

Environmental and Social Data Sheet

Overview

Project Name: *Dasos Timberland Fund II*
Project Number: *2011-0147*
Country: *Luxembourg*
Project Description: *Fund targeting forestry assets mainly in Europe.*

EIA required: An Environmental and Social Impact Assessment may be required for certain investments.

Project included in Carbon Footprint Exercise¹: NO

Summary of Environmental and Social Assessment, including key issues and overall conclusion and recommendation

Sustainable forest management and well-designed forestry investments have a positive impact on major environmental issues: i) climate change mitigation and adaptation (forests are known to be a major carbon sink, forest assets can be managed as a renewable energy source and forests are expected to be an important raw material for the second generation of biofuels); ii) conservation of soil and freshwater (watershed protection against erosion, flood prevention); and iii) loss of biodiversity (habitat protection, wildlife corridors, riparian zones preservation). In addition, forests offer valuable amenity and educational value.

The Fund is expected to invest according to a strong set of sustainable environmental and social management principles, which are set out in the Fund's Forest Investment Policy, its Environmental and Social Screening Guidelines and its Investment Management and Operations Manual. The Promoter is already aware of the EIB's detailed forestry environmental and social eligibility criteria and these are incorporated into the guidelines of the Fund. In addition, Dasos is a signatory of the UN's Principles of Responsible Investment, a voluntary framework by which investors can incorporate environmental, social and corporate governance into their decision-making and ownership practices.

In the case of temperate and boreal forests, the Fund will only invest in forests which are certified or certifiable. In addition, in the case of subtropical and tropical plantation systems, investments associated with conversion of primary forests are excluded, as are investments in palm oil plantations, and shall be compatible with international or national sets of criteria such as:

- Nationally developed standards for sustainable management of plantations;
- Forest Stewardship Council (FSC) Principles and Criteria for forest stewardship;
- FAO Voluntary Guidelines of responsible management of planted forest.

In the EU, initial afforestation and reforestation for the purposes of conversion to another type of land use falls under Directive 2011/92/EEC. The decision of the Competent Authority whether to require an EIA on the basis of Annex III of the Directive will be assessed for each investment, as well as the possible impacts on protected flora and fauna (Habitats' 92/43/EEC and Birds' 79/409/EEC Directives). The same approach and principles as contained in EU law will be applied outside EU.

¹ Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO₂e/year absolute (gross) or 20,000 tons CO₂e/year relative (net) – both increases and savings.

The Fund core philosophy is not only to try to minimize the potential adverse social and environmental impacts but manage the forests to enhance these values based on the application of the following sustainable development principles:

- No conversion of natural forests to plantations will be allowed. Establishment of forest plantations shall be for reforestation or afforestation and in accordance with the Pan European Forest Process on Criteria and Indicators for Sustainable Forest Management, or the Montreal Process on Criteria and Indicators for the Conservation and Sustainable Management of Temperate and Boreal Forests (outside Europe);
- Management of natural forests respects the Pan European Forest Process on Criteria and Indicators for Sustainable Forest Management (previously known as the Helsinki Process);
- FSC (Forest Stewardship Council) Principles and Criteria for Forest Stewardship;
- FAO (Food and Agriculture Organisation of the United Nations) Voluntary Guidelines on responsible management of planted forest;
- ITTO (International Tropical Timber Organization) guidelines for the establishment and sustainable management of planted tropical forests;
- Regional or nationally developed standards for sustainable management of forest plantations.

Dasos invests only in forests which are certified or certifiable. Therefore, it is the Fund's intention that all acquired forest assets which are not yet certified are put under certification process as part of the Fund's sustainability policies and asset value enhancement.

