

INVL Sustainable Timberland and Farmland Fund II (registered with the Luxembourg Trade and Companies' Register registration No. B248279) a segregated Compartment of INVL Alternative Assets Umbrella Fund, SCSp SICAV-RAIF, special limited partnership incorporated under the laws of the Grand Duchy of Luxembourg

This product:

This financial product promotes environmental or social characteristics but does not have as its objective a sustainable investment.

It does not invest in sustainable investments

It invests partially in sustainable investments

Has sustainable investment as its objective. Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices

Has a reference benchmark been designated for the purpose of attaining these characteristics promoted by the financial product?

Yes

No

I Summary

Shall contain a summary of the information referred to in that Article that relates to the financial product of a maximum length of two sides of A4-sized paper when printed.

INVL Sustainable Timberland and Farmland Fund II (the Fund or STAFF II) invests in forests and agricultural land for sustainable management in the Baltic region and Central and Eastern Europe. Since establishment at the end of 2020, first phase focus is directed towards acquisition of timberland and farmland. Decision to acquire properties is made based on the investment return criteria and on the qualitative parameters of the asset(s). It must be highlighted, that properties to be acquired might have been mismanaged in the past. Alongside with acquisitions, sustainable management starts to gain pace. Sustainability criteria are being formulated, set, adopted and adapted for STAFF II activities in a dynamic process. While consolidating timberland and farmland portfolio STAFF II pursues to have a positive environmental, social and governance (ESG) impact on the regions of Fund's operations. STAFF II activities – sustainable land use and management, afforestation, reforestation substantially contribute to environmental objectives. Fund is aware to not make any investments which could potentially have significant adverse effects to any of environmental objectives.

II No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective a sustainable investment. It does invest partially in sustainable investments

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund substantially contributes to the objective of climate change mitigation. Fund's activity focuses on strengthening land carbon sinks, including through reforestation, afforestation, improved forestry, substitution, revegetation, restoration of croplands, grasslands, wetlands and regenerative agriculture.

- **How does the sustainable investment take into account adverse impact indicators?**

INVL Asset Management, UAB – company responsible for STAFFII portfolio management, made a statement that most of the funds managed by the company do not consider principal adverse impacts of its investment decisions on sustainability factors, however, it puts best effort to implement considerations in all investment funds under management.

STAFF II is meant to maintain carbon positivity and to keep its activities opposed to adverse impacts.

While the EU regulation will formalize the disclosure process, the Fund has integrated ESG principles throughout the investment process, partly as a form of risk avoidance.

The Fund will monitor and report on the indicators, as set out in Table 1 of Annex I of the Regulatory Technical Standards of the Regulation, by 30 June 2023 at the latest.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

INVL Asset Management, as a portfolio manager of the Fund, ensures that the underlying investments of the Fund do no significant harm to the sustainable investment objective:

-by actively monitoring the Fund's investments that severely and structurally could breach minimum behavioral norms.

-by actively implementing essential principles of sustainability in managing the Fund's investments:

- protect the environment, be socially responsible and practice transparent corporate governance;
- follow best market practices and recommendations of international organizations for long-term management of timberland and farmland;
- maintain a healthy and thriving local ecosystem, enabling sustainable long-term value creation.

The exclusion criteria may be applied, in cases where the counterparty fails the compliance checks or other risks emerge. For example, if the counterparty, with which a land acquisition or lease is to be entered fails to comply with at least one of the compliance procedures/checks (i.e., the counterparty is on the sanctioned people/company list), then the transaction will be cancelled or relevant risk management tools shall be implemented, if possible. Appropriate compliance procedures and, where relevant and necessary, risk mitigation controls shall be applied to determine the counterparty's eligibility status (please find more detailed description of the counterparty risk in the Risk management section).

- **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**

INVL Asset Management, as a portfolio manager of the Fund, recognizes the importance of making and fulfilling international commitments that help ensure more sustainable operations and therefore supports the international agreements and international systems.

III Environmental or social characteristics of the financial product

According to the Fund's Private Placement Memorandum, the Fund is promoting environmental characteristics.

