



Sustainability-related disclosure: Statement of sustainable investment objective

This statement is published in relation to the UCA1 ("the "Fund") in accordance with Article 10 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR, the "Regulation").

(a) Summary

The UCA1 aims to contribute to increasing sustainable supply of forest Latin America (the "Target Region"), help to close the supply gap of sustainably produced timber that persists in many countries in the Target Region and through this action support natural forest conservation and carbon sequestration. This investment objective is in accordance with Art. 9 of the Regulation (EU) 2019/2088 on the Sustainable Finance Disclosure Regulation (SFDR). To achieve this, the Fund invests in sustainable forestry and value chains of sustainably produced forest products.

The investment strategy of the Fund targets companies or projects in the Target Region that wish to establish or expand sustainable plantation forests. The Fund can provide equity or equity-like finance. Financing may be considered to companies or projects whose activities aim to be sustainable in the long term, i.e. that can be economically, environmentally and socially maintained after the Fund's exit. This long-term vision is underlined by the FSC certification of all UCA1 investments. The Fund's investees are referred to as "Portfolio Companies".

The selection of Portfolio Companies is guided by a comprehensive set of eligibility requirements and investment criteria, as defined in the Fund's Investment Strategy, Guidelines and Restrictions and its Environmental and Social Management System. All of the Fund's Portfolio Companies are expected to contribute towards the Fund's sustainable investment objective.

In its operations the Fund maintains an Environmental and Social Management System (ESMS). The ESMS includes the Fund's Environmental and Social Policy, Environmental and Social Guidelines, the Exclusion List and the E&S Procedures. The ESMS requires practices that comply with the "do no significant harm" principle as per Article 2(17) SFDR. Environmental, social and governance data is collected and monitored. Further, UCA1 is collecting and will disclose the principal adverse impact indicators of Table 1/Annex I of the SFDR Regulatory Technical Standards (RTS) in the timeframe required by the Regulation.

The two main sustainability indicators used to measure the attainment of the sustainable investment objective are carbon sequestration (tCO₂e) and employment creation (FTE). In carbon sequestration methodologies that build on internationally recognized approaches; general guidance of the IPCC (2006 Guidelines for national GHG inventories and the 2003 Good Practice Guidance for Land Use, Land-Use Change and Forestry

(LULUCF)) are followed. Results are reported on an annual basis in the Fund's Sustainability Report.

Main data source used for reporting is the primary data provided by the Portfolio Companies. In addition, the Fund produces data by analysing, comprising and comparing the primary data as well as independent assessments and studies.

No benchmark according to Art 9 (3) SFDR (EU Climate Transition Benchmark or EU Paris-aligned Benchmark) is available for the Fund.

(b) No significant harm to the sustainable investment objective

How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

UCA1 pays specific attention to effective management – i.e. avoiding, minimizing and mitigating – of environmental & social (E&S) risks and negative impacts associated with the Fund's investments. Key factors include but are not necessarily limited to protection of biodiversity; natural habitats and cultural heritage; occupational and community health and safety; labor standards and working conditions; indigenous peoples' rights; involuntary resettlement; gender equality; and human rights. To that end, UCA1 maintains its ESMS. The ESMS includes the UCA1's Environmental and Social Policy, Environmental and Social Guidelines, the Fund's Exclusion List and detailed E&S procedures.

The Fund requires its Portfolio Companies to carry out their activities in compliance with the Exclusion List. The UCA1 Exclusion List prohibits financing activities with inherent or elevated sustainability risk, such as activities involving child and forced labor, pesticides/herbicides subject to international bans, logging operations in primary tropical moist forests, among others. The Portfolio Companies report regularly, at least annually, on environmental and social aspects of their operations.

The Portfolio Companies must carry out activities in compliance with national law, and in a manner consistent with the UCA1 ESMS including the IFC Performance Standards and the International Labour Organization's core labor standards.

How are the indicators for adverse impacts on sustainability factors taken into account?

