RESPONSIBLE INVESTMENT POLICY
CRESCO CAPITAL SERVICES A/S

Reviewed and updated in 2024

Content

1 Introduction

This sustainability policy outlines how Cresco Capital Services A/S (hereinafter CCS) addresses sustainability issues at both corporate and product level. It describes CCS' sustainability goals and how CCS integrates sustainability risks into investment processes and remuneration policies.

CCS is a specialized asset management company focused on direct investments in forestry, land, and related renewable energy production. CCS facilitates direct investment in forestry and land with a focus on tangible value creation based on mutual incentives with investors and high transparency in financial and ESG reporting.

CCS' overall approach to responsible investment is focused on creating long-term value for investors and society through sustainable and ethical practices. The purpose of CCS is to:

> *Contribute and stimulate towards a more sustainable development of the potential of forests and land for the benefit of investors, the climate and nature as well as value creation in society."*

Sustainability is an integral part of CCS, and the financial returns are built on sustainable activities. We believe that incorporating environmental, social, and governance (ESG) factors in investment decisions and management helps minimize the risk of reduced returns while ensuring a positive reputation for the company. This approach involves establishing guidelines and objectives to achieve sustainability goals across all investments.

As per the Disclosure Regulation[1], CCS is considered a "financial market participant" because it is registered as an Alternative Investment Fund Manager (AIFM) by the Danish Financial Supervisory Authority. The main goal of the Disclosure Regulation is to enhance information on sustainability-related matters in the financial sector, and to improve investor and consumer protection. This regulation sets out specific requirements for financial market participants and financial advisors regarding the disclosure of environmental, social, and governance factors (ESG factors) in their investment and advisory processes. To ensure compliance with the requirements of the Disclosure Regulation, CCS will:

- Implement sustainability risks into investment processes.
- Integrate sustainability risks into remuneration policies.
- Publish the mandatory sustainability disclosures on its website.
- Fulfil its disclosure obligations in the pre-contractual investor material according to Section 62 of the AIFM Act.

This policy reflects CCS' best understanding of the policy requirements of the Disclosure Regulation.

[1] Disclosure Regulation: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088

1.1 Definitions

1.1.1 Sustainable Investments

According to Article 2, Paragraph 17 of the Disclosure Regulation, sustainable investments are defined as “an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance”

1.1.2 Sustainability Risks

According to Article 2, Paragraph 22 of the Disclosure Regulation, sustainability risks are defined as “an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.”

1.1.3 ESG Factors

ESG factors focus on the company’s behaviour within three main areas: Environment, Social, and Governance. CCS has established objectives, risks, and opportunities (section 2.3) as well as due diligence guidelines (appendix 1) for each of these factors to ensure responsible investment and asset management.

1. **Environmental factors** encompass issues related to climate, environment, and nature.
2. **Social factors** encompass inequality, inclusion, working conditions, human capital, local communities, human rights, etc.
3. **Governance factors** involve management structures, employee relations, executive remuneration, anti-corruption measures, etc.

2 Sustainability at the corporate level

2.1 Internal Processes

Sustainability can be integrated at various levels, and CCS is mindful of how ESG (Environmental, Social, and Corporate Governance) factors are incorporated into internal processes. As a small company with a limited number of employees, CCS generally has a small environmental footprint. By focusing on reducing travel emissions and using sustainably certified products, CCS aims to minimize the impact of the company's resource consumption. CCS prioritizes customer and employee satisfaction, as well as health and privacy. GDPR (General Data Protection Regulation) policies create a secure environment for customers and employees. Health insurance and a supportive working environment ensure the well-being of employees. Transparent and responsible corporate governance and management are achieved through compliance with the AIFM (Alternative Investment Fund Managers) Act and the Anti-Money Laundering Act.

2.2 Integration of Sustainability Risks into Remuneration Policies

CCS is aware of creating remuneration structures that do not create inappropriate incentives that could harm environmental, social, or governance factors. CCS' Board of Directors and the Board of Directors of the associated alternative investment funds (AIFs) receive a fixed fee and do not have share incentive plans. CCS' own remuneration structure related to the alternative investment funds is based on a fixed management fee and potential success fees, which incentivises influencing investment returns positively. CCS is also mindful of whether local partners' remuneration structures may create inappropriate incentives as they are often based on operating activities. Therefore, CCS closely monitors their work through frequent dialogue.