The objective of the Fund is to consolidate a portfolio of timberland and agricultural land located in Central and Eastern Europe and Baltic region and manage these portfolios according to best-in-class sustainable management practices to generate constant and uncorrelated with other asset classes returns through both cash-flows and appreciation of value of the acquired assets.

The Fund manages timberland following FSC standards¹ (the management of the forests are at the highest standards and complies with relevant government legislation and other international standards) and is undergoing FSC certification process. In terms of farmland the Fund seeks to employ most relevant sustainable management guidelines as stated in the relevant government legislation and follow selected guidelines from various well-established institutions.

A promotion index is not implemented in the environmental characteristics of the Fund.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

Forest is managed in a sustainable way to maintain long-term economic viability, social and environmental benefits. Several examples of indicators used:

¹ The Forest Stewardship Council is an international non-profit, multistakeholder organization established in 1993 that promotes responsible management of the world's forests. It is an example of a market-based certification program used as a transnational environmental policy. The global FSC Principles and Criteria (P&C) are generally seen as "the fundamental law" of FSC certification, since they lay down the fundamental definition of responsible forest management

- Rational usage of forest resources – annual volume increment exceeds annual harvest volume more than 5-10%.
- Mature forest availability - the ratio of the sum of the area of mature and near-mature stands to the total forest area is kept higher than 20%
- Habitat availability - protected and untouched forests of special importance accounts for about 10% of the forest portfolio.

Agricultural land management ensures land-based productivity, social and environmental benefits. Several examples of indicators used:

- property improvement for better land use – yearly goals for usability and value restoration projects;
- priority for tenants practicing ecological farming;
- priority for tenants who tended the property previously;
- tenant balance between SME and large business.

The sustainable objective and the sustainability indicators are coded and monitored on a regular basis as part of the investment process of the investment strategy. The Fund uses the sustainability indicators to measure if the sustainable investment objective is achieved. Variety of indicators is prone to increase over time along with global dynamics of sustainability perception scope in fields of forestry and agriculture.

IV Investment strategy

- **Please describe what binding elements of the investment strategy are used to select the investments to attain each of the environmental or social characteristics promoted by this financial product.**

Acquisition investment selection strategy can be separated between the asset classes:

- Timberland: strategy is to invest in forest properties with high-quality land, maintaining balance between different age classes in portfolio stands and targeting to keep average volume of portfolio forests around 180 m³/ha and above along with dominance of birch and conifers regarding species composition.
- Farmland: strategy is to invest in the highest quality land with productivity index of 40+ and to focus on long-term lease contracts with strong partners.

Higher quality land has more potential for higher and faster carbon stocking, however, vegetation is needed to attain that - properties with young untended forest stands, clearcuts requiring reforestation and abandoned land for afforestation or revegetation are also selected to be acquired for restoration purpose to enable and promote carbon capturing: management type investments evaluated before acquisition take place after acquisition resulting in socio-environmental improvement of acquired properties.

- **Please describe how the strategy is implemented in the investment process on a continuous basis.**

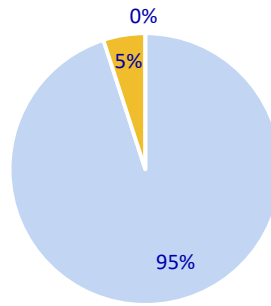
Implementation of investment strategy contains elements of continuous property evaluation, acquisition and management. One of the strategy edges stems from the team, which is comprised from one of the most knowledgeable and experienced professionals in the industry and as part of their activities – they perform hands-on site visits before every transaction. This allows to have reliable data when making investment decisions as well as to have a holistic view of the holdings and to plan future property management activities in a very efficient manner.

Throughout the whole investment process and operations of the Fund employing best Environmental, Social and Corporate governance (ESG) practices are of key importance. Consolidating land parcels into a large portfolio assists in achieving long-term sustainable operational efficiency of the holdings.

V Proportion of investments

The Fund has not formally adopted a target for the proportion of sustainable investments but a total of approximately 95% of the Fund’s investment to be sustainable investments.

Asset Allocation



- #1A Sustainable covers investments that qualify as sustainable investments
- #1B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments
- #2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics nor are qualified as sustainable investments

- **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund does not plan to include investments that are not aligned with the environmental or social characteristics.

