

GLOBAL Sustainability Report



2018

Advancing and Integrating our Environmental,
Social, and Governance Engagement

A MESSAGE FROM
JIMMY BULLOCK,
SENIOR VICE PRESIDENT,
FOREST SUSTAINABILITY



In times past, forestry students were taught that forests could be managed for economic returns or for other values, but management for things like wildlife habitat enhancement inevitably required financial trade-offs.

Today, we understand that practicing forestry with an emphasis on competitive financial performance is compatible with striving to achieve ambitious Environmental, Social, and Governance (ESG) objectives. Financial and ESG goals are not mutually exclusive; experience has shown us that sustainably managed forests generate risk-adjusted returns for our clients while also providing clean air and water, diverse wildlife habitat, and meaningful employment opportunities in the rural communities where we operate. In my role here at RMS, I see this new paradigm producing mutually beneficial economic and sustainability outcomes every day.

EMBRACING “CONSERVATION WITHOUT CONFLICT”

Craig Blair, RMS President and CEO, and I recently attended a summit of private landowners, state and federal regulatory agencies, leading environmental organizations, and other stakeholders to advance the idea of “Conservation without Conflict.” The central message of the summit was that working forests, farms, and ranches provide essential conservation benefits for at-risk wildlife species—and collaborative approaches among private landowners, public agencies, and private conservation organizations should be explored before regulatory remedies are pursued. Listing of species as threatened or endangered is often more costly, more disruptive, and ultimately less effective.

A highlight of the “Conservation without Conflict” summit was a briefing on the benefits of collaborative conservation for the bipartisan Working Forest Caucus and the Congressional Sportsmens’ caucus. At the briefing, Craig shared a broad and compelling vision that demonstrated the value of collaborative conservation to private forest landowners. Among other things, he highlighted conservation success stories of the Louisiana Black Bear and the New England Cottontail Rabbit. Both species now have greatly improved outlooks due, in large part, to the voluntary efforts of forest landowners and managers, who took up the challenge of expanding their populations by working with public agencies and private conservation organizations to adapt forest management strategies to provide essential forest habitat for each species.



RMS-managed forestland in Mississippi

ADVANCING AND INTEGRATING ESG ENGAGEMENT

In the spirit of “Conservation without Conflict,” RMS is doing its part by partnering with federal and state agencies, environmental groups, and other private landowners in the southern U.S. to conserve many terrestrial and aquatic species, including the gopher tortoise, several bat species, and dozens of birds, amphibians, fish, reptiles and mussels. Each of these species has special habitat requirements—ranging from young forests and forests with open canopies to diverse riparian areas and rich aquatic ecosystems. Our forest management plans are designed to accommodate these habitat needs while meeting our clients’ financial objectives. To us, this is the essence of advancing and integrating ESG engagement into our business. We are successful in large part because we leverage our relationships with stakeholders from the public and private sectors to produce conservation outcomes that benefit the environment and society, and our clients. Operating in this way helps us mitigate the costs and risks associated with species listings and other potential operational hindrances. It also emphasizes the importance of keeping private forests working by demonstrating how responsibly managed forest assets enhance global sustainability. I am proud to report that RMS is one of the leaders—in both thought and action—building this exciting, new forest management culture.

WALKING THE TALK

After the summit, I participated in our annual sustainable forest management certification audits. At each inspection site, RMS foresters illustrated how they plan, execute, and monitor our forest management activities—from overseeing reforestation operations to managing final harvests. Among other things, they described the outcomes of decisions they made to optimize returns for clients while protecting soil productivity and water and air quality, creating and maintaining wildlife habitat, and addressing issues relating to aesthetics, forest health, and cultural values. This reinforced my belief that our foresters take our collective commitment to ESG very seriously—and not just at audit time, but every day. It makes me proud to realize I can welcome any visitor to any property we manage at any time and be confident that they would come away very impressed with how we practice forestry.

In closing, RMS is laser-focused on delivering competitive performance for our clients because we take our fiduciary responsibilities very seriously. We also are focused on being a leader in the ESG space because we believe it contributes significantly to our ability to create forest value. This is why embracing innovative strategies like “Conservation without Conflict” is an important part of how we do business.

I encourage you to review our 2018 Global Sustainability Report and to provide feedback on what you see and read. We are always looking for opportunities to improve how we approach the achievement of our environmental, social, and governance goals through our policies, plans, and actions.

Sincerely,

Jimmy Bullock

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“Following a recent client timber tour one of our long-time clients commented,

‘I don’t get this feeling from the employees of my hedge fund manager—your foresters act like it is their land they are managing.’

I’m proud of the passion and personal engagement shown by our employees. It symbolizes our commitment to maintaining the very highest standards of sustainable management as investment fiduciaries and forest stewards. And while nothing new, it bears affirming each day in word and in deed. **That is our pledge.**”



Craig Blair, President and CEO, RMS

ALIGNMENT WITH UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Throughout this report, our activities have been mapped to the goals of the UN’s 2030 agenda for sustainable development. Through sustainable management of our forests and positive contributions in the communities that surround our operations, RMS is addressing critical issues and doing our part to promote prosperity and societal good. As a forest investment manager, RMS makes its strongest contributions in this regard within the environmental space. Our forest management contributes positively towards 10 of the 17 sustainable development goals.

Pine seedlings grown to reforest acres following harvests



69
YEARS

OF FOREST STEWARDSHIP



Since 1950, RMS has worked to advance the art and science of timberland investment management by leveraging technology to manage forests sustainably and more effectively for our clients. We have been at the forefront of forest technology development and adoption, from utilizing real-time inventory systems and ensuring seamless integration of land management strategies and forestry operations to advancing the use of remote sensing and aerial imagery. The utilization of these technologies helps us achieve our mission of creating forest value by enabling better and more informed decisions.