2.3 Integration of Sustainability Risks and Opportunities into Investment and Decision-making Processes

The Disclosure Regulation requires, among other things, that companies publish information on their policies for integrating sustainability risks into their investment decision-making processes on their websites (Article 3), where they consider principal adverse impacts of investment decisions on sustainability factors, a statement on due diligence policies with respect to those impacts, taking due account of their size, the nature and scale of their activities and the types of financial products they make available (Article 4). Before decisions are made regarding 1) expansion of our geographical investment universe, 2) establishment of new funds, or 3) acquisition of specific forest and land properties, due diligences are conducted to examine risks and opportunities associated with the investments. As part of the due diligence process, procedures are implemented to consider any negative impacts on sustainability factors. CCS focuses on data-driven research and property inspections before acquisition. CCS also works with locally certified third-party forest managers, ensuring stewardship and engagement with key stakeholders such as forest managers and local communities to foster mutual benefits. CCS' due diligence policy and exclusion guidelines can be found in Appendix 1 and 2.

CCS' has defined and identified the ESG objectives, risks, and opportunities below.

2.3.1 Environmental Objectives, Risks, and Opportunities

CCS aims to minimize environmental impact through sustainable forestry practices, conservation efforts, and investments in renewable energy. The objective is to mitigate climate change through carbon storage in trees and wood products and ensure the conservation of other ecosystem services.

CCS acknowledges that climate-related risks and opportunities are critical to its forestry and land investments. These factors are integrated into the investment and decision-making processes to ensure robust decision-making and strategic alignment.

Risks
Extreme Weather Events Increased frequency of storms, floods, and droughts can damage assets and reduce logging volume and value, impacting revenue streams. **Temperature Rise** Long-term temperature changes may necessitate species adaptation and reforestation strategies. **Pests and Diseases** Warmer temperatures and longer growing seasons can expand the range and activity period of pests, such as bark beetles, impacting forest health and productivity. **Ecosystem Degradation** Loss of biodiversity can reduce ecosystem services critical to sustainable forestry. **Regulatory Changes** Governments may impose stricter regulations on land use and forestry practices to combat climate change, impacting operations and compliance costs.
Opportunities
Carbon Sequestration and Carbon Markets Forests act as carbon sinks, absorbing CO2 from the atmosphere. Investors can participate in carbon markets by selling carbon credits, providing a significant revenue stream. **Sustainable Timber Production** Growing consumer demand for sustainably sourced timber products can drive market opportunities for certified forestry operations. **Ecosystem Conservation** Forests provide critical ecosystem services such as water regulation, soil stabilization, and habitat for wildlife, which can be monetized through conservation finance and payments for ecosystem services (PES). **Renewable Energy Integration** Development of renewable energy projects on land holdings can diversify income. **Climate Resilience and Adaptation** Well-managed forests can enhance climate resilience by reducing the impacts of extreme weather events and supporting adaptation strategies for local communities. **Temperature rise and increase precipitation** Increased temperatures and rainfall can result in increased tree growth in certain locations.

Innovative Forestry Techniques Adoption of advanced technologies and practices can improve yields and sustainability. **Circular Economy and Green Transition** Wood products are very suitable for a circular economy and they have a negative carbon footprint.

Climate-related risks and opportunities significantly influence CCS' strategic direction and financial planning. The integration of sustainability into the core business model enhances resilience against climate volatility. Financially, CCS allocates resources to mitigate risks and leverage opportunities through investment in sustainable practices within forest and land management as well as energy production. The strategic focus on environmental stewardship strengthens CCS' market position and aligns with global climate initiatives.

2.3.2 Social Objectives, Risks, and Opportunities

CCS is committed to respecting human rights and upholding minimum social safeguards as required by the EU Taxonomy Regulation. The company seeks to promote social cohesion and equitable development through investments that benefit local communities and ensure fair labour practices.

