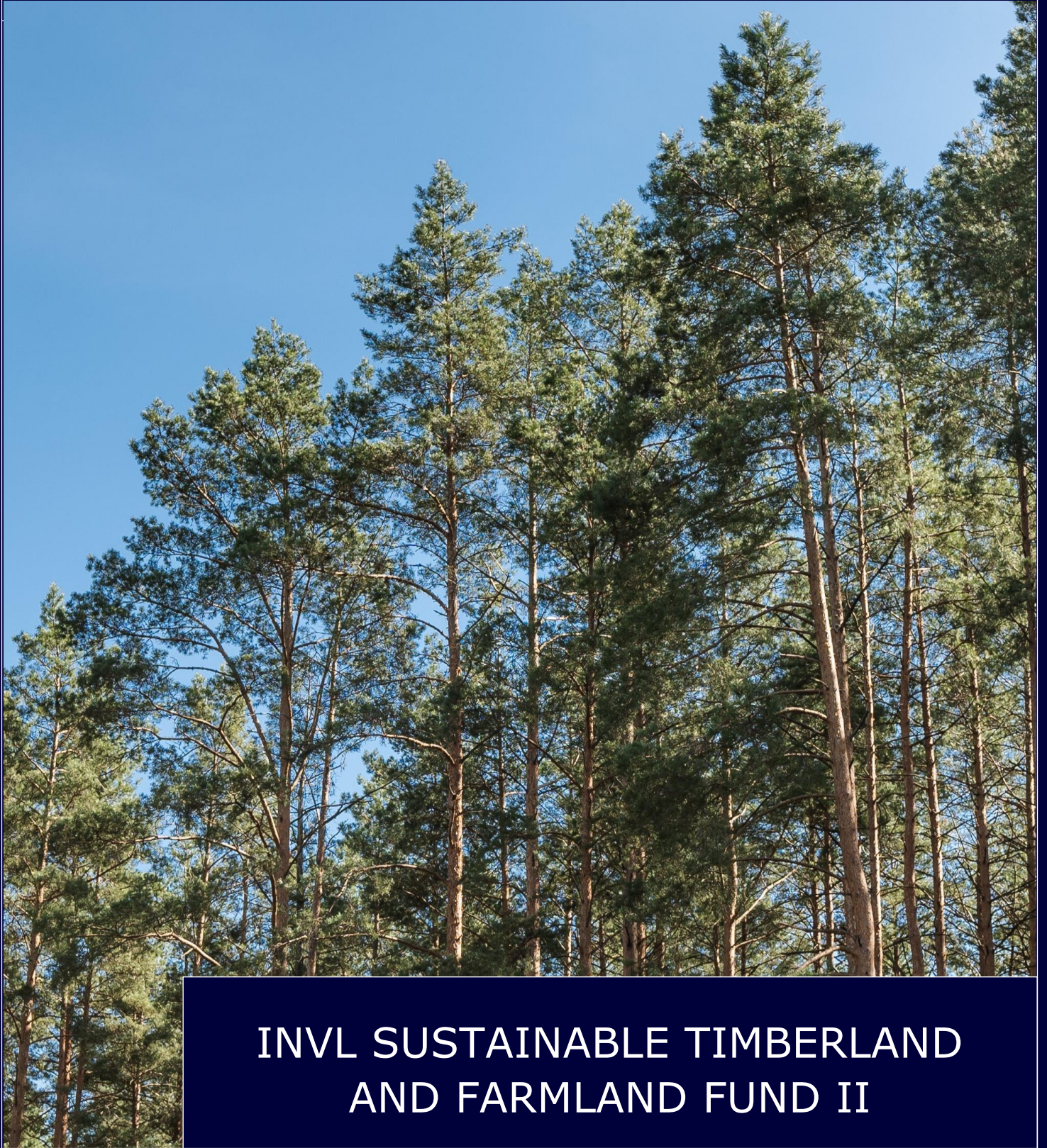


INVL

SUSTAINABLE TIMBERLAND AND FARMLAND FUND II



INVL SUSTAINABLE TIMBERLAND
AND FARMLAND FUND II

Communication on Progress in 2023



Dear Stakeholders,

In 2021, INVL Sustainable Timberland and Farmland Fund II (a segregated Compartment of INVL Alternative Assets Umbrella Fund, SCSp SICAV-RAIF) joined the United Nations Global Compact with an aim to contribute to the better future of our planet by incorporating the Ten Principles of the UN Global Compact in the development strategy and day-to-day operations of the Fund. In this Communication on Progress, we disclose what actions we took in the areas of Human Rights, Labor, Environment, Anti-Corruption, and Stakeholder Involvement to integrate the Ten Principles in our operations in 2023. We present how we continuously strive to align our investment strategy, internal culture, and the stakeholder engagement philosophy with the ideas reflected in the Ten Principles to help move the world closer towards the achievement of the UN Sustainable Development Goals.

