

**PRE-CONTRACTUAL PRODUCT DISCLOSURE FOR FINANCIAL PRODUCTS  
REFERRED IN ARTICLE 8 (1) PARAGRAPHS 1, 2 AND 2A, OF REGULATION (EU)  
2019/2088 AND ARTICLE 6, FIRST PARAGRAPH, OF REGULATION (EU) 2020/852**

Product name: **INVL Sustainable Timberland and Farmland Fund II - Capital Fund** (hereinafter – “the Feeder Fund”)  
 Legal entity identifier: -

<b>Does this financial product have a sustainable investment objective?</b>	
<input type="checkbox"/> <b>YES</b>	<input checked="" type="checkbox"/> <b>NO</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 50% of sustainable investments <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>
<b>Has a reference benchmark been designated for the purpose of attaining these characteristics promoted by the financial product?</b>	
<input type="checkbox"/> <b>YES</b>	<input checked="" type="checkbox"/> <b>NO</b>

**I Summary**

INVL Sustainable Timberland and Farmland Fund II - Capital Fund (the Feeder Fund) invests in fund - INVL Sustainable Timberland and Farmland Fund II (the Master Fund), which main objective is forests and agricultural land for sustainable management in the Baltic region and Central and Eastern Europe. The integration of environmental and social characteristics the Feeder Fund is the same as the Master Fund integration level.

Since establishment at the end of 2020, first phase focus of Master Fund is directed towards acquisition of timberland and farmland. Decision to acquire properties is made based on the investment return criteria and on the qualitative parameters of the asset(s). It must be highlighted, that properties to be acquired might have been mismanaged in the past. Alongside with acquisitions, sustainable management starts to gain pace. Sustainability criteria are being formulated, set, adopted and adapted for Master Fund activities in a dynamic process. While consolidating timberland and farmland portfolio Master Fund pursues to have a positive environmental, social and governance (ESG) impact on the regions of Fund’s operations. Neither Master nor Feeder Funds are aware to not make any investments which could potentially have significant adverse effects to any of environmental objectives.

**II No sustainable investment objective**

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

By investing in Master Fund which activity focuses on strengthening land carbon sinks, including through reforestation, afforestation, improved forest management, substitution, revegetation, restoration of croplands, grasslands, wetlands and regenerative agriculture. the Feeder Fund substantially contributes to the objective of climate change mitigation.

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

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

1. by actively monitoring the Feeder Fund’s investments (incl. Master Fund investments) that severely and structurally could breach minimum behavioral norms;
2. by actively implementing essential principles of sustainability in managing the Master and Feeder Funds investments:
  - a. protect the environment, be socially responsible and practice transparent corporate governance;
  - b. follow best market practices and recommendations of international organizations for long-term management of timberland and farmland;

c. maintain a healthy and thriving local ecosystem, enabling sustainable long-term value creation.

Due to fact that Feeder Fund's investment objective is Master Fund, it is essential to point out that the exclusion criteria may be applied in Master Fund. There might be cases where the counterparty fails the compliance checks or other risks emerge. For example, if the counterparty, with which a land acquisition or lease is to be entered fails to comply with at least one of the compliance procedures/checks (i.e., the counterparty is on the sanctioned people/company list), then the transaction will be cancelled or relevant risk management tools shall be implemented, if possible. Appropriate compliance procedures and, where relevant and necessary, risk mitigation controls shall be applied to determine the counterparty's eligibility status.

The Master Fund has indicated that afforestation projects specify what is planted, how it is planted, how the soil is prepared, what protection and maintenance measures are used, and the requirements for protected areas are taken into account. Acts of conclusion on the need of pre-commercial thinning specify the instructions for improvement of forest stand development. Forest management plans specify protection of identified protected species, ensure compliance with regulations on timber harvest and regeneration. Compliance with principles and criteria of FSC standard for Lithuania restricts socially and environmentally harmful activities.

