Conservation Resources

# OUR APPROACH TO IMPACT

## HOW WE ASSESS, MONITOR, AND CONTRIBUTE AS AN IMPACT INVESTMENT MANAGER

December 2023

# Contents

# I. Introduction

Conservation Resources is an impact investment manager that seeks investments that contribute positive impact to the land and water upon which the investments are based and that improve the surrounding communities.

We founded the company with the strategy of investing in real assets, primarily timber and farm lands, with a vision that environmental and financial value are not only complementary, but mutually accretive.

Over the past 20 years Conservation Resources has been recognizing trends related to environmental changes that shape economics. This has allowed us to frame our impact land management strategies to create more resilient ecosystems while also improving economic performance.

Throughout our history and today, Conservation Resources has been leading the way in protecting and restoring the environment while generating impact and financial returns for our investors.

This document describes our approach to investing for impact. It sets out our beliefs as an impact investor. We describe the aim of our activities and how we assess the positive and negative impact of our investments and the sustainability risks.

This document also includes information and policies on the integration of sustainability risks in the investment decision-making process as per Article 3 of the Sustainable Finance Disclosure Regulation (SFDR)[1].

[1] Neither the Adviser nor the General Partner are subject to or obliged to comply with the requirements under the SFDR, nor have implemented the SFDR in their internal investment management, monitoring and investor disclosure processes. Accordingly, all disclosures and information regarding the sustainability objectives and performance of Fund VI set out in the Sustainability Disclosures Annex below are provided on a voluntary basis. The General Partner has assessed the investment strategy of Fund VI and considers that the Fund's investment program may reasonably be concluded to have a sustainable investment objective. Consequently, the Fund may, in the opinion of the General Partner, be considered broadly analogous to a product to which the disclosure requirements Article 9 of the SFDR apply. However, the sustainability disclosures set out herein may not provide all or some of the same information, follow the same definitions or standards or otherwise provide equivalent information as the disclosures provided by a person who is required to and does provide disclosures in accordance with the requirements under, and guidance issued pursuant to, the SFDR, with respect to an investment fund the investment strategy or program of which requires its AIFM to make disclosures in accordance with Article 9 of the SFDR. Investors should seek to obtain additional information, where needed, to conclude whether the sustainability disclosures provided are adequate to meet their own regulatory, commercial or other requirements.

# 2. Our Impact Approach and Values

We invest with the explicit intention of generating positive and measurable social and environmental impact alongside a competitive financial return.

Our goal is to focus our investments in sustainable or regenerative land use and value-added businesses that support sustainable land use.

Our values are:

- **Sustainable land management** – Our company is focused on improving the land we own and leaving it better than we found it by employing beneficial land management practices such as regenerative and organic systems, efficiently using resources, and minimizing waste.

- **Soil health** – Soil is the foundation of healthy, productive forests, farms and wildlands, and our operations must enhance its long-term health to optimize productivity and preserve value.

- **Competitive returns** – Competitive returns are essential to maintain working real assets and avoid land being converted to non-productive uses.

- **Community engagement** – The local communities around our investments support our farms and forests by providing labor for our operations, value-added processing, and markets for our products; our farms and forests must support these communities.

- **Fairness** – We treat all individuals equally, regardless of color, gender, sexual orientation, disability, national origin, religion, or age.

- **Integrity** – We always strive to act in an ethical, legal, transparent, and forthright manner, and to keep our commitments to our clients, employees, and partners.

As a land-based investment company, we believe that long-term asset value depends on the health of the soils underlying our farms and forests. If we can protect and enhance soil quality in all our operations, we will also have a positive impact on water quality, biodiversity, and carbon sequestration. Productivity in the long run will come from a conservative approach to land management.

In our investment program, we seek to enhance positive impact and minimize or mitigate negative impacts. The three angles of our sustainability program are intentionality, metrics, and financial risk and return.

## 2.1. Intentionality

Conservation Resources invests with a clearly defined intent to achieve positive change through specific outcomes. In addition, we aim to minimize any potential negative impact of our investments by testing every investment opportunity against our minimum standards and the Do No Significant Harm (DNSH) principle of the Delegated Regulation[2].

Our ambition is to show that sustainable land management can outperform high input industrial agriculture and forestry. By doing so, we seek to guide investors to expect asset managers to move in our direction and slowly transform the private equity real asset industry.

The core element of our impact is that it is intentional and forward-looking.

