

Policy Name	Responsible Investment Policy
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## **I. Introduction**

Founded in 1976, The Lyme Timber Company LLC (“Lyme”) invests in and sustainably manages timberland and rural real estate throughout the United States and Canada. Lyme is a pioneer in conservation and sustainable forest management with a 30+ year track record of integrating environmental, social, and governance (ESG) objectives into its investment strategy. Since the early 1990s, we have pursued innovative conservation-oriented investments throughout the US and Canada. Alongside investments in commercial scale sustainable working forestland, we have pursued investments in wetland, stream, and habitat mitigation; forest carbon sequestration; and targeted conservation real estate opportunities. Over the last thirty years, we have protected over one million acres of land through conservation easements, mitigation banking instruments, and 100-year carbon sequestration projects.

Lyme pioneered the sale of working forest conservation easements (“WFCEs”) as an investment strategy beginning in the early 1990’s. WFCEs restrict development, subdivision, and conversion of forests to non-forest uses, and impose higher standards of sustainable forestry obligations on the property. WFCEs generally accommodate public recreational access in support of rural economies, while allowing for continued income generation from sustainable timber harvesting. Because of our long track record, we are a trusted partner to non-governmental organizations (“NGOs”) and public agencies seeking private capital to support conservation transactions. Our extensive network of partners, built over many years, contributes to our capacity to source, evaluate, and execute investment opportunities that align with our responsible investment goals.

We focus on sustainably managed natural (non-plantation) forests, which provide greater species and age diversity, natural habitat with biodiversity benefits, and stronger resiliency to climate change. We are unique in our willingness to invest in locally managed operating businesses - including forest management companies, log distribution yards, logging crews, sawmills, and related businesses – alongside our timberland investments. These investments provide quality employment, support the rural economies where our timberlands are located, and help us to achieve our ESG goals. Our business and investment results depend upon forest health and diversity, thriving rural economies and local forest products industries, and public and private support for conserving natural resources and mitigating climate change.

Our work is guided by the principle that integrity, knowledge, and experience lead to investment opportunity. This Responsible Investment Policy describes how we incorporate ESG principles into our investment decisions and management.

## **II. Approach to Responsible Investing**

### **a. Overview**

Lyme considers responsible investment as part of its fiduciary duty to clients, recognizing that identifying and managing sustainability risks are part of long-term risk management strategies. We follow a disciplined and value-oriented approach to investment with the goal of generating attractive risk-adjusted returns and durable environmental and community benefits.

Our primary investment strategy is to acquire and sustainably manage large-scale timberland properties in the United States and Canada, with a focus on naturally regenerating forests. To achieve our funds’ investment objectives in competitive timberland markets, we focus on timberlands where we can add value through conservation strategies, access to below-market financing, and operational improvements.

It is our policy to maintain third-party certification on all our working forestlands with one or both of the two leading sustainable forestry certification programs – the Forest Stewardship Council (FSC®) and the Sustainable Forestry Initiative (SFI®). These third-party certification systems are designed to ensure that sustainable forest management principles are followed, provide guidelines and standards for environmental, social, and governance considerations, and are audited on an annual basis to ensure compliance. Our unique portfolio company operating model – with fund-owned operating companies managing the day-to-day forest management functions on our timberlands – creates alignment, accountability, and control over the implementation of our responsible investment goals and ownership objectives. This model enables us to directly implement good governance standards, including the recruitment of a diverse workforce, remuneration and fair compensation practices, employee benefits, and compliance with applicable laws and tax regimes.

#### **b. ESG Initiative**

The scale of Lyme’s portfolio and the growth of our team in recent years, in combination with evolving investor expectations, a long-standing commitment to responsible investment, and a concern for the impacts of climate change and growing economic disparities, prompted us in 2021 to articulate a set of five-year ESG goals. The specific goals and measures associated with each area of focus complement and operationalize our longstanding commitment to responsible investment while providing a framework under which our responsible investment activities are coordinated, implemented, and reported on, enabling us to better collect and share information regarding our ESG approach. Our publicly available Annual Report provides additional information on these goals and our progress toward them.