Our team's competence, consistent effort, and determination allowed the Fund to remain on the path set in 2022. It continued to have a positive environmental impact as more tCO₂e was sequestered in the Fund's forests than emitted by the Fund during the year, achieved all 6 major sustainability-related targets set, and started engaging in afforestation activities, while all investments made by the Fund followed the principles set out by the UN Global Compact. It is worth noting that the Fund remained committed to its goals while continuing growing substantially – in 2023, its portfolio size increased by 40%.

In this Communication on Progress, we also share our commitments to the future and outlook for the next year. We are really pleased to confirm that the Ten Principles of the UN Global Compact will remain a building block for our growth in 2024 and beyond by reaffirming our support of the Ten Principles in the areas of Human Rights, Labor, Environment, and Anti-Corruption. We are grateful to everyone involved in this journey and we are glad that we have an opportunity to share this Communication on Progress with our stakeholders and make it accessible to everyone who may be interested to learn more about how we integrate the Ten Principles in our daily activities and long-term plans.



Martynas Samulionis

GP Manager



CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

In 2015, the United Nations (UN) laid out a plan for achieving a better future for all by ending extreme poverty, fighting inequality and injustice, and protecting our planet over the next 15 years. At the heart of its plan are the 17 Sustainable Development Goals (SDGs), guiding us in the creation of the world we want. For INVL Sustainable Timberland and Farmland Fund II (hereinafter referred to as "we" and "the Fund"), it is essential to contribute to the global vision for 2030. In this section, we present how this contribution to the SDGs manifests in the operations.



- The Fund seeks to partner with as many small and medium service providers as possible and prioritizes partnerships with local enterprises. For example, when opportunities arise, the Fund always informs representatives of local communities about various partnership possibilities in relation to planned economic activities in their vicinity.
- It is ensured that existing and new employees of portfolio companies, both males and females, are treated equally and paid the same for the same or equivalent work.
- Wages are determined based on qualifications, experience, knowledge, degree of responsibility, abilities of the employee, and the achieved results.
- Employees of portfolio companies and the portfolio management company can choose a contribution to an independent retirement pension accumulation plan as a motivational benefit.

- The Fund cooperates closely with farmers and agricultural businesses which provide the society with good-quality, safe, and wholesome food products.
- Ecological farming and sustainable farming practices, including crop rotation, cover crops, and precision fertilization, are promoted.
- Wide variety of crops are grown on agricultural land leased by the Fund, including cereals, legumes, corn, sugar beets, and aromatic plants.
- The Fund seeks to lease at least 50% of agricultural land to small and medium farmers or enterprises (SMEs). As of the end of 2023, 62.3% of agricultural land is leased to SMEs. This marks a significant increase from the end of 2022, when small and medium agricultural enterprises worked on 53.9% of the land.



- Gender and marital status do not have any role in employee selection process. Every candidate is treated equitably.
- Remuneration for equivalent work is equitable and no gender-based differences exist. Both female and male employees are granted parental leave without any additional conditions or directly or indirectly applied fines.

- In forests located near water reservoirs and other bodies of water, the Fund adheres to applicable protection measures. The Fund does not carry out felling in shore protection strips and near water bodies in general, which ensures that its activities do not contribute to bank erosion, and forest-related water ecosystems are protected. The Fund is willing to engage in reforestation of areas near water bodies in need of protection from erosion.
- The Fund does not use any pesticides or fertilizers in forests, which minimizes the risk of groundwater pollution. In the contracts for sale of standing timber, it is stipulated that the buyers have to inform us about the use of chemicals and cannot use any chemical substances banned by Forest Stewardship Council® (FSC®). There were no emissions to water in the Fund's operations in 2023.



- Employees are provided with safe and sanitary work equipment. The Fund takes steps to ensure that the team is well protected against outside dangers while working on-site.
- The Fund takes preventive actions and acts in accordance with health and safety guidelines and requirements of the government and medical institutions.
- Employer-employee relationship is based on mutual consent. The Fund strongly condemns forced labor, child labor and modern slavery. Freedom of association and the right to collective bargaining is fully respected and promoted. Employees can participate in a works council established in accordance with the domestic laws.
- The Fund has zero tolerance for psychological violence, bullying, and the abuse of authority.
- Expenses for fuel, workwear and accommodation are fully covered.

CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

- The Fund seeks to provide SMEs and local firms with as many business partnership opportunities as possible. As of the end of 2023, 62.3% of agricultural land is leased to SMEs. When opportunities arise, the Fund always informs representatives of local communities about various partnership possibilities in relation to planned economic activities in their vicinity.
- Employees of portfolio companies are compensated equally for the same work.
- Gender, age, marital status, nationality, beliefs, and opinions do not have any role in employee selection and hiring process.
- The Fund recognizes the right to collective bargaining and provides the employees of portfolio companies and the portfolio management company with an opportunity to unionize. In case trade unions are not formed, employees can become a part of a works council established in accordance with the domestic laws.