CASE STUDY

From Research to Operations



Jim Peeler, RMS Senior Manager of Forest Productivity, first learned of leaf area index (LAI) 30 years ago at a meeting of the North Carolina State Forest Nutrition Cooperative, now the Forest Productivity Cooperative. Research showed the powerful relationship between LAI and tree growth could be used to refine fertilization practices. However, the methods available at that time for measuring LAI were cumbersome and too time consuming to employ across large acreages. In the early 2000s, this challenge was overcome when researchers at NC State developed a method that entailed using satellite imagery to delineate the depth and composition of forest canopies. This allowed for the calculation of LAI across broad landscapes. In 2008, Jim leveraged this new technology to analyze properties RMS was managing for clients, identifying forested stands that would benefit from targeted fertilization. Since then, RMS foresters have further refined the process. These research and operational efforts have significantly improved the growth rates of pine plantations while reducing the amount of fertilizer and associated costs required to improve biological growth rates through fertilization. As Jim noted,

“In the past, we used the age of trees to identify which stands should be fertilized. With this new approach to measuring and quantifying LAI, we began to identify which stands actually needed fertilization to stay on a strong growth trajectory. Since 2008, this has improved investment returns, reduced chemical use, and minimized the risk for adverse environmental impacts.”



THE POWER OF PARTNERSHIPS

RMS believes in the power of partnerships and their ability to produce meaningful environmental and social impacts through forest stewardship that also creates value for our clients. We form enduring relationships with partners from the public sector, academia, and non-governmental organizations. These relationships are built on trust and leverage the diverse skills, perspectives, and expertise of a broad array of partners focused on addressing complex forest management challenges. Throughout this report, we share examples of these partnerships and anecdotes illustrating their purpose and value—touching on topics including forest research, the protection of at-risk species, community engagement, philanthropy, and climate change.



CASE STUDY

Keeping Forests as Forests

RMS is a founding member of the “Keeping Forests as Forests” initiative, a cross-sector effort to conserve working forests in the U.S. South by communicating their role as critical infrastructure that is worthy of public investment. Working forests create jobs and support local economies, keep our water clean, sequester carbon, and provide wildlife habitat and places for outdoor recreation. The strategic goal for “Keeping Forests as Forests” is to reframe forest conservation from piecemeal protection to an approach focused on the stewardship of functional forest ecosystems for the benefit of future generations.



The cornerstone of this new approach is a focus on supporting the long-term economic viability and environmental and social sustainability of working forests.¹

This effort is as wide ranging as the forces shaping the future of working forests in the South. Keeping Forests as Forests is being undertaken by a diverse collection of partners; federal science and regulatory agencies like the Natural Resources Conservation Service, the U.S. Fish and Wildlife Service, and the U.S. Forest Service; state government agencies; community advocates such as the Center for Heir’s Property Preservation and the Association of County Commissioners of Georgia; educators from Tuskegee University; wood products manufacturers; medical professionals at the Centers for Disease Control; and, environmental and conservation groups, including The Conservation Fund, the Nature Conservancy, and the Environmental Defense Fund. RMS leadership in the initiative has resulted in greater awareness of the importance of diverse and robust markets for forest products, the infrastructure required to link forests to markets and products to consumers, and the need for a highly skilled work force in the forest management, harvesting and manufacturing sectors; all key requirements to maintain working forests across the southern U.S.

¹Keeping Forests as Forests Strategic Plan. For more information, visit [keepingforests.org](https://www.keepingforests.org)

PRACTICING RESPONSIBLE INVESTMENT

RMS-managed forestland
in Santa Catarina state, Brazil

RMS is a signatory to the United Nations supported Principles for Responsible Investment (PRI). As a PRI participant, we report annually on our global compliance and ESG activities. Through PRI, we engage with investors and other asset managers to broaden our perspectives about best practices for incorporating ESG engagement into our investment analysis and decision-making processes. We are building our engagement with PRI by demonstrating how responsible investment principles support our pursuit of highly competitive timberland investment performance.

PRI assesses signatories on their annual reporting describing their responsible investment activities. The assessment process aims to facilitate learning and development, identify how signatories can improve their practices, and provide a foundation for fruitful conversations between asset owners and investment managers on responsible investment activities and capabilities.

In 2018, RMS received an “A” grade from PRI for our responsible investment strategy and governance efforts



PRI PRINCIPLES²

PRINCIPLE 1

We will incorporate ESG issues into investment analysis and decision-making processes.

PRINCIPLE 2

We will be active owners and incorporate ESG issues into our ownership policies and practices.

PRINCIPLE 3

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

PRINCIPLE 4

We will promote acceptance and implementation of the Principles within the investment industry.

PRINCIPLE 5

We will work together to enhance our effectiveness in implementing the Principles.

PRINCIPLE 6

We will each report on our activities and progress towards implementing the Principles.

²For more information, visit unpri.org

SUSTAINABLE FORESTRY CERTIFICATIONS

RMS-managed forestland in Parana state, Brazil

100 percent of the forestland RMS manages globally is certified to the world's leading forest management standards. These include the Sustainable Forestry Initiative (SFI)³, the Forest Stewardship Council® (FSC®)⁴, and the National Certification Standards of the Programme for the Endorsement of Forest Certification (PEFC)⁵ including the Responsible Wood Certification Scheme. These standards provide objective frameworks that ensure working forests are responsibly managed. As an organization, we consider these standards a baseline requirement for our environmental stewardship.



RMS-MANAGED FORESTLAND

Area as of December 2018



³For more information, visit sfiprogram.org

⁴For more information, visit br.fsc.org

⁵For more information, visit pefc.org

Sustainably managed working forests provide society with a wide variety of economic, social, and environmental benefits.

These benefits include renewable building materials, recyclable paper and packaging products, biomass and wood pellets for clean energy production, clean air and water, habitat for wildlife, and open space for public recreation. As long-term stewards of the lands we manage for our clients, RMS works to provide this wide array of forest values in a sustainable manner.

IN 2018, OUR KEY ENVIRONMENTAL ENGAGEMENT ACTIVITIES INCLUDED:

- + Meaningful progress in the **Coastal Headwaters Longleaf Restoration Initiative**
- + Ongoing **harvesting and silvicultural activities**
- + Continued protection of **water resources**
- + Thoughtful examination of our **climate impact**
- + Sustained efforts to support rich **biodiversity**

Coastal Headwaters Longleaf Forest, Florida.
Credit: Amanda O'Donoghue

Coastal Headwaters Longleaf Restoration Initiative

Credit: Amanda O'Donoghue

In 2018, RMS completed the historic first conservation easement of the Coastal Headwaters Longleaf Restoration Initiative in partnership with The Conservation Fund and the Natural Resources Conservation Service. Our three organizations are collaborating with 30 other partners towards a goal of restoring up to 200,000 acres of native longleaf pine ecosystem in Florida and Alabama.