##### Environmental:

Lyme has unique experience and expertise in forest conservation and stewardship. This history, combined with our sizable portfolio, positions us well in both traditional and non-traditional markets. We have the opportunity to manage forestland at scale for commercial forest product production, traditional conservation values, and carbon sequestration/ natural climate solutions.

Lyme seeks environmental outcomes across its investment strategies. Lyme’s investments often fill gaps in larger conserved landscapes, providing important connectivity and scale for land conservation efforts. Their protection helps deliver vital ecosystem services including the protection and restoration of streams and wetlands, protection of clean water supply, wildlife habitat conservation, carbon sequestration, flood control, air quality maintenance, and soil regeneration, as well as recreation and tourism.

Lyme’s Environmental goals include: increasing carbon sequestration; reducing the carbon footprint of our corporate and portfolio company operations; permanently protecting high conservation value working forests and other unique conservation lands; and continuous improvement in our forest management practices and protection of water quality, soil, wetlands, and wildlife habitat on our lands.

##### Social:

In the United States, forests provide jobs to approximately 1 million people, including many people in rural and low-income regions of the country with declining populations and industries.

Lyme is unique among timberland investment managers due to our willingness to establish or invest in operating businesses that supply, purchase from, or provide services to our land base – we see these investments as a way to improve operating performance on our properties, de-risk our investments, and contribute to rural economic development.

We have an opportunity to strengthen rural communities by providing good paying jobs, investing in safety and innovation, and responding to the interests of local stakeholders. We believe this approach toward investment creates goodwill toward our businesses, generates greater support for our conservation strategies, and affords greater access to talented employees.

To operationalize these important concepts, Lyme’s Social goals include: reduction of accident rates and continuous improvement in safety in logging, forestry, and trucking; increased engagement with community members in the regions where we own land; and creation and maintenance of quality jobs in rural communities.

#### Governance:

Lyme’s people are the foundation of our success and will continue to drive our successes in the future. Lyme has always benefited from the diversity of its leaders’ educational, personal, and professional backgrounds. We have treated each other with respect and our leadership team has always made decisions by consensus. Collegiality and a genuine interest in understanding each person’s point of view, open and honest discussion, and respect for difference have been hallmarks of our culture.

We believe we can benefit from greater diversity, including gender, racial, and socioeconomic diversity in our leadership and at our portfolio companies. To achieve and benefit from greater diversity, we must maintain and enhance our culture of respect, equity, and inclusiveness, and ensure that our employment policies and practices support these goals.

Lyme’s Governance goals include: fostering an inclusive and respectful culture; creating career development opportunities for people from diverse backgrounds; and increasing diversity in our businesses and leadership.

#### **c. Alignment with Third Party Frameworks**

In addition to the internal ESG goals and measures described above, Lyme has demonstrated commitment to measuring and reporting on our impact. We have aligned with third party frameworks on sustainability measures long before doing so was standard practice, including contributing to the drafting of the IRIS metrics for sustainable forestry in 2010 and consistently reporting on them since their inception. Lyme’s approach to responsible investing and incorporation of ESG considerations is informed by and references the following third-party frameworks, with quantitative and qualitative reporting included in Lyme’s Annual Report:

- **United Nations Sustainable Development Goals** – Primary alignment with SDG 15 (Life on Land); secondary alignment with SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), and SDG 13 (Climate Action).
- **United Nations Principles for Responsible Investing (UNPRI)** – Lyme has been a signatory since 2017, including a commitment to UNPRI’s six guiding principles.

- **Impact Reporting and Investment Standards (IRIS)** – Metrics developed by the Global Impact Investing Network (GIIN) used to measure Lyme’s impact since 2012. Lyme’s impact themes align with the Impact Management Project and GIIN’s IRIS+ and Navigating Impact frameworks.