The Fund has completed its investment period. Through its ESMS UCA1 considers adverse impacts beyond the principal adverse impact (PAI) indicators on sustainability factors outlined in Table 1/Annex I of the SFDR RTS. As part of its Portfolio Companies' reporting, UCA1 collects information relating to potential adverse impacts of its investees, monitors this and will disclose relevant information in the timeframe required by the Regulation. The Fund uses proxies and tools to estimate performance against the PAI indicators, where data gaps exist.

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

The Fund's investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the

International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

(c) Sustainable investment objective of the financial product

What is the sustainable investment objective of the financial product?

The Fund aims to contribute to increasing sustainable supply of forest products in the Target Region, help to close the supply gap on sustainably produced timber that persists in many countries in the Target Region and through this action support natural forest conservation and carbon sequestration.

Considering the Fund's Target Region and specifics of the investment strategy, the Fund has not designated a reference benchmark for the purpose of attaining the sustainable investment objective.

(d) Investment strategy

What investment strategy does this financial product follow?

The investment strategy of the Fund focuses on providing equity or equity-like finance in the Target Region to companies for establishing, expanding or managing sustainable plantation forests. Financing may be considered to companies whose activities aim to be sustainable in the long term, i.e. that can be economically, environmentally and socially maintained after the Fund's exit. These activities may include i) establishing new forest plantations, ii) expanding, upscaling or improving existing plantations or iii) restoring highly degraded forest landscapes. The focus of the Fund is in regions with good biophysical growing conditions combined with a growing domestic or regional demand for forest products. The Fund seeks to cooperate with local partners in all its investments. The Fund applies careful site and species selection and uses best international forest management practices together with thorough market intelligence consisting of serving existing timber markets, including market access analysis and market development. The Fund may also invest in forest products' processing, manufacturing and distribution. To secure an intelligent and sustainable land use, silvopastoral systems may be implemented in some of the projects.

What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?

The selection of Portfolio Companies is guided based on a comprehensive set of eligibility requirements and investment criteria, as defined in the Fund's Investment Strategy, Guidelines and Restrictions and its ESMS. Key criteria include Forest Stewardship Certification (FSC) eligibility (each Portfolio Company/project must achieve FSC certification within 18 months from the start of forestry operations) and eligibility to achieve certification in accordance with international carbon certification standards.

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

UCA1 is committed to actively promoting good governance, integrity and transparency standards in its financing/investment activities, including in selection and further development of the Portfolio Companies. Governance review includes among others review of

management structures, employee remuneration as well as tax compliance. The AML/CFT Policy defines the minimum standards and principles for Portfolio Company, as well as detailed KYC procedures and due diligence requirements for all potential investees, the scope of which is determined on a risk-sensitivity basis.

(e) Proportion of investments

What is the planned asset allocation for this financial product?

A minimum share of 60% of the Fund's net assets is expected to be sustainable investments within the definition of the SFDR over the term of the Fund. All of the Fund's investments in Portfolio Companies are expected to contribute to the sustainable investment objective and consider the Fund's do no harm criteria. The remaining share is allocated to Fund management fees, costs and expenses. Out of the share of sustainable investments, 100% of the Fund's investments are expected to work towards an environmental investment objective.

(f) Monitoring of sustainable investment objective

What sustainability indicators are used to measure the attainment of the sustainable investment objective by this financial product?

Assessing the Fund's impact is of great importance as it demonstrates progress towards the Fund's environmental and social objectives and provides insights into the implementation of the Fund's strategy. Impact is monitored throughout the lifecycle of the Fund through a set of key sustainability indicators, these include:

- Hectares of land brought under sustainable forest management (afforestation / reforestation)
- Hectares of land brought under conservation
- Hectares of land FSC certified
- Tons of sequestered carbon
- Number of direct jobs supported
- Cubic meters of sustainably produced timber

How are the sustainable investment objective and the sustainability indicators monitored throughout the lifecycle of the financial product and what are the related internal/external control mechanisms?

Sustainability indicators are measured and reported annually. Portfolio companies are required to report on the sustainability indicators on an annual basis to the Fund as per the investment documentation. In addition to the third-party monitoring conducted due to the certification schemes that the Portfolio Companies are subject to (being FSC and verified carbon audits), internal and external resources are used to conduct monitoring.

