



FOREST INVESTMENT POLICY OF
DASOS SUSTAINABLE FOREST AND WOOD III AIF

Contents

1.	FOREST INVESTMENT POLICY	1
2.	GENERAL INVESTMENT POLICY	2
3.	ADVERSE SUSTAINABILITY IMPACTS	3
4.	BOREAL AND TEMPERATE FORESTS	4
4.1	General Points	4
4.2	Specific Points	4
5.	TREE FARMING PLANTATIONS	6
5.1	General Points	6
5.2	Specific Points	6
6.	PROCUREMENT AND ENVIRONMENT	7
6.1	Procurement	7
6.2	Due Diligence	8
6.3	Environmental and Social Standards	8
6.4	Excluded Activities	10

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1. FOREST INVESTMENT POLICY

Dasos Sustainable Forest and Wood III AIF (the Fund) is an EU SFDR (Regulation 2019/2088) Article 8 compliant timberland fund, i.e. promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics. The Fund, the companies in which the investments are made, and the forest management companies adhere to the principles and criteria related to the sustainable forest management principles, and good ESG and governance practices. The Fund has a Forest Investment Policy that includes number of investment and sustainability principles and guidelines.

The target of the Fund is to build a well-diversified European timberland portfolio. The Fund invests only in certified or certifiable Timberland Assets, which are non-listed forestry companies owning forest assets. The main business of the Fund is the growing and selling of climate smart timber, but it can also generate additional timberland-related revenues for example by leasing land for renewable energy projects or hunting purposes. The Fund invests mainly in mature or pre-mature forests generating positive annual cash-flows and if needed can use moderate leverage (<35%) to finance timberland acquisitions. The Fund's main investment regions are EEA-countries and UK.

The Fund Manager may introduce, as appropriate, additional sustainability guidelines and management systems, incorporating environmental policies, principles and directives of organisations, such as WB, IFC, EIB and the EU, to ensure compliance with international best practice as well as integrity compliance principles.

The Fund Manager is committed to the management of Timberland Assets with high ethical, social and environmental standards in accordance with the Forest Investment Policy. Any change, modification or amendment of the Forest Investment Policy shall be approved by the Board.

The Fund will invest only in projects which fit the following descriptions:

- For Boreal and Temperate forests: acquisition and management of existing forest areas, afforestation and reforestation; all of which must be certified, or certifiable, as sustainably managed in compliance with internationally approved standards.
- For certifiable tree farming plantation projects: projects which alleviate shortage of wood fibre/fuel wood in the region and globally, provide social and economic benefits, and help maintain and conserve natural forests.

In addition, and for all two categories, all forestry project investments should be structured and executed to enhance:

- their economic and financial profitability,
- their positive impact on biodiversity,
- their positive impact on climate mitigation,
- utilization of carbon credits/compensations and benefiting from payments for other environmental services, and
- social benefit spillovers.



2. GENERAL INVESTMENT POLICY

When making investments in Timberland Assets, the Fund Manager will *inter alia* seek to ensure:

- to target that the investments are made in accordance with the Forest Investment Policy to non-listed forestry companies owning forest assets (Timberland Assets);
- to target that the investments to Timberland Assets outside Europe are limited to 10 - 15 % of the Fund's assets;
- to target to use leverage of approximately 30–35% of the Fund NAV to finance the Timberland Asset acquisitions;
- the existence of highly favourable natural conditions for sustainable and productive forestry projects;
- that uncontested land is available, either through ownership or long-term concessions;
- that there is co-operation with a local shareholder or manager or an international shareholder or manager with a local presence;
- that no relocation of local communities occurs;
- that no conversion of natural forests or high conservation value wetlands or other sensitive areas takes place;
- that the investment project must be welcomed and endorsed by the local or host country government;
- that wherever possible/applicable for every hectare of new forest plantation area a suitable adjacent protected or responsibly managed native ecosystem should be set aside;
- that certification of sustainability by a third-party accredited organisation, based on internationally approved certification program, such as the Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) or other recognised certification systems, is achieved confirming that the forest management plans of the project are economically viable, socially acceptable and ecologically sound;
- that the ten universal principles of United Nations Global Compact, including relevant ILO conventions on health, safety and working environment, are adhered to;
- that UN and ILO conventions on biodiversity, conservation, human rights, individual freedom, indigenous peoples and ethnic minorities are observed;
- that nature conservation, biodiversity and carbon protection components are integrated with productive objectives;
- that the investment project contributes to the UNFCCC Paris Agreement on climate change to reduce global greenhouse gas emissions and improve transparency of carbon reporting as well as to related UN SDG goals and targets, especially SDG 7, 8, 9, 12, 13 and 15.