#### **d. Good Governance and Human Rights**

Lyme is committed to the highest standards of corporate governance including compliance with all applicable laws and regulations, anti-corruption and anti-bribery measures, and the promotion of responsible and ethical business practices across all of our activities. Lyme is committed to respecting the rights and dignity of all human beings and adheres to best practice guidance from the OECD Guidance for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the International Labor Organization Core Labour Standards in its business practices.

SFI and FSC forest certification standards include specific metrics on community relations and workers’ rights that must be adhered to and incorporated into the ownership and management of Lyme’s investments. Lyme has developed management policies and operational controls to ensure compliance with these standards. Lyme’s operational controls include specific policies on equal opportunity and non-discriminatory employment practices, fair wages, safety and training, compliance with laws and regulations, stakeholder consultation, evaluation of social impacts, and grievance resolution.

#### **e. Exclusions**

Lyme’s core investment strategy is to pursue sustainable timberland investments with conservation and biodiversity attributes and execute its value-add strategies to generate attractive returns. Lyme regularly chooses not to pursue investment opportunities where sustainable forest management is incompatible with generating market returns. Absent an aligned sustainable forest management approach or conservation strategy, the value-maximizing strategy might involve forestland conversion or aggressive timber liquidation practices. We do not favor such practices as an investment strategy, and therefore we do not seek out opportunities where we believe such practices are key to achieving target investment returns. Additionally, Lyme does not invest in the manufacture or sale of weapons, alcohol, tobacco, gambling, fossil fuels<sup>1</sup>, or nuclear energy.

#### **f. Stewardship**

The UNPRI defines stewardship as “the use of influence by institutional investors to maxim[is]e overall long-term value including the value of common economic, social and environmental assets, on which returns and clients’ and beneficiaries’ interests depend.”<sup>2</sup>

Lyme’s Managing Directors convene as necessary to discuss any stewardship activities and how they align with our approach to responsible investment. Lyme has and continues to contribute to discussions about

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<sup>1</sup> Lyme funds often acquire only the surface rights for a timberland property, and thus do not control mineral development activities below the surface, including oil and gas, coal, and metallurgic resource exploration and extraction. If any such development occurs, Lyme funds receive compensation related to surface damages. In very limited cases, where the subsurface rights have not been previously severed, certain rights may be acquired along with the timberlands, in which case any mineral development activities are conducted by a third party and Lyme funds typically receive passive royalty payments.

<sup>2</sup> In other contexts, Lyme uses the term “stewardship” to describe responsible management of natural resources and our commitment to being good stewards of the land.

setting standards for forestland management and sustainability reporting. Lyme frequently engages with industry groups and is a member of the National Alliance of Forestland Owners (“NAFO”), a national trade organization committed to advancing federal policies in support of working forest economies. We also engage with federal, state, and local natural resource agencies and other regulators to ensure engagement on and compliance with evolving regulations applicable to our operations.

#### **g. Conflicts of Interest**

As a fiduciary to our investors and an SEC-registered investment advisor, Lyme takes seriously our obligations to put our investors’ interests ahead of our own and has adopted a comprehensive compliance program designed to surface, evaluate, mitigate, and disclose any actual or potential conflicts of interest. Each fund sponsored by Lyme has an Advisory Committee that is responsible for reviewing and approving any transactions that present a conflict of interest.

#### **h. How Remuneration is Tied to Sustainability Objectives**

Our compensation philosophy is based on fairness and the recognition that our success depends on our ability to recruit and retain the best talent in the industry. We strive to provide competitive compensation within the timberland investment industry and include quality benefits alongside cash compensation. Lyme uses a base salary combined with annual incentive bonuses to ensure pay is commensurate with performance. We consider sustainability objectives in our remuneration approach. Annual salary and incentive bonus determination includes a comprehensive review of each employee’s contributions across various areas, including the employee’s relative contribution to sustainability initiatives of the firm. At portfolio companies, Key Performance Indicators (“KPIs”) are established to measure team and individual performance, which include ESG goals and objectives.