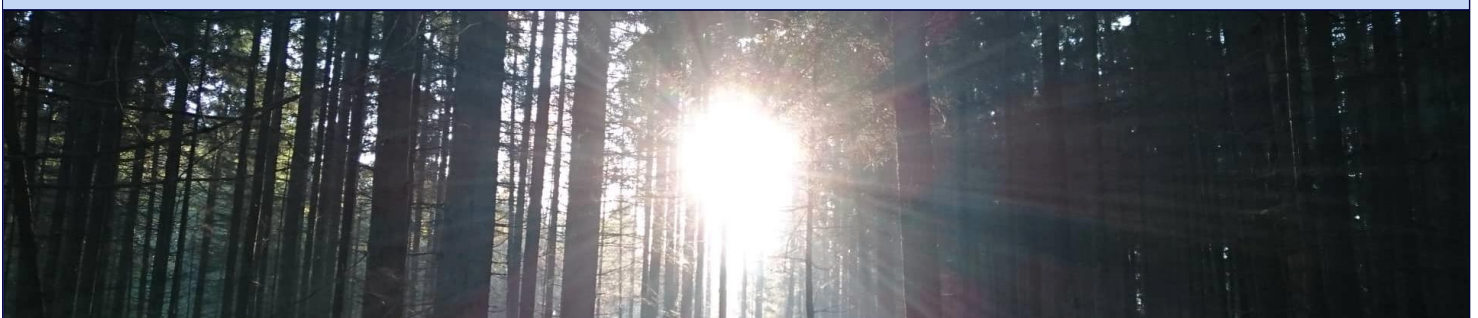


- As of the end of the reporting period, 19.5% of the land plots owned by the Fund are located near biodiversity-sensitive areas. The Fund does its best to ensure that natural treasures are protected and not affected by the operations of the Fund. 10.1% of the forest holdings were attributed to the areas of special importance, which the Fund commits to leave to develop naturally and which can be preserved for future generations. Locations of high cultural and environmental importance are usually identified with the help of local communities.
- The Fund evaluates climate and natural disaster risks when planning forest measurement activities to ensure that the probability of environmental harm is minimized, and people are not affected in any way.

- Forest resources owned by the Fund are managed sustainably. It is ensured that the annual harvesting rate does not exceed the level of sustainable forest use. In 2023, the ratio of harvested wood volume to the annual increment was 51%, showing that the net benefit was maintained. If there are any complaints regarding how the forests are managed, the Fund includes them in the Registry of Communication and analyzes each complaint in depth.
- The Fund seeks to generate as little waste as possible. Waste is managed according to environmental standards, and it is ensured that there are no leaks of hazardous chemical substances which may affect the well-being of local communities. There was not any hazardous or radioactive waste generated in 2023.
- The Fund publishes its sustainability-related reporting, planned forest management activities, and other news on the website to ensure that the stakeholders can follow the operations of the Fund and share their opinions with us.



- The Fund seeks to be climate positive and have a negative carbon footprint by sequestering more tCO₂e in the forests than emitting during the operations. In 2023, the average quarterly carbon footprint (per EUR 1 million of investments) was equal to -187.55 tCO₂e.
- The Fund promotes ecological and sustainable farming practices, including reduced/no tillage, which means that less soil carbon is disturbed, and precision fertilization, which reduces the amount of wastefully used fertilizers.
- Sustainable management of forests (regular planting, thinning, and harvesting according to rotation cycles) allows to accumulate larger stocks of timber, which can be used to substitute fossil fuels, metals, and other materials with a significant positive carbon footprint that affect the environment negatively.



CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

- Forests owned by the Fund are managed sustainably. Annual rate of harvesting does not exceed the level of sustainable forest use and it is planned that at least 10% of forests will be left for natural dynamics. In 2023, the ratio of harvested wood volume to the annual increment was 51%, showing that the net benefit was maintained. Furthermore, as of the end of 2023, 10.1% of the forest holdings were attributed to the areas of special importance, which the Fund commits to leave to develop naturally and which can be preserved for future generations.
- Trees with breeding caves, nests, loose bark and other microhabitats, champion trees, veteran trees, and multi-stem trees are protected.
- The Fund seeks to reforest land with species native to the area, which are deemed to be the most suitable, does not plant any alien species, and undertakes to prevent invasive non-native plants from spreading.
- The Fund avoids leaving highly productive land that is suitable for food production unused and actively engages in restoration of abandoned and degraded land. Each year, it is aimed to apply better land use for at least 50 ha of neglected land. In 2023, 231.8 ha of abandoned land were restored. Value restoration was done by afforesting formerly neglected land; cleaning, restoring and selling formerly neglected land; leasing formerly neglecting land (thus creating more opportunities for local residents and businesses) and in other ways.
- By sustainably managing forests, the Fund allows local residents and tourists to enjoy nature trails for leisure and help improve people's well-being.