The Fund Manager shall comply with the requirements set out in Chapter 5 when making investments in Timberland Assets.

3. ADVERSE SUSTAINABILITY IMPACTS

The Fund will promote environmental and social characteristics when making forestry project investments, structured and executed in order to enhance:

- their economic and financial profitability,
- the forest area and wood volume under management plans and forest certification (UN SDG target 15.2.1),
- their positive impact on climate change (carbon stocks and sinks, and indirectly replacement of fossils-based products and energy),
- biodiversity protection, and
- social benefit spillovers.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

The Fund Manager acknowledges the responsibility as investment adviser and manager towards climate change risks and other principal adverse impacts through the investment decisions that we make. The concept of Principle Adverse Impact (PAI) is: *“Negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice performed by the legal entity.”*

The principle adverse impact indicators 1 GHG (CO₂) emissions and 2 Carbon footprint in Table 1 of Annex I of the RTS are at the core of the Fund’s annual climate impact management, monitoring and reporting system. The forest management system, with focus on sustainable wood production, also aims at delivering positive impacts on climate change (carbon stocks and sinks, and indirectly, replacement of fossils-based products and energy). The Fund applies an Intergovernmental Panel on Climate Change (IPCC) compliant methodology to monitor and report carbon impacts annually at individual forest asset and Fund level. This carbon benefit analysis is consistent with the EU technical screening criteria for contributing substantially to climate change mitigation.

When the Fund invests in biological assets, i.e., forests, which are to be sustainably managed, according to internationally approved principles and criteria, or national principles and criteria compliant with the international certification systems. The entire investment rationale is based on this sustainability principle. The independent regular certification audits cover the following indicators:

- 7. Activities negatively affecting biodiversity-sensitive areas
- 8. missions to water
- 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises

When it comes to criterion 7, the Fund protects high conservation value forests; the Forest Investment Policy and the used international certification system require that there is no conversion of habitats specifically sensitive to biodiversity loss or with high conservation value, and that areas set aside for protection/conservation are not affected negatively. The area protected is reported annually consistent with the UN/FAO SDG 15 requirements. Indicator 9 Hazardous waste ratio will be 0% as no hazardous waste will be generated by investee companies as the only generated waste will be biological waste.

Information on the principle adverse impacts on sustainability factors will be included in the annual report of the Fund pursuant Article 11(2) of Regulation (EU) 2019/2088.

4. BOREAL AND TEMPERATE FORESTS

4.1 General Points

Permitted activities are: (i) acquisition and management of existing forest areas, (ii) afforestation, and (iii) reforestation. The primary objectives of forest management activities could be wood, fibre and/or energy production while trying to follow the principle of multipurpose management wherever possible, including delivery of carbon outcomes.

Investments should comply with the strategy defined in the EU Forest Action Plan. In line with EU forest policies, the forest projects to be financed shall be based on the application of the following sustainable development principles:

- management of natural forests shall respect the Pan European Criteria and Indicators for Sustainable Forest Management (or Montreal Process Criteria and Indicators for the Conservation and Sustainable Management of Temperate and Boreal Forests outside Europe);
- establishment of tree plantations shall be based on reforestation or afforestation projects (no conversion of natural forests to plantations is allowed) and in accordance with the Pan European Criteria and Indicators for Sustainable Forest Management (or Montreal Process Criteria and Indicators for the Conservation and Sustainable Management of Temperate and Boreal Forests outside Europe);
- FSC Principles and Criteria for forest stewardship; or
- PEFC; or the Sustainable Forestry Initiative (SFI endorsed by PEFC), or any internationally compatible, national forest certification system.

