



TIMBERLAND INVESTMENT RESOURCES^{LLP}

Sustainable Forestry and Natural Capital Fund | 2022

Investing in U.S. Working Forests to Generate Competitive,
Long-Term Returns and Promote Environmental and Social Resilience



SUSTAINABILITY-RELATED DISCLOSURES

TIR EUROPE SUSTAINABLE FORESTRY & NATURAL CAPITAL FUND SCSP SICAV-RAIF

1. SUMMARY

TIR Europe Sustainable Forestry & Natural Capital Fund SCSP SICAV-RAIF (the “**Fund**”) falls under the scope of Regulation EU 2019/2088 of 27 November 2019 (“**Sustainable Finance Disclosure Regulation**” or “**SFDR**”). Timberland Investment Resources Europe LLP (the “**Investment Manager**”) is authorised and regulated in the United Kingdom by the Financial Conduct Authority as an alternative investment manager and has been appointed to act as the Fund’s investment manager. The Investment Manager is an entity within the TIR group of entities (“**TIR**”). The Investment Manager will comply with the SFDR, including product categorisation, pre-contractual and periodic disclosure requirements.

The Fund is being established by the Investment Manager to make timberland investments in the United States. Properties will be targeted in timber markets possessing attractive long-term supply and demand characteristics, and where TIR’s active timber and land management will have the greatest long-term impact on timberland values. Timberland Investment Resources, LLC, the Investment Manager’s U.S. affiliated company, which is based in Atlanta, Georgia, will provide forest management services to the Fund.

In accordance with the SFDR, the Fund is required to make the following website disclosures regarding the Fund’s sustainable investment objectives, in compliance with Article 10 of the SFDR.

Through its investments in timberland properties, the Fund will contribute materially towards the following sustainable investment objectives:

- preserving the biodiversity and ecosystem of each forest landscape;
- protecting each forest’s air, water, soil and wildlife attributes; and
- mitigating climate change.

The Investment Manager ensures that biodiversity is preserved and that air, water, soil and wildlife attributes of each forest are protected by managing the property in compliance with US state and

federal Best Management Practices for Forestry ("**Best Management Practices**") which are designed to promote environmental sustainability and responsible land stewardship. In addition, each forest will be managed in compliance with the Investment Manager's internal ESG policies and standards as well as those of the Sustainable Forestry Initiative ("**SFI**"), one of the world's leading independent, third-party forestry certification organisations.

In relation to the objective of mitigating climate change, forests have particularly strong carbon dioxide (CO₂) storage attributes, or the potential to sequester large volumes of carbon in the future. The Fund may target such forests for acquisition for the specific purpose of establishing or creating forest carbon pools. Working forests sequester carbon by absorbing it from the atmosphere through the process of photosynthesis – locking it up in the roots, trunks, branches, and foliage of their trees as well as in their soils. This has a significant mitigative impact on rates of climate change. In addition, a forest's trees emit oxygen, which helps to improve overall air quality. Older forests store more carbon than younger forests, but younger forests sequester more carbon during their biological maturation process due to the rates at which their trees conduct photosynthesis.

Prior to acquisition, TIR will carry out due diligence to ensure that investments are assessed against the mandatory principal adverse impact indicators in Table 1 Annex 1 of Commission Delegated Regulation 2022/1288 (the "**SFDR RTS**") such as greenhouse gas emissions, biodiversity, water, and waste. As part of this due diligence, the Investment Manager will assess the extent to which each indicator is relevant and/or material to each investment type. This due diligence will ensure that no investment will be made if TIR deems that it will cause significant harm to any other environment or social objectives. Similarly, TIR will ensure compliance with the Minimum Safeguards through its oversight and engagement with third-party forest service providers (even though as TIR invests in timberland properties, as opposed to investee companies, it is not entirely clear how the Fund's investments should be aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights) .

TIR performs ESG-specific due diligence prior to making any investment decision and has developed a proprietary and quantitative ESG Due Diligence Tool which enables TIR to assess the ESG characteristics of a potential investment. Further detail of the Fund's investment strategy is set out in section 4 below.

In respect of due diligence, TIR integrates ESG screens and strategies into the pre-investment phase of the Fund's investment process. TIR will use the Environmental Metrics defined in section 6 below in order to monitor investments for their continued compatibility with the sustainable investment objectives. TIR uses its own internal processes to calculate its investments' performance against the Environmental Metrics, and these figures are determined on a best estimates basis. While estimation can lead to a risk of inaccuracy, TIR employs the best practices in relation to the recording of its Environmental Metrics.

No reference benchmark has been designated for the purpose of attaining the sustainable investment objectives, as there is no relevant EU Paris-aligned or Climate Transition Benchmark against which TIR can measure the extent to which the Fund's investments mitigate climate change.

2. NO SIGNIFICANT HARM TO THE SUSTAINABLE INVESTMENT OBJECTIVE

Prior to acquisition, TIR will carry out due diligence to ensure that investments are assessed against the mandatory principal adverse impact indicators in Table 1 Annex 1 of the SFDR RTS such as greenhouse gas emissions, biodiversity, water, and waste. As part of this due diligence, the Investment Manager will assess the extent to which each indicator is relevant and/or material to each investment type. This due diligence will ensure that no investment will be made if TIR deems that it will cause significant harm to any other environment or social objectives.