- The Fund respects the rule of law and adheres to corruption prevention regulation. In agreements with business partners and service providers, it is stipulated that national and international legislation must be followed.
- The Fund does not engage in any form of corruption, including bribery, kickbacks, and facilitation payments. Measures are taken to ensure that employees of portfolio companies and the portfolio management company neither offer any bribes nor accept them.
- Any form of abuse of power and passive corruption in the Fund's relationship with the authorities is not tolerated.

- The Fund operates transparently and seeks to inform local communities about planned economic activities in their vicinity. Planned forest management activities are published on the Fund's website.
- Most service providers are local enterprises. When opportunities arise, the Fund always informs representatives of local communities about various partnership possibilities in relation to planned economic activities in their vicinity.
- The Fund seeks to partner with as many small and medium tenants and service providers as possible. As of the end of 2023, 62.3% of agricultural land is leased to SMEs.
- The Fund supports social projects of local communities and fosters their economic development, which involves non-timber forest products, such as berries, truffles, etc. For example, the Fund encourages beekeeping activities in its forest holdings. Forests are also used by local hunting clubs.



ACTIONS IN THE AREA OF HUMAN RIGHTS

- The Fund respects human dignity and acts in complete accordance with principles of protection of human rights, declared in the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights.
- The Fund does not tolerate any form of discrimination and harassment and does not knowingly work with any business partner or service provider who engages in any form of discrimination or exploitation of workers. The Fund is committed to helping its partners raise the standards of protection of human rights and human dignity.
- Employees of portfolio companies and the portfolio management company have signed the Policy of Equal Rights and Implementation Requirements, which ensures that the human rights-related commitments are upheld, and a safe and inclusive working environment is fostered.
- When analyzing investment opportunities and making decisions, the Fund always assesses human rights-related risks and possible impacts. Major decisions in which human rights have a significant role are aimed to be made only after thorough discussions with stakeholders and affected parties.
- The Fund has identified the working environment as one of the most important human rights-related topics. It strives to create a working environment in which everyone feels safe and respected. The Fund has a reporting mechanism and action plan in place in case there are any complaints regarding discrimination, harassment, abuse, or any other violation of human rights.
- The Fund is constantly tracking its performance in the field of human rights. For this purpose, 3 indicators are used to evaluate how it is doing. They are presented in the table on the right.

PRINCIPLES WE FOLLOW

Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2. Businesses should make sure that they are not complicit in human rights abuses.

INDICATORS WE TRACK

Number of complaints on violation of human rights filed in 2023	0
Number of incidents of discrimination in portfolio companies in 2023	0
Number of incidents of discrimination leading to sanctions in portfolio companies in 2023	0

ACTIONS IN THE AREA OF STAKEHOLDER ENGAGEMENT

- The Fund has embarked on a mission to provide investors with high returns and opportunities to contribute to the promotion of communality and the preservation of nature for future generations. Therefore, the Fund maintains contact with various stakeholders and pays attention to their wants and needs. INV L Sustainable Timberland and Farmland Fund II strives to be as open with its stakeholders as possible and keeps them informed through various channels of communication, such as its website.

STAKEHOLDER ENGAGEMENT CASE. COOPERATION WITH A LOCAL COMMUNITY IN LITHUANIA

One of the properties owned by the Fund in Lithuania is located near a hamlet. In 2023, when an old utility pole with a white stork's nest broke, an installation of a completely new nest was organized.