“The Coastal Headwaters Forest is the largest single longleaf restoration on private lands to date,”

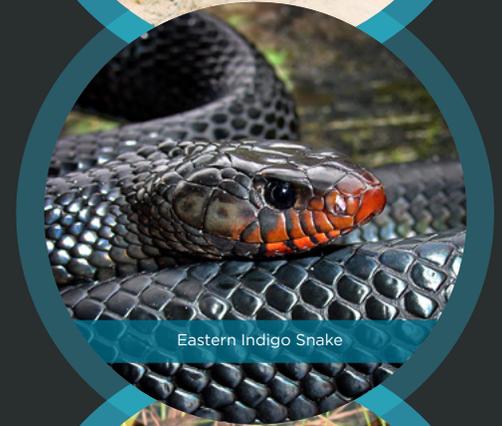
said Mike Leonard, chairman of The Conservation Fund. “The conservation of these (acres) ensures they will remain working lands, supporting local jobs and economies.” The project’s initial conservation easement designated 3,712 acres for longleaf restoration and habitat enhancement in Santa Rosa County Florida.

Under the easement, active forest management will continue to generate investment returns through harvests for forest products and support local communities with forest-based jobs and rural economic development. The land will remain under private ownership and continue contributing to rural community tax rolls. The easement also ensures the forest will be managed to restore a functional longleaf ecosystem. RMS foresters use prescribed fire and other management techniques to maintain open canopy habitat that benefits iconic keystone species associated with this forest, including the gopher tortoise, and over 360 species that may use its burrows during their life cycle. At risk species that may benefit from this easement include the eastern diamondback rattlesnake, swallowtail kite, eastern indigo snake, southern hognose snake, and Carolina gopher frog.

The site of this first conservation easement in the Panhandle of Florida features unique seasonal wetland ponds that provide prime habitat for the federally endangered reticulated flatwoods salamander. Once known to inhabit a seasonal pond on this property, plans are underway to reintroduce this species to the pond in the future.



Gopher Tortoise



Eastern Indigo Snake



Reticulated Flatwoods Salamander

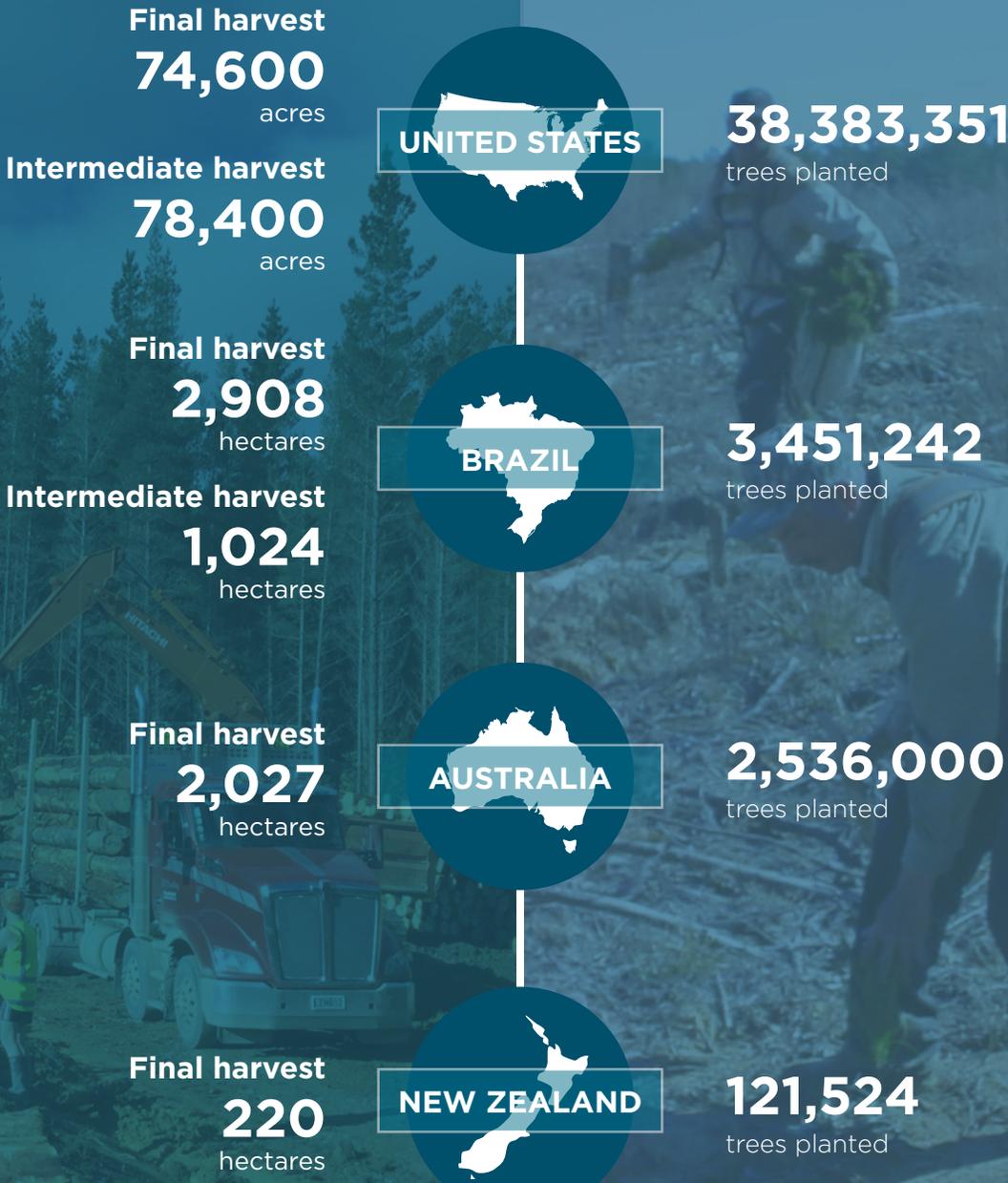


HARVESTING AND SILVICULTURAL ACTIVITIES

We maximize value to our clients through the sustainable management of their forests in the U.S. South, Brazil, New Zealand, and Australia. The harvest and sale of timber is the primary generator of value within these forestland investments. We achieve returns for our clients through responsible harvests of productive forest stands and establishing new forest stands to grow into the future. Attention to issues of environmental and social sustainability is a cornerstone of the long-term management perspective that is needed for successful timberland investing.

