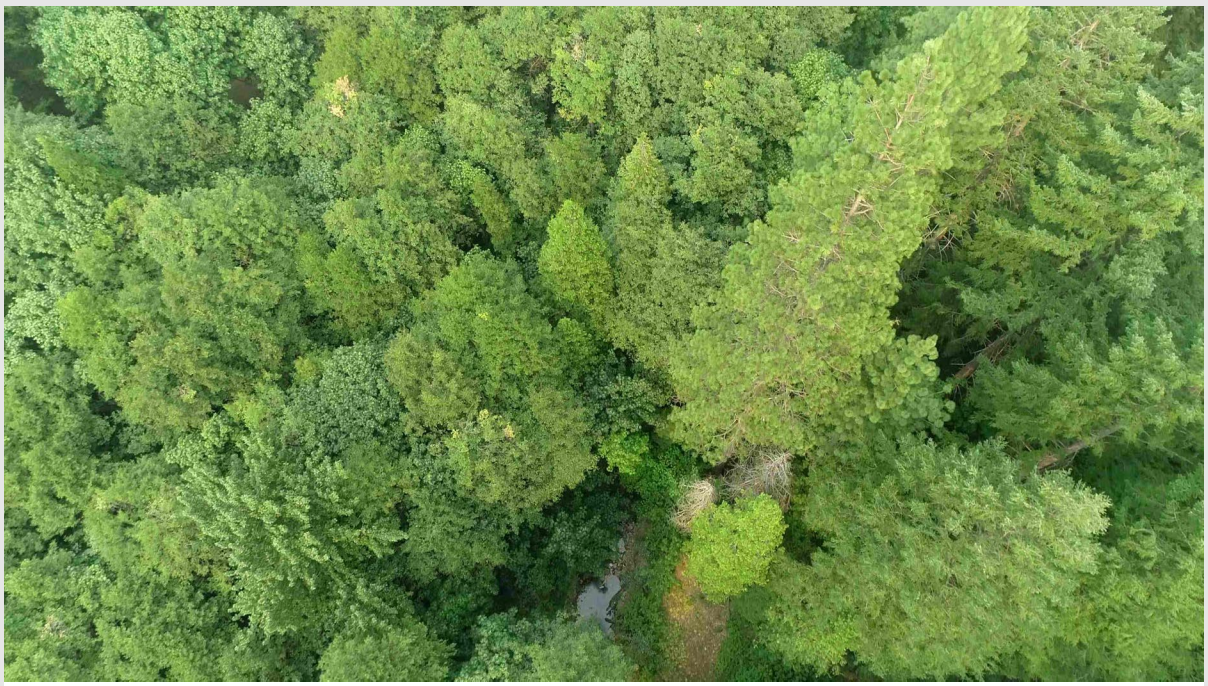
EFM
INVESTMENTS & ADVISORY

EFM's New Impact Report

Despite these challenging times we are fundamentally optimists at EFM– optimism is a necessary condition to planting a tree, and to developing and executing 100-year plans for our forests. We are deeply committed to not just the forests we manage but also to the impacts upon communities that surround and depend on them, and this past year has just strengthened our resolve to create positive outcomes for both. We are delighted to share highlights of our recent projects, including over 25,000 acres of conservation easements, the return of salmon and lamprey, our new Nike carbon partnership, and more in our new impact report, which can be found here.



Mill Creek on the Scott River Headwaters property runs through one of the most diverse conifer forests in the world, which is now permanently protected by a conservation easement. This highlight and more can be found in our new impact report.