Risks
Labor Rights Violations Unsafe working conditions increase the risk of accidents and injuries due to inadequate safety measures. Furthermore, violations of human rights and labor standards may have adverse impact on investments due to lower productivity, lost workdays, compensation claims, and fines or other sanctions. **Inadequate Stakeholder Engagement** Poor communication and consultation with affected communities can have an adverse impact on the local stakeholders and the investment return. **Conflicts and Social Unrest** Potential for existing political tensions to impact the investment.
Opportunities
Job Creation and Economic Development Creation of jobs in sustainable forestry and related industries. Boost to local economies through investment and development activities. **Community Empowerment** Involving stakeholders in decision-making processes to gain insights, reduce conflicts, and enhance social license to operate. **Health and Well-being** Reduction in pollution and improvement in ecosystem services leading to better health outcomes. **Resilience Building** Disaster risk reduction by using forests to mitigate natural disasters such as floods and landslides.

2.3.3 Governance Objectives, Risks and Opportunities

CCS' governance objectives include ensuring transparency, accountability, and ethical behavior across asset and investment management. The company manages conflicts of interest related to responsible investment through policies and oversight.

Risks
Inappropriate remuneration structures Inappropriate remuneration structures for the board, management, and subcontractors can lead to incentive structures that harm the investment. **Corruption and Bribery** Risk of corruption and bribery in obtaining permits, land acquisitions, or regulatory approvals. Risk of fraudulent reporting of financial, environmental, or social performance. **Non-compliance with Laws** Risks associated with failing to comply with national and international forestry regulations and standards. **Lack of Transparency and Accountability** Decisions made without adequate stakeholder consultation or transparency. Poor or misleading disclosure of investment performance and impacts.
Opportunities
Sustainable Investment Strategies Utilising sustainable practices to increase long-term value and attract responsible investors. **Enhanced Transparency and Accountability** Clear and comprehensive reports on financial performance, ESG impacts, and governance practices. Transparent communication with stakeholders builds trust and enhances reputation. **Effective Governance Structures** Establishing boards with diverse backgrounds and expertise to provide effective oversight and strategic direction. Implementing rigorous internal controls to ensure compliance and protect assets. **Risk Management and Resilience** Identifying and mitigating risks through robust risk management frameworks and practices. Developing strategies to adapt to changing market conditions and environmental challenges.

CCS mitigates the ESG risks and seeks the ESG opportunities listed above in their daily management and through careful due diligences as described in appendix 1.

3 Sustainability at the Product level

3.1 Product Sustainability Goals

CCS is dedicated to making impact investments that address societal challenges while also providing competitive financial returns for its clients and CCS strives at aligning its alternative investment funds with the criteria in the EU Taxonomy Regulation[2]. The EU Taxonomy Regulation aims to establish a common classification of environmentally sustainable economic activities. It primarily functions as financial regulation because it offers investors a more consistent basis for assessing the sustainability of an investment. However, the scope of the Taxonomy Regulation largely covers non-financial sectors, defining a range of requirements that non-financial companies (e.g., cement companies, wind turbine manufacturers, and real estate developers) must meet for their activities to be classified as sustainable.

The Taxonomy Regulation outlines six climate and environmental objectives for economic activities:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

For an economic activity to be considered sustainable, it must significantly contribute to achieving one or more of the six climate and environmental objectives and must not significantly harm any of the other objectives. The following explains how CCS' investment activities significantly contribute to achieving the Taxonomy Regulation's climate change mitigation objective without significantly harming the other five climate and environmental objectives, and how they support these objectives in different ways.

3.2 Substantial Contribution Criteria

3.2.1 Climate Change Mitigation

CCS focuses on contributing significantly to climate change mitigation through the sustainable development of forests and land. Carbon is absorbed and stored as trees grow, and the significant role of forests in mitigating climate change is well documented. CCS’ activities will contribute significantly to climate

[2] EU Taxonomy Regulation: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852

change mitigation and the reduction targets set in the Paris Agreement by continuously increasing the carbon stock of the entire forest property portfolio.

Sustainable forestry is ensured through forest certification standards. The Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) are internationally recognized third-party forest certification schemes that, among other things, require that the harvest level must be sustainable.

3.3 Do No Significant Harm Criteria

3.3.1 Climate Change Adaption

CCS' activities are not expected to significantly harm the climate change adaptation goal. Prioritization of climate-adapted tree species supports the resilience of the forests and thus adaptation to climate change. Maintenance and restoration of habitat corridors facilitate species migration and adaptation to new climatic conditions. This connectivity supports biodiversity and ecosystem resilience. Protection and restoration of wetland areas within and around forested areas enhance natural water storage and flood mitigation capabilities. Continuously monitoring of climate conditions and forest health ensures identification of emerging threats and opportunities for adaptation. Data-driven approaches are used to inform adaptive management practices where possible.