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

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

The monitoring of alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights are taken into account throughout the investment process:

- Pre-investment due diligence. The Master Fund is identifying whether there are any violations of internationally recognized guidelines or standards.
- Post-acquisition implementation. The Master Fund seeks to ensure that all investments and stakeholders involved will follow the above-mentioned guidelines.

### III Environmental or social characteristics promoted by the financial product

- What environmental and/or social characteristics are promoted by this financial product?

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

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

Forests owned by the Master Fund are managed sustainably and in compliance with relevant government legislation and international standards. Portfolio companies undertake to operate according to the FSC® principles and criteria<sup>1</sup>. In Lithuania, the entire forest management is administered by UAB Šalnupis, which has been granted an FSC® Group Forest Management Certificate (certificate code NC-FM/COC-067275). In terms of farmland, the Master Fund seeks to employ most relevant sustainable management guidelines as stated in the government legislation and follow selected guidelines from various well-established institutions.

The Master Fund promotes the following environmental and social characteristics:

Characteristic	Description
Managing timberland following FSC standards	The management of the forests is at the highest standards and complies with relevant government legislation. Forest portfolio in Lithuania is administered by UAB Šalnupis, which was granted an FSC® Group Forest Management Certificate (certificate code NC-FM/COC-067275) in 2022.
Biodiversity is maintained, conserved, and enhanced	The biodiversity of all forests under management in the Master Fund should be maintained, conserved, and enhanced. Opportunities for enhancing biodiversity should be considered in forest management plans for all forests in which the Master Fund has invested.

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

Sustainable farmland management

The Master Fund seeks to employ most relevant sustainable management guidelines as stated in the government legislation and follow selected guidelines from various well-established institutions.

A promotion index is not implemented in the environmental characteristics of the Feeder Fund (neither to Master Fund).

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

As in the Master fund, the same indicators are used to measure the attainment of the environmental or social characteristics promoted by the Feeder fund.

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

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

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

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

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

#### IV Does this financial product consider principal adverse impacts on sustainability factors?

Yes, the Feeder Fund (as well as the Master Fund) considers principal adverse impacts (“PAIs”) of investment decisions on sustainability factors, these contribute to measuring the attainment of the sustainable investment objective and partly as a form of risk avoidance. The Feeder Fund will monitor and report on the indicators, as set out in Table 1 of Annex I of the Regulatory Technical Standards (RTS) of the SFDR. However, some of principal adverse impact (indicated in RTS of the SFDR) indicators are immaterial for the Master Fund because the Master Fund holds investments in forest and farmland based real assets through holding companies.

No.

#### V Investment strategy

- What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?

The Master Fund acquisition investment selection strategy can be separated between the asset classes:

- Timberland: strategy is to invest in forest properties with high-quality land, maintaining balance between different age classes in portfolio stands and targeting to keep average volume of portfolio forests around 180 m<sup>3</sup>/ha and above along with dominance of birch and conifers regarding species composition.
- Farmland: strategy is to invest in the highest quality land with productivity index of 40+ and to focus on long-term lease contracts with strong partners.

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

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

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

The Sustainable Investment Framework Application:

<b>Environmental</b>		
Climate change and pollution	Natural capital	Waste Management
Optimization of carbon sequestration and stores; reduction in operational emissions; climate transition opportunities; pesticide minimization	Optimization of woodland biodiversity; protection of priority habitats and species; considered pest, disease, soil and water management approach	Sustainable management of waste arising from forestry and farmland operations
<b>Social</b>		
Employment, health, safety and well-being	Marketplace responsibility	Community care and engagement
Worker's rights protected; commitment to discrimination free, safe and fairly-paid employment	Certification of forests in line with sustainable forestry standards; production of certified timber; transparent and robust carbon credit generation	Good practice community relations and engagement; respect of local community rights; public access, education and recreation
<b>Governance</b>		
Governance and ethics	Risk and compliance	Commitment to sustainability
Good forestry management practices; clear policies and accountability	Robust risk, compliance and auditing processes	Measurement and monitoring of key sustainability metrics; proactive management of potential negative ESG impacts

- What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

There is no fixed committed minimum rate to reduce the scope of investments considered prior to the application of the investment strategy.

