

IRIS+ USE CASE: NEW FORESTS

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USE CASE

PURPOSE

This document features how New Forests, a global sustainable forestry asset manager, uses IRIS+ to support its impact measurement and management practice. Specific topics addressed include adherence to the Core Characteristics of Impact Investing and use of IRIS+ to inform decision-making across the investment life cycle, including a specific example of how New Forests aligns to IRIS+ Core Metrics Sets.

AUDIENCE

Impact investors, specifically asset managers implementing an Impact Measurement and Management (IMM) practice. This may also be useful to enterprises and intermediaries or service providers working with impact investors.

LEVEL: BEGINNER

REFERENCE

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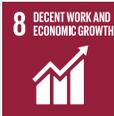


INTRODUCTION

This document illustrates how New Forests applies IRIS+ to its impact measurement and management practice, describing:

- How New Forests adheres to the Core Characteristics of Impact Investing
- How IRIS+ is used across the investment cycle, including investee screening and management
- An example of how IRIS+ Core Metrics Sets are used to assess a current investment

Investor Background

Institution Name	New Forests
Institution Description	Global sustainable forestry asset manager
Total AUM Impact AUM	AUD 5.7 billion AUD 5.7 billion
Asset Classes	Forestry
Target Geography	Australia, New Zealand, Southeast Asia, United States
SDGs of Focus	   
Impact Categories of Focus	 Biodiversity & Ecosystems  Land  Climate

ABOUT THE GIIN

The Global Impact Investing Network (GIIN) is the global champion of impact investing, dedicated to increasing its scale and effectiveness around the world. The GIIN builds critical market infrastructure and supports activities, education, and research that help to accelerate the development of a coherent impact investing industry. IRIS+ is managed as a public good by the GIIN.

CORE CHARACTERISTICS IN ACTION

New Forests adheres to the four practices that define impact investing, as outlined by the [Core Characteristics of Impact Investing](#).

Core Characteristic #1. Intentionally contribute to positive social and environmental impact through investment alongside a financial return

New Forests' vision is to advance forestry as a leading sector in the transition to a sustainable future. New Forests' investment philosophy is grounded in ESG and impact strategies, which the company believes can contribute to positive financial performance as well as beneficial social and environmental outcomes.

In an effort to promote positive social and environmental outcomes, New Forests integrates Responsible Investment (RI) strategies throughout management and operational processes in the following ways:

- **RI Policy:** established at the New Forests group level, the RI Policy outlines how New Forests integrates ESG and impact considerations into its investment management activities.
- **Social & Environmental Management System (SEMS):** the SEMS details the mechanisms to implement the RI Policy and ensure Environmental and Social (E&S) considerations are integrated throughout New Forests' business and managed investments.
- **Fund-level SEMS Declaration Documents:** the SEMS Declaration Documents establish the fund-specific E&S policy, including roles and responsibilities, reporting requirements, and continual improvement processes.
- **Sustainable Landscape Investment (SLI) framework:** the SLI framework outlines a set of approximately 80 ESG and Impact metrics used to identify, monitor, and improve impact outcomes across all managed funds.

Through these frameworks, New Forests sets ESG and impact goals across all managed funds, which are informed by third-party certification systems (such as the Forest Stewardship Council), stakeholder engagement (including clients, employees, business partners, and communities), a commitment to supporting human rights, Free Prior and Informed Consent processes, ecosystem monitoring, and other mechanisms.

Additionally, New Forests is committed to advancing the UN Sustainable Development Goals (SDGs), in particular, goals 8: Decent Work and Economic Growth, 12: Responsible Consumption and Production, 13: Climate Action, and 15: Life on Land.

Core Characteristic #2. Use of evidence and impact data in investment design

As part of its fund-design process, New Forests works to identify regional ESG and impact factors that should be considered. To help identify these factors, the company uses information from external parties, such as NGOs, research providers and consultants. New Forests may also collaborate with key stakeholders in other aspects of the fund-design process where possible.