ACTIONS IN THE AREA OF LABOR

- INVL Sustainable Timberland and Farmland Fund II strongly supports commitments expressed in the Declaration on Fundamental Principles and Rights at Work, including the 2022 amendment regarding fundamental principles of a safe and healthy working environment. The Fund respects freedom of association, strives to create safe and stable working conditions, does not engage in any form of forced, compulsory, or child labor, which it firmly condemns, and does not tolerate any form of discrimination in respect of employment and occupation. The Fund acts in accordance with values and practices promoted by the Freedom of Association and Protection of the Right to Organise Convention, the Right to Organise and Collective Bargaining Convention, the Equal Remuneration Convention, and the Discrimination Convention.
- The Fund does not knowingly work with any business partner or service provider who engages in any form of discrimination, exploitation of workers, and forced, compulsory or child labor. Business partners are carefully selected, and it is closely monitored how the contractors treat their employees. In contracts with service providers, the Fund seeks to incorporate various labor-protection related provisions, including but not limited to restrictions of employment of minors for difficult and dangerous tasks.
- Portfolio companies and the portfolio management company have the Code of Ethics and the Policy of Equal Rights and Implementation Requirements in place, which ensure that every employee is treated with respect, and their freedom of self-expression is not restricted. The Fund recognizes the right to collective bargaining and freedom of association. Nevertheless, employees of both portfolio companies and the portfolio management company have not expressed a wish to unionize. Thus, employees can become a part of a works council established in accordance with the domestic law.
- INVL Sustainable Timberland and Farmland Fund II aspires to create working conditions which allow employees to concentrate on their tasks, not worry about anything else, and have a healthy work-life balance, which is paramount to the success of the Fund. Office space is designed aesthetically and ergonomically, according to the newest trends and recommendations. At the office, healthy snacks and hot drinks are available for the employees to stay energetic and focused. On Fridays, employees can enjoy breakfast at work, while pizzas are ordered after a monthly employees' meeting. Each team member has been provided with his/her own IT equipment and mobile devices. The Fund has successfully adapted to hybrid work and allows the employees to work from home. In the summer of 2023, all employees had an opportunity to work only 4 hours on Fridays.
- The Fund strives to create a working environment in which everyone feels safe and respected. The Fund has a reporting mechanism and action plan in place in case there are any complaints regarding discrimination, harassment, abuse, or any other violation of human or labor rights. In the reporting period, no aforementioned complaints were filed, and no incidents of discrimination were reported.
- The value of motivated and constantly improving employees is recognized. The Fund provides training and development opportunities to the entire team.
- Experience and commitment are greatly valued by the Fund. Therefore, the longer the employee works at the Fund, the higher the number of his/her paid vacation days is. For example, those who started working at the Fund 3 years ago receive 2 additional paid vacation days.

PRINCIPLES WE FOLLOW

Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4. Businesses should eliminate all forms of forced and compulsory labor.

Principle 5. Businesses should abolish all child labor.

Principle 6. Businesses should eliminate discrimination in respect of employment and occupation.

INDICATORS WE TRACK

Number of complaints on violation of labor rights filed in 2023	0
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Cases of absenteeism in 2023	0
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Occupational diseases and injuries (including subcontractor cases related to the operations of the Fund) in 2023	0
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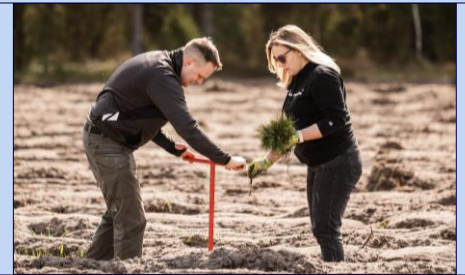


ACTIONS IN THE AREA OF LABOR

- Health and safety are a top priority for the Fund. Employees can choose additional medical insurance covered by the employer as a motivational benefit and are offered free flu vaccination every year. Regular medical checks are performed on the premises of the Fund. Health and safety standards of portfolio companies investing in forests are in line with the requirements of the ILO Code of Practice regarding safety and health in forestry work. During the regular worksite visits, employees of the Fund meticulously monitor how contractors and their workers adhere to safety standards. If violations of safety standards are noticed, each instance is registered in the List of Cases of Non-compliance and discussed with key stakeholders. Measures to prevent similar violations from happening in the future are adopted.
- Accidents are also registered in the List of Cases of Non-compliance. The team investigates the reasons behind them and adopts measures to prevent similar accidents from happening in the future. In case the State Labor Inspectorate investigates the case, the Fund cooperates with the authorities and follows their recommendations. In the contracts for sale of standing timber, it is stipulated that the Fund should be informed if any accidents during the process of timber harvesting occur.
- Wages are paid in accordance with relevant national labor laws and international standards. Annual and semi-annual performance reviews are conducted individually for every team member. Employees may receive yearly bonuses based on their performance and contribution.
- Employees who oversee land plot inspection and conduct on-site work are provided with company cars. The Fund also covers their expenses for fuel, accommodation, and workwear.
- Managers and their subordinates closely cooperate with each other and solve various problems together. Major decisions are made only after consultations with employees and other stakeholders and are based on relevant and objective criteria.
- The Fund recognizes the importance of team unity and open communication. Therefore, various team building and team bonding activities are organized to ensure that everyone feels like a part of the team and the Fund is run like a well-oiled machine.
- Team building activities are aimed to be directly linked to the mission and values of the Fund. They involve visits to the portfolio holdings, planting of trees or cooking dinner together.

TOGETHERNESS. FOREST PLANTING

- For the second year in a row, the Fund's team participated in forest planting. This time, the event involved much more people as colleagues from other departments were invited to join. In total, 40 people participated and planted around 8,000 trees, most of which were pine seedlings. The activity took place on 2.6 ha of land: 1.6 ha of abandoned land were afforested, while 1 ha was reforested.



TOGETHERNESS. FOREST CLEANUP

- The Fund's team regularly takes part in forest cleanups. Occasions like this not only strengthen the bond between the colleagues but also are beneficial to the environment.