2018 HARVEST AREA

2018 REFORESTATION



We maintain clear guidelines for all chemical applications and all other forest management activities, document instances of non-compliance, and take corrective actions if these occur. Forest chemicals are used to maximize the productivity of plantations and are applied at levels within label application requirements. RMS foresters use the minimum amount of herbicide or fertilizer necessary to achieve management objectives.

Our foresters work closely with application contractors, who utilize precision application methods. A network of buffers and streamside management zones further protect water courses during all chemical applications.



CASE STUDY

Chemical Application Site Visits



RMS maintains an inventory of special sites that require additional attention during forest management activities. We implement standard operational guidelines to ensure that these areas are protected during forest management treatments, including herbicide applications. Among other things, these guidelines require maps, buffers, contractor training, and pre-operation briefings, which are held to notify contractors about areas that require special attention or protection. We also conduct an annual inspection program, which includes rigorous after-action review of each operation. The goals of this program are to ensure compliance with RMS policies, document issues, and take corrective actions to address discovered issues appropriately. Each year, RMS foresters conduct field inspections of application sites for both ground and aerial herbicide applications. Herbicides are an important tool for maintaining and enhancing forest productivity and this inspection program helps us ensure the herbicides applied on the forestlands we manage are being used in a beneficial manner and in ways that limit potential impacts on water courses, natural areas, and our neighbors' properties. Our annual inspection results are shared with our contractors to ensure that issues of non-compliance are addressed. Improving compliance and driving continuous improvement with our policies. Overall, these inspections provide a crucial feedback mechanism for improving our performance over time.

Inspections conducted on **41,000** acres

10 issues out of compliance with company policy, including isolated examples of property boundary trees sprayed within buffer areas without impacts on neighboring landowners, and a single incidence of a streamside management zone receiving herbicide.



WATER

Forests are a critical element of green infrastructure. For instance, forests are a powerful natural technology for providing society with abundant clean water resources. Forests filter sediments and nutrients from water runoff before it enters streams, lakes, and other water bodies. Scientific studies of watersheds in the southern U.S., RMS' largest operating region, have demonstrated much lower concentrations of nitrogen and phosphorous in forested streams than is found in streams within agricultural and urban land use areas. Changes in land use from forest to agriculture are typically associated with substantial increases in concentrations of both pollutants.⁷

Excess concentrations of nitrogen and phosphorous compounds can cause conditions that make it difficult for aquatic insects and fish to survive, such as through the process of eutrophication. During eutrophication, a water body may become starved of oxygen following the excessive growth and subsequent death of algae—a process fueled by high nitrate and phosphate levels.⁸

We protect water resources through the implementation of scientifically-supported best management practices

We require and provide regular and comprehensive training for our foresters and harvesting and silvicultural contractors on issues related to water quality protection

PROTECTING WATER QUALITY DURING FOREST FERTILIZATION

RMS employs forest management practices that minimize potential negative impacts of fertilization. Peer reviewed scientific research indicates that while peak concentrations of nitrate in streams increase after forest fertilization, the increases remain within acceptable limits for drinking water quality, and are mitigated through the use of forested buffers and the choice of fertilizer compounds.⁹ These are among the management techniques RMS foresters utilize as a matter of policy when planning and executing fertilization operations. In addition, RMS utilizes industry-leading technology to determine which forest stands will benefit the most from the application of fertilizer. This ensures that fertilizer is applied where it is most needed, and limits the potential for excess nutrients moving into sensitive water bodies. Research demonstrates that the quality of water draining from forests and through forested buffers is much higher than the quality of water draining from agricultural lands, whether or not the forests have undergone fertilization.¹⁰

⁷National Council for Air and Stream Improvement, Inc. (NCASI). 2001. Patterns and processes of variation in nitrogen and phosphorous concentrations in forested streams. Technical Bulletin No.836

⁸United States Geological Survey

⁹National Council for Air and Stream Improvement, Inc. (NCASI). 1999. Water Quality Effects of Forest Fertilization. Technical Bulletin No.782

¹⁰National Council for Air and Stream Improvement, Inc. (NCASI). 1999. Water Quality Effects of Forest Fertilization. Technical Bulletin No.782

In New Zealand, RMS manages **5,200** hectares of plantation forests established to protect water sources for the Greater Wellington urban area. These lands also are managed to provide regional employment opportunities and to promote soil conservation in steep sloped environments.



A New Zealand fjord



UNITED STATES

11,678

Stream miles within
RMS-managed properties

398,919

Acres of Streamside
Management Zones (SMZs)

27,841

Miles of edge habitat with SMZs

14,153

Miles of internal property roads

354,564

Acres of wetlands protected



BRAZIL

1,503

Stream kilometers within
RMS-managed properties

28,034

Hectares of protected
natural areas

3,919

Kilometers of edge habitat with
protected natural areas

2,633

Kilometers of internal
property roads

Approximately **80%** of the freshwater resources in the U.S. originate in forests.¹¹

RMS-managed forestland in South Carolina



CASE STUDY RMS North Carolina Field Tour with the US Army Corps of Engineers

Collaboration with government agencies is key to accomplishing many of our ESG goals. We look for opportunities to establish and maintain open lines of communication with agency employees at all levels, building trust through transparency.

In 2018, the RMS North Carolina Region team hosted approximately 20 members of the U.S. Army Corps of Engineers (Corps) on lands we manage for our clients to build a shared understanding of normal silvicultural practices in jurisdictional wetlands and demonstrate the link between SFI certification and exemplary environmental performance. The Corps provides regulatory oversight and limited enforcement of U.S. federal regulations associated with forest management practices employed in and near wetlands under federal jurisdiction. This field tour encouraged shared learning between RMS foresters and the Corps of Engineers staff members, reinforcing open lines of communication and improving our ability to collaborate on water resource protection issues.