The Fund's Forest Investment Policy

The Forest Investment Policy adopted by Dasos Timberland Fund I and Dasos Timberland Fund II ("the Fund") requires that investments must be environmentally sound and sustainable. To improve decision-making, the Fund has adopted a principle of undertaking a thorough due diligence (DD) as part of a two-stage investment decision making process. Assessment of key environmental and social aspects is a central part of those processes. It is carried out following the Fund's policies and guidelines, and national legislation in each respective country and has the following general objectives:

- Identify and assess social and environment impacts, both adverse and beneficial, in the project's area of influence;
- Identify ways of mitigating negative impacts and enhancing positive impacts, incl. delivery of environmental services during investment execution in order to manage the environmental, social and reputational risks and to enhance the value of the asset; and
- Obtain an informed view concerning the forest certification according to an internationally accepted certification standard.

These guidelines have been prepared to provide general guidance and approach to environmental and social impact review during the DD and investment decision-making process, and also on managing social and environmental performance throughout the life of the investment. The guidelines are meant especially to be applied in developing and emerging countries where social and environmental risks of forest investments are usually higher and regulatory framework and environmental and social governance are weaker than in developed countries.

Environmental and Social Assessment

Environmental and Social Assessment

Environmental and social assessment (ESIA) is a central part of the due diligence. It is carried out following the Fund's policies and guidelines, and national legislation in each respective country.

Before the Investment Advisor proposes a forestry asset for potential investment, it conducts an environmental and social review of the investment as part of its overall due diligence. It is carried out following the Funds' policies and guidelines, and national legislation in each respective country and has the following general objectives:

- Identify and assess social and environment impacts, both adverse and beneficial, in the project's area of influence;
- Identify ways of mitigating negative impacts and enhancing positive impacts, incl. delivery of environmental services during investment execution in order to manage the environmental, social and reputational risks and to enhance the value of the asset; and
- Obtain an informed view concerning if the concerned forestry asset is certifiable according to an internationally accepted certification standard.

The scope of the environmental and social DD is as follows:

1. Initial screening (high level)
2. Current policies, guidelines and management systems
3. Land aspects
4. Social and cultural aspects
5. Environmental aspects

In addition to Dasos Environmental and Social Guidelines for Forestry Investments, the Fund has adopted a comprehensive Forest Investment Policy integrating IFC's environmental and social policies and safeguards, EU's environmental policies and the Equator principles. In summary, all investments must:

- Comply with EU environmental policies and standards and Equator Principles (www.equator-principles.com);
- Take into account local conditions and law in regions outside the EU, as well as EU standards as a benchmarks;
- Comply with the EU's Directive on Environmental Impact Assessment (ec.europa.eu/environment/eia);
- Apply good environmental and social management practices during project implementation and operation consistent with international forest certification requirements such as FSC (www.fsc.org) and PEFC www.pefc.org and /or Voluntary Carbon Standard (www.v-c-s.org) or similar standards in case of carbon sequestration projects as well as emerging biomass certification systems and EU minimum standards of sustainability.

These principles and guidelines cover issues such as: need and depth of social and environmental assessment (based on screening), labour and working conditions, health and safety, gender issues, community participation and consultations, conflict prevention and management/grievance mechanisms, pollution prevention and abatement, biodiversity conservation, indigenous people, cultural heritage, land tenure, avoiding involuntary resettlement, and independent monitoring and reporting.

In order to control environmental and social impacts and enhance related positive contributions, environmental and social objectives/targets and related monitoring are to be integrated in forest management planning and implementation as well as reporting.

For more details about Dasos Environmental and Social Due Diligence procedures, please refer to *Dasos Environmental and Social Guidelines for Forestry Investments*.

In addition, as part of the DD an environmental and social due diligence a comprehensive checklist has been developed (available as a template) and is used to gain an understanding of possible environmental and social risks.

EIB Carbon Footprint Exercise

For the Fund's EUR 150 m scenario, which would entail the management of 94,100 ha of forest including the establishment of 23,300 ha of new forest plantations, it is estimated that approximately 326,000 tons of carbon would be sequestered annually.