### **III. Integration of Responsible Investment Principles into Lyme’s Investment Strategy and Management**

Responsible investment and ESG principles are woven into the fabric of Lyme’s culture, investment strategy, and operations, and impact every decision we make. The principles of responsible investment are considered during the investment due diligence, investment decision making, asset management, and disposition phase of each investment. Consideration of these factors is not limited to compliance with this Responsible Investment Policy, but is viewed as an opportunity to continue our track record of achieving positive environmental and social impacts and reducing risks while enhancing investment returns.

#### **a. Responsibility for Responsible Investing**

All of Lyme’s Managing Directors and employees are responsible for adhering to its standards for responsible investing. Lyme’s Managing Directors are responsible for the establishment of Lyme’s Responsible Investment Policy and its execution, and the Investment Committees (comprising Lyme’s Managing Directors) ensure ESG factors are integrated into investment decisions.

Lyme’s Responsible Investment Policy extends into other policies and procedures that guide investment activity and management, for which responsibility is spread across different roles within the company. Lyme’s Chief Compliance Officer is responsible for compliance matters and risk management. Lyme’s Director of Forestry Operations is responsible for conducting regular property visits and leads Lyme’s monitoring of and compliance with sustainable forestry practices and third-party forest certification

standards. Portfolio Managers are responsible for integrating ESG factors into goals for local teams, and ensuring our businesses operate in a manner consistent with our values and investment objectives. Lyme's Manager of Investor Relations & ESG coordinates implementation of our ESG strategy and reporting to investors.

#### **b. ESG Risks and Opportunities**

Lyme has developed a process to identify, assess, and mitigate a broad spectrum of opportunities and risks across all stages of its investment process, including those that are ESG-related. This process includes assessing the social and environmental opportunities and risks that could have a material impact on our investments. Sometimes, ESG opportunities carry short-term costs, such as harvesting below growth, selling conservation easements (which limit our ability to pursue certain land use activities), or investing in the forest products supply chain businesses. In many cases, the short-term costs are offset by long-term financial benefits, including expected increased value and resiliency of a forest. As part of our investment and management process, we evaluate the short-term and long-term implications of ESG-related risks and opportunities.

As an investor in forestland and rural real estate, our existing portfolio and future investments face moderate physical climate risk within our investment time horizon. Physical risks vary by region, and generally include property damage due to hurricanes, flooding, ice damage, wildfire, and other extreme weather events, as well as impacts from pests and disease. Extreme weather events may impact timber inventories and property infrastructure resulting in significant repair costs and recovery efforts. In addition, rising temperatures, shorter winters, and increased rainfall have made harvest operations more difficult, costly, and unpredictable. Expanded ranges for invasive species may result in impacts to certain tree species and reduction of timber values. To minimize our physical climate risks, Lyme aims to invest in a range of climate-resilient geographies, forest types, and markets in its timberland portfolio, which diversifies risks related to climate and nature, and helps to mitigate and adapt to climate change. Operational controls under our sustainable forest certifications ensure these risks are assessed and mitigated on an ongoing basis.

As climate risks mount, we expect increased volatility and uncertainty in timberland markets to be reflected in asset valuations. We also expect increased participation in environmental markets, and as these markets evolve, we believe disciplined investors will be rewarded for value-add investment strategies focused on climate opportunities. We also believe that climate-driven investments made by less-disciplined market participants may lead to attractive acquisition opportunities that leverage Lyme's well-established skill set in the short to medium term.

Lyme's strategy of executing conservation easement sales as part of our investment objectives also presents a set of ESG-related opportunities and risks. The sale of conservation easements often entails a tradeoff in which potential future uses of the land are extinguished in exchange for an upfront payment. Lyme evaluates these opportunities and risks in terms of both financial and ESG-related factors and seeks to structure transactions that are accretive to investors while also contributing to our goals of sustainable forest management, protecting wildlife habitat and biodiversity, and continuing to support local economies.