Ultimately, such efforts enable us to better manage regulatory risks and provide opportunities for us to share our views on existing regulatory frameworks that influence how we manage our clients' forests

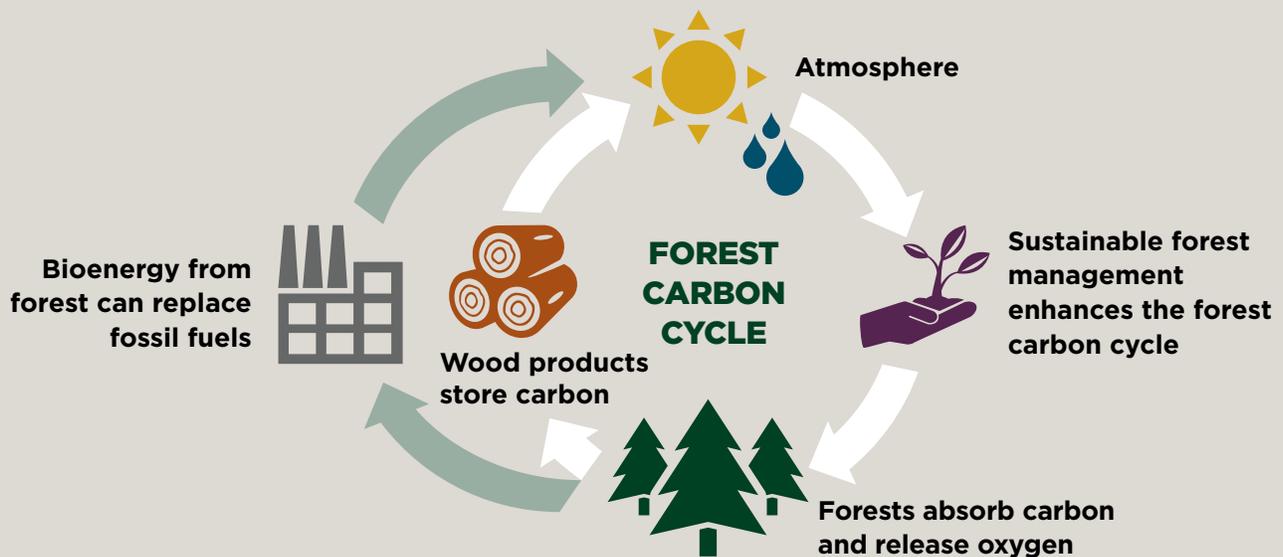


¹¹Sedell, J., M. Sharpe, D.D. Apple, M. Copenhagen, and M. Furniss, 2000. Water and the Forest Service. USDA Forest Service FS-660, Washington, D.C.



CLIMATE IMPACT

Forests are recognized as a uniquely powerful and efficient climate solution—and active forest management provides a meaningful opportunity to influence carbon sequestration by improving forest growth rates. Managed forests also provide habitat for rare and common plants and animals by providing open space for migration and refuge under changing climate conditions. Through our research partnerships, we examine the risks of climate change and identify strategies for maintaining resilient forests through active management. Our engagement with the leading third-party forest certification systems provides a framework for identifying appropriate management activities and strategies within the context of global climate and regional forest trends. We also work with expert partners to evaluate opportunities to monetize the carbon sequestration capacity of our clients’ forests. Through carbon offset projects, private owners of forestland can be compensated for providing an essential common good. As a result, landowners are incentivized to continue the long-term, sustainable management of their forestlands in ways that can help address climate change challenges.



Forests absorb about **1/3** of the global annual carbon dioxide emissions from the burning of fossil fuels¹²

Forests account for as much as **45%** of the carbon stored on land¹³

The carbon emitted to produce a ton of concrete is roughly **8x** that emitted to produce a ton of framing lumber¹⁴

The production of a ton of steel emits approximately **21x** as much carbon as an equal weight of framing lumber¹⁵

¹²Pan, Y., Birdsey, R., et al, 2011. A Large and Persistent Carbon Sink in the World's Forests. Science 333, 988-993.

¹³Carlowicz, M., 2012. Seeing Forests for the Trees and the Carbon: Mapping the World's Forests in Three Dimensions. NASA

¹⁴General Technical Report FPL-GTR-190, U.S. Dept. of Agriculture, Forest Service, Forest Products Laboratory, Chapter 1, 2010.

¹⁵General Technical Report FPL-GTR-190, U.S. Dept. of Agriculture, Forest Service, Forest Products Laboratory, Chapter 1, 2010

CARBON STORAGE
as of 12-31-2018
within RMS-
managed US forests

Approximately
204 million
metric tons of CO₂E

The storage of carbon (CO₂E) in forests managed by RMS in the U.S. is equivalent to the emissions within a single year from

43 million passenger vehicles¹⁶
24.3 million homes' energy use¹⁶
43 thousand wind turbines running¹⁶



CASE STUDY
Forest Resilience Research



Manomet is a leading conservation science nonprofit that works to solve big, complex problems, such as climate change. Through our partnership, Manomet provides actionable information on potential climate-related impacts faced by the forests we manage—supporting our ability to manage for resilient forests that will continue to provide climate benefits for the long-term. A specific activity currently underway with Manomet is our support of their efforts to develop a scalable framework for assessing forest resilience to climate change. The project objective is to demonstrate the adaptation and mitigation value of sustainably managed forestland in the U.S. South. It also strives to provide guidance for incorporating climate opportunities and risks in long-term planning and continued management. In 2018, Manomet researchers began testing forest health and productivity metrics on RMS-managed forestlands in North Carolina. Its team is also collaborating with us on improving climate change-related remote sensing techniques. Eric Walkberg, Senior Program Leader of Climate Services at Manomet notes “One of the most helpful interactions for us has been the exchange of information on the use of remote sensing and leaf area index to assess forest health and vigor.” Manomet Applied Forest Scientist Jennifer Shakun adds,

“The partnership [with RMS] has advanced our understanding of the application of remote sensing techniques in forest management.”

¹⁶Comprehensive data required for the calculation of carbon stock is currently available only for RMS-managed assets in the U.S. Future reporting will describe the carbon statistics for non-U.S. operating regions
Source: US EPA (<https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>)



BIODIVERSITY

At RMS, we proactively engage with federal and state wildlife agencies and conservation organizations to establish partnerships focused on developing and implementing policies and programs that recognize the important role active forest management plays in the protection of many at-risk and protected species and their habitats. We also recognize that the forests we manage for our clients provide habitat for a wide variety of other plants and animals, which further helps promote and sustain biodiversity.