ACTIONS IN THE AREA OF ENVIRONMENT

- INVL Sustainable Timberland and Farmland Fund II promotes environmental and/or social characteristics within the meaning of Article 8 (“Transparency of the promotion of environmental or social characteristic in pre-contractual disclosures”) of the Sustainable Finance Disclosure Regulation and is classified as *Light green*.
- The Fund respects the principles stated in the Rio Declaration on Environment and Development and recognizes that environmental issues are best handled with the participation of all stakeholders, international environmental standards must be followed in forest and farmland management, and precautionary approach has to be applied in order to protect the environment and preserve our surroundings.
- Portfolio management company of the Fund, INVL Asset Management, is an indirect signatory of the United Nations Principles for Responsible Investment. The principles guide the operations of the Fund and help align the investment strategy with broader objectives of society better. The Fund follows ESG criteria in the investment analysis and decision-making processes and incorporates ESG issues into the forest and agricultural land management plans.
- The Fund is committed to manage forest and farmland portfolios according to widely recognized management standards, international guidelines, and national legislation. Forest portfolio companies undertake to operate according to the Forest Stewardship Council® (FSC®) principles and criteria, which promote environmentally appropriate, socially beneficial, and economically viable management of forests. Employees of forest management companies are familiar with sustainable forest management provisions and follow them in day-to-day activities. In 2023, Lithuanian forest portfolio administration company UAB Šalnupis, which is granted an FSC® Group Forest Management Certificate (certificate code NC-FM/COC-067275, trademark license code FSC-C177006), successfully passed the annual audit.
- The aim of INVL Sustainable Timberland and Farmland Fund II is to create value not only for investors but also for the environment and society. The Fund sees sustainable management of forests and farmland as an essential tool for the creation of long-term value. For example, it ensures that the annual harvesting rate does not exceed the level of sustainable forest use, accounts for climate and natural disaster risks when planning forest management activities, and does not carry out afforestation in peatlands or other wetlands. Sustainable forest management allows local residents, hikers, and tourists to spend their free time surrounded by nature, in a healthy and safe environment.
- The Fund undertakes to protect and foster biodiversity. During main fellings and sanitation cuttings, at least 5 m³/ha of biologically important dead wood is kept untouched. If there is not enough dead wood, a larger number of biologically diverse trees is preserved.
- Large diameter trees are not cut (large diameter of common oak is considered to be more than 140 cm, common aspen – more than 120 cm, Baltic pine – more than 80 cm, black alder, European spruce, and silver birch – more than 70 cm).
- Clearcut forests are replanted or allowed to regenerate naturally, depending on the location and its conditions. Forest land use is never changed.
- The Fund does its best to protect its forest holdings from illegal harvesting, construction, and other unlawful activities. Fund holdings are regularly visited, and each instance of illegality is reported to responsible institutions and registered in the List of Cases of Non-compliance.


PRINCIPLES WE FOLLOW

Principle 7. Businesses should support a precautionary approach to environmental challenges.

Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.

FOREST MANAGEMENT. 2023

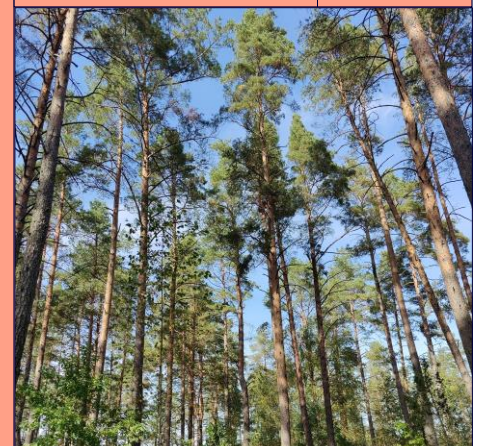
Number of trees planted in 2023	245,470
 - Birch	136,720
- Pine	74,250
- Bl. alder	25,300
- Others	9,200

Total afforested area	45.30 ha
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Total reforested area	38.25 ha
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Pre-commercially thinned forests	165 ha
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Forests protected using cervid-repellant measures	24 ha
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ACTIONS IN THE AREA OF ENVIRONMENT

- The Fund registers information about protected species, nesting areas of protected bird species, and natural habitats in the Journal of Natural Treasures. Information is collected from the State Forest Service, SRIS (Protected Species Information System), and publicly available data on habitats and sites of rare species or provided by local residents or experts during the site visits. It is ensured that any potential harm to protected species is minimized by employing various protection measures and careful monitoring. Information on natural treasures is checked before forest management activities take place and the potential impact at the level of a forest or the entire landscape is thoroughly analyzed.
- Lease agreements are signed with farmers whose main activity is food production. The Fund seeks to cooperate mainly with agricultural enterprises that use or plan to adapt advanced technologies or management practices.
- In lease agreements, the Fund establishes a right to inspect the leased land plots at any point and requires the tenant to carry out maintenance works of farming-related infrastructure (e.g., drainage systems). It is also stipulated that the farmer cannot deteriorate soil condition and has to ask for consent if he/she wants to use the land for non-agricultural activities. Tenants have to be fully compliant with all regulations on farming practices and environmental protection. Leased arable land can be converted to a pasture only for a period shorter than 5 years and cannot be used as a pasture in the last year of a lease agreement.
- The Fund believes that profound changes start with small steps in the right direction and hence also takes simple measures to have a positive impact on the environment: promotes the use of mobile signature and electronic documents, engages in waste sorting, and limits the use of plastic products in the office.