Other sustainability risks and opportunities relate to the communities in which we operate and the workforce we rely on to successfully manage the forests we own. Logging is largely performed by independent contractors in many regions where we operate, and we take a proactive approach in

managing the risk of relying on unrelated third parties. We seek to support investments in technology related to mechanized harvesting that help to ensure safer working conditions (e.g., fewer workers on the ground on harvesting operations) and lower environmental impacts (e.g., soil compaction and impacts on water quality), and extend harvesting seasons to handle operating in wetter conditions. We also seek to support the forest products industry by working closely with independent logging contractors to provide more stability to their businesses – through long-term contracts, year-round work, and fair rates. Similarly, we work closely with our customers (sawmills and pulp and paper mills) to ensure a steady flow of fiber supply and consistent quality and deliveries. In this way, we endeavor to have a positive impact on local economies, provide safe and well-paying jobs, engage stakeholders in our activities, and contribute to a healthy forest products industry.

Lyme recognizes that attracting and retaining a strong and diverse workforce is critical to ongoing success. We work to build an inclusive and respectful culture, ensure that our employment policies align with the needs of a diverse workforce, and create avenues for mentoring and professional development in order to create career development opportunities for people from diverse backgrounds.

### **c. Investment Process**

#### **i. Investment Due Diligence**

Lyme establishes an investment strategy for each fund that includes a description of target assets, alignment with financial and conservation goals, ESG risks and opportunities, and exclusions. During investment due diligence, potential investments are screened according to specific criteria, with the Investment Committee weighing the ESG risks and opportunities along with its financial analysis. Our commitment to our financial underwriting criteria and to executing conservation strategies leads us to reject numerous investments that might be made by other managers. This approach has limited Lyme's growth given the relatively small universe of available properties that meet our criteria.

We analyze value-add opportunities, such as conservation sales, supply chain investments, renewable energy leasing, and ecosystem services markets to improve investment returns, reduce investment risks, and achieve ESG objectives. We also consider risks, including a focus on climate-resilient geographies, an assessment of the vulnerability to impacts from extreme weather events and invasive species, and an evaluation of the availability and cost of potential mitigating strategies. We look at the availability of a qualified workforce to manage the forests, depth of the network of customers and contractors available to support forest management activities, and local political dynamics that could impact investment strategies.

This process is integrated by evaluating climate related risk and appropriately underwriting ESG risks and opportunities into our investment analysis and valuation process, and utilizing the information gained through the due diligence process to inform ongoing management plans. The investment team prepares a memo for the Investment Committee that includes evaluation of these risks and potential mitigation strategies for all potential acquisitions. We are willing to walk away from deals where we may not be appropriately compensated for financial and/or ESG-related risks.

#### **ii. Asset Management**

After an investment decision is made, Lyme establishes operational controls and forest management plans for each property. Because Lyme establishes fund-owned portfolio companies to provide property



management, it retains full control over operations, forest management objectives, goals, and standards, and employment practices to ensure adherence to Lyme's high standards regarding sustainability and good governance discussed above while reducing cost and increasing alignment for our investors at the same time. In the limited instances where Lyme invests in a joint venture and does not retain full control, it endeavors to work closely with its partners to ensure adherence to these objectives and policies.

To ensure our forest management activities are sustainable and protect important natural resources while providing economic benefits of timber production, all of Lyme's working timberlands are third-party certified to one or both of the two leading sustainable forestry certification programs – FSC and SFI. These third-party certification standards ensure that our forest management practices meet or exceed industry standards, provide a framework for planning, implementing, and monitoring sustainable forest management, and provide accountability for achieving our sustainable forest management objectives across our properties. These certifications are audited by a third party and provide a management system that supports Lyme's evaluation of ESG risks and opportunities.