**VI Monitoring environmental or social characteristics**

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

Environmental and social characteristics are continuously monitored throughout the lifecycle of the Master Fund (as well as Feeder Fund) as it is required to report annually on any material ESG themes relevant to interested parties.

Internally, data on acquisitions of the Master fund and management is compiled monthly.

As most characteristics are quantitative, monitoring and control is conducted by the means of tracking, comparison, and cross-checking.

Sustainability indicators are monitored through quarterly ESG review of the investments where relevant ESG themes are in focus. The Master Fund's progress on those themes is evaluated and defined targets are analyzed.

Performance of key indicators is reviewed to achieve short/mid-/long-term targets set out in internal Master Fund documents.

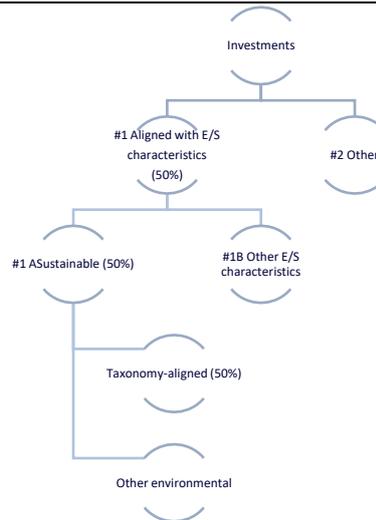
- What is the policy to assess good governance practices of the investee companies?

Considering the investment process and structure, the Master Fund as well as The Feeder Fund and the investee companies (if applicable) comply with good governance practices (e.g., anti-bribery and corruption standards, quality of management plans and systems etc.).

**VII Proportion of investments**

The Master Fund has not formally adopted a target for the proportion of sustainable investments but a total of approximately 50% of the Master Fund's investment to be sustainable investments (due of that the Feeder Fund will have the same approximately 50% of sustainable investments).

The graph below provides a breakdown of the planned asset allocation for the Fund.



**#1 Aligned with E/S characteristics** includes the investments of the Fund used to attain the environmental or social characteristics promoted by the Fund.

**#2 Other** includes the remaining investments of the Fund which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments. See further explanation in this Section below.

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

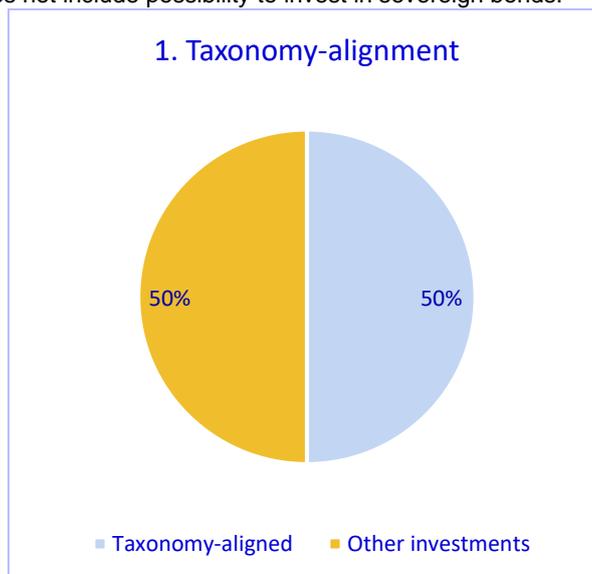
It is anticipated that a substantial proportion (being at least 90%) of the Fund's investments by invested capital will promote social characteristics according to the binding element of the investment strategy as described in the sections above. The Master Fund investments in forest are in process to qualify as sustainable investments.

- How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

The Feeder Fund does not intend to use hedging or derivatives for investment purposes.