3.3.2 Sustainable Use and Protection of Water and Marine Resources

CCS' activities are not expected to significantly harm the sustainable use and protection of water and marine resources. Activities are conducted on land and do not involve irrigation or other water-demanding resources. Additionally, forests have been shown to effectively protect groundwater resources from pollutants.

3.3.3 Transition to a Circular Economy

CCS' activities are not expected to significantly harm the transition to a circular economy. Through sustainable forest management, CCS aims to produce high-quality wood that can be used in long-lasting products where they can substitute fossil materials. Wood is also a recyclable material that does not create waste challenges.

3.3.4 Pollution Prevention and Control

CCS' activities are not expected to significantly harm the objective of pollution prevention and control. On the contrary, trees can reduce pollution of air and groundwater. Pollution from machinery, pesticides, and fertilization is considered negligible.

3.3.5 Protection and Restoration of Biodiversity and Ecosystem Services

CCS' activities are not expected to significantly harm the objective of protecting and restoring biodiversity and ecosystems. On the contrary, biodiversity and ecosystems are considered in forest activities. This is ensured, for example, through internationally recognized forest certification schemes (FSC/PEFC), which impose requirements for biodiversity and ecosystem protection. E.g. all forests under CCS' management in Lithuania are certified and 10% of the forest area is set aside only for biodiversity purposes.

4 Responsibility for Implementing the Policy

Prior to establishment of investment companies and acquisition of new properties, internal managers must carry out due diligence processes where ESG factors and risks are incorporated. Internal managers must engage with local managers who can work in alignment with CCS' sustainable forest management goals and responsibilities.

External service providers (forest managers, certification bodies, etc.) have, together with the internal managers, a responsibility to carry out the daily work on the forest properties and ensure that sustainable forest management is carried out following the guidelines of the chosen forest certification standard (FSC/PEFC, UKWAS, UK Woodland Carbon Code etc.).

5 Reporting to the Board of Directors

CCS reports annually to the Board of Directors on matters covered by this policy. The Board of Directors must be promptly informed of any significant breach of the policy or underlying business processes.

6 Revision

The policy must be reviewed and, if necessary, revised by the Board of Directors at least once a year to ensure that it continuously addresses all relevant sustainability risks and opportunities associated with CCS' business model. Any changes to the policy must be updated on CCS' website.

