AF INVESTMENT MANAGEMENT :: 2024

IMPACT INVESTMENT POLICY

AF

INTRODUCTION

This Impact Investment Policy (the "Policy") sets out the principles and responsibilities specifically in relation to AF's impact investment management activities; it does not provide in-depth details of the investment process and decision-making. For the latter, please refer to our Investment Procedures and Guidelines document.

Since AF was founded in 2000, impact investment was chosen to be at the core of its strategy, making social and environmental responsibility one of its founding pillars. As an investment manager, we have a fiduciary duty to act in the best interests of our investors and comply with the best ESG standards and practices.

We believe that all the investments must seek to create positive, measurable social and environmental impact alongside a financial return. AF is committed to ensure a positive and durable impact with a view to enhance returns and mitigate risks over the medium to long term.

This Policy applies to AF's group regional operations and all of its investment activities and members.

The Policy is set by the Board and will be reviewed every two years, or more frequently if required. Minor amendments can be approved by Management.

OUR APPROACH

As an investment manager, we have the fiduciary duty to our investors to conduct long-term sustainable and responsible forest management, and we require third parties, such as, suppliers, contractors, lessees, and service providers, to act accordingly.

AF believes that responsible investments must seek to create positive, measurable impact with a view to enhance returns and mitigate risks over the medium to long term. AF is committed to create a durable impact on the environment and the communities nearby our operations, with the goal of preserving land for future generations.

Preserving the land for future generations

SCREENING AND DUE DILIGENCE

AF has researched over 1,000,000 hectares of existing and potential forestry and agroforestry properties in Uruguay, Chile, Paraguay, and Brazil on behalf of itself and its clients. Each property has been examined in detail and catalogued by AF, and with each property, the AF methodology of site identification and acquisition has been optimized and updated. All properties that do not meet ESG criteria have been screened out. As a result, AF has put together a comprehensive proprietary database of timberland, forestry, and agroforestry land in the Southern Cone, which makes the main source for potential impact projects when these are tendered.

AF can develop forestry and agroforestry greenfield projects or acquire existing ones. In both cases, AF’s due diligence process incorporates the assessment of a range of ESG issues that may present material risks to the investment, such as: i) land legitimate tenure rights, ii) planting, harvesting and tillage techniques, iii) forest fires, pests & diseases, precipitation patterns and extreme weather events, iv) community free prior and informed consent and engagement, v) labor standards, vi) water use and availability, vii) chain of custody, viii) biodiversity conservation, among others.

We avoid investing in projects that pose potential risks associated with payment transparency, corruption, and bribery as well as mismanagement of the environment and where the likelihood of adverse human rights impacts are identified in due diligence, aligned with international norms such as the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, UN Security Council Sanctions or the UN Global Compact.

AF also avoids projects that:

i) negatively affect areas with high-conservation values (HCVs)*, ecosystems, habitats, biodiversity, community needs, cultural heritage, among others
ii) do not ensure that they make a positive impact on local communities
iii) uses forced and/or child labor

AF is committed to measuring the impact of its investments

In order to increase value and reduce risk for our investors, AF may engage in industrial processing. All industrial projects are environmental and social impact assessed, and an Environmental Impact Assessment Report (EIAR) is prepared in accordance and presented to local authorities.

ONGOING MONITORING

AF measures the impact of its investments at an asset-level by implementing a system to track and report environmental, social and governance metrics. We also aim to continuing improve such results by defining not only materiality thresholds but also targets. The metrics are aligned with the United Nations Sustainable Development Goals (SDGs), and we aim to address the following SDGs:

- 6 Clean Water and Sanitation: i) securing water supplies for people and nature, and ii) improving water management techniques to preserve ecosystem functions particularly in regions that experience water stress.

- 8 Decent Work and Economic Growth: i) contributing to employment and economic growth in rural areas, and ii) providing a healthy and safe working environment, respecting human and labor rights to all workers (including contractors and subcontractors) according to UN Guiding Principles on Business and Human Rights, International Labor Organization and its Core Standards, as applicable and where locally ratified.

- 10 Reduced Inequalities: i) reducing inequalities between rural areas and cities by providing social protection, fair wages and access to health and education, and ii) empowering low-income communities with inclusive procurement activities.

- 12 Responsible Consumption and Production: i) sustainable use and management of natural resources to provide renewable raw materials for a low-carbon economy, and ii) scaling up a circular business model by recycling non-wood waste and upcycling within the value chain is a challenge we want to address.