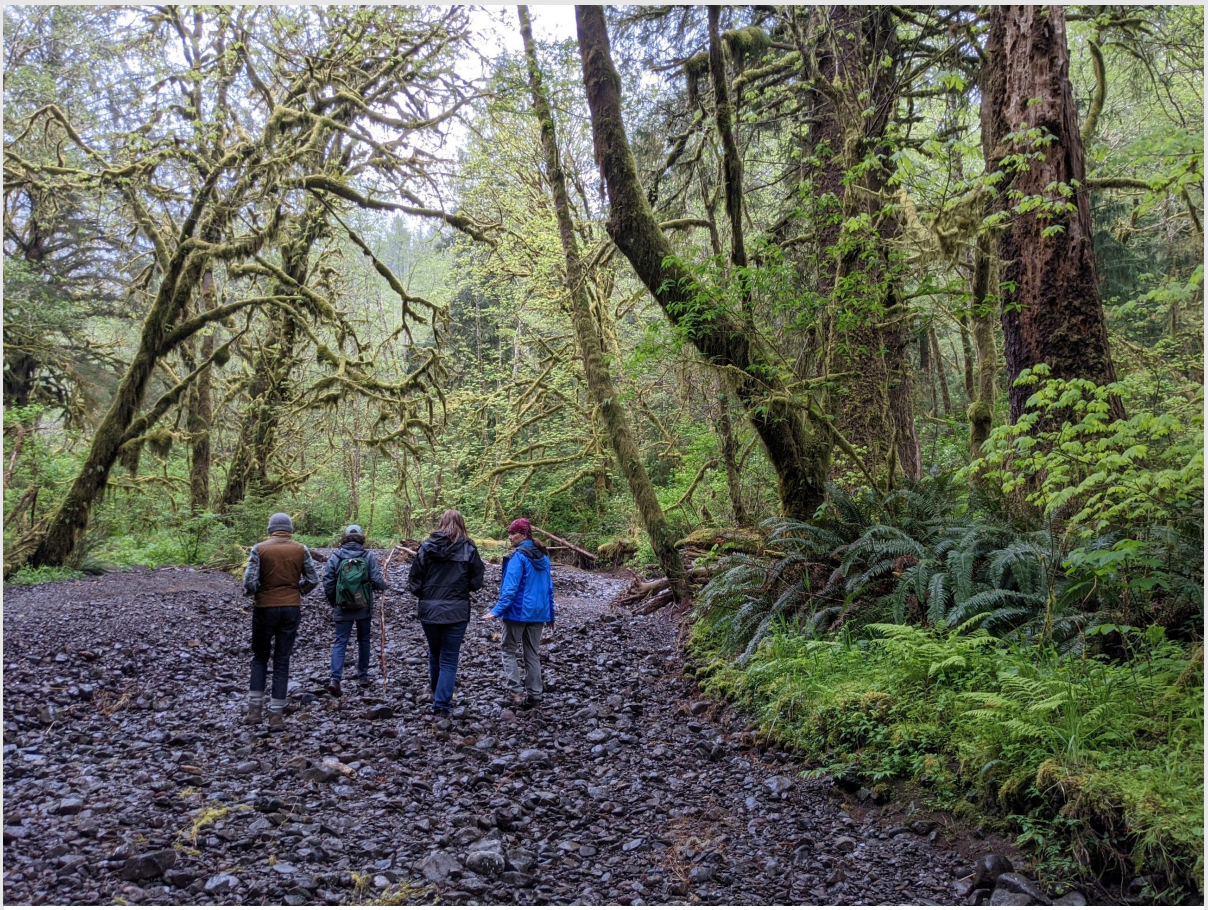
Carbon Market Update

The last two years have been milestone years for climate commitments across corporate actors and governments, including the United States. The rate of adoption of science-based climate commitments by corporations doubled in 2020 relative to 2015-2019. Corporate activity around Net Zero commitments paves the way for significant voluntary action, signaling market readiness to take on the task of transitioning supply chains and de-carbonizing electricity and fuels consumption. The Science Based Targets (SBTs) initiative is coordinating standards that ensure that the business sector ambition is in line with the Paris Agreement's 1.5 degree goals and includes internal emissions abatement in addition to offsetting activity. Their analysis of 338 companies shows that companies with ambitious Science Based Targets are delivering on Paris-aligned ambition, with emissions reductions at scale. To address this increase in demand, the former Bank of England Governor Mark Carney launched a global taskforce to begin scaling up voluntary carbon markets to

drive emissions down as quickly as possible. Closer to home Microsoft, Amazon, Netflix, Salesforce, Apple, Google, Facebook and other tech companies have embraced natural climate solutions, which involve improved land management actions that increase carbon storage or avoid emissions and are moving significant amounts of capital into this sector.