AFFORESTATION

- In 2023, the Fund started its afforestation initiative by establishing a forest in areas where there was no recent tree cover. In Lithuania, 45.3 ha were afforested. For afforestation, the Fund chose three species of trees: birch, pine, and black alder. In total, 122,220 trees were planted in spring and autumn planting periods.



PROTECTION OF VALUABLE SPECIES

A forest near Kėdainiai (Lithuania) surprised the team with a rare lichen – *Lobaria pulmonaria*, included in the Red Data Book of Lithuania. Prosperous living conditions were ensured for the lichen in order to preserve it for future generations.



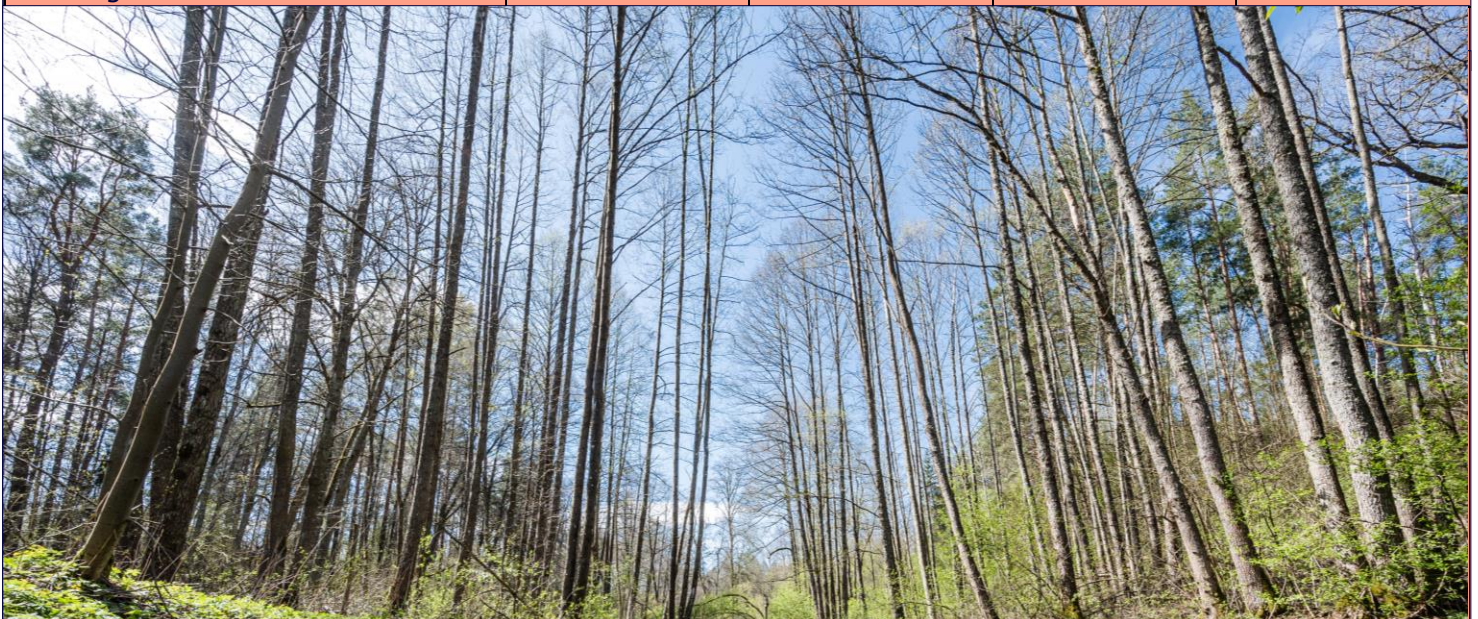
ENVIRONMENTAL IMPACT (in tCO₂e)

Indicator	Result in 2023	Result in 2022	Comments
Scope 1 GHG emissions	7.29	7.97	Quarterly average
Scope 2 GHG emissions	0.31	0.33	Quarterly average
Scope 3 GHG emissions	1,830.48	1,396.60	Quarterly average
Total GHG emissions	1,838.08	1,404.91	Quarterly average
Carbon sequestration	-21,974.0	-14,201.7	Quarterly average
Carbon footprint	-187.55	-176.06	Quarterly average per 1M EUR
Carbon stock	2,416,623	1,579,941	In forests

ACTIONS IN THE AREA OF ENVIRONMENT. TARGETS

- The Fund has raised six main sustainability-related targets, whose performance has been tracked since the beginning of the Fund. In 2023, all six sustainability-related targets raised by the Fund were reached, marking a significant milestone for the Fund. The targets were reached gradually and in line with the initial timeline: in 2021, two target values out of six were achieved, while in 2022, the number of targets reached increased to four. The table below demonstrates this evolution of the Fund.