VI Monitoring of environmental or social characteristics

- **How are the environmental, social characteristics and sustainability indicators monitored throughout the lifecycle of the financial product and the related internal/external control mechanisms?**

Environmental and social characteristics are continuously monitored throughout the lifecycle of the Fund as it is required to report annually on any material ESG themes relevant to interested parties. Internally, data on acquisitions and management is compiled monthly. As most characteristics are quantitative, monitoring and control is conducted by the means of tracking, comparison, and cross-checking. Sustainability indicators are monitored through quarterly ESG review of the investments where relevant ESG themes are in focus. Fund’s progress on those themes is evaluated and defined targets is analyzed. Performance on key indicators is reviewed to achieve short/mid-/long-term targets set out in internal Fund documents. External control mechanisms are comprised of periodical auditing by certifying bodies.

VII Methodologies

- **Please describe the methodologies used to measure the attainment of the social or environmental characteristics promoted by the financial product using sustainability indicators?**

Partner reputation screening as a preventative measure for sustainability risks – down in the SPV level client, contractor, tenant selection prior to stumpage sales, service purchase or lease is based on their general reputability and/or qualitative reputation of their services. It is conducted using several existing frameworks as well as by means that should not be specified in detail due to possible know-how leak. Specific environmental metrics are collected from SPV’s as a monitoring result, carbon footprint calculations and tracking will be established based on Carbon Footprint Management Certificate framework.

IX Data sources and processing

- **Please describe what data sources were used to attain each of the environmental or social characteristics (including information on how the data is processed, what measures are taken to ensure data quality, and what proportion of data is estimated).**

Data sources for specific environmental metrics – SPV’s belonging to the fund: forest inventory data, public register data, management data, acquisition data, etc. Quality is ensured through comparison, cross-checks, internal auditing.

Data source for carbon footprint measurements is the same as above, periodical external audits by certifying body of Carbon Footprint Management certificate is a means to ensure data quality.

The proportion of estimated data is relatively small and non-existent in majority of metrics, however, we believe it does not bias the attainment of the environmental and social characteristics promoted by the financial product.

X Limitations to methodologies and data

- **Please describe what limitations surrounded the described methodologies and data sources (including what actions are taken to address such limitations).**

Universally most common limitation is human error, that requires additional set/s of eyes to mitigate this limitation. Whole concept of sustainability is susceptible to interpretation and subjectivity and unless universal measurable indicators are available globally to precisely measure management impact towards Sustainable Development Goals (SDG) or themes in respective forestry and agriculture fields – the only way is to follow the best sustainability practices and to believe in them.

XI Due diligence

Describe the due diligence process carried out on the underlying assets of the financial product. Please refer to section (IV) for a detailed description of the due diligence processes that are carried out on the underlying assets of the Fund

- **What internal and external controls were in place on that due diligence?**

Due diligence on the underlying assets of the Fund is carried out as depicted under Section IV above in the investment process continuously by pre-trade and post-trade (holding period) checks against the binding elements and performed by portfolio management, the internal the Fund’s Investment Committee as well as by compliance of the Fund.

XII Engagement policies

- **Is engagement part of the environmental or social investment strategy?**

Partly yes.

- **If so, please describe the engagement policies implemented, including any management procedures applicable to sustainability-related controversies in investee companies**

INVL Asset Management, as a portfolio manager of the Fund, has an approved Engagement Policy, however, because of the fact that the Fund invests directly in land and forest, i.e. investments in companies (SPVs) holding land/forest areas, traditional concerns around governance and the methods of addressing those concerns, such as shareholder voting and setting reporting standards for direct managers of investments are not precisely relevant to the Fund.

The Fund is managed in line with Principles for Responsible Investing (PRI) whose (indirect) signatory is INVL Asset Management.

Fund acts proactively to decide which other world-renowned sustainability/ESG guidelines to follow and to adopt in its operations, monitoring, and reporting (i.e., UN Sustainable Development Goals, UN Global Compact, FAO guidelines, etc.), as well as the team may use its experience and professional judgement to add any other relevant sustainability practices.

Version	Changes	Date
No. 1	Publication by regulation	15-01-2022