Following through on our commitment to operating with a focus on continuous improvement, we engage in scientific research to understand how our management activities can further support biodiversity. This research helps us leverage our relationships and partnerships with members of the public, private and NGO communities so we can collaborate on conservation monetization opportunities focused on biodiversity. In addition, through third-party forest certification affiliations, we ensure that we are meeting our commitment to protect species and ecosystem biodiversity as is appropriate at both the individual forest stand-level and more broadly across entire forested landscapes.



1,677
important
ecological and
habitat areas

3,712
acres in
working forest
conservation
easements



RMS-managed
forestland
provides
habitat for:

360
plant species

270
bird species

150
mammal species



18,482
hectares of
native forest
and streamside
management
zones



236
hectares of
native forest
and streamside
management
zones

Forests are
home to
80%
of the world's
terrestrial
biodiversity¹⁷

U.S. Fish and Wildlife Service



CASE STUDY

Managed Forests for Birds

RMS is a partner in the "Managed Forests for Birds" effort that is being led by researchers at the American Bird Conservancy (ABC). In 2018, ABC-affiliated researchers conducted surveys on RMS-managed forestland in Florida and Alabama to determine the abundance of species of conservation concern on the properties and analyzed the occurrence and extent of their breeding activities. The survey data collected helps to identify the beneficial habitat conditions present within actively managed forests and quantifies the conservation value of these forests to bird populations. In 2018, ABC researchers observed 9 of the 11 focal species present on RMS-managed lands. Future research efforts will aim to determine the connection between active forest management practices and the habitat needs of specific species of conservation concern.

PARTNERSHIP FOR BIRDS OF PREY

In 2018, RMS' South Carolina region continued its work to support the Avian Conservation Center's Birds of Prey program. RMS-managed properties are made available to researchers and for the release of rehabilitated raptors and shore birds cared for at the Center's veterinary hospital facility.



¹⁷WWF 2015

RMS believes our employees and the lands we manage are a part of the fabric of the local communities where we operate. Working forests support rural communities by providing economic opportunities and tax revenue, with forest management activities supporting thousands of jobs, from the planting of seedlings to the manufacture of wood products.

Additionally, RMS employees engage local communities in meaningful ways, including volunteering our time and expertise to provide outdoor educational experiences for students at all levels and fostering the next generation of forest management and forestry investment leaders through our scholarship program.

We strive to be a positive force in the communities surrounding the forests we manage, and in our professional forestry community as well.



RMS Forester Phil Welch teaches land measurement techniques to local middle school students in Wilmington, North Carolina as part of the North Carolina Forestry Association's annual Forestry Camp event

IN 2018, OUR KEY SOCIAL ENGAGEMENT ACTIVITIES INCLUDED:

- + Establishing the **RMS Forestry Scholarship** program
- + Continuing our **educational outreach** through tours and lectures
- + Further developing the **RMS Community Roots** philanthropic initiative
- + Investing in **employee development**
- + Ongoing focus on **safety**

RMS-managed forests provide hunting and outdoor recreation opportunities for an estimated **125,000** people, most of whom live within 50 miles of the places where they enjoy quality time outdoors.

RMS Forester Robbie Evans assists a student in learning tree measurement techniques during the annual North Carolina Forestry Association's Forestry Camp for local middle school students



CASE STUDY

Local Collaboration to Improve Fire Preparedness

Fire is one of the most challenging natural risks RMS managers face on our clients' lands in Australia. Understanding the significant nature of fire risk,

we partner with neighboring land owners and local fire agencies to improve our fire preparedness and maintenance efforts.

Effective early detection and response systems are essential for mitigating fire risk and through our collaborative efforts we have participated in the development of communication systems, mapping programs, and fire alert and response procedures to increase the collective ability to detect and respond to fires before they have outsized impacts on forest resources.



EDUCATIONAL OUTREACH

Each year, RMS foresters host field tours for students and professional groups, providing outdoor learning experiences that help connect science to practice. RMS employees also share their expertise with the next generation of forest management and investment leaders in class presentations, one-on-one mentorships, and as part of the RMS Scholarship and Internship programs.



\$80,000

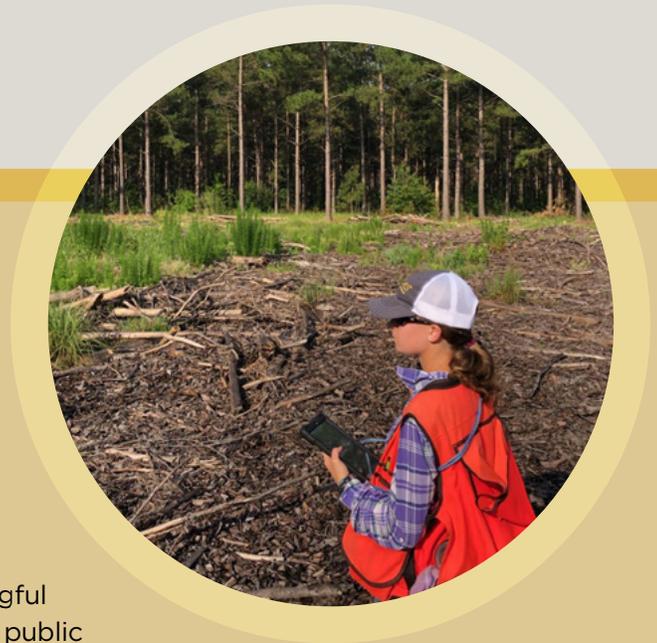
in scholarship funds provided to 8 recipients in 2018 through the RMS Forestry Scholarship program



CASE STUDY

RMS Forestry Scholarship Program

The RMS Forestry Scholarship Program awards meaningful scholarships annually to students at eight participating public universities. This initiative promotes career opportunities in forestry, especially among students from populations that have been historically underrepresented in the forestry profession. RMS CEO Craig Blair notes, “Foresters help society meet its needs through the sustainable management of one of our most important renewable resources—our forests. This scholarship program is an effort to promote forestry and to provide a pathway to the profession for deserving students.” Recipients receive \$10,000 annually for both their junior and senior years, with the option to participate in a full-time, paid internship with RMS during the intervening summer.



“We are very grateful for this new scholarship opportunity that RMS is providing our students,” says Mary Watzin, Dean of the College of Natural Resources at North Carolina State University. “Scholarship funding is critical to our ability to attract top students to our college and the field of forestry. Building a pipeline to increase diversity in the industry advances our mission at the College of Natural Resources, and this generous gift will help us achieve this goal.”