- 13 Climate Action: i) improving carbon-efficiency of production of timber, ii) focusing on Eucalyptus timber to tackle deforestation of endangered semi-hard and hardwood tree species and decarbonize the construction sector, and iii) reforesting degraded pasture used mainly for grazing.

- 15 Life on Land: i) creating nature networks which enables wildlife to use and move across a whole landscape, and ii) restoring natural processes by supporting dynamic, diverse, and well-functioning ecosystems.

The metrics and progress are published in AF's annual Impact Report.

ENGAGEMENT

AF participates in industry initiatives and networks dedicated to promoting responsible investment and advance sustainable forestry and agroforestry, nature conservation and human rights best practices. Also, AF is affiliated to independent and external organizations that monitor ESG practices. These memberships, consultations, and certifications include but are not limited to engagements with:

- Forest Stewardship Council® (FSC®)
- International Organization for Standardization (ISO)
- Society of Forest Producers in Uruguay (SPF, for its acronym in Spanish)
- Verra
- Principles for Responsible Investment (PRI)
- Global Impact Investing Network (GIIN)

AF, as a member of the SPF, indirectly engages with policy makers by responding to policy consultations and providing technical input to the regulator working groups and educational institutions.

*For more information, please refer to the Common Guidance for the Identification of High Conservation Values by FSC®.

GOVERNANCE PROCESSES

INVESTOR ENGAGEMENT AND VOTING RIGHTS

Achieve best governance

To promote shareholder engagement and ensure shareholders rights, investors are represented by an Advisory Committee in the SPVs, which can be:

- comprised by investors (Limited Partner Advisory Committee) or
- independent industry experts appointed by investors (Surveillance Committee).

In both cases the Committee will address conflicts of interest, material changes to the governing documents of the SPV, operational, financial or investment-related matters, ESG issues and public disclosures.

The Committee will meet with an appropriate frequency and certain levels of attendance will be required to ensure ongoing active participation and good continuity.

To ensure active ownership, investors will have voting rights to formally express approval or disapproval on material matters. This mechanism will be defined and agreed upon by the parties (manager and investors) for each vehicle.

INVESTMENT COMMITTEE

The Investment Committee will be responsible for overseeing the execution of AF's impact investment strategy, including the approval of all investments, and ensuring that ESG issues are appropriately considered.

The Investment Committee will review and must approve all new investment transactions. In addition, the Investment Committee also will review and approve on an annual basis a Portfolio Business Plan for each SPV.

The Plan will include: the strategy for new investment activity; major strategic objectives for each existing investment asset; and a review of the competitive market for each asset.

The Committee also will review and approve all asset and portfolio financing plans and exit strategies. Semi-annually, the Investment Committee also will meet specifically to review the SPV's investment strategy and impact metrics performance.

RESPONSABILITIES

AF's Board of Directors has oversighted this Policy. All AF's employees are responsible for upholding this Policy. We monitor our service providers to ensure that all regulations, laws, standards, and policies are being complied.

TRANSPARENCY AND REPORTING

Transparency of process and reporting are crucial

Transparency of process and reporting are crucial to ensure internal and external stakeholder confidence in AF's impact investments.

As a signatory of the PRI, we are committed to the adoption and implementation of the PRI's six principles, including that we provide transparency on our activities and progress toward implementing the principles. AF publicly discloses how we implement this Policy on an annual basis through the Reporting and Assessment of the UN PRI.

Documenting past performance and reporting impact results helps guarantee that ESG factors are regularly considered among our staff and with third-party property managers, operators, contractors, lessees, and service providers.

AF reports on material ESG issues and activities related to impact investment in quarterly ad hoc client reporting and annual Impact Report. Public information is available on AF's website: www.af.com.uy

DEFINITIONS

ESG means Environmental, Social and Governance.

GIIN means Global Impact Investing Network which is a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing.

Investment Manager means a corporation appointed by investors to invest on their behalf through SPVs.

Impact means seeking to contribute measurable solutions to climate change and community development.

FSC® means Forest Stewardship Council®. FSC® will promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests.

PRI means Principles for Responsible Investment which is a United Nations-supported international network of investors working together to implement its six aspirational principles, often referenced as "the Principles".

SPV means special purpose vehicle which is any type of investment vehicles that own the assets: fund, co-investment entity, etc.

SDG means UN Sustainable Development Goals. Universal set of 17 goals adopted by 193 countries that support the 2030 Agenda for Sustainable Development. The aim of the SDGs is to promote prosperity by protecting people and planet.

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