As a result, demand for carbon removals (and associated offsets) have increased dramatically, and the leading resource on carbon markets, Ecosystem Marketplace, is projecting that the volume of offset sales may top 100 million annually, increasing despite the COVID-19 pandemic. The airline industry is poised to drive these increases as CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation), a market-based mechanism adopted by the airline industry, to increase fuel efficiency by 2% per year and carbon-neutral growth of civil aviation from 2020 onwards, begins compliance in 2021.

Ecosystem Marketplace reports that, in 2020, prices for offsets associated with natural climate solutions increased by 30%, while prices for renewable energy decreased by 16%. Price and volume moved in opposite directions for these leading offset types. Agriculture, forestry, and other land use (AFOLU) volume dropped 28% and renewable energy volume surged by 78%. Despite the lower volume, the market value of AFOLU offsets was more than twice that of renewable energy. We anticipate that the strong interest in nature-based offsets and removals will continue into the coming decade.



EFM staff monitoring the Garibaldi carbon project area on the Oregon coast.

Wildfires & Forestland Investing = Risk or Opportunity?

2020 was a catastrophic year for wildfires in the western United States. During 2020 over 58,250 wildfires burned 10.3 million acres across the U.S., the most acreage impacted in a year[i] and the most active fire year on record for the West Coast.[ii] In 2021, over 46,500 wildfires have impacted over 5.9 million acres as of October 4th. [i] Forests represent a significant natural resource to combat climate change, protect endangered species, provide drinking water to local communities and provide employment opportunities to often economically distressed rural economies. However, after such a devastating period for western forests, do forestland investments now represent a risk or an opportunity?

Forests Role in Climate Mitigation

Forests provide us with a powerful solution to mitigate climate change. As trees grow, they absorb carbon dioxide through photosynthesis, releasing oxygen and storing carbon in their trunks, branches, leaves and roots. Forests currently absorb 30% of all CO2 emissions, however increasing natural forest regrowth presents the opportunity to increase forests' capacity to sequester CO2 by an additional 23%.[iii] For example, in Oregon, net carbon sequestration from forests offset about half of the fossil fuel emissions in the state.[iv] One widely cited study estimates that forests and other natural ecosystems could provide more than one-third of the total CO2 reductions required to keep global warming below 2 degrees C through 2030.[v] This requires, however, that forests be protected and sustainably managed to reduce degradation and to reduce the incidence of catastrophic fires.

How Climate-Smart Forestry Increases Carbon & Reduces Fire Risk:

Fortunately, there are significant actions forestland managers can take to reduce catastrophic fires and significantly increase the carbon that forests sequester. Improving forest management through the implementation of climate-smart forestry approaches is one of the most economical, low-risk methods of carbon sequestration. A recent analysis concluded climate-smart forestry could increase carbon stores by 30%, on average, in managed forests in the Pacific Northwest.[vi] EFM has been practicing climate-smart forestry since its inception in 2005, including extending rotations (the age when trees are cut), retaining trees in harvest units, protecting trees in ecologically sensitive areas (e.g. along streams), and restoring degraded forests. By using conservation finance tools, retained trees can be monetized for investors through carbon sales, conservation easements and other mechanisms, creating a win for climate, forests and investors.

Climate change will cause more extreme weather conditions that will result in prolonged droughts and drier conditions that can lead to more intense

wildfires. Climate-smart forestry activities can help mitigate and adapt to these new climatic conditions by including the following practices:

- Planting native tree species that are suitable for a sites current and projected future climate and disturbance regimes (fire, wind) and that help build and maintain resilience amidst these changes.
- Managing forests to promote water storage and sustainable release within and from soils to ensure downstream aquatic ecosystem and human uses are supplied.
- In drier, fire prone forests (e.g. ponderosa pine) thinning forests to densities which achieve optimum growth and vitality while creating stand structures to resist high severity fire. Practices that reduce woody fuels (shrubs, branches, litter) are important.
- Also, in drier landscapes create and maintain shaded fuel breaks (long strips along roads and ridges where trees have been thinned and ground and ladder fuels reduced).