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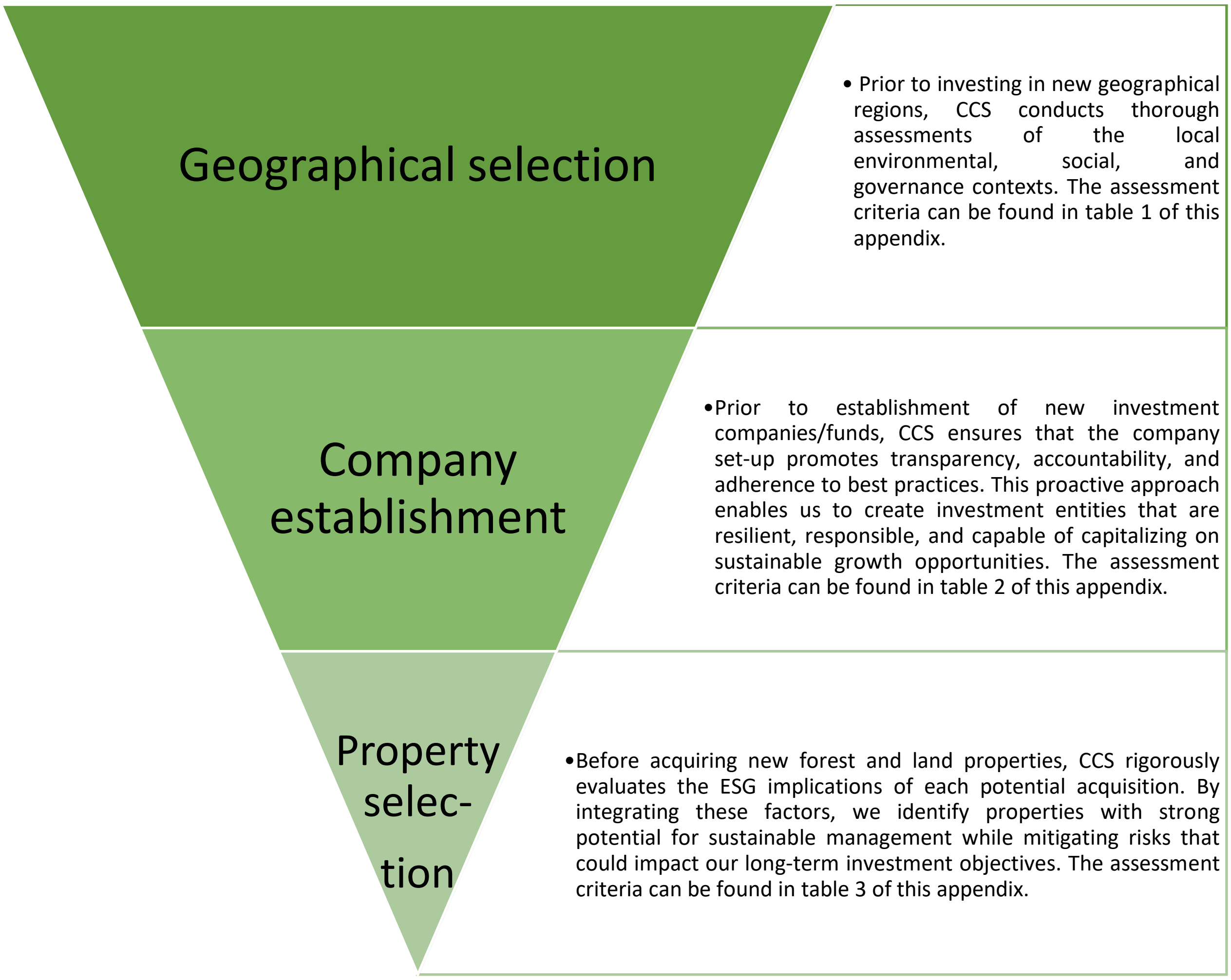
Approved by the Board of Directors 2nd of September, 2024

Appendix 1. Due Diligence Policy

CCS' commitment to responsible and sustainable forest investments is guided by this comprehensive Due Diligence Policy that integrates environmental, social, and governance (ESG) factors. This policy ensures that our investment decisions are not only financially sound but also aligned with our commitment to sustainability and social responsibility. Whether entering new geographical locations, establishing new investment companies, or acquiring new forest and land properties, CCS evaluates ESG factors to identify opportunities and mitigate potential risks.



Through this Due Diligence Policy, CCS ensures that every investment decision is informed by a comprehensive understanding of ESG factors, enabling us to seize opportunities for positive impact while safeguarding against potential risks. This approach underpins our commitment to responsible investment and sustainable growth in the forestry sector.