## 2.2. Metrics

We measure and manage impact based on both qualitative and quantitative indicators that are related to the fund objectives. The six **Impact Areas** are:

- Carbon sequestration;
- Biodiversity;
- Water conservation;
- Land conservation;
- Certification; and
- Community and economic

The impact areas define the impact of the fund. We have identified indicators (aligned with market standards such as IRIS+ by the Global Impact Investing Network and the U.N. Sustainable Development Goals) to measure the progress towards these objectives and to evaluate if and how we change our impact frameworks.

## 2.3. Financial Risk and Return

Our investment decisions are based on the impact-risk-return principle. Only when a potential investment is deemed to be in line with the sustainable objectives of the fund, can it be considered for investment. At that point we consider whether the risk-return profile is in line with the mandate of the fund. We aim to realize a competitive market-rate financial returns with all our investment funds.

[2] See SFDR CDR in glossary.

# 3. Sustainability and Impact Assessment

Our sustainability and impact assessment of existing and potential investments focuses on four key aspects:

1) **Determining the positive impact** of any investment is the starting point. These are determined in reference to our Sustainable Land Management Policy and our six Impact Areas as noted above.

2) **Assessing, mitigating and managing any negative impact** from our investments is a core second step. We also assess external sustainability risks that may impact our investments.

3) **Risk and return** are determined through a traditional discounted cash flow model and due diligence process. Investments that match the impact, risk tolerance and return profile of the fund and fit within the portfolio are approved for investment.

4) **Monitoring** of portfolio investments and mitigating negative impacts post-investment are the fourth aspect.

## 3.1. Positive Impact

All investments in the Funds must at a minimum be able to meet our definition of Sustainable Land Management within four years of our acquisition AND must contribute to at least one of our six Impact Areas.

## 3.2. Mitigating Negative Impact

We are committed to minimize the negative impact of our investments, which we characterize under two categories:

**Internal Risks –** The negative impacts caused by the activities of our investments.

**External Risks –** Sustainability risks related to our investees: environmental, social or governance events or conditions that could cause material negative impact on the investment.

### 3.2.1. Internal Risks

Even though we select for positive impact, it is practically impossible to rule out all negative effects. For each individual investment we therefore determine if the negative impact is limited and acceptable or can sufficiently be mitigated.

Projects are screened against negative impacts, using the Principal Adverse Impacts (PAIs), the Do No Significant Harm (DNSH) principle under SFDR and relevant sector-specific standards to ensure they do not cause any significant harm. They are excluded from investment if they fail this screening.

**SFDR Do No Significant Harm & Good Governance**

By offering the equivalence to Article 9 according to SFDR on all new funds[3], we ensure all our (potential) investments classify as 'sustainable investments' as defined in Article 2 (17) SFDR. Our investment process therefore also includes screening on negative impact which covers the assessment of PAI, alignment with OECD Guidelines for Multinational Enterprises and the UN Global Compact Principles (UNGC) and assessment of good governance practices. More information is available upon request. We update the PAI statement on our website annually to report on the adverse impact of our investments.

### 3.2.2. External Risks

Conservation Resources also assesses the impact of external sustainability factors on our investments. Because we are dealing with land-based real assets, these can include impacts from: climate change, severe weather, insects, disease, and markets.

Investments are screened against relevant sustainability factors. The aim is not to minimize the risk but to assess and manage it. The risk profile of the fund determines the level of exposure to these and other types of risks. In general, external sustainability risks are complex and may occur in a manner that cannot reasonably be anticipated, resulting in a material negative impact on the value of an investment.

[3] This refers to any investment funds offered after December 2023.

# Annex – SFDR Glossary

For this document, the following definitions apply:

'**SFDR**' – Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as amended from time to time.

'**SFDR CDR'** - Commission delegated Regulation EU/2022/1288 of 6 April 2022 supplementing SFDR, as amended from time to time.

'**Sustainable investment**' - Investment in an economic activity that contributes to an environmental objective - as measured by key impact to our Key Impact areas- provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance, as in Article 2 (17) SFDR.

'**Sustainability factors'** - Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters, as in Article 2 (24) SFDR.

'**Sustainability risk'** - Environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment, as in Article 2 (22) SFDR.

**'Impact'** - The effect that our organization and investments have on the Impact Areas.

**'PAI'** - Principle Adverse Impact on sustainability factors as assessed by indicators as in Annex I of the SFDR CDR.

**'DNSH'** - Do No Significant Harm, as used and interpreted in the context of Article 2 (17) SFDR.

'**Positive impact**' - Impact that contributes to a society that is humane, ecologically balanced and works for the benefit of all.

'**Negative impact'** - Impact that opposes a society that is humane, ecologically balanced and works for the benefit of all.

'**Funds**' - The collective investment funds managed by Conservation Resource Partners, LLC.

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