuring that our carbon projects deliver real and credible climate change mitigation. Supply-side integrity is determined by the methodologies under which the carbon credits are developed. This Position Statement sets out requirements that carbon credits should meet, along with the standards that we believe will facilitate these requirements in regulatory and voluntary markets to support supply-side integrity. The carbon credit methodologies in which New Forests participates have been developed through public consultation processes that bring together relevant stakeholders (e.g. companies, financiers, NGOs, scientists, research organisations, etc) to ensure integrity, quality, and opportunities for continuous improvement.

New Forests' SIMS requirements on carbon credits

Investments managed by New Forests use carbon credit methodologies that promote integrity of environmental outcomes while safeguarding against adverse impacts on the environment and society. Carbon credits generated via these methodologies should be:



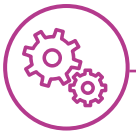
Real – that the offset represents a real emission reduction, avoided emission, or carbon removal.



Additional – that the offset would not otherwise have happened under the business-as-usual management approach and is the result of actions to deliver climate benefits.



Independently Verified – that the offset is verified by an independent third party using credible standards and methodologies.



Addressing Permanence – that the risk of reversal of an offset is mitigated through project level, standard level, and/or scheme/policy mechanisms that ensure offset integrity.



Addressing Leakage – that the risk of leakage of activities related to the offset is mitigated through project level, standard level, and/or scheme/policy mechanisms that ensure offset integrity.



Do No Net Harm – that the offset project appropriately identifies and mitigates risk of significant adverse environmental and social harms that may relate to the project and its activities.

1 Including but not limited to the Science Based Targets, Race to Zero, Oxford Principles for Net Zero Aligned Carbon Offsetting, Voluntary Carbon Market Integrity Initiative, Integrity Council for Voluntary Carbon Markets, Natural Climate Solutions Alliance.

New Forests considers the following standards or schemes as meeting the above requirements. All carbon projects developed by or on behalf of New Forests will use the following standards or schemes and methodologies[2]. Preference will be given to standards or schemes that have been assessed as 'Eligible' and methodologies that have been 'Approved' by the Integrity Council for the Voluntary Carbon Market (ICVCM) as meeting their Core Carbon Principles (CCP).

Compliance

- Australian Carbon Credit Unit Scheme, where projects use an approved method under the Carbon Farming Initiative.
- California Air Resources Board Compliance Offset Program, where projects use the U.S. Forest Projects protocols.
- Japan's Article 6.2 Joint Crediting Mechanism (JCM), where projects use a methodology approved, for Sectoral Scope 14. Afforestation and reforestation or 15. Agriculture[3], by the Joint Committee of Japan and the partner country and meet the JCM Guidelines for Developing Proposed Methodology.
- New Zealand Emissions Trading Scheme, where projects use forestry methods eligible under the Scheme.
- Singapore's sovereign Article 6.2 ITMO framework, where projects use an eligible nature-based forestry methodology drawn from independent crediting program such as Gold Standard REDD-plus or Verra VCS ARR, which are recognised under Singapore's Article 6.2 playbook and meet the Government's International Carbon Credits Eligibility Criteria.
- Washington State Cap-and-Invest Program offset component, where projects use the US Forest Projects protocols.

Voluntary

- American Carbon Registry (ACR)~ where projects use the approved methodology for Improved Forest Management on non-Federal U.S. Forestlands (version 2.1)*.
- Architecture for REDD+ Transactions (ART)~ where projects use the approved The REDD+ Environmental Excellence Standard (TREES) Version 2.0*, or later.
- Equitable Earth~ where projects use a mandatory Equitable Earth methodology (M001 Terrestrial Forest Restoration or M002 Terrestrial Forests Conservation).
- Gold Standard~ where projects use the eligible methodologies for Gold Standard for the Global Goals[4].
- Plan Vivo PV Climate Standard, where projects use an approved PV Climate methodology.
- Puro.Earth (Puro Standard v4.2)~ where projects use the Puro Biochar Methodology Edition 2025 version 2.
- Thailand Premium T-VER scheme, where projects use the approved methodologies for 'Reduction, Absorption and Removal of Greenhouse Gases from the Forestry and Agriculture Sectors (T-VER-P-METH-13-series)[5] as recognised by the Thailand Greenhouse Gas Management Organization (TGO).
- Verra Verified Carbon Standard (VCS)~, where projects use the approved methodologies for VCS Sectoral Scope 14. Forestry and other land use (forests, wetlands, and grasslands) including VM0045*, VM0047*, VM0048* or 15. Agriculture[6].