4.2 Specific Points

- Environmental Impact Assessment (EIA) should be considered for projects that include land use changes;
- Forest certification shall be a way of demonstrating compliance to the principles of sustainable forest management. Acceptable international forest certification schemes are the FSC and the PEFC which do not allow the use of GMO material in certified products. The project promoter is allowed to demonstrate compliance to the principles of sustainable forest management using other accepted schemes as well, including national schemes that are compatible either with FSC or PEFC, and also going for double certification, e.g. both FSC and PEFC;
- Biodiversity conservation: If insufficient credible and comprehensive information is available, the project area shall be surveyed to identify the existence of (i) rare and endangered species, (ii) valuable habitats, and (iii) conservation areas. The management practices shall ensure the maintenance of rare and endangered species, valuable habitats and conservation areas during and after operations. Restoration and other measures shall be considered to enhance the biodiversity values case by case;

- Logging method: Logging operations shall be carried out as defined by the national legislation and regulations in force. Clear cutting is an acceptable method in the natural forests in the temperate and boreal zones and plantations as defined by national regulation. In the temperate zone, the legislation often forbids clear cuttings with few exceptions and defines selective cutting methods to be applied;
- Forest fires: The project promoter shall develop measures for the prevention and suppression of fires in the risk regions. These measures may include the education of the local population, detection systems, training, fire towers, water points, firebreaks (incl. roads) and silvicultural activities;
- Prevention of natural disasters in plantations: The tree species/clones shall be suitable for the site and non-invasive. Species/clones without previous experience in the region shall not be planted in substantial areas. The project promoter shall apply appropriate measures to prevent outbreaks of pests, diseases and fire, which may include spatial distribution of plantations (in term of species/clones, age classes etc.) and other vegetation (e.g. breaking continuous plantation units by sites with natural forests), biological and chemical control methods and fertilization; and
- Biomass for energy production: Wood materials from natural forests shall be predominantly harvested for production of wood products, pulp and paper. Residues (e.g. branches, tree tops, stumps) can be harvested for energy production purposes provided their extraction does not result in significant depletion of nutrients and organic materials. Depending on the operational conditions, environmental assessment of the biofuels extraction may be required prior to the initiations of operations. In afforested areas trees may also be grown for bioenergy depending on the local conditions.

An EIA that covers, among others, impacts of biomass extraction on soil shall be prepared for biofuels plantations.

- Climate change: Plantations for biofuels production shall be planned to qualify for JI or CDM projects (registration is voluntary). The JI project eligibility requires environmental and social assessment of the plantation. The JI project eligibility and respective registration are voluntary for other than biofuels plantations.
- Social aspects: Social impacts of forest projects on local communities shall be assessed. The projects to be financed may not result in involuntary resettlement, deteriorated living conditions of communities in or within the vicinity of the project area, or destruction of socially or culturally important sites or objects. The projects should provide job opportunities for the local population and enhance the local economies. The local stakeholders should have right to make decisions regarding their resources based on the transparent information.

5. TREE FARMING PLANTATIONS

5.1 General Points

In line with the EU forest policies, all forest projects, including plantations to be financed in the tropics, shall contribute to sustainable development and be consistent with development strategies of the country concerned. The plantation management system shall adhere to legal requirements and be compatible with international or national sets of criteria such as:

- Nationally developed and PEFC endorsed standards for sustainable management of plantations;
- FSC principles and criteria for forest stewardship (FSC Principles and Criteria);
- FAO voluntary guidelines of responsible management of planted forest (FAO Voluntary Guidelines).

The Fund may invest in a plantation project if it is able to alleviate shortage of wood fibre/fuel wood, provides social and economic benefits, and helps maintain and conserve natural forests.

5.2 Specific Points

An environmental and social impact assessment, whose intensity is determined based on screening, shall be made on the project prior to a decision by the Fund's Investment Committee to make an investment.

- (a) Social aspects: The projects to be financed may not result in involuntary resettlement, deteriorated living conditions of communities in or within the vicinity of the project area, or destruction of socially or culturally important sites or objects. Where necessary, a share of the project area shall be set aside to ensure the maintenance of livelihoods and cultural values of local communities. The local stakeholders should have right to make decisions regarding their resources based on the transparent information.
- (b) Conversion: The project to be financed shall not involve the conversion of natural forests to plantations, including palm oil, as demonstrated with aerial photographs or satellite images, or using credible, official records.
- (c) Plantation management planning ("mosaic plantation"): The project area shall have a forest management plan that describes the resource base, land titles, land use categories, plantation management system, environmental restrictions and socio-economic conditions. The plantation outlay shall draw on mosaic structures with planted areas, natural vegetation, wildlife corridors, buffer zones and other ecosystems when promoted by national standards/recommendations/regulation.
- (d) Biodiversity conservation: A share of the project area shall be set aside for nature conservation purposes, and/or to protect soil and water resources. The project area shall be surveyed to identify the existence of (i) rare and endangered species and (ii) valuable habitats. The management practices shall ensure the maintenance of rare and endangered species and valuable habitats during and after the operations. Restoration of natural vegetation and other measures shall be considered to enhance the biodiversity values case by case.