Why Invest in Climate-Smart Forestry Strategies:

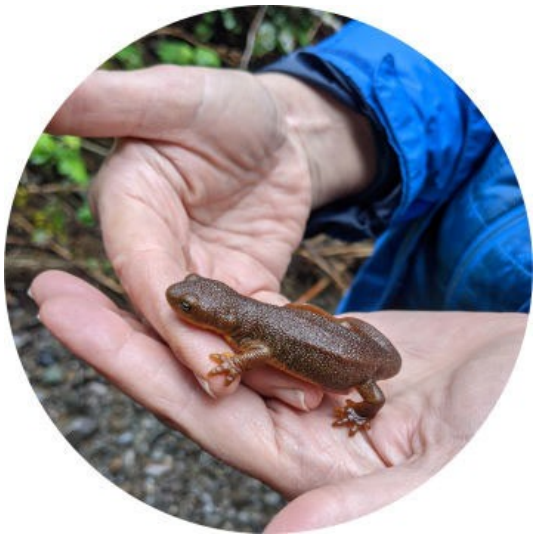
Climate-smart forestry is an innovative approach to forestland investment and management that monetizes the full attributes of the forest, not just the timber aspect, while increasing the forests' biodiversity, resilience and carbon storage capability. There is a growing public recognition that natural, intact forest ecosystems across the globe need significant protection and investment in the face of climate change. However current natural climate solutions, including strategies such as EFM's climate-smart forestry, receive only 0.8% of public and private climate financing, despite offering roughly 37% of potential mitigation needed through 2030 to limit climate warming below 2 degrees centigrade.[vii].

The forests in the western U.S. are a nationally significant carbon sink where over 9 billion tons of carbon are stored, making this the largest unpriced terrestrial sink in the U.S. The species that grow here are known to sequester more carbon per acre, for a longer period of time than other forest ecosystems

globally. Investors and funders are recognizing the role of both public and private forests in tackling climate change and efforts are underway to price carbon, fund forest restoration, reduce fire-risk and reduce forestland conversion. These efforts will continue to create new sources of revenue for landowners and investors. We believe that the carbon-rich western forests will increasingly become more valuable for their carbon storage capacity in a carbon-constrained future.

The extreme and unusual fires in 2020 highlight the importance of EFM's dedication to managing forests for climate, water, biodiversity and to increase fire resilience. Our forest management approach not only results in increased carbon storage, but also more productive forests and reduced long-term risk of fire and disease. EFM's improved forest management strategies result in a greater drawdown of carbon into soil and forests, thereby reversing the buildup of greenhouse gases in our atmosphere. We need these forests to absorb carbon and mitigate climate change and EFM is dedicated to continuing to transition more properties to climate-smart forestry that we believe will result in tangible benefits for our investors, the landscapes and for the communities in which we invest.

Impact Industry Highlights



EFM in Top 5% of B Corps

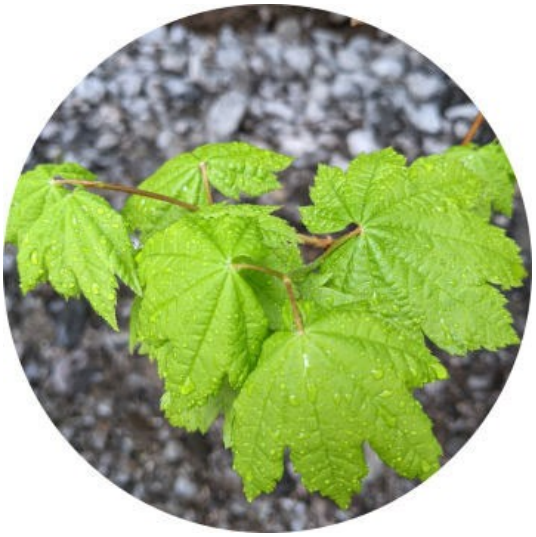
We're excited to announce that EFM has earned a place in the top 5% of B Corps and been recognized as being Best for The World. This rating is based on an independent, comprehensive assessment, administered by the nonprofit B Lab, that evaluates a company's environmental performance, employee relationships, diversity, involvement in the local community, and more. This is the ninth year in a row that EFM has scored within the top tier of B Corps in the world.