- To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

According to RTS of SFDR, in pre-contractual information document the Master and Feeder Fund has to provide graphs which should show the minimum percentage of investments that are aligned with the EU Taxonomy. First graph should show Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds. However, there is just one graph below as the strategy of the Fund does not include possibility to invest in sovereign bonds.



The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

- What is the minimum share of investments in transitional and enabling activities?

The Feeder Fund (as The Master Fund) does not commit to making transitional and enabling investments.

- What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The investments made in forest land are sustainable investments and all of it should be aligned with EU Taxonomy.

*Note: The Master Fund has identified some Taxonomy criteria which are currently not applicable. However, if there is a separate circumstance that the criteria become applicable the Fund team will try to ensure alignment.*

- What is the minimum share of socially sustainable investments?

The Feeder Fund (as The Master Fund) does not commit to making socially sustainable investments.

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

The Feeder Fund may have cash and cash equivalents or other financial instruments in certain circumstances for liquidity management and/or hedging purposes.

In certain circumstances, the Master Fund may invest in companies that may not match the Master or Feeder Fund’s ESG criteria in its entirety but have the adequate minimum safeguards. Accordingly, in such cases, the Master Fund would commit to the aim to influence relevant ESG changes within the holding period and categorize as “#1 Aligned with E/S characteristics”.

### VIII Designated reference benchmark

- Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

A promotion index is not implemented in the environmental characteristics of the Feeder Fund (as well as Master Fund).

- How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?

A promotion index is not implemented in the environmental characteristics of the Feeder Fund (as well as Master Fund).

- How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?

A promotion index is not implemented in the environmental characteristics of the Feeder Fund (as well as Master Fund).

- How does the designated index differ from a relevant broad market index?

A promotion index is not implemented in the environmental characteristics of the Feeder Fund (as well as Master Fund).

- Where can the methodology used for calculation of the designated index be found?

A promotion index is not implemented in the environmental characteristics of the Feeder Fund (as well as Master Fund).

### IX Methodologies

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

The Partner reputation screening as a preventative measure for sustainability risks – down in the Master Fund level – SPV, client, contractor, tenant selection prior to stumpage sales, service purchase or lease is based on their general reputability and/or qualitative reputation of their services. It is conducted using several existing frameworks as well as by means that should not be specified in detail due to possible know-how leak.

Specific environmental metrics are collected from SPV’s as a monitoring result, carbon footprint calculations and tracking will be established based on the UNFCCC framework.

### X Data sources and processing

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

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

Data source for carbon footprint measurements is the same as above. Periodical external audits by verification and certification bodies are a mean to ensure data quality.

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

**XI Limitations to methodologies and data**

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

Universally most common limitation is human error, that requires additional set/s of eyes to mitigate this limitation.

Whole concept of sustainability is susceptible to interpretation and subjectivity and unless universal measurable indicators are available globally to precisely measure management impact towards Sustainable Development Goals (SDG) or themes in respective forestry and agriculture fields – the only way is to follow the best sustainability practices and to believe in them.

**XII Due diligence**

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

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

**XIII Engagement policies**

The portfolio management company is a subsidiary of “Invalda INVL”, which is a signatory to the UN PRI and commits to investing according to its principles (one of which is to be active owners and include ESG issues in our property policies and practices). However, the object of investment of the Master Fund and the Feeder Fund is agricultural land and forest, i.e., investments in companies (SPVs) managing land/forest areas. Therefore, traditional issues related to good governance practices, such as voting at shareholder meetings, setting accountability standards for managers, are not relevant for both the Master Fund and the Feeder Fund.

The Master Fund and the Feeder Fund seek to follow and apply world-renowned sustainability/ESG guidelines in their activities. Also, the portfolio management company uses its experience and expertise to implement sustainability practices.

More product-specific information can be found on the website.

Version	Changes	Date
No. 1	Publication by regulation	27-10-2022