23 field tours given to student and professional groups in 2018

4 guest lectures to undergraduate and graduate forestry students



RMS Forester Nick Hindman introduces operational forestry topics to students from Auburn University's School of Architecture



CASE STUDY

Log Truck Safety in New Zealand

RMS contractor PF Olsen hosted a safety presentation for children in the Managaroa primary school in New Zealand to discuss the importance of safety on roads travelled by log trucks. A transportation firm that assists in hauling logs harvested from RMS-managed forestlands in New Zealand provided the children with an up-close view of logging trucks and made sure the group learned the importance of wearing high-visibility safety gear.





PHILANTHROPY

Through the RMS Community Roots philanthropic program, our partnership with Habitat for Humanity kicked off in 2018. This new relationship engaged 96 RMS employees and their family members in building a new, affordable home for a family in Prattville, Alabama. RMS recruited our market partners and contractors to donate funds, building materials, surveying and site clearing expertise, and other items and services that were required to make the home a reality. Primary partners on this project included Parnell, Inc., Louisiana Pacific, Industree, Smith Tree Service, Kykenkee and Jarvis & Associates. In addition, RMS employees led and participated in various fundraising events for hospitals and other community service programs throughout all of our operating regions.



RMS employees volunteered over **2,100** hours in 2018 to community service projects in all RMS operating regions



96 RMS employees volunteered their time to assist in building the Habitat for Humanity house—contributing approximately **1,200** hours toward the project.

Members of the RMS Resource Planning team work together to install roof joists at the Habitat for Humanity build house in Prattville, Alabama

EMPLOYEE DEVELOPMENT

RMS employs 166 people worldwide. We nurture our company community by providing opportunities for training and continuing education for team members at all levels of our organization. We encourage our employees to participate in professional societies and conferences to engage with and learn from the broader forestry and investment communities, as illustrated in the case study that follows. We also maintain an active career development program to foster the organization's next generation of leaders.

RMS invested over \$148,000
in employee training in 2018.



CASE STUDY

Mass Timber Products

Mark Woloszyn, RMS Director U.S. Investments, spoke at the "Southern Timber Innovations Conference" in August 2018, describing the promise of innovative Mass Timber products in catalyzing a historic, positive shift towards greater sustainability in our built environment. Mass Timber is a special category of building products made from solid panels of wood that are engineered for strength using advanced lamination technologies.

Mass Timber represents a remarkable opportunity for improving global sustainability for three reasons:

1. It creates new markets for wood products. Because of changes in the International Building Code, Mass Timber technologies allow sustainably grown wood to capture market share from steel and concrete in the construction of buildings, including mid-rise and possibly high-rise structures.
2. It can replace more carbon-intensive building products such as steel and concrete. These building materials are produced through high-carbon producing processes while Mass Timber production has a much smaller carbon footprint and its end-use products, like cross-laminated timber (CLT), trap and sequester carbon for long periods of time in their wood fibers.
3. It addresses inefficiencies in the construction industry by enabling broader and more comprehensive use of prefabrication processes. This promises to enable society to build housing more quickly, efficiently and cost effectively, which is of particular interest to housing advocates who see Mass Timber construction as a potential strategy for meeting the world's growing need for affordable housing.

While Mass Timber is still in the early stages of adoption in the U.S., there are already nearly 500 Mass Timber projects in the design, construction and near-completion phases nationally



SAFETY

RMS is committed to ensuring the safety of our employees and contractors. We want each employee and contractor returning home safely to their family every day. We believe that quality training administered on a regular basis is an important tool for keeping people safe—both in the forest and at the office. RMS conducts safety training and monitoring for employees as is appropriate for their responsibilities. Additionally, safety guidelines and considerations are integrated into our legal agreements, which helps ensure that employees of our vendors and contractors also are provided assurance of compliance with all relevant safety laws and regulations.

REPORTABLE SAFETY INCIDENTS IN 2018



CASE STUDY

Improving Safety Training in Brazil

In 2018, RMS Brazil team established a goal of driving improvement in the operating area's lost time and accident rate. The team approached the challenge with three key efforts; (1) conducting more safety inspections of field activities; (2) implementing an electronic safety monitoring system to enable more effective auditing; and (3) improving incident investigation to fuel more productive communication with contractors around safety issues.



As a 2019 goal, RMS is implementing improved safety requirements for contractors, improved safety training programs for employees and contractors, and tracking expanded metrics for monitoring safety performance

CONTRACTOR UTILIZATION ON RMS-MANAGED FORESTLANDS IN 2018



CASE STUDY

Addressing Safety through Logger Training

All contractors conducting harvests on RMS-managed forestland must complete required training programs offered by SFI Implementation Committees. This is a condition of RMS' third-party certification to the SFI Forest Management Standard, and is enforced through our harvest contracts. These training programs promote sustainable forest management, best management practices to protect water quality, operational safety, skill improvement, and business profitability, in an effort to improve the quality of logging in each state. In 2018, the Louisiana SFI Implementation Committee updated training standards for the Louisiana Master Loggers program.



RMS Harvest Manager John Tuma and RMS Forestry Manager, Layne McGuffee led more than 40 silvicultural and harvesting contractors through the Louisiana Master Logger training in 2018.



RMS is governed by a robust set of policies and practices to ensure the incorporation of sustainability principles into the organization's activities. We uphold strict standards of open, honest, and ethical business practices, and view our fiduciary responsibility to each client as our foremost business responsibility.

IN 2018, OUR KEY GOVERNANCE ENGAGEMENT ACTIVITIES INCLUDED:

- + Sustained **oversight** of ESG activities by RMS leadership
- + Ongoing commitment to **employee ownership**
- + Continued measurement of **diversity and inclusion** metrics
- + Attention to **competitive compensation**
- + Thoughtful **public policy advocacy**



RMS employees meet with contractors in New Zealand

OVERSIGHT

The RMS Senior Management Team, comprised of all executive and senior level vice-presidents, has oversight responsibility for all ESG-related activities, including climate-related issues, sustainable forestry certification, development of ecosystem service market opportunities, conservation projects, and advocacy efforts. At the direction of RMS leadership, key functions throughout the organization drive sustainability across our business, supported by dedicated ESG resources providing support for sustainability strategy, initiatives, and reporting.