New Forests may use other methodologies, provided that the requirements described above are addressed either within the standard or scheme, or through additional measures, where relevant. In these cases, the methodologies must be approved for use by New Forests.

~ CCP Eligible: the Scheme or Standard is assessed by the ICVCM as meeting the ICVCM's CCP; unless indicated otherwise individual methodologies are not yet approved.

* CCP Approved: the methodology is approved by the Integrity Council for the Voluntary Carbon Market (ICVCM) as meeting the ICVCM's CCP.

2 This applies to projects initiated from the date of this version. Carbon projects developed previously by or on behalf of New Forests or acquired by New Forests may have use standard or schemes and methodologies not on this list.

3 Joint Crediting Mechanism Guidelines for Developing Proposed Methodology, Annex 1. Sectoral Scope for the JCM.

4 Eligible methodologies for Gold Standard for the Global Goals.

5 Thailand Premium T-VER Reduction, absorption and removal of greenhouse gases from the forestry and agriculture sectors.

6 Verra VCS Sectoral Scopes and Project Classification Guidance.

Our principles regarding demand-side integrity

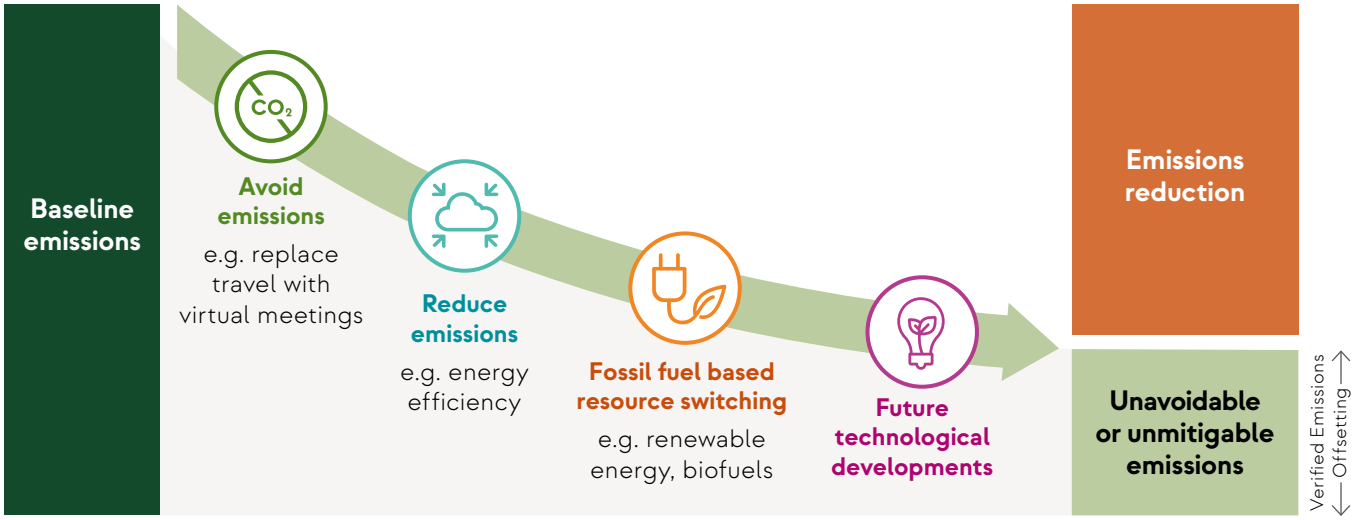
New Forests believes demand-side integrity is critical to ensuring that carbon credits are used in a way that supports genuine emissions reductions in line with achieving net zero emissions across the global economy by 2050.

New Forests believes that every company has a role and a responsibility to transition to net zero emissions by 2050. As such, our starting point is that no sector should be excluded from using carbon credits to support voluntary emission reduction commitments.