ESG risk mitigation strategies are incorporated into our forest management systems, which inform our ongoing management of all timberland assets. We actively monitor and manage the forests we own and manage for diversity beyond the time period of our ownership while harvesting at sustainable levels. Our forest management across our portfolio emphasizes active maintenance and promotion of a diversity of tree species and age classes. A more diverse forest will be more resilient to climate change. Our forest management approach also supports biodiversity, wildlife habitat, water quality, among other ecological functions.

Lyme's management team schedules a minimum of two property visits per year in addition to scheduled weekly, monthly, and quarterly updates from portfolio company teams on the ground to monitor compliance with risk management protocols and overall forest management goals and objectives. ESG-related topics are integrated into the reporting structure and addressed as needed on an ad hoc basis.

In addition to the ongoing forest management described above, Lyme is involved in evaluating capital transactions, value-add investments in supply chain businesses, and opportunities to sell interest in land. For example, we pursue the sale of conservation easements on properties where doing so makes sense, and we are actively pursuing opportunities to site renewable energy projects on our properties. These strategies can be executed alongside our sustainable forest management goals in order to provide both a range of income sources and additional environmental benefits.

As part of our sustainable forestry certifications, all staff members involved in forestry operations are required to complete annual training and continuing education regarding current best practices, new and emerging science and technology, and safety. These trainings are overseen by our Director of Forestry Operations and are embedded into our forest management plans and the operational controls for each property.

### **iii. Asset Disposition**

Lyme continues to consider responsible investment principles in its exit strategy. Lyme's approach to conservation and sustainable forest management seeks to create durable climate positive investments that will outlast Lyme's ownership and continue to add value both financially and environmentally. Lyme endeavors to identify buyers that will continue its commitment to forest stewardship and nature-based climate solutions along with providing a strong financial return.

We believe that natural forests in climate-resilient regions are likely to perform well under a range of climate scenarios given their attractiveness for natural climate solutions and their resilience to the worst physical effects of climate change. Durable protection of land is one of our primary climate goals, and we achieve this through WFCEs, carbon encumbrances, and other conservation agreements and sales designed for long-term protection. Prior to selling lands subject to conservation or carbon agreements, we ensure we can demonstrate a track record of generating income from sustainable timber harvesting, recreational leasing, and other compatible land management activities to position encumbered properties for a strong sale outcome. Further, Lyme's strategy of creating independent businesses that can manage a property over the long-term enables buyers to benefit from high quality, local management teams that are addressing climate-related risks beyond the investment time horizon of Lyme's ownership.

#### **IV. Transparency and Reporting**

In addition to quarterly and annual financial reporting to investors, Lyme publishes an Annual Report (available on our website), which includes updates on our business and portfolio, our progress toward our ESG goals, and reporting on third party frameworks. Lyme uses the IRIS metrics promulgated by GIIN, in addition to our own ESG goals and measures to monitor and report on the non-financial performance of its investments. The results of Lyme's FSC and SFI audits related to sustainable forest management are made publicly available on an annual basis along with our UNPRI Transparency and Assessment Reports. We expect our ESG reporting will continue to evolve as new reporting frameworks emerge and metrics begin to standardize.

##### **Disclaimer:**

*This Policy does not constitute an offer to sell or a solicitation of offers to buy securities. Lyme reserves the right to modify the information in this Policy at any time but does not undertake any obligation to update this information as additional data becomes available.*

*Descriptions of the ESG initiatives in this Policy related to Lyme are not guarantees or promises that all or any such initiatives will be successful or achieve their stated goals or objectives. Statements about ESG initiatives or practices do not apply in every instance and depend on factors including, but not limited to, the relevance or implementation status of an ESG initiative to a specific context; the nature and/or extent of investment in, ownership of or, control or influence exercised by Lyme with respect to an investment; and other factors as determined by Lyme on a case-by-case basis. While Lyme believes that its investment and management strategies, including ESG initiatives, can generate attractive investment returns, Lyme makes no representations as to the level of incremental returns, if any, attributable to its ESG initiatives.*