- (e) Selection of tree species/clones: The tree species/clones shall be suitable for the site and non-invasive. Species/clones without previous experience in the region shall not be planted in substantial areas.
- (f) Palm oil: The Fund shall not invest in palm oil plantations.

The project promoter shall apply appropriate measures to prevent outbreaks of pests, diseases and fire, which may include spatial distribution of plantations (in term of species/clones, age classes etc.) and other vegetation (e.g. breaking continuous plantation units by sites with natural forests), biological and chemical control methods and fertilization.

- (a) GMO policy: The use of GMOs are not accepted.
- (b) Harvesting: The utilization of growing stock can be based on clear cuttings at the end of rotation and thinning fellings during the rotation as part of appropriate silvicultural systems.
- (c) Labour force: Employees and contractors are provided with training, supervision and equipment needed in their work.
- (d) Internal monitoring: The project promoter shall have an internal monitoring system that produces information on the removals and deliveries of forest products, management activities carried out, environmental and social impacts, illegalities, revenues and costs.
- (e) External monitoring: The project promoter submits governmental inspection services with necessary information on the plantation management. Certification according to a reliable forest certification system (e.g. FSC or PEFC) can replace other external monitoring.
- (f) Climate change: The project shall contribute positively to carbon sequestration services over the rotation. The project promoter shall consider possibilities to register the project under the CDM or other carbon credit market opportunities or mechanisms.

6. PROCUREMENT AND ENVIRONMENT

6.1 Procurement

The Fund Manager undertakes to:

- (i) carry out an assessment or verify that an assessment is carried out with regard to each prospective investment in order for the Fund Manager to come to the reasoned conclusion that the procurement of works, goods and services relating to any investment has followed appropriate procedures in light of the circumstances:
 - for projects to which European Union directives (EU Directives) on public procurement apply, the procurement of the related works, goods and services by the Intermediate Investment Vehicle should comply with the applicable EU Directives on public procurement, and
 - for projects to which EU Directives on public procurement do not apply, the procurement of the related works, goods and services by the Intermediate Investment Vehicles should follow suitable procedures satisfying the criteria of economy and efficiency. This can be achieved by following established commercial practices. Contracts awarded by the Intermediate Investment Vehicle must be negotiated impartially and be in the project's best interest;

- (ii) take appropriate measures, including by obtaining a contractual obligation, to ensure that each Intermediate Investment Vehicle purchases goods, secures services and orders in accordance with the applicable provisions of paragraph (i). above;
- (iii) keep (or have kept on behalf of the Fund) copies of the relevant documents collected during the due diligence process, concerning the procurement process associated with the investments made by the Fund (including the documentation utilized for the due diligence process) for a period of not less than six (6) years.

6.2 Due Diligence

The Fund Manager shall apply a high standard of diligence in the selection and ongoing monitoring of investments. The Fund Manager shall ensure to have adequate knowledge and understanding of the assets in which the Fund is invested. The Fund Manager shall establish, implement and apply written policies and procedures on due diligence and implement effective arrangements for ensuring that investment decisions on behalf of the Fund are carried out in compliance with the objectives, the investment strategy and, where applicable, the risk limits of the Fund. The policies and procedures on due diligence shall be regularly reviewed and updated on a regular basis.

6.3 Environmental and Social Standards

- (i) For all greenfield projects, a clear landownership, social and environmental baseline must accompany the due diligence process.
- (ii) Fund Manager shall carry out an assessment with regard to each prospective investment in order for the Fund Manager to come to the reasoned conclusion that environmental impacts have been duly addressed and the projects are acceptable in environmental and social terms (i.e. that each project is designed so as to avoid and, if this is not possible, reduce any significant adverse impact, and any significant residual negative impact have been, in order of preference, mitigated, compensated or offset) and that each project complies or will comply with any applicable EU Directives and the applicable national laws and regulations on environmental and social matters.
- (iii) The Fund Manager further undertakes to:
 - take appropriate measures, including by obtaining a contractual obligation, to ensure that each Intermediate Investment Vehicle implements and operates the project in conformity with EU Directives and the applicable national laws and regulations on environmental and social matters;
 - keep (or have kept on behalf of the Fund by the Intermediate Investment Vehicles) copies of the relevant documents collected during the due diligence process, concerning environmental or social matters regarding the Intermediate Investment Vehicles (including the documentation utilized for the due diligence process) for a period of not less than six (6) years.