During due diligence of prospective investments, New Forests conducts in-depth ESG and impact analysis to ensure relevant risks and opportunities are properly identified. This includes a gap assessment against the Forest Stewardship Council (FSC) Principles and Criteria, High Conservation Values (HCVs) and biodiversity evaluations, land tenure reviews, and other relevant assessment frameworks. In emerging markets, New Forests' investment teams also conduct a gap analysis against the IFC Performance Standards to ensure compliance can be achieved during management. New Forests ensures the potential negative impacts of its target acquisitions are understood and management plans are proposed that would mitigate or eliminate these negative impacts. The data collected during the due diligence phase is also used to set ESG and impact baselines for acquired assets, informing areas for improvement and opportunities for impact.

Core Characteristic #3. Manage impact performance

New Forests' Social & Environmental Management System (SEMS) and Sustainable Landscape Investment (SLI) framework form the basis for impact management across managed investments. The company's SEMS defines the impact-related roles and responsibilities across the New Forests team to ensure impact is integrated throughout the life of the investment. The SEMS also requires the creation of fund-level Declaration Documents that outline quarterly and annual ESG reporting and management processes, among other requirements. The SEMS is reviewed on a biennial basis to ensure it is aligned with current best practice. This review includes referencing the latest version of the ISO 14001 standard (on which the SEMS is based) and best practice management system guidance from ESG leaders, such as Development Finance Institutions. This biennial review collects input from all New Forests' teams; the feedback is then considered and incorporated into systems used for managing impact performance of managed investments.

The SLI framework, which includes IRIS metrics, consists of approximately 80 indicators used to identify, monitor, and improve impact outcomes from investments. This framework is used to ensure ESG and impact related risks are addressed, opportunities for improvement are pursued, and potential negative impacts are minimized. During the first 100 days of management, New Forests addresses the most material ESG and impact items that were uncovered during due diligence, using the SLI framework to track progress. ESG and impact targets are then set at the asset level during the annual strategic planning process that are specific to the regional context in which the asset operates. New Forests continually works to improve their SLI framework, including aligning to additional IRIS metrics as relevant.

New Forests' Enterprise Risk Management (ERM) framework is also applied to all managed investments to incorporate risk mitigation measures into ownership processes. As part of the annual strategic planning process, every managed investment is required to identify relevant risks and means of mitigation.

Impact data is shared with investors quarterly and on an annual basis in New Forests' fund-specific ESG reports, both of which include asset-level information. New Forests releases fund-level impact information publicly in its annual [Sustainability Report](#).

New Forests strives for continual improvement of its impact measurement and management activities. This includes ongoing staff development and training to ensure ESG and impact processes are aligned with best practice. For example, all new staff receive a sustainability induction that includes training on the company's RI Policy, SEMS, and SLI framework. There are also ad hoc trainings for all staff on key updates or topics as relevant.

Core Characteristic #4. Contribute to the growth of impact investing

New Forests engages with a variety of industry groups (such as Ceres, the World Business Council for Sustainable Development, the Principles for Responsible Investment, and the GIIN, among others) to encourage the growth of impact investing. Through these groups, New Forests shares experiences with ESG and impact reporting, supports the development of shared methodologies, and learns from peer organizations. The company also contributes to relevant research and academic work related to the field of impact investing. For example, New Forests contributed to the GIIN publication *Scaling Impact Investment in Forestry*¹ in 2019.

¹ <https://thegiin.org/research/publication/forestry>

HOW IRIS+ SUPPORTS NEW FORESTS ACROSS THE INVESTMENT CYCLE

New Forests uses IRIS+ to inform decision making during ongoing management and reporting. Additionally, New Forests plans to integrate IRIS+ Core Metrics Sets into the due diligence process for future investments via an impact framework.

Due Diligence

New Forests anticipates using IRIS+ Core Metric Sets to support the estimation of potential impact during due diligence for post-2021 vintage funds (as the IRIS+ Core Metrics Sets under the Sustainable Forestry theme were not launched when due diligence was conducted for existing funds). As part of its existing impact-related due diligence processes, New Forests conducts a gap analysis against the FSC Principles and Criteria to determine if a target acquisition could achieve certification. The same analysis is conducted in developing markets against the IFC Performance Standards. As an example of future integration of IRIS+ Core Metrics Sets into due diligence, the company anticipates conducting an analysis of the potential impact of an investment using the IRIS+ Core Metrics Set for Increasing the Sustainability of Wood and Wood-based Products. As another example, New Forests may evaluate and quantify the potential impact of natural climate solutions in alignment with the IRIS+ Core Metrics Set for Mitigating Carbon Emissions from Forestry and Land Use.