1. Geographical Selection – Table 1

Environmental Assessment
Climate Change Mitigation Assessment • **Climate Data Review:** Evaluate the country's climate profile, including temperature patterns, rainfall distribution, and seasonal variability. Focus on how these factors affect forest growth and health. • **Climate Change Vulnerability and Adaptation:** Assess the country's vulnerability to climate change impacts such as increased frequency of droughts, floods, and extreme weather events that could affect forest ecosystems. Review national adaptation plans and strategies that address climate change impacts on forests, including resilience-building measures and sustainable forestry practices. • **Carbon Sequestration Potential**: Evaluate the country's forest carbon stocks and their role in national greenhouse gas (GHG) inventories. Consider the potential for carbon removal projects, e.g. afforestation and peatland restoration. • **Afforestation Opportunities**: Review the country's policies and commitments to afforestation, including available funding options and national carbon pricing mechanisms. **Environmental Protection Assessment** • **National Protected Areas**: Identify the extent and management of protected areas, national parks, and forest reserves. Consider how these areas are prioritized and managed for conservation. • **Environmental Policy Framework**: Review the country's environmental laws, policies, and regulations related to forestry, including deforestation controls, protected areas, and land use planning. Check the country's adherence to international environmental agreements (e.g., Paris Agreement, Convention on Biological Diversity) and how these commitments influence national forestry practices.
Social Assessment
Local Engagement Assessment • **Stakeholder Engagement:** Evaluate the country's mechanisms for engaging stakeholders, including local communities, indigenous peoples, NGOs, and the private sector, in forest governance. Assess the extent to which the public can participate in decision-making processes related to forest management, including access to public consultations and the ability to influence policy. **Local Rights Assessment** • **Land Ownership and Use Rights:** Assess the country's legal framework regarding land ownership, use rights, and customary land tenure. Ensure clarity on who holds rights to the land. Evaluate the potential for land disputes, especially where land tenure is poorly defined. Consider the history of land conflicts and the mechanisms available for dispute resolution. • **Health and Safety Impacts:** Review national regulations and protocols in place to ensure the safety of communities and workers involved in forestry operations, particularly in areas prone to natural hazards. • **Labor Standards Compliance:** Assess compliance with national and international labor standards within the forestry sector, including laws on minimum wage, working hours, and occupational health and safety. • **Gender Considerations:** Examine the inclusion of gender considerations in national forestry policies and programs, ensuring that women have equal access to land, resources, and decision-making roles.

Governance Assessment

Legal Risk Assessment

- **Forest and Land Use Laws:** Review the country's legal framework governing forests and land use, including laws on forest conservation, land ownership, logging, and environmental protection. Assess the effectiveness of law enforcement agencies in implementing and monitoring compliance with forestry regulations. Consider the presence of penalties for non-compliance and the frequency of enforcement actions.
- **International and Regional Legal Commitments:** Assess the country's involvement in regional and international regulatory efforts to combat illegal logging, protect transboundary forest ecosystems, and manage shared resources. Review the country's adherence to international forestry standards and agreements, such as the Forest Law Enforcement, Governance, and Trade (FLEGT) initiative or the Convention on International Trade in Endangered Species (CITES).
- **Accountability Mechanisms:** Examine the presence and effectiveness of oversight bodies responsible for auditing forest management practices and holding authorities accountable for their actions. Evaluate the mechanisms available for addressing grievances related to forest governance, including land disputes, illegal logging, and community concerns. Ensure these mechanisms are accessible and effective

Political Risk Assessment

- **Institutional Structure:** Evaluate the capacity and structure of national and regional institutions responsible for forest management, including their ability to implement sustainable forestry practices and enforce regulations.
- **Corruption and Transparency:** Assess the risk of corruption in the forestry sector, including issues related to illegal logging, bribery, and manipulation of land ownership records. Evaluate the country's transparency in forest governance, including public access to information on forest management plans, logging permits, and resource allocation.
- **Policy Stability and Consistency:** Review the stability and consistency of forestry-related policies over time, including the risk of abrupt changes due to political shifts or instability. Assess the country's commitment to long-term sustainable forest management through policies that prioritize conservation, reforestation, and sustainable use of forest resources.

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2. Investment Company Establishment – Table 2