Environmental status of the investment ¹	Applicable EU directives and requirements
Plan or Programme falls under the Strategic Environmental Assessment Directive 2001/42/EC (the “SEA Directive”) (or Investment derives from a Plan or Programme that falls under the SEA Directive)	A Strategic Environmental Assessment (“SEA”) is required in compliance with the requirements of the SEA Directive. Compliance with the SEA Directive has been verified and the status of the environmental studies, consultations and authorisations reviewed.
Project falls under Annex I of Environmental Impact Assessment Directive 85/337/EEC, amended by Directives 97/11/EC and 2003/35/EC (the “EIA Directive”)	An Environmental Impact Assessment (“EIA”) is required in compliance with the requirements of the EIA Directive. Compliance with the EIA Directive has been verified and the status of the environmental studies, consultations and authorisations reviewed.
Project falls under Annex II of EIA Directive	The Competent Authority has decided on the basis of Annex III of the EIA Directive, that a formal EIA is required. The required assessments and components as listed for Annex I Investments should therefore be checked. The Competent Authority has decided on the basis of Annex III of the EIA Directive that no EIA is required (but they may or may not require specific environmental studies).
Project falls under Habitats Directive 92/43/EEC (the “Habitats Directive”) and/or Birds Directive 79/409/EEC (the “Birds Directive”)	Compliance with the Habitats Directive, in particular Articles 6 and 12 of the Habitats Directive have been met and (i) the Competent Authority for Nature Conservation has accepted the compliance assessment of the Investment, (ii) notification / opinion from the European Commission has been obtained, where applicable, taking into account the requirements of Art. 6(4) of the Habitats Directive on the conservation of natural habitats and of wild fauna and flora. Compliance with the Birds Directive has been verified and the Competent Authority has accepted the assessment.
EU Water Framework Directive 2000/60/EC This directive applies to all waters that is lakes, rivers, transitional waters (estuaries) and coastal waters (up to one nautical mile from land) and to ground waters. It also applies to all human impacts on waters, and thus <i>inter alia</i> to all industrial activities with impact on waters.	EU Water Framework Directive 2000/60/EC has been verified and the relevant water bodies or Competent Authority has accepted the compliance assessment of the Project. A joint procedure which combines the provisions of Directives 85/337/EEC and 2000/60/EC may be applied by Member States. However, note that the provisions of the Directive 2000/60/EC are distinctly more stringent than those of Directive 85/337/EEC.

¹ This is also a standard requirement from the European Investment Bank.

Environmental status of the investment ¹	Applicable EU directives and requirements
<p>EU Waste Water Directives, in particular Directive 2008/1/EC, Directive 2006/111/EC and Directive 91/676/EEC.</p> <p>EU Waste Water Directives apply to all Projects involving emission of substances to waters.</p>	<p>EU Waste Water Directives include the Integrated Pollution Prevention Control Directive 2008/1/EC, the Dangerous Substances Directive 2006/111/EC and the Nitrates Directive 91/676/EEC</p> <p>The above applicable EU Waste Water Directives have been verified and the relevant water bodies or Competent Authority has accepted the compliance assessment of the Project.</p>

6.4 Excluded Activities²

Type of activities	Typical examples	Comments/clarifications
Ammunition and weapons, military/police equipment or infrastructure		Includes explosives and sporting weapons
Projects which result in limiting people's individual rights and freedom, or violation of human rights		
Projects unacceptable in environmental and social terms	Projects in protected areas, Critical Habitats and Heritage Sites without adequate compensation/mitigation;	
Ethically or morally controversial projects	Sex trade and related infrastructure, services and media; Animal testing*); Gambling and related equipment, hotels with in-house casinos; Tobacco (production, manufacturing, processing, and distribution)	
Activities prohibited by national legislation (only where such legislation exists)	Genetically Modified Organisms (GMO); abortion clinics; nuclear energy; etc.	Applicable national law
Certain costs, such as non-recoverable VAT are excluded		
The Fund Manager does not finance projects with a political or religious content		

² This is also a standard requirement from the European Investment Bank.