Ongoing Management

Many of the metrics in the New Forests SLI framework, which is used for all funds and geographies, are IRIS metrics. The data collected through the SLI framework supports ESG and impact related decision-making throughout acquisition and management processes to ensure ESG and impact factors are considered and appropriately resourced. New Forests collects SLI data quarterly or annually and uses the metrics in the framework to track progress against ESG and impact related risks and opportunities.

The SLI framework also references IRIS+ Core Metrics Sets to track progress towards sustainability objectives. The IRIS+ Core Metrics Sets enable New Forests to build reporting processes aligned with industry best practice for specific themes and strategic goals. The data produced from using the Core Metrics Sets over the course of New Forests' investment management support positive impact outcomes and the continual improvement of impact strategies for future investments. Given the regular reporting of the SLI framework, the company has clear and continuous oversight of ESG and impact related data and can readily report its findings against IRIS metrics and IRIS+ Core Metrics Sets.

Additionally, to strengthen its alignment to international goals and frameworks, New Forests identified the IRIS metrics included in the SLI framework that align with its SDG Dashboard, which is published in the company's annual Sustainability Report.² The SDG Dashboard is used to identify relevant indicators for target SDGs and track progress towards goals. Additionally, aligning with the SDGs provides further standardization, allowing for deeper conversations around impact investing internally and externally with peers and clients while promoting growth in the sector.

For forthcoming investment funds, New Forests intends to use the IRIS+ Core Metrics Sets to evaluate target impacts across its SDG-aligned investments as follows:

- **SDG 8** – [Joint Impact Indicators](#) for Jobs and Gender: targeting job creation and stability, improved gender balance
- **SDG 12** – IRIS+ Sustainable Forestry Core Metrics Sets: *Increasing the Sustainability of Wood and Wood-Based Products* and *Increasing the Sustainability of Local Economies and Communities Through Forestry and Land Use*
- **SDG 13** – IRIS+ Climate Change Mitigation / Sustainable Forestry Core Metrics Set: *Mitigating Carbon Emissions from Forestry and Land Use*
- **SDG 15** – IRIS+ Biodiversity Core Metrics Sets (*IRIS+ Core Metrics Sets are forthcoming*)

New Forests anticipates that using IRIS+ Core Metrics Sets will support impact management processes after investment acquisitions, enabling consistent impact reporting from investment analysis through monitoring.

² <https://newforests.com.au/wp-content/uploads/2021/04/SR2020.pdf>

New Forests' Illustration of Alignment to IRIS+ Core Metrics Sets

New Forests' Tropical Asia Forest Fund (TAFF) aims to provide viable forestry investment pathways in Southeast Asia. The fund has invested directly in companies in Laos, Malaysia, and Indonesia focused on sustainable plantation forestry and natural rubber production. Since inception, TAFF has aimed to create strong risk-adjusted returns for its investors alongside positive ESG impacts.



The table below shows the alignment of TAFF to the IRIS+ Core Metrics Set for Increasing the Sustainability of Wood and Wood-Based Products under the Sustainable Forestry theme. The table represents portfolio-level data for the TAFF. The data presented below is during the time period of 2015 to 2020.