However, companies that use carbon credits for their voluntary commitments need to be taking credible climate action in line with best practice guidance[7] including:

- Committing to net zero by 2050 with nearer-term targets;
- Delivering on a plan to reduce emissions based on the mitigation hierarchy;
- Only using credits as an interim measure as they reduce their emissions or for currently unavoidable and unmitigable emissions; and
- Advocating for robust policies to address climate change.

The key elements of the mitigation hierarchy are shown in the following diagram.



Meeting voluntary climate commitments

New Forests supports the sale of carbon credits to companies for the purpose of meeting their voluntary climate commitments, where the company is taking credible climate action aligned to the goals of the Paris Agreement. Where New Forests plans to sell carbon credits to a company under a bilateral agreement, we will assess whether the company is taking credible climate action. In developing our Demand Side Integrity Assessment, we reviewed global best practice standards and guidance.[8] The assessment comprises a risk-based scoring methodology based on key elements of the Climate Action 100+ Net Zero Company Benchmark.[9]

Addressing demand-side integrity in voluntary markets is challenging and without precedence. While various initiatives on demand-side integrity are emerging, at present these are still at the principles level and do not provide a definitive framework to allow New Forests to determine demand-side integrity of buyers of carbon credits.

As such, New Forests has developed a framework to assist us in navigating demand-side integrity with buyers of carbon credits from projects managed by New Forests and to facilitate the following:

- An assessment of the credibility of a company or investor's climate action plan;
- Engagement with a company or investor on their climate action plan; and
- An assessment of the impact of selling carbon credits to our own reputation and that of our clients and stakeholders.

7 Ibid.

8 Including but not limited to the Climate Action 100+ Net Zero Company Benchmark, The Net Zero Standard for Oil and Gas, the Transition Pathway Initiative framework, and the Science Based Targets Initiative.

9 All a) level indicators and b) level indicators where the publicly disclosed response rate was > 40%.

Compliance with government regulated obligations

New Forests' Demand Side Integrity Assessment is not required for the sale of carbon credits developed under government regulated schemes to companies regulated under these schemes for the purpose of meeting their regulated emission reduction obligations. We believe that demand side integrity is achieved through the emissions reductions built into regulated schemes. Where emissions reductions associated with these schemes are not yet aligned with objectives of the Paris Agreement, New Forests will continue to participate in these schemes, while advocating for alignment of government policy with Paris Agreement targets.

Trading

New Forests recognises that trading of carbon credits may be important for liquidity and price discovery in carbon markets and overall growth and viability of carbon projects. However, until there is a broad industry standard to ensure demand side integrity in trading activities, New Forests will:

- For the on-selling of carbon credits by bilateral agreement parties, require them to consider the demand side integrity of buyer; and
- For sales through intermediaries such as exchanges, engage with the relevant organisation to encourage them to address issues of demand-side integrity through, for example, their buyer pre-qualification process.

Transparency

Through engagement with buyers, exchanges and brokers, New Forests will encourage these actors to provide public transparency in relation to the usage, claims, and retirement of carbon credits for voluntary purposes in line with evolving industry and stakeholder guidance, including the Voluntary Carbon Markets Integrity Initiative Claims Code of Practice.

Summary

New Forests believes it can make a significant contribution to addressing climate change by:

- Selling high-quality carbon credits to companies and investors that have a genuine commitment to achieve net zero by 2050; and
- Using our influence to encourage genuine commitment and greater clarity and disclosure on credible climate action by companies and investors.

We believe that this position statement will support New Forests' investments in NCS by:

- Supporting our fiduciary duty to investors;
- Strengthening our engagement with long-term carbon credit buyers;
- Putting forward an approach that may help to support the integrity and credibility of the use of carbon credits for voluntary climate commitments; and
- Communicating our approach to stakeholders.

Advocacy

New Forests will advocate to support improvements in the quality and integrity of government regulated and voluntary carbon credit markets. We will support initiatives that seek this outcome. We believe internationally consistent, government regulated carbon credit markets and/or carbon pricing supported by robust climate change policies are critical for long-term investment in NCS. We will strongly advocate for these outcomes.

Continuous Improvement

New Forests recognises that integrity of carbon markets is a rapidly evolving issue, and we will continue to monitor and review our position over time based on changes in government policy, market perceptions and standards, our experience and the views and expectations of our clients and other stakeholders.

We will look to adopt a globally accepted framework developed by the industry that reflects best practice, when one becomes available.

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