(g) Methodologies

What is the methodology to measure the attainment of the sustainable investment objective using the sustainability indicators?

For a large proportion of its monitoring, UCA1 uses primary data provided by the Portfolio Companies. In addition, the Fund uses its own, internal Fund monitoring data. For its key

sustainability indicator, carbon sequestration, the Fund applies an estimation methodology, which is in line with the general guidance by IPCC. Methodologies as well as parameters used are reviewed and updated as required on a regular basis.

(h) Data sources and processing

What are the data sources used to attain the sustainable investment objective of the financial product including the measures taken to ensure data quality, how data is processed and the proportion of data that is estimated?

The Fund draws on the following data sources:

- (Internal) Fund-level data: Covering a range of data points at the Fund and portfolio level, allowing monitoring of the Fund's overall activities.
- Portfolio Company reporting: Contractually agreed reporting on a set of predefined indicators, submitted by the Portfolio Companies to the Fund on a regular basis. Fund studies: Studies conducted in-house and using external experts.
- Third party data and technical parameters: Parameters on environmental impacts that are derived from third-party evidence (international organization such as the FSC auditors and verified carbon project auditors).
- On-site visits and continuous engagement: Site visits facilitated through the investment advisor's staff or external experts.

Considering the wide range of data sources and its quality, the proportion of data that is estimated is limited.

(i) Limitations to methodologies and data

What are the limitations to the methodologies and data sources? (Including how such limitations do not affect the attainment of the sustainable investment objective and the actions taken to address such limitations)

The Fund invests in private sector companies which are non-listed. No external data providers collect or report on the data that could be used to measure the attainment of the Fund's investment objective. The majority of the data is not externally verified but is based on the reporting of the Portfolio Companies.

To address potential uncertainties and limitations, the data is carefully checked by experienced and appropriately educated professionals, values are periodically controlled through on-site or peer reviews and benchmarking; or assessed by third party independent experts such as FSC or verified carbon credit auditors, thus improving data quality and reliability.

(j) Due diligence (concerning environmental and social objectives of the Fund)

In assessing the potential of an investment to contribute to the positive impact objective followed a two-step approach:

1. During screening, the Portfolio Company's alignment with the Fund's requirements as well as the overall environmental and social context is reviewed and key risks are identified. Also, a pre-assessment with regards to FSC and carbon certification eligibility is conducted.

Finally, the Portfolio Company/project is categorized based on UCA1 ESMS. This categorization will then guide further due diligence assessments.

2. During the due diligence phase, a more detailed analysis is conducted with regards to the binding elements of the Fund's investment strategy. In addition, a step-by-step plan is developed to achieve full alignment with the Fund's ESMS and contribution to its impact objective.

The (on-site) due diligence is conducted by an investment team with expertise from several disciplines, always including E&S expertise. The Fund's investment committee is involved in both steps of the process.

(k) Engagement policies

Is engagement part of the investment strategy?

Engagement with the Portfolio Companies and other related stakeholders is an integral component of the Fund's investment process and central to managing environmental and social risk and development impact. UCA1 considers itself a long-term partner to its portfolio companies in line with its target to develop sustainable forestry projects and increase the supply of sustainably produced timber products its Target Region. This engagement includes (but is not necessarily limited to) enhancing the Portfolio Companies' capacities to assess and monitor environmental and social impacts and to build awareness and understanding of sustainable forestry.

The engagement with Portfolio Companies and other related stakeholders takes place on a continuous basis, facilitated through investment advisor's activities as well as through regular reporting requirements, and through the networking and platform building efforts of the Fund, which contribute to knowledge sharing and scaling up of good practices among and across the sector in the Target Region.

(l) Attainment of the sustainable investment objective

Has a reference benchmark been designated?

☐ Yes

☒ No

No benchmark according to Art 9 (3) SFDR (EU Climate Transition Benchmark or EU Paris-aligned Benchmark) is available for the Fund.