Legal Set-Up Assessment
• **Company Structure:** Determine the most appropriate legal structure for the investment company (e.g., limited partnership, trust, or corporate entity) based on jurisdictional requirements and investor preferences. • **Regulatory Compliance:** Ensure the investment company complies with relevant regulatory requirements in the jurisdictions where it will operate, including registration with financial authorities and adherence to securities laws. • **Tax Considerations:** Evaluate the tax implications of the investment company's structure, including potential tax liabilities for investors and the company itself. • **Documentation:** Prepare all necessary legal documentation, e.g. fund prospectus, subscription agreements, and investment management agreements. Ensure these documents clearly outline the investment company's objectives, governance structure, fees, and exit strategies.
Client Assessment
• **Anti-Money Laundering (AML) Compliance:** Ensure the investment company adheres to AML regulations by conducting thorough background checks on investors (Know Your Customer procedures) to detect and prevent money laundering activities. This may involve screening against international sanctions lists and monitoring for suspicious activities. • **Risk Profiling:** Assess the risk profile of each investor based on factors such as their investment history, geographical location, and the source of capital. High-risk investors should be subject to enhanced due diligence. • **Ongoing Monitoring:** Establish processes for the ongoing monitoring of investor activities and transactions. Regularly update KYC information and reassess risk profiles as necessary.
Property Sourcing Assessment
• **Robust Property Pipeline and Prioritization:** Evaluate the partners' abilities to bring a diverse and extensive portfolio of forest properties to the table, with a strong focus on prioritizing and queuing high-potential assets. It is essential that the partner can effectively identify and present the best properties first. A robust portfolio composition is a prerequisite for following sustainable management. • **Track Record and Local Network:** Assess the partner's experience and established local network focusing on their ability to source high-quality forest properties efficiently. A strong track record in similar acquisitions and solid connections with landowners, local authorities, and industry stakeholders is critical for accessing high-quality and low-risk properties. • **Sustainable Forestry Development Approach:** Ensure that the sourcing partner is not solely a logging company or similar, but a partner securing that the previous forest management of the properties is aligned with long-term sustainable forest management principles.
Forest Manager Assessment
• **Experience and Track Record:** Evaluate the experience and track record of potential forest managers, focusing on their expertise in sustainable forestry practices, portfolio management, and previous investment performance. • **Sustainability Credentials:** Ensure the forest manager has a strong commitment to sustainable forest management, including certifications from recognized bodies (e.g., FSC or PEFC) and a demonstrated history of implementing sustainable practices.

- **Reputation and References:** Conduct background checks on the forest manager's reputation within the industry, including seeking references from previous clients or partners. Look for any history of legal or regulatory issues.
- **Alignment with Objectives:** Ensure the forest manager's investment philosophy and management approach align with the investment company's objectives, including risk tolerance, return expectations, and sustainability goals.
- **Governance and Reporting:** Assess the forest manager's governance structure, including their decision-making processes, conflict of interest policies, and reporting practices. Ensure they can provide transparent, regular reports on the fund's performance and environmental impact.
- **Remuneration Structure:** Assess the forest manager's remuneration structure and ensure that potential inappropriate incentives are controlled and managed.

3. Property Selection - Table 3

Afforestation Properties
Commercial / Logistic Assessment • **Rational Size and Location:** Assess if the area size is appropriate for afforestation activities and if the relationship between size and location is suitable for the portfolio. • **Access and Infrastructure:** Evaluate if there is adequate access for machinery and necessary infrastructure both to enable rational operations but also to protect sites from excessive machine activity. • **General Suitability Check:** Confirm the site's suitability for afforestation based on an initial desktop review of available information. • **Drone Film/Photos:** Compare desktop analysis with drone footage and aerial photos, and determine whether a physical inspection is necessary. **Legal Assessment** • **Afforestation Permission:** Verify if the site can obtain the necessary municipal afforestation project permits. • **Subsidy Eligibility:** Check if the activity is eligible for obtaining relevant subsidies. • **Law and Restrictions:** Ensure there are no legal restrictions or land status issues (e.g. protection category etc.) that could conflict with afforestation plans. • **Check for relevant documents:** Check whether consultation responses from stakeholders (energy companies, neighbours, etc.) are problematic regarding the afforestation project. **Environmental Assessment** • **Soil Type:** Assess if the soil type is suitable for afforestation purposes. • **Problematic Species:** Conduct screening for problematic species and confirm there are no significant issues. • **Drainage:** Evaluate if the drainage conditions on the majority of the site are suitable for afforestation. • **Bush Cutting/Cleaning:** Assess that the site is not too densely covered with bushes or trees which could create a larger initial carbon deficit. • **Soil – and Site Preparation:** Determine the relevant soil preparation required for successful afforestation. • **Species Mix:** Based on the above due diligence, select the most suitable species mix for the area. **Financial Assessment** • **Carbon scheme:** Screening for compliance with criteria to be successfully included in a carbon certification scheme. • **Financial Viability:** Calculate the expected Internal Rate of Return (IRR) for the property under reasonable assumptions.

Existing Forest Properties

Commercial / Logistic Assessment

- **Rational Size:** Assess if the property size is appropriate for rational forest management activities.
- **Access and Infrastructure:** Evaluate if there is adequate access for forestry machinery and necessary infrastructure.
- **General Suitability Check:** Confirm the forest's suitability to be incorporated into the forest portfolio by matching the forest data on species distribution, standing volume, and harvestings in the coming 15 years with the investment strategy and acquisition criteria.
- **Drone Film/Photos:** Compare desktop analysis with drone footage and aerial photos, and determine whether a physical inspection is necessary.