Criterion	Target	Result in 2023	Result in 2022	Result in 2021
Rational use of wood. Yearly harvested wood volume in our forests is planned to be smaller than yearly increment.	≤95%	51.0%	20.4%	7.0%
Forest maturity. Ratio of the area of mature and maturing stands to the total forest area is higher than 20%.	>20%	29.2%	28.4%	31.0%
Protected forests. Protected and untouched forests of special importance should account for about 10% of the forest portfolio.	~10%	10.1%	6.1%	2.8%
Cooperation with SMEs. At least 50% of agricultural land is leased to small farmers and SMEs.	≥50%	62.3%	53.9%	44.0%
Restoration of land. Each year, better land use is aimed to be applied for at least 50 ha of abandoned land.	>50 ha/year	231.8 ha	43.9 ha	22 ha
Ecological farming. At least 10% of agricultural land is leased to farmers who are organic farming certificate holders.	≥10%	20.2%	16.6%	0.0%



ACTIONS IN THE AREA OF ANTI-CORRUPTION

- INVL Sustainable Timberland and Farmland Fund II does not tolerate any form of corruption and hopes that general provisions, preventive measures, and international cooperation tools presented in the United Nations Convention Against Corruption are adapted all around the globe. The Fund follows national and international legislation on corruption prevention and sets the same high corruption intolerance standards for its business partners and service providers.

PRINCIPLES WE FOLLOW

Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.

- Operations of the Fund are based on transparency, responsibility, and compliance with regulations. The Gift Policy and the Conflict of Interest Policy, approved by the portfolio management company, shape an environment which is unfavorable to corruption and ensure that decisions are made transparently and impartially. In case any dispute arises, the Fund undertakes to settle it in accordance with the principles of respect for human rights, justice, fairness, reasonableness, objectivity, impartiality, and promptness.
- The Fund nurtures a culture of integrity, transparency, openness, and compliance through the application of the Code of Ethics, the Policy on the Avoidance of Conflicts of Interest, and the Rules of Procedure.
- Each natural and legal person, willing to invest in the Fund, undergoes thorough Know Your Customer, Anti-money Laundering, and terrorist financing checks. High compliance standards are also applied to natural and legal persons from whom timberland and farmland is acquired. Monitoring of investors and business partners is implemented constantly and no exceptions are made. The Fund always assesses the risk of corruption when doing business. Thorough due diligence is done before all acquisitions to ensure that no offenses are committed, and the Fund does not become involved in any money laundering or similar schemes. The Fund avoids investing in regions or countries which have long been marked by corruption and illegal activities.
- The Fund promotes ethical behavior and transparency among its business partners and service providers. They are encouraged to report all cases of noncompliance and illegalities to the Fund (if they are linked to the operations of the Fund) or directly to the authorities.
- Anti-corruption-related commitments of the Fund are ensured by internal procedures of both portfolio companies and the portfolio management company. Each employee is familiar with provisions of the Code of Ethics, the Policy on the Avoidance of Conflicts of Interest, and the Gift Policy. Based on them, employees undertake not to engage in any form of corruption. These provisions also ensure that employees do not hesitate to report any cases which may involve corruption or other illegal activities. Anti-corruption-related policies are constantly reviewed and updated based on the newest regulation or trends in corruption prevention.
- Anti-corruption clauses are included in the employment contracts for employees of both portfolio companies and the portfolio management company. If any case of corruption, bribery or coercion arises, strictest measures provided for in the Labor Code are applied to employees related to the case.
- In 2023, there were no corruption-related incidents in portfolio companies and in the portfolio management company.
- From time to time, corruption prevention training is organized for the employees working with the Fund to ensure that they can spot any instance of corruption and report it in a timely manner.
- Accounting in portfolio companies is done in accordance with national and international regulations. Audits of the Fund and the portfolio management companies are conducted following international auditing standards.

OUTLOOK FOR THE NEXT YEAR

- The Fund is looking forward to continuing its growth in the Baltic States and Romania. This development should take place not only in the form of portfolio building but also expansion of the scope of forest management activities such as afforestation and pre-commercial thinning, more active involvement of key stakeholders, and the beginning of new partnerships, for example, in the field of renewable energy. In the ambitious growth plan, the Ten Principles will have a key role. They will guide the Fund in making appropriate, effective, informed, and inclusive decisions in the areas of human rights, labor, environment, and anti-corruption.



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.