IA50 Emeritus Manager

We're honored to be selected to the ImpactAssets IA 50 2021 list, joining their new Emeritus category which recognizes impact managers who have consistently demonstrated a commitment to generate positive impact and been on the IA 50 for at least 5 years. This marks our 10th year on the IA50 list and we are grateful for their recognition of our dedication to investments that address climate change, support the protection of drinking water, tribal land repatriation and rural economies.

Forest Carbon Conference

EFM is proud to be sponsoring this year's Carbon Friendly Forestry Conference hosted by the Washington Environmental Council on October 26th-27th. This virtual event will bring together –policy makers, academics, conservationists, tribal representatives and staff, forest owners, and business leaders – to discuss innovative strategies and opportunities for sustainable forest management that can create a stronger economy and healthier communities in a changing climate. We hope to see you there!



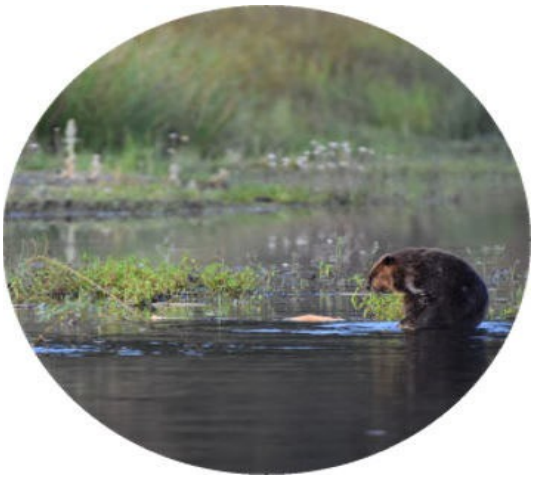
PRI Digital Conference

As an UN PRI signatory, EFM looks forward to attending the upcoming PRI Digital Conference on October 18th–21st. This event will bring together investors, policymakers and other sustainable finance stakeholders from around the world to discuss the most critical themes for responsible investors in 2021. The agenda includes topics such as net zero implementation, impact mandates, the global biodiversity framework and more. Register now to secure your place at: https://digitalconference.unpri.org/pri/

From the Field

Spruce Tip Harvest

On a misty spring day our staff set out to the Onion Peak property for the annual harvest of spruce tips, which are the tender new growth on the branches of spruce trees. These tips, sustained by the moist conditions on the Oregon coast, will be combined with salal berries harvested from our properties on the Washington coast in our specialty fruit spread. Our motivation in creating our Wild Salal Berry Spreads is to call attention to all of the vital parts of a forest; soil, flowers, shrubs, hardwoods, and the conifers of the overstory. Learn more and purchase online at: canopyandunderstory.com.



Beavers on EFM Lands

We are fortunate to collaborate with conservation partners leading efforts to attract beavers. Among these is the Scott River Watershed Council (SRWC), based in Etna, CA, with whom EFM has partnered extensively on restoration of the Scott River Headwaters property. Recently, we were delighted to learn that beaver had taken up residence in the restored portion of the creek, ten years before predicted! Learn more about our work to attract and retain beavers and how beavers can help to build natural firebreaks that can slow the spread of wildfires in our newest insight here.

About EFM

EFM invests in natural climate solutions across the Americas to create long-term financial valueand enduring environmental and social impact. Our investment funds enable the transition of

landscapes to climate-smart forestry and to more equitable, permanent forms of land ownership. EFM stewards ~125,000 acres under FSC certified management in the western United States and has ~$215M in private capital under management and advisement. Learn more at www.efmi.com.

We invite you to contact our Director of Investor Relations, Kim Foley, at kfoley@efmi.com or at (503) 467.0823 with any questions or requests for additional information. Thank you for your interest in EFM's climate-smart forestry!

[i] https://fas.org/sgp/crs/misc/IF10244.pdf

[ii] https://www.nytimes.com/interactive/2020/09/24/climate/fires-worst-year-california-oregon-washington.html

[iii] https://www.wri.org/blog/2020/09/carbon-sequestration-natural-forest-regrowth#:~:text=This%20is%20on%20top%20of,of%20C02%20emissions%20each%20year

[iv] https://www.ofic.com/oregon-forests-capture-half-of-our-states-human-caused-carbon-emissions/

[v] https://advances.sciencemag.org/content/4/11/eaat1869