Legal Due Assessment

- **Law and Restrictions:** Ensure there are no legal restrictions or land status issues (e.g. protection category) that could conflict with forest operation plans.

Environmental Assessment

- **Soil Type and Bonity:** Assess if the soil type is suitable for forestry and provides sufficient annual growth (m3/ha/yr).
- **Biodiversity:** Evaluate the biodiversity potential of the area and decide whether the area is most suitable for forest management or nature conservation efforts.
- **Drainage:** Evaluate if the drainage conditions on the majority of the property are suitable for commercial forestry.
- **Forest Health:** Evaluate the health condition of the forest area. If the forest is infested or diseased, evaluate if forest management can proceed successfully after sanitary cuttings.
- **Risk Assessment:** Evaluate other parameters that could increase the risk of windthrow, limited growth, problematic harvesting, etc.

Financial Assessment

- **Revenue Potential:** Assess the revenue potential from timber sales, carbon credits, subsidies and/or other forest and land-related income sources.
- **Price/hectare:** Assess whether the price per hectare is reasonable compared to the forest data describing the asset.
- **Financial Viability:** Calculate the expected Internal Rate of Return (IRR) for the property under reasonable assumptions.

Appendix 2. Exclusion Guidelines

Introduction

These guidelines are designed to identify and exclude forest and land investments and activities that do not align with CCS' commitment to sustainability, ethical practices, and responsible stewardship of natural resources. The goal is to promote long-term value creation while minimizing environmental and social risks.

Environmental Degradation

• **Deforestation and Illegal Logging:**
  ○ Exclude investments in forests where deforestation occurs without sustainable management plans or compliance with legal and environmental regulations.
  ○ Avoid investing in regions known for illegal logging practices.
• **Loss of Biodiversity:**
  ○ Exclude investments and activities that lead to significant loss of biodiversity, including those that harm endangered species or destroy critical habitats.
• **High Carbon Emissions:**
  ○ Avoid investments in forestry projects that result in high carbon emissions or do not contribute to carbon sequestration goals.
  ○ Exclude forestry operations that use unsustainable harvesting techniques contributing to significant carbon release.

Social Impact

• **Violation of Indigenous Rights:**
  ○ Exclude investments that infringe on the rights of indigenous peoples, including their land rights and cultural heritage.
  ○ Avoid projects that do not involve fair consultation and consent from local communities.
• **Poor Labour Practices:**
  ○ Avoid investments in companies or projects that do not adhere to fair labour standards, including fair wages, safe working conditions, and freedom from forced labour.
• **Community Displacement:**
  ○ Exclude investments and activities that result in involuntary resettlement or negative impacts on local communities' livelihoods without proper compensation and rehabilitation measures.

Governance and Compliance

• **Lack of Transparency:**
  ○ Avoid investments in companies or projects that lack transparency in their operations, financial reporting, and ESG (Environmental, Social, and Governance) performance.
• **Non-compliance with International Standards:**
  ○ Exclude investments and activities that do not comply with international environmental and social standards, such as the FSC/PEFC.
• **Corruption and Bribery:**
  ○ Avoid investments in regions or companies with a high risk of corruption and bribery, which can undermine sustainable and ethical forestry practices.

Economic Considerations

• **Financial Instability:**
  ○ Exclude investments in forestry projects or companies that demonstrate financial instability or lack a viable business model.
• **Poor Risk Management:**
  ○ Avoid investments in projects that fail to address key risks, such as market volatility, climate change impacts, or regulatory changes.

Implementation and Monitoring
• **Due Diligence:** Conduct comprehensive due diligence of all potential forest investments, assessing their alignment with these exclusion criteria. • **Regular Reviews:** Perform regular reviews of existing investments to ensure ongoing compliance with exclusion guidelines. • **Engagement and Collaboration:** Engage with contractors to promote better practices and collaborate with industry stakeholders to improve sustainability standards.

By adhering to these investment exclusion guidelines, we aim to promote responsible forest and land investments that contribute to environmental conservation, social well-being, and ethical governance. This approach supports our commitment to sustainable development and long-term value creation for our clients and stakeholders.