Key Indicators in IRIS+ Core Metrics Set	Fund performance: TAFF
<p>□ WHAT is the goal?</p> <p>Outcome Indicator: Certified land area:</p> <ul style="list-style-type: none"> • Land Directly Controlled: Total (OI5408) • Operational Certifications (OI1120) <p>Baseline (certified area before New Forests acquired the three TAFF portfolio companies)</p> <p>Threshold Level (total area of the three TAFF portfolio companies)</p> <p>Importance of Outcome to Stakeholders (OI5495)</p>	<p>25,000 hectares</p> <p>149,308 hectares</p> <p>Very important</p>
<p>○ WHO is affected?</p> <p>Stakeholder type: Target Stakeholders (OD7212)</p> <p>Stakeholder characteristics:</p> <ul style="list-style-type: none"> • Target Stakeholder Demographic (PD5752) • Target Stakeholder Socioeconomics (PD2541) • Target Stakeholder Setting (PD6384) • Target Stakeholder Geography (PD6424) 	<p>TAFF target stakeholders are located in rural areas of Laos, Malaysia, and Indonesia, including areas with low income and Indigenous Peoples. It is important to have strong safeguards for these demographic groups, including ongoing communication around forest management.</p> <p>Stakeholders in the forest products supply chain also benefit from the production of certified timber and non-timber forest products. These include manufacturers, retailers, and customers, for products ranging from paper and hygiene products through to furniture and furnishings, such as flooring and cabinetry.</p>

Key Indicators in IRIS+ Core Metrics Set	Fund performance: TAFF
<p> What is the impact RISK?</p>	<p>Execution Risk: Inability to obtain certification New Forests conducts a gap analysis against the FSC Principles and Criteria during due diligence to assess a target acquisition's ability to obtain certification. During ownership, New Forests' team regularly assesses progress against the asset's certification timeline to ensure it is obtained in line with the Environmental and Social Policy of the fund.</p> <p>Execution Risk: Certification not maintained over ownership New Forests' Operations and Sustainability teams regularly work with third-party property managers to identify and resolve potential certification risks.</p> <p>Drop-off Risk: Certification not maintained after exit New Forests promotes the benefits of certification and sustainable management during disposition to encourage buyers to maintain obtained certifications.</p>
<p>HOW is change happening?</p> <p>Product/Service Certifications (PD2756)</p> <p>Units/Volume Produced (PI1290)</p> <p>Forest Management Plan (OI2622)</p>	<p>FSC Forest Management certification Conformance with the IFC Performance Standards</p> <p>In 2020, one of the TAFF portfolio companies also became the first forestry company to achieve ISO 45001 certification for its Occupational Health and Safety system.</p> <p>In 2020, the three TAFF portfolio companies harvested 112,500 mt of certified timber.</p> <p>All TAFF portfolio companies have a forest management plan, alongside an Environmental and Social Action Plan.</p>

LEARNINGS

Based on the data and learnings from TAFF, New Forests developed a strategy for future investments in Southeast Asia that prioritizes impact outcomes focused on climate, biodiversity, and livelihoods benefits in addition to core benefits of sustainable forestry such as forest certification and producing certified timber.³ FSC certification, IFC Performance Standards conformance, and IRIS+ alignment are central to these goals, as these standards guide best practice for ESG and impact management. The successful FSC and IFC Performance Standards experiences of the TAFF portfolio companies indicate that investors seeking to track ESG factors and contribute to positive social and environmental impacts through the forest sector can utilize these systems as a base, supported by IRIS+ Core Metrics Sets, as part of impact measurement and management.

TAFF has demonstrated that achieving positive social and environmental outcomes and impact in Southeast Asia through sustainable forests is possible. However, New Forests also learned that alternative investment models, including those targeting higher levels of impact, are necessary to address the ESG and impact needs of the region. Continuing to use IRIS+ Core Metrics Sets in future offerings as part of the company's impact framework will support greater standardization and disclosure of ESG and impact outcomes. New Forests looks forward to building upon their track record in Southeast Asia to enhance positive outcomes through sustainable forestry and land use investments.

Reflections and Looking Ahead

New Forests' vision is for forestry to be a leading sector in the transition to a sustainable future. This can only be achieved through dedicated scaling of land use projects focused on positive ESG and impact outcomes. Using IRIS+ encourages progress towards this vision, as standardized metrics increase alignment around global goals and data that enables comparability and understanding of impact performance. New Forests looks forward to continuing to apply the IRIS+ Core Metrics Sets to its future investment products and welcomes collaboration with peers in an effort to move towards a more sustainable world.

³ For more information on New Forests' blended finance strategy for the region, see: https://www.spott.org/wp-content/uploads/sites/3/dlm_uploads/2021/02/FI-case-study-New-Forests-ENG-1.pdf



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