The Investment Manager seeks to ensure that no significant harm is caused on an ongoing basis by carrying out annual assessments against the mandatory principal adverse impact indicators and by managing each forest in compliance with sustainable forest management practices and standards (as described below).

TIR takes into account certain of the mandatory principal adverse impact indicators contained in Annex I, table I of the SFDR RTS. In addition, TIR uses the below metrics to assess, measure and monitor the adverse impacts that its investment decisions have on sustainability factors, including but not limited to:

a) Environmental:

- Scope 1, 2, and 3 GHG emissions
- Carbon footprint
- GHG intensity
- Emissions to water
- Hazardous and radioactive waste

b) Social:

- Health and safety
- Violations of rights of indigenous people and/or local communities.

As TIR invests in timberland properties, as opposed to investee companies, it is not entirely clear how the Fund's investments should be aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. However, in the absence of any guidance on how to apply the minimum safeguards to asset classes other than companies, TIR applies a common-sense approach by considering whether third-party forest service providers ("**FSPs**") carry out the forest management activities in line with the minimum safeguards, even though this is not an express requirement of the SFDR or Taxonomy Regulation.

In addition, in the absence of their FSPs being formal signatories to the UN Guiding Principles on Business and Human Rights Principles and OECD Guidelines for Multinational Enterprises, the FSPs are nonetheless subject to a range of US national laws and regulations which relate to the key areas with which the Minimum Safeguards are concerned. Therefore, the Investment Manager will ask for confirmations from FSPs that there have been no violations or convictions relating to human rights, labour rights, consumer rights, corruption, tax evasion, and breaches of competition law to ensure compliance is monitored.

3. **SUSTAINABLE INVESTMENT OBJECTIVE OF THE FINANCIAL PRODUCT**

Through its investments in timberland properties, the Fund will contribute materially towards the following sustainable investment objectives:

- preserving the biodiversity and ecosystem of each forest landscape;
- protecting each forest's air, water, soil and wildlife attributes; and
- mitigating climate change.

TIR ensures that biodiversity is preserved, and that air, water, soil, and wildlife attributes of each forest are protected by managing the property in compliance with Best Management Practices which are designed to promote environmental sustainability and responsible land stewardship. In addition, each forest will be managed in compliance with TIR's internal ESG policies and standards as well as those of the Sustainable Forestry Initiative (SFI), one of the world's leading independent, third-party forestry certification organisations.

In relation to the objective of mitigating climate change, forests have particularly strong carbon dioxide (CO₂) storage attributes, or the potential to sequester large volumes of carbon in the future. The Fund may target such forests for acquisition for the specific purpose of establishing or creating forest carbon pools. Working forests sequester carbon by absorbing it from the atmosphere through the process of photosynthesis – locking it up in the roots, trunks, branches, and foliage of their trees as well as in their soils. This has a significant mitigative impact on rates of climate change. In addition, a forest's trees emit oxygen, which helps to improve overall air quality. Older forests store more carbon than younger forests, but younger forests sequester more carbon during their biological maturation process due to the rates at which their trees conduct photosynthesis.

While the Fund's invested capital will be placed primarily in timberland properties / working forests, it may also invest in other assets which meet the criteria for sustainable investments and are consistent with the Fund's sustainable investment objectives. For example, the Fund may:

- invest in solid wood product manufacturing facilities, including the construction of sawmills in rural areas in need of economic development;
- acquire, secure, and eventually sell sensitive lands to private conservation groups, public agencies or others that are interested in protecting their water, wildlife, scenic, recreational, historical, and cultural attributes through the purchase of restrictive-use easements and fee-simple ownership rights;
- develop land-based renewable energy resources, especially solar energy infrastructure; and
- design and establish environmental and water mitigation banks.

4. INVESTMENT STRATEGY

TIR performs ESG-specific due diligence prior to making any investment decision and has developed a proprietary and quantitative ESG Due Diligence Tool (the "**Tool**") which enables TIR to assess the ESG characteristics of a potential investment. The Tool employs a weighted scoring technique that allows TIR to characterize and communicate the ESG attributes of a particular investment opportunity, which, in turn, helps ensure the information is factored into TIR's decision-making process. This assessment also helps to ensure that the proposed investment is consistent with the Fund's sustainability objectives and the concept of "do no significant harm". In addition, TIR will always commission a third-party environmental assessment as part of this phase.

The findings of the due diligence assessment are presented to the investment committee for review. Such findings play a key role in the investment decision-making process as a decision to proceed with an investment is only made once the investment committee has satisfied itself that the timberland property is compatible with the Fund's environmental objectives.

As part of the ongoing asset management phase of the investment process, TIR continues to monitor the timberland property's contribution to the environmental objectives, which also forms part of TIR's risk management and mitigation process.

As the Fund invests in timberland properties, the assessment of good governance practices in relation to investee companies is not directly relevant to the Fund. However, as detailed above, TIR applies a common-sense approach by considering whether the FSPs carry out the forest management activities in line with the minimum safeguards, even though this is not an express requirement of the SFDR or Taxonomy Regulation.

5. PROPORTION OF INVESTMENTS

While the majority of the Fund's invested capital will be placed primarily in timberland properties, it may also invest in other assets which are consistent with the Fund's sustainable investment objectives. The Investment Manager plans to invest a minimum of 85% of its invested capital into sustainable investments and up to 15% in other assets that do not fall within the definition of "sustainable investments". Any such assets relate to cash held as ancillary liquidity.

The Investment Manager is not currently in a position to disclose how and to what extent the investments underlying the Fund will be in economic activities that qualify as environmentally sustainable economic activities (as defined in Article 3 of the Taxonomy Regulation) in quantitative terms. In accordance with the European Commission's Decision Notice of 13 May 2022 (C(2022) 3051), the Investment Manager expects that the Fund's investments will be 0% Taxonomy-aligned, until such time as when the Investment Manager will be in a position to assess the sustainable forest management practices against the Taxonomy Regulation technical screening criteria contained in Taxonomy Climate Delegated Act. However, on the basis that each timberland property will be managed in accordance with Best Management Practices and the SFI, the Investment Manager expects a high proportion of the Fund to be Taxonomy-aligned in due course. Therefore, a minimum of 85% of the Fund's investments will be sustainable investments with an environmental objective (as detailed above) that are not aligned with the EU Taxonomy.

6. MONITORING OF THE SUSTAINABLE INVESTMENT OBJECTIVE

TIR will use the below environmental metrics to monitor investments for their continued compatibility with the sustainable investment objectives mentioned above:

- Amount of carbon sequestered Carbon stock across productive areas (tCO₂e)
- Carbon offsets generated (tCO₂e)
- Area Certified Sustainable (acres and %)
- Biodiversity Conservation (%)
- Areas of land subject to reforestation (acres and %)

(the "Environmental Metrics").

7. METHODOLOGIES

As set out in the section above, TIR uses the Environmental Metrics to measure the attainment of the sustainable investment objective.

8. DATA SOURCES AND PROCESSING

As noted above, forests have particularly strong carbon dioxide (CO₂) storage attributes, or the potential to sequester large volumes of carbon in the future. In order to attain the objective of climate change mitigation, TIR uses its internal resources to calculate and review each property against the Environmental Metrics. For instance, during the due diligence phase, TIR will measure how

much carbon is prevented from being emitted by a potential timberland property. This is estimated on a per hectare basis, and then multiplied according to the size of each property. In addition, TIR will follow the methodology of the GHG Protocol (see [here](#), the "**GHG Protocol**") in determining its Scope 1, 2 and 3 GHG emissions for the Fund.

9. **LIMITATION TO METHODOLOGIES AND DATA**

TIR uses its own internal processes to calculate its investments' performance against the Environmental Metrics, and these figures are determined on a best estimates basis. While estimation can lead to a risk of inaccuracy, TIR employs the best practices in relation to the recording of its Environmental Metrics. As noted above, TIR will follow the methodology of the GHG Protocol in order to ensure best practices.

10. **DUE DILIGENCE**

In order to ensure that an investment in a timberland property meets the environmental objectives, TIR integrates ESG screens and strategies into the pre-investment phase of the Fund's investment process. Specific screening and due diligence is carried out for the binding elements, as described below. These screens include but are not limited to, ensuring that no potential timberland property:

- will be acquired unless it can be managed with Best Management Practices in accordance with the SFI;
- has hazardous substances that give rise to mandatory remediation requirements, as this would indicate that the amount of hazardous substances that have been stored, handled, transported from or to or disposed in, on or about the timberland property exceed quantities that are considered acceptable under relevant environmental laws; and
- will be acquired which would require a habitat conversion (except in cases of degraded ecosystems and development of renewable energy resources where permitted by environmental laws).

11. **ENGAGEMENT POLICIES**

Engagement does not form part of the Fund's sustainable investment objective.

12. **ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVE**

No reference benchmark has been designated for the purpose of attaining the sustainable investment objectives. This is because the Fund's investment strategy is not comparable to any existing benchmark and there is no relevant EU Paris-aligned or Climate Transition Benchmark against which TIR can measure the extent to which the Fund's investments mitigate climate change. Moreover, the Fund's investment strategy does not correspond to the methodological requirements set out in Delegated Regulation (EU) 2020/1818, as this relates to the process by which certain investments may reduce their overall carbon emissions and GHG intensity over time. In contrast, due to the inherent contribution to carbon emission reduction that forests make through the process of sequestration (as described above), TIR will not seek to reduce the carbon emissions of its investments specifically. Accordingly, TIR will uphold the objective of climate change mitigation for the Fund through its direct investments in forests and practise of sustainable forest management. In particular, TIR will measure the amount of carbon that its forests will sequester in order to ensure the Fund's continued effort of attaining this objective in line with the spirit of the Paris Agreement. As noted above, TIR will follow the methodology of the GHG Protocol in determining its Scope 1, 2 and 3 GHG emissions for the Fund, and will apply these measurements to the formulas for carbon footprint set out in the SFDR RTS.