Additionally, the Chief Compliance Officer provides additional oversight of employee adherence to the RMS Code of Ethics, Compliance Manual, and supporting policies and procedures. Annual compliance reviews and periodic trainings are conducted to ensure employees are versed on the RMS requirements and new laws or regulations governing RMS' business.

Sustainable forest management certification third-party audit results are reviewed annually by the RMS Senior Management Team



RMS CEO Craig Blair with senior team members Dennis DuBose, CFO, Jimmy Bullock, SVP Forest Sustainability, Charlie Cornish, EVP North and South American Operations, Mary Kay Greer, SVP Corporate Communications, and Rodney Howell, SVP Resource Planning



Rodney Howell, SVP Resource Planning, Sheri Stevens, International Accounting Supervisor, and Danny Norman, Director Resource Marketing

EMPLOYEE OWNERSHIP

RMS is proud to be an employee-owned organization; an important cultural attribute that is deeply valued—from our founders to our current leadership. Broad employee ownership of the firm ensures RMS priorities and financial interests are aligned with those of our clients. As part of RMS' commitment to broad employee ownership, we have developed a strategic succession plan to foster the next generation of employee-owners. Five employees became new owners of RMS in 2018.

As of December 31, 2018, **22%** of our employees maintain ownership stakes in the firm and together they hold more than **75%** of the company's total equity.

DIVERSITY AND INCLUSION

RMS is committed to providing a diverse, safe, and rewarding work environment for all employees. Our goal is to foster and sustain a supportive work environment—one where people with a diversity of backgrounds can contribute their skills, talents and expertise to our goal of creating forest value.

7.74%

turnover globally for RMS as a percentage of full time equivalents in 2018

IN 2018, WOMEN COMPRISED:

24% of the total RMS workforce

6% of company leadership roles as mid-level or senior level managers

11% of the executive team

MINORITIES ACCOUNTED FOR:

6.5% of the RMS workforce in the U.S.

While these numbers are not yet at desired levels, they represent progress towards our goal of building a more diverse and inclusive team





RMS District Manager Justin Stringfellow uses mobile technology to update forest management data in the field

COMPETITIVE COMPENSATION

RMS offers competitive compensation for its employees and we are committed to sharing profits widely across the organization. In 2018, the compensation ratio of top executive base salary to the median base salary was 4.94. We benchmark compensation for all levels within the organization, including base salaries, profit sharing, and bonuses. Based upon 2018 benchmark data for the industry, RMS maintains above average salary levels for our business sector for both base salaries and bonuses.

We believe compensation is an important component of our ability to recruit and retain leading talent



Jimmy Bullock, RMS' SVP Forest Sustainability, testifies to congressional committee on the contribution of private forests to species conservation in the U.S.

PUBLIC POLICY ADVOCACY

RMS engages in productive dialogue with public-policy makers and regulators, both individually and in collaboration with other forest managers, conservation organizations, and other external partners. Our objective is to advance regulations and guidelines that support the long-term economic, social, and environmental benefits provided by sustainably managed forests. Focus areas of our advocacy efforts include the contribution of actively managed forests to conservation efforts for species of concern, the carbon neutrality of wood products, and tax treatment of forest investments. We accomplish our advocacy goals by building relationships that benefit society and our clients.

IN 2018, RMS ADVOCACY EFFORTS WORKED TO ACHIEVE THREE PRIMARY GOALS:

1. Grow market demand for wood products
2. Highlight the key role actively managed forests play in the conservation of at-risk and listed wildlife species
3. Successful passage of the 2018 Farm Bill with provisions that support the ongoing sustainable management of private forests throughout the U.S.

To achieve these goals, RMS is an active leader in the National Alliance of Forest Owners, a collaboration of private forest owners, managers, and organizations dedicated to protecting and enhancing the economic and environmental values of privately-owned forests in the U.S. We are also active in the Forest Landowners Association, which brings forward the grassroots strength of engaged, politically active family forest owners and other large landowners to address our key issues.

2018 ADVOCACY HIGHLIGHTS

Our ability to practice sustainable forestry and to support the many societal benefits forests provide is dependent on regulations and policies that are supportive of sustainable forest management practices.

Passage of the Timber Innovation Act in the 2018 Farm Bill provides funding for continued research and adaptation of cross-laminated timber (CLT) and other mass timber products for sustainable building. The first CLT manufacturing facility in the southern U.S. opened in 2018 in Dothan, Alabama, within close distance of RMS-managed timberlands.

The U.S. Environmental Protection Agency recognizes the carbon neutrality of wood from sustainably managed forests, setting the stage for new domestic and export markets for forest biomass and increased investment in renewable energy facilities that use this material.

The 2018 Farm Bill includes a provision which directs all federal agencies to adhere to purchasing practices that place all major sustainable forestry certification programs on a level playing field, highlighting the importance of U.S. grown, certified wood products for public and private markets.

LEADERSHIP IN PRACTICE

RMS-managed forestland
in Mississippi region

Thank you for reading our 2018 Global Sustainability Report. I hope you found it to be informative and that it demonstrates a commitment to **advancing** and **integrating** our ESG engagement in meaningful ways.

Advance

**to accelerate the growth or progress of; to bring or move forward;
to raise to a higher rank**

Our company vision statement includes an express ideal to advance the contribution of foresters and private working forests in improving the economic, environmental and social well-being of the communities, states and countries in which we operate. We do this by encouraging innovation and creativity to develop, test and refine approaches to create ESG value. And we don't do it alone, but actively collaborate with a network of respected partners across multiple disciplines and organizations.

Integrate

to form, coordinate, or blend into a functioning or unified whole

As a vertically-integrated forest investment firm, we marshal the skills of an assortment of financial, technical and operational professionals to achieve client objectives, directly linking these objectives with on-the-ground forest operations. Managing forests to provide a broad array of ESG value is embedded in our culture and deeply integrated in our management processes. We continue to pursue ways to better measure our progress, with defined ESG targets and metrics across our business.

The case studies presented in our 2018 Global Sustainability report provide just a few examples of how RMS is working to advance the principles of ESG in our business. I am proud of our team, their energy and dedication to our clients and their stewardship of the working forest we manage. I expect to have more to share with you in the coming year.

Respectfully,



Craig Blair



RMS

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