

## **Sustainability-related Disclosures (SFDR)**

### **Summary Document: Fund IV**

#### **Sustainable Investment Objective**

The Fund's primary sustainable investment objective is increasing the sustainability of wood and wood-based products through responsibly managed forests and plantations that maintain or restore tree cover. The Fund's secondary sustainable investment objective is improving biodiversity through terrestrial ecosystem protection and restoration.

#### **No Significant Harm to any sustainable investment objective**

Lacan makes sure that its investments do not cause harm to the sustainable investment objective through incorporating the FSC certification standards into its investment process and guaranteeing that 100% of the investments in commercial forests are made into certifiable land (by an internationally recognized forest management standard). Secondly, Lacan assesses, monitors, and mitigates 'Execution Risks' against negative environmental and social impacts in its operations.

#### **Investment Strategy**

The investment strategy of the Fund is to develop a diversified portfolio of sustainable commercial forest plantation assets (projects) in selected regions, achieving returns for investors through both capital appreciation and operational income derived from timber production. The operational income derived from timber production is linked to the sustainable investment objectives. All plantation assets established on cleared lands and are 100% responsible forest management certified. Furthermore, the Fund invests 5% in native forest restoration.

#### **Proportion of Investments**

The fund plans to make a minimum of 85% sustainable investments, all contributing to environmental objectives, as described in the 'Sustainable Investment Objective' section above, with the remainder of the investments made mostly in cash and cash equivalents for the maintenance of the Fund's structure, meaning that all available resources for investing will be directed to sustainable investments and the attainment of the Sustainable Investment Objectives.

#### **Monitoring of Sustainable Investment Objective and Methodologies**

The Fund's contributions to the objectives are measured and reported on using industry standard indicators and forestry certification, as well as a set of KPIs selected for each objective and which are based on the IRIS+ framework. For the indicators that monitor biodiversity, external specialists and/or mechanisms can be used.

#### **Data sourcing and processing**

The fund uses several sources for gathering sustainability data. Most data required is provided by Lacan's forestry management system, some data is provided by silviculture service providers and some other data is provided by third-party consultants and specialists which can be hired by Lacan to collect data in the field. The quality of the data is verified by Lacan's Forestry Management team and a large proportion of it is also verified by certification authorities.

### **Limitations to methodologies and data**

Data collection on nature-based solutions and metrics can be a greater challenge than some other areas, especially when trying to monitor biodiversity footprint. As the TNFD itself recognizes in its guidelines "the landscape of nature-related tools, metrics and data is also advancing, in part driven by improvements in technologies and techniques." The Fund is keeping up with this pace and intends to test and pilot new methodologies as they improve over time.

### **Due Diligence**

The Fund conducts a thorough due diligence which integrates E&S aspects in all investments. The property's legal status and ownership, no restrictions or legal disputes over ownership and a set of E&S risks are assessed and approved in a legal audit prior to the investment. The Fund aligns its ESMS to the IFC Performance Standard on Environmental and Social Sustainability and continuously works to improve it.

### **Engagement policies**

The Fund guarantees the investees establish culturally appropriate communication channels and procedures for conflict prevention and resolution mechanisms. A communication procedure is used to establish the relationship with internal and external parties and aims to reach all stakeholders/affected by contributions to forestry activities.

The conflict resolution procedure is applicable at all instances at the Fund, and has the objective of supporting preventive measures, activities, and referrals to be taken by the investees in potentially conflicting situations with communities and partners located around the invested properties. It also enables communities to be considered when planning for forestry operations.

### **Attainment of the Sustainable Investment Objective**

The Fund uses the IRIS+ [\[link\]](#) as a standard for its sustainable objective framework and does not use an EU Climate Transition or Paris-aligned benchmark as a reference and no specific index is designated as reference benchmark to meet the sustainable investment objectives. This is because the Fund is still investigating if using IRIS+ can also be relevant for benchmarking purposes or if there is a relevant index or EU Paris-aligned or Climate Transition benchmark against which the Fund can measure the extent to which